

KARACHI: The Pakistan Business Council (PBC) organised a seminar on Financing to Support 'Make in Pakistan', on Saturday to address the financing needs of the manufacturing and services industries of Pakistan.

Federal Minister of Finance Asad Umar addressed the well-attended gathering and reaffirmed the government's resolve to facilitate the growth of industry.

Ehsan Malik, CEO of PBC articulated the case for "Make in Pakistan" as a solution to three acute needs of the country: to create jobs; to balance the current account by promoting value-added exports and import substitution; and for additional tax revenues to bridge the fiscal deficit and to fund social development.

The country was de-industrialising prematurely and losing share of world exports.

Pakistan's trade agreements had not helped manage the trade deficit and the country had become an import-led consumption economy. Manufacturing was over-taxed and business suffered from a complex fiscal regime. On a positive note, he gave credit to the government for addressing the uncompetitive exchange rate, buffering exports from higher energy cost and resolving to introduce cascading tariffs to promote manufacturing. There remained the need for funding the SME sector and for long term project finance, especially foreign currency to fund capacity addition.

Salim Raza, former Governor of the State Bank of Pakistan and Member of the Economic Advisory Committee set out the constraints to providing finance to the private sector. At 35%, Pakistan has one of the highest levels of cash in circulation. Of total bank lending, the government was the biggest beneficiary.

Credit to the private sector was lowest in South Asia and SMEs suffered the most due to low appetite of banks to take risk vs the high rates available from the government. Amongst the solutions, he listed digital banking to bank the unbanked, Islamic funding as a means of meeting the government's borrowing needs and the revival of development finance institutions such as PICIC.

Mudassar Aqil, CEO of FINCA Micro-credit Bank also stressed the need to use digital banking to grow the banking sector whilst addressing the policy gaps which prevent micro-credit banks from lending to the SME sector.

He emphasized the unique ability of micro-credit banks to manage risks of relatively small ticket lending which commercial banks lack.

Syed Samar Husnain, Executive Director of the State Bank outlined the concessional lending and credit guarantee schemes that were available for funding farmers and the SME sector and urged the business associations to bring it to their members' attention.

Richard Morin, CEO of PSX identified the large informal economy, diversion of funds into real estate and high returns offered by National Savings as some of the reasons why investment by retail investors was low. Total long term return from investment on the PSX was high and the current PE ratio offered a window of opportunity for fresh investment.

However, he recognized the need of reforms and automation of the processes governing brokerage.

On the debt market he felt that the State Bank needed allow the PSX to play a more prominent role.

Musadaq Zulqarnain, CEO of Interloop, the company engaged presently in the largest public offering in PSX's history stressed the need for the textiles sector to invest in capacity and capability to compete in the global market.

Pakistan has one percent share of the global textiles market. Through consistent investment in skills and machinery, Interloop had achieved four percent share within its product profile. Despite the current downturn on the PSX and the regional uncertainty, the interest of foreign funds in the IPO of Interloop was high.

Rabeel Warriach, CEO of Sarmayakar, the largest Pakistan Venture Capital Fund outlined the need to encourage start-ups even if the failure rate was high. Risk is a feature of VC funding and can be minimized by nurturing investments.

The rewards from a single successful investment can far outweigh the losses from failed ventures.

Nasim Baig, CEO of Arif Habib Consultancy presented a novel way of funding farmers through warehouse receipts issued by approved custodians with adequate storage silos.

Paucity of funds was presently forcing farmers to sell their produce immediately after harvest. Warehouse Receipt funding would allow them to maximize revenue.

Asif Peer, CEO of Systems Limited, Pakistan's largest IT Company highlighted the need for banks to lend to the IT and IT enabled services industry which could not provide real estate as collateral.

He also shared the work that his company was doing to set up a payment portal that would reduce the cost of receiving export proceeds of the IT industry.

Usman Hameed, Executive Director of HBL presented the various options for long term local and foreign currency project finance. In a very interactive and passionate panel discussion and later in his speech, the Finance Minister stated that the government had met most of the recommendations of the Pakistan Business Council to facilitate growth and urged business to come forward and step up investment.