

Monthly Report On Agricultural and Rural Financing¹



December, 2015

**Research Department
Bangladesh Bank**

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Agricultural and Rural Financing Report, December 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 agricultural sector is playing a key role for employment generation and poverty alleviation in Bangladesh. 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:

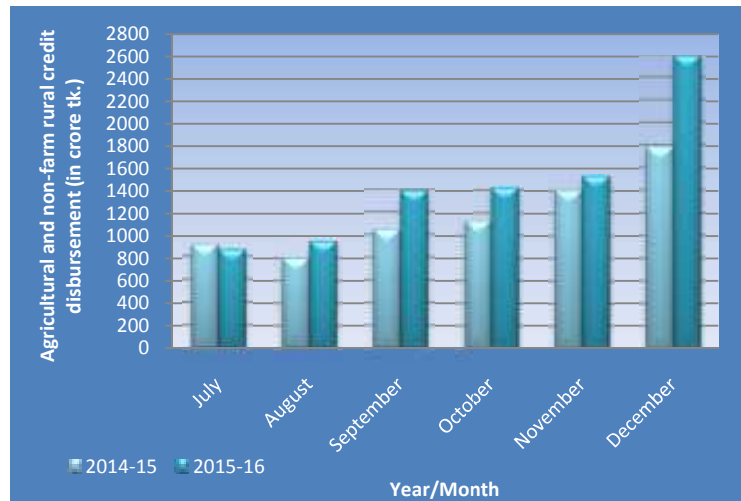
- In FY16 annual agricultural credit disbursement target was fixed at Tk. 16,400.00 crore which was Tk. 900.00 crore or 5.81 percent higher than previous year’s credit disbursement target of Tk. 15,550.00 crore.
- In December 2015, actual agricultural credit disbursement by all scheduled banks under annual agricultural credit programme stood at Tk. 2591.08 crore. During July-December 2015 of FY16 total agricultural credit stood at Tk. 8755.99 crore. The target attainment up to December 2015 was 53.39 percent.
- In December 2015, recovery of agricultural credit stood at Tk. 2309.88 crore. During July-December 2015 of FY16 total recovery of agricultural credit stood at tk. 8421.35 crore.
- Banks did not avail of any refinance facilities from Bangladesh Bank in December 2015. An amount of Tk. 30.00 crore was recovered against past refinance loan due from different banks and financial institutions.

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

- In December 2015 Grameen Bank and other large nine NGOs disbursed Tk. 6197.64 crore as microcredit and recovered Tk. 5555.73 crore. As on December 2015, their outstanding balance stood at Tk. 35559.59 crore whereas the overdue stood at Tk. 769.37 crore.

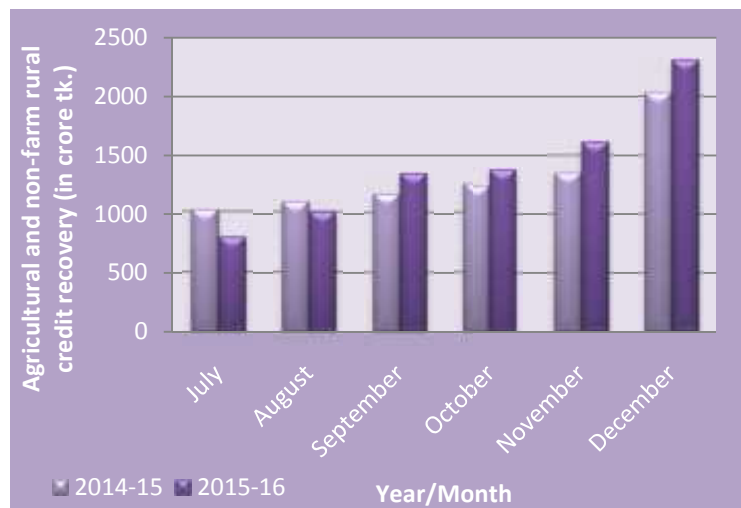
Disbursement Target

The disbursement target by all scheduled banks was fixed at Tk. 16,400.00 crore for FY16 which was Tk. 900.00 crore or 5.81 percent higher than that of previous year's target of Tk. 15,550.00 crore. The disbursement targets of all state-owned banks (Commercial and Specialized) were fixed at Tk. 9,290.00 crore and PCBs & FCBs targets were fixed at Tk. 7110.00 crore which is 56.65 percent and 43.35 percent of total agricultural credit disbursement target respectively. The Agricultural and Rural Credit Policy and Programme for 2015-16 was formulated by BB with the target of extending the credit support in achieving desired level of agricultural production, food security, poverty alleviation and to promote financial inclusion.



Disbursement

In December 2015, actual disbursement of agricultural credit under the annual disbursement of agricultural credit programme stood at Tk. 2591.08 crore, which was 68.95 percent and 45.12 percent higher than Tk. 1533.62 crore in the previous month and Tk. 1785.50 crore in the same month of previous year respectively (Chart-1). During July-December of FY16, actual disbursement of agricultural credit stood at Tk. 9755.99 crore which was Tk. 7,073.77 crore in the same period of the previous year. The target attainment in December 2015 was 53.39 percent.



Recovery

In December 2015, recovery of agricultural credit stood at Tk. 2309.88 crore which was Tk. 1613.84 crore and Tk. 2031.09 crore in the previous month and the same month of previous year

respectively (Chart-2). In July-December of FY16 agricultural credit recovery stood at Tk. 8421.35 crore which was Tk. 7,880.69 crore in the same period of previous year.

Refinance

In December 2015, Bangladesh Bank did not provide any refinance facility to any institutions. An amount of Tk. 30.00 crore was recovered against past refinance loan due from different banks and financial institutions which was 30.00 core in the previous month. During July-December of FY16 the amount of refinance facilities from Bangladesh Bank stood at Tk. 500.00 crore which was the same as the amount in the same period of previous year. During the period total Tk. 230.10 crore was recovered against past refinance loan, which was Tk. 209.09 crore in the same period of previous year.

At the end of December 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. 4282.66 crore which was Tk. 546.10 crore or 11.31 percent lower than Tk. 4,828.76 crore at the end of December 2014.

Bangladesh Rural Development Board (BRDB)

In December 2015, Bangladesh Rural Development Board (BRDB) disbursed Tk. 73.73 crore from its own source and recovered Tk 65.42 crore which was Tk. 61.49 crore and Tk. 56.63 crore in the previous month respectively.

Bangladesh Shomobay Bank Limited (BSBL)

In December 2015, as a non-scheduled bank BSBL disbursed 3.13 crore and recovered Tk 0.17 crore which was Tk. 0.55 crore and Tk. 1.14 crore in the previous month respectively.

Agricultural Credit Program to the Sharecroppers

A special agricultural credit programme named “Agricultural Credit Programme to the Sharecroppers” was 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. Bangladesh Bank extended its duration for another 3 years from July, 2012 to June, 2015 and an amount of Tk. 410.85 crore had been disbursed during till June 2015. As the programme has been playing an important role to improve socio economic condition of the sharecroppers by providing low cost agricultural credit to them, an additional tk. 150 crore has been allocated recently for next 3 financial years.

Therefore, total agricultural credit disbursement stood at Tk. 9402.21 crore including all scheduled banks (Tk.8755.99 crore), agricultural credit to sharecroppers under refinance of

Bangladesh Bank (Tk. 287.74 crore) and BRDB's agricultural and rural credit from its own fund (Tk. 358.48 crore) during FY16 upto December 2015.

Microcredit Operations by Grameen Bank & NGOs (provisional)

In December 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. 6197.64 crore through their around 9511 branches reached to 24.90 million members. It is noted that Grameen Bank, BRAC and ASA have been playing a major role in micro credit disbursement with 90.25 percent share in total disbursement of December 2015. However, in December 2015, total recovery of all micro credit providers stood at Tk. 5555.73 crore. At the end of December of FY16 total outstanding balance and overdue of those institutions stood at Tk. 35559.59 crore and Tk. 769.37 crore respectively. During this period, the overdue as percentage of outstanding balance became only 2.16 percent.

Palli Karma Shahayak Foundation (PKSF)

Palli Karma Shahayak Foundation (PKSF) extended loan amounting to Tk. 293.46 crore to its 274 POs (Partner Organizations) in December, 2015 and recovered Tk. 275.43 crore. Up to December, 2015 PKSF's outstanding balance and overdue stood at Tk. 4003.96 crore and Tk. 181.21 crore respectively.

Measures Taken by Bangladesh Bank to Facilitate Rural Financing during FY16

- Bangladesh Bank declared the Agricultural and Rural Credit Policy and programme for the fiscal year 2015-2016. All scheduled banks operating in Bangladesh and the BRDB had been advised to instruct their concerned sections to follow and implement the policy and programme and to inform the ACFID about branch-wise and Micro-finance based (where applicable) credit target under the total targeted programme. (Ref: ACFID Circular No. 04; 27 July 2015)
- It had 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. BB advised all the scheduled banks 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 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 farmer's level will be maximum 10 percent. (Ref: ACFID Circular No. 02; 02 June 2015)

Conclusion

To promote inclusive economic growth, credit to all sub-sectors in agriculture off-firm activities are being prioritized in the 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 also gaining momentum. However, during FY15 it is observed that agricultural credit disbursement in some subsectors like crops, irrigation equipment, fisheries, 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 both crop and non-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.