

18th July, 2005

**RS. 130 BILLION TARGET ALLOCATED TO
AGRICULTURE SECTOR FOR 2005-06.**

The annual meeting of the Agricultural Credit Advisory Committee (ACAC) which was held in Karachi today under the Chairmanship of the Governor, State Bank of Pakistan, Dr. Ishrat Husain, has approved a target of Rs.130 billion for the disbursement of agriculture credit to the farmers during the fiscal year 2005-06.

The Committee expressed its deep satisfaction that the total disbursement of agriculture credit during the last fiscal year (2004-05) has reached the level of Rs. 108.6 billion which is 27.8 per cent higher than the target of Rs. 85 billion and 47.6 per cent higher than the actual disbursement of the last fiscal year i.e. Rs. 74 billion. Five major commercial banks disbursed Rs. 51.3 billion, Zarai Taryiqati Bank Ltd (ZTBL) disbursed Rs. 37.4 billion, Punjab Provincial Cooperative Bank Ltd (PPCBL) Rs. 7.6 billion and Domestic Private Commercial Banks (DPCBs) Rs. 12.3 billion. The five major commercial banks jointly achieved their targets at 135 per cent and surpassed ZTBL, the traditional lender for the agriculture sector. The DPCBs have surpassed their targets by 246 per cent. The Committee was pleased that 70 per cent of the total credit was made available to the subsistence farmers i.e. those holding land below 12.5 acres.

The target of Rs. 130 billion for the disbursement of agriculture credit during the current fiscal year is 53 per cent higher than the target of the last fiscal year which was 22 per cent higher than the actual disbursement during 2004-05.

The Chairman appreciated the impressive performance of commercial banks particularly by DPCBs and five major commercial banks both in disbursements and recoveries in agriculture credit. The Committee appreciated that the share of commercial banks has tremendously been increased in agriculture credit from 23 per cent in 2000 to 59 per cent in 2005.

The Committee decided to replace the system of allocation of mandatory targets for five major commercial banks namely, NBP, HBL, MCB, UBL and ABL with voluntary targets i.e. purely in line with the targets of domestic private commercial banks. The Committee also allocated these voluntary targets on provincial basis.

The Committee decided that three sub-sectors – livestock, orchards and fisheries – will be given special focus due to their close linkage with income generation and poverty reduction. The banks were given separate targets for each of these sub-sectors which will be monitored every six months by the Committee.

The ACAC also requested the Provincial Governments to speed up the construction of farm to market roads in the rural areas and make agriculture research more responsive to the needs of the farmers. Increased credit availability can raise productivity of small farmers if they get credit on time to purchase inputs, receive remunerative prices for their produce, have adequate infrastructure and benefit from new technology.

In order to make the task of the Committee more meaningful and result-oriented, the Chairman also approved a “Vision Statement” of the Committee to focus special attention on the following three areas during the next 3 to 5 years:-

1. The total agriculture households to be covered by the bank credit should reach up to 50 % from the present level of 15 % or 1.1 million households who are availing agricultural credit.
2. Special attention to be given by banks to finance livestock, orchards, fisheries, etc. particularly in NWFP and Balochistan by employing qualified experts in these fields and developing new products.
3. Banks should increase the level of disbursement of agriculture loans in the provinces of NWFP, Sindh and Balochistan and expand their presence in the rural areas of these provinces through multi-delivery channels.

While discussing SBP special outreach and training programmes/field visits, the Committee observed that these training sessions have proved very useful and will be held at Vehari, Rahim Yar Khan, Bhalwal, Gujrat, Nawabshah, Shikarpur, Kohat, Haripur, Gwadar/ Turbat, Loralai and Rawla Kot during the current fiscal year in coordination with commercial banks.

The meeting was attended by all the commercial banks, ZTBL, PPCBL, officials of Federal and Provincial Governments, Chambers of Agriculture, Farmers’ Associations and other stakeholders.