

June 11, 2012

SBP Governor stresses upon banks to give top priority to SME banking

The Governor, State Bank of Pakistan, Mr. Yaseen Anwar has stressed upon the banks to give top most priority to SME banking with a view to ensuring uninterrupted flow of financial access to SME sector in the country.

Speaking at the signing ceremony of the Project Document between the State Bank of Pakistan and Bank Alfalah under the DFID-funded Financial Inclusion Programme (FIP) at SBP, Karachi today, he said the role of banks, especially of mid-tier banks, is crucial to ensure unhindered flow of financial resources to the SME sector which is the engine of economic growth in Pakistan, 'Though many banks in the market are trying to improve their market position in order to serve the sector more effectively, the current level of SME finance as well as an overall level of SMEs' access to banking services remain unsatisfactory, and as such call for more serious efforts on part of the banks,' SBP Governor added.

Mr. Anwar said that SME financing is very close to his heart due to its key significant contribution in the economic development of Pakistan. 'The SME sector plays an important role in employment generation, poverty alleviation, and equitable distribution of resources and is the engine of growth,' he added.

He pointed out there are 3.2 million economic establishments, of which 99% are SMEs, and SME sector represents over 90% of all enterprises and employs 75% of the non-agricultural workforce and contributes 30% towards the national GDP. 'However, despite its strong contribution in employment generation, exports, and national income, the SME sector is severely constrained in access to finance which is crucial for its growth,' he added. SBP Governor advised the banks to study the international examples of successful SME banking models which include Retail-based Model for Mass SME, Relationship-based banking, Advisory-based lending services, Segment-based Model, and Supply-chain linked Model.

Regrettably, he said that despite its immense significance and potential, the SME sector in Pakistan remains largely financially excluded, the current level of financing facilities to this sector stand at Rs. 253 billion, constituting only 7% of the banks' total advances.

Mr. Anwar said that with the SBP- Bank Alfalah and International Finance Corporation (IFC) nexus, and the generosity of DFID, we can have more joint ventures of this sort in the future that would lead to a sustainable, sound and integrated financial system, characterized with ready access to finance, diversified loan portfolio and extended outreach to SMEs.

He said the State Bank, under the DFID-funded "Financial Inclusion Programme (FIP) will provide funding support to Bank Alfalah (BAF) in undertaking the IFC SME Advisory Project. 'The main objective of the project is to create a symbolic podium which can position Bank Alfalah to cater to the financing needs of the SME sector including the S and M segments through a holistic banking and advisory services solution,' he added.

SBP Governor said the SMEs need to be addressed through innovative credit assessment tools and techniques like credit scoring and capacity enhancement of the financial service providers, and an integrated approach to SME Banking.

DFID and SBP are keen to upscale FIP to reach out the unbanked segments in Pakistan. Going forward, FIP funds will also be targeted to improve financial inclusion through SMEs banking, Mr. Anwar added.

Speaking on the occasion, the British Deputy High Commissioner, Mr. Francis Campbell said the signing of this project highlights the significance of the relationship between Pakistan and Britain. He congratulated the Governor, State Bank of Pakistan, Mr. Yaseen Anwar, the President Bank Alfalah, Mr. Atif Bajwa for signing this project. He also appreciated the role of DFID and IFC in promoting financial inclusion in Pakistan.

Mr. Haroon Sharif, Head of Economic Growth Group of DFID-Pakistan, Mr. Akbar Zaman Khan of IFC and President, Bank Alfalah, Mr. Atif Bajwa also spoke on the occasion.

The signing ceremony was attended, among others, by senior level officers of the State Bank, Bank Alfalah, IFC and DFID.
