

March 6, 2014

Holistic approach needed for development of agri finance: Ishaq Dar

Federal Minister for Finance Senator Muhammad Ishaq Dar has said that a holistic approach is needed for development of agricultural sector and agri finance in Pakistan. He was speaking as Chief Guest at the launching ceremony of the 2nd Challenge Round of Financial Innovation Challenge Fund (FICF) on “Promoting Innovative Rural and Agriculture Finance in Pakistan” in Islamabad today. The programme is being funded by UKAid and implemented by the State Bank of Pakistan as part of “Pakistan Financial Inclusion Programme”.

He said that the partnership between DFID and SBP in promoting financial inclusion to reduce poverty in Pakistan had further strengthened the bond between the two countries. Congratulating the State Bank and the UK Government, he said that this would go a long way in promoting inclusive economic growth through provision of demand-driven innovative financial services for the low-income and unbanked population particularly our agricultural households and rural entrepreneurs.

He reminded the audience of measures taken by PML (N) government in the 1990s which included banking sector reforms in Pakistan, adding that since then, Pakistan’s banking industry had witnessed a major transformation.

In his welcome address, Mr. Ashraf Mahmood Wathra, Acting Governor State Bank of Pakistan, said financial innovation needs to be targeted towards the productivity of small farmers to combat poverty in rural areas. He said that tackling poverty demanded fundamental rethinking and innovation.

He reminded the audience that improving financial access to alleviate poverty was a global challenge. “More than 2 billion adults in the world do not have access to formal or semi-formal financial services. At the same time, one billion people with mobile phones do not have even a basic bank account.”

He said that both the Government and the State Bank of Pakistan were addressing the challenge using innovative policy approaches and actions.

Emphasizing the strategic role of agriculture in ensuring food security, generating economic growth, reducing poverty and inequality, Mr Wathra said that financial services outreach in the rural sector could play the most indispensable role in this regard, he added.

He told the audience briefly about SBP's initiatives for promoting financial inclusion through agricultural finance. These include: advice to banks to formulate all-inclusive agri. finance policies and set up dedicated agri divisions within banks; revision of per acre Credit Limits for crops, orchards and forestry which were previously set in 2008; Livestock Insurance Scheme for borrowers; and inclusion of 7 microfinance banks into agri. Indicative target scheme.

Mr. Saeed Ahmad, Deputy Governor SBP, shared with the audience the progress of components of Financial Inclusion Programme.

He said he was looking forward to receive quality proposals for testing innovative products and delivery channels to cater to the financing needs of the underserved rural and agricultural sectors in Pakistan.

“The eventual aim of this FICF Round is to identify and leverage on the strengths of existing rural and agricultural eco-system players (such as input suppliers, aggregators, processors, marketers etc.) and use them for opening up newer financing opportunities through formal financial institutions.”

The audience was informed that the applicants would submit complete proposals by 10th April 2014. An independent Advisory Committee, drawing representation from DFID, private sector, and the SBP, will review and approve the challenge round winners. Detailed guidelines, in print, were distributed and will be also available on SBP website for further guidance.

Mr. Richard Montgomery, Head of the UK Department for International Development, Pakistan, Mr. Noman Dar, President Habib Bank Limited, other Banks' representatives, Mr. Mahmood Nawaz Shah and Mr. Mansoor Arifeen, both Members of FICF Advisory Committee also spoke on the occasion.
