

November 2, 2009

## State Bank launches Refinancing Facility for Modernization of SMEs

The State Bank of Pakistan has launched a new Refinancing Facility for Modernization of Small & Medium Enterprises (SMEs) as a part of its overall strategy to focus on the development of SME sector in the country.

Initially financing under the Scheme, which is effective from November 2, 2009, will be available for import/purchase of new Rice Husking Machines, Paddy Driers and Parboiling Plants by the sponsors of Rice Husking Units / Automatic Sella Plants, says a circular (SMEFD Circular No 17) issued by SBP today. The Scheme will encourage the sponsors of Rice Husking Mills / Automatic Sella Plants to modernize their mills/units to produce quality rice. Other SME Clusters, as and when made eligible, will be announced separately.

Financing under the Scheme will be available according to the following mark-up rate structure:

Tenor	Rate of Refinance	Banks' spread	End users' rate
Up to 3 years	6.00%	2.00%	8.00%
Over 3 years and up to 5 years	6.50%	2.50%	9.00%
Over 5 years and up to 7 years	7.00%	3.00%	10.00%

According to terms and conditions of the Scheme, the rate of mark-up once fixed shall remain locked-in for the entire duration of the loan, provided the borrowers continue to repay all scheduled installments by the respective due dates. Similarly, in cases where the loan amount is not disbursed in full during the validity of an applicable rate, the un-disbursed amount shall attract the new rate of finance/refinance applicable on the date of its disbursement by the bank/DFI.

Under the Scheme, banks/DFIs shall not take more than six weeks in evaluating an application for financing under the Scheme from the date of receipt of complete information from the borrower. Similarly, financing banks/DFIs shall ensure fulfillment of requisite pre-disbursement formalities by the borrower through due diligence as per their own internal arrangements to avoid any malpractice.

According to the circular, only SMEs as defined under Prudential Regulations for SMEs shall be eligible to avail financing under the Scheme. Financing under the Scheme shall be subject to compliance with all rules and regulations including Prudential Regulations for SMEs. This facility will be available till June 30, 2011 on first-come-first-served basis subject to availability of funds.

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