



## External Relations Department

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### **SME finance by banking industry achieves historic high of over half-a-trillion rupees**

SME financing by banks in Pakistan has first time crossed the milestone of Rs 500 billion. SME financing was recorded at Rs 513 billion at the end of CY 2018 compared to Rs 450 billion in the corresponding period last year, exhibiting growth of 14 percent. The growth in SME financing was even more prominent in the last six months of CY 2018 (July-Dec, 2018) wherein it registered an increase of 25 percent.

This increase in SME financing attracts greater significance keeping in view the fact that SBP policy rate during CY 2018 witnessed a rising trend. Due to continued focus of State Bank for facilitating SMEs access to formal sources of finance, SME financing increased significantly during CY 2018. The substantial increase in SME financing is mainly attributable to implementation of the policy for promotion of SME finance issued by the State Bank of Pakistan in December 2017.

The SME policy ensured provision of enabling regulatory environment for SME finance, prescribing SME financing targets for banks/DFIs, sensitizing banks to adopt SME financing as a viable business proposition, advising banks to provide non-financial advisory services for making SMEs bankable, simplifying procedures for SME financing and introduction of new SBP refinance schemes for SMEs through banks/DFIs. Under the policy so far more than 2,500 bankers have been trained through focused trainings by the training institute of the central bank. Similarly, awareness has also been created among more than 20,000 stakeholders including SMEs through special programs held by SBP and SBP BSC all across the country.

The impact of SBP interventions resulted into significant rise in outstanding SME finance by banks/DFIs coupled with 2.3 percent decrease in non-performing SME portfolio of banks over last year. It is pertinent to mention that Government of Pakistan is also providing all out support to promote SME sector. The substantial tax incentives to the banks on their incremental financing to SMEs announced in recent economic reforms bill is in line with measures identified in government's 100-day agenda for development of SME sector. This will continue to encourage banks to fulfill the financing needs of SMEs.

It is worth mentioning that SME sector is contributing 30 percent towards country's GDP, employ more than 80 percent of non-agricultural workforce and generate 25 percent in export earnings. Thus, SME sector has huge potential for employment generation and poverty alleviation.

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