



Quarterly SME Finance Review As of June, 2015

Infrastructure, Housing & SME Finance Department



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EXECUTIVE SUMMARY

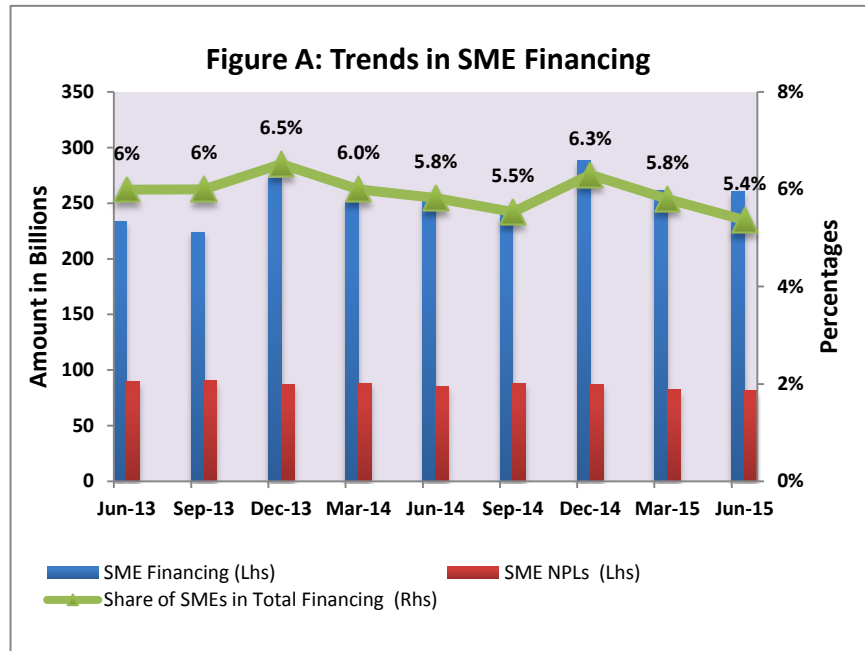
Small and Medium Enterprises (SMEs) significantly contribute to GDP growth, exports and employment generation. In view of this, SBP has been taking several initiatives for promotion and development of SME banking. Some of these include issuance of separate PRs for Small Enterprises (SEs) and Medium Enterprises (MEs), efforts for putting in place a secured transaction registry in the country, implementation of supportive financing schemes for SMEs like credit guarantee scheme and other refinance schemes for SMEs, PM Youth Business Loan Scheme and capacity development measures for banks/DFIs.

The outstanding SME financing (domestic) decreased by 0.37 percent, as compared to the previous quarter, and stood at Rs 260.78 billion as of June 30, 2015. However, as compared to last year, 3.19 percent increase in SME financing has been observed. Number of borrowers showed an increase of 5 percent Q-o-Q while on Y-o-Y, it showed an increase of 15 percent. The non-performing loans (NPLs) declined by almost 4 percent on Y-o-Y basis, mainly due to the loans' write off and recoveries. NPLs to loans ratio of SME Financing remained unchanged as on 30th June, 2015 as compared to previous quarter. Facility-wise breakup shows that the working capital financing constituted 71 percent of outstanding SME financing followed by fixed investment and trade finance with shares of 11 percent and 18 percent respectively. Banking group-wise distribution of SME financing shows share of private sector banks at 69 percent. While public sector banks are at 25 percent of total SME outstanding financing.

SME financing by Islamic banks and Islamic banking divisions (collectively called IBIs) decreased by 7 percent in quarter under review whereas share of Islamic Banking Institutions (IBIs) remained stagnant when compared to same quarter of previous year. The share of SME financing of Islamic Banking Divisions was more than the share of Islamic Banks in Pakistan.

Outstanding SME Financing

Outstanding SME Financing of the banks/DFIs went down by 0.37 percent as compared to previous quarter and stood at Rs. 260.78 billion as on 30th June, 2015. However, SME financing showed a Y-o-Y increase of 3.19 percent when compared with June, 2014. SME outstanding financing was 5.4 percent of total financing as compared to 5.8 percent in the



previous quarter. Moreover, a meager decline in SME NPLs was also witnessed in the quarter under review.

Table 1: SME Financing Profile of Banks/DFIs

Category	Periods ending			Change	
(Amount in Billion Rs.)	Jun-14	Mar-15	Jun-15	Quarter	YoY*
Outstanding SME Financing	252.73	261.75	260.78	-0.37%	3.19%
Total Financing	4,339.23	4,513.09	4,860.39	7.70%	12.01%
SME Financing as % of total financing	5.82%	5.80%	5.37%		
SME Finance NPLs	85.49	82.128	81.77	-0.44%	-4.35%
NPLs as % of Outstanding SME Financing	33.83%	31.38%	31.36%		
No. of SME Borrowers	133,018	145,031	152,495	5%	14.6%
* YoY: Year on Year					

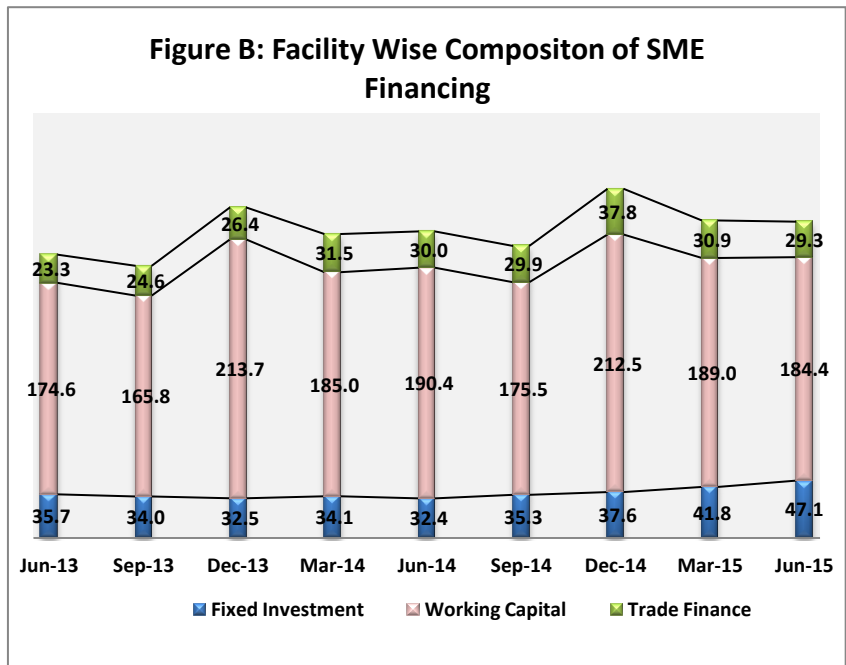
The number of SME borrowers increased by 8 percent to 152,495 (from 145,031) during the quarter under review; similarly, on Y-o-Y basis, there was an increase of almost 15 percent in the number of SME borrowers. (Table 1)

Non Performing Loans declined meagerly by almost 0.4 percent on Q-o-Q basis and when compared to previous year, NPLs showed a decrease of 4.35 percent (Table 1). SME NPLs were Rs 81.7 billion as on June 30th, 2015 as compared to Rs 82 billion as on March 31, 2015. In the Table 2, the position of the banks has been shown which managed to bring down their SME NPLs in the quarter under review. As

compared to the previous quarter, Samba Bank Limited had reported reduction in NPLs. Similarly, First Women Bank Limited was able to reduce its NPLs by almost 13 percent in the quarter under review. United Bank Limited stood third in recoveries, as it reduced its NPLs by 11% in the quarter ended on 30th June, 2015.

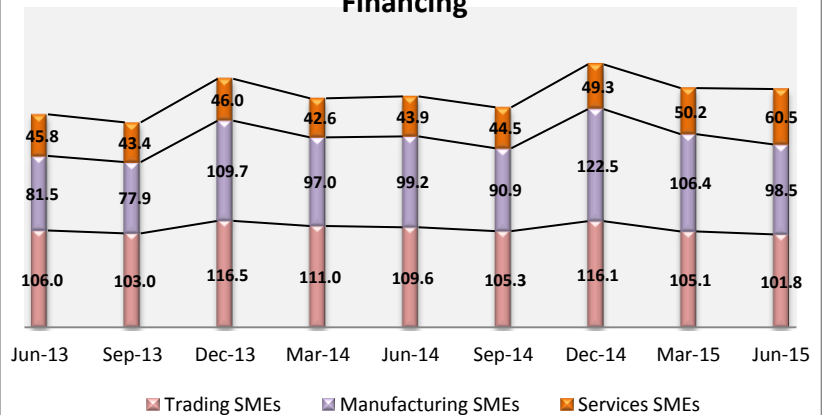
Table 2: Position Table of Banks w.r.t Highest Recoveries		
S.No	Banks	% change in NPLs (QoQ)
1	Samba Bank Limited	-19.2%
2	First Women Bank Limited	-12.6%
3	United Bank Limited	-10.9%
4	Bank of Khyber	-10.5%
5	Askari Bank Limited	-10.0%

Facility-wise breakup in figure B shows that the working capital financing constituted 71 percent of outstanding SME financing followed by fixed investment and trade finance with shares of 11 percent and 18 percent respectively. The facility-wise distribution of borrowers depicted that fixed investment managed to pick up 7 percent more share than the share in previous quarter, while trade finance decreased by 5 percent as compared to previous quarter. Similarly, working capital financing decreased by 1 percent as compared to previous quarter.



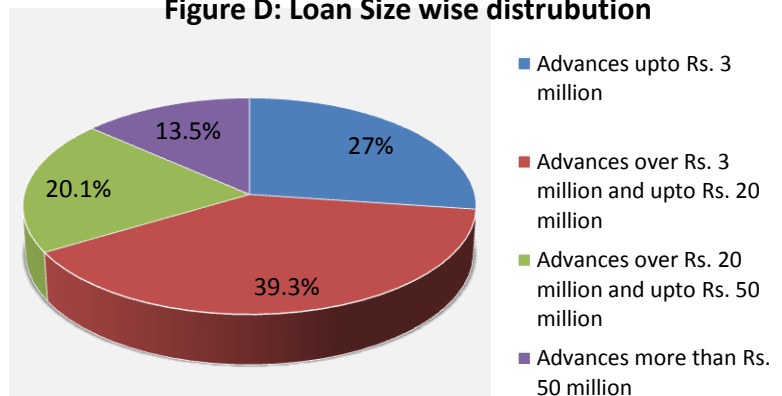
Sector-wise SME financing in figure C shows the share of trading was at 39 percent, manufacturing at 38 percent and services sector at 23 percent in outstanding SME financing. On Q-o-Q basis, financing for manufacturing sector decreased by 4 percent, for trading decreased by 1 percent while for services sector increased by 4 percent.

Figure C: Sector Wise Composition of SME Financing



Loan size-wise review in figure D shows that loans up to Rs. 3 million had 27 percent share in total SME financing. It covered 89 percent of total SME borrowers, out of which, a major number of SME borrowers availed loans of up to 0.5 million. Advances over Rs. 3 million and up to Rs. 20 million had share of 39 percent in total financing while Advances more than Rs. 50 million had a share of 14 percent in total financing

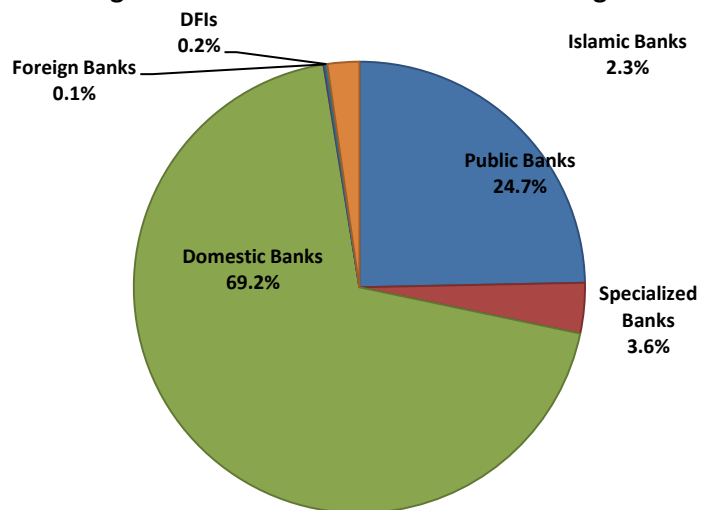
Figure D: Loan Size wise distribution



Banking Group-wise distribution

of SME financing in figure E shows that the share of 17 private sector banks in outstanding SME financing was the highest at 69 percent (decreased from 70 percent at the end of previous quarter). Private sector banks were followed by public sector banks, which shared around 25 percent (increased from 24 percent at the end of previous

Figure E: . Share of Banks in SME Financing



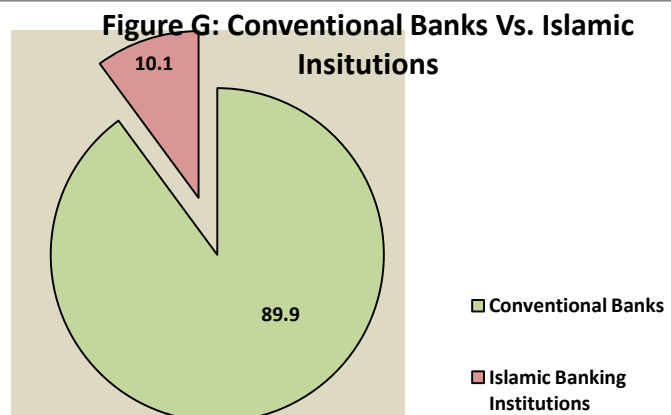
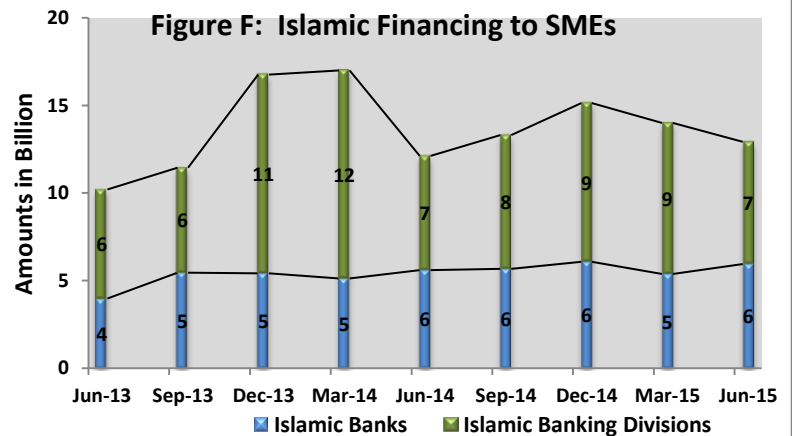
quarter) of total SME outstanding amount. Following Banks showed highest increase in outstanding SME Financing in the quarter under review as compared to the previous quarter. The major difference of increase in SME financing of the Bank of Punjab was due to financing of Apna Rozgar Scheme (Govt. of Punjab).

Table 3: Position Table of Banks w.r.t Highest SME financing during quarter June, 2015

S.No	Banks	% change in SME financing (QoQ)
1	Bank of Punjab	49.1%
2	First Women Bank Limited	37.0%
3	Bank Alfalah Limited	6.0%
4	Bank Alhabib Limited	5.4%
5	Sindh Bank Limited	2.4%

SME financing by Islamic banks and Islamic banking divisions (collectively called IBIs) decreased by 7 % in quarter under review whereas share of Islamic Banking Institutions (IBIs) remained stagnant when compared to same quarter of previous year. The share of SME financing of Islamic Banking Divisions was more than the share of Islamic Banks in Pakistan. Total share of Islamic Banks in SME financing was around 2% while IBDs contributed around 3%. The share of Islamic banking divisions quarter under review decreased when compared to previous quarter while share of Islamic banks in absolute terms increased when compared to previous quarter.

Similarly, If we look at **figure G**, it is noticeable that conventional banks have a share of 90 % of SME financing, on the other hand, only 10% financing is done through Islamic Banking Institutions.



Events and programs conducted during the quarter

The programs and events organised during the period under review are summarized below:

1. Awareness Programs

- **Sukkur Office-13th-14th April, 2015**

To create awareness among Rice Millers of Sukkur Region, Infrastructure, Housing & SME Finance Department SBP in collaboration with SEDF (Sindh Enterprises Development Fund) and SBP BSC, Sukkur conducted two awareness programs on Markup Subsidy and Guarantee Facility on 13th & 14th April, 2015 at Sukkur & Larkana respectively. Rice Millers from Jacobabad, Shikarpur and Larkana participated in those sessions and sessions proved to be helpful for the rice millers.

- **Hyderabad Office-14th April, 2015**

An “Awareness Campaign to enhance credit flow to Agri, SME and Micro business sectors” was conducted at Badin. The Program was arranged in a Hall near Press Club Badin. More than 60 participants including farmers, landlords, small businessmen and bankers attended this program. Assistant Chief Manager Access to Finance Unit Hyderabad Office and executives from host banks (Soneri and HBL) disseminated a relevant and comprehensive information.

- **Sialkot Office-27th April, 2015**

An informative session with Sialkot Chamber of Commerce & Industry in Sialkot was held on 27th April, 2015 under chairmanship of Chief Manager, Sialkot Office. Mr. Mahmood Shafqat Additional Director, Islamic Banking Department, SBP Karachi was the guest speaker, who has a vast experience in the area of SMEs as well. Participants were University faculty, Students of different educational institutions, Islamic Bankers and Business Community. The session was highly interactive, and active audience kept asking questions from the Speaker. The speaker addressed every question in detail.

- **Hyderabad Office-12th June, 2015**

There has always been a need to enhance credit flow to Agri, SMEs and Micro businesses. For the purpose different awareness campaigns have been designed at different field offices. A program of this series was conducted by Hyderabad office in collaboration with Habib Bank Limited in Kotri. The program was chaired by Mr. Azam Qureshi, Assistant Chief Manager Hyderabad. Mr. Danyal Akhud from Habib Bank Limited assisted the session. The session was an instant success which enhanced importance of financial services provided to the unbanked/under-banked population.

2. Capacity Building Programs

- **Bahawalpur Office-11th June, 2015**

Bahawalpur office arranged a program on SME Finance capacity building in collaboration with NRSP Training Centre Bahawalpur. This program was organised on request from SME Finance Focus Group members. This program focussed on the basics of SME Finance. Regional Head SME Finance Faysal Bank Limited Mr. Taimur Arif was invited from Multan to impart training to the bankers. Mr. Taimur Arif has a vast experience in the field of SME finance.

3. SME Finance Focus Group Meeting

- **Quetta Office-27th May, 2015**

The Second SME Finance Focus Group was held at SBP Banking Services Corporation Quetta on 27th May, 2015 under the Chairmanship of Mr. Ali Hussain (Chief Manager SBP Banking Services Corporation Quetta) which was attended by 20 representatives from various Banks and trade bodies. The Chief Manager highlighted the basic aims of the event in-depth and discussed the issues faced by the sector for the provision of its financing needs.

- **D.I Khan-13th May, 2015**

The chief Manager D. I Khan Office chaired SME Focus group meeting which was held on 13th May, 2015. The bankers and other members of the focus group Meeting attended the meeting. The participants included President/G. Secretary Chamber of Agriculture. The meeting aimed at the smooth credit flow towards SME sector. It was an interactive session which cleared many confusions of the participants. The agenda of the meeting was duly approved through Development Finance Support Department, SBP BSC Karachi.

- **Multan Office-16th June, 2015**

Access to Finance Unit Multan Office organized SME Finance Focus Group (SMEFG) Meeting on June 16th, 2015. The meeting was chaired by Chief manager Multan office. Chief Manager stressed upon need of the credit flow towards SMEs in Pakistan specially in South Punjab. He declared that SMEs are the next big thing in the financial world. The participants were from banks, SMEs and chamber of Commerce. The session was an interactive session.

- **Faisalabad Office-18th June, 2015**

Faisalabad office arranged second biannual meeting of Regional Focus Group for SME Finance on 18th June, 2015. Mr. Aamir Nazir Bhatti, Chief Manager Faisalabad office chaired the meeting. The

participants of the meeting were from different banks of the region, chamber of commerce and SMEs. The meeting ended with a promise to extend credit to the SMEs.

- **Muzaffarabad Office-11th June, 2015**

A Joint meeting of Focus groups (SME/Agri/Islamic/Microfinance) was held on 11th June, 2015 under the chairmanship of Mr. Nisar Ahmad, Chief Manager SBP BSC Muzaffarabad. The meeting was attended by Agri./SME/Microfinance and Islamic Banking focus group members. The agenda of the meeting was duly approved from Development Finance support department, SBP BSC karachi.

- **Peshawar Office-30th June, 2015**

A meeting on SME Finance focus group was organised by Peshawar office on 30th June, 2015. The meeting was chaired by Chief Manager Peshwar Office. The purpose of the meeting was discussion on progress and strategies for the development of SME sector in the region. All participants agreed on extended efforts to boost SME finance.

- **Sukkur-4th June, 2015**

Sukkur Office organised SME Finance Focus Group Meeting which was held on 4th June, 2015. The Chief Manager Sukkur Office chaired the meeting. The meeting was attended by 14 members including Banks, Sukkur Chamber of Commerce & Industries and Trade Development Authority of Pakistan (TDAP).

- **Lahore Office-25th June, 2015**

Lahore Office arranged a meeting of SME Finance Focus group on 25th June, 2015. The meeting was attended by bankers from the region and the members from Chamber of Commerce. The meeting was organised to shed light on the ongoing strategies of the financial sector.

SME Related News

UNISAME Urges Mincom to Wake Up To Face The Challenges

The Union of Small and Medium Enterprises (UNISAME) urged the government to come out of its comfort zone and prepare itself to meet the challenges it is facing due to global slow down resulting in decline in exports and Chinese currency devaluation. President UNISAME Zulfikar Thaver said the Ministry of Commerce (MINCOM) must not remain in a state of denial and must roll up its sleeves to meet the challenges strategically.....

<http://www.unisame.org/unisame-urges-mincom-to-wake-up-to-face-the-challenges/>

9th SME Conference To Advocate Sector Uplift

The Union of Small and Medium Enterprises (UNISAME) assured the stakeholders of advocating the requirements, issues and need for modernization of SME units at 9th SME Conference to be held on 25th August 2015 at Lahore. President UNISAME Zulfikar Thaver in a meeting with Shamrock Conferences chief Menin Rodrigues highlighted the urgent need to make the SME units smart by adopting modern technologies in accounting, manufacturing, marketing, logistics, financing and productivity to fill the technological gap.....

<http://www.unisame.org/9th-sme-conference-to-advocate-sector-uplift/>

SMEs significantly contributing to GDP

The State Bank of Pakistan has acknowledged significant contribution of small and medium enterprises to the country's GDP and stressed more steps to meet financing needs of the SME sector. In its quarterly SME Finance Review issued on Tuesday, the SBP said it had been taking initiatives for promotion and development of SME banking as a result of which the banks' outstanding SME financing (domestic) increased by almost 20 per cent to Rs287.8 as of Dec 31, 2014.....

<http://www.dawn.com/news/1178777/smes-significantly-contributing-to-gdp>