

Chapter # 8

Prominent Role of Local Credit Advisory Committees.....

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- Problems / Grievances of Stakeholders
- Measures Taken to Resolve the Issues

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PROMINENT ROLE OF LOCAL CREDIT ADVISORY COMMITTEES

8.1 Overview

Local Credit Advisory Committee (LCAC) set up in June 2000 is a forum where the stakeholders can raise and discuss their genuine problems and seek help at local level. Chief Manager of BSC offices play proactive role in addressing their problems. This forum also provides feedback on various credit policies to the higher management of BSC. Since their inception, the Local Credit Advisory Committees have actively been working at field offices and playing key role in solving the credit related and other allied problems of stakeholders at their doorsteps. However in matters involving decision, the cases are referred by the relevant LCAC to the concerned department of the State Bank of Pakistan for their candid response in the matter. The LCAC Cell of the Accounts Department has been playing an active role to coordinate in the matter and be a bridge between each LCAC and the concerned department of the SBP. During the year 2004-05, a total of 84 meetings of LCACs were held at all field offices of BSC as against 42 meetings held in 2003-04. In addition, the Chief Manager of all field offices also paid 38 visits to small mandi ¹towns adjoining areas which are normally ignored by the field functionaries of the commercial banks to enquire about the problems faced by the stakeholders using facilities from various commercial banks and BSC.

The problems identified and discussed in meetings of LCACs were mostly related to disbursement of credit facilities by the commercial banks. The stakeholders also raised issues and generic problems faced by them while availing services from commercial banks and other allied institutions. As a result of the deliberations made in the LCACs, feedback from the participants of such meetings as also active follow up by the LCAC Cell of the BSC, the concerned departments of the SBP took a number of steps to modify their policies to make them more users friendly.

8.2 Problems/Grievances of Stakeholders

The problems raised by the stakeholders during the LCAC meetings (major / minor) were generally resolved at the local level. However, problems relating to various policies were forwarded to the LCAC Cell for guidance /solution in consultation with policy departments of SBP (ie Agricultural Credit Department/Banking Policy Department/Exchange Policy Department/Banking Supervision Department/SME Department etc). The CAC Cell at Head Office disseminated the decisions thereof to the concerned offices as well as the SBP policy circulars (issued from time to time) and other material to all offices accordingly. Further, it was generally noted that majority of the identified /discussed problems were repeated in nature pertaining to Export Finance Scheme (EFS), agricultural credit, mark up, bank charges, behavior of bankers etc. The problems raised in the meetings of LCACs can be categorized as common / uncommon and agricultural credit related difficulties.

During the year a total of 158 different issues were raised in the meetings of LCACs out of these 75 issues were relating to general and common problems concerning banking sector. As these issues were primarily general in nature they were raised time and again in different meetings of LCAC at all field offices of BSC. Their further analysis revealed that most of them related to the requirements of the commercial banks concerning credit disbursement, mainly the excessive collaterals. The participants also raised issues concerning the decisions of banks to close or re-locate their branches. The

¹ Noshetro Feroz, Tando Adam, Digri, Larkana, Ubaro, Ghotki, Jaccobabad, Kambar, Mir Pur Mathelo, Shikarpur, Lodhran, Sadiqabad, Fort Abbas, Kabir Wala, Muzaffargarh, Mian Channu, Arif walla, Jhang, Jaranwala, Narowal, Gujar Khan, Balakot, Mansehra, Bakher, Darya Khan, Tank, Kalur Kot, Pishin, Dera Allah Yar & Wazirabad etc.

issues regarding relaxation in the requirements of prudential regulations were also discussed in these meetings.

Each LCAC has a sub-committee on agriculture sector which deliberates on the issues relating to it. During the year under review, a total of 6 meetings of this sub-committee were held at different field offices of BSC. The nature of the issues discussed in these meetings primarily related to the provision of funding facilities to this sector using the latest means of credit disbursement like credit cards etc. Apart from these issues concerning the modification in prudential regulations, financing facilities for livestock and dairy farming etc were also discussed. A total of 49 issues were raised and discussed in these meeting during the year under review.

The LCACs have also been used as a forum to pinpoint the problems / issues relating to different departments of the Government. The issues discussed in these meetings were relating to shortage of irrigation water, lack of coordination among different institutions, poor maintenance of water courses, low quality of seeds etc. The issues raised in LCAC meetings are given in annexure of the report.

8.3 Measures Taken to Resolve the Issues

In order to resolve the genuine problems of the stakeholders, certain measures have been taken by the policy departments of SBP. They have revamped the policies to redress their true problems as well as for betterment of the economy. As a sequel to the LCACs meetings and the recommendations made therein, different departments of SBP modified their policies concerning various issues to ensure their better usage. The major policy initiatives that were revisited by different departments of SBP includes; Prudential Regulations, Export Finance, Consumer Finance, Housing Finance, LMM Scheme, and Revolving Credit Scheme for Agriculture.

In addition to above measures, various seminars, workshops, conferences and specialized training on Export Finance, Agricultural Credit, SMEs were arranged through these Committees at a number of offices aiming to create awareness of SBP credit schemes among the stakeholders (specially among the rural community regarding availability of agricultural loans) and obtain feed back from them. Agricultural Credit Department of SBP with the support and active participation of Chief Managers of BSC field offices arranged seminars / workshops at the following places with the main objective to disseminate more information about various credit schemes to general public /stakeholders and also ensure the availability of credit at grass root level.

Table 8.3.1 Details of Seminar/Workshop Arranged by the Chief Managers at Various Locations			
S #	Venue of Seminars / Workshop	S #	Venue of Seminars / Workshop
1	Abbotabad	6	Mir Pur Khas.
2	D.G.Khan	7	Naseerabad
3	Kasur	8	Sahiwal
4	Larkana	9	Sargodha
5	Mardan		

Table 8.3.2 Brief Descriptions of Conference / Seminars on SMEs Arranged by the Chief Managers at Various Locations		
S#	Topic of Conference/ Seminars etc	Venue & Brief Descriptions
1	Financing to SME in Golden Triangle of Sialkot, Gujranwala and Gujrat	The seminar was arranged by BSC Sialkot Office at Sialkot. Representatives of trade bodies, exporters and bankers from Sialkot, Gujranwala and Gujrat attended the seminar.
2	Seminar on SME issue policy and operation	Arranged at Hyderabad
3	Road show under the SME identification and awareness programme at Alipur Chattha, Gujranwala.	Arranged by SBP BSC Gujranwala at Alipur Chatta on 30-9-2004 which was inaugurated by the Managing Director BSC. The main objective of show was to identify the credit needs of farmers for boosting agro-based industry and especially to finance fishery sector.
4	Visit of Farm Houses at Vehari	Arranged by Multan Office.

The Managing Director BSC is taking keen interest in boosting the activities of LCACs in order to solve the credit related problems for the overall betterment of the economy. Managing Director is actively involved in the process and provides guidance from time to time and also chairs meetings / inaugurates the seminars and workshops on agricultural credit and SMEs. Managing Director and other high ups also visited various model farms details of which are as follows:-

Table 8.3.3 Details of Visits of Managing Director of BSC during FY05	
S#	Venue & Brief Descriptions
1.	Visited Kundi Model Farm at D.I.Khan and met with representatives of agriculture sector.
2.	Visited a model of a progressive farmer (Mumtaz Ahmed Mania) at Tibba Sultan Pure, at which modern techniques are being used and more than expected results are achieved both in the agriculture and dairy farming.
3.	Managing Director also chaired the meeting of local bankers at Hyderabad and discussed the issue relating to currency management, LCAC and Islamic banking.
4.	Met with representatives of Dera chambers of commerce at D.I. Khan and discussed the issues pertaining to credit.
5.	Inaugurated specialized training course on Agriculture Credit at Mardan.
6.	Attended the presentation on strategic planning and SMEs at Faisalabad on 5-4-2005.

- Director Account BSC briefed on SBP credit policies as well as on economy as a whole in the meeting of LCAC at Multan.

Chief Manager BSC Muzaffarabad in collaboration with the concerned department of State Bank put extra efforts in amicable settlement of the long outstanding issue of double taxation on Pakistani banks working in AJK through the platform of LCAC. As a result of these efforts the Income Tax Department of AJK reduced its tax rate on bank deposits from 13.5 percent to 8.5 percent.