

Mr. Yaseen Anwar asks banks to adopt agri. financing as viable business model

Mr. Yaseen Anwar, Governor, State Bank of Pakistan (SBP) has urged upon the banks to adopt agricultural financing as viable business model through development of specific products/ schemes and disseminate best practices through grass-root level programs for farmers.

Presiding over a meeting of Agricultural Credit Advisory Committee (ACAC) at SBP, Karachi today, he said the relevant federal & provincial government departments, farmers' representatives and other players in value chain also need to create credit absorption capacity of farmers through adoption of best modern farming practices, development of storage & marketing systems and resolution of other real side issues.

He said that heavy rains of 2011 and devastating floods in 2010 have greatly affected the national economy in general and agriculture sector in particular. The credit requirements of farmers have also increased significantly besides adjustment of existing agricultural loans, he said, adding that agriculture remains the mainstay with a contribution of more than 21% to the GDP and around 60% of the population depends on agriculture related activities for its livelihood.

SBP Governor said that banks need to develop a comprehensive agricultural finance policy for settlement, rescheduling & restructuring of loans of the affected borrowers in addition to providing fresh credits for the rehabilitation and revival of the economic activities in the affected areas. 'The federal & provincial governments would also need to initiate support & relief packages for the affected areas', he added.

Mr. Anwar said that in order to ensure timely and quick loan disbursement to help the agriculture sector and revival of economic activities in the affected areas, SBP in collaboration with banks has taken a number of initiatives including Refinance Scheme at discounted rates of 8% coupled with Credit Guarantee Scheme for loss sharing of banks up to 40%. 'Banks were also allowed to restructure the existing loans and write-offs in cases where the recovery of loans is not possible', Mr. Anwar added.

He said the crop loan insurance scheme introduced by the government for production loans for five major crops has also supported the sector whereby claims of around Rs 800 million (including around Rs 550 million of the borrowers of ZTBL) have been settled by insurance companies in 2010 and 2011.

He pointed out that agricultural credit is highly skewed towards farm sector i.e. around 68% whereas credit to non farm sector including livestock sector is only 32% as compared with its contribution of 55% to agriculture GDP.

The SBP Governor announced the setting up of an Implementation Committee to ensure timely implementation of the action plan prepared by the ACAC Special Committee, constituted in December, 2010. This Implementation Committee will be headed by the Executive Director, State Bank of Pakistan and include members from provincial agricultural departments, farmers representatives, Pakistan Banks Association (PBA), ZTBL and SBP Banking Services Corporation. The Committee will also collaborate with Regional Agriculture Focus Groups of SBP-BSC offices to get feedback on the implementation strategy and ensure timely implementation of decisions/ recommendations. The update on the progress of implementation would be made to the ACAC in its next meeting.

Mr. Anwar highlighted the key initiatives taken by SBP during July, 2010 to December, 2011 that include:

- Introduction & completion of Pilot Project Phase III with 87% achievement of set targets, in 51 agriculture intensive districts covering 75% of total farm households in the country.
- Successful arrangement of six Training Workshops for CAD/Risk Management Departments of Banks on Agricultural Loan Documents/Procedures, training 178 senior officials of agricultural lending banks, SBP and DFSD, SBP-BSC.
- Finalization of a primary framework of commodity operations after deliberations with key stakeholders which will evolve proper storage, fair & transparent price mechanism & post-harvest financing system (the assignment has now been shifted to Pakistan Mercantile Exchange for its implementation).
- Arrangement of Agribusiness Finance Workshop at Netherlands for senior officials of SBP & SBP-BSC and agricultural lending banks to create awareness, build capacity of banks in enhancing outreach of agricultural credit.
- Launching of 6-week specialized Internship Program for students of Agricultural Universities/Departments from 5th July, 2010 at SBP to facilitate provision of quality human resource for banks in agricultural financing to achieve the overall objective of access to finance to the farming community.
- Arrangement of Knowledge Sharing Session with Central Bank of Indonesia for learning their key success factors in the area of agricultural/ rural finance.
- To educate agriculture graduates about the basic structure of agricultural financing, related policies, schemes, initiatives taken by SBP to enhance the outreach of agricultural/ rural finance, arranged eight "Policy Adequacy and Awareness Seminars on Agricultural Financing" so far at different agriculture universities of the country.
- To ensure timely disbursement of agricultural credit to the farming community, revised the list of documents to be obtained by banks against various kinds of agricultural loans and streamlined the turnaround time for agricultural loan processing through ACD Circular No. 02 of 11th August, 2010.
- In order to revive SMEs' & agricultural activities in flood affected areas, issued a Refinance Scheme vide SMEFD Circular No. 16 of 2010 for improving access to finance in 78 flood affected districts notified by National Disaster Management Authority (NDMA).
- To ensure availability of credit to the farmers for the purchase and maintenance of efficient systems and techniques, developed Guidelines for Efficient Water Management Financing, which were issued vide AC&MFD Circular No.2 of 2011.

He said the above mentioned initiatives of State Bank are important but the real benefits can only be reaped through collaborative efforts of all the stakeholders including banks, relevant departments of Federal and provincial governments and farmers representatives.

The meeting was informed the mid-year (July-December 2011-12) performance of agricultural credit remained satisfactory wherein, total disbursement registered an optimistic figure of Rs. 125 billion which included additional Rs. 5.5 billion by Microfinance banks as compared to the last year's Rs. 102 billion for the same period with 23% overall growth rate. This positive trend indicates gradually building trust of formal sector towards agricultural financing because of its sustainable nature and showing signs of recovery after overall recessionary environment. An amount of Rs 285 billion is the indicative agricultural credit disbursement target for banks and Microfinance Banks (MFBs) for 2011-12 which is 8.4 percent higher than 2010-11 target.
