

Monthly Report On Agricultural and Rural Financing



March 2021

**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. Golzare Nabi, General Manager, Research Department, Bangladesh Bank. E-mail: golzare.nabi@bb.org.bd ; 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 sector plays a significant role in the economy of Bangladesh from the perspective of contribution in Gross Domestic production (GDP), food security, poverty alleviation and employment creation. Though contribution of agricultural sector declines in GDP with the rising share of industrial sector over the years, it stills accounts for 13.3 percent share of GDP in FY20. It plays immense role in maintaining food security for 166.50 million people, keeping food prices stable and generating employment for 40.6 percent of total labor force. Obviously, it is imperative to adequately support agriculture and rural sector to attain two vital Sustainable Development Goals (SDGs) namely SDG number one (No Poverty) and SDG number two (Zero Hunger). As agriculture sector still remains as one of the top priority sectors in the economy, Bangladesh Bank (BB) has continued its active support to boost up agricultural sector by ensuring adequate supply of credit with the involvement of public (commercial and specialized) and private banks. Given this, BB formulates and implements Annual Agricultural and Rural Credit Policy and Program in order to ensure adequate flow of funds in rural areas to support agricultural and SME sector.

The annual agricultural credit disbursement target has been fixed at Tk. 26292.00 crores for FY21 which was 8.99 percent higher than Tk. 24124.00 crores targeted in FY20. During July-March 2021, the achievement was 70.41 percent of the disbursement target for FY21.

In ***March 2021***, actual agricultural credit disbursement by all banks stood at Tk 2332.49 crores, which was 27.48 percent higher than Tk. 1829.69 crores for the same month of the preceding year. Recovery of agricultural credit stood at Tk. 2282.53 crores in ***March 2021***, which was 59.08 percent higher than Tk. 1434.86 crores for the same month of preceding year.

During ***July-March 2020-21***, total agricultural credit disbursement stood at **Tk. 18513.31 crores**, which was 9.40 percent higher than **Tk. 16921.86 crores in July-March 2019-20**. Total recovery of agricultural credit stood at **Tk. 19774.89 crores during July-March 2020-21**, which was 16.71 percent higher than **Tk. 16943.16 crores in July-March 2019-20**.

Outstanding balance (including interest) of agricultural credit stood at **Tk. 45348.47 crores at the end of March 2021**, which was 2.98 percent higher than Tk. 44035.24 crores at the end of ***March 2020***. Overdue of agricultural credit stood at **Tk. 6286.45 crores at the end of March 2021, which was 3.47 percent higher than Tk. 6075.54 crores at the end of March 2020**. Overdue of agricultural credit as percentage of outstanding stood higher at **13.86 percent at the end of March 2021 compared to 13.80 percent at the end of March 2020**.

In ***March 2021***, Grameen Bank and other nine large NGOs disbursed Tk. 11361.18 crores as microcredit and recovered Tk. 10734.51 crores. The total outstanding balance of microcredit of these organizations stood at Tk. 76023.79 crores of which the overdue of microcredit stood at Tk. 3860.36 crores at the end of ***March 2021***.

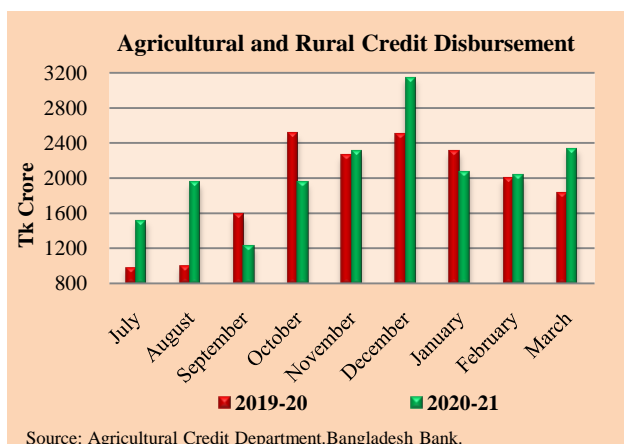
Bangladesh Bank is continuously providing policy directions to promote sustainable inclusive economic growth and to expedite credit flow to all sub-sectors of agriculture and non-farm activities.

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 been fixed at Tk. 11045.00 crores and Private Commercial Banks(PCBs) & Foreign Commercial Banks(FCBs) targets have been fixed at Tk. 15247.00 crores which are 42.01 percent and 57.99 percent respectively of total agricultural credit disbursement target.

Disbursement

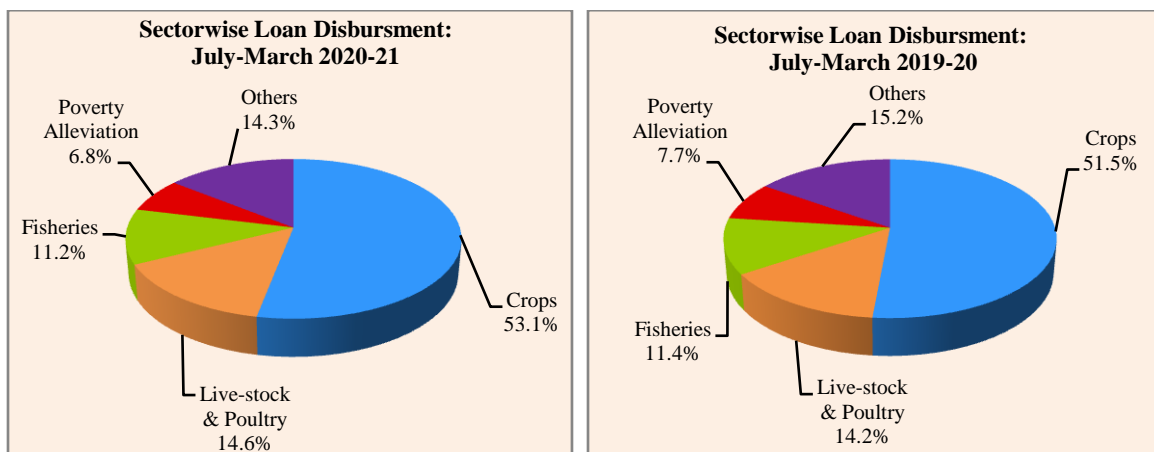
In March 2021, the actual disbursement of agricultural credit stood at Tk. 2332.49 crores, which was 14.78 percent higher than Tk. 2032.10 crores for the previous month. In the same manner, it was 27.48 percent higher than Tk. 1829.69 crores for the same month of the preceding year (Chart 1). During July-March 2020-21, the actual disbursement of agricultural credit stood at Tk.



18513.31 crores which was 9.40 percent higher than Tk. 16921.86 crores in the same period of the last year. The achievement was 70.41 percent of the disbursement target for FY21.

During July-March 2020-21, 53.1 percent of the total agriculture credit distributed to the crop sub-sector followed by live-stock & poultry (14.6%), others (14.3%), fisheries (11.2%) and poverty alleviation (6.8%). On the other hand, the share of crops sector was 51.5%, followed by others (15.2%), live-stock & poultry (14.2%), fisheries (11.4%) and poverty alleviation (7.7%) during July-March 2019-20.

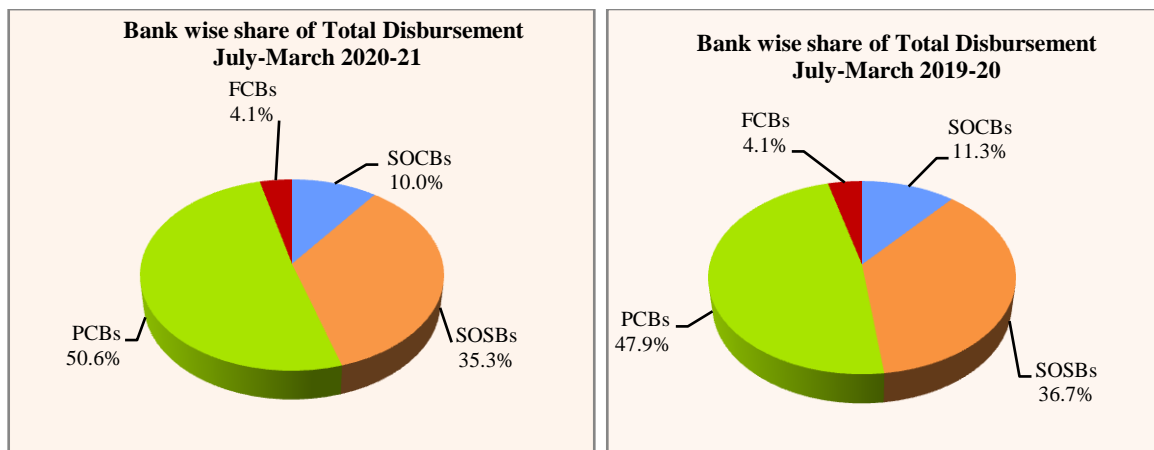
Chart 2



Source: Agricultural Credit Department, Bangladesh Bank.

Among the cluster of banks, PCBs share in loan disbursement is 50.6 percent followed by SOSBs (35.3%), SOCBs (10.0%) and FCBs (4.1%) during July-March 2020-21, whereas PCBs disbursed 47.9 percent, followed by SOSBs (36.7%), SOCBs (11.3%) and FCBs (4.1%) during July-March 2019-20. 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.

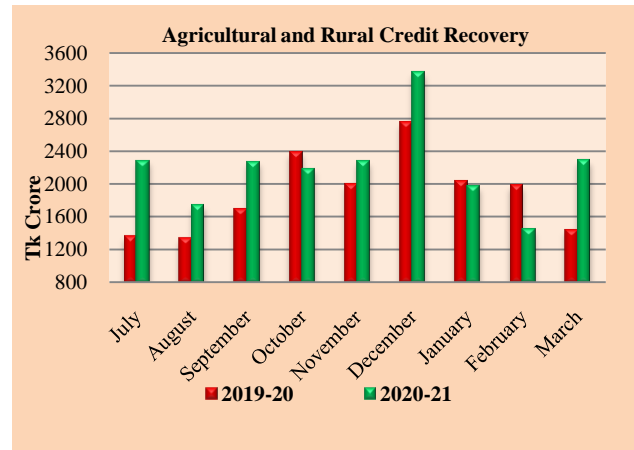
Recovery

In March 2021, the recovery of agricultural credit stood at Tk. 2282.53 crores, which was 58.94 percent and 59.08 percent higher than Tk. 1436.12 crores and Tk. 1434.86 crores for the previous month and the same month of the preceding year respectively (Chart 4).

During July-March 2020-21, the recovery stood at Tk 19774.89 crores, which was 16.71 percent higher than Tk. 16943.16 crores in the same period of the last year.

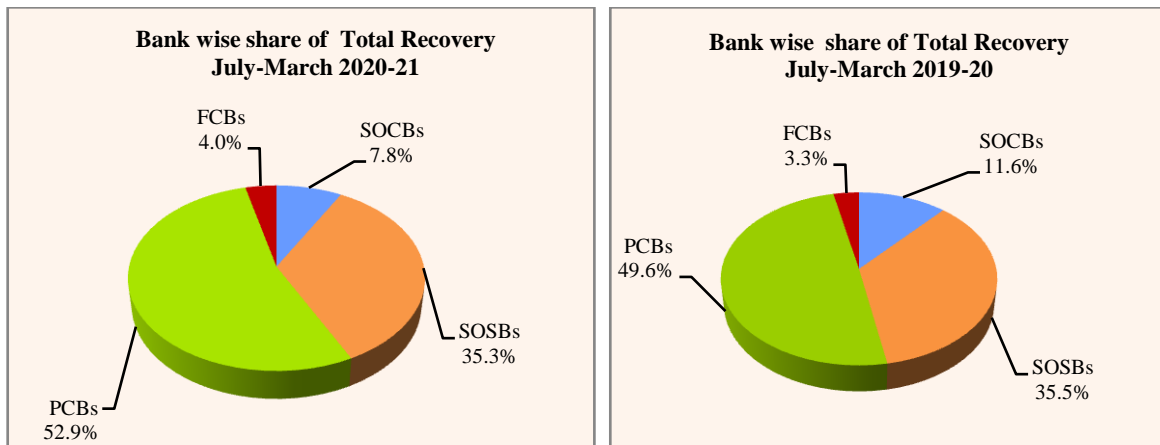
Among the type of banks, PCBs share in recovery was 52.9 percent followed by SOSBs (35.3%), SOCBs (7.8%) and FCBs (4.0%) during July-March 2020-21, whereas PCBs recovered 49.6 percent, followed by SOSBs (35.5%), SOCBs (11.6%) and FCBs (3.3%) during July-March 2019-20. Chart 4 and Chart 5 show monthly 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 March 2021, total outstanding balance of agricultural credit stood at Tk. 45348.47 crores, which was 2.98 percent higher than Tk. 44035.24 crores at the end of March 2020.

Overdue

Overdue of agricultural credit stood at Tk. 6286.45 crores at the end of March 2021, which was 3.47 percent higher than Tk. 6075.54 crores at the end of March 2020. Overdue of agricultural credit as percentage of outstanding stood higher at 13.86 percent at the end of March 2021 compared to 13.80 percent at the end of March 2020.

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 didn't recover any amount from BKB. It recovered Tk 500.00 crores from RAKUB upto March 2021. Total outstanding amount of refinance stood at Tk. 5019.90 crores at the end of March 2021, which was Tk. 4227.64 crores at the end of March 2020.

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 been fixed at Tk. 957.00 crores for FY21. In March 2021, it disbursed Tk 95.96 crores and recovered Tk 78.41 crores. In March 2020, it didn't disburse but recover any amount of loan. During July-March 2020-21, BRDB disbursed Tk. 824.73 crores and recovered Tk 782.84 crores which were Tk. 643.92 and Tk. 628.68 crores respectively in the same period of the last year.

Bangladesh Shomobay Bank Limited (BSBL)

The disbursement target of BSBL, a non-scheduled bank, has been set at Tk. 22.00 crores for FY21. In March 2021, BSBL didn't disburse any loan and recovered Tk. 12.03 crores. In March 2020, BSBL didn't disburse any loan but recovered Tk. 0.20 crore. During July-March 2020-21, BSBL disbursed Tk. 0.50 crore and recovered Tk. 15.18 crores, which were Tk. 1.20 crores and Tk 2.66 crores respectively during July-March 2019-20.

Microcredit Operations by Grameen Bank & Large Nine NGOs²

In March 2021, Grameen Bank and large nine NGOs disbursed Tk. 11361.18 crores in productive and income generating activities in the rural areas under their microcredit program, which was 16.59 percent higher than that of the same month of the preceding year. Under this program, about 28.69 million members availed loan facility through 10559 branches. It is noteworthy that Grameen Bank, BRAC and ASA disbursed 87.29 percent of the total microcredit among the top 10 Micro Finance Institutions (MFIs) in March 2021. However, in March 2021, total recovery of the microcredit by these 10 MFIs stood at Tk. 10734.51 crores, which was 22.80 percent higher than that of the same month of the preceding year. At the end of March 2021, total outstanding of these 10 MFIs stood at Tk. 76023.79 crores, which was 5.58 percent higher than that of the same month of the preceding year. Overdue of microcredit of these same stood at Tk. 3860.36 crores at the end of March 2021, which was 105.68 percent higher than that of the same month of the preceding year. At the end of March 2021, the overdue as percentage of outstanding micro finance stood at only 5.08 percent.

Palli Karma Shahayak Foundation

Palli Karma Shahayak Foundation (PKSF) extended loan facility amounting to Tk. 676.09 crores to its 278 POs (Partner Organizations) and recovered Tk. 349.93 crores in September 2020. Total outstanding balance and overdue stood at Tk. 5873.59 crores and Tk. 226.67 crores respectively at the end of September 2020.

² 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; 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 detailed information is 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 detailed information is 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 detailed information is 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 strengthen 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 crores Taka for providing working capital in agriculture sector due to out-break of Novel Corona Virus. More detailed information is 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 crores Taka for providing working capital in agriculture sector due to out-break of Novel Corona Virus. More detailed information is available in the link: <https://www.bb.org.bd/mediaroom/circulars/acd/dec292020acdl03.pdf>
 - According to the ACD Circular Letter No. 01: 31 March 2021, Bangladesh Bank has extended the refinance scheme of 5000 crores Taka for providing working capital in agriculture sector due to out-break of Novel Corona Virus. More detailed information is available in the link: <https://www.bb.org.bd/mediaroom/circulars/acd/mar312021acdl01.pdf>

Bangladesh Bank provides policy directions to expedite credit flow to all sub-sectors in agriculture and non-farm activities in order to promote inclusive economic growth. 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 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 encouragement 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)	
	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	2070.74	2028.29	1965.17	43318.65	44321.71
February	1987.90	2032.01	1979.88	1436.12	43315.89	45053.28
March	1829.69	2332.49	1434.86	2282.43	44035.24	45348.47
April	496.63		767.09		43814.45	
May	1132.11		561.55		44219.73	
June	4198.43		2973.44		45592.86	
Total	22749.03	18513.31	21245.24	19774.89		

Source: Agriculture Credit Department, Bangladesh Bank.