



## **A DRAFT SPEECH**

**Launching Ceremony of Sector of the Year Initiative 2021-22**

**by Managing Director SBP BSC**

**at FCC&I, Faisalabad**

**Tuesday, August 24, 2021**

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*Respected Mr. Ehtesham Javed – President Faisalabad Chamber of Commerce and Industries (FCC&I), Ms. Robina Farooq – Vice Chancellor, Government College for Women University Faisalabad (GCWUF), Ms. Tehmina Pasha – President, Women Chamber of Commerce & Industry,  
Members of FCC&I,  
Representatives of Commercial Banks,  
My colleagues from State Bank of Pakistan  
ladies and gentlemen!*

*Assalam O Alaikum.*

It is a great honor for me to inaugurate the launching ceremony of 'Sector of the Year' initiative for 2021-22 by SBP Faisalabad Office with the support of Faisalabad Chamber of Commerce and Industry. Masha Allah, FCC&I has been playing an important role in promoting interest of local businesses and industry in Faisalabad especially by coordinating with SBP and also with Government ministries and agencies. For FCC&I's cooperation on Renewable Energy initiative, I would like to personally thank President, FCC&I.

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.

*Ladies and gentlemen,*

I would like to mention that SBP has chosen Renewable Energy as the sector of the year initiative for all its offices for the year 2021-22. As you know that the emergence of renewable energy has been revolutionizing world markets, and its progress is continuing with unprecedented speed. As per an estimate by the International Energy Agency (IEA), Renewable Energy will make up 30 percent of the world's energy by 2024, and most of this is being driven by solar and wind projects. Pakistan's economy is currently facing the dual challenge of energy shortage and climate change. The inadequate supply of energy and its higher cost have severely impacted the growth of industries/businesses and the welfare of public in general. While Pakistan has an immense scope to generate energy through various alternative renewable sources, our progress however on adopting alternative sources for our energy requirements has not been up to the mark as yet. SBP therefore wishes to facilitate business community and individuals in using the cost-effective solution of Renewable Energy by improving the ease in access to credit for Renewable Energy solutions. For the benefits of all of you, I would like to share that

SBP Financing Scheme for Renewable Energy provides concessionary financing for large renewable energy power projects as well as for small scale renewable energy solutions. The scheme shall be available for power generated by using alternative/renewable energy sources (solar, wind, hydro, biogas, bio-fuels, bagasse cogeneration, and geothermal as fuel). The scheme offers subsidized financing at a rate of 6% only to households, agricultural, SMEs and corporate stakeholders for a period up to 12 years.

SBP BSC team at Faisalabad Office has already started working on this sector of the year initiative. Under this project, they will interact with business community to assist them if they are interested in investing in renewable energy projects to meet their energy requirements. By availing this facility, businesses can manage issues related to load shedding and high electricity bills. Moreover, renewable energy will also help in addressing challenges of climate change and global warming.

*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 week 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 FCC&I will create awareness of this scheme amongst the business community in Faisalabad. Our SBP Office at Faisalabad will remain available to facilitate FCC&I to resolve any issues faced by the business community in availing financing under the SAAF.

In addition to newly launched SAAF scheme and sector of the year initiative, I would also like to highlight few important initiatives taken by SBP to facilitate businesses particularly SMEs.

SBP has introduced concessional refinance schemes for SMEs for modernization of their units, and to meet their working capital needs. 195 borrowers have availed financing of up to Rs. 2.1 billion under Refinance Facility for Modernization of SMEs whereas 91 borrowers have availed financing of more than Rs. 600 million for working capital needs. I would like to encourage all SMEs through this platform to get benefit from these SBP schemes.

SBP has also started to conduct SME Finance Clinics from FY20-21 to enhance the interaction of SMEs with commercial banks. This interaction is expected to allow banks to understand the issues being faced by SMEs, cater to their concerns and create potential leads. In this regard, 49 sessions were conducted up to June 2021, which were attended by more than 1000 SMEs. These sessions facilitated approval of 97 loan applications amounting to Rs. 1.14 billion. SBP also conducts biannual SME Finance Focus Groups' meetings with commercial banks through its 16 offices,

wherein regional performance of banks in SME financing is discussed to review and monitor their activities. 22 such meetings were held during FY21 across BSC offices.

Towards the end, let me also mention that SBP introduced various measures to counter the negative effects of COVID-19 on economic growth and employment. These measures include regulatory relief for deferment of principal repayment or rescheduling/restructuring of loan up to 1 year, extension in shipment period for six months under Export Finance Scheme, introduction of concessionary schemes for purchase of medical supplies/equipment, modernization of new and existing industrial units and payment of wages and salaries to staff. I must appreciate FCC&I for its role in making all these schemes successful through their efforts on awareness and coordination.

Over the years, SBP has a privilege of organizing a number of programs in coordination with FCC&I for awareness and promotion of policies related to wellbeing of business community. I am very hopeful that FCC&I will extend full support to SBP team for success of 'sector of the year' initiative as well.

*Distinguished guests*, I believe that we can significantly promote SME financing 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 ease of doing the business for SMEs.

Thank you!

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