

January 26, 2023

Frequently Asked Questions (FAQs)
Prime Minister's Youth Business and Agriculture Loan Scheme (PMYB&ALS)

- 1. As per PMYB&ALS, a customer may avail maximum two loans. It may please be confirmed, if two loans can be availed at one point in time, or the first loan has to be repaid before availing the second loan as was the case under PMKJ-YES.**

Clarification: As per IH&SMEFD Circular No 12 of 2022 (Sr. No. 10 of key features of PMYB&ALS), a customer may avail two loans (one short term and one long term) simultaneously within the overall financing limit of PKR 7.5 million. Thus, two loans may be availed at the same time.

- 2. Under the scheme, an individual can avail two loans (ceiling PKR 7.5 million) i.e. short term and long term simultaneously. In a scenario where short term loan is for PKR 1.5 million and long term is for PKR 6.0 million, will the markup charged to customer be 7% on the whole amount or 5% and 7% on both loans, respectively?**

Clarification: The mark-up will be charged separately on both short term and long term loans as per respective loan tier.

- 3. Who will report loan wise subsidy claims to Development Finance Support Department (DFSD), SBP BSC i.e. wholesale lenders or Microfinance Provider (MFPs) i.e. MFBs/MFIs?**

Clarification: Wholesale lenders will submit their own as well as their MFPs subsidy claims to DFSD, SBP BSC. DFSD will make payment of subsidy claims including the amount of MFPs to wholesale lenders after release of subsidy by the Finance Division. Thereafter, wholesale lenders will make subsidy payment to MFPs.

- 4. Under PMYB&ALS, we understand that there seems to be no restriction on repayment cycle (could be monthly, quarterly, lump sum repayment etc.), however, subsidy will be calculated on outstanding balance at month end.**

Clarification: As per the IH&SMEFD Circular No 12 of 2022, (Sr. No. 10 of key features of PMYB&ALS), tenor of T1 loans will be up to 3 years and repayment will be in equal monthly installments. However, in case of crop loans, tenor will be up to 1 year and repayment will be lump sum on or before maturity, tied-up with the crop cycle. Regarding T2 & T3 loans, there is no such restriction regarding loan repayment. Further, markup subsidy on all loans will be calculated on outstanding balance at respective month end.

- 5. How a wholesale lender will give credit to MFPs under Tier 1?**

Clarification: Wholesale lenders and MFPs will sign agreements containing detailed terms and conditions regarding the provision of wholesale funding. MFPs will finalize the list of approved applications and request wholesale lenders to release the funds for making disbursement to borrowers. MFPs will make funding request to wholesale lenders after approving applications amounting to Rs 50 million or higher as per their agreement. Wholesale lenders will release funds to MFPs on next working day after receiving funding request. MFPs are allowed a grace period of 7 days

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from the date of receiving funds from the wholesale lenders for disbursement to the approved applicants. In case, MFPs are unable to disburse wholesale funds to the approved applicants within 7 days, the wholesale lenders may recover their cost of funds as per their agreement with MFPs.

6. What would be the way forward if a borrower of MFP misses an installment? Would it affect wholesale lender's recovery for that month as well?

Clarification: The repayment schedule of wholesale funding will be agreed between MFPs and the wholesale lenders. However, for funding costs and cash flow management, a grace period of upto 7 days is allowed between repayments from clients to MFPs.

7. What is the criteria for categorization of loan status under PMYB&ALS?

Clarification: The loans will be categorized as Regular, OAEM, Substandard, Doubtful and Loss as per relevant SBP's Prudential Regulations in case of financing by Executing Agencies (EAs) i.e. banks and MFBs regulated by SBP. Similarly, in case of SECP regulated EAs i.e. MFIs, Non-Banking Finance Companies & Notified Entities Regulations, 2008 of SECP shall apply.

If the status of loan is classified as "Loss", then EAs will stop claiming "service charges subsidy" onwards for that particular borrower.

- EAs will claim credit loss subsidy against loans classified as "Loss". However, EAs can claim service charges subsidy in subsequent months, if the status of "Loss" classified loans is subsequently revised to "Regular". However, in such cases, where EAs have received subsidy claims against Loss cases, subsidy claimed will be returned to DFSD, SBP BSC or the same will be adjusted by EAs by netting it off from the next quarter loss claim/service charges subsidy claim.
- Government will bear credit losses (principal portion only) on the disbursed portfolio of the EAs upto 50% on T1 loans which includes 40% for wholesale lenders on pari-passu basis and 10% for MFBs/MFIs on first loss basis, 25% on T2 loans and 10% on T3 loans. EAs will calculate loss ratio by dividing total amount in loss category by total disbursed portfolio under the scheme.

8. What is the grace period for loans under PMYB&ALS? Is it mandatory to extend grace period?

Clarification: As per approved features of the PMYB&ALS, grace period of upto one year is allowed under T2 and T3 loans. However, there is no such mandatory grace period requirement for T1 loans, hence, the matter of grace period under T1 may be mutually agreed by the EAs and the borrowers.

9. What does EMI stands for?

Clarification: EMI stands for Equal Monthly Installment. EMI arrangement allows the borrowers to repay the same amount every month.

10. How many applications can an applicant upload through a single CNIC/SNIC? Is there any limitation?

Clarification: One applicant can upload maximum two applications against his/her CNIC/SNIC.

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11. Can an Executing Agency assist its customers to apply for the loan?

Clarification: EAs are allowed to assist applicants in applying for the loan under PMYB&ALS.

12. The PMYB&ALS is a government scheme. Please clarify whether SBP Prudential Regulations (PRs) for Agri. Finance and SME Finance are applicable on financing to MSMEs and Agriculture borrowers under PMYB&ALS. Further, in case of any conflict between approved features of PMYB&ALS and SBP PRs, which will prevail?

Clarification: Relevant Regulations of SBP/SECP will be applicable as per type of loan i.e. Micro/SE/ME or Agriculture. However, in case of any difference, instructions mentioned in the PMYB&ALS circular/circular letters will prevail.

13. Whether the debt swap of outstanding credit facilities of an existing customer of EA to PMYB&ALS is permissible?

Clarification: Debt swap under the scheme will defeat the objective. Main aim of PMYB&ALS is socioeconomic uplift of MSME & agriculture sectors, generation of economic activity and additional employment opportunities. Thus, debt swap of outstanding credit facilities of existing customers is not permissible under PMYB&ALS.

14. Maximum age of applicant is 45 years. If the age of applicant at the time of application is 44 years, can we allow credit facility for more than one year (i.e. beyond 45 years threshold)

Clarification: Age criteria is for the eligibility of applicant at the time of submission of application only. The scheme does not impose any limitation on loan tenor with respect to age of the applicant afterwards.

15. Whether EAs are allowed to extend non-funded facilities under PMYB&ALS?

Clarification: The scheme provides funded loan facilities only; hence, non-funded facilities do not fall under the purview of PMYB&ALS.

16. Can an executing agency finance locally manufactured e-bikes/motorcycles/rickshaw/cars for business purpose under the scheme?

Clarification: Yes, any vehicle which can be used for business purposes may be financed under the scheme.

17. Can Government employees avail financing under the scheme?

Clarification: No.

18. The features of scheme are silent regarding making payment to a borrower or a supplier, therefore, can we disburse directly to the borrower.

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Clarification: Disbursements can be made to the borrower or to the supplier as per the agreement between the bank and the borrower.

19. A person being guarantor of another person's loan under PMYB&ALS can himself apply for the loan under the scheme or not?

Clarification: A person being guarantor for loans to other person under PMYB&ALS cannot apply for the loan under the scheme.

20. Can the loan be disbursed in tranches? If yes, in how many tranches it can be disbursed?

Clarification: The loan under PMYB&ALS can be disbursed in tranches up to the amount approved by the bank and there is no restriction on the number of tranches that can be disbursed.

21. Is there a minimum amount of loan under Tier 1 which can be financed?

Clarification: There is no minimum amount of loan under Tier 1 and financing is allowed up to maximum limit of PKR 0.5 million as per business needs of customer.

22. In case of vehicle Ijarah, Islamic banking institutions usually start recovering payment from borrower after the delivery of vehicle, rather than from date of facility disbursement. Accordingly, date of expiry will also be calculated after the car has been delivered. Whether the same principal can be applied on disbursements through Islamic mode under the scheme for calculation of facility expiry date or not?

Clarification: Islamic banking institutions can use date of delivery of vehicle as date of disbursement of facility for subsidy claims.

DISCLAIMER

Every effort has been made to ensure that the explanations given in FAQs of PMYB&ALS are fully aligned with scheme instructions issued by State Bank of Pakistan from time to time through Circulars/Circular Letters or any other means. However, in case, any inconsistency is found later on, the instructions issued through Circulars/Circular Letters will take precedence over the PMYB&ALS FAQs.
