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SBP sets agriculture credit disbursement target of Rs1.8 trillion for FY23

State Bank of Pakistan (SBP) has assigned annual agriculture credit disbursement target of Rs1,800 billion to the financial institutions for FY23 to cater to the agriculture credit demand in the country. Moreover, in line with the national food security requirements and need for mechanization of farms to enhance agriculture productivity, specific targets of Rs140 billion for production loans of wheat crop, Rs45 billion for tractor financing, and Rs20 billion for financing for harvesters, planters and other farm machinery have also been set under the overall target for FY23. In addition, SBP has also enhanced the per acre indicative credit limits for agriculture financing to support the farming community to avail adequate financing from banks and optimize their agriculture inputs' usage. With a view to ensure food security, per acre indicative credit limit for wheat has been enhanced from existing Rs60,000 to Rs100,000 which will allow farmers to deploy quality inputs for improved yields.

During FY22, the financial institutions managed to disburse Rs1,419 billion to the agriculture sector compared with the disbursement of Rs1,366 billion during FY21 whereas the outstanding agriculture credit recorded an encouraging growth of over 10% and reached Rs691 billion by end June 2022. The unprecedented disbursement and growth in agriculture credit portfolio was supported by various recent initiatives of SBP to promote agriculture credit and financial inclusion in the country.

One of the major recent initiatives of SBP was the introduction of a comprehensive agriculture credit scoring model to bring focus of banks towards improving qualitative aspects and regional distribution of agriculture financing in the country. The model, adopted by the Agricultural Credit Advisory Committee, provides individual scores reflective of each bank's agriculture credit performance against a multi-dimensional criteria based on various indicators including sectoral disbursement, regional performance, outstanding amount, and outstanding borrowers etc.

Recently, growth in agriculture credit disbursement remained subdued due to various challenges such as adverse climate change effects, resource constraints in banks, underutilization of approved limits by borrowers etc., while a few banks, particularly large public sector banks, among others, also performed slower than usual and struggled to achieve their assigned annual targets.

SBP has also released the annual ranking of banks under this scoring model to bring transparency and competition among the various agriculture credit providers. As per the model's results for FY22, HBL ranked on top among Large Banks with a score of 75.4, Bank of Punjab scored 62.1 and ranked highest among Mid-Sized Banks, and Bank Islami stood first among Small Banks with a score of 55.7. Further, U Microfinance Bank ranked the highest among Microfinance Banks with a score of 80.4. Complete results for FY22 and detailed criteria of the scoring model will be accessible at <https://www.sbp.org.pk/ACS/Index.html>.
