




PRIORITY SECTOR LENDING

Quarterly Report: Q2-2018

Royal Monetary Authority of Bhutan

13 September 2018



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EXECUTIVE SUMMARY

The Priority Sector Lending (PSL) initiative picked up momentum in the second quarter of 2018. This report presents a summary of the major activities, lessons and data for the first two quarters of 2018 (some past data have been revised).

The number of Dzongkhags and Financial Institutions taking part in reviewing PSL proposals increased in the second quarter, from 7 to 19 Dzongkhags and from 2 to all 7 financial institutions.

The total number of PSL applications received by Dzongkhags increased from 97 in the first quarter to 584 in the second quarter. From a total of 681 applications, Dzongkhags approved 513 projects, of which 78 percent were agricultural-CSI projects and the remaining 22 percent were non-agricultural CSIs. Thimphu dzongkhag received the highest numbers of PSL applications followed by Tsirang and Samtse.

Financial institutions collectively received 278 applications, out of which loan approvals were given for 127 projects for Nu.138.55 million. As of end-June 2018, Nu. 41.69 million were disbursed by the financial institutions.

13 projects were withdrawn by the clients themselves with a few citing high livestock insurance costs and requirement to obtain a paid CSI license as reasons.

Key insights from the data for the first six months of the implementation of the PSL are as follows:

- The majority of PSL applications are for agriculture-related projects with the highest concentration in primary production. Out of the 511 projects approved by Dzongkhags until June 2018, 78% are agricultural CSI projects (dominated by livestock and vegetable farming).
- Projects are clustered around similar ideas while proponents are all individuals with only a handful of groups.

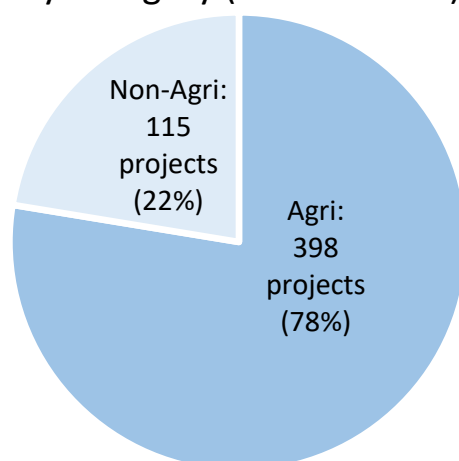
- In terms of the demographic profile¹, 38% are in the 31-40 years age group, followed by 36% in the 21-30 years age group. 24% are above 40 years of age and the remaining 2% are in the 17-20 years age group. 46% were female and 54% were male.
- Close to half of the projects that were rejected by the financial institutions were on account of bad CIB records of the applicants and existing loans with other banks.
- Capacity development of the Dzongkhag PSL committee members remain critical to enable them to efficiently carry out the technical assessments of PSL proponents and identify business potential in their respective dzongkhags.
- With the disbursement of loans and start of PSL project activities, regular monitoring by all stakeholders will be crucial.

¹ Age data were available for 484 applicants while sex data were available for 683 applicants.

PSL DATA-AT-A-GLANCE

| SI | Dzongkhag | Summary of PSL applications processed: January - June 2018 | | | | | |
|---------------|-----------------|--|---------------------------------------|---------------------------------|--------------------------------|--------------------------------|-------------------------------|
| | | No. of Projects Received by Dzongkhag | No. of Projects Approved by Dzongkhag | No. of Projects Received by FIs | No. of Project Approved by FIs | Loan Sanctioned (Nu. Millions) | Loan Disbursed (Nu. Millions) |
| 1 | Bumthang | 51 | 28 | 12 | 6 | 8.62 | 1.87 |
| 2 | Chhukha | 34 | 33 | 24 | 17 | 24.87 | 9.31 |
| 3 | Dagana | 23 | 11 | 1 | 1 | 0.63 | 0.00 |
| 4 | Gasa | 10 | 8 | 6 | 5 | 1.98 | 1.63 |
| 5 | Haa | 34 | 34 | 20 | 2 | 0.58 | 0.00 |
| 6 | Lhuentse | 1 | 1 | 1 | 0 | 0.00 | 0.00 |
| 7 | Monggar | 6 | 5 | 3 | 0 | 0.00 | 0.00 |
| 8 | Paro | 59 | 37 | 13 | 7 | 10.33 | 3.60 |
| 9 | Pemagatshel | 2 | 2 | 1 | 0 | 0.00 | 0.00 |
| 10 | Punakha | 11 | 10 | 2 | 0 | 0.00 | 0.00 |
| 11 | Samdrupjongkhar | 6 | 3 | 2 | 0 | 0.00 | 0.00 |
| 12 | Samtse | 69 | 65 | 17 | 4 | 1.41 | 0.30 |
| 13 | Sarpang | 27 | 24 | 13 | 6 | 3.21 | 0.02 |
| 14 | Thimphu | 169 | 115 | 81 | 53 | 58.29 | 19.57 |
| 15 | Trashigang | 32 | 24 | 13 | 11 | 11.85 | 3.53 |
| 16 | Trashiyangtse | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| 17 | Trongsa | 16 | 11 | 3 | 1 | 0.14 | 0.14 |
| 18 | Tsirang | 113 | 90 | 56 | 12 | 10.16 | 1.71 |
| 19 | Wangduephodrang | 10 | 9 | 7 | 2 | 6.47 | 0.00 |
| 20 | Zhemgang | 8 | 3 | 3 | 0 | 0.00 | 0.00 |
| TOTAL: | | 681 | 511 | 278 | 127 | 138.55 | 41.69 |

Projects Approved by Dzongkhags:
By Category (Jan-Jun 2018)



PSL Applications Processed by Dzongkhag

| Sl | Dzongkhag | Q1 2018 (Jan-Mar) | | | | Q2 2018 (Apr-Jun) | | | | Total: Jan-Jun 2018 | | | |
|---------------|-----------------|-------------------|--------------------|------------------------|--------------------|-------------------|--------------------|------------------------|--------------------|---------------------|--------------------|------------------------|--------------------|
| | | Received | Of which: Approved | Of which: Under Review | Of which: Rejected | Received | Of which: Approved | Of which: Under Review | Of which: Rejected | Received | Of which: Approved | Of which: Under Review | Of which: Rejected |
| 1 | Bumthang | 0 | 0 | 0 | 0 | 51 | 28 | 20 | 3 | 51 | 28 | 20 | 3 |
| 2 | Chhukha | 5 | 5 | 0 | 0 | 29 | 28 | 1 | 0 | 34 | 33 | 1 | 0 |
| 3 | Dagana | 6 | 1 | 3 | 2 | 17 | 10 | 4 | 3 | 23 | 11 | 7 | 5 |
| 4 | Gasa | 4 | 4 | 0 | 0 | 6 | 4 | 0 | 2 | 10 | 8 | 0 | 2 |
| 5 | Haa | 0 | 0 | 0 | 0 | 34 | 34 | 0 | 0 | 34 | 34 | 0 | 0 |
| 6 | Lhuentse | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 0 | 0 |
| 7 | Monggar | 0 | 0 | 0 | 0 | 6 | 5 | 0 | 1 | 6 | 5 | 0 | 1 |
| 8 | Paro | 0 | 0 | 0 | 0 | 59 | 37 | 15 | 7 | 59 | 37 | 15 | 7 |
| 9 | Pemagatshel | 0 | 0 | 0 | 0 | 2 | 2 | 0 | 0 | 2 | 2 | 0 | 0 |
| 10 | Punakha | 0 | 0 | 0 | 0 | 11 | 10 | 0 | 1 | 11 | 10 | 0 | 1 |
| 11 | Samdrupjongkhar | 0 | 0 | 0 | 0 | 6 | 3 | 0 | 3 | 6 | 3 | 0 | 3 |
| 12 | Samtse | 0 | 0 | 0 | 0 | 69 | 65 | 1 | 3 | 69 | 65 | 1 | 3 |
| 13 | Sarpang | 2 | 2 | 0 | 0 | 25 | 22 | 1 | 2 | 27 | 24 | 1 | 2 |
| 14 | Thimphu | 48 | 44 | 1 | 3 | 121 | 71 | 49 | 1 | 169 | 115 | 50 | 4 |
| 15 | Trashigang | 0 | 0 | 0 | 0 | 32 | 24 | 8 | 0 | 32 | 24 | 8 | 0 |
| 16 | Trashiyangtse | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | Trongsa | 0 | 0 | 0 | 0 | 16 | 11 | 0 | 5 | 16 | 11 | 0 | 5 |
| 18 | Tsirang | 27 | 13 | 7 | 7 | 86 | 77 | 5 | 4 | 113 | 90 | 12 | 11 |
| 19 | Wangduephodrang | 5 | 4 | 1 | 0 | 5 | 5 | 0 | 0 | 10 | 9 | 1 | 0 |
| 20 | Zhemgang | 0 | 0 | 0 | 0 | 8 | 3 | 1 | 4 | 8 | 3 | 1 | 4 |
| TOTAL: | | 97 | 73 | 12 | 12 | 584 | 440 | 105 | 39 | 681 | 513 | 117 | 51 |

PSL Applications: Status with Financial Institutions

January - June 2018

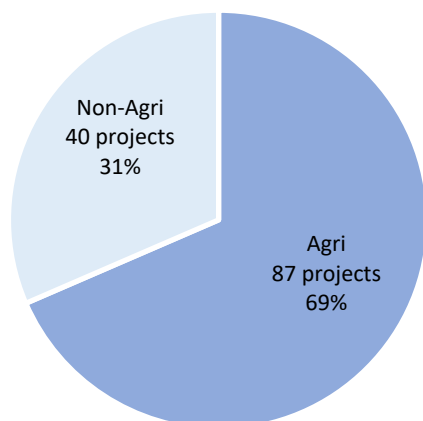
| SI | Dzongkhag | PSL Processed by Dzongkhag | | Status with Financial Institutions | | | | |
|---------------|-----------------|----------------------------|----------------|------------------------------------|-------------------------|------------------------|-------------------------------|--------------------|
| | | Total Received | Total Approved | Received by FIs | of which: Loan Approved | of which: Under Review | of which: Withdrawn by Client | of which: Rejected |
| 1 | Bumthang | 51 | 28 | 12 | 6 | 1 | | 5 |
| 2 | Chhukha | 34 | 33 | 24 | 17 | 4 | 0 | 3 |
| 3 | Dagana | 23 | 11 | 1 | 1 | 0 | 0 | 0 |
| 4 | Gasa | 10 | 8 | 6 | 5 | 0 | 1 | 0 |
| 5 | Haa | 34 | 34 | 20 | 2 | 11 | 0 | 7 |
| 6 | Lhuentse | 1 | 1 | 1 | 0 | 0 | 0 | 1 |
| 7 | Monggar | 6 | 5 | 3 | 0 | 3 | 0 | 0 |
| 8 | Paro | 59 | 37 | 13 | 7 | 2 | 1 | 3 |
| 9 | Pemagatshel | 2 | 2 | 1 | 0 | 0 | 0 | 1 |
| 10 | Punakha | 11 | 10 | 2 | 0 | 2 | 0 | 0 |
| 11 | Samdrupjongkhar | 6 | 3 | 2 | 0 | 2 | 0 | 0 |
| 12 | Samtse | 69 | 65 | 17 | 4 | 9 | 0 | 4 |
| 13 | Sarpang | 27 | 24 | 13 | 6 | 2 | 1 | 4 |
| 14 | Thimphu | 169 | 115 | 81 | 53 | 7 | 7 | 14 |
| 15 | Trashigang | 32 | 24 | 13 | 11 | 1 | 1 | 0 |
| 16 | Trashiyangtse | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | Trongsa | 16 | 11 | 3 | 1 | 1 | 0 | 1 |
| 18 | Tsirang | 113 | 90 | 56 | 12 | 22 | 2 | 20 |
| 19 | Wangduephodrang | 10 | 9 | 7 | 2 | 2 | | 3 |
| 20 | Zhemgang | 8 | 3 | 3 | 0 | 2 | 0 | 1 |
| TOTAL: | | 681 | 513 | 278 | 127 | 71 | 13 | 67 |

PSL Approved: by FI and Dzongkhag

| FI | Dzongkhag | No. of Projects | Loan Sanctioned | Loan Disbursed (Nu. Millions) | |
|--------------|-----------------|-----------------|-----------------|-------------------------------|--------------|
| | | | | Q1 2018 | Q2 2018 |
| BOBL | Bumthang | 4 | 0.67 | 0.00 | 0.37 |
| | Chhukha | 10 | 7.79 | 0.00 | 1.69 |
| | Dagana | 1 | 0.43 | 0.00 | 0.00 |
| | Paro | 3 | 1.24 | 0.00 | 0.33 |
| | Samtse | 2 | 0.41 | 0.00 | 0.30 |
| | Sarpang | 5 | 2.00 | 0.17 | 0.02 |
| | Thimphu | 29 | 19.30 | 1.30 | 7.25 |
| | Trashigang | 4 | 6.43 | 0.00 | 0.91 |
| | Trongsa | 1 | 0.14 | 0.00 | 0.14 |
| | Tsirang | 11 | 9.40 | 0.00 | 1.31 |
| | TOTAL | 70 | 47.82 | 1.47 | 12.34 |
| BNBL | Bumthang | 2 | 7.95 | 0.00 | 1.50 |
| | Chhukha | 5 | 16.08 | 1.48 | 7.30 |
| | Dagana | 1 | 0.21 | 0.00 | 0.00 |
| | Gasa | 5 | 1.98 | 0.00 | 1.63 |
| | Haa | 1 | 0.58 | 0.00 | 0.00 |
| | Paro | 3 | 8.86 | 0.00 | 3.03 |
| | Sarpang | 1 | 1.21 | 0.00 | 0.00 |
| | Thimphu | 18 | 23.91 | 1.42 | 9.26 |
| | Trashigang | 6 | 2.42 | 0.00 | 0.92 |
| | Tsirang | 1 | 0.76 | 0.00 | 0.40 |
| | Wangduephodrang | 2 | 6.47 | 0.50 | 0.00 |
| | TOTAL | 45 | 70.42 | 3.40 | 24.04 |
| BDBL | Thimphu | 1 | 0.40 | 0.00 | 0.40 |
| | TOTAL | 1 | 0.4 | 0 | 0.4 |
| DPNBL | Chhukha | 1 | 0.50 | 0.00 | 0.32 |
| | Paro | 1 | 0.24 | 0.00 | 0.24 |
| | Samtse | 2 | 1.00 | 0.00 | 0.00 |
| | Thimphu | 2 | 0.98 | 0.00 | 0.32 |
| | TOTAL | 6 | 2.72 | 0.00 | 0.87 |
| TBank | Chhukha | 1 | 0.50 | 0.00 | 0.00 |
| | Thimphu | 3 | 13.70 | 0.00 | 2.34 |
| | TOTAL | 4 | 14.20 | 0.00 | 2.34 |
| RICBL | Trashigang | 1 | 3.00 | 0.00 | 1.70 |
| | TOTAL | 1 | 3.00 | 0.00 | 1.70 |
| TOTAL | | 127 | 138.55 | 4.87 | 41.69 |

Note: BIL received 1 PSL application which was rejected because of bad CIB

Projects Approved by FIs:
By Category (Jan-Jun 2018)



| Insurance Product | No. of Projects | Sum Insured (Nu. Million) |
|-------------------------|-----------------|---------------------------|
| Crop Insurance | 9 | 1.65 |
| Livestock Insurance | 6 | 2.32 |
| Life (Quende Nengsung) | 41 | 22.71 |
| Non-agri (fire & theft) | 22 | 17.81 |
| TOTAL | 78 | 44.48 |

MILESTONES

1 JAN 2018

- Government Order C2/823 empowering Dzongkhag PSL Committees issued
- PSL Guidelines come into effect

JAN. 2018

- Dzongdag Conference on PSL for all twenty Dzongkhags conducted (19 January in Gelephu; 22 January in Samdrupjongkhar; 26 January in Paro)

MAR. 2018

- 8 March: First PSL loan sanctioned (Nu.500,000 sanctioned by BNBL to a 26 year-old farmer from Wangduephodrang for commercial potato cultivation)
- 13 March: Coordination meeting with donors and development partners to discuss support in capacity building and access to market and technology
- 14 March: Second PSL loan sanctioned (Nu.846,000 sanctioned by BOBL to a 34 year-old farmer for mushroom/poultry integrated farming in Thimphu)

MAY 2018

- PSL Workshop for Dzongkhag Focals

This report has been compiled by the Royal Monetary Authority of Bhutan based on data provided by the financial institutions and the Dzongkhag PSL focal officers.

Data pertains to the first two quarters of 2018 (i.e. January-March and April – June). Some data for the first quarter of 2018 have been revised.

Any revisions to the data published in this report will be reflected in the next report.

The RMA would like to thank all our partners for your support.

This report is available on the RMA's website www.rma.org.bt