

**Commercial banks extend Rs 138.45 bln to exporters
under the modified Export Finance Scheme**

The export refinance facilities extended by commercial banks to the exporters at 7.5% (including those granted by them from their own sources) stood at Rs 138.45 billion as per the latest data available upto 15th December, 2007 as against Rs 126.85 billion extended during the corresponding period of the last fiscal year showing a growth of 9.15%.

The modification made in the system of grant of refinance to banks under the Export Finance Scheme has resulted in enhancement of availability of working capital facilities to the exporters; especially exporters of value-added textile sector, at 7.5% p.a. Reports regarding the reduction in the availability of working capital facilities to the exporters are incorrect, baseless and misleading.

It may be mentioned here that the banks have provided significant financing through their own sources since the start of the modified procedure viz. about Rs 38 billion at a rate of 7.5% p.a. and the State Bank has funded rest. Sector-wise analysis of data revealed that banks have provided about Rs 83.4 billion to the textile sector during the quarter that ended in September 2007 as compared to Rs 71.5 billion during the corresponding period of the last fiscal year showing an increase of about 17%. Export refinance has grown at a faster rate than the export earnings. Textile exports are continuously declining from the month of July, 2007 when textile exports were \$952 million which declined to \$938 million, \$922 million & \$837 million during the months of August, September and October 2007, respectively.

It may be pointed out here that as on 30th June 2007, a total of Rs 134 billion was outstanding as refinance granted by the State Bank to different banks under its Export Finance Scheme. However, due to monetary policy implications of the refinance granted under EFS & LTF-EOP Scheme especially the debt swap under the modified Scheme, the State Bank introduced a mechanism whereby commercial banks were directed to provide 30% of export finance from their own sources at a rate of 7.50% p.a. This step was accompanied by instructions to banks to ensure adequate availability of export finance. SBP has held several consultations with exporters and their associations and commercial banks as well as held joint meetings for them to better understand the mechanism of facility.
