



## External Communications Department

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### **Banks must Increase their Outreach and Penetration to Agriculture Sector- Governor SBP**

The annual meeting of Agricultural Credit Advisory Committee (ACAC) was held on December 14, 2023 in Lahore, under the chairmanship of the Governor, State Bank of Pakistan (SBP), Mr. Jameel Ahmad. In his inaugural remarks, the Governor emphasized the need to strengthen and promote growth in the agriculture sector, which is pivotal for the socioeconomic development of the country. He urged the banks to ensure easy, timely and hassle free access of farmers to all financial services including credit, deposits, payments etc.

The Governor highlighted that despite various challenges including floods, the agriculture credit disbursements reached an impressive level of Rs1,776 billion during FY23, witnessing year-on-year growth of 25.2% and achieving 97.6% of the overall target of Rs1,819 billion. He commended the concerted efforts of banks, specialized banks, microfinance banks and microfinance institutions that led to these achievements, showcasing the sector's strength and adaptability in the face of challenges. The Governor also showed optimism about the strong recovery in the agriculture sector, paving the way for a projected real GDP growth in the range of 2 – 3% in FY24.

He said that the disbursement target for FY24 was accordingly set at Rs2,250 billion, which was 26.7% higher than the disbursement made last year. The stellar growth of 30% during July-Oct 23 gives optimism that we are on track to comfortably achieve the disbursement target, he added. He urged the banks to intensify their efforts to not only meet but also surpass the target.

Acknowledging the challenges, particularly attrition of borrowers, the Governor informed the ACAC that SBP will engage with each bank individually to develop plans and strategies to achieve sustainable increase in agri borrowers continuously. The Governor advised banks to not only develop their own agrifinance capacity but also develop partnerships with Microfinance Institutions (MFIs) to increase the outreach of agriculture and rural finance services.

He also emphasized the critical need for improving the productivity of farmers to make them a better risk for the banks. He urged banks to collaborate and partner with AgriTechs, Agricultural Universities, Provincial Agricultural Departments and other agricultural stakeholders to improve the farmers' productivity through provision of quality inputs, better farming techniques and optimum use of agri-tech. The small farmers also need to be facilitated in sale of their produce to enable them to fetch market competitive price for their produce and the banks can connect them with large and reputed buyers.

The Governor SBP highlighted another significant area requiring immediate consideration – the promotion of developmental loans, specifically directed towards the mechanization of the agriculture sector. He also advised the banks to assess the feasibility of financing to agri-service providers, which provides agricultural machinery and equipment to farmers on rental basis.

While recognizing Pakistan's vulnerability to climate change, the Governor mentioned of SBP's green initiatives, including the Environmental & Social Risk Management Implementation Manual, Financing Scheme for Renewable Energy and Green Banking Guidelines. He called on the banking industry to



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proactively address climate change through risk mitigation tools, insurance schemes and collaboration with international donor agencies to address challenges arising out of climate change.

Envisioning an end-to-end automated agricultural financing ecosystem, the Governor highlighted the transformative power of digital solutions in streamlining and enhancing the efficiency of processes, particularly in the agricultural lending domain. Recognizing the pivotal role of digitalization in achieving success, Governor State Bank, underscored the imperative for all banks to fully embrace the Punjab Land Records Authority's Land Record Management Information System (PLRA's LRMIS) for the processing of agricultural loans by end June 2024 and urged that other provinces/regions should also expedite the digitization of their land records to enable integration with banks for swift processing of loans.

The ACAC meeting, which is an annual affair of SBP since the 70's, witnessed participation by senior officials from federal and provincial governments, Presidents/CEOs of banks, members of provincial chambers of agriculture, representatives of regional farming communities and senior officials of SBP.

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