Pakistan Knitwear & Sweater Exporters Association
1014-16, Park Avenue, PECHS Block 6
Main Shahrah-e-Faisal, Karachi-75350
Tel: 021-34544035, SG 34544039, email: kho@paksea.com

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Export finance scheme

'Govt allocating Rs300bn for SME exporters is highly appreciable'

BUSINESS RECORDER The brilliant news about the export finance scheme by the government allocating Rs. 300 billion for SME exporters is highly appreciable.

Further the government has set an ambitious target to nearly double SME Financing to Rs. 2 trillion and increase the number of potential borrowers to 775,000 by June 2028 said Ateeq ur Rehman (economic and financial analyst).

This government initiative aims to enhance SMEs' access to concessional financing, reduce their cost of doing business and strengthen Pakistan's export competitiveness, which is commendable.

The SBP, SMEDA, TDAP, has done a tremendous job to encourage SMEs and created flexible policies for SMEs in terms of concession for SMEs.

Under two categories, Exim administrated export finance facility provides short term working capital for exporters which are "transaction based financing" and "performance based financing".

He added that the government's export finance facility under EXIM Bank: access to concessional financing for SME Exporters is 6 percent (end user rate – the exporter) from existing 12 percent policy rate.

If we segregate 6 percent, the 3 percent is said to be below the policy rate and 3 percent is believed to be voluntary reduction by banks.

As a matter of fact, the exporters consequently face difficulties in financing working capital, purchasing of raw material, meeting operational expenses and maintain uninterrupted production.

Further banks and financial institutions have been pushed to accelerate lending to business, farmers, home buyers and other underserved segments.

The access to finance will be vital to this process.

The purpose built warehouses, cool chains, silos, processing units, refrigerated vehicles and agriculture are the main components of required financing needs.

The concern by the government for SMEs financing is quite effective but banks and financial institutions, uses collateral as the main object of requirement for lending, which is problematic in every case of SMEs whether manufacturers, trader, wholesaler, agriculturist or exporter.

The business community / SMEs demands the easy access to finance, a lower interest rate and no collateral, as such.

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Nadia Iqbal Soomro
Deputy Secretary
021-34544035 Ext 103