



External Relations Department

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SBP provides further incentives for businesses to retain workers & employees and prevent layoffs

On April 10, 2020 the State Bank of Pakistan announced an incentive scheme— entitled *Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns*—that enables the provision of concessional credit for payroll finance to businesses that commit to not lay off workers for the next three months. Today the SBP has introduced further incentives under this scheme to support employment and avoid layoffs in the country. These additional incentives include relaxations in collateral requirements, further reduction in end-user rate, reimbursement of wages, special accounts for employees to receive wages, borrowing from banks other than maintaining payrolls, simplification of application form for SMEs and bank's exposure limits. These additional incentives are effective as of today. Further information on these incentives is provided below and further details are available at the following link: <http://www.sbp.org.pk/corona.asp>

Based on feedback from stakeholders, SMEs including vendors and distributors were particularly facing the problem of providing security/collateral. To address this issue, SBP has now allowed banks for providing financing against corporate guarantees of companies in value / supply chain relationship with the borrowers. Moreover, banks have also been encouraged to provide loans without any collateral i.e. taking clean exposure of up to Rs 5 million.

SBP has enhanced the incentive to business which are active tax payers by reducing the mark up rate for them to 3% that was set as 4% earlier. Now the SBP will provide refinance to banks at 0%. This also increases the gap between the rates charged to active tax payer and the non-tax payers businesses, as the latter can be charged an end user markup rate of up to 5%.

To facilitate employees for receiving wages under the scheme directly, banks have been allowed to open their accounts on the information and documents provided by the employers along with an undertaking stating that these persons are bonafide employees/workers. Banks will ensure verification of the employees using NADRA Verisys before activation of such accounts. These accounts, however, could be used solely for salary disbursement and withdrawal purposes only.

Businesses have also been given flexibility to avail loan under SBPs refinance scheme for wages from any bank and they will not be limited to avail loans from the bank that manages their payroll. Further, businesses will also be able to get reimbursement of salaries pertaining to the month of April 2020 that have been disbursed through own sources, provided they have applied for financing under the scheme before disbursement and the same is subsequently approved by the banks. SMEs can apply for the financing on a simplified loan application form prescribed by SBP for this scheme.

To facilitate the banks further for lending under the scheme, Banks' exposure under the scheme has been exempted from the per-party or the per-group exposure limits. It will enable them to lend to borrowers that have exhausted their exposure limits.

All these benefits will also be available to businesses availing financing under the scheme from Islamic Banking Institutions.
