

Monthly Report On Agricultural and Rural Financing



December 2020

**Research Department
Bangladesh Bank**

¹The report has been prepared by Internal Economics Division, Research Department, Bangladesh Bank (Central Bank of Bangladesh). Comments on any aspects of the report are highly welcome and can be sent to Mr. Md. Jasim Uddin, Deputy General Manager, Research Department, Bangladesh Bank. E-mail: jasim.uddin@bb.org.bd ; Zahira Hasin, Joint Director, Research Department, Bangladesh Bank. E-mail: zahira.hasin@bb.org.bd .

Executive Summary

Agriculture and rural sector in Bangladesh has played a vital role in achieving desired economic development. Though production of this sector has augmented in many folds, the share of agriculture in GDP has declined over the time (from 16.0 % in FY15 to 13.6% in FY19) in the pace of gradual shift from developing to developed economies. The 2nd Sustainable Development Goal expressed agricultural sector as “End hunger, achieve food security and improved nutrition and promote sustainable agriculture”. Bangladesh has made credible progress over the past four decades in achieving food security, employment, income generating activities and poverty alleviation with the help of government and Bangladesh Bank’s policy support. According to the Labor Survey 2017 conducted by Bangladesh Bureau of Statistics, about 40.6 percent of labor force still engaged in this sector. BB has continued its proactive policy and support program to boost up agricultural sector in the context of insufficient formal financing in this sector. In this regard, Agriculture and Rural Credit Policy and Program have been formulated to increase flow of funds in rural areas through agricultural and SME financing under its intensive financial inclusion strategies.

The annual agricultural credit disbursement target has fixed at Tk. 26292.00 crores for FY21 which was 8.99 percent higher than Tk. 24124.00 crores targeted in FY20. During July-December 2020, the achievement was 45.94 percent of the disbursement target for FY21.

In ***December 2020***, actual agricultural credit disbursement by all banks stood at Tk 3142.09 crores, which was 25.90 percent higher than Tk. 2495.67 crores for the same month of the preceding year. Recovery of agricultural credit stood at Tk. 3364.73 crores in ***December 2020***, which was 22.47 percent higher than Tk. 2747.45 crores for the same month of preceding year.

During July-December 2020, total agricultural credit disbursement stood at **Tk. 12077.98 crores**, which was 11.82 percent higher than **Tk. 10800.80 crores in July-December 2019**. Total recovery of agricultural credit stood at **Tk. 14091.07 crores during July-December 2020**, which was 22.53 percent higher than **Tk. 11500.13 crores in July-December 2019**.

Outstanding balance (including interest) of agricultural credit stood at **Tk. 44089.09 crores at the end of December 2020**, which was 2.47 percent higher than Tk. 43026.40 crores at the end of *December 2019*. Overdue of agricultural credit stood at **Tk. 6571.83 crores at the end of December 2020**, which was 2.73 percent higher than Tk. 6397.37 crores at the end of *December 2019*. Overdue of agricultural credit as percentage of outstanding stood higher at **14.91 percent at the end of December 2020 compared to 14.87 percent at the end of December 2019**.

In ***December 2020***, Grameen Bank and other nine large NGOs disbursed Tk. 12604.04 crores as microcredit and recovered Tk. 11223.43 crores. The total outstanding balance of microcredit of these organizations stood at Tk. 73295.86 crores of which the overdue of microcredit stood at Tk. 3104.66 crores at the end of ***December 2020***.

Bangladesh Bank is continuously providing policy directions to promote sustainable inclusive economic growth and to expedite credit flow to all sub-sectors of agriculture and non-farm activities.

Disbursement Target

The disbursement target by all scheduled banks has been fixed at Tk. 26292.00 crores for FY21, which was 8.99 percent higher than Tk. 24124.00 crores targeted for FY20 and 15.57 percent higher than actual disbursement in FY20. The disbursement target of all State-Owned Commercial Banks(SCOBs) and State-Owned Specialized (SCSBs) has fixed at Tk. 11045.00 crores and Private Commercial Banks(PCBs) & Foreign Commercial Banks(FCBs) target fixed at Tk. 15247.00 crores which are 42.01 percent and 57.99 percent respectively of total agricultural credit disbursement target.

Disbursement

In **December 2020**, the actual disbursement of agricultural credit stood at Tk. 3142.09 crores, which was 36.25 percent higher than Tk. 2306.04 crores for the previous month. In the same manner, it was 25.90 percent higher than Tk. 2495.67 crores for the same month of the preceding year (Chart 1).

During **July-December 2020**, the actual disbursement of agricultural credit stood at Tk. **12077.98** crores which was 11.82 percent higher than Tk. **10800.80** crores in the same period of the last year. The achievement was 45.94 percent of the disbursement target for FY21.

During **July-December 2020**, 52.2 percent of the total agriculture credit distributed to the crop sub-sector followed by live-stock & poultry (14.1%), others (13.3%), fisheries (10.6%) and poverty alleviation (6.8%). On the other hand, the share of crops sector was 51.3%, followed by others (14.8%), live-stock & poultry (14.7%), fisheries (11.5%) and poverty alleviation (7.7%) during **July-December 2019**.

Chart 1

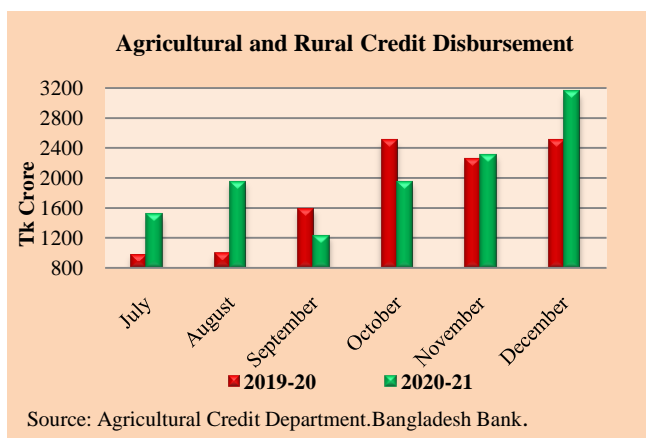
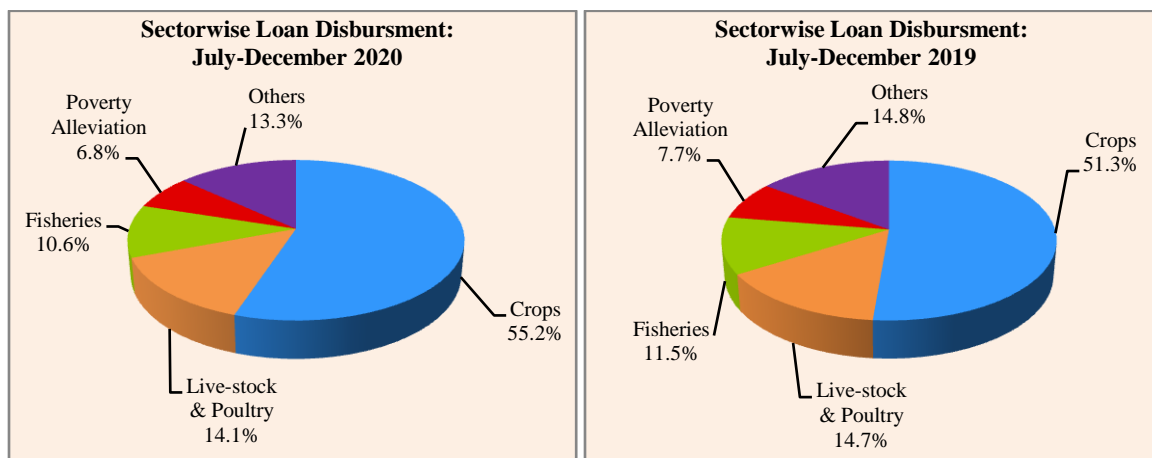


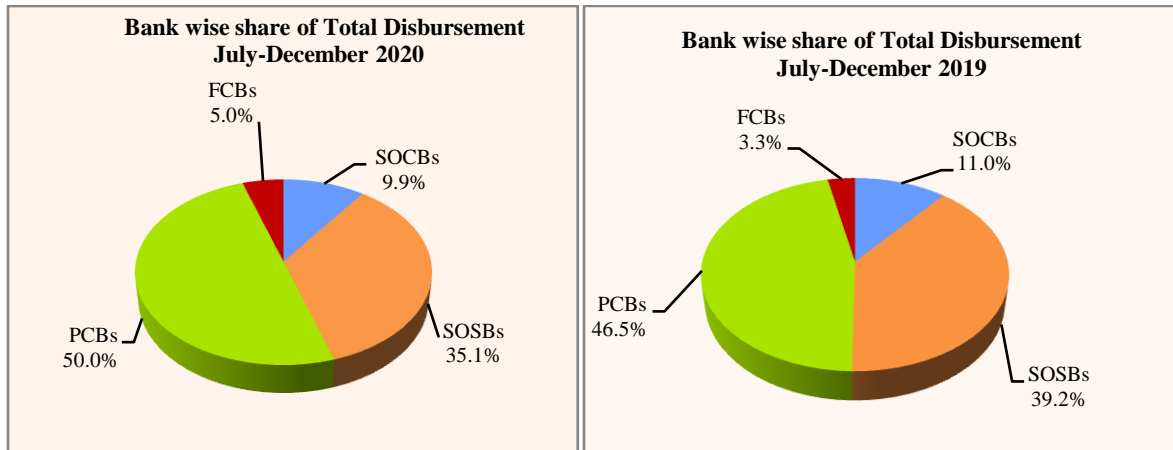
Chart 2



Source: Agricultural Credit Department, Bangladesh Bank.

Among the cluster of banks, PCBs share in loan disbursement is 50.0 percent followed by SOSBs (35.1%), SOCBs (9.9%) and FCBs (5.0%) during *July-December 2020*, whereas PCBs disbursed 46.5 percent, followed by SOSBs (39.2%), SOCBs (11.0%) and FCBs (3.3%) during *July-December 2019*. Chart 2 and Chart 3 show sector-wise agricultural loan disbursement and bank wise share of loan disbursement respectively in FY20 and FY21.

Chart 3



Source: Agricultural Credit Department, Bangladesh Bank.

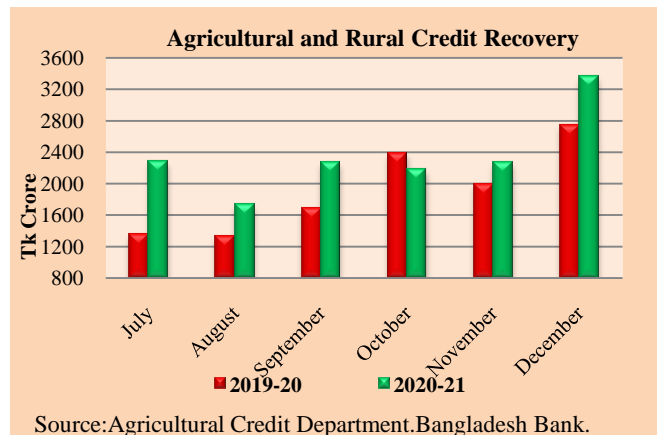
Recovery

In *December 2020*, the recovery of agricultural credit stood at Tk. 3364.73 crores, which was 48.29 percent higher than Tk. 2269.08 crores for the previous month. In the same manner, it was 22.47 percent higher than Tk. 2747.45 crores for the same month of the preceding year (Chart 4).

During *July-December 2020*, the recovery stood at Tk **14091.07** crores, which was 22.53 percent higher than Tk. **11500.13** crores in the same period of the last year.

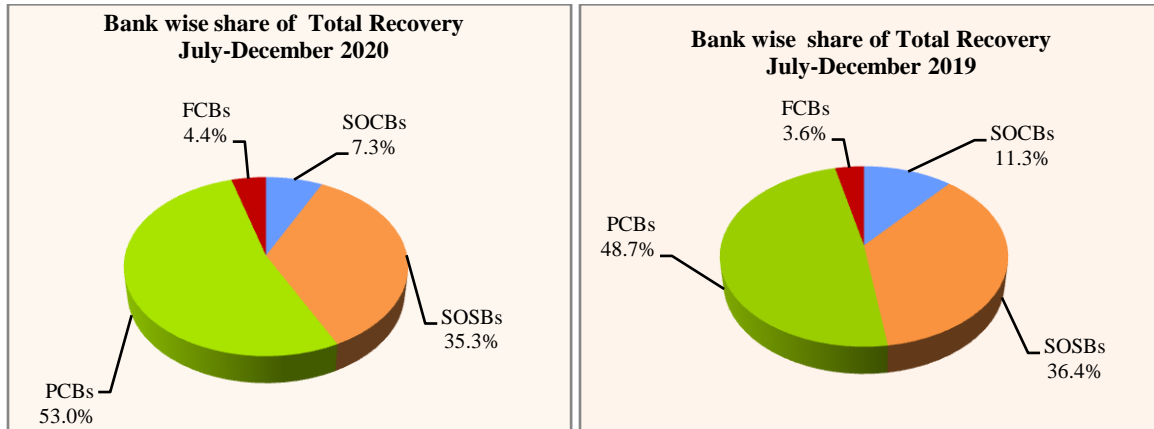
Among the type of banks, PCBs share in recovery was 53.0 percent followed by SOSBs (35.3%), SOCBs (7.3%) and FCBs (4.4%) during *July-December 2020*, whereas PCBs recovered 48.7 percent, followed by SOSBs (36.4%), SOCBs (11.3%) and FCBs (3.6%) during *July-December 2019*. Chart 4 and Chart 5 show monthly agricultural credit recovery and bank wise share of total loan recovery respectively FY 2020 and FY 2021.

Chart 4



Source: Agricultural Credit Department, Bangladesh Bank.

Chart 5



Source: Agricultural Credit Department, Bangladesh Bank.

Outstanding

At the end of **December 2020**, total outstanding balance of agricultural credit stood at Tk. 44089.09 crores, which was 2.47 percent higher than Tk. 43026.40 crores at the end of **December 2019**.

Overdue

Overdue of agricultural credit stood at Tk. 6571.83 crores at the end of **December 2020**, which was 2.73 percent higher than Tk. 6397.37 crores at the end of **December 2019**. Overdue of agricultural credit as percentage of outstanding stood higher at 14.91 percent at the end of **December 2020** compared to 14.87 percent at the end of **December 2019**.

Refinance

In FY21, Bangladesh Bank sanctioned Tk. 1000 crores short term refinance facility to BKB in June 2020 and Tk. 500.00 crores to RAKUB in December 2020. It recovered Tk.82.32 crores from BKB and Tk. 24.93 crores from RAKUB upto December 2020. Total outstanding amount of refinance stood at Tk. 5012.38 crores at the end of December 2020, which was Tk. 4208.68 crores in December 2019.

Monthly position of disbursement, recovery and outstanding of agricultural credit are shown in Annexure.

Bangladesh Rural Development Board (BRDB)

The disbursement target of Bangladesh Rural Development Board (BRDB) has fixed at Tk. 957.00 crores for FY21. In *December 2020*, it disbursed Tk 89.18 crores and recovered Tk 93.23 crores. In *December 2019*, the disbursement and the recovery were Tk. 79.22 crores and Tk 77.25 crores respectively. During *July-December 2020*, BRDB disbursed Tk. 515.20 crores and recovered Tk 498.42 crores which were Tk. 459.60 and Tk. 450.33 crores respectively in the same period of the last year.

Bangladesh Shomobay Bank Limited (BSBL)

The disbursement target of BSBL, a non-scheduled bank, was set at Tk. 22.00 crores for FY21. In *December 2020*, BSBL didn't disburse any loan. It recovered Tk. 0.25 crore in *December 2020*. In *December 2019*, it disbursed Tk. 1.20 crore loan and recovered Tk. 0.30 crore. During *July-December 2020*, BSBL disbursed Tk. 0.25 crore and recovered Tk. 2.52 crores, which were Tk. 1.20 crores and Tk 0.30 crores respectively during *July-December 2019*.

Microcredit Operations by Grameen Bank & Large Nine NGOs

In *December 2020*, Grameen Bank and large nine NGOs disbursed Tk. 12604.04 crores in productive and income generating activities in the rural areas under their microcredit program, which was 11.52 percent higher than that of the same month of the preceding year. Under this program, about 27.91 million members availed loan facility through 10447 branches. It is noteworthy that Grameen Bank, BRAC and ASA disbursed 87.81 percent of the total microcredit among the top 10 Micro Finance Institutions (MFIs) in *December 2020*. However, in *December 2020*, total recovery of the microcredit by these 10 MFIs stood at Tk11223.43 crores, which was 7.61 percent higher than that of the same month of the preceding year. At the end of *December 2020*, total outstanding of these 10 MFIs stood at Tk. 73295.86 crores, which was 4.12 percent lower than that of the same month of the preceding year. Overdue of microcredit of these same stood at Tk. 3104.66 crores at the end of *December 2020*, which was 94.78 percent higher than that of the same month of the preceding year. At the end of *December 2020*, the overdue as percentage of outstanding micro finance stood at only 4.24 percent.

Palli Karma Shahayak Foundation

Palli Karma Shahayak Foundation (PKSF) extended loan facility amounting to Tk. 802.95 crores to its 278 POs (Partner Organizations) and recovered Tk. 829.92 crores in **June 2020**. Total outstanding balance and overdue stood at Tk. 5987.38 crores and Tk. 253.74 crores respectively at the end of **June 2020**.

Recent Measures Taken by Bangladesh Bank to Facilitate Rural Financing

- According to the ACD Circular No. 02; 22 July 2020, Bangladesh Bank declared the Annual Agricultural and Rural Credit Policy and Program for FY21. All scheduled banks and the BRDB were advised to follow and implement the policy and program and inform it to the Agricultural Credit Department of Bangladesh Bank. More detail information are available in the link:- <https://www.bb.org.bd/mediaroom/circulars/acd/jul222020acd03.pdf>
- According to ACD Circular No. 02: 27 April 2020, Bangladesh Bank has circulated a circular letter for providing agricultural loan at 4% concessional interest rate in the crop sector to mitigate the fund crisis due to Novel Corona Virus. More detail information are available in the link: <https://www.bb.org.bd/mediaroom/circulars/acd/apr272020acd02.pdf>
- As stated in the ACD Circular No. 4: 23 July 2020, Bangladesh Bank has undertaken contemporary agriculture loan facility for the flood affected farmers. More detail information are available in the link: <https://www.bb.org.bd/mediaroom/circulars/acd/jul232020acd4.pdf>
- According to the ACD Circular Letter No. 01: 29 July 2020, Bangladesh Bank has undertaken initiative to strengthening agricultural loan disbursement among the farmers living in the three hill-tract areas. More detail information are available in the link: <https://www.bb.org.bd/mediaroom/circulars/acd/jul292020acdl01.pdf>
- As stated in the ACD Circular Letter No. 02: 20 September 2020, Bangladesh Bank has declared refinance scheme of 5000 crore taka for providing working capital in agriculture sector due to out-break of Novel Corona Virus. More detail information are available in the link: <https://www.bb.org.bd/mediaroom/circulars/acd/sep202020acdl02.pdf>
- According to the ACD Circular Letter No. 03: 29 December 2020, Bangladesh Bank has declared refinance scheme of 5000 crore taka for providing working capital in agriculture sector due to out-break of Novel Corona Virus. More detail information are available in the link: <https://www.bb.org.bd/mediaroom/circulars/acd/dec292020acdl03.pdf>

Bangladesh Bank is providing policy directions to promote inclusive economic growth and to expedite credit flow to all sub-sectors in agriculture and non-farm activities. Agriculture sector has experienced a steady rise in crop production over the years as high attention has been given to the sector. Non-crop sectors like fisheries and livestock & poultry farm are also gaining momentum. The role of the agriculture is immense even to encounter environmental calamity and the negative impact of climatic changes. With a view to improving the socio-economic condition of the country along with an underscored role of the agriculture and rural sector, agricultural and rural credit policy and program is being implemented through all scheduled banks. Agricultural production must be boosted up by raising productivity through channeling more credit as well as encourage to use latest technology in both crop and non-crop sectors which is also necessary to enhance sustainable growth of the sector.

Annexure

Monthly Agricultural-Credit Performance by Schedule Banks

(In crore Taka)

Month	Disbursement		Recovery		Outstanding (at the end of Month)	
	FY20	FY21	FY20	FY21	FY20	FY21
July	977.15	1508.73	1353.18	2278.90	42596.13	44835.57
August	993.01	1947.45	1331.76	1732.74	42335.17	45045.82
September	1584.51	1228.13	1688.76	2265.99	42227.29	44041.91
October	2500.16	1945.54	2384.30	2179.63	42388.77	43913.45
November	2250.30	2306.04	1994.68	2269.08	42697.19	43971.93
December	2495.67	3142.09	2747.45	3364.73	43026.40	44089.09
January	2303.47		2028.29		43318.65	
February	1987.90		1979.88		43315.89	
March	1829.69		1434.86		44035.24	
April	496.63		767.09		43814.45	
May	1132.11		561.55		44219.73	
June	4198.43		2973.44		45592.86	
Total	22749.03	12077.98	21245.24	14091.07		

Source: Agriculture Credit Department, Bangladesh Bank.