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SBP Governor forms Special Committee to devise strategy for growth of agricultural credit

Mr. Shahid H Kardar, Governor, State Bank of Pakistan has constituted a Special Committee which will devise a strategy in consultation with the Federal and Provincial Governments and other stakeholders for the growth of the agricultural credit in the country.

While chairing a meeting of the Agricultural Credit Advisory Committee (ACAC) held at the State Bank of Pakistan, Karachi this morning, Mr. Kardar said that the Committee would consist of representatives from the State Bank, commercial banks, agri. chambers and associations. He said that the Committee would hold meaningful discussions at the Federal and Provincial level to formulate a holistic strategy for the development of agricultural credit with the consensus of all the major stakeholders.

The Committee will be headed by Mr. Muhammad Ashraf Khan, Executive Director, Development Finance Group of SBP while Mr. Mansoor Hassan Siddiqui, Director SME Finance Department of the State Bank, Mr. Ziaullah Khan, Senior Executive Vice President, Agriculture Group, National Bank of Pakistan, Mr. Abid Sattar, Head Retail and Consumer Group, Habib Bank Limited, Mr. Farooq Abid Tung, Executive Vice-President and Country Head, Agriculture, Askari Commercial Bank, Mr. Mansoor Arifeen, CEO Icepak Ltd., Mr. Sultan Barq, Chief Executive Specialists Group Inc./farmer and Dr Syed Nadeem Qamar of Sindh Agriculture Chamber would be members of the committee.

Mr. Kardar urged the banks to understand the needs of the economy and improve their penetration in the sector, as it is commercially viable offering attractive potential cash flows and extensive backward and forward linkages in the value chain. "Banks need to develop a comprehensive agricultural finance policy, dedicated human resource, simplified procedures and other prerequisites for building lending portfolios and timely provision of credit to farmers," he added.

He said that the Federal & Provincial governments, revenue departments, farmers' associations and other stakeholders also need to contribute to value addition of the sector through automation of land records, marketing & storage channels, introduction of latest farming techniques, efficient extension services, water management, etc. to facilitate the banks in their endeavour to expand agri. finance as a viable business line.

The SBP Governor informed the participants that the agriculture sector was not only the largest sector of the country's economy, it was also the source of livelihood for at least 45 % of the total employed labour force in the country, and added that adequate availability & access

to institutional credit was essential for accelerating the pace of agriculture development with a view to ensuring food security and poverty alleviation in the country. He said despite 21% contribution in the GDP, the share of the agriculture sector in banks' credit portfolio was a mere 4.9 percent, which was somewhat disappointing given the importance and potential of the sector.

Mr. Kardar said that in spite of weak economic & market conditions in FY10, banks were able to achieve more than 95 % of agri. credit disbursement target of Rs 260 billion. In absolute terms, banks disbursed Rs 248 billion, an increase of 6.5% over the disbursement of Rs 233 billion in FY09.

He also said that the situation for agri. credit had further aggravated as result of recent floods that had caused huge losses to infrastructure, standing crops and other earning assets of rural households. As a result, out of total outstanding agri. advances in affected areas of Rs 53 billion, Rs 32 billion had become non-performing.

He informed the participants that for the resolution of issues of bank credit in affected areas and for the revitalization of farming activities, SBP, in consultation with banks, had taken the following initiatives for revival of economic activity in the flood affected areas.

- Banks/DFIs are encouraged to reschedule/restructure agriculture and SME loans/ advances to such borrowers where the possibility of recovery exists.
- Initiated a concessional financing scheme for Canola Cultivation in the flood affected potential districts for Rs 500 million refinance and 30% first loss sharing.
- Launched a refinance scheme of Rs 10 billion for fresh agri. production loans at a subsidized rate, almost half of the market rate at 8%, in 78 districts identified by NDMA.

Similarly, he said the SBP had taken various initiatives during 2009-10 to improve agri. credit disbursement which include Pilot Projects & One Window Operation facility in underserved districts; relief package & Credit Guarantee Scheme for Khyber Pakhtunkhwa & Federally Administered Tribal Areas; refinancing facility for modernization of rice husking & cotton ginning mills, silos, warehouses and cold storages; training and awareness programs for the officials of banks; simplification of agri. lending procedures & turnaround time for timely availability of credit to farmers; awareness & internship program for agri. graduates, farmers, etc.

Representatives of the banks and agriculture chambers and associations also gave various proposals for increasing the credit flow to the agriculture sector.

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.
