

Payment of wages and salaries, 1100 application seeking Rs 90bn financing in process

KARACHI: As many as 1100 application are in process with banks for Rs 90 billion financing under the Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns.

The special refinance scheme was introduced by the State Bank of Pakistan (SBP) in the second week of April to support the employment of workers in the face of economic challenges posed by the spread of Covid-19, and to incentivize businesses not to lay off their workers during Covid-19 pandemic.

As the Covid-19 has hit the economy, a number of companies have approached their respective banks for financing to pay salaries to their employee and avoid layoffs. The scheme provides concessional loans at 3 percent to any taxpayer company that commits to not lay-off workers for the next three months.

According to fresh numbers, some Rs90 billion worth of applications from more than 1100 companies have been received by banks under the SBP's Refinance Scheme to Support Employment and avoid Layoffs. The present loan application with banks will protect jobs of around 850,000 employees. Uptill 30 April 2020, banks have sanctioned more than Rs23 billion to 209 companies which will protect jobs of around 220,000 employees.

As per estimates, overall disbursement under this scheme will be between Rs 100 and Rs 200 billion as a number of firms are facing financial issues due to slowdown in economy.

It may be mentioned here that in order to incentivize banks for financing to SMEs and small Corporates under Refinance Scheme to Support Employment and Prevent Layoff of Workers, the federal government has recently introduced a risk-sharing mechanism and allocated Rs30 billion under a credit risk sharing facility for banks to share the burden of losses due to any bad loans in future.