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Banks refuse to lend govt money

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ISLAMABAD: A consortium of eight banks taking a unique decision has turned down Finance Ministry's request for a loan of Rs50 billion for payment of circular debt to power sector, 'The News' has learnt.

Sources told this scribe that about 10 days ago, the Finance Ministry had requested a consortium of eight commercial banks for sanction and release of Rs50 billion and the first installment of Rs34 billion was to be released on 19th of September.

Banks delayed the payment till the start of week commencing from 24th September on the pretext that they need approval of Board of Governors and in one day the approval cannot be sought, which was accepted by the Finance Ministry.

In the middle of the current week, the consortium of these commercial banks informed the ministry that they were not able to provide this loan as power sector already owed them more than Rs580 billion.

This amount was loaned to Power Holding Limited Company Pakistan, so without repayment of this loan or at least some portion of this loan they are not in a position to sanction more loan, replied the banks' consortium.

On this reply, astonished finance ministry approached the consortium of banks with a request to reconsider their request with a promise to repay handsome amount of previous loan. On this assurance, the banks promised to place the request before respective Board of Governors next week.

A senior official in power ministry told this correspondent that due to non-payment to IPPs, the situation is alarming as oil and gas companies are not in a position to keep supply intact due to shortage of funds. And the situation will lead towards more power breakdowns as major IPPs would shut down or decrease production. When The News contacted the Finance Ministry, an unknown spokesperson said that banks would provide money next week and payments would be made to pay the circular debt.