2 Broadening Access to Financial Sector

2.1 Infrastructure, Housing & SME Finance Department

2.1.1 SME

SME sector contributes significantly towards employment generation and poverty alleviation. In Pakistan, SME sector contributes 30 percent towards GDP, employs more than 78 percent of non-agricultural workforce, accounts for 35 percent of the value added goods in the manufacturing. Despite its strong potential, SME sector is most vulnerable to economic shocks and, therefore, is considered a more risky sector by banks while taking exposure on it. Banks' lending to SMEs has declined over the past 4 years. Banks credit to the sector reduced to Rs. 248 billion on June 30, 2012 against Rs. 292.5 billion at end of June 2011, showing a decline of 15 percent, YoY basis. With this decline, the SMEs' loan proportion to the total loans of banks has also decreased from 8.2 percent in FY11 to 6.5 percent in FY12. As regards number of SME borrowers, it has decreased from 200,000 to 150,000 during last one year.

This decline in SME financing can be attributed to adverse economic conditions, rising cost of doing business, and energy shortages. Besides, growing SME NPLs, which stood at Rs 96.4 billion or 38.9 percent of total SME advances at end June, 2012, have also led to a more risk-averse posture by banks. Further, banks' increasing investment in government papers and commodity operations' financing are also causing crowding out effect on SME financing.

In order to overcome the challenges faced by SME sector, SBP has taken a number of initiatives during FY12, of which the major ones are as under:

- A Credit Guarantee Scheme (CGS) for Small and Rural Enterprises (SREs) was issued which allows banks to develop portfolio of fresh borrowers who are creditworthy, but cannot fit into the usual credit parameters of banks, especially when collaterals are required.
- SBP is working on Secured Transaction Framework that calls for existence of a modern Secured Transaction Law to allow establishment of Secured Transaction Registry Office in the country to register charge on moveable assets of SME and Agri borrowers to facilitate them in accessing finance from Banks.
- Capacity enhancement programs for banks/DFIs and awareness building programs for banks and SMEs were held.
- SME Cluster Profiling Surveys of 11 important SME clusters were completed in collaboration with IFC and LUMS in 2011-12 for benefit and use by all SME stakeholders especially commercial banks. Besides these 11 SME sub-sector studies, consultants have been hired for cluster surveys of 10 more SME sub-sectors during the FY12.

2.1.2 House Finance Market

Housing finance market in Pakistan is passing through hard times, and efforts are underway to promote the housing finance activities. But still a large part of the population is unable to obtain mortgage finance due to high cost of borrowing and lack of an enabling legal framework, including land titling challenges. At present, 27 commercial banks, House Building Finance Company Limited (HBFCL), and two microfinance banks are catering to the housing finance needs.

After registering a promising growth trend till 2008, the housing finance sector has been showing declining trend afterwards. The gross outstanding reported by banks and DFIs declined by 7.8 percent to Rs. 57.1 billion as on June 30, 2012. The total number of outstanding borrowers also decreased by 8.7 percent to 87,195 (on YoY basis) in FY12. Moreover, non-performing loans increased to Rs. 19.1 billion, YoY basis; showing a two percent increase over the year.

The overall weighted average interest rate for the year ended June 30, 2012 came to 15.7 percent; a decrease of approximately 9.25 percent, compared to June 30, 2011 (17.3 percent). In addition, the weighted average interest rate reported, as of June 2012, by HBFCL was 16 percent and that reported by banks/DFIs was 15.4 percent. Furthermore, average maturity periods were 11.2 years, at the end of June 2012. Finally, the average LTV ratios for housing finance were reported to be 41.6 percent during the quarter ended June 2012.

The following key initiatives were taken by SBP during FY12 in order to boost the domestic economy:

- SBP is facilitating the establishment of a Mortgage Refinance Company (MRC), to support development of secondary mortgage market. The Government of Pakistan has endorsed this project and has committed 20 percent equity participation. The IFC/World Bank and ADB are also supporting this initiative and are expected to take equity stake in MRC.
- Housing Finance Prudential Regulations have been reviewed by SBP, in consultation with concerned stakeholders and are in process of approval.
- SBP has drafted Housing Finance Guidelines with an objective to help and facilitate the banking industry develop expertise and conduct housing finance business efficiently.
- Training Programs/Workshops have been organized by SBP in different cities for Banks/DFIs on Mortgage Financing and Legal Documentation, Willful Defaults and Foreclosures, etc.
- SBP plans to hold a conference on housing finance in the 3rd quarter of FY13.

2.1.3 Infrastructure Finance Market

There is no denial of the fact that quality infrastructure affects the economic growth potential of a country as well as the ability of an enterprise to engage effectively. Besides, it provides support to economic growth by increasing the productivity of labor and capital, thereby reducing the costs of production as well as raising profitability, production, income and employment. Infrastructure investment and consumption of infrastructure services have significant implications for achievement of sustainable development objectives, as infrastructure services encourage new investment and underpin many aspects of economic and social activity. All the developing countries have multiple institutions with varying degrees of mandate and functions peculiar to their economic needs but the common thread among them is they supply a pipeline of viable projects and means to provide long term fixed-rate financing.

The outstanding amount against infrastructure project finance declined from Rs. 290.8 billion in Jun-11 to Rs. 286.3 billion in Jun-12, recording a decline of about 1.6 percent. Moreover, a sector-wise analysis reveals that the lion's share (63 percent) in total Infrastructure financing went to Power Generation sector, followed by 16.4 percent to Telecom sector and 8.9 percent to power transmission. Additionally, NPLs have increased considerably from Rs. 8.2 billion to Rs. 17.5 billion, recording a rise of over 100 percent YoY basis.

Recognizing the importance of infrastructure for economic development, increase in industrial and export competitiveness, and improvement in industrial climate, SBP has taken the following key measures:

- SBP established Infrastructure Task Force, which identified impediments in the growth of infrastructure sector and came up with key recommendations. These have been shared/ disseminated with the concerned stakeholders.
- SBP has prepared a Concept Paper on establishment of Infrastructure Development Finance Institution (IDFI). The IDFI is expected to perform project development, structuring, financing, implementation and the related services.
- SBP organizes capacity building programs for banks/DFIs, in areas related to Infrastructure Project Finance.

2.1.4 SBP Refinance Facilities
SBP continued its strategy to gradually rationalize mark-up rates of refinance facilities and mitigate market distortions caused by subsidized rates of financing. SBP also continued to facilitate financing of export- oriented projects, both through short term and long term financing with the objective of promoting exports and long term investment in the country. SBP broadened the outreach of its financing facilities by including the dairy sector under Long Term Financing Facility (LTFF). SBP also enhanced the capacity limit of Renewable Power Projects from 10 MW to 20MW for financing under Scheme for Financing Power Plants Using Renewable Energy. However, SBP introduced a system to discourage financing to those exporters whose overdue exports were beyond a specified limit.

2.1.4.1 Export Finance Scheme (EFS): The outstanding position under EFS was Rs. 164.8 billion as of June 30, 2012 showing an overall decrease of Rs. 25.7 billion during the year. Rs. 462.6 billion were disbursed under EFS during FY12, compared to Rs 496.0 billion in the previous year. The highest amount of Rs. 100.3 billion was utilized by the textile sector, within which the larger share (Rs. 30.9 billion) went to readymade garment exporters. Decrease in financing under EFS may be due to imposition of overdue export proceeds condition for availing EFS facility and decrease in cotton prices during 2011.

2.1.4.2 Long Term Financing Facility (LTFF): The outstanding position of financing under LTFF was Rs. 32.74 billion against 321 borrowers at the end of June, 2012. Of which, the textile sector’s share was Rs. 19.5 billion (60 percent) against 267 borrowers. The outstanding position under LTF-EOP (defunct) shows repayments of Rs. 6.5 billion during the year, with net outstanding finance of Rs. 9.6 billion as on June 30, 2012.

2.1.4.3 Other Refinance Facilities: SBP has introduced some others financing facilities during FY12 such as:

Financing Facility for Storage of Agricultural Produce was introduced to encourage the private sector to establish Silos, Warehouses and Cold Storages to store agricultural produce. Outstanding refinance provided by SBP under this facility was Rs. 1,957.3 million as of June 30, 2012.

Refinancing Facility for Modernization of SMEs was introduced to encourage the sponsors of SMEs to modernize their mills/units to produce quality/value-added products. Outstanding refinance under this facility as of June 30, 2012 was Rs. 142.9 million.

Refinance Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas was introduced for agri. production/working capital finance to Farmers and SMEs in districts affected by floods of 2010 as notified by National Disaster Management Authority (NDMA). Outstanding refinance under this scheme was Rs. 1,895.9 million as of June 30, 2012.

In addition to the above mentioned financing facilities SBP has taken some initiatives for the betterment of trade and industry in FY12. The major initiatives taken for encouragement of Trade and Industry are presented in **Box 2.1**.

Box 2.1: Major Initiatives for Promotion of Trade and Industry
Financing rates under LTFF revised upward vide IH&SMEFD Circular No. 6 of 2011: Under Scheme for Financing Power Plants Using Renewable Energy, SBP had extended the validity of the Scheme extended for two years till June 30, 2014. Moreover, capacity limit of Renewable Power Projects was enhanced from 10 MW to 20MW. Rate of Service Charges also revised under this Scheme vide IH&SMEFD Circular No.7 of 2011.

SBP allowed, vide IH&SMEFD Circular No.8 of 2011, some relaxations in the Export Finance Scheme (EFS) for the benefit of exporters whose export proceeds were overdue. An exporter is eligible to avail financing under EFS Part-I and/or Part-II, if the total amount of overdue export bills at the time of availing the facility is not more than 5 percent of the previous year export performance.

SBP implemented various government subsidy schemes/relief packages during the year: In order to increase exportable goods of dairy sector, SBP included Dairy Sector under the LTFF Scheme.

Furthermore, in order to address the problems of exporters facing delay in meeting export orders due to heavy shortage of power, SBP allowed additional period of two months for meeting shortfall in required performance under Part-II for the monitoring year 2011-12.

2.2 Agriculture Credit & Microfinance Department

2.2.1 Agricultural Finance

The banks surpassed agri. credit disbursement target for the year FY12 set by the Agricultural Credit Advisory Committee (ACAC) in its meeting held in January 2012 chaired by the Governor, SBP. Against the target of Rs.285 billion for the year ending 30th June 2012, the banks have actually disbursed Rs.293.8 billion, which is nearly 11.7 percent higher than disbursement of Rs.263.0 billion in FY11. Achievement of the agri. credit disbursement target was quite difficult in the backdrop of continuous declining trend in the overall private sector credit and high agri. NPLs of major banks due to devastating floods of 2010 and the heavy rains of 2011 in Sindh province. However, the SBP adopted a multipronged strategy and made all out efforts in achieving the target which inter alia include; swift settlement of crop loan insurance claims, close co-ordination with provincial revenue departments to facilitate the One Window Operation in agri. intensive districts for timely completion of revenue formalities, holding of farmers' awareness and financial literacy programs at grass root level, and follow up of targets with the top management of banks and their agri. Heads.

Detailed analysis shows that five large banks disbursed Rs.146.2 billion against their target of Rs.141.0 billion, ZTBL disbursed Rs.66.1 billion against its target of Rs.70.1 billion, PPCBL disbursed Rs.8.5 billion against Rs.7.6 billion and the Domestic Private Banks disbursed Rs.60.9 billion against their target of Rs.54.1 billion. The five MFBs, which have been included in the annual indicative target scheme for the first time in FY12, disbursed agri. loans of Rs.12.1 billion and met their target (see **Table 2.1**).

Table 2.1: Agricultural Credit Targets and Actual Disbursement

billion rupees

Bank	FY12		FY11		FY10		FY09		FY08	
	Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
5 Big Commercial Banks*	141.0	146.3	132.5	140.3	124.0	119.6	119.5	110.7	96.5	94.7
Specialized Banks										
ZTBL	70.1	66.1	81.8	65.4	80.0	79.0	72.0	75.1	60.0	66.9
PPCBL	7.6	8.5	6.9	7.2	6.0	5.7	6.0	5.6	8.0	5.9
14 Domestic Private Banks	54.1	60.9	48.9	50.2	50	43.8	52.5	41.6	35.5	43.9
Microfinance Banks**	12.2	12.1	-	-	-	-	-	-	-	-
Total	**285.0**	**293.8**	**270.0**	**263.0**	**260.0**	**248.1**	**250.0**	**233.0**	**200.0**	**211.6**

Source: Agricultural Credit & Microfinance Department, State Bank of Pakistan

* Include ABL, HBL, NBP, MCB & UBL

** Five MFBs included since July, 2011

2.2.1.1 SBP's Initiatives for Promotion of Agricultural Credit

For the promotion and expansion in the coverage of agricultural and rural finance in the economy, SBP has taken many measures/steps during the FY12 such as farmers financial literacy & awareness program on agri. financing, launching of pilot project phase IV, one window operation in pilot districts, guidelines for efficient water management financing, Islamic agricultural financing for farm/crop production purposes under Salam, national crop insurance scheme (NCIS), and relief to borrowers of affected areas (for detail see **Box 2.2**).

2.2.2 Microfinance

The FY12 witnessed microfinance sector to attain both the growth as well as profitability. Despite difficult macroeconomic situation and devastating floods in FY12, the sector was able to experience structural improvements such as recapitalization of MFBs, diversification of products, innovative delivery channels, growth in deposits, and expansion in the industry infrastructure.

Ten MFBs have so far been licensed by SBP. Nine of these MFBs are operating nationwide while one is due to commence business province-wide. All these MFBs are privately owned by local and international investors including banks, development agencies, investment funds, mobile network operators, and large domestic MFIs. This diversity of ownership and approaches to microfinance banking depicts investors' confidence in policy environment and viability of microfinance as a profitable business in Pakistan.

Box 2.2: SBP's Initiatives for Promotion of Agricultural Credit
SBP has taken the following measures/key steps during FY12 for the promotion of agri/ rural finance in the country:

Farmers Financial Literacy & Awareness Program on Agri. Financing: Cognizant of the lack of awareness & understanding of farming community about agri. finance products & services offered by banks, SBP in collaboration with commercial/microfinance banks, field offices of SBP-BSC and other key stakeholders launched a country-wide "Farmers Financial Literacy & Awareness Program on Agri. Financing" from April, 2012. In the pilot phase of the Program, 12 one-day training-cum-awareness seminars are being held in agri. intensive districts/ towns across Pakistan. During the first half of 2012, six programs were successfully conducted in tehsils of Bahawalpur, Ghotki, Nowshehra, Sanghar, Kotli (AJK) & Chitral Districts while the remaining programs have been planned to be conducted in the second half of 2012 at prescribed locations & specific dates. Around 150 agri. field functionaries/agri. credit officers have been trained and around 1,000 farmers have been educated under the program, so far.

Launching of Pilot Project Phase IV: Encouraged by the successful completion of PP-III, SBP has launched Pilot Project Phase IV from Rabi season 2011 to deepen the outreach of agri. finance on fast track basis. PP-IV will cover 54 districts for farm and non-farm financing, while 22 districts will be especially targeted for group-based lending to small/ landless farmers. So far up to 30th June, 2012 banks have disbursed Rs. 91.7 billion or 79 percent of the target for farm sector, Rs.23.2 billion or 91 percent of the target for the non-farm sector and Rs.0.64 billion or 96 percent of the target for Group Based lending in the targeted districts. Number of borrowers served is 488,819 or 74 percent of the target for farm sector, 84,358 or 83 percent of the target for non-farm sector and 2,338 groups having total of 17,047 borrowers or 132 percent of the target for Group Based lending. During the period under review, the number of fresh borrowers tapped by banks was 248,695 and 67,508 in the farm and non-farm sectors, respectively.

One Window Operation in Pilot Districts: To address issues of delays in issuance of passbook and timely completion of revenue formalities, One Window Operation was launched in the Pilot districts of Sindh, Punjab, Khyber-Pakhtunkhwa and Balochistan by their respective provincial Boards of Revenue. The Operation has facilitated banks and farming community in timely completion of revenue formalities and access to finance on fast track basis.

Guidelines for Efficient Water Management Financing: Climate changes, scarcity of usable canal water availability, wastage of water and depleting underground water tables are the challenges in the growth of agriculture in the country. Adoption of modern water management techniques by the farmers is necessary to ensure optimal water utilization for soil fertility and better yield. To ensure availability of credit to the farmers for the purchase and maintenance of such systems and techniques, SBP in consultation with stakeholders developed Guidelines for Efficient Water Management Financing, which were issued vide AC&MFD Circular No.2 of 2011. The guidelines are aimed at facilitating banks in developing specific products for the purpose.

Islamic Agricultural Financing for Farm/Crop Production Purposes under Salam: To meet the demand of availability of Sharia compliant agriculture financing for farm and non-farm production activities, SBP in collaboration with stakeholder issued a model product based on 'Salam' vide AC&MFD Circular No. 3, dated 18th October, 2011. The product would cover the Sharia related aspects as well as business cycle and financing requirements of farm/ crop production activities. The product is supported by practical examples and process flow of the Salam transaction.

National Crop Insurance Scheme (NCIS): SBP played key role in development of framework for National Crop Insurance Scheme (NCIS) by the Task Force formed by the President of Pakistan. The NCIS would facilitate the non-borrower farmers in mitigating their risks of losses in case of natural calamities. This will also save huge amount of money to the national exchequer, incurred by the government in such cases. The successful implementation of the NCIS would require extensive involvement of MoF, MINFA, revenue departments and insurance companies.

Agri. Commodity Physical Trade & Marketing: To develop infrastructure of agri. commodity physical trade & marketing, SBP Task Force has developed a framework for warehousing, grading & testing, collateral management, post harvest financing, warehouse receipt system, etc. in collaboration with stakeholders. The implementation of the project has been shifted to Pakistan Mercantile Exchange (PMEX) and a Collateral Management Company is being formed under PMEX for the purpose.

Relief to Borrowers of Affected Areas: To provide relief to the borrowers of flood/ rain affected areas identified by the National Disaster Management Authority (NDMA), banks were encouraged to reschedule/restructure loans to such borrowers where the possibility of recovery exists.

The microfinance sector experienced growth of 18 percent in loan portfolio, up by Rs.4.9 billion from Rs.27.4 billion in June 30, 2011. The number of active borrowers also increased to 2.22 million as against 2.03 million at the beginning of FY12. On the liability side, the aggregate deposits of MFBs were Rs.16.6 billion, growing up by 49 percent with total number of depositors exceeding 1.5 million as of June 30, 2012. The overall performance of the sector remained positive in spite of various challenges including heavy floods/rains that adversely affected different parts of the country, especially Sindh, for the second consecutive year. The loan portfolio growth is attributable to the recent microfinance sector strategy to diversify portfolio in different economic and geographic segments. The NPLs of microfinance banks came down to 3.5 percent at the close of FY12 as against 3.74 percent in the preceding year.

To support market development, SBP has established a Consultative Group on Branchless Banking. Moreover, SBP has also started publishing “Branchless Banking Newsletter”, on a quarterly basis, to disseminate domestic and international developments in the area. Central banks of other countries are also keen to learn from the successful experiences of the SBP. Recently, SBP has arranged exposure visits for the delegations of Central Banks of Tajikistan, Nepal and Ethiopia in the area of mobile financial services.

SBP continued to facilitate development of microfinance sector by having in place a supportive policy framework. Regulatory framework for microfinance sector earned global recognition, consecutively in 2010 & 2011 as Pakistan was ranked at top by the ‘Economist Intelligence Unit (EIU) of the Economist magazine. **Box 2.3** presents some of the important developments and initiatives taken by the SBP during FY12.

Box 2.3: SBP’s Initiatives/Developments for Promotion of Microfinance

SBP introduced ‘microenterprise loan category’ to promote enterprise lending and improve asset creation in the country. Under this category, MFBs will be able to lend upto Rs.500,000/- to eligible microenterprises. Further, Tameer MFB was allowed to undertake microenterprise lending.

MFB Licenses were granted to:
1) Waseela Microfinance Bank in September 2011 to operate nation-wide. The MFB is fully sponsored by the largest mobile network operator in the country, Mobilink GSM.
2) Advans Microfinance Bank in June 2012. The MFB is sponsored by Advans SA & FMO, Netherlands. Advans shall initially operate as a province-wide MFB.

Network MFB was acquired by Auriga Group in FY12. The new sponsors intend to expand operations of the MFB at national level. Their key focus is on agriculture and allied activities.

Acquisition of Rozgar MFB is in the final stages by the Pakistan Telecommunication Company Limited (PTCL). Similarly, FINCA is in advance stage of negotiation with the existing sponsors of Kashf microfinance bank to acquire a major shareholding of the MFB.

Microfinance-exclusive Credit Information Bureau (CIB): To improve risk management in the microfinance sector and reduce over indebtedness of poor clients, State Bank of Pakistan, Pakistan Microfinance Network, and Pakistan Poverty Alleviation Fund rolled out national Microfinance-exclusive Credit Information Bureau (CIB) in June, 2012.

2.2.2.1 Programs Initiatives

SBP is playing a proactive role in the development of microfinance sector through implementation of government and donor funded programs. These programs are managed with the objective to enhance provision of financial services to the unbanked segment, especially the poor and women through sustainable models. A number of donor/government funded initiatives were implemented during FY12.

- Financial Inclusion Program (FIP): To promote financial inclusion in the country, SBP has in place a comprehensive Financial Inclusion Program (FIP). This program is being implemented with the financial assistance of GBP 50 million grants from the UK Department for International Development (DFID), and aims to promote inclusive growth through improving income and livelihoods opportunities for poor and marginalized groups in Pakistan. FIP interventions have achieved a number of milestones during FY12. These include:

    - Institutional Strengthening Fund (ISF), a £10 million facility, was launched by SBP with the objective to provide grants for institutional strengthening of the microfinance sector. Under ISF, so far Rs.631.89 million has been approved for 13 microfinance providers including top and middle tier MFBs and MFIs as well as Pakistan Microfinance Network. The grants cover 20 projects addressing institutional strengthening needs of the grantee institutions for capacity building/ HR training, IT development, business plan/ strategic reviews, market research, branchless banking, corporate governance, credit ratings, remittances, and treasury functions etc. The investments made in institutional strengthening would ultimately lead to enhance the MF portfolio both in terms of sustainability and scalability.
    - Microfinance Credit Guarantee Facility (MCGF), a £10 million facility, was launched by SBP in December 2008 under FIP to cover partial risks against the loans extended to microfinance providers by the commercial banks. MCGF has been showing continuous growth since its launch to meet the funding needs of the microfinance providers and maximize the outreach in microfinance sector. So far, fifteen guarantees with total exposure of Rs.1,273 million have been issued for mobilizing Rs.4,075 million. Going forward, the facility is expected to raise commercial debt from non-bank sources/ stock markets, diversifying sources of commercial capital for microfinance providers.
    - Credit Guarantee Scheme (CGS), worth £10 million, was launched in March 2010 to facilitate credit to small and rural businesses for greater outreach. The scheme was launched after an assessment of commercial banks' risk appetite and demand for the facility. The objective of the scheme is to improve availability of credit by enhancing credit rating of small and rural borrowers through guarantees for greater outreach to the poor and rural segments.
    - Under CGS for small & rural enterprises, credit exposure limits of Rs.4.83 billion (with 40 percent SBP risk coverage of Rs.1.932 billion) were allocated to 12 banks for 2012 in line with the available seed money and requests of the banks. Subsequent to the allocation of the limits, the banks sanctioned loans of Rs.3,022 million (SBP risk coverage of Rs.1,231.45 million) to 4,371borrowers under the scheme, representing a utilization of 64 percent of SBP risk coverage limit for 2012.
    - Financial Innovation Challenge Fund (FICF), a £10 million facility, was launched by SBP in May 2011 with the aims to foster innovations and test new markets, lower cost of delivery, enable systems and procedures to be more efficient and provide new ways of meeting the unmet demand for financial services. The fund will hold specialized challenge rounds focusing on innovations that market wishes to undertake to alter the scope and reach of financial services. The first round of the Fund which was held on Government to Person (G2P) Payments has now been successfully completed by deciding to award Rs.505 million to six applicant institutions. As a way forward on FICF, it has now been decided that the 2nd FICF round would be held on rural financial services including agricultural finance and broad-based financial

services projects using telecommunication infrastructure to promote micro payment for people who are not part of financial services.

- Financial Literacy program (FLP): SBP launched Pakistan's first-ever Nationwide Financial Literacy Programme (NFLP), on 20th January 2012, in order to assist financial inclusion and poverty alleviation efforts to facilitate economic growth and stability across the country. The NFLP was launched with the support and collaboration of ADB, PBA, PPAF and Bearing Point (Consultant).

  The dissemination of the pilot program which was started in March 2012 has now been completed successfully. The pilot program has actually targeted 47, 800 beneficiaries through class room training sessions, street theater and mass media. The program focused on disseminating basic education about financial concepts, products and services to masses focusing on budgeting, savings, investments, banking products and services, debt management and consumer right and responsibilities, etc. As a way forward, the program will further be scaled up, based on the evaluation of the pilot project, to reach out to more than 500,000 poor and low income beneficiaries.

- Farmers Financial Literacy & Awareness Programs on Agricultural Financing: Under Improving Access to Financial Services Fund (IAFSF), SBP has launched “Farmer Financial Literacy & Awareness Program on Agricultural Financing” worth Rs.1.8 million.

- Grass-root level Training Program for Credit/Loan Officers of Microfinance Banks/ Microfinance Institutions (MFIs) under the IAFSF: A grant of up to Rs.15 million has been approved for a series of training programs which will be conducted in different cities of the country, targeting about 1,000 loan and field officers across Pakistan. The program aims to provide capacity building support to the industry. The training programs will develop understanding within the industry through mutual sharing of knowledge and ideas besides setting stage for much-needed capacity building of microfinance industry in Pakistan.

- SME Finance Grass Root Cluster Training Program: SBP, as part of its capacity building initiative for the commercial banks in the area of SME Finance, introduced an SME Finance Grass Root Cluster Training Program for the credit officers of banks to equip them with the latest tools and technology being used in SME finance across the globe. First phase of the program has been completed covering seven cities. About 200 credit officers from commercial banks have been trained in the SME finance area at SME hubs across the country. The second phase of the program has also been launched and four training programs have been held so far in different cities where more than 130 credit officers from different commercial banks have been trained. The major areas covered included risk mitigation tools like credit scoring, program-based lending schemes, effective marketing strategies for SME Finance, and utilizing the area of social profiling in SME Finance, etc.