

**SBP to increase SMEs credit share to 17pc by 2020**

ISLAMABAD: The State Bank of Pakistan (SBP) is working to increase the share of Small and Medium Enterprise (SME) in private sector credit from current eight per cent to 17pc by 2020, said SBP Forex and Development Group Head Shaukat Zaman while addressing an awareness session on Access to Finance for SMEs organised by Islamabad Chamber of Commerce and Industry in collaboration with SBP at Chamber House.

Zaman said that around 6pc of SMEs were currently availing loans from banks despite the fact that around 40pc of them have banking relationship.

Highlighting demand side issues, he said the low financial literacy, lack of collateral and documentation and complicated loan procedures were some of the challenges faced by SMEs due to which they could not avail more loans from banks for growth and expansion.

He said that high risk perception, high administrative cost, lack of collateral, lack of expertise in banks for SME finance were also some issues due to which banks were reluctant to give loans to SMEs.

However, he said the SBP is working to create an enabling regulatory framework for SMEs under National Financial Inclusion Strategy and under Policy for Promotion of SME Finance, the number of SME borrowers would be enhanced from current 180,704 to 500,000 by 2020.

It was highlighted that despite 10pc discount rate, banks were providing loans to SMEs at only 6pc mark up rate therefore, SME should take full benefit of these financing schemes for expansion and growth.

Speaking at the occasion, Islamabad Chamber of Commerce and Industry President Ahmed Hassan Moughal said that SMEs were contributing 30pc in GDP, 25pc in exports and 78pc in the industrial employment which showed their key role in the economic development of the country.

However, these businesses were facing problems in access to finance as banks prefer to invest in government securities instead of providing easy credit to private sector.

He stressed that SBP should come up with more attractive financing schemes for SME sector so that this vital sector of the economy could grow fast and put the country on the path of sustainable economic development. APP