

Monthly Report On Agricultural and Rural Financing¹



July 2019

**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; Masuka Afrin, Assistant Director, Research Department, Bangladesh Bank. E-mail: masuka.afrin@bb.org.bd.

Report Preparation Committee

Chief Coordinator

Dr. Md. Akhtaruzzaman
Executive Director (Research)

Coordinator

Asish Kumar Dasgupta
General Manager

Team Members

Md. Jasim Uddin
Deputy General Manager

Zahira Hasin
Joint Director

Masuka Afrin
Assistant Director

Executive Summary

Agriculture sector plays key role in Bangladesh economy. Bangladesh has made credible progress over the past 40 years in achieving food security, employment, income generating activities and poverty alleviation through this prominent source of economic growth. According to the Labor Survey 2017 conducted by Bangladesh Bureau of Statistics, about 40.6 percent of labor force engaged in this sector. Agriculture is a powerful driver of poverty reduction in Bangladesh despite insufficient formal financing. Bangladesh Bank has continued its proactive policy and support program to boost up agricultural production. 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. 24124.00 crores for FY20 which was 10.66 percent higher than Tk. 21800.00 crores targeted in FY19.

In July 2019, actual agricultural credit disbursement by all banks stood at Tk. 977.15 crores, which was 15.11 percent lower than Tk. 1151.12 crores for the same month of the preceding year. Recovery of agricultural credit stood at Tk. 1353.18 crores in July 2019, which was 12.41 percent lower than Tk. 1544.85 crores for the same month of preceding year.

Outstanding balance (including interest) of agricultural credit **stood at Tk. 42596.13 crores at the end of July 2019**, which was 6.15 percent **higher than Tk. 40127.65 crores at the end of July 2018**.

Overdue of agricultural credit **stood at Tk. 6754.67 crores at the end of July 2019**, which was 5.54 percent lower than **Tk. 7150.52 crores at the end of July 2018**. **Overdue of agricultural credit as percentage of outstanding stood lower at 15.86 percent at the end of July 2019 compared to 17.82 percent at the end of July 2018**.

Bangladesh Bank initiated a special agricultural refinance program for sharecroppers through BRAC with a short-term revolving fund of Tk. 600 crores for the tenure from July 2015 to June 2018². Under this program, total disbursement stood at Tk. 3623.65 crores at the end of June, 2018. At the end of June 2019, the program is completed.

In July 2019, Grameen Bank and other large nine NGOs disbursed Tk. 10228.10 crores as microcredit and recovered Tk. 10447.69 crores. The total outstanding balance of microcredit of all these organizations stood at Tk. 71641.97 crores of which the overdue of microcredit stood at Tk. 1522.23 crores at the end of July 2019.

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.

² Agricultural Credit Department, Bangladesh Bank.

Note: FY indicates financial year (July-June).

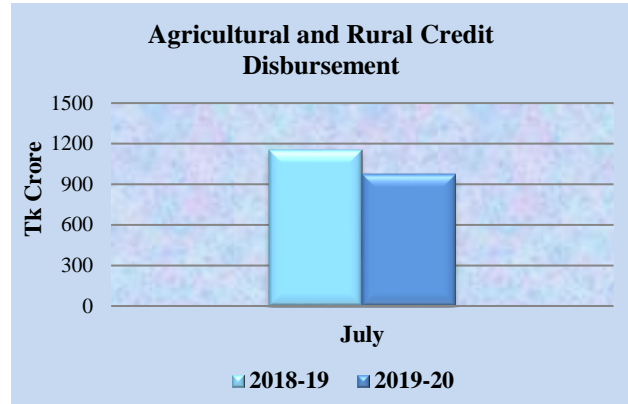
100 crore= 1billion, 1 crore =10 million.

Disbursement Target

The disbursement target by all scheduled banks has fixed at Tk. 24124.00 crores for FY20, which was 10.66 percent higher than Tk. 21800.00 crores targeted for FY19. The disbursement target of all state-owned banks (commercial and specialized) was fixed at Tk. 10375.00 crores and PCBs & FCBs target was fixed at Tk. 13749.00 crores which were 43.00 and 57.00 percent respectively of total agricultural credit disbursement target.

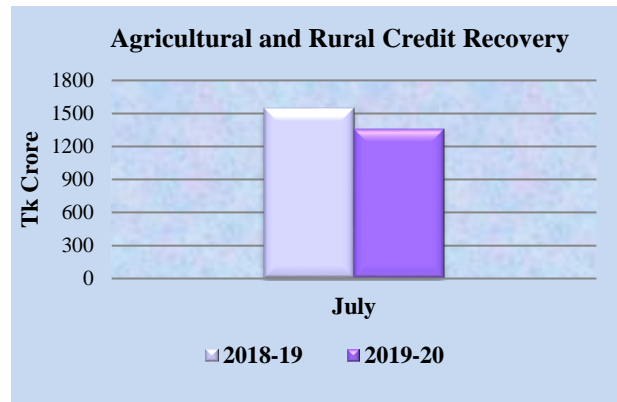
Disbursement

At the commencement of FY20 (July 2019), the actual disbursement of agricultural credit stood at Tk. 977.15 crores, which was 70.21 percent and 15.11 percent lower than Tk. 3280.53 crores for the previous month and Tk. 1151.12 crores for the same month of the preceding year respectively. The achievement was 4.05 percent of the disbursement target for FY20.



Recovery

In July 2019, the recovery of agricultural credit stood at Tk. 1353.18 crores which was 56.05 percent and 12.41 percent lower than Tk. 3079.19 crores for the previous month and Tk. 1544.85 crores for the same month of the preceding year respectively.



Outstanding

At the end of July 2019, total outstanding of agricultural credit stood at Tk. 42596.13 crores, which was 6.15 percent higher than Tk. 40127.65 crores at the end of July 2018.

Overdue

Overdue of agricultural credit stood at Tk 6754.67 crores at the end of July 2019, which was 5.54 percent lower than Tk. 7150.52 crores at the end of July 2018. Overdue of agriculture credit decreased due mainly to strengthening recovery process and monitoring. Overdue of agricultural credit as percentage of outstanding stood lower at 15.86 percent at the end of July 2019 compared to 17.82 percent at the end of July 2018.

Refinance

In July FY20, Bangladesh Bank granted Tk. 1000.00 crores as short term refinance facility to BKB. But Bangladesh Bank has not recovered any refund from BKB and RAKUB in July 2019. At the end of July 2019, total outstanding amount of refinance stood at Tk. 3290.98 crores.

An annexure table regarding agricultural credit activities by banks is enclosed herewith.

Bangladesh Rural Development Board (BRDB)

The disbursement target of Bangladesh Rural Development Board (BRDB) was fixed at Tk. 870.00 crores for FY20. In July 2019, it disbursed Tk. 76.39 crores from its own source and recovered Tk. 84.43 crores which were Tk. 115.92 and Tk. 103.67 crores respectively in June 2019. In July 2018, the disbursement and the recovery were Tk. 72.39 and Tk. 78.09 crores respectively.

Bangladesh Shomobay Bank Limited (BSBL)

The disbursement target of BSBL, a non-scheduled bank, was set at Tk. 22.00 crores for FY20. In July 2019, it didn't disburse any loan, but recovered Tk. 0.34 crore. In June 2019, it disbursed Tk. 0.70 crore and recovered Tk. 1.55 crore. In July 2018, BSBL didn't disburse any loan, but recovered Tk. 0.49 crore.

Microcredit Operations by Grameen Bank & Large Nine NGOs

In July 2019, Grameen Bank and other large nine NGOs³ disbursed Tk. 10228.10 crores for productive and income generating activities in rural areas under their microcredit program, which was 12.68 percent higher than that of the same month of the preceding year. Under this program, about 26.66 million members availed loan facility through 10304 branches. It is noted that Grameen Bank, BRAC and ASA disbursed 87.35 percent of the total microcredit in July 2019. However, in July 2019, total recovery of the microcredit stood at Tk. 10447.69 crores, which was 14.04 percent higher than that of the same month of the preceding year. At the end of July 2019, total outstanding stood at Tk. 71641.97 crores, which was 13.70 percent higher than that of the same month of the preceding year. Overdue of microcredit stood at Tk. 1522.23 crores at the end of July 2019, which was 46.76 percent higher than that of the same month of the preceding year. At the end of July 2019, the overdue as percentage of outstanding stood at only 2.12 percent.

Palli Karma Shahayak Foundation

Palli Karma Shahayak Foundation (PKSF) extended loan facility amounting to Tk. 327.84 crores to its 278 POs (Partner Organizations) and recovered Tk. 266.84 crores in June 2019. Total outstanding balance and overdue stood at Tk. 5352.17 crores and Tk. 185.19 crores respectively at the end of June 2019.

³ BRAC, ASA, Proshika, TMSS, RDRS Bangladesh, CARITAS Bangladesh, Jagoroni Chakra Foundation, Society for Social Services [SSS], Shakti Foundation for Disadvantaged Women.

Recent Measures Taken by Bangladesh Bank to Facilitate Rural Financing

- According to the ACD Circular No. 02; 23 July 2019, Bangladesh Bank declared the Annual Agricultural and Rural Credit Policy and Program for FY20. 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 detailed information are available in the link:-(<https://www.bb.org.bd/mediaroom/circulars/acd/jul232019acd02.pdf>).
- As stated in the ACD Circular No. 03; 24 July 2019, Bangladesh Bank has undertaken contemporary credit facility for recent flood affected farmers. More detailed information are available in the link:-(<https://www.bb.org.bd/mediaroom/circulars/acd/jul242019acd03.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.

Monthly Agricultural-Credit Performance by Schedule Banks

(In crore Taka)

Month	Disbursement		Recovery		Outstanding (at the end of Month)	
	FY19	FY20	FY19	FY20	FY19	FY20
July	1151.12	977.15	1544.85	1353.18	40127.65	42596.13
August	939.24		1220.28		39794.16	
September	1403.28		1742.83		39623.83	
October	1858.43		2048.44		39382.96	
November	2123.53		1923.00		39606.40	
December	2755.81		2913.84		40368.16	
January	1869.63		1912.26		40305.75	
February	2012.52		2015.99		40412.89	
March	2150.43		1692.76		40922.85	
April	2261.51		1916.02		41360.56	
May	1810.22		1724.86		41610.67	
June	3280.53		3079.19		42974.29	
Total	13605.57		13193.95			

Source: Agriculture Credit Department, Bangladesh Bank.