

July 12, 2014

**SBP sets Agriculture Credit Disbursement target of Rs 500 billion for 2014-15**

State Bank of Pakistan (SBP) has set Agriculture Credit Disbursement Target of Rs 500 billion for 2014-15 to facilitate growth in agricultural production. This was announced in the annual meeting of the Agricultural Credit Advisory Committee (ACAC) held at SBP, Lahore on 12<sup>th</sup> July 2014. The Finance Minister of Pakistan, Mr. Ishaque Dar graced the occasion after the meeting to encourage all stake holders and the banking community for their support to agricultural sector.

Addressing the meeting, Governor SBP said the Finance Minister and the government has a keen interest and high commitment to upgrade this vital sector of the economy, which is essential for achieving the broader national objectives of rapid economic growth and alleviation of poverty.

Highlighting the role of agriculture in Pakistan, he said that agriculture sector is an essential component accounting for around 20 percent of GDP and employs nearly half of the labor force. The sector directly supports three-quarters of the population and contributes a large share of foreign exchange earnings to the country. The Governor also emphasized that to increase agriculture production and foster its growth, we need to increase productivity through optimum utilization of resources and use of advanced farming techniques. The sector has a lot of potential which can be better tapped by making available the required financial resources as and when needed.

Referring to SBP's initiatives for improving access to finance to the farming community, the Governor told that as per provisional figures, around Rs 389 billion have been disbursed by the end of FY 2013-14 (by 30th June 2014), thus surpassing the revised target of Rs 380 billion.

Mr. Wathra said that SBP has long been making efforts to enhance the flow of credit to agriculture; resultantly, the agricultural disbursements registered steady growth and rose to Rs 333 billion in FY 2012-13 from Rs 169 billion in FY 2006-07 recording an annual growth of over 10 percent. The revised target for 2013-14 was set at Rs. 380 billion which was rather challenging for both SBP and banks which was however not only met but superseded.

Referring to the indicative target for 2014-15 of Rs 500 billion assigned by the Government, he expressed that "we, as a banking community, gladly accept it as a challenge and are fully committed to accomplish this ambitious target". He further elaborated that while SBP has developed a strategy to achieve this target, however, this will require high level of commitment from banks' Board of Directors and their top management.

The Governor requested the national and provincial government representatives to give their assurance and commitment to provide all kinds of support to the banking industry, especially agriculture lending banks for smooth operations. He also urged upon banks that this is a high time to play a meaningful role in the achievement of national goals of growth and development by channeling adequate financial resources to the agriculture sector. The Governor also pointed out that the share of banks' credit to agriculture is around 5.7% of their total advances and the total outreach is to just over 2.15 million borrowers as against 8.3 million farm households in the country. This indicates ample room for enhancement of agriculture portfolio by the banks. Further, according to estimates, only 35 to 40 percent credit requirement of agricultural sector is being met by the formal banking system while the remaining is fulfilled through non-institutional credit sources.

Finance Minister who later joined the occasion said that the key to improving agriculture productivity is access to high yielding inputs and markets and most importantly the access to credit whenever it is needed. Therefore, keeping in view the vital role of agriculture in ensuring food security, reducing poverty, generating economic growth and complementing the industrialization as most of our industries acquire major input from agriculture sector the government is committed to develop a sustainable & profitable agriculture sector. It has been decided to establish a National Food Security Council for this purpose. The council will be responsible for ensuring policy coordination across provinces and relating to productivity improvements, market reforms, value addition and prices that ensure stable incomes for farmers. Further, a package of incentives and support has already been approved by the government for the agriculture sector which include Credit Guarantee Scheme for Small & Marginalized Farmers, enhancement of the scope of CLI premium reimbursement scheme up to 25 acres land holding, Livestock Insurance Scheme for all farmers getting financing for up to 10 cattle, initiating regulatory mechanism for establishment of a warehousing clearing system and Receipt Financing Mechanism, and Incentives for Processing Industries of Special Areas such as Makran Division, Gilgit-Baltistan, Swat District and FATA regions. These steps will facilitate the farming community as well as banks to increase financial outreach in the sector.

The Finance Minister assured the stakeholders that wherever Federal Government can help, it will play its part proactively to develop and transform the agriculture sector on sustainable footing.

Concluding the meeting, the Deputy Governor, State Bank of Pakistan, Mr. Saeed Ahmad praised the banks for playing a significant constructive role in saving mobilization and providing the funding support to all productive organs of the economy. He thanked the participants and hoped that all stakeholders will play their part in development of the country. He then invited all the participants to join Iftar Dinner, hosted by the Governor, in honor of the esteemed Chief Guest.

XXXXXX