

Term Sheet

“Zarkhez-e” – Asaan Digital Zarai Qarza

Overview of the Zarkhez-e	<p>The Zarkhez-e is an initiative aimed at promoting collateral-free financing for the small farmers through tech-enabled end-to-end digital process & delivery channels for provision of quality inputs to farmers to raise their agricultural yields and support rural uplift.</p> <p>It will allow spending at reputable merchants through structured Digital Channel(s) (Portal/Mobile App) to purchase quality inputs for agricultural/farming purpose, restricting misutilization of funds.</p>
Application Process	Loan applications will be received by banks through online portal and then processed and approved digitally.
Structure/Purpose of Financing Facility	<ol style="list-style-type: none"> 1. Short-term Production financing. IBIs may structure the facility as per Shariah compliant modes of financing. 2. Structured usage through digital channels for following crop input expenses: <ol style="list-style-type: none"> a. Seeds b. Fertilizers c. Pesticides d. Diesel
Target Market	Subsistence level farmers across the country
Eligibility Criteria	<ol style="list-style-type: none"> 1. Landowners and tenants up to 12.5 acres in Punjab and KPK, 16 acres in case of Sindh and 32 acres in case of Balochistan 2. Resident Pakistani farmers 3. Age 21-60 years 4. Must have a valid CNIC as per NADRA record 5. Mobile Phone SIM registered in the name of borrowing farmer
Financing Amount	<ol style="list-style-type: none"> 1. For landowners: Up to PKR 100,000 per acre to a max. of PKR 1 Million 2. For tenants: Up to PKR 100,000 per acre to a max. of PKR 500,000 3. Cash out up to 25% for landowners and up to 15% for tenants (IBIs to follow the respective Shariah compliant mode)
Financing Tenor	Up to 12 months
Pricing	Competitive market rate keeping in view the affordability of small farmers
Loan Repayment	<ol style="list-style-type: none"> 1. Principal + Markup/profit repayment at the end of financing tenor 2. Early repayments allowed without any pre-payment penalty

Decision/Evaluation Criteria	<p>Following is proposed criteria for evaluating credit worthiness of the applicants.</p> <ol style="list-style-type: none"> 1. NADRA Verisys & PMD verification 2. Sanctions list name screening, inclusive of Schedule 4/NACTA screening 3. ECIB/other private credit bureaus check for acceptable credit history and over-dues/write-offs as per Financial Institution's credit underwriting standards 4. Acceptable DBR ratio as per bank's policy 5. Satisfactory online psychometric assessment score (optional) 6. Satisfactory credit risk score (considering farmer's KYC, Financials, and Agronomy information) as per bank's policy 7. Financial Institutions (FIs) may conduct on-site visits to verify the farmer's identity and land ownership/tenancy records etc.
Usage & Repayment	<ol style="list-style-type: none"> 1. Only one application per individual/farmer 2. Loan/financing shall be disbursed through a wallet account/CASA/Asaan Account accessible through digital channels (Mobile App etc.). 3. The spending shall be restricted to reputable merchants only for the purchase of seeds, pesticides, fertilizers, and diesel. 4. The FIs (Banks/MFBs) shall onboard the Agri. merchants for the purpose or collaborate with the FIs that have on-boarded such merchants.
Group Life Insurance	<p>All farmers availing the loan under this initiative shall have life insurance coverage equivalent to the loan amount disbursed and outstanding against him/her. In case of death of the farmer, the loan recovery shall be effected through insurance claim.</p>
Crop Insurance	<ol style="list-style-type: none"> 1. Crop Loan Insurance under Crop Loan Insurance Scheme (CLIS) will be mandatory for five major crops. 2. IBIs to arrange Takaful as per applicable under Sharia mode of financing 3. Any changes in insurance mechanism will be communicated accordingly.
Agri-Advisory Services (AAS)	<p>FIs will arrange AAS for farmers by developing partnerships with the Agri-Service Providers (ASPs) like LIMS to ensure that all their farmers obtain the advisory services.</p>
Facilitation in Sale of Agricultural Produce	<p>FIs are encouraged to develop mechanism to facilitate the farmers in sale of their agricultural produce or storage in the accredited warehouses. In this regard, FIs may preferably purchase/sell the produce through Salam/Parallel Salam arrangement, in case of Islamic mode or otherwise, FIs may require the farmers to sell/deliver the produce directly to FIs' designated vendors.</p>
Risk Coverage/ Credit Loss Guarantee	<p>The first-loss portfolio basis risk-coverage of 10% allowed under GOP supported 'Risk Coverage Scheme for Small Farmers and Underserved Areas' issued vide ACFID Circular No. 2 dated August 20, 2025, will also be available to financing extended under this initiative, as long as the scheme remains in place.</p>
Documentation & Processing Fee	<ol style="list-style-type: none"> 1. The documentation including Loan Application Form (LAF) and Terms & Condition etc. shall be completed/authenticated/signed digitally by the concerned borrowing farmers, on best effort basis. 2. The processing fee of Rs1,200/- shall be paid by the applicant through online portal to cover necessary costs of PMD, NADRA, LIMS verification etc.

Marketing & Awareness Campaign	FIs will ensure implementing PBA led marketing and awareness campaign to optimize outreach of end-to-end digital financing solution for small farmers.
Progress Reporting	SBP will regularly collect the progress report from Banks/MFBs for review and monitoring purpose.