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Liquidity crisis continues to haunt textile industry

ISLAMABAD: While the government claims doing a lot to stimulate the country's exports in a big way, but bitter ground realities speak otherwise as the non-implementation of energy package coupled with dysfunctional refund system causing liquidity crisis and massive dip in cotton production is going to inflict huge dent on textile exports by almost $3 billion by end of current fiscal.

The situation for the exporters because of the host of the said crippling issues has turned from bad to worse as given the situation, exporters have the orders but are not only unable to expand its business for export surplus, but are also unable to meet the deadlines mainly because of liquidity crisis which is deepening more and more with passage of every day.

To this effect, Adviser for Commerce, Textile, Industry and Production and Investment Abdul Razak Dawood is going to agitate in the cabinet meeting being held today (Tuesday) with Prime Minister Imran Khan in the chair the issues textile industry is facing in jacking up its exports, a senior official at Textile Ministry told The News.

Adviser to All Pakistan Textile Mills Association (APTMA) Shahid Sattar confirmed the development, hoping that the cabinet meeting will figure out the chronic issues textile industry is facing. He flagged the issue of refund system, saying it is still dysfunctional and has multiplied the liquidity crisis for exporters manifold. He explained that in the first five months of the current financial year, the FBR has collected over Rs100 billion because of doing away with zero-rated status to export industry and enforcing 17 percent sales tax on textile sector, but refund system is not functional as majority of refund applications of exporters are rejected by the system due to form-H and irrational unannounced boundaries for acceptance of FASTER System. Even those applicants whose sales tax returns and form-H have accepted have not been paid refunds despite assurance of 72 hours.

He said the cabinet of the incumbent regime notified 11 months back that export industry will be provided energy package that included provision of RLNG at $6.5 per mmbtu and electricity per unit at 7.5 cents, but the Ministry of Energy is not implementing it in letter and spirit.

Shahid Sattar said, "Textile industry is getting the gas bills at the rate of $11 per mmbtu instead of $6.5 per mmbtu. Though the government later on pays back $4.5 per mmbtu, but this process takes about 5 months to complete and owing to this very reason, the huge capital of the textile industry remains stuck in this system that is causing another kind of liquidity crisis multiplying the economic miseries for the industrialist in textile sector.

More importantly, Shahid Sattar said, the textile industry is also being heavily fleeced when it comes to the payment of electricity bills.

He said that textile exports have increased by 26 percent in last fiscal year and in last month, exports have increased by 8 percent in quantitative terms and by 4.10 percent in value terms.

He said that around $2-3 billion increase in textile exports can be managed by end of this fiscal if liquidity, energy and cotton issues are resolved, but at the moment the perpetuity in the presence of the said issues by the government is jeopardising not only expected investment in textile sector but increase in exports by about $3 billion.