

**Refinance Scheme for Working Capital Financing  
of Small Enterprises and Low-End Medium Enterprises**

**Introduction**

Cognizant of the important role that access to finance can play in development of the country's small and medium enterprises (SMEs), State Bank of Pakistan (SBP) is offering a refinance facility to meet the working capital requirements of selective SME sectors. The details of the scheme are as under:

**Scope and Eligibility**

- Financing will be initially available to meet the working capital requirements of below-mentioned SME sectors.

Information Technology (IT)	Gems and jewelry
Furniture	Leather industry
Surgical goods	Fruits, vegetables and food processing & packaging
Dates processing	Printing & packaging

- All small enterprises (SEs) as defined in SBP's Prudential Regulations (PRs) will be eligible under the scheme.
- Medium enterprises (MEs) with annual sales of upto Rs 300 million will be eligible under the scheme.

**Financing Limit**

- Maximum financing limit for SEs is the same as defined in SBP's PRs for SME financing.
- Maximum financing limit for MEs is Rs 50 million.
- The participating financial institution(s) shall establish the borrowing limits of eligible borrowers keeping in view credit requirements, cash flows, repayment capacity and risk profile of the borrowers.

**Financing Tenor**

Maximum loan tenor will be one year.

**Participating Financial Institutions (PFIs)**

All commercial banks and Development Finance Institutions (DFIs) can participate in the scheme.

**Rate of Mark-up**

Mark-up rate for end user under the scheme will be upto 6% p.a. SBP will provide refinance to PFIs at 2% p.a. making PFIs' spread equal to 4% p.a.

**Allocation of Refinance Limits**

- SBP shall allocate limits to PFIs under the scheme on receipt of requests from them. The limits will be reviewed on yearly basis or on need basis.
- Applications for sanction of limits shall be sent by the interested banks/ DFIs to the Director, Infrastructure, Housing & SME Finance Department, State Bank of Pakistan, I.I. Chundrigar Road, Karachi.

### **Grant of Refinance**

- SBP shall provide refinance to PFIs on service charges (mark-up) basis in terms of Section 17 (2) (d) read with Section 22 of State Bank of Pakistan Act, 1956.
- Refinance shall be provided to PFIs by concerned office(s) of SBP BSC (Bank) on submission of refinance application documents. SBP BSC (Bank) will provide refinance within two working days of receipt of complete information as required.

### **Loan Repayment**

- Principal amount of loans under the scheme shall be repaid on agreed date between PFI and the borrower with maximum loan tenor not exceeding one year.
- The refinance granted by SBP BSC offices to the PFIs shall be recovered on due dates as reported to the respective office from the accounts of the PFIs maintained with SBP BSC.
- If a borrower repays the loan amount, in part or in full, before the agreed due date(s), the PFIs shall be under obligation to repay the amount(s) so received within seven working days to the concerned office of SBP BSC (Bank) failing which fine for late adjustment of loan will be recovered from the concerned PFI, at the rate of Paisa 60 per day per Rs 1,000 or part thereof or prospectively at such rate as may be announced by SBP from time to time.
- In case the borrower fails to make repayment of principal/ installments as per the agreed dates, the PFI will be entitled to charge normal rate of mark up on such overdue principal amounts besides taking other actions to recover the same as are incidental to such defaults. In no case, the liability of PFI to pay/ repay to SBP BSC (Bank) the principal amount of refinance, or mark up or any other charges or penalty thereon shall be dependent upon the recovery from the borrowers nor shall such liability be affected by any default on part of the borrowers.
- Mark up to SBP by PFIs shall be paid on quarterly basis.

### **Other Terms and Conditions**

- Running finance is not eligible under the scheme.
- All the financing under the scheme shall be in adherence to relevant PRs of SBP and PFIs' lending policies.
- PFIs shall conduct their regular credit appraisal and pre & post disbursement formalities for extending credit under the scheme.
- PFIs shall ensure that financing under the scheme is extended only to meet the business needs of the borrowers.
- PFIs shall ensure that a borrower does not avail financing from multiple SBP schemes against the same business requirement.
- PFIs shall not take more than fifteen working days for SEs and twenty five working days for MEs for credit approval process (from the date of receipt of complete information). Where the request is declined, PFI will explicitly apprise the prospective borrower of the reasons for rejecting the application.

- At the time of financing, PFI shall obtain certification by its Internal Audit confirming that the loan is within the terms and conditions laid down in the scheme. The subject Internal Audit Certificate will be inspected by SBP's Banking Inspection Department (BID) at the time of inspection of respective PFI.
- Financing under the scheme shall be checked by SBP during inspection of the PFI to ensure that the same has been allowed as per the terms and conditions of the scheme.
- In case of violation of the terms & conditions of the scheme, SBP shall reserve the right to recover the amount of refinance granted to the bank/ DFI along-with fine at the rate of Paisa 60 per day per Rs 1,000/- or part thereof for the period of refinance.
- If any question arises with regard to interpretation of any instructions of the scheme, the decision of SBP shall be final.