



## External Relations Department

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May 14, 2015

### **Prime Minister Launches “Credit Guarantee Scheme for Small Farmers”.**

**Thursday May 14, 2015:** Prime Minister Mian Muhammad Nawaz Sharif, today, launched a credit guarantee scheme for small farmers at Prime Minister Office, Islamabad. “The objective of the scheme is to help our small farmers get bank loans more easily for producing their crops”, the Prime Minister said.

He highlighted that when his government took over; the country was confronted with serious economic challenges, energy shortage and worst security situation at that time. Since then, the government has taken unprecedented measures to revive economy, improve law and order situation and restore investors’ confidence.

While sharing the vision, the Prime Minister expressed his determination to consolidate the gains made during the first two years of his government. He said that the initiatives like China-Pakistan economic corridor and strengthening relationships with neighboring countries to eradicate terrorism in the region will guarantee a strong and prosperous country.

While addressing the audience, the Prime Minister highlighted that his government manifesto gives high priority to agriculture sector and small farmers. The scheme is a testament of government’s commitment to support the small farmers in increasing their productivity and income levels, and spurring growth in overall agricultural sector, he reiterated.

He directed banks to actively play their due role in extending loans to small farmers and marginalized segments of the society to enable them to contribute in socio economic development of Pakistan. He congratulated Federal Minister for Finance and State Bank of Pakistan on their continuous efforts for improving the lives of farmers through enhancing their access to formal financing in the country.

Prime Minister emphasized upon the need for banks to extend facilities to all deserving small scale borrowers to help them improve their living standards and get out of poverty trap. He reminded that last year’s payments under Income Support Program were increased from Rs 12,000 to Rs 18,000 per annum. He appreciated the role which the banks are playing in national economy but emphasized banks to cater the financial needs of all segments of the economy rather than focusing on a few large borrowers.

Speaking at the occasion, the Federal Finance Minister Mr. Ishaq Dar said that the Government was fully committed to providing an enabling environment for financing to agriculture sector and small farmers through innovative and scalable products. He highlighted that the agri-sector has strong linkages with the manufacturing sector and high significance for fighting poverty and generating large scale prosperity. He said that the major focus of government’s economic program was to provide economic opportunities to the poor and previously neglected segments of the population. He expressed the hope that the banks will respond positively to the credit guarantee scheme to build their agri-lending portfolio and to increase their footprint in rural areas. He expressed his satisfaction



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on banks performance in first 9 months of the fiscal year 2015. He expected banks to relentlessly serve small farmers and take part in agri. finance schemes promoted by government of Pakistan and State Bank.

Federal Minister for National Food Security and Research Mr. Sikandar Hayat Khan Bosan, said that the guarantee scheme is an important milestone achieved by the government to support small farmers of the country. He said that growing population and low agricultural growth, over the period, had raised new challenges in terms of malnutrition, volatile food supply, and growing poverty levels. He expressed the belief that the scheme would help small farmers to overcome cost related issues associated with use of quality input, transportation, storage etc.

Mr. Ashraf Mahmood Wathra, the Governor SBP said that agricultural credit market is evolving rapidly in recent years not only in terms of outreach but also in terms of depth and quality with diversified range of financing products, better portfolio quality, use of alternative & technology-driven delivery channels, and innovative credit methodologies. In particular, there are significant advancements in areas like warehouse receipt financing, value chain financing, and market information infrastructure. He said that credit disbursements to the agricultural sector was increasing and the sector was poised to achieve 53% of the agriculture credit demand in 2014-15 compared to only 37% in 2009-10.

He said that the credit guarantee scheme for small farmers was a targeted and focused intervention for a well-defined segment that was currently being served by arhties and middlemen at high interest rates. A distinguishing feature of the scheme is that it establishes banks' participation in the credit-risk, thus ensuring that banks' due diligence standards are maintained while lending under this scheme.

On this occasion, Mr. Saeed Ahmad, Deputy Governor, State Bank of Pakistan highlighted government and SBP's different initiatives for the promotion of agriculture finance in the country. He said that the Credit Guarantee Scheme will provide guarantee upto 50% of the loan amount of small farmers, who lack collateral. The crop loans amounting upto Rs 100,000 will be covered under the scheme. It is expected that the scheme will provide benefit to 400,000 to 500,000 small farmers in first year of launch. He further said that State Bank has a rich experience in successfully managing credit guarantee to increase financing to microfinance, and small & rural enterprises. He emphasized on the need to enhance the crop yield in the country which is one of the lowest in the world. Citing a reference from United Nation's Report, he also drew attention of the Prime Minister to the prediction of a water crisis in Pakistan along with 16 other countries in 2025. He urged all the stakeholders to take drastic actions for improving the water management and conservation practices.

The ceremony was attended by local and international dignitaries including representatives of development community, Presidents of banks, and large number of farmers.

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