

I Background

In recent months, a number of public complaints were registered in various offices of the Federal Ombudsman, nationwide, in which inefficiency, delay, non-payment of correct profit and unjust deduction of Zakat were alleged in service delivery by the Central Directorate of National Savings (CDNS). The situation indicated that there are certain endemic issues that need to be studied and rectified to improve performance of CDNS.

The areas of concern identified were :

- i. Calculation/payment of profit
- ii. Unjust deduction of Zakat and withholding tax
- iii. Inordinate delay in processing
- iv. Largely manual operations
- v. Cash based accounting system
- vi. Shortage of manpower
- vii. Long queues of account holders and lack of facilities

In order to address these concerns, the Hon'ble Wafaqi Mohtasib being empowered

under Article 18 of the President's Order No.1 of 1983, constituted a Committee to study the causes of allegations and the issues being faced by the public as identified in their complaints and recommend remedial measure to rectify systemic weaknesses and improve service delivery of CDNS in fulfillment of its mandate and to the satisfaction of clients so that the public complaints against the organization are minimized.

II. COMMITTEE CONSTITUTED BY FEDERAL OMBUDSMAN TO STUDY ISSUES IN RESPECT OF CENTRAL DIRECTORATE OF NATIONAL SAVINGS (CDNS)

Members of the Committee:

- i. Malik Muhammad Iqbal, Senior Advisor,
Wafaqi Mohtasib Secretariat, Regional Office, Lahore.
- ii. Ms. Mobashshrah Nighat Bajwa, Advisor,
Wafaqi Mohtasib Secretariat, Regional Office, Lahore.

Terms of reference (TORs) of the Committee:

- i. Identify maladministration in cases related to payment of profits and settlement of claims in respect of account holders or legal heirs.
- ii. Explore causes and extent of delay in processing various tasks
- iii. Probe into the causes of allegedly wrong deduction of withholding tax
- iv. Examine reasons for shortage of Human and other resources
- v. Ascertain deficiencies in the system
- vi. Recommend remedial measures to initiate improvement in areas of concern, especially those generating public dissatisfaction and disquiet in respect of CDNS.

III. METHODOLOGY

- **Examination and Study of recent Complaints.**

Special attention was paid to the observations recorded by I.O. during hearings, and nature of complaints and response of the Agency. An endeavor was made to bring to light the inherent shortcomings in the system that gave rise to complaints in the first place. Agency's failure to redress the grievance and satisfy the complainants was also looked into, carefully.

- **Discussion with CDNS Officers.**

The Director, Regional Directorate, Lahore was invited to the Wafaqi Mohtasib's Secretariat, Regional Office, Lahore. The Committee held in-depth discussion over the nature and causes of public complaints. The constraints being faced by CDNS in resolution of these issues were also examined.

- **Visit of CDNS' Regional Directorate, Lahore.**

The Committee visited the Regional Directorate, Lahore and held detailed discussion at various tiers of the officers to acquire firsthand knowledge of the functioning of the organization and limitations being faced by them in discharge of their duties that may have potential to become cause of public complaints against CDNS. The strengths of the organization were also highlighted as possible areas to build on. Suggestions for bringing improvement in the system and for expeditious complaint handling were also solicited from CDNS management.

- **Visit to the National Savings Centers, Gulberg and Township.**

It was decided to visit the strongest and the weakest savings centers to personally ascertain the level of performance and causes of difference between the two. The intention was to talk to the clients and gauge their satisfaction or dissatisfaction from the service delivery and also determine the cause(s) thereof. For the purpose, National Saving Center Gulberg, a Model Branch, and one at Township, Lahore were selected.

- **Study of recent Reports.**

Recent reports generated at the Directorate were obtained and studied to develop an understanding of the nature and scope of its activities, their impact on the national economy. Its strengths and achievements as well as weaknesses in service delivery and in dealing with public complaints, were also studied and scrutinized.

- **Study of Report of Wafaqi Mohtasib, 1987.**

A special report on the National Savings Organization was prepared in 1987 by Wafaqi Mohtasib Secretariat after undertaking an extensive and in-depth study on its working.

The special report was obtained and carefully examined. The extent to which the organization has expanded and grown since then was also analyzed. Improvement in service delivery and physical features were looked into. Progress on the implementation of Ombudsman recommendation as made in the report, were also critically appraised and reviewed.

- **Study of Relevant Rules.**

Rules relating to CDNS, its functioning, different saving schemes, profit regimes, terms and conditions governing various schemes and service structure were reviewed in detail to discover bottlenecks in prompt complaint handling.

- **Examination of Procedures.**

Prevalent procedures were studied and looked at to develop an understanding of the system as well as to identify the need, if any, to amend and change those that might be hampering the directorate's otherwise smooth operation and efficient service delivery.

IV. Overview of Central Directorate of National Savings (CDNS).

Historical Perspective

Creation of National Savings Organization dates back to the 19th century when it was first established by the British Government through promulgation of the Government Savings Bank Act 1873. During the first and the second world wars, the British Government introduced several schemes for collection of funds to meet the war expenditure. Later in 1943-44, a separate agency, National Savings Bureau was established under the then Ministry of Finance and savings organizations were established in almost all the provinces of the sub-continent. The objective was to popularize the savings schemes among the masses.

At the time of independence, Pakistan Savings Central Bureau was created to carry out the savings work. In 1953 the organization was renamed as Central Directorate of National Savings(CDNS) under the Ministry of Finance. It was entrusted to perform only the publicity functions whereas the operative agents were the Provincial Governments and the Pakistan Post Offices. However, this arrangement not only created administrative difficulties but stunted the growth of savings. As a result in 1960, CDNS was given the status of an attached department of the Ministry of Finance and was given responsibilities in respect of all policy matters as well as execution of various National Savings Schemes.

- **Vision and Mission.**

Vision: National Prosperity through promotion and effective mobilization of savings.

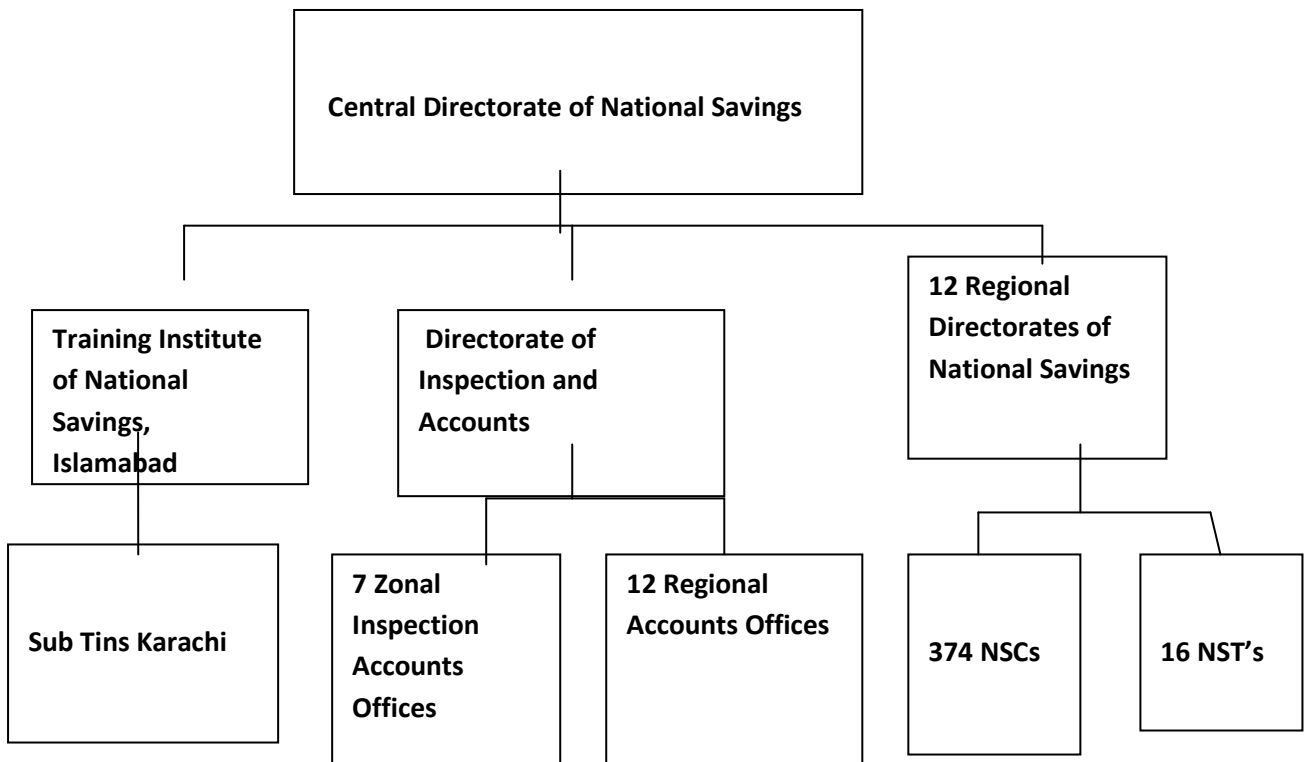
- **Mission:** To be preferred institution for small savings to facilitate financial inclusion.

- **Organization:** National Savings is one of the oldest institutions of the Federal Government. Since 1960, it is working as an attached department of the Finance Division and is responsible for all policy matters and execution of National Savings Schemes.

Nationwide, there are 374 National Savings Centers working under the administrative control of twelve (12) Regional Directorates at Peshawar,

Abbottabad, Islamabad, Gujranwala, Lahore, Faisalabad, Multan, Bahawalpur, Sukkur, Hyderabad, Karachi and Quetta. In addition CDNS has Regional/Zonal Accounts and Inspection Offices and also maintains two Training Institutes of National Savings at Islamabad and Karachi. The Organization is manned by a sanctioned strength of 3377 employees at various levels/tiers.

ORGANOGRAM



- **Functions:**

1. Encourage savings among the masses
2. Popularize saving schemes among the general public.
3. Generate/collect funds for the national exchequer.
4. Deal with all policy matters in respect of its functions.
5. Execution and management of various National Savings Schemes and the Prize Bonds
6. Budgetary support through non-bank borrowing.

- **Saving Schemes: various schemes that have so far been launched include :**

Certificates

- i. Defense Saving Certificates (DSC)
- ii. Special Saving Certificates (SSCR)
- iii. Regular Income Certificates (RIC)
- iv. Bahbood Savings Certificates (BSC)
- v. Short-term Saving Certificates

Accounts

- i. Savings Account (SA)
- ii. Special Savings Account (SSA)
- iii. Pensioner's Benefit Account (PBA)

Prize bonds

National Savings Bonds (NSB)

Performance and Achievements

- At present has eleven million investors
- Deposits are 35% of total banking deposits (NSS deposits as of 30-04-2014 were Rs.2,331,487 million)
- National Saving Schemes are 24% of Domestic Debt
- 374 National Saving Centers nationwide, with penetration to sub-tehsil level
- Three times longer maturity than overall government debt
- Variety of products by tenor and target market
- Generated Rs.58.4 billion for budgetary support through launching a number of new instruments.
- Tax collection increased from Rs.2.5 billion in 2009-10 to Rs.7.9 billion in FY 2013-14.
- One window search engine of winning prize bonds through websites
- Major player to increase rate of financial inclusion

V. PUBLIC COMPLAINTS

Nature and Causes of Complaints

In recent months a considerable number of complaints from citizens were lodged with various Offices of Wafaqi Mohtasib against the Central Directorate of National Savings and its field Offices throughout the country. In addition to the complaints received in the Ombudsman Office, a higher number of complaints especially of delay in processing, long wait, lack of sufficient staff and facilities and over-crowding were verbally registered by the public/clients during the field visits by members of the Committee.

Incorrect Calculation/Payment of Profit

As per rules a retired person is eligible to open only one account in each scheme and maximum deposit limit is Rs. 03 million each. However, some pensioners open multiple accounts in different NSCs. Sometimes ineligible persons succeed to open PBA. The main cause of these irregularities is insufficient vigilance of NSC staff. Most of the time the dealing staff, of Issuing Authority does not check/verify original documents for confirmation of its genuineness or eligibility of purchaser in whose name certificates are purchased.

In case of death of the PBA holder, the account can only be transferred into the nominee, in case he/she is eligible member of the family to receive the family pension. Therefore, when different person is nominated the profit @PBA is not paid. Due to the lack of online data sharing, investment made by clients at different NSCs cannot be cross checked.

Regarding Saving Schemes, such as Defence, Special and other saving certificates, the most common complaints are that the applicable/payable rate of profit is less than the schedule of profit printed on reverse side of the Certificate. The usual reason is the fact that the Finance Division notifies the rate of profit applicable from the date of purchase. The rates are revised

from time to time, but the issuing authority often fail to affix stamp of revised rate at the time of issuance of certificates and the certificates are issued with old/obsolete schedule of profit printed on the reverse side of the certificate. Whereas the purchasers are entitled only for the amount as notified in the gazette on or before the date of purchase.

Deduction of Zakat

The investment in certain National Savings Schemes e.g., Defence Savings Certificates, Special Savings Certificates/Account, etc. is subject to compulsory Deduction of Zakat. However, the investors who file Declaration for Exemption of Zakat as per prescribed procedure, are exempted from such deduction provided they file the requisite declaration at least 30-days before Ramzan that is, before the first of Sha'ban. Some purchasers do not file the requisite declaration within prescribed time. It also happens that the investors file declaration in one NSC while make investment in multiple NSCs.

Oversight / mistake of staff of NSC, is also a cause of wrong deduction of Zakat. In some cases even the NSC staff is not fully aware of Rules & Regulations for deduction of Zakat and Withholding Tax.

Deduction of withholding tax on the exempted schemes/amounts.

Profit on investments up to Rs.150,000/- in Defense Saving Certificate or Special Saving Certificate was exempted from withholding tax but the same has been withdrawn with retrospective effect (irrespective of the date of purchase) w.e.f. 01-07-2013. Thus giving rise to a number of complaints from small investors.

GENERAL COMPLAINTS

Some of the factors identified as adversely affecting efficient performance of the organization and consequently leading to public complaints and dissatisfaction were :

- i. Shortage of manpower
- ii. Lack of material resource and upkeep of centres.
- iii. Delay and long wait in processing
- iv. Lack of Automation, largely manual operations
- v. Cash based accounting system
- vi. No integration with banking system for online fund settlement
- vii. Non-membership of clearing house (NIFT)

CAUSES OF COMPLAINTS

Lack of Human Resource/Structural Strength

The total strength of the organization is still at the level of 1984 whereas the quantum of investments and number of investors has multiplied manifold. In 1984 the portfolio of investment was Rs.19 billion which today stands at Rs.2950 billion. Therefore, the complaints of delay and long waiting time for processing are but obvious. Savings Centers are poorly staffed where functionaries are overworked and overstretched. It is ironic that there is not enough staff for replacement in case of any contingency/emergency as more than 1/3rd of the sanctioned posts are not filled up and remains vacant. The Regional Directorate, Lahore alone is currently working with only 281 employees against a sanctioned strength of 449 posts with 168 posts remaining vacant.

Status of Ombudsman's 1987 Report: It is unfortunate that the recommendation made by the 1987 report of the Ombudsman in this regard has not been implemented. At the time, total strength of CDNS was 3254 posts at all tiers. Today, even after 38 years it stands at only 3377 posts in spite of the growth of organization and its contribution in economic and financial terms.

Frustration among the Officers and the Staff: A general sense of despondency and frustration prevails at all levels of officers and staff of the Organization. It is not too difficult to empathize with them. In spite of performing banking and financial functions, they are denied benefits and emoluments being availed by their counterparts in other financial and banking institutions. There exists no system of reward and punishment. In such a dismal environment it is rather cruel to expect these employees to go beyond the call of duty. Similarly, their career and promotion prospects are very bleak causing many to leave for the greener pastures while others await to follow the suit.

Status of Ombudsman 1987 Report: Recommendations regarding modification of organizational and salary/reward structures to bring it in conformity with the professional requirements have not so far been adopted after elapse of almost four decades.

Lack of material resources and upkeep of Centers: For the success of any organization, it is imperative that it is professionally sound and administratively efficient. Whereas most of the NSCs do not present a modern or professional look neither in terms of necessary equipment and staff nor in respect of facilities for the clients. They suffer from serious deficiencies of furniture and other amenities for both the staff and the customers. Buildings housing the centers are small and crowded and are often located in congested areas, thereby further multiplying miseries of the clients.

Status of Ombudsman's Report 1987: The Ombudsman's 1987 report also highlighted this state of affairs and suggested its rectification but not much has changed to date.

Lack of Automation, Largely Manual Operations, Absence of Integration with Banking System and Accounting System Remains Cash Based

Most of the 374 Savings Centers in the country are largely based on manual operations with entries done in ledgers, requiring much longer time to process a request/withdrawal. Only 83 out of a total of 374 National Saving Centers (NSCs) have so far been computerized while PC-I for computerization of another 140 NSCs has been approved. Regrettably, even the computerized Centers have not yet been interlinked through a central data base. Hence no connectivity and integration with banking system is available for on line fund transfer. As a result accounting system also remains cash based.

Status of Ombudsman 1987 Reports: Recommendations of the report in this regard have partially been implemented but unfortunately the progress in this area also remained rather slow with only 83 NSCs having being computerized but not yet automated.

Delay and Long Waiting Time:

Shortage of staff and manual operations lead to delay and long waiting time, yet another reason of clients dissatisfaction, especially for the elderly ones who constitute a large number of investors in each center. Often centers have thousands of clients with sometimes more than 300 to 500 visiting on any given day/time. The limited staff is often over stretched while performing cumbersome manual procedures. The Committee felt that the number of staff and branches need to be increased and structural changes to be brought in as was also recommended by the Ombudsman Special Report of 1987.

Implementation Status of Ombudsman's Special Report 1987:

In 1987, the Office of Wafaqi Mohtasib carried out an extensive and in-depth study on the working of the National Savings Organization with a view to improve its working and service delivery in fulfillment of the mandate and to the satisfaction of the clients. The report based on the study contained a number of useful recommendations (17 in all) and was presented at the highest level in order to ensure speedy implementation in the larger public interest.

Regrettably, majority of these recommendations remained ignored and unimplemented. Only a few have been partially implemented while some others may even have been lost under heaps of files and dust. Had these recommendations been implemented, the National Savings Organization today would surely have taken shape of a modern, progressive and sought after financial institution not less than any leading bank.

Recommendations for Way Forward:

- New/revised schedule of profit rates on various Schemes should be prominently displayed and affixed on the Certificates at the time of issuance.
- In case of Behbood Saving Certificates (BSC) and Pensioner Benefit Account (PBA) the investor should be asked to sign a declaration that he/she do not hold any of these accounts beyond the prescribed limit in all the branches together and that if found violating the policy or concealing the fact, they will be proceeded against under the law.
- Levy or deduction of withholding tax on such small investment which were exempted at the time of purchase should not be made effective retrospectively instead should be applicable on new investment only. The deduction of

withholding tax on already purchased DSC and SSC of upto a value of Rs.150,000/- hurt a lot of small investors and became cause of complaints.

- Policy that the Zakat Declaration has to be separately filed for individual NSC must be publicized and prominently displayed.
- The NSCs being acutely understaffed, the organizational strength and structure should be modified to bring it in conformity with the professional needs, quantum of business portfolio and growing number of investors. Currently 1353 out of 3377 posts of all grades are lying vacant which constitutes almost one-third of sanctioned strength. Vacancies in all area must be filled on priority basis. Recommendation put forth in 1987 Special Report of the Ombudsman provides a good start in this regard.
- The sense of despondency and frustration prevailing in the organization must be lifted by treating it at par with other financial institutions in terms of emoluments and other benefits. Service charges as permissible to the employees of other financial institutions and Bank should be allowed to these employees as well since they also collect considerable amount of taxes and duties.
- A fair system of reward and punishment must be introduced to recognize the good work and differentiate it from the poor.
- Attention must be paid on training and career planning to improve prospects and retain the efficient and prune the dead wood. Strengthening and capacity building of HR be a priority. Regular refresher courses should be held at Training Institutes of National Savings at Karachi and Islamabad. Courses for

NTC staff should include areas like customer care, stress, time and enterprise management.

- The general maintenance of NSC being of poor standard with acute deficiency of amenities and furniture, immediate steps must be taken to ameliorate their conditions. Buildings, housing these centers are often small, congested and insufficient. They should preferably be shifted to spacious premises in less congested areas.
- Initiate improvement in service delivery through administrative measures such as:
 - Introduction of Automation and efficient MIS for better internal control.
 - Complete computerization of operations /accounts and online networking of all centers.
 - Integration with banking system e.g., acquiring membership of NIFT (National Institutional & Financial Trust)
- A small proportion of collections made by the organization must be placed at its disposal for improvement, maintenance and automation to improve professional standard of the organization to the level of other financial institutions.
- Payment of profit through using ATM Cards should be introduced. A pilot project for selected centers may be initiated to bring organization at par with banks and other financial institutions.
- The staff position and physical features in the centers should also be improved and enhanced so as to rationalize its strength in respect of the number of investors and transactions per day at each center. There should be an upper

limit for the number of investors and transactions per day at each center. If these factors go beyond that prescribed limit, another center should be opened in the vicinity of the existing one as it would not be perhaps feasible to increase only the number of staff in an already crowded/ limited space.

- Public- education initiative through awareness campaign of salient features and rules governing respective schemes should be undertaken.
- For remedy of complaints like refund of wrongly deducted Zakat the existing mechanism should be simplified for their resolution at the level of Regional Office and the concerned NSC. A time limit should be fixed for resolution of grievances / complaints.

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 - 3) Mr. Muhammad Aadil, Director, Regional Directorate of National Savings, Lahore.
 - 4) Ms. Rehmat-Un-Nisa, Director, Regional Directorate of National Savings, Karachi.
 - 5) Mr. Muhammad Saleem Shaikh, Joint Director, Regional Directorate of National Savings, Quetta.
 - 6) Mr. Shafi Ullah, Assistant Director (Incharge), Regional Directorate of National Savings, Peshawar.
 - And, 7) Mr. Anfas Yunus, Consultant Wafaqi Mohtasib's Regional Office Lahore.