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Working capital

Textile industry seeks enhanced refinance facilities

BUSINESS RECORDER

The country's textile industry has urged the State Bank of Pakistan (SBP) to enhance export refinance facilities to enable exporters to meet their growing working capital requirements.

In a letter to the Governor, State Bank of Pakistan, APTMA Chairman Kamran Arshad stated that the textile industry remains the mainstay of Pakistan's economy, contributing around 60 percent to total exports, 8.5 percent to GDP, and employing nearly 40 percent of the manufacturing workforce.

He noted that the sector, a key driver of foreign exchange earnings, is currently facing mounting working capital constraints due to elevated energy costs, supply chain disruptions, and uncertainties stemming from the evolving geopolitical situation —particularly in the Middle East — alongside domestic economic pressures. These challenges, he added, are adversely affecting the sector's operations and growth trajectory.

Kamran Arshad emphasized that, given these constraints, there is an urgent need to facilitate exporters through adequate and timely access to financing.

"We, therefore, request the State Bank of Pakistan to enhance export refinance facilities, enabling exporters to efficiently meet their working capital requirements and fulfill export orders," he said.

He further stated that an expansion in export refinance facilities would help the textile sector navigate current challenges, strengthen Pakistan's position in global markets, and contribute to higher exports and improved economic stability.

Meanwhile, the Pakistan Textile Council (PTC) has proposed a series of measures to support the textile industry. These include: (i) reintroduction of the Regionally Competitive Energy Tariff (RCET) for electricity and gas at around 8.5 cents per kWh, removal of gas levies, and ensuring predictable and competitive energy pricing; (ii) restoration of the Final Tax Regime (FTR) at 1 percent turnover tax for exporters, elimination of super tax, and reduction of corporate tax to 20 percent; (iii) restoration of accelerated depreciation (50 percent for machinery and 25 percent for buildings); (iv) reinstatement of tax credits on investment in plant, machinery, and industrial infrastructure; (v) gradual reduction of sales tax to 15 percent and introduction of a graduated GST regime with taxation at the final consumption stage; (vi) ensuring fast-track automated refunds within 72 hours to ease liquidity constraints; (vii) rationalization of duty drawback rates and introduction of a 5 percent Duty Drawback of Local Taxes and Levies (DLTL); (viii) doubling the allocation for the Export Refinance Scheme and enhancing limits under EFS and LTFF, along with concessional financing for green and sustainable investments; (ix) temporary freeze on minimum wages and reduction of employers' EOBI contributions to 2 percent to maintain regional competitiveness; (x) alignment of provincial labour laws with those in Bangladesh; (xi) maintaining current export facilitation coverage, avoiding further exclusions, and rationalizing duty drawback rates on excluded items; (xii) ensuring a five-year predictable textile and export policy framework with transparent, KPI-based monitoring; and (xiii) restoration of the zero-rated regime for exporters.

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