



Governor SBP asks banks to setup agricultural credit committees for promotion of agriculture finance

“I would urge the Presidents and CEOs of all banks to set up agricultural credit committees comprising of all group heads in their institutions and personally head these committees”, said Tariq Bajwa, Governor State Bank of Pakistan while presiding, the mid-term review meeting of Agricultural Credit Advisory Committee (ACAC) held in Karachi on 31st January 2018.

While reviewing the progress on agricultural credit disbursements during July December 2017, the Governor lauded the efforts of banks in promoting agriculture credit. By disbursing Rs. 432 billion during the first six months of FY2018, banks have demonstrated that agricultural credit disbursement target of Rs. 1001 billion will be achieved, he said. Adding further, he said that due to improvement in agricultural credit infrastructure, the disbursement trend has turned positive in the underserved provinces like KPK and Balochistan, however, concerted efforts are required to narrow the regional disparities by further enhancing the agricultural credit infrastructure. To prioritize agriculture lending, Mr. Bajwa advised that internal agricultural credit committees would enhance collaboration and ensure effective monitoring of the agricultural credit within institutions. He also advised banks to adopt an effective agricultural credit management structure with integrated reporting lines of agricultural credit teams to make agricultural finance a key indicator of banks' performance.

In his keynote address, Mr. Bajwa also took stock of the four key points identified during the last ACAC meeting held on 25th August 2017. These included achievement of Rs. 1001 billion disbursement targets, increasing financial inclusion of small farmers to address their credit needs, particularly for production loans, rationalizing the markup rates on agricultural financing to pass on the benefit of historically low discount rate and increasing banks' footprint in underserved regions and provinces for reducing regional disparities.

The Governor while appreciating the increase in agricultural credit borrowers of banks by 182,000 mainly due to inclusion of borrowers by the Microfinance Banks, expressed his concern over the attrition of borrowers of five big commercial banks and specialized banks and advised banks to take corrective measures to increase their number of small borrowers to achieve the overall target of 1 million fresh borrowers during FY 2018. He also urged Islamic banks to play their due role in the promotion of agricultural finance by strengthening their agricultural credit infrastructure and developing innovative products.



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He added that during last six months, no change has been witnessed in the agricultural lending rates of banks. He encouraged commercial as well as Microfinance banks to look into their business propositions and ensure provision of agricultural loans to small farmers at affordable lending rates. He also encouraged commercial banks to take advantage of the extensive network of MFBs/MFIs especially in underserved areas by providing wholesale funding to these institutions.

Representatives of Agri. Chambers highlighted the need of financing for setting up agricultural processing units and controlled sheds for livestock farming. Officials of Federal and Provincial Governments also supported measures for enhancing agricultural credit. Banks pledged their full commitment to achieve SBP's assigned targets.

Concluding the meeting, the Governor reiterated his commitment to continue efforts for the achievement of overall agricultural credit target for FY 2017-18, provision of production loans to small farmers, enhancing agricultural credit infrastructure especially in underserved provinces by arranging job fairs. He encouraged banks, provincial agriculture departments and chambers to create synergies to resolve issues hindering flow of credit to small farmers. He thanked the participants and hoped that the financial institutions will also achieve their provincial/regional targets particularly in underserved areas like Balochistan, KPK, Gilgit Baltistan and AJK.

The meeting was attended by senior officials of SBP, presidents and executives of banks, representatives from federal & provincial governments, and provincial chambers of agriculture.

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