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**Private lending to SMEs not encouraging, observes NA panel**

ISLAMABAD: The National Assembly Standing Committee on Finance, while expressing serious concern over a rate of around seven percent of private-sector credit for the Small and Medium Enterprises (SMEs) in Pakistan recommended to the State Bank of Pakistan (SBP) to take regulatory measures to facilitate the sector.

The committee sought the details of around \$3 billion hot money, its origin, nature of investment as well as asking the governor SBP to brief it on the rising inflation in the country.

The committee members were informed that the rate was the lowest in the region compared to 28 and 20 percent in India and Bangladesh, respectively.

The committee met under the chairmanship of Faiz Ullah Thursday.

The committee discussed disbursement of loans to the SME sector by commercial banks and the policies of the SBP in this regard.

The parliamentary panel observed that private lending to the SMEs was not encouraging and the SBP needs to take regulatory measures as major chunk of the credit goes to the government effortlessly as well as where no risks are involved.

The committee observed that there were chronic and structural issues and that was why the SMEs sector was not taking off.

The committee was informed that there were around 3.2 million business enterprises in Pakistan of which more than 90 percent were SMEs, which were contributing 40 percent to the GDP, employing more than 80 percent of non-agricultural workforce, and generating 25 percent of export earnings.

Outstanding SME finance has increased from Rs288 billion as on December 31, 2014, to Rs477 billion as on December 31, 2019, showing an increase of around 66 percent over a period of five years.

Irfan Ali, a senior official of the SBP, briefed the committee about the policy defined by the SBP for promoting the SME sector, while saying that certain measures have been taken in this regard.

He said that the policy had nine pillars, which included improving the regulatory framework, up-scaling of micro-finance banks, risk mitigation strategy, simplified procedures for the SME financing, programme-based lending and value chain financing, capacity building and awareness creation, handholding of the SMEs, leveraging technology for the promotion of the SME finance, and simplification of taxation regime.

The committee noted that the government should review its policy regarding the SME sector at the earliest; because this sector was the backbone of the economy.

Senior representatives from commercial banks (UBL, ABL, BOP and Alfalah) were also present in the meeting, and explained their policies with regard to the SME sector.

The committee was further informed that the SBP was offering incentives and targeting to take the private sector credit to SMEs to 17 percent and the number of borrowers to 500,000 by end of 2020.

With a view to allowing leveraging of risk-sharing facility, the SBP is developing a market-based mechanism for offering risk-sharing facility to financial institutions on their financing to the SME sector.

For this purpose, the Pakistan Credit Guarantee Company (PCGC) has been established, which is expected to be operational by June 2020.

Further the Financial Institutions (Secured Transactions) Act is aimed at creation of Secured Transactions Electronic Collateral Registry in Pakistan. Under this framework, electronic collateral registry has been established. The registry will help banks to create charge on the movable assets of the SMEs.

Registry is expected to be operational by June 2020, Ali added.

**Embezzlement in Customs:** The committee was informed by the FBR that a JIT had been constituted regarding the scam of 355 vehicles/containers in Customs.

The matter has been sent to the Federal Investigation Agency (FIA), the committee was told.

Nausheen Javed, acting chairperson FBR, apprised the committee about the said scam, while saying that the Director General of Intelligence and Investigation (Customs), Islamabad had sent four special reports, wherein issues were highlighted with respect to clearance of 355 vehicles/containers at Torkham including (a) clearance of goods against fake documents and without filing goods declaration/payment of leviable duty taxes; (b) short assessment of imported goods by Customs at Torkham; (c) clearance of imported goods against manual gate passes without gate-out in the WeBOC system; and (d) clearance of imported consignments, ie, apples against fake certificates of origin.

The board has constituted a JIT comprising collector MCC (appraisal and facilitation), collector MCC (enforcement and compliance), director (intelligence and investigation) Customs Regional Office Peshawar to conduct thorough investigation into the matter and submit report within 14 days.

Further action will be taken on receipt of the report.

The JIT will examine the record of all the vehicles mentioned in both the above mentioned FIRs that have allegedly been cleared from Torkham without payment of leviable duty/taxes and confirm veracity of these allegations or otherwise, in each case.

Further it will examine the record of all seizures made by the Directorate of Intelligence and Investigation, Peshawar regarding misdeclaration etc at Torkham, and confirm their veracity or otherwise, in each case.

The JIT has been mandated to examine the option of clubbing of both the FIRs and submission of joint challans/reports in the court of special judge Customs.

The JIT has started its consultations in accordance with the ToRs mentioned above, and will submit its report within one month.

Further action will be taken on receipt of the JIT report.

Further FBR has also requested DG FIA to investigate the matter at Torkham and Chaman in all respects.

The committee was informed that vehicles were not related to Afghan Transit Trade but were vehicles of Iran origin, however it was yet to come out how many tones were loaded or how much tax was evaded.

Further the containers carrying apples were of estimated value of Rs30.94 million but things would become clearer after the JIT findings.

The committee decided that the director general, Customs Intelligence and members of the committee may be called after one month for further discussion in this regard.

The parliamentary panel also took notice of reports about shortage of surgical masks in view of coronavirus attacks and directed the FBR to issue an alert for controlling its smuggling and re-exports.

The committee sought the details of around \$3 billion hot money, its origin, nature of investment as well as impact of coronavirus attacks.

The committee unanimously decided that all government bills would be considered in the meeting, when adviser to the prime minister on finance will brief the committee.

The committee discussed, "The Pakistan Coinage (Amendment) Bill, 2019". The committee unanimously recommended that the said bill may not be passed by the National Assembly.

The committee discussed the calling attention notice regarding deduction of five percent maintenance allowance from the salaries of the federal government employees working in BPS-6 to BPS-15 (moved by Ali Nawaz Awan, MNA).

The committee directed the Ministry of Housing and the Ministry of Finance to convene an exclusive meeting with Ali Nawaz Awan, for solution of the issue.

The meeting was attended by MNAs, Jamil Ahmed Khan, Faheem Khan, Qaiser Ahmed Sheikh, Ali Pervaiz, Dr Aisha Ghaus Pasha, Nafisa Shah, Muhammad Israr Tareen, Abdul Wasay, Sardar Nasrullah Khan Dreshak, Syed Naveed Qamar, Hina Rabbani Khar, Moulana Abdul Akbar Chitrali, and Ali Nawaz Awan, besides senior officers from the Ministry of Finance, Revenue and Economic Affairs, the FBR, and the SBP.