

Summary - COVID-19 & The New Business Regime

EP2: SBP Temporary Refinance Scheme For Salary Support - Myths & Facts

Panelists

- Syed Samar Hasnain - Executive Director at State Bank of Pakistan
- Javed Iqbal - Head of SME at Bank Alfalah
- Salman Akhtar - Founder & Co-CEO at Techlogix
- Mahir Mohsin Sheikh - CEO at Trillium Information Security Systems

Moderator

- Owais Zaidi, Founder CreditFix &The Hive

Summary

Some of the key takeaways included:

- IT firms lack awareness of the scheme details and the concessions, including collateral-free, clean financing of Rs 5 M. SBP shared that only 27 IT firms have applied for the Salary Support Scheme out of a total of 1442 applicants. 26% of the total applicants comprise of SMEs.
- Contrary to the scheme and its objectives set by SBP, the process in some cases is taking longer even for the large software companies with solid financials, strong banking relationship and availability of collateral.
- The commercial banks do not fully understand the specifics of software business and this is a hurdle in access to finance by the sector. The SMEs and exporters in the IT sector often find it difficult to convince banks to issue loans regardless of their strong cash-flows and financial health.

- Upto Rs 5 M of clean lending (without hard-collateral and with borrowers' personal guarantee) is available, on the basis of GoP risk-sharing facility with the banks where GoP is willing to take the first loss of up to 40% on the disbursed loan amount.
- SBP advised the micro and small enterprises to also evaluate the government programs like "Kamyab Jawan" to avail upto Rs 5 M of working capital loan on easy terms and develop their credit history and banking relationships.
- SBP shared that the recently launched STR (Secured Transactions Registry) by SECP will help in issuing loans even on software IPs and receivables, which considers them as immovable assets and registers them as collateral. SBP, on 28th April 2020, has issued instructions to all banks to consider this as acceptable assets.
- Bank Alfalah shared that the lending based on IPs has trickled down to product level and the new electronic registry of IPs by SECP is going to support the entire SME sector specially benefitting the IT companies.
- SBP also showed keen interest in adding the IT sector as a vertical under the Development Finance Group (DFG), headed by Samar Hasnain, to better supervise credit uptake and focused policy interventions.
- Bank Alfalah also expressed interest in working with P@SHA to develop a better understanding of the peculiar nature of the IT related businesses to offer focused awareness sessions and customized products specifically for the sector.

Businesses are encouraged to reach the SBP at covid19.stimulus@sbp.gov.pk or **(021) 111-727-273** to register complaints against any banks who do not cooperate in regards to the scheme.

The scheme details are available at <http://www.sbp.org.pk/corona.asp> and the SBP Circulars below:

<http://www.sbp.org.pk/smefd/circulars/2020/C6.htm>

<http://www.sbp.org.pk/smefd/circulars/2020/C7.htm>

<http://www.sbp.org.pk/smefd/circulars/2020/C9.htm>

<http://www.sbp.org.pk/smefd/circulars/2020/CL10.htm>

SBP wishes to support the IT sector and has invited P@SHA recommendations on improving the financing scheme. In order to get feedback from our member companies regarding the SBP Temporary Refinance Scheme for Salary Support, we request you to please fill out the survey below. Your answers will be used in engaging with The State Bank for better facilitation of the IT companies in procuring the SBP Scheme.

Survey Link: <https://forms.gle/LXa4mRo7jf2b8Wkp6>

Incase you were not able to attend the LIVE session, please find the links for the uploaded recordings below:

Facebook: <https://www.facebook.com/pakict/videos/3058668377524454/>

YouTube: <https://youtu.be/i90Qs5Jqurs>