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**SBP GOVERNOR, Mr. YASEEN ANWAR CALLS UPON BANKS
TO DEVELOP ROBUST STRATEGY FOR MEETING BANKING NEEDS OF SMEs**

The Governor, State Bank of Pakistan, Mr. Yaseen Anwar has impressed upon the top management of banks to develop a more robust and focused strategy for meeting the banking needs of Small and Medium Enterprises (SMEs). 'This will lead to better and improved banking solutions for SME customers', he said while delivering his keynote address at the Roundtable on 'SME Banking' organized by the State Bank and International Finance Corporation (IFC) at SBP Learning Resource Centre in Karachi today.

He said: 'I hope that when you walk out after this roundtable, a voluntary commitment to increase lending to this sector will be forthcoming. This prudent decision will be in the interest of both the banking sector and the economy'.

SME development plays a key role in the economic development of a country, he said, adding that the SME sector in Pakistan contributes 30 percent towards Gross Domestic Product (GDP), employs more than 70 percent of the non-agricultural workforce and generates 25 percent in export earnings. 'The sector has huge potential in generating employment and poverty alleviation in the country. Therefore, SBP is actively promoting SME finance under the broader agenda of increasing Financial Inclusion in Pakistan', Mr. Anwar added.

Both SBP and commercial banks need to play a proactive role in improving access to finance for SMEs, he said, adding that the State Bank has already taken a number of important initiatives for improving access to credit for SME sector. 'These measures include provision of specialized Prudential Regulations (PRs) for SMEs, Refinance

Schemes for SMEs, Credit Guarantee Scheme for Small and Rural Enterprises and cluster development surveys’, he added.

Mr. Anwar further said that SBP has been assisting banks through a holistic IFC technical assistance and capacity building initiative encompassing areas of Strategy Formulation, Product Development, Risk Management and HR Development etc. for SME lending. ‘Presently, Bank Alfalah Ltd. is being supported for capacity building to boost SME banking, while many other mid-tier banks are being considered for similar IFC technical assistance. IFC is in direct dialogue with a number of banks. We hope that the project will revitalize SME lending by participating financial institutions and will be a prototype for other financial institutions which could see financing to SMEs as profitable business ventures’, he added.

SBP Governor said that despite the immense significance of the SME sector in Pakistan, it remains largely financially excluded, as reflected from the declining trend in SME finance over the years, constituting only 8% of the banks’ total advances as of June 2012, down from 16% in June 2007.

Mr. Anwar regrettably pointed out that banks’ credit to SMEs has declined over the last 4 years from Rs 437 billion in 2007 to Rs 248 billion on June, 2012 and stressed upon the financial industry to move towards promoting SMEs by formulating strategies to overcome the challenges presented by the market as well as by the cyclicity in economic conditions ‘Banks need to shift from traditional banking approach towards SMEs to the provision of more customized and differentiated financial products and services’, he added.

Highlighting the significance of this roundtable, he said, it has representation of all the major banks that contribute more than 90% of the total SME Lending in the country. ‘The objective of today’s proceedings is twofold; *first*, to take stock of the

issues confronting the SME sector, and *second*, to learn and deliberate on the various successful strategies and SME Banking models practiced globally by lending institutions', Mr. Anwar added.