



## External Relations Department

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### **Governor SBP Urges Banks to Address Geographical And Sectoral Imbalances for achieving**

#### **Rs 1 Trillion agri-credit target for FY 2017-18**

The Agricultural Credit Advisory Committee (ACAC) meeting was held in Quetta, under the chairmanship of Governor State Bank of Pakistan (SBP), Mr. Tariq Bajwa. The meeting was attended by senior officers of SBP, presidents and executives of commercial banks, specialized banks, microfinance banks & Islamic banks, representatives from federal & provincial governments, and chamber of agriculture/ farmers associations.

Mr. Bajwa, while congratulating the ACAC members on surpassing the Rs 700 billion targets for the fiscal year 2016-17, stressed upon four key areas requiring special attention of all stakeholders which included (a) Strategizing the achievement of Rs. 1 trillion disbursement target; (b) Increasing financial inclusion of smallholder farmers to address their credit needs, particularly for production loans; (c) Rationalizing the markup rates on agricultural financing to pass on the benefit of historically low discount rate and (d) Increasing bank's footprint in underserved regions and provinces for reducing regional disparities.

While delivering his keynote address, Mr. Bajwa emphasized that in order to successfully harness untapped potential of agricultural, it is necessary to meet the credit demand. He highlighted critical challenges confronted by the industry including provision of finance to small and marginalized farmers, addressing geographical and sectoral imbalances and financing to non-crop activities need to be addressed. In particular, financial institutions need to come up with new ideas and products for spreading their outreach to remote and underserved areas like Balochistan. He also stated that there is a huge scope and demand for Shariah compliant agri. financing products and recommended Islamic banks to increase their focus on Islamic agri financing.

The Governor highlighted the active role played by the Central Bank for promoting agri. finance in the country. He shared the SBP's multifaceted approach to sensitize banks to adopt agricultural financing as a viable business line. He informed the audience that due to joint efforts by SBP and the industry for broadening access to finance in the country, formal credit disbursement by financial institutions has increased to Rs 704.5 billion in FY 16-17 from Rs 391.4 billion in FY 12-13, showing a steep increase of more than 80 percent in 4 years.

The key note address was followed by a presentation wherein the performance of banks on key indicators relevant to agricultural financing was reviewed. The participants deliberated on the way forward for credit enhancement in the underserved provinces/regions especially Balochistan.



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The committee proposed the following key actions:

1. Designate at least 20 percent of total branches as agri. lending branches, and ensure availability of adequate Agri. Credit Officer in such outlets.
2. Ensure achievement of agri. credit targets of underserved province particularly Baluchistan, KPK, AJK and GB.
3. Linking advances with the deposits mobilized from the province to ensure supply of agri. credit in the underserved provinces.
4. Making agri. finance a key indicator of banks' performance.
5. Adoption of automated land record management system
6. Adoption of digital financial services and branchless banking channels to reduce operational cost and rationalize mark-up rates.
7. Capacity building of banks' officials and farmers awareness in underserved areas
8. Use of service providers to support farmers in pre and post harvest activities and to increase access to agri. finance and other banking services.

While summing up the meeting, Mr. Tariq Bajwa shown his confidence on the bank's commitment to;

1. Achieve agri. credit target of Rs.1,001 billion for FY 2017-18
2. Increase outreach agriculture borrowers by one million during FY 2017-18
3. Enhance farmer's productivity through availability of credit, extension services, farm mechanization, quality seeds & fertilizers, storage facilities and marketing of agri. produce

In the end, the Governor advised the financial institutions to treat agriculture financing as strategic part of their overall credit growth policy and encouraged them to explore new markets, develop innovative products, promote Islamic agri. financing and create more linkages for improving livelihoods in the country. He supported the idea of establishing Bank of Balochistan to improve financial services in Balochistan. In the end, he thanked the participants and hoped that the financial institutions will achieve overall annual target for 2017-18 beside achieving their provincial/regional targets particularly in underserved areas like Baluchistan, KPK, Gilgit Baltistan and AJK.

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