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Acting Governor SBP Mr. Ashraf Mahmood Wathra outlines six-point-action plan to boost agri. financing in the Country

The Acting Governor, State Bank of Pakistan, Mr. Ashraf Mahmood Wathra has announced a six-point action plan for boosting agricultural financing in the country.

Addressing a meeting of Agricultural Credit Advisory Committee (ACAC) at SBP, Karachi today he outlined his action plan that includes (i) the launch of **Financial Innovation Challenge Fund (FICF) in Rural & Agriculture Finance** to foster innovation and test new markets, lower cost of delivery, streamlining systems and procedures to provide more efficient new ways of meeting the larger demands of farming community; (ii) launch of **country-wide Internship Program for 100 top agri. Graduates** to be funded under the ADB's Improving Access to Financial Services Endowment Fund; (iii) **upward revision in the provisional agri. disbursement target of Rs 360 billion to Rs 380 billion** for 2013-14 in the light of banks' encouraging performance in the last two years. The target is 13% higher from Rs 336 billion disbursed in 2012-13; (iv) banks to be assigned targets **for outstanding agri. portfolio and number of borrowers** to have high impact of agri. financing at grass root level from the current year; (v) SBP to make **agricultural finance a key indicator of performance of banks**, including Islamic banks, which will be reflected in their supervisory ratings; and (vi) formulation of a **Working Group to review the state of affairs of small farmers financing** and making recommendations for increasing financing to this segment and also bringing in additional small farmers into formal financing system.

Referring to the potential of agriculture sector in the economic development of Pakistan, Mr. Wathra said that Pakistan is the 9th largest producer of wheat, 4th largest producer of cotton and 12th largest producer of rice in the world. 'Similarly, Pakistan is ranked one of the top ten largest producers in minor agriculture commodities. Pakistan ranks 8th worldwide in farm output', he added.

Mr. Wathra said that agri. finance is close to his heart as he comes from an agriculturist background. 'Hence it has become one of his top priorities since he joined it (SBP)', he added.

He also urged the farmers' representatives and government departments to contribute in the efforts of banks and address the demand side bottlenecks including low yield, proper marketing & storage, water efficiencies, land record management, adoption of modern techniques, mechanization and other agri. innovations.

Mr. Wathra said that despite structural shift towards industrialization, agriculture sector continues to remain the vital sector of our economy with its backward and forward linkages with other sectors of the economy having strong socio-economic implications. 'It is the second largest sector, accounting for over 21% of GDP', he added.

He shared with the audience some of the key initiatives taken recently by SBP. State Bank of Pakistan has revised Prudential Regulations (PRs) for Agriculture Financing whereby banks have been urged to formulate comprehensive agri. finance policies and set up dedicated divisions/units within banks, well equipped by trained professional staff, to promote agricultural credit. 'Further, the scope of agri. financing has been widened by including Islamic as well as value chain financing aspects in the revised agri. PRs', he added.

Mr. Wathra said that SBP had just revised the per acre indicative credit limit for crops, orchards and forestry which were previously set in 2008. This should facilitate to meet the enhanced credit requirements of farmers and also increase the agri credit portfolio of banks manifold, he said, adding that the SBP has introduced a Livestock Insurance Scheme for borrowers to mitigate risk of loss of livestock due to disease, natural calamities & accidents. 'Moreover, Government has been approached to provide premium subsidy for small farmers as is being done in case of crop loan insurance' he said.

The central bank in collaboration with the NIBAF is implementing a training program for agri. credit officers of commercial/microfinance banks to train them in the dynamics of agri. financing, he said, adding that the SBP's Farmers' financial literacy program has been in operation to increase awareness at the grass roots and around 400 agri. credit officers have been trained on methodology of conducting farmer financial literacy sessions.

Mr. Wathra said that these initiatives had paid dividends in the form of robust increase in agri. credit disbursement to Rs 336 billion in FY13; banks had been meeting the credit requirements of agriculture sector increasingly in recent years. However, he observed that there is still a large unmet demand for the formal credit as the banks met only 45% of the total financing requirements of agriculture sector. He stressed upon the banks to increase this share substantially.

Representatives of the farming community hailed the address of the Acting Governor in Urdu instead of English as the farmers easily understood the national language.

Habib Bank and Faysal Bank made presentations on their innovative & successful models to promote growth in agri. financing. Mr. Wathra lauded the efforts of these innovative models and expressed the hope that other banks would follow their models to boost agri. financing.

Mr. Wathra assured the banks and the farmers' representatives that all their genuine grievances would be looked into and resolved them in collaboration with other stakeholders. He advised the banks to become a strong player in the economic development of Pakistan by increasing their financial intermediation role in the agriculture sector.

The meeting was attended, among others, by the Deputy Governor, State Bank of Pakistan, Mr. Saeed Ahmad, Executive Director, SBP, Mr. Muhammad Ashraf Khan, senior level officers of SBP, commercial banks, specialized banks, microfinance banks & Islamic banks and representatives of federal & provincial governments and farmers chambers/ associations.

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