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State Bank to provide 100% refinancing to banks under EFS: Dr Akhtar

The Governor, State Bank of Pakistan, Dr Shamshad Akhtar today announced that the central bank will henceforth provide 100% refinancing to banks against export finance provided by them to exporters under Part-I of the Export Finance Scheme (EFS). Earlier, the State Bank was providing export finance to the banks upto 70 percent.

Export finance already provided by banks under Part-I of EFS from own sources at the ratio of 30 percent and outstanding as on 31st October, 2008 shall also be refinanced by the State Bank for the remaining period of individual loans, the Governor said.

It may be pointed out that in order to ensure adequate flow of credit to exporters, SBP has taken various initiatives in the recent past. At the beginning of the current financial year, Governor, State Bank has already increased Banks' limits under EFS by 25% to fulfill the credit need of exporters. However, it was observed by the State Bank that various banks are feeling difficulty in providing financing facilities to exporters due to exhaustion of limits under the Export Finance Scheme and increasing requirement of credit due to exchange rate depreciation. Therefore, it has now been decided by the State Bank Governor to resolve the issues regarding financing requirements of both the exporters and the banks by providing 100% refinancing to banks under EFS.

Financing under EFS is a subsidized source of finance from SBP involving a subsidy of about 8 percent for exporters to enable them to compete in the international markets to boost exports from the country. As the funds provided under EFS involve huge subsidy from SBP, Exporters Associations have been advised to ensure rightful use of funds by their members through self regulating mechanism, in addition to the regulatory mechanism put in place by SBP to prevent misuse of financing.

It may be recalled that the State Bank monitors the flow of credit to all sectors of the economy and takes required measures to meet adequate credit requirements of any sector, in particular, the credit requirements of exporters. SBP has also recently taken various measures including the reduction in CRR/SLR requirements to enhance the liquidity of the banking system.
