

Monthly Report On Agricultural and Rural Financing¹



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**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; Masuka Afrin, Assistant Director, Research Department, Bangladesh Bank. E-mail: masuka.afrin@bb.org.bd.

Report Preparation Committee

Chief Coordinator

Dr. Md. Akhtaruzzaman

Economic Adviser

Coordinator

Asish Kumar Dasgupta

General Manager

Team Members

Md. Jasim Uddin

Deputy General Manager

Masuka Afrin

Assistant Director

Executive Summary

Agriculture sector is the backbone of Bangladesh's 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. In this sector, formal financing 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 has been formulated to increase flow of funds in rural areas through agricultural and SME loans under its intensive financial inclusion strategies.

In September 2018, actual agricultural credit disbursement by all banks stood at Tk. 1403.28 crore, which was 2.66 percent lower than that of the same month of the preceding year. Recovery of agricultural credit stood at Tk. 1742.83 crore in September 2018, which was 2.64 percent higher than that of the same month of the last year.

During July-September 2018, total agricultural credit disbursement stood at Tk. 3493.64 crore, which is 16.03 percent of the Annual agricultural credit disbursement target. Total recovery of agricultural credit stood at Tk. 4507.96 crore during July-September 2018. Outstanding balance (including interest) of agricultural credit stood at Tk. 39623.83 crore at the end of September 2018, which was 1.73 percent higher than Tk. 38951.86 crore at the end of September 2017. Overdue of agricultural credit stood at Tk. 7238.73 crore at the end of September 2018, which was 11.41 percent higher than Tk. 6497.60 crore at the end of September 2017. **Overdue of agricultural credit as percentage of outstanding stood higher at 18.27 percent at the end of September 2018 compared to 16.68 percent at the end of September 2017.**

It is noted that **Annual agricultural credit disbursement target was fixed at Tk. 21800.00 crore for FY19 which was 6.86 percent higher than that of FY18.**

Bangladesh Bank initiated a special agricultural refinance program for sharecroppers through BRAC with a short-term revolving fund of Tk. 600 crore for the tenure from July 2015 to June 2018².

In September 2018, Grameen Bank and other large nine NGOs disbursed Tk. 7980.20 crore as microcredit and recovered Tk. 8363.79 crore. The total outstanding balance of microcredit of all these organizations stood at Tk. 63683.73 crore of which the overdue microcredit stood at Tk. 1133.94 crore at the end of September 2018.

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.

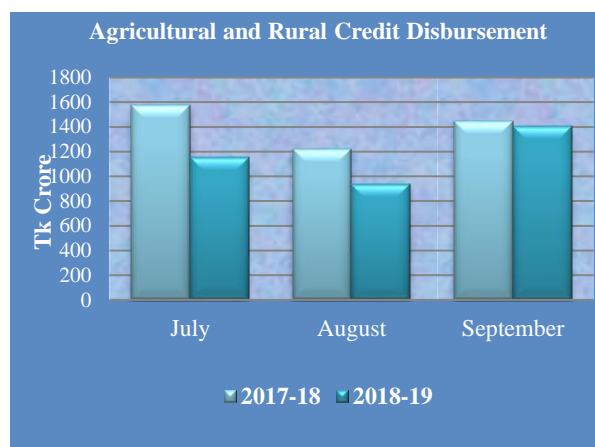
Disbursement Target

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

Disbursement

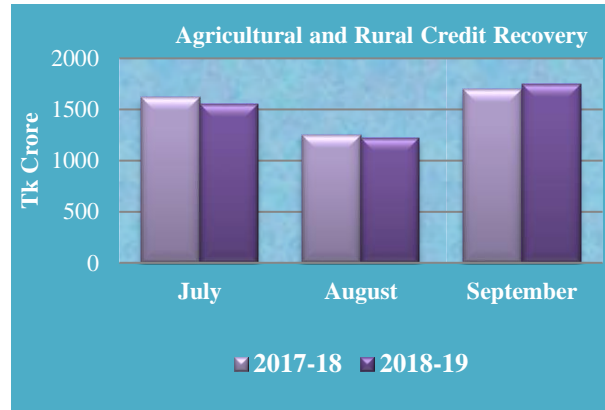
In September 2018, actual disbursement of agricultural credit stood at Tk. 1403.28 crore, which was 49.41 percent higher and 2.66 percent lower than that of the previous month and the same month of the preceding year respectively.

During July-September 2018, actual disbursement of agricultural credit stood at Tk. 3493.64 crore compared to Tk. 4235.74 crore in the same period of last year. The achievement was 16.03 percent of the total target up to September 2018.



Recovery

In September 2018, recovery of agricultural credit stood at Tk. 1742.83 crore which is 42.82 and 2.64 percent higher than Tk. 1220.28 crore and Tk. 1698.03 crore for the previous month and the same month of preceding year respectively. During July-September 2018, the recovery stood at Tk 4507.96 crore.



Outstanding

At the end of September 2018, total outstanding of agricultural credit stood at Tk. 39623.83 crore, which was 1.73 percent higher than Tk. 38951.86 crore at the end of September 2017.

Overdue

Overdue of agricultural credit stood at Tk. 7238.73 crore at the end of September 2018, which was 11.41 percent higher than Tk. 6497.60 crore at the end of September 2017. Overdue of agricultural credit as percentage of outstanding stood higher at 18.27 percent at the end of September 2018 compared to 16.68 percent at the end of September 2017.

Refinance

In FY19, Bangladesh Bank doesn't grant any short term refinance facility to BKB and RAKUB. Bangladesh bank has not recovered any loan from BKB and RAKUB up to September 2018. At the end of September 2018, total outstanding amount of refinance facility stood at Tk. 3317.22 crore. An annexure table regarding agricultural credit activities by banks is enclosed.

Bangladesh Rural Development Board (BRDB)

The disbursement target of Bangladesh Rural Development Board (BRDB) is fixed at Tk. 780.00 crore for FY19. In September 2018, it disbursed Tk. 74.45 crore from its own source and recovered Tk. 71.49 crore which was Tk. 72.96 and Tk. 75.59 crore respectively in August 2018 and Tk. 74.70 and Tk. 60.82 crore respectively in September 2017. During July-September 2018, BRDB disbursed Tk. 219.80 crore and recovered Tk. 225.17 crore.

Bangladesh Shomobay Bank Limited (BSBL)

The disbursement target of BSBL, a non-scheduled bank, is set at Tk. 20.00 crore for FY19. In September 2018, it did not disburse any loan, but recovered Tk. 0.44 crore. In August 2018, it did not disburse any loan, but recovered Tk. 0.18 crore and in September 2017, it disbursed Tk. 0.05 crore and recovered Tk. 0.93 crore. During July-September 2018, BSBL did not disburse any loan, but recovered Tk. 1.11 crore.

Agricultural Credit Program to the Sharecroppers

A special agricultural credit program named "Agricultural Credit Program to the Sharecroppers" was taken by Bangladesh Bank in FY09 with an amount of Tk. 500.00 crore (Tk. 450 crore short-term and Tk. 50 crore mid-term) for three years 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 financial years (from July 2015 to June 2018) with the amount of Tk. 600 crore on short-term basis. Under this scheme, up to 30 June, 2018 total Tk. 3623.65 crore was disbursed to the sharecroppers.

Microcredit Operations by Grameen Bank & Large Nine NGOs

In September 2018, Grameen Bank and other large nine NGOs³ disbursed Tk. 7980.20 crore for productive and income generating activities in rural areas under their microcredit program, which is 27.65 percent higher than that of the same month of the preceding year. Under this program, about 20.67 million members availed loan facility through 10111 branches. It is noted that Grameen Bank, BRAC and ASA disbursed 87.34 percent of the total microcredit in September 2018. However, in September 2018, total recovery of the microcredit stood at Tk. 8363.79 crore, which is 22.53 percent higher than that of the same month of the preceding year. At the end of September

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

2018, total outstanding stood at Tk. 63683.73 crore, which is 22.69 percent higher than that of the same month of the preceding year and total overdue stood at Tk. 1133.94 crore, which is 14.34 percent higher than that of the same month of the preceding year. At the end of September 2018, the overdue as percentage of outstanding stood at only 2.00 percent.

Palli Karma Shahayak Foundation

Palli Karma Shahayak Foundation (PKSF) extended loan facility amounting to Tk. 190.10 crore to its 277 POs (Partner Organizations) in June, 2018 and recovered Tk. 237.50 crore. Up to June 2018, PKSF's outstanding balance and overdue stood at Tk. 4803.81 crore and Tk. 189.09 crore respectively.

Recent Measures Taken by Bangladesh Bank to Facilitate Rural Financing

- 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 | | 1614.34 | | 39222.04 | |
| November | 2026.12 | | 1965.00 | | 39286.08 | |
| December | 2524.86 | | 1988.67 | | 40148.89 | |
| January | 1946.43 | | 1744.41 | | 40368.16 | |
| February | 1818.25 | | 1720.70 | | 40506.70 | |
| March | 1693.80 | | 1797.70 | | 40420.60 | |
| April | 1738.72 | | 2217.64 | | 39998.70 | |
| May | 1670.92 | | 1838.25 | | 39907.10 | |
| June | 1769.74 | | 2052.59 | | 40601.11 | |
| Total | 21393.60 | | 21503.11 | | | |

Source: Agriculture Credit Department, Bangladesh Bank.