

**Frequently Asked Questions (FAQs) on  
Credit Guarantee Scheme for Small & Rural Enterprises**

**Query 1: Are the Small Enterprises located in Urban Areas eligible for Financing under the Scheme or that only the Small Enterprises located in Rural areas eligible for financing under the Scheme?**

**Clarification:** The facility under the CGS is not limited to the Small Enterprises located in rural areas. The Scheme provides separate definitions of Small Enterprises & Rural Enterprises. Therefore, Small Enterprises located in urban areas are also eligible for financing provided they fall within the target market given in the scheme.

**Query 2: How are Credit Guarantee Limits of CGLs adjusted?**

**Clarification:** The Credit Guarantee Limits (CGLs) allocated to the Participating Financial Institutions (PFIs) under the Credit Guarantee Scheme (CGS) for Small & Rural Enterprises are Revolving Limits i.e. the Regular Repayments of Loans under the Scheme will relieve the CGL of the PFI and the disbursement of loans will utilize the limit. However, the defaults and associated claims on Guarantee Fund will not relieve the limit.

**Query 3: Can a business entity availing a refinance facility under SBP Refinance Scheme also avail separate guarantee facility under the Credit Guarantee Scheme?**

**Clarification:** A business entity which has already availed a facility under the SBP Refinance Scheme can also avail separate facility under the Credit Guarantee Scheme to meet its additional financing needs and vice-versa. In such cases, separate mark-up rates applicable under the respective facilities shall be charged.

**Query 4: Can a borrower availing a Refinance Facility, also obtain Guarantee cover for the same loan?**

**Clarification:** A borrower availing refinance facility under the following two Schemes may also obtain a Credit Guarantee Facility for the same loan and vice-versa.

1. Agri. Loans Refinancing & Guarantee Scheme for War Affected Areas of NWFP and FATA  
Circular 18 of 2009
2. Refinance Scheme for Revitalization of Small and Medium Enterprises (SMEs) in NWFP, Gilgit-Baltistan (GB) and FATA  
Circular 2 of 2010

Further, in such cases, the mark-up rate applicable under the Refinance Scheme shall prevail.

**Query 5: Under the Scheme, the facility is available to “only fresh/new and collateral-deficient borrowers”? Please explain it.**

**Clarification:**

- **Fresh/ New Borrowers** Which are not availing any facility currently, or have not previously availed any financing facility from formal sources.
- **Collateral Deficient Borrowers** which are availing financing facility from a bank currently,

but are unable to get additional financing due to lack/or deficiency of Collaterals.

**Query 6: Are farmers eligible for financing under the scheme?**

**Clarification:** Under Component 1, subsistence farmers of NWFP, FATA and Gilgit-Baltistan are eligible for financing to the extent of Rs. 0.5 million, but priority is to be given to farmers of these areas with land holding of max. 5 acres.

**Query 7: Will the adverse e-CIB report of delinquency on a personal loan facility affect the prospects of a borrower to avail financing facility under the Scheme?**

**Clarification:** The history of behavior of a borrower (e-CIB report) provides a reflection on the tendency of the borrower regarding its new/fresh borrowing. Also as a principle, a business entity of unlimited liability cannot be separated from his/her owner/proprietor/partner. Therefore, adverse e-CIB report on a personal loan shall be construed as unclean e-CIB report and shall render such business entity as in-eligible for financing under the scheme.

**Query 8: Will the personal loan extended to the owner(s) of a business entity be considered while determining its status as a “fresh borrower”**

**Clarification:** No. Personal loans extend to the owner(s) of a business entity shall be excluded for the sake of determining its status as a “fresh borrower” under the scheme. However, any delinquent behavior under such personal loans of owner(s) of business entity shall imply an unclean e-CIB rendering such a business entity in-eligible as noted in clarification of query # 7.

**Query 9: Can the banks extend additional loans to a borrower apart from facilities extended under the Guarantee Scheme?**

**Clarification:** Yes. The Banks can extend additional loans to a borrower other than Guaranteed loans under their normal business operations. However, the PFIs under the scheme shall have to ensure that extension of such loan facility should not adversely affect the capacity of the borrower to repay guaranteed loans under the scheme.

**Query 10: Can the banks demand collaterals from their borrowers for guaranteed loan facilities?**

**Clarification:** The Scheme encourages the banks to extend cash flow based lending facilities to its borrower which depicts adequate cash flows and repayment capacity. However, the Scheme does not restrict the banks to demand collaterals from their borrowers; i.e. the banks can, in their own discretion, solicit collaterals from a fresh borrower and additional collateral from existing collateral deficient borrowers in case they are not satisfied with their cash flows and/ or repayment capacity.

**Query 11: Can the banks extend only one guaranteed loan to a borrower?**

**Clarification:** The Banks can extend more than one guaranteed loans to a borrower within the maximum loan limit for a single borrower as given in the Scheme.

**Query 12: Is there any mechanism to provide credit guarantee on the existing loan portfolio?**

**Clarification:** Only new loans to fresh borrowers and additional loans to collateral deficient borrowers which are extended by a bank after its selection as a PFI and allocation of Credit Guarantee Limit shall qualify for guarantee facility under the scheme. The existing portfolio of loans extended by a bank prior to its selection as PFI is not eligible for the guarantee cover under the scheme.

**Query 13: What are the loan limits under component 1 and 2 of the scheme?**

**Clarification:** The Maximum Loan Limit for a single borrower under the Scheme is Rs. 5 million. However, Maximum Loan Limit for subsistence borrowers under component 1 is Rs. 0.5 million.