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Textile Sector receives Rs176 billion under EFS in three quarters of FY08

The State Bank of Pakistan and commercial banks have provided a sum of Rs 273 billion under the Export Refinance Scheme (EFS) to all eligible export-oriented sectors during the first three quarters of FY08, out of which an handsome amount of Rs 176 billion or 65% was availed by the textile sector at 7.5% - lower than ongoing 6-month Karachi Inter-Bank Offered Rate (KIBOR) of around 10.32%.

It may be mentioned here that the above-mentioned amount is equivalent to the amount provided to the Textile Sector during the same period of FY07. Likewise, textile sector has also availed over Rs 4 billion during the same period as a long-term financing at 6% to 7%, which is even below ongoing EFS rates. The SBP has also sanctioned an amount of Rs 8 billion under its newly-announced Long Term Financing Facility (LTFF) for disbursement to the textile sector during January-June 2008. The funds so far disbursed under this scheme have been availed by the textile sector.

It may also be added here that during the period from FY 03 to December 2007, the State Bank has provided refinance amounting to Rs 897.5 billion to the Textile Sector under EFS at the mark up rates which were below the ongoing market rates providing sufficient savings to the sector. Further, Textile Sector has availed refinance amounting to Rs 54 billion under Long Term Financing for Export Oriented Projects (LTF-EOP) Scheme since its inception in May 2004 to February 15, 2008 at a fixed rate of mark up of either 6% or 7% for the full tenure of the loan which can extend up to 7-1/2 years.

The above-referred facts are sufficient to dispel an impression, created by a news item published in a section of the press, that the SBP Governor while addressing a meeting of Federation of Pakistan Chambers of Commerce and Industry (FPCCI) recently has refused provision of financial assistance with low mark up for textile industry.

It may be pointed out that pursuant to release of the monetary policy statement for January – June 2008, the State Bank held many focused discussions with the stakeholders including FPCCI. During these meetings and discussions SBP explained that the monetary tightening was carried out to contain macro economic imbalances creating inflationary pressures in the economy.

As regards provisions of low mark-up financing to the textile industry, it is reiterated that textile sector has always been one of the major beneficiaries of the incentives provided by the SBP in the shape of its various Schemes i.e. EFS, LTF-EOP, LTFF. The value-added sectors of the Textile Group have remained the major beneficiaries of the refinance granted under these schemes.

Therefore, it is incorrect to assume that the SBP is not providing long term financing to the value added textile sector; in fact LTFF is available to value added sector including Fabrics, Garments, Made up, Towels, and Art silk & synthetic textiles sub sectors of Textile Sector.
