

SBP revises Prudential Regulations for agriculture financing

With a view to enhance access of formal financing to the farming community and to bring regulatory framework for farmers' financing in line with the changing business environment, State Bank of Pakistan (SBP) has issued revised Prudential Regulations (PRs) for Agriculture Financing.

The revised instructions call upon banks to develop robust and market-oriented policies and practices to promote enhanced flow of credit to the agriculture sector without compromising financial stability and banks' risk management.

The revised regulations, among other areas, make it mandatory for banks to formulate comprehensive agri. financing policies covering broad areas of strategic importance including loan administration, disbursement & monitoring mechanisms, set-up and maintenance of dedicated agri. finance departments equipped with qualified agri. financing experts and delegation of powers relating to loan approval or sanction at appropriate level. Further, to strengthen credit discipline and prudent lending practices by minimizing information asymmetries, CIB report for all agri. loans has been mandatory. To facilitate farming community in repayment of crop production loans under Revolving Credit Scheme on the basis of their cropping cycle, banks are now required to segregate the repayment in two stages of at least 50% of the utilized credit during the year after harvest of each *rabi* and *kharif* crop.

PRs also cover Islamic Agriculture financing which will encourage banks to develop and launch products to meet the financing needs of the farming community under Shariah Compliant modes.

Revisions in these regulations have been made in consultations with stakeholders and encompass prudent practices for banks financing various activities within agri. value chain and come into force with immediate effect.
