

An Internship Report
on
Impact Assessment of Bangladesh Bank's Re-finance Scheme for
Financing Agricultural and Non-Farm Rural Borrowers of Rajshahi
Krishi Unnayan Bank

This report is submitted to the Department of Accounting, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur for the fulfillment of the degree of Master of Business Administration (MBA) in AIS



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Acknowledgement

It is my great pleasure to my gratitude to our creator Allah (SWT) for such great opportunity to be in touch with three months research program. I have to put my heartened feelings and gratitude for the kindness and assistance that was provided to me to complete my assigned internship report on the topic Impact Assessment of Bangladesh Bank's Re-finance Scheme for Financing Agricultural and Non-Farm Rural Borrowers of Rajshahi Krishi Unnayan Bank. I want to express my strong gratitude to my honorable supervisor, Professor Md. Mamunar Rashid, Department of Accounting, Faculty of Business Studies, HSTU, Dinajpur. I also express my strong gratitude to my honorable co-supervisor, Saiful Islam, ACMA, Associate Professor, Department of Accounting, HSTU, Dinajpur. I would thankful for such co-operation which I received from my honorable supervisor.

At last but not the least, I want to thank Hajee Mohammad Danesh Science and Technology University, Dinajpur for giving me such an opportunity to complete my MBA degree and give me an opportunity to gather practical experience and enrich my knowledge.

May **ALLMIGHTY ALLAH** bless all of them.

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TO WHOM IT MAY CONCERN

This is to certify that, Most. Kamrunnaher Swefty, daughter of Md. Abdul Kader , having Student ID No. 1603087 , MBA in AIS , a student of Hajee Mohammad Danesh Science & Technology University (HSTU), Dinajpur. She has successfully completed her 90(Ninety) days internship program at Rajshahi Krishi Unnayan Bank, Kishoregonj Branch, Nilphamari .

I wish her every success in life.

Md. Abdus Sattar
Manager(SPO)

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Certificate of Supervisor

I hereby declare that the concerned report on “Impact Assessment of Bangladesh Bank’s Re-finance Scheme for Financing Agricultural and Non-Farm Rural Borrowers of Rajshahi Krishi Unnayan Bank” is a work done by Most. Kamrunnaher Swefty, bearing Student ID: 1603087, MBA in Accounting and Information Systems, Batch 9th, Department of Accounting, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200. She has performed her internship report under my supervision and submitted this internship report for the partial fulfillment of the requirement of the degree of Master of Business Administration.

I wish her every success in life.

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Certificate of Co-supervisor

I hereby declare that the concerned report on “Impact Assessment of Bangladesh Bank’s Re-finance Scheme for Financing Agricultural and Non-Farm Rural Borrowers of Rajshahi Krishi Unnayan Bank” is a work done by Most. Kamrunnaher Swefty, bearing Student ID: 1603087, MBA in Accounting and Information Systems, Batch 9th, Department of Accounting, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200. She has performed her internship report under my supervision and submitted this internship report for the partial fulfillment of the requirement of the degree of Master of Business Administration.

I wish her every success in life.

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Saiful Islam, ACMA
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Student's declaration

I hereby declare that the internship report entitled on “Impact Assessment of Bangladesh Bank's Re-finance Scheme for Financing Agricultural and Non-Farm Rural Borrowers of Rajshahi Krishi Unnayan Bank” has prepared by me internship report which is supervised by Md. Mamunar Rashid, Professor, Department of Accounting, Faculty of Business Studies, HSTU, Dinajpur.

I further affirm that work and information presented in this internship report is original and part or whole has been submitted to, in any form, any other university or institution for any degree or any other purpose.

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Abstract

Taking into account how crucial agriculture is to ensuring food security and in eradicating poverty by creating jobs, The re-finance program for RAKUB was launched by Bangladesh Bank (BB) with the intention of providing agricultural industries with credit facilities, specifically to increase. Since the country's freedom in 1971, BB has developed an annual policy and program for agricultural and rural lending while also giving RAKUB a significant amount of revolving credit to expand the reach of these types of loans. The decision-makers at the central bank felt compelled to investigate the program's outcomes through the execution of a thorough study to determine how agricultural and non-farm rural credit affect farming in multiple ways RAKUB borrowers and the establishment of suitable policy guidelines to improve the on going's overall efficiency. As this is happening, a large percentage of BB's re-finance monies from the aforementioned scheme are now past due with RAKUB.

Keywords: Agriculture, Rural Credit Policy, re-finance facility, non-firm rural credit, borrowers, Bangladesh Bank (BB), RAKUB

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Chapter 1

Introduction

1.1 Introduction

Despite a tendency toward a decline in its share of GDP, Bangladesh's agriculture sector continues to play a significant part in the country's budget. Rural areas still account for a significant portion of Bangladesh's population. ¹ In addition, the agricultural sector is said to have a significant impact on Bangladesh's exports. Since its freedom in 1971, Bangladesh Bank (BB) has been working a re-finance program for supporting horticultural and non-ranch rustic debtors as per its command as gone ahead in Segment 16 (10) of the Bangladesh Bank Request, 1972, thinking about the gigantic significance of the farming area. It goes without saying that the scheme's success is entirely dependent on how the re-financing fund is used to improve the overall socioeconomic condition of the agricultural sector's borrower population and increase output through superior use of contemporary inputs like irrigation and modernization. As a result, the BB authority felt it was necessary to evaluate the effects of its plan for refinancing right away.

In addition, Bangladesh, the People's Republic of government has consistently placed a from top to bottom priority on growing productivity to increase food grain output and provide rural residents with financial assistance in an effort to improve their financial situation. Consequently, the government has consistently backed agricultural-friendly policies and made it easier for banks and other financial institutions to boost agricultural funding. With the public authority's backing of farming, BB has been fostering its Horticultural and Provincial Credit Strategy and Program consistently and has given RAKUB a lot of re-funding to grow the scope of rural and rustic credit.

1.2 Objective of the Report

- To compare the financial health of the target group, which is made up of people who have borrowed from RAKUB, as well as the control group.
- To determine the effects of BB's refinancing plan.
- To investigate how the bank's balance sheets were affected by the refinance

Chapter 2

Literature Review

Due to seasonal changes in farmers' yields and a shift from subsistence to commercial farming, the agricultural sector relies more on loans than any other sector (Abedullah et al). Recent research (Sriram 2007, Wakilur et al. 2011, for example) demonstrates a strong positive association between agricultural credit at affordable costs and agricultural production. By easing working capital restrictions, encouraging farmers to adopt new technology, and encouraging intensive use of fixed resources, according to Carter's (1989) theory, credit has a negative impact on agricultural performance. The availability of credit gives farmers the ability to manage their land and other fixed assets, to balance consumption during the crop production cycle, and to increase farm productivity and decrease reliance on high-priced informal markets. According to Sarker (2006), farmers who had access to credit facilities were able to increase their income and amass capital more quickly than farmers without such facilities. According to Heady and Jensen (1958), the short-term credit facility increased farming efficiency by ensuring timely and adequate input supply. However, studies that are currently available in Bangladesh show that formal financial institutions like banks, NGOs, and farmer cooperatives have a limited impact on funding the capital requirements of the agricultural sector. According to a large-scale farm survey carried out by the International Fertilizer Development Centre (IFDC) in collaboration with the Bangladesh Agricultural Research Council (BARC) between 1979 and 1981, just 14% of farm households obtained credit in the years 1979–1980 and 1981–1982. The poll also found that the majority of medium-sized and big landowners held credit received from conventional financial institutions. The Banking Development and Research Unit of Nepal Rastra Bank (2014) studied the issues associated with farmers in Nepal's Kailali district obtaining and using agricultural credit.

Literature gap

There are many study on impact assessment of re-finance scheme but there are few study on RKUB and maximum study was few years ago. That's why I choose Impact Assessment of Bangladesh Bank's Re-finance Scheme for Financing Agricultural and Non-Farm Rural Borrowers of Rajshahi Krishi Unnayan Bank.

Chapter 3

Methodology of the study

Research Methodology

The research is conducted on the basis of secondary data are collected from different sources. I had to collect enough information so that I can make an effective analysis impact assessment of re-finance.

Sources of data

For collecting the required data, I have used different sources or methods like the following.

Secondary data

- Operational manual
- Official website of both RAKUB and BB
- Banking journals
- RAKUB newsletters
- Research papers

Research Technology

Different types of software like Ms-Excel, Ms-Word, diagram etc. are used to prepare the report. Final report is prepared accordingly in the form of word form.

Chapter 4

Analysis and interpretation

4.1 Short Example of the BB Refinancing to RAKUB and the Effect on Their Balance Sheet

4.1.1 RAKUB's refinancing of BB and the disbursement of agricultural and non-farm credit

RAKUB has benefited from BB's refinance capabilities since they began operating as specialized banks in 1973 and 1987, respectively, for funding a number of important agricultural sectors. Despite receiving a sizeable sum in refinancing options from BB, these companies' business operations have become incredibly austere as a result of their sizeable non-performing assets, which has earned them the reputation of being institutions that make losses. This highlights the alarming requirement that policymakers evaluate the current state of refinancing for these institutions as well as the improvement of some household socioeconomic and demographic variables as a result of refinancing. These two specialized banks' funding of rural agricultural and non-farm businesses is heavily dependent on BB's refinancing options, but not their overall credit operations. In point of fact, BB does not routinely refinance these financial institutions. Numerous studies and widespread agreement among experts and policymakers indicate that agricultural production has a positive effect on Bangladesh's GDP and indirectly on non-agricultural industries. Therefore, BB has primarily focused on controlling how credit flows to the farm sector in order to achieve its broad monetary policy objectives, which include generating growth in GDP while maintaining price stability and, in particular, food price stability. Consequently, BB furnishes RAKUB with renegotiating offices as a trade-off for RAKUB essentially supporting the execution of financial strategy. BB's refinancing specifically depends on its adaptability and consideration of an accommodative monetary policy stance in light of this.

RAKUB received refinancing from BB totaling Taka 31.33 billion from FY 2016–17 to FY 2020–21. As of the end of FY21, that loan had an outstanding balance of Taka 17.47 billion. The yearly progression of renegotiating office given by BB to RAKUB serves as the basis for this information. Their performance's statistical analysis reveals some unexpectedly positive trends. As an example, It has been noted that the annual balance of BB's refinance loan has decreased over time as a percentage of the balance of RAKUB's agricultural and non-farm rural credit, going from 64.78% in FY16 to 32.42% in FY21 (Table 1). RAKUB has been less dependent on refinancing in recent years, as evidenced by the declining proportion of the bank's outstanding credit disbursement to its outstanding refinance loan. In addition, it is

important to note that more than The fact that 78% of RAKUB's total outstanding agricultural and non-farm credit comes from outside the BB's refinance window suggests that depositor funds comprise the majority of their loan able funds.

Table-1: Annual outstanding balance of agricultural and non-farm rural credit disbursement by RAKUB from FY 2016–17 to FY 2020–21.

(Tk. In billion)

Financial year	Refinance drawing from BB	Outstanding re-finance from BB	Outstanding Credit disbursement	Outstanding re-finance as % of Outstanding Credit Disbursement
2020-21	6.00	17.47	41.57	32.42
2019-20	0.18	16.14	38.98	41.41
2018-19	2.62	19.44	35.68	64.47
2017-18	1.86	17.90	33.16	53.99
2016-17	1.58	17.16	31.33	54.78

Source: BB's Department of Agriculture Credit and Financial Inclusion

It should be mentioned that RAKUB began operations on March 15, 1987, after acquiring the branches and offices, as well as the assets and liabilities, of the Rajshahi division, which is now divided into Rajshahi and Rangpur. RAKUB takes into account the percentage of total assets that generate interest. On average over the previous five fiscal years, the total assets of RAKUB were worth 72.83%. It has been noted that RAKUB has experienced an average increase of 42.91% during the past five fiscal years. During FY16 and FY20, RAKUB's net interest income as a percentage of total operating earnings averaged 84.52%. In contrast, RAKUB's non-interest revenue as a percentage of its total operating incomes for the same time period was 15.48%.

4.2 Results of the Effect Evaluation Study of BB's Refinance Program:

4.3 The target and control groups' comparison per-acre output of a few chosen agricultural products

4.4 Comparison of credit obtained from sources other than RAKUB between the target and control groups.

The survey's findings show that in 2021, 47 farmers in the control group and 51 farmers in the target group obtained loans from formal sources like private banks, state-owned commercial banks, financial institutions, and a variety of NGOs and MFIs. Of the 1030 farmers in the target group, 51 farmers (or 4.95% of the target group) and 47 farmers (out of 395), respectively, received loans from these sources. At that time, a total of 12 farmers in the control group (out of 395) and a total of 44 farmers in the target group (out of 1030), or, respectively, 4.27% and 3.04%, had borrowed money from a range of unofficial sources like friends, family, and neighborhood money lenders. Given that the farmers in the target group had a loan from RAKUB, The target and control groups are compared, and the results show that they were less likely to obtain a loan from an official source other than RAKUB. In terms of borrowing money from unofficial sources, it was discovered that more target group farmers than control group farmers had done so, implying that the target group farmers' actual borrowing needs were greater than the loans provided by RAKUB.

Table-2: Borrowing from sources other than RAKUB

Particulars	Target Group (N=1030)	Control Group (N=395)
From official sources	51 (4.95%)	47 (11.90%)
-State-owned financial institutions	7 (13.73%)	11 (23.81%)
-Private businesses banks	4 (7.84%)	16 (34.04%)
-Financial organizations	3 (3.58%)	2 (4.26%)
-NGOs/MFIs	37 (72.55%)	18 (38.30%)
Borrowing from unofficial sources	44 (4.27%)	12 (3.04%)
-Local money lenders	3 (5.88%)	0 (0.00%)
-Friends	16 (31.37%)	8 (66.67%)
-Relatives	32 (62.74%)	4 (33.33%)
Source: Impact Study on BB's Refinancing Plan for RAKUB, 2021.		

4.5 A few highlights from qualitative assessments

The results of the survey have given us a good idea of how many farmers have used RAKUB loans for agricultural purposes, the intensification of crop production, the improvement of the sufficiency of agricultural inputs, and the maintenance of fair prices for agricultural products in the nation. The table below (table 3) provides a quick summary of several qualitative survey evaluations:

- About 98.69% of the farmers in the target group acknowledged having benefited from agricultural financing provided by RAKUB, compared to only 47% of the farmers in the control group who had obtained loans from sources other than RAKUB.
- More than 93% of farmers, including those in the target and control groups, responded positively when asked if cropping intensity has increased recently.
- When target and control groups of farmers were combined, almost 70% of them agreed that they had gotten a fair price for their agricultural products. According to the remaining farmers whose crops were not compensated fairly, selling during the harvest season was the largest contributing cause.

Despite the fact that 83.51 percent of farmers in the The target and control groups were aware of BB's RAKUB re-financing plan, 98.12 percent of farmers believed that BB should continue to offer its current strategy.

Table-3: Examples of some positive effects

Particulars	Total respondents (N=1425)
1. Farmers in the target category benefited from RAKUB's agricultural credit (N=1030).	1009 (98.96%)
2. Farmers in the comparison group received credit from other institutions (N=395).	185 (47%)
3. Increasing farming effort.	1328 (93.19%)
4. Agricultural inputs' sufficiency.	1173 (82.32%)
5. Agriculture-related goods are priced fairly.	996 (69.89%) ⁴
6. receiving the correct price for agricultural commodities Reasons of not receiving the correct price for agricultural products (N=429)	429 (30.11%)
-Sell during harvesting period Not	287 (66.89%)
-Market syndication/presence of middle-man	38 (8.86%)
-Insufficient storage system	28 (6.53%)
-Lack of adequate transportation	13 (3.03%)
-Others	63 (14.69%)
7. knowledge of the BB for RAKUB refinancing program	1190 (83.51%)
8. supporting the continuation of BB's current refinancing plan for RAKUB	1384 (98.12%)
9. Target group farmers received interest remission (N=1030)	108 (11.23%)
10. Farmers in the control group's responses to questions on why they declined RAKUB loans (N = 483)*	
-Loan amount is insufficient.	108 (22.36%)
-Loan not needed	92 (19.05%)
-The cost of the loan, including interest, is not favorable.	73 (15.11%)
-Not providing loan as per desired sector	37 (7.66%)
-Distant locations of branches and complex formalities of getting loan	28 (5.80%)
-Lengthiness of getting loan	24 (4.97%)
-Others	121 (25.05%)
* The total number of responses is not the same as the total number of respondents in the control group (N=395) due to the large number of responses.	

4.6 Evaluation of the Refinance Program's Effects Overall

The primary goals of the BB's re-finance program are to increase agricultural commodity production, particularly that of food grains, and to provide financial assistance to rural residents. This is shown by looking at the asset, income, spending, and per-acre production of agricultural commodities, as well as key findings from a variety of qualitative evaluations of the target and control groups. Ranchers who have gotten horticultural money from RAKUB are much of the time monetarily stable, with a resource worth of Tk 8,790,003.32 and an excess pay of Tk 171,160.11 in 2021. In 2021, each farmer in the target category received an average agricultural credit of Tk 67,315.80. This demonstrates that farmers frequently have the ability to repay bank loans. Unsatisfactorily, a lot of farming credit is yearly added to the non-performing advances, which is an extremely disagreeable turn of events (NPLs). As long as they are unable to recoup the money they are owed from their credit-clients, banks, including BB, are constantly compensated with interest for their depositors and fund providers. Besides, as shown by our assessment of RAKUB's accounting reports, their generally speaking working salaries are reliably lower than their all out working costs.

The main query, however, is why RAKUB, like NGOs, is unable to recoup a reasonable sum of agricultural credit. An independent questionnaire (annex-III) was developed to research this issue and learn more about the current difficulties with agricultural lending in general and credit recovery in particular. The relevant data was collected from the branches of RAKUB. We made an effort to pinpoint potential issues with agricultural credit disbursement/delivery as well as the causes behind RAKUB's bleak picture of loan recovery using data collected from the branches it assessed.

4.7 Survey Results from the RAKUB Branches: Current Issues and Likely Solutions

4.7.1 Management Issues: RAKUB's branch-level manpower allocation fully contradicts the direction of their commercial operations.

During the study period in 2021, there were 1,341 employees spread over the branches of RAKUB that were surveyed. 29% of them (number 394) were 71% of them were involved in agricultural credit-related activities, while the rest were involved in general banking or non-agricultural banking activities. A further 12% (number 164) worked as specialists, while the excess 17% (number 230) were credit managers (diagram 1).

Officials and supervisors of agricultural credit rarely engage in activities related to agricultural credit, which suggests that the effective manpower engaged in activities related to agricultural credit will be even lower than 29% of total manpower. Officials and supervisors of agricultural credit occasionally engage in non-agricultural banking or general

banking activities.

It was discovered that, when looking at their primary business operations in terms of credit disbursement, the agricultural sector received the lion's share of their overall credit disbursements, accounting for 69% of them. The majority of the workforce (71%), despite the fact that non-agricultural credit operations only contributed for 31% of all credit disbursements at the RAKUB branches under consideration, is employed in these activities. So, due to such a poor staff allocation for agricultural credit disbursement and recovery, bank branches are having a very difficult time monitoring and regulating their activities related to agricultural credit facilities.

Chart-1: Comparison of RAKUB's overall staffing levels and credit disbursements throughout the branches that were assessed in 2021

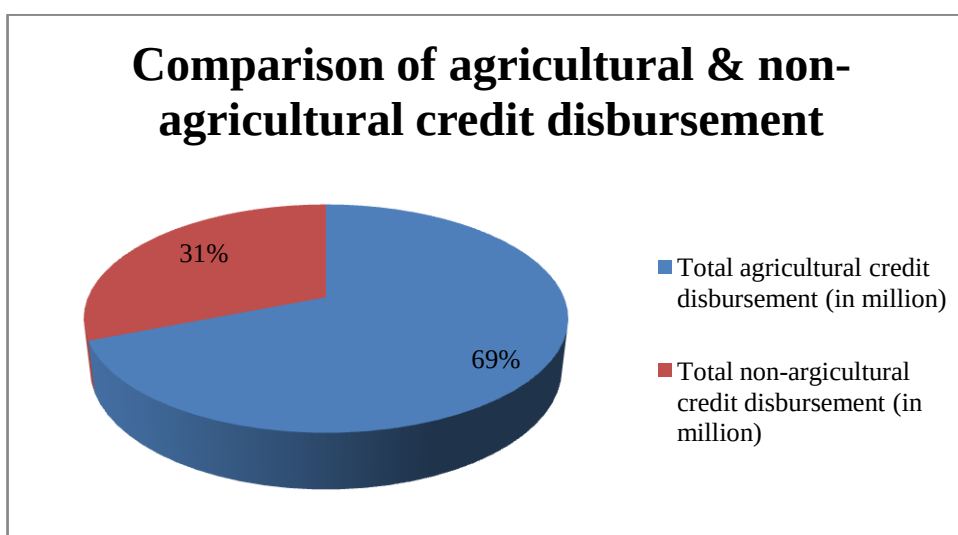
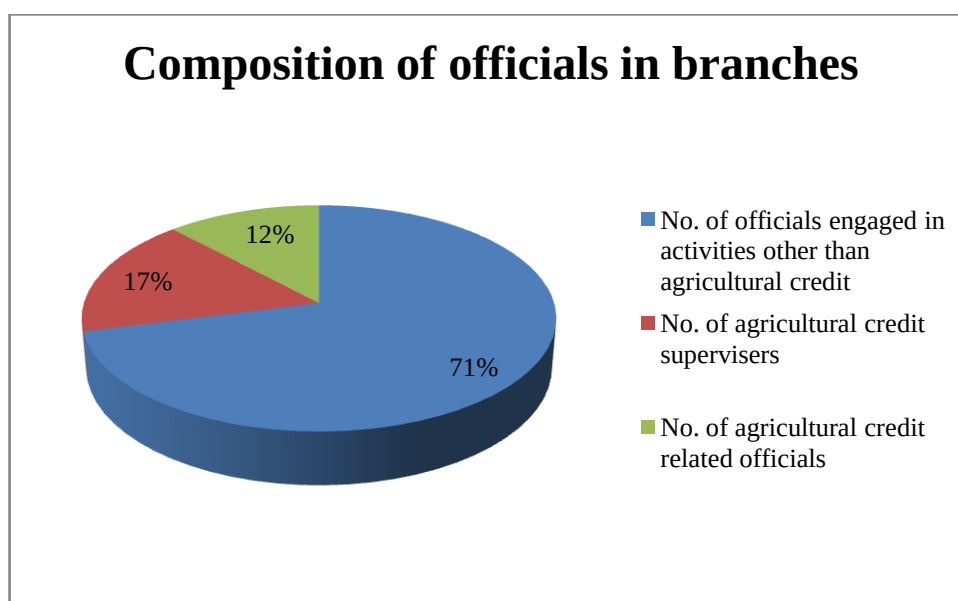
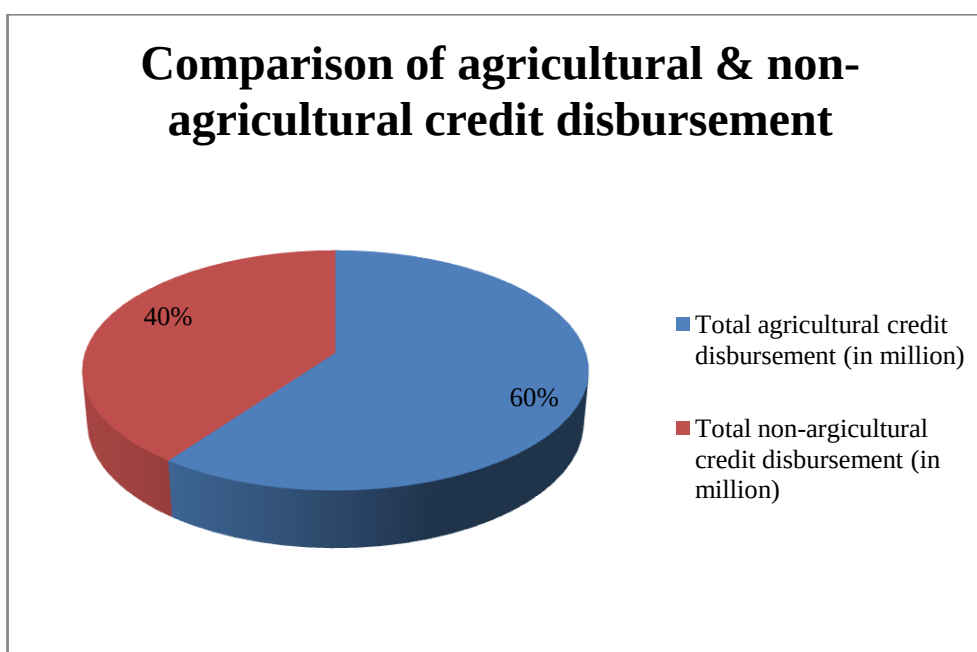
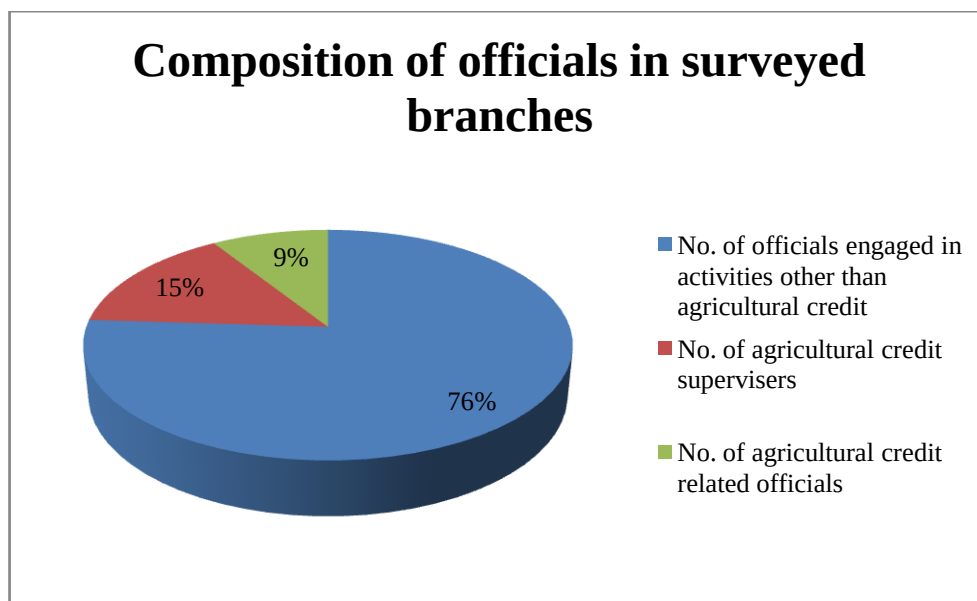


Chart-2: Comparison between total manpower and credit disbursement of RAKUB among the branches in 2021



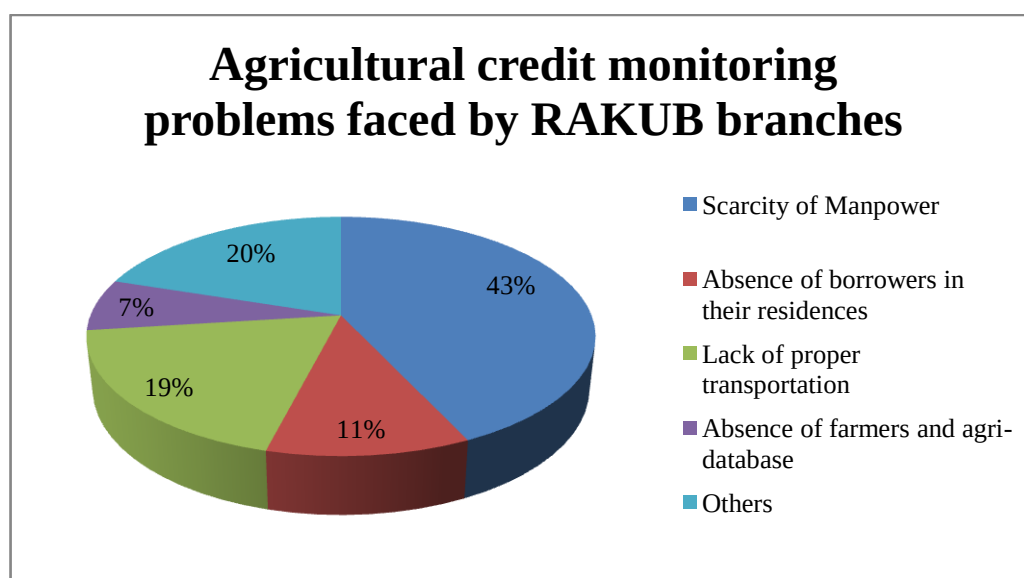
Despite being able to provide the appropriate quantity of credit to the agricultural sector with this uneven distribution of labor, RAKUB is unable to launch effective campaigns to ensure loan recovery from the farmers who are dispersed throughout many areas. As a result, both banks' ability to recover agricultural debt, which is their main line of business, is constantly being hindered. As a result, the amount of non-performing loans (NPLs) they have grows, along with a substantial gap in the capital that is needed to service them.

The question of how to fix it is now critical. Both banks will need to concentrate a sizable amount of their employees to the distribution, due to the focus of their operations, they focus more on monitoring and recovering rural non-farm credit rather than general banking. In addition, the issue of a labor shortage may necessitate the development of innovative solutions. We figure the best and just arrangement may not be to enlist the expected number of extra authorities and agrarian credit bosses at the branch level. Since funding for agrarian and non-ranch country exercises is basically the same as supporting for miniature, little, and medium-sized endeavors (SME), banks should practice intense wariness while dispensing acknowledge as well as being proactive and tireless in doing recuperation drives, which are normally achieved through influence at the field level. However, this may not be possible because of RAKUB's public sector operations and current workforce structure. It may be necessary to directly link the compensation bundle and other remuneration for authorities or horticultural credit bosses associated with the choice of borrowers and the proposal of acknowledge payment for the acknowledgment of credit and net interest earnings in order to reduce non-performing loans. In light of RAKUB's current staff policies, this might not be possible. As a result, RAKUB may consider collaborating with regional any other third party subject to specific terms and conditions, including non-governmental organizations while maintaining their branch-based financing model. Their compensation may, for example, be circulated as a level of acknowledged interest pay less any suspended interest for terrible credits. However, credit must only be disbursed directly to borrowers or farmers by opening a 10-Taka Account through the appropriate RAKUB branch office after a thorough field examination of the recommended lists provided by NGOs or third parties to ensure that no fictitious borrowers are created. NGOs and other third parties will be the only ones who can recommend using credit. RAKUB may at first beginning a preliminary venture to remember NGOs or different gatherings for few their favored branches; If it succeeds, this experience can only be replicated in additional branches across the nation.

4.8 Issues with monitoring agricultural credit that 32 RAKUB branches reported: The biggest problem is a lack of workers.

The comments of the branch managers and agricultural credit-related officials/supervisors support the notion that the main issue with monitoring and boosting the recovery of agricultural credit is connected to a lack of staff at the branch level. According to survey results shown in chart 4, the biggest issue with RAKUB's agricultural credit monitoring is a shortage of people, which was cited by 43% of the branches examined. Lack of adequate transportation was cited by 24% of the branches.

Chart-3: Agricultural credit monitoring problems faced by RAKUB branches



branches), difficulty of contacting farmers at their houses due to absence during the day time when they are usually busy in work (reported by 11% percent branches) and absence of detailed database on farmers and agricultural activities (7% percent branches). Therefore, it is needless to say that due to lack of proper required manpower monitoring and recovery drives of agricultural credit have been impeded for both of these banks and as such their overall performance have been suffered with huge amount of non-performing loans.

4.9 Sector-wise total agricultural and non-farm rural credit disbursement and recovery performances of the surveyed branches: Disbursement dominated by food grain and fisheries sub-sectors with poor recovery

The sector-wise percentage shares of total agricultural credit disbursement, recovery, outstanding and classified loan of the 20 branches of RAKUB also illustrated that food grain sector was the leading sector in terms of agricultural credit disbursement followed by fisheries, livestock and poultry in 2021. But this is unfortunate that percentage shares of total recovery of these sub-sectors are not as high as disbursement except livestock and poultry and as such percentage shares of total outstanding credit and total classified credit are also high in these dominant sub- sectors (Table-4).

Table-4: RAKUB's total sector-based disbursement of agricultural and non-farm rural loans in FY 2020–21

FY	Agricultural credit							Non-farm rural credit				Total
	Food grain	Cash crop	Agri-equipment	Agri-machineries	Livestock and poultry	Fisheries	Grain Storage and marketing	Poverty Alleviation and income generating activities	Bio-gas plant	Solar Panel	Others	
Total disbursement	53.16	4.72	0.31	0.76	5.7	14.43	3.68	1.86	0.02	0.13	15.23	100
Total recovery	36.6	5.42	0.51	0.88	8.65	8.24	4.06	2.68	0.02	0.11	32.83	100
Total outstanding	46.36	4.02	0.64	2.46	9.34	7.73	2.48	4.57	0.08	0.07	22.25	100
Total classified	47.91	3.1	1.49	5.36	15.21	5.83	1.36	8.1	0.16	0.02	11.46	100

Source: BB's Re-finance Plan for RAKUB Impact Evaluation Survey, 2021

4.10 Older borrowers' dominance, which occasionally lures banks into adjusting credit books to avoid providing loan classification.

The results of the survey performed among the 128 RAKUB branches and the 1030 target group borrowers showed that both in terms of the number of borrowers and the overall amount of credit awarded, the distribution of agricultural credit by RAKUB is largely subject by the older debtors. Notably, between FY09 and FY13, the average new borrower to total borrower ratio and the new borrower Table 14 shows that agricultural credit contributed 11.42 percent and 10.82 percent to the total (Table 5). It is only natural for banks to be in charge if borrowers regularly repay their debts to them. But it's unfortunate that many elderly borrowers frequently try to lure banks into imposing repeated sanctions in their favor for larger amounts each year through book adjustment of credit just to get around the classification rule, which breeds a kind of agricultural credit vicious cycle and dissatisfies good borrowers who make on-time payments.

Table-5: Data on the quantity of agricultural loans, both new and old, and the number of borrowers

FY/particulars	No of borrowers			Amount of agricultural loan (in million Taka)		
	New	Old	Total	New	Old	Total
2020-21	17,459.00	137,724.00	155,183.00	539.90	4,320.81	4,860.71
Percentage of total	11.25	88.75	100.00	11.11	88.89	100.00
2019-20	16,091.00	138,962.00	155,053.00	458.74	4,288.35	4,747.09
Percentage of total	10.38	89.62	100.00	9.66	90.34	100.00
2018-19	18,325.00	138,099.00	156,424.00	447.34	3,790.05	4,237.39
Percentage of total	11.71	88.29	100.00	10.56	89.44	100.00
2017-18*	17,401.00	140,203.00	157,604.00	445.13	3,296.27	3,741.40
Percentage of total	11.04	88.96	100.00	11.90	88.10	100.00
2016-17**	11,004.00	75,475.00	86,479.00	271.01	2,226.08	2,497.09
Percentage of total	12.72	87.28	100.00	10.85	89.15	100.00

* In 2017–18, 4 branches lacked data.

** In 2016–17, statistics were not provided by 28 branches.

Source: Impact Evaluation of BB's Re-financing Plan for RAKUB Survey, 2021.

4.11 The rural RAKUB branches are heavily involved in CSR-related initiatives.

In addition to their regular banking activities, RAKUB also engages in a number of Corporate Social Responsibility (CSR) initiatives. A few of these initiatives include collecting electricity bills from Polli Bidyut Samity customers, giving farmers agricultural subsidies, paying benefits to people who are eligible for the government's 40-day program to create jobs, and providing pensions for retired military personnel. The results also showed that 437,764 bank accounts were opened at the 32 RAKUB branches that were investigated for the study at a cost of just 10 Taka, and that roughly 72% of those accounts were still active during the field period in 2021. This shows that the ongoing financial inclusion projects of BB are highly benefited by the participation of these two banks. It may be required to assess the level of their human involvement in these activities and establish a policy in order to prevent their involvement in CSR initiatives from negatively impacting their principal business.

Chapter 5

Findings and Suggestions

5.1. Findings

The comparison of the borrowers in the target audience—those who have borrowed money from RAKUB—to the non-borrowers in the equal contextual control group. According to the report results, the target group of RAKUB borrowers outperforms the unborrowed control group in terms of property quality value, revenue, and spending, despite sharing similar demographic characteristics and infrastructure. There were more borrowers in the target group than there were non-borrowers in the control group. This demonstrates that the objective gathering ranchers who took out loans from the RAKUB contributed to the country's overall GDP by increasing agriculture sector productivity. It has already been mentioned that BB primarily supports RAKUB's monetary policy by providing it with refinancing facilities, which aims to increase agricultural and non-farm rural borrowers receive credit in order to achieve its broad objectives of increasing GDP and maintaining price stability, particularly for food by increasing food grain production. As a result, it appears that the overall goals of BB's re-finance program are being met. As a result, BB may be able to effectively expand RAKUB's size and institutional inclusion as per the general objectives of its monetary policy in addition to continuing this re-finance program for RAKUB.

5.2. Suggestions

According to a comparison of the borrowers' economic well-being with that of the control group non-borrowers in the same contextual setting, both farming and non-farm rural credit had a favorable impact on the borrowers. Although though they shared identical demographic characteristics and infrastructure resources, the target group RAKUB borrowers beat the control group non-borrowers in the survey's findings for quality value, revenue, and outflow. This shows how the target group's farmers' usage of RAKUB loans has raised the sector's overall productivity in the agricultural sector. As was already mentioned, BB's primary objective in providing refinancing options to RAKUB is to support the use of its monetary policy to increase agricultural and non-agricultural rural borrowers' access to credit in order to achieve its broad goals of increasing GDP while maintaining price stability, particularly food price stability, through increased food grain production. So, it appears that BB's refinancing plan is succeeding in achieving its main objectives. As a result, in addition to continuing to provide funding to RAKUB, BB may decide to effectively broaden the program's scope and institutional policy in accordance with the monetary policy's main

goals. The key conclusions of this study also showed that the administrative and human resource issues in bank credit management, as opposed to the borrowers' financial inability to return their loans to RAKUB on time, are to blame. The primary factors contributing to the escalation of non-performing credits (NPLs) in open area banks like RAKUB are borrowers' unwillingness to repay the loan and a lack of employees to manage recovery efforts. The only ways to address this situation of growing NPLs do not include raising the number of agricultural credit supervisors and other staff members at the branch level within RAKUB, nor do they involve accelerating present recovery initiatives. Banks will need to use extreme caution when extending credit as well as during recovery drives, which primarily involve persuasion at the field level and may not be feasible given RAKUB's current manpower structure. This is due to the similarities between financing for agricultural and non-agricultural rural activities and micro, small, and medium-sized enterprises (SME). Possibly the pay package and other benefits for officials or agricultural credit supervisors participating in the decision-making process for credit distribution and quick credit recovery for banks should be correlated with credit realization and net profit from credit operations. As a result, RAKUB may consider partnering with local NGOs or other parties under the predetermined terms and conditions that their compensation would be supplied through a portion of the realized interest earnings less suspended interest for bad loans, if any. To prevent the establishment of fraudulent borrowers, NGOs and third parties will only give suggestions for loan distribution; nevertheless, credit must only be distributed directly to the borrowers through the relevant RAKUB branch offices by starting a 10-Taka Account. Also, borrowers will be under pressure from NGOs or other parties to pay back loans on time and to cover their fair share of realized interest at the end of each month. Branch level operations will take place here. Also, in exchange for alluring compensation, NGOs or other parties may be given the duty of collecting deposits through the mobile banking system and recovering NPLs. However, RAKUB may initially carry out a thorough pilot project to involve NGOs or other third parties for this purpose in some of their chosen branches, and if this experience is successful, this can be reproduced in other branches around the nation.

Chapter 6

Conclusions, policy implications and future work

6.1. Conclusions

The main findings of this study also showed that the debtors inability to repay their loans to RAKUB on time is not due to financial insolvency; rather, the primary issue is a staffing and administrative issue in banks' credit management. Reluctance in the attitude of the borrowers to reimburse the credit and shortage of labor to smoothing out the recuperation drives are the great purposes behind irritating non-performing advances (NPLs) in the public area banks like RAKUB. The recruitment of the necessary The addition of a large number of new officials and agricultural credit supervisors to the branch level in RAKUB, in addition to the strengthening of the recovery drives that are already in place, are not the only options for reducing the severity of the NPL situation. Banks will need to exercise extreme caution not only when disbursing credit but also when conducting recovery efforts, primarily through field persuasion, which may not be feasible given RAKUB's current workforce structure. This is because of the way that supporting in horticultural and non-ranch country exercises is basically the same as funding for miniature, little, and medium-sized endeavors (SME).For agricultural credit supervisors or officials who will be involved in the selection of borrowers, the recommendation for the disbursement of credit, and the timely recovery of credit for banks, it is possible that the realization of credit and the net profit from the credit operations will need to be included in the pay package as well as other forms of compensation.

6.2. Policy implications

A policy that rewards and discourages both good and bad borrowers must be implemented. As a result, Borrowers who pay off their loans by a predetermined deadline are exempt from paying a certain amount of interest, such as a percentage point off the predetermined interest rate, while borrowers who fail to pay off their loans by the deadline are subject to a certain amount of a penalty interest rate. This policy can be implemented (for instance, an additional interest rate that is two percentage points higher than the already established rate). If a borrower wants to keep their loan, they can do so before the deadline without having to pay interest; However, rather than receiving a one-point exemption from the predetermined interest rate, they should be assessed a two-point penalty interest on the loan's outstanding balance if the loan is rescheduled after the predetermined deadline. However, debtors should be fully informed before any penalty interest rate is applied, and such direct rescheduling

should be limited in time (perhaps up to five times, as opposed to the current agricultural credit policy's allowance of three times).

6.3. Future work

For the purposes of enhancing agricultural and non-farm rural credit activities, it is essential to increase loan amounts for borrowers through revision of the agricultural credit disbursement norms currently in place, as well as simplify the documentation and loan disbursement processes and public outreach. Although the BB recently simplified the loan disbursement process and forbade banks from accepting any kind of original deed or parcha as loan security, farmers are occasionally compelled to keep it with banks due to bank personnel' lack of cooperation. As a result, BB may officially release a very brief (if possible, one-page) credit policy each year that outlines farmers' rights while simultaneously pleading with banks to make timely loan repayments for the good of the nation. Last but not least, It is generally accepted that agricultural and non-farm rural credit from the banking system not only helps to prevent capital flight from rural to urban areas but also contributes to the growth of our overall GDP, supporting the narrowing of the wealth gap in the nation. As a result, in order to promote RAKUB for the benefit of the nation as a whole, BB must continue its existing initiatives to do so through re-financing facilities, while RAKUB must take particular measures to increase the strength and effectiveness of its institutional infrastructure. In this regard, RAKUB may need to set up a resource pool in order to thoroughly review their fund expenses, construct an agricultural and non-farm rural credit shadow lending rate, and they are reorganizing their workforce at the branch level.

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