

SBP launches new agricultural financing Scheme for affected areas of NWFP, FATA

The State Bank of Pakistan has launched a new Agricultural Loans Refinancing & Guarantee Scheme designed specifically for the affected areas of North West Frontier Province (NWFP) and Federal Administered Tribal Areas (FATA).

The new Scheme is designed to support the development of affected districts of NWFP (Swat, Lower Dir, Malakand, Upper Dir, Bunner and Shangla) and FATA (Bajaur Agency, Khyber Agency, Kurram Agency, Mahmand Agency, N. Waziristan Agency, Orakzai Agency and S. Waziristan Agency) and to facilitate banks and farmers of these areas for resuming agricultural activities.

This Scheme, which comes into effect immediately, will remain valid till December 31, 2012.

According to a circular (SMEFD Circular No. 18) issued today, the State Bank will provide refinance facility to banks, except Zarai Taraqati Bank Ltd. which is already providing financing facilities at subsidized rates, at 6 percent per annum under the Scheme. Banks will be permitted to charge a maximum spread of 2 percent per annum from borrowers against their seasonal agri. production/working capital loans to farmers of affected areas. Therefore, mark-up rate for farmers will be 8 percent per annum under the Scheme.

Under the Scheme, the State Bank will also share bonafide losses of banks up to a maximum of 50 percent against their agri. production/working capital loans disbursed to the farmers of affected areas in order to encourage them lending under the Scheme. However, banks will be required to put in place an effective monitoring and recovery system for ensuring timely recovery of agri. loans. Further, banks shall also exercise due diligence in recovering dues in all possible manner in respect of any guaranteed account as it might have exercised in the normal course, if no guarantee had been provided.

According to the circular, banks are also encouraged to arrange for the insurance of loans provided under the scheme and mandatory crop loan insurance for five major crops viz. wheat, rice, cotton, sugarcane and maize to avoid risk of losses due to natural calamities. It said that tenor of the crop production loans and its repayment will be based on the cropping cycle while for other farming activities working capital will be provided for a maximum period of one year. Moreover, there will be no maximum limit for borrowing by farmers under the Scheme. However, the borrowing limit of a farmer shall be fixed by the bank keeping in view credit requirements, cash flows, repayment capacity, profile of the borrower, etc.

Under the Scheme, yearly limits will be allocated to individual banks having branches involved in agri. lending in the eligible areas. The limits will be allocated for each fiscal year from 1st July to 30th June, which will be reviewed on quarterly basis. According to the circular, principal amount of loans under the scheme shall have to be repaid on the agreed date between bank and the borrower, however, in case of crop production loans it may not be later than 60 days from the date of harvest of respective crop.

According to the circular, banks shall not take more than 5 working days in evaluating an application for credit under the Scheme from the date of receipt of complete information from the borrower. Where the request is declined, the bank will explicitly apprise the applicant reasons for rejecting the application, it added.