

Chapter - V

Agricultural Credit Agencies in Bangladesh

5.1 Institutional Structure for Agricultural Credit

For any credit programme to be implemented effectively, proper institutional arrangements are most essential. Even well-designed programmes can fail if the institutional framework is not adequate. This is even more true in the case of agricultural credit where a vast area and a large rural population have to be covered by the credit programme. Rural credit programmes also have to be designed keeping the socioeconomic condition of the target people in view. For rural advancement of a nation, rural credit agencies generally have to cater to the financing needs of (a) agriculture, (b) small business and (c) cooperative development. Separate institutional credit arrangements may also have to be made to meet the special needs of a particular class of people with reference to their economic, professional or regional status.

The Government of Bangladesh has constantly endeavoured to provide adequate financial support to the rural and agricultural sectors of the country. Many institutions and agencies are thus involved directly or indirectly involved in agricultural credit and rural finance. An attempt will be next to examine the overall rural credit performance of formal-sector banks, which have been assigned a vital role in providing credit support to the agricultural sector, as noted earlier.

The formal-sector banks involved in credit disbursement to the agricultural sector in Bangladesh are

- (i) the apex bank, i.e. Bangladesh Bank;
- (ii) the Nationalised Commercial Banks [NCBs], i.e. Sonali Bank, Agrani Bank and Janata Bank; and
- (iii) the specialised banks, i.e. the Bangladesh Krishi Bank [BKB], the Rajshahi Krishi Unnayan Bank [RAKUB] and the Bangladesh Samabaya Bank Ltd.[BSBL]

The credit functions and activities of these institutions are examined here in the light of their overall impact on the agricultural sector in Bangladesh.

5.2 Agricultural Credit & the Bangladesh Bank

As the apex monetary institution of the country, Bangladesh Bank exercises ultimate control over all banking programmes in Bangladesh. It formulates the policies, rules and regulations that govern institutional credit and also monitors all development activities in the national economy. Bangladesh Bank also provides institutional support for efficient implementation of agricultural credit policies. In view of the country's primary dependence on agriculture, Bangladesh Bank has the onus of announcing the agricultural credit policy applicable for each year, especially on matters governing crop-loans. This policy is implemented through the credit operations of the NCBs as well as BKB, RAKUB, BSBL and the Bangladesh Rural Development Board [BRDB]. After the annual agricultural credit programme has been formulated by Bangladesh Bank in consultation with the Ministry of Agriculture, it allocates funds for the credit programme to different banking institutions and closely monitors the implementation of policy guidelines. While resolving any difficulties that may be encountered by banking institutions, Bangladesh Bank also functions as the lender of the last resort. The major functions of the Bangladesh Bank that define its role in relation to agricultural credit are discussed below.

5.2.1 Policy Formulation

Detailed policy guidelines for proper disbursement, utilisation and recovery of agricultural credit are issued by Agricultural Department of Bangladesh Bank for implementation through the NCBs, and BKB,

BRDB, BSBL and RAKUB. In framing credit norms for financing the agricultural sector, the Bank takes account of the crop-wise, sector-wise and target group-wise credit needs of farmers to enable effective channelisation of finance.¹ Specific time schedules are announced for disbursement of various types of credit. The policy guidelines also make specific mention of the norms on borrower eligibility, the quantum of credit support to be disbursed for various crops, and the period over which credit recovery is to take place. Participating banks are expected to follow these schedules and norms meticulously.

5.2.2 Credit Targeting

Special attention is given to ensuring the adequate flow of bank credit to farmers in order to make Bangladesh self-sufficient in foodgrains by increasing major crop production and achieving overall development of the agricultural sector. Bangladesh Bank earlier used to prepare an Annual Agricultural Credit Programme to be followed by all financing banks and institutions. From the crop year 1991-92 onwards, the banks and institutions have been allowed to prepare their own Annual Agricultural Credit Programmes for implementation within the framework of the credit policy of the Government.²

In 1997-98, banks and financial institutions in Bangladesh undertook to disburse an agricultural credit target of Tk.2352 crore. Fund allocations to different agricultural subsectors under the credit programme comprised Tk.1027 crore (43.7 percent) as crop loans [for non-plantation crops], Tk.14 crore (0.6 percent) for purchases and installation of irrigation equipment and the remaining 55 percent for other activities. Against this, actual disbursement in 1997-98 amounted to Tk.1642.84 crore equivalent to 69.8 percent of the disbursement target for that year. Total recoveries of agricultural credit over the year amounted to Tk. 1068.60 crore. As a result, total outstandings of agricultural credit in 1997-98 increased to Tk.8125.80 crore.³

5.2.3 Credit Refinancing

To ensure smooth and timely disbursement of agricultural credit to farmers at reasonable rates of interest, Bangladesh Bank has extended liberal refinance facilities to all formal-sector agricultural credit institutions since 1983. Although refinancing rates have varied, concessional rates have occasionally been provided to particular institutions in the greater interest of the country's rural sector.⁴ An overview of the extent of refinancing provided by Bangladesh Bank to different agricultural lending agencies can be obtained from the table below.

Table 5.1: Refinancing by the Bangladesh Bank

Institution	[in crore Tk.]			
	1982-83	1983-84	1987-88	1988-89
Nationalised Commercial Banks [NCBs]	166.57	232.97	110.29	84.87
Bangladesh Krishi Bank [BKB]	185.80	376.90	109.94	157.95
Rajshahi Krishi Unnayan Bank [RAKUB]	-	-	32.70	31.45
Bangladesh Samabaya Bank Ltd. [BSBL]	22.35	21.36	10.91	13.02
Total	374.72	631.23	263.8	287.3

Source: (i) Islam [1985]: *Rural Finance*, p.57

(ii) MOF [1989]: *Resume of the Activities of the Financial Institutions in Bangladesh*, 1988-89, pp.12-13

The refinancing policy of Bangladesh Bank does not uniformly cover all agricultural credit institutions. A Joint GOB & IDA Review in 1983 reported that the refinance received by BKB amounted to 70 percent of its annual credit programme and to 93 percent in the case of BSBL. In contrast the extent of dependence of the NCBs on refinance from Bangladesh Bank amounted to 7 percent only.⁵ However, the refinancing policy was partially modified from January 1990, along with the implementation of the new interest rate policy. Rediscounting facilities were introduced in replacement of refinancing for agricultural credit from all formal-sector banks, except BKB and RAKUB. It was also decided that refinancing of agricultural loans disbursed by BKB and RAKUB would be extended at the existing Bank Rate. The agricultural credit programme of the Bangladesh Rural Development Board [BRDB] which is financed by the NCBs continues to be refinanced by Bangladesh Bank at the prevailing rate of interest.⁶ As a result of the change in policy, refinancing by Bangladesh Bank to agricultural lending agencies during FY1997-98 amounted to only Tk.165.10 crore, representing a sharp decline from Tk.631.23 crore in 1983-84 and Tk.287.36 crore in 1988-89.⁷

5.3 The Nationalised Commercial Banks [NCBs]

Prior to the liberation of Bangladesh in 1971, commercial banks had played an insignificant role in agricultural and rural credit. Even after this event, the newly nationalised commercial banks remained rather unconcerned about rural finance. Institutional participation in the agricultural credit programme was stepped up after 1977 when a Special Agricultural Credit Programme [SACP] was introduced by the Government of Bangladesh.⁸ Through the SACP, the Government of Bangladesh induced the NCBs to participate more actively in the disbursement of agricultural credit. Induction of NCBs into the agricultural credit sector heralded a new era in rural finance. The SACP marked a forward step through which credit support was extended to the rural poor at their doorstep.

The agricultural credit activities of the NCBs in Bangladesh need to be examined in relation to the national banking policy on agricultural credit. The credit performance of the three major NCBs are analysed next.

5.3.1 Sonali Bank

After the emergence of Bangladesh as a sovereign nation, the new Government redesigned the banking institutions of the country. Sonali Bank was established under the Bangladesh Bank (Nationalisation) Order of 1972 and commenced functioning with 267 erstwhile branches of the National Bank of Pakistan, Bank of Bahawalpur Ltd. and Premier Bank Ltd.⁹ Since then its operations have proliferated in the urban and rural areas of Bangladesh. Sonali Bank is at present the second-largest financier of rural credit among the NCBs in Bangladesh, both in terms of the volume of transactions and the size of its branch network.¹⁰

The main objective in establishing the Sonali Bank has been to mobilise scattered and untapped small savings from large sections of the people by extending banking services to them. In compliance with this objective, the branch network of Sonali Bank expanded to 1304 branches by 1998. Of these, 427 branches are in urban areas and 884 in the rural areas. Sonali Bank also has 7 overseas branches, 6 of which are in the United Kingdom and one in Kolkata, India.¹¹ The deposits held by Sonali Bank rose from Tk.290.17 crore in 1982 to Tk.15,279.50 crore by the end of 1998, showing more than fifty-fold increase in a span of six years.¹²

Sonali Bank has been extending financial support on priority basis to potential growth sectors in Bangladesh including agriculture, industry, trade and commerce, in order to strengthen the national economy. To accelerate the pace of industrialisation, Sonali Bank has expanded its industrial credit programme by extending financial support for the establishment of large, medium and small-scale industries. It has also continued to follow Government policies for financing people of smaller means on easy terms and conditions.

Sonali Bank commenced its rural financing programme in 1973 by financing the projects of the BRDB [the former Integrated Rural Development Programme or IRDP]. On the basis of the experience gathered from indirect financing through BRDB, Sonali Bank started direct financing programmes for rural people from 1976 onwards.¹³ Sectoral loan disbursements and recoveries of Sonali Bank from the main economic sectors of the country in 1997 and 1998 are shown below. However, in spite of its long involvement in extending credit to rural areas, the share of agricultural credit in total credit disbursements by Sonali Bank amounted to only 7.91 percent in 1998. While a substantial amount of credit is being disbursed to industry and other non-agricultural sectors by Sonali Bank, disbursements of agricultural credit by the bank appear to have taken a backseat.

Table 5.2 Sectorwise Loan Disbursements and Recoveries by the Sonali Bank 1997 & 1998

[in crore Tk.]

Year	Particulars	Agricultural Loans	Industrial Loans	Other Loans	Total Disbursements
1997	Disbursement	286.80	1072.20	3494.10	4853.10
	Recovery	315.00	653.50	3162.60	4131.10
1998	Disbursement	393.50	1204.70	3376.00	4974.20
	Recovery	286.10	844.70	3101.20	4232.00

Source: MOF [1999]: *Resume of the Activities of the Financial Institutions in Bangladesh, 1998-99*, p.17

The major rural credit schemes¹⁴ of Sonali Bank provide credit support for the Special Agricultural Credit Programme [SACP], the Swanirvar self-reliance programme and the Krishi Shakha programme, and extend credit to farmers for sugarcane, banana and jute cultivation. Sonali Bank provides finance under the IFAD Credit Programme and Bangladesh-Swiss Agricultural Project, and also extends scheme assistance for rural irrigation, rural housing and rural transport. For rural poverty alleviation, Sonali Bank supports fisheries and shrimp development projects, and also finances the BRDB scheme for establishing Central Cooperative Societies at each *thana*. The bank also extends direct financial support to fertiliser dealers.

Table 5.3 Targeted & Actual Credit Disbursements by the Sonali Bank 1981-82 to 1994-95

[in crore Tk.]

Year	Credit Target	Credit Disbursement	Credit Undisbursed	% Credit Disbursed
1981-82	123.49	76.65	45.84	62.88
1982-83	210.25	131.63	78.62	62.61
1983-84	264.20	217.83	46.37	82.45
1984-85	276.25	311.31	-35.06	112.69
1985-86	317.60	190.82	126.78	60.08
1986-87	261.45	132.02	129.43	50.50
1987-88	251.00	167.07	83.93	66.56
1988-89	346.00	164.88	181.12	47.65
1989-90	369.00	152.61	216.39	41.36
1990-91	357.00	141.97	215.03	39.77
1991-92	351.85	161.08	190.77	45.78
1992-93	385.00	138.00	247.00	35.84
1993-94	327.00	172.31	154.69	52.69
1994-95	348.00	117.50	230.50	33.76

Sources: (i) Arefin *et al.* [1994]: pp.89-90

(ii) Bangladesh Bank [1994]: *Scheduled Banks Statistics*, p.156

Trends in rural credit targeting and disbursement by Sonali Bank over the period between 1981-82 to 1994-95 are revealed in the table above. After increasing steadily in the initial years, the annual growth in rural credit targets levelled off after peak disbursement of Tk.311.31 crore had occurred in 1984-85. Annual credit disbursements since then have fallen considerably. Total agricultural credit disbursed has hovered around 50 percent of agricultural credit targets, and the shortfall in credit disbursement in several years has exceeded 65 percent. Strong indication is thus obtained of Sonali Bank's repeated failure to extend adequate credit support to the agricultural sector.

Table 5.4 Growth in Rural Credit Disbursement by Sonali Bank 1973-1992

[in crore Tk.]

Year	Annual Disbursement	Physical Growth	% Growth Rate
1973	2.35	-	-
1974	3.75	1.40	59.57
1975	7.35	3.60	96.00
1976	15.53	8.18	111.29
1977	32.82	17.29	111.33
1978	35.88	3.06	9.32
1979	69.82	33.94	94.59
1980	75.80	5.98	8.56
1981	74.56	-1.24	-1.64
1982	86.45	11.89	15.95
1983	177.92	91.47	105.81
1984	309.20	131.28	73.79
1985	208.00	-101.20	-32.73
1986	183.97	-24.03	-11.55
1987	164.79	-19.18	-10.43
1988	164.00	-0.79	-0.48
1989	162.59	-1.41	-0.86
1990	154.34	-8.25	-5.07
1991	136.63	-17.71	-11.47
1992	171.75	35.12	25.70

Source: Arefin *et al.* [1994]: p.90

Further evidence of the slackening interest of Sonali Bank in the agricultural credit sector is provided in the longterm trends on rural credit disbursement reflected table below. When the rural lending programmes of the bank had commenced in 1973, high growth rates in the annual disbursement of credit to rural areas was registered initially. Till 1980, the growth in rural credit disbursements remained largely positive, but became progressively erratic, with high disbursement in certain years and considerable slackening in others. After 1984, a steady decline occurred in annual credit disbursements and another upturn only became visible again in 1992..

Although the recovery positions on agricultural credit of Sonali Bank have not been encouraging, an initial association is observed to exist between the level of loan recoveries in a particular year and agricultural credit disbursement in the year after. Following years when the recovery percentage has improved, loan disbursements have also registered an increasing trend. This is true for the period between 1981-82 to 1984-85, and again in 1986-87 and 1987-88. A declining trend is observed in the period thereafter in both loan disbursements and the recovery rate. With poor performance in the recovery of loans, Sonali Bank's outstanding liabilities have been increasing over the years imposing a financial strain on the bank's lending to the agricultural sector. Sonali Bank is caught in a vicious circle where the nonrepayment of loans increases liabilities and leads to a crunch on the funds that can be disbursed as further loans and advances.

**Table 5.5: Disbursement and Recovery of Agricultural Credit by the Sonali Bank
1981-82 to 1992-93**

[in crore Tk.]

Year	Loan Disbursements	Loans due for Recovery	Loan Recovery	% Loan Recovery	Loans Overdue	Loans Outstanding
1981-82	77.65	171.67	53.47	31.15	118.20	115.81
1982-83	131.63	180.62	67.50	37.37	113.12	244.42
1983-84	217.83	272.93	106.64	39.07	166.29	379.81
1984-85	311.31	314.09	101.06	32.18	213.03	682.04
1985-86	190.82	586.74	127.74	21.77	459.00	781.00
1986-87	132.02	652.49	282.96	43.37	369.53	641.06
1987-88	167.07	561.16	109.10	19.44	452.06	786.81
1988-89	164.88	618.12	108.39	17.54	509.73	961.07
1989-90	152.61	951.41	125.78	13.22	825.63	1161.73
1990-91	141.97	1177.56	103.64	8.80	1073.92	1415.41
1991-92	161.08	962.02	89.29	9.28	872.73	1198.49
1992-93	138.00	1259.98	120.02	9.53	1139.96	1426.00

Source: Bangladesh Bank [1998]: Agriculture Credit Division-1, Dhaka

5.3.2 Agrani Bank

Agrani Bank, another leading NCB, was brought into existence by the Bangladesh Bank (Nationalisation) Order of 1972, under which Agrani Bank took over the assets and liabilities of the Habib Bank Ltd. and the Commerce Bank Ltd. which had functioned in East Pakistan.¹⁵ At the time of commencing operations, it had a network of 888 branches located throughout the country, including its Head Office, 4 Circle offices, 54 Zonal offices and 38 branches handling foreign exchange. 582 branches (66 percent) of the Agrani Bank's 888 branches were located then in rural areas.¹⁶ Since then, Agrani Bank has witnessed an expansion in terms of deposits, advances and branches. By the end of 1997 the total number of branches had risen to 903, of which 660 (73 percent) were rural branches.¹⁷

The primary aims of Agrani Bank also include the mobilisation of savings through acceptance of public deposits of all types, and the disbursement of credit to agriculture, industry, commerce and trade. In a broader sense, these functions include the provision of credit advances for productive activities and other commercial and social services through its branch network. Sector-wise loan disbursements and recoveries made by Agrani Bank in 1997 and 1998 are indicated below. Agrani Bank has been involved in rural finance since 1975-76. Its credit activities have extended to most subsectors of rural financing including agricultural and non-agricultural credit programmes. Nevertheless, credit operations by Agrani Bank are dominated by general lending. Thus although it has been an active participant in the rural credit sector, the share of agricultural credit in its lending portfolio amounted to a meagre 1.59 percent in 1997 and 2.55 percent in 1998.

Table 5.6 Sectorwise Loan Disbursements and Recoveries by the Agrani Bank 1997 & 1998

[in crore Tk.]

Year	Particulars	Agricultural Loans	Industrial Loans	Other Loans	Total Disbursements
1997	Disbursement	42.70	912.10	1727.60	2682.40
	Recovery	49.90	832.10	1867.40	2749.40
1998	Disbursement	93.90	506.20	3081.90	3682.00
	Recovery	43.50	465.20	2672.50	3181.20

Source: MOF [1999]: *Resume of the Activities of the Financial Institutions in Bangladesh*, Year 1998-99, p.29

The principal rural finance schemes¹⁸ of the Agrani Bank provide credit support for the Crop Loan programme, the Swanirvar self-employment programme and rural finance projects; banana and coconut plantations and the cultivation of minor crops; *lac* culture, silk weaving, salt manufacture; and livestock loans and shrimp culture and small-scale duckery and poultry projects. Agrani Bank supports Grameen development projects and the BRDB Rural Poor programmes, and finances small farmers under IFAD, DANIDA/NRDP-I and II. Under rural infrastructure, Agrani Bank finances Grameen godown and food godown projects, community schools, rural housing, rural electrification and transport, village machinery, agricultural and irrigation equipment including powered pumps. It extends credit support to poverty alleviation and rural self-employment projects, including fish and shrimp culture, and the establishment of small-scale cottage industries. Besides these, Agrani Bank supports Rin Prokalpa, land mortgages and also performs normal credit operations.

The longterm trends in agricultural credit disbursement, loan recoveries and loan outstandings of Agrani Bank over the period between 1976-77 to 1993-94 are revealed in the table below.

Table 5.7: Agricultural Credit Disbursement, Recoveries & Outstandings of the Agrani Bank 1976-77 to 1993-94

[in crore Tk.]

Year	Loan Disbursements	Loan Recoveries	Loans Outstanding
1976-77	5.46	1.97	5.06
1977-78	11.83	5.30	11.64
1978-79	6.64	6.40	13.21
1979-80	9.10	5.89	18.11
1980-81	8.30	6.67	22.21
1981-82	9.56	8.14	27.13
1982-83	30.78	13.34	50.18
1983-84	48.36	26.04	80.68
1984-85	67.28	29.35	130.42
1985-86	24.45	31.94	148.52
1986-87	13.60	97.36	98.49
1987-88	38.34	24.87	125.57
1988-89	55.26	25.61	172.40
1989-90	37.58	35.74	200.08
1990-91	30.15	27.60	232.10
1991-92	49.47	172.88	147.17
1992-93	48.21	37.51	180.46
1993-94	52.33	41.42	210.36

Sources: (i) MOF [1992]: *Resume of the Activities of the Financial Institutions in Bangladesh*, p.64
(ii) Agrani Bank [1995]: *Annual Report*, p.1

Total disbursement of agricultural credit by Agrani Bank in 1976-77 amounted to Tk.5.46 crore. This figure had increased ten-fold to Tk.52.33 crore in 1993-94. However, with a sole exception during the year 1977-78, agricultural credit disbursements by Agrani Bank upto 1981-81 remained minimal. An uptrend was then registered upto 1984-85. Thereafter, a cyclical pattern in loan recoveries and disbursements is partially evident in the table upto 1984-85, but fades away later. The overall trends in loan recoveries by Agrani Bank of the bank between 1976-77 and 1993-94 have remained relatively flat with a sole exception during 1991-92. The outstanding liabilities of Agrani Bank have thus increased over time, exerting a financial strain on the bank's ability to lend.

5.3.4 Janata Bank

Janata Bank is another leading NCB in Bangladesh. It commenced functioning in 1971 with a network of 249 branches of the former United Bank Ltd. and Union Bank Ltd. of East Pakistan. In 1972, Janata Bank was nationalised under the terms of the Bangladesh Bank (Nationalisation) Order of 1972.¹⁹ Since then, Janata Bank has steadily expanded its branch network into urban and rural areas in Bangladesh. In December, 1998, the branch network of Janata Bank had expanded to 897 branches. These included 4 overseas branches located in the United Arab Emirates. Of the branch network of 897 branches, 246 were located in urban areas and 647 (72 percent) in rural areas.²⁰

Like the other NCBs, the banking objectives of Janata Bank include the mobilisation of deposits from urban and rural areas in Bangladesh and the financing of agriculture, industry, commerce and trade. Janata Bank has been extending credit assistance to priority production activities like tea, jute, tannery and so on, in order to strengthen the economy of Bangladesh. The bulk of its credit resources are deployed among traders and industrialists in the urban areas as well as in rural finance to farm and non-farm activities. The bank adheres to Government policies on financing people of small means and provides credit to them on easy terms and conditions.

The credit policies and programmes of Janata Bank are designed to cover all occupational groups among the rural population, including landless farmers, labourers, rural artisans, destitute women, educated youths, blacksmiths, fishermen, small traders, and so on. Under its rural lending programmes, Janata Bank has financed rural activities covering the cultivation of different seasonal crops, installation of irrigation equipment, livestock & poultry rearing, fisheries development and salt production, as well as allied activities like horticulture, shrimp culture, development of cottage industries, weaving, beef and goat (mutton) fattening, paddy processing, petty business, rural transport, rural electrification, rural house construction, and so on.²¹

Like the other NCBs, Janata Bank also finances a variety of rural schemes. Some of its major rural credit schemes²³ include the SACP, the Swanirvar Credit Programme and the Small Farmers Development Project [SFDP]; Crop Loans through CIDA assistance, loans for the cultivation of sugarcane, cotton and tea; horticulture development loans and loans for the purchase of irrigation equipment and powered pumpsets, as well as project loans to small farmers. Land mortgages and livestock loans for the purchase of bovine livestock like buffalo and cattle are also supported. In the non-farm sector, Janata Bank extends credit to weavers and supports self-employment programmes for trained rural youths. It also extends infrastructural credit for rural transport and rural electrification and finances rural house building. Its rural credit programmes thus cover the gamut of rural activities in Bangladesh and seek to accelerate rural development.

**Table 5.8 Sectorwise Loan Disbursements and Recoveries by the Janata Bank
1997 & 1998**

		[in crore Tk.]			
Year	Particulars	Agricultural Loans	Industrial Loans	Other Loans	Total Disbursements
1997	Disbursement	160.90	1318.90	10999.50	12479.30
	Recovery	149.60	86.60	718.80	955.00
1998	Disbursement	191.30	1089.40	9990.50	11271.20
	Recovery	132.50	1055.50	8991.50	10179.50

Source: MOF [1999]: *Resume of the Activities of the Financial Institutions in Bangladesh* 1998-99, p.24

Figures on the loan disbursements and recoveries of Janata Bank to various economic sectors in 1997 and 1998 are provided below. Janata Bank started its agricultural financing programme in 1974.²² Despite the larger quantum of its agricultural lending compared to Agrani Bank, the share of agricultural credit in Janata Banks' lending portfolio amounted to only 1.69 percent in 1998. It is thus evident that a long way has still to be covered by Janata Bank in providing adequate financial support to the agricultural sector in Bangladesh. Thus although the spread of rural credit support by Janata Bank may seem attractive in terms of the number of schemes and activities covered, its credit disbursements to agriculture do not satisfactorily reflect the proliferation in its schemes. Janata Bank thus continues to specialise in providing credit to industry and to the nonagricultural sector and agricultural credit operations remain a secondary priority with the bank.

5.4 Credit Role of Specialised Agricultural Banks

It has been seen that the NCBs in Bangladesh have been reluctant participants in providing agricultural credit to the country's farmers. Despite the wide base of their financial operations, their commitment of financial resources towards the declared policy objective of strengthening agriculture and rural development is meagre and leaves much to be desired. Hence the role of the specialised agricultural banking institutions like BKB, RAKUB and BSBL comes to the fore, and is examined next.

5.4.1 Bangladesh Krishi Bank [BKB]

As its name suggests, the specific function of the Bangladesh Krishi Bank [literally, the Bangladesh Agricultural Bank or BKB] is to provide credit support for the promotion of agricultural and allied activities. As the pioneer specialised agricultural bank in Bangladesh, BKB has played a vital role by supplying nearly 60 percent of the institutional credit support received by agriculture.²⁴ Hence the history, objectives, policies and functions of BKB deserve special attention.

After the largescale migration of private professional moneylenders to India following the creation of Pakistan in 1947, the need for a specialised agricultural credit institution was acutely felt. To meet this need, the Government of Pakistan established the Agricultural Development Finance Corporation [ADFC] in 1952 to extend medium and longterm credit to agriculture.²⁵ However the demand for agricultural credit was so large that the ADFC was unable to cope with the situation. Consequently, the Government established the Agricultural Bank of Pakistan in 1957 to supplement the credit effort of the ADFC.²⁶ Since the purposes of both two state-owned institutions were similar, they were merged in February 1961 and renamed the Agricultural Development Bank of Pakistan [ADBP].²⁷

The Bangladesh Krishi Bank [BKB] is the direct successor of ADBP. After the liberation of Bangladesh in December 1971, ADBP was initially renamed as the Agricultural Development Bank of Bangladesh [ADBDB] and subsequently as the Bangladesh Krishi Bank [BKB] under the Bangladesh Krishi Bank Order, 1973 [President's Order No. 27 of 1973] published in April 1973. The authorised capital of the Bank was Tk.50.00 crore, of which Tk. 45.61 crore (91 percent) was paid-up and fully subscribed by the Government.²⁸ An 11-member Board of Directors [including a Managing Director and three non-official Directors] was constituted by the Government in 1975 for overall administration of BKB's operational activities.

The primary objective of BKB is to provide credit facilities to individuals and cooperatives who are engaged in crop (i.e. non-plantation) production. BKB also extends financial and technical assistance to individuals and cooperative societies engaged in agro-based cottage industries, and in storage, warehousing or processing of agricultural produce. In the interest of agricultural development in Bangladesh, BKB aims to increase agricultural output and thereby to improve the economic and social conditions of the country's farmers.²⁹ Under the provisions of the BKB charter, preference is given to the credit needs of small agriculturists including sharecroppers and other backward socioeconomic groups over other more advanced sections of the rural population.³⁰

To extend the banking facilities available to the rural population, BKB has been continuously expanding its network of branches throughout the country. In 1972-73, BKB only had 102 branches.³¹ This number increased significantly to 836 in 1997-98, implying eight-fold growth in the BKB branch network compared to 1972-73. Of the 836 BKB branches that now exist, 720 are located in rural areas against 116 in urban areas.³²

Table 5.9: Sectorwise Loan Disbursements and Recoveries by the Bangladesh Krishi Bank 1997 & 1998

[in crore Tk.]

Year	Particulars	Agricultural Loans	Industrial Loans	Other Loans	Total Disbursements
1996-97	Disbursement	484.80	102.00	194.40	781.20
	Recovery	529.50	98.80	172.60	800.90
1997-98	Disbursement	489.70	107.50	252.20	849.40
	Recovery	529.40	125.30	227.30	882.20

Source: MOF [1999]: *Resume of the Activities of the Financial Institutions in Bangladesh, 1998-99*, p.162

The sector-wise loan disbursements and recoveries made by BKB in 1997 and 1998 are outlined in the table below. Disbursements of agricultural credit comprised 62 percent and 57 percent, respectively, of the total BKB credit portfolio in 1996-97 and 1997-98, which significantly exceeds the proportion in case of the NCBs.

The foremost achievement of BKB has thus been the massive disbursement of credit it makes to the agricultural sector in Bangladesh. Instead of scheme financing, BKB deals directly with the farmers and credit is directly provided to them through the BKB branch network. The longterm trends in BKB loan disbursements, loans outstanding, recoveries and overdues between 1971-72 and 1995-96 can be examined in the table below. The trends are made more explicit in their indexed values.

Table 5.10 Credit Disbursements, Outstanding, Overdues and Loan Recoveries by the Bangladesh Krishi Bank 1971-72 to 1995-96

[in crore Tk.]

Year	Loan Disbursements	Index	Loans Outstanding	Index	Loans Overdue	Index	Loan Recovery	Index
1971-72	9.64	100	46.05	100	22.62	100	2.92	100
1972-73	17.90	186	61.70	134	25.84	114	6.72	230
1973-74	13.57	161	68.22	145	30.06	131	11.90	307
1974-75	17.63	191	73.92	153	32.90	140	20.00	375
1975-76	18.51	196	74.21	153	32.61	139	27.48	413
1976-77	38.84	306	88.66	173	30.11	131	29.74	421
1977-78	55.30	349	119.40	207	39.89	164	38.18	449
1978-79	74.66	384	156.11	238	43.78	174	52.17	486
1979-80	141.49	473	247.02	296	57.51	205	74.73	529
1980-81	209.74	521	368.32	346	62.19	213	131.08	605
1981-82	271.04	551	497.28	381	93.49	264	197.03	655
1982-83	400.81	598	785.54	439	153.64	328	202.24	658
1983-84	592.43	646	1253.38	498	308.25	428	307.96	710
1984-85	614.73	650	1735.67	537	506.13	493	364.72	728
1985-86	365.06	609	2057.59	555	806.76	552	350.60	724
1986-87	419.24	624	1531.10	530	637.41	531	479.83	761
1987-88	335.96	604	1778.59	546	760.72	550	350.84	734
1988-89	445.09	637	2185.16	569	952.27	576	334.69	730
1989-90	376.93	622	2493.41	583	1271.77	609	414.56	754
1990-91	323.84	607	2180.22	570	1256.77	608	377.59	745
1991-92	441.78	644	2622.20	590	1601.39	635	423.62	757
1992-93	463.42	649	2627.50	591	1559.73	633	536.28	783
1993-94	598.55	678	2745.59	595	1554.69	632	569.24	790
1994-95	765.63	706	3010.98	605	1605.92	636	594.33	794
1995-96	778.90	708	3267.30	613	1747.00	645	665.54	806

Source: Rahman [1998]: pp.71, 77, 316

Total disbursement of agricultural credit by BKB in 1971-72 had amounted Tk.9.64 crore. This rose to Tk.778.90 crore in 1995-96, representing an increase of almost 80 times over the credit disbursement in 1971-72. As the pioneering specialised bank for agricultural credit, BKB's credit disbursements are routinely dedicated and directed toward the agricultural sector. Continuing refinance facilities offered by the Bangladesh Bank also ensure that BKB remains comparatively free from the commercial compulsions that affect the NCBs. While the growth in agricultural credit disbursements by BKB is creditable, it has not been able to match the agricultural credit targets assigned periodically to BKB.

Despite the failure to match targets, agricultural credit disbursement by BKB has grown rapidly, quite unlike the agricultural credit performance noted earlier in the case of the NCBs. A disturbing feature is the continuous growth in the quantum of loans outstanding. Although BKB loan recovery rates are relatively healthy and have risen faster than the growth in credit disbursements, a slight setback in recovery rates was observed during the mid-1980s. Thus, while the loan recovery trends of BKB between 1971-72 and 1995-96 have been more or less positive and loan recoveries have grown, these have not been enough to offset the increasing trend in loan overdues.

In view of the very large investment required for rural development, resource mobilisation is one of the principal objectives of development banking. Increased mobilisation of deposits allows increased lending, leading in turn to greater profit. Thus the policies on resource mobilisation adopted by BKB have also been

changing gradually. The emphasis has been on reducing the dependence of BKB on refinancing by the Bangladesh Bank while increasing its internal credit resources through deposit mobilisation. Various steps have been taken by BKB to achieve this.

Deposit mobilisation by BKB has thus increased over the years. BKB deposits rose sharply from Tk.258.92 crore in 1982-83 to Tk.1836.40 crore in 1996-97, representing a seven-fold increase over the their 1982-83 level. Longterm trends in deposit mobilisation by BKB and in the ratio of new credit issues to new deposits mobilised between 1982-83 and 1996-97 can be examined in the table below. During the early 1980s, the quantum of credit disbursed tended to outstrip the quantum of deposits mobilised. After 1985-86, there has been a reversal in this trend and credit disbursements have fallen short of deposit mobilisation. In proportionate terms, the percentage ratios of credit disbursement to deposit mobilisation have declined to an average 40 percent during the 1990s and have remained more or less static since then with no visible signs of increase. This would point to a position already noticed in the case of the NCBs, where the formal sector banks in Bangladesh have switched from rapid credit expansion to building up their financial reserves. While this has increased the capacity of the NCBs to lend to the nonagricultural sectors in the economy, in the case of BKB it has meant the holding of a sizeable quantity of investment resources in reserve, instead of committing them to new agricultural lending. In both cases, this means that the financial resources of the formal-sector banks are not being optimally employed for the development of agriculture in Bangladesh.

Table 5.11: Deposit Mobilisation and Credit Disbursement by the Bangladesh Krishi Bank 1982-83 to 1996-97
[in crore Tk.]

Year	Annual Deposit Mobilisation	Annual Credit Disbursement	% Credit Disbursement to Mobilisation
1982-83	258.92	400.81	154.80
1983-84	359.06	592.43	164.99
1984-85	376.52	614.73	163.27
1985-86	433.98	365.06	84.12
1986-87	481.81	419.24	87.01
1987-88	524.71	335.96	64.03
1988-89	601.93	445.09	73.94
1989-90	713.61	376.93	52.82
1990-91	817.32	323.84	39.62
1991-92	1026.10	441.78	43.05
1992-93	1284.00	463.42	36.09
1993-94	1520.00	598.55	39.38
1994-95	1639.90	765.63	46.69
1995-96	1541.50	665.54	43.17
1996-97	1836.40	781.20	42.54

Source: MOF [1999]: *Resume of the Activities of the Financial Institutions in Bangladesh, 1992-93, p.265 & 1998-99, p.162*

5.4.2 Rajshahi Krishi Unnayan Bank [RAKUB]

The Rajshahi Krishi Unnayan Bank [literally, the Rajshahi Agricultural Development Bank, or RAKUB] was constituted under the President's Ordinance No.58 of 1986 and started functioning within the administrative sphere of Rajshahi Division on March 15, 1987.³³ The genesis of RAKUB lay in the special circumstances faced by Rajshahi as one of the more backward and impoverished regions of Bangladesh. RAKUB is the largest agricultural credit institution operating in the Division. It was established with the aim of extending specialised agricultural credit support to farmers in Rajshahi Division in order to promote rural development within its area. The authorised capital for RAKUB was set at Tk. 1500 million, from which Tk. 50 million was paid-up in the year of RAKUB's establishment. In March 1999, total paid-up capital of RAKUB had increased to Tk. 98.00 crore.³⁴

The Head Office of RAKUB is located at Rajshahi, the divisional headquarters. The number of RAKUB branches, nearly all of them located within the Division, stood at 300 as on March 1999.³⁵ A single RAKUB branch was established outside the Division in Dhaka, in order to liaise with the Government and the NGOs. Regional offices of RAKUB were opened at each of the 16 district headquarters in Rajshahi Division. In accordance with the Ordinance governing RAKUB, a 7-member Board of Directors was constituted in January 1988 and entrusted with the responsibility of steering the operations of RAKUB in the desired

direction. The Managing Director of RAKUB thus fulfils dual responsibilities as an *ex-officio* Director on the Board.

Like BKB which operates throughout the country, RAKUB also fulfils the functions of a specialised rural credit bank, while also functioning simultaneously as a commercial bank. RAKUB has been playing the role of a financier in the rural money market and has also extended banking services to the farmers of Rajshahi Division, with the help of its divisional network of 300 branches located at municipal settlements and rural growth-centres and other areas in Rajshahi Division. RAKUB's lending portfolios provide financial support to the production of various seasonal crops, and the installation of irrigation equipment. Besides these, RAKUB funds other allied activities like horticulture development, livestock and poultry rearing, beef and goat (mutton) fattening and the development of fisheries. In addition to agricultural and agro related activities, RAKUB extends credit support to weaving activity and the development of cottage industries, as well as paddy processing, petty trade, etc. RAKUB also finances activities aimed at rural poverty alleviation and employment generation through farm as well as non-farm activities.

Major rural credit activities³⁶ undertaken by RAKUB include SACP and the Swanirvar self-reliance schemes, loans towards crop production and crop intensification by the marginal and small-farming system, loan disbursements towards livestock acquisition and fisheries development. RAKUB also offers technological credit for the supply of low-priced shallow tubewells, irrigation equipment and farm machinery, and extends credit support to the Women's Entrepreneurship Development Programme, and to small traders located in urban areas..

Table 5.12 Sectorwise Loan Disbursements and Recoveries by the Rajshahi Krishi Unnayan Bank 1996-97 & 1997-98
[in crore Tk.]

Year	Particulars	Agricultural Loans	Industrial Loans	Other Loans	Total Disbursements
1996-97	Disbursement	140.90	7.10	28.90	176.90
	Recovery	180.10	5.60	29.10	214.80
1997-98	Disbursement	151.70	15.40	41.10	208.20
	Recovery	179.90	7.20	39.20	226.30

Source: MOF [1999]: *Resume of the Activities of the Financial Institutions in Bangladesh, 1998-99*, p.168

The sectoral distribution of loan disbursements and recoveries made by RAKUB in 1997 and 1998 described above show that the proportionate share of agricultural credit in the lending portfolio amounted to 80 percent in 1996-97 and 73 percent in 1997-98. Loan recoveries were also similarly high. RAKUB extends a large proportion of its loans to the agricultural sector. Credit disbursements to industry are particularly low. RAKUB's credit performance can only be compared to the performance of BKB which has similar patterns of loan disbursement. As specialised agricultural banks, the lending programmes of BKB and RAKUB are both committed towards agricultural lending, while their involvement in other credit sectors is low..

RAKUB has also begun to assign special importance to deposit mobilisation for meeting its expanding needs for investible funds, while at the same time fostering banking habits among the rural population. To this end, it has gradually changed its credit policies to reduce its dependence on Bangladesh Bank. Deposit mobilisation by RAKUB has thus shown a rising trend after 1985-86, and its deposit balances reached the level of Tk. 319.60 crore in 1997-98, against only Tk.62.82 crore in 1986-87.

The growth trends in deposit mobilisation and credit disbursement by RAKUB over the first decade of its existence are revealed by the table below. Once again, the impact of deposit growth is more favourable towards agriculture, since RAKUB channelises much more of its direct lending to the agricultural sector. The increase in credit disbursement has not matched the increase in deposit mobilisation by RAKUB, and the ratio of disbursements to deposits hovered around 40 percent in the early 1990s and around 60 percent in the later years. Although agricultural credit occupies the lion's share of the credit disbursed, a higher disbursement ratio would channel more credit into the development of agriculture in the Rajshahi region.

Table 5.13 Deposit Mobilisation and Credit Disbursement by the Rajshahi Krishi Unnayan Bank 1986-87 to 1997-98

[in crore Tk.]

Year	Annual Deposit Mobilisation	Annual Credit Disbursement	% Credit Disbursement to Mobilisation
1986-87	62.82	-	-
1987-88	71.91	-	-
1988-89	83.14	-	-
1989-90	99.45	46.09	46.34
1990-91	118.10	37.07	31.39
1991-92	140.86	61.70	43.80
1992-93	145.40	70.80	48.69
1993-94	220.00	110.40	50.18
1994-95	260.90	129.20	49.52
1995-96	262.20	172.13	65.65
1996-97	286.20	176.9	61.81
1997-98	319.60	208.20	65.14

Source: MOF [1999]: *Resume of the Activities of the Financial Institutions in Bangladesh, 1992-93, pp.273 & 278 and 1998-99, p.168*

5.4.3 Bangladesh Samabaya Bank Limited [BSBL]

The cooperative system is the oldest institution for channelising credit from the formal sector to agriculture. The East Pakistan Provincial Cooperative Bank Ltd., which was the predecessor institution of the Bangladesh Samabaya Bank Ltd [BSBL], had been established in March 1948 with the primary objective of financing agriculture, while functioning as the apex financial institution for the cooperatives.³⁷ After the liberation of Bangladesh in 1971, it was renamed the Bangladesh Jatiya Samabaya Bank Ltd. It was again renamed the Bangladesh Samabaya Bank Ltd. in 1977 and its field of operation was extended over the entire country.

Table 5.14 Disbursement and Recovery of Loans by the Bangladesh Samabaya Bank Ltd. 1972-73 to 1997-98

[in crore Tk.]

Year	Annual Loan Disbursement	Annual Loan Recovery	% Loan Recovery to Disbursement
1972-73	14.25	12.75	89.47
1973-74	7.74	8.40	108.53
1974-75	9.06	9.16	101.10
1975-76	9.96	11.66	117.07
1976-77	11.18	10.37	92.75
1977-78	15.82	12.81	80.97
1978-79	20.11	11.89	59.12
1979-80	27.04	16.94	62.65
1980-81	27.64	16.13	58.36
1981-82	18.58	18.02	96.99
1982-83	22.95	20.34	88.63
1983-84	21.98	15.87	72.20
1984-85	28.84	18.02	62.48
1985-86	13.99	17.07	122.02
1987-88	13.97	9.69	69.36
1988-89	14.14	6.93	49.01
1990-91	2.27	2.95	129.96
1991-92	3.06	2.23	72.88
1992-93	3.43	3.63	105.83
1993-94	3.80	4.10	107.89
1994-95	4.30	5.00	116.28
1995-96	4.20	3.90	92.86
1996-97	5.70	4.80	84.21
1997-98	5.70	5.60	98.25

Sources: (i) Khanam [1989]: p.41

(ii) Computed from *Resumes of the Activities of the Financial Institutions in Bangladesh, 1988-89, p.135 & 1998-99, p.189*

BSBL commenced business operations in the second year of its registration. Its principal aim has been to arrange timely and adequate disbursement of credit at a reasonable rate of interest for the farmers through its affiliated agencies such as Land Mortgage Banks, Central Cooperative Bank, Central Cooperative Societies,

Union Cooperative Multipurpose Societies, Krishi Samabaya Samity*, and so on. At the time of its establishment, the authorised capital of BSBL amounted to Tk. 1.00 crore only, which has grown to Tk.10.00 crore at present. Its share capital in March 1998 amounted to Tk. 3.20 crore.³⁸ In the early 1960s, its predecessor bank had around 144 member institutions. The membership has increased to 473 as of June 1998.

BSBL is primarily engaged in financing farmers' cooperative societies with the help and support of the Government of Bangladesh. Its major policy is to provide short-term production loan assistance to the farmers of the country. Its lending to the agricultural sector in 1998 amounted to Tk.3.9 crore, which was around 68 percent of its available funds for disbursement.³⁹ Longterm trends in loan disbursements and recoveries by BSBL over the period between 1972-73 to 1997-98 can be examined in table below

It is evident that the credit flows through BSBL has decreased substantially in the 1990s, compared to their substantial growth in the first phase between 1974-74 and 1988-89. Thus credit disbursement by BSBL has more than halved from Tk. 14.25 crore in 1972-73 to Tk. 5.70 crore in 1997-98. Credit disbursement reached a peak of Tk.28.84 crore in 1984-85, which has not been matched since. Recoveries have followed a similar pattern, with their level declining markedly during the 1990s. However, despite fluctuation, the ratio of recoveries has been adequate compared to most other formal-sector banks considered earlier in the study.

5.5 Credit Institutions and the Agricultural Credit Situation

The economy of Bangladesh is predominantly dependent on the agriculture which makes a large contribution to the nation's GDP. Technological progress in agriculture is crucial for the development of the country. In view of this, Government policies and plans have focused on increasing agricultural production and improving agricultural productivity through the provision of credit to farmers in Bangladesh. The key role in this strategy is played by the formal credit institutions, which have nationwide institutional reach and can thus disburse credit to all rural areas in Bangladesh. Because of the fundamental nature of banking, the formal-sector credit institutions are also in position to mobilise financial resources from the public in vast amounts for disbursement to the key economic sectors in the country.

Nevertheless, the foregoing review has shown poor credit coordination between Bangladesh Bank which frames and declares rural credit policies and targets, and the ultimate delivery institutions comprising the NCBs and specialised banks. It has been seen during the review that the specialised banks like BKB, RAKUB and BSBL prove more effective in reaching the farmers, and consequently have larger commitments of funds for disbursement to the agricultural sector. However, the capacity of these institutions to further expand their agricultural lending is restrained by the limited sphere of their banking activities and their limited deposit base. The NCBs are strongly placed in both respects, but show limited interest in direct agricultural lending and confine their rural lending to scheme assistance and to the financing of off-farm activities.

It therefore becomes instructive to compare the credit disbursements and recoveries made by the formal-sector credit institutions in order to arrive at an assessment of the institutional role being played by RFMs in Bangladesh. The table shows that total credit disbursements by formal-sector banking institutions as a whole amounted to Tk.20,978.6 crore in 1997 and Tk.20,990.7 crore in 1998. In this, disbursements by the NCBs amounted to Tk.20,014.8 crore and Tk.19,927.4 crore, respectively, with their proportionate share amounting to approximately 95 percent in both years. However, the collective disbursements of the NCBs to the agricultural sector amounted respectively to Tk.490.4 crore and Tk.678.7 crore only, being exceeded in both years by the disbursements made by the specialised banks. On the other hand, the NCBs made 95-98 percent of the total disbursements to the nonagricultural sectors. It is therefore evident that scant attention is being paid by the NCBs to national aims and guidelines that seek to strategically strengthen the agricultural sector of Bangladesh. The responsibility of meeting the agricultural credit needs of the country is being left largely to BKB and RAKUB.

The analysis in the table also shows that the disinterest shown by the NCBs in meeting agricultural credit demands is not related to the problem of poor loan recovery. For all NCBs, the proportionate ratios of recoveries to current agricultural disbursements were close to or more more than 100 percent in 1997. In 1998 which was a distress-year, NCB agricultural advances increased, thus lowering the proportionate ratios of recoveries to disbursements. Nevertheless, the loan recoveries that years showed little decline in

absolute terms, with Tk.1171.4 crore being recovered against current agricultural advances of Tk.1320.1 crore.

Table 5.45: Sectoral Aggregates of Credit Disbursement & Recovery by Formal-sector Banks in Bangladesh 1997 & 1998

[in crore Tk.]

Credit Category	Sonali 1997	Agrani 1997	Janata 1997	BKB 1997	RAKUB 1997	BSBL 1997	Total	Total	Total	NCBs	Specialised
							Formal Sector 1997	Total NCBs 1997	Specialised Banks 1997	% Share 1997	Banks % Share 1997
Disbursement											
Agricultural	286.8	42.7	160.9	484.8	140.9	na	1116.1	490.4	625.7	43.9	56.1
Industrial	1072.2	912.1	1318.9	102	7.1	na	3412.3	3303.2	109.1	96.8	3.2
Other	3494.1	1727.6	10999.5	194.4	28.9	na	16444.5	16221.2	223.3	98.6	1.4
Total	4853.1	2682.4	12479.3	781.2	176.9	5.7	20978.6	20014.8	963.8	95.4	4.6
Recovery											
Agricultural	315	49.9	149.6	529.5	180.1	na	1224.1	514.5	709.6	42.0	58.0
Industrial	653.5	832.1	86.6	98.8	5.6	na	1676.6	1572.2	104.4	93.8	6.2
Other	3162.6	1867.4	718.8	172.6	29.1	na	5950.5	5748.8	201.7	96.6	3.4
Total	4131.1	2749.4	955	800.9	214.8	4.8	8856	7835.5	1020.5	88.5	11.5
<hr/>											
1998											
Disbursement											
Agricultural	393.5	93.9	191.3	489.7	151.7	na	1320.1	678.7	641.4	51.4	48.6
Industrial	1204.7	506.2	1089.4	107.5	15.4	na	2923.2	2800.3	122.9	95.8	4.2
Other	3376	3081.9	9990.5	252.2	41.1	na	16741.7	16448.4	293.3	98.2	1.8
Total	4974.2	3682	11271.2	849.4	208.2	5.7	20990.7	19927.4	1063.3	94.9	5.1
Recovery											
Agricultural	286.1	43.5	132.5	529.4	179.9	na	1171.4	462.1	709.3	39.4	60.6
Industrial	844.7	465.2	1055.5	125.3	7.2	na	2497.9	2365.4	132.5	94.7	5.3
Other	3101.2	2672.5	8991.5	227.3	39.2	na	15031.7	14765.2	266.5	98.2	1.8
Total	4232	3181.2	10179.5	882.2	226.3	5.6	18706.8	17592.7	1114.1	94.0	6.

Thus the most critical problem visible in the agricultural credit performance of the formal-sector banking institutions has been their chronic inability to match credit disbursement to agricultural credit targets. Thus the increase in credit disbursements cannot be related to the growth of agricultural needs among the farmers, and can be primarily attributed to the proliferation of the branch network of the banks. While the specialised agricultural credit institutions like BKB and RAKUB have played commendable roles in extending credit facilities to agriculture, no real headway can be made until the NCBs increase their contribution to agricultural credit much beyond their present combined share of 4.05 percent. The branch networks and the deposit base of the NCBs are far bigger than those of the specialised banks. Even an increase of their contribution to RFMs by a few percentage points would mean that vast resources would flow to the country's farmers. A Fundamental rethinking is also needed on whether the present propensity of the NCBs to emphasise their industrial and trading credit operations is actually paying dividends to the country, since loan operations in these sectors are also seen to be subject to the risks of loan defaults. In comparison, the repayment performance of the agricultural credit sector on current loans has not been poor in any sense. Thus the continuous inability of formal credit institutions to match their agricultural credit targets with equivalent disbursements is something of a mystery. Closer understanding can only emerge from a study of the real agricultural situation as it exists in rural Bangladesh. An empirical investigation of the lenders and borrowers who constitute the players in agricultural credit markets is taken up next.

Notes

Agriculturist means any individual engaged in agriculture or in the development of agriculture or agricultural products or in storage, warehousing, marketing or processing of agricultural produce, and any public or private limited company or cooperative society incorporated or registered by or under any law for the time being in force and so engaged, and any person, company or cooperative society incorporated or registered as aforesaid, who satisfies the Bank that the loan to be taken shall be spent on agriculture or agricultural products or on the storage, warehousing, marketing of agricultural products. [Bangladesh Krishi Bank, *The Bangladesh Krishi Bank Order, 1973*, cf. Rahman [1998], p.54].

Krishi Samabaya Samity means a village-based farmers cooperative association for agricultural development.

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