

Rozgar Refinance Scheme, SBP allows reimbursement of wages, salaries

KARACHI: The State Bank of Pakistan (SBP) has allowed reimbursement of wages and salaries paid by businesses from their own sources during the April and May, under its Rozgar Refinance Scheme. According to SBP, in order to facilitate those borrowers, who had applied for the financing facility under the refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns in the month of April, 2020, but could not get approval in April due to the formalities have been allowed to claim reimbursement of April, salaries & wages paid from their own sources. "It has been decided to allow similar facilitation for the salaries of May 2020," a circular issued by SBP said. Hence, businesses, who applied for the facility under the refinance Scheme for Payment of Wages and Salaries to the Workers and Employees in May 2020, can pay wages and salaries from their own sources and claim reimbursement of the same after their financing is approved.

Further, to facilitate those borrowers who could not apply in the month of April, 2020 and paid wages & salaries of April from their own sources can also claim reimbursement under the captioned Schemes provided all other terms and conditions including not laying-off the employees are met. All other terms and conditions of the Schemes, issued from time to time, shall remain unchanged.

According to SBP, as of May 15, 2020, 1700 businesses have applied to commercial banks to benefit from SBP's Rozgar Refinance Scheme for a total loan amount of Rs120 billion and covering more than 1.1 million employees. Businesses that benefit from this scheme commit to not lay off workers for 3 months.

Of the total applications received by commercial banks under this scheme, about Rs. 61 billion representing 600,000 jobs has already been approved and the rest are in process, SBP reported.

In order to support the business concerns for payment of salaries and wages in the current crisis of COVID-19, on 22 April 2020, SBP introduced further incentives for businesses under refinance scheme for payment of wages and salaries to the workers and employees to prevent layoffs. Under the scheme, active tax payers can get financing at mark-up rate to 3 percent for payment of salaries.

It may be mentioned here that the federal government had also allocated Rs30 billion under a credit risk sharing facility for the banks spread over four years to share the burden of losses due to any bad loans in future in this scheme. Under this risk sharing arrangement, the federal government will bear 40 percent first loss on principal portion of disbursed loan portfolio of the banks.