

State Bank raises credit limit for women entrepreneurs

KARACHI: The State Bank of Pakistan (SBP) has enhanced the financing limit under its refinance and credit guarantee scheme for women entrepreneurs from Rs1.5 million to Rs5 million, to encourage their participation in the economy, a statement said on Tuesday.

The decision has been taken in light of feedback received from various stakeholders about current financing limit being insufficient to cover the financing needs of women entrepreneurs.

The SBP said this was in line with the government's policy to support and revive economic activities in the country and the central bank's key objective of improving access to finance for priority segments, including women entrepreneurs.

Initially, in August 2017, the central bank had introduced a refinance and credit guarantee scheme for women entrepreneurs in underserved areas to promote financial inclusion and access to finance for women entrepreneurs in the country.

Subsequently, the scope of the scheme was enhanced to cover the whole of Pakistan. Under this scheme, the State Bank of Pakistan provides refinance to participating financial institutions at zero percent on their financing to women entrepreneurs at maximum end user rate of 5 percent.

Moreover, 60 percent risk coverage is also available to the participating institutions.

"The enhancement in financing limit under SBP scheme is expected to increase financial inclusion of women since more women entrepreneurs are likely to be attracted for setting up of new businesses or for expanding

the scope of their existing businesses by availing concessional financing under SBP scheme," the central bank said.

Access to finance for women remains a key challenge in Pakistan. Women face both social and financial challenges in setting up and running a business as the overall environment is not very conducive for female entrepreneurship.

The share of female borrowers was a mere five percent in the total outstanding SME borrowers as of December 31, 2017.

Improving financial inclusion of women is one of the priority areas under the SBP's National Financial Inclusion Strategy (NFIS), as it aims to enhance formal financial access to 50 percent of the adult population and envisions that 25 percent of adult females should have a formal bank account by end of 2020.

From June 2015 to June 2018, the number of branchless banking accounts increased 262 percent. But the share of women's accounts in total branchless banking accounts remained flat over the same period.

This was partly due to a low female literacy rate.

Pakistan ranks eleventh in the world in terms of female illiteracy while there is a 17 percent gap between men and women when it comes to mobile ownership.

Other than the lack of family support, financial constraints act as a major hurdle restricting women from opting for entrepreneurship.

Banks in general are hesitant to lend to start-ups and in case of females this reluctance increases due to a high risk associated with such financing.

Realising the importance of female contribution towards economic development, different measures have been taken to facilitate women entrepreneurship particularly with respect to increasing access to finance.