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SBP ensuring availability of adequate amount of credit to private sector: Kamran Shehzad

Mr. Muhammad Kamran Shehzad, Deputy Governor, State Bank of Pakistan has said the central bank is ensuring availability of adequate credit to private sector to promote economic growth on the sustainable basis.

Addressing members of the Surgical Instrument Manufacturers Association of Pakistan in Sialkot today, he said the State Bank has proactively taken a number of initiatives to facilitate industrial growth through export promotion. In this regard, the State Bank has issued a well-defined set of prudential regulations for banks which inter alia provides for credit and risk exposure limits, guidelines relating to classification of loans etc.

While highlighting some of the latest initiatives of SBP to facilitate industrial growth, he said the SBP has switched back to 100% refinancing under its Export Finance Scheme (EFS) and Long Term Financing Facility (LTFF), providing banks with the much needed liquidity and allowing exporters easier access to credit at lower interest rates.

He said under the Export Finance Scheme, performance based mark up rates for high performance were introduced to provide relief as well as an incentive to exporters to export in excess of the requirements under Part II of the scheme. He said an extension was also allowed in Repayment Period under Part-I of EFS from 180 days to 270 days for exporters who availed financing up to 85% of the contract value. Besides, shipment period under EFS Part-I was extended to further 180 days for exporters with shipment falling due in FY09, he said and added that waiver to avail export finance up to end June, 2010 was allowed to exporters having overdue proceeds.

Mr. Kamran said the mark-up rates under Export Finance Scheme (EFS) were linked with the weighted average yields on six months T-Bills w.e.f. 2001. The existing 6 Months T-bill rate is around 12%. However, the rate was fixed at 7.5% since July 14, 2006 so that the exporters may remain competitive in international markets, he said. "Presently the rate has been fixed at 9%, which is still much lower than the rate as per prescribed criteria," he added.

Highlighting the salient features of the Long Term Financing Facility, he said a grace period of one-year was allowed in the repayment of principal amounts on the outstanding financing under the Long Term Financing schemes. He said that under the Export Finance Scheme, limits of Rs 228 billion were assigned to various banks and the amount outstanding under the scheme as of March 20, 2010 was Rs. 193.0 billion. However, the exporters of surgical goods availed Rs 2.4 billion of the financing provided under the export finance scheme, he added.

Mr. Kamran said that under the Long Term Financing Facility, limits of Rs 19.5 billion were assigned to various participating financial institutions and the outstanding amount under LTFF as on March 15, 2010 is Rs 13.4 billion. He explained that there is no double export performance required under EFS Part-II. Since one loan is availed twice a year, therefore required performance is equal to total amount of loan availed during the year.

However, in order to encourage high performing exporter availing EFS loans under Part-II, the SBP has introduced a performance based mechanism where mark up refund is given ranging from 0.5% to 1.5% depending on the performance achieved, he added.

Referring to the development of SME Sector in Pakistan, he said that SBP has introduced a Scheme for Modernization of SMEs - Cotton Ginning & Rice Husking Factories in the second half of 2009. Financing under the Scheme is available at 8, 9 & 10% for 3, 5 & 7 years respectively, for import/local purchase of new plant & machinery for BMR only. 'The scope of the Scheme is being considered for coverage of other growing SME Sectors including Surgical Instruments, Sports Goods, and Cutlery', he added.

SBP Deputy Governor assured members of the Surgical Instrument Manufacturers Association of Pakistan that the central bank would extend full support to them as 'we all are working towards a common goal of economic growth and prosperity of the nation.'
