



# PMYBL Quarterly Review

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Prime Minister Youth Business Loans (PMYBL)

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**State Bank of Pakistan**

Infrastructure, Housing & SME Finance Department

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## 1. Introduction

The success of small businesses is critical for a strong economy as they provide linkages/ services to the corporate sector and generate employment opportunities. In Pakistan, Small and Medium Enterprises (SMEs) constitute over 93 percent of estimated 3.2 million business enterprises.

Access to finance has been globally recognized as a critical factor for poverty alleviation and growth of SMEs. The small enterprises face more constraints in accessing finance from the formal sector as compared to large enterprises and thus require special measures to fill that gap. Cognizant of the situation, SBP has been taking various measures for promoting SME financing. The Prudential Regulations (PRs) for SME Financing have been revised recently to put more focus on Small Enterprises (SEs), by defining “S” part of SME separately and formulating more specific and simpler regulations which better suit SE sector’s unique business characteristics and conditions. In addition, SBP is also managing a Credit Guarantee Scheme for Small & Rural Enterprises, which allows credit losses sharing upto 40% of lending banks’ portfolio under the Scheme. Further, various concessionary financing schemes are also in place like Refinance Facility for Modernization of SMEs, Scheme for Financing Power Plants using Renewable Energy, and Financing Facility for Storage of Agricultural Produce (FFSAP).

Government of Pakistan is playing a lead role for harnessing the huge human capital towards economic development of the country keeping in view the fact that Pakistan is sixth most populous country in the world with an estimated population of more than 188 million<sup>1</sup>. The productive population is 56 percent<sup>2</sup> of the total population. The country has abundant economically active human resource; however utilization of this human resource is a challenge due to lack of proper human resource development programs for majority of the youth population.

To address the employment issues being faced by the Pakistani youth in view of shrinking government jobs and lack of finance, the Government of Pakistan launched in FY 2013-14, the Prime Minister’s Youth Programme for facilitating youth in terms of financing for better utilization of their skills/competencies and opening up of new economic fronts, thus self employment and job creation. A budgetary allocation has been made for the following six schemes:

1. Prime Minister’s Youth Business Loans Scheme
2. Prime Minister’s Qarz-e-Hasna Scheme
3. Prime Minister’s Youth Training Scheme
4. Prime Minister’s Youth Skills Development Scheme
5. Prime Minister’s Youth Laptops Scheme
6. Prime Minister’s Fee Reimbursement Scheme

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<sup>1</sup> Economic Survey of Pakistan 2013-14

<sup>2</sup> Economic Survey of Pakistan 2013-14

## 2. Prime Minister's Youth Business Loans Scheme

Prime Minister Youth Business Loans (PMYBL) Scheme was launched by the Prime Minister on December 7, 2013 for promoting youth entrepreneurship in the country. In this regard, State Bank of Pakistan (SBP) being implementing agency (IA) for PMYBL Scheme has issued necessary instructions to all banks through IH&SMEFD Circular No. 10 dated November 18, 2013, which were amended vide IH&SMEFD Circular Letters No. 8 and 9 of 2013 and Circular letter No 1, 8 and 9 of 2014 respectively which can be accessed at <http://www.sbp.org.pk/smeffd/circulars>

## 3. Objective and key features of PMYBL Scheme

Main objective of the PMYBL Scheme is to provide loans to unemployed youth for establishing or extending business enterprises. Under this Scheme, loans up to Rs. 2,000,000 are being provided through the banking system at service charges of 8% per annum for borrowers, while the rate of return for banks working as Executing Agencies (EAs) for PMYBL is one year KIBOR+500 bps with KIBOR to be reset every year. Government of Pakistan (GOP) shall absorb the difference between the rate of return for EAs and 8% as service charges subsidy. Besides, GOP will also bear 5% of the losses on the portfolio of banks under PMYBL scheme. In first year of the Scheme, a target of extending loans to 100,000 borrowers with an estimated portfolio of Rs. 100 billion has been set. 50% of the loans have been reserved for women, while 5% Quota has been reserved for the heirs of Shaheed, Widows and Special Persons. Security requirement for the Loan is 'One Third Person Guarantee' or mortgage of personal property of borrower in lieu of the guarantee. Consolidated instructions on PMYBL are given in **Annexure- A**.

## 4. Market Participation

PMYBL scheme is currently being implemented through National Bank of Pakistan (NBP) and First Women Bank Ltd (FWBL). SBP has also advised other private banks to gear up their systems for participation in PMYBL. In this regard, for sensitizing the banks and encouraging them to extend financing under PMYBL, the Governor SBP highlighted importance of the PMYBL in meetings held with Presidents/Chief Executives of banks on June 11, 2014 and July 4, 2014 respectively. In response, a cluster of banks (excluding NBP/FWBL) has indicated that collectively they can extend loans under the PMYBL scheme upto Rs. 20 billion during fiscal year 2014-15. In order to effectively implement this scheme, the banks are likely to specialize in one or more specific SME market segments and will train and allocate capable and dedicated personnel to deliver. SBP is in close liaison with those banks, which are in the process of finalizing their PMYBL product programs.

## 5. Dissemination

SBP has, in coordination with NBP and SMEDA, conducted 12 Training Workshops across Pakistan/AJK for banks to apprise them about salient features of the PMYBL. Further, in order

to improve banks'/DFIs' understanding about PMYBL, an Orientation Workshop was also organized on September 10, 2014 at Learning Resource Centre (LRC), SBP, Karachi. The workshop was attended by Business Heads and Product Development Heads of the Banks.

#### **6. Balloting for PMYBL Scheme**

So far two balloting ceremonies, chaired by the Prime Minister, have been conducted on Feb 28, 2014 and June 04, 2014 respectively in Islamabad. On aggregate basis, in the two ballots, 10,582 loan cases amounting to Rs.11, 227.20 million were approved. Out of this, 10,441 loan cases amounting to Rs. 11,058.03 million belong to NBP and 141 loans amounting to Rs. 169.17 million pertain to FWBL.

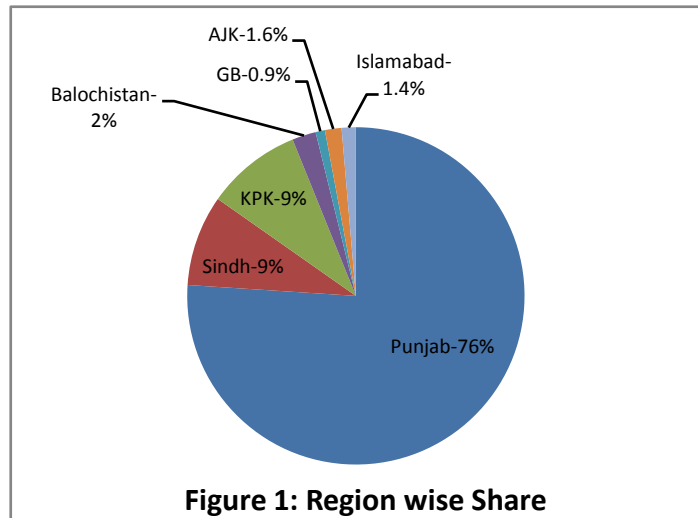
It is pertinent to mention that loan applications of all female borrowers were approved in the two ballots. Of the total 10,582 approved loans, 1,491 loans amounting to Rs. 1,607.17 million were approved for female applicants, while 9,091 loans amounting to Rs. 9,620.07 million were approved for male applicants.

In the first balloting, 5,414 applications from 92 districts with aggregate loan amount of Rs. 5,893.96 million were declared successful on the basis of population of each province. Out of these 5,350 loan cases amounting to Rs. 5,814.29 million belonged to NBP while 64 loans amounting to Rs. 79.67 million belonged to FWBL. In 2<sup>nd</sup> balloting, 5,168 loans application with aggregate loan amount of Rs. 5,333.25 million were declared successful. Out of those, 5,091 loans amounting to Rs. 5,243.75 million belonged to NBP while 77 loans amounting to Rs. 89.50 million belonged to FWBL.

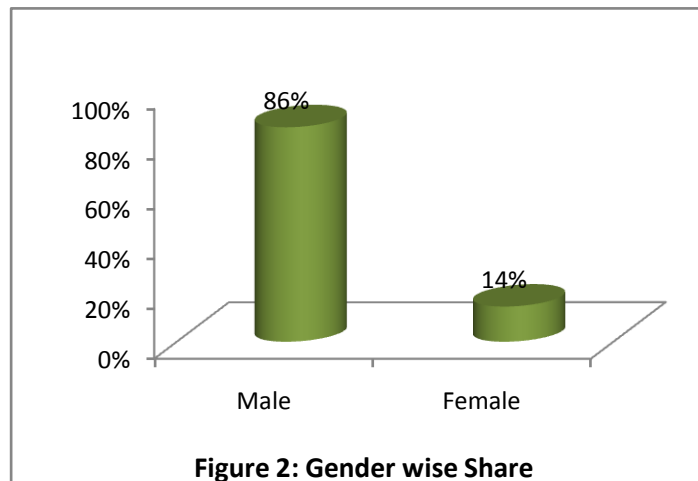
#### **7. Status of PMYBL Scheme**

As regards number of completed application forms received by NBP and FWBL, it is apprised that as of September 30, 2014, total 59,442 completed application forms were submitted by potential borrowers, out of which 58,992 applications were submitted in NBP while only 450 (all female) were received by FWBL. As of Sep 30, 2014, NBP had sanctioned 13,109 loan applications amounting to Rs. 13, 703 million, whereas FWBL had sanctioned 143 applications worth Rs. 171.65 million.

**Region-wise position:** Out of total 59,442 completed forms submitted by applicants, 76% of total loan applicants were from Punjab, 9% from each of KPK & Sindh, 2% from Baluchistan, 1.6% from AJK, 1.4% from Islamabad and 0.9% from Gilgit-Baltistan (Figure 1).



**Gender-wise position:** Out of total 59,442 completed application forms received by both the NBP and FWBL, 51,067 or 86% were submitted by male and 8,375 or 14% by female loan applicants respectively (Figure 2).



**Disbursements:** Against approved cases in the two ballots, NBP disbursed 4,545 loans amounting to Rs. 2, 580 million as of September 30, 2014, whereas 76 loans amounting to Rs. 95.2 million were disbursed by FWBL up to September 30, 2014.

Prime Minister, while chairing the balloting ceremony of PMYBL scheme emphasized upon the youth from Sindh, Baluchistan and other backward areas of the country to come forward and set up their businesses by taking benefit from this subsidized loan scheme. It is expected that in coming months, greater number of youth entrepreneurs from those areas will also avail loans under PMYBL scheme.

### 8. Annexure-A: SBP Instructions on PMYBL Scheme

1	Brief Description	Small Business Loans will focus on (but will not be restricted to) unemployed youth, especially educated youth looking for establishing or extending business enterprises
2	Eligibility Criteria	All men/women holding CNIC, aged between 21 and 45 years with entrepreneurial potential to apply from designated branches mapped with area of residence/business.
3	Security Requirements	One guarantor
4	Permissible Collaterals	Business hypothecation
5	Focus on Women	50% of loans will go to women borrowers
6	Debt-Equity Ratio	90:10 The borrower's contribution of equity would be in the form of cash or immovable property and will be required after approval of the loan.
7	Loan Period	Tenor of loan upto 8 years including grace period of one year.
8	Pricing	8% fixed for borrower. Government will pay the difference of the cost at KIBOR+500bps
9	Risk Mitigation	Government will bear upto 5% losses on the portfolio of the bank under this scheme.
10	Number of Loans	100,000
11	Size of Loan	Upto Rs. 2,000,000 (Twenty Lacs)
12	Allocation in Budget 2014-15	Rs. 5 billion
13	Executing Agency	In the first instance, National Bank of Pakistan (NBP) and First Women Bank Limited (FWBL) under the guidance and supervision of State Bank of Pakistan. SBP to ensure participation of private banks: a) Private banks will be required to participate in this scheme on the basis of soundness of business proposals; and b) SBP will encourage private banks to build this portfolio commensurate with their size. c) SBP will arrange appropriate training for private banks to implement this scheme. d) NBP will continue to play the lead role.
14	Sectors and Products	All sectors. Standardized schemes/ projects/ undertakings will be designed by SMEDA, projects designed by private sector service providers or by individuals themselves will also be admissible.  <u>Role of SMEDA:</u> a) The 50 feasibilities prepared and uploaded by SMEDA will be extensively publicized and their access to public made easier through multiple linkages with other relevant websites.



		b) SMEDA will work closely with Punjab Information Technology Board (PITB) to ensure that the schemes are accessible to those who participated in the PITB survey.
15	Application Form	<p>The Form would be both in English and Urdu; and require minimum essential information with simple format.</p> <p>The processing time will not exceed 15 days and will be so stated clearly in the application form; and</p> <p>The forms would be readily available both in branches and through dedicated websites of the banks.</p> <p>Non-refundable form processing fee will be Rs. 100 (One Hundred).</p>
16	Monitoring	<p>SBP will publish consolidated information about the loans extended under this scheme for information of the public on quarterly basis on its website;</p> <p>An effective Complaint Center to process and resolve complaints will be set up;</p> <p>E-government directorate of Ministry of IT will provide support</p>
17	Geographical distribution	<p>Whole of Pakistan. In case of Balochistan, at least one branch of NBP will be designated per Division.</p> <p>All non-designated NBP branches will also provide and receive filled application forms and dispatch them to the nearest branches.</p>
18	Corporate Social Responsibility	<p>Attention of the banks is also invited to the SECP's Code of Corporate Governance required to be followed by the banks in terms of Prudential Regulation G-1. In this respect, banks are advised to ensure that financing provided under this Programme or other similar Programmes should be reported in consolidated form in their Annual Reports under Corporate Social Responsibility initiatives.</p>
19	Quota for Special Persons	<p>Banks are advised to note that the Federal Government has approved 5% quota for three categories i.e. Shaheed (widow and children of Shaheed), Widows and Special Persons (cumulative quota for three categories combined) on the basis of number of approved loans by the banks under the PM's Youth Business Loan Scheme.</p>
20	Guarantor Qualification Criteria	<p>Guarantor(s) must</p> <p><b>A.</b> have individual or collective net worth of 1.5 times of requested loan amount. Applicant can also provide guarantee of more than one guarantor (maximum 3) with aggregate net worth of 1.5 times of the requested loan amount.</p> <p style="text-align: center;"><b>OR</b></p> <p><b>B.</b> be Government Employee of BPS-15 or above with minimum 8 years of remaining service at the time of providing the guarantee. No net worth required if guarantor is government employee of BPS-15 or above.</p>

Either of the two guarantors in (A) and (B) above will also fulfill the following conditions:

- Clean Credit history
- Not an employee of Bank working as Executing Agency for PMYBL Scheme
- Cannot be the applicant

The following points in this respect may also be noted:

- Blood relative can be a guarantor
- It is not mandatory for the guarantor to reside in the same city of the applicant
- There is no age limit for guarantors who are not government employees

**C.** Those borrowers, who are seeking loans for expansion of their existing businesses or for setting up new businesses and have immovable property in their own name valued at least 1.5 times of the requested loan amount, can offer this property as security for the loan in lieu of guarantee.

21	Repayment during Grace Period	All loans will have a grace period of 12 months from the disbursement date during which installments will not be paid. However, the customers will be required to pay only mark-up during grace period.
22	Application Form	Standard Loan Application Form available on SBP website is to be used for PMYBL Scheme.
23	Balloting Process	All applications approved and sanctioned shall be entitled for ballot. Government of Pakistan has decided that, to ensure transparency and equity, balloting shall be conducted for all applications sanctioned during a month based on respective share in NFC Award of: (a) four provinces, (b) special areas (AJ&K, FATA, and Gilgit-Baltistan), and (c) Federal Capital. Besides, following an equal opportunity and gender equity policy, the entire ballot is divided equally between males and females in each category.