



External Relations Department

ERD/M&PRD/PR/01/2020-84

August 10, 2020

SBP enhances loan limits and expands relief measures for microfinance borrowers

State Bank of Pakistan (SBP) has enhanced the limits for housing finance and microenterprise loans up to Rs3 million from the existing limit of Rs1 million for borrowings from the microfinance banks. Likewise, the maximum size of general loans has been enhanced from Rs150,000 to Rs350,000. Further, to commensurate with enhanced loan sizes, annual income eligibility for general loans and housing loans has been increased up to Rs1.2 million and Rs1.5 million, respectively. Moreover, the limit for lending against gold collateral to meet borrowers' immediate domestic or emergency needs has also been enhanced.

The decision to increase the limit of housing finance loans has been made in view of the fact that the existing loan limit was insufficient to promote low cost housing finance through MFBs. Similarly, limits for lending to micro enterprises needed to be enhanced considering the large unmet demand from Micro & Small Enterprise (MSEs). These initiatives would further support the micro borrowers and enterprises and an early revival of economic activities in the current challenging times. However, in order to ensure sustainability, the enhanced loans sizes for housing and microenterprises would be allowed to those MFBs which are on sound footing and have the capacity to successfully cater the higher loan sizes.

In addition, SBP Relief Package for microfinance banks, which included deferment of principal and restructuring of microfinance loans to deal with the adverse implications of the ongoing Covid-19 pandemic, have now been expanded with three measures. First, the relief measures that were earlier available from Feb 15, 2020 have now been allowed to borrowers who were regular on December 31, 2019. This would allow more borrowers to avail the regulatory relief who were previously not eligible. Second, to facilitate MFBs during these testing times, the provisioning requirements have been extended by 2-months; and third, client's consent through recorded lines has been allowed to facilitate the customers to avail the relief package.

Relevant circulars are available at SBP's website at <http://www.sbp.org.pk/acd/2020/C2.htm>
<http://www.sbp.org.pk/acd/2020/CL7.htm>
