

Small Enterprises/farmers get Rs 2.83 bln bank financing under SBP Credit Guarantee Scheme

The State Bank of Pakistan's (SBP) Credit Guarantee Scheme (CGS) has helped small enterprises and farmers to access Rs 2.83 billion in bank financing over the last 18 months.

The Scheme (CGS) has facilitated financing in 105 districts across the country with 85 percent of loans provided to previously un-served/under-served clients in rural areas, of which 81 percent were subsistence farmers. Similarly, 91% of the loans under the Scheme were provided to small businesses with less than five employees of which 90 percent were sole proprietors.

Under the CGS, banks also focused on serving the lower end of the commercial banking market through smaller loans, with an average loan size of Rs 390,000 for agriculture and Rs 2.1 million for small enterprises. Based on client needs, the loan tenor under the CGS ranged from less than one year to three years.

The Scheme through its support to previously unbanked small rural enterprises is likely to further enhance economic opportunities and increase employment in the rural areas of the country.

The Technical Committee during its annual review of the Scheme observed that despite the extensive geographic spread and a focus on under-banked segments, the participating banks demonstrated prudent lending practices reflected in an infection ratio of only 2.91 percent for agriculture and 1.07 percent for small enterprise loan portfolios, which are much lower than the industry averages.

It may be pointed out that the CGS is monitored by the Technical Committee drawing membership from the UK's Department for International Development (DFID), SBP and the Pakistan Banks Association (PBA). The Scheme introduced by SBP in 2010 with the financial assistance of DFID under the Financial Inclusion Program (FIP) and Government of Pakistan with the objective to increase the flow of financing to small and rural enterprises that have limited access to financial services from the formal financial system. The Scheme has so far supported nine banks including big five banks which were selected after due screening by the Committee.
