

5 BANKING SERVICES TO THE GOVERNMENT

5.1 Overview

SBP BSC provides banking services to the federal, provincial and local governments. To accomplish this statutory responsibility, SBP BSC maintains various accounts of the federal, provincial and local governments. Revenue collection and payments for and on behalf of the federal and provincial governments are an important responsibility of the field offices of BSC. All government taxes including Central Board of Revenue (CBR) tax revenue are collected and credited to the relevant government account. BSC also perform operational work relating to various savings schemes of the federal government i.e. Special Savings Certificates (SSC), Defence Savings Certificates (DSC) and National Prize Bonds. All transactions relating to sale, encashment and disbursement of profit / prize money are carried out by the field offices of BSC. The consolidation of data pertaining to national savings schemes transactions at BSC field offices and branches of commercial banks are carried out at Head Office of BSC and provided to Central Directorate of National Savings (CDNS). Draws of prize bonds are arranged as per schedule at various offices of BSC. The income tax deducted on profit paid on national savings schemes is reported to CBR on daily basis. The BSC facilitate the government to float new loans and manages public debt. BSC is also responsible for the movement of government balances to, from and between other banks.

5.2 Management of Government Accounts

SBP BSC is actively engaged in providing quality banking services to the government. During FY06 all government accounts have been properly maintained. The Accounts Department is reporting information on government accounts to the Accountant General, Accountant General Pakistan Revenue, Railway and SBP on daily basis. The reporting system has been modernized and reports are generated through the Globus banking system in most of the field offices of BSC. Accurate data compiled by BSC enables the authorities to analyze and take timely decisions. The automation has enabled the managers to effectively monitor all the transactions. Cheques issued by different government departments are also monitored through the system. BSC is now able to verify any payment / refund / T.T. Discount to facilitate enquiry of any particular transaction by providing any information i.e. amount, date, transaction number or debit / credit account etc. Further, BSC provides client statement containing complete history of transactions including head / sub-head of account, which helps to issue Non-Payment Certificate against any instrument. During FY06, the total number of transactions pertaining to government receipts handled by the BSC field offices was 2,555,463 as compared to 2,425,851 transactions in the preceding year, indicating an increase of around 5.3% in government transactions handled by the BSC. Similarly, the total number of government payment transactions was 2,832,256 as compared to 2,653,655 transactions handled during the previous year, showing an increase of around 6.7%.

Table 5.2 Government Receipts / Payments							
<i>(Number of transactions)</i>							
S. #	Office	2004-05			2005-06		
		Receipt	Payment	Total	Receipt	Payment	Total
1	Bahawalpur	61,769	99,153	160,922	62,611	109,042	171,653
2	D. I. Khan	18,369	14,041	32,410	24,489	19,883	44,372
3	Faisalabad	208,300	134,100	342,400	260,100	126,709	386,809
4	Gujranwala	54,381	83,181	137,562	50,291	91,005	141,296
5	Hyderabad	77,431	93,392	170,823	68,272	86,354	154,626
6	Islamabad	79,610	318,783	398,393	88,302	357,401	445,703
7	Karachi	908,201	619,752	1,527,953	956,091	635,566	1,591,657
8	Lahore	132,930	367,350	500,280	158,873	364,488	523,361
9	Multan	219,543	124,148	343,691	249,825	142,857	392,682
10	Muzaffarabad	59,035	45,929	104,964	46,138	39,957	86,095
11	N. N. Karachi	40,625	22,288	62,913	47,862	22,540	70,402
12	Peshawar	152,085	150,769	302,854	136,023	147,223	283,246
13	Quetta	33,914	113,453	147,367	48,948	138,082	187,030
14	Rawalpindi	280,387	320,877	601,264	313,110	378,074	691,184
15	Sialkot	142,023	128,628	270,651	125,644	164,891	290,535
16	Sukkur	36,685	46,630	83,315	29,958	35,656	65,614
Total		2,505,288	2,682,474	5,187,762	2,666,537	2,859,728	5,526,265

5.3 Reporting of CBR Transactions

CBR tax collection is one of the main jobs being performed by the field offices of BSC. For this purpose, CBR Module has been implemented at all field offices during the period under review. Now all Receipts / Payments are made through the said system and all tax data are reported directly to the CBR. Daily business reports regarding CBR tax collection, gross receipts / payments are generated through the system. Due to technological up-gradation, BSC is now in a position to respond quickly to CBR and District Accounts Officers queries through newly established online reporting system.

5.4 Operational Work Relating to National Savings Schemes

5.4.1 National Prize Bonds

BSC is engaged in the sale, encashment and prize money payment of Prize Bonds. Prize draws of different denominations are held on quarterly basis. The Prize Bonds draws are held at field offices of BSC as per draw schedule provided by the CDNS. The number and amount of prizes on various denominations of Prize Bonds for each series are given in Annexure at XV.

During FY06, the aggregate value of sale of National Prize Bonds of all denominations stood at Rs.88,717.8 million as compared to Rs.96,872.9 million in FY05. The total encashment of Prize Bonds was Rs.85,391.1 million during FY06 as compared to Rs.87,516.0 million in FY05. The prize money paid against the winning Prize Bonds of all denomination was Rs.7,274.7 million in FY06 as compared to Rs.6,578.2 million in FY05. The details of sale, encashment and prize money paid against the winning Prize Bonds (denomination-wise) during FY05 and FY06 are given in the following table:

S#	Denomination	2004-05			2005 - 06		
		Sale	Encashment	Prize Money Paid	Sale	Encashment	Prize Money Paid
1	200	7,490.206	6,813.533	505.342	6,350.465	6,334.847	508.195
2	750	12,094.224	10,963.997	1,100.337	9,999.605	10,456.391	1,179.497
3	1,500	13,282.916	12,128.936	1,099.046	12,149.259	12,007.424	1,326.677
4	7,500	18,084.675	17,117.310	1,037.072	16,759.995	16,297.740	1,167.400
5	15,000	20,281.425	17,893.650	1,428.510	19,576.380	18,876.690	1,376.550
6	40,000	25,639.440	22,598.600	1,407.880	23,882.080	21,418.040	1,716.400
Total		96,872.886	87,516.026	6,578.187	88,717.784	85,391.132	7,274.719

The details of total number of prizes paid through the field offices of BSC during FY06 and in the corresponding period last year are given in the following tables:

Prize Money	First Prize		Second Prize		Third Prize	
Field Office	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
Bahawalpur	4	1	6	14	2,836	2,820
D. I. Khan	6	2	12	7	4,363	3,701
Faisalabad	29	22	93	79	49,226	51,484
Gujranwala	9	2	19	20	9,306	8,520
Hyderabad	26	24	80	102	26,633	30,527
Islamabad	15	12	49	48	15,645	18,333
Karachi	86	63	240	159	162,491	171,349
Lahore	143	111	367	318	107,633	112,089
Multan	8	19	40	39	13,842	15,821
Muzaffarabad	0	2	7	4	1,498	1,507
N. N. Karachi	49	112	198	383	22,568	24,563
Peshawar	40	23	127	73	53,545	56,002
Quetta	2	16	19	19	10,893	11,349
Rawalpindi	24	27	102	102	37,401	38,808
Sialkot	10	2	27	17	10,132	10,329
Sukkur	11	14	19	29	11,545	14,665
Total	462	452	1,405	1,413	539,557	571,867

S #	Description of Prizes	Period	
		2004-05	2005-06
1	First Prizes	462	452
2	Second Prizes	1,405	1,413
3	Third Prizes	539,556	571,867
Total		541,423	573,732

In order to prevent tampering of the date and place of issue of National Prize Bonds, Tricolor Date Stamping Machines have been installed at all field offices of BSC. This measure has been taken to reduce fraud and forgeries in the Prize Bonds. Besides National Prize Bonds, the field offices are also engaged in the sale, encashment and profit payment of other National Savings instruments viz., DSC and SSC.

5.4.2 Defence Savings Certificates

Defence Saving Certificates is one of the most popular schemes among investors. This scheme has specifically been designed to meet the future requirements of the investors. DSC is the saving scheme with 10 years maturity with built-in feature of automatic reinvestment after maturity. In case DSC is not encashed on maturity, the balance at credit (principal plus profit) shall be deemed to have been reinvested without any deduction for another period of 10 years. The return on DSC issued on or after 05-06-2006 has been re-fixed as given in table below. The DSCs purchased prior to the said date shall earn profit at the rate prevailing on the date of purchase. The year-wise payable amount on initial investment in DSCs is given in the following table:

Value on completion of period	Denomination of DSC in Rs.							
	500	1000	5000	10,000	50,000	100,000	500,000	1,000,000
1 Year	530	1,060	5,300	10,600	53,000	106,000	530,000	1,060,000
2 Year	565	1,130	5,650	11,300	56,500	113,000	565,000	1,130,000
3 Year	605	1,210	6,050	12,100	60,500	121,000	605,000	1,210,000
4 Year	650	1,300	6,500	13,000	65,000	130,000	650,000	1,300,000
5 Year	700	1,400	7,000	14,000	70,000	140,000	700,000	1,400,000
6 Year	770	1,540	7,700	15,400	77,000	154,000	770,000	1,540,000
7 Year	855	1,710	8,550	17,100	85,500	171,000	855,000	1,710,000
8 Year	960	1,920	9,600	19,200	96,000	192,000	960,000	1,920,000
9 Year	1,110	2,220	11,100	22,200	111,000	222,000	1,110,000	2,220,000
10 Year	1,300	2,600	13,000	26,000	130,000	260,000	1,300,000	2,600,000

5.4.3 Special Savings Certificates

The business of sale and encashment of SSC at SBP BSC field offices has increased considerably during FY06. This scheme has been introduced keeping in view the periodic needs of the investors. The maturity period of SSC is three years. Profit is paid on completion of every six month period. In case the profit earned on these certificates is not drawn on due date, the un-drawn profit is automatically stand reinvested from the date of its accrual. Zakat is deducted at the time of actual encashment at the rate of 2.5% on the principal amount where applicable. As per instructions of the Federal Government, the withholding tax is deducted at source at the rate of 10 % of profit earned on SSCs when the amount exceeds Rs.150,000. The return on SSCs issued on or after 05-06-2006 has been re-fixed as given in the Table 5.4.2 (b). The SSCs purchased prior to the said date shall earn profit at the rate prevailing on the date of purchase. The amount payable on initial investment in SSCs is given in the following table:

Value on completion of period	Denomination of SSC in Rs.							
	500	1000	5000	10,000	50,000	100,000	500,000	1,000,000
1 st 6 Months	22.5	45	225	450	2,250	4,500	22,500	45,000
2 nd 6 Months	22.5	45	225	450	2,250	4,500	22,500	45,000
3 rd 6 Months	22.5	45	225	450	2,250	4,500	22,500	45,000
4 th 6 Months	22.5	45	225	450	2,250	4,500	22,500	45,000
5 th 6 Months	22.5	45	225	450	2,250	4,500	22,500	45,000
6 th 6 Months	25.0	50	250	500	2,500	5,000	25,000	50,000

Profit already drawn for the period of	Profit payable on each Rs.100/- on completion of					
	6 Months	1Year	1 ½ Years	2 Years	2 ½ Years	3 Years
Nil	4.500	9.203	14.117	19.251	24.615	30.722
1 st 6 Months	-	4.500	9.203	14.117	19.251	25.115
2 nd 6 Months	-	-	4.500	9.203	14.117	19.751
3 rd 6 Months	-	-	-	4.500	9.203	14.617
4 th 6 Months	-	-	-	-	4.500	9.703
5 th 6 Months	-	-	-	-	-	5.000

During FY06, total number of cases relating to sale, encashment and profit payment of Special Savings Certificates and Defence Savings Certificates handled by the field offices of BSC are given in the following table.

Field Office	Special Savings Certificate						Defence Savings Certificate					
	Sale		Encashment		Profit Payment		Sale		Encashment		Profit Payment	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
Bahawalpur	4	1	6	4	7	4	4	1	10	6	10	6
D. I. Khan	-	2	3	3	7	6	1	-	1	-	1	-
Faisalabad	540	855	2,678	2,536	8,910	7,977	436	314	1,742	1,585	1,732	1,161
Hyderabad	455	686	1,025	1,246	2,246	2,864	224	258	802	995	772	915
Islamabad	253	649	345	469	479	1,480	306	200	197	520	197	520
Karachi	40,074	117,774	177,450	112,384	181,891	189,298	12,665	55,946	83,397	84,595	83,357	84,500
Lahore	3,029	6,149	60,462	41,268	215,816	119,360	754	1,325	21,926	18,782	21,926	18,782
Multan	2	3	17	11	29	16	-	10	3	7	3	5
Muzaffarabad	71	9	175	7	184	58	40	41	19	4	19	4
N. N. Karachi	2,375	3,417	5,111	5,270	12,836	15,166	1,427	472	324	321	275	200
Peshawar	189	231	779	617	3,912	2,452	27	15	200	165	200	165
Quetta	19	104	175	224	163	132	107	144	194	132	98	78
Rawalpindi	872	992	8,217	9,157	24,562	28,381	583	607	1,383	1,682	1,752	1,865
Sialkot	176	485	895	1,105	895	1,105	10	39	435	500	435	500
Sukkur	50	71	121	102	217	136	50	62	8	30	8	29
Total	48,109	131,428	257,459	174,406	452,154	368,435	16,634	59,434	110,641	109,324	110,785	108,730

S #	NSC Instruments	Sale		Encashment		Profit Payment	
		2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
1	SSC	48,109	131,428	257,459	174,406	452,154	368,435
2	DSC	16,634	59,434	110,641	109,324	110,785	108,730
	Total	64,743	190,862	368,100	283,730	562,939	477,165

The total sale of SSC stood at Rs.7,072.9 million during FY06 as compared to Rs.2,667.8 million in the preceding year. The total encashment of SSCs was Rs.46,701.6 million during FY06 as compared to Rs.53,771.9 million in FY05. The sale of DSCs in recent years remained low due to unattractive rate of

profit on this instrument. The total sale of DSCs during the FY06 was Rs.942.3 million as compared to Rs.676.8 million in the corresponding period last year. The encashment of DSCs was Rs.5,183.8 million during the FY06 as against Rs.5,662.9 million during the preceding year.

Table 5.4(c) Total Sale & Encashment of National Savings Schemes					
<i>(Rupees in million)</i>					
S#	Instrument	Sale		Encashment	
		2004-05	2005-06	2004-05	2005-06
1	SSC	2,667.850	7,072.945	53,771.920	46,701.608
2	DSC	676.857	942.372	5,662.914	5,183.781
Total		3,344.707	8,015.317	59,434.834	51,885.389