

# 5 Development Finance Support Services

*Development Finance Support Department was created in 2007 with an aim to support the Development Finance Group of SBP for achieving its major objective of facilitating expansion of financial services to all segments/ sectors of the economy. Ever since, it has been able to act as an effective medium for reaching the un-banked/ under-banked segments of the society and connecting them with the country's financial markets.*

## 5.1 Overview

Development Finance Support Department (DFSD) of SBP BSC extends necessary operational support to Development Finance Group of SBP through its Access to Finance Units (AFUs) established at various field offices of SBP-BSC across the country. An overview of the last five years' performance of this Department reveals that it has been able to make inroads into the unbanked areas of the economy. Nonetheless, it still has a long way to go in realizing its mission and goals.

One of the primary activities of DFSD and its satellite AFUs is to create awareness about financing facilities available to rural poor through holding exhibitions, fairs and Melas. These programs help to develop environment conducive to relaying the message across a wider faction of the target audience. Besides, the department has been conducting surveys involving commercial banks operating in the target areas, writing research reports and providing stakeholders' feedback to relevant quarter in SBP. A number of findings have been communicated to the relevant banking clusters for possible policy reviews.

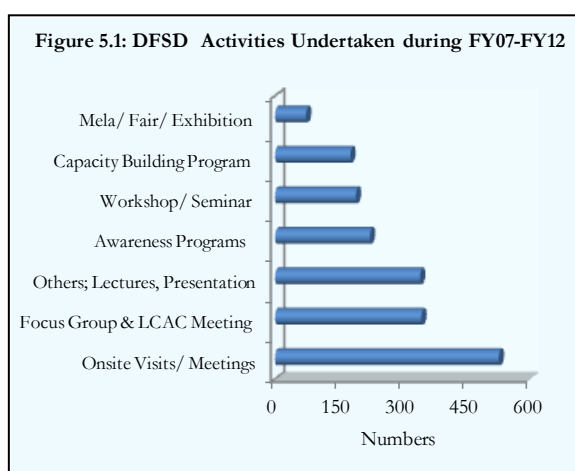
During the period under review, DFSD conducted five studies across BSC field offices to have impact assessment of the efforts taken so far in this contest. The outcomes of the studies are encouraging and found supportive to the direction of the ongoing efforts.

### Highlight

- Impact Assessment Survey conducted/ completed by seven BSC offices
- Held 67 FG sessions related to Agri-/ SME/ Microfinance, Islamic Banking.
- Arranged 64 on-site visits/meetings to monitor the progress - of the banks towards One Window Operation (OWO) under PP-IV.
- 93 awareness programs arranged/ attended by the AFUs in different parts of the country.
- Arranged 6 Melas/ Fairs/ Banking Exhibition at Hyderabad, Peshawar, Rawalpindi, Gujranwala, Muzaffarabad, and Bahawalpur and participated in 17 activities of similar nature organized others stakeholders.
- Of the 86 seminars/ workshops so far held, arranged 66 and participated in rest of the 20 organized by the other stakeholders. .
- Out of 52 programs 36 programs were arranged for the officers of commercial Banks/ financial institution in which around 1,200 officers participated. A total of 73 sessions including 12 internship programs, 16 in-house meetings and 45 on-site visits of various regions were held for developing linkages with Academia and Government functionaries.
- Prepared/ Published:
  - Annual Performance Review 2010-11 of BSC
  - Monthly Development Finance Newsletter.
  - Monthly Brief on Commodity Operations.
- Prepared Business Plan Manual of SBP BSC.
- Arranged training on Monitoring & Evaluation + Impact Assessment at NIBAF Islamabad.
- Conducted training on Business Planning Process in line with new Business Planning Manual in coordination with T&DD.

## 5.2 Performance Review

To promote financial inclusion in the country, DFSD through its chain of Development Finance Division (DFD) at different field offices managed to hold over 1,800 events during the past 5 years (**Figure 5.1**). Among various interventions, onsite visits/ meetings held for ensuring implementation of SBP policies constituted the major portion of DFSD’s overall activities. Other important performance areas were the conduct of awareness and capacity building programs followed by holding of Local Credit Advisory Committee and Focus Group meetings.

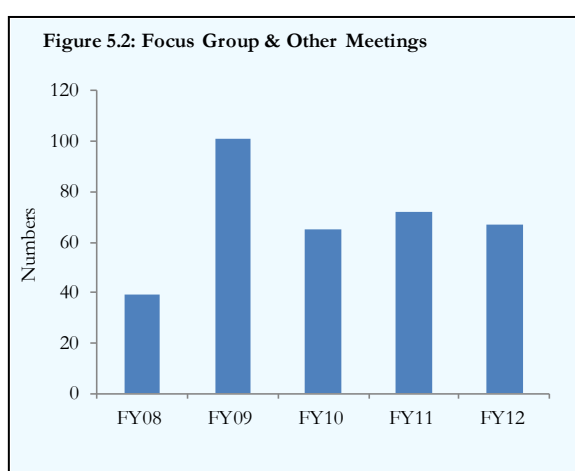


### 5.2.1 Focus Group Meetings

DFSD has established four Focus Groups (FGs) in 13 field offices across the country for disseminating DFG policies/ initiatives related to development finance, interacting with stakeholders at grass roots level, and obtaining their feedback/suggestions on such policies/ initiatives on biannual basis. These Focus Groups, i.e., i) Agri Finance ii) Micro Finance, iii) SME Finance, and iv) Islamic Banking Finance provide a sound platform for identifying both the demand and supply side issues and developing operational strategies for the enhancement of financial outreach at local/regional level.

These groups meet with all stakeholders including business/farming community, banks’ officials operating in target regions as well as government support departments to discuss and resolve issues. Access to Finance Units (AFUs) facilitate these meetings and provide resource person cum secretarial services. These meetings facilitate, on one hand, the business and farming community to get acquainted with the financial policies and products and, the banks on other hand to avail the opportunity to attract potential customer and tap new markets for their products.

Since the inception of DFSD in 2007, a total of 344 Focus Group Meetings have been arranged by AFUs (**Figure 5.2**). During FY12, 67 focus group sessions were held, out of which 18 were on Agri finance, 15 on SME finance, 15 on Micro finance, 12 on Islamic Banking, 4 joint sessions and remaining 3 on Local Credit Advisory Committee (LCAC)/ Agriculture Credit Advisory Committee (ACAC). The decline in number of Focus Group meetings after FY09 was mainly attributed to a change in frequency of these sessions from quarterly to bi-annual and providing quicker resolution to the issues which earlier needed holding of repeat meetings of the Groups.



### 5.2.2 Dissemination, Implementation and Monitoring of SBP's One Window Operation of Agricultural Financing – Pilot Project Phase-IV and Indicative Agriculture Credit Disbursement Targets for FY12

Agricultural Credit Advisory Committee (ACAC) had set Rs.285 billion as an indicative target for the agricultural credit disbursement for the period FY12 through commercial and specialized banks. Moreover, during FY12, Agriculture and Microfinance Department (AC&MFD) has also launched Pilot Project Phase-IV (PP-IV) in 54 districts across the country for One Window Operations (OWO) in financing of Farm and Non Farm Sector and in 22 districts for Group based lending methodology from Rabi season 2011 that will be carried forward to Kharif Season 2012 (from October, 2011 to September, 2012).

To monitor the progress made by the banks towards achieving OWO under PP-IV, AFUs at field offices arranged sixty four (64) on-site visits/meetings during FY12. The objective of these meetings was to seek cooperation from the banks, agricultural extension departments and revenue department so that projects can be effectively put into action in addition to obtaining firsthand stakeholder feedback. Subsequently, review meetings were also conducted with the official/ representatives of various government departments, participating banks and the local farmers to review implementation status of the PP-IV and to find the bottlenecks that might hamper in extending credit to targeted farmers.

These efforts helped achieve higher disbursement of agriculture credit and despite weaker economic activities, the commercial banks surpassed the indicative target of Rs. 285.0 billion for the year ending 30<sup>th</sup> June 2012 by 3.1%.

Moreover, the banks have successfully achieved their Fresh Borrowers targets set under PP-IV well before time. As per details available, the achievement of Fresh Borrowers targets under Farm Sector, Non-Farm sector and Group Based Lending remained significantly higher than the targets **Table 5.1**.

Fresh Borrowers	Target	Achievement July, 2012	Achievement %
1. Farm Sector Fresh Borrowers	147,928	303,159	204.9%
2. Non Farm Sector Fresh Borrowers	30,740	91,240	296.8%
3. Group Based Lending	12,963	18,773	144.8%

### 5.2.3 Awareness Programs on Development Finance

One of the major objectives of DFSD is to disseminate DFG-SBP policies and programs. The DFSD and its affiliate AFUs organized 93 awareness sessions in which more than 7,000 individuals were approached in various parts of the country. The persistent increase in awareness activities during the past five years shows the interest of the stakeholders in promoting development Finance (**Figure 5.3**). The awareness programs/sessions have helped in reducing communication gaps and provided a platform to stakeholders to discuss the issues they have to face. Further, it is encouraging that commercial banks themselves have started to organize such events on their own for deepening and strengthening the spread of development finance.

### 5.2.4 Melas/ Fairs/ Exhibitions/ Conference, etc.

Although the basic purpose of the Fairs and Exhibitions is the same as that of the awareness programs, higher level of participation and enthusiastic involvement of various stakeholders in arranging these Melas emerged as a distinct feature. While awareness sessions are quite formal in nature, Melas tend to be somewhat informal and feature wide offering range of local entertainment activities well suited to the temperament

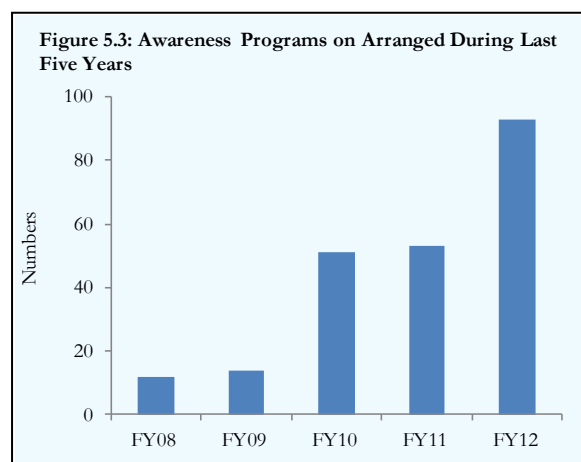
of the natives and all other stakeholders. These events are being designed to provide the comfortable level to local community to discuss their fears and probable impediments to financial deepening.

During FY12, AFUs arranged 6 Melas/ Fairs and Exhibitions in different parts of the country in association with commercial banks, local chambers, trade associations and farming/ business community of the respective areas. These include three Agri Melas, two Joint Banking Exhibitions and one Microfinance Mela at Hyderabad, Peshawar, Rawalpindi, Gujranwala, Muzaffarabad and Bahawalpur respectively. These units also participated in 17 similar programs organized by other stakeholders in their respective regions. **(Box 5.1)**. Over the years participation of AFUs in the events organized by other stakeholders has steadily increased suggesting a satisfactory response of market/stakeholders towards the efforts of DFSD and its field units.

### 5.2.5 Seminars and Workshops

Holding of seminars and workshops is another effective tool for finding more practical ways of efficient use of development finance and making it compatible with the cultural norms and resource availability of the respective region. During the year under review out of 86 seminars/ workshops, 66 were arranged by the AFUs in collaboration

with local banks, financial institutions and other stakeholders for the benefit of chambers/ trade associations, borrowers of Agri/ SME/Micro/ Islamic mode of finance, women entrepreneur, academia and Joint Sessions **(Table 5.2)**. AFUs also participated in 20 similar activities organized by other stakeholders of their respective regions.



**Table 5.2: Seminar/ Workshop Arranged During FY12**

Stakeholders	Numbers
1 Banks/FIs	39
2 Academia	8
3 Borrowers (Agri/SME/Micro/Islamic)	7
4 Joint Session	7
5 Chambers/ Trade Association	5
6 Participation in prog; arranged by others	20
<b>Total</b>	<b>86</b>

**Box 5.1: Arrangement/ Participation in Melas/ Fairs & Exhibition Arranged**

1. Microfinance Mela-2012” in collaboration with Bahawalpur Bankers Club, Micro Finance Banks at Waseeb Hall, Bahawalpur.
2. Two-day Banking Exhibition in collaboration with Banks and other stakeholders at Gujranwala Business Centre.
3. Agri/ Hari Mela in collaboration with Region’s Commercial Banks, Laar Museum Ground Badin.
4. Banking Exhibition cum Seminar on Development Finance, in collaboration with AJK Bankers Club at University of Azad Jammu & Kashmir, Muzaffarabad (City Campus).
5. A grand Zarai Mela in collaboration of commercial banks and Agri research institutes at Agricultural Research Institute (ARI), Tarnaab Peshawar.
6. Agricultural & Industrial Awareness Convention in collaboration with leading Commercial Banks, Insurance Companies and Microfinance banks at Hazara University Haripur Campus.

**Participated**

7. Rabbi Kissan Mela organized by the University of Agriculture Faisalabad.
8. Participated in one Week Spring Festival celebrated by University of Agriculture, Faisalabad.
9. Participated in one day 4<sup>th</sup> National Wheat Conference and Kissan Mela arranged by University College of Agriculture, University of Sargodha.
10. Exhibition arranged by the Gujranwala Chamber of commerce & industries at the chamber premises, aimed at imparting awareness to the rice millers and exporters on various R&D products for value addition purposes to the rice industry.
11. Two-day Seed Fair & Seminar arranged by Sindh Agricultural & Forestry Workers Coordinating Organization (SAFWCO) for the farmer’s community of District Dadu.
12. Participated in Annual Peasant Growers Conference–2011 organized by Green Rural Development Organization (GRDO) at Hyderabad.
13. 2<sup>nd</sup> International Halal Conference & Exhibition, organized jointly by Pakistan Agriculture and Meat Company (PAMCO) and Halal Research Council at Pearl Continental Hotel Lahore.
14. Micro Enterprise Mela” organized by Community Support Concern at Lahore.
15. Round Table Conference for Microfinance middle and senior management to assess their training needs organized jointly by AC&MFD, SBP and Shore Bank International.
16. Two days International event on Islamic Banking, Takaful & Finance subjected “Pak Finance” held at Lahore.
17. SME Fair 2012, organized by Business Support Fund at Pearl Continental Hotel Lahore.
18. Women Grand Trade Festival organized by the Women Chamber of Commerce and Industry (WCCI) Peshawar.
19. First Industrial Exhibition arranged by Mardan Women Chamber of Commerce and Industries at Mardan Sports Complex.
20. Entrepreneurship exhibition arranged by the Agriculture University Peshawar.
21. Participated in Two-day 2<sup>nd</sup> International Conference on Islamic Business organized by Riphah International University at Islamabad.
22. Two days “3<sup>rd</sup> International Khairpur Dates Exhibition & Seminar-2011” arranged by the Deputy Commissioner Khairpur.
23. Three-day Khairpur Festival-2012 organized by Commercial Banks & District Administration Khairpur.

**5.2.6 Research and Publications**

DFSD also remained involved in various research oriented activities like preparation of survey questionnaires, impact assessment reports, cluster studies, regional profiles, commodity operations and newsletter, etc., during the year.

Started at beginning of the year, 12 monthly issues each of “DFSD Newsletter” and “A Brief on Commodity Operations” were released during FY12. Newsletter illustrates the activities undertaken in the field offices (AFUs) while, brief on Commodity Operations discusses the global and domestic price trends, production patterns, stocks positions, financing and other issues relating to exports or imports of key agricultural commodities.



Both these publications were uploaded on the website and disseminated to DFG and other stakeholders.

Another initiative taken by DFSD was preparation of cluster studies, with the objective to explore the underlying cluster/sector in detail with regards to size of cluster, historical significance and trends, issues and challenges faced, potential for growth, regulatory hurdles if any, financial services and key impediments in access to finance. These studies are expected to facilitate the policymakers, regulators and other stakeholders in formulation of policies and products to cater to the cluster requirements. To achieve the underlying objective AFUs have also collaborated with local academic institutions and conducted joint- research on the assigned/given cluster. One such study report “The Auto Parts Cluster Lahore” AFU and Economics Department Government College University, Lahore is currently under review by DFSD, HOK and likely to be finalized soon.

Moreover, AFUs have also prepared and updated a regional sketch of the areas under their jurisdiction. With the goal of enhancing financial literacy at the grassroots level, these regional profiles are aimed at understanding the forward and backward linkages of regional and local economies. These profiles cover the historical and geographical significance, resource endowments, socio-economic conditions, region’s contribution in agricultural and industrial production and above all access to financial markets and underlying challenges. While some of the field units have already prepared the regional profiles of regions like Sukkur, Rawalpindi, etc., others are in the process of completing the task.

### 5.2.7 Capacity Building Programs

One of the main barriers in promoting financial awareness at grassroots level is lack of qualified staff at commercial banks. To address this issue as a priority area DFSD and its field units have embarked upon arranging training programs for employees of commercial

Table 5.3: Capacity Building Program arranged during FY12

Stakeholders	Number
1 Banks/FIs	36
2 BSC Officers	9
3 Joint Session	1
4 Participations in other stakeholder’s programs	6
<b>Total</b>	<b>52</b>

banks and financial institutions. During the year under review 36 programs out of 52 were arranged for the officers of commercial Banks/ financial institution in which 1,200 officers participated. Besides 9 training programs and one joint session was arranged for AFUs to enhance their skill set, effectiveness and efficiency. The officers attached with AFU also participated/ in six similar training programs organized by other stakeholders in their respective regions (Table 5.3).

### 5.2.8 Development of Linkages with Academia, Research Institutes and District/ Local Governments

The missing linkage between industry and academia remains one of the reasons behind inadequate supply of human resources with the required skill set. Therefore developing relationships and establishing links with educational and research institutions is much needed as through these links the educational institutions get oriented about emerging development finance activities. Internship programs conducted by all the field offices of SBP BSC every year serve the purpose. These internees get ample opportunities to enhance their skills in areas of development finance by getting involved in research

activities, conducting surveys and collecting information in specific areas thus helping the market to find suitable Human Resource.

Similarly, AFUs also invite faculty members and students in their meetings arranged either at university premises or at SBP BSC offices and enlighten them with the current trends of development finance, make them aware of the SBP policies and encourage them to explore this prospective area of research. AFUs also attend seminars or workshops arranged by academic institutions. Furthermore, DFSD realizes the need to develop linkages with government functionaries and stakeholders other than borrowers and lenders to address the many issues involved in access to finance besides bridge the communication gap between the business community and commercial banks. As a step in this direction AFUs synchronize with local district/provincial government departments through on site visits and also invite them to their programs/events relating to Agriculture, Livestock, Revenue departments, SMEDA, NGOs etc. A total of 73 sessions were held during FY12 across the country by the AFUs, which includes 12 internship programs, 16 in-house meetings and 45 on-site visits in their respective regions (Table 5.4).

**Table 5.4: Linkages Development with Stakeholders**

<i>Academia</i>	<i>Numbers</i>
Internship Programs	12
In-house Meeting	9
On-site Visits	19
<b><i>Government Functionaries &amp; others etc.</i></b>	
In-house Meeting	7
On-site Visits	26
<b>Total</b>	<b>73</b>

### 5.3 Developmental Initiatives

#### 5.3.1 Preparation of Business Planning Manual

The scope of activities of SBP BSC has enhanced in the past few years with major development in its working and initiatives. To cater to developmental needs and stay aligned with SBP BSC's strategic objectives and goals, business planning exercise is conducted by all its departments and field offices every year. Since standardization is imperative for streamline project planning and monitoring activities DFSD in collaboration with QAD has taken up preparation of Business Planning Manual of SBP BSC as a development project with a view to formulate a uniform and standardized pattern of Business Planning across the entire organization.

After developing consensus and getting it approved, Business Planning Manual has been circulated among all stakeholders and placed on SBP BSC web before the start of business planning cycle for 2012-13. All the departments at HOK and field offices used the templates mentioned therein for making their presentations which made it quite easier to concentrate more on focus areas within short span of time.

#### 5.3.2 Impact Assessment Survey on Agri-Mela

A developmental project titled as "Impact Assessment Survey" was initiated in FY11 with the objective to evaluate the impact of the development finance activities undertaken by AFUs especially Melas/Fairs and exhibitions. A survey questionnaire has thus been developed from the perspective of the supply side and disseminated to the field offices to prepare a report and analyze the value impact of the activities during the recent years. AFUs prepared and submitted 7 assessment reports to DFSD out of which 5 has been approved so far and disseminated to the stakeholders. These reports highlight

the positive impact of such activities as reported by the respondent commercial banks, like increase in number of borrowers, creation of fresh loans, frequent visits of the farmers for obtaining information, etc., The finding of the surveys is summarized in the **Box 5.2**.

Moreover, to further enhance the capacity of the available resources and to improve the monitoring mechanism, DFSD has arranged a five day training program at NIBAF, Islamabad namely “Monitoring & Evaluation – Impact Assessment Techniques” to help evaluate the effectiveness of activities carried out at field offices.

**Box 5.2: Major Finding of the Survey Reports**

- Events were successful in creating awareness & dissemination of SBP Policies.
- Farmer’s interest in banking services/ products has increased as depicted by frequent visits of farmers to the banks.
- Banks have experienced a rise in activities related to fresh borrowings
- The event was in line with its ultimate objective
- Selection of the event venues were excellent as the areas were un/ under banked and had sizeable business potential
- Survey reports advocate re -occurrence of such events for deep penetration of the financial literacy.

**5.4 Future Outlook**

To make the DFSD and AFUs at BSC field offices appropriately adaptive and responsive to the expectations of its stakeholders, the department plans to hold a conference on “Achievements of DFSD & Future mission”- on completion of five years of establishment of Development Finance Support Department. The agenda will be to consider a more proactive role of DFSD in resolving the issues confronting demand and supply side and develop creative and effective strategies aligned with the objectives of DFG-SBP considering the experience gained so far in this field.