

Govt launches new system for small businesses to secure credit

ISLAMABAD: Government on Thursday introduced an integrated collateral registry to help unincorporated micro, small, and medium enterprises secure credit from financial institutions against their moveable assets.

Adviser to the Prime Minister on Finance and Revenue Hafeez Shaikh launched the secured transactions registry (STR). Micro, small and medium enterprises play a vital role in the economic development of the country due to their significant contribution in terms of output, exports and employment.

Small and medium enterprises constitute approximately 90 percent of businesses in Pakistan, employ 80 percent of the non-agricultural labour force and contribute 40 percent in country's annual GDP, Shaikh said, addressing the launching ceremony.

"Despite playing a significant role in economic growth of the country, SMEs access to formal finance is limited to only 6 percent of the total financing by the banking sector," he added.

The STR, established under the Financial Institutions (Secured Transactions) Act, 2016, for registration of security interests/charges created by entities other than companies on their movable assets, has been operationalised by the Securities and Exchange Commission of Pakistan (SECP). The STR is an electronic register that can be accessed through a dedicated website 24/7. Financial institutions can now file security interests online. Registration process is fully automated and the registry is searchable by general public, free of charge.

Finance adviser said the initiative would prove to be a game changer by improving the access to finance for the micro, small and medium enterprises, agriculture and rural borrowers.

"The commencement of the registry will broaden the scope of assets that these underserved segments can offer as a security for availing the finance," he said. "On the other hand, this reform will also help banks to expand their lending portfolios. The operationalisation of STR will contribute towards improving Pakistan's score on 'getting credit indicator', and in particular raise its global ranking on the World Bank's Doing Business' index."

Shaikh appreciated the support offered by the British government, through DFID and Karandaaz, and collaboration between SECP, State Bank of Pakistan (SBP), Board of Investment and the World Bank for the successful implementation of this reform. He lauded the commitment demonstrated by the SBP and SECP teams, and the hard work of the SECP for spearheading this initiative, and its completion within a year of its assignment to the SECP in March last year.

“The launch of STR is a millstone achieved by the current government that is a testament to its commitment towards improving financial inclusion, growth of the private sector and ultimately, the economic development of the country,” he added.

The launching ceremony was attended by SBP Governor Reza Baqir, SECP Chairman Aamir Khan, Board of Investment Chairman Atif Bokhari, Karandaz Pakistan Chairperson Shamshad Akhtar, Karandaz Pakistan CEO Ali Sarfraz, Department Head of International Development Pakistan Annable Gerry, Country Director World Bank in Pakistan Illango Patchamuthu, SECP commissioners Shaukat Hussain and Shauzab Ali.

Meanwhile, Shaikh presided over a meeting to deliberate on the contours of a financial assistance package for the small and medium enterprises in the wake of the coronavirus.

The assistance package would explore the possibilities of supporting the small and medium sized enterprises, formal or informal, which have suffered losses due to the recent lockdown. The ways and means to support the firms to continue their production and to enable them to pay their fixed costs and support their workers were discussed in detail.

“The focus of the scheme should be that the workers attached with these small businesses should not be laid off from their work because of the un-sustainability of the business,” he said.

It was also agreed that the cooperation of Small and Medium Enterprise Development Authority and Punjab I Board would be sought to make the package implementable.