

May 25, 2011

## SBP expands scope of Refinance Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas

The State Bank of Pakistan (SBP) has expanded the scope and extended the validity of the Refinance Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas of the country. This has been done with a view to improving access to finance for Small & Medium Enterprises (SMEs) and farmers in the flood affected areas.

The Scheme will now also provide financing to the non-farm sector, said IH & SMEFD Circular No. 04 of May 25, 2011. Earlier, the financing under the Scheme was allowed to farm sector only. Likewise, SBP has also allowed banks/DFIs to repay the principal amount of refinance within 15 days of the due date(s), instead of 7 days as allowed earlier under the Scheme, the circular said and added that the validity of the Scheme has been extended up to November 30, 2012. Earlier, the validity of the scheme was 31<sup>st</sup> October, 2011.

Primary objective of the scheme is revival of agriculture activities in flood affected areas, therefore, banks/DFIs would not provide more than 25% loans to non-farm sector, out of limit sanctioned for agricultural financing under the Scheme, the circular said.

Refinance limits already sanctioned in favour of selected banks for agriculture and SMEs under the Scheme, for FY 2010-11 will continue to be available up-to expiry date of the Scheme. They can also apply for enhancement of limits after utilization of their existing limits. Further, other interested banks/DFIs, having branches in flood affected areas, may also apply to IH&SME Finance Department for sanctioning of fresh limits under the Scheme separately for agriculture and SMEs, the circular added.

It may be recalled here that this Scheme was introduced as part of Government's policy for revival of agriculture activities and SBP relief measures for improving access to financing in flood affected areas. Under the scheme, financing is available at affordable/concessional mark-up rates through banks/DFIs for which a sum of Rs. 10 billion has been allocated. However, banks/DFIs have shown a rather dismal performance in utilizing the allocated funds. In view of this, the State Bank has decided to expand the scope of the scheme and made amendments accordingly in Para 1(a) (i), Para 5 (b) & (c) and 7 (b) of the Scheme, which was circulated through SMEFD Circular No.16 of November 02, 2010.

\*\*\*\*\*