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State Bank to launch Special Pilot Project to improve access of agri credit on fast track: Salim Raza

The State Bank of Pakistan is launching a Special Pilot Project in Sindh from the current kharif season to improve the availability of agricultural credit to the farmers on fast track basis.

Disclosing this while presiding over the mid-term review meeting of the Agricultural Credit Advisory Committee (ACAC) at SBP, Karachi today, the State Bank Governor, Syed Salim Raza said that the Pilot Project will initially be launched in seven agri. intensive districts of Sindh including Hyderabad, Tando Allahyar, Mirpurkhas, Larkana, Sanghar, Nawabshah & Khairpur. He said that the project which is being launched from 15th March will be participated by 13 different banks having agri. designated branches in these districts. He said that SBP's Pilot Project will help to increase outreach of agri. credit to underserved areas of Sindh and added that the banks are meeting 47 percent of the total credit requirement of farmers. The rest is being met through informal resources.

He said that during July-January 2008-09, commercial banks have disbursed Rs 117 billion, against the full-year target of Rs 250 billion. The disbursement is higher by Rs 12 billion than the disbursements of Rs 105 billion in the same period last year. He said that major chunk of the credit i.e. Rs 81 billion or 70 percent was availed by farm sector mainly for production purposes whereas share of non-farm sector has also increased by Rs 8 billion during the period under review.

Salim Raza said that share of subsistence holding farmers (small farmers) in agri. loans disbursement has increased to Rs 51 billion or 64 percent from Rs 46 billion or 60 percent during July 2008 to January 2009. Similarly, for economic holding farmers the share has risen to 18 billion or 23 percent from Rs 17 billion or 22 percent whereas the share of above economic holding farmers reduced to Rs 11 billion or 14 percent from Rs 14 billion or 18 percent.

He also informed the participants that non-performing loans of agri. loans have declined to 17 percent in Dec. 2008 from 20 percent in Dec. 2007 as a result of improved overall recovery rate of 76 percent in Dec. 2008 from 71 percent in Dec. 2007.

Regretting the trend of uneven geographical distribution in agri. credit disbursements, the SBP Governor urged upon the commercial banks and other

stakeholders to work in close liaison to improve the agricultural credit outreach in the country.

Banks assured the Committee that they will try their utmost to meet the annual agricultural credit disbursement target indicated by the central bank. Some participants of the meeting highlighted various bottlenecks that are hampering growth of agri. credit disbursement. While responding to these points, the SBP Governor said that a smaller group should be constituted which will meet on quarterly basis to devise a meaningful strategy to resolve these issues.

It may be pointed out that under the Special Pilot Project, the banks have posted Agri. Finance Officers/Mobile Credit Officers in their agri. designated branches and have also set branch-wise agri. loan disbursement targets in the districts of Hyderabad, Tando Allahyar, Mirpurkhas, Larkana, Sanghar, Nawabshah & Khairpur. The local branch managers and Regional Heads will be responsible for achievement of their targets.

Agricultural Credit Department of SBP will monitor the implementation of the targets on fortnightly basis through Sukkur and Hyderabad offices of SBP (BSC). Effective implementation of the Project would result in substantial increase in outreach of agri credit in the above mentioned districts.

The meeting was informed that the State Bank has issued guidelines for Islamic Agricultural Credit and in this regard products are being developed for implementation through Islamic Banking Institutions. Besides, steps are being taken to increase the outreach of micro agri. Credit for small and marginalized farmers through microfinance banks. The meeting was also informed that from the Rabbi season, the State Bank has implemented Crop Loan Insurance Scheme and the Federal Government is bearing the premium cost for small farmers under the scheme.

The meeting was attended, among others, by heads of commercial banks, representatives of relevant government departments and agriculture chambers, besides senior officials of the State Bank.
