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THESIS REPORT

**“Growth & Development of MCB:
Review of Last Two Decades”**

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EXECUTIVE SUMMARY

MCB is in its over 50 years of operation. MCB is incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all stock exchanges in Pakistan. The bank-registered office is in Islamabad and its principle office is in Karachi. . It has a network of over 1,000 branches all over the country with business establishments in Sri Lanka and Bahrain. The branch break-up province wise is Punjab (57%), Sind (21%), NWFP (19%), and Baluchistan (3%).

MCB has an edge over other local banks, as it was the first privatized bank .Ten years after privatization, MCB is now in a consolidation stage designed to lock in the gains made in recent years and prepare the groundwork for future growth. The bank has restructured its asset portfolio and rationalized the cost structure in order to remain a low cost producer.

MCB now focuses on three core businesses namely: Corporate Banking, Commercial Banking, and Consumer Banking. Corporate clientele includes public sector companies as well as large local and multi national concerns. MCB is also catering to the growing middle class by providing new asset and liability products.

The bank's continued investment in technology has made MCB a forerunner in the area of technology led operations covering an expanding canvass. It has the highest number of automated and on-line branches, currently covering most of the first and second tier cities of the country. MCB provides 24 hour banking convenience with the largest ATM network in Pakistan covering 24 cities with over 155 ATM locations and also runs one of the two ATM switches in Pakistan.

With recently introduced initiatives like GSM Mobile Banking, Call center and card acquiring business , Funds Transfer and Bill payment options on its ATM network, MCB is expected to extend its lead as the largest issuer of Debit Cards in the country.

MCB has been the recipient of the country's BEST BANK award by Euro money in years 2000 and 2001. It is also the matter of satisfaction that “PACRA, the leading rating agency of Pakistan has given MCB a long term rating of “ AA” which is one of the bets for any bank in Pakistan. MCB is also taking initiative in offering Islamic banking in Pakistan.

MCB is planning to introduce “Internet- Online Banking” in coming years & it looks with confidence at year 2003 and beyond, making strides towards fulfillment of its mission, "To become the preferred provider of quality financial services in the country with profitability and responsibility and to be the best place to work”

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Chapter 1

INTRODUCTION

1.1 Background of banking

There are various views about the origin of the word 'banking'. One view is that it is derived from an Italian word 'banque' which means a 'bench', The other point of view is that it has originated from the German word, 'banc' which means a joint stock firm.

In ancient tribes, the only way open for a man to satisfy a want which he himself could not supply was by exchange of his own products made by his personal efforts for those of his neighbors. This system is called barter system and is still practiced in some communities. Due to intrinsic drawbacks in barter, such as coincidence or matching of demands of both the parties and as to what should form the basis of evaluation of each party's product, different societies of the world felt the need of having some common measure (Denominator) of value with which prices of all commodities can be related and which should possess a command over goods and services of other members, not only today but in the times to come.

This awakening led to the introduction of money and currency; consequently it led to plantation of a seed for bank's tree to keep money and currency safely on behalf of the persons having surplus of it, and it will be made available to them as and when demanded by depositors. This Bank tree at present not only serves the present day societies in different ways but also is a source of life to millions.

As early as 2000 B.C. Babylonians are said to have used their temples as banks for safe keeping of their produce and commodities. The priests of these temples acted as bankers. In ancient times banking consisted of money lending and money changing. The present day banking was first observed in England in 1645 and it came through the continent of Europe.

1.2 Banking In Subcontinent

Banking has also been practiced in Indo/Pak Sub-continent, though in a simple form, since many centuries before the Christ. The western banking system was introduced in India by the western trading firms who combined banking services with trade. By the end of 19th century, the British having acquired the control of the sub-continent and had opened the following banks to cater for the banking needs:

1. The Bank of Bengal in 1809 with a capital of Rs.50.00 lacs.
2. The Bank of Bombay in 1840 with a capital of Rs.52.25 lacs.
3. The Bank of Madras In 1843 with a capital of Rs.30.00 lacs.

The above mentioned three presidency banks were amalgamated into Imperial Bank of India in 1921. Some of the branches of this bank in Pakistan continued to collect revenue etc. for the Pakistan government and make disbursements on behalf of the Pakistan government up to 1952, there-after this agency work was taken over by the National Bank of Pakistan

1.3 Introduction of MCB

MCB is incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all stock exchanges in Pakistan. The bank registered office is in Islamabad and its principle office is in Karachi.

MCB is in it's over 50 years of operation. The bank has been the recipient of the country's BEST BANK award by Euro money in years 2000 and 2001. It has a network of over 1,000 branches all over the country with business establishments in Sri Lanka and Bahrain. The branch break-up province wise is Punjab (57%), Sind (21%), NWFP (19%), and Baluchistan (3%).

With a present network of over 1000 branches, MCB is the largest bank in the private sector in Pakistan catering to corporate, commercial and consumer segments, with focus on product innovation, proactive risk and financial management and achieve customer

centric approach.. The State Bank of Pakistan has restricted the number of branches that can be opened by foreign banks, an advantage that MCB capitalizes because of its extensive branch network.

MCB has an edge over other local banks, as it was the first privatized bank .Ten years after privatization, MCB is now in a consolidation stage designed to lock in the gains made in recent years and prepare the groundwork for future growth. The bank has restructured its asset portfolio and rationalized the cost structure in order to remain a low cost producer. MCB now focuses on three core businesses namely: Corporate Banking, Commercial Banking, and Consumer Banking.

Corporate clientele includes public sector companies as well as large local and multi national concerns. MCB is also catering to the growing middle class by providing new asset and liability products. The bank's continued investment in technology has made MCB a forerunner in the area of technology led operations covering an expanding canvass. It has the highest number of automated and on-line branches, currently covering most of the first and second tier cities of the country. MCB provides 24 hour banking convenience with the largest ATM network in Pakistan covering 24 cities with over 155 ATM locations and also runs one of the two ATM switches in Pakistan.

The Bank's Rupee Traveler Cheque has been market leaders for the past six years and has recently launched their Gift Cheque Scheme. With recently introduced initiatives like GSM Mobile Banking, Funds Transfer and Bill payment options on its ATM network, Call centre and card acquiring business to name a few, it is expected to extend its lead as the largest issuer of Debit Cards in the country. MCB is also taking initiative in offering Islamic banking in Pakistan.

MCB looks with confidence at year 2003 and beyond, making strides towards fulfillment of its mission, "To become the preferred provider of quality financial services in the country with profitability and responsibility and to be the best place to work".

1.4 Objective

MCB has been the recipient of the country's BEST BANK award by Euro money in years 2000 and 2001. It has the highest number of automated and on-line branches, currently provides 24 hour banking convenience with the largest ATM network in Pakistan covering 24 cities with over 155 ATM locations and also runs one of the two ATM switches in Pakistan. Similarly, MCB is also offering the Islamic banking. My thesis is aimed at finding out and gathering detail information regarding:

- ❖ MCB Products & Services
- ❖ MCB Online Products
- ❖ Islamic banking offered by MCB
- ❖ Profitability Ratio Analysis of MCB from 1999 to 2002.

In this regard, I have carried out the detailed, vast study and collect data in order to check the growth and development of MCB in the last few years.

1.5 Scope of Study

In my thesis, I have studied in detail and gathered data regarding MCB products & services, its online products and Islamic banking being offered by MCB. In order to comment on the growth and development of MCB, I have also conducted the profitability ratio analysis of MCB from year 1999 to 2002. I have not made the comparison of MCB with other banks. I keep my focus only on MCB and study in detail the points which I have mentioned in the objective.

1.6 Methodology

To carry out the research, I have adopt the following methodology:

- ❖ Magazines
- ❖ Newspapers
- ❖ Internet browsing
- ❖ Interviews
- ❖ Personal visits

Chapter 2

LITERATURE REVIEW

2.1 History Of Banking

There are various views about the origin of the word 'banking'. One view is that it is derived from an Italian word 'banque' which means a 'bench', The other point of view is that it has originated from the German word, 'banc' which means a joint stock firm.

In ancient tribes, the only way open for a man to satisfy a want which he himself could not supply was by exchange of his own products made by his personal efforts for those of his neighbors. This system is called barter system and is still practiced in some communities.

Due to intrinsic drawbacks in barter, such as coincidence or matching of demands of both the parties and as to what should form the basis of evaluation of each party's product different societies of the world felt the need of having some common measure (Denominator) of value with which prices of all commodities can be related and which should possess a command over goods and services of other members, not only today but in the times to come.

This awakening led to the introduction of money and currency; consequently it led to plantation of a seed for bank's tree to keep money and currency safely on behalf of the persons having surplus of it, and it will be made available to them as and when demanded. This Bank tree at present not only serves the present day societies in different ways but also is a source of life to millions.

2.2 Origin And Growth Of Commercial Banking

As regards the growth of modern commercial bank, it can be traced to as early as 600 BC. G.Crowther in his famous book, "An Outline of Money", has traced the history of

modern english commercial banking. According to him, the present day banker has three ancestors:

1. The Merchants
2. The Goldsmiths
3. The Money lenders

2.2.1 The Merchants

The earliest stage in the growth of banking can be traced to the working of merchants. These merchants were traders in commodities. The trading activities were carried on by them from one place to another. It was risky for the traders to carry metallic money with themselves for payment. The traders with high reputation began to issue receipts which were accepted as titles of money. These receipts or letters of transfers also called hundi in Indo Sub Continent were the first mode of payments. The merchant banking thus forms the earliest stage in the evolution of modern banking.

2.2.2 The Goldsmiths

The second stage in the growth of banking is normally traced to earlier goldsmiths. These goldsmiths also called Seths in India used to receive gold and silver for safe custody. The goldsmiths began to issue receipts for the metallic money (gold and silver) kept with them. These receipts with the passage of time became payable to the bearer on demand. In this way the 'goldsmiths' note, become a medium of exchange and a mean of payment. The goldsmiths, thus, can rightly be termed as the fore-runners of the modern bank note.

2.2.3. The Money Lenders

The third stage in the development of banking arose when the goldsmiths became the money lenders. By experience the goldsmiths (who were called moneylenders) came to know that they could keep a small proportion of the total deposits for meeting the demands of customers for cash and the rest they could easily lend. They allowed the depositors to draw over and above the money actually standing to their credit. In economic terminology, we can say that they allowed the overdraft facilities to their

depositors. When every money lender or gold smith issued receipts and most of them allowed the overdraft facilities, there was then too much confusion in the banking system. The money lenders or goldsmiths, in order to earn profits, could not keep adequate reserves for meeting the demands of the customers for cash. The failure on the part of the money lenders/goldsmiths to return money caused widespread distress among the people.

In order to create confidence among the people, steps were taken to regulate the banking organization. A conference was held in Nuremburg in 1548. It was decided that a bank should be set up by the state which should streamline the banking organization and technique. The first central bank was formed in Geneva in 1578. Bank of England was established in 1694. The modern commercial banking system actually developed in the nineteenth century.

With the passage of time, the activities of the commercial banks have greatly increased. They now deal with large number of matters such as obtaining funds, advancing loans to businesses, farmers, households, making investments in stocks, discounting bills of exchange, etc., etc. The commercial banks are now multi-service organizations and play a very important role in the financial markets and economic development of the country.

2.3 What Is A Commercial Bank?

A bank is a financial institution which deals with money and credit. It accepts deposits from individuals, firms and companies at a lower rate of interest and gives at higher rate of interest to those who need them. The difference between the terms at which it borrows and at which it lends, forms the source of its profit. A bank, thus, is a profit earning institute.

According to Crowther, "A bank is a firm which collects money from those who have it spare. It lends money to those who require it." In the words of Mr. Parking. "A bank is a firm that takes deposits from households and firms and makes loans to other households and firms".

2.4 Functions Of A Commercial Bank

A commercial bank performs a variety of functions. These functions are classified under two main heads:

- 1) Basic Functions
- 2) Secondary Functions

2.4.1 Basic Functions

The basic functions of a commercial bank are:

- (a) Accepting of Deposits
- (b) Lending of Money.

2.4.1 (a) Accepting of Deposits

The first important function of a bank is to accept deposits from those who can save but cannot make profitable use of their savings themselves. In order to attract the savings from different persons and institutions, the bank maintains the following three types of accounts.

- ❖ Current Account.
- ❖ Saving Account.
- ❖ Fixed Deposit Account

Current account is one where money is constantly being drawn out and put in. The businesses and traders usually maintain their funds in current account. Since the money is withdrawable at anytime by the customer, therefore, the banks usually do not pay interest on current deposits. Current account holders receive a cheque book and regular statements containing details of money paid in and paid out. **Saving account** is generally opened by persons of small income. The aim of this account is to encourage and mobilize savings of the people. The banks pay interest on this type of deposits. However, the banks normally place restrictions on their frequent withdrawal.

Fixed deposits are kept with the banks for a specified period of time. The rate of interest on fixed deposits (also called term deposits) is fairly high. The longer the period of deposit, the higher is the rate of interest.

2.4.1 (b) Lending of Money

The second major function of a commercial bank is to make loans to businessmen, traders, exporters, households, etc. These loans are made against documents of title to goods, marketable securities, personal security of the borrowers, etc.

Of all the functions of a modern bank, advancing or lending is by far the most important. The advances comprise a very large portion of a bank's total assets. The strength of a bank is primarily judged by the soundness of its advances. The lending of money may be in any of the following forms.

- ❖ Loans
- ❖ Cash Credit
- ❖ Overdraft
- ❖ Discounting Of Bills

The commercial banks grant short and long term loans to Individuals, firms and companies mostly against securities. The amount of loan is credited to the borrower's account who withdraws it as per his requirements.

Cash Credit is a very common form of borrowing by business concerns. The banks advance loans to the commercial and industrial units against the security of goods. The borrower is permitted to draw within the cash credit limit sanctioned by the bank. The interest is charged only on the amount of money withdrawn by the borrower.

Overdraft is a convenient form of short term financing by a bank. Under this facility, a customer may arrange with his bank to permit him to over-draw on his current account, known as an overdraft (O/D). The bank allows customer to overdraw his account up to a certain limit with or without security. Whenever the customer has surplus funds, he may

pay such funds into his current account to reduce the loan or even to settle the overdraft balance. Interest is charged on daily balance on the overdrawn amount. (The difference between cash credit and overdraft is that cash credit is given on regular basis and for long terms. The overdraft facility is for a short period)

Discounting of Bills refers to making the payment of bill before its maturity. The bank also makes loans to their customers by discounting bills of exchange. Discounting of bills refers to making the payment of bill before its maturity. The discount charged is the earning of the bank. The premature payment made is a loan to the holder of the bill. Discounting of bills by bank is considered a safe, certain and liquid form of bank lending.

2.4.2 Secondary Functions

The secondary functions of a bank are classified as

- (a) Agency Functions
- (b) Utility Functions.

2.4.2 (a) Agency Functions

Banks act as agents of their customers in various-ways. It acts as agents to its customers in the collection and payment of cheques, bills and promissory-notes. The bank provides a very useful service in the collection of dividends or interest earned on shares held by its customers. The bank, if authorized by the customer, purchases or sells securities on his behalf and thus adds another benefit to its portfolio. The customer may order in writing to his bank to make payments of regularly recurring nature to an individual or firm by debiting them to his account. The bank will make payments and charge a small commission. The payments will be stopped on written instructions of the customer only.

If a client directs his bank to act as trustee or executor in the administration of a will or in any business settlement requiring a technical knowledge, the bank will take this responsibility also for the benefit of its customer and charge a small fee for providing this essential service.

2.4.2 (b) Utility Functions

A bank performs a number of other general utility services to its clients. A bank transacts foreign exchange business by discounting foreign bills of exchange and thus provides facilities for financing the foreign trade. The transaction of foreign exchange business is a profitable source of income for a bank. A bank provides a useful service to its customer by acting as a referee for his credit worthiness. The information is supplied in utmost secrecy and is based impartially on the respectability and financial standing of the client. The bank also issues travelers' cheques for the convenience of the travelers and charges a nominal commission.

In many countries of the world, renowned commercial banks publish a monthly bulletin which contains all information relating to trade business and industry. The journal is supplied to the customers free of cost. The customers benefit a lot from this valuable economic and financial information.

In order to boost the exports of the country, the banks have established export promotion cells. These cells provide information and guidance to the exporters at no extra cost. Sometimes the banks give valuable advices on various financial matters to their customers. The banks keep valuables ornaments, documents etc. for safe custody.

2.5 Kinds Of Banks

The commercial banks are classified into various types on the basis of their spheres of activities, ownership, domicile etc. The main types of banks are:

1. Classification On The Basis Of Functions
2. Classification On The Basis Of Ownership
3. Classification On The Basis Of Domicile.

2.5.1 Classification On The Basis Of Functions

2.5.1 (a) Central Bank

Every civilized country, now, has its own central bank. Its main function is to manage the monetary system of the country internally as well as externally. It is closely associated with the money market and banking system in the country. It is not a profit making concern.

2.5.1 (b) Commercial Banks

Commercial banks are those banks which are engaged in performing the routine duties of banking business. They collect surplus money from the people. They make loans and advances in the form of overdrafts, cash credits, discounting bills of exchange. Commercial banks also manufacture credit money. They also provide agency services and general utility services. The banks, in short, are considered the lifeblood of the economic society.

2.5.1 (c) Exchange Banks

Exchange banks mainly deal with international trade. These banks take the responsibility of settlement of foreign exchange and arrange the foreign business. In Pakistan, all the nationalized commercial banks have been allowed to do the business of exchange banks.

2.5.1 (d) Saving Banks

Saving banks are those banks which collect and keep the small savings of the public. They are called thrift promoting institutions. The saving banks invest the funds in the safest government securities. Post offices and saving centers perform the business of saving banks in Pakistan.

2.5.1 (e) Agricultural Banks

Agricultural banks are set up to provide financial assistance to the agriculturists. The agricultural banks provide short term credit to the farmers for the purchase of seeds, manure, etc. They also make medium term advances for buying tractors and introducing

modern techniques in farming. In Pakistan, Agricultural Development Bank of Pakistan was set up in 1981 for meeting the financial requirement of agriculture.

2.5.1 (f) Industrial Banks

The industrial banks mainly provide medium and long term credit to the industries. Since the industrial banks have long term deposits, they are in a position to permit long term investment in industries. In Pakistan, the Industrial Development Bank (IDBP) was set up in 1961. The other institutions engaged in providing financial assistance to industries are PICIC, NDFC, ICP, etc.

2.5.2 Classification On The Basis Of Ownership

On the basis of ownership, the banks are classified into three categories

- (a) Public sector banks
- (b) Private sector banks
- (c) Cooperative banks

2.5.2 (a) Public Sector Banks

They are owned and controlled by the govt. such as National Bank, Habib Bank etc.

2.5.2 (b) Private Sector Banks

These are owned by corporations or by private individuals such MCB, City Bank etc.

2.5.2 (c) Cooperative Banks

These banks are set up under the Cooperative Society Act of 1925 in the country. The Federal Bank for cooperative was set up in 1976 in Pakistan.

2.5.3 Classification On The Basis Of Domicile

On the basis of domicile, the banks are divided into two categories:

- (a) Domestic banks which are registered and incorporated within the country
- (b) Foreign banks which have their origin and head offices in the foreign country.

2.6 Banking In Subcontinent

As early as 2000 B.C. Babylonians are said to have used their temples as banks for safe keeping of their produce and commodities. The Priests of these temples acted as bankers. In ancient times banking consisted of money lending and money changing. The present day banking was first observed in England in 1645 and it came through the continent of Europe.

Banking has also been practiced in Indo/Pak Sub-continent, though in a simple form, since many centuries before the Christ. The western banking system was introduced in India by the western trading firms who combined banking services with trade. By the end of 19th century, the British having acquired the control of the sub-continent had opened the following banks to cater for the banking needs:

1. The Bank of Bengal in 1809 with a capital of Rs.50.00 lacs.
2. The Bank of Bombay in 1840 with a capital of Rs.52.25 lacs.
3. The Bank of Madras In 1843 with a capital of Rs.30.00 lacs.

The above mentioned three presidency banks were amalgamated into Imperial Bank of India in 1921. Some of the branches of this bank in Pakistan continued to collect revenue etc. for the Pakistan Government and make disbursements on behalf of the Pakistan Government up to 1952, there-after this agency work was taken over by the National Bank of Pakistan.

2.7 Development Of Banking In Pakistan

At the time of independence in 1947, Pakistan's commercial banking facilities were almost paralyzed. The following lines will give a fair view of the situation then prevailing:-

- ❖ Pakistan had practically no industries except a few textile mills and only produced food grains and agricultural raw materials.

- ❖ A number of banks closed their branches with the result and only 81 branches remained open on 30.6.48 out of 487 in 1947. As their head offices were in India, most of their Hindu staff run away to India.
- ❖ The country being in early years needed most of the general commercial banking and credit facilities.
- ❖ 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.

In view of the above mentioned circumstances and in order to rehabilitate the banking in Pakistan without further delay, it was decided under recommendations of an expert committee, 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 after the promulgation of State Bank of Pakistan Order on 12th May 1948. This bank lost no time in meeting the national requirement of banking currency and took following remedial measures:

- ❖ Requested government to start a new bank for nation wide service.
- ❖ Accordingly National Bank of Pakistan was formed in 1949 which opened numerous branches.
- ❖ It also took over government agency work from Imperial Bank of India in 1952.
- ❖ Habib Bank was asked to open more branches at new places.
- ❖ It withdrew Indian currency notes of Rs.125 Crores from general circulation and sent these for recovery to Reserve Bank of India.
- ❖
- ❖ In order to help the growth of foreign trade, Foreign Exchange Department was reorganized in State Bank of Pakistan.
- ❖ Banking Companies (Control) Act 1949 empowering State Bank of Pakistan to look towards all aspects of the development of banking in Pakistan was passed.

The following banks were also opened:-

- ❖ Agricultural Development Bank
- ❖ Pakistan Industrial Credit and Investment Corporation
- ❖ United Bank limited
- ❖ Commerce Bank limited
- ❖ Standard Bank limited
- ❖ Muslim Commercial Bank ltd.

Agricultural Development Bank was set up to finance agriculture production in order to overcome food shortage. Pakistan Industrial Credit and Investment Corporation was set up to finance industrial projects. United Bank limited was established to meet the increasing demand for funds consequent upon the commodity market having become firm. Commerce Bank limited, Standard Bank limited & Muslim Commercial Bank ltd. was established to meet growing banking needs.

2.8 Nationalization Of Banks

The alarming situation of banking at the time of partition of sub-continent was turned into a happy position by the end of December 1973 when 14 scheduled banks were working with more than 3000 branches all over Pakistan. Those banks whose paid up capital and reserve were not less than Rs.5.00 lacs and fulfilled some other general requirements were eligible for scheduling by State Bank and were called as Scheduled Banks. The banks collected huge sums of money by way of savings of people but utterly failed in channelising these resources towards proper sectors of economy engaged in production of goods needed by Pakistan.

In order to channel the resources, to get optimum results and to ensure that benefits accrued to all and sundry, Government of Pakistan nationalized all banks in Pakistan including State Bank of Pakistan on 1st January 1974 under Pakistan Banks (Nationalization) Act 1974 with the following main objects in view:

1. To provide the government with that capital which had concentrated in the hands of a few families and bankers and to use that capital for economic development and other welfare projects.
2. To ensure equal distribution of credit to different regions, sectors and classes.
3. To co-ordinate banking while keeping open the element of healthy competition.

The Pakistan Banking council set up under the Act consists of the following:-

- ❖ A Chairman
- ❖ A Deputy Governor of the State Bank of Pakistan
- ❖ An Official of the Ministry of Finance, Government of Pakistan.
- ❖ Not more than five and not less three other persons appointed by the Federal Government; and at least three of these persons shall serve as full time members, one of whom would be designated as the Secretary of the Council.

2.9 Pakistan Banking Council-Functions

- ❖ Making policy recommendations to the federal government for directing banking activities towards national socio-economic objectives.
- ❖ Formulating policy guide lines for the banks.
- ❖ Laying down performance criteria for banks and taking steps for assuring their observance.
- ❖ Determining the areas of co-ordination among the banks.
- ❖ Formulating schemes for re-organization of Banks etc.
- ❖ Making recommendations to the federal government for the appointment of the president and members of an executive board.
- ❖ Analyzing and appraising financial statements including balance sheets and profits and loss accounts of the banks and the appointment of auditors of the banks. .
- ❖ Conducting such services, inquiries and appraisals as may be necessary for the purpose of the Act.
- ❖ Exercising and performing such powers and functions of the federal government under the act, and such other functions as may be assigned to it by the federal government.

- ❖ The general direction and superintendence of the affairs and business of the nationalized banks vest in their respective executive boards.
- ❖ Each executive board will consist of a president and not less than two, and not more than four other members to be appointed by the federal government. The president of each of the nationalized bank is to be the chief executive of the board, and direct, manage and control the affairs of the banks.

2.10 Specialized Credit Corporations In Pakistan

At present, different types of commercial banks were working in Pakistan. The detail of commercial banks working in Pakistan is given in annexure. In addition to these commercial banks, the following specialized credit corporations are working in Pakistan:

2.10. (a) Pakistan Industrial Credit and Investment Corporation (PICIC)

It was established in 1957 for raising fixed capital for large scale industrial projects. Subscribed Share Capital of Rs.4 crores has been subscribed by Pakistani as well as foreign investors. This corporation has financed completion of more than 600 big projects costing more than Rs.400 crores.

2.10. (b) Industrial Development Bank of Pakistan (IDBP)

It was opened mainly to provide medium and long term finance to small and medium scale enterprises. Its paid up capital is 3 crores, 51% of which has been taken up by the Pakistan Government.

2.10. (c) Agricultural Development Bank of Pakistan (ADBP)

Basically Pakistan is an agricultural country. The Government realized the necessity of paying greater attention to ensure rapid development in agriculture by affording finance. Agricultural Development Finance Corporation was therefore set up in 1951 to give financial assistance and credit in the field of agriculture, forestry, animal husbandry, poultry, fishery and dairy farming.

In 1957 under the Act of the Government Agricultural Bank of Pakistan was established to provide credit to the farmers and cooperative societies in cash, or kind and for storage facilities. As both of the above mentioned organizations were working with government funds and had similar functions the government of Pakistan in 1961, merged these two into Agricultural Development Bank of Pakistan. The authorized capital of this bank was fixed as 20 crores. 51 % of this is held by the Federal Government, the balance share of 49% is held by Provincial Governments, Cooperative Societies.

It is a banking company and is authorized to give short, medium and long term loans repayable in a period ranging between six months to ten years. Interest is charged on such loans. Under the dynamic leadership of the present chairman, this bank is proving a boon in the development of Pakistan's economy. The progressive changes and outlook adopted by this bank will show still better results in the years to come.

2.10. (d) Pakistan Industrial Development Corporation (PIDC)

It was set up in 1952 in order to promote industries in public sector by the combination of private enterprise with Government initiative and finances. It has so far completed more than 60 projects at a cost of Rs.125 crore in all the four provinces. Originally it financed only following industries in which required investment was not forthcoming. They consisted of heavy engineering (Iron and Steel Included) textiles, cement, sugar, paper, fertilizers, coal, fisheries, forest products industries, cottage industries, clay products, pharmaceuticals.

2.10. (e) House Building Finance Corporation (HBFC)

It was enacted in 1952 to give aid to refugees (who came to Pakistan) to rebuild their houses. The aid is given in long term loans repayable in 15years on monthly installment basis. At present a maximum amount of Rs. one lac can be advanced by this corporation to an individual without payment of any interest.

2.10. (f) Federal Bank for Cooperatives

With a view to rehabilitate and regulate the Cooperative Banking and improve their financial base; the Federal Bank for Cooperatives was established on 9th October, 1976 under the Central Act. IX of 1977. Its initial share capital is Rs.20 crores which can be increased from time to time. This has been fully subscribed by and paid up as under:-

1. Federal Government Rs. 2.00 Crores.
2. State Bank of Pakistan Rs.15.00 Crores.
3. Government of Punjab. Rs. 1.00 Crores.
4. Government of Sind. Rs. 1.00 Crores.
5. Government of NWFP. Rs. .50 Crores.
6. Government of Baluchistan. Rs.50 Crores.

The general direction and superintendence of the bank's affairs has been vested in the board of directors, consisting of the chairman, managing director, directors of state bank of Pakistan, board of directors, two directors nominated by the central government, and two directors from each province. The governor of the state bank of Pakistan is to be the chairman of its board of directors. The managing director, who is to be the chief executive of the bank, is appointed by the central government.

The bank's head office is situated at Islamabad and has been empowered to open its regional offices in each province and branches at places as deemed fit.

2.11 Management And Organization Of A Bank

The ownership, management and control of all the commercial banks were taken over by the Government of Pakistan on Jan. 1, 1974. The financially weaker banks were merged with the banks which had strong footing. As a result of merger of banks, five major banking companies were formed. The persons holding various offices in the banks as Chairman, Director or Chief Executive, Managing Committees were removed / dissolved.

A banking council was formed under the Nationalization Act. It has a Chairman, a Deputy Governor of the State Bank, one official of the Ministry of Finance and five but not less than three other members. The banking council was set up for making policy recommendations to the federal government, formulating policy guidelines for the banks and their reorganization, etc. The management and organizational structure of the nationalized commercial banks have uniformity. We describe this structure in brief.

2.11 (a) Board of Directors

In the management of the banks, the Board of Directors is at the top of the controlling bodies. Since there are no private share holders now, so there is no general meeting of the shareholders and are no elected directors. The board now consists of a nominated president, a secretary and 9 other members. After nationalization of banks in 1974, most of the powers of board have been transferred to the banking council and executive board. The secretary of the board presents the annual report of the bank. The board has limited administrative powers.

2.11 (b) Executive Board

The general direction and supervision of the affairs of commercial banks lies in their respective executive boards. The president, secretary and 9 other members of the executive board are appointed by the federal government. The president being the Chief Executive of the board directs controls and manages the affairs of the bank.

2.11 (c) Chief Executive

The president is the administrative head of a bank. He presides over the meetings of the executive board, manages and controls the affairs of the bank. The president holds office at the pleasure of federal government.

2.11 (d) Divisional Chiefs

In order to improve the management and operation of a bank, it has been split up into a number of divisions. Each division of a bank is placed under the supervision and control

of divisional chief or Senior Executive Vice-President (SEVP) or Executive Vice-President (EVP). For sound business purpose, the main divisions of a commercial bank are as under:

- ❖ International Division
- ❖ Personnel Division
- ❖ Inspection and Audit Division
- ❖ Credit Division
- ❖ Planning and Coordination Division
- ❖ General Division

2.11 (e) Provincial Chiefs

In order to improve the performance of the banking system, each bank has a Provincial Chief. The provincial chief has the powers for sanctioning finance and other credit facilities. The headquarters of the chiefs are situated in each province Lahore, Karachi, Peshawar and Quetta.

2.11 (f) Circle Executive

Each commercial bank has a number of circles. They are placed directly under the supervision and control of the Chief Executive. The chief executive is usually SVP or VP.

2.11 (g) Zonal Heads

Each circle is divided into a number of zones. These zones are administered by zonal heads that hold the posts of VP or A VP.

2.11 (h) Branch Managers

Each zone of a commercial bank is divided into several branches. The control and supervision of each branch is mostly entrusted to AVP or officer of class II. A few big and financially sound branches are even administered by SVPS and VPS.

2.12 Role Of Commercial Banks In Economic Development

In modern economy, the commercial banks play a very important role in the economic development of a country. It is the growth of commercial banking which led to the occurrence of industrial revolution in 18th and 19th century. Commercial banks are now a day considered not merely dealers in credit but also the leaders in development. They are engaged now in commercial banking, development banking, and Investment banking.

Commercial banks plays a very important role in the capital formation .Capital formation is the basic requirement of a country. Capital formation has three stages:

- ❖ Generation of savings
- ❖ Mobilization of savings and
- ❖ Canalization of savings in productive uses.

The commercial banks play an active role in all the above three stages of capital formation by stimulating savings, expanding branches to mobilize resources and making the resources available for productive investment. The commercial banks provide capital to the entrepreneurs to take risks and invest in new enterprises. The commercial banks thus help in increasing the productive capacity of the economy. The commercial banks are creators and distributors of money. They purchase securities and allow money to play an active role in the economy. The commercial banks influence economic activity in two ways. First, the lowering of interest rate makes the investment more profitable and increase in the interest rate discourages investment. Secondly, the making of capital available to the investors increases investment, production and trade in the economy and vice versa. The control and regulation of credit by the central bank of the country is only possible and effective with the cooperation of the banking system in the country. The use of cheques, drafts, bills of exchange etc. by the banks, has led to vast expansion in trade and industry all over the world.

The banks advance short and medium term loans to the industrialists in accordance with the loan policies of the government. This helps in promoting right type of industrialization in the country. The banks play an active role in balanced development in

different regions of the country. They help in transferring funds from developed regions to the less developed regions. The undeveloped areas of the country thus get adequate funds for development. The commercial banks, particularly in developing countries, are providing short and medium term loans for the development of agriculture and industries in rural and urban areas.

A planned banking system in the country mobilizes savings and meets credit requirements mostly from within the country. A country, therefore, has to rely less on foreign capital for financing of the development projects. In order to boost the exports of the country, the banks have established export promotion cells for the information and guidance of the exporters. The banks help in the monetization of the economy. They purchase securities and in exchange create demand deposits (Monetize debts).

2.13 What Is Islamic Banking?

Islamic banks appeared on the world scene as active players over two decades ago. But many of the principles upon which Islamic banking is based have been commonly accepted all over the world, for centuries rather than decades. The basic principle of Islamic banking is the prohibition of Riba- (Usury - or interest):

"While a basic tenant of Islamic banking - the prohibition of Riba, a term that encompasses not only the concept of usury, but also that of interest - has seldom been recognized as applicable beyond the Islamic world, many of its guiding principles have. The majority of these principles are based on simple morality and common sense, which form the bases of many religions, including Islam.

"The universal nature of these principles is immediately apparent even at a cursory glance of non-Muslim literature. Usury was prohibited in both the old and new testaments of the Bible, while Shakespeare and many other writers, particularly those writing in the 19th century, and have attacked the barbarity of the practice. Much of the morality championed by Victorian writers such as Dickens - ranging from the equitable distribution of wealth through to man's fundamental right to work - is clearly present in modern Islamic society.

"Although the western media frequently suggest that Islamic banking in its present form is a recent phenomenon, in fact, the basic practices and principles date back to the early part of the seventh century." (Islamic Finance: A Euro money Publication, 1997)

It is evident that Islamic finance was practiced predominantly in the Muslim world throughout the middle ages, promoting trade and business activities. In Spain and the Mediterranean and Baltic States, Islamic merchants became vital middlemen for trading activities. It is claimed that many concepts, techniques, and instruments of Islamic finance were later adopted by European financiers and businessmen.

The revival of Islamic banking coincided with the world-wide celebration of the start of the 15th Century of Islamic calendar (Hijra) in 1976. Islam prohibits dealing in interest, which the shariah (Islamic Law) deems Haram (unlawful). Islamic banking is an instrument for the development of an Islamic economic order. Some of the salient features of this order may be summed up as:

1. While permitting the individual the right to seek his economic well-being, Islam makes a clear distinction between what is Halal (lawful) and what is Haram (forbidden) in pursuit of such economic activity. In broad terms, Islam forbids all forms of economic activity, which are morally or socially injurious.
2. While acknowledging the individual's right to ownership of wealth legitimately acquired, Islam makes it obligatory on the individual to spend his wealth prudently and not to store it, keep it idle or to misuse it.
3. While allowing an individual to retain any surplus wealth, Islam seeks to reduce the margin of the surplus for the well-being of the community as a whole, in particular the poor and deprived sections of society by participation in the process of Zakat.
4. While making allowance for the ways of human nature and yet not yielding to the consequences of its worst tendency, Islam seeks to prevent the accumulation of wealth in a few hands to the loss of society as a whole, by its laws of inheritance.
5. Viewed as a whole, the economic system envisaged by Islam aims at social justice without inhibiting individual enterprise beyond the point where it becomes not only collectively injurious but also individually self-destructive.

The Islamic financial system employs the concept of participation in the enterprise, utilizing the funds at risk on a profit-and- loss-sharing basis. This by no means implies that investments with financial institutions are necessarily speculative. This can be excluded by careful investment policy, diversification of risk and prudent management by Islamic financial institutions.

It is possible, that investment in Islamic financial institutions can provide potential profit in proportion to the risk assumed to satisfy the differing demands of participants in the current environment and within the guidelines of the Shariah.

The concept of profit and loss sharing as a basis of financial transactions is a progressive one as it distinguishes good performance from the bad and the mediocre. This concept therefore encourages better resource management. Islamic banks are structured to retain a clearly differentiated status between shareholders' capital and clients' deposits in order to ensure correct profit-sharing according to Islamic Law.

2.14 Status of Islamic Banking

Today, Islamic banking is estimated to be managing funds to the tune of US\$ 200 billion. Its clients are not confined to Muslim countries but are spread over Europe, United States of America and the Far East. Islamic banking continues to grow at a rapid pace because of its value-orientated philosophy that enables it to draw finances from both Muslims and non-Muslims alike.

Islamic bankers, keeping pace with sophisticated techniques and latest developments have evolved investment instruments that are not only profitable but are also ethically motivated. Today, more than two hundred and fifty Islamic financial institutions are operating world-wide. The countries where Islamic financial institutions are functioning include:

Albania, Algeria, Australia, Bahamas, Bahrain, Bangladesh, British Virgin Islands, Brunei, Canada, Cayman Islands, North Cyprus, Djibouti, Egypt, France, Gambia, Germany, Guinea, India, Indonesia, Iran, Iraq, Italy, Ivory Coast, Jordan, Kazakhstan,

Kuwait, Lebanon, Luxembourg, Malaysia, Mauritania, Morocco, The Netherlands, Niger, Nigeria, Oman, Pakistan, Palestine, Philippines, Qatar, Russia, Saudi Arabia, Senegal, South Africa, Sri Lanka, Sudan, Switzerland, Tunisia, Turkey, Trinidad & Tobago, United Arab Emirates (Abu Dhabi, Dubai, Sharja), United Kingdom, United States, Yemen.

2.15 Islamic Modes Of Financing

2.15.1 Murabaha

This is a mode of sale and purchase of commodities. The agreement is made between the bank and a customer, whereby bank purchases a commodity and sells the same to customer on a deferred payment basis. The essential features of the Murabaha are:

- ❖ Existence of a tangible commodity/asset of which physical possession can be taken before use or consumption.
- ❖ Such commodity or asset has to be acquired from third party (commodity/asset already in the possession of the Customer, cannot form basis of the agreement).
- ❖ Bank sells the commodity/asset to the Customer.

2.15.1(a) Local Purchase Murabaha

- ❖ Bank and the client sign a Murabaha Agreement.
- ❖ Client submits a request for purchase of commodity/asset by specifying quality, quantity and price.
- ❖ Bank appoints an agent under an Agency Agreement (who could be the client) to purchase the asset/commodity on behalf of the bank.
- ❖ The Agent purchases the commodity under a Purchase Order from third party after obtaining disbursement from the bank through Receipt and submits a Declaration to this effect.
- ❖ Bank sells the commodity/asset to the Client on a cost plus profit basis and the parties agree on a Purchase Price and Due date.

2.15.1(b) Murabaha Imports

- ❖ Bank and Client sign a Murabaha Agreement.
- ❖ In terms of the Murabaha Agreement, the Bank appoints the Client as its Agent through an Agency Agreement to import commodities from time to time.
- ❖ Client submits an application to establish letter of credit and the Bank opens it.
- ❖ Upon negotiation, the Bank creates an advance in the name of the Client, value payment of funds to the beneficiary.
- ❖ Upon receipt of documents and arrival of goods, the Bank and the Client enter into a Murabaha through a declaration submitted by the client. Such Murabaha can be spot, where client pays immediately to retire documents or on a deferred payment basis, if the client wishes to pay later.
- ❖ In case of deferred payment, the Client signs a promissory note for the purchase price agreed and the Bank releases the documents.

2.15.2 Ijarah (Leasing)

Clients use Ijarah financing mainly for financing purchase of plant and machinery. If assets subject to lease are to be freshly acquired, Bank may appoint an agent (could be the client) to do so on its behalf. If Client has already acquired the equipment, Bank will purchase it from Client and lease it back.

- ❖ Bank and Client sign a Lease Finance Agreement whereby Client agrees to take on lease from the Bank for specified assets for an agreed tenor.
- ❖ Bank appoints an Agent for acquisition of assets, if not already in possession of Client.
- ❖ Bank intimates Client of acquisition of assets and delivers to place specified by Client.
- ❖ Term of lease starts from date Client takes possession of assets, whether constructive or physical.
- ❖ Client pays a monthly, or quarterly rental to the Bank for the use of the assets and by virtue of the agreement, becomes owner of asset only after paying a nominal lease end value.

2.15.3 Musharaka

Under Islamic jurisprudence, Musharaka means a joint enterprise formed for conducting some business in which all partners contribute financially and share the profit as per pre agreed upon ratios, while the loss is shared according to the ratios of financial contribution of each partner. The Musharaka is an ideal alternate to replace interest based lending with far reaching effects on both production and distribution of capital.

Profit sharing ratios in a Musharaka depend entirely on the estimated profit the business is able to generate. The Musharaka is a relationship established, by the parties, by mutual contract and therefore all necessary ingredients of a valid contract must be present. The risk of loss inherent in this mode of financing ensures that the bank fully satisfies itself as to the profitability and feasibility of the business venture as well as to the integrity of its profitability and feasibility of the business venture as well as to the integrity of its Musharaka partners.

2.15.4 Mudaraba

This is a kind of partnership where one partner gives money to another for investing it in a commercial enterprise. The investment comes from the first partner who is called "Rabb-ul-maal" while the management and work is an exclusive responsibility of the other, who is called "Modarib" and the profits generated are shared in a predetermined ratio. There are two types of Mudaraba namely:

- (a) Al Modaraba Al Moqayyadah
- (b) Al Modaraba Al Mutlaqah

2.15.4 (a) Al Modaraba Al Moqayyadah

Rabb-ul-maal may specify a particular business or a particular place for the Modarib, in which case he shall invest the money in that particular business or place. This is called Al Mudaraba Al Moqayyadah (restricted Mudaraba).

2.15.4 (b) Al Modaraba Al Mutlaqah

If Rabb-ul-maal gives full freedom to Modarib to undertake whatever business he deems fit, this is called Al Mudaraba Al Mutlaqah (unrestricted Mudaraba). However, Modarib cannot, without the consent of Rabb-ul-maal, lend money to anyone. Modarib is authorized to do anything which is normally done in the course of business. If they want to have an extraordinary work which is beyond the normal routine of the traders, it cannot be done without express permission from the Rabb-ul-maal. Modarib is also not authorized to

- ❖ Keep another Modarib or a partner
- ❖ Mix his own investment in that particular Mudaraba without the consent of Rabb-ul-maal.

2.16 Financing On PLS Basis

The real alternate to interest on loans in an Islamic framework is financing on PLS basis—a shift from debt based transaction to investment based funding. It is believed that the financing on PLS system of Islamic banking in a conducive environment would not only ensure a healthier financing portfolio and of course higher rates of return to depositors but would also lead to optimum allocation of resources for over-all economic growth and welfare of the society, individually and collectively.

It is however, accepted that the banks allowing financing on PLS basis are exposed to risk of losses as even a profitable company may sustain genuine loss due to various factors even beyond their control. The assuming of this risk is the essence of PLS mode of financing as all business transactions have an inseparable risk factor.

It should not therefore, prevent banks from making funds available on PLS basis to sound entities in feasible projects in the normal course of business. In actual practice however, it is found that traders and industrialists etc. generally earn substantial profit with the funds of a large number of depositors but they do not share these profits with the banks for onward passing on the share to the depositors.

This injustice can be avoided if banks accept deposit on PLS basis according to its true spirit and also allow bulk of financing on the same basis. This will bring prosperity in the society, as a large number of depositors will be receiving higher rates of return on their deposits. In the Islamic banking system, the concept is that of ratios in which profits and losses are shared instead of fixed, pre-determined interest and mark-up / profit rates.

The issue of possible injustice due to inflation and recession, in money lending transactions, was settled by Islam over 1400 years ago, as PLS system absorbs the impact of inflation as regards the sharing of operational results are concerned. A glaring example is that of partnership where there is no dispute between partners due to high inflation or other-wise.

2.17 Model Islamic Bank

It is important to appreciate that the requisites for total implementation and success of Islamic banking in a country, include re-shaping the society, re-structuring of the economic system and re-framing of the laws according to the dictates of Islam. The most important and difficult task however, is the reformation of society which has to be undertaken as an on-going process.

We therefore, need to change our priorities and at least as much emphasis should be laid on improving the ethics, honesty and values of the society as is being done for expansion of "Riba-free banking". This will then create a conducive environment for more and more financing under profit and loss sharing system of Islamic banking.

"Perhaps the most challenging issue facing the implementation of an Islamic financial system is the development of risk-bearing instruments that can provide the investors with a sufficient degree of liquidity, security and profitability to encourage their holding". Islamic banks also face a challenge of developing innovative services and products for utilizing these funds effectively and efficiently for financing under PLS system.

In view of the position explained here-in-above and considering the real difficulties in presently adopting the PLS system of Islamic banking for bulk of the financing for trade,

industry and agriculture, it is felt that the need of the hour is to establish Model Islamic banks in all GCC countries as also in other Islamic countries where a large number of interest-free banks have been operating for a number of years.

The proposed model bank would be a commercial bank. While the objective of the bank would be to earn profit, it would identify itself with the Shariah as regards objectives, principles, practices and operations. The proposed bank would undertake all normal banking business as is done by interest-based banks but the Provisions of Shariah would be kept in view at all times.

The proposed Model Bank would accept deposits/investments on PLS basis (other than demand deposits) and would also allow financing only on this basis. The operations of the bank will be supervised from Shariah point of view by a board of religious scholars.

The proposed bank would develop risk-bearing but competitive products for deposits / investments where in depositors / investors are given reasonable assurance of higher returns as also of safety of their funds. This bank would also develop innovative but competitive products for financing which are not only compatible with Shariah but also cater to the needs of traders and industrialists etc., in the modern complex world which is ever - changing.

The sponsor directors of the proposed model bank should be Muslim scholars, jurists, chartered accountants, economists, bankers and investors. All these persons should be men of integrity and of highest reputation. They should also have unshakeable faith and commitment in the Islamic banking system and should have good knowledge of its principles, products and procedures. These persons would take up the challenging assignment for the pleasure of Allah and for proving that Islamic banking in its totality is not only workable but would Inshallah also pay rich dividends in material terms to all those who deal with or work for the Bank.

It is sincerely believed that the proposal of Model Islamic Bank is not only feasible but is the need of the hour. The successful operational results of this Bank would also motivate the existing Islamic banks to enhance their share of financing on PLS basis.

2.18 Conclusion – Islamic Banking

The first full-fledged Islamic Bank was established in Dubai in 1975. In 1995, GCC countries accounted for 15 percent of the paid up capital, 27 percent of the assets, 34 percent of the deposits and 28.8 percent of the net profit of the Islamic banks world-wide. The Islamic banks in GCC countries are therefore, in an ideal position to take a lead to shift the bulk of financing operations to PLS system of Islamic banking. It is now time that Islamic banks and financial institutions resolve to gradually enhance their share of financing on PLS basis and reduce the share of financing on the basis of Murabaha, Bai Mu'ajjal and the like modes of financing. If Islamic banks succeed in demonstrating a practical example of socio-economic justice by gradually enhancing their financing on PLS basis and also achieve further satisfactory operational results, there is no reason why more cooperation would not be extended to them by the European, American and other interest-based banks. Some of these conventional banks may even be tempted to adopt PLS system of financing in their subsidiaries & affiliates operating under the banner of Islamic banking.

The dawn of an era of justice can, therefore, be visualized where the fruits of the Islamic system would be available to a large number of people leading to over-all social and economic prosperity.

2.19 Challenges Of The "E-Banking Revolution"

Electronic banking is the wave of the future. It provides enormous benefits to consumers in terms of the ease and cost of transactions. But it also poses new challenges for country authorities in regulating and supervising the financial system and in designing and implementing macroeconomic policy.

Electronic banking has been around for some time in the form of automatic teller machines and telephone transactions. More recently, it has been transformed by the Internet, a new delivery channel for banking services that benefits both customers and banks. Access is fast, convenient, and available around the clock, whatever the customer's location (see illustration above). Plus, banks can provide services more

efficiently and at substantially lower costs. For example, a typical customer transaction costing about \$1 in a traditional "brick and mortar" bank branch or \$0.60 through a phone call costs only about \$0.02 online.

Electronic banking also makes it easier for customers to compare banks' services and products, can increase competition among banks, and allows banks to penetrate new markets and thus expand their geographical reach. Some even see electronic banking as an opportunity for countries with underdeveloped financial systems to leapfrog developmental stages.

Customers in such countries can access services more easily from banks abroad and through wireless communication systems, which are developing more rapidly than traditional "wired" communication networks. The flip side of this technological boom is that electronic banking is not only at risk, but may intensify, some of the same risks—particularly governance, legal, operational, and reputation—inherent in traditional banking. In addition, it poses new challenges.

In response, many national regulators have already modified their regulations to achieve their main objectives: ensuring the safety and soundness of the domestic banking system, promoting market discipline, and protecting customer rights and the public trust in the banking system. Policymakers are also becoming increasingly aware of the greater potential impact of macroeconomic policy on capital movements.

2.20 Trends In Electronic Banking

Internet banking is gaining ground. Banks increasingly operate websites through which customers are able not only to inquire about account balances and interest and exchange rates but also to conduct a range of transactions. Unfortunately, data on Internet banking is limited, and differences in definitions make cross-country comparisons difficult. Even so, one finds that Internet banking is particularly widespread in Austria, Korea, the Scandinavian countries, Singapore, Spain, and Switzerland, where more than 75 percent of all banks offer such services.

The Scandinavian countries have the largest number of Internet users, with up to one-third of bank customers in Finland and Sweden taking advantage of e-banking.

2.21 New Challenges For Regulators

This changing financial landscape brings with it new challenges for bank management and regulatory and supervisory authorities. The major ones stem from increased cross-border transactions resulting from significantly lower transaction costs and the greater ease of banking activities, and from the reliance on technology to provide banking services with the necessary security. The new challenges for bank management and regulatory and supervisory authorities are:

- (a) Regulatory risk
- (b) Legal risk
- (c) Operational risk
- (d) Reputational risk

2.21 (a) Regulatory Risk

Because the Internet allows services to be provided from anywhere in the world, there is a danger that banks will try to avoid regulation and supervision. What can regulators do? They can require even banks that provide their services from a remote location through the Internet to be licensed. Licensing would be particularly appropriate where supervision is weak and cooperation between a virtual bank and the home supervisor is not adequate.

Licensing is the norm, for example, in the United States and most of the countries of the European Union. A virtual bank licensed outside these jurisdictions that wishes to offer electronic banking services and take deposits in these countries must first establish a licensed branch. Determining when a bank's electronic services trigger the need for a license can be difficult, but indicators showing where banking services originate and where they are provided can help.

For example, a virtual bank licensed in country X is not seen as taking deposits in country Y if customers make their deposits by posting checks to an address in country X

If a customer makes a deposit at an automatic teller machine in country Y, however, that transaction would most likely be considered deposit taking in country Y. Regulators need to establish guidelines to clarify the gray areas between these two cases.

2.21 (b) Legal Risk

Electronic banking carries heightened legal risks for banks. Banks can potentially expand the geographical scope of their services faster through electronic banking than through traditional banks. In some cases, however, they might not be fully familiar with a jurisdiction's local laws and regulations before they begin to offer services there, either with a license or without a license if one is not required.

When a license is not required, a virtual bank—lacking contact with its host country supervisor—may find it even more difficult to stay side by side of regulatory changes. As a consequence, virtual banks could unknowingly violate customer protection laws, including on data collection and privacy, and regulations on soliciting. In doing so, they expose themselves to losses through lawsuits or crimes that are not prosecuted because of jurisdictional disputes.

Money laundering is an age-old criminal activity that has been greatly facilitated by electronic banking because of the secrecy it affords. Once a customer opens an account, it is impossible for banks to identify whether the nominal account holder is conducting a transaction or even where the transaction is taking place. To combat money laundering, many countries have issued specific guidelines on identifying customers. They typically comprise recommendations for verifying an individual's identity and address before a customer account is opened and for monitoring online transactions, which requires great attention.

2.21 (c) Operational Risk

The reliance on new technology to provide services makes security and system availability the central operational risk of electronic banking. Security threats can come from inside or outside the system, so banking regulators and supervisors must ensure that

banks have appropriate practices in place to guarantee the confidentiality of data, as well as the integrity of the system and the data.

Banks' security practices should be regularly tested and reviewed by outside experts to analyze network vulnerabilities and recovery preparedness. Capacity planning to address increasing transaction volumes and new technological developments should take account of the budgetary impact of new investments, the ability to attract staff with the necessary expertise, and potential dependence on external service providers.

Managing heightened operational risks needs to become an integral part of banks' overall management of risk, and supervisors need to include operational risks in their safety and soundness evaluations.

2.21 (d) Reputational Risk

Breaches of security and disruptions to the system's availability can damage a bank's reputation. The more a bank relies on electronic delivery channels, the greater the potential for reputational risks. If one electronic bank encounters problems that cause customers to lose confidence in electronic delivery channels as a whole or to view bank failures as system wide supervisory deficiencies, these problems can potentially affect other providers of electronic banking services.

In many countries where electronic banking is becoming the trend, bank supervisors have put in place internal guidance notes for examiners, and many have released risk-management guidelines for banks. Reputational risks also stem from customer misuse of security precautions or ignorance about the need for such precautions.

Security risks can be amplified and may result in a loss of confidence in electronic delivery channels. The solution is consumer education—a process in which regulators and supervisors can assist. For example, some bank supervisors provide links on their websites allowing customers to identify online banks with legitimate charters and deposit insurance. They also issue tips on Internet banking, offer consumer help lines, and issue

warnings about specific entities that may be conducting unauthorized banking operations in the country.

2.22 Regulatory Tools

There are four key tools that regulators need to focus on to address the new challenges posed by the arrival of e-banking.

- (a) Adaptation
- (b) Legalization
- (c) Harmonization.
- (d) Integration

2.22 (a) Adaptation

In light of how rapidly technology is changing and what the changes mean for banking activities, keeping regulations up to date has been, and continues to be, a far-reaching, time-consuming, and complex task.

In May 2001, the Bank for International Settlements issued its "Risk Management Principles for Electronic Banking," which discusses how to extend, adapt, and tailor the existing risk-management framework to the electronic banking setting. For example, it recommends that a bank's board of directors and senior management review and approve the key aspects of the security control process, which should include measures to authenticate the identity and authorization of customers, promote no repudiation of transactions, protect data integrity, and ensure segregation of duties within e-banking systems, databases, and applications.

Regulators and supervisors must also ensure that their staffs have the relevant technological expertise to assess potential changes in risks, which may require significant investment in training and in hardware and software.

2.22 (b) Legalization

New methods for conducting transactions, new instruments, and new service providers will require legal definition, recognition, and permission. For example, it will be essential

to define an electronic signature and give it the same legal status as the handwritten signature. Existing legal definitions and permissions—such as the legal definition of a bank and the concept of a national border—will also need to be rethought.

2.22 (c) Harmonization

International harmonization of electronic banking regulation must be a top priority. This means intensifying cross-border cooperation between supervisors and coordinating laws and regulatory practices internationally and domestically across different regulatory agencies. The problem of jurisdiction that arises from "borderless" transactions is, as of this writing, in indeterminate state. For now, each country must decide who has jurisdiction over electronic banking involving its citizens. The task of international harmonization and cooperation can be viewed as the most daunting in addressing the challenges of electronic banking.

2.22 (d) Integration

This is the process of including information technology issues and their accompanying operational risks in bank supervisors' safety and soundness evaluations. In addition to the issues of privacy and security, for example, bank examiners will want to know how well the bank's management has elaborated its business plan for electronic banking. A special challenge for regulators will be supervising the functions that are outsourced to third-party vendors.

2.23 The Macroeconomic Challenges

But the challenges are not limited to regulators. As the advent of e-banking quickly changes the financial landscape and increases the potential for quick cross-border capital movements, macroeconomic policymakers face several difficult questions.

- ❖ If electronic banking does make national boundaries irrelevant by facilitating capital movements, what does this imply for macroeconomic management?

- ❖ How is monetary policy affected when, for example, the use of electronic means makes it easier for banks to avoid reserve requirements, or when business can be conducted in foreign currencies as easily as in domestic currency?
- ❖ When offshore banking and capital flight are potentially only a few mouse clicks away, does a government have any margin for independent monetary or fiscal policy?
- ❖ How will the choice of the exchange rate regime be affected, and how will e-banking influence the targeted level of international reserves of a central bank?
- ❖ Can a government afford to make any mistakes? Will the spread of electronic banking impose harsh market discipline on governments as well as on businesses?

The answers to these questions fall into two emerging strands of thought. First, the technological revolution—particularly the expansion of electronic money but also, more broadly, electronic advances in banking practices—could result in a decoupling of households' and firms' decisions from the purely financial operations of the central bank. Thus, the ability of monetary policy to influence inflation and economic activity would be threatened.

Second, as electronic banking expands financial transaction costs can decline significantly. The result would be tantamount to a reduction in the "sand in the wheels" of the financial sector machinery, making capital flows even easier to effect, with a potential erosion of the effectiveness of domestic monetary policy. In this regard, proponents of the Tobin tax—which would tax short-term capital flows to increase their cost and, thereby, the sand in the wheels—would feel that electronic banking makes an even more compelling case for introducing such a tax.

2.24 Conclusion – E-Banking Challenges

While electronic banking can provide a number of benefits for customers and new business opportunities for banks, it intensifies traditional banking risks. Even though considerable work has been done in some countries in adapting banking and supervision regulations, continuous vigilance and revisions will be essential as the scope of e-banking increases. In particular, there is still a need to establish greater harmonization and coordination at the international level.

Moreover, the ease with which capital can potentially be moved between banks and across borders in an electronic environment creates a greater sensitivity to economic policy management. To understand the impact of e-banking on the conduct of economic policy, policymakers need a solid analytical foundation. Without one, the markets will provide the answer, possibly at a high economic cost. Further research on policy-related issues in the period ahead is therefore critical.

Chapter 3

MCB INTRODUCTION

3.1 About Adamjee Group

The Adamjee name has been a prominent and highly reputed name amongst the business circles of the Indian subcontinent throughout the 20th century. The House of Adamjee was founded in Burma (now Myanmar) by the illustrious Sir Adamjee Haji Dawood, born in 1880 in Jetpur town of Gujarat. Whilst still in his teens, he ventured out to Burma and started operating as an independent businessman. The first few years of his career were spent in rice, matches & jute trade. With his keen business sense and financial acumen, he met with early success.



Sir Adamjee Haji Dawood
(1880-1948)



A. W. Adamjee
(1908-1972)



Zakaria Adamjee
(1912-1974)



G. M. Adamjee
(1919-.....)

By 1922, he had accumulated sufficient resources and a strong presence in the commodities markets, enabling him to setup his first Industrial venture - a match factory in Rangoon [now Yangon]. In 1927, he returned to India to establish a jute mill in Calcutta. The Adamjee Jute Mill Ltd. was the third jute mill to be setup by an Indian and the first Muslim public company. To capture this emerging niche, Adamjee along with Mr. G.D. Birla of Birla Jute, broke into this monopolistic trade controlled by the East India Company.

The founding father of the Adamjee industrial group was not just a businessman, but also an enthusiastic educationist and generous donor. Education of the youth, was a subject very close to his heart, thus he was responsible for financing and helping a number of

educational institutions. In addition to that, he also established numerous educational institutions from his own resources. In recognition for his services to his countrymen, the British government knighted him in 1938.

By the 1940's, Sir Adamjee, as he was then called, had become a prominent figure in the business circles of India and Burma. His recognition was acknowledged by Muhammad Ali Jinnah (Founder of Pakistan) who became a good friend and appointed him advisor to the freedom movement of the Muslims, which eventually led to the creation of Pakistan. Sir Adamjee at the request of Jinnah convinced the entire Memon & Gujarati Muslim communities to migrate to Pakistan.

With this vision in mind again at the request of Jinnah, he also established two major Institutions along with Mr. M.A. Ispahani i.e. The Muslim Commercial Bank Ltd. and the Orient Airways Ltd. The purpose of this was to assist the migration process by providing transport of Muslims to Pakistan and to create banking facilities in the new country. Once Pakistan was created, Sir Adamjee and his sons established businesses in both East (now Bangladesh) & West Pakistan.

In January 1948, six months after the creation, Pakistan fell in financial difficulties and was in urgent need of funds. On January 24th 1948, Jinnah sent an "SOS" to Sir Adamjee who rushed to Karachi on 25th to the present day governor house and presented a blank cheque to Jinnah to save Pakistan from financial collapse. Sir Adamjee was then invited by Jinnah to participate in the establishment of the State Bank of Pakistan, it was during this meeting that he suffered a heart attack and later passed away on the night of January 27th, 1948.

Though Sir Adamjee passed away in the very early days of Pakistan, his dedication lived on in the ideas and ideals passed on to his family. It was this same spirit and dedication that led his eldest son Mr. A.W. Adamjee to spearhead the industrial and financial development efforts of the new country, which was industrially backward. At the time,

the Adamjee Group was the only business house of its kind with experience in large scale manufacturing.

In less than two decades, the Adamjee group setup and managed over forty industrial and financial enterprises in the East and West Pakistan, Burma, Thailand, Malaysia, Lebanon and United Kingdom.

In 1971, due to the ethnic and social differences between the Eastern and Western Pakistan, a civil war broke out which ultimately resulted in division of the East wing and creating it into the independent Bangladesh. The newly formed socialist Government of Bangladesh took over control of all major industrial and financial institutions. The Adamjee Family lost all its assets in Bangladesh and was compelled to shift its group head quarters to Karachi.

On the Western front, the group became a subject of public criticism under the propaganda of anti-trust laws concerning the monopolistic business families of the country. As a consequence of this movement, the greater percentage of West Pakistan Assets was also lost, under the Prime Minister Z.A. Bhutto's nationalization Programs in 1974.

3.2 Prominent Concerns Managed By Adamjee Group

The prominent concerns managed by the Adamjee group prior to the creation of Bangladesh and nationalization in Pakistan were:

3.2 (a) Adamjee Jute Mills Limited

After partition of Pakistan and India, with the division of Bengal province, the East Pakistan section was left with over 40% of the world's Jute crop. In 1949 the Adamjee planned & setup a large jute factory with a capacity of 3,000 looms to consume this massive crop production. This was to be the largest Jute mill of its kind in the world employing over 25,000 workers. To house these workers, a massive housing complex was established which later became known as "Adamjee Nagar". The jute products produced in this mill was exported to over 50 Countries, thus earning a significant amount of foreign exchange for the country.

This company eventually became the flagship company of the group and a Land mark for Pakistan's Industrial development. It was nationalized in 1971 with the formation of Bangladesh. Today it exists under the same name and is managed by Bangladesh Jute Mills Corporation, Government of Bangladesh.

3.2 (b) Adamjee Sons Limited

ASL was formed as a Group holding Company and managing agency for all group public companies. It also owned vast properties, tea estates and large share holdings in other corporations. It served as a centralized body for decision making, planning and financial control for the entire Adamjee Group. ASL was nationalized in 1971 and continues to be run by the Government of Bangladesh under the same name.

3.2 (c) Patrakola Tea Company Limited

In the early years of Pakistan, when the tea trade was entirely in non-Pakistani hands, this company was setup to create an indigenous share in the tea business. It became one of the largest groups of tea estates owning five plantations (over 16,000 acres) and having its own factories in Sylet, East Pakistan. These tea gardens were later nationalized and merged with "The Bangladesh Tea Board" in 1971.

3.2 (d) Muslim Commercial Bank Limited

The early stages of Pakistan saw a financial market that was very limited in scale and lacking institutional money management. Muslim Commercial Bank (M.C.B.) was setup by the Adamjee Group and associates to alleviate this situation and it eventually became the 4th largest Bank in Pakistan. Muslim Commercial Bank was nationalized in 1974 under Prime Minister Z.A. Bhutto's Nationalization Program. Later in 1991, the Bank was privatized to the National Group. MCB is now the largest private Bank in Pakistan.

3.2 (e) Orient Airways Limited

The Adamjee Group was one of the founders of Orient Airways, the Country's first commercial airline, which was established under the request of Mr. Mohammad Ali Jinnah. After the formation of Pakistan, the new country needed a National Flag Carrier, so Pakistan International Airlines was formed and merged with the orient airways Ltd.

3.2 (f) Adamjee Industries Limited

AIL was one of the largest composite textile and paper producing companies of Pakistan. The textile division comprised of 66,000 spindles, 1,350 looms, 1,200 open end rotors and a complete dyeing, bleaching, finishing and printing section. The paper division comprised of fine paper & paper board plant along with, a subsidiary caustic soda & chlorine manufacturing unit. The company was dismantled and sold in 1981. The Textile division, which is located at Karachi, is now renamed as Al-Karam Textile Mills, managed by the "Al-Karam Group".

3.2 (g) Other Ventures

These included medium and large basic industrial undertakings such as; Khulna Textile Mills, Meghna Textile Mills, Orient Textile Mills, Adamjee Sugar Mills, National Sugar Mills, Aroma Tea Company and Jute Fibres Ltd. Realizing that the key to growth was innovation and diversification, the group extended its areas of interest by launching a variety of viable projects such as:

- ❖ National Tubes Ltd. (producing G.I. Pipes and Fittings.),
- ❖ Gammon East Pakistan Ltd. (A civil Construction Company.),
- ❖ Star Particle Board Mills Ltd. (producing Particle Boards from Jute stalks, which was a complete new technology and first of its kind in the world),
- ❖ Dacca Tobacco Industries, (producing Cigarettes),
- ❖ R. Sim & Co. (Jute Press),
- ❖ Premier Laminations (producing Polyethylene Bags),

- ❖ Dacca Vegetable Oil Products Ltd. (Vegetable oil producer).
- ❖ Adamjee Insurance Company Ltd., setup in 1960 for the purpose of in-house group insurance. It wasn't until the mid 1980's till the group emerged with a re-organization and re-development plan.

3.3 MCB Introduction

MCB has emerged as one of the foremost privatized financial institutions in Pakistan endeavoring to gear up its operations to meet the demands of the future. It is therefore not surprising that Euro money, (Europe's leading Banking, Financial and Corporate magazine) granted MCB the "Best Bank in Pakistan" in 2000-2001, and in 1999-2000 the "Best Domestic Bank in Pakistan" awards.

3.3 (a) MCB Mission

“To become the preferred provider of quality financial services in the country with profitability and responsibility and to be the best place to work”.

3.3 (b) About MCB

MCB is in it's over 50 years of operation. It has a network of over 1,000 branches all over the country with business establishments in Sri Lanka and Bahrain. The branch break-up province wise is Punjab (57%), Sind (21%), NWFP (19%) and Baluchistan (3%) respectively.

With a present network of over 1000 branches, MCB is the largest bank in the private sector in Pakistan catering to Corporate, Commercial and Consumer segments, with focus on product innovation, proactive risk and financial management and perpetuating customer centric approach. The bank has been the recipient of the country's BEST BANK award by Euro money in years 2000 and 2001.

The State Bank of Pakistan has restricted the number of branches that can be opened by foreign banks, an advantage that MCB capitalizes because of its extensive branch network. MCB has an edge over other local banks, as it was the first privatized bank.

Ten years after privatization, MCB is now in a consolidation stage designed to lock in the gains made in recent years and prepare the groundwork for future growth. The bank has restructured its asset portfolio and rationalized the cost structure in order to remain a low cost producer.

MCB now focuses on three core businesses namely Corporate, Commercial and Consumer Banking. Corporate clientele includes public sector companies as well as large local and multi national concerns. MCB is also catering to the growing middle class by providing new asset and liability products. The bank's continued investment in technology has made MCB a forerunner in the area of technology led operations covering an expanding canvass.

It has the highest number of automated and on-line branches, currently covering most of the first and second tier cities of the country. MCB provides 24 hour banking convenience with the largest ATM network in Pakistan covering 24 cities with over 155 ATM locations and also runs one of the two ATM switches in Pakistan.

The Bank's Rupee Traveler Cheque has been market leaders for the past six years and has recently launched their Gift Cheque Scheme. With recently introduced initiatives like GSM Mobile Banking, Funds Transfer and Bill payment options on its ATM network, Call centre and card acquiring business to name a few, it is expected to extend its lead as the largest issuer of Debit Cards in the country.

MCB looks with confidence at year 2003 and beyond, making strides towards fulfillment of its mission, "to become the preferred provider of quality financial services in the country with profitability and responsibility and to be the best place to work:

Chapter 4

MCB PRODUCTS AND SERVICES

4.1 Consumer Banking

MCB Consumer Banking provides customers with innovative saving schemes, products and services. MCB provides you a choice of products and accounts that suit customer's lifestyle and their needs. MCB consumer banking specialized products & consumer banking specialized accounts are given below

1. Consumer Banking Specialized Products
2. Consumer Banking Specialized Accounts

4.1.1 Consumer Banking Specialized Products

4.1.1 (a) Remit Express

Remit Express is the fastest way of getting customer's money across to Pakistan. Remit Express offers low cost remittances from U.A.E. and Saudi Arabia. Customer's relatives, friends or business associates receive drafts within 72 hours. MCB Remit Express has been specifically designed to meet the needs of the expatriate Pakistani community residing in the Gulf countries. The beneficiary will receive the amount even if he/she does not have an MCB account.

Features Of Remit Express

- ❖ Easiest and safest way to remit funds
- ❖ Remittance within 24 to 72 hours
- ❖ Personal delivery to the beneficiary
- ❖ Delivery confirmation to the remitter
- ❖ Message facilities for both parties

4.1.1 (b) Rupee Traveler Cheque

Muslim Commercial Bank has been at the forefront of providing its customers with new and innovative products and financial instruments that are safe, secure and profitable. MCB Rupee Travelers Cheques were first introduced in 1993 as safe cash for traveling and travel related purposes. The product has been extremely popular and is preferred over cash by customers while traveling and in all walks of life.

Features Of MCB Rupee Travelers Cheques

- ❖ Safe to carry and can be used without any inconvenience especially by travelers.
- ❖ Easily available and can be bought from any of the designated branches in Pakistan.
- ❖ Easily encashed at any designated MCB branch.
- ❖ Easily refunded in case of loss or theft, and customer's can get the full amount back.
- ❖ Cheques cannot be duplicated due to special printing and safety precautions
- ❖ Available in denominations of Rs. 1000, Rs. 5000, Rs. 10,000 and gift cheque of Rs 500.
- ❖ Validity of cheques is indefinite that is they are valid until used.
- ❖ 24-hour Service available at MCB airport booths Karachi, Lahore & Islamabad.
- ❖ Televerification system allows checking validity of all cheques through telephone or fax.
- ❖ 24-hour Customer Service Facility: (021) 111-000-123.
- ❖ More than 1000 MCB authorized branches are selling and purchasing cheques all over Pakistan.
- ❖ MCB Rupee Travelers Cheques are also available at the counters of Foreign Banks such as ABN Amro and HSBC and private bank i.e. Bank Al-Habib

4.1.1 (c) Gift Cheques

MCB Gift Cheques eliminates guesswork in trying to find out the perfect Gift for any occasion such as birthdays, wedding, graduation and religious festivals. Gift Cheque is beautifully packed in gold / silver envelop with a personalized Gift Card designed to suit

all occasions. They are safer than cash, because they can be replaced if lost or stolen. They are also available at all TCS Express Centers round the clock.

4.1.1 (d) Master Card

Since the beginning of time, people have tried to find more convenient ways to pay, from gold to paper money and cheques. Today, money is moving away from distinct hard currencies and towards universal payment products that go beyond national borders, time zones, and, with the Internet, even physical space.

Plastic or "virtual" money, credit, debit, and electronic cash products, inevitably will displace cash and cheques as the money of the future. MasterCard International has expanded globally in more locations in the world than any other card. The card was introduced by Muslim Commercial Bank Limited in 1995 and now offers card members over 15 million outlets in 232 countries.

Features Of MCB Master Card

- ❖ The first bank in Pakistan to introduce the enhanced feature of photograph on the card limiting fraud in case of card loss.
- ❖ Welcomed at over 3, 000 outlets in Pakistan.
- ❖ Provides up-to 45 days Free Credit.
- ❖ Joining and Annual Fees to suit you.
- ❖ 24 Hour Customer Services- Call 111-700-700. Queries resolved anytime of the day.
- ❖ Cash Advance Facilities available in Pakistan and worldwide.

4.1.1 (e) Easy Personal Loan

MCB Easy Personal Loan provides customers with the financial advantage to do things they always wanted to but never had the sufficient funds for, e.g. buy a car, refurnish of house, purchase a new TV, finance a better education for children etc.

(i) Features offered

- ❖ MCB will lend any amount, from Rs 30,000 to Rs 490,000, depending upon applicant net monthly income.
- ❖ The loan seeker can choose tenure of 1 to 3 years for the repayment of the loan.

(ii) Facilities Available

- ❖ Bank to Bank balance transfer.
- ❖ Credit Card balance transfer.
- ❖ Availability of early repayment option.
- ❖ Loan Protector Shield- insurance coverage of loan balance amount in case of death or permanent and total disability.

(iii) Processing Fee

Processing fee of 1% of the principal loan amount to be charged at the time of loan disbursement.

(iv) Repayment Arrangements

Repayment of principal and mark-up is monthly and can repaid using either one of the following modes:

- ❖ Direct Salary Transfers
- ❖ Payroll Deduction
- ❖ Post-dated Cheques

(v) Eligibility Criteria

- ❖ Minimum net monthly income Rs 10,000
- ❖ 25 to 55 years of age
- ❖ Pakistani national

- ❖ Permanent resident of Karachi
- ❖ At least 2 years of employment with current employer.
- ❖ Initially offered to employees of selected institutional MCB customers in Karachi.

4.1.1 (f) Car Cash

MCB Car Cash is the most affordable, comfortable and transparent car financing option with no surprises. With MCB Car Cash, worries of getting a brand new car are over. MCB car cash is the best option available in the market when one talk about car financing.

i) MCB Car Cash Features

- ❖ Lowest car financing rate of 16 % (Limited time offer).
- ❖ Down payment as low as 20%.
- ❖ Finance tenure of up to 5 years.
- ❖ Applicant can finance from Rs. 150,000 to Rs. 1.5m depending upon his/her income, vehicle cost and the down payment.
- ❖ Low processing fees of Rs. 3,500.

(ii) Basic Eligibility Criteria

- ❖ Minimum net take home income of Rs. 15,000. Applicant monthly installment for MCB Car Cash should not exceed 45% of applicant net take home income.
- ❖ 25 to 57 year of age. Age of 60 shall not be reached before the maturity of the facility.
- ❖ Pakistani National residing in cities where MCB Car Cash has been launched.
- ❖ Businessmen and self employed with the minimum experience of 3 years in the same business and profession. For salaried individuals, 2 years with the same employer and overall three years of employment history.

(iii) MCB Contacts

For further information:

- ❖ Contact nearest MCB branch
- ❖ Visit any MCB Car cash authorized dealer
- ❖ Call MCB at 111-800-800
- ❖ E-mail us at carcash@mcb.com.pk

4.1.1 (g) Pyara Ghar

Every person has a dream of having his/her own house or an apartment for a long time. Muslim Commercial Bank has launched Pyara Ghar. Now one can build and own a comfortable place for his/her family. The applicant can choose from any of MCB three home financing options and is on the way to his/her own Pyara Ghar. People will prefer to get financing from MCB because:

- ❖ Muslim Commercial bank is the largest private bank in Pakistan with a sound financial base and a dynamic network.
- ❖ A bank with a history of over fifty years in Pakistan.
- ❖ It is in the true sense banking by the people.
- ❖ It is the bank that understands individual needs and provides them with a full spectrum of products like: ATMs', Deposit Accounts, Personal Loans, Credit Cards, RTCs, Home financing that helps individuals get their own Pyara Ghar.

With the MCB Pyara Ghar Scheme, the applicant can obtain the financing to purchase a house/apartment, construct his/her own house or renovate existing house immediately. Nothing could be more convenient than owning a house and paying easy installments that take applicant a step closer to becoming the owner of house.

(i) Features Of Pyara Ghar

- ❖ MCB gives financing for home at the lowest and best possible mark-up rates.
- ❖ The applicant can choose either one of MCB two mark-up rate options- fixed or variable.
- ❖ Early repayment option tailor-made to allow individuals to make partial prepayments at dates that suit them.
- ❖ Option to club applicant's spouse's income to avail higher financing amount.

(ii) Who Can Apply?

- ❖ Pakistani national residing in the city and area where the product is launched.
- ❖ 25 years old or above at the time of application and under 60 at the time of maturity of the applied financing period.
- ❖ Salaried person, self-employed professional or a businessman with a verifiable monthly income stream.
- ❖ Net take -Home income not less than Rs. 25,000 per month.
- ❖ Have 5 years or more of business or professional experience.
- ❖ Employed with the present employer for 2 years with a employment history of 5 years.

4.1.2 Consumer Banking Specialized Accounts

4.1.2 (a) Rupee Maximizer Account

MCB Rupee Maximizer Account, is latest PLS Savings Account specially made to help MCB Foreign Currency Account holders to convert their account into Pak Rupees. It gives individuals, businessmen and corporations the chance to earn a high rate of return

on their deposits in Pak Rupees. The account offers unique and attractive benefits to the account holders:

Features

- ❖ Profits calculated on a daily product basis
- ❖ No restrictions on number of withdrawals
- ❖ No restriction on initial deposit
- ❖ Free ATM Card to each customer
- ❖ Locker facility free of cost

4.1.2 (b) Pak Rupee Accounts

(i) Pak Rupee Savings Account

MCB's Pak Rupee Savings Account offers its account holders attractive returns on their Pak Rupee investment. In addition, the account holders have access to a countrywide ATM network, convenient cash accessibility 24 hours a day. The facility also provides them with unlimited daily transactions with a limit on maximum withdrawal amount through the ATM machines.

(ii) Pak Rupee Current Account

MCB's Pak Rupee Current Account offers its account holders the convenience of unlimited withdrawals i.e. access to their funds whenever they want without any notice. There is no limit on the number of transactions they make in a day plus they can avail finance facility up to 75% of the total deposit. In addition, account holders have access to a countrywide ATM network convenient cash accessibility 24 hours a day. The facility also provides them with unlimited daily transactions with a limit on maximum withdrawal amount through the ATM machines.

(iii) Pak Rupee Term Deposits

By placing investment in a MCB Pak Rupee Term Deposit Account, account holders receive a higher rate of return. The term choices available to account holders are 1 month, 3 months, 6 months, 1 year, 2 years, 3 years, 4 years and 5 year term deposits.

4.1.2 (c) Foreign Currency Accounts

(i) Foreign Currency Savings Account

MCB's Foreign Currency Savings Account offers its account holders attractive returns on their foreign currency investment.

- ❖ Account holders can invest in any of the four currencies i.e. US Dollar, UK Pound Sterling, Japanese Yen or Deutsche Mark.
- ❖ Foreign currency account is exempted from Zakat and withholding tax.

(ii) Foreign Currency Current Account

MCB's Foreign Currency Current Account offers its account holders the convenience of unlimited withdrawals i.e. access to their funds whenever they want without any notice. There is no limit on the number of transactions they make in a day.

Features

- ❖ Account holders can invest in any of the four currencies i.e. US Dollar, UK Pound Sterling, Japanese Yen or Deutsche Mark.
- ❖ Foreign currency account is Zakat and withholding tax exempted.
- ❖ Account holders can avail a credit facility up to 75% of the total deposit value.

iii) Foreign Currency Term Deposits

The account holders, by placing their investment in a MCB Foreign Currency Term Deposit receive a higher rate of return. The term choices available to account holders are

of 1 month, 3 months, 6 months, 1 year, 2 years, 3 years, 4 years and 5 year term deposits.

4.1.2 (d) Saving 365

The MCB Saving 365 calculates profits on a daily product basis and gives account holders the facility of unlimited withdrawals. The features of “Saving 365” are:

- ❖ Saving 365 Account can be open with a minimum initial deposit of Rs. 500,000
- ❖ Profits are calculated on daily product basis payable on a half yearly basis
- ❖ No restrictions on the number of withdrawals
- ❖ Account holder can avail a credit facility up to 75% of the total deposit value.

4.1.2(e) Capital Growth

MCB Capital Growth Certificates provide its account holders an excellent opportunity to increase their savings by investing in a Capital Growth Certificate. The investor will receive increased deposit amount in five years that is their money will get doubled in five years. The features of capital growth scheme are:

- ❖ Minimum deposit of Rs. 10,000
- ❖ Deposit to remain fixed for five years
- ❖ The investor can avail a credit facility up to 75% of the total deposit value.

4.1.2(f) Khushali Bachat

(i) Khushali Bachat

Khushali Bachat account is one of Muslim Commercial Bank’s most popular products. Due to the low initial deposit, the account can be opened by people from all walks of life

and still avail the facility of daily product profit calculation. The account offers unique and attractive benefits to the Account holders.

(ii) Dollar Khushali Account

The Dollar Khushali Account, a Dollar based account was introduced in 1993 at selected Muslim Commercial Bank branches. Today, one can open a Dollar Khushali Account at over 200 branches in Pakistan.

Features Of Dollar Khushali Account

- ❖ Dollar Khushali Account can be open with a minimum initial deposit of US\$ 100.
- ❖ Profits are paid on daily product basis payable half yearly on interest calculated at the Dollar Savings Rate.
- ❖ No prior notice required for withdrawal
- ❖ Account holder can avail a credit facility up to 75% of the total deposit value
- ❖ Account is not subject to Zakat.

(iii) Monthly Khushali Account

MCB Monthly Khushali Scheme provides its account holders with a steady income every month. Just purchase a Monthly Khushali Certificate and will enjoy a steady income of total deposit every month.

Features Of Monthly Khushali Account

- ❖ Account can be open with minimum deposit of Rs. 50,000.
- ❖ Deposit to remain fixed for five years
- ❖ Account holder can avail a credit facility up to 75% of the total deposit value
- ❖ Profit will be paid on a monthly basis through Cash, Pay Order, Demand Draft or direct credit to your Saving/Current Account.

4.2 Corporate Banking

MCB's Corporate Banking Team consists of dedicated professionals with the requisite expertise to take care of individual's banking needs. The Corporate Bank with 20 branches has its presence in all major cities of Pakistan.

MCB Area Offices are located in Karachi, Lahore and Islamabad. Corporate Platforms are established in the three principal cities where teams of dedicated Relationship Managers have been posted. These Relationship Managers have been entrusted with the complete responsibility for managing the risk of their allocated portfolios, acting as a liaison between customers and the bank, and providing customers with the entire range of products/services offered by the bank.

4.2.1 Corporate banking Specialized Products

The Corporate Bank offers a whole range of banking products/services that can be broadly divided into the following categories:

4.2.1(a) Working Capital Loans

Based on the customer's specific needs, the Corporate Bank offers a number of different working capital financing facilities including Running Finance, Cash Finance, Export Refinance- Pre-shipment and Post- shipment etc. Tailor- made solutions are developed keeping in view the unique requirements of customer's business.

4.2.1(b) Term Loans

MCB offer Short to Medium Term Finance to meet capital expenditure and short term working capital requirements of client's customers. The loans are structured on the basis of underlying project characteristics and cash flows of the business.

4.2.1(c) Trade Finance Services

The Corporate Bank offers trade finance services that include an entire range of import and export activities including issuing Letters of Credit (L/Cs), purchasing export documents, providing guarantees and other support services.

4.2.1(d) Cash Management

MCB's network of about 1,000 branches in Pakistan enables it to collect and disburse payments efficiently with MCB cash management services. This also enables MCB to offer customers a choice of paper based or electronic fund transfer solutions including collection amounts cross branch on- line transactions etc.

4.2.1(e) Investment Banking

MCB Investment Banking Team has emerged as a leading player in Pakistan's investment banking arena. The Team handles advisory, corporate finance and capital markets related transactions. Within these areas, the team has developed expertise in:

- ❖ Private Placements
- ❖ Debt/Equity Underwriting
- ❖ Term Finance Certificates
- ❖ Loan Syndication
- ❖ Arrangement of Non- Fund Facilities
- ❖ Mergers and Acquisitions
- ❖ Privatization
- ❖ Corporate Advisory

4.3 MCB International Banking

Muslim Commercial Bank Ltd has a presence in two countries around the globe namely Sri Lanka and Bahrain. There are three branches in Sri Lanka. The International Division provides one of the fastest means of remittance from the Middle East and other countries and also has Pak Rupee and Dollar drawing arrangements.

4.3.1 MCB International Banking Specialized Products

4.3.1 (a) Speed Cash

A Drawing Arrangement specifically arranged with Citibank Karachi and the Saudi American Bank in Riyadh ensures doorstep delivery of drafts within 48 hours anywhere in Pakistan where courier service is available.

4.3.1 (b) Home Remittance

Demand draft and telex transfer facilities offered to cover 35 Companies and Banks in the middle east and worldwide.

4.3.1 (c) Money Gram and Global Money

A part of the Integrated Payment System USA and UK, this facility is offered by Muslim Commercial Bank's Foreign Exchange Branches at major cities.

4.3.1 (d) Drawings Arrangements

Have been arranged for both Pak Rupees and Dollar through designated branches and arrangements through Local and foreign Banks.

Chapter 5

MCB ONLINE PRODUCTS

5.1 ATM Services

MCB ATM network is the largest and most advanced of its kind in the country, and is part of MCB's continuing efforts to provide its customers with convenience that suit their requirements most. Now the MCB ATM has gone global. MCB's affiliation with MasterCard international brings about added facilities for the MCB traveler abroad with the Cirrus and Maestro networks.

5.1(a) ATM Usage Outside Pakistan

ATM can be used to access account from anywhere around the globe. MCB ATM is accepted at 634,700 locations where there are MasterCard or Cirrus ATMs allowing customers a daily withdrawal limit of US\$ 200 (or equivalent in other currencies) on availability of funds in customer's account, plus the convenience of shopping through over 5 million Maestro POS (point of sales) terminals globally. Dollar (\$) 3 or 2.75% of cash withdrawn (whichever is higher) will be charged on international transactions and \$ 1 will be charged for balance statements.

5.1(b) ATM Usage Inside Pakistan

MCB has the largest ATM networks in the country with over 140 ATMs and over 220 online branches. The MCB ATM card can be used in over 15 cities in Pakistan. Whenever customers wants to withdraw cash or ask for a mini-account statement, or even use it as a debit card at Maestro POS terminals, the MCB ATM card gives its customers instant access to their bank account ,anywhere, any time.

5.1(c) Additional Conveniences

- ❖ MCB revolutionary M-Net Switch enables its customers to access their MCB account from any member bank's ATM machine.

- ❖ Mobile banking helps customers to use their GSM phone to access mini-account statements and balance information from anywhere.
- ❖ Funds transfer facility enables customers to transfer funds from one registered ATM account to another.

5.2 How To Use MCB ATM

5.2 (a) Description Of Machine

Every MCB ATM is equipped with two sets of keys – one set of numerical keys and the other set of 8 functional keys – located beside the display screen. It also has a slot for inserting the MCB ATM 24 – hour cash card. The functional keys have been marked with arrows, pointing towards the screen, and any of the options display on the screen can be individually availed by pressing the relevant functional key.

5.2 (b) For Withdrawal Of Money

(i) Insert The Card

Insert MCB ATM 24 – hour cash card into the slot provided for this purpose. Make sure it enters the slot with the arrow on the card pointing in the direction of the slot. The screen of the ATM will now show “Please enter your PIN”.

(ii) Enter Pin Code

Enter, with numerical keys, the person identification number (PIN), allotted to you when you receive the card. In case of an incorrect PIN, the ATM will display incorrect number, please enter again. The correct PIN should then be entered. On entering the correct PIN, the ATM will display the message “Your transaction is being processed, please wait.” After a while, the ATM will replace the message with “Select Transaction”, giving 8 different options, each against a functional key. Out of these options, the first one is meant for cash withdrawal.

(iii) Press Fast Cash

Press the “Fast Cash” key. The ATM will display on its screen, different amounts against each of the functional keys, ranging from Rs. 500 to 10,000. On pressing the other amount key, a new menu will appear on the screen where the card holder can enter the amount of his/her choice.

(iv) Press Functional Key

Press the functional key of your choice and wait. The ATM will display the message “Your transaction is being processed. Please wait! ” . After a few seconds, the machine will display, “Take your card” and, meanwhile, the required amount, will emerge from the ATM, with the instructions “Please remove your cash” on the screen. The ATM will then display on its screen, “Your transaction is complete. Thank you for using MCB 24 – hour cash service. Please remember to remove your card immediately otherwise the ATM will take back the card. Collect the transaction slip at this time showing account and cash withdrawal details.

5.3 Helpful Tips

(i) Pin Change

PIN change option is now given so that the card holders can have added security with their card. For added security, it is advisable for card holders to change the PIN as soon as they receive their card. It is also advisable for card holders to keep on changing their PIN on a regular basis. If card holder feels that his/her PIN has been disclosed to others, he/she must change the PIN as soon as possible.

(ii) Pin Forgotten

In case the card holder forgotten his/her PIN, a new card will have to be made. The card holder has to return his/her old card to his/her MCB online branch, and he/she will get the new card within 72 hours.

(iii) Damaged Card

If ATM card breaks in two or gets distorted, the card holder has to return the distorted card to his/her MCB online branch, and he/she will get a new card within few days.

(iv) Card Loss

In case of card loss, the customer has to inform the MCB online branch at customer service number (021) 111-000-777. The customer will get a new card within few days. If the card is not returned from the ATM, then the customer must contact the branch where he/she has lost his/her card. The customer has to complete a form and he/she will receive his/her card from his/her MCB online branch.

(v) Incorrect Payment

If by any chances the ATM does not dispense the correct amount of money or does not dispense the money at all, then the card user must contact the branch where he/she is using the ATM or the home branch and inform them immediately. The customer has to complete a form and the amount will then be credited to his/her bank account.

(vi) ATM Receipts

It is advisable for card holders to keep their ATM receipts after every transaction. It is a good way to guard against fraud and make record keeping easier.

5.4 MCB ATM Bill Pay

For the first time in Pakistan, MCB proudly introduces a unique service - MCB ATM Bill Pay which allows its customers to pay their utility bills and recharge their mobile phones, through MCB ATM's, available to them 24 hours-365 days. The customers can make bill payments up to Rs.20, 000/= per day. This facility is for all MCB ATM card holders and MCB ATM cash card holders alike. Both registered and un-registered customers can enjoy the benefits of MCB ATM utility bill payment systems.

In order to get registered, fill out an “MCB ATM utility payment application form (available at MCB branch or it can be downloaded from MCB website) to register the customer’s Sui Southern gas bill consumer number as mentioned on the bill. In case of un-registered customers, the customers have the option to pay any SSGC bill by entering the desired consumer number

5.4(a) Convenience And Security

It is faster, easier, convenient and more secure. That's right customers have total control. Customers decide when they want to make the payment and how much want to pay. It secure as they do no have to carry cash or even their bill, just use any MCB ATM to pay their utility bills and recharge their mobiles around the clock.

MCB ATM account holders can pre-register their MCB account(s) and consumer/account numbers of the Utility Company / Service Provider with their home branch to avail this service. MCB ATM cash card holders can directly enter the consumer or account numbers of the Utility Company/Service Provider onto the relevant ATM screen to make the utility bill payment or to recharge their mobile phones. What more once the transaction is completed, the ATM receipt will be printed which will confirm the details and will be your proof of payment.

The MCB Bill Pay Service is totally free* for all MCB ATM card holders and MCB Cash Card Holders. MCB reserves the right to change/withdraw the Service at any time or levy a charge. Details are contained in the Banks schedule of charges. This brochure and relevant terms and conditions are available on request.

5.4(b)Bill Payment Procedure For Registered Customers

1. Insert the MCB ATM card or MCB cash card into ATM and enter PIN number.
2. Select “utility bills”.
3. Select utility type “SSGC bill”.
4. Select “Registered”.
5. Enter bill amount which is to be paid.
6. Select “yes” if you want to proceed, & collect the card and confirmation slip.

Bill payment procedure for both registered and un-registered customers will be same, but the only difference is that in case of un-registered customer, he/she will have to select “un-registered” in step 4 of the bill payment procedure for registered customers and have to enter the consumer number of the registered customer.

5.5 ATM Funds Transfer

MCB's Funds Transfer facility is available to all MCB customers who maintains Pak rupee accounts at any on-line branch and is MCB ATM card holders. This facility is available to customers 24 hrs, and 365 days. In order to activate fund transfer facility, the customers need to visit their home branch and fill out the funds transfer application form. Once their application is approved, the facility would be activated.

In addition to the added facilities being offered through the MCB ATMs, the customers will now be able to transfer funds between accounts with ease and flexibility. Transferring funds between accounts has never been so easy. No need for writing cheque and standing in line. All they have to do is to use their ATM card to transfer funds between pre-registered accounts. The funds would be available immediately and the account balance will be updated instantaneously.

To suit customers requirements, customers can nominate 4 Debit and 4 credit accounts (inclusive of the Primary ATM card account) from which you will be able to transfer funds within or to and from any on-line branch. Service charges would be applicable as per the Bank's schedule of charges. Government taxes with regards to funds transfer may also be applicable.

(i) MCB ATM Fund Transfer Process

The "Select Transaction" screen will appear and show additional option of “Funds Transfer. Press the Funds Transfer Functional key. The ATM will display a box where you will be requested to "Please Enter the Transaction Amount”. Enter the amount you want to transfer within the prescribed maximum limit.

You can enter paisa if desired, after the decimal place. A menu will appear on the screen requesting "Please Select Debit Account". Select your debit account with the functional key displayed next to the account number on the right hand side. A menu will appear on the screen requesting "Please Select Credit Account".

Select your credit account with the functional key displayed next to the account number on the right hand side. Wait for the ATM receipt which will show the amount transferred and the 'to and from' account number together with the updated available balance in each account.

5.6 MCB ATM Cash Card

5.6 (a) Introduction

The wide spread acceptability and frequent use of MCB ATM Cards has prompted the bank to add more value to the cards which cater to customers evolving cash needs enabling them to go ahead with ease and convenience. This reinforces MCB commitment to provide to its customers safe and secured mode of cash substitute. MCB CASH CARD is useful means of cash for MCB customers and non customers like, travelers, businessmen, general public. MCB CASH Cards are issued in the following preloaded denominations.

- ❖ MCB Classic (CL) - Rs 5,000 (Rupee Five Thousand)
- ❖ MCB Silver (SL) - Rs 10,000 (Rupee Ten Thousand)

All the MCB CASH Cards of different denominations have the same design, feature, size and which are easy to place in wallet.

5.6(b) Features

- ❖ MCB Cash Card Pin Code is confidential and is only known to the purchaser.
- ❖ It can be changed from the MCB ATM Machines.

- ❖ MCB ATM Cash Card if lost or stolen then the same will be immediately marked HOT on request of Purchaser.
- ❖ The amount remaining on the MCB's Cash Card account will be refunded to the purchaser
- ❖ Loss/ theft will only be entertained through the original purchaser.
- ❖ Loss / theft is to be reported to the issuing branch by the purchaser or MCB's Cash Card / ATM Help Line Call Centre (111-000-777)

5.6 (c) Advantages

MCB ATM Cash Card enables MCB customers / non customers to meet their day-to-day cash requirements and settlements of their commercial / personal cash requirements transactions. MCB ATM Cash Card is the safest alternative to cash because the purchaser can rest assured of its security. If the ATM Cash Card is lost it would be cancelled immediately and the purchaser would get the amount refunded easily subject to completion of refund formalities.

MCB ATM Cash Card is the best because unlike other modes of transfer of funds and remittances which are drawn on a particular branch and can only be encashed at that branch. MCB ATM Cash Card holder can draw cash from any of MCB ATMs all over the country, M-Net Members ATMs and Cirrus Member ATMs globally. MCB Cash Card is disposable and with a prescribed determined value. When the value of MCB Cash Card is utilized fully and the balance amount is NIL the cards will be discarded.

5.6(d) Sale Procedure

Sale procedure of MCB Cash Card is also very simple, any one who is customer of MCB or a non customer of the bank may purchase the MCB Cash Card through any of MCB authorized online branches with ease and completion of minimum formalities. The purchaser is required to fill an application Form CC-10 and hand over the same at the counter of any authorized online branch of his choice and the rest will be done by the friendly staff of the bank.

5.7 Mobile Banking

At the forefront of technological excellence, MCB proudly introduces MCB Mobile Banking*. MCB Mobile Banking gives you easy and quick access to your account(s) information and mini statements whenever you want or wherever you may need them, including all holidays with comfort and peace of mind. MCB Mobile Banking service is available to all MCB ATM cardholders, 24 hours - 365 days. Just call our Help Line on (021) 111-000-777 or any MCB online branch for assistance.

5.7(a) Guidelines For Getting Connected

The following simple steps will get you connected to your MCB account(s) using MCB Mobile Banking Service.

- ❖ Visit your branch and fill out a form.
- ❖ You need to provide your mobile phone number and the account number(s) for which you want the service to be activated.
- ❖ Subsequently, you will receive a message on your mobile phone confirming your registration and requesting you to select a PIN (Personal Identification Number).

5.7(b) Selection Of PIN

PIN is your confidential code for security and it identifies you as an authorized MCB Mobile Banking user. You can select your own PIN. The procedure for selecting your own PIN is given below

1. Access the message function menu from your mobile phone.
2. Then go to the Write Message screen, and enter your 4 digit PIN by typing the Following command: PIN (space) ****
3. Send the message command containing your PIN to the phone number 999 - an exclusively dedicated phone number for MCB Mobile Banking.
4. Once you receive the confirmation message on your mobile, please call the Help Line on (021) 111-000-777 or contact your branch for the activation of your service.

5.7(c) Using The MCB Mobile Banking

The following simple steps need to be followed from your mobile phone to access the service:

- ❖ Access the Message function menu from your mobile phone.
- ❖ Then go to write message screen , type the required message command, for example:
bi (space) **** (space) 1 , where bi = Balance Inquiry , **** = PIN , 1=Account ID
(Every account you nominate for the service is assigned a numeric ID)
- ❖ The incoming SMS message will contain the desired information.
- ❖ Send the message command to the phone number 999.

5.7(d) For Ufone Power SIM

- ❖ Access the U-Banking menu from your mobile phone.
- ❖ Enter your 4 digit numeric PIN code.
- ❖ Enter your 6 digit account id (i.e. 00000n) where ‘n’ denotes the sequence number of your account, which you nominate in the MCB Mobile Banking form.
- ❖ Choose the desired option from the given list.

5.7(e) For Mobilink Power SIM

- ❖ Access the Power Tool menu from your mobile phone
- ❖ Go to Mobile Banking Menu
- ❖ Enter your 4 digit numeric PIN code.
- ❖ Enter your account id.
- ❖ Choose the desired option from the given list.

5.7(f) MCB Mobile Banking Quick Message Commands

The table given below shows available Mobile Banking Quick Message Commands:

Balance Inquiry	bi (space) **** (space) 1
Mini Statement	ms (space) **** (space) 1
PIN Selection	pin (space)****
PIN Change	cpin (space) **** (space) nnnn
Blocking an Account	blk (space) **** (space)
Un-blocking an Account	ublk (space) **** (space) 1
Change Default Account ID	dfa (space) **** (space) 1 or 2
View Default Account	vdfa (space) ****
Help	Type h and send it to phone number 999

1. Access the Power Tool menu from your mobile phone.
2. Go to Mobile Banking Menu
3. Enter your 4 digit numeric PIN code.
4. Enter your account id.
5. Choose the desired option from the given list.

If you have any questions you can:

- ❖ Call MCB helpline o(021)111-000-777
- ❖ Email MCB at mcbmobilebanking@mcb.com.pk
- ❖ Call your MCB branch directly , or
- ❖ Contact Mobilink, Ufone or Instaphone.

5.8 MCB Call Center

Keeping up with banking services can be tedious, but not with MCB, where phone service is at your fingertips. Just dial MCB Call Centre from the comfort of your home or office or wherever you happen to be. It offers basic banking services for your convenience, eliminating the need for you to make unwanted trips to your branch.

5.8.1 Services Available Through The MCB Call Center

5.8.1(a) Banking Services

- ❖ Balance Inquiry (receive details through fax, SMS or email -registered users)
- ❖ Foreign Exchange Rates (receive details through fax, SMS or email -registered users)
- ❖ Account Statement
- ❖ Cheque Book Requests

5.8.1(b) ATM & Mobile Banking Services

- ❖ ATM Lost / Stolen Reporting (Hot / Warm)
- ❖ ATM Transaction Details, History & Complaints
- ❖ M-PIN Reset.
- ❖ Block / Unblock Service.

5.8.1(c) Rupee Travelers Cheque Services

- ❖ RTC Verification (receive details through fax, SMS or email -registered users)
- ❖ Lost / Stolen Reporting (receive details through fax, SMS or email -registered users)

5.8.1(d) Other Services

- ❖ Product Information (receive details through fax, SMS or email -registered users)
- ❖ ATM Locator (receive details through fax, SMS or email -registered users)
- ❖ Branch Locator (receive details through fax, SMS or email -registered users)
- ❖ Tele-banking Services Management i.e. TPIN change, Block / Unblock service
- ❖ Customer Complaints
- ❖ Fax & email Service

It's so easy to register for MCB Call Centre. Pick up an application form from any MCB online branch, then just fill in all the necessary details and return it to your on-line branch. You will be issued a TSN (Telebanking Services Number) and a secured Tele

banking PIN. All calls to the MCB Call Centre are treated with confidentiality as registered accounts can only be accessed through your Telebanking Services Number and your secured Telebanking PIN. Highly trained English/Urdu speaking agents are available to attend to your enquiries in a friendly and professional manner. You can be assured of a quick response

5.9 MCB Debit Card

Now MCB brings a secure, convenient and quick payment facility that enables its customers to do purchasing by using their existing MCB ATM card as a DEBIT CARD. The features of MCB Debit Card are given below.

5.9 (a) Features

- ❖ No need to carry cash, when MCB card is your companion.
- ❖ Acceptability of your card at Merchant Locations, including petrol pumps, grocery stores, bakeries, departmental stores, jewelers, travel agents, restaurants, chemists, hospitals and many more locations displaying this sign.
- ❖ When MCB card is used, payment is made by directly debiting your bank account.
- ❖ No need for signature, as PIN is being used for security.
- ❖ Now you can also do balance enquiry of your card account at selected merchant outlets.

5.9 (b) Procedure

Follow these three steps to complete your transaction

1. Allow merchant to swipe the card on the POS (point of sale) terminal against your purchases.
2. Check the amount of purchase and enter your PIN to authorize your payment.
3. Collect your receipt and keep it in your record for future reconciliation of your statement of account.

5.9 (c) Things To Be Remembered

- ❖ PIN is your key to card security; therefore please do not disclose it to others.
- ❖ Your per day purchasing cycle limit is in addition to your ATM cycle limit. You can now do as many as 10 to 15 purchase transactions on your basic or gold card respectively.
- ❖ Keep record of your receipts till you have reconciled your account. It will help you reconcile and manage your expenses.

5.10 Smart Card

MCB now brings you MCB SmartCard -a secure and convenient instrument of payment with unmatched functionalities. It provides 24-hour direct access to your bank account. The convenience and flexibility of MCB SmartCard will help you live a smarter life.


It not only helps you manage your expenses, but also avoids undue interest on your day to day credit card transactions. Your balance is always within your reach and you spend accordingly. MCB is the only bank to introduce a debit card that gives the option to choose from domestic and international card for local and global usage respectively. You can avail the following functionalities on your MCB SmartCard.

5.10.1 Smart Card Features

5.10.1 (a) Purchasing

SmartCard is your debit card for cash free convenience. Use it for your shopping and purchases at a rapidly growing nationwide network of merchant locations including petrol pumps, stores, bakeries, departmental stores, jewelers, travel agents, restaurants, chemists, hospitals etc. It's simple, safe and convenient to use:

- ❖ Shop at locations displaying the Cash free sign and the MCB Cards logo.
- ❖ For payment, no need to pay cash. Simply present your card; merchant will swipe your card for the amount of the transaction.

- ❖ You simply authorize your transaction by entering your PIN (Personal Identification Number) yourself. The PIN is for extra security.
- ❖ The purchase amount is debited from your account.
- ❖ To make your transaction safe and secure, MCB has installed state of the art smart terminals at your merchant locations, to ensure your personal convenience. At restaurants & fuel Stations your merchant will bring portable terminals to you for your PIN entry.
- ❖ Existing MCB ATM Card holders have been automatically provided with the debit facility.
- ❖ International cardholders have the un-matched advantage of using this facility at millions of locations worldwide carrying the  logo.

5.10.1 (b) Bill Payment

Now you can use the SmartCard to pay your utility bills at the largest nationwide network of MCB ATMs. Pay online and get instant confirmation of payment.

- ❖ Make bill payments up to Rs. 20,000 per day per card.
- ❖ Currently available for payment of gas bills of Sui Southern Gas customers, this facility is being expanded to cover all utility bill payments.
- ❖ Pay as a registered or non-registered user. Registration will help you avoid the time delay in entering details each time you carry out a transaction

(i) Easy Steps That Guide Through Bill Payments

- ❖ Insert your SmartCard into the ATM and enter your PIN.
- ❖ Select "Utility bills".
- ❖ Select Utility type – "SSGC bill"
- ❖ Select "Registered" (Select Un-Registered if not already registered with MCB)
- ❖ If you are Un-Registered, select and enter Consumer No.
- ❖ Enter bill amount you wish to pay.
- ❖ Select "Yes" if you want to proceed , and collect your card and confirmation slip.

5.10.1 (c) Funds Transfer


Do you want to avoid the hassle of writing cheque and time-delays in making pay orders, demand drafts and telegraphic transfers? Enjoy the benefit of MCB Funds Transfer facility with your SmartCard at the largest nationwide network of MCB ATMs.

- ❖ Transfer funds between a maximum of 8 pre-registered online accounts within the growing network of MCB branches across 30 cities.
- ❖ Get round the clock convenience with the largest nationwide network of MCB ATMs.
- ❖ Transfers take place instantly & funds become accessible for use.
- ❖ You can use the balance inquiry facility to reconfirm for your satisfaction.

(i) Easy Steps That Guide Through Funds Transfer

- ❖ Select "Funds Transfer".
- ❖ Enter the amount you want to transfer within the prescribed maximum limit. You can also enter paisa if desired, after the decimal place.
- ❖ Select your debit account.
- ❖ Select your credit account.
- ❖ Collect your ATM receipt, which will show the amount transferred & the 'to and from' account number together with the updated available balances in each account.

5.10.1 (d) 24 Hours Cash Withdrawals

The purchasing, bill payment and funds transfer facilities of the SmartCard free you of the inconvenience of carrying cash. However, your SmartCard gives you the 24-hour freedom to withdraw cash from the largest network of MCB & ATMs across 30 cities in Pakistan and growing. International Cardholders can withdraw cash from their account in Pakistan from a global network of over 634,000 ATMs worldwide with the  logo. So whether you are on a business trip or a vacation, MCB Smart Card will be your trusted companion.

(i) Easy Steps That Guide Through Withdrawal Of Cash

- ❖ Insert your SmartCard into the ATM and enter your PIN.
- ❖ Select “Fast Cash “for cash withdrawal.
- ❖ Enter amount you wish to withdraw. The ATM will display different amounts ranging from Rs. 500 to 10,000. On pressing the Other Amount key, a new menu will appear on the screen-you can enter the amount of your choice.
- ❖ Collect your cash, card and confirmation slip.

5.10.1 (e) Balance Enquiry

Whether abroad or in Pakistan, far from your branch, SmartCard gives you the flexibility to instantly obtain your account balance, 24 hours a day, without the inconvenience of calling or visiting a branch. This service can be availed via any of the following:

- ❖ From MCB POS terminals at merchant locations.
- ❖ At the largest nationwide network of MCB ATMs.
- ❖ By using the MCB Mobile Banking facility.

(i) Easy Steps That Guide Through Getting Balance Information

At ATMS

- ❖ Insert your SmartCard into the ATM and enter your PIN.
- ❖ Select "Balance Inquiry".
- ❖ Collect slip with your balance information.

At POS terminals

- ❖ Present your SmartCard to your merchant.
- ❖ The merchant will swipe your card to follow a prescribed procedure.
- ❖ Enter your PIN on being handed a portable POS or a pin-pad and press “Enter”.
- ❖ Collect slip with your balance information

5.10.1 (f) Mini Statement

Mini-statement facility gives you 24 hour access to your updated account balance & the status of recent entries for your record keeping and reconciliation. This service can be availed via any of the following:

- ❖ At the largest nationwide network of MCB ATMs.
- ❖ By using the MCB Mobile Banking facility.

(i) Easy Steps That Guide Through Getting Your Mini Statement

At ATM

- ❖ Insert your SmartCard into the ATM and enter your PIN.
- ❖ Select "Mini-Statement".
- ❖ Collect slip with your balance information.

*For getting your mini-statement using Mobile Banking, see the Mobile Banking section.

5.10.2 Smart Card Support

Whether you are traveling for business, vacation, or performing Hajj or Umrah, SmartCard gives you access to your bank account in Pakistan. Your International SmartCard with Maestro and Cirrus logos is welcome at over 5 million merchant establishments displaying the Maestro signs at their outlets. In addition, your card is accepted at 634,000 ATMs with Cirrus logo.

Your international SmartCard gives you round-the-clock convenience and helps avoid unfavorable exchange rates of money changers as well as time wasted in providing documentation while converting traveler cheque.

5.10.2 (a) Currency Conversion

USD (US Dollar)* amounts are converted to PKR (Pak Rupee) at the exchange rate specified by the State Bank of Pakistan for card transactions. For ATM transactions, \$3

or 2.75% of cash withdrawn (whichever is higher) will be charged on international transactions and \$1 will be charged for balance information. International usage of your card is governed by the rules and regulations of State Bank of Pakistan. Your transactions in other currencies

5.10.2 (b) Spending Limits

Only MCB gives you the flexibility to choose from a range of card usage limits. SmartCard is available in the Classic and Gold category with a further choice of Local or International versions. With these card categories, supplementary cards for your family members are also available. The difference between the Classic and Gold categories is based on their purchasing and withdrawal limits as given in the following table:

	ATM Withdrawal Limit (Rs.)	POS Purchasing Limit (Rs.)
Local		
Classic	10,000	50,000
Gold	25,000	100,000
International		
Classic	10000	100000
Gold	25,000	150,000

5.10.2 (c) PIN Security

PIN (Personal Identification Number) is used worldwide as a safe and secure method of approval across multiple payment devices. On receipt of your SmartCard, immediately sign on the signature panel at the back of the card. You will receive your PIN in a sealed pin-mailer. You approve/authorize your transaction with your PIN code.

Make sure that you protect it because it is equivalent to your signature of approval. Keep your SmartCard and PIN in separate places for protection in case of loss or theft. It is advisable that you change the PIN given to you by the bank to a number that you can

memorize and recall easily. MCB recommend that you change your PIN periodically for added safety.

5.10.2 (d)Reporting a Dispute

In case you notice any discrepancy either after completing a transaction or on reconciling the transaction slips on receipt of your statement, notify the bank within 7 days by filling out a Dispute Resolution Form. This form is available at your branch.

5.10.2 (e)Lost or Stolen Card

If your card is lost or stolen or you suspect your PIN is compromised, it is important that you report it immediately so that we can block/cancel the card and reissue a new card. Call the 24-hour MCB Call Centre on (021) 111-000-622 and get an acknowledgment reference number or report to the manager of your MCB Online branch and receive a written acknowledgment. (Please always quote the acknowledgment reference number in all your subsequent correspondence).

5.10.3 SAFTY TIPS

5.10.3(a)Card Protection

- ❖ On receipt of your SmartCard, immediately sign on the signature panel at the back of the card.
- ❖ Do not bend your card. Protect it from magnetic fields.
- ❖ Do not leave your card exposed to sunlight or heat
- ❖ Do not scratch the magnetic strip at the back, as it will affect your encoded data on the card.
- ❖ Please do not place two cards with magnetic strips face to face.
- ❖ Write down your card number and the related details separately which can be easily accessed.
- ❖ In case of loss or theft of your card, you need to secure yourself by promptly reporting using this information.

5.10.3 (b) Doing a Transaction

- ❖ Please check your transaction slip from the ATM or POS to ensure that the details are correct.
- ❖ After using your card at the merchant location, please ensure that the card returned to you is yours.
- ❖ Retain your copy of the transaction slip to reconcile it later with your statement. Read and follow all instructions carefully. If you think that you have incorrectly entered your transaction, start all over again.

5.10.3(c)ATM Usage

- ❖ Insert your SmartCard into the slot provided for this purpose. Make sure it enters the slot with the arrow on the card pointing in the direction of the slot.
- ❖ In case of an incorrect PIN, the ATM will display “Incorrect Number, Please Enter Again”. The correct PIN should then be entered.
- ❖ When using an ATM, shield other people from viewing your transactions by standing in front of the screen.
- ❖ If your withdrawal at ATM is denied, wait a while and try again in a few minutes.
- ❖ Please remember to remove your card immediately otherwise the ATM will retain it

5.10.3(d)POS Usage

- ❖ The merchants will follow prescribed steps for doing different types of transactions at the POS terminals. Ensure you enter your PIN after verifying the transaction amount.
- ❖ In case of refund transaction, always obtain a copy of the transaction receipt.
- ❖ In case your transaction has been cancelled by the merchant, always obtain your copy of the “void” transaction slip.
- ❖ In case you have been asked to authorize a transaction more than once, please ensure you take a transaction slip for each time you entered the PIN.

Chapter 6

MCB & ISLAMIC BANKING

6.1 MCB & Islamic Banking

MCB is the place where employees work as a team, having no barriers, no boundaries. Everything employees do is rooted in their values and a true understanding of this diversified market. At the core of it lie not only achieving successful results, but the curiosity to probe into the consumer's insights for a better and a simpler lifestyle. The bank possesses sufficient expertise, necessary infrastructure, information technology, and manpower to run Islamic Banking Operation.

MCB understands the special needs of the customers desirous of availing local and international financing facilities for their business and trading under Islamic Modes. MCB now provides its customers with the reliable Islamic financial services and support they require to successfully achieve their business objectives.

Muslim Commercial Bank Limited has launched its first Islamic banking product Al-Makhraj (exit from Riba), commencing a new branch dedicated to Islamic banking. The bank has taken a lead, as the Islamic Bank, on its first session, has conducted a business of over Rs 1.4 billion, said Mian Muhammad Mansha, Chairman, and MCB at the inaugural ceremony.

The first branch has been set up at Shaheen Complex in Karachi where all banking facilities would be available. MCB has started Murabaha financing for its customers Usman Enterprises, and importers of LG products, namely, New Allied Electronic Industries. The branch has been equipped with modern electronic banking and accounting system to extend the best possible services to its clients. A number of Shariah compliant Islamic banking products in deposit and investment are being offered to clients besides all normal banking services. ATM facility has also been made available.

MCB has gone a long way in preparing Islamic banking products and forming a team of dedicated executives and staff who have been undergone an exhaustive training in Islamic system of banking and finance, in Pakistan and abroad, before opening the branch. MCB Islamic Banking has launched the following Riba-free products in deposit schemes:

- ❖ Al-Makhraj Savings Accounts
- ❖ Al-Makhraj Ianaat (current) accounts
- ❖ Al-Makhraj term deposits.

All product manuals and transactions of the branch are being supervised by the Shariah Adviser of the bank. MCB has also developed Shariah compliant Riba-free financing facilities for its customers on Murabaha and Ijarah basis particularly to cater to the needs of commercial and industrial units. The bank is committed to enlarge the nation-wide network of Islamic banking operations by opening more branches at various locations in future, as also to facilitate customers in other parts of the country.

6.1(a) Vision

- ❖ To excel in the field MCB is into, and continue to strive to make Islamic Banking a better alternative choice and make MCB a preferred provider of quality Islamic Banking Products and Services, besides Conventional Banking.
- ❖ To Assist Investors to earn profit comfortably with a sound s solid Islamic Financial portfolio in MCB.

6.1(b) Islamic Banking Division

Islamic Banking Division has been formed with effect from 1st January 2003, which has in the short span of time, has developed Islamic Banking Products, prepared operational manual, arranged local & international training for its own executives as well as at all management levels.

6.1(c) Islamic Banking Management Committee

Recently MCB has established an Islamic Banking Management Committee comprising of the senior executives. The objective of this committee was to review the products offered by Islamic Banking Branches, and to improve them not only to make them competitive and practicable but also make them truly Sharia Compliant. MCB Islamic Banking Management Committee comprising of the senior executives represent various important functions of the bank such as:

- ❖ Credit & Risk Management
- ❖ Finance,
- ❖ Treasury
- ❖ Operations
- ❖ Islamic Banking Division and Sharia Advisor.

6.1(d) Sharia Advisor OF MCB

Dr. Muhammad Zubair Usmani, working as Sharia Advisor in MCB since July 2000 is a prominent scholar having Ph.D. degree in Islamic finance as well as Fazil Takhassus from Jamia Darul Uloom Karachi, (i.e. specialist of Islamic Fiqh and Fatwa) He has attended and addressed several international and local seminars and conferences as guest speaker in Pakistan as well as abroad. He has also worked as research scholar and member of various forms and committees formed for promoting the cause of Islamic Banking in Pakistan and abroad.

6.2 Deposits Schemes

- (a) Al-Makhraj Saving Account
- (b) Al-Makhraj Ianat Account
- (c) Al- Makhraj TDR

6.2 (a) Al-Makhraj Saving Account

The minimum deposit requirement for Al-Makhraj Saving Account is only Rs. 10,000 and profits can be earned 6-monthly. Other features associated with this product are as follows:

1. Minimum Deposit: Rs. 10,000
2. Minimum Monthly Balance: Rs. 10,000
3. Islamic Tools used in designing the product: Mudaraba/ Musharaka
4. Special advantages for customers are Bi-Annual Profit Payment; Withdrawal Facility.
5. Product to be availed by: Individuals & Joint Account Holders (Local and Foreign), Companies, Corporate, Trusts, etc
6. The Balance for profit calculation is the monthly average balance.
7. The first announcement shall be made at the end of December 2003)
8. Profit Payment Options: 6-Monthly
9. Weightages: Initially single weightage for product; Later weightage can be made according to tiers (Volume-wise)
10. Communication Process: Announcement on notice boards, and website
11. Banking Network: Islamabad's Branch

Additional Features:

- ❖ Personalized Cheque books
- ❖ Withdrawal Facility from ATM
- ❖ Online deposit/ withdrawal facility as per bank's policy
- ❖ Debit card ; Utilities payment via ATM card
- ❖ Mobile Banking
- ❖ Call center facilities
- ❖ 6-monthly profit payment
- ❖ Free bank balance certificates (once in 6 months)
- ❖ Taking stop payment/ hold mail/ standing instructions
- ❖ Issuance of duplicate statement of account (as per Schedule of Charges)
- ❖ Personal financial consultancy services (regarding Shariah Compliant products)
- ❖ Choice of statement frequency (as per Schedule of Charges)

6.2 (b) Al -Makhraj Ianat Accounts

For customers who are looking account that gives them the ease of doing unrestricted number of transactions, MCB offer Al-Makhraj Ianat Account. With a minimum of only Rs. 10,000, Ianat Account may be opened. With all the features and facilities that this product offers, it is highly recommended for management of business funds. Details of the product are as follows:

1. Minimum Deposit: Rs. 10,000
2. Minimum Monthly Balance: Rs. 10,000
3. Product to be availed by: Individuals & Joint Account Holders (Local and Foreign), Companies, Corporate, Trusts, etc
4. Banking Network: Islamabad's Branch only.

Additional Features:

- ❖ Personalized Cheque books
- ❖ Withdrawal Facility from ATM
- ❖ Online deposit/ withdrawal facility as per bank's policy
- ❖ Debit card; Utilities payment via ATM card
- ❖ Mobile Banking
- ❖ Call center facilities
- ❖ Free bank balance certificates (once in 6 months)
- ❖ Taking stop payment/ hold mail/ standing instructions
- ❖ Issuance of duplicate statement of account (as per Schedule of Charges)
- ❖ Personal financial consultancy services (regarding Shariah Compliant products)
- ❖ Choice of statement frequency (as per Schedule of Charges)

6.2 (c) Al-Makhraj TDR

A minimum of only Rs. 25,000 is needed to invest money in Al-Makhraj Term Deposit. Choice of tenors can be made from a list of options namely 1, 3 & 6 months, 1, 2, 3 or 5 years. Profit payment options available to customers are monthly, quarterly and/ or at

maturity. However, monthly profit payment and deposit product of 1 month are not available currently. Details of the product are as follows:

1. Minimum Deposit: Rs. 25,000
2. Islamic Tools used in designing the product: Mudaraba/ Musharaka
3. Tenors Available: 1 month , 3 month, 6 month, 1 year, 2 years, 3 years & 5 years
(1-month product to be made available later in a few months' time)
4. Product to be availed by: Individuals & Joint Account Holders (Local and Foreign), Companies, Corporate, Trusts, etc
5. Special Advantages: Profit payment options customized to suit needs of customers; minimum deposit requirement's lower than most banks so it is more accessible and affordable for people.
6. The first announcement shall be made at the end of the month of December 2003.
7. Profit Payment Options: Monthly/ Quarterly/ At Maturity (Monthly payment option to be made available later in a few months time)
8. Weightages: Different weightages based on tenors and profit payment options
9. Communication Process: Announcement every month on notice boards, and website
10. Banking Network: Islamabad's Branch only.

Additional Features:

- ❖ Call center facilities
- ❖ Taking hold mail/ standing instructions for profit payments etc
- ❖ Personal financial consultancy services (regarding Shariah Compliant products)

6.3 Islamic Financing-Fund Based

1. Ijarah Products
2. Murabaha

6.3.1 Ijarah Products

6.3.1(a) Definition

MCB's Islamic Ijarah, similar to the English term 'leasing', is based on the 'Ijarah wa Iqtina' concept means the sale of the asset to the lessee after the Ijarah has matured. Under this scheme, MCB will be the owner of the asset, and the customer (lessee) will be given the asset to use for a certain period of time in return for monthly rental payments. MCB will give a separate unilateral undertaking that it will offer to sell the asset to the customer (lessee) at the maturity of the Ijarah agreement at a price that may be equal to the security deposit amount, hence the term 'Wa Iqtina'.

6.3.1(b) Parties In Ijarah

1. Lessee - Bank's Customer
2. Lessor – Bank

6.3.1(c) Mode Of Recovery

Monthly Rental Payments commencing from the date of delivery of the asset.

6.3.1(d) Types Of Ijarah

- ❖ Car Ijarah - Car Ijarah facility to be launched soon.
- ❖ Equipment Ijarah- For machinery and other equipment to corporate clients.

6.3.1(e) Security Deposit

10% minimum plus any other security required by the bank from time to time.

6.3.1(f) Legal Documentation

- ❖ Agreement to Ijarah
- ❖ Ijarah Agreement

6.3.1(g) Other Documentation

- ❖ Unilateral undertaking by the Bank to offer to sell the asset at maturity.
- ❖ Unilateral undertaking by the lessee to purchase the asset at the Pre-Agreed Purchase.
- ❖ Price on termination of Ijarah before Maturity.

6.3.2 Murabaha

6.3.2(a) Definition

A contract between a buyer and a seller under which the latter first purchases the goods at the request of the former i.e., customer and then sells it to same customer after adding profit.

6.3.2(b) Parties In Murabaha

1. Buyer - Bank's Customer
2. Seller - Bank
3. Agent- Customer for foreign transaction , Bank's approved Broker for local transaction, Customer for local transaction also (unmanageable situations)

6.3.2(c) Murabaha Sale Price

Cost + Expenses incurred + Agreed Profit

6.3.2(d) Mode Of Repayment

- ❖ Immediately in cash
- ❖ On mutually agreed future date
- ❖ Spot Murabaha (Import Related Transactions)
- ❖ Deferred Sale Murabaha

6.3.2(e) Types Of Murabaha

1. Domestic Murabaha

Murabaha , for purchase of cotton or any other commodity on deferred payment basis.

2. International Murabaha

- ❖ Spot Murabaha (Cash Retirement)
- ❖ Deferred Payment Murabaha
 - Pledge of Imported Goods
 - Trust Receipt
 - Ship Breaking

6.3.2(f) Common Features

- ❖ Request of customer for purchases / import of specific goods.
- ❖ Appointment of customer as agent of the bank (Foreign Transactions) / common broker (for Local Transactions).
- ❖ The bank after taking possession of goods and establishing its ownership, shall deliver the same or documents of title thereof to the customer on the basis of offer and acceptance.
- ❖ Price / profit once fixed cannot be changed either on premature or overdue repayment.
- ❖ Repayment period once fixed cannot be extended. Rollover of liabilities not permissible by Sharia. Similarly, goods cannot be repurchased against which Murabaha already allowed / adjusted.
- ❖ All costs/charges to be incurred pre/post Murabaha execution, to be determined, calculated earlier and included in Murabaha Sell Price.
- ❖ Custom duties to be either paid in full by bank or customer. If paid by the bank, it shall be part of Murabaha Selling Price.
- ❖ Appropriate collateral / securities can be obtained as per mutual consent.
- ❖ Insurance to continue till Takaful (Islamic Insurance) is available in Pakistan.

6.4 Upcoming Products MCB

6.4.1 MCB Future Plans

Presently, MCB is launching Islamic Banking Operations with necessary products, but it is planning to introduce following products in near future:

6.4.1 (a) Deposit Side

- ❖ One Month TDR
- ❖ Mahana Munafa Savings Accounts

6.4.1 (b) Financing Side

- ❖ Musharaka Term Finance
- ❖ Diminishing Musharaka for Housing Finance
- ❖ Murabaha – cum – Istis'na for Export of Goods
- ❖ Usance LC

6.4.2 Future Expansion Plan & Network

- ❖ Future Expansion Plan (Lahore, Multan, Hyderabad)
- ❖ MCB Islamic Banking Division, 1st Floor, Shaheen Complex, M R Kiyani Road, Karachi.

Chapter 7

PROFITABILITY RATIO ANALYSIS OF MCB

7.1 INTRODUCTION

Financial statements are prepared primarily for decision making. They play a dominating role in setting the framework of managerial decisions. But the information provided in the financial statements is not an end in itself, as no meaningful conclusions can be drawn from these statements alone. However, the information provided in the financial statements is of immense use in making decisions through analysis and interpretation of financial statements.

Financial statements analysis is the process of identifying of financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account. There are various methods or techniques use in analyzing financial statements, such as comparative statements, schedule of changes in working capital, common size percentages , funds analysis , trend analysis and ratio analysis.

7.2 MEANING AND NATURE

Ratio simply means one number expressed in terms of another. A ratio is a statistical yardstick by means of which relationship between two or various figures can be compared or measured. The term accounting ratio is use to describe significant relationship between figures shown on the balance sheet , in a profit and loss account ,in a budgetary control system or in any other part of accounting organization. Accounting ratio thus shows the relationship between accounting data. Ratio shows how one number is related to one another. It may be expressed in the form of co-efficient, percentage, proportion or rate.

7.3 PROFITABILITY RATIOS

The primary objective of the business undertaking is to earn profit. Profit earning is considered essential for the survival of the business. A business needs profit not only for its existence but also for expansion and diversification. The investors want adequate return on their investments, workers want higher wages, creditors want higher security for their interest, loan and so on. A business enterprise can discharge his obligations to the various segments of the society only through earnings of profits. Profits are thus a useful measure of the overall efficiency of a business.

Profitability ratios are employed by the management in order to assess how efficiently they carry on the business operations. Profitability is the main base for liquidity as well as solvency. Creditors, banks, and financial institutions are interested in profitability ratios, since these ratios indicate liquidity or capacity of the business to meet interest obligations, and regular and improved profits to enhance the long term solvency position of the business. Owners are interested in the profitability ratios as these ratios indicate the growth of and also the rate of return on their investments.

Generally, the profitability ratios are calculated in relation to sales or in relation to investment. The various profitability ratios are discussed below:

- a) Gross Profit Ratio
- b) Net Profit Ratio
- c) Return On Shareholder Investments Ratio
- d) Earning Per Share
- e) Dividend Payout Ratio

7.3(a) Gross Profit Ratio

Gross profit ratio may indicate to what extent selling prices of goods per unit may be reduced without incurring losses on operations. It reflects the efficiency with which a firm will produce its products. This ratio varies from business to business.

However, the gross profit should be sufficient to recover all operating expenses and build up reserves after paying all fixed interest charges and dividends. The formula for calculating gross profit ratio is:

- ❖ $G.P \text{ Ratio} = G. P / \text{Net Sales.}$
- ❖ $G.P \text{ Ratio} = \text{Net markup after provisions} / \text{Net markup}$

where formula one is used to calculate gross profit ratio of manufacturing concerns, while formula two is used to calculate gross profit ratio of banks.

7.3(b) Net Profit Ratio

Net profit ratio is used to measure the overall profitability and it is very useful to proprietors. This ratio is very useful as if the net profit is not sufficient, the firm shall not be able to achieve a satisfactory return on its investment. This ratio also indicates the firm capacity to face adverse economic conditions such as price competition, low demand, etc. Obviously, higher the ratio, the better is the profitability.

But while interpreting the ratio, it should be kept in mind that performance of the profits must also be seen in addition to investments or capital of the firm and not only in relation to sales. The formula for calculating Net Profit Ratio is:

- ❖ $N.P \text{ Ratio} = \text{Net profit (after tax)} / \text{Net markup} / \text{interest income.}$
- ❖ $N.P \text{ Ratio} = \text{Net profit (after tax)} / \text{Net Sales}$

where formula one is used to calculate net profit ratio of banks and formula two is used to calculate net profit ratio of manufacturing concerns.

7.3(c) Return On Shareholder Investments Ratio

Return on shareholders investments is one of the most important ratio used for measuring the overall efficiency of the firm. As the primary objective of the business is to maximize its earnings, this ratio indicates the extent to which primary objective of the business is

being achieved. This ratio is of great importance to the present and prospective shareholders as well as the management of the company.

As this ratio reveals how well the resources of the firm are being used, higher the ratio, better are the results. The inter- firm comparison of this ratio determines whether the investments in the firm are attractive or not as the investors would like to invest only where the return is higher. The formula for calculating Return on shareholder investments is given below:

$$\text{❖ Return on Shareholder Investment} = \text{Net profit (after tax)} / \text{Shareholder Funds}$$

where shareholders funds include equity share capital, all reserves and surplus items.

7.3(d) Earning Per Share

EPS is a good measure of profitability and when compare with EPS of similar other companies; it gives a view of the comparative earnings or earning power of firm. EPS calculated for a number of years indicates whether or not the earning power of the company has increased. The formula for calculating EPS is given below

$$\text{❖ EPS} = \text{Net profit after tax} - \text{Preferred Dividend} / \text{No. of Equity Shares}$$

7.3(e) Dividend Payout Ratio

Dividend payout ratio is calculated to find the extent to which earnings per share have been used for paying dividend and to know what portion of earnings has been retained in the business. It is an important ratio because ploughing back of profits enables a company to grow and pay dividend.

The payout ratio and the retained earnings ratio are the indicators of the amount of earnings that have been ploughed backed in the business. The lower the ratio, the

higher will be the amount of earnings ploughed back in the business and vice versa. A lower payout ratio or a higher retained earnings ratio means a stronger financial position of the company. The formula for calculating dividend payout ratio is given below:

$$\diamond \text{ Dividend Payout Ratio} = \text{Dividend per equity share} / \text{Earning per share}$$

7.4 PROFITABILITY RATIO ANALYSIS OF MCB

(Rupees in Million)

	1999	2000	2001	2002
Gross Profit	6404043	6902405	7273359	8594993
Net Profit (after tax)	572348	739029	1118478	1734810
Markup/Intrest & Discount	15755990	14126355	9489366	9316610
Earning Per Share	Rs.2.6	Rs.3.35	Rs.4.20	Rs.6.51
Dividend Per Equity Share	Rs.1.5	Rs.0.75	Rs.1.25	Rs.0.00
Total Assets	158588873	163689002	187072397	235154157
Outsiders Fund	153481837	158088036	180166825	223440499
Shareholders Fund	5107036	5600966	6905572	11713658

Figures taken from MCB Annual Report 1999-2000 & 2001-2002

7.4 (a) Calculated Profitability Ratios Of MCB

	1999	2000	2001	2002
Gross Profit Ratio	41%	49%	76%	92%
Net Profit Ratio	3.60%	5.20%	12%	19%
Return on Investment Ratio	11%	13%	16%	15%
EPS	Rs.2.6	Rs.3.35	Rs.4.20	Rs.6.51
Dividend Payout Ratio	58%	22%	30%	0

Profitability ratios have been calculated by the formulas explained above

7.4(b) MCB Progress At Glance

(Rupees in Million)

	1998	1999	2000	2001	2002
Authorized Capital	3500	3500	3500	3500	3500
Paid-up Share Capital	1821	1821	2203	2423	2665
Reserves & Other Funds	1797	2092	2278	2279	3027
Total Assets	149726	158585	174715	187054	235139
Deposits	123822	130325	135990	154544	182706
Advances - Net	65514	67399	86359	76584	78924
Investments - Net	55387	45609	43111	55432	89610
Exports	36918	32738	33575	34968	28284
Home Remittances	16747	15453	10060	24703	32962
Pre-Tax Profit	947	1211	1322	2101	3101
No. of Branches	1216	1215	1210	1061	1045
No. of Employees	12858	12557	12133	11614	10926
No. of Accounts	4444065	4512221	5062364	4392164	4463530

Figures taken from MCB Annual Report 2002

7.5 OVERALL RESULT OF MCB PROFITABILITY RATIOS

- ❖ Gross profit ratio is showing increasing trend indicating that there is sufficient profit to recover all operating expenses.
- ❖ Net profit ratio is showing the increasing return. This indicates that the MCB will be able to achieve a satisfactory return on its investments.
- ❖ Return on shareholder investment ratio is showing increasing trend, which indicates that the primary objective of business is being achieved.
- ❖ Earning per share of MCB is showing increasing trend, indicating that the earning power of MCB have increased.

- ❖ MCB dividend payout ratio is showing decreasing trend, indicating that the profit of the MCB is being ploughed back in the business in order to achieve more and more growth. This also indicates that the financial position of the MCB is strong.

- ❖ Total assets and investments of MCB are showing increasing trend, indicating the MCB growth and development.

- ❖ Deposits and Home remittances of MCB are showing increasing trend, indicating that the financial position of bank is good.

Chapter 8

BANKING SURVEY

8.1 Number of Branches and Presence in Cities

(a) Nationalized / Denationalized Banks

Banks	Number of Branches	
	2002	2001
Habib Bank Limited	1,473	1,516
Muslim Commercial Bank	1,045	1,061
National Bank of Pakistan	1,204	1,245
United Bank Limited	1,112	1,117
	6,836	6,940

(b) Foreign Banks

Banks	Presence in Cities	Number of Branches	
		2002	2001
ABN Amro Bank N.V.	3	7	7
American Express Bank Limited	3	4	4
Citibank, N.A.	5	8	8
Credit Agricole Indosuez (The Global French Bank)	2	3	3
Deutsche Bank AG	3	3	3
Habib Bank AG Zurich	4	9	7
Hong Kong & Shanghai Banking Corporation Limited	1	2	2
Mashreq Bank PSC	2	2	2
Standard Chartered Bank	8	21	21
		4062	4060

(c) Local Private Banks

Askari Commercial Bank Limited	23	46	36
Bank Al Falah Limited	21	45	32
Bank Al Habib Limited	20	57	41
Bolan Bank Limited	23	50	50
Faysal Bank Limited	11	23	14
First Women Bank Limited	23	38	38
Metropolitan Bank Limited	13	35	25
PICIC Commercial Bank	5	42	20
KASB Commercial Bank Limited	11	18	18
Prime Commercial Bank Limited	15	33	22
Saudi Pak Commercial Bank	15	31	20
Soneri Bank Limited	19	39	30
The Bank of Khyber	21	29	29
The Bank of Punjab	6 Regions	242	242
Union Bank Limited	17	34	32
Total		762	649

8.2 Credit Ratings

Banks	Rating Agency	Credit Rating Assigned	
		Short Term	Long Term

Nationalised / Denationalised Banks

Habib Bank Limited	JCR – VIS	A-1+	AAA
Muslim Commercial Bank	JCR – VIS/ PACRA	A1+	AA
National Bank of Pakistan	JCR – VIS	A-1+	AAA
United Bank Limited	JCR – VIS	A-1	A

Foreign Banks

ABN Amro Bank N.V.	Standard & Poor's	A-1+	AA
	Moody's	P-1	Aa2
	Fitch-IBCA	F1+	AA
American Express Bank Limited	Moody's	P-1	A2
	Fitch-IBCA	F-1	A+
Citibank, N.A.	Standard & Poor's	A-1+	AA
	Moody's	P-1	Aa1
	Fitch IBCA	F1+	AA
Credit Agricole Indosuez (The Global French Bank)	Standard & Poor's	A-1+	AA
	Moody's	P-1	Aa2
	Fitch IBCA	F-1+	AA+
Deutsche Bank AG	Standard & Poor's	A-1+	AA
	Moody's	P-1	Aa3
Habib Bank AG Zurich	JCR-VIS	A-1+	AA+
Hong Kong and Shanghai Banking Corporation Limited	Standard & poor's	A-1	A+
	Moody's	P-1	Aa3
	Fitch-IBCA	F1+	AA-
Mashreq Bank PSC	JCR-VIS	A-2	BBB+
Standard Chartered Bank	Standard & Poor's	A-1	A
	Moody's	P-1	A2
	Fitch IBCA	F1	A+

Local Private Banks

Askari Commercial Bank Limited	PACRA	A1+	AA
Bank Al Falah Limited	PACRA	A1+	AA-
Bank Al Habib Limited	PACRA	A1+	AA
Bolan Bank Limited	JCR-VIS	A-3	BB+
Faysal Bank Limited	JCR-VIS	A-1	AA-
First Women Bank Limited	PACRA	A-2	BBB
Metropolitan Bank Limited	PACRA	A1+	AA+
PICIC Commercial Bank Limited	JCR-VIS	A-1	A-
KASB Bank Limited	JCR-VIS	A-3	BB+
Prime Commercial Bank Limited	PACRA	A1	A
Saudi Pak Commercial Bank	JCR-VIS	A1+	AA+
Soneri Bank Limited	PACRA	A1+	AA-
The Bank of Khyber	JCR-VIS	A-2	BBB
The Bank of Punjab	PACRA	A1	A
Union Bank Limited	PACRA	A2	A-

8.3 Earning per Share & Pay-outs

(a) Nationalized / Denationalized Banks

Banks	2002		2001	
	EPS	Pay-out	EPS	Pay-out
	<i>Rupees per share</i>			
Habib Bank Limited	1.01	-	0.55	-
Muslim Commercial Bank	6.52	2.50 C 2.50 S	4.16	2.50 C
National Bank of Pakistan	6.04	1.25 C 1.00 S	3.08	1.25 C
United Bank Limited	-	-	-	-
	0.62	-	(3.32)	-

(b) Local Private Banks

Banks	2002		2001	
	EPS	Pay-out	EPS	Pay-out
	<i>Rupees per share</i>			
Askari Commercial Bank Limited	6.32	2.00 C 0.44 S	5.06	2.00 C 0.48 S
Bank Al Falah Limited	4.46	0.25 C 0.33 S	5.16	-
Bank Al Habib Limited	3.35	- 2.50 S	2.84	0.50 C 2.00 S
Bolan Bank Limited	0.07	-	0.17	-
Faysal Bank Limited	2.48	1.70 C	1.55	1.00 C
First Women Bank Limited	2.27	-	5.06	-
Metropolitan Bank Limited	4.30	2.00 C	3.35	2.50 S
PICIC Commercial Bank Limited	4.30	3.00 S	1.78	2.50 S
KASB Commercial Bank Limited	(1.85)	-	(1.10)	-
Prime Commercial Bank Limited	1.74	1.00 C	1.51	-
Saudi Pak Commercial Bank Limited	1.48	-	(1.47)	-
Soneri Bank Limited	3.44	1.00 C	2.66	3.00 S
The Bank of Khyber	1.42	-	-	-
The Bank of Punjab	2.83	1.75 C	2.35	1.50 C 0.25 S
Union Bank Limited	1.34	-	0.43	-

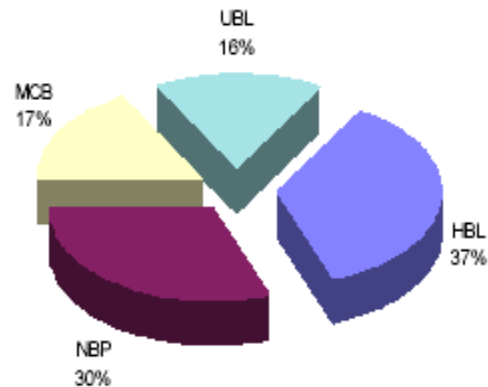
S = Stock Dividend

C = Cash Dividend

8.4 Market Share

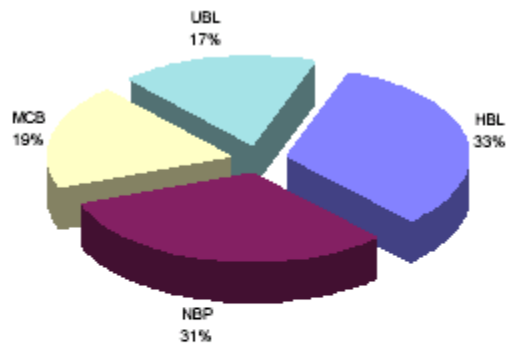
(a) Advances – Nationalized / Denationalized Banks

	2002	2001
<i>οι ελλείκτες αναπόδεικτοι</i>		
HBL	167,523	167,225
NBP	140,547	170,319
MCB	78,924	76,586
UBL	75,795	88,383
	462,789	502,513



* (b) Deposits – Nationalized / Denationalized Banks

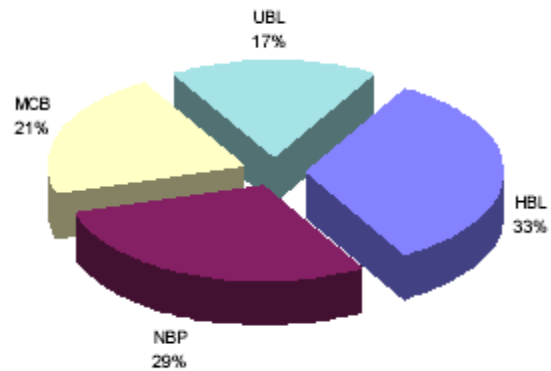
	2002	2001
<i>οι ελλείκτες αναπόδεικτοι</i>		
HBL	306,316	273,012
NBP	295,768	262,022
MCB	180,777	153,751
UBL	161,669	140,736
	944,530	829,521



* Deposits from financial institutions have been excluded to analyse the customer deposit base separately.

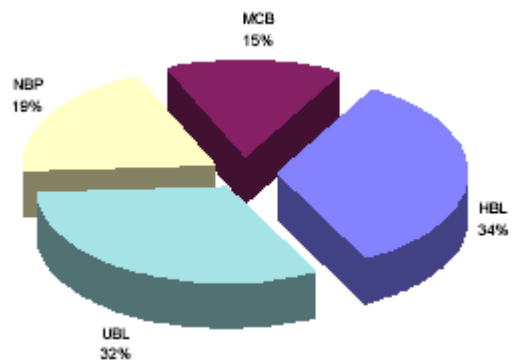
(c) Investments in Government Securities – Nationalized / Denationalized Banks

	2002	2001
<i>οι επενδύσεις</i>		
HBL	128,139	50,281
NBP	110,520	39,893
MCB	81,407	48,217
UBL	64,860	20,444
	384,926	158,835



(d) Income from Dealing in Foreign Currencies – Nationalized / Denationalized Banks

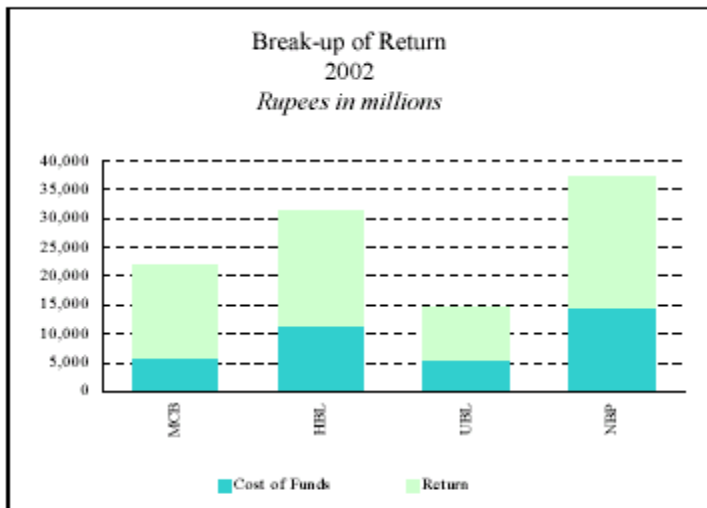
	2002	2001
<i>οι επενδύσεις</i>		
HBL	1,144	1,454
UBL	1,086	1,585
NBP	659	795
MCB	504	704
	3,393	4,538



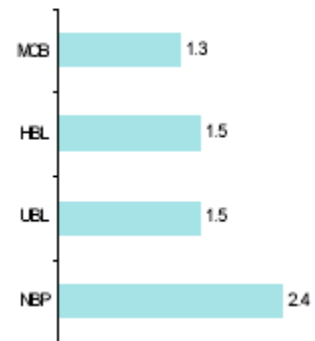
8.5 Performance

Spread – Nationalized / Denationalized Banks

	Ranking	
	2002	2001
MCB	1	1
HBL	2	2
UBL	3	3
NBP	4	4



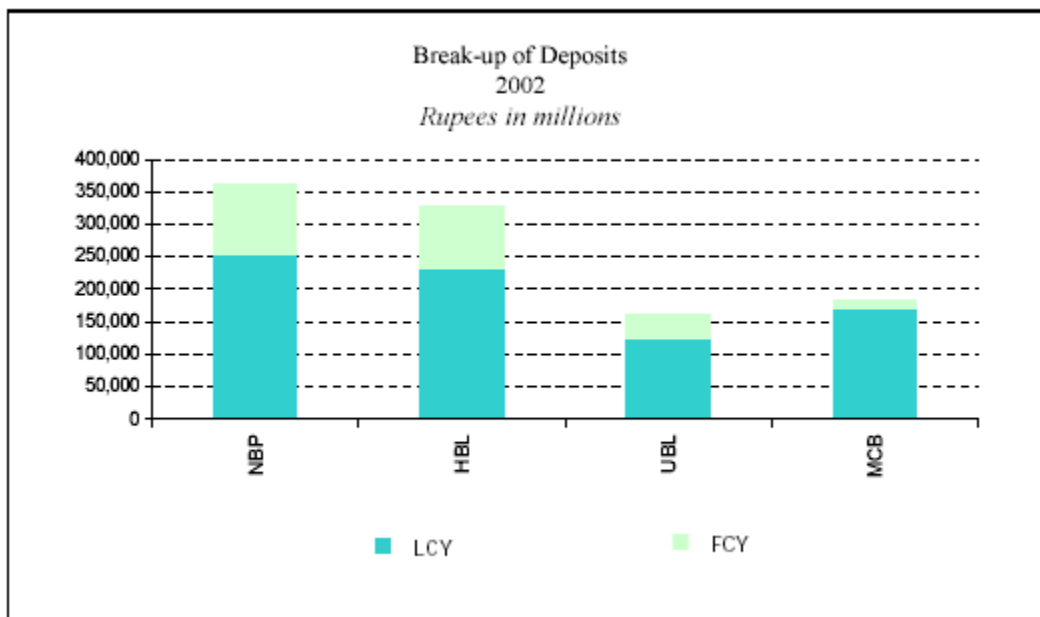
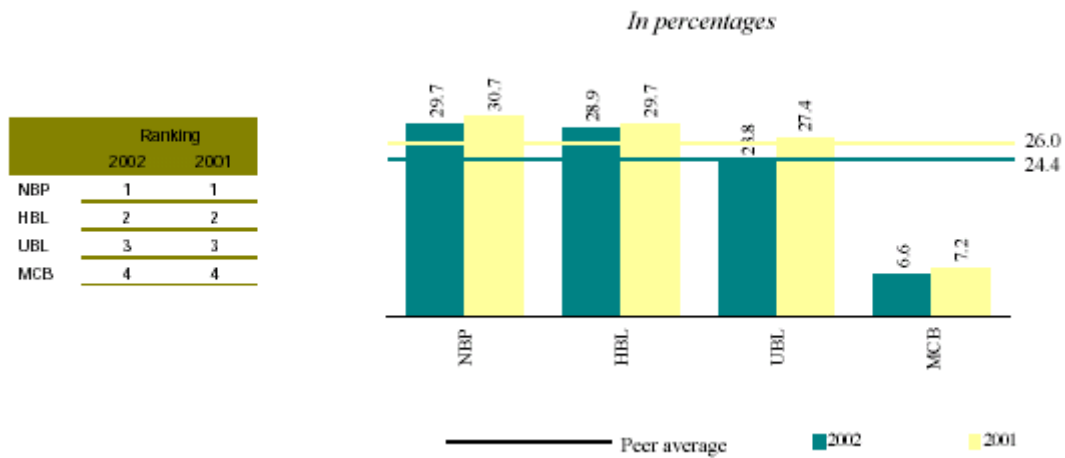
Change in Spread
2002-01
In percentages



* Adjusted spread considered.

8.6 Bank Affairs

(a) Foreign Currency Deposits to Total Deposits – Nationalized / Denationalized Banks



(b) Credit Exposure in Textile Sector- Nationalized / Denationalized Banks



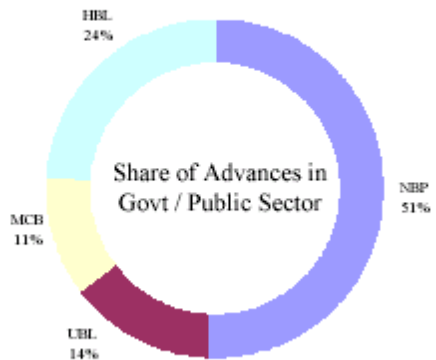
	Textile Advances		Total Advances	
	2002	2001	2002	2001
	<i>o 1e ffe- a- a m c a e</i>			
UBL	27,009	24,750	75,795	88,383
MCB	21,225	21,584	78,924	76,586
HBL	38,990	39,360	167,523	167,225
NBP	25,046	21,562	140,547	170,319
	112,270	107,256	462,789	502,513



(c) Credit Exposure in Govt. / Public Sector – Nationalized / Denationalized Banks



	Advances Public / Govt.		Total Advances	
	2002	2001	2002	2001
	<i>oieEeab-8am:8e</i>			
NBP	70,344	94,983	140,547	170,319
UBL	19,321	23,721	75,795	88,383
MCB	15,900	16,809	78,924	76,586
HBL	33,021	35,776	167,523	167,225
	138,586	171,289	462,789	502,513



8.7 Growth

(a) Advances – Nationalized / Denationalized Banks

	Annual Increase		Advances		
	2002-01	2001-00	2002	2001	2000
	<i>ta-eF#EaI-ÔEe</i>		<i>oIeEe4â-âmçãe</i>		
UBL	(14.2)	19.2	75,795	88,383	74,156
NBP	(17.5)	21.4	140,547	170,319	140,325
HBL	0.2	(3.9)	167,523	167,225	174,090
MCB	3.1	(11.3)	78,924	76,586	86,340
	<i>(7.9)</i>	<i>5.8</i>	<i>462,789</i>	<i>502,513</i>	<i>474,911</i>

(b) Deposits – Nationalized / Denationalized Banks

	Annual Increase		Deposits		
	2002-01	2001-00	2002	2001	2000
	<i>ta-eF#EaI-ÔEe</i>		<i>oIeEe4â-âmçãe</i>		
MCB	18.2	13.6	182,706	154,544	135,990
UBL	13.7	10.8	162,166	142,633	128,679
HBL	15.8	6.7	328,182	283,445	265,751
NBP	3.8	10.5	362,866	349,617	316,493
	<i>11.4</i>	<i>9.8</i>	<i>1,035,920</i>	<i>930,239</i>	<i>846,913</i>

Chapter 9

9.1 CONCLUSION

MCB is in its over 50 years of operation. It has a network of over 1,000 branches all over the country with business establishments in Sri Lanka and Bahrain. The branch break-up province wise is Punjab (57%), Sind (21%), NWFP (19%), and Baluchistan (3%). With a present network of over 1000 branches, MCB is the largest bank in the private sector in Pakistan catering to corporate, commercial and consumer segments, with focus on product innovation, proactive risk and financial management and achieve customer centric approach.

MCB now focuses on three core businesses namely: Corporate Banking, Commercial Banking, and Consumer Banking. Corporate clientele includes public sector companies as well as large local and multi national concerns. MCB is also catering to the growing middle class by providing new asset and liability products.

The bank's continued investment in technology has made MCB a forerunner in the area of technology led operations covering an expanding canvass. It has the highest number of automated and on-line branches, currently covering most of the first and second tier cities of the country. MCB provides 24 hour banking convenience with the largest ATM network in Pakistan covering 24 cities with over 164 ATM locations and also runs one of the two ATM switches in Pakistan.

With recently introduced initiatives like GSM Mobile Banking, Funds Transfer and Bill payment options on its ATM network, Call center and card acquiring business, MCB is expected to extend its lead as the largest issuer of Debit Cards in the country.

MCB is also taking initiative in offering Islamic banking in Pakistan. There is an emerging trend of Islamic bank in Middle East countries. So it is recommended that MCB must open its Islamic banking branches in Middle East to capture the huge market.

As far as overseas branches are concerned MCB have only four overseas branches, whereas Habib Bank Limited, National Bank & United Bank have 33, 16 & 25 overseas branches respectively. So it is recommended that MCB should open more overseas branches in order to capture the overseas market.

MCB has been the recipient of the country's BEST BANK award by Euro money in years 2000 and 2001. Euromoney, one of the leading financial magazines in the world has declared MCB as the "Best Domestic Bank" in Pakistan in its July issue. The Euromoney Awards for excellence 2000 selects banks worldwide for excellence in their fields. MCB with a healthier balance sheet, an efficient cost structure and a well-established brand name is ready to address future challenges.

It is also the matter of satisfaction that "PACRA, the leading rating agency of Pakistan has given MCB a long term rating of "AA" which is one of the bests for any bank in Pakistan.

MCB is also planning to introduce **"Internet – Online Banking"** in the coming years & it looks with confidence at year 2003 and beyond, making strides towards fulfillment of its mission, "To become the preferred provider of quality financial services in the country with profitability and responsibility and to be the best place to work".

Chapter 10

10.1 RECOMMENDATIONS

- ❖ MCB should make an effort to add additional foreign banks to the MNET switch, which will result in further increase in ATMs available to customers. At present MCB have ten participating banks.
- ❖ Muslim commercial Bank should expand Mobile banking to other cellular phone operators in the country. As this service is available to only Mobilink GSM, Ufone & Instaphone.
- ❖ MCB should offer Internet banking facilities including transfer of funds from their one account to another and display account statement to review their transactions and balances banking, without visiting the bank's premises.
- ❖ Muslim Commercial Bank should offer the facility of receiving funds through Internet.
- ❖ Muslim commercial Bank should also offer the facility of cash and cheque deposit through ATMs. This facility is offered in foreign countries. It should also be offered in this country.
- ❖ MCB have only four overseas branches, whereas Habib Bank Limited, National Bank & United Bank have sixty-three, sixteen & twenty five overseas branches respectively. So it is recommended that MCB should open more overseas branches in order to capture the overseas market.
- ❖ There is an emerging trend of Islamic bank in Middle East countries. So it is recommended that MCB must open its Islamic banking branches in Middle East to capture the huge market.

Annexure C:**Commercial Banks in Pakistan**

December-2000		Paid Up Capital USD	Total Assets USD	No. of Branches
ABN AMRO Bank	(FB)	30,056,545	646,616,889	6
Allied Bank of Pakistan	(PrCB)	18,322,378	1,842,763,137	855
American Express Bank	(FB)	18,883	207,137,906	3
Askari Commercial Bank	(PCB)	16,992,676	641,947,436	28
Bank Al-Falah	(PCB)	10,340,371	475,263,404	14
Bank Al-Habib	(PCB)	10,357,604	415,993,106	30
Bank of Khyber	(PSB)	8,616,975	252,719,018	36
Bank of Punjab	(PSB)	14,681,258	347,892,719	251
Bolan Bank	(PCB)	8,753,779	115,378,492	50
Citibank N.A.	(FB)	74,850,840	835,632,779	6
Credit Agricole Indosuez	(FB)	8,990,332	140,340,888	2
Deutsche Bank	(FB)	19,464,639	141,620,939	3
Doha Bank	(FB)	20,252,788	49,746,385	2
Emirates Bank	(FB)	20,025,748	266,610,875	10
Faysal Bank	(PCB)	26,066,351	426,102,732	11
First Women Bank	(PSB)	3,446,790	64,113,779	39
Habib AG Zurich	(FB)	15,387,505	324,531,271	6
Habib Bank Limited	(PSB)	347,755,192	5,530,835,984	1,705
IFIC Bank	(FB)	3,764,205	31,774,649	1
Mashreq Bank	(FB)	12,232,452	138,732,426	3
Metropolitan Bank	(PCB)	10,771,219	346,203,791	19
Muslim Commercial Bank	(PrCB)	37,963,895	2,820,863,180	1,216
National Bank of Pakistan	(PSB)	25,228,436	6,389,440,414	1,410
Oman International Bank	(FB)	11,990,332	34,004,550	2
PICIC Commercial Bank	(PCB)	8,616,975	150,262,594	15
Platinum Bank	(PCB)	9,478,673	165,328,221	16
Prime Commercial Bank	(PCB)	11,623,869	187,925,377	17
Rupali Bank	(FB)	650,096	8,663,117	1
Saudi Pak. Commercial Bank	(PCB)	8,616,975	151,412,770	20
Societe Generale	(FB)	16,986,316	134,257,975	4
Soneri Bank	(PCB)	10,791,469	346,653,667	24
Standard Chartered Bank	(FB)	29,540,526	482,418,389	6
Standard Grindlays Bank	(FB)	41,809,789	599,357,139	15
Union Bank	(PCB)	11,287,566	425,736,889	25
United Bank Limited	(PCB)	387,448,169	2,674,900,750	1,417

USD = PKR 58.05 (as on December 2000)

PCB Private Commercial Bank

PrCB Privatised Commercial Bank

PSB Public Sector Bank

FB Foreign Bank

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