

TOWARDS BUILDING A MODERN ECONOMY



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How specialised banks are lending a helping hand

Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank are uplifting the agro-economy in rural Bangladesh



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Bangladesh is one of the most densely populated countries in the world with a population of 166 million living in an area of 56,977 square miles. The sex ratio of this massive population is almost 50/50. Thirty-five percent make up the urban population while 65 percent live in rural Bangladesh.

Rural men and women are heavily involved in agricultural farming and the cottage industry while the urban population is involved in business, trade and finance industries (cottage, small, medium and large) and other economic activities.

In order to achieve the Millennium Development Goals (MDGs) and for overall economic development of the country, the government gave special emphasis upon empowering women, since they make up half the total population, by creating more job opportunities for them both in rural and urban areas. As such, the government focused on developing a class of women entrepreneurs in the country.

Besides urban development, the government gave equal emphasis to the development of the rural agro-economy for which the administration has set aside a lot of incentives and announced policies geared towards it.

For rural economic development, the government established two specialised banks in the country, namely Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) for the greater Rajshahi Division. These banks are mostly financing the agriculture and cottage industry in rural areas.

These two banks are financing the cottage, small, medium and large enterprises/industry in the agricultural sector such as cold storage, rice mill, spice grinding, wooden and cane furniture, utensils made of mud, bricks, etc., both for domestic use and export.

Bangladesh Bank, the regulatory body of all banks and financial institutions, in its circular SME SPD-1 dated January 7,

2016 instructed them to extend credit in agriculture, cottage, small and medium sector as per the target set by them. Bangladesh Bank in this circular also instructed them to extend their support, especially to women-headed enterprises. Besides, SME Foundation of Bangladesh gives financial support to rural and urban traders, businessmen and women, in the form of small (business) loans.

Development in the agricultural sector in the recent past was propelled by government incentives in the form of subsidies, government directives, Bangladesh Bank's policy guidelines and financial support for BKB/RAKUB and other non-banking financial institutions and NGOs like BRAC, ASA, BKSP, etc., as per Bangladesh Bureau of Statistics.

AGRICULTURE AND SME FINANCE

Bangladesh is on its way to achieve middle-income country status and its agricultural sector has continued to play a significant role by providing the largest share of employment in the country. Growth in agricultural and allied sectors along with agricultural-raw-materials-based micro and small industries/enterprises are the primary drivers of poverty reduction by dint of their creating employment opportunities. Review of annual reports of Bangladesh

Bank reveals that adequate flow of low-cost (interest rate) credit is essential for smooth growth of these sectors.

Bangladesh Bank since long has been focusing on ensuring availability of funds and banking services for these sectors by instituting an efficient and comprehensive credit delivery mechanism throughout the country, as, for instance, in 2016 efforts were made by Bangladesh Bank through its annual agricultural credit policy for creating a favourable environment for the flow of credit to the agricultural sector and for other rural-based activities.

CREDIT DISBURSEMENT

Private and foreign commercial banks along with state-owned banks have come forward to disburse agricultural credit in recent years as per the policy decision and directives of Bangladesh Bank and the concerned ministries/divisions/directorates. As a result, agricultural and rural finance programmes have seen an expansion.

About 81.7 percent of the disbursed loan of Tk 176.5 billion was in the form of short-term lending and the rest 18.3 percent was long-term loans for purchase of irrigation equipment, agricultural machinery, livestock, etc. Credit for production of crops constituted 56.2 percent and it was 6.6

percent for poverty alleviation programmes.

According to the Bangladesh Bank annual report, the total outstanding loan in the agriculture sector increased by 4.7 percent or Tk 15.4 billion from a total of Tk 329.4 billion in FY2015 to Tk 344.8 billion in FY2016.

Two specialised banks—BKB and RAKUB—along with four state-owned commercial banks played a key role in the disbursement of agricultural and rural credit. However, the state-owned commercial banks and RAKUB fell short of the target by 5.9 percent and 30.3 percent respectively; whereas BKB and foreign and private commercial banks exceeded the disbursement target by 2.9 percent, 29.8 percent and 24.5 percent respectively in FY2016.

CREDIT RECOVERY

Besides increase in disbursement, recovery of agricultural credit also increased by 10.7 percent from Tk 154.1 billion in FY2015 to Tk 170.6 billion in FY2016. This was possible because of comprehensive support to agricultural production thanks to subsidies for both input and output. The rate of recovery of agricultural credit was 74.8 percent during FY2016 which was higher than that of FY2015 which was 69.9 percent.

The overdue as a percentage of total

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outstanding agricultural loans decreased during the period under review from 20.4 percent in FY2015 to 16.5 percent in FY2016.

SOURCES OF AGRICULTURAL FINANCE

The primary source of agricultural credit in BKB was 28 percent, 6.3 percent in RAKUB and 47.4 percent in private commercial banks as per the disbursement record of FY2016. Besides, foreign banks (2.9 percent) and local state-owned commercial banks (15.4 percent) are also playing a vital role as a source of agricultural finance. The overdue loans of RAKUB and BKB were 29.8 percent and 15.4 percent respectively at the end of FY2016.

BANGLADESH BANK'S REFINANCE AGAINST AGRICULTURAL LOANS

Besides paid-up capital, BKB and RAKUB receive funds for lending purposes from their customer deposits and refinance facilities from Bangladesh Bank for lending in this sector in order to create employment opportunities in rural Bangladesh and for poverty alleviation. Only BKB, RAKUB and BRAC availed the benefit of refinancing facilities to the tune of Tk 6 billion from



Rural women are heavily involved in agriculture and the cottage industry. The government has since long focused on creating a class of women entrepreneurs in the country.

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bKash
একটি ব্যাংক থেকে প্রতিষ্ঠান

পছন্দের সেবা সব বই
কেনার এইতো সময়

বইমেলায় পেমেন্ট বিকাশ করলেই

১০%

ইনস্ট্যান্ট ক্যাশব্যাক*

* বইমেলা চলাকালীন একটি বিকাশ একাউন্টে সর্বোচ্চ ৬০০ টাকা এবং প্রতিদিন সর্বোচ্চ ৩০০ টাকা ক্যাশব্যাক পাবেন
* অফারটি ১ ফেব্রুয়ারি, ২০১৮ থেকে ২৮ ফেব্রুয়ারি, ২০১৮ পর্যন্ত চলবে