

April 1, 2010

Banks extend Rs 138 bn credit to private sector: Kamran Shehzad

Banks have extended credit amounting to Rs 138.4 billion to the private sector during July 1st, 2009 to March 20th, 2010 compared with Rs 106.9 billion provided in the same period last year. This was disclosed by the Deputy Governor, State Bank of Pakistan, Mr. Muhammad Kamran Shehzad while presiding over a meeting of the Private Sector Credit Advisory Council (PSCAC) at SBP, Karachi today.

He said that about 63% of total credit has been availed for working capital while 37% for fixed investment purposes and added the main sectors that availed credit included manufacturing (including textiles), electricity, gas, water and agriculture.

Mr. Kamran said that SBP's efforts to facilitate exports have resulted in rise in banks' credit disbursement for export finance by Rs 26.2 billion during the second quarter (October - December) of FY10 in contrast with a decline of Rs 2.6 billion in the first quarter of FY10.

He also pointed out that sector-wise analysis of credit to private businesses has shown healthy growth of 6.2% during Jul-Feb FY10. All major sectors availed credit; however the highest share was availed by manufacturing sector (69%) followed by electricity, gas & water (29%), agriculture (5%) etc. Out of the total credit to manufacturing sector (Rs 92.4 billion) 46% was extended to food products & beverages, 41% to textile and 10.7 % to chemicals & chemical products while spinning, weaving, finishing of textiles received Rs 38.0 billion, the Deputy Governor added.

Mr. Kamran opined that favourable performance by the agriculture sector has had a healthy impact on the Large Scale Manufacturing (LSM) which grew by 2.3% in July –January, FY10 as against a contraction of 5.4% in the same period last year. Credit flow has expanded mainly to spinning, weaving and finishing of the textile, he added.

SBP Deputy Governor said that weighted average lending rate declined to 13.71% in December 2009 from 14.32% in June 2009 while real interest rate has also declined to 2.9% from 3.5 % during the period. "However, its effect has not trickled down to private sector, as most of the resources were preempted by government for commodity

financing, fertilizer import, partial settlement of power sector circular debt and financing of budget deficit," he added.

SBP Deputy Governor said the agricultural credit disbursement during July - February, FY10 has increased to Rs 144.7 billion or 11% from Rs 130.3 billion during same period last year. He said the Credit disbursement to infrastructure related projects during September -December, 2009 has increased to Rs 27.4 billion from Rs18.9 billion in preceding period. However, he said the SME credit has declined to Rs 348.2 billion at end December 2009 from Rs 383 billion last year. Similarly, credit to housing sector has declined to Rs 74.4 billion from Rs 83.8 billion last year.

Mr. Kamran said the branch network of Islamic Banking Institutions (IBIs) has crossed 650 branches in December, 2009. Their total Assets have reached to Rs 366 billion at end December 2009 compared with Rs 313 billion at end June 2009. IBIs have attained market share of 5.6% in total assets, 4.5% in financing & investment and 5.9% in deposits at end December 2009, he added.

He said that the Gross NPLs to loan ratio declined to 12.2% in December, 2009 from 12.4% in September, 2009 which will improve, to some extent, banks' capacity for lending to the private sector.

Representatives from trade associations and other stakeholders including Dr Ikhtiar Baig from the Federation of Pakistan Chambers of Commerce and Industry pointed out various hurdles in the promotion of credit disbursement to the private sector. SBP Deputy Governor asked banks to resolve issues that are hindering disbursement of loans to the private sector in consultation with representative bodies.

The meeting was attended, among others, by heads of commercial banks, representatives of agriculture chambers and trade bodies, officials of relevant federal/provincial departments, besides senior officials of State Bank of Pakistan.
