



External Relations Department

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Agriculture Credit Disbursement Remains Resilient Despite Challenges Posed By COVID-19

Credit disbursement to agriculture sector increased to **Rs1,366 billion** in FY21, witnessing a growth of 12% over FY20, despite the ongoing challenges posed by Covid-19 pandemic and climate change. The disbursement is collective effort of 49 financial institutions which managed to achieve together 91% of their assigned target of Rs1,500 billion for the year. The outstanding agricultural credit stood at Rs628 billion as on end June 2021, witnessing a growth of over 8% over end June 2020, complements the overall positive outlook of agriculture sector which grew at 2.77% during FY21. However, the number of agricultural credit borrowers witnessed a decline of 5%, falling from 3.7 million in FY20 to 3.5 million in FY21, primarily due to limited outreach owing to ongoing pandemic.

During FY21, the commercial banks, specialized banks, and Islamic banks posted a satisfactory performance, by disbursing Rs1,210 billion, against their target of Rs1,277 billion, thus achieving 95% of their assigned disbursement target. However, microfinance banks as a group achieved 73% of their target by disbursing agricultural loans of Rs132 billion to small farmers. Likewise, the microfinance institutions/rural support programs collectively achieved 57% of their target by disbursing Rs23 billion to small and marginalized farmers.

SBP, together with the government and private sector, made concerted efforts for the development and commercialization of the agricultural sector through provision of formal financial services. Further, the proactive response by SBP to combat the threats posed by COVID-19 bolstered the economy and resulted in a rather quick rebound in economic activities across all major sectors including agricultural. Besides, reducing the policy rate by 625 basis points, SBP also allowed banks to offer principal deferment and restructuring of agriculture loans to help combat economic disruptions. As of April 2021, around 2 million borrowers in the agriculture and microfinance sectors have availed the deferred principal and restructured loan option with outstanding loans amounting to Rs132 billion.

SBP's programs and policy interventions addressed the cross-cutting issue of food security enabling regulatory environment, greater inclusion of women, and advancement in farm practices. Further, SBP facilitated banks' partnership with provincial Land Revenue authorities for the integration and use of automated land records for loaning. The government's crop loan insurance and livestock loan insurance schemes also played an instrumental role in encouraging banks to provide loans to small farmers.
