



Annual Agricultural/Rural Credit Policy and Program For Fiscal Year (2009-2010)

Agriculture being the key driving force as well as the priority sector of Bangladesh economy, Bangladesh Bank (BB) has formulated Annual Agricultural/Rural Credit Policy and Program for the Fiscal year 2009-10 with a view to ensuring food security of the country. This policy and program will expand agricultural production and employment generating activities by increasing the flow of credit to the agricultural/ rural sector, which in turn, will revive the rural economy by increasing internal demand and thus, BB thinks, will boost up the economy of Bangladesh in the face of global economic recession.

The target for disbursement of agricultural/rural credit has already been fixed at around Tk. 11.5 thousand crore¹ for FY 2009-10 Agriculture/Rural Credit Program and the amount is the highest so far which will be disbursed by the state-owned commercial banks (SCBs) and the specialized banks (SBs) simultaneously with the private (PCBs) and foreign commercial banks (FCBs). The targeted amount will not be limited to grains and crops only; rather adequate allocation has been made under this program for fisheries, livestock and agriculture supporting sectors as well as for income generating and poverty reduction activities in rural areas. In this regard, it may be mentioned that agricultural/rural credit disbursement target in FY 2009-10 has been increased by Tk.2133.07crore (22.74%) compared to that in FY 2008-09 (Tk. 9379.23 crore).

Policies Regarding Agricultural/Rural Credit:

Agricultural/Rural Credit Policy for Fiscal Year 2009-2010 has been formulated as a guideline for banks and other financial institutions to facilitate agricultural/rural credit system at the field level properly. The policy highlights for reaching out to relatively underdeveloped areas for delivering agricultural credit and timely & hassle free delivery of adequate agricultural/rural credit to small farmers & share-croppers. Besides disbursing agricultural credit at Union level openly through a transparent process, emphasis has been given on making district agricultural credit committee (DACC) more active so that only true farmers get agricultural credit. Simultaneously, banks are advised to disburse sufficient amount of credit for agricultural instrument purchase and other agriculture supportive sectors as well as for poverty reduction and income generating activities in rural areas, and to disburse agricultural/rural credit to women entrepreneurs on a priority basis. A comprehensive monitoring strategy for agricultural credit system is being devised by simultaneous monitoring of agricultural credit system at bank level and formation of 'Agricultural Credit Monitoring System' in Bangladesh Bank. In addition to maintaining existing policies for proper implementation of agricultural credit program, a good number of new pro-poor policies have been adopted.

The salient features of Agricultural/Rural Credit Policy are as follows:

Existing Policies:

- A farmer may be sanctioned credit for up to 15 bighas (5 acres) of cultivable land as determined by credit norms. However, credit ceiling for growing potato and sugarcane will remain fixed at 2.5 acres of cultivable land.

¹ Target for FY 2009-10 is Tk.11512.30 crore.

- As per Agricultural/Rural Credit Policy, in disbursement of agricultural credit three core sectors of agricultural credit have to be given priority compared to other sectors. Sixty percent of agricultural credit has to be disbursed to grain and crop sectors only.
- Importance should be attached to regional crop production patterns and crop types (i.e., whichever crops grow better in a region) while disbursing agricultural credit through a pragmatic area-based approach.
- Banks with inadequate number of branches are advised to disburse agricultural/rural credit by establishing linkages with NGOs/self-employment supporting groups if and when needed.
- Banks are encouraged to disburse group-based loans to fishermen in various water bodies, haors and pools.
- In order to provide practical assistance in field level Agricultural Credit Program credit norms including per acre production cost of crops, necessary directions for co-crops and relay crops and crop calendar for planting & harvesting of crops and useful time limit for credit repayment by farmers have been linked with policies in collaboration with the Directorate of Agriculture under the Ministry of Agriculture.

Newly Added Policies:

- Banks are directed to give priority to relatively underdeveloped and neglected areas such as char (shoal), haor and coastal areas in disbursing agricultural credit. Simultaneously, Bangladesh Bank will consider providing refinancing facility to encourage credit distribution programs in such areas.
- A portion of targeted agricultural/rural credit disbursement of Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB), who are receivers of Refinance facility from Bangladesh Bank, will be brought under NGO linkage program.
- In order to bring landless, marginal and sharecroppers under bank credit coverage, arrangement has been made for accessing agricultural credit by submitting certificates by landowners and important persons of society.
- To ensure fair prices of agricultural produces at grower level banks and financial institutions are directed to disburse agricultural credit to genuine farmers as well as in favor of local small businessmen in the crop storage and marketing sectors under agricultural credit program so that small/large crop depots can be built.
- Banks and other concerned institutions are directed to provide necessary credit to successful farmers so that other farmers too get inspired by their success.
- A three-year revolving crop credit program is underway as a means to dispel complications in accessing agricultural credit for the same land arising from submission of land documents every year.
- Banks and other concerned institutions are advised to make arrangement for credit disbursement in the presence of local public representatives, concerned agricultural officers, teachers and other important persons in the community at Union level so that genuine small farmers and share croppers can access agricultural credit, grain and crop credit in particular, through a transparent process.
- Concerned institutions are also advised to disburse credit in favor of fishermen permanently residing in the southern region of the country so that they can purchase/procure fishing instruments such as boats, nets etc.
- Mushroom cultivation has been included in the list of sectors-sub sectors eligible to access to agricultural credit considering the nutritional value and cultivability of mushrooms in Bangladesh.
- New agriculture initiatives have been included in agricultural/rural credit norms with a view to encourage them by providing necessary credit supports. In this respect, banks are directed to seek help from local Agricultural Extension Officers.

- To reduce import dependence agricultural credit has to be offered at 2% under government declared rebate facility for growing agricultural products such as lentils, oilseeds, corns etc. including spices (ginger, garlic etc.).
- As an agriculture supporting sector irrigation, ploughing and harvesting machineries have to be provided with necessary credit. Each bank branch is advised to take initiative for disbursement of agricultural credit for purchasing at least one threshing machine.
- Besides supplying credit to agriculture and supporting sectors, credit has to be made available for different self-employment or income generating activities on individual or group basis with a view to expediting growth momentum in the rural economy.
- Concerned banks have to ensure effective monitoring system so that only the real farmers get necessary amount of agricultural credit in a timely and hassle-free manner and the targeted amount of agricultural credit is disbursed. Bangladesh Bank is also preparing a comprehensive agricultural credit monitoring strategy
- Women entrepreneurs should get priority in agricultural/rural credit disbursement. Attainment of targeted amount of agricultural credit will be deemed as a plus point in getting permission for opening new bank branches.
- District Agricultural Credit Committee headed by Deputy Commissioner in each district has to be more active. Information centers established in DC offices will preserve the list of agricultural loan receivers.
- Banks will be encouraged to use modern Information and Communication Technology (ICT) including mobile phone in agricultural credit disbursement programs. A few banks have already opened Small and Medium Enterprise (SME) centers which may also play a supportive role in disbursing agricultural credit. plough

Annual Agricultural/Rural Credit Norms:

As usually practiced every year, this year too Annual Agricultural/Rural Credit Norms for FY 2009-2010 has been formulated in collaboration with the Directorate of Agricultural Extension for the banks who disburse agricultural loans at field levels as well as for other concerned institutions. The main features of credit norms remain unchanged so as to bring credit facilities close to marginal farmers. However, credit limit has been increased in the range of 5-10 percent to match with production costs of the previous year. Moreover, banks are allowed to adjust credit limit locally up to 10% according to real demands of farmers. Additionally, new agricultural initiatives will be able to avail funding supports and as a part of this facility cultivation of 'BAUkul', 'Apple Kul' and lichis have been included in the Agricultural Credit Norms (ACM). Further actions, if necessary, will be taken to include new agricultural initiatives in ACM for the rest of the fiscal year.

Bangladesh Bank will take all necessary steps to implement the Annual Agricultural Credit/Rural Policy and Program in favor of marginal farmers of the country with the help of other banks. To add momentum to the agricultural credit system, Bangladesh Bank will invigorate its own monitoring system while the concerned banks will continue strengthening their respective monitoring systems. Bangladesh Bank will seriously consider any complaints regarding irregularities with or harassment of farmers. In case of severe complaints, Bangladesh Bank will rapidly investigate into the matter and take necessary actions accordingly.