

5 BANKING SERVICES TO THE GOVERNMENT

5.1 Overview

As a statutory obligation SBP-BSC provides banking services through its 16 field offices to the federal, provincial and local governments which, inter-alia, includes collection of revenues and making payments on behalf of the government departments etc. A broad network of 226 currency chests / sub-chest has also been established throughout the country, including the places where SBP-BSC offices are not located, to facilitate the government departments to obtain cash and deposit government revenue locally. The tax revenue collected by SBP-BSC field offices on behalf of the government is credited to the relevant accounts and updates are reported daily to Central Board of Revenue (Federal Board of Revenue) through online computerized network. SBP-BSC plays an important role in enhancing the level of domestic savings by managing various saving schemes of the Central Directorate of National Savings (CDNS). The saving schemes managed by SBP-BSC include Special Savings Certificates (SSC), Defence Savings Certificates (DSC) and National Prize Bonds. All transactions relating to sale and encashment of SSCs, DSCs and National Prize Bonds, disbursement of profit on SSCs, DSCs and payment of prize money against prize winning bonds are carried out by the field offices. The information pertaining to national saving schemes handled by field offices and commercial banks is consolidated and provided to CDNS. SBP-BSC also arranges draws of National Prize Bands twice a month at different offices by rotation as per schedule prepared with the prime objective that the draw of each denomination prize bonds is invariably held after every three months. Automation and system networking have enabled the SBP-BSC to transmit the information relating to deduction of income tax on profit paid on national savings schemes to CBR on daily basis.

5.2 Management of Government Accounts

The Accounts Department of SBP-BSC is responsible for management of federal, provincial and district governments' accounts as well as Zakat accounts. It provides data on government accounts to the Accountant General Pakistan Revenue, Pakistan Railway and SBP on daily basis. The daily position of government balances is provided to Finance Department of SBP for submission to government departments. Automation of business processes and online data entry has provided an impetus for secured transmission and automated updation of data because of the integration among field offices. System

generated error-free reports; client statements and elimination of the duplication of work have resulted in an efficient and quality banking service to the government departments. During FY07, the total number of transactions pertaining to the government receipts handled by SBP-BSC field offices was 2,831,685 as compared to 2,666,537 transactions in the preceding year, indicating an increase of 6.2 percent. Similarly, the total number of government payment transactions was 3,409,753 as compared to 2,859,728 transactions handled during the previous year, showing an increase of 19.2 percent.

Table 5.2 Government Receipts / Payments						
Office	2005-06			2006-07		
	Receipt	Payment	Total	Receipt	Payment	Total
Bahawalpur	62,611	109,042	171,653	86,076	94,518	180,594
D. I. Khan	24,489	19,883	44,372	18,110	44,158	62,268
Faisalabad	260,100	126,709	386,809	287,445	186,687	474,132
Gujranwala	50,291	91,005	141,296	59,216	74,983	134,199
Hyderabad	68,272	86,354	154,626	69,212	123,589	192,801
Islamabad	88,302	357,401	445,703	142,675	454,490	597,165
Karachi	956,091	635,566	1,591,657	971,331	819,717	1,791,048
Lahore	158,873	364,488	523,361	199,788	421,302	621,090
Multan	249,825	142,857	392,682	180,450	185,141	365,591
Muzaffarabad	46,138	39,957	86,095	42,577	45,019	87,596
N. N. Karachi	47,862	22,540	70,402	58,575	19,540	78,115
Peshawar	136,023	147,223	283,246	155,859	159,460	315,319
Quetta	48,948	138,082	187,030	42,420	162,557	204,977
Rawalpindi	313,110	378,074	691,184	350,710	369,644	720,354
Sialkot	125,644	164,891	290,535	139,511	203,379	342,890
Sukkur	29,958	35,656	65,614	27,730	45,569	73,299
Total	2,666,537	2,859,728	5,526,265	2,831,685	3,409,753	6,241,438

The consolidation of Zakat collection and maintenance of its balances is another responsibility of SBP-BSC. The collection of Zakat during 2006-07 amounted to Rs.5.5 million while the disbursements from Zakat funds made through SBP-BSC field offices amounted to Rs.5.4 million.

5.3 Reporting of CBR Transactions

The CBR Automation Module installed at field offices has enabled transmission of the data online to the concerned departments of CBR on daily basis in the prescribed format. On-line transmission of information through system is a secure mode of transmission which has provided integrity, reliability and confidentiality of the process. Accurate and timely supply of information to government departments provide them the opportunity for forecasting, planning and efficient decision making. SBP-BSC has arranged training sessions on CBR Module for the concerned staff in the field offices. The volume of total

government business (receipts and payments) has increased to Rs.940,418 million during FY07 as compared to Rs.811,771 million in the preceding year, which indicates an increase of 15.8 percent.

5.4 Operational Work Relating to National Savings Schemes

SBP-BSC is playing an important role in mobilizing savings for the government and shouldering the responsibility of sale, encashment and profit payments on various saving schemes of the CDNS. The unflinching faith of public in the credibility and integrity of SBP-BSC in money matters has been a source of success of various savings schemes of the CDNS viz., SSC, DSC, and particularly National Prize Bonds.

5.4.1 National Prize Bonds

During FY07 all the 16 field offices of SBP-BSC continued to manage the sale, encashment and prize money payment of various denominations of National Prize Bonds. The draws for each denomination of National Prize Bonds for picking the prize winning bonds were held on quarterly basis as usual. There being six denominations of National Prize Bonds the draws were held twice a month. These draws were held at field offices of SBP-BSC strictly as per draw schedule provided by CDNS. During FY07, the aggregate value of sale of National Prize Bonds of all denominations stood at Rs.94,820.7 million as compared to Rs.88,717.8 million in FY06 indicating an increase of 6.9 percent. The total encashment of Prize Bonds was Rs.85,813.4 million during FY07 as compared to Rs.85,391.1 million in FY06. The prize money paid against the winning prize bonds of all denominations was Rs.9,134.2 million in FY07 as compared to Rs.7,274.7 million in FY06 registering an increase of 25.6 percent. The denomination-wise details of sale, encashment and prize money paid against winning prize bonds during FY06 and FY07 are given in the following table.

Table 5.4.1(a) Total Sale & Encashment of National Prize Bonds at Field Offices of SBP-BSC (Rupees in million)							
S #	Denomination	2005-06			2006-07		
		Sale	Encashment	Prize Money Payment	Sale	Encashment	Prize Money Payment
1	200	6,350.465	6,334.847	508.195	6,789.643	6,398.539	709.779
2	750	9,999.605	10,456.391	1,179.497	10,450.775	9,569.149	1,290.892
3	1,500	2,149.259	12,007.424	1,326.677	13,199.798	12,060.423	1,603.270
4	7,500	16,759.995	16,297.740	1,167.400	19,806.698	17,180.273	1,485.175
5	15,000	19,576.380	18,876.690	1,376.550	18,833.955	18,187.950	1,762.550
6	40,000	23,882.080	21,418.040	1,716.400	25,739.800	22,417.040	2,282.500
Total		88,717.784	85,391.132	7,274.719	94,820.669	85,813.374	9,134.166

The total number of cases of prize money payment through the field offices of SBP-BSC was 739,989 during FY07 as compared to 573,732 during the previous year. This showed

a considerable increase of 29 percent in the number of cases of prize money payment through field offices during FY07.

Table 5.4.1 (b) Number of Prizes Paid against Winning Prize Bonds						
Field office	Prize Money					
	First Prize		Second Prize		Third Prize	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Bahawalpur	1	3	14	11	2,820	3,024
D. I. Khan	2	2	7	8	3,701	4,338
Faisalabad	22	23	79	60	51,484	76,019
Gujranwala	2	8	20	23	8,520	10,197
Hyderabad	24	23	102	98	30,527	36,968
Islamabad	12	19	48	47	18,333	18,251
Karachi	63	79	159	155	171,349	215,507
Lahore	111	143	318	312	112,089	138,564
Multan	19	13	39	58	15,821	20,397
Muzaffarabad	2	2	4	3	1,507	3,210
N. N. Karachi	112	86	383	370	24,563	38,310
Peshawar	23	34	73	94	56,002	83,609
Quetta	16	3	19	49	11,349	16,353
Rawalpindi	27	28	102	110	38,808	50,068
Sialkot	2	4	17	17	10,329	12,089
Sukkur	14	5	29	28	14,665	11,167
Total	452	475	1413	1443	571,867	738,071

SBP-BSC has made concerted efforts to improve the control mechanism to prevent tampering of the date and place of issue of National Prize Bonds by unscrupulous persons for tendering wrongful claims of prize money. Provision of Tricolor Date Stamping Machines to all field offices for stamping the prize bonds was one of such steps 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., SSC and DSC.

5.4.2 Special Savings Certificates (SSC)

The scheme of Special Savings Certificates (SSCs) is tailored to the needs of middle and lower income group, household and small investors guaranteed by the government a periodic return. However, big investors also tend to deposit heavy amounts in this scheme to earn a handsome periodic return on their investments. These certificates are available in the denomination of Rs.500; Rs.1000; Rs.5,000; Rs.10,000; Rs.50,000; Rs.100,000; Rs.500,000 and Rs.1,000,000. The maturity period of SSC is three years while 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. The return on SSCs issued on or after 23rd June

2007 has been re-fixed. The SSCs purchased prior to the said date shall earn profit at the rate prevailing on the date of purchase. Zakat is deducted at the time of actual encashment at the rate of 2.5 percent 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 percent of profit earned on SSCs when the amount of investment exceeds Rs.150,000. The total number of SSCs sale cases at SBP-BSC field offices was 25,838 during FY07 as compared to 22,118 cases in the preceding year whereas the value of investment in SSCs increased to Rs.13,506 million in FY07 as compared to Rs.7,073 million in previous year.

Table 5.4.2 Number of cases of Special Savings Certificates handled by the SBP-BSC							
S #	Office	2005-06			2006-07		
		Sale	Encashment	Profit Payment	Sale	Encashment	Profit Payment
1	Bahawalpur	1	4	4	-	3	5
2	D. I. Khan	2	3	6	-	2	2
3	Faisalabad	855	2,539	7,977	161	196	294
4	Hyderabad	686	1,246	2,864	520	547	1,742
5	Islamabad	649	469	1,480	74	251	205
6	Karachi	8,464	15,225	36,733	3,662	14,149	110,012
7	Lahore	6,149	41,268	119,360	11,234	22,425	41,798
8	Multan	3	11	16	8	10	8
9	Muzaffarabad	9	7	58	13	19	21
10	N. N. Karachi	3,417	5,270	15,166	8,282	8,704	12,039
11	Peshawar	231	617	2,452	237	292	632
12	Quetta	104	224	132	5	18	37
13	Rawalpindi	992	9,157	28,381	1,516	1,637	6,013
14	Sialkot	485	1,105	1,105	72	141	194
15	Sukkur	71	102	136	54	75	101
Total		22,118	77,247	215,870	25,838	48,469	173,103

5.4.3 Defence Savings Certificate

Defence Saving Certificates (DSC) scheme was introduced in the year 1966 and since then it is providing better opportunities for long-term investments with attractive rate of return on deposits. This scheme has specifically been designed to meet the future requirements of the investors. DSC is the saving scheme with 10 years 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. These certificates are available in the denominations of Rs.500, Rs.1000; Rs.5000; Rs.10,000; Rs.50,000; Rs.100,000; Rs.500,000 and Rs.1,000,000 to provide an opportunity of investment to all income groups of the country. The return on DSCs issued on or after 23rd June 2007 has been re-fixed. The DSCs purchased prior to the said date shall earn profit at the rate prevailing on the date of purchase. During the year under review the number of cases in respect of sale of DSCs handled by field offices was 13,687 as compared to 5,575 cases during FY06. However, the amount of DSCs sold during FY07 was Rs.2,508.6 million as compared to Rs.942.4 million during the preceding year depicting an increase of about 166 percent in the value of investments.

Table 5.4.3 Number of Cases of Defence Savings Certificates handled by the SBP-BSC							
S #	Office	2005-06			2006-07		
		Sale	Encashment	Profit Payment	Sale	Encashment	Profit Payment
1	Bahawalpur	1	6	6	-	10	10
2	Faisalabad	314	1,585	1,161	56	246	246
3	Hyderabad	258	995	915	146	664	664
4	Islamabad	200	520	520	142	346	307
5	Karachi	2,087	6,472	6,434	7,489	8,172	8,132
6	Lahore	1,325	18,782	18,782	3,023	21,600	21,600
7	Multan	10	7	5	5	14	14
8	Muzaffarabad	41	4	4	-	1	1
9	N. N. Karachi	472	321	200	1,050	1,420	1,420
10	Peshawar	15	165	165	35	259	259
11	Quetta	144	132	78	73	63	63
12	Rawalpindi	607	1,682	1,865	1,606	4,546	4,502
13	Sialkot	39	500	500	14	77	78
14	Sukkur	62	30	29	48	66	66
Total		5,575	31,201	30,664	13,687	37,484	37,362

The total number of cases relating to sale, encashment and profit payment of Special Savings Certificates and Defence Savings Certificates handled by SBP-BSC field offices during FY07 were 39,525; 85,953 and 210,465 as compared to 27,693; 108,448 and 246,534 respectively in FY06. The total value of sale and encashment of Special Savings

Certificates and Defence Savings Certificates during FY07 stood at Rs.16,014.8 million and Rs.20,146.6 million as against Rs.8,015.3 million and Rs.51,885.4 million respectively in the preceding year.

Table 5.4 (a) Total number of cases of SSC and DSC handled at field offices							
S #	Instrument	Sale		Encashment		Profit Payment	
		2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
1	SSC	22,118	25,838	77,247	48,469	215,870	173,103
2	DSC	5,575	13,687	31,201	37,484	30,664	37,362
Total		27,693	39,525	108,448	85,953	246,534	210,465

Table 5.4 (b) Total value of Sale & Encashment of SSC and DSC at field offices					
<i>(Rupees in million)</i>					
S #	Instrument	Sale		Encashment	
		2005-06	2006-07	2005-06	2006-07
1	SSC	7,072.945	13,506.166	46,701.608	10,033.409
2	DSC	942.372	2,508.625	5,183.781	10,113.174
Total		8,015.317	16,014.791	51,885.389	20,146.583