

1 Banking Services to the Government and Financial Institutions

As a statutory obligation, on behalf of State Bank of Pakistan, SBP-BSC carries out operational work relating to Governments' banking business through its Field Offices and a wide network of currency chests/sub-chests established at NBP branches throughout the country.

1.1 Overview

Being the country's Central Bank, State Bank of Pakistan acts as a banker to the state. Under clause 21 of SBP Act 1956 and clause 15(3) e of the SBP-BSC Ordinance 2001, the Corporation provides banking services on behalf of State Bank of Pakistan to the Government, Commercial Banks and Non-Banking Financial Institutions (NBFIs) through a network of its 16 Field Offices across the country. The details of services provided are given in **Box 1.1**.

Box 1.1 Services Provided to the Government, Banks and NBFIs

- a. Collection of revenue and making payments on behalf of Government departments.
- b. Reporting of transactions of revenue collection to Federal Board of Revenue (FBR), on daily basis, through online network under Collection Automation Project (CAP).
- c. Making settlement of Government payments and receipts made by National Bank of Pakistan (NBP) as an agent to the SBP.
- d. Management of Public Debt.
- e. Maintenance of commercial bank accounts.
- f. Remittance facilities to the Government and financial institutions for transfer of funds.

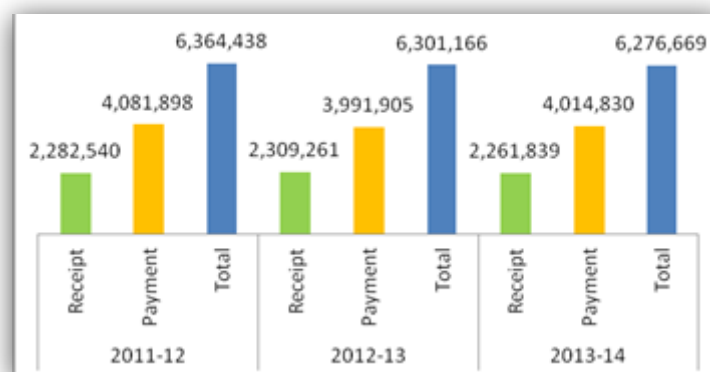
1.2 Management of Government Accounts

The management and reporting of accounts of Federal and Provincial Governments is one of the main responsibilities of SBP-BSC's Accounts Department. Data pertaining to Government transactions carried out in various accounts is reported to respective stakeholders (i.e. Accountant Generals of provinces, Accountant General Pakistan Revenue, Pakistan Railway and other Government departments) on daily/periodic basis. The daily position of Government balances is also provided to the Finance Department of State Bank of Pakistan for onward submission. BSC's Field Offices also provide the following banking services:

- Facility of transfer of funds of Government departments from one to another place;
- Arranging payments of pensions through BSC Field Offices to the pensioners of various Government departments;
- Locker facilities to the Government for safe deposit of articles; and
- Other banking services as and when required by the Government departments.

The Field Offices of the BSC executed 2.26 million and 4.01 million transactions pertaining to Government receipts and payments, respectively during FY14 as compared to 2.31 and 3.99 million transactions handled during the previous year (**Fig 1.1**).

Fig 1.1 Government Receipts/Payments Number of Transactions



1.2.1 Reporting of Zakat Balances

SBP-BSC plays an important role in Zakat collection by banks and reporting of the same to the concerned Ministry. During the year under review, the banks reported/deposited total collection of Zakat amounting to Rs. 4.82 billion as compared to Rs. 4.05 billion collected last year. After constitutional amendments passed under the 18th Amendment Bill, Zakat has been classified as a provincial revenue source. To facilitate the Ministry of Religious Affairs for disbursement of Zakat among provinces, IT-based reporting has been developed where Zakat accounts have been made available in terms of area/province of collection.

1.2.2 Reporting of FBR Transactions

The collection, consolidation and reporting of FBR taxes is another important function performed by the Accounts Department. In order to streamline the system of depositing of Income tax and to facilitate the tax payers, Collection Automation Project–II (CAP) has been implemented in the Field Offices. With the implementation of CAP-II, Income Tax receipt is being reported to FBR on real-time basis. The tax revenue collected by SBP-BSC Offices and the network of NBP branches on behalf of the Government and credited to the relevant accounts during the year was around Rs. 2,305 billion as compared to Rs. 1,974 billion last year. The summary of FBR receipts and payments for FY14 is given in **Table 1.1**.

(Rupees in Millions)

Head of Account	Receipts			Payments		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
Sales Tax	831,746	849,880	1,010,756	45,238	29,025	32,028
Federal Excise	128,348	131,428	150,688	281	532	323
Customs	220,606	245,350	263,347	8,476	10,462	9,845
Income Tax	789,604	747,297	880,361	64,668	21,151	24,486
Total	1,970,304	1,973,955	2,305,152	118,663	61,170	66,682

1.3 Management of Current Accounts of Commercial Banks

SBP-BSC maintains current accounts of all scheduled banks and NBFIs at its 16 Field Offices. These accounts, besides facilitating banks in maintaining their Cash and Statutory Liquidity Reserves (CRR and SLR), as required under Banking Companies Ordinance, 1962, also help them in managing their current account balances.