

## ***Executive Summary***

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The SBP Banking Services Corporation (BSC) since its creation in January 2002 has been engaged in improving and strengthening its institutional capacity, service delivery mechanism and quality of output by adopting best practices and latest technology. During the year under review, it continued to focus on improving its institutional capacity to bring it at par with enhanced expectations of its stakeholders about its role and functions. Towards this end the BSC has taken various steps to transform itself into an efficient and quality service organization. Some of the key initiatives taken in this behalf and the performance of key result areas are given in the following paragraphs.

### ***Improvement in Currency Management System***

Ensuring adequate supply of clean and quality currency notes and reducing public complaints about limited availability of clean / fresh currency notes remained one of the key focus areas of BSC during the year. A full fledged Currency Management Department (CMD) has recently been established to exclusively focus on improving and implementing the above strategy. BSC has adopted a multi-pronged strategy to manage the currency operations including (a) enhanced supply of clean / fresh currency notes, (b) timely withdrawal of soiled notes from the market, (c) issuance of new design banknotes of Rs.100, Rs.500 and Rs.1000 denominations with advanced security features, (d) special awareness and information dissemination programs for enhancing awareness of general public, officials of commercial banks and law enforcement agencies about the clean note policy and security features of currency notes for combating banknotes counterfeiting, (e) improvement in inventory management and (f) mechanization of currency management operations. The strategy has worked well as public complaints on currency issues have substantially reduced during the year.

### ***Strengthening Payment and Settlement System***

Facilitating SBP in ensuring smooth functioning of payment and settlement system is another core function assigned to BSC. While NIFT provides automated clearing facility to commercial banks across the country, BSC field offices settle the banks' accounts based on the net position provided by NIFT. In August 2007, the settlement services were centralized in SBP (BSC) Karachi that enabled the banks to have country wide net position available at one point and thus substantially enhanced the efficiency and speed of the settlement process. The dependency on manually operated clearing houses also declined significantly as only 153,251 transactions were settled manually during the year as compared to 66,347,664 transactions settled through automated clearing services. The NIFT has also been given the target of reducing the settlement time to 2 days from existing 3 days during FY08. Also the BSC remained actively involved in development and installation phase of PRISM (Pakistan Real Time Interbank Settlement Mechanism) the system for gross settlement of transactions.

### ***Strengthening Local Credit Advisory Committees (LCACs)***

The Local Credit Advisory Committees (LCACs) were constituted in the field offices of BSC in the year 2000 for providing a forum to business community, agriculturists and bankers to discuss and resolve banking / credit related issues. During FY07, 52 meetings of LCAC / sub-committees were held and the Chief Managers visited 55 small towns / places in their area to apprise the stakeholders, particularly the farming community and SMEs about SBP policies for increasing the outreach of financial services in un-banked / under-banked areas. The LCAC meetings though held regularly in BSC field offices, its productivity and utility needs to be enhanced substantially to make it a useful forum for dissemination of SBP development finance policies and impact thereof on outreach of financial services in the country. Keeping this in view the LCAC function has been entrusted to newly created Development Finance Support Department (DFSD) with the mandate to transform it into an effective forum for stakeholders' consultation at grassroots level for increasing the flow of financial services in un-banked / under-banked areas.

### ***Implementation of Export Refinance and R&DS Schemes***

The BSC also facilitates SBP in implementation of Export Finance Schemes (EFS) and Long Term Financing – Export Oriented Projects (LTF-EOP). During FY07, it processed 29,283 cases for grant of refinance besides 622 cases processed under Islamic Export Refinance Scheme and 1,105 cases under LTF-EOP. It also completed verification of 16,323 EFS cases handled by 258 branches of 32 commercial banks and recovered Rs.7.7 million as fine on account of violation of the Export Finance Scheme. Similarly, the Research & Development Support (R&DS) scheme introduced in 2005 is being implemented through the BSC field offices. At the end of current year, 183,771 cases under the scheme were processed and an amount of Rs.19.8 billion was disbursed to the exporters.

### ***Restructuring and Reorganization of existing Functions of BSC***

The enhanced expectations about the role and functions of BSC could not be met without substantially improving its institutional capacity. A number of initiatives were taken during the year for enhancing the institutional capacity including business process reengineering, restructuring and reorganization of different departments and operational units, improvements in technological and physical infrastructure, revamping of training and development function, initiation of change management process etc. The business process reengineering is aimed at simplifying the procedures, removing redundancies and improving turnaround time particularly at the BSC field offices. Similarly, restructuring and reorganization of different departments of BSC Head office has been completed to streamline functions and enhance focus on areas like development finance, currency management and training and development.

### ***Information Technology Up-gradation***

The automation of Banking transactions' module of BSC field offices and its real time linkage with BSC HOK was completed successfully during the year which has enabled the BSC field offices to capture banking and currency operations' transactions on real time basis and obtain system generated reports on daily basis for submission to BSC HOK. It also enabled the BSC to extract daily financial statements, balance sheet and profit and loss account as well as the consolidated weekly statement of affairs from the system. Using the on-line network, the BSC field offices have also started reporting daily updates on tax collection to Federal Board of Revenue. As a next step towards full automation of BSC operations, the Oracle Budget, Oracle Cash Management (Auto Inter-company Solution) and Auto Reconciliation of Globus transactions will be installed during FY08.

### ***Physical Infrastructure Development***

Like the technological infrastructure, substantial improvement in physical infrastructure and working environment was achieved during the year as a number of projects initiated were completed including remodeling, renovation, reconstruction, refurbishing of some of the floors, replacement of outdated equipments, construction of gymnasium and installation of CCTV at BSC HOK and its field offices. Several measures have also been initiated to modernize and strengthen the security system at all premises of SBP and SBP (BSC) including installation of the latest and state of the art security equipments and training of the security officials.

### ***Capacity Building of Employees***

The training and development was another key area of focus during the year to bring the skills-set and competencies of BSC workforce at par with the requirements of modified processes and enhanced functional areas. The training and development programs being offered by NIBAF and other reputable institutes in the country relevant to our requirements were identified and a total of 1,090 officers were sent to attend these programs including 60 officers who attended programs offered by institutes other than NIBAF. Further, an independent Training & Development Department has been established to exclusively focus on training and development needs of BSC. The department is in the process of preparing a comprehensive strategy to cater to the capacity building and skills enhancement needs of BSC in short, medium and long term.

### ***Introduction of Business Planning***

The initiation of business planning and budgeting process during the year was another key milestone achieved. The process was initiated with the training programs for all heads of departments (HODs) and Chief Managers (CMs) of the offices to build and

enhance their understanding about the process and its objectives. The HODs / CMs thus prepared their business plans for FY08, which formed the basis for a consolidated business plan of BSC as a whole for FY08. The plans will be instrumental in documenting as well as objectively assessing the performance of different departments and field offices besides inculcating strategic thinking and planning and budgeting culture across BSC. It would help BSC management to monitor progress towards the strategic goals besides allowing review and improve performance evaluation system.