

**Refinance and Credit Guarantee Scheme for
Women Entrepreneurs in Underserved Areas**

Introduction

In line with the Government of Pakistan's policy to support and revive economic activities in the country and SBP's measures for improving access to finance in underserved areas of the economy especially for the women entrepreneurs, a refinance cum credit guarantee scheme is being launched for the women borrowers operating in the underserved areas of the country. Under the scheme, banks and DFIs will be required to provide financing facilities to women entrepreneurs to meet credit needs of their businesses.

Under the scheme, refinancing will be provided by State Bank of Pakistan at 0% to participating financial institutions for onward lending to women entrepreneurs of underserved areas at a mark-up rate of upto 5% per annum. Such loans will also be eligible for 60% risk coverage under SBP's Credit Guarantee Scheme for Small and Rural Enterprises. The details of the scheme are as under:-

1. Scope & Eligibility:

- i. Financing shall be available to women entrepreneurs in the underserved areas for a period of upto 5 years, including maximum grace period of upto six months.
- ii. Underserved areas for the purpose of this scheme will include all the areas of the country except the following:

List of districts excluded from definition of underserved areas					
1	Lahore	9	Gujrat	17	Kasur
2	Faisalabad	10	Jhang	18	Khanewal
3	Sialkot	11	Sheikhupura	19	Dera Ghazi Khan
4	Gujranwala	12	Bahawalpur	20	Karachi
5	Multan	13	Vehari	21	Hyderabad
6	Islamabad	14	Sargodha	22	Ghotki
7	Rawalpindi	15	Sahiwal	23	Sukkur
8	Rahim Yar Khan	16	Bahawalnagar	24	Peshawar

- iii. Maximum financing limit under the scheme will be Rupees one and a half million (Rs. 1.5M).
- iv. Financing under the scheme should be provided for setting up of new business enterprises or for expansion of existing ones.
- v. Financing under the scheme should be provided to women borrowers preferably under the personal guarantee of the borrower.

2. Participating Financial Institutions (PFIs)

All commercial banks and Development Finance Institutions (DFIs) can participate in the scheme.

3. Rate of Mark-up:

Rate of mark-up rate for end user under the facility will be upto 5% per annum (p.a.). SBP will provide refinance to PFIs at 0%.

4. Guarantee/Risk Coverage:

Under the scheme, PFIs will be provided the risk coverage of 60% (against outstanding principal portion only) as applicable under Credit Guarantee Scheme for Small and Rural Enterprises (CGS) issued vide IH&SMEFD Circular No. 01 dated 13.01.2017. To avail risk coverage against the loan, PFIs shall follow the process and fulfill all terms and conditions as outlined under Credit Guarantee Scheme for Small and Rural Enterprises <http://www.sbp.org.pk/smeffd/circulars/2017/C1.htm>. The banks/DFIs already availing limits under CGS will be provided risk coverage under this scheme against their existing limits. Those banks/DFIs that are currently not availing the facility of CGS can apply for limits to the Director, IH&SMEFD and based on the availability of funds, limits will be sanctioned. However, the guarantee limits allocated to these institutions will specifically be allowed for risk coverage under the subject scheme.

PFIs will be eligible for guarantee claims on case to case basis once the loan is categorized as 'Loss'. Objective classification criteria as defined in the relevant Prudential Regulations of SBP shall be followed to categorize a loan as 'Loss'.

Credit Guarantee Scheme for Small and Rural Enterprises available at <http://www.sbp.org.pk/smeffd/circulars/2017/C1.htm> shall be referred to for the process to be followed for lodging guarantee claim under the scheme. PFIs will follow all the reporting requirements specified in Credit Guarantee Scheme for Small and Rural Enterprises.

5. Allocation of Refinance Limits

- SBP shall allocate limits to PFIs under the scheme on receipt of request from them. The limits will be reviewed on yearly basis.
- Atleast 20% of the limit should be allocated for lending to women entrepreneurs in Balochistan.
- Applications for sanction of limits shall be sent by the interested banks/DFIs to the Director, Infrastructure, Housing & SME Finance Department.

6. Grant of Refinance

The State Bank shall provide refinance to participating banks/DFIs in terms of Section 17 (2) (d) read with Section 22 of State Bank of Pakistan Act 1956. PFIs will claim refinance monthly on consolidated basis instead of claiming refinance on case to case basis. PFIs will submit applications for refinance to concerned office of SBP BSC through submission of documents (attached as Refinance Application Documents) by 5th working day of every month, claiming refinance against all the loans disbursed in the previous month. Once the refinance is approved, respective SBP BSC will communicate the same to PFI. SBP BSC will approve refinance within 7 working days of receipt of complete information.

7. Loan Repayment

- Repayment of loans by borrowers shall be made in equal quarterly installments after grace period (if any).

- The refinance granted by SBP BSC offices to the PFIs shall be recovered, on the due dates as reported in the original repayment schedule, from the accounts of the PFIs maintained with the respective office of the SBP BSC.
- If a borrower repays the loan amount or its installment, in part or in full, before the due date(s), the PFIs shall be under obligation to repay the amount(s) so received within 15 days to the concerned office of SBP BSC failing which, fine for late adjustment of loan will be recovered from the concerned bank/DFI, at the rate of Paisa 60 per day per Rs 1,000 or part thereof or prospectively at such rate as may be announced by the State Bank from time to time.
- In case a borrower fails to repay the amount of installment as per the original repayment schedule, the PFIs will be entitled to charge normal rate of mark up on such overdue principal amount besides taking other actions to recover the same as are incidental to such defaults. SBP will continue to recover the principal amount on the due dates as per the repayment schedule. In no case, the liability of banks/DFIs to pay/repay to SBP BSC the principal amount of refinance as per the repayment schedule or mark-up or any other charges or penalty thereon shall be dependent upon the recovery from the borrower nor shall such liability be affected by any default on the part of the borrower.
- Once the loan is categorized as 'Loss' and a PFI's guarantee claim has been approved by Development Finance Support Department (DFSD), Head Office, SBP-BSC; 60% of the outstanding principal due from borrower will be reimbursed to the PFI as the guarantee claim under Credit Guarantee Scheme. SBP will continue to recover its principal amount of refinance in installments as per the repayment schedule.
- Any recovery against the NPL (from delinquent borrowers after reimbursement of guarantee claim from SBP) under the scheme shall be treated as recovery of principal. Such recovered amount shall be shared between SBP and PFI in the ratio of 60:40. PFI shall deposit the said recovered amount with SBP as per process laid down in Credit Guarantee Scheme for Small and Rural Enterprises.

8. Reporting Mechanism

PFIs will submit a quarterly report as per attached Reporting Template to Development Finance Support Department (DFSD), Head Office, SBP-BSC. The report shall be submitted within 7 days of respective quarter end. This is in addition to all the reporting requirements laid down in Credit Guarantee Scheme for Small and Rural Enterprises.

In addition to the quarterly reports, SBP may solicit progress report from PFIs as and when required.

9. Other Terms and Conditions

- All the financing under the scheme shall be in adherence to relevant Prudential Regulations of SBP.
- Banks/DFIs shall not take more than 30 working days in evaluating an application for financing under the scheme from the date of receipt of complete information from the borrowers. Where the request is declined, the banks/DFIs will explicitly apprise the prospective borrower of the reasons for rejecting the application.
- Financing under the scheme shall be checked by SBP's Banking Inspection Department (BID) during inspection of the banks/DFIs to ensure that the same has been allowed as per the terms and conditions of the scheme.
- Refinance shall be provided on the basis of certification by the Internal Audit of the financing bank/DFI with regard to confirmation that the loan is within the terms and conditions laid down in the scheme. A copy of the said Internal Audit Certificate shall also be submitted to the concerned office of SBP BSC at the time of availing the refinance facility.

- Where a bank/DFI considers the requests of their borrowers for rescheduling of loans granted under the scheme, the principal amount of refinance shall only be rescheduled in a way that total tenor of refinancing under the scheme does not exceed maximum period of 5 years from the date of original disbursement made by the banks/DFIs.
- In case of violation of the terms & conditions of the scheme, the State Bank shall reserve the right to recover the amount of refinance granted to the bank/DFI along-with fine at the rate of Paisa 60 per day per Rs 1,000/- or part thereof for the period of refinance.
- If any question arises with regard to interpretation of any instructions of the scheme, the decision of the SBP shall be final.
