

## AGRICULTURAL CREDIT DEPARTMENT

SBP Efforts towards Ensuring  
Timely & Adequate Bank  
Credit to Farming Community.  
Updated up-to 30-04-2005

- SBP enhanced the scope and coverage of agricultural credit, by revamping the Supervised Agricultural Credit Scheme in 2001, to make Agricultural Loans Scheme more attractive for the Commercial Banks to lend without any territorial jurisdictions to the farming community. The entire value chain of agriculture, from inputs, equipment, machinery and implements, production, storage, marketing, transport, processing to distribution, has become eligible under the Supervised Agricultural Credit Scheme. Micro Finance Banks have also started functioning for the benefit of farming and rural community.
- In addition to five big Commercial Banks, ZTBL and Provincial Cooperative Banks, 14 Domestic Private Banks were also inducted in the Scheme in 2001-02 and are being encouraged to get involved in extending credit to agriculture sector.
- One of the main issues confronting the farmers today is that they are not able to plunge a reasonable price of their produce, due to unavailability of storage and godowns facility & obviously lacking holding power. They are therefore, compelled to make stress sale of their produce at a very lower price. Banks have now been allowed to provide finances for construction of cold storages/godowns and silos etc. under Agricultural Credit Scheme
- Agricultural finance can be availed against mortgage of Defence Saving Certificates (DSCs), Special Saving Certificates (SSCs), Gold and Silver Ornaments.

- Agriculture loans can be obtained for production & export of fruits, vegetables, poultry, livestock, dairy farming and tobacco marketing.
- Apart from the above measures, SBP has revised and updated the methodology report, used for estimating agriculture credit requirements. More than 150 new activities related to agriculture have been added to this list.
- SBP has published a very small but comprehensive brochure on SBP, Supervised Agricultural Credit Scheme and Revolving Credit Scheme. The entire Scheme has been update since 1972 and circulated through issuance of a Comprehensive Circular in English, Urdu and Sindhi versions containing the procedure, methods and documentations to create awareness among the farming community about their rights and privileges under the revised SBP Supervised Agricultural Credit Scheme.
- SBP in consensus of Commercial Banks have standardized and simplified the Agricultural Credit Documents to make it simple and uniform for the benefit of the farming community.
- SBP has started imparting / disseminating knowledge through conducting of comprehensive trainings and creating coordination among all stakeholders including Commercial Banks, Chambers of Agriculture, and Farmers' Associations, Representative from Tobacco Board/Tea Board and District Nazims / Deputy Nazims throughout the country for the last three years. Such sessions also include use of electronic/ print media and field visits.
- In order to enabling farming / rural community to avail bank credit at competitive rates, SBP has not only created a competitive atmosphere within Banking Industry which ultimately persuaded the banks to reduce their mark-up rates for such financing but also

providing credit lines to PPCBL at the prevailing government T-Bill rates of six months' maturity, for onward lending to farming community/co-operatives as well as to individuals under Micro Finance Scheme. As a result of these efforts, agricultural loans are now available to farmers at a mark-up rate ranging from 9% to 11% from the Commercial Banks including ZTBL. Such loans are also available at 8% markup to those ZTBL borrowers who repay their all installments in time.

- SBP, irrespective of managing agricultural credit facilities for farming community, under the recommendation of Committee on Rural Finance, is gradually enhancing the role & scope of its Agricultural Credit Department (ACD) to provide financing to rural / small & medium enterprises / cottage industries and micro finance facilities through Commercial Banks including Khushhali Banks, MFIs and SME Banks.
- NIBAF, under the ADB project has established a "Resource Center" to impart trainings to Mobile Credit Officers (MCOs), Agricultural Credit Officers (ACOs) of all the participants' banks and other stakeholders on Agricultural Credit / Rural Finance / Micro Finance etc.
- **Local Credit Advisory Committees.**
- In order to redress the local problems of farmers at their doorsteps and to make decisions on the spot, SBP has established Credit Advisory Committees and Agricultural Sub-Committee at its 16 SBP (BSC) Offices through out the country. The SBP has directed all Chief Managers at 16 centers of SBP: BSC (Bank) to play a leading role within the banking industry in their areas of jurisdiction efficiently and diligently, through interaction with the representatives of Chambers, Regional Heads of banks including field visits and should play a proactive role as a source of guidance on relevant matters concerning

SBP and Public. The Sub-Committee (Agriculture) consists of the representatives from Chambers of Agriculture / Farmer Associations / Banks and State Bank of Pakistan. Banks have been directed to delegate appropriate powers to their Regional and Zonal Managers to take timely and prompt decisions on the spot/locally.

### **Performance of Banks.**

- On account of the above efforts and persuasions, the total agricultural credit which were at Rs.39 billion on 30<sup>th</sup> June, 1999 reached to Rs.73.6 billion on 30<sup>th</sup> June, 2004 recording an annual growth of about 17% and commutative growth of about 89% during the last four years. The year ended 30<sup>th</sup> June 2004 was the first time when the banks on overall basis have disbursed (Rs.73.6 billion) Agricultural Credit in excess of their targets i.e. 112% as compared to (Rs.58.9 billion) last year showing an increase of about 25% over the last year. The five major Commercial Banks, during the year 2003-04 has disbursed an amount of Rs. 33,247 billion, which is nearly 46% higher than the disbursement made (Rs. 22,739 million) during the fiscal year 2002-03. The Domestic Private Banks have disbursed nearly Rs.2,729 billion in the year 2003-04 as compared to only Rs. 1,421 billion in the corresponding period last year showing an excellent increase of 92%. The Punjab Provincial Co-Operative Bank have disbursed Rs.7,683 million in the year 2003-2004 as compared to Rs.5,485 million last year recording an increase of about 40%.

- **Current Performance Of Banks**

- During the current fiscal year, starting from July, 04 banks on overall basis have so far disbursed Rs.83 billion up-to April 2005 as against Rs.53 billion in the similar period last year recording an increase of about 57 %. Out of total of Rs.83 billion, the share of Commercial Banks is about 59% (Rs.49 billion) and ZTBL share is about 34 % (Rs.28 billion), Punjab Provincial Co-Operative Bank is about 7 % (Rs.5 billion).

- **Future Goals.**

- On the basis of excellent performance during 2003-2004, SBP has enhanced the total targets of banks from Rs.65.5 billion to Rs.85 billion for the current year 2004-2005 i.e. 30% higher than last year's targets.
- The present quantum of agricultural credit covers about 1 million borrowers which hardly benefiting 15% of all agriculture households. SBP target is to expand this coverage to 50% households for the next five years.
- To facilitate the Banking Industry & other stockholder; SBP shortly in consensus with all stockholders would be introducing a separate set of Prudential Regulations for Agricultural Credit.
- SBP, in order to expand quantum of the agricultural credit and to facilitate farming community introducing separate financing schemes for Livestock / Dairy Farming and its other Products, Fisheries, Poultry etc. in consultation with all banks and other stakeholders.
- SBP are making efforts to introduce 'Crop Loan Insurance Scheme' in consultation with SECP, Insurance Companies, Banks and the Farming Community to secure the farmers/growers from all natural calamities etc.
- In order to create awareness among the farming community SBP has already published the Agricultural Credit Scheme, Revolving Credit Scheme and Comprehensive Circular in Urdu & Sindhi languages. SBP is also going to publish all these publications in regional languages i.e. PUNJABI, PUSHTO and BALOCHI. SBP would ensure wide publicity and distribution of all these publications among its stockholders i.e. Banks' branches, Farmers /Growers/ Abadgar Associations, Agricultural Chambers, Nazims/Naib Nazims etc.
- On the basis of excellent performances of all commercial banks, SBP is confident that the target of Rs.100 billion indicated by the

Government for agricultural credit upto the year 2006 will, inshaallah be achieved by the banks on 30<sup>th</sup> June 2005, i.e. one year advance.

( SYED ISHTIAQ ALI )

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