

# 7 Institutional Strengthening

## 7.1 Human Resource Developments

A well designed human resource management and development framework is central to an organization's performance. A robust and futuristic HR framework can only survive if the HR function is institutionalized with a long term vision.

### 7.1.1 HR Profile

Grade-wise comparison of headcount for FY14 and FY15 is given in Table 7.1. The change in grade-wise composition of the working strength has taken place mainly due to promotions. The overall working strength of SBP has slightly declined, which was mainly due to retirement/early retirement of employees (2.8 percent). The representation of women in the Bank remained unchanged, i.e., 10 percent of total working strength.

Grade	End-FY14	End-FY15
OG-8	12	12
OG-7	39	41
OG-6	26	51
OG-5	85	99
OG-4	192	249
OG-3	387	323
OG-2	343	282
OG-1	99	103
Support Staff	125	113
Contractual Employees	4	2
<b>Total</b>	<b>1312</b>	<b>1275</b>

### 7.1.2 Employee Turnover

Employee attrition rate in FY15 stood at 4.43 percent, with a total of 19 involuntary and 40 voluntary separations during the year. The voluntary separations are mostly due to early retirement incentives given by the Bank. Gender-wise breakup shows that 81 percent male and 19 percent female employees left the Bank; among the male the ratio of involuntary to voluntary separations was 35:65 whereas 82 percent females left the Bank voluntarily.

### 7.1.3 Recruitment

In line with the traditional HR strategy of SBP, major recruitment was done at the officer's entry level, OG-2 position. To fulfill the HR gap, induction of fresh graduates from HEC recognized universities was completed through the State Bank Officers Training Scheme (SBOTs) Batch -19. Apart from entry level, professional/experienced individuals were also recruited in different areas where there was a dire skill gap.

### 7.1.4 Career Development

Bank-wide promotion process was initiated under the career development policy. It was assigned a top priority to raise the overall morale of employees, who were stagnant in their positions for a long time. Accordingly, the process of promotion for 174 positions was initiated during the year in various grades.

### 7.1.5 Training and Development

To gauge training needs of the organization, the Bank wide TNA (Training Need Assessment) was undertaken as done annually. A total of 225 employees participated in 34 in-house /

Organization/ Institute	Participants
International Monetary Fund	54
Boulder Institute of Microfinance	4
European Central Bank	3
Asian Development Bank	3
Deutsche Bundesbank	10
SEACEN	6
Others	75
<b>Total</b>	<b>155</b>

institutional trainings. Similarly, 155 employees participated in foreign trainings at different institutions.

#### **7.1.6 Internship Program**

SBP offers internship opportunities to students across Pakistan. During FY15 a summer internship program was arranged for 160 students of HEC recognized universities.

#### **7.1.7 Major HR Initiatives**

##### ***Comprehensive Review of HR Policies***

A comprehensive review of major HR policies was carried out and after deliberations at various levels the Central Board of Directors in the meetings held on 2<sup>nd</sup> & 23<sup>rd</sup> May, 2015 approved the following HR Policies:

- Recruitment
- Training and development
- Higher Study
- Succession Planning
- Changes in PMS
- Communication
- Job rotation
- Code of Conduct
- Grievance handling
- Promotion
- Whistle Blowing

##### ***Introduction of HRBP Model***

For a successful and modern HR function to enable the organization achieve its overall objectives, it is important to see the value in greater collaboration between HR and all other departments to align strategic objectives towards a common goal. This process of alignment is known as HR business partnering where HR professionals along with shared services and centers of expertise work closely with line departments while carrying out all HR processes efficiently and effectively. To achieve the above objectives, Human Resource Department (HRD) has been re-structured on a three tiered model as detailed below:

- The first tier is composed of the HR Business partners (HRBPs) who coordinate directly with their assigned areas to understand the HR needs and requirements. This partnering with other departments will help to understand their needs and issues and address them proactively.
- The middle tier is responsible for processing all HR transactional and strategic areas including recruitment, promotion, training and development, etc.
- The third tier consists of the area responsible for development and interpretation of policies, and knowledge management framework.

#### **7.2 Risk Management**

SBP has considerably improved its internal control framework by developing code of ethics and conduct document that will enhance integrity and competence of staff working in the areas of assessment, quantification, monitoring and reporting of potential risks emanating from reserve management activities. Moreover, to deal with inherent complexity and rapidly evolving nature of credit, market and operational risk factors, SBP has extensively enhanced its risk identification,

monitoring, and reporting mechanism through the deployment of industry standard tools and technologies.

A robust Enterprise Risk Management (ERM) function is being implemented across SBP and its subsidiaries. In this regard, Technical Assistance (TA) from World Bank has also been sought.

### **7.3 Business Continuity Management**

Business Continuity Management (BCM) function increases an organization's resilience. In case of SBP, the inherent capacity to operate under unforeseen circumstances is extremely critical.

Accordingly, state of the art infrastructure and facilities have been created to ensure continuity of critical functions and prevent any major disruption in financial system in the face of a catastrophe caused either by natural disaster, fire, civil strife, sabotage or an act of war. It has a state of the art Disaster Recovery Site and a fully equipped Backup Site (Alternate working site) for critical time sensitive functions. To further enhance the state of readiness, the following major initiatives were taken during the year as a part of overall Business Continuity Management:

- 179 BCP Exercises were conducted
- Technology up-gradation at primary backup site – installation of Bloomberg and Eikon
- Alternative connectivity testing during exercises
- Several BCP awareness sessions
- Participation in international programs for mutual learning
- Development of color coded threat matrix
- Development of BCP training module for SBP flagship training programs

### **7.4 Risk Based Audit of functions**

The Bank regularly evaluates the effectiveness of its risk management framework, control and governance processes by conducting financial, operational, and information technology (IT) audits. During the year, four financial and operational and one Information Technology (IT) audit teams conducted audit engagements based on risk-based internal auditing methodology. Further, quality assurance of audit activities is undertaken on an ongoing basis to ensure conformity of these activities with the standards of Institute of Internal Auditors (IIA) and the Information Systems Audit and Control Association (ISACA). Following are some of the significant achievements during FY15:

- Gap analysis with the international standards of auditing was carried out as per the IIA and ISACA standards.
- Quality Peer Review assessment was carried out and areas identified for improvement were incorporated in business operations.
- As required in the IMF Safeguard Assessment, monetary program data is reviewed on quarterly basis and the reports are submitted to IMF Safeguard team as an independent assessment.

### **7.5 Legal Services Function**

The Legal Services (LS) function at SBP assists and advises various departments of the Bank in developing new laws, bringing amendments in the existing laws in order to make these compatible with the emerging regulatory and economic challenges. The proposed amendments in the SBP Act 1956, already approved by the National Assembly and under consideration with the Senate, proposed amendments in the Foreign Exchange Regulations Act, 1947, and the recently promulgated Credit Bureau Act, 2015 are some of the last year contributions. It also partners with stakeholder

departments in formulating rules, regulations, and policies to carry out the Bank’s business in accordance with applicable laws.

In addition to contributing to drafting new laws, LS offers expert advice with regard to various functions of SBP and its subsidiaries and advises on the foreseeable legal risks that may arise from any new business decision. It also evaluates from legal perspective matters pertaining to key business decisions, any national or international arrangements, and the general ongoing operations that have direct impact on the operations of the Bank and its subsidiaries. Legal Services represent SBP in various courts of law and other such forums.

## 7.6 Enhancing Knowledge-base of the Organization

SBP Library supports research, training and learning endeavors of SBP employees, the banking community and general public through quality resources and services. The Library has undertaken the following initiatives during FY15:

- Digitization of financial statements (last 10 years) of all commercial banks, DFIs, and MFIs operating in Pakistan;
- Digitization of significant government publications such as budget speeches, policy statements, plans, surveys and yearbooks and posted on the Library Portal;
- Complete series of all SBP publications since 1948 were scanned.

The operational routines of the library including enhancement of resource-base, technical processing of the acquired resources and their dissemination to the users is depicted in **Table 7.3**:

Operational Areas		FY11	FY12	FY13	FY14	FY15
Procurement	☐ Books					
	i. Purchased	1,821	2,124	2,061	1,560	1,633
	ii. Complimentarily acquired	405	192	253	250	204
	☐ Periodical issues	3,598	3,291	2,649	2,719	2,542
Technical processing	☐ Books catalogued	2,183	2,460	2,401	1,948	1,837
	☐ Articles indexed	8,047	4,697	3,561	4,069	3,300
Circulation (Books loaned)	☐ The SBP employees (active and retired)	27,139	16,612	26,653	25,844	26,334
	☐ General public	2,242	2,175	2,146	2,211	1,885
Membership	☐ The SBP employees (active and retired)	125	45	60	106	85
	☐ General public	160	184	180	143	106
Visitation	☐ The SBP employees (active and retired)	17,522	17,874	17,703	16,693	14,598
	☐ General public	9,007	8,873	7,619	7,056	7,217
Downloaded documents delivery through email		2,621	2,767	3,343	1,745	3,503
Bank-wide article downloads through subscribed resources		---	---	18,555	9,747	12,178

## 7.7 Strengthening External Relations

The Bank enhanced print and electronic media coverage of various activities through increased number of press releases i.e. 124 in FY15 and more TV appearances. Further, sharing information on social media was also initiated by starting the Bank’s first ever official Twitter account. To cultivate use of the SBP website and making it a hub of all information dissemination for the public, its revamping process was started to make it more content rich and user friendly. To facilitate general public, students, business community and other stakeholders, SBP produced Urdu version of SBP

flagship publications beside issuance of press releases in Urdu. Further, key initiatives taken on strengthening the external relations have been summarized in **Box 7.1**.

**Box 7.1: Key Activities for strengthening external relations during FY15**

- **Workshop for Journalists on macroeconomics, Financial Sector and Banking:** The two-day workshop was attended by 30 journalists from electronic and print media organizations. The objective of this workshop was to familiarize journalists with the key concepts of macroeconomics and functions of SBP.
- **‘Dil ka Itmenan’ Islamic Banking Promotion Campaign:** To promote Islamic banking, an extensive media campaign was launched which aimed to educate general public about the Islamic banking and its various business models.
- **Two days Media Training workshop for Senior Management:** A Media Training Workshop for SBP Senior Management was arranged which provided a platform to practice formal press briefings and press conferences based on contrived scenarios.
- **Pakistan-China Year of Friendly Exchange 2015, Coverage by CCTV:** Governor Mr. Ashraf Mahmood Wathra unveiled Rs20 commemorative coin at State Bank of Pakistan Museum to mark “Pakistan-China Year of Friendly Exchange 2015. The ceremony was covered by Chinese CCTV besides local print and electronic media.

## 7.8 Museum & Art Gallery

Monetary and Archives Museums are necessary adjuncts of central banks. Pakistan is one of the very few places in the world where currency developed from its very rudimentary form to the advanced level of coinage. The SBP Museum has coin galleries, stamp gallery, currency gallery, history of State Bank Governors’ gallery, Sadequain gallery and contemporary art gallery. The State Bank museum has the honor to be member of International Council of Museums. The museum is wheelchair friendly and provides services to other physically challenged visitors. Highlights of activities at SBP museum during the year:

- Around 5505 people visited SBP Museum in FY15. The special occasions also provided a chance to a large numbers of visitors to visit the Museum.
- To support the museum's mission of imparting money information and education to the youth and common man, different workshops/ activities were arranged by SBP museum.
- To celebrate the Independence Day of Pakistan, a special exhibition was arranged at SBP museum. The exhibition displayed the original newspapers’ clippings starting from 1947 to date and portrayed historical photographs of political leaders and major events.
- Winter Camp for 3-9 years age children of daycare centre was organized.
- A calligraphy workshop for 7 to 15 years age children of the SBP and SBP-BSC employees was arranged. The workshop was focused on the basic training & practice of calligraphy, including traditional & contemporary techniques & drawing motifs with text.
- Souvenir/replica making is one of the best creative activities for children; it educates them about objects and subjects. It also gives confidence of creating art work. Children were guided how to make their own souvenirs i.e. button art, stone painting, cloth wall hanging, kite making and decoration of mug with permanent colors.

## 7.9 SBP Banking Services Corporation (SBP-BSC)

The Banking Services Corporation (BSC), a wholly owned subsidiary and an operational arm of SBP, provides services to the federal, provincial and district governments and banking industry including SBP and other stakeholders. During the year under review, it took various initiatives to further improve quality of services. These included application of e-Banking solutions for timely reporting of government transactions, improved availability of fresh notes, disposal of soiled bank notes, efficient

foreign exchange operations, promoting national savings schemes, facilitating SBP's initiatives for financial inclusion and development finance.

SBP-BSC facilitated in monitoring the banks' agricultural credit disbursements across Pakistan which stood at Rs 515.7 billion against SBP's indicative target of Rs 500 for FY15. During FY15, SBP-BSC offices received and processed 5,700 borrower's claims from participating banks of the Prime Minister Youth Business Loan (PMYBL) scheme. Moreover, the SBP-BSC field offices reimbursed Rs 440.2 billion to commercial banks under the Export Finance Scheme (EFS); Rs 14.1 billion under EFS for SMEs and Rs 62.0 billion under Islamic Export Refinance. Further, SBP BSC disbursed Rs 49.5 million in respect of subsidy on export of wheat / flour and Rs 3,247.4 million on account of subsidy on export of sugar. These schemes were entrusted to SBP-BSC for the first time by Federal Government. Besides these, like many previous years SBP BSC also made payments in respect of Ministry of Textile Industry scheme namely Drawback of Local Taxes and Levies to the tune of Rs 4.401 billion.

Other major initiatives taken by SBP-BSC during the year are given in **box 7.2**.

**Box 7.2: Major Initiatives by SBP-BSC during FY15**

- SBP-BSC initiated automation of issuance and certification process of export forms ("E" forms). A test run of the system is being done where "E" forms are being issued by banks both electronically and manually in their selected branches. A full roll out of the electronic system is expected by the end of second quarter of FY16, which, besides creating the much needed efficiency in the system of issuance of "E" forms, would also help in curbing its misuse.
- A focused training program for employees of commercial banks, dealing with forex trade, was designed and delivered in collaboration with SBP.
- In a major overhaul of HR policies, the existing HR policies were reviewed and new Promotion, Training & Development, Higher Education and Contract Employment Policies were introduced.
- Risk-based audits of field offices/departments was carried which led to improvements in internal control environment and in achieving the organizational objectives.
- Under the Corporate Social Responsibility initiatives, SBP-BSC arranged 6-weeks Summer/Winter Internship program for students of top universities across country which also included a special 6-weeks Summer Internship program at SBP-BSC Quetta office which provided opportunities to students of under developed areas of Baluchistan.

## **7.10 National Institute of Banking and Finance (NIBAF)**

During FY15, NIBAF offered various programs to the banking and financial sector comprising of 125.8 weeks of training. A total of 2,294 participants - local as well as foreign - benefitted from these trainings. Meeting the training needs of SBP and SBP-BSC officials is the core and primary objective of the Institute. The time and space left after serving the SBP and SBP-BSC training needs is used to organize training programs for the banking industry, both local and regional. During the year, 66 percent of total trainings were delivered to both SBP and SBP-BSC and 34 percent for the banking industry.

### **7.10.1 International Training Program**

NIBAF also offers international training program annually in collaboration with the Ministry of Finance, Government of Pakistan under the Pakistan Technical Assistance Program (PTAP). For the last three decades, a large number of bankers, government functionaries and officials of almost 105 developing countries have benefited from these programs. Moreover, NIBAF also hosted a seminar on Financial Consumer Protection and 21<sup>st</sup> SARRC finance coordinator's conference during FY15.

### **7.10.2 Priority Sector Programs**

NIBAF continued to support SBP's development finance initiative aimed at broadening access to agricultural credit / rural finance, SME finance, microfinance, Islamic banking and infrastructure and housing finance. In this respect, following programs were offered during the year:

- Four Islamic Banking Certificate Courses (IBCC), which is a flagship program of NIBAF were organized during FY-15
- Two programs of fundamental of Islamic banking were arranged for bankers
- As partner to INCEIF-Malaysia, NIBAF conducted MIFP exam simultaneously at Karachi and Islamabad
- 20 Agricultural Batch Training Program for agricultural credit officers of banks were conducted
- Four iterations of middle management development programs were offered to MFBs
- A training programs on risks in housing finance processing and documentation and SME Lending techniques was organized
- A new grass root training program on Microfinance specifically targeting loan/credit officers of Micro Finance Banks was launched.

### **7.11 Sports and Recreation**

According to a research, continued cognitive activities for prolonged durations and lack of exercise are the major causes of mental fatigue that decreases the level of performance of an organization's employees. In order to provide a timeout for recreational and healthy activities, a state-of-the-art Health Club and Gymnasium within the Bank's premises with latest equipments for physical fitness is available to the Bank employees. For the guidance and training of its members, a full-time Manager and trained instructor are available at the Gymnasium. At present 300 members are being facilitated by the Health Club and Gym.

Besides, this indoor facility, for the last one decade, SBP has always been on the forefront among the leading institutions in promoting and encouraging sports events across the country generally and in the South region especially as its corporate social responsibility. Cricket, badminton, football and table tennis tournaments are organized regularly around the year. Local and regional teams participate in these events. For its employees, SBP organizes these tournaments separately in which departmental teams take part. To institutionalize the sports activities in SBP, Sports Committee approves and oversees all these events. . Some of the notable developments and initiatives in the area are listed below:

SBP groomed and produced 30 cricket players who made it to the different formats of National Cricket Team.

- Organized six cricket tournaments every year for the last 11 years in five regions across the country within the banking industry.
- Tape ball cricket tournament is organized every year for the last six years for SBP employees.
- Inter school T20 cricket tournaments for boys and girls separately organized for the last three years. Organized women football tournament for the last two years. During FY 15 inter group football tournament was also organized for employees of the Bank.
- Table Tennis tournaments are organized by SBP and its Field Offices for Bank employees on regular basis.
- The Field Offices are organizing Badminton Tournaments for employees of the Bank.

These efforts and initiatives yielded the following results:

- Winner, President's Gold Cup One Day Tournament 2014-15.
- Runner Up, Quaid-e-Azam Trophy Silver (First Class) Tournament 2014-15.
- Runner Up, 4th Corporate T20 Cricket Tournament -2015 (Organized by DHA Club – Moin Khan Academy), Karachi.
- Winner, 2nd Corporate T20 Cricket Tournament -2012 (Organized by DHA Club – Moin Khan Academy), Karachi.
- Winner, PCB Inter Regions/Departments U-19 One Day Tournament 2011-12.
- Winner, Quaid-e-Azam Trophy (Div-II) Tournament 2010-11 and qualified for Quaid-e-Azam Trophy (Div-I) Tournament.
- Winner, PCB Patron's Trophy Grade-II Tournament, 2009-10.
- Runner Up, PCB Patron's Trophy Grade-II Tournament, 2007-08.