



External Relations Department

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State Bank forms committees to scale-up warehouse receipt financing mechanism, and increase agri-credit in under-served provinces

Mr. Ashraf Mahmood Wathra, Governor State Bank of Pakistan (SBP) announced formation of two separate committees to scale-up warehouse receipt financing mechanism, and increased agri-credit in under-served provinces and regions. He was addressing a Mid Term Review Meeting of the Agricultural Credit Advisory Committee (ACAC) for FY 2014-15 in Faisalabad today.

“During first seven months of FY 2014-15, banks have disbursed Rs.256 Billion of agricultural credit and achieved 51% of the annual Agriculture Credit Disbursement Target which is Rs. 500 billion. This is an increase of 35% compared to the disbursement made during the same period last year”. Mr. Wathra shared with the participants. He congratulated the banks for their remarkable performance.

Mr. Wathra said that the performance of agriculture credit growth is on track, and sector is poised to achieve over 53% of the agriculture credit demand in FY 2014-15 compared to only 39% in FY 2009-10. Pointing out the gradual reduction of agri-credit demand-supply gap over the recent years, Mr. Wathra urged up the banks to do more to further reduce this gap. He asserted that agriculture based growth has positive and far-reaching influence on poverty alleviation, food security, export income and employment.

ACAC expressed the satisfaction over improvement in non-performing loans which has come down to all-time low 11.4% alongside positive growth trends in banks’ agri-credit disbursements. ACAC was informed that presently 33 financial institutions were providing agri credit in the country, compared with 20 Participating Financial Institutions in 2010. As a result, private sector banks including microfinance banks are increasingly meeting financing needs of the agriculture sector.

Speaking to the audience, Mr. Wathra reiterated State Bank and government’s commitment in promoting agriculture finance through inclusive and broad-based initiatives. He appreciated improving market trend from being predominantly state-sponsored to being more open and market-led. He admired the transformation brought about by diverse, strong, and forward-looking financial institutions. He also appreciated the banks’ collective efforts in improving areas like product-mix, portfolio quality, and use of



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innovative credit methodologies. “In particular, there have been some early but significant advancement in areas like warehouse receipt financing and value chain financing,” he added.

Referring to geographical asymmetries in the disbursement of agri- credit the Governor emphasized that even though improvements are visible but there is still a lot of work that needs to be done as recent high growth curve of agriculture disbursements has not served all geographic and economic segments proportionally. “Banks need to spread their outreach to remote and hard areas and serve all geographic and economic segments,” he said. He urged the banks to come up with new ideas and products to deepen their outreach.

Concluding the meeting, the Deputy Governor, State Bank of Pakistan, Mr. Saeed Ahmad stressed for the need to increase financing to small farmers. He urged upon farmer community to use the most modern farming techniques to increase yield which will improve their financial position and enable them to service their financial obligation to the banks. He urged prudent use of water. Mr. Saeed Ahmad pointed out that there has been more emphasis on non-farm sector which is good but it should not be on the expense of farming sector. He also apprised the participants of SBP’s efforts for creating linkages between formal and informal market players to increase access of small farmers to formal financial services, which will improve the banks’ share of agricultural credit in the overall advances presently low at around 7% . He thanked the participants and assured them that SBP will continue its interaction and dialogue with the industry to build a more open, transparent and effective policy for unraveling the prospects of agriculture finance sector in Pakistan.

The meeting was attended, among others, by the presidents of commercial banks, specialized banks, microfinance banks and Islamic banks, senior officials of SBP, officials of federal & provincial governments, and representatives of farmers’ chambers/ associations.

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