

Managing Director's Message

It gives me immense pleasure to present the Annual Performance Review of the SBP Banking Services Corporation for the FY06. The Banking Services Corporation [BSC] has successfully completed five years of its existence. During this period, the BSC has been constantly refining its operational procedures in order to accomplish responsibilities assigned to it by the State Bank of Pakistan more effectively and provide better services to all stakeholders. I take this opportunity to briefly touch upon the efforts being made by the BSC to transform it into an efficient and quality service organization.

During FY06, BSC has given priority to upgrade the skill level of its human resources. The speedy growth and ongoing automation of the financial sector in Pakistan during last few years have triggered the need for developing a distinctly different set of competencies in BSC. For this purpose BSC has taken many initiatives to enhance efficiency and operational capabilities of its employees keeping in view the emerging requirements. We have provided opportunities to our employees to participate in various training and development programs at NIBAF as well as at other reputable training institutes of the country. During FY06, a total number of 843 officials of BSC were provided training in a variety of modules, out of which 761 were trained at NIBAF and 82 were sent to other training institutes. These efforts would improve knowledge base of the employees and foster a sense of pride on their competencies.

Currency management is one of the core functions of the BSC. In order to carry out this function, BSC is actively engaged in managing the stock of banknotes and coins at field offices / currency chests / sub-chests, issuance of fresh notes, withdrawal and disposal of soiled notes from circulation and anti-counterfeit measures. Maintaining the proper quality of currency notes in circulation is a huge task in a cash-based economy like ours. The responsibilities of BSC have increased manifold since the currency in circulation rapidly increased from Rs.449.1 billion in January 2002 to Rs.784.4 billion as on 30th June 2006. The implementation of Clean Note Policy of the SBP continued during the year under review. To implement this policy, a three-pronged strategy has been designed and implemented by BSC which included automation and simplification of various procedures, on-site examination and public awareness program. In order to ensure supply of clean banknotes in circulation, the BSC keeps withdrawing the soiled and damaged currency notes and injecting the fresh notes into circulation. During FY06 we have established Quality Assurance Unit and Banknote Research Wing at Karachi office. BSC continued its campaign to increase public awareness regarding security features of banknotes and the benefits of clean note environment in the economy. Another development during FY06 was the introduction of new design banknotes of Rs.10, Rs.100 and Rs.500 denominations and two new denominations viz. Rs.20 and Rs.5000 with advanced security features. These steps will go a long way in increasing the quality of notes in circulation.

BSC is providing quality banking services to financial institutions, federal and provincial governments. To accomplish this statutory responsibility, BSC maintains various accounts. Revenue collection and payments for and on behalf of the federal and provincial governments are an important responsibility of the field offices of BSC. During FY06 the total number of transactions pertaining to government receipts handled by the BSC field offices was 2,666,537 as compared to 2,505,288 transactions in the preceding year, indicating an increase of 6.4%. Similarly, the total number of government payment transactions was 2,859,728 as compared to 2,682,474 transactions handled during the previous year, showing an increase of 6.6%. CBR's tax collection is one of the main jobs being performed by the field offices of BSC. Latest technologically advanced module for CBR transactions has been implemented at all field offices and now all receipts / payments are made through the said system. Tax data are reported directly to the CBR.

During the period under review BSC continued its focus on use of technology in processing various transactions to improve its operational efficiency. I am pleased to report that a considerable progress has

been made in the successful implementation of various software solutions such as Globus banking solutions and Oracle (ERP) that are customized according to our operational requirements. This work could not be successfully completed without the valuable support of Information Systems & Technology Department, SBP. The Globus banking system is smoothly functioning in the areas of Public Accounts, Deposit Accounts, Currency Management, Export Refinance and the national savings schemes. Oracle (ERP) software has also been implemented to achieve internal operational efficiency, and its all four modules i.e. HRMS, Financial, Distribution and Custom are running satisfactorily. Our Rawalpindi office has developed software namely "Queue Management System" locally. The system has initially been launched in Public Accounts Department and is providing one window operation for customers representing federal and provincial government departments and is being replicated in all offices.

Field offices of BSC are responsible to oversee the operations of the clearing house for the commercial banks operating in their jurisdiction. At present automated clearing services are provided by the NIFT at most of the field offices. It is a nation-wide mechanism that processes the electronically originated transactions of credit and debit transfers among commercial banks. The NIFT has extended automated clearing functions to thirteen centers of BSC together with the inter-city clearing facility. Total number of transactions carried out through NIFT was 59,742,921 during FY06 as against 46,573,009 during the preceding year. The transactions settled through manually operated clearing house were 2,202,133 during FY06 as against 3,646,028 in the previous year, which showed a significant decline in manual clearing in the country.

The volume of work relating to Research and Development support to garment industry has been increasing rapidly. The Research and Development Support is being provided to the textile garment units manufacturing and exporting textile garments at the rate of 6 percent of the FOB value of the exports to European Union and USA. Our Foreign Exchange Operations Department has processed more than 31,000 cases up to July 2006 and an amount of Rs.6,597.6 million has been disbursed to the eligible exporters. Our field offices are also implementing Export Finance Scheme of the SBP. During FY06 our field offices processed 28,032 transactions relating to grant of refinance, 35,110 transactions relating to repayment of loan along with 65,420 transactions relating to realization of remuneration (share of profit) on quarterly basis from banks. Field offices of BSC also undertake random on-site verification of export refinance cases and examine the entire documents in their respective jurisdiction. During the period under review, verification of 11,297 EFS cases handled by 156 branches of 19 commercial banks has been completed.

Local Credit Advisory Committee (LCAC) is a forum available at field offices of BSC to provide an opportunity to bankers, traders and representatives of farming community to sit together and discuss the business issues and problems being faced by them and propose solution for these problems. During FY06, a total number of 61 meetings of LCAC / Sub Committee were held under the chairmanship of Chief Managers of field offices with the representatives of business / trade associations, farmer associations and Chambers of Commerce and Industry as compared to 56 meetings last year. In addition 27 small towns were visited by Chief Managers as compared to 23 in the preceding year. Through the forum of LCAC, Chief Managers of BSC updated the stakeholders of SBP regarding various schemes, policies and financial services of SBP. Further, seminars and workshops were also arranged by the field offices to resolve the issues pertaining to business / agriculture sector.

The common services departments i.e. Engineering Department, Internal Bank Security Department, Medical Services Division and Printing Press are providing customized services to the State Bank of Pakistan, SBP Banking Services Corporation and NIBAF, Karachi and Islamabad. The continuous improvement and up-gradation in the services of these departments/divisions is essential to bring an overall improvement in the performance of all the three entities. While SBP formulate and refine policies of these departments, the BSC is responsible for implementation of policy decisions besides monitoring the performance of these departments. The management of BSC has been paying due attention on

enhancing the operational efficiency of these departments/divisions. In order to enhance skill set of employees working in these departments, BSC has arranged various professional training / refresher courses. Due to automation of work processes, a noticeable improvement is seen in the delivery of services by these departments. State of the art Learning Resource Centre at SBP Karachi has been completed. All modern facilities have been provided e.g. electrification, air conditioning, sound and acoustic system for conducting seminars, presentations, workshops, conferences and trainings in a congenial and graceful environment. The construction of a full fledged office building at Gawadar is expected to start in near future as Gawadar Development Authority have given us a 2 acre plot for the purpose.

Our aim is not only to meet our objectives but to excel in our performance for all stakeholders. We have maintained our historically high service standards and performed strongly. Since its inception, BSC has been making every effort to make it an efficient and progressive institution. In order to upgrade the services provided by the BSC and make the institution appropriately adaptive and responsive to the stakeholder's requirement, the process of strategic planning has been initiated. Strategic Management Conference of the BSC was held at National Institute of Banking and Finance (NIBAF) Islamabad from 31st December 2005 to 1st January 2006 wherein the Strategic Plan of BSC for 2006-10 was formulated. Before developing the plan, the management and staff of the BSC carried out a comprehensive analysis of the business priorities and organizational capabilities. Subsequently, we have revised the Plan in the light of guideline from the worthy Governor. We will continue our efforts to improve our performance in coming years and align our business processes with the directions given by the Governor. It is hoped that BSC will emerge as a more dynamic organization to play a vital role for the implementation of policies formulated by the SBP. I hope that with improved processes, latest technology and better communication with stakeholders, the BSC is poised to optimize its performance and to meet expectations of the State Bank of Pakistan.

Last but not least, I am grateful to all Directors, Chief Managers and employees of BSC for their valuable contribution in preparation of this report. I also express my appreciation for the hard work and sincere efforts of all the officials for improving the performance of BSC.

Liaqat Durrani
Managing Director
SBP BSC