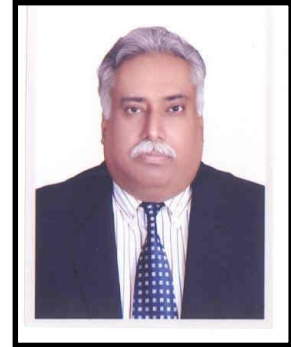


## Managing Director's Message

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It gives me immense pleasure to present the Annual Performance Review of the SBP Banking Services Corporation (Bank) for the 2009-10 Fiscal Year. This report provides an assessment of the BSC's performance, policy initiatives taken and achievements made during the year. During FY10, BSC's management made efforts to further refine its operational procedures for accomplishing different responsibilities assigned to it by the State Bank of Pakistan.



Last year was crucial in terms of human resource management. BSC adopted a multi-pronged strategy for identifying different avenues to bridge skill gap in its human resources. The emphasis remained on introducing, implementing and strengthening the progressive HR policies to improve service delivery standards. Efforts were also reinforced to identify officers in all cadres to develop a pool of professionals who can play a key role in strengthening the ongoing efforts of the management for the success of the organizational development (OD) and change management process. I am pleased to share that the (OD)/ change management exercise initiated in 2008 has started yielding desired results as is evident from increasingly better handling of issues like capacity building and skill enhancement of employees, business orientation of organization, cultural changes and improvement in infrastructure. To improve skill mix and bridge competency gap created during yester years, restricting the BSC to deliver effective and prompt services to its stakeholders, the board of BSC has approved the proposal of the management for introduction of a comprehensive and well designed management trainee scheme titled 'Young Professional Induction Program' (YPIP) for hiring talented graduates at OG-2 level. The first batch of 59 incumbents has completed training at NIBAF Islamabad and will undertake attachment program at HOK soon. The board has also allowed the management to recruit experienced staff from the market at OG-3 level to reduce the existing short to medium term skill gap at middle management level. Another development in the area of HR is hiring of 24 cash officers (on contract) for D.I Khan and Muzaffarabad offices to resolve the issue of shortage of personnel at these offices earlier met through transfer from different offices, which was proving costly.

Going forward, a number of initiatives are planned to make BSC more market oriented, professional and dynamic organization through a) strengthening of Performance Management System (PMS); b) establishment of Strategic Planning Group; c) attachment program for Business Graduates (to meet skill gap without long term employment contract); d) establishment of brand identity of BSC as a prospective employer and f) holding of strategic management conference.

Approval of the board of directors for new compensation budget was also another major achievement of the management. The new compensation package is likely to boost the motivation of the employees besides helping the management in enhancing the performance standards.

Managing the good quality of currency notes in circulation is a challenging task in a cash-based economy like Pakistan. SBP BSC remained actively engaged in ensuring uninterrupted availability of good quality currency notes and coins to the stakeholders across Pakistan through its field offices. The responsibilities of BSC in this regards, have increased manifold since the currency in circulation rapidly increased from Rs.449 billion in January 2002 to Rs.1.377 trillion as on 30<sup>th</sup> June 2010. During FY10, implementation of Clean Note Policy (CNP) continued through rigorous monitoring of commercial banks to improve quality of currency notes in circulation. The BSC also arranged the distribution of commemorative coin of Rs.10 issued by State Bank of Pakistan as per decision of Federal Government, to express solidarity and unity with the People's Republic of China on its 60<sup>th</sup> Anniversary.

For the effective and smooth functioning of currency management operations, instructions relating to a) cash management and on-site examination of the commercial banks, b) NBP Chest Examination, c) distribution and issuance of fresh notes on the occasions of Eids, d) sorting charges of banknotes deposited by banks have been reviewed during FY10. The BSC also continued its efforts to address the root causes of counterfeiting with the collaboration of concerned departments of Federal and Provincial Governments.

In FY10, BSC also continued to improve its service standards and ensured provision of good quality banking services to financial institutions, federal, provincial & district governments and also to other stakeholders. During the year, around 5.79 million transactions pertaining to government's receipts/ payments were processed by BSC offices. In monetary terms it amounted to Rs.4.1 billion of receipts and Rs.3.9 billion of payments. Similarly, BSC offices collected Zakat of around Rs.4.82 billions in FY10.

During FY10, BSC continued its focus on the use of technology in processing various transactions to improve its operational efficiency. I am pleased to report that Collection Automation Project (CAP) of FBR is successfully operational in all branches of SBP BSC for collection of Federal Taxes by issuing of computerized payment receipt (CPR). Similarly, expansion of the CAP II system at different offices of SBP BSC is in progress. The BSC is also providing support to SBP and FBR for successful implementation of Electronic Payment and Refund System (EPARS). All the tasks assigned to the BSC for this purpose have been completed well in time and it is hoped that EPARS would soon be successfully launched by FBR.

As we all are aware, BSC is also involved in sale/ encashment and holding draws of prize bonds of different denominations on behalf of CDNS. During FY10, 24 draws were held on periodic basis, at different BSC offices as per draw schedule announced by CDNS. In FY10, the aggregate sale and encashment of national prize bonds stood at Rs.129 billion as against Rs.91 billion in FY09. The total value of the prize bonds held by the investors as on 30<sup>th</sup> June, 2010 was Rs.235 billion as compared to Rs.197 billion as on 30<sup>th</sup> June, 2009. During FY10 the BSC field offices paid prize money of Rs.19 billion under National Prize Bonds Scheme as compared to prize money of Rs.14 billion paid during FY09, showing an increase of 34%. Other schemes of CDNS were also successfully implemented by all BSC offices.

Being the central bank of a developing country, the State Bank of Pakistan has been playing an important role in promoting development finance besides its other core responsibilities. To augment SBP's development finance policies for improving financial outreach and

literacy, BSC through its field offices continued arranging Focus Group Meetings, conducting Seminars and holding Melas for dissemination of the information to various stakeholders in FY10. The Development Finance Support Department of BSC at its head office and Development Finance Support Units at its field offices interacted with various stakeholders to get the feedback on different development finance policy initiatives of SBP. During FY10, efforts have also been made to improve financial awareness and to enhance the collection of feedback from stakeholders through the meetings of Focus Groups on SME, Agriculture and Microfinance. Accordingly 65 Focus Group meetings were arranged out of which 26 were on Agri-finance, 22 on SME finance, 13 on Microfinance and remaining on miscellaneous issues. In addition, Focus Group on Islamic banking at 13 field offices has also been constituted to promote Islamic banking in their respective areas. Besides, 206 events including awareness/ training programs, seminars/ workshops, onsite visits/ meetings etc; were also organized for creating awareness among the general public especially farmers and micro/ small entrepreneurs about policies of SBP concerning development finance.

The SBP BSC during FY10 also provided field assistance and support to various SBP departments in managing successful holding of various training programs in the areas of, a) agriculture credit b) microfinance c) SME finance and d) Islamic banking. The BSC's field offices also provided significant support in the implementations of pilot project of One Window Operations (OWO) Phase III on Agri-financing with the guidance and coordination of Agriculture Credit Department of SBP.

The SBP BSC has conducted capacity building training programs for commercial bankers to equip them with better understanding of main issues prevailing in development finance sector. In FY10, more than 1,000 commercial bankers were trained in the area of SME, Agriculture, Microfinance and Islamic banking through these programs by different offices of BSC.

Another achievement of the BSC was the implementation of Microfinance Credit Guarantee Facility. The SBP introduced this facility to incentivize banks/development finance institutions to provide financing to Microfinance banks/ Microfinance Institutions enabling them to lend to poor and low income borrowers. During FY10, the BSC issued the first guarantee to a syndicate of banks for their lending to a major Microfinance Provider.

In FY10, DFSD also helped in conducting surveys in the areas of a) socio economic condition of Gujranwala region b) power loom sector, c) cotton belt areas, and d) fisheries. Similar studies in respect of fans and auto parts manufacturing industries are also in process.

### Going Forward

As mentioned earlier, a Strategic Planning Group (SPG) has been constituted not only to involve the officers of various cadres in the development of future strategy of the BSC, but to ensure that every one takes ownership of the strategy so developed. The SPG will undertake a spade work to develop the future strategic road map of the BSC to facilitate development of five year strategy. For the purpose the group has already started reviewing the policies and structure of the organization in the light of Organizational Development (OD) consultant's report.

The management is also striving to enhance use of available technology base through review of various processes. The BSC also aims in enhanced and focused use of technology in imparting training to its large workforce posted at sixteen offices in fifteen cities across Pakistan.

Last but not the least; I am grateful to all Directors, Chief Managers, officers and staff of BSC for their valuable contribution in improving the performance of BSC on various fronts besides providing adequate help and input, for preparation of this review.

QASIM NAWAZ  
Managing Director  
SBP BSC (Bank)