

SBP, LUMS study to help increase lending to SMEs

The State Bank of Pakistan (SBP) today launched an important study on fan industry in collaboration with the Lahore University of Management Sciences (LUMS), which will help Pakistan's banking sector expand access to finance for the Small & Medium Enterprises (SMEs).

The study covers important aspects of fan industry including historical growth trends in the industry, composition, contribution to national economy, supply and demand side issues, SWOT analysis, available growth opportunities, accounting practices, banking and financing needs of the sector, and recommendations on increasing access to finance for the fan cluster.

According to the study, the most essential point for the sustainable development of the fan industry in Gujrat and Gujranwala is to improve the capacity for independent innovation to help the industry reach a higher place along the global value chain.

The study contains four patterns of innovation proposed by the United Nations Industrial Development Organization – product innovation, process innovation, function innovation and interdepartmental innovation – and emphasizes the role of inter-organizational R&D departments, research centres, new & advanced technology and universities.

The study also recommends for the setting up of an implementation committee, whose mandate should be to develop an implementation plan with clear time-lines and targets based on the strategy paper.

A dissemination seminar was held at SBP, Karachi today to share the major findings of the study with banks and other stakeholders. Mr. Muhammad Ashraf Khan, Executive Director, State Bank of Pakistan chaired the seminar, which was attended by senior executives of banks and other relevant SME stakeholders.

Addressing the participants, Mr. Ashraf Khan commented that in Pakistan, reliable and credible data on existing SME clusters is lacking, which hampers banks' understanding of SME sub-sectors dynamics and resultantly makes them shy of lending to the SME sector. In this backdrop, he said, the State Bank has been collaborating with reputed research institutions/consulting firms to conduct research on key SME clusters to facilitate financial institutions in better understanding of the sectors and accordingly come up with improved products for these clusters.

'Today we are here to unveil findings of research report on fan cluster and emphasize upon banks to make maximum use of the study findings while designing banking products for the industry and fulfilling their financing needs.', he added.

Mr. Usman Khan, Project Consultant from LUMS, gave a detailed presentation to the participants covering the important aspects of the study, which was followed by a question-answer session.

The study report on fan cluster is latest addition to the surveys of 10 important clusters recently conducted by SBP in collaboration with International Finance Corporation (IFC). The booklets of these surveys placed on <http://www.sbp.org.pk/departments/ihfd-ifc.htm> provide important guidance to banks on increasing lending to SMEs through customized and low-cost product programs.