



## External Relations Department

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### **SBP introduced new refinance scheme to avoid layoff of workers**

To support the employment of workers in the face of economic challenges posed by the spread of COVID-19, the State Bank of Pakistan (SBP), has introduced a temporary refinance scheme for businesses entitled *Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns*. The core objective of this facility is to incentivize businesses to not lay off their workers during COVID-19 Pandemic.

The scheme will be available to all businesses in Pakistan through banks and will cover all types of employees including permanent, contractual, daily wages as well as outsourced workers. The scheme will provide financing for wages and salaries expense for three months from April to June 2020 for those businesses which do not layoff their employees for these three months.

The mark-up on the loans under this scheme will be up to 5%. Borrowers that are on the active taxpayers list, will be able to get loans at a further reduced mark-up rate of 4%. The scheme has been designed to give preference to smaller businesses. Businesses with a 3 month wage and salary expense of up to Rs. 200 million will be able to avail the full amount of their expense in financing while those with a 3 month wage and salary expense of greater than Rs. 500 million will be able to avail up to 50% of their expense. Businesses in the middle category will be able to avail up to 75 percent of their 3 months' salary and wage expense.

The banks will not charge any loan processing fee, credit limit fee or prepayment penalties for loans under this scheme. A grace period of six months will be allowed to the borrowers while the repayment of the principal amount will be made in two years. Banks will provide weekly reporting to SBP on the take up of the scheme and in particular the reasons for any denials of financing requests under this scheme.

SBP expects that one of the main benefits of the scheme is that employers that retain workers on their payroll will be able to restore or increase production quickly once the situation normalizes. The scheme will ease the liquidity constraints of the businesses and they can use their available financial resources to meet other working capital requirements.

Interested businesses can access details of the scheme at <http://www.sbp.org.pk/smefd/circulars/2020/C6.htm> and <http://www.sbp.org.pk/smefd/circulars/2020/C7.htm>. For further clarification for any information not available at this website, interested businesses can get further information from SBP by writing to [covid19.stimulus@sbp.org.pk](mailto:covid19.stimulus@sbp.org.pk) or calling 021-111727273 during normal business hours.

SBP has taken a number of other measures in recent weeks to mitigate the impact of covid19 on Pakistan's economy including an extension in repayment of loan principal amounts by one year, concessional financing for hospitals to procure equipment to combat covid19 as well as other measures. A complete list of all measures is available at <http://www.sbp.org.pk/corona.asp>. SBP has been closely monitoring the credit conditions faced by the businesses and households and will take every possible measure to perform its due role throughout this disruption phase.

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