

August 20, 2010

State Bank announces immediate initiatives for revival of economic activities in flood-hit areas

The Acting Governor, State Bank of Pakistan Mr. Yaseen Anwar has announced new initiatives and the setting up of four committees of banks for the revival of economic activities in the flood affected areas of the country.

Presiding over a meeting of the Presidents/CEOs of all banks at SBP, Karachi today, Mr. Anwar disclosed that SBP has decided to make available SBP refinancing schemes at concessional rates for agriculture and small businesses in flood affected areas, grant relaxations in provisioning requirements for loans stuck up because of this tragedy, and appropriate credit guarantee schemes to share losses with banks to encourage them to extend fresh loans in these areas. He said these initiatives are ready to be announced as modalities are finalized in consultation with all stakeholders.

He also said that the committees will be on SME Finance, Agricultural Finance, Microfinance and General Relief Activities. While the Flood Relief Committee of Pakistan Banks Association (PBA) will coordinate with Banks to channelize the flood relief measures to the flood affected people, the other three committees will put forward their recommendations for the immediate relief and smooth flow of credit to the flood affected people of the country, he added.

The SBP Acting Governor underscored the need to provide the requisite financing facilities to the farmers and small businesses to help them in restoring their businesses.

Mr. Anwar said that SBP will be convener of the meetings of these committees. SME Finance Committee will include senior level members from HBL, NBP, Faysal Bank, Standard Chartered Bank, Bank Al-Falah, Meezan Bank and NIB Bank. Agriculture Finance Committee will comprise representatives from NBP, HBL, Faysal Bank, UBL, Askari Bank & ZTBL. The Microfinance Committee will include representatives from HBL, NBP, Khushhali Bank, First Microfinance Bank, Tameer Microfinance Bank and Kashf Microfinance Bank.

The first meeting of these committees will be held on 24th August, 2010. SBP Acting Governor assured the banks that the central bank will provide all necessary assistance to the banks to facilitate the flow of credit to the flood affected people of the country.

He said the catastrophe is of vast magnitude and we should rise to the occasion and help the affected people. "We will do whatever we can within our regulatory domain to make available liquidity to the banking sector without jeopardizing the stability of the financial system," he added.

The representatives of the banks informed the meeting about the various steps that are being taken by them for the flood affected people of the country. SBP Acting Governor appreciated the efforts of the banks but emphasized that the magnitude of the catastrophe is very high. Hence, "we all must play our part in redressing the grievances of the affected people by extending all possible help to them," he added.

Mr. Anwar emphasized upon the banks to provide relief to their existing borrowers and make provision for fresh financing for the revival of economic activities in the flood affected areas of the country. He asked the banks to put forward their recommendations for the facilitation required from the central bank, to provide relief to existing banks' borrowers and to continue fresh financing. He informed the meeting that the volume of NPLs in the flood affected areas of the country would increase substantially. According to the initial estimates, the total NPLs would be over Rs 48 billion in the flood-hit areas, he added
