

STATE BANK OF PAKISTAN

INFRASTRUCTURE, HOUSING & SME FINANCE DEPARTMENT

Frequently Asked Questions (FAQs)- Prime Minister's Youth Business Loans Scheme

1. What is the procedure for calculation and claim of Government of Pakistan (GoP) service charges subsidy?

Clarification: Under Prime Minister's Youth Business Loans (PMYBL) Scheme, the rate of return for Executing Agencies (EAs) is 1 year KIBOR (Offer) + 5%. Out of this, borrower will pay 6% fixed and the remaining will be borne by the federal government as service charges subsidy at 1 Year KIBOR (Offer) + 5%- 6% (borrower portion). EAs will apply preceding month's last working day KIBOR for next month's disbursements. KIBOR once fixed will not change for subsequent disbursements in case of loans disbursed in tranches. KIBOR will be revised on every loan anniversary (please refer to question 6 on loan anniversary rate change for further details). The procedure for claiming government subsidy on financing under PMYBL is detailed in payment mechanism issued by State Bank of Pakistan (SBP) vide IH&SMEFD Circular Letter No 8 of 2014 and IH&SMEFD Circular No 1 of 2016. As per approved procedure, banks working as PMYBL EAs will receive loan repayment from borrower through equal monthly installments (EMI). However, EAs will receive service charges subsidy from GOP on quarterly basis by submitting subsidy claims to the Director, Development Finance Support Department, SBP BSC Karachi.

2. When will customer's 1st installment become due?

Clarification: Under PMYBL, loans with maximum tenure of upto 8 years including grace period of one year can be provided by Executing Agencies. Hence, initial 12 installments (corresponding to one year grace period) will consist of service charges only. Thereafter, from 13th installment onwards, the installment will include both the service charges and principal portion till expiry of the loan tenure. In this respect, it may further be noted that for loans disbursed between 1st and 15th of a month, 1st installment will become due on 1st of the next month. However, for loans disbursed between 16th and last day of a month, 1st installment will become due on 1st of the month following next month. Same timelines are to be followed for submission of subsidy claims to SBP.

3. What is loan expiry date?

Clarification: Loan expiry date is 1st installment due date plus loan tenor including grace period. Illustration is as under:

	Scenario 1	Scenario 2
Disbursement Date	June 14, 2016	June 16, 2016
First Installment Due Date	July 01, 2016	August 01, 2016
Loan Tenor (Including Grace Period)	5 Years	8 Years
Expiry Date	July 01, 2021	August 01, 2024

4. What is criteria for categorization of loan status under PMYBL Scheme?

Clarification: Loan status is to be reported as applicable under SBP Prudential Regulations for Small Enterprises (SEs) financing in one of the following categories keeping in view the repayment behavior and overdue time period.

Regular	Regular repayments by customer
OAEM	Where markup or principal is overdue by 90 days or more from the due date
Substandard	Where markup or principal is overdue by 180 days or more from the due date
Doubtful	Where markup or principal is overdue by 1 year or more from the due date
Loss	Where mark-up or principal is overdue by 18 months or more from the due date

- 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".
- 5 percent credit loss subsidy by GOP is allowed on portfolio basis. EAs will calculate NPL ratio by dividing total NPL amount by total outstanding PMYBL portfolio and submit eligible claim for credit loss subsidy to DFSD SBP as per procedure detailed in payment mechanism issued by SBP.

5. What is the starting month of GoP service charges subsidy claim?

Clarification: GOP service charges subsidy claim will start from 1st installment due month.

6. Please elaborate loan anniversary rate change along with Illustration.

Clarification: One year KIBOR (offer) will be reset on loan anniversary and change in KIBOR (one year offer) will be in adjusted from 13th installment onward till completion of second year of loan. Similar KIBOR resetting will be done on every loan anniversary installments such as 25th, 37th, 49th, 61st, 73rd and 85th installment (as per respective loan tenures).

Loan anniversary rate change is illustrated in following table.

	Scenario 1	Scenario 2
Disbursement date	June 14, 2016	June 16, 2016
Applicable 1 st year KIBOR	May 31, 2016	May 31, 2016
1 st installment due date	July 01, 2016	August 01, 2016
13 th installment due date	July 01, 2017	August 01, 2017
Applicable loan anniversary KIBOR	May 31, 2017	May 31, 2017

7. Can Executing Agencies (EAs) claim GOP service charges subsidy for broken period?

Clarification: EAs will not calculate service charges subsidy for broken period since PMYBL is based on equal monthly installment (EMI) model. Illustration of installment calculation considering the broken period is shown in clarification against question 6 above. Service charges subsidy claim will

start from 1st installment due month and shall continue either upto expiry of loan or upto settlement of loan or upto classification of loan as "Loss", whichever condition is applicable.

8. What is impact of balloon payment on principal outstanding and subsidy claim?

Calculation: Impact of balloon payment will not be reflected in the balloon payment month (because installments are calculated in arrear mode). Thus, impact of balloon payment will be shown in the outstanding and subsidy claim of subsequent months. For fully settled cases, loan status will be mentioned as "Adjusted" in PMYBL Claims Form (Form-2)

9. What are different PMYBL reporting Forms for claiming GOP subsidy?

Clarification: EAs will submit claims on prescribed reporting forms issued vide IH&SMEFD Circular Letter No 1 of 2016 dated February 08, 2016 and as referred below.

Form 1 - Borrower Profile: EAs will report borrower details along with 1st tranche disbursed in this Form.

Form 2-Services Charges Subsidy & Guarantee Claim Form: EAs will report loan outstanding, KIBOR used, subsidy claim amount and loan status etc in this Form.

Form 3 - Tranches Data:

10. What is the Grace Period for loans under PMYBL Scheme? Is it mandatory to extend grace period?

Clarification: Grace period for loans under PMYBL is one year. Yes, it is mandatory for EAs to allow one year grace period for loans under PMYBL. However, EAs can seek waiver from SBP for reduction in grace period giving proper justification for such reduction in grace period.

11. What does EMI stands for?

Clarification: EMI stands for equal monthly installment. EMI arrangement allows the borrower to repay the same amount every month. During loan tenor, EMI amount will change on each loan anniversary due to resetting of KIBOR on annual basis. For calculation of 1st EMI, please see clarification against question 1 above. Similarly, for calculation of EMI on each loan anniversary, clarification against question 6 above may be referred.

Dated: March 15, 2017

DISCLAIMER

Whilst every effort has been made to ensure that the explanations given in the Prime Minister's Youth Business Loans (PMYBL) Scheme FAQs are fully aligned with instructions issued by State Bank of Pakistan from time to time through Circular/Circular Letters or any other mean. However, in case, any inconsistency is found later on, the instructions issued through Circular/Circulars will take precedence over these PMYBL FAQs.