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## Agricultural Credit Disbursement Surpasses Target To Reach Rs168.3 Bln In Fiscal Year 2006-07

Dr Shamshad Akhtar, the Governor, State Bank of Pakistan informed the Agriculture Credit Consultative Committee that commercial and specialized banks have surpassed the target of credit disbursement to the agriculture sector in the fiscal year 2006-07. Total disbursements reached Rs 168.3 billion – representing -22.4% growth over the preceding year disbursement of Rs137.5 billion and exceeding the actual target of Rs160 billion.

While chairing the annual meeting of the Agricultural Credit Advisory Committee held in Karachi today, Dr Akhtar commended all those banks that played a significant role in achieving the target.

The big five commercial banks namely Allied Bank Ltd., Habib Bank Ltd., MCB Bank, National Bank of Pakistan and United Bank Ltd. as a group disbursed a total of Rs80.2 billion, against the full-year target of Rs80 billion. Zarai Taraqati Bank Ltd. (ZTBL), Punjab Provincial Co-operative Bank Ltd. (PPCBL) and domestic private banks (DPBs) disbursed Rs56.3 billion, Rs7.9 billion and Rs23.8 billion, respectively against the target of Rs48 billion, Rs9 billion and Rs23 billion.

The Committee noted the significant rise in credit and its absorptive capacity in Punjab as its provincial government has created a good enabling environment and developed proper institutional arrangement for promoting credit delivery. Other provinces can draw some important lessons from this province in setting a supportive credit delivery environment.

For FY2007/2008, the Committee recommended the target of Rs200 billion for credit disbursement to farmers. This assumes combined lending of Rs132 billion from commercial banks and Rs68 billion for specialized institutions i.e. ZTBL & PPCBL. The Committee also recommended province-wise allocations of disbursements, based on the cropped area and absorption capacity of each province, Azad Jammu & Kashmir and Federally Administered Tribal Areas.

During the meeting, Dr Akhtar constituted following Committees to lay down additional ground work critical to be supportive of transformation of Pakistan's rural development. These Committees would focus on

- (i) development of agricultural data base in conformity with international standards and development of methodology for proper estimation of the agriculture and rural credit requirements of the country in conformity with the overall agricultural production as set by the respective ministries;
- (ii) preparing a holistic development strategy for enhancing rural financing whereby the development programs launched by federal and provincial ministries would be supportive of facilitating effective intermediation of agriculture and rural credit delivery; and
- (iii) to develop guidelines for lending technology and supportive credit enhancement mechanisms.

Governor SBP asked all stakeholders including banks, relevant federal ministries, provincial government departments and farmers' associations to make coordinated efforts to increase agricultural credit absorption capacity as otherwise it would be difficult for banks to meet future targets of agricultural credit.

The Committee was informed that the State Bank has developed a multi-pronged approach to double the outreach in terms of the number of borrowers and increase aggregate disbursements by banks of agricultural loans to meet up to 75% of the credit requirements of the sector, from the existing 45%, in the next 3 to 4 years. The recent paper of SBP has recommended following measures for further increasing the pace of growth of agricultural credit disbursement.

- Each bank, SBP, Ministry of Food, Agriculture & Livestocks (MINFAL), provincial agriculture departments, extension services departments, revenue boards, Pakistan Agriculture Research Council and other stakeholders prepare individual activity plans (sub-strategies) along with timelines, duly approved at the highest level, and share the same with SBP to ensure collaborative efforts.
- Government needs to provide a level playing field for all banks by bringing ZTBL and PPCBL on market-based systems.
- Introduction of mandatory crop loan insurance scheme.
- Effective implementation of ADB Agribusiness Project for capacity building of banks in agribusiness lending.
- Mass media campaign and specialized incentives for employees entrusted related tasks for 3-5 years.
- SBP and MINFAL to develop data base covering information/data on the basis of districts, farm/non-farm sector, agribusinesses, export markets, number of households, etc.
- Periodic surveys and studies by SBP, MINFAL and provincial agriculture departments to take stock of the implementation in ongoing initiatives.
- Publication of a newsletter to share developments, achievements and initiatives of stakeholders.

Dr Akhtar asked the commercial banks to focus on non-farm credit which will not only enhance their credit portfolio but also help to generate employment in the rural areas. She stressed that banks in consultation with other stakeholders should develop new and innovative loaning products to cater to the demand of the sector.

The meeting was attended among others by senior officials of the State Bank of Pakistan, presidents and representatives of commercial banks, ZTBL and PPCBL, officials of federal and provincial governments, chambers of agriculture, farmers' associations and other stakeholders.

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