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SBP extends the scope of Credit Guarantee Scheme

The State Bank of Pakistan (SBP) has extended the scope of the Credit Guarantee Scheme (CGS) by including Micro Finance Banks (MFBs) as eligible Participating Financial Institutions (PFIs) in order to enable micro enterprises to benefit from this Scheme.

Now MFBs would be able to extend loans from above Rs. 150,000 up-to Rs. 500,000 to micro enterprises for a tenor not exceeding 5 years, says IH&SMEFD Circular Letter No. 14 of December 04, 2012.

The Micro Finance Banks which have already obtained prior approval of SBP for undertaking 'microenterprise' lending as per AC&MFD Circular No.02 dated March 16, 2012, can apply for allocation of Credit Exposure Limits under the Credit Guarantee Scheme, the Circular Letter added.

It may be pointed out that earlier the CGS facility was open to Commercial Banks only. The Micro Finance Banks would find great comfort in taking credit risks as they now enjoy the risk coverage of 40% on their loans to micro enterprises.
