



# Capacity Building Programs for Banks in SME Banking for the Year 2018



## Introduction:

SME sector is highly important for the economic development of Pakistan due to its key backward and forward linkages with many of the key industries. The SME sector contributes 30 percent towards GDP, employs more than 70 percent of non-agricultural workforce and generates 25 percent in export earnings. The sector has huge potential in generating employment and poverty alleviation in the country.

In Pakistan, despite immense significance of the sector, it remains largely financially excluded, as reflected from the declining trend in SME finance over the years. The SME finance currently constitutes 9% only of the banks' total advances, down from 16% in June 2007. Unfortunately, this ratio is quite low compared to our regional peers such as in India, Sri Lanka and even Bangladesh.

Currently, there are around 3 million SMEs in the country; however, only around 177,000 SMEs have access to formal finance, thus leaving a huge chunk yet to be tapped by the formal financial institutions. Further, with regard to other banking services, apart from loans, less than 40% of the SMEs have banking relationship compared to India where it is 95%, thus creating a huge business potential for the financial institutions.

SBP in the recent past has taken various important measures for the sector including formulation of customized regulatory framework for SMEs, Launch of Credit Guarantee and Refinancing Schemes, Cluster Development Surveys and programs on Credit Scoring techniques, to enhance & scale up SME finance in the country.

In order to accelerate the efforts further for increased outreach to SME borrowers, and thereby increasing their financial inclusion at a greater pace, the Governor SBP held an important meeting with the Presidents/CEOs of banks on 11<sup>th</sup> November, 2017 in Lahore; wherein, a formal **Roadmap on SME Banking** was shared with them, that contain important measures concerning the improvement of Legal and Regulatory framework for SMEs, Market Development measures and Capacity Development of banks and SMEs.

Followed by the above, a formal **SME Policy (developed by SBP)** was launched on 22<sup>nd</sup> December, 2017 by The Prime Minister of Pakistan for the promotion of SME Banking, aimed to catalyze development and promotion of a vibrant SME sector in Pakistan. The key components of the policy include improvement in regulatory framework, upscaling through Microfinance banks, risk mitigation strategy, simplified procedures for SME financing, program based & value chain financing, capacity building and awareness creation, non-financial advisory services for SMEs through banking channel, leveraging technology for promotion of SME banking and simplification of taxation regime.

Through the measures set out in the SME Policy, SBP has set target for the SME share in banks' financing to increase from the current 9% to 17% and increase the number of SME borrowers from existing 177,000 to 500,000 by the year 2020.

A key component of the SME Policy is "**The Capacity Building & Awareness Creation**", aimed at equipping

the banks with suitable tools and techniques for targeting the SME clients more effectively. For the purpose, an extensive capacity development agenda will be undertaken by National Institute of Banking and Finance (NIBAF) in collaboration with SBP in the next 2-3 years. The capacity building agenda will cover training of commercial bankers in the areas of SME banking, thereby covering important aspects like SBP Regulatory Framework and market development measures, SME banking dynamics, Product development for SMEs-both asset and liability side, Risk management framework, Islamic SME Financing, cash-flow and program based lending approaches and Non financial advisory services for SMEs.

In this respect, the **Training Plan for the year 2018** has been prepared envisaging 100 programs on SME banking across the country in all major cities. Keeping in view the significance of the sector and helping banks achieve their SME growth targets as set out in the subject policy; they have been requested to ensure their bank's participation in these programs.

<i>Broad Contents of the Programs</i>		
<i>S. No</i>	<i>Program</i>	<i>Contents</i>
1	Training Program for Risk Managers	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector</li> <li>○ SME Lending Market overview</li> <li>○ Challenges &amp; Opportunities in SME Financing</li> <li>○ SMEs Performance viz-a-viz Macroeconomic Environment</li> <li>○ Risk Management Framework for SME banking</li> <li>○ Considerations in Scrutinizing and Analyzing Credit Proposals</li> <li>○ Understanding/Ensuring Compliance Policies/Guidelines</li> <li>○ Key Functions/Tasks of Risk Personnel</li> <li>○ Case Study (s)</li> </ul>
2	Training Program for CAD Personnel	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector</li> <li>○ SME Lending Market overview</li> <li>○ Challenges &amp; Opportunities in SME Financing</li> <li>○ SMEs performance viz-a-viz Macroeconomic Environment</li> <li>○ Introduction to Credit Functions</li> <li>○ Components &amp; Considerations in Credit Analysis</li> <li>○ Understanding/Ensuring Compliance Policies/Guidelines</li> <li>○ Key functions/tasks of CAD Personnel</li> <li>○ Case Study (s)</li> </ul>
3	Training Program for SME Relationship Officers	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector</li> <li>○ SME Lending Market overview</li> <li>○ Challenges &amp; Opportunities in SME Financing</li> <li>○ SMEs Performance viz-a-viz Macroeconomic Environment</li> <li>○ Overview of SME Credit Functions</li> <li>○ Revisiting 5 C's of Credit for SMEs</li> <li>○ Credit Analysis in SME Segment</li> <li>○ Cash flow based lending</li> <li>○ Assessing SMEs Financial Worth &amp; Repayment Capacity</li> </ul>
4	Prudential Regulations for SME Banking	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector and Market Overview</li> <li>○ SBP interventions for improvement of SME Banking-brief</li> <li>○ SBP Regulatory framework-broad overview</li> <li>○ SBP Prudential Regulations for SME Financing               <ul style="list-style-type: none"> <li>○ Background</li> <li>○ Categorization of PRs for Small &amp; Medium enterprises</li> <li>○ Customization of regulatory framework with the SME</li> </ul> </li> </ul>

		sector
5	Training program on Islamic SMEs for Relationship Managers	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector and Market Overview</li> <li>○ Basic Concepts and Philosophy of Islamic Banking</li> <li>○ Role of Islamic SME Banking/Financing in poverty alleviation</li> <li>○ Business Models for SME banking</li> <li>○ The Basics of Product Design &amp; Product Bundling</li> <li>○ Market Assessment and existing Islamic SME portfolio</li> <li>○ leveraging Islamic finance to grow SMEs</li> <li>○ Islamic Financing and investment Products for SMEs</li> </ul>
6	SBP Refinancing and Risk Coverage Schemes for SMEs	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector and Market Overview</li> <li>○ SBP interventions-brief</li> <li>○ Credit Guarantee Scheme-overview and background <ul style="list-style-type: none"> <li>○ Credit Guarantee Scheme-detailed SOPs</li> </ul> </li> <li>○ Refinancing Schemes for SMEs <ul style="list-style-type: none"> <li>○ Refinancing Scheme for Modernization of SMEs</li> <li>○ Refinancing scheme for working capital of Small enterprises and low-end of medium enterprises</li> <li>○ Refinance and guarantee facility for women of underserved area</li> <li>○ Refinancing Scheme for renewable energy</li> <li>○ Refinancing scheme for storage of Agri produce</li> </ul> </li> </ul>
7	Training Program on Program-based financing to SMEs	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector</li> <li>○ SME Lending Market Overview</li> <li>○ Challenges &amp; Opportunities in SME Financing</li> <li>○ SMEs Performance viz-a-viz Macroeconomic Environment</li> <li>○ Understanding Potential SMEs &amp; their Borrowing needs</li> <li>○ Program based lending: <ul style="list-style-type: none"> <li>○ Issues</li> <li>○ The Process (Preliminary Research, Common need and industry risk assessment, market analysis, Processing technology, Financial feasibility, Final design of program, roll-out and Maturity etc)</li> <li>○ Benefits for SMEs and Bank</li> </ul> </li> </ul>
8	Problem loans and NPL management for SME bankers	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector</li> <li>○ SME Lending Market Overview</li> <li>○ Challenges &amp; Opportunities in SME Financing</li> <li>○ SMEs Performance viz-a-viz Macroeconomic Environment</li> <li>○ Risk management framework in SMEs</li> <li>○ Components of effective recovery framework in SME Financing</li> <li>○ Early warning signal</li> <li>○ Major reasons of Non-performing loans</li> </ul>
9	Training Program on E-Registry of SMEs	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector</li> <li>○ SME Lending Market Overview</li> <li>○ Challenges &amp; Opportunities in SME Financing</li> <li>○ The legal cover of the registry-Secured Transaction Act</li> <li>○ Role of e-registry: <ul style="list-style-type: none"> <li>○ The structural design</li> <li>○ Working of the registry</li> <li>○ Importance for SMEs and lending institutions</li> </ul> </li> </ul>
10	Training Program on NFAS for SME banking/financing	<ul style="list-style-type: none"> <li>○ Introduction to SME Sector</li> <li>○ SME Lending Market Overview</li> <li>○ Challenges &amp; Opportunities in SME Financing</li> </ul>

		<ul style="list-style-type: none"> <li>○ Importance of Non Financial Advisory Services (NFAS) and their provision to SMEs by their banks</li> <li>○ Forms of NFAS for SMEs: <ul style="list-style-type: none"> <li>○ Strategy and planning</li> <li>○ Finance and budgeting</li> <li>○ Pricing and cost control</li> <li>○ Human Resources Management</li> <li>○ Risk Management</li> <li>○ Operation and logistics</li> <li>○ Marketing and sales</li> </ul> </li> </ul>
11	Financing for Start-ups & Entrepreneurs	<ul style="list-style-type: none"> <li>○ SME Lending Market Overview</li> <li>○ Challenges &amp; Opportunities in SME Financing</li> <li>○ Understanding Potential clients and their financing needs</li> <li>○ Risk management framework with special alignment to the start-ups and new entrepreneurs</li> <li>○ Key Considerations in approving SME loans/Credit Lines</li> <li>○ Provision of NFAS</li> </ul>
12	Training of trainers (TOT) on SME banking/financing	<ul style="list-style-type: none"> <li>○ Introduction and Overview of SME Banking</li> <li>○ Business Models for SME Banking</li> <li>○ Identifying new Market Opportunities</li> <li>○ Developing a Value Proposition</li> <li>○ Managing the SME Customer Lifecycle</li> <li>○ Optimizing Products &amp; Marketing Strategies</li> <li>○ Delivery and Channel Management</li> <li>○ Credit Risk Management for SME Lending</li> <li>○ Information Technology (IT) and Management Information Systems (MIS) Optimization</li> <li>○ Human Resource for SME business <ul style="list-style-type: none"> <li>○ Importance of HR to SME Business</li> <li>○ Key competencies and training for SME Business</li> <li>○ Best practice Key Performance Indicators</li> </ul> </li> </ul>

## *Participation Fee*

The program is highly subsidized to encourage the banks for maximum participation. Rs 4000 only will be charged per participant per day. (one-day program Rs 4000 and 2-day program Rs 8000). The fee is payable through Cheque/Demand Draft/Pay Order to National Institute of Banking and Finance, NIBAF, Islamabad. The fee includes training fee, course materials, certificates, tea, lunch etc

## *SME Training Calendar (January to December, 2018)*

<i>Sr. No</i>	<i>Program Title</i>	<i>Venue</i>	<i>Date</i>
<b>January, 2018</b>			
<b>1</b>	Training program on Prudential Regulations on SME banking/financing	Gujranwala	16-Jan-18
<b>2</b>	Training program Islamic SME product development	Karachi	Jan 17-18, 2018
<b>3</b>	SBP refinancing and Risk coverage facilities for SMEs	Karachi	19-Jan-18

4	Training program on SME banking for Relationship Managers	Hyderabad	Jan 22-23, 2018
5	Training on program based financing to SMEs	Hyderabad	Jan 24-25, 2018
6	SBP refinancing and Risk coverage facilities for SMEs	Rawalpindi	26-Jan-18
7	Training Program on Problem loans and NPL management for SME bankers	Lahore	Jan 29-30, 2018
8	Training program Islamic SME product development	Lahore	Jan 31-Feb 1, 2018
<b>February, 2018</b>			
1	Training Program on Prudential Regulations for SMEs	Peshawar,	2-Feb-18
2	Training on program based lending for SMEs	Peshawar	Feb 6-7, 2018
3	Training program for Risk Managers on SME financing	Islamabad,	Feb 8-9, 2018
4	Training Program on NFAS for SME banking/financing	Islamabad,	12-Feb-18
5	Training program on SME banking for Relationship Managers	Gujrat	Feb 14-15, 2018
6	Training program on Prudential Regulations on SME banking/financing	Sialkot	16-Feb-18
7	Training on program based lending for SMEs	Quetta	Feb 19-20, 2018
8	Training program for Risk Managers on SME financing	Quetta	Feb 21-22, 2018
9	Training Program on NFAS for SME banking/financing	Gujranwala	26-Feb-18
10	Training Program on Financing for Start-ups & Entrepreneurs	Gujranwala,	Feb 27-28, 2018
<b>March, 2018</b>			
1	Training program Islamic SME product development	Muzaffarabad	March 5-6, 2018
2	Training program for Risk Managers on SME financing	Muzaffarabad,	March 7-8, 2018
3	Training program on Prudential Regulations on SME banking/financing	Lahore	12-Mar-18
4	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Lahore	13-Mar-18
5	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Peshawar,	16-Mar-18
6	Training on program based lending to SMEs	Multan	March 19-20, 2018
7	Training program for Risk Managers on SME financing	Multan	March 21-22, 2018
8	Training on program based lending for SMEs	Karachi	March 26-27, 2018
9	Training of trainers on SME banking/financing	Karachi	March 28,29,30, 2018
<b>April, 2018</b>			

1	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Islamabad,	30-Mar-18
2	Training on program based lending	Khairpur	April 3-4, 2018
3	Training program for Risk Managers on SME financing	Khairpur	April 5-6, 2018
4	Training program Islamic SME Finance for relationship managers	Abbotabad	April 11-12, 2018
5	Training Program on NFAS for SME banking/financing	Abbotabad	13-Apr-18
6	Training Program for CAD personnel on SME banking	Rawalpindi	April 16-17, 2018
7	Training Program on Prudential Regulations for SMEs	Peshawar	18-Apr-18
8	Training Program on Problem loans and NPL management for SME bankers	Peshawar,	April 19-20, 2018
9	Training program on SME banking for Relationship Managers	Skardu	April 24-25, 2018
10	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Gilgit	27-Apr-18
<b>May, 2018</b>			
1	Training on program based lending	Sargodha	May 2-3, 2018
2	Training program on Prudential Regulations on SME banking/financing	Sargodha	4-May-18
3	Training Program on Financing for Start-ups & Entrepreneurs	Nawabshah	May 8-9, 2018
4	Training program on Prudential Regulations on SME banking/financing	Nawabshah	10-May-18
5	Training Program on NFAS for SME banking/financing	Khairpur	14-May-18
6	Training program on prudential regulations on SME banking/financing	DI Khan	16-May-18
7	Training program on SME banking for Relationship Managers	DI Khan	May 17-18, 2018
8	Training Program on Financing for Start-ups & Entrepreneurs	Hyderabad	May 21-22, 2018
9	Training program on SME banking for Relationship Managers	Hyderabad	May 23-24, 2018
10	Training Program on Financing for Start-ups & Entrepreneurs	Rawalpindi	May 30-31, 2018
<b>June, 2018</b>			
1	Training program Islamic SME product development	Quetta	June 4-5, 2018
2	Training Program on Financing for Start-ups & Entrepreneurs	Quetta	June 6-7, 2018
3	Training program Islamic SME product development	Bahawalpur	June 20-21, 2018
4	Training program on Prudential Regulations on SME banking/financing	Bahawalpur	22-Jun-18
5	Training Program for CAD personnel on SME banking	Faisalabad,	June 26-27, 2018

6	Training program on Prudential Regulations on SME banking/financing	Faisalabad,	28-Jun-18
<b>July, 2018</b>			
1	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Sialkot	2-Jul-18
2	Training program on Prudential Regulations on SME banking/financing	Karachi	3-Jul-18
3	Training Program for CAD personnel on SME banking	Karachi	July 4-5, 2018
4	Training Program on Financing for Start-ups & Entrepreneurs	Lahore	July 9-10, 2018
5	Training on program based lending	Lahore	July 11-12, 2018
6	Training program on SME banking for Relationship Managers	Rawalpindi,	July 16-17, 2018
7	Training Program on Prudential Regulations for SME banking/financing	Islamabad	July 18, 2018
8	Training on program based lending	Abbotabad	July 19-20, 2018
<b>August, 2018</b>			
1	Training on program based lending	Gilgit	August 1-2, 2018
2	Training program on Prudential Regulations on SME banking/financing	Gilgit	3-Aug-18
3	Training program for Risk Managers on SME financing	Abbotabad,	August 7-8, 2018
4	Training program on Prudential Regulations on SME banking/financing	Multan	9-Aug-18
5	Training Program on Financing for Start-ups & Entrepreneurs	Mirpur Khaas,	August 15-16, 2018
6	Training program on prudential regulations on SME banking/financing	Mirpur Khaas	17-Aug-18
7	Training program for Risk Managers on SME financing	Sukkur	August 29-30, 2018
8	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Khairpur	31-Aug-18
<b>September, 2018</b>			
1	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Lahore	5-Sep-18
2	Training Program for CAD personnel on SME banking	Lahore	Sep 6-7, 2018
3	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Abbotabad,	13-Sep-18
4	Training program on prudential regulations on SME banking/financing	Abbotabad,	14-Sep-18
5	Training Program for CAD personnel on SME banking	Muzaffarabad,	Sep 24-25, 2018
6	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Muzaffarabad	26-Sep-18

**October, 2018**

1	Training Program on Problem loans and NPL management for SME bankers	Rawalpindi	Oct 1-2, 2018
2	Training Program on NFAS for SME banking/financing	Quetta	8-Oct-18
3	Training Program on E-Registry of SMEs	Quetta	9-Oct-18
4	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Karachi	11-Oct-18
5	Training Program on E-Registry of SMEs	Karachi	12-Oct-18
6	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Sargodha	18-Oct-18
7	Training program on prudential regulations on SME banking/financing	Sargodha	19-Oct-18
8	Training program Islamic SME product development	Peshawar	Oct 23-24, 2018
9	Training Program on Financing for Start-ups & Entrepreneurs	Peshawar	Oct 25-26, 2018

**November, 2018**

1	Training program Islamic SME for Relationship Management	Khairpur	Nov 5-6, 2018
2	Training program on SME banking for Relationship Managers	Nawabshah	Nov 8-9, 2018
3	Training Program on NFAS for SME banking/financing	Peshawar	13-Nov-18
4	Training program on SME banking for Relationship Managers	Jhelum	Nov 15-16, 2018
5	Training program on prudential regulations on SME banking/financing	Hyderabad	23-Nov-18
6	Training Program on NFAS for SME banking/financing	Gilgit	26-Nov-18
7	Training program on Prudential Regulations on SME banking/financing	Skardu	28-Nov-18

**December, 2018**

1	Training program on Prudential Regulations on SME banking/financing	Lahore	Dec 5, 2018
2	Training Program on E-Registry of SMEs	Rawalpindi	7-Dec-18
3	Training on program based lending	Muzaffarabad	Dec 10-11, 2018
4	Training Program for CAD personnel on SME banking	Peshawar	Dec 13-14, 2018
5	Training on program based lending	Rawalpindi	Dec 17-18, 2018
6	Training program on prudential regulations on SME banking/financing	Rawalpindi	19-Dec-18
7	Training Program on Financing for Start-ups & Entrepreneurs	Karachi	Dec 20-21, 2018
8	Training Program on SBP Refinancing and risk coverage facilities for SMEs	Quetta	24-Dec-18



