



A DRAFT SPEECH

SME Awareness program for Kalam Hotels Association and Swat

Chamber of Commerce

by Managing Director SBP BSC

at Kalam, Swat

Thursday, September 23, 2021

*Respected Dr Abdul Wadood – President Kalam Hotels Association,
Members of the hotels and tourism services community,
Representatives of Commercial Banks,
My colleagues from State Bank of Pakistan
ladies and gentlemen!*

Assalam O Alaikum.

It gives me great honor to address such distinguished guests from the tourism industry in Kalam. The landscape of this valley, its culture and, the hospitality of its people speaks volumes of the beauty of this place. These are the reason why tourists from across the country flock to this valley in all seasons for excursion and vacations. However, despite its phenomenal beauty, this region has been neglected by government and others in the past; in terms of provision of infrastructure and support necessary to benefit the local people and businesses. A few years ago, Kalam was a

remote valley without proper roads network, however, with the construction of Swat Motorway and Bahrain to Kalam road, access to the area has considerably improved.

These developments have attracted vast amounts of tourists to visit this region from across the country. However, due to lack of proper infrastructure and services, the local industry has not been able to fully capture the dividends of this progress. Also, the pandemic of Covid-19 and the impending restrictions severely wounded the tourism industry in the past years. In addition to this, lack of a bank branch and ATMs created severe difficulties for the businesses and tourists alike.

I have been informed that there are more than 300 hotels in this region working alongside other allied services like restaurants and transportation. Similarly, the local looming industry of this valley produces some of the best garments in the country. Each season, thousands of tourists visit this valley which speaks of the amount of business conducted in this region. But to this day, there has been no bank branch in this valley which excluded the people of Kalam from the fruits and benefits of financial inclusion and access to finance. Financial Inclusion plays a pivotal role in promoting inclusive economic growth through enhancing livelihoods and enterprise activities. SBP being the apex policy & regulatory body has been striving to promote access to formal financial services for achieving inclusiveness, which is a prerequisite for wider distribution of the economic growth across all regions and segments of the population.

In a regulatory role, SBP has instructed banks to open new bank branches in at least 30% of the rural areas of Pakistan. Similarly, to cater to the faith sensitivity against Riba in various regions, State Bank of Pakistan is fully committed in promoting

Islamic banking as envisioned in its 3rd five-year strategic plan 2021-25 by setting targets of:

- a. 30 % share in assets and deposits of overall banking industry
- b. 35 % share in branch network of overall banking industry
- c. 10 % share of SMEs' Financing in Private Sector Financing of Islamic banking industry
- d. 8 % share of Agriculture Financing in Private Sector Financing of Islamic banking industry.

As a result of these interventions and, with the express commitments and dedication of the banking industry, I am pleased to inform that I will be inaugurating the very first bank branch in Kalam tomorrow. I commend Bank Al-habib Islamic group on this great achievement and encourage other representatives of banks to open their bank's branches in Kalam as soon as possible. I am confident that initiatives like these will bring forth new era of financial inclusion, economic stability and prosperity in the region.

About SBP's partnership with various Chambers in the country, I would like to mention that it has always been our priority to take various initiatives from time to time for facilitating businesses and livelihoods in the country. These initiatives include both long-term and short-term measures, and mainly focus on the provision of easy access to finance through SBP Concessional Refinance Schemes and improving ease of doing business through Forex Regulatory Approval System and Promoting ADCs for tax collection. These initiatives especially target priority sectors because of their potential to contribute in Gross Domestic Product (GDP),

employment generation and poverty alleviation. Among the priority sectors, the small & medium enterprises (SMEs) take a central place due to the fact that i) 90% of business enterprises in our country are SMEs, ii) SMEs contribute up to 40% of national GDP and iii) contribute 25% in export earnings.

Distinguished Guests.....

Now, let me talk about a broader context of SMEs financing. As you are aware that SBP has announced various concessional schemes in recent past to promote SME financing in the country. A challenge to the success of these schemes is that SMEs are viewed by our banks as a high-risk sector due to certain reasons including lack of documentation, non-availability of collateral, and lack of SMEs' awareness about procedures/requirements of commercial banks.

To counter these challenges, I am pleased to share a good news with you that State Bank in collaboration with Government of Pakistan has issued a Refinance Scheme i.e. 'SME Asaan Finance' or SAAF in the last month to support small businesses. The SAAF is a refinance and credit guarantee facility which has been developed through a wide-ranging consultative process and is aimed at assisting SMEs that are creditworthy, but do not have the required collateral. Under the scheme, selected banks will get refinance from SBP at 1% p.a. and extend financing to SMEs at a rate of up to 9% p.a. which is very attractive compared to informal finance costs. Under SAAF, all SMEs that are new borrowers of a bank will be eligible to avail financing of up to Rs. 10 million. The collateral-free (clean) financing will be available to SMEs for long-term fixed capital investment as well as for working capital finance requirements. I hope that Kalam Hotels Association and Swat Chamber of

Commerce will create awareness of this scheme amongst the business community in Kalam and Swat. Our SBP Office at Peshawar will remain available to facilitate your associations in the resolution of any issues faced by the business community in availing financing under the SAAF.

Over the years, SBP-BSC Peshawar has a privilege of organizing a number of programs in coordination with Banks for awareness and promotion of policies related to wellbeing of business community. I am very hopeful that the banking sector will extend full support to SBP team for success of enhancing financial inclusion and access to finance to the neglected communities of the province.

Distinguished guests, I believe that we can significantly promote financial inclusion by working together. I would be very pleased to hear your ideas and suggestions for SBP to develop new market interventions and take measures to improve financial inclusion and ease of doing the business in the region.

Thank you!