

Monthly Report On Agricultural and Rural Financing¹



April, 2015



**Research Department
Bangladesh Bank**

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Agricultural and Rural Financing Report, April, 2015

“Bangladesh Bank has been supporting the government’s inclusive growth efforts by promoting inclusive financing of all productive initiatives including those of the traditionally underserved farm & nonfarm SMEs and other innovative niche area entrepreneurs. BB’s inclusive financing promotion takes place within the overall monetary growth envelop of monetary programs designed to maintain price stability and macro-financial stability.”²

-- Governor, Bangladesh Bank

Overview of Agricultural and Rural Financing

The importance of agricultural sector is very crucial considering its role in employment generation in the rural areas and poverty alleviation. Bangladesh Bank (BB) has taken a number of initiatives to increase flow of funds in rural areas through agricultural credit programme and SME loans under its intensive financial inclusion strategies. BB has instructed all private and foreign banks to disburse at least 2 percent of their total loan and advance as agricultural credit. Agricultural diversification by disbursing more resources in both crop and non-crop sectors and crop intensification by adding new varieties is essential in order to enhance agricultural growth. BB also pursues inclusive monetary policy for serving unbanked people to achieve sustainable economic growth. The highlights of the agricultural and rural financing report are:

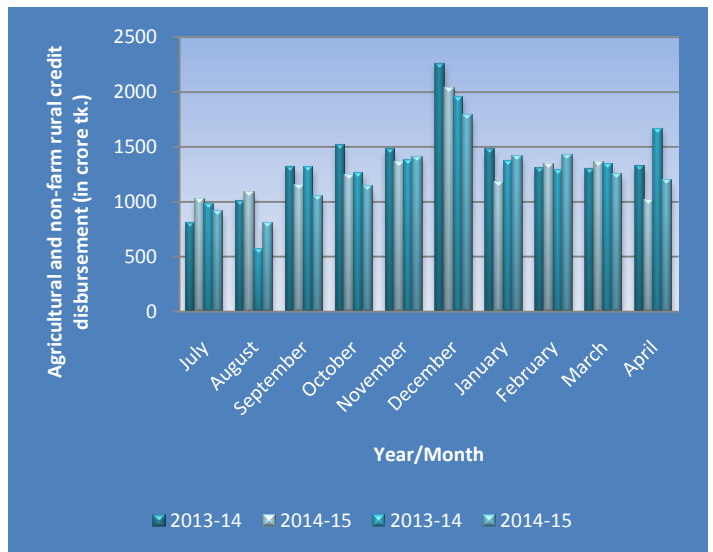
- In FY15 annual agricultural credit disbursement target has been fixed at Tk. 15,550.00 crore which is Tk. 955.00 crore or 6.54 percent higher than previous year’s credit disbursement target of Tk. 14,595.00 crore.
- In April 2015, actual agricultural credit disbursement by all scheduled banks under annual agricultural credit programme stood at Tk. 1,194.72 crore. During July-April of FY15 total agricultural credit disbursement stood at Tk. 12,360.91 crore. The target attainment up to April 2015 was 79.49 percent.
- In April 2015, recovery of agricultural credit stood at Tk. 1014.00 crore. During July-April of FY15 total agricultural credit recovery stood at Tk. 12,770.29 crore.

² Extract from the Governor Dr. Atiur Rahman’s 2013 OMFIF- Golden Series Lecture in London on Recent socio-economic trends and prospects in Bangladesh: Stability supportive use of inclusive financing.

- As depicted in table-03 banks did not avail of any refinance facilities from Bangladesh Bank in April 2015. An amount of Tk. 861.07 crore was recovered against past refinance loan due from different banks and financial institutions. During July-April of FY15 these banks/FIs availed Tk. 500.00 crore as refinance and cumulative recovery stood at Tk. 1234.80 crore.
- In April 2015 Grameen Bank and other large nine NGOs disbursed Tk. 5229.15 crore as microcredit and recovered Tk. 4,464.37 crore.

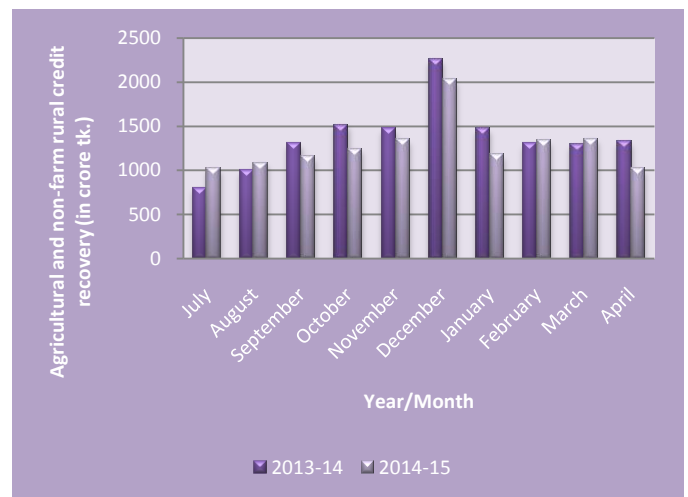
Disbursement Target

The disbursement target by all scheduled banks has been fixed at Tk. 15,550.00 crore for FY15 which is Tk. 955.00 crore or 6.54 percent higher than previous year's credit disbursement target of Tk. 14,595.00 crore. The disbursement target of all state-owned banks (Commercial and Specialized) has been fixed at Tk. 9,140.00 crore and PCBs & FCBs target has been fixed at Tk. 6,410.00 crore which is 58.77 percent and 41.22 percent of total agricultural credit disbursement target respectively. The Agricultural and Rural Credit Policy and Programme for 2014-15 has been formulated with the goal of extending the credit support in achieving desired level of agricultural production, food security, poverty alleviation and to promote financial inclusion.



Disbursement

In April 2015, actual disbursement of agricultural credit under the annual disbursement of agricultural credit programme stood at Tk. 1,194.72 crore, which was 4.58 percent lower than Tk. 1,252.09 crore and 28.20 percent lower than Tk. 1,663.74 crore in the previous month and the same month of previous year respectively. In July-April of FY15, actual disbursement of agricultural credit stood at



Tk.12,360.91 crore which was Tk. 13,109.53 crore in the same period of previous year. The target attainment up to April 2015 was 79.49 percent.

Recovery

In April 2015, recovery of agricultural credit stood at Tk. 1014.00 crore which was Tk. 1,252.09 crore and Tk. 1,663.74 crore in the previous month and the same month of previous year respectively. In July-April of FY15 agricultural credit recovery stood at Tk. 12770.29 crore which was Tk. 13,741.94 crore in the same period of previous year.

Refinance

In April 2015 none of the institutions has availed of any refinance facilities from Bangladesh Bank. An amount of Tk. 861.07 crore was recovered against past refinance loan due from different banks and financial institutions which was same to the amount in the previous month. In July-April of FY15 the amount of refinance facilities from Bangladesh Bank stood at Tk. 500.00 crore which was Tk. 300.00 crore in the same period of previous year. During the period total Tk. 1234.80 crore was recovered against past refinance loan, which was Tk. 735.75 crore in the same period of previous year.

At the end of April 2015 total outstanding balance (including interest) of refinance facilities enjoyed by banks (BKB, RAKUB, BSBL) and other institution (BRDB) from Bangladesh Bank stood at Tk. 3846.49 crore which was Tk. 712.15 crore or 15.62 percent lower than Tk. 4,558.64 crore at the end of April 2014.

Bangladesh Rural Development Board (BRDB)

In April 2015 Bangladesh Rural Development Board (BRDB) has disbursed Tk. 60.71 crore from its own source and recovered Tk. 27.61 crore which was Tk. 60.51 crore and Tk. 82.71 crore in the previous month respectively. During July-April of FY15 BRDB's agricultural credit disbursement and recovery stood at Tk. 586.13 and Tk. 540.93 crore respectively.

Agricultural Credit Program to the Sharecroppers

A special agricultural credit programme named "Agricultural Credit Programme to the Sharecroppers" has been taken by Bangladesh Bank in fiscal year 2009-10 with an amount of Tk. 500.00 crore as revolving fund under the refinance scheme of Bangladesh Bank and is being implemented by the country's leading Micro-Finance Institution (MFI) BRAC. As the programme has been playing an important role to provide low cost agricultural credit to the sharecroppers, Bangladesh Bank has extended its duration for another 3 years from July, 2012 to June, 2015. At this stage, crops / crop cultivation and agricultural machinery purchase credit facility will be provided to 5 (five) million sharecroppers outside the purview of bank loan from

250 Upazilla of 48 districts throughout the country. An amount of Tk. 320.86 crore has been disbursed during July-April of FY15.

Therefore, total agricultural credit disbursement stood at Tk. 13,259.07 crore including all scheduled banks (Tk.12,360.91crore), agricultural credit to sharecroppers under refinance of Bangladesh Bank (Tk. 320.86 crore) and BRDB's agricultural and rural credit from its own fund (Tk. 577.30 crore) during July-April of FY15.

Bangladesh Shomobay Bank Limited (BSBL)

In April 2015, a non-schedule bank BSBL disbursed Tk. 0.16 crore which was Tk. 1.73 crore in March 2015 and recovered Tk. 0.37 crore against past disbursement which was Tk. 0.80 crore in the previous month. During July-April 2015 BSBL has disbursed Tk. 8.83 crore and recovered Tk. 7.70 crore.

Microcredit Operations by Grameen Bank & NGOs

In April 2015, Grameen Bank and other large nine NGOs (BRAC, ASA, Proshika, TMSS, RDRS Bangladesh, CARITAS Bangladesh, Jagoroni Chakra Foundation, Society for Social Services [SSS], Shakti Foundation for Disadvantaged Women) disbursement of credit for income generating productive rural activities under their microcredit programme stood at Tk. 5229.15 crore through their around 9,484 branches reached to 23.87 million members. It is noted that Grameen Bank, BRAC and ASA have been playing the major role in micro credit disbursement with 87.72 percent share in total disbursement of April 2015. However, in April 2015, total recovery of all micro credit provider stood at Tk. 4,464.37 crore. Up to April 2015, outstanding balance and overdue of those institutions stood at Tk. 31080.84 crore and Tk. 732.35 crore respectively. At the end of this period, the overdue as percentage of outstanding balance became 2.36 percent.

Palli Karma Shahayak Foundation (PKSF)³

Palli Karma Shahayak Foundation (PKSF) extended loan amounting to Tk. 419.46 crore to its 273 POs (Partner Organizations) in March, 2015 and recovered Tk. 216.35 crore. Up to March, 2015 PKSF's outstanding balance and overdue stood at Tk. 3,956.23 crore and Tk. 204.00 crore respectively.

Measures Taken by Bangladesh Bank to Facilitate Rural Financing during July-April, 2015

- The Agricultural and Rural Credit Policy and programme for the fiscal year 2014-2015 has been declared. All scheduled banks operating in Bangladesh and the BRDB have been advised to instruct their concerned sections to follow and implement the policy and programme and to inform the ACFID about the sector/sub-sector based branch-wise and Micro-finance based (where applicable) credit target under the total targeted programme. (Ref: ACFID Circular No. 01; 21 July 2014)
- It has been decided to further extend credits on concessional rates to the flood affected farmers of 21 districts with a view to keeping production of crops including aman, fisheries, winter crops and import substitute crops (pulses, oilseeds, spices, maize) uninterrupted. All the scheduled banks have to monitor that the affected farmers get credits timely according to their demand without harassments. (Ref: ACFID Circular No. 02; 11 September 2014)
- In addition to existing loan facilities Bangladesh Bank has decided to form a revolving fund of Tk. 200.00 crore under the refinance scheme on milk production and artificial insemination sector. Duration of this revolving scheme will be 5 years and interest rate at the Farmers level will be maximum 10 percent. (Ref: ACFID Circular No. 02; 02 June 2015)

Conclusion

To promote inclusive economic growth, credit to all sectors in agriculture is being prioritized according to policy directions of Bangladesh Bank. Due to more concentration in credit disbursement agriculture sector has experienced a steady rise in crop production over the year. Non-crop sectors like fisheries and livestock & poultry firm are gaining momentum. However, during July-April, 2015 it is observed that agricultural credit disbursement in some subsectors like poverty alleviation, agri-equipment and grain storage & marketing was lower than the same period of the previous year. Therefore, to promote the stakeholders of the rural areas aiming to boost up crop production, there is a scope to speed up credit disbursement and provide refinance facility at a low interest rate in these sectors. Given limited cultivable land and increasing food demand, agricultural production must be increased by raising productivity through disbursing more credit in both crop and non-crop sectors which is also necessary to enhance sustainable growth of this sector.

³Data of March, 2015