

Frequently Asked Questions (FAQs)

on

Agri Financing



Agricultural Credit Department

State Bank of Pakistan

I.I.Chundrigar Road

Karachi

www.sbp.org.pk

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Section A: Agricultural Credit General

1. What are the basic functions of Agricultural Credit Department of State Bank of Pakistan?

The Agricultural Credit Department (ACD) was established, as a full fledged department, in 1953. The Department is mainly responsible for facilitating banks to meet the credit needs of Agricultural Sector. Basic functions of ACD are as under:

- To operate as a focal point in SBP for all agricultural and rural finance policies, programs and projects.
- To formulate agricultural & rural finance policies in consultation with stakeholders to ensure adequate flow of institutional credit in rural areas.
- To liaise with Federal and Provincial Agricultural departments and research institutes on all agri/rural finance issues, policies and projects.
- To assess/estimate the credit needs of agri/rural sectors and take measures / initiatives to help develop necessary institutional infrastructure to meet the credit needs of the sector.
- To collect periodical agriculture/rural finance data for analysis, policy formulation and dissemination to general public.
- To initiate and undertake information dissemination and awareness building programs for farmers and rural community about the financial services they can access from banks.
- To arrange special training programs, workshops, seminars, etc for the capacity building of commercial banks' in agri/rural finance related activities.

2. Which banks are authorized for providing agricultural credit to farmers/growers?

All banks can provide agricultural credit to farmers/growers. SBP does not restrain any bank from providing agricultural credit. However, under the Agricultural Credit Scheme indicative targets are given to 21 banks on annual basis. These include; two specialized banks (ZTBL & PPCBL), five major commercial banks (ABL, HBL, MCB, NBP & UBL) and 14 domestic private commercial banks; 1) Askari Com. Bank, 2) Bank Al-Habib, 3) Bank Al-Falah , 4) My Bank, 5) Faysal Bank, 6) Habib Metropolitan Bank, 7) PICIC Com. Bank, 8) KASB Bank, 9) Prime Com. Bank , 10) Saudi Pak Com. Bank, 11) Soneri Bank, 12) Bank of Khyber, 13) Bank of Punjab and 14) Standard Chartered Bank (Pakistan).

3. Who is eligible for agricultural credit from the banks?

Any individual (farmers/livestock farmers, fishermen, fish farmers), corporate firms, cooperative societies/self help groups under-taking livestock related activities, fish catching/ processing /packing companies and fish exporters having sufficient knowledge and relevant experience are eligible to draw agricultural credit from banks.

4. Are the traders and intermediaries engaged in trading/processing of agricultural commodities eligible for agricultural credit?

Loans to entities exclusively engaged in processing, packaging and marketing of agricultural produce shall not fall under agricultural financing and would be covered under commercial or SME financing. However, agricultural financing

can be extended to entities (including corporate farms, partnerships and individuals) engaged in farming activity as well as processing, packaging and marketing of mainly their own agricultural produce, provided 75% of the agriculture produce being processed, packaged and marketed is being produced by the above-mentioned entities themselves.

5. How can a person get agricultural loan from banks?

The applicant fulfilling the following criteria may visit any branch of banks extending agri.credit:

- Applicant must be a genuine farmer/tenant. For this purpose a farmer's name must appear in revenue record and a tenant should establish this fact through a government acknowledgement or the applicant must be handling Non-Farm activities like livestock, poultry, dairy farming, fishery, forestry or firms/ cooperative societies/self help groups undertaking agriculture related activities.
- The borrower should be holder of computerized N.I.C in cases of individuals.
- The borrower should not be a defaulter of any Bank/Financial Institution. This condition may be relaxed in cases where the bank is satisfied with the creditworthiness of the borrower and that the earlier default was circumstantial and not wilful.
- Applicant must produce proper securities / sureties / passbook or other collaterals acceptable to the banks.

6. If one brother was declared defaulter, do the banks provide loan to other brothers?

Every individual could be separately considered for grant of loans if he had credit worthiness and separate landed property.

7. For what purposes the banks provide Agricultural Credit?

Agricultural credit is provided by banks for complete value chain of activities such as production/crop loans i.e. in-puts (seed, fertilizer, & pesticides etc.), development loans (tractors & tube wells, agricultural machinery / equipments / implements etc.), corporate farming, marketing, cold storage (godowns) on farm & off farm, silos, processing of crops (other than major crops), fruits & vegetables, grading, polishing, packing, transportation and exports of agricultural goods etc. Agricultural credit is also available for non-farm sector such as poultry, livestock, dairy farming, forestry and fisheries, apiculture, sericulture, floriculture, horticulture, etc.

There is no provision of financing for procurement of fruits/crops under the list of eligible items for agricultural credit such lending would be covered under commercial or SME financing.

8. What types of loans are provided to farmers/growers by banks?

Banks are providing three types of loans; short-term (upto 18 months), medium-term (1.5 years to 5 years) and long-term (5 - 7 years). While short-term loans are provided for working capital, medium and long-term loans are given for developmental requirements such as improvement and development of land, purchase of tractors and other agricultural machinery / equipments / implements related to farm and non-farm sector, etc.

9. Why the mark-up rate of Agricultural Credit is higher than the mark-up rate of Commercial/Industrial Credit?

In the post financial sector reforms era, banks' markup rates are not fixed for different sectors but are based on their cost structure and risk profile of the borrowers and the sector. Banks are

required to use KIBOR as a bench mark for determining pricing of their loans.

- 10. Our farming community is generally unaware of different agricultural loan schemes/products. What efforts have been made by SBP for awareness of the farming community?**

For awareness building of the farmers, SBP has published pamphlets, brochures/book-lets containing information about different agricultural credit schemes/products in Urdu and English as well as in all regional languages and these publications have been distributed to the stakeholders including farming community. Besides, SBP has been arranging special outreach training programs since 2003 in different cities of Pakistan for the banks, Agriculturists, Nazims, Chambers of Agriculture and representatives of Farmers' Associations. SBP officials along with banks' representatives also undertake field visits across the country especially to make the farmers aware of loaning facilities available and various schemes & new products of banks.

- 11. Banks are vigorously going for car leasing business. Can't such facility be extended to farming / rural community by providing agricultural machines/equipments / implements including tractor on leasing, hiring, rental basis?**

SBP has already allowed banks to extend leasing facilities to the farmers under the scheme for tube wells, tractors, harvesters etc. These machines/equipments / implements are also available to the farmers on hiring, leasing and rental basis through Leasing Companies.

- 12. Whether lease holders of orchards are eligible for agriculture loans from banks?**

Yes, lease holders of Orchards are also eligible to avail loan under Agricultural Credit Scheme.

- 13. Is there any limit for agriculture financing?**

No, there is no limit on agricultural loans, however, the loan limit amount is assessed by the ACO/branch manager on the basis of financing appraisal or feasibility report, etc.

- 14. Do the bank branches functioning in remote areas have sufficient information about the schemes for agricultural financing?**

Guidelines on different financing schemes and other instructions issued to banks are communicated to banks with the instructions to send the same to all concerned branches. In addition to this, SBP has published brochures about different loan schemes which were translated into Urdu and regional languages and distributed among stakeholders including ACOs/MCOs of rural branches of banks. Moreover, special outreach and training programs organized in collaboration with commercial banks create awareness among the farming/rural community of agri-financing facilities they can access and also to enhance the capacity of commercial banks in agricultural & rural finance by providing training to local agricultural credit officers of the banks.

- 15. Who is the person/authority to approach in case of any complaint, suggestions, proposals, queries about agri. finance, etc.?**

The contact persons and their addresses are as follows:-

i. Mr. Muhammad Ashraf Khan
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ii. Mr. Kamran Akram Bakhshi
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In addition to above, SBP has also established Local Credit Advisory Committees, including the representatives of farming community at its 15 local offices headed by its Chief Mangers through out the country which meet periodically to review agri financing problems at the grass root level, policy issues and recommend necessary actions thereon. These include SBP:BSC (Bank) i) Karachi, ii) Lahore, iii) Islamabad, iv) Quetta, v) Peshawar, vi) Multan, vii) Faisalabad, viii) Bahawalpur, ix) Sialkot, x) D,I, Khan, xi) Muzaffarabad, xii) Gujranwala, xiii) Hyderabad, xiv) Sukkar and xv) Rawalpindi.

Section B: Agricultural Credit Schemes

16. What areas are covered under the Agricultural Loans scheme?

The Agricultural Loans Scheme has been designed to cover the entire Pakistan including AJK with no restriction of territorial jurisdiction. Any farmer / grower can avail bank credit from any designated branch of banks throughout Pakistan as per his choice. Likewise banks are also free to provide credit to any farmer through out Pakistan subject to completion of required formalities.

i. Land owners having land not exceeding subsistence holding	70%
ii. Land owners having land, exceeding subsistence holding, but not exceeding economic holding	20%
iii. Land owners having land exceeding economic holding	10%

17. Is there any consideration for size of land holdings (i.e. subsistence, economic and above economic holding) for granting agricultural loans?

Under Agricultural Loans Scheme for commercial banks through the passbook system, agricultural loans granted by banks are diversified to achieve the following ratios: -

18. What are the details of types of land holdings in four Provinces?

The land holdings are classified into three types, viz. subsistence holding, economic holdings and above economic holdings. Details of size of land holdings for various categories of farms in different provinces are as under: -

Province	Subsistence Holding	Economic Holding	Above Economic Holding
Punjab	Up to 12.5 Acres	Above 12.5 Acres to 50 Acres	Above 50 Acres
NWFP	Up to 12.5 Acres	Above 12.5 Acres to 50 Acres	Above 50 Acres
Sindh	Up to 16 Acres	Above 16 Acres to 64 Acres	Above 64 Acres
Baluchistan	Up to 32 Acres	Above 32 Acres to 64 Acres	Above 64 Acres

19. What types of sureties / securities/collaterals are acceptable to the banks for providing agricultural credit to farmers/growers?

Agricultural land under the pass book system, urban/rural property, commercial property, Defense Saving Certificates, Special Saving Certificates, Gold & Silver Ornaments, personal surety, hypothecation of livestock and other assets e.g. motor boats / fishing trawlers, etc. are generally accepted by banks as collateral.

20. What basic documents are required by the banks for providing agricultural credit?

Basic documents/formalities required by the banks for providing agricultural credit are given as under:-

(A) Farm credit – Production purpose (Short-Term)

- i. Loan application form along with photo copy of NIC
- ii. IB-7 (Agreement cum Guarantee) (Revised)
- iii. Copy of Khasra Girdawari (in case of surety loans)/ Bonafied growers certified by the Mills/Factory/copy of agreement for supply of sugarcane/cotton/tobacco etc.,
Or
Charge creation certificate on passbook

- Or
Mortgage of rural/urban property (IB-24)
 - Or
Lien on deposit/DSC/SSC (IB-28, IB-31)
 - Or
Pledged of gold & gold ornaments, silver & silver ornaments (IB-26). Weight & Valuation Certificate from Banks approved Gold Smith.
- (B) Farm credit – Development purpose (Medium / Long term)**

- i. Loan application form along with photocopy of NIC
- ii. IB-7 (Agreement cum Guarantee) (Revised)
- iii. Charge creation certificate on Passbook
Or
Mortgage of rural/urban property (IB-24)
- Or
Lien on deposit/DSC/SSC (IB-28 & IB-31)
- Or
Pledged of gold & gold ornaments, silver & silver ornaments (IB-26) Weight & Valuation Certificate from Banks approved Gold Smith.
- Or
Quotation of items sought (Where ever applicable).
- Or
iv. Registration of tractor or vehicle in the joint name of bank & borrower (Where ever applicable under the registration rules).
- Or
Comprehensive Insurance for tractor/ vehicle & other insurable assets (where ever possible /applicable)

(C) Non Farm Credit

- i. Loan application form along with photocopy of NIC
- ii. IB-7 (Agreement cum Guarantee) (Revised)
- iii. Charge creation certificate on passbook
Or
Mortgage of rural / urban property (IB-24)
- Or
Lien on deposit/DSC / SSC (IB-28 & IB 31)
- Or
Pledged of gold & gold ornaments, silver & silver ornaments (IB-26). Weight & Valuation Certificate from Banks approved Gold Smith
- Or
Quotation (Where ever applicable)
- Or
Feasibility report (Where ever necessary)

Or
Insurance Cover on case to case basis

Note :- Proposals for development finance & proposal of large amounts for production finance shall be appraised on the prescribed form of each bank.

21. What are the margin requirement of loans against Passbook, rural and commercial properties, DSCs, SSCs, Gold / Silver etc. for different agricultural loans?

SBP does not prescribe any margin requirement to banks; however, banks/DFIs are encouraged to determine suitable margin requirements in their agriculture credit policies, keeping in view the quality and other features of the collateral.

22. Do the banks provide loans in cash only?

No, banks provide loans in both cash & kind at the choice of the borrower.

23. Is mark-up rate fixed by SBP on agricultural loans?

SBP does not fix any maximum/minimum mark-up rate to be charged on agricultural loans. Banks' mark-up is based on their cost structure and risk profile of the borrowers and the sector. However, for benchmarking, Karachi inter- bank Offered Rate (KIBOR) is used by banks for the purpose.

24. Which items are eligible for loan under Agricultural loan scheme?

A large number of items are eligible for Agricultural credit under Agricultural Loan Scheme. A complete list of the same is given in the Report on preparation of estimates of Agricultural Credit Requirements 2006 which is available on SBP Website:

www.sbp.org.pk/acd/2006/Methodology-Report-2006.pdf

25. What are the existing indicative credit limits for different crops?

The existing per acre indicative credit limits for banks, fixed by SBP in respect of different crops, are as follows:

Indicative Credit Limits for Different Crops

Major Crops	Credit Limits
1. Sugarcane	18,000
2. Seed Cotton	11,000
3. Paddy	9,000
4. Wheat	8,000
Minor Crops	
1. Ginger/Potato/Turmeric/Tobacco	20,000
2. Onion	12,000
3. Chilly/Maize (Hybrid)/ Sugar-beat/Tomato	10,000
4. Canola/Ground nut/ Maize (local)/Soyabean/ Sunflower	8,000
5. Rapeseed/Mustard	7,000
6. Bajra (Millets)/Barley/ Fodder crops/Garlic/Jawar/Lentil	6,000
7. Fruit crops (Melon, watermelon & Muskmelon)	10,000
8. Other crops (as per cost minimum)	6,000
9. Floriculture (Nurseries for flowers/plant)	25,000
10. Floriculture (Flowers)	20,000
Mature Orchards	
1. Mango/Apple	30,000
2. Almond/ Apricots/ Banana/ Cherry/ Citrus/ Dates/ Grape/ Litchi/ Peach/Plum/ Pomegranate	25,000
3. Cheekoo / Coconut /Guava / Loquat/ Palm/ Papaya/ Pear	15,000
4. Other Mature Orchards	10,000

26. Are these indicative credit limits fixed or flexible?

The indicative credit limits are flexible and are only for the purpose of guidance of the banks. Banks may provide finance to the borrowers in excess or below the limits depending upon actual assessments/

requirements of the borrowers at the time of lending.

27. What is “Revolving Credit Scheme”?

Revolving Credit Scheme was introduced in 2003 in consultation with banks. Under the scheme, banks can provide finance for agricultural purposes on the basis of revolving limits for a period of three years with one-time documentation. The borrowers are required to clear the entire loan amount (including mark-up) once in a year at the date of their own choice. Multiple withdrawals are allowed and the borrowers are also allowed to make partial repayments. Only the amount utilized by the borrower will attract mark-up. This facility can be availed by the farmers just like “running finance”. The limits under this scheme are automatically renewed on annual basis without any request or fresh application.

28. Is the credit facility under “Revolving Credit Scheme” available only on seasonal basis i.e. one crop only?

The credit limits under Revolving Credit Scheme are available to the farmers for full one year i.e. covering both the crops in a year. To save the farmers from stress sale of their crops, they are required to clear their account only once in a year at a date indicated by the borrower and mutually agreed with lending bank.

29. Whether revolving credit scheme covers working capital requirements for production finance especially for crop production only or it also covers facility for working capital financing to non – farm sector?

Revolving credit scheme aims at adequate and timely support from the banking system to farmers for their cultivation needs including purchase of inputs in a flexible and cost effective manner. Though, the scheme would mainly cater to the

financing needs of working capital/production purposes to eligible farmers/growers, however, the participating banks can provide credit facility for allied activities and non farm credit needs of the borrowers under this scheme subject to repayment of principal and mark-up amount annually, on the due date mutually agreed. Moreover, in Guidelines for Livestock and Fisheries Financing to banks, it is suggested that working capital may be provided on revolving credit basis.

30. Whether landless farmers/tenants can avail agricultural credit under Revolving Credit Scheme?

Yes, agricultural credit under Revolving Credit Scheme can be availed against personal surety, guarantee or any other collateral acceptable to banks.

31. Is it possible to pay only mark-up on yearly basis under Revolving Credit Scheme and deposit the principal amount on completion of three years?

No, cleaning of the account (principal and mark-up) once a year on a date convenient to the borrower, is mandatory under Revolving Credit Scheme.

32. Is there any system/procedure under which farmers can get agricultural loans at their doorsteps?

Mobile Credit Officers (MCOs) and Agricultural Credit Officers of banks are visiting the farmers regularly to ascertain the credit needs of the farmers and ensure its availability at their doorsteps and also provide technical help for different crops.

33. Are farmers who had availed any concession or remission under Government relief package announced from time to time, eligible for fresh loans?

Yes, borrowers who have availed concession under any scheme notified by

the government or concerned bank/DFI in the light of guidelines issued by SBP may

be eligible for fresh financing.

Section C: Prudential Regulations & Guidelines for Livestock & Fisheries Financing

34. What is the limit of loans against personal surety?

The limit of Agricultural loans against two credit worthy sureties acceptable to the bank is Rs. 500,000= per borrower. However, maximum unsecured financing availed by a borrower from all banks/DFIs, should not exceed Rs. 500,000.

35. Can borrowers having no collateral avail bank loans?

Yes, a borrower can avail a maximum unsecured financing up to 5 lacs from all banks/DFIs as per Prudential Regulations for Agriculture Financing.

36. Is there any fixed time period for the processing and disbursement of loans to the farmers?

Banks are advised to ensure that application for agriculture financing are processed expeditiously and to disburse short term loans within seven working days and long term loans within fifteen working days of the receipt of the passbook from the revenue officer with bank's charge created thereon and completion of all other formalities.

37. Is there any relaxation available to farmers in repayment period of agriculture loans in cases of natural calamities?

Yes, banks are allowed to grant relaxation period of up to one year in repayment schedule to their borrowers who have been adversely affected due to factors beyond their control. Such relaxation may be granted on case to case basis or en-block to the borrowers in the affected area after

obtaining prior approval from the board of directors of the concerned banks.

38. Whether there is any proposal under consideration to grant loans to the farmers for the promotion of livestock & fisheries sectors in the country?

State Bank of Pakistan has issued guidelines for livestock & fisheries financing to facilitate and encourage Banks/FIs to enhance credit flow to these sectors. The guidelines cover all areas of the livestock & fisheries financing business including product development and its review, purposes and objectives of the loan, eligibility of borrowers, delivery channels, monitoring mechanism, etc.

39. Who is eligible to get finance for livestock and dairy farming?

Individuals and corporate already undertaking livestock related activities or desirous of establishing new dairy/meat farms are eligible for the financing facilities, provided the ACO/ Branch Manager is satisfied with the capacity of the borrower and subject to fulfilling requisite conditions.

40. What types of loans are available for livestock?

Three types of financings are available to dairy and meat farmers; i) working capital for daily expenses, ii) term finance for long term investment and iii) composite loans which contain term finance as well as working capital.

41. What is the schedule of repayment/installment for finance for fattening of cattle?

Indicative repayment schedule of loans for purchase of young buffaloes, calves, sheep and goats for rearing for meat purposes is quarterly or half yearly basis and maximum period of financing is 5 years including grace period.

42. What would be the acceptable collateral to banks for livestock financing?

Livestock financing can be allowed against hypothecation of cattle, mortgage of rural and urban property, pledge of gold and gold jewellery, SSC/DSC, guarantee/personal surety and any other tangible collateral security acceptable to bank.

43. Can a peasant (landless person) become eligible to get financing for livestock financing?

There is no restriction and a landless person can obtain financing for livestock provided the ACO/Branch Manager is satisfied with the capacity of the borrower to manage and run the business.

44. What is the maximum tenure of repayment of term finance for livestock?

The maximum tenure for livestock finance will be five years including of grace period.

45. Is there any insurance coverage available for livestock farmers?

Banks are encouraged to obtain comprehensive insurance of the hypothecated animals from the reputed insurance company or group of companies against death, theft, burglary, etc. of animals. Some of the banks have already made insurance as integral part of their livestock financing products.

46. What types of loans a bank can provide to fishermen?

Banks' financing to fishermen is available to meet daily expenses .i.e. working capital and long term investment for purchase of boats & equipments, construction of cold storage, ponds, tanks etc.

47. Who is eligible to get finance for fisheries?

In case of fisheries, financing loan can be extended to individuals, fishermen, fish farmer, and corporate firms. Cooperative societies/self help groups, fish catching/processing/packing companies and fish exporters having sufficient knowledge and relevant experience provided the ACO/ Branch Manager is satisfied with the capacity of the borrower and subject to fulfilling requisite conditions.

48. What would be the acceptable collateral to banks for fisheries financing?

Personal surety, hypothecation/mortgage of assets e.g. motor boats / fishing trawlers, mortgage of rural, urban or commercial property and/or Pledge of SSC/DSC, lien on bank deposit, bank guarantee and/or Pledge of gold and gold jewellery and /or; Individual/Group Guarantee (maximum per person exposure as mentioned in PRs for agriculture regarding personal guarantee). Any other tangible collateral security acceptable to bank.