

Definition: Microenterprises

Microenterprises shall mean projects or businesses in trading /manufacturing /services /agriculture that lead to livelihood improvement and income generation. Moreover, these projects/businesses are undertaken by microentrepreneurs who are either self-employed or employ few individuals not exceeding 10 (excluding seasonal labor).

In Pakistan, microenterprises operate in numerous forms including carpenters, electricians, food stalls, farmers, live-stocks, lathe machines, mechanics etc. and these have traditionally lacked access to formal financial services.

PR 10. Maximum Loan Size and Eligibility of Borrowers

1. Housing Loans:

Maximum Loan size is up to Rs. 500,000/- to a single borrower with household annual income up to Rs. 600,000/-. However, at least 60% of housing loan portfolio of an MFB should be within the loan limit of Rs. 250,000/- or below.

2. General Loans (Other than housing loans):

Maximum Loan size is up to Rs. 150,000/- to a single borrower with household annual income (net of business expenses) up to Rs. 300,000/-.

3. Loans to Microenterprises:

Loans to microenterprises shall be up to a maximum of Rs. 500,000/-. The MFB shall extend the enterprise loans only in the name of microentrepreneur to ensure traceability and reduce the incidence of multiple borrowing.

The aggregate exposure against the enterprise loans in excess to Rs. 150,000/- shall not exceed 40% of the MFB's gross loan portfolio. MFBs shall ensure to have in place appropriate mechanism for monitoring the aggregate exposure limits on enterprise lending.

Only those MFBs that are fully compliant with minimum capital requirement (MCR) and capital adequacy ratio (CAR) shall be eligible to undertake microenterprise lending. The interested MFBs shall develop related institutional capacity (products, credit risk management and monitoring system, trainings etc.); and submit its detailed business plan of microenterprise lending to SBP for seeking necessary approval. The SBP shall evaluate the plan along with operational/financial performance, funding plan, supervisory assessment, and credit rating of the MFB, and accordingly grant permission for launching pilot program to the applicant MFB. The final approval for enterprise lending shall be granted subject to satisfactory evaluation of pilot program.

PR 11. Maximum Exposure of a borrower from MFBs / MFIs / Other Financial Institutions / NGOs.

The MFB shall develop an internal mechanism to monitor the overall exposure of its borrowers so as to manage credit risk and also minimize the borrowers' over indebtedness risk.

Firstly, at the time of granting facility, MFBs shall obtain a written declaration on the prescribed format attached as Annexure-F from the borrower divulging details of various facilities already obtained from other MFBs / MFIs / Banks / other Financial Institutions. The MFB shall ensure that total exposure of its clients does not exceed their total repayment capacity as determined under the criteria laid-out in the MFB's credit policy.

The maximum limits of the borrowers' aggregate exposure shall not exceed Rs. 150,000/- for general loans, Rs. 500,000/- for housing loans, and Rs. 500,000/- for microenterprise loans. The aggregate exposure of the borrowers who are eligible to avail both general and microenterprise loan shall not exceed Rs. 500,000/-.

Before allowing any credit facility, the MFBs shall obtain a credit report from the Credit Information Bureau of State Bank of Pakistan, or from any other appropriate Credit Information Bureau of which they are a member. However, if credit facility exceeds Rs. 30,000, it will be mandatory for MFBs to obtain credit report from Credit Information Bureau of State Bank of Pakistan. The credit reports should be given due weightage while making credit decision.
