

Salary refinance scheme, SBP enhances limit up to Rs1bn

KARACHI: In order to facilitate the industry to prevent layoff of employees under current Covid-19 Pandemic, the State Bank of Pakistan (SBP) has enhanced the maximum financing limit by 100 percent to Rs 1 billion under the Refinance Scheme to Support Employment and Prevent Layoff of Workers (Rozgar Scheme).

The State Bank will now finance up to 100 percent of wages and salaries of businesses with average 3-month wage bill of up to Rs500 million and above this SBP will finance of up to 75 percent with maximum financing of Rs1 billion for businesses with 3-month wage bill.

Since its launch of Refinance Scheme to Support Employment and Prevent Layoff of Workers, called Rozgar Scheme in common parlance, the State Bank has been constantly receiving feedback from various stakeholders, making the scheme more facilitative for businesses and creating incentives to prevent layoff of employees under current Covid-19 Pandemic scenario.

Under the Rozgar Scheme, since the launch of the scheme till May 8, 2020, overall banks have received requests of more than 1,440 business for financing of over Rs 103 billion for providing wages and salaries to around one million employees whose jobs has been supported because of this scheme. Out of received applications, banks have already approved financing of Rs 47 billion for 500 companies covering over 450,000 employees.

Many of the changes in the scheme were carried out to ensure that the benefits of the scheme particularly reach to the SMEs that offer employment to a large number of people.

In this regard, recently ministry of finance and SBP has announced government's risk sharing facility Rs 30 billion to share the banks losses and allowed corporate guarantees as collateral are expected to incentivize banks in extending loans to collateral deficient SMEs.

Now taking another step further to facilitate middle and large businesses, which employ large numbers of people, to ensure payment of wages and salaries under this scheme, SBP has decided to further enhance the scope of the Refinance Scheme to Support Employment and Prevent Layoff of Workers.

While a risk sharing facility for collateral deficient SMEs and small Corporates has already been made available with the budgetary support of the federal government, with an aim to further enhance the liquidity support for business concerns, State Bank has decided to increase financing limits for the businesses under these Schemes.

Existing three categories have been merged into two categories with higher wage bill coverage and higher maximum limits.

Hence, State Bank will now finance up to 100 percent of wages and salaries of businesses with average 3-month wage bill of up to Rs500 million. Earlier, 100 percent financing was available up to a wage bill of Rs200 million only and some 75 percent of the financing was available for the wages of bill up to Rs 500 million.

Similarly, for businesses with 3-month wage bill exceeding Rs500 million, State Bank will now finance of up to 75 percent with maximum financing of Rs1 billion. Earlier, 75 percent financing was available up to a maximum of Rs375 million and 50 percent up to a maximum of Rs500 million. The financing under Rogzar Scheme can be used for the onward payment of wages and salaries for the months of April, May and June, 2020. These changes are applicable with immediate effect to support the business not to lay off employees in this crisis. The SBP has also mentioned that businesses that had earlier availed lower financing due to applicable limits can now avail additional financing on the basis of revised criteria.

This increase in financing limits along with government's risk sharing facility for collateral deficient SMEs and small Corporates will enable the full array of businesses to benefit from SBP's Rozgar Scheme and hence prevent large scale layoffs. Further, State Bank has also extended the availability of its refinance scheme to non-deposit taking financial institutions as well. They can now avail financing under the scheme for payment of wages and salaries of their employees.