

Monthly Report On Agricultural and Rural Financing¹



May 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 is the backbone of Bangladesh economy on the basis of employment, income generating activities, food security, export earnings and poverty alleviation. According to the labor survey 2017 conducted by Bangladesh Bureau of Statistics, about 40.6 percent of labor force engaged in this sector. Formal financing in agriculture sector is lower than that of other sectors. 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 loans under its intensive financial inclusion strategies.

In May 2019, actual agricultural credit disbursement by all banks stood at Tk. 1810.22 crores, which was 8.34 percent higher than Tk. 1670.92 crores for the same month of the preceding year. Recovery of agricultural credit stood at Tk. 1724.86 crores in May 2019, which was 6.17 percent lower than Tk. 1838.25 crores for the same month of preceding year.

During July-May 2019, total agricultural credit disbursement stood at Tk. 20335.72 crores, which was 3.63 percent higher than Tk. 19623.81 crores in July-May 2018. Total recovery of agricultural credit stood at Tk. 20655.13 crores during July-May 2019, which was 6.19 percent higher than Tk. 19450.53 crores in July-May 2018. Outstanding balance (including interest) of agricultural credit stood at Tk. 41610.67 crores at the end of May 2019, which was 4.27 percent higher than Tk. 39907.10 crores at the end of May 2018. Overdue of agricultural credit stood at Tk. 6469.14 crores at the end of May 2019, which was 4.36 percent lower than Tk. 6763.98 crores at the end of May 2018. Overdue of agricultural credit as percentage of outstanding stood lower at 15.55 percent at the end of May 2019 compared to 16.95 percent at the end of May 2018.

It is noted that **Annual agricultural credit disbursement target has fixed at Tk. 21800.00 crores for FY19 which was 6.86 percent higher than Tk.20400 crores targeted in FY18.**

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.

In May 2019, Grameen Bank and other large nine NGOs disbursed Tk. 10133.73 crores as microcredit and recovered Tk. 9567.22 crores. The total outstanding balance of microcredit of all these organizations stood at Tk. 71696.29 crores of which the overdue of microcredit stood at Tk. 1484.03 crores at the end of May 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.

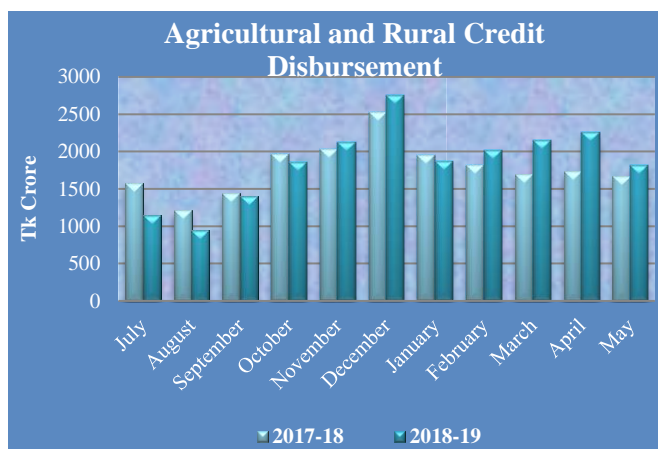
Disbursement Target

The disbursement target by all scheduled banks has fixed at Tk. 21800.00 crores for FY19, which was 6.86 percent higher than Tk. 20400 crores targeted for FY18. The disbursement target of all state-owned banks (commercial and specialized) was fixed at Tk. 9875.00 crores and PCBs & FCBs target was fixed at Tk. 11925.00 crores which were 45.29 and 54.70 percent respectively of total agricultural credit disbursement target.

Disbursement

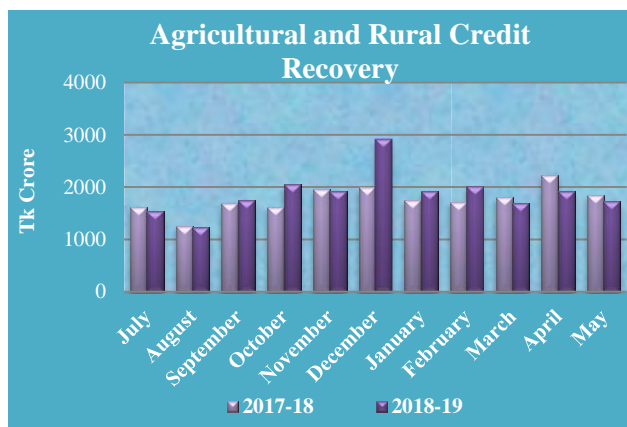
In May 2019, the actual disbursement of agricultural credit stood at Tk. 1810.22 crores, which was 19.96 percent lower than Tk. 2261.51 crores for the previous month and 8.34 percent higher than Tk. 1670.92 crores for the same month of the preceding year.

During July-May 2019, the actual disbursement of agricultural credit stood at Tk. 20335.72 crores which was 3.63 percent higher than Tk. 19623.81 crores in the same period of the last year. The achievement was 93.28 percent of the target.



Recovery

In May 2019, the recovery of agricultural credit stood at Tk. 1724.86 crores which was 9.98 percent and 6.17 percent lower than Tk. 1916.02 crores for the previous month and Tk. 1838.25 crores for the same month of the preceding year respectively. During July-May 2019, the recovery stood at Tk 20655.13 crores, which was 6.19 percent higher than Tk. 19450.53 crores in the same period of the last year.



Outstanding

At the end of May 2019, total outstanding of agricultural credit stood at Tk. 41610.67 crores, which was 4.27 percent higher than Tk. 39907.10 crores at the end of May 2018.

Overdue

Overdue of agricultural credit stood at Tk 6469.14 crores at the end of May 2019, which was 4.36 percent lower than Tk. 6763.98 crores at the end of May 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 15.55 percent at the end of May 2019 compared to 16.95 percent at the end of May 2018.

Refinance

In FY19, Bangladesh Bank didn't grant any short term refinance facility to BKB and RAKUB. Bangladesh bank has recovered Tk. 424.45 crores from BKB and RAKUB up to May 2019. At the end of May 2019, total outstanding amount of refinance stood at Tk. 2895.81 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. 780.00 crores for FY19. In May 2019, it disbursed Tk. 74.42 crores from its own source and recovered Tk. 70.73 crores which were Tk. 85.25 and Tk. 75.20 crores respectively in April 2019. In May 2018, the disbursement and the recovery were Tk. 83.70 and Tk. 75.79 crores respectively. During July-May 2019, BRDB disbursed Tk. 883.41 crores and recovered Tk. 839.89 crores which were Tk. 861.04 and Tk. 781.87 crores respectively in the same period of the last year.

Bangladesh Shomobay Bank Limited (BSBL)

The disbursement target of BSBL, a non-scheduled bank, was set at Tk. 20.00 crores for FY19. In May 2019, it disbursed Tk. 0.45 crore and recovered Tk. 1.35 crore. In April 2019, it disbursed Tk. 0.25 crore and recovered Tk. 0.89 crore. In May 2018, it disbursed Tk. 2.22 crore and recovered Tk. 2.29 crore. During July-May 2019, BSBL disbursed Tk. 3.05 crores and recovered Tk. 6.23 crores which were Tk. 5.21 and Tk. 9.08 crores respectively in the same period of the last year.

Agricultural Credit Program for the Sharecroppers

A special agricultural credit program named "Agricultural Credit Program for the Sharecroppers" was undertaken by Bangladesh Bank in FY09 with an amount of Tk. 500 crores (Tk. 450 crores short-term and Tk. 50 crores mid-term) for three years period as revolving fund under 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 years (from July 2015 to June 2018) with the amount of Tk. 600 crores on short-term basis. Under this program, total disbursement stood at Tk. 3623.65 crores at the end of June, 2018. Total recovery stood at Tk. 3578.40 crores at the end of May, 2019.

Microcredit Operations by Grameen Bank & Large Nine NGOs

In May 2019, Grameen Bank and other large nine NGOs³ disbursed Tk. 10133.73 crores for productive and income generating activities in rural areas under their microcredit program, which was 14.54 percent higher than that of the same month of the preceding year. Under this program, about 26.64 million members availed loan facility through 10274 branches. It is noted that Grameen Bank, BRAC and ASA disbursed 87.87 percent of the total microcredit in May 2019. However, in May 2019, total recovery of the microcredit stood at Tk. 9567.22 crores, which was 7.56 percent higher than that of the same month of the preceding year. At the end of May 2019, total outstanding stood at Tk. 71696.29 crores, which was 12.98 percent higher than that of the same month of the preceding year. NGO's overdue of microcredit stood at Tk. 1484.03 crores at the end of May 2019, which was 17.80 percent higher than that of the same month of the preceding year. At the end of May 2019, the overdue as percentage of outstanding stood at only 2.07 percent.

Palli Karma Shahayak Foundation

Palli Karma Shahayak Foundation (PKSF) extended loan facility amounting to Tk. 339.27 crores to its 278 POs (Partner Organizations) and recovered Tk. 213.39 crores in February 2019. Total outstanding balance and overdue stood at Tk. 5037.44 crores and Tk. 213.53 crores respectively at the end of February 2019.

Recent Measures Taken by Bangladesh Bank to Facilitate Rural Financing

- By the ACD Circular no. 01 dated 19 May 2019, Bangladesh Bank gave instructions to all the commercial banks to undertake rehabilitation programs for the farmers affected by the cyclone 'Fani'.
 - Agricultural credit disbursement activities have to be strengthened in the cyclone affected areas.
 - New agricultural loans have to be disbursed after rescheduling previous loan through relaxing loan payment conditions for the overdue loan of the affected farmers including overdue suspension of agricultural loan recovery for one year.
 - The banks have to undertake adequate monitoring arrangement to ensure that no affected farmer face harassment or delay while receiving loans. In case of necessity, bank officials of different ranks have to conduct on-site inspection program in the affected areas.
 - Following the application submitted by the affected farmer the concern bank may spontaneously take measures to waive crop loan interest on case to case basis subject to the approval of the competent authority.
 - With files certificate cases, the banks have to take measures to stop un-recovered loans becoming overdue on the basis of banker-customer relationship.
 - The banks have to postpone exerting notices for filed certificate cases and settle certificate cases through mutual agreement (solenama).

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

- Attention is drawn to the ACD circular no: 01 dated 25/07/2018, Page 16, Section 5.07 on “CIB Reporting & CIB Inquiry”.

Decision has been taken that reports have to be made to the CIB regarding all outstanding crop loans of Tk 1 or above. However, no CIB report will be required for newly sanction and renewed crop loans up to Tk 2.5 Lac. Concerned banks have to ensure that no defaulter can receive agricultural loans (Ref: ACD Circular Letter No. 02; 3 December 2018).

- Attention is drawn to the ACFID circular no. 02 dated 02/6/2015. Section 3 and 6(a) are replaced with the following two paragraphs.

3. Interest rate of the credit: Under the Scheme, the banks and specialized financial institutions will get refinance facility on Bank rate (presently 5%, subject to change) from BB. The maximum rate of interest at the borrower level will be 4%. The banks and specialized financial institutions may claim the loss on disbursed credit incurred due the difference between actual rates and interest rates applied on the basis of agriculture and rural credit policy.

6. Monetary compensation for the banks against the concessional interest rates based disbursed credit:

a) The banks will submit applications of interest loss to BB with one month of the respective year's end citing detailed information (for example, total number of borrowers, time of credit allotment, amount of credit disbursed, total loss due to concessional interest rates etc.) about recovered/adjusted credit amounts against concessional interest rates based disbursed credit in accordance with annual agriculture annual agriculture and rural credit program. (Ref: ACD Circular Letter No. 01; 28 October 2018).

- Bangladesh Bank declared the Agricultural and Rural Credit Policy and Program for FY19. 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 (Ref: ACD Circular No. 01; 25 July 2018).
- According to the ACD Circular No. 03; 22 October, 2017, Bangladesh Bank declared an integrated agriculture credit policy after modification and extension of all other previous circulars, relating to setting up agriculture credit target and achievement by the Private Commercial Banks and Foreign Commercial Banks. The main features of the circular are as follows:

- All banks have to set up a rational agriculture credit target, which must be not less than 2.5% of net credit and advances as on 31 March of the preceding fiscal year. But the target for FY18 will remain unchanged.
- If a bank is not able to achieve agriculture and rural credit target at the end of the fiscal year, it has to deposit the equivalent amount of unachieved target at Bangladesh Bank. Bangladesh Bank will not give interest on the deposited money. If a bank can disburse unachieved agriculture credit of previous years in whole or partly along with the following fiscal year's target, the deposit amount of money will be refunded in whole or proportionately.
- As an alternative remedial measure of the preceding section, a bank can deposit 3% of unachieved credit at Bangladesh Bank. If the bank can disburse the unachieved credit of the previous year in whole or partly along with the following two fiscal years' target, the

deposited amount will be refunded in whole or proportionately. Otherwise, the deposited amount will not be refunded.

- If a bank's credit disbursement turns higher than the amount determined on the basis of net loan and advances of 31 March of the preceding fiscal year, this remedial measure will not apply.
- Statements relating to remedial measures submitted by banks to BB will be verified.

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 FY19, it is observed that agricultural credit disbursement in all sub-sectors like crops, irrigation equipments, live-stock & poultry farms, 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 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.

Annexure

Monthly Agricultural-Credit Performance by Schedule Banks

(In crore Taka)

Month	Disbursement		Recovery		Outstanding (at the end of Month)	
	FY18	FY19	FY18	FY19	FY18	FY19
July	1574.07	1151.12	1613.61	1544.85	39059.21	40127.65
August	1219.98	939.24	1252.17	1220.28	39121.83	39794.16
September	1441.69	1403.28	1698.03	1742.83	38951.86	39623.83
October	1969.02	1858.43	1614.34	2048.44	39222.04	39382.96
November	2026.12	2123.53	1965.00	1923.00	39286.08	39606.40
December	2524.86	2755.81	1988.67	2913.84	40148.89	40368.16
January	1946.43	1869.63	1744.41	1912.26	40368.16	40305.75
February	1818.25	2012.52	1720.70	2015.99	40506.72	40412.89
March	1693.80	2150.43	1797.70	1692.76	40420.60	40922.85
April	1738.72	2261.51	2217.64	1916.02	39998.70	41360.56
May	1670.92	1810.22	1838.25	1724.86	39907.10	41610.67
June	1769.74		2052.59		40601.11	
Total	21393.60		21503.11			

Source: Agriculture Credit Department, Bangladesh Bank.