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### **ICCI urges govt to bring down interest rate**

ISLAMABAD: The Islamabad Chamber of Commerce & Industry has called upon the government to bring down the key interest rate to single digit level for reviving business activities as due to high interest rate, production cost and cost of doing business has increased manifold causing drastic slowdown in business activities and halt in new investment.

Ahmed Hassan Moughal President, Rafat Farid Senior Vice President and Iftikhar Anwar Sethi Vice President, Islamabad Chamber of Commerce & Industry in a statement said that businessmen needed borrowings from banks to expand existing businesses and invest in new start-ups, but policy rate of 13.25 percent has made bank borrowing very costly for them due to which they were facing problems in promoting business activities.

Ahmed Hassan Moughal said whenever interest rate went up, banks preferred to invest in government securities instead of providing credit to private sector and the same was happening right now in Pakistan. He further said the current government also financed bulk of fiscal deficit through borrowings from the central bank due to which inflation shot up and government adopted a tight monetary policy throughout the year to check inflationary pressures. But this approach crowded out the private sector from the credit facility.

Due to this factor, the performance of all major industries during 2018-19 including food, beverages, petroleum, pharmaceuticals, chemicals and automobiles remained in negative while the growth of SMEs also suffered badly.

ICCI President said the value of rupee experienced sharp depreciation during the tenure of current government which should have facilitated the growth of exports. However, due to high interest rates, export-oriented sector has suffered greatly.

Therefore, he urged the government should provide interest-rate subsidy to the export-oriented industries and bring down interest rate to below 10 percent so that businesses could get credit at affordable cost from banks and focus on promoting business activities. It would create multiple benefits for the economy as growth of businesses would create new jobs, attract more investment, improve tax revenue and promote exports.

Meanwhile, Senior Vice Chairman of the Businessmen Panel of FPCCI and former provincial minister, Mian Zahid Hussain, on Tuesday said the SBP governor has claimed economic stability which should result in softening of policies.

If the claim is right then policies to discourage demand should be relaxed and focus on stability has discouraged economic activity, crippled large scale manufacturing, paralysed vending industry and left markets without customers, he said.

Mian Zahid Hussain said that interest rate hike and other steps have damaged the businesses while forex reserves have improved with the help of loans from friendly countries and IMF.

Talking to the business community, the veteran business leader said that unprecedented loans have enabled the economy to withstand internal and external shocks; however, low revenue collection, exchange rate volatility, budget deficit and tensions on Kashmir can drag the economy down.

The former minister noted that current account deficit has been reduced from \$18 billion to \$13.6 billion, which will be further reduced which required intervention and reducing imports. He said that inflation has jumped from 3.8 percent to 9 percent while the high interest rate and devaluation has damaged masses and the private sector which is reducing the GDP.

The interest rate has jumped from six percent to 13.25 percent in one year which has pushed banks to invest in government papers and avoid the private sector while the government has borrowed Rs1.37 trillion in the first month of new fiscal which has raised concerns.

The private sector borrowing has come down from Rs618.2 billion to Rs607.5 billion which is now drying up and according to the

FBR Chairman, the revenue collection during the first two months has reduced by 10 percent. He said that political instability is hitting exports and local as well as foreign investment which is not in the national interest.