

Internship Report

Master of Business Administration Program

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PREFACE

In order to be able to cope with the changing environment it is necessary to have some practical experience. As the students of Business Administration we have to pass through a series of various managerial techniques. During this practical course we are provided with an opportunity to learn that how the theoretical knowledge can be implemented in practical grounds.



I selected National Bank of Pakistan Gallah Mandi Branch Chichawatni to do my internship. I worked there for six weeks & it gave me a greater practical knowledge about the operations of a bank.

ACKNOWLEDGMENT

I am highly grateful to almighty Allah who gave me the power to complete this report.

I am also highly thankful to my honorable teachers for their guidance.

I am indebted to all the employees of National Bank of Pakistan Gallah Mandi Branch Chichawatni and Special thanks to “Mr. Riaz Cheema” Operational Manager of National Bank

of Pakistan GM Branch Chichawatni) and all other employees of the branch for their cooperation.

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1. Executive Summary

This report is based on internship in National Bank of Pakistan GM branch Chichawatni. This report includes the information about the banking sector of Pakistan. NBP is a famous and reputed bank of Pakistan. National Bank of Pakistan maintains first position in banking sector in Pakistan. This report is based on the activities which are performed in this bank. This report contains financial analysis, pest analysis, SWOT analysis, bank tariffs and exchange rates of National Bank of Pakistan. There are also stated the activities which I performed during my internship in the branch. In this report also discuss the industry analysis of banking system in Pakistan. There are also mentioned the way of investment, rates of investment, all types of financing and loans facilities the National Bank of Pakistan provides. The problems in this

branch are also discussed. Some useful suggestions are also provided in the report for the bank. This report also intimates about the daily reserves which are required by the branch to meet the need of its daily transactions

Introduction of the sector:

In the introduction first we shall see some history of the banking sector in Pakistan.

Before partition of the subcontinent, the entire banking system was almost in the hands of Non-Muslims. When Hindu capitalists become sure of the division of the sub continent, they transferred their fund to India in safe places. There was also a mass scale migration of Non-Muslims from Pakistan to India, which also caused a reduction in the bank deposits.

At the time of independence in 1947 Pakistan's Commercial banking facilities were almost jammed according to a plan. The following lines will give us a fair view of the situations, which were prevailing at that time.

Lack of banking facilities at that time

A number of banks closed their branches with the result that only 81 branches remained open on 30th June 1948 out of 487 in 1947. As their head offices were in India and most of their Hindu staff fled to India. Imperial Bank of India, which was conducting government, receipts and payments work closed down most of its branches thus blocking the funds needed most by the government

Habib bank limited transformation to Pakistan

After Pakistan was born in 1947, Habib Bank, at the urging of Governor-General Jinnah, moved its headquarters to Karachi, Pakistan's first capital. This gave Karachi its first commercial bank of the newly formed Islamic Republic of Pakistan. The Habib family owned and managed the bank until the Pakistan government nationalized it on 1 January 1974.

This bank played a great role in the next many years of the economic development of Pakistan. As the Habib Bank was also new in the newly born country .It was asked to open more branches at new places.

Formation of the State Bank of Pakistan

In view of the above-mentioned circumstances and in order to rehabilitate the banking in Pakistan without further delay, on the recommendations of an expert committee it was decided to establish as early as possible a Central Bank to control the banking and currency in Pakistan.

Accordingly **State Bank of Pakistan** was inaugurated by **Quaid-e-Azam Muhammad Ali Jinnah** on 1st July 1948. This bank lost no time in meeting the national requirement of banking currency and took following remedial measures.

Formation of National Bank of Pakistan

Then Experts requested the Government to start a new bank for nation wide service. Accordingly National Bank of Pakistan was formed in 1949, which opened numerous branches. National Bank of Pakistan is the largest commercial bank operating in Pakistan. It continues to act as trustee of public funds and as the agent to the State Bank of Pakistan (in places where SBP does not have a presence).

It was in 1990 when the wheel of banking sector started in reverse direction when Nawaz Sharif government privatized two public sector banks. First of them was Muslim Commercial Bank (MCB) which was handed over to Mian Mansha of Lahore comparatively at a lower bid.

The other bank privatized by Nawaz Sharif government was the Allied Bank. It was sold to the employees and the executives of that bank. This exercise created some problems in the bank and the names of two chief executives of the Allied Bank started appearing in the newspapers off and on. They had to face some legal issues and litigations.

At present, There are of 2 nationalized scheduled banks, 24 private scheduled banks, 4 specialized banks, 8 DFIs, 8 MFBS, 13 investment banks, 6 Islamic banks operating in Pakistan whose activities are regulated and supervised by State Bank of Pakistan. Also three upcoming projects are in process.

Regularity Function

The banking sector in Pakistan is highly regulated. As the Central Bank of the country, the State Bank of Pakistan regulates the banking sector with full autonomy. In general, State Bank of Pakistan is responsible for licensing, directing, supervising, controlling and inspecting banks, and for exercising various monetary control policy measures. In addition, the Securities and Exchange Commission of Pakistan also monitors the operations of the listed banks in so far as they relate to public shareholding matters

Recent trends in banking sector

- Increased Merger & Acquisition activity in the banking sector with local private banks having made several domestic acquisitions
- Large expansion of branch network and deposits by private and some foreign banks
- Rationalisation of branches by nationalised banks
- Increased focus towards consumer finance
- Increased focus on attracting local rupee deposits
- Increased emphasis towards automation and customer service

- Reduction in the increase in non performing loans as a result of better governance of banks and greater accountability process initiated by the government.

National bank of Pakistan

Introduction of NBP

Establishment

National Bank of Pakistan was established under the National Bank of Pakistan ordinance 1949 and it came into existence on November 20, 1949.

National Bank of Pakistan now is the largest commercial bank operating in Pakistan . Its balance sheet size surpasses that of any of the other banks functioning locally. It has redefined its role and has moved from a public sector organisation into a modern commercial bank. The Bank's services are available to individuals, corporate entities and government.

Special function

NBP occupies a unique position in the financial sector of Pakistan. It acts as an agent of the Central Bank wherever the State Bank does not have its own Branch. It also undertakes Government Treasury operations.

Ownership

NBP is 100% owned by the Government of Pakistan (GOP).

VISION

To be recognized as a leader and a brand synonymous with trust, highest standards of service quality, international best practices and social responsibility.

MISSION

NBP will aspire to the values that make NBP truly the nation's bank

- Institutionalizing a merit and performance culture
- Creating a distinctive brand identity by providing the highest standards of service
- Adopting the best international management practices
- Maximizing stakeholder's value
- Discharging our responsibility as a good corporate citizen of Pakistan and in countries where we cooperate

MANAGEMENT

Management is a distinct process consisting of activities of planning, organizing, actuating and controlling performed to determine and accomplish stated objectives with the use of human being and other resources.⁸

The management has two types.

1 - Centralized

2- Decentralized

NBP have a *centralized type of management* because all the decisions are taken by the top management.

Board of Directors

Chairman & President

Mr. Syed Ali Raza

Directors

Mr. Mian Kausar Hameed

Mr. Ibrar A. Mumtaz

Mr. Tariq Kirmani

Mr. Sikandar Hayat Jamali

Mr. Azam Faruque

Mr. Muhammad Ayub Khan Tarin

Mrs. Haniya Shahid Naseem

Secretary Board of Directors

Mr. Ekhlaq Ahmed

Senior Management:

Masood Karim Shaikh	SEVP & Group Chief, Corporate & Investment Banking Group
Shahid Anwar Khan	SEVP & Group Chief, Commercial & Retail Banking Group
Dr. Asif A. Brohi	SEVP & Group Chief, Operations Group
Ekhlaq Ahmed	SEVP & Secretary Board of Directors
Imam Bakhsh Baloch	SEVP & audit & Inspection Group
Ziaullah Khan	SEVP & Group Chief, Special Projects
Khalid Bin Shaheen	SEVP & Group Chief, Remittances
Amer Siddiqui	SEVP & Group Chief, Commercial & Retail Banking Group
N. B. Soomro	SEVP , Special Projects
Muhammad Nusrat Vohra	EVP & Group Chief, Treasury Management Group
Nadeem A. Ilyas	EVP & Group Chief, Information Technology Group
Dr. Mirza Abrar Baig	EVP & Group Chief, Human Resources Management & Administration Group
Agha Fidaullah	EVP/Group Chief, Special Assets Management Group
Aamir Sattar	SVP, Divisional Head, Financial Control Division

Goals

To enhance profitability and maximization of **NBP** share through increasing leverage of existing customer base and diversified range of products.

Core Values

Highest standards of Integrity

- Care about relationships.
- Practice integrity, honesty and hard work. We believe that these are measures of true success.

Institutionalizing team work and performance culture

- To realize the employees the importance of team work
- An innovative, creative and dynamic institution responding to the changing needs of the internal and external environment

Excellence in service

- Meet expectations through Market-based solutions and products.
- Lead through the strength of our commitment and willingness to excel.
- Create value for all stakeholders.

Advancement of skills for tomorrow's challenges

- To be leaders in our industry

- To be An organization maintaining the trust of stakeholders.

Awareness of social and community responsibility

- to play a leading role in betterment of social environment
- feel the social and community problems as the duty and function of bank

Value creation for all stakeholders

- To be an organization maintaining the trust of stakeholders

NBP Branch Network:

NBP headquarters in [Karachi, Pakistan](#).

NBP has 1,200 branches country wide. Bank also has 18 branches overseas.



National bank of Pakistan has its national and development centers and 4 staff collages at: -

1. Karachi
2. Lahore
3. Peshawar

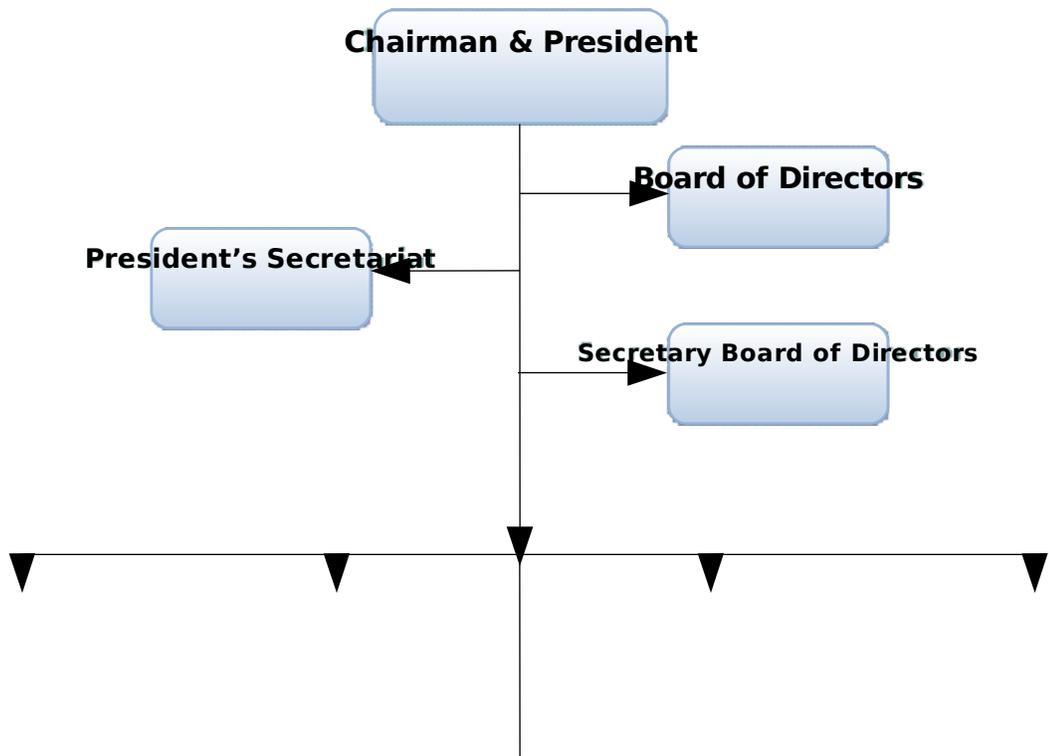
4. Islamabad

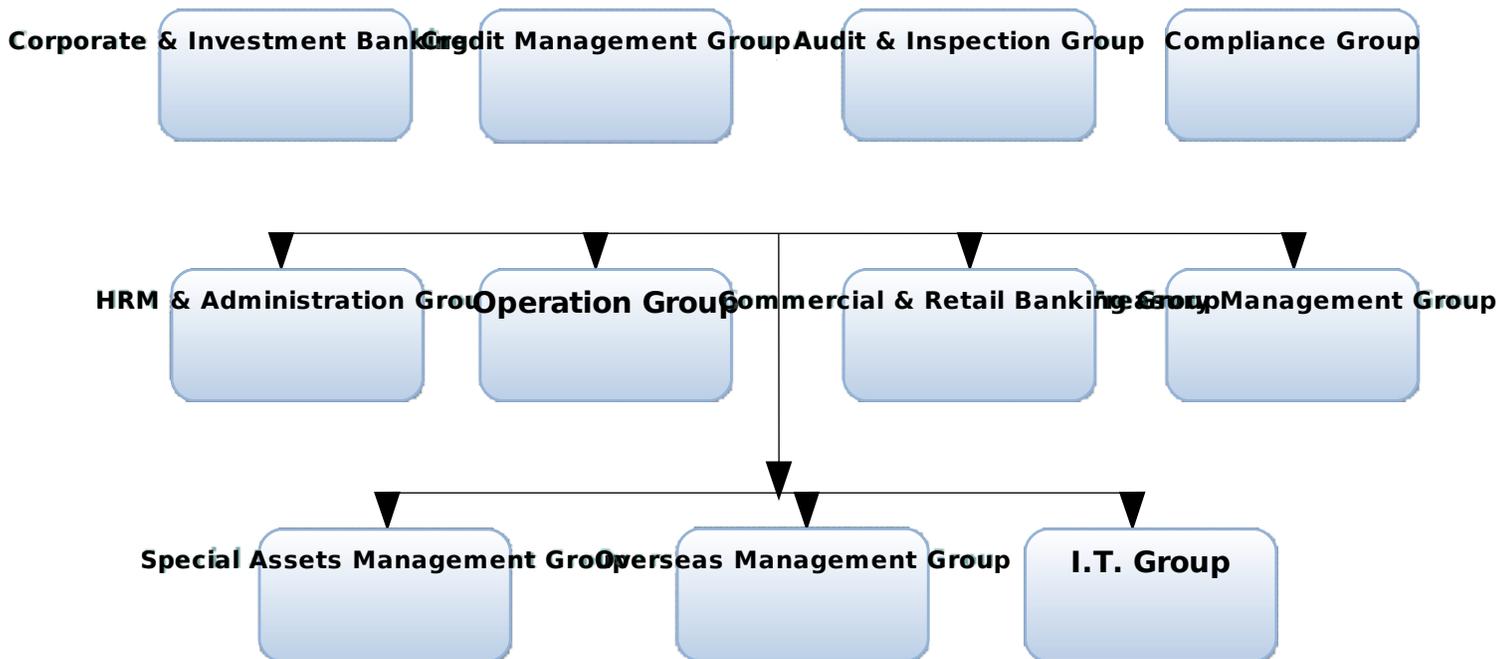
In these centers and staff colleges, the banking training is provided to the officers, managers, and to potential managers. It arranges courses and seminars for middle and higher management in all. Each year almost 1500 persons receive training over there

International Offices

NBP also has branches /offices in USA, Canada, Germany, France, Bahrain, Egypt, Bangladesh, Hong Kong, Japan, South Korea, The Peoples Republic of China, Afghanistan, Turkmenistan, Kyrgyz Republic, Kazakhstan, Uzbekistan and Azerbaijan.

Structure of the National Bank of Pakistan





Organizational Hierarchy Chart

Objectives of NBP

National bank of Pakistan is also a commercial organization and its main objective is *profit maximization*. This is achieved in two ways:

1. By increasing deposits.
2. By charging interest on loans provided to the private sector and business community.

1- Increase in deposits

Competition in banking is intense and every bank whether it is Pakistani, foreign, private or nationalized tries to increase its deposits by providing better facilities to its customers. By increasing its deposits a bank can extend greater amount of loan and hence achieves higher profit. NBP is also improving its facilities and services to attract customers with higher volume

of deposits. There are two main factors involved in increasing the deposits. These factors are improving the services and courtesy. NBP is continuously working on these two factors to increase its deposits.

2 -Extension of loans:

The profitability of a bank largely depends on the amount given to people as loan and the type of people to whom credit is given i.e. the credit worthiness of the borrowers. This strategy has worked quite well for NBP. Deposits are collected from the people and invested in different projects. NBP prefers to give loans to financially sound and reliable parties, after securing the collators. NBP has an extremely well organized section. The staff is adequately trained, and educated and competent. They carry out extensive financial analysis before deciding on the loan. Interest charged on the loans potentially contributes to higher profits.

Some of the other objectives are

- i. Improve customer services.
- ii. Quick disposal of credit cases.
- iii. Efficient operation of the branches.
- iv. Better Public Relations.

Major Areas Where Internship Was Carried Out

After joining the bank for internship initially it was so difficult for me to get the attention of the employees, every body was terribly engaged in there own activities, no body was having time to accommodate me. . But very soon I succeeded in making relationship with the top influence people. This was my first step towards the completion of my task and with the passage of time they realized that they can also utilize my efforts in a productive way to minimize their burden.

First two weeks I worked in accounts department, for next two weeks I worked in credit department and for rest of the time I worked with Business Manager where I learned lot of things including how to deal with corporate customers, with individual customer and how loans can be recovered from the customers.

During the internship session I got the chance to perform on different activities which are listed below and short explanation is also given.

DEPOSIT DEPARTMENT: -

It controls the following activities:

1. A/C opening.
2. Issuance of cheque book.
3. Current a/c
4. Saving a/c
5. Cheque cancellation
6. Cash

1- Account opening

The opening of an account is the establishment of banker customer relationship. Before a banker opens a new account, the banker should determine the prospective customer's integrity, respectability, occupation and the nature of business by the introductory references given at the time of account opening. Preliminary investigation is necessary because of the following reasons.

- i. Avoiding frauds
- ii. Safe guard against unintended over draft.
- iii. Negligence.
- iv. Inquiries about clients.

There are certain formalities, which are to be observed for opening an account with a bank.

- Formal Application
- Introduction
- Specimen Signature
- Minimum Initial Deposit
- Operating the Account

- Pay-In-Slip Book

- Pass Book
- Issuing Cheque Book

a) Qualification of Customer

The relation of the banker and the customer is purely a contractual one, however, he must have the following basic qualifications.

- He must be of the age of majority.
- He must be of sound mind.
- Law must not disqualify him.
- The agreement should be made for lawful object, which create legal relationship
- Not expressly declared void.

b) Types of Accounts

Following are the main types of accounts

1. Individual Account
2. Joint Account

Accounts of Special Types

- 1) Partnership account
- 2) Joint stock company account
- 3) Accounts of clubs, societies and associations
- 4) Agents account
- 5) Trust account
- 6) Executors and administrators accounts
- 7) Pak rupee non-resident accounts
- 8) Foreign currency accounts¹

1- Issuing of cheque book:

This deptt issue cheque books to account holders.

Requirements for issuing cheque book

- a) The account holder must sign the requisition slip
- b) Entry should be made in the cheque book issuing book
- c) three rupees per cheque should be recovered from a/c holder if not then debit his/her account.

a- Current account

These are payable to the customer whenever they are demanded. When a banker accepts a demand deposit, he incurs the obligation of paying all cheques etc. drawn against him to the extent of the balance in the account. Because of their nature, these deposits are treated as current liabilities by the banks. Bankers in Pakistan do not allow any profit on these deposits, and customers are required to maintain a minimum balance, failing which incidental charges are deducted from such accounts. This is because the depositors may withdraw Current Account at any time, and as such the bank is not entirely free to employ such deposits.

Until a few decades back, the proportion of Current Deposits in relation to Fixed Deposits was very small. In recent years, however, the position has changed remarkably. Now, the Current Deposits have become more important; but still the proportion of Current Deposits and Fixed Deposits varies from bank to bank, branch to branch, and from time to time.

b- Saving account

Savings Deposits account can be opened with very small amount of money, and the depositor is issued a cheque book for withdrawals. Profit is paid at a flexible rate calculated on six-month basis under the Interest-Free Banking System. There is no restriction on the withdrawals from

the deposit accounts but the amount of money withdrawn is deleted from the amount to be taken for calculation of products for assessment of profit to be paid to the account holder. It discourages unnecessary withdrawals from the deposits.

In order to popularize this scheme the State Bank of Pakistan has allowed the Savings Scheme for school and college students and industrial labor also. The purpose of these accounts is to inculcate the habit of savings in the constituents. As such, the initial deposit required for opening these accounts is very nominal.

c- Cheque Cancellation:

This deptt can cancel a cheque on the basis of;

- a) Post dated cheque
- b) Stale cheque
- c) Warn out cheque
- d) Wrong sign etc

Cash Department

Cash department performs the following functions

Receipt

The money, which either comes or goes out from the bank, its record should be kept. Cash department performs this function. The deposits of all customers of the bank are controlled by means of ledger accounts. Every customer has its own ledger account and has separate ledger cards.

Payments

It is a banker's primary contract to repay money received for this customer's account usually by honoring his cheques.

The Requisites of Cheque

There is no prescribed form of words or design of a Cheque, but in order to fulfill the requirements Cheque must have the following.

- a. It should be in writing
- b. The unconditional order
- c. Drawn on specific banker only
- d. Payment on Demand
- e. Sum Certain in money
- f. Payable to a specific person
- g. Signed by the drawer

Types of Cheques

Bankers in Pakistan deal with three types of cheques

a) Bearer Cheques

Bearer cheques are cashable at the counter of the bank. These can also be collected through clearing.

b) Order cheque

These types of cheques are also cashable on the counter but its holder must satisfy the banker that he is the proper man to collect the payment of the cheque and he has to show his identification. It can also be collected through clearing.

c) Crossed Cheque

These cheques are not payable in cash at the counters of a banker. It can only be credited to the payee's account. If there are two persons having accounts at the same bank, one of the account holder issues a cross-cheque in favour of the other account holder. Then the cheque will be credited to the account of the person to whom the cheque was issued and debited from the account of the person who has actually issued the cheque.

Credit Department

The earning of a commercial bank are chiefly derived from interest charges on loans and discounts it. Now loans are recognized as advances or finances. The advances are made through the deposits that are kept in the bank by the customers. The bank pays profit on the deposited amount and receives mark up on the advances made of different amounts. NBP introduced the mark up based advancing in Jan1, 1985 when the Islamization of the economy was influence under this system of advancing the bank is entitled to receive a constant sum of money on the amount that is outstanding on the account of the party.

Remittance Department

Remittance department provides services to the customer of the bank. The main function of this department is transfer of funds.

The instruments that are handled in the Remittance department are as follow:

a) Demand Draft

A demand draft, also known as a remotely created check is created by a seller with a buyer's checking account number on it, but without the buyer's signature. Instead and in place of the signature, the check has verbiage such as "authorized by depositor (the buyer), lack of endorsement guaranteed by NBP. The seller deposits the check into his or her bank account, and the check then clears out of the buyer's account.

If you are looking for a safe, speedy and reliable way to transfer money, you can now purchase NBP's Demand Drafts at very reasonable rates. Any person whether an account holder of the bank or not, can purchase a Demand Draft from a bank branch.

b) Mail transfer

Move your money safely and quickly using NBP Mail Transfer service. And NBP also offer the most competitive rates in the market. They charges Rs 50/- exchange rate and RS 75/- postage charges on issuing mail transfer.

c) Telegraphic transfer

Telegraphic transfer or cable transfer is the quickest method of making remittances. Telegraphic transfer is an order by telegram to a bank to pay a specified sum of money to the specified person. The customer for requesting TT fills an application form. Vouchers are prepared and sent by ordinary mail to keep the record. TT charges are taken from the customer. No excise duty is charged on TT. The TT charges are:

Telegram/ Fax Charges on TT = Actual-minimum Rs.125.

Cable telegram transfer costs more as compared to other title of money. In cable transfer the bank uses a secret system of private code, which is known to the person concerned with this department and branch manager.

d) Pay order

NBP provides another reason to transfer customer's money using their facilities. Their pay orders are a secure and easy way to move customer's money from one place to another. And, as usual, their charges for this service are extremely competitive.

Issuance of Pay order

1. For NBP Account Holder Rs. 50/-
 2. For NBP Non-Account Holder Rs. 100/-
- Rs. 25/- from student for payment of fee favoring educational institution

Issuance of duplicate Pay order

1. for NBP Account Holder Rs. 100/-
2. for NBP Non-Account Holder Rs. 150/-

e) Pay slip

ADVANCES DEPARTMENT

Advances department is one of the most sensitive and important departments of the bank. The major portion of the profit is earned through this department. The job of this department is to make proposals about the loans. The Credit Management Division of Head Office directly controls all the advances. As we know bank is a profit seeking institution. It attracts surplus balances from the customers at low rate of interest and makes advances at a higher rate of interest to the individuals and business firms. Credit extensions are the most important activity of

all financial institutions, because it is the main source of earning. However, at the same time, it is a very risky task and the risk cannot be completely eliminated but could be minimized largely with certain techniques.

Forms of Loans

In addition to purchase and discounting of bills, bankers in Pakistan generally lend in the form of cash finance, overdrafts and loans. NBP provides advances to different people in different ways as the case demand.

a) Cash Finance

This is a very common form of borrowing by commercial and industrial concerns and is made available either against pledge or hypothecation of goods, produce or merchandise. In cash finance a borrower is allowed to borrow money from the banker up to a certain limit, either at once or as and when required. The borrower prefers this form of lending due to the facility of paying markup/services charges only on the amount he actually utilizes.

If the borrower does not utilize the full limit, the banker has to lose return on the un-utilized amount. In order to offset this loss, the banker may provide for a suitable clause in the cash finance agreement, according to which the borrower has to pay markup/service charges on at

least on self or one quarter of the amount of cash finance limit allowed to him even when he does not utilize that amount.

b) Overdraft/Running Finance

This is the most common form of bank lending. When a borrower requires temporary accommodation his banker allows withdrawals on his account in excess of the balance which the borrowing customer has in credit, and an overdraft thus occurs. This accommodation is generally allowed against collateral securities. When it is against collateral securities it is called “Secured Overdraft” and when the borrowing customer cannot offer any collateral security except his personal security, the accommodation is called a “Clean Overdraft”. The borrowing customer is

In an advantageous position in an overdraft, because he has to pay service charges only on the balance outstanding against him. The main difference between a cash finance and overdraft lies in the fact that cash finance is a bank finance used for long term by commercial and industrial concern on regular basis, while an overdraft is a temporary accommodation occasionally resorted to.

c) Demand Financing/Loans

When a customer borrows from a banker a fixed amount repayable either in periodic installments or in lump sum at a fixed future time, it is called a “loan”. When bankers allow loans to their customers against collateral securities they are called “secured loans” and when no collateral security is taken they are called “clean loans”.

The amount of loan is placed at the borrower’s disposal in lump sum for the period agreed upon, and the borrowing customer has to pay interest on the entire amount. Thus the borrower gets a fixed amount of money for his use, while the banker feels satisfied in lending money in fixed amounts for definite short periods against a satisfactory security

Other Areas (Services) of NBP

Some other important departments of NBP are:

HUMAN RESOURCE MANAGEMENT

Human Resource plays a vital role in the success of every service organization. They interact between man and machine. Their attitude can win or lose the customer. The positive attitude could only be created in a conducive environment, which can make the staff dedicated towards the organization and its objectives. In reality the man is more important than machine as it is the human which could get maximum out of machine to keep a happy customer. However, most organizations give little importance to this very important asset.

1- Selection & Recruitment

Although the Bank believes in merit but in practice the selection of employees is not done on merit. Most of the employees are low educated. This shows that candidates with some strong family background or political pressure are given preference in recruitment and qualified candidates are sometimes left behind.

2- Job for Life

Like the employee of public sector organizations in Pakistan, the employees of NBP also enjoy their job for life. Since there is no risk of early retirement or redundancy in rank, they do not perform with their full potentials. This is one redundancy in rank, they do not perform with their full potentials, and this is one of the reasons responsible for the low productivity of the employees of the Bank

3- Performance Appraisal

The performance of employees of the Bank are appraised through their annual confidential reports at the end of each year. This has become an outdated method of performance appraisal and no longer used due to the following reasons:

1. The performance of employees is evaluated after quite a long time.
2. Element of subjectivity is involved in this method.
3. Employee's participation is not ensured in the process of evaluation.
4. Objectives of employee's are not quantified.

1- Inter Personal Relationship

Modern management acknowledges human resources as one of the most important assets of an organization. But by their very nature, human beings are also the most unpredictable. Where a number of persons work together, interactions among them, of necessity, will lead to conflicts and NBP is no exception. Most interpersonal conflicts in NBP can be traced back to the following major heads.

2- Lack of Communication

Lack of communication is for the biggest reason for conflicts. Not only it is due to the failure to send a message but to an interpretation given to the message by the receiver is different from that intended.

3- Diversity in Values

Diversity in values, perceptions, cultural background and life-style is another reason responsible for inter personal conflicts in NBP. Different values and perceptions about the same issue, event or personality hinder understanding. When things come to such a pavement, therefore, interpersonal conflicts are generated.

The dominant trend in all modern industrial societies of the world is merit and expertise, which helps promote cohesion and reduce conflicts. But the feudalistic mindset is still very strong in our set up and there is no tradition of tolerance for differing viewpoints. Hence, interpersonal conflicts are generated.

4- Corruption

Our social acceptance of corruption gives rise to corruption at every level of social and organizational set up. Corruption involves financial embezzlement, favoritism, nepotism, cronyism and other number of such practices. All these cause resentment that keep building up and lead to conflict sooner or later.

In the past few years, some cases of frauds have happened in different branches. The reasons can be linked with the employee dissatisfaction of NBP.

5- Discipline & Authority

Maintaining discipline and implementation of authority (tables) in letter and spirit is the key to success of any organization. In NBP, The authority tables are not strictly maintained. Line managers are not fully equipped with the authority with no vertical or horizontal interference.

AGRICULTURAL FINANCE

NBP provides Agricultural Finance to solidify faith, commitment and pride of farmers who produce some of the best agricultural products in the World.

Agricultural Finance Services:

“**I Feed the World**” program, a new product, is introduced by NBP with the aim to help farmers maximize the per acre production with minimum of required input. Select farms will be made role models for other farms and farmers to follow, thus helping farmers across Pakistan to increase production.

Agricultural Credit:

The agricultural financing strategy of NBP is aimed at three main objectives:-

- Providing reliable infrastructure for agricultural customers
- Help farmers utilize funds efficiently to further develop and achieve better production
- Provide farmers an integrated package of credit with supplies of essential inputs, technical knowledge, and supervision of farming.

Agricultural Credit (Medium Term):

- Production and development
- Watercourse improvement
- Wells
- Farm power
- Development loans for tea plantation
- Fencing
- Solar energy
- Equipment for sprinklers

Farm Credit:

NBP also provides the following subsidized with ranges of 3 months to 1 year on a renewal basis.

- Operating loans
- Land improvement loans
- Equipment loans for purchase of tractors, farm implements or any other equipment
- Livestock loans for the purchase, care, and feeding of livestock

Production Loans:

Production loans are meant for basic inputs of the farm and are short term in nature. Seeds, fertilizers, sprayers, etc are all covered under this scheme.

CLEARANCE DEPARTMENT

A clearinghouse is an association of commercial banks set up in given locality for the purpose of interchange and settlement of credit claims. The function of clearinghouse is performed by the central bank of a country by tradition or by law. In Pakistan, the clearing system is operated by the SBP. If SBP has no office at a place, then NBP, as a representative of SBP act as a clearinghouse.

In-Word Clearing Books

The bank uses this book for the purpose of recording all the cheques that are being received by the bank in the first clearing. All details of the cheques are recorded in this book.

Out-Word Clearing Book:

The bank uses outward clearing register for the purpose of recording all the details of the cheques that the bank has delivered to other banks.

INTERNATIONAL BANKING

National Bank of Pakistan is at the forefront of international banking in Pakistan which is proven by the fact that NBP has its branches in all of the major financial capitals of the world. Additionally, NBP have recently set up the Financial Institution Wing, which is placed under the Risk Management Group. The role of the Financial Institution Wing is:-

- To effectively manage NBP's exposure to foreign and domestic correspondence
- Manage the monetary aspect of NBP's relationship with the correspondents to support trade, treasury and other key business areas, thereby contributing to the bank's profitability
- Generation of incremental trade-finance business and revenues

NBP offers:

- The lowest rates on exports and other international banking products
- Access to different local commercial banks in international banking

Social responsibility of the bank

The Bank has nurtured a strong commitment towards the community. The bank's sponsorship and participation in a variety of community activities are clear manifestation of discharging our responsibility as a good corporate citizen of Pakistan. Our efforts are a reflection of our commitment to our country and our responsibility to work for its welfare and advancement. National bank of Pakistan (NBP) is also playing an active role for promoting sports in the country and sponsored many events during the years.

The main task of our Bank to Awareness of the social responsibility and operate it, being a good citizen.

1- EDUCATION

a- Qarz-e-Hasna Fund

Qarz-e-Hasna is a fund, which provided to the student for the higher study. Basically when any students who weak in financially, bank give Qarz-e-Hasna loan and after completion the bachelor or master, they repay the payment in specific time period. In this, there isn't any type of interest on the loan. It is the State bank of Pakistan scheme.

The working relating to Qarz-e-Hasna scheme was attended by Pakistan Banking Council (PBC) since inception. PBC was dissolved in January 1997. In order to fill the void created by the dissolution of PBC and in order to continue the scheme, SBP decided to entrust all funds and transfer all record relating to Qarz-e-Hasna scheme for education to the bank with the instructions to perform all work relating to the fund. Till January 1997, bank was performing their responsibility in a good manner. It is totally socially working. Bank has not any interest in this

scheme but because bank is care our people and that's why, bank practice their responsibility with authentic form.

b- NBP Student Loan Scheme

Student loan is not same as Qarz-e-Hasna. It is the scheme of the NBP, Which provide student loan for those people who have not enough money to admission in the university. It is only apply on the Government Universities. Bank gives many loans to Karachi university students, or like Sindh medical college students.

Bank gives student loan to one of the student of Dow medical college, who are less money but having great knowledge about the course. Same as it is bank give another loan to the NED university student, who also have high percentage but weak in financially. This is on merit bases. And student repayments the loan in specify time. This program hoped to encourage talented students to apply by reaching out to them and providing them an opportunity to pursue a professional degree at one of Pakistan's premier academic institutions.

1- FEMALE EMPOWERMENT-NBP COMMITMENT

“We Grow and Prosper Together” was the theme of the conference on **Female Empowerment NBP Commitment**, - held in Islamabad at a local hotel on 2007. NBP organize the conference just for the empowerment of women, or specially those who are live in remote areas. Prime Minister of Pakistan, Mr. Shaukat Aziz, was the Chief Guest and chaired the inaugural session. NBP welcomed all guest and Prime minister of Pakistan. NBP declined the key objectives set for the conference:

- Discuss the challenges of Female Empowerment and NBP's experience of Gender Sensitive Management.
- To learn from the successful experience of NBP towards female empowerment.

- To evolve cross sectional support for a new paradigm.
- Looking Towards the Future.

Syed Ali Raza (President & Chairman of the bank) highly valued the worth of women's role in the economic development and nation building and confirm this a survey was conducted amongst female employees of the bank to gauge, how they feel about taking up challenging responsibilities. Their response was positive and female employees perception was that they were underutilized and are ready to take position that are more challenging.

FINANCIAL STATEMENTS

ANALYSIS

Ratio Analysis:

Financial ratio analysis is the calculation and comparison of ratios which are derived from the information in a company's financial statements. The level and historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and attractiveness as an investment.

Types of Financial Ratios

1- Liquidity Ratios or Liquidity of Short Term Assets

- Current Ratio
- Net Working Capital

1- Profitability Ratios

- Net Profit Ratio
- Earning Per Share
- Return on Total Assets (ROA)
- Return on Common Equity (ROE)
- Total Assets Turnover
- Return On Total Equity

1- Debt Ratios

- Debt Ratio
- Debt Equity Ratio
- Time Interest Earned Ratio

1- Ratios for Investors or Market Ratios

- Earning Per Share

Liquidity Ratios

1- **Current ratio = Current Assets / Current Liabilities**

Year	2006	2007	2008
Current ratio	146380.58/512477.9 =0.28	163341.02/598969.24 0.27	189398.65/635230.6 0.29

Interpretation:

This shows a good sign that bank has 0.28 assets to pay its liabilities and it also decreases in 2007 these are not good signs.

2- **Working capital = Current Assets – Current Liabilities**

Year	2006	2007	2008
Working capital	=146380.58-512477.9 366.09 million	163341.02-598969.24 = 435.62million	189398.65-635230.6 445.83 million

Interpretation:

In 2008 there is more working capital i.e 445.83 which is a good sign than in 2007.

Profitability Ratios

1- Return On Total Assets = (Net Profit/Total Assets)*100

Year	2006	2007	2008
ROA	$(17022.35/635132.71)*100$ =2.68%	$(19033/762193.593)*100$ =2.50%	$(15458.59/817758.32)*100$ 1.90%

Interpretation:

In 2007 profitability decreases this shows less profitable operations in the bank

2- Return On Equity=(Net Profit/Total Equity)*100

Year	2006	2007	2008
ROE	$(17022.35/7658.2)*100$ =22.22%	$(19033.77/1011.90)*100$ =18.81%	15458.90/

3- Total Assets Turnover=Total Income/Total Assets

Year	2006	2007	2008
Total asset turnover	55951.52/635132.71 =0.08	64114.33/762193.59 =0.084	51641.56/817758.32 0.063

Interpretation:

This ratio tells how much assets company uses to generate its sales. In 2007 it is comparatively less so this shows that bank does not meet its assets efficiently

Year	2006	2007	2008
Margin of profit	(17022.35/55951.52)*100 =30.42%	(19033.77/64114.3)*100 =26.69%	15458.59/51641.56 29.93%

4- Margin Of Profit=(Net Profit/Total Income)*100

Interpretation:

The profit decreases with decrease in income

Solvency ratios

Year	2006	2007	2008
Debt ratio	557138.59/635132.71 =0.87	645855.94/762193.59 =0.85	715299.11/817758.33 =0.87

1- Debt Ratio=Total Liabilities/Total Assets

Interpretation:

More the share of debt more risky will be the position of the company. Here is increased debt in 2007 but still not too increased to control.

2- Time Interest Earned Ratio= EBIT/ Interest Expense

Year	2006	2007	2008
TIE ratio	424515.80/143910.79 =2.95	399450.62/136344.35 =2.93	

Interpretation:

TIE ratio above 2.9 is a good sign as this is the ratio that indicates the the capacity of the company to cover its interest expense.

Marker Ratios

Earning Per Share=Net Profit/ No. Of Shares

Year	2006	2007	08
EPS	24.01	21.22	23

Interpretation:

The ratio analysis tells that even in less profit the bank is achieving its goal of delivering profit to the stakeholders.

Stakeholder's Equity to Total Liability Ratio= Stakeholder's Equity/Total Liabilities

Year	2006	2007
Stakeholder's equity to total liabilities	53045/553178.59 =0.096	69271/645855.94 =0.107

Interpretation:

This ratio shows the stockholders share in business so increase in it in 2007 is a good sign and it shows that investors believe in the company.

Horizontal Analysis

Balance Sheet

ASSETS	2004	2005	2006	2007	2008
Cash & Balances with treasury Banks	100	24.61	16.75	0.4517	(24.03)
Balances with other banks	100	(37.69)	(18.36)	(24.73)	(33.06)
Lending to financial institutions-net	100	54.90	118.93	104.20	131.36
Investment-net	100	5.11	(6.29)	41.13	26.39
Advances-net	100	21.75	43.16	54.29	63.78
Other assets	100	25.07	41.64	61.92	68.46
Operating fixed assets	2004	2005	2006	2007	2008
LIABILITIES					
Bills payable	100	75.86	47.00	(2.117)	(16.345)
Borrowings	100	(21.00)	5.58	(1.79)	55.82
Deposits and other accounts	100	(0.46)	7.79	27.13	21.24
Liabilities against assets subject to finance lease	100	(2.46)	(22.37)	96.79	(73.71)
Other liabilities	100	2.54	16.05	34.70	37.58
Shares capital	100	19.99	43.99	65.59	65.59

Interpretation:

The horizontal analysis of assets shows that cash balances in treasury banks tends to decrease as we move from 2005 to 2008. Also other parameters of the assets tend to decrease like balances with other banks are 33% in negative in 2008. This is not a better sign for the company. The assets downfall weakens the financial position of the company but it also show increases in the

inflow for operations. Their lendings to financial institutions increase with every passing year. That shows a outflow of huge amount from the bank. Being a govt bank the bank has to run different campaigns for loans like agriculture loans. So theses loans also leave positive and negative impact on the institution. Investment increases in 2007 i.e, almost 40% in 2007 but increases in 2008. Fixed assets increase in 2008.

If we see towards liabilities we observe that the bills payable decrease by 28%. Borrowings increase in 2008 very much. Liabilities against assets subject to finance lease increase in 2007very much that shows the bank critical condition with respect to finance lease.

INCOME STATEMENT	2004	2005	2006	2007	2008
Mark-up / return / interest earned	100	60.84	109.04	141.42	(35.28)
Mark-up / return / interest expensed	100	57.35	107.86	158.23	(31.25)
Provision against non-performing loans and advances	100	61.46	102.97	211.68	0.60
Reversal of provision for diminution in the value of investments	100	32.40	282.03	(78.32)	-----
Bad debts written off directly	100	(29.68)	(83.89)	21.61	-----
Net mark-up / interest income after provisions	100	1109.66	1489.21	1553.54	330.25
Fee, commission and brokerage income	100	3.38	110.50	32.99	(68.38)
Dividend income	100	34.90	127.00	156.16	(94.03)
Income from dealing in foreign currencies	100	19.48	32.18	3.35	21.76
Gain on sale and redemption of securities	100	2771.86	2359.18	4823.96	225.89
Other income	100	(79.67)	(28.28)	(96.34)	(95.51)
Profit before taxation	100	58.46	118.79	133.34	(41.78)
Profit after taxation	100	83.055	145.17	174.14	(34.35)

Interpretation:

Markup/interest earned increasing at the rate of 60.84% in 2005 and 141.42% in 2007 and also the markup interest expense also increase to 57.35% to 158.23% from 2005 to 2007. Provision against non-performing loans and advances has increasing every year. Reversal of provision for diminution in the value of investments also has an increasing trend. This increase is due to the decrease in Provision against off balance sheet obligations and Bad debts. Fee, commission and brokerage income decrease in very much in 2008. Dividend income increases from 2005 to 2007 i.e. 34.16% to 156% but it decreases much in 2008. Income from dealing in foreign currencies increases by almost 18% in 2008. Gain on sale and redemption of securities increase in 2007 very much.

Vertical Analysis

ASSETS	2005	2006	2007	2008
Cash & Balances with	12.32	12.37	12.44	13.02

treasury Banks				
Balances with other banks	5.36	6.39	4.91	4.68
Lending to financial institutions-net	2.81	3.62	2.81	2.09
Investment-net	27.17	22.03	27.65	20.88
Advances-net	46.53	49.77	44.69	50.50
Other assets	4.14	4.26	4.06	2.96
LIABILITIES	2005	2006	2007	2008
Operating fixed assets	1.63	1.52	3.40	0.39
Bills payable	0.34	1.91	6.07	1.24
Borrowings	1.74	2.11	9.35	4.69
Deposits and other accounts	92.33	90.72	508.78	76.42
Liabilities against assets subject to finance lease	0.003	0.002	0.02	3.09
Other liabilities	4.68	4.80	26.53	4.84
Shares capital	1.17	1.28	7.00	

Interpretation:

Vertical analysis shows that Cash & Balances with treasury Banks increases in 2008 that is because of current assets increases. Net assets also increases that lower the amount but the current assets increase is more. Balances with other banks decreases gradually with each passing year. Lending to financial institutions decreases in 2008 that because of less issuance of loans and also the increase in total assets decreases this. Investments and operating fixed assets decreases but the advances increases in 2008. 2007 shows a good trend in vertical analysis.



Bills payable is very high in 2007 i.e 6.07 that shows a big inflow in the the bank. Borrowings also increases vey much in 2007 i.e 9.35 this is again the same sign of cash inflow. Deposits and other accounts are also very high in 2007 i.e 508.78.

INCOME STATEMENT	2005	2006	2007	2008
Mark-up / return / interest expensed	30.63	31.13	33.49	39.19
Provision against non-performing loans and advances	69.36	68.86	66.50	
Reversal of provision for diminution in the value of investments				
Provision against off balance sheet obligations				
Bad debts written off directly				
Net mark-up / interest income after provisions				
Fee, commission and brokerage income				
Dividend income				
Income from dealing in foreign currencies				
Gain on sale and redemption of securities				
Other income				
Administrative expenses				
Profit before taxation				
Profit after taxation				

Interpretation:

SWOT ANALYSIS

STRENGTHS

➤ **Oldest Institution:**

NBP is one of the oldest banks of Pakistan and the first nationalized bank. Hence its customer base is strong from this plus point as customers have more confidence in the bank. The additional value services are a privilege for the bank.

➤ **Alternate Duties in SBP Absence:**

The NBP performs additional services for its customers as well as the other bank customer in the absence of SBP.

➤ **More Deposits than Other Bank:**

NBP has the relative competence in having more deposits than the other bank. This is because of the confidence the customer has in the bank. The bank being the privileged and oldest bank in the banking sector of Pakistan enjoys this edge over all others, lacking it.

➤ **Employee Benefits:**

The employees at NBP are offered reasonable monetary benefits. Normally two bonuses are given: Eid-ul-Fitar & Eid-ul-Azha. This serves as an additional benefit and competency for the bank and a source of motivation for the employees.

➤ **Broad Network:**

The bank has another competency, i.e. it has a broad-based network of branches throughout the country, also more than one branch in high productive cities. The customers are provided services at their nearest possible place to confirm customer satisfaction.

➤ **Strictly Followed Rules & Regulation:**

The employees at NBP are strict followers of rule & regulation imposed by bank. The disciplined environment at NBP bolsters its image and also enhances the overall output of the organization.

➤ **Professional Competence:**

The employees at NBP here have a good hold on their descriptions, as they are highly skilled Professionals with background in business administration, banking, economics etc. These professional competencies enable the employees to understand and perform the function and operation in a better way.

➤ **Healthy Environment:**

The working condition in the NBP branch here is very conducive and favorable for better output. The informal environment affects the performance of the employees in a positive way.

➤ **Relation Between Staff And Other Employees:**

The bank enjoys a good plus point when it comes to the employee manager relationship. The hearing as removing of discrepancies if any, between the employees, and between the manager and employees.

WEAKNESSES

➤ **Lack of Marketing Effort:**

The bank does not promote its corporate image, services, etc on a competitive way. Hence lacks far behind in marketing effort. A need for aggressive marketing in there in the era marketing is now becoming a part of every organization.

➤ **NBP under Political Pressure:**

The strong political hold of some parties and government and their dominance is affecting the bank in a negative way. They sometime have to provide loan under the pressure, which leads to uneven and adjusted feeling in the bank employees.

➤ **Favoritism And Nepotism:**

The promotions and bonuses etc in the bank are often powered by senior's favoritism or depends upon their wills and decision. This adds to the negative factors, which denominate the employees thus resulting in affecting their performance negatively.

➤ **Lack Of Financial Product:**

The bank falls far behind when the innovative and new schemes are considered. It has not been involved in the tug of war between the competitors to the accounts and strengthens the existing customer base. This stands out to be the major incompetence and weakness of the banks.

➤ **Inefficient Counter Services In The Rush Hours:**

During the rush hours, the bank is founded out to be a total flop to handle the mob of people peaking from windows and doors. The bank has deficiency to operate in

the stages of rush hours where the people find them services entangled in a situation of nowhere because they are not well served.

➤ **Lack of Computerized Network:**

The bank lack the strength of being powered by the network of computers, which have saved time, energy and would have lessened the mental stress, the

employees have currently. This would add to the strength if it were powered by network of computers.

➤ **Lack of Modern Equipment:**

The bank lacks the modern Equipment that is note counting machine computers. Even if there is any equipment they lack to fall in the criteria of being rearmed as update and upgraded

➤ **Uneven Work Distribution:**

The workload in NBP is not evenly distributed and the workload tends to be more on some employees while others abscond away from their responsibilities, which server as a demotivation factor for employees performing above average work.

OPPORTUNITIES

➤ **Electronic Banking:**

The world today has become a global village because of advancement in the technologies, especially in communication sector. More emphasis is now given to avail the modern technologies to better the performances. NBP can utilize the

electronic banking opportunity to ensure on line banking 24 hours a day. This would give a competitive edge over others.

➤ **Micro Financing:**

Because of the need for micro financing in the market, there are lot of opportunities in this regard. Other banks have already initiated, now the time has arrived when the NBP must realize it and take on step to cater an ongoing demand.

THREATS

➤ **Emergence of New Competitors:**

The bank is facing threats with the emergence of new competitors especially in terms of foreign banks. These foreign banks are equipped with heavy financial power with excellent and innovative ways of promoting and performing their services. The bank has to take initiative in this regard or will find itself far back in competition.

➤ **Political Pressure by Elected Government:**

The ongoing shift in power in political arena in the country effects the performance of the bank has to forward loans to politically powerful persons which create a sense of insecurity and demoralization in the customer as well as employees.

➤ **Downsizing:**

The bank is currently acting upon the policy of downsizing which threaten the environment of the bank Employees feel insecurity in doing their jobs and work, hence affecting the over all performance of employees negatively.

➤ **Customers Complaints:**

There exists no regular and specific system of the removal of customer complaints. Now a day a need for total customer satisfaction is emerging and in their demanding consequences customer's complaints are ignored

PEST ANALYSIS

Political:

➤ **Privatization policy and deregulation:**

➤ **Employment practices, Unions, Associations:**

Unions and associations are very strong in the NBP. They have a strong influence on the top management. Many times the employee unions have made their demands fulfilled.

➤ **Political Interference and harassment:**

Being a govt, institution it has a strong political interference on it. Its policies are politicized many times. Like the appointment of the top management, the relaxation in heavy loans.

➤ **Incidents of high taxation on banking industry:**

The bank have to pay heavy taxes. This is obvious from the financial statements

Economical:

➤ **Constraints in mobilization of public savings because of inflation:**

Due to the high inflation in Pakistan the saving accounts in the bank are not stabilized. This is not a good sign for the banks. So economic stability is necessary for the bank operations.

➤ **Staff cost:**

Staff cost of the NBP is very high. The medical facilities for the employees and their families are costing very much to the bank.

➤ **Operating cost:**

Business operating costs i.e, fixed costs , variable costs are very high . The bank has more than 2000 branches all over in Pakistan. This costs very much to bank

➤ **Bad debts:**

Most of the loans sanctioned by the bank are now included in the bad debts. These are the loans issued to different departments of the government but now they are no more included in the receivables.

Social & Cultural:

➤ **Inadequate human resources:**

Human resource in the banks are not very appropriate. A lot of money is spent on the human resource but it is not managed in a well manner to get more and more outputs from the side of employees.

➤ **Cultural strain to savings:**

We don't have the concept of saving in our culture. But the banks are dependent on the savings. So with the societal point of view there is a constant problem for the banks

➤ **Defaulter's lobby:**

There is a list of defaulters or about to be defaulters in Pakistan. So due to the defaulters NBP has to bear a loss of their loans and investments as well. Being a govt. institution it used to give loans to the different institutions in Pakistan.

➤ **Declining education and work ethics:**

Educational culture in the country is a hurdle in the efficiency of the bank. The employees are not aware of the new customer relationship techniques. A traditional system of dealing with people is prevailing in the institution.

➤ **Inadequate accountability:**

We don't have the culture of open and pure accountability in the country. So there is no threat for the corrupt people. Accountability leads to responsibility. So this lack of accountability in society also affects the bank.

Technological:

➤ **Inadequate communication infrastructure:**

Communication infrastructure is very weak in the NBP. Many of the informations or proposals are not delivered to the concerned departments in time. Like other govt. institutions programs are delayed very much.

➤ **Inadequate computer facilities:**

Computer facilities are not provided in the NBP at larger scale. Even in this computerized era the most staff of the bank is working without computer technology and they are relying on human resource for most of the tasks. Even the NBP online banking network is very small in Pakistan.

➤ **Inadequate IT training:**

IT training is very necessary to work in an advanced environment. But very few seminars or training classes are conducted for training and especially for IT training. Most of the staff has no exposure to IT training.

