



External Relations Department

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Press Release

SBP revises Microfinance Credit Guarantee Facility guidelines

The State Bank of Pakistan (SBP) has issued revised Microfinance Credit Guarantee Facility (MCGF) Guidelines offering higher risk coverage of up to 60% to Commercial Banks/ Development Finance Institutions (DFIs) for lending to smaller Microfinance Banks (MFBs)/ Microfinance institutions (MFIs). The facility is expected to graduate smaller MFBs/ MFIs to avail credit lines from commercial banks/ DFIs for onward lending to microfinance clients.

It may be recalled that the Microfinance Credit Guarantee Facility is a credit enhancement facility to attract market-based and long-term finance for microfinance institutions. MCGF was launched by the State Bank in December 2008 with £15 million funding support from the UK Department for International Development (DFID) under the Financial Inclusion Program (FIP) which is being implemented by SBP.

The facility is focused on market development and has been instrumental in resolving the funding constraints of the microfinance sector in Pakistan. So far, 6 large MFBs/MFIs have completed 38 transaction with commercial banks and capital markets/retail investors mobilizing Rs.12.825 billion for onward lending to around 650,000 micro borrowers. This has significantly helped in reducing the risk perception of banks towards the microfinance sector, thus introducing poor borrowers to mainstream financial institutions.

The revised Guidelines on MCGF have been issued by SBP through AC&MFD's Circular No. 1 dated the 28th January 2015. This supersedes all earlier instructions/guidelines issued in this regard.
