

13th February, 2007

**ACAC REVIEWS THE DISBURSEMENT OF CREDIT TO THE
AGRICULTURE SECTOR DURING THE FIRST HALF OF FY07.**

The mid-term meeting of the Agricultural Credit Advisory Committee (ACAC) was held in Karachi with Governor, State Bank of Pakistan, Dr. Shamshad Akhtar in the chair, to review the disbursement of agriculture credit to the farmers during the first half of the fiscal year 2006-07.

The Committee was informed that the banks during July-December, 2006 disbursed Rs 72 billion to the agriculture sector which is 16% higher than the disbursements of Rs 62 billion during the same period last year. Bank-wise break-up revealed that five big banks (NBP, HBL, UBL, MCB Bank & ABL) as a group disbursed Rs 34.3 billion, ZTBL, Rs 24.2 billion, PPCBL Rs 3.0 billion and Domestic Private Banks (DPBs) Rs 10.2 billion during the six months ended December, 2006 as against Rs 33.5 billion, Rs 19.3 billion, Rs 2.0 billion and Rs 7.1 billion respectively during the same period last year.

The Committee expressed its concern that the disbursement covered about 45% of SBP targets for fiscal year 2006-07 as against 48% covered in the corresponding period last year. The achievements of banks during July-December 2006 revealed that five big banks as a group achieved about 43%, ZTBL 50%, PPCBL 33% and the Domestic Private Banks as a group achieved 44% of their annual targets as against 53%, 45%, 22% and 48% of the last year's achievements respectively.

The ACAC noted that out of the total disbursements, farm sector got a share of 87% whereas non-farm sector had a share of only 13%. Livestock, dairy farming and poultry having an important role in poverty reduction, received 12% of the total disbursement as against the target of 15%.

The SBP Governor while expressing dissatisfaction over the slower growth in disbursement of credit to the agriculture sector impressed upon the banks to take necessary steps to accelerate the pace of credit disbursement to the agriculture sector during the coming months so that the full year target of Rs.160 billion should be achieved. She also expressed her concern over the dismal performance of some banks regarding agriculture credit disbursements. She asked the heads of banks to submit their action plans to her to overcome the shortfall and to meet their annual disbursement targets.

Dr. Shamshad Akhtar stressed upon the banks to formulate a long-term vision and strategy to develop agriculture finance as a viable business line. She stressed the need for creating a conducive environment for increasing the credit outreach. She said that the need for developing an enabling environment for increasing the flow of credit was

dependent on the removal of structural impediments by the provincial governments. She underscored that it is critical that the Governments should take measures to remove the impediments in the disbursement of agricultural credit for the sustainability of the banking sector. She expressed her concern over the uneven geographical distribution of agricultural credit and low credit flow to the non- farm sector. Dr. Akhtar asked the banks to enhance the disbursement of credit to non-farm sector.

The SBP Governor emphasized upon the provincial governments to ensure speedy issuance of passbooks to the farmers to enable them to avail bank credit. She asked the Government of Sindh to resolve the issue on a top priority basis. She suggested that the State Bank, in collaboration with MINFAL and other stakeholders, should develop a strategy for improving the current agriculture credit situation. She also suggested that the opportunities of overall absorption of credit across the country through corporate farming should be availed on a larger scale for the benefit of all stakeholders.

Mr. R.A. Chughtai, President ZTBL and chairman of the committee constituted to examine the reasons for low growth of agricultural credit in Sindh & Balochistan, made a presentation on the report and recommendations of the committee to the ACAC.

The meeting was attended, among others, by the Executive Director (Development Finance), State Bank of Pakistan, Mr. Azhar Qureshi, Managing Director, SBPBSC, Mr. Liaqat Durrani, Director, Agricultural Credit Department, SBP, Mr. Muhammad Ashraf Khan, presidents of commercial banks, ZTBL and PPCBL, officials of Federal and Provincial Governments, Chambers of Agriculture, Farmers' Associations, Agricultural and Economic Research Institutions and other stakeholders.
