

RECORDER REPORT

Govt urged to increase SME financing

KARACHI: Federation of Pakistan Chambers of Commerce and Industry (FPCCI) president Engr Daroo Khan Achakzai has urged the government to increase the SME financing in Pakistan which may contribute significantly in the economic and social development, employment generation and poverty alleviation of the country.

He added that it is worrisome that 95 percent of enterprises are SMEs in Pakistan while only 7.5 percent credit financing of private sectors are given to SMEs sector and most of the credit are given to corporate sector. Most of the SMEs got financing for working capital instead of new activities.

He stated that the financing to SMEs sector showed a declining trend during the last six months and stood at Rs 465 billion in June 2019 compared to Rs 514 billion in Dec 2018 despite the fact that it contributes in the GDP of Pakistan over 40 percent, exports earning by 25 percent and employs 80 percent of non-agriculture labor force. While quoting the examples of other countries he added that SMEs are dominating in China, Taiwan, Singapore, Hong Kong and Korea in these countries and contributed more than 80 percent in their development. These countries achieved the status of industrial advanced countries or newly industrial nations just on the basis of development of SMEs sector, he added. Pakistan should learn from the experience of these countries and formulate SMEs driven policies, he stated.

Engr Daroo Khan Achakzai further elaborated that in Pakistan the banks are generally reluctant to give loans to SMEs sector due to high risk, low profitability and transaction cost and 95 percent SMEs loans are given on collateral basis and commercial banks lack effective credit models to finance SMEs.

He indicated that without financing and other facilities, it is difficult for SMEs to modernize innovate and expand themselves. Keeping in view of the potential of SMEs, he suggested to increase the financing for SMEs and urged the government for significant measures for the development of SMEs sector and training on the issues related to cost-competitiveness, quality competitiveness, marketing, networking, product diversification, starting a business, business plan, legal issues, financial management, time management etc.