

Monthly Report On Agricultural and Rural Financing¹



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**Research Department
Bangladesh Bank**

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Executive Summary

Now-a-days, Bangladesh is on the driving wheel towards upper middle income country status by 2021, where it needs 7.0 percent GDP growth and 4.0-4.5 percent growth is necessary in agriculture sector to achieve the goal. This sector contributes to major macroeconomic objectives like employment generation 41 percent of labor force, poverty alleviation, human resources development, food security of 170 million people of the country. Though production of this sector has augmented in many fold, the share of agriculture in GDP has declined over the time (from 16.0% in FY15 to 13.3% in FY20) in the pace of gradual shift from developing to developed economics. However agriculture continues to play important role in the country and the world, with the promotion of sustainable agriculture stated in SDG2 (NO HUNGER). BB has continued its proactive policy and support program to boost up production. In this regard, Agriculture and Rural Credit Policy and Program have been formulated to increase flow of funds in rural areas through agriculture and SME financing under its intensive financial inclusion strategies.

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 and 15.57 percent higher than actual disbursement in FY20. During July-November 2020-21, the achievement was 33.99 percent of the disbursement target for FY21.

In November 2020, actual agricultural credit disbursement by all banks stood at 2306.04 crores, which was 2.48 percent higher than Tk. 2250.30 crores for the same month of the preceding year. Recovery of agricultural credit stood at Tk. 2269.08 crores in November 2020, which was 13.76 percent higher than Tk. 1994.68 crores for the same month of preceding year.

During **July-November 2020-21**, total agricultural credit disbursement **stood at Tk. 8935.89 crores**, which was 7.59 percent higher than **Tk. 8305.13 crores in July-November 2019-20**. The disbursement share for state owned banks stood at 43.0% and PCBs and FCBs share stood at 57.0% during July-November 2020. Total recovery of agricultural credit stood at **Tk. 10726.34 crores during July-November 2020-21**, which was 22.55 percent higher than **Tk. 8752.68 crores in July-November 2019-20**. The recovery share for state owned banks stood at 40.0% and PCBs and FCBs share stood at 60.0% during July-November 2020.

Outstanding balance (including interest) of agricultural credit **stood at Tk. 43971.93 crores at the end of November 2020**, which was 2.99 percent higher than **Tk. 42697.19 crores at the end of November 2019**. Overdue of agricultural credit **stood at Tk. 6778.45 crores at the end of November 2020**, which was 3.60 percent higher than **Tk 6543.21 crores at the end of November 2019**. **Overdue of agricultural credit as percentage of outstanding stood higher at 15.42 percent at the end of November 2020 compared to 15.32 percent at the end of November 2019.**

In November 2020, Grameen Bank and other nine large NGOs disbursed Tk. 10802.13 crores as microcredit and recovered Tk. 10212.35 crores. The total outstanding balance of microcredit of these organizations stood at Tk. 71717.76 crores of which the overdue of microcredit stood at Tk. 2739.62 crores at the end of November 2020.

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 banks (commercial and specialized) has fixed at Tk. 11045.00 crores and PCBs & FCBs target fixed at Tk. 15247.00 crores which are 42.01 percent and 57.99 percent respectively of total agricultural credit disbursement target.

Disbursement

In November 2020, the actual disbursement of agricultural credit stood at Tk. 2306.04 crores, which was 18.53 percent higher than Tk. 1945.54 crores for the previous month. In the same manner, it was 2.48 percent higher than Tk. 2250.30 crores for the same month of the preceding year (Chart 1).

During July-November 2020-21, the actual disbursement of agricultural credit stood at Tk. 8935.89 crores which was 7.59 percent higher than Tk. 8305.13 crores in the same period of the last year. The achievement was 33.99 percent of the disbursement target for FY21.

During July-November 2020-21, 53.4 percent of the total agriculture credit distributed to the crop sub-sector followed by live-stock & poultry (15.1%), others (13.5%), fisheries (11.0%) and poverty alleviation (7.0%). On the other hand, the share of crops was 50.4%, followed by others (14.5%), live-stock & poultry (15.1%), fisheries (11.8%) and poverty alleviation (8.3%) during July-November 2019-20.

Chart 1

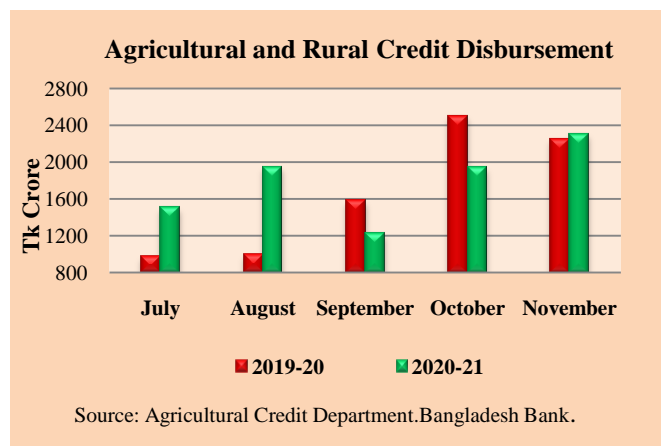
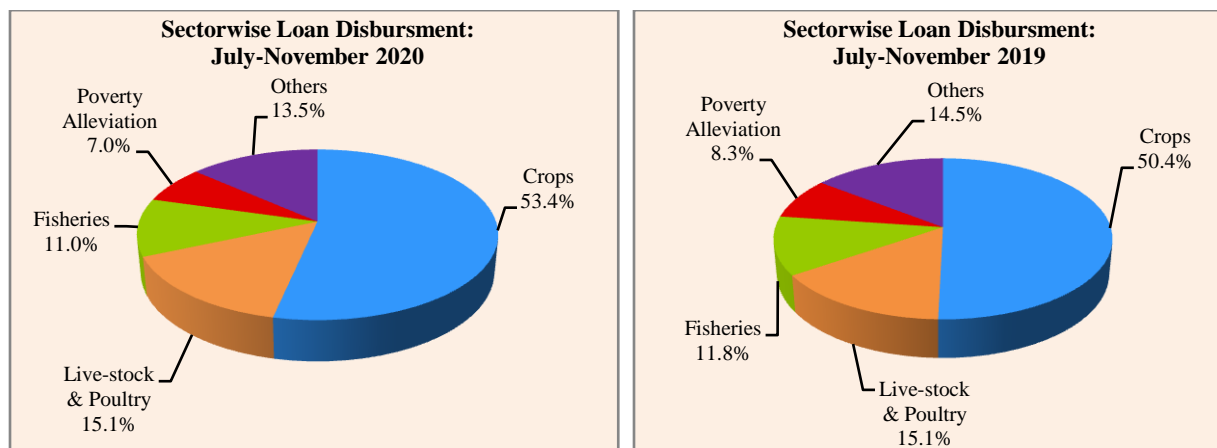
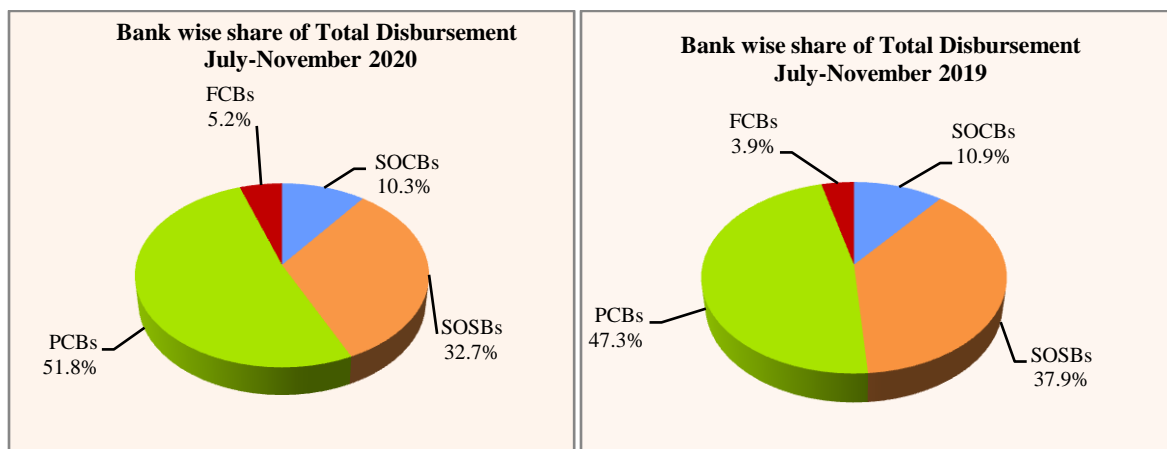


Chart 2



Among the cluster of banks, PCBs share in loan disbursement is 51.8 percent followed by SOSBs (32.7%), SOCBs (10.3%) and FCBs (5.2%) during July-November 2020-21, whereas PCBs disbursed 47.3 percent, followed by SOSBs (37.9%), SOCBs (10.9%) and FCBs (3.9%) during July-November 2019-20. Chart 2 and Chart 3 show sector-wise agricultural loan disbursement and bank-wise share of loan disbursement respectively in FY2020 and FY2021.

Chart 3



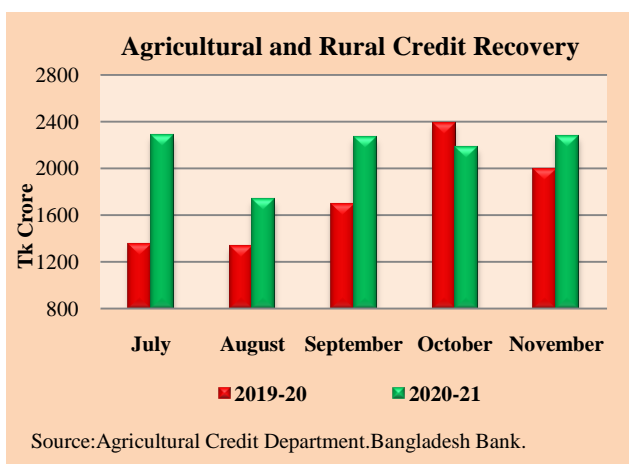
Source: Agricultural Credit Department, Bangladesh Bank.

Recovery

In November 2020, the recovery of agricultural credit stood at Tk. 2269.08 crores, which was 4.10 percent higher than Tk. 2179.36 crores for the last month. In the same manner, it was 13.76 percent higher than Tk. 1994.68 crores for the same month of the preceding year (Chart 4).

During July-November 2020-21, the recovery stood at Tk 10726.34 crores, which was 22.55 percent higher than Tk. 8752.68 crores in the same period of the last year.

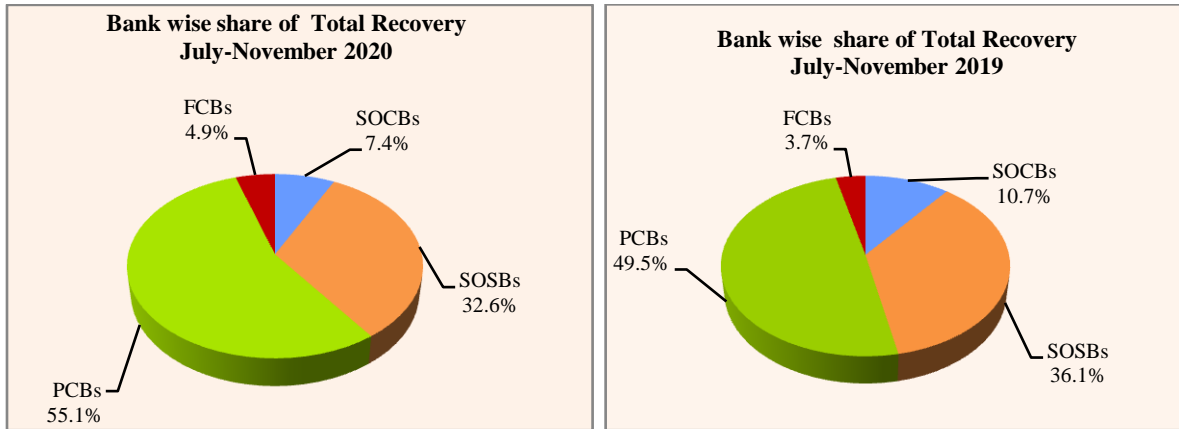
Chart 4



Source: Agricultural Credit Department, Bangladesh Bank.

Among the type of banks, PCBs share in recovery was 55.1 percent followed by SOSBs (32.6%), SOCBs (7.4%) and FCBs (4.9%) during July-November 2020-21, whereas PCBs recovered 49.5 percent, followed by SOSBs (36.1%), SOCBs (10.7%) and FCBs (3.7%) during July-November 2019-20. Chart 4 and Chart 5 show monthly agricultural credit recovery and bank-wise share of total loan recovery respectively FY 2020 and FY2021.

Chart 5



Source: Agricultural Credit Department, Bangladesh Bank.

Outstanding

At the end of November 2020, total outstanding balance of agricultural credit stood at Tk. 43971.93 crores, which was 2.99 percent higher than Tk. 42697.19 crores at the end of November 2019.

Overdue

Overdue of agricultural credit stood at Tk. 6778.45 crores at the end of November 2020, which was 3.60 percent higher than Tk. 6543.21 crores at the end of November 2019. Overdue of agricultural credit as percentage of outstanding stood higher at 15.42 percent at the end of November 2020 compared to 15.32 percent at the end of November 2019.

Refinance

In FY21, Bangladesh Bank didn't grant any short term refinance facility to BKB and RAKUB. In the same manner, it didn't recover any amount from BKB and RAKUB upto November 2020 in FY21. Total outstanding amount of refinance stood at Tk. 5110.60 crores at the end of November 2020, which was Tk. 3299.46 crores in November 2019.

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 November 2020, it disbursed Tk 92.78 crores from its own source and recovered Tk. 86.70 crores which were Tk. 104.77 and Tk. 91.71 crores respectively in October 2020. In November 2019, the disbursement and the recovery were Tk. 84.51 and Tk. 76.64 crores respectively. During July-November 2020, BRDB disbursed Tk. 426.02 crores and recovered Tk. 405.19 crores which were Tk. 380.38 and Tk. 373.08 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 fixed at Tk. 22.00 crores for FY21. In November 2020, BSBL didn't disburse any loan but recovered Tk. 0.66 crore. It recovered Tk. 0.22 crore in October 2020. In November 2019, it didn't disburse any loan but recovered Tk. 0.21 crore. During July-November 2020, BSBL disbursed Tk. 0.25 crore and recovered Tk. 1.66 crores, where as recovered Tk. 1.83 crores during July-November 2019.

Microcredit Operations by Grameen Bank & Large Nine NGOs

In November 2020, Grameen Bank and large nine NGOs² disbursed Tk. 10802 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 20.49 million members availed loan facilities through 10444 branches. It is noteworthy that Grameen Bank, BRAC and ASA disbursed 87.88 percent of the total microcredit among the top 10 Micro Finance Institutions (MFIs) in November 2020. However, in November 2020, total recovery of the microcredit by these 10 MFIs stood at Tk. 10212.35 crores, which was 4.42 percent higher than that of the same month of the preceding year due to outbreak of Covid-19 pandemic. At the end of November 2020, total outstanding of these 10 MFIs stood at Tk. 71717.76 crores, which was 2.73 percent lower than that of the same month of the preceding year. Overdue of microcredit of these same stood at Tk. 2739.62 crores at the end of November 2020, which was 67.20 percent higher than that of the same month of the preceding year. At the end of November 2020, the overdue as percentage of outstanding micro finance stood at only 3.82 percent.

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

Palli Karma Shahayak Foundation

Palli Karma Shahayak Foundation (PKSF) extended loan facility amounting to Tk. 413.34 crores to its 278 POs (Partner Organizations) and recovered Tk. 237.22 crores in December 2019. Total outstanding balance and overdue stood at Tk. 5690.70 crores and Tk. 197.87 crores respectively at the end of December 2019.

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 detail information are 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 detail information are 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 detail information are 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 strengthening 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/jul292020acd101.pdf>
- As stated in the ACD Circular Letter No. 02: 20 September 2020, Bangladesh Bank has declared refinance scheme of 5000 crore taka for providing working capital in agriculture sector due to out-break of Novel Corona Virus. More detail information are available in the link: <https://www.bb.org.bd/mediaroom/circulars/acd/sep202020acd102.pdf>

The Government adopted policy to increase agri-production significantly and as a part of it's program, Bangladesh Government is going to establish an agro-based Export Processing Zone (EPZ) in Rajshahi to export the extra production.

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 though percentage share of agricultural credit over total bank credit is about only 2 percent and it is going on a declining trend. The growth of agriculture. credit is always below the growth of domestic credit which is not rational considering the importance of agriculture sector. 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 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 with lower interest rate 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.

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	2278.9	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	2384.3	2179.63	42388.77	43913.45
November	2250.3	2306.04	1994.68	2269.08	42697.19	43971.93
December	2495.67		2747.45		43026.40	
January	2303.47		2028.29		43318.65	
February	1987.9		1979.88		43315.89	
March	1829.69		1434.86		44035.24	
April	496.63		767.09		43814.45	
May	1132.11		561.55		44219.73	
June	4198.43		2973.44		45592.86	
Total	22749.03	8935.89	21245.24	10726.34		

Source: Agriculture Credit Department, Bangladesh Bank.