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Agriculture financing hits record Rs1.78 trillion in FY23 amid SBP efforts and PM's Kissan Package

The financial institutions disbursed Rs. 1,776 billion under agriculture financing during FY23 and achieved 97.6% of the agriculture credit target of Rs. 1,819 billion set by State Bank of Pakistan (SBP), recording an impressive growth of over 25% compared to Rs. 1,419 billion disbursed in FY22. The outstanding portfolio of agriculture credit also registered a growth of 10% and reached Rs. 760 billion at the end of June 2023 compared to Rs. 691 billion at end June 2022.

The unprecedented performance in FY23 is owed to the collective efforts of the financial institutions and various initiatives taken in the backdrop of several challenges including the devastating floods of 2022, rising input costs and monetary tightening in recent years. Among the various initiatives, SBP's Champion Bank Model and Agriculture Credit Scoring Model played a key role in supporting financial institutions in extending agriculture financing, particularly in the underserved areas where significant growth was registered in FY23. In addition, the strategic guidance of Agricultural Credit Advisory Committee (ACAC) coupled with rigorous monitoring of financing by SBP provided further support in accelerating agriculture finance. The last ACAC meeting, held in December 2022, brought industry's focus to the potential of Islamic banking for meeting the needs of the farming community. As a result, Islamic agriculture financing also grew significantly during the year.

SBP efforts were further bolstered by the Prime Minister's Kissan Package, which provided stimulus to revive the flow of agriculture financing especially in the flood affected areas. Under the Kissan Package, various measures were implemented to strengthen the agriculture sector in flood-affected regions, which included waiver of markup on outstanding small loans, interest-free loans for small and marginalized farmers, and risk coverage for banks. A subsidized scheme for purchase of farm machinery was introduced to promote mechanization and ensure national food security. Moreover, agro-based SMEs were included in SBP's Refinance Facility for Modernization of SMEs and Prime Minister's Youth Business and Agriculture Loan Scheme, which provided affordable loans to the agriculture sector.

SBP has also released the annual ranking of banks under the Agriculture Credit Scoring Model to bring transparency and competition among the various agriculture credit providers. SBP's scoring model gauges the agriculture credit performance of banks against a multi-dimensional criterion with particular focus on regional and sectoral performance. Introduced in FY22, the model facilitated the banks to focus on areas where improvement is required to achieve their targets, particularly on improving qualitative aspects. The complete score card results of banks for FY23 and detailed scoring criteria are accessible at <https://www.sbp.org.pk/ACS/Index.html>
