

STATISTICS ON SCHEDULED BANKS IN PAKISTAN

December 2019



STATE BANK OF PAKISTAN

STATISTICS AND DATA WAREHOUSE DEPARTMENT

www.sbp.org.pk

A decorative scroll graphic with a light gray background and a black border. The scroll is unrolled on the left and right sides, with the top and bottom edges curved. The text is centered within the scroll.

Our Mission

To promote monetary and financial stability and foster a sound and dynamic financial system, so as to achieve sustained and equitable economic growth and prosperity in Pakistan.

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Our Vision

To be an independent and credible central bank that achieves monetary and financial stability and inclusive financial sector development for the long-term benefit of the people of Pakistan.

Preface

Statistics and DWH Department (SDWHD) of the State Bank of Pakistan makes all out efforts to publish quality statistics with minimum possible time lag. The publication “Statistics on Scheduled Banks in Pakistan” is a reflection of one such effort in this regard. The publication has significant importance, and provides information on multiple aspects of the financial sector which is widely used by analysts/researchers working in various disciplines. Recently, SDWHD made efforts to enhance coverage of this publication and worked on collecting these data for Microfinance Banks and Development Finance Institutions as well.

This publication is based on the half-yearly (HY) branch wise data reported by the scheduled banks/MFBs/DFIs operating in Pakistan. The data is collected on various dimensions of banks/MFBs/DFIs’ assets and liabilities i.e. deposits, advances, investments and bills purchased & discounted etc.

SDWHD has been working on revamping the HY data reporting system and designed new reporting formats to introduce more dimensions and International Standard Industrial Classification (ISIC) Revision 4.0 for sectoral classification of advances and deposits. Similarly, other variables have also been added like type of borrower (small/medium/other than SME) and currency.

SDWHD collected data on new reporting formats and dimensions from Jun-19 onwards. So in this publication, data of Jun-19 and Dec-19 are presented. Following introduction of new dimensions of reporting institutions’ assets and liabilities, as discussed above, most of the data for Jun-19 stand “revised” when compared with the figures presented in the previous edition of this publication released in October 2019.

This publication is divided into different parts and each part possesses its own significance. The coverage, quality and reliability of data has been improved significantly over the years. I appreciate the efforts of the team in compiling this valuable publication. Comments and suggestions for further improvements in the publication are welcome.

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Director
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Acknowledgement

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I. Introduction

Background

Banking sector plays a pivotal role in the economic development of a country. State Bank being a central bank and regulator of the banking system compiles and disseminates statistics on the scheduled banks operating in Pakistan. Data on MFBs/DFIs has also been added to this publication.

Statistics and DWH Department of State Bank of Pakistan compiles and disseminates data through different publications. Keeping up the pace with the increased use of IT, the data is also placed on the State Bank's website (www.sbp.org.pk) for easy access by the users. This publication is based on the revised reporting system effective from June 2019. Previously it was based on the reporting format introduced in June 1982 which was based on quarterly reporting of the banks but was subsequently changed to biannual from December 1992. Collection of data from MFBs/DFIs started in 2018.

Standards and Classifications

Effective from December 2001, the category of deposit holders and advances classified by borrower for domestic constituents has been reclassified as Government, Non-Financial Public Sector Enterprises (NFPSEs), Non-Bank Financial Companies (NBFCs), Private Sector (Business), Trust Funds & Non-Profit Institutions (NPIs), Personal, and Others.

Major changes are carried out in the classification of banking sector attributes. The classification of economic groups under private sector has been enhanced in the light of International Standard Industrial Classification (ISIC)-Rev.4.0 of the United Nation's Statistics Division. This ISIC 4.0 classification was adopted from June-2019 onwards. Data from MFBs/DFIs are collected on the same standards and definitions.

Composition of Banking Groups

This publication is based on data of all scheduled banks operating in Pakistan which are classified into three main groups namely public sector banks, domestic private banks and foreign banks. Public sector banks are further divided into public sector commercial banks and specialized banks. Data on MFBs and DFIs is added in a separate chapter.

Scheduled Banks

In terms of Section 13 of Companies Ordinance 1962, the scheduled banks maintain minimum required capital and reserve balance which is determined by SBP from time to time. Currently as per BSD circular No. 7 of 2009 an aggregate value not less than Rs. 10 billion by December 31, 2013 & onwards and conducting their affairs in a manner not detrimental to the interest of their depositors have been declared as scheduled banks.

As per State Bank of Pakistan Act, 1956 (clause (a) of Sub-Section (2) of Section 37) “scheduled bank” is defined as:

37-2. The Bank shall, by notification, in the official Gazette—

(a) Declare any bank to be scheduled bank which is carrying on the business of banking in Pakistan and which—

(i) is a banking company as defined in section 227F of the Companies Act, 1913, or a co-operative bank, or a corporation or a company incorporated by or established under any law in force in any place in or outside Pakistan;

(ii) has a paid-up capital and reserves of an aggregate value of not less than five hundred thousand rupees: Provided that in the case of a co-operative bank, an exception may be made by the Bank;

(iii) satisfies the Bank that its affairs are not being conducted in a manner detrimental to the interest of its depositors;

(b) direct the descheduling of any scheduled bank which ceases to fulfill the requirements mentioned in clause (a) or goes into liquidation or otherwise wholly or partly ceases to carry on banking business; Provided that the Bank may, on application of the scheduled bank concerned and subject to such conditions, if any, as it may impose, defer the making of a direction under clause (b) for such period as the Bank considers reasonable to give the scheduled bank an opportunity of fulfilling the requirements mentioned in sub-clauses (ii) and (iii) of clause (a);

(c) alter the description in the list of scheduled banks whenever any scheduled bank changes its name.

Explanation:- In sub-Section (2) the expression “value” means the real or exchangeable and not the nominal value of the capital and reserves and the valuation made by the Bank shall be final.

Public Sector Banks

The banks incorporated in Pakistan and their shares & capital controlled by the Government units is referred to Public sector banks (Appendix III(a)).

Commercial Banks

These are the scheduled banks mainly involved in the activities of deposits mobilization and extending credit through a branch network. These banks deal in short term collateralized lending such as trade financing, overdraft and provide a range of financial services to the clients. With the liberalization of banking rules and laws, commercial banks are now allowed to undertake other related activities such as underwriting, portfolio investment, securities market operations, specialized financing and related services.

Specialized Banks

Specialized banks are established to provide credit facilities, assistance and advice to clients in a designated sector or in a designated line of credit; for example agriculture sector, industrial sector, housing sector, SME sector. These institutions perform lending function, but may not engage in routine commercial banking activities. These are established, organized, and chartered under special legislative acts instead of being chartered as a bank under the banking law.

Domestic Private Banks

The banks incorporated in Pakistan and controlled by the private sector are termed as domestic private banks.

Foreign Banks

Bank branches with head offices outside Pakistan are called foreign banks.

Islamic Banking

For the promotion of Islamic Banking in Pakistan, SBP issued policies/guidelines as per BPD circular No.1 of January 2003. Wherein a three-pronged strategy was adopted as under:

- a) Establishment of full-fledged Islamic Bank(s) in the private sector.
- b) Setting up subsidiaries for Islamic banking by existing commercial banks.
- c) Allowing Stand-alone branches for Islamic banking in the existing commercial banks.

All Islamic banks, subsidiaries and stand-alone branches offer Sharia compliant products and services only.

“Sharia compliant products and services” means banking products and services offered by banks to their clients which are duly approved by their Sharia Board.

Microfinance Banks and Development Finance Institutions

Microfinance banks are banking companies which specialize in micro-lending to individuals and small businesses. They are specifically licensed by State Bank of Pakistan for this purpose.

Development finance institutions are financial auxiliaries which specialize in lending to project based financing for development purposes. State Bank of Pakistan licenses these institutions as well.

Scope of the Publication

This publication contains statistical tables prepared from the data supplied on half-yearly basis mainly by the scheduled banks in Pakistan. A chapter on the data of MFBs/DFIs is also presented which contains various tables of advances, deposits, etc. pertaining to these banks/institutions.

This introduction is followed by some explanatory notes.

Then we present data tables on scheduled banks and MFBs/DFIs. In the end, various appendices are presented.

II. Explanatory Notes

The scheduled banks/MFBs/DFIs statistics are based on branch-wise actual data (as on end position) reported on half-yearly basis by the scheduled banks/MFB/DFIs in Pakistan. The data are collected on various dimensions of major sources (deposits) and uses (advances, investments and bills purchased & discounted) of banks/MFBs/DFIs funds along with liabilities and assets statement. The data dimensions and terminology that need some explanation is discussed for information of the users.

Liabilities and Assets

The items of Capital and Reserves on the liability side pertain to the principal or head office of the bank.

Capital comprises paid-up capital of Pakistani Bank/MFBs/DFIs. In case of Foreign Banks, it is the equivalent Pakistani rupee amount kept with the State Bank of Pakistan as reserve capital required to be maintained under the existing rules.

Reserves include all types of reserves maintained by the scheduled banks/MFBs/DFIs.

Balances with other Scheduled Banks: This includes the balances of all Scheduled Banks/MFBs/DFIs with any other bank. On the other hand, it excludes the balances of different banks with National Bank of Pakistan, working as an agent of State Bank of Pakistan. These are included in ‘Balances with State Bank of Pakistan’.

As per established accounting procedure, the reporting branches of Scheduled Banks/MFBs/DFIs adjust certain entries with their Principal/Head (inter-bank) offices to balance their positions. The gross amounts of credits and debits of these adjustments tend to be large compared with other heads of accounts. These adjustments of ‘Head office / inter-banks are netted out to consolidate bank-wise position that have been added to arrive at overall position.

It is important to mention that the data on liabilities and assets in this publication may differ slightly from the data in Weekly Press Communiqué of Off-site Supervision & Enforcement Department of SBP due to difference in timing and coverage of the two sets of data. Similarly, data on other items like advances, deposits and assets & liabilities differs from the data of Financial Stability Review of Financial Stability Department as well due to same reasons of difference in timing and coverage.

Deposits

Outstanding Deposits: This shows the position of deposits held by banks at the end of the period (30th June or 31st December). Deposits are the amount held in various types of deposit accounts by bank, such as demand deposits, time and saving deposits. Deposits include all types of deposits excluding interbank deposits, placements and margin deposits (deposits held by banks as collateral against letters of credits, letters of guarantees).

The data on Deposits collected and compiled on various dimensions are explained as under:

Types of Accounts: Deposits accounts are classified under five main types namely current, call, saving, fixed and other deposits.

Category of Deposit Holders: This describes the main business or profession of the deposit account holders. They are broadly classified as non-resident and domestic constituents, which is cascaded down to Government, Non- financial public sector enterprises (NFPSEs), Non-bank financial Companies (NBFCs), Private sector (Business), Trust Fund and Non-Profit Institutions, Personal and Others. The Private sector has been further distributed in sub-heads such as Agriculture, Fishing, Mining & Quarrying, Manufacturing, Ship breaking, Electricity and Construction according to the ISIC classification of United Nations. This ISIC classification has been revamped and now ISIC 4.0 is being used for classification of economic activities in the group “Private Sector”.

Size of Deposits Accounts: The deposits accounts are classified under various classes on the basis of the balances in the respective accounts. As the number of accounts is considerably large, for reporting ease, the banks have option to club the accounts and amounts in cases where the “Branch Code”, “Nature”, “Type of Accounts”, “Category of Deposit Holders” and “Currency”, “Rate of Interest/Return” is the same. For such grouped accounts it is the average size of the group instead of actual size of the component that determines the class to which it belongs. It is believed that the estimates would not differ significantly from the actual position.

Debits to Deposit and Turnover: The deposits are reported on net basis at the end of half-year. The debits on these accounts help in analyzing the turnover in the respective accounts during the period. The co-efficient of turnover are calculated by dividing the debits with the averages amounts on deposits as reported by the banks.

Advances

Outstanding Advances: The total amount of advances/loans recoverable at the end of the period (30th June or 31st December), are termed as outstanding. Advances includes all type of advances except interbank placements and is the amount of money borrowed from banks for a period of time at a rate of interest and at terms of repayments as agreed between the borrower and the banks.

The main attributes of advances are as under:

Type of Securities: In banking business, the security, or collateral, consists of assets, property, deposits or valuables held as guarantee against a credit or a loan. Type of security helps in the analysis of the quality of advances of the banking system. A list of classification of securities has been prepared as per international classification that can be seen under the tables of advances classified by securities in the statistical tables. Some enhancements were made to this list in December 2019 in the heading of “Fixed Assets/Machinery”.

Category of Borrowers: Borrowers are first classified on the basis of non-resident and domestic constituents. The latter is then further classified into government, non- financial public sector enterprises, non- bank financial companies, private sector (business), trust funds & non-profit institutions, personal and others. As with deposits, the group “Private Sector (Business)” has been further classified into various subgroups based on ISIC 4.0.

Non-Resident: This covers the transactions with the non-residents working in our economy. This includes Officials (embassies, consulates, foreign missions), Business (corporations working in Pakistan for short periods such as construction companies) and Individuals (students, travelers).

Government: This includes the advances of Federal Government, Provincial & Local Governments. Further, disbursements to Government (Federal, Provincial & Local) are made by bank branches located in various regions/provinces.

NFPSEs (Non-Financial Public Sector Enterprises): These are the non-financial resident corporations which are controlled by government, through ownership of more than half the voting shares, legislation, decree, or regulations that establish specific corporate policy or allow the government to appoint the directors.

NBFCs (Nonbank Financial Companies) & Financial Auxiliaries: Non-banking financial companies, or NBFCs, are financial institutions that provide banking services, but do not hold a banking license while Financial Auxiliaries are all resident corporations and quasi corporations primarily engaged in activities closely related to financial intermediation but which

do not themselves perform an intermediation role. NBFCs & Financial Auxiliaries are categorized into groups of development finance institutions, leasing companies, investment banks, modaraba companies, housing finance companies, mutual funds, venture capital companies, discount houses, stock exchange, exchange companies and insurance companies etc.

Private Sector (Business): This is that part of the economy which is run for private business profit and is not owned by the state. This includes the majors sectors like Agriculture, Manufacturing etc.

Trust Fund: This includes the Private Trusts and Non-profit Institutions and Non-government Organizations (NGOs)/Community Based Organizations (CBOs).

Personal: This includes bank employees and consumers who are classified under advances, while in case of deposits, Salaried Persons, Self-employed and Other Persons (house-wives, students etc.) are included.

Others: This includes all those which are not classified elsewhere.

Rate of Interest/Return: This is the cost of using borrowed money expressed as a rate, or a %age of the principal amount for a period of time usually a year

Size of Accounts for Advances: The classification and system for size of accounts for advances is identical to the size of accounts for deposit as explained above with the addition of some more classification variables like “Margin”, “Type of Borrower (S/M/SME)”, “Employee Size”, “Interest Rate”, “Type of Security”, and “Category of Financing”.

Rate of Margin: Margin for collateral is the excess of the market/assessed value of the collateral over the amount of loan. Banks typically prefer to provide loan amount less than the assessed value of collateral, because in the event of default, there are costs in loan recovery and losses with forced sale of collateral; hence a margin of collateral is maintained.

Bills Purchased & Discounted

Classification of Bills Purchased and Discounted provides the economic group wise claims of scheduled banks. Type of bills includes Import Bills, Inland Bills, and Foreign Bills. Sectoral classification of bill issuers is now based on ISIC 4.0.

Investments

The banks report their investments in domestic and foreign securities/shares with details of holdings of each type of securities/shares and classify them as free or encumbered according

to disposability. The holdings are classified by issuing institutions of securities/shares such as Federal and Provincial Governments' securities, foreign securities and other securities/shares (including shares, debentures, NIT units, participation term certificates, Sukuk, term finance certificate, certificate of investment, mutual fund and modaraba certificates, shares of other public and private sector enterprises). The purchase price (book value), original value (face value) and market value (in case of tradable securities/shares) are reported for each investment. From June, 2019 onwards, some Islamic Investments products have also been added in the field "Type of Security".

Regional Data

The regional/province wise data on Advances & Deposits by Borrowers/Categories is disseminated due to the increasing demand from the users. Regional distribution of data on "Outstanding Advances" is based on disbursements by the bank branches located in the respective regions. Place of actual utilization for these advances may be different from the place of disbursements. The regional position therefore may not reflect the true picture since offices of large companies/firms operating in different regions might have used banking facilities located in different regions. Therefore, there comes a huge responsibility on the part of users to keep these limitations of data in mind while drawing any conclusion on the basis of these data.