

Monthly Report On Agricultural and Rural Financing¹



June 2017

**Research Department
Bangladesh Bank**

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Executive Summary

In Bangladesh rural economy especially agriculture, is playing a vital role to reduce poverty. Bangladesh Bank (BB) has taken a number of initiatives to increase flow of funds in rural areas through agricultural and SME loans under its intensive financial inclusion strategies. In addition to disbursement target for BKB and RAKUB, BB instructed all private and foreign banks to disburse at least 2 percent of their net loans and advances as agricultural credit. It is 5 percent for the 9 new commercial banks of their total loans and advances to disburse as agricultural credit.

Annual agricultural credit disbursement target was fixed at Tk. 17550.00 crore for FY17 which was 7.01 percent higher than that of the preceding year.

In June 2017, actual agricultural credit disbursement by all banks stood at Tk. 2063.13 crore which was 6.43 percent lower than the same month of the preceding year. Recovery of agricultural credit stood at Tk. 2192.07 crore in June 2017 which was 25.33 percent higher than the same month of the last year.

During FY17, total agricultural credit disbursement stood at Tk. 20998.70 crore, which was 119.65 percent higher than the target. Total recovery of agricultural credit stood at Tk. 18841.16 crore during FY17. Outstanding balance (including interest) of agricultural credit stood at Tk. 39047.57 crore at the end of June 2017, which was 13.26 percent higher than Tk. 34477.37 crore at the end of June 2016. Overdue of agricultural credit stood at Tk. 6708.11 crore at the end of June 2017 which was 18.14 percent higher than Tk. 5678.32 crore at the end of June 2016. Overdue of agricultural credit as percentage of outstanding stood at 17.18 percent at the end of June 2017 compared to 16.47 percent at the end of June 2016.

Bangladesh Bank initiated a special agricultural refinance program for sharecroppers through BRAC with a short-term revolving fund of Tk. 600 crore for the tenure from July 2015 to June 2018².

Bangladesh Bank did not provide any refinance facility during FY17, although it was Tk. 500 crore in the preceding year. During FY17, Tk. 360.0 crore was recovered compared to Tk. 1138.68 crore in the last year.

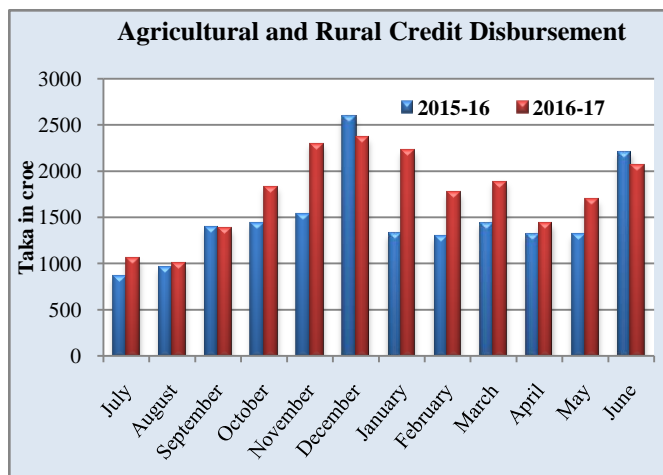
In June 2017, Grameen Bank and other large nine NGOs disbursed Tk. 7062.46 crore as microcredit and recovered Tk. 6674.26 crore. The total outstanding balance of all these organization stood at Tk. 51491.60 crore whereas the overdue stood at Tk. 881.40 crore as of end June 2017.

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 was fixed at Tk. 17550.00 crore for FY17, which was Tk. 1150.00 crore or 7.01 percent higher than that of Tk. 16400.0 crore target for FY16. The disbursement target of all state-owned banks (commercial and specialized) was fixed at Tk. 9,290.00 crore and PCBs & FCBs target was fixed at Tk. 8260.00 crore which were 52.93 percent and 47.07 percent respectively of total agricultural credit disbursement target.



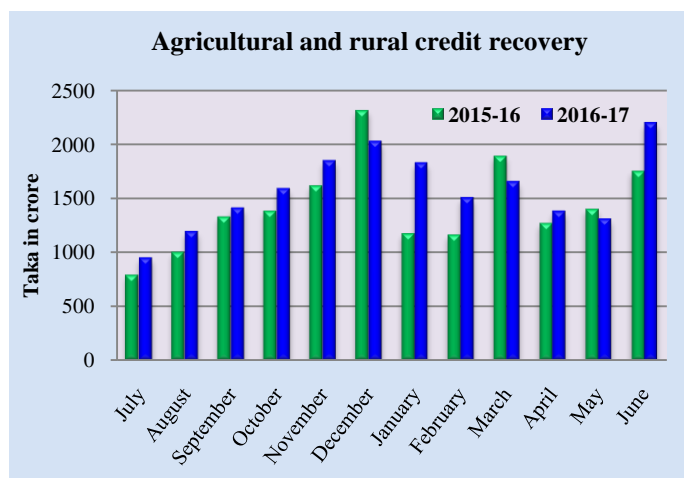
Disbursement

In June 2017, actual disbursement of agricultural credit stood at Tk. 2063.13 crore, which was 22.04 percent higher than that of the previous month and 6.43 percent lower than that of the same month of the preceding year.

During FY17, actual disbursement of agricultural credit stood at Tk. 20998.70 crore compared to Tk. 17646.39 crore in the last year. The achievement was significantly (119.65 percent) higher than the target. The disbursement was 19.65 percent higher than the target.

Recovery

In June 2017, recovery of agricultural credit stood at Tk.2192.07 crore which were Tk. 1305.79 and Tk. 1749.04 crore respectively in the previous month and the same month of preceding year. In FY17, agricultural credit recovery stood at Tk. 18841.16 crore compared to Tk. 17056.43 crore in the preceding year.



Refinance

During FY17, Bangladesh Bank did not provide any refinance facility to any banks and financial institutions. It was Tk. 500 crore in the last year.

In June 2017, an amount of Tk. 30.00 crore was recovered compared to Tk. 40.00 crore in the same month of the preceding year. During FY17, Tk. 360.00 crore was recovered compared to Tk. 1138.68 crore in the preceding year.

At the end of June 2017, total outstanding (including interest) refinance facilities stood at Tk. 3246.96 crore compared to Tk. 3476.82 crore at the end of June 2016.

Bangladesh Rural Development Board (BRDB)

In June 2017, Bangladesh Rural Development Board (BRDB) disbursed Tk. 94.03 crore from its own source and recovered Tk. 82.36 crore which was Tk. 69.85 crore and Tk. 65.05 crore respectively in the previous month.

Bangladesh Shomobay Bank Limited (BSBL)

In June 2017, BSBL, a non-scheduled bank, disbursed Tk. 2.06 crore and recovered Tk 0.73 crore which was Tk. 0.85 and Tk. 2.21 crore respectively in the previous month.

Agricultural Credit Program to the Sharecroppers

A special agricultural credit program named “Agricultural Credit Program to the Sharecroppers” was taken by Bangladesh Bank in FY09 with an amount of Tk. 500.00 crore (Tk. 450 crore short-term and Tk. 50 crore mid-term) for three years as revolving fund under the refinance scheme implemented by BRAC and its duration was extended for another 3 years from July, 2012 to June, 2015. As the program has played an important role to improve socio-economic condition of the sharecroppers, Bangladesh Bank has re-extended the program for next 3 financial years with the amount of Tk. 600 crore on short-term basis (from July 2015 to June 2018). At the end of June 2017, the outstanding credit (including interest) stood at Tk. 561.85 crore under the program.

Microcredit Operations by Grameen Bank & Large NGOs

In June 2017, Grameen Bank and other large nine NGOs (BRAC, ASA, Proshika, TMSS, RDRS Bangladesh, CARITAS Bangladesh, Jagoroni Chakra Foundation, Society for Social Services [SSS] ³, Shakti Foundation for Disadvantaged Women) disbursed credit for income generating and productive rural activities under their microcredit program stood at Tk. 7062.46 crore through their 9768 branches and reached to 26.86 million members. It is noted that Grameen Bank, BRAC and ASA disbursed 88.9 percent of the total micro credit during June 2017. However, in June 2017, total recovery of the micro credit stood at Tk. 6674.26 crore. At the end of June of 2017, total outstanding stood at Tk. 51491.60 crore. At the end of the period the overdue as percentage of outstanding stood at only 1.71 percent.

Palli Karma Shahayak Foundation⁴

Palli Karma Shahayak Foundation (PKSF) extended loan amounting to Tk. 313.95 crore to its 276 POs (Partner Organizations) in April, 2017 and recovered Tk. 240.29 crore. Up to April 2017, PKSF’s outstanding balance and overdue stood at Tk. 4623.36 crore and Tk. 183.81 crore respectively.

³ Data of May 2017

⁴ Data of April 2017

Recent Measures Taken by Bangladesh Bank to Facilitate Rural Financing

- Bangladesh Bank declared the Agricultural and Rural Credit Policy and program for FY17. All scheduled banks and the BRDB was advised to follow and implement the policy and program and to inform it to the Agricultural Credit Department of Bangladesh Bank (Ref: ACD Circular No. 01; 31 July 2016).
- According to the ACD Circular No. 02; 31 July, 2016, the commercial banks having Agent Banking activities and are willing to start, will be able to participate in the agricultural and rural credit disbursement program through Agent Banking operations alongside the ongoing agricultural credit disbursement. The main features of the circular are as follows;
 - All concerned banks including agent banks have to disburse 60.0% of annual agriculture and rural credit target in the crop sector.
 - Diminishing rate of interest may be applied in realization of loan installments.
 - Banks will impose maximum 0.50% commission/service charge (including VAT) from the borrowers in addition to the stipulated interest rate and no other commissions/fees will be charged. Bank will credit this commission/service charge directly to the agents account and agent will not collect any commission/service charge from the borrowers.
- According to ACD circular no. 03, 18 August, 2016, an amendment has been made to section 8 (B) of ACD circular no. 02, 2 June, 2015. Scheduled banks are instructed not to realize any subsidiary deposit from the said borrowers. All other conditions of ACD circular no. 02, 2 June, 2015 and ACD circular no. 03, 25 August, 2015 will remain unchanged.
- According to ACD circular no. 01, dated 24 April 2017, Bangladesh Bank issued directives for banks and FIs to postpone collection of loan installments from the flood affected farmers of haor area until the situation improves and to disburse adequate agricultural loans.
- Bangladesh Bank declared the Agricultural and Rural Credit Policy and program for FY18. All scheduled banks and the BRDB were advised to follow and implement the policy and program and to inform it the Agricultural Credit Department of Bangladesh (Ref: ACD Circular No. 02; 27 July 2017).

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. However, during FY17, it is observed that agricultural credit disbursement in all sub-sectors like crops, irrigation equipment, live-stock & poultry farm, fisheries and agri-equipments were higher than the same period of the previous year. Agricultural production must be boosted up by raising productivity through channeling more credit in both crop and non-crop sectors which is also necessary to enhance sustainable growth of the sector.