




# PRIORITY SECTOR LENDING

Quarterly Report: Q3-2018

Royal Monetary Authority of Bhutan

25 December 2018

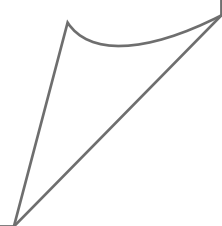


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## EXECUTIVE SUMMARY

The Priority Sector Lending (PSL) initiative saw increased participation in the third quarter of 2018. All the 20 Dzongkhags and 7 financial institutions were involved in reviewing PSL proposals while financial institutions approved PSL projects in new Dzongkhags as well. This report presents a summary of the major activities, lessons and data for the first three quarters of 2018 (some past data have been revised).

The Dzongkhags received a total of 494 PSL applications in the third quarter as compared to 572 and 95 applications received in the second and first quarters, respectively.

From a total of 1,161 applications, Dzongkhags approved 906 projects, of which 80 percent were agricultural-CSI projects and the remaining 20 percent were non-agricultural CSIs. Thimphu dzongkhag continued to receive the highest numbers of PSL applications (216 projects) followed by Tsirang (115 projects) and Dagana (114 projects).

Financial institutions collectively received 440 applications, out of which loan approvals were given for 216 projects for Nu. 233.10 million. As of September-end 2018, Nu. 181.78 million were disbursed by the financial institutions. With 71 projects, Thimphu accounted for one-third of the total projects cleared by the financial institutions, followed by Chhukha, Samtse and Tsirang with 18 projects each.

During the third quarter, BOBL has financed 7 projects in 4 new dzongkhags; BNBL has financed 14 projects in 4 new dzongkhags; BDBL has financed 4 projects in 3 new dzongkhags; DPNBL has financed 2 projects in 1 new dzongkhag; T Bank has financed 2 projects in 2 new dzongkhags and RICBL has financed 1 project in 1 new dzongkhag. No projects were financed by BIL in any of the dzongkhags.

30 projects were withdrawn by the clients themselves with a few citing high livestock insurance costs and requirement to obtain a paid CSI license as reasons.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 nine 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 906 projects approved by Dzongkhags until September 2018, 80% 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 profile<sup>1</sup>, 36% of the total applicants are above 40 years of age, followed by 34% in the 31-40 years age group and 28% in 21-30 years age group. The remaining 2% are in the 17-20 years age group. 44% were female and 56% 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.

The RMA started the Dzongkhag field visits on 3<sup>rd</sup> November 2018 and has so far covered 11 Dzongkhags. The RMA team met the Dzongkhag PSL committee led by the respective Dasho Dzongdags while joint teams comprising RMA, Dzongkhag and Financial Sector representatives visited approved PSL project sites. The feedback and insights received from these visits will assist in improving the PSL Guidelines for 2019.

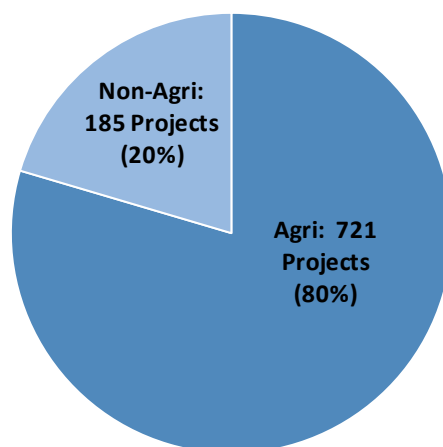
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<sup>1</sup> Age data were available for 1047 applicants while sex data were available for 1148 applicants.

## PSL DATA-AT-A-GLANCE

SI	Dzongkhag	Summary of PSL applications processed: January - September 2018					
		No. of Projects Received by Dzongkhag	No. of Projects Approved by Dzongkhag	No. of Projects Received by FIs	No. of Projects Approved by FIs	Loan Sanctioned (Nu. in Millions)	Loan Disbursed (Nu. in Millions)
1	Bumthang	111	83	25	14	11.61	5.16
2	Chukha	40	37	31	18	25.66	17.46
3	Dagana	114	56	17	4	1.55	0.96
4	Gasa	10	9	7	5	1.98	1.98
5	Haa	40	36	28	9	14.36	14.28
6	Lhuentse	4	4	4	1	0.50	0.34
7	Mongar	10	7	6	1	0.45	0.45
8	Paro	76	40	19	13	14.26	13.56
9	Pemagatshel	61	59	3	2	10.55	5.00
10	Punakha	11	10	7	5	7.43	7.43
11	Samdrupjongkhar	7	4	4	3	6.88	6.88
12	Samtse	101	94	31	18	6.23	6.12
13	Sarpang	106	101	26	12	6.92	5.72
14	Tashigang	46	36	21	14	12.97	7.45
15	Tashiyangtse	4	4	1	0	0.00	0.00
16	Thimphu	216	165	105	71	83.36	61.53
17	Trongsa	18	13	6	2	0.45	0.45
18	Tsirang	115	91	71	18	12.59	12.59
19	Wangduephodrang	24	17	12	5	12.08	12.08
20	Zhemgang	47	40	16	1	3.28	2.35
<b>TOTAL:</b>		<b>1,161</b>	<b>906</b>	<b>440</b>	<b>216</b>	<b>233.10</b>	<b>181.78</b>

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



**PSL Applications Processed by Dzongkhag**

SI	Dzongkhag	Q1 2018				Q2 2018				Q3 2018				STATUS AS OF SEPT 2018			
		Received	Approved	Under Review	Rejected	Received	Approved	Under Review	Rejected	Received	Approved	Under Review	Rejected	Received	Approved	Under Review	Rejected
1	Bumthang	-	-	-	-	43	27	12	4	68	56	15	9	111	83	15	13
2	Chukha	5	5	-	-	31	28	1	2	4	4	1	-	40	37	1	2
3	Dagana	6	-	3	3	18	11	7	3	90	45	52	-	114	56	52	6
4	Gasa	4	4	-	-	6	5	-	1	-	-	-	-	10	9	-	1
5	Haa	-	-	-	-	34	34	-	-	6	2	4	-	40	36	4	-
6	Lhuentse	-	-	-	-	1	1	-	-	3	3	-	-	4	4	-	-
7	Mongar	-	-	-	-	6	5	-	1	4	2	1	1	10	7	1	2
8	Paro	-	-	-	-	50	39	4	7	26	1	29	-	76	40	29	7
9	Pemagatshel	-	-	-	-	1	1	-	-	60	58	-	2	61	59	-	2
10	Punakha	-	-	-	-	11	10	-	1	-	-	-	-	11	10	-	1
11	Samdrupjongkhar	-	-	-	-	6	3	-	3	1	1	-	-	7	4	-	3
12	Samtse	-	-	-	-	69	65	1	3	32	29	2	2	101	94	2	5
13	Sarpang	2	2	-	-	24	21	1	2	80	78	2	1	106	101	2	3
14	Tashigang	-	-	-	-	34	24	10	-	12	12	10	-	46	36	10	-
15	Tashiyangtse	-	-	-	-	-	-	-	-	4	4	-	-	4	4	-	-
16	Thimphu	48	44	1	3	119	80	40	-	49	41	48	-	216	165	48	3
17	Trongsa	-	-	-	-	16	11	-	5	2	2	-	-	18	13	-	5
18	Tsirang	27	15	5	7	85	76	10	4	3	-	10	3	115	91	10	14
19	Wangduephodrang	3	2	1	-	9	5	5	-	12	10	7	-	24	17	7	-
20	Zhemgang	-	-	-	-	9	3	1	5	38	37	-	2	47	40	-	7
<b>TOTAL:</b>		<b>95</b>	<b>72</b>	<b>10</b>	<b>13</b>	<b>572</b>	<b>449</b>	<b>92</b>	<b>41</b>	<b>494</b>	<b>385</b>	<b>181</b>	<b>20</b>	<b>1,161</b>	<b>906</b>	<b>181</b>	<b>74</b>

**PSL Applications: Status with Financial Institutions**

**January - September 2018**

SI	Dzongkhag	PSL Projects 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	111	83	25	14	0	2	9
2	Chukha	40	37	31	18	1	2	10
3	Dagana	114	56	17	4	5	0	8
4	Gasa	10	9	7	5	1	1	0
5	Haa	40	36	28	9	1	1	17
6	Lhuentse	4	4	4	1	0	0	3
7	Mongar	10	7	6	1	0	0	5
8	Paro	76	40	19	13	2	1	3
9	Pemagatshel	61	59	3	2	0	0	1
10	Punakha	11	10	7	5	0	0	2
11	Samdrupjongkhar	7	4	4	3	1	0	0
12	Samtse	101	94	31	18	10	0	3
13	Sarpang	106	101	26	12	4	2	8
14	Tashigang	46	36	21	14	2	1	4
15	Tashiyangtse	4	4	1	0	1	0	0
16	Thimphu	216	165	105	71	5	8	21
17	Trongsa	18	13	6	2	1	1	2
18	Tsirang	115	91	71	18	0	10	43
19	Wangduephodrang	24	17	12	5	0	0	7
20	Zhemgang	47	40	16	1	2	1	12
<b>TOTAL:</b>		<b>1,161</b>	<b>906</b>	<b>440</b>	<b>216</b>	<b>36</b>	<b>30</b>	<b>158</b>

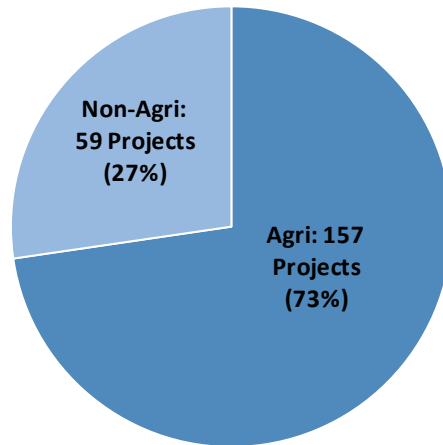
**PSL Approved: by FI and Dzongkhag**

<b>FI</b>	<b>Dzongkhag</b>	<b>No. of Projects</b>	<b>Loan Sanctioned (Nu. in Millions)</b>	<b>Loan Disbursed (Nu. in Millions)</b>
BOBL	Bumthang	6	1.06	1.06
	Chukha	10	7.79	7.70
	Dagana	2	0.85	0.25
	Haa	4	1.39	1.31
	Lhuentse	1	0.50	0.34
	Mongar	1	0.45	0.45
	Paro	4	1.67	1.51
	Punakha	2	0.45	0.45
	Samdrupjongkhar	3	6.88	6.88
	Samtse	7	2.16	2.04
	Sarpang	7	2.43	2.08
	Tashigang	7	7.29	1.77
	Thimphu	33	21.89	17.47
	Trongsa	2	0.45	0.45
	Tsirang	15	10.43	10.43
	<b>TOTAL</b>	<b>104</b>	<b>65.67</b>	<b>54.20</b>
BNBL	Bumthang	8	10.55	4.10
	Chukha	6	16.87	9.09
	Dagana	1	0.21	0.21
	Gasa	5	1.98	1.98
	Haa	5	12.97	12.97
	Paro	6	11.35	11.00
	Pemagatshel	2	10.55	5.00
	Punakha	3	6.98	6.98
	Samtse	8	2.58	2.58
	Sarpang	3	2.79	1.93
	Tashigang	6	2.68	2.68
	Thimphu	28	43.40	26.51
	Tsirang	3	2.16	2.16
	Wangduephodrang	5	12.08	12.08
	Zhemgang	1	3.28	2.35
<b>TOTAL</b>	<b>90</b>	<b>140.42</b>	<b>101.61</b>	
BDBL	Dagana	1	0.50	0.50
	Samtse	1	0.50	0.50
	Sarpang	2	1.70	1.70
	Thimphu	2	0.75	0.75
	<b>TOTAL</b>	<b>6</b>	<b>3.45</b>	<b>3.45</b>
DPNBL	Chukha	1	0.50	0.32
	Paro	2	0.74	0.74
	Samtse	2	1.00	1.00
	Thimphu	3	1.42	1.11
	<b>TOTAL</b>	<b>8</b>	<b>3.66</b>	<b>3.16</b>
TBANK	Chukha	1	0.50	0.35
	Paro	1	0.50	0.32
	Thimphu	4	14.20	14.03
	<b>TOTAL</b>	<b>6</b>	<b>15.20</b>	<b>14.70</b>
RICBL	Tashigang	1	3.00	3.00
	Thimphu	1	1.70	1.66
	<b>TOTAL</b>	<b>2</b>	<b>4.70</b>	<b>4.66</b>
<b>GRAND TOTAL</b>		<b>216</b>	<b>233.10</b>	<b>181.78</b>

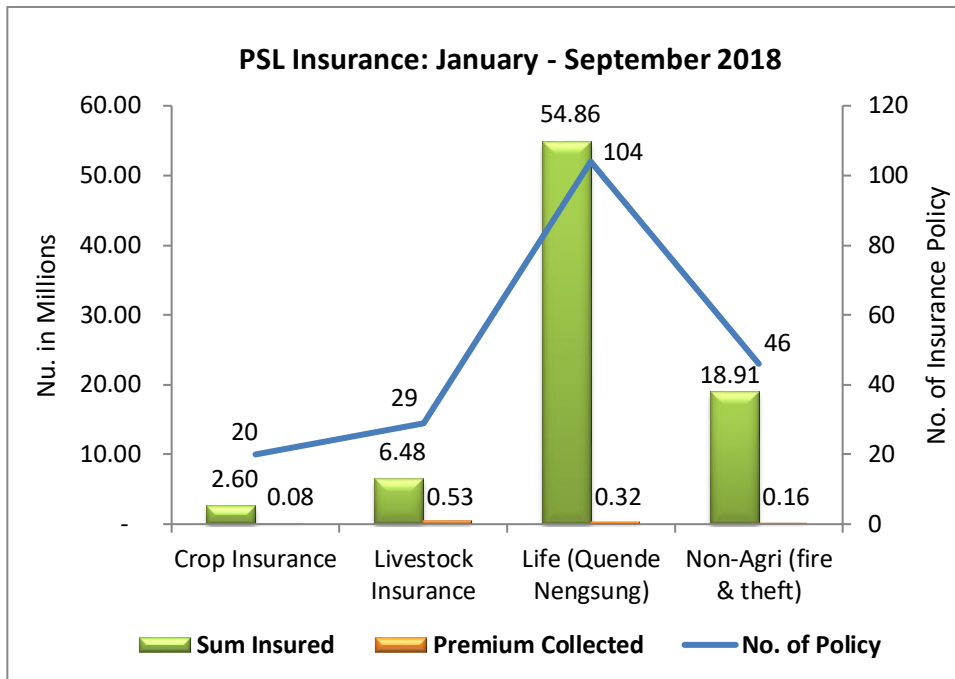
Note: BIL received 4 PSL proposals, of which 3 were declined & 1 is under review



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



**PSL Insurance: Sum Insured vis-à-vis Premiums Collected**



**PSL Insurance Data: January - September 2018**

SI	Insurance Product	No. of Policy	Sum Insured (Nu. in Mill.)	Premiums Collected (Nu. in Mill.)
1	Crop Insurance	20	2.60	0.08
2	Livestock Insurance	29	6.48	0.53
3	Life (Quende Nengsung)	104	54.86	0.32
4	Non-Agri (fire & theft)	46	18.91	0.16
<b>TOTAL</b>		<b>199</b>	<b>82.86</b>	<b>1.08</b>

## 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

NOV. 2018

- 03 November: PSL monitoring tours for all 20 Dzongkhags kick-started with Chhukha Dzongkhag
- 05 November: PSL System launched by DCSI, MoEA

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 three quarters of 2018 (i.e. January-March, April-June & July-September). Some data for the first two quarters 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](http://www.rma.org.bt)