



# Towel Manufacturers' Association of Pakistan

## TMA HOUSE

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The Governor Stat Bank of Pakistan,

2<sup>nd</sup>. February 2011,

Karachi,

Dear Sirs,

This is further to our meeting in November when you had invited the Exporters Representatives for consultations. I have a letter from Ms. Naila Afzal informing me that the "feedback" she has from the banks is that they are considering exporters requests for enhancement of ERF limits on a "case to case " basis. While I agree that we cannot force the banks to lend to Mr. X, Y, or Z. Yet it would be illuminating to know how many enhancements have been approved – and their sectoral break up. This as compared to the total accounts they have under ERF provisions of the State Bank.

What is even more serious is that as per the Banks the Prudential Regulations stipulate that if an exporting company undergoes a loss and this effects its balance sheet adversely then the banks are obliged to cut back on their lending to that company. If this will be implemented fully a large number of textile value added downstream units whether big or small will face grave difficulties. Rather than getting an enhancement, which we are pleading for, their limits will be curtailed. This will surely speed up their descent into bankruptcy and closure. I would once again urge you to review the Prudential Regulations – allow us to make recommendations, and formulate a policy by which the Small and medium scale sector is not totally devastated by this cotton crises.

All indicators are that the countries textile exports are dropping rapidly in volume. Obviously this will have a very severe impact on direct employment today and exports in the future. Pakistan is rapidly losing its market share of textile trade.

Yours truly,

AMM

CHAIRMAN

Recd to Mr. X

To Mr. Y  
1/2/11

