



STATE BANK OF PAKISTAN



History



- Before independence on 14 August 1947, the Reserve Bank of India (central bank of India) was the central bank for .

History

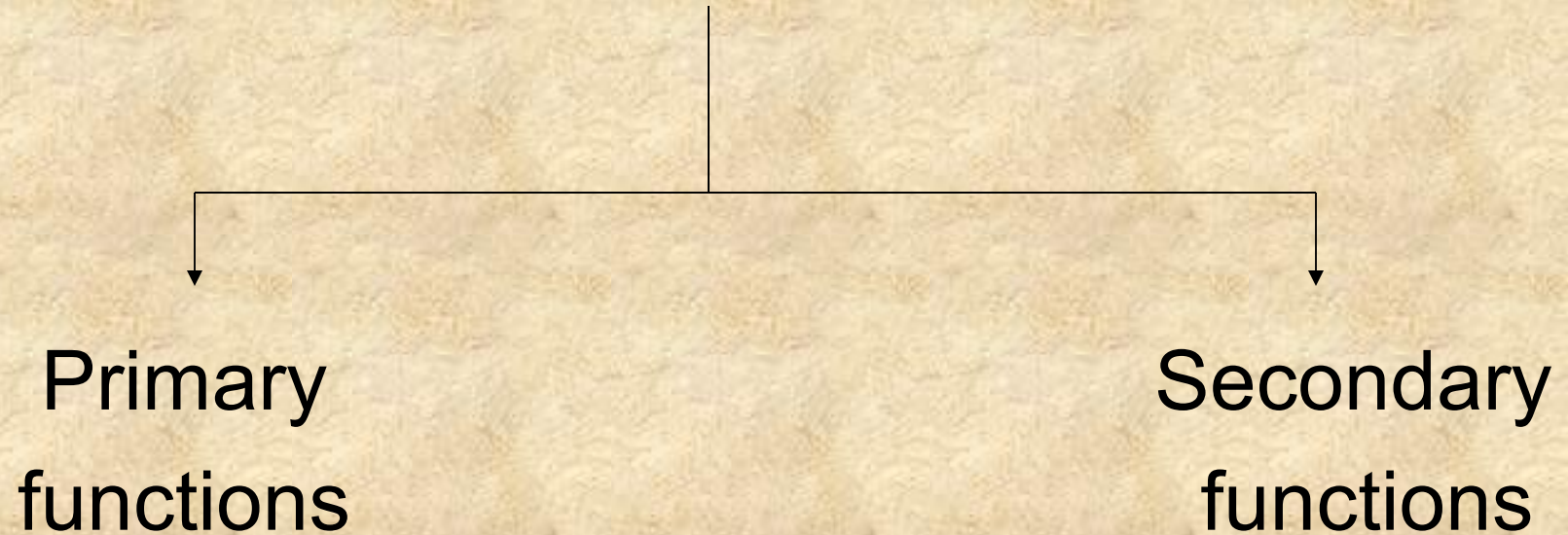


- On 30 December 1948 the British Government's commission distributed the Bank of India's reserves between Pakistan and India - 30 percent for Pakistan and 70 percent for India.



- The losses incurred in the transition to independence were taken from Pakistan's share (a total of 230 million). In May, 1948, Mr. Jinnah took steps to establish the SBP immediately. These were implemented in June 1948, and the State Bank of Pakistan commenced operation on July 1, 1948.

Functions of State Bank of Pakistan



Primary functions



- **Issue of notes:**

- a. Sole right
- b. Size of note
- c. Amount of Notes in circulation

- **Regulation and supervision of banks:**

- a. Full control

- **Lender of the last resort:**

- a. Provides cash
- b. Treasury bills
- c. Liquidity

- **Adviser to Government:**

- a. Financial matters
- b. Economic matters
- c. Commercial banks & other financial institutions

- **Conduct of monetary policy:**

- a. Frames & operates
- b. Control volume of money & credit supply





The Secondary Functions

- **Agency functions like management of public debt:**
 - a. Subscribing Federal and Provincial governments' securities at the time of their issue
 - b. Sale/purchase of such securities in the Money Market (through auction, OMO or discount window)
 - c. Payments of interest to holders of public debt instruments



- **Management of foreign exchange:**
 - a. Act as custodian
 - b. Act as an agent of Govt.
 - c. Official rate of exchange
- **Maintaining close relationships with international financial institutions**
- **Clearing House**
 - a. Where representatives of different banks meet
 - b. To exchange cheques withdrawn
 - c. The state bank then settle the difference



- The State Bank also has been playing an active part in the process of Islamisation of the banking system.



ROLE OF SBP IN ECONOMIC DEVELOPMENT



Role of SBP in Economic Development

- **Traditional function:**
 - a. Originally established
 - b. Monopoly
 - c. Banker to Govt.
 - d. Controller of credit
 - e. Lender of last resort

Role of SBP in Economic Development



- **Building up a sound banking system:**
 - a. Necessary element
 - b. Establishment of NBP(1949)
 - c. Scheduled banks has increased
 - d. Mobilization of savings
- **Assistance to specialized financial institutions**
 - a. Medium & long term loans



Role of SBP in Economic Development

- **Promotion of export finance:**
 - a. Commercial banks provide finance
 - b. SBP help in refinancing at low rate of interest
 - c. Formulate policies relating to export credit
- **Credit targets:**
 - a. Give target to commercial banks
 - b. Credit targets help in raising production

Role of SBP in Economic Development



- **Exchange control:**
 - a. Full control on visible & invisible payments
 - b. Fixes Pak rupee with other currencies
 - c. Official exchange rate
- **Training facilities:**
 - a. Provide knowledge
 - b. Provide training scheme



Role of SBP in Economic Development

- **Proper interest rate structure:**
 - a. Encourage investment
 - b. Promote development activities
- **Ensuring internal price stability:**
 - a. SBP attempts to maintain
 - b. Inflationary and deflationary pressures are brought under control



- SBP has its role important in every sector of economy whether it is
- Industrial sector
- Agriculture sector
- Consumer sector

SBP provides guide lines to each of these sectors to uplift the economy.