

Monthly Report On Agricultural and Rural Financing



October 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. Bishno Pada Biswas, General Manager, Research Department, Bangladesh Bank. E-mail: bishnu.biswas@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 ; Ratna khatun, Assistant Director, Research Department, Bangladesh Bank. E-mail: ratna.khatun@bb.org.bd .

Executive Summary

Agriculture sector plays a significant role in the economy of Bangladesh from the perspective of contribution to 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 still accounts for 13.35 percent share of GDP in FY21. 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 was fixed at Tk. 28391.00 crores for FY22 which was 7.98 percent higher than Tk. 26292.00 crores targeted in FY21. During July-October 2021, the achievement was 27.84 percent of the total disbursement target for FY22.

In **October 2021**, actual agricultural credit disbursement by all banks stood at Tk 2694.62 crores, which was 38.50 percent higher than Tk. 1945.54 crores for the same month of the preceding year. Recovery of agricultural credit stood at Tk. 2011.22 crores in **October 2021**, which was 7.73 percent lower than Tk. 2179.63 crores for the same month of preceding year.

During **July-October 2021**, total agricultural credit disbursement stood at **Tk. 7905.12 crores**, which was 19.24 percent higher than **Tk. 6629.85 crores in July-October 2020**. Total recovery of agricultural credit **stood at Tk. 7597.33 crores during July-October 2021**, which was 10.17 percent lower than **Tk. 8457.26 crores in July-October 2020**.

Outstanding balance (including interest) of agricultural credit stood at **Tk. 46353.79 crores at the end of October 2021**, which was 5.56 percent higher than Tk. 43913.45 crores at the end of **October 2020**. Overdue of agricultural credit stood at **Tk. 7178.69 crores at the end of October 2021**, which was **3.95 percent** higher than **Tk. 6906.06 crores at the end of October 2020**. Overdue of agricultural credit as percentage of outstanding stood lower at **15.49 percent at the end of October 2021 compared to 15.73 percent at the end of October 2020**.

In **October 2021**, Grameen Bank and other nine large NGOs disbursed Tk. 12006.69 crores as microcredit and recovered Tk. 11009.60 crores. The total outstanding balance of microcredit of these organizations stood at Tk. 72921.82 crores of which the overdue of microcredit stood at Tk. 4668.26 crores at the end of **October 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 targets by all scheduled banks were fixed at Tk. 28391.00 crores for FY22, which was 7.98 percent higher than Tk. 26292.00 crores targeted for FY21 and 11.29 percent higher than actual disbursement in FY21. The disbursement targets of all State-Owned Commercial Banks (SOCBs) and State-Owned Specialized Banks (SOSBs) were fixed at Tk. 11045.00 crores and Private Commercial Banks (PCBs) & Foreign Commercial Banks (FCBs) targets were fixed at Tk. 17346.00 crores which are 38.90 percent and 61.10 percent share respectively of total agricultural credit disbursement target.

Disbursement

In October 2021, the actual disbursement of agricultural credit stood at Tk. 2694.62 crores, which was 6.27 percent higher than Tk. 2535.72 crores for the previous month. In the same manner, it was 38.50 percent higher than Tk. 1945.54 crores for the same month of the preceding year (Chart 1). During July-October 2021, the actual disbursement of agricultural credit stood at Tk. 7905.12 crores which was 19.24 percent higher than Tk. 6629.85 crores in the same period of the last year. The achievement was 27.84 percent of the total disbursement target for FY22.

During July-October 2021, 45.5 percent of the total agriculture credit was distributed to the crop sub-sector followed by live-stock & poultry (17.4%), others (17.3%), fisheries (13.1%), and poverty alleviation (6.7%). On the other hand, the share of crops sector was 53.5%, followed by live-stock & poultry (16.1%), others (11.9%), fisheries (10.9%) and poverty alleviation (7.6%) during July-October 2020.

Chart 1

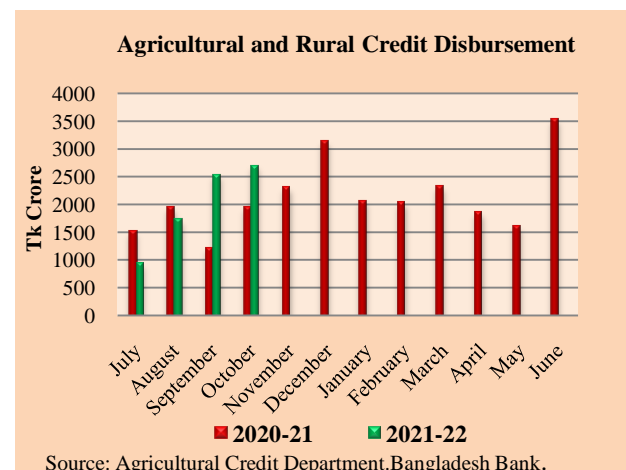
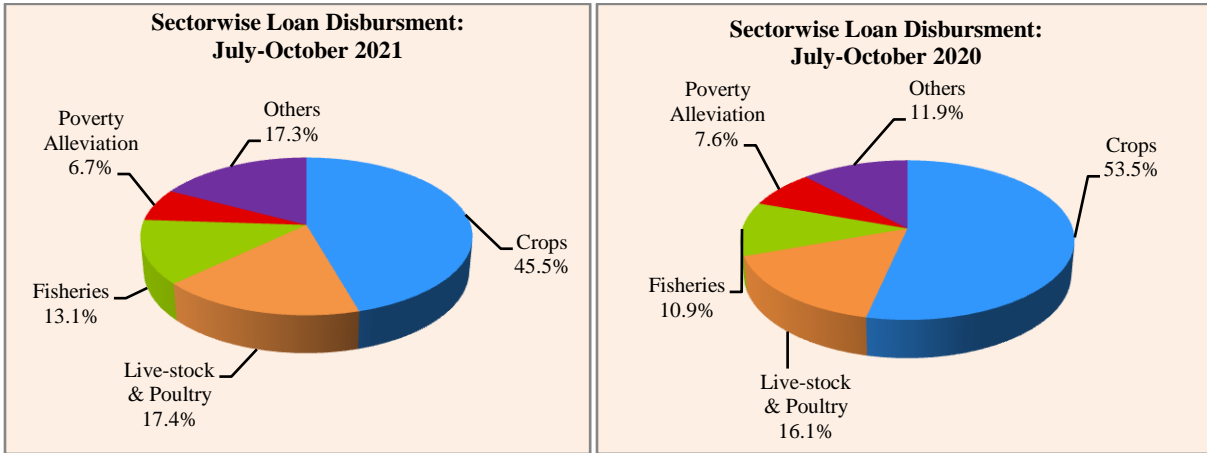


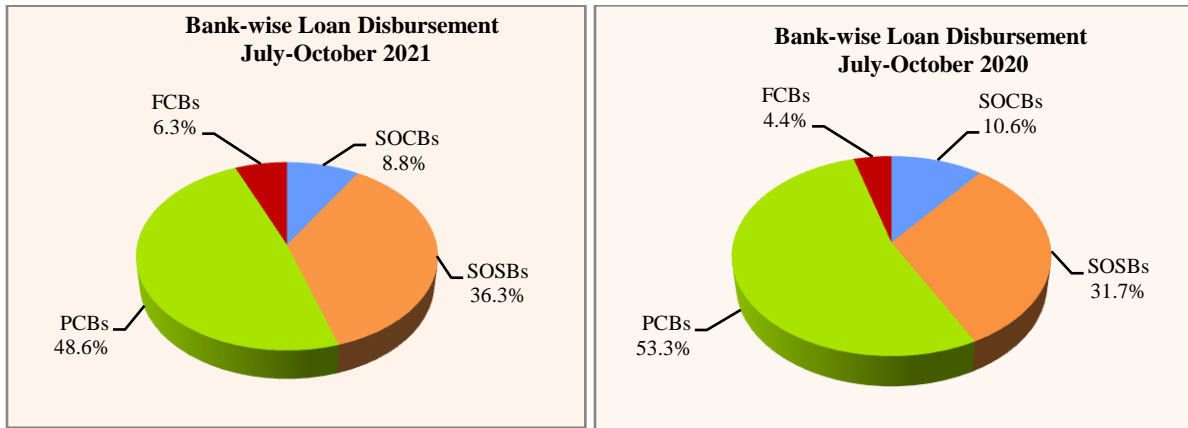
Chart 2



Source: Agricultural Credit Department, Bangladesh Bank.

Among the cluster of banks, PCBs' share in loan disbursement was 48.6 percent followed by SOSBs (36.3%), SOCBs (8.8%) and FCBs (6.3%) during July-October 2021, whereas PCBs disbursed 53.3 percent, followed by SOSBs (31.7%), SOCBs (10.6%) and FCBs (4.4%) during July-October 2020. Chart 2 and Chart 3 show sector-wise and bank-wise loan disbursement respectively in July-October 2020 and July-October 2021.

Chart 3



Source: Agricultural Credit Department, Bangladesh Bank.

Recovery

In October 2021, the recovery of agricultural credit stood at Tk. 2011.22 crores, which was 9.27 percent and 7.73 percent lower than Tk.2216.69 crores for the previous month and Tk. 2179.63 crores for same month of the preceding year respectively (Chart 4).

During July-October 2021, the recovery stood at Tk 7597.33 crores, which was 10.17 percent lower than Tk. 8457.26 crores in the same period of the last year.

Among the type of banks, PCBs' share in recovery was 52.1 percent followed by SOSBs (35.8%), SOCBs (9.2%) and FCBs (2.9%) during July-October 2021, whereas PCBs recovered 55.7 percent, followed by SOSBs (31.7%), SOCBs (7.2%) and FCBs (5.4%), during July-October 2020. Chart 4 shows monthly and Chart 5 shows bank-wise loan recovery for July-October 2020 and July-October 2021.

Chart 4

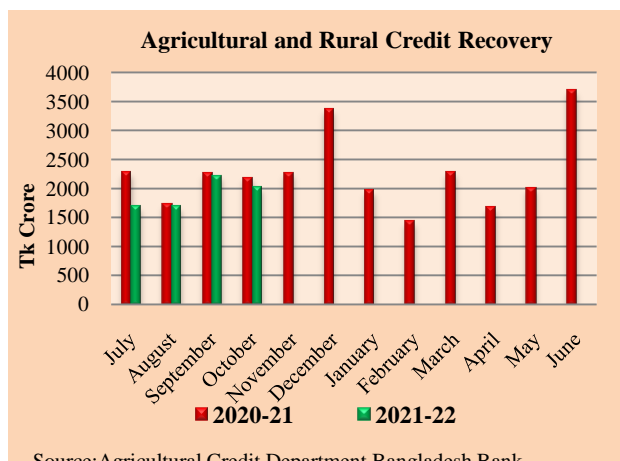
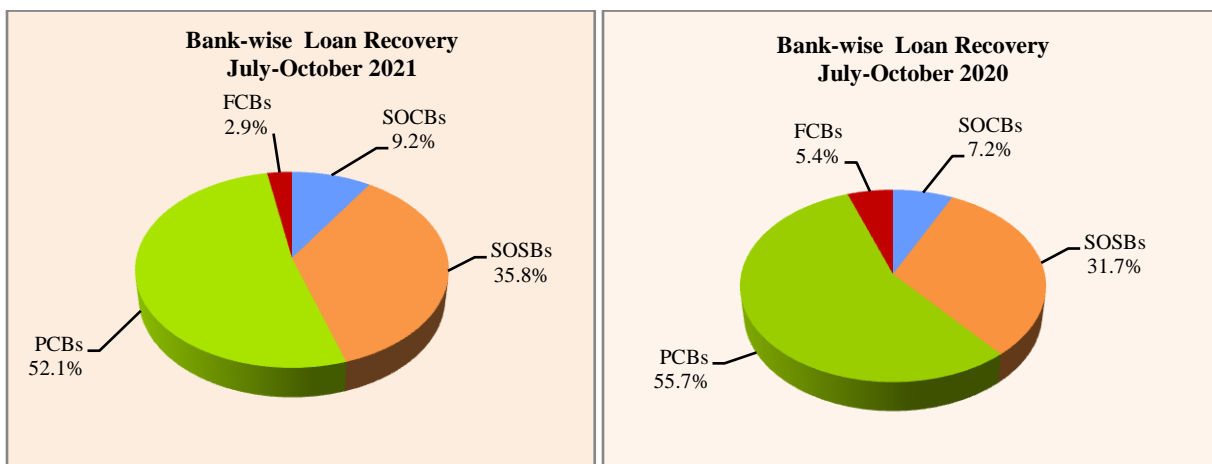


Chart 5



Outstanding

At the end of October 2021, total outstanding balance of agricultural credit stood at Tk. 46353.79 crores, which was 5.56 percent higher than Tk. 43913.45 crores at the end of October 2020.

Overdue

Overdue of agricultural credit stood at Tk. 7178.69 crores at the end of October 2021, which was 3.95 percent higher than Tk. 6906.06 crores at the end of October 2020. Overdue of agricultural credit as percentage of outstanding stood lower at 15.49 percent at the end of October 2021 compared to 15.73 percent at the end of October 2020.

Refinance

Bangladesh Bank sanctioned Tk. 1000 crores short term refinance facility to BKB in June 2020, the repayment schedule for this refinance facility extended to 30 June 2022 in the condition of submitting guarantee certificate. In December 2020, BB sanctioned Tk. 500.00 crores to RAKUB. It didn't recovered any amount from BKB and RAKUB upto October 2021. Total outstanding amount of refinance stood at Tk. 2980.56 crores at the end of October 2021, which was Tk 5101.86 crores in October 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. 1062.50 crores for FY22. In October 2021, it disbursed Tk 109.27 crores and recovered Tk 87.97 crores. In October 2020, it disbursed Tk 104.77 crores and recovered Tk 91.71 crores. During July-October 2021, BRDB disbursed Tk. 293.93 crores and recovered Tk 294.08 crores which were Tk. 333.24 and Tk. 318.49 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. 25.00 crores for FY22. Both in October 2021 and October 2020, BSBL didn't disburse any amount but recovered Tk. 0.32 crore and Tk. 0.22 crore respectively. During July-October 2021, BSBL didn't disburse any amount but it recovered Tk. 0.72 crores, which were Tk. 0.25 crores and Tk 1.00 crores respectively during July-October 2020.

Microcredit Operations by Grameen Bank & Large Nine NGOs²

In October 2021, Grameen Bank and large nine NGOs disbursed Tk. 12006.69 crores in productive and income generating activities in the rural areas under their microcredit program, which was 21.58 percent higher than that of the same month of the preceding year. Under this program, about 29.17 million members availed loan facility through 10712 branches. It is noteworthy that Grameen Bank, BRAC and ASA disbursed 84.75 percent of the total microcredit among the top 10 Micro Finance Institutions (MFIs) in October 2021. However, in October 2021, total recovery of the microcredit by these 10 MFIs stood at Tk. 11009.60 crores, which was 12.56 percent higher than that of the same month of the preceding year. At the end of October 2021, total outstanding of these 10 MFIs stood at Tk. 72921.82 crores, which was 4.08 percent higher than that of the same month of the preceding year. Overdue of microcredit of these MFIs stood at Tk. 4668.26 crores at the end of October 2021, which was 129.47 percent higher than that of the same month of the preceding year. At the end of October 2021, the overdue as percentage of outstanding stood at only 6.40 percent.

Palli Karma Shahayak Foundation

Palli Karma Shahayak Foundation (PKSF) extended loan facility amounting of Tk. 1137.99 crores to its 278 POs (Partner Organizations) and recovered Tk. 361.23 crores in June 2021. Total outstanding balance and overdue stood at Tk. 7211.32 crores and Tk. 212.65 crores respectively at the end of June 2021.

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

Recent Measures Taken by Bangladesh Bank to Facilitate Rural Financing

- According to ACD Circular No. 02: 27 April 2020, Bangladesh Bank issued 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 undertook 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 undertook 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>
- According to the ACD Circular Letter No. 02: 20 September 2020, and to the ACD Circular Letter No. 03: 29 December 2020, Bangladesh Bank 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> and <https://www.bb.org.bd/mediaroom/circulars/acd/dec292020acdl03.pdf>
- According to the ACD Circular Letter No. 01: 31 March 2021, Bangladesh Bank 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>
- According to the ACD Circular Letter No. 01: 29 July 2021, Bangladesh Bank has published Agricultural and Rural Credit Policy and Program for the fiscal year 2021-22. More details information is available in the link: <https://www.bb.org.bd/en/index.php/mediaroom/circular/acd/jul292021acd01.pdf>
- According to the ACD Circular Letter No. 02: 14 September 2021, Bangladesh Bank has declared refinance scheme of Taka 3000 crores for agriculture sector to combat financial crisis due to Covid-19 pandemic. More details information is available in the link: [https:// www.bb.org.bd/mediaroom/circulars/acd/sep142021acd02.pdf](https://www.bb.org.bd/mediaroom/circulars/acd/sep142021acd02.pdf)

- According to the ACD Circular Letter No. 03: 26 October 2021, Bangladesh Bank has published Agriculture & Rural Credit Policy and Programme of FY 2021-22 regarding inclusion of new fruits/crops. More details information is available in the link:

<https://www.bb.org.bd/mediaroom/circulars/acd/oct262021acd03.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 are 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.

Annexure

Monthly Agricultural-Credit Performance by Schedule Banks

(In crore Taka)

Month	Disbursement		Recovery		Outstanding (at the end of Month)	
	FY21	FY22	FY21	FY22	FY21	FY22
July	1508.73	942.11	2278.90	1687.71	44835.57	45195.81
August	1947.45	1732.67	1732.74	1681.71	45045.82	45260.89
September	1228.13	2535.72	2265.99	2216.69	44041.91	44041.91
October	1945.54	2694.62	2179.63	2011.22	43913.45	46353.79
November	2306.04		2269.08		43971.93	
December	3142.09		3364.73		44089.09	
January	2070.74		1965.17		44321.71	
February	2032.01		1436.12		45053.28	
March	2332.49		2282.43		45348.47	
April	1859.43		1661.65		45600.85	
May	1597.65		2000.54		45237.50	
June	3540.96		3686.82		45939.80	
Total	25511.35	7905.12	27123.90	7597.33		

Source: Agriculture Credit Department, Bangladesh Bank.