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## **SBP sets indicative target of Rs260 billion for agricultural credit disbursement in FY10**

Syed Salim Raza, Governor State Bank of Pakistan today said that the central bank has set an indicative target of Rs 260 billion for agricultural credit disbursement in the current fiscal year (2009-10).

While chairing a meeting of the Agricultural Credit Advisory Committee (ACAC) held at the State Bank of Pakistan, Karachi this morning, Mr. Raza emphasized that in spite of structural shift towards industrialization, agriculture sector is still the largest sector of the economy having deep impact on socio-economic set-up. It is also the source of livelihood of at least 45 % of the total employed labour force in the country. However, despite 22 % contribution in GDP, agriculture sector has only 4.6% share in banks' credit portfolio which is not an encouraging picture.

'Adequate availability & access to institutional credit is essential for accelerating the pace of agriculture development to ensure food security and poverty alleviation in the country', Mr Raza added.

Mr Raza pointed out that high agri. NPLs, cumbersome & lengthy lending procedures, lack of Agri. Finance Officers, innovative agri. finance products, banks' management interest, farmers' awareness about banks' financial services, marketing & storage facilities, issues of passbook and non-automation of land record; low yield, inordinate delays in payment of agri. products by mills, ineffective implementation of government's support price etc. are the major bottlenecks in agri. financing.

SBP Governor emphasized upon the banks to revamp & re-structure their agri. lending mechanism by adopting modern & innovative techniques to boost agricultural financing. In addition, the government needs to devise the policy for introduction of corporate / cooperative farming to enable the majority of (86% of the total farms) farmers of the country to have the benefits of access to financial resources, new technology, quality inputs, marketing & storage facilities etc. "Indeed, this would result in higher production and income to small farmers," he added.

He informed the meeting that despite unfavourable economic & market conditions in FY 09, banks were able to achieve more than 93 % of agri. credit disbursement target of Rs 250 billion. In absolute terms, banks disbursed Rs 233 billion with an increase of Rs 21.4 billion or 10% over the disbursement of Rs 211.6 billion in FY08. The major chunk of farm credit was availed by the small farmers (subsistence holding) as their share in farm credit increased from 59% to 63%.

Mr Raza briefed the participants of the meeting about SBP initiatives and other various activities in FY09 including implementation of mandatory Crop Loan Insurance Scheme, awareness programs/melas for farmers, training of more than 600 Agri. Field Officers of banks under One Week Crash Training Program, enhancement of an average of 70% per acre credit limit for major and minor crops from Rabi crop 2008-09, development of Benazir Zarei Card and Tractor Finance Scheme, launch of Pilot Project for increasing agri. credit on fast track basis in 7 agri.

intensive districts of Sindh from Kharif season 2009, and introduction of One Window Operation in Sindh in collaboration with Sindh Board of Revenue for timely completion of loan documentations etc.

He also informed the meeting that going forward, SBP is working on development of National Crop Insurance Scheme, launching of pilot project for deepening of agri. loans, credit guarantee scheme for small farmers, capacity building of banks, awareness of farming community, simplification of agri. lending procedures, group based lending for small farmers, implementation of Benazir Zarai Card, introduction of Shariah compliant agri. credit through Islamic banks etc.

Director, Agricultural Credit Department, State Bank of Pakistan, Mr Muhammad Ashraf Khan made a detailed presentation on agri. financing to the members of ACAC.

The meeting was attended, among others, by heads of commercial banks, representatives of agriculture chambers and trade bodies, officials of relevant federal/provincial departments besides senior officials of the State Bank.

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