

Mehtab Haider

**SMEs to get higher growth through structural adjustments**

ISLAMABAD: The ongoing IMF programme will increase difficulties for Small and Medium Enterprises (SMEs) in Pakistan but structural adjustments will also provide opportunity for moving towards higher growth trajectory after passing through this difficult patch.

“There will be no job opportunities if there is no intervention from policy makers for making investments in SMEs sector in Pakistan under the IMF programme, however, this Fund programme might become a blessing in disguise such as documentation of economy will help small and medium enterprises to grow in the aftermath of passing through of structural adjustments phase,” the Chief Executive Officer (CEO) Karandaaz Pakistan Ali Sarfraz said in an exclusive talk with The News here at his office on Sunday.

He said that they were working with State Bank of Pakistan to come up with digital banking regulations and it was expected that this task would be accomplished within six-month period. At this difficult time on economic front, he said that the best use of technology could help both banking as well as non banking financial institutions (NBFIs) in Pakistan.

He said that the appetite of SMEs financing required huge amount as estimates suggested that total financing need stood at Rs3.5 to Rs4 trillion. However, the SMEs lending was witnessing contraction as latest available data showed that the SME lending reduced from Rs530 billion in first nine months of the last fiscal year to Rs470 billion till March 2019. Going forward, he said, it seemed that the declining trend of SMEs lending might persist.

Owing to the recent increase in the policy rate, he said, the 6-month KIBOR (Karachi Inter-bank offered rates) was currently hovering at around 14 percent. This means that the effective finance cost to the private sector has increased significantly and such high rates will eventually dampen demand for credit due to expansive pricing, he added.

“The supply of credit and demand of credit are likely to decline. Now the government should focus more on SMEs to create more job opportunities by moving ahead with different innovative financial instruments. There is a need to focus on regulatory environment to provide level playing field to SMEs in Pakistan”, he maintained.

There are total 4.5 million SMEs working in Pakistan and there is a need to provide different instruments such as equity financing, which is required to promote this sector, he further said. He said that till date over 1,200 small and medium enterprises (SMEs) have benefited from Karandaaz supported financial services with an overall investment of over Rs5 billion. Through investments in microfinance worth Rs5 billion, they have supported over 800,000 micro-businesses. “Over 804,400 jobs have been supported through our investments in micro-businesses and SMEs”, he added.

Over 50 women-led and owned businesses have received business support from Karandaaz out of which 12 have received direct growth capital under annual Women Entrepreneurship Challenge (WEC) running since 2017. The 2019 round is currently in progress and new investments will be announced later in FYI-2019-20.

He said that they so far utilised around Rs10 billion as wholesale investments through banks and other partners stood at Rs3.265 billion, direct investments (Equity) Rs1.906 billion and strategic investments (PMIC) Rs5.024 billion.