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**SBP GOVERNOR STRESSES THE NEED FOR DEVELOPMENT OF MICROFINANCE SECTOR TO ALLEVIATE POVERTY.**

The Governor, State Bank of Pakistan, Dr. Shamshad Akhtar has stressed the need for the promotion and development of microfinance sector to alleviate poverty from the country.

In her keynote address at a seminar on 'Beyond Charity: Commercial Opportunities in Micro and Small Lending' which was jointly organized by USAID and Shore Bank International at Islamabad, the Governor said that at present six Micro Finance Banks with a combined network of 92 branches and 145 service centres were operating throughout the country. She indicated that this seminar is timely as it is on the heels of announcement of the Budget 2006-07. The Budget has some key announcements for microfinance development.

The Government has set up a Rs.10 billion "Khushal Pakistan Fund" and to facilitate the development of sustainable microfinance sector, in line with SBP recommendations, the Finance Bill for 2006-07 included certain amendments in the Microfinance Institutions Ordinance 2001, Dr. Akhtar added.

Outlining the benefits of the amendments, the Governor pointed out that these changes have clearly defined the various microfinance service providers by distinguishing between Microfinance Institutions (MFIs) and Microfinance Banks (MFBs). The flexibility in determining the income threshold to qualify as a microfinance client would facilitate in becoming responsive to changing socio-economic conditions. The microfinance banks would now be able to tailor their products to meet the needs of their customers as they move along the prosperity continuum and can also offer high value long tenor products like housing loans, she observed.

The Governor said that the additional avenues for microfinance banks to invest their surplus funds in government as well as marketable securities would provide them necessary support to improve their sustainability. The amendments have brought the maximum tenor of external auditors in line with the Corporate Governance Guidelines issued by the Security and Exchange Commission of Pakistan while ensuring the secrecy and fidelity of records and information. The amendments have made it possible to increase the business viability and the diversity of the institutions by the emergence of Regional Microfinance Banks that might obtain licence for five adjacent districts with minimum capital requirement. The enhanced regulatory powers of SBP are

aimed to ensure proper regulatory and supervisory oversight of the licensed MFBs, Dr. Akhtar added.

Elaborating further, she pointed out that these amendments would facilitate emergence of new and varied microfinance banks, offering variety of products and services with improved sustainability. The amendments would also help improve the corporate governance, regulation and supervision of the microfinance banks to become socially responsible and financially sustainable institutions.

Dr. Akhtar has lauded the various initiatives taken by the Federal Government to combat the menace of poverty and to provide relief to the deprived segments of the society. She said the Budget Documents 2006-07 reveal that the Government is trying its level best to compensate the public through certain measures such as subsidizing the items of daily use and the agriculture commodities. Besides the “Khushal Pakistan Programme” and the “Rozgar Scheme”, there is a recognition of microfinance as a major poverty alleviation tool. While the major thrust of the “Khushal Pakistan Programme” is on improving infrastructure, providing electricity, gas and clean drinking water to the people, along with health and education services, the “Rozgar Scheme” would provide loan for self employment. The scheme would offer soft term loans to individuals for setting up of community utility stores, community transport and the community communication centres, the Governor added.

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