



External Relations Department

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Banks disbursed Rs 1,215 billion during FY 2019-20 to agriculture sector amid COVID-19 pandemic

Banks disbursed Rs 1,215 billion to agriculture sector during FY 2019-20. This is 3.5 percent higher than the amount disbursed in the previous fiscal year but less than the credit target of Rs 1,350 billion which was set by Agricultural Credit Advisory Committee (ACAC) in Peshawar in November 2019. Some factors which have constrained the growth of agriculture credit include the impact of COVID-19 pandemic, locust attack and continuing real side issues including water shortage, low production of cotton, sugarcane, low off take of fertilizers and volatility in prices of agri. produce etc. The outstanding portfolio of agriculture credit increased to Rs 581 billion at end June, 2020, registering growth of 3.3% compared with the last year's position of Rs 562 billion. However, the number of agriculture borrowers declined from 4.01 million at end June 2019 to 3.74 million at end June 2020 due to the COVID-19 lockdown situation in the country.

The analysis of disbursement reveals that during FY 2019-20, five major commercial banks collectively disbursed agriculture loans of Rs 708.3 billion or 100.5% of their annual target of Rs 705 billion, specialized banks disbursed Rs 71.1 billion or 62.9% of their annual target of Rs 113 billion and fourteen domestic private banks as a group achieved 88.7% by disbursing Rs 225.0 billion against their target of Rs 253.6 billion. Further, the five Islamic Banks as a group achieved 76.6% of their annual target of Rs 55.0 billion by disbursing Rs 42.1 billion which is 6.1 % higher than the disbursement made during the corresponding period last year. Similarly, the Islamic windows of commercial banks disbursed Rs 43.5 billion or 79.2% against the target of Rs 55.0 billion in FY 2019-20 which is 33 % higher from the disbursement of Rs 32.7 billion made during last year.

The agriculture credit of microfinance sector remained relatively sluggish due to COVID-19 lockdown in the 2nd half of FY 2019-20. The Microfinance Banks (MFBs) as a group have achieved 75.7% by disbursing agriculture loans of Rs 139.3 billion to small farmers which is 9.5% lower than the disbursement of Rs 154 billion during same period last year. Likewise, the Microfinance Institutions/Rural Support Programs collectively achieved 73.4% of their targets by disbursing Rs 28.9 billion which is 15 % lower than the disbursement of Rs 34 billion made during the last year to small and marginalized farmers.

It is important to mention that SBP announced a comprehensive relief package in collaboration with stakeholders for relief of agriculture sector to deal with the adverse implications of the ongoing pandemic on the farming community and agriculture business in the downstream of value chains. These measures which included deferment of principal and restructuring/rescheduling of agriculture loans were initially allowed uptill June 30, 2020 have been extended upto 30 September 2020. SBP will continue to monitor the situation and it may introduce more measures to help the sector manage its finances during this temporary phase of disruption.
