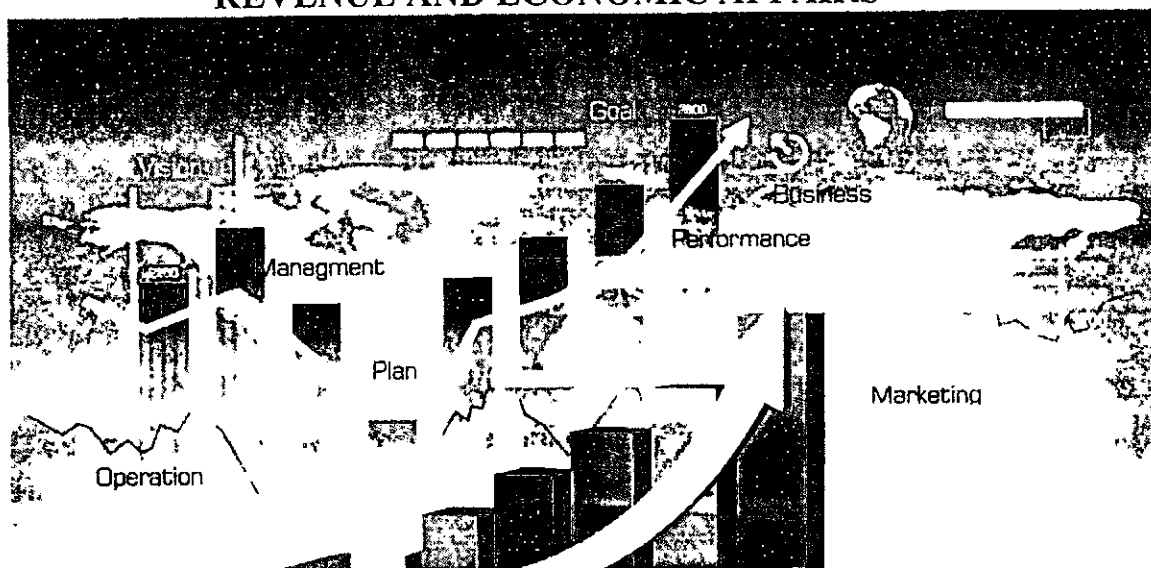


SENATE OF PAKISTAN



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE, REVENUE AND ECONOMIC AFFAIRS



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE
REVENUE AND ECONOMICS AFFAIRS ON MOTION U/RULE 218
RAISED BY SENATOR MOHSIN AZIZ IN THE SITTING OF THE
SENATE HELD ON 13TH JULY 2020 REGARDING SLOW PROGRESS
OF INDUSTRIALIZATION AND COMMERCIAL ACTIVITIES IN
SMALL PROVINCES OF THE COUNTRY ESPECIALLY DUE TO
IMPROPER, UNJUSTIFIED AND INEQUITABLE CREDIT/LENDING
BY THE COMMERCIAL BANKS BY THE PRIVATE SECTOR IN
THOSE PROVINCES.

PRESENTED BY
SENATOR FAROOQ H. NAEK
CHAIRMAN

SENATE SECRETARIAT

REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE REVENUE AND ECONOMICS AFFAIRS ON MOTION U/RULE 218 RAISED BY SENATOR MOHSIN AZIZ IN THE SITTING OF THE SENATE HELD ON 13TH JULY 2020 REGARDING SLOW PROGRESS OF INDUSTRIALIZATION AND COMMERCIAL ACTIVITIES IN SMALL PROVINCES OF THE COUNTRY ESPECIALLY DUE TO IMPROPER, UNJUSTIFIED AND INEQUITABLE CREDIT/LENDING BY THE COMMERCIAL BANKS BY THE PRIVATE SECTOR IN THOSE PROVINCES.

1. Senator Farooq H. Naek, Chairman of the Senate Standing Committee on Finance, Revenue And Economic Affairs have the honour to present, on behalf of the Committee. this report on Motion u/rule 218 raised by Senator Mohsin Aziz in the sitting of the Senate held on 13th July 2020 regarding "Slow progress of industrialization and commercial activities in small provinces of the country especially due to improper, unjustified and inequitable credit/lending by the commercial banks by the private sector in those provinces". The matter was referred to the Senate Standing Committee for Finance, Revenue and Economic Affairs for consideration and report.

2. The composition of the Committee is as under:

1.	Senator Farooq Hamid Naek	Chairman
2.	Senator Zeeshan Khanzada	Member
3.	Senator Mohsin Aziz	Member
4.	Senator Mian Muhammad Ateeq Shaikh	Member
5.	Senator Anwar ul Haq Kakar	Member
6.	Senator Dilawar Khan	Member
7.	Senator Musadik Masood Malik	Member
8.	Senator Mushahid Ullah Khan	Member
9.	Senator Ayesha Raza Farooq	Member
10.	Senator Imam-ud-Din Shouqeen	Member
11.	Senator Sherry Rehman	Member
12.	Senator Muhammad Akram	Member
13.	Senator Muhammad Talha Mahmood	Member
14.	Advisor to PM on Finance and Revenue, Member	Ex-Officio

3. The Committee took up discussion on the issue in its meetings held on 13th October, 2020 and 8th February, 2021. The following members of the Committee were in attendance on 8th February, 2021:

i.	Senator Farooq Hamid Naek	Chairman
ii.	Senator Zeeshan Khanzada	Member
iii.	Senator Mohsin Aziz	Member
iv.	Senator Mian Muhammad Ateeq Shaikh	Member
v.	Senator Ayesha Raza Farooq	Member

4. In the meeting of the Committee held on 13-10-2020, the Mover stated that out of the total advances of Rs. 5130.95 billion by commercial banks, the Advance to Deposit Ratio (ADR) of KP is 0.98%, which was 10% twenty years ago. The same ratio in the province of Balochistan is 0.33%, which is less than the legal requirement. He observed that the ratio of ADR in Punjab is 48%, in Sindh it is 47% and in Islamabad it is 6.4%. He showed his displeasure on the cumulative ADR of KP and Balochistan, which stands at 1.32%. He added that because of such a low ratio, the people of Balochistan and KP are suffering. He noted that the deposit ratio in KP is 39% and Balochistan it is 33% which means the remaining deposits of KP (59%) and Balochistan (67%) are invested in other provinces. He observed this situation will create the deprivation in the provinces and weaken the employment parity.

5. The Chairman observed that there are two questions arising from the discussion. One, why are the advances in KP and Balochistan low, and second, what steps have to be taken to improve the percentage of advances in these two provinces which are being neglected by the banking sector. He directed the SBP to provide a detailed working paper in this regard to the Committee for the next meeting. The Committee observed that this situation reflects that the SBP is a bankers' bank, and its supervisory role as a regulator has been ineffective when it comes to the low advances being given to the two smaller provinces. The Committee further observed that the two provinces are facing issue of development and prosperity and the people are feeling deprived. The Committee concluded that for the purpose of development of these provinces, the issue of disparity in advances must be addressed.

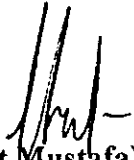
6. Senator Mussadiq Masood Malik noted that the data provided by SBP reflects that discrimination exists with regards to provision of credit to the province of KP, Balochistan, AJK and GB. He added that even within these provinces, there is huge discrimination of loaning between districts. He requested that the Committee may look at the data of district-wise advances. Likewise district wise deposit to loan ratio also needs to be analyzed to highlight discrepancies. He observed that the real discrimination lies at district level and not at the provincial level. He added that the criteria for provision of loans are also discriminatory because the loan is provided to businesses with a turnover worth millions of rupees. In this situation, a college graduate or small businessman or a start-up find it hard to avail a loan from commercial banks. He requested that data on distribution of loans to businesses with turnover below 1, 2, 3, 4 and 5 million and above 5 million be analyzed.

6. In the meeting held on 8th February, 2021, Senator Mohsin Aziz apprised Committee that the out of the total loans extended by commercial banks in Pakistan, KPK only has a share of 1%, whereas Balochistan holds a share of only 0.4%. He added that banks claim that non-performing loans are an issue in these provinces. due to which this imbalance in credit lending exists. However, he stated that NPLs are not the actual issue. He recalled that this

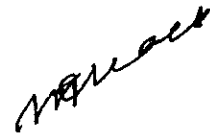
issue had been taken up in the previous meetings of the Committee as well and has been deliberated in detail.

7. The Chairman Committee observed that commercial banks cannot be forced to extend loans unless a law exists that demands the same. In this regard, he proposed that the Committee recommend to the government and to the State Bank of Pakistan to either promulgate legislation or amend existing prevailing laws/policies/schemes in order to remove obstacles and hindrances in the banking sector policies which are leading to slow progress of industrialization and commercial activities in small provinces of the country, especially due to improper, unjustified and inequitable credit/lending by the commercial banks by the private sector in those provinces. The mover and the Committee agreed with the recommendation proposed by the Chairman Committee.

6. With this recommendation, the matter was disposed off.



(Iffat Mustafa)
Secretary Committee



(Senator Farooq H. Naek)
Chairman Committee