

Monthly Report On Agricultural and Rural Financing¹



November 2019

**Research Department
Bangladesh Bank**

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Executive Summary

Agriculture and rural sector in Bangladesh has played a vital role in achieving desired economic development. Though production of this sector has augmented in many folds, the share of agriculture in GDP has declined over the time (from 16.0 % in FY15 to 13.6% in FY19) in the pace of gradual shift from developing to developed economies. The 2nd Sustainable Development Goal expressed agricultural sector as “End hunger, achieve food security and improved nutrition and promote sustainable agriculture”. Bangladesh has made credible progress over the past four decades in achieving food security, employment, income generating activities and poverty alleviation with the help of government and Bangladesh Bank’s policy support. According to the Labor Survey 2017 conducted by Bangladesh Bureau of Statistics, about 40.6 percent of labor force still engaged in this sector. BB has continued its proactive policy and support program to boost up agricultural sector in the context of insufficient formal financing in this sector. 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 financing under its intensive financial inclusion strategies.

The annual agricultural credit disbursement target has fixed at Tk. 24124.00 crores for FY20 which was 10.66 percent higher than Tk. 21800.00 crores targeted in FY19. During July-November 2019, the achievement was 34.43 percent of the disbursement target for FY20.

In November 2019, actual agricultural credit disbursement by all banks stood at Tk. 2250.30 crores, which was 5.97 percent higher than Tk. 2123.53 crores for the same month of the preceding year. Recovery of agricultural credit stood at Tk. 1994.68 crores in November 2019, which was 3.73 percent higher than Tk. 1923.00 crores for the same month of preceding year.

Outstanding balance (including interest) of agricultural credit **stood at Tk. 42697.19 crores at the end of November 2019**, which was 7.80 percent **higher than Tk. 39606.40 crores at the end of November 2018**.

During July-November 2019, total agricultural credit disbursement **stood at Tk. 8305.13 crores**, which was 11.10 percent higher than **Tk. 7475.60 crores in July-November 2018**. Total recovery of agricultural credit **stood at Tk. 8752.68 crores during July-November 2019**, which was 3.22 percent higher than **Tk. 8479.40 crores in July-November 2018**. Overdue of agricultural credit **stood at Tk. 6543.21 crores at the end of November 2019**, which was 2.80 percent lower than **Tk. 6731.91 crores at the end of November 2018**. **Overdue of agricultural credit as percentage of outstanding stood lower at 15.32 percent at the end of November 2019 compared to 17.00 percent at the end of November 2018.**

In November 2019, Grameen Bank and other nine NGOs disbursed Tk. 10517.76 crores as microcredit and recovered Tk. 9780.28 crores. The total outstanding balance of microcredit of these organizations stood at Tk. 73730.52 crores of which the overdue of microcredit stood at Tk. 1638.50 crores at the end of November 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.

Disbursement Target

The disbursement target by all scheduled banks has fixed at Tk. 24124.00 crores for FY20, which was 10.66 percent higher than Tk. 21800.00 crores targeted for FY19. The disbursement target of all state-owned banks (commercial and specialized) has fixed at Tk. 10375.00 crores and PCBs & FCBs target has fixed at Tk. 13749.00 crores which are 43.01 percent and 56.99 percent respectively of total agricultural credit disbursement target.

Disbursement

In November 2019, the actual disbursement of agricultural credit stood at Tk. 2250.30 crores, which was 9.99 percent lower than Tk. 2500.16 crores for the previous month. In the same manner, it was 5.97 percent higher than Tk. 2123.53 crores for the same month of the preceding year (Chart 1).

During July-November 2019, the actual disbursement of agricultural credit stood at Tk. 8305.13 crores which was 11.10 percent higher than Tk. 7475.60 crores in the same period of the last year. The achievement was 34.43 percent of the disbursement target for FY20.

During July-November 2019, 50.4 percent of the total agriculture credit distributed to the crop sub-sector followed by live-stock & poultry (15.1%), others (14.5%), fisheries (11.8%) and poverty alleviation (8.3%). On the other hand, the share of crops sector was 52.5%, followed by live-stock & poultry (14.0%), others (13.7%), fisheries (11.6%) and poverty alleviation (8.1%) during July-November 2018.

Chart 1

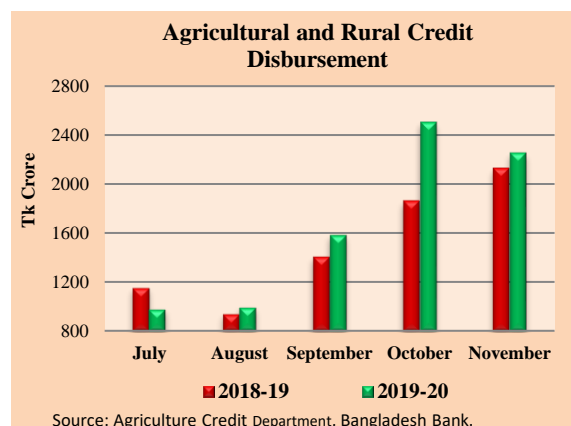
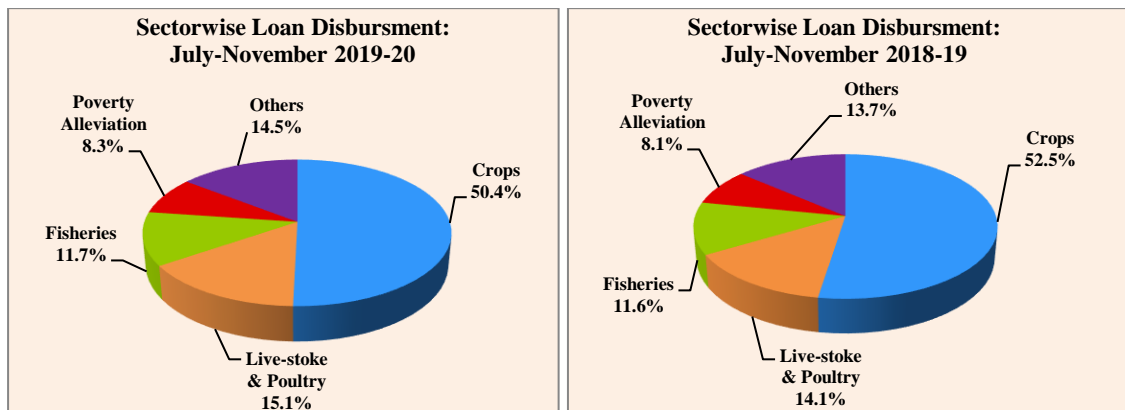


Chart 2

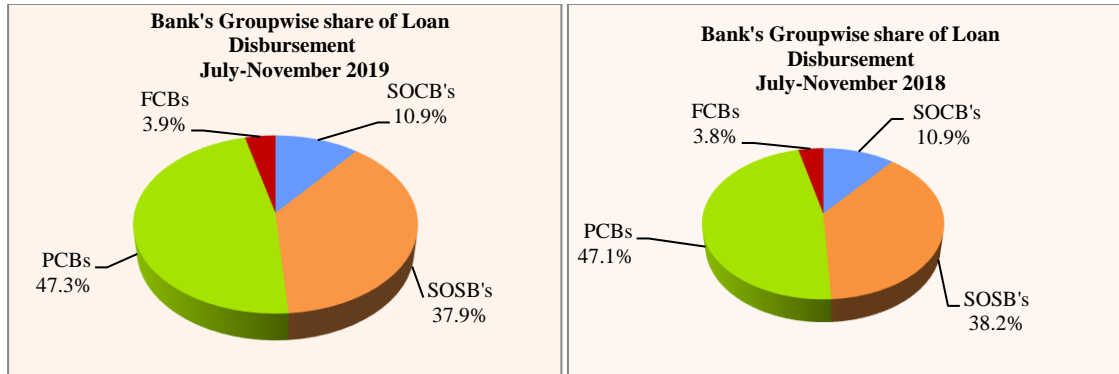


Source: Agriculture Credit Department, Bangladesh Bank.

Among the cluster of banks, Private Commercial Banks' (PCBs) share in loan disbursement is 47.3 percent followed by State-Owned Specialized Banks (SOSBs) (37.9%), State-Owned Commercial Banks (SOCBs) (10.9%) and Foreign Commercial Banks (FCBs) (3.9%) during July-November 2019, whereas PCBs disbursed 47.1 percent, followed by SOSBs (38.1%), SOCBs (10.9%) and FCBs (3.8%) during July-November 2018. Chart 2 and Chart 3 show sector-wise

agricultural loan disbursement and banks' group wise share of loan disbursement respectively in the year 2018 and 2019.

Chart 3



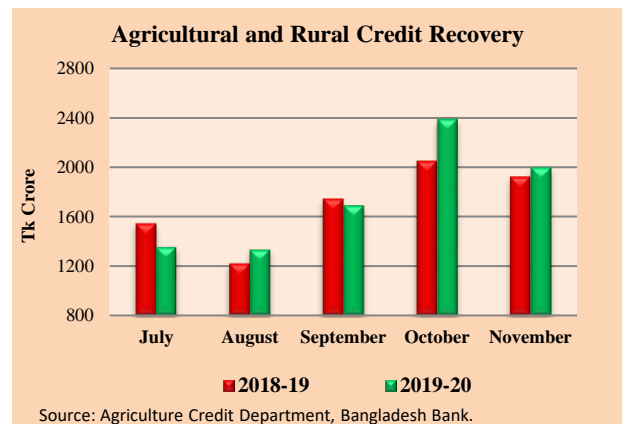
Source: Agriculture Credit Department, Bangladesh Bank.

Recovery

In November 2019, the recovery of agricultural credit stood at Tk. 1994.68 crores, which was 16.34 percent lower than Tk. 2384.30 crores for the previous month. In the same manner, it was 3.73 percent higher than Tk. 1923.00 crores for the same month of the preceding year (Chart 4).

During July-November 2019, the recovery stood at Tk 8752.68 crores, which was 3.22 percent higher than Tk. 8479.40 crores in the same period of the last year.

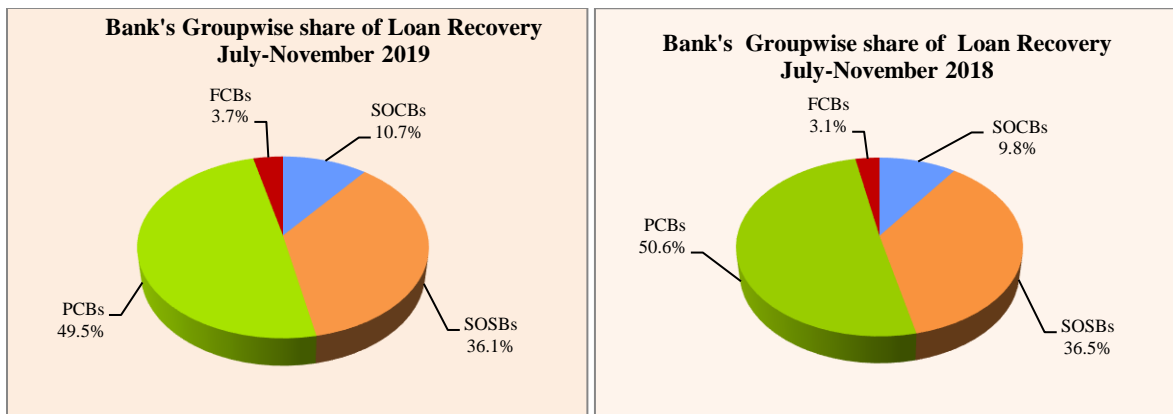
Chart 4



Source: Agriculture Credit Department, Bangladesh Bank.

Among the type of banks, PCBs share in recovery was 49.5 percent followed by SOSBs (36.1%), SOCBs (10.7%) and FCBs (3.7%) during July-November 2019, whereas PCBs recovered 50.6 percent, followed by SOSBs (36.5%), SOCBs (9.8%) and FCBs (3.1%) during July-November 2018. Chart 4 and Chart 5 show monthly agricultural credit recovery and banks' group wise share of total loan recovery respectively in the year 2018 and 2019.

Chart 5



Source: Agriculture Credit Department, Bangladesh Bank.

Outstanding

At the end of November 2019, total outstanding balance of agricultural credit stood at Tk. 42697.19 crores, which was 7.80 percent higher than Tk. 39606.40 crores at the end of November 2018.

Overdue

Overdue of agricultural credit stood at Tk. 6543.21 crores at the end of November 2019, which was 2.80 percent lower than Tk. 6731.91 crores at the end of November 2018. Overdue of agricultural credit as percentage of outstanding stood lower at 15.32 percent at the end of November 2019 compared to 17.00 percent at the end of November 2018.

Refinance

Bangladesh Bank has released Tk. 1000.00 crores in September, 2019 towards BKB for refinancing short term agricultural credit disbursed in FY19. In contrast, recovery from BKB and RAKUB was nil till November 2019. Total outstanding amount of refinance stood at Tk. 3299.46 crores at the end of November 2019, which was Tk. 3319.76 crores in November 2018.

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) was fixed at Tk. 870.00 crores for FY20. In November 2019, it disbursed Tk 84.51 crores from its own source and recovered Tk. 76.64 crores which were Tk. 72.78 and Tk. 70.19 crores respectively in October 2019. In November 2018, the disbursement and the recovery were Tk. 63.26 and Tk. 67.14 crores respectively. During July-November 2019, BRDB disbursed Tk. 380.38 crores and recovered Tk. 373.08 crores which were Tk. 356.82 and Tk. 359.72 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. 22.00 crores for FY20. In November 2019, BSBL didn't disburse any loan, but it recovered Tk. 0.21 crore in November 2019. BSBL only recovered Tk.0.56 crore and Tk. 0.67 crore in October 2019 and November 2018 respectively. During July-November 2019, BSBL didn't disburse any loan but recovered Tk. 1.83 crores, which were Tk. 0.20 crore and Tk. 2.13 crores respectively during July-November 2018.

Microcredit Operations by Grameen Bank & Large Nine NGOs

In November 2019, Grameen Bank and large nine NGOs² disbursed Tk. 10517.76 crores in productive and income generating activities in the rural areas under their microcredit program, which was 10.63 percent higher than that of the same month of the preceding year. Under this program, about 27.07 million members availed loan facility through 10371 branches. It is noteworthy that Grameen Bank, BRAC and ASA disbursed 86.81 percent of the total microcredit among the top 10 Micro Finance Institutions (MFIs) in November 2019. However, in November 2019, total recovery of the microcredit by these 10 MFIs stood at Tk. 9780.28 crores, which was 10.36 percent higher than that of the same month of the preceding year. At the end of November 2019, total outstanding of these 10 MFIs stood at Tk. 73730.52 crores, which was 13.64 percent higher than that of the same month of the preceding year. Overdue of microcredit of these same stood at Tk. 1638.50 crores at the end of November 2019, which was 9.89 percent higher than that of the same month of the preceding year. At the end of November 2019, the overdue as percentage of outstanding micro finance stood at only 2.22 percent.

Palli Karma Shahayak Foundation

Palli Karma Shahayak Foundation (PKSF) extended loan facility amounting to Tk. 299.90 crores to its 278 POs (Partner Organizations) and recovered Tk. 339.11 crores in September 2019. Total outstanding balance and overdue stood at Tk. 5111.12 crores and Tk. 201.29 crores respectively at the end of September 2019.

Recent Measures Taken by Bangladesh Bank to Facilitate Rural Financing

- According to the ACD Circular No. 02; 23 July 2019, Bangladesh Bank declared the Annual Agricultural and Rural Credit Policy and Program for FY20. 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 detail information are available in the link:- <https://www.bb.org.bd/mediaroom/circulars/acd/jul232019acd02.pdf>.

- As stated in the ACD Circular No. 03; 24 July 2019, Bangladesh Bank has undertaken contemporary credit facility for recent flood affected farmers. More detail information are available in the link:- <https://www.bb.org.bd/mediaroom/circulars/acd/jul242019acd03.pdf>.

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

² BRAC, ASA, Proshika, TMSS, RDRS Bangladesh, CARITAS Bangladesh, Jagoroni Chakra Foundation, Society for Social Services [SSS], Shakti Foundation for Disadvantaged Women.

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 even 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 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) | |
|--------------|-----------------|---------|-----------------|---------|--------------------------------------|----------|
| | FY19 | FY20 | FY19 | FY20 | FY19 | FY20 |
| July | 1151.12 | 977.15 | 1544.85 | 1353.18 | 40127.65 | 42596.13 |
| August | 939.24 | 993.01 | 1220.28 | 1331.76 | 39794.16 | 42335.17 |
| September | 1403.28 | 1584.51 | 1742.83 | 1688.76 | 39623.83 | 42227.29 |
| October | 1858.43 | 2500.16 | 2048.44 | 2384.30 | 39382.96 | 42388.77 |
| November | 2123.53 | 2250.30 | 1923.00 | 1994.68 | 39606.40 | 42697.19 |
| December | 2755.81 | | 2913.84 | | 40368.16 | |
| January | 1869.63 | | 1912.26 | | 40305.75 | |
| February | 2012.52 | | 2015.99 | | 40412.89 | |
| March | 2150.43 | | 1692.76 | | 40922.85 | |
| April | 2261.51 | | 1916.02 | | 41360.56 | |
| May | 1810.22 | | 1724.86 | | 41610.67 | |
| June | 3280.53 | | 3079.19 | | 42974.29 | |
| Total | 13605.57 | | 13193.95 | | | |

Source: Agriculture Credit Department, Bangladesh Bank.