

High interest rates adversely affecting exports, other economic activities: TMA

KARACHI: Syed Usman Ali, Senior Vice Chairman of the Towel Manufacturers Association of Pakistan, has raised significant alarm and voiced deep apprehension regarding the prevailing high interest rates which are badly damaging the economic activities as well as hurting the growth of industrialization in the country.

He has underscored the fact that these elevated interest rates are having a profoundly adverse impact on the export sectors as well in Pakistan.

On the other hand, billions of rupees of the exporters are stuck up in FBR on account of Sales Tax refunds and they are unable to use their own money and take loans at hefty rates from the banks which absolutely enhanced their cost of doing business as well as cost wise they become incompetent in the international market.

The reinstatement of the zero-rated status for the five export oriented sectors “NO PAYMENT NO REFUND” as per SRO 1125(I)/2011 is the viable solution to arrest the declining trend of country exports.

He furthermore said that our interest rates are very high in the region i.e. Bangladesh 6.5%, India 6.5%, Vietnam 4.5% Maldives 7%, Sri Lanka 11 & while we stand on 22%. It means our competitors in the Textile export are getting export refinance facilities at very low rates and our Textile Exporters are unable to compete in the international market because our competitors offering their goods at low rates because their cost is an average of three times lower than the Pakistan which is ultimately reducing their cost of doing business.

The government should provide export refinance at par with the competitors country so our export industry can compete in the international market.

High interest rates are creating uncertainty in the business environment and the firms are reluctant to make long-term plans and investments due to hefty borrowing costs and ambiguity about future interest rate movements. It leads to hesitancy to commit to new projects or hire additional employees, which is a huge hindrance to economic growth.

Syed Usman Ali further said that high interest rates badly damage economic activities and negatively impact the export-oriented sectors, leading to slashing the export businesses.

It also leads to decline in the earnings of foreign exchange, collection of taxes, equilibrium in the trade, enhancement in unemployment and many more factors which hurt the economy. In the high interest rate regime, people also willing to divert their investment into T bill and fixed deposit rather than in industrialization and earn profit without any risk.

During the high-interest regime, industrialists have to pay more for borrowing to fulfil the requirements of the business activities. It means the cost of borrowing money from banks and financial institutions rises which adversely impacts the exporters and they become incompetent in the international markets. It also discourages businesses from taking out loans to invest in expansion, new projects, or capital equipment.

The senior vice chairman further said that the State Bank of Pakistan (SBP) has already reduced the gap between the policy interest rate and export refinance to 3 pc from the earlier 5 pc. The current policy rate is 22%, meaning exporters must pay about 19 pc markup on their loans. He said this rate is already very high compared to competitors while the increased cost of electricity has paralyzed the industry.

He suggested that, in the present scenario, the government should have the top agenda to arrest the further decline in our exports and should take immediate positive measures to remove all bottlenecks in the growth of exports and pave the way for the growth of country exports.

He advised the economic managers if they are eager for our exports to once again back on the growth track, they should provide facilitations as par with the competitors' countries. It is the severe need of the hour and we should relay our own resources rather than loans. **We have no way except to increase our exports for our survival in this world.—PR**