

**BANGLADESH BANK**  
**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

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# **RURAL FINANCE EXPERIMENTAL PROJECT**

## **INSTITUTIONAL SURVEY**

**SEPT. 1981 - MARCH 1982**

**PUBLIC ADMINISTRATION SERVICE**  
**PROJECT OFFICE : 128, NEW ESKATON ROAD DACCA, BANGLADESH**

**S. F. AHMED AND CO.,**  
**TEL : 400077/78**

# RURAL FINANCE EXPERIMENTAL PROJECT

PUBLIC ADMINISTRATION SERVICE  
McLEAN, VIRGINIA, U. S. A.

S. F. AHMED & CO.  
DACCA BANGLADESH

PROJECT OFFICES : 128, NEW ESKATON ROAD, DACCA TELEPHONES : 400077/8 CABLES : PASFA

REF : B-408/82

DATE : August 26, 1982.

Mr. Kamaluddin Ahmed  
Chief Officer  
Agricultural Credit Department  
Bangladesh Bank  
Dacca.

Sub : 2nd Institutional Survey

Dear Mr. Ahmed,

In compliance of clause No. 8.7 of the contract, we enclose herewith five (5) copies of the Institutional Survey Report .

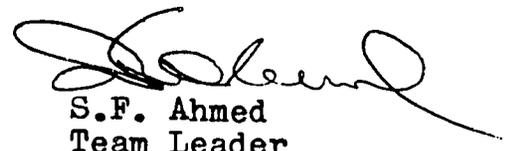
The two consulting firms may not be in full accord with all of the findings, opinions and recommendations set forth in this report. As the differences could not be fully resolved this report reflects the views of S.F. Ahmed & Co. Public Administration Service may wish to submit additional, differing or qualifying opinions.

If you have any question on the above survey, please do not hesitate to contact us.

Yours sincerely,



Wilmot Averill  
PAS Representative



S.F. Ahmed  
Team Leader

cc to : Claude W. Reece, USAID, Dacca, (3 copies).

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## Management Summary

### I

The Rural Finance Experimental Project was designed to identify and develop a financially viable institutional rural credit and savings system which would be successful at extending to and recovering credit from small farmers including tenants and share croppers/landless and other small rural producers not presently reached by institutional credit.

Nine lending institutions have been experimenting with 8 different models in 97 outlets at varying rates of interest.

The primary objective of this survey is to analyse institutional and financial viability of the participating institutions in detail. This study incorporates data collected through a sample survey conducted at the institution and outlet level and other data collected through monthly and periodical financial reports submitted by the institutions.

Operational characteristics of the models as amended have been described in Chapter Two including a brief commentary on the implementation of such models.

22 outlets have been included in this survey and their general characteristics have been incorporated in Chapter Three. Chapter Four includes operational performance data of all the institutions for the periods ending 30 September 1981 and 31 March 1982 and also for the two dates alongwith a comparative analysis.

Chapter Five deals mainly with the financial viability of the overall experiment and the institutions.

From the analysis of data for the years ending on 30 September 1981 and 31 March 1982 it appears that RFEP as a whole has been a viable operation and has been making increasing profits from 1.9 to 3.3% taking into account more than adequate provision for bad and doubtful debts and excluding the incentive payments of  $\frac{1}{3} + \frac{1}{3}$  made on lending and recovery to the participating institutions. The operational cost excluding cost of

fund also went down from 10.2 to 9.8%. This trend of reduction in operational cost and increase in the overall profit is likely to continue if the existing outlets maintain the same pace of operation.

During the year ending 31 March 1982 five institutions, Sonali, Agrani, Rupali, BKB, and IRDP, were able to earn profit ranging from 2.7% to 8.2% of the average monthly outstanding loan principal. Trend analysis of the years ending 30 September 1981 and 31 March 1982 shows that except for IRDP and BSBL, the seven other institutions are in a favourable condition. Operational cost of the 9 institutions vary from BKB's 6.8% to Uttara Bank's 28.9% of the average monthly loan outstanding balance for the year ending 31 March 1982.

An attempt has been made to develop norm of administrative cost of outlets using empirical data which amounted to approximately 7.1 percent of the average loan outstanding taking into account a confidence interval of 95%.

In order to improve the financial viability of the institutions the cost rates should be reduced and the best way to do it is by increasing the overall performance of the outlets e.g. increase in lending, recovery and mobilisation of deposits. Administrative cost burden can be minimised by increasing the lending operation and productivity of the outlet, cost of provision for doubtful debts by improving the process and performance of loan recovery and follow-up.

Cost of fund is however a major issue which has not been adequately covered in the experiment. The experiment was designed as a stand alone operation based on savings and borrowed funds at high rates of interest. It has not taken into account possibilities of developing sources of funds for self-financing in the form of interest free deposits and flo-ats. As a result the experiment was dependent solely on the amount of funds that could be made available by the institutions from other resources. A partial mobilisation of finance through savings accounts bearing high rates of interest could not provide a cost of fund base to operate reasonably and profitably within the normal bounds and forces of the money market, such as the lending interest rates charged by

other institutions. The systems, like other financial systems in the country, should have the means of mobilising non-interest bearing deposits in ratios greater than those of interest bearing ones in order to reduce the cost of funds.

Any credit system developed for rural producers should of necessity be integrated with the total money system so that such credit operation is more dependent and based on factors and forces governing the local and national money supply and market, rather than make it dependent solely on a temporary grant or loan. Even though there has not been any study made of the money supply in rural Bangladesh, it stands to reason to assume that adequate money supply and circulation exist to finance the vast network of procurement, storage and distribution system covering the goods and services produced, consumed, imported and exported by approximately 90 million people in rural Bangladesh.

Unless the non-interest bearing deposits become the major sources of funds, as in the case of normal banking institutions, the cost of fund would always remain high which would adversely affect the viability of the institutions participating in this program. It may not be feasible to develop a system based on an interest structure higher than that of the money market and this system with its higher cost of fund will have to compete with other systems in the money market offering lower lending rates of interests. Needless to say that this program is rather too small a component of the total rural credit system (the current annual development budget for which is over Taka 7.8 billion ) to influence or to bring about a change in the national interest structure of rural credit unilaterally.

Chapter Six deals with institutional coverage and extending credit to the target group. It also analyses major use of loan by activity.

The findings show that the volume of lending to the target group borrowers was the highest in the case of BKB, which made over 40% of the total target group disbursement. Sonali's share was the second highest with just over 15%, followed by Agrani with over 9%. Uttara's contribution of just over 1% was the lowest in this category.

Sonali disbursed one-third of the loans to the non-target group borrowers, followed by Agrani with 17.23%, while BKB's share was 15.40%. The lowest volume of lending to non-target group borrowers was recorded by Rupali with 2.59%.

Chapter seven deals with recovery of loans and reasons for overdues.

The findings of the survey reveal that Agrani's recovery position was the highest among participating institutions with nearly 63% of the amount recovered against its disbursement of 10.56% of the total loan. Uttara's recovery position is the second highest with 55.21%, closely followed by IRDP with 54.27 against their loan disbursement of 1.45% and 7.78% respectively. The lowest recovery was made by BSBL with only 32.93%, and it disbursed 7.73% of the total loan.

The disbursement recovery picture permits the hypothesis that the lower the percentage of the loan disbursed, the higher the percentage of recovery.

The amount of overdues is a function of the magnitude of the dues. The overdue position of different institutions as on March 31, 1982 shows that Agrani and Rupali have maintained a low level of overdues with 4.35% and 6.19% respectively; while BSBL's overdue position was the highest with 48.67% followed distantly by Pubali with 21.38%. The reasons of overdues are related with the failure of the enterprise for which the loan was taken, lower than expected income from the enterprise and wilful defaulters. Other reasons which of overdues include high rate of interest, diversion of loan to other activities, illness of the borrower etc.

Chapter eight shows an analysis of institutional performance on saving.

The survey reveals that BKB mobilized the highest volume of savings both from the target and non-target groups and it was interesting to note that the non-target group borrowers saved more than the target group. This holds true both in case of the institutions as well as the surveyed outlets.

Three-fourths of the surveyed outlets incharge have however expressed their dissatisfaction with the volumes of savings which indicates the untapped savings potentiality of the rural poor of Bangladesh.

Chapter nine deals with women borrowers and their share of participation in the program.

In case of women loanees their percentage to total borrowers recorded an increase of less than one percent in all institutions except one, and the percentages for BKB, IRDP and BSBL have decreased while Rupali did not show any change.

The average percentage of women borrowers to total borrowers however remained the same at 4.48%.

Chapter ten deals with training, education, salary structure, supervision and job conditions of the outlet staff and problems faced. It has been found that Rupali, Janata, Uttara, BKB, BSBL and Sonali have taken scientific and innovative approaches regarding training. They also remain dominant institutions regarding training aiming at optimistic self-financing goals. However, training at IRDP appears to be the most extensive as well as frequent, and it has been reaping excellent benefits from its training program.

All the institutions except BSBL conduct regular supervision of the outlets from the head quarters.

## II

ANSWERS TO CRITICAL QUESTIONS ABOUT CREDIT AND SAVINGS

An attempt has been made below to answer the fifteen critical questions as required under Function No. 6 of the consulting contract based on the information and analysis made so far.

QUESTION NO. 1: Do small farmers and other rural producers face production opportunities which can be exploited through institutional credit; under what circumstances? What is the target group demand for credit?

ANSWER: Yes. The experiment has brought out positive evidences about borrowers engaging in new and/or extended productive ventures. Borrowers Financial Survey revealed that about 12% of the total borrowers engaged in new activities on account of RFEP credit, 62.34% of these borrowers also achieved viability (Table V.13). No borrowers however ventured into any new activity with 36% interest loan. Approximately 61% of such borrowers used 30% loan.

About 85% of the borrowers have increased the scale of operation of their activities through the use of RFEP credit (Table VI.1.2). Needless to say that such production opportunities would have been greater with lower interest credit. The desired circumstances would warrant besides low interest institutional credit inputs of various types such as technical know-how, marketing information and other physical inputs like equipment, fertilizer and raw-materials.

Since one of the main reasons for non-borrowing and dropping out was found to be the higher interest rate it can be deduced that more rural producers could join the program if the interest rates would have been more favourable. (Table IV.3.1 and IV. 3.2).

The target group demand for credit would vary from borrower to borrower based on his economic infrastructure and the type and scale of activities he is engaged in. Target group demand for the entire rural Bangladesh could be approximated as follows. Total Rural Household = 13.5 million. Target Group Household 63% of the above = 8.5 million. At Tk 3000/= estimated average demand, total target group demand would stand at Tk 25.5 billion.

QUESTION NO. 2: Is the target group benefiting from credit at high interest rates ?

ANSWER: At least 61.11% of the total borrowers derived economic benefit from RFEP credit by increasing their income, consumption and/or net worth (Table VI.2.12). Needless to say that the ratio is likely to increase if the credit would have been cheaper than what was offered in the RFEP. Lower interest rates show a higher ratio of such borrowers compared to 30% and 36% rates of interest (Table VI.2.12.1).

QUESTION NO. 3: Can credit systems be devised to reach the target group on a large scale without being preempted by more privileged persons-how?

ANSWER: Over 90% RFEP credit reached target group borrowers as revealed by the following Continuous Surveys conducted by the consultants:

|                   |     | <u>Period</u>   | <u>% of Target Group Hit</u> |
|-------------------|-----|-----------------|------------------------------|
| Continuous Survey | I   | May - Aug 1981  | 90.00%                       |
|                   | II  | Sept- Feb. 1982 | 89.14%                       |
|                   | III | March-May. 1982 | 92.01%                       |

However, no system can be made absolutely perfect or fool proof. A combined credit and saving system with interest differential large enough to cover the normal cost of delivery of credit in an institutional environment including reasonable cost of bad debts and normal cost of money should be the answer. Since the full cost of small credit is going to be much higher than that of larger volume credits available under normal banking, the privileged persons will not find it profitable to borrow relatively smaller amount of credit at higher interest rates than that from other institutional cheaper credits to which they have better access.

QUESTION NO. 4: How can timely repayment be induced and default minimized ?

ANSWER: There should be both positive and negative reinforcements for motivating people to make timely repayment and collection of loans. Positive rewards may include things like rebates, better credit rating for future loans for borrowers and appropriate incentive for bank employees involved. Negative reinforcements may include penal interests and poor rating for borrowers and penal action against bank employees. There should also be a concerted program of supervision of credit, bank-borrower dialogue, aggressive recovery and follow-up. Terms of loan repayment should be both feasible and convenient to the borrowers and should be subject to revision based on performance and/or circumstances beyond the control of borrowers.

QUESTION NO. 5: What are the principal institutional and management constraints to efficient operation of the financial institutions; what development or improvement is needed ?

ANSWER: One of the fundamental drawbacks of most of the institutions is lack of profit orientation. Unlike in private business house where profit becomes the yardstick of measuring success or failure and becomes the principal motivating force behind its goals and objectives, most of the government owned institutions apparently lack this direction towards a measure of their achievement or success. As such there is a lack of incentive or purposeful motivation for the personnel to perform.

There is also lack of training and understanding about organisational behavior and inter-personal relationship based on the concept of motivation and stimulus-response. This deficiency is reflected amongst the personnel in their self-motivation, and in motivating others including the institution's clients. There are also serious deficiencies in training of field staffs with respect to rural banking and rural development.

Most of the Banks operating in the rural areas have been practicing almost similar banking services and facilities as practiced by them in the urban areas of the country. These banking services and facilities have been designed to cater to the needs of the city commercial and industrial houses involving large commercial and industrial operations and are not suited at all for small scale rural commercial and industrial activities based primarily on agricultural and agricultural related operation. Credit operation of the banks and the money instruments used are in most cases expensive, elaborate and unsuitable for rural environment. Banking services, facilities and customs should be improvised, designed and/or developed to suit the needs of the rural producers and traders and the type of transactions they normally involve in, in terms of their credit and capital needs.

Most of the branches of Dacca based banks operating in the rural areas has very little commitment for the development of the regions in which they are operating and in most cases funds mobilized by such branches are routed to the bank's head office for investment elsewhere. The personnel deputed in these branches are in most cases unwilling employees of the bank who have been forced to work in rural branches and whose major efforts often are directed towards relocating them to a city suburb. Very few of such employees, therefore, establish any relationship with local people and/or commit themselves towards the development of the region. The concept of a regional development bank would emphasize the need for recruiting personnel from within the region, if possible, who would have both the commitment and the interest for the development of such a region. Since such an institution would be regionalised the personnel of such a bank would normally have no hope or aspiration for moving to a city area as long as he remains in the employment of such a bank.

Bangladesh has embarked on a new policy of decentralised regional administration for control and development at the thana level. Since a thana will be a unit for administrative and development purposes, financial institutions and necessary money market should be allowed to develop for each of such independent units. Even though it may not be practicable to have an independent bank for each thana at the outset, an independent operating unit could be considered comprising of a number of contiguous thanas with equitable representation in the organisation and control from each thana. This could be in the form of a subsidiary of an existing bank, a new bank or other types of organisation such as co-operative, credit institutions, mortgage bank etc.

Banks operating in the rural area should in addition to the normal banking services and facilities practiced in the country offer specialised services suitable for rural production, storage, marketing and distribution in agricultural, agriculture-related and industrial activities, such that necessary long, medium and short term loans could be provided for the enterprises and organisational development including temporary bridge financing by way of expansion of credit through simple and innovative type of instruments similar to sola of exchange, demand draft, traveller's cheque, letter of credit, guarantee etc. This procedure of credit expansion would also create deposits, floats and short term money market, thereby increasing the velocity and circulation of money and the resultant money supply in order to sustain an accelerated development program.

To mobilise deposits out of float and temporary idle money, introduction of low interest bearing current account, day of deposit day of withdrawal saving account could be considered. This will discourage rural operators from demonitizing their temporary idle funds by making safe-keeping deposits with 'Mohajons' or put aside in their own hoarding places. Even though there has not been any study made of the money supply

in rural Bangladesh, it stands to reason to assume that adequate money supply and circulation exist in rural Bangladesh to finance the vast net work of procurement, storage and distribution system covering the goods and services produced, consumed, imported and exported by approximately 90 million rural people. Staggering of incomes of all salaried employees and income generated out of Govt. procurement and other works programmes could also be considered to stabilise money supply.

QUESTION NO. 6: Will higher interest rates on credit and savings mobilize capital in the rural sector and bring about greater availability of rural credit to the target group? Can the administrative costs of credit/savings programs be reduced to an acceptable level?

ANSWER: Higher interest rates on saving commensurate with the interest rate on credit should mobilize savings by (a) attracting more savings from the rural producers (b) attracting urban savers to transfer funds to rural credit system and (c) by discouraging the traditional money lenders from competing with the Rural Credit System.

Credit systems which have been designed to extend credit to rural producers as a stand alone operation based on either outright grants or soft loans have in most cases failed to develop sources of funds for self-financing in the form of mobilization of interest free deposits and floats. As a result the liquidity and financing of such an institution would depend solely on the amount of grant or loan available and an institution faces the danger of coming to an abrupt halt when such grant or loan money is exhausted. A partial mobilization of finance through saving accounts bearing high rates of interest could not provide a cost of fund base to operate reasonably and profitably within the normal bounds and forces of the money market, such as the lending interest rates charged by other institutions. The system should have the means of mobilizing

non-interest bearing deposits in ratios greater than those of interest bearing ones in order to reduce the cost of fund . Any credit system developed for rural producers should of necessity be integrated with the total money system so that such credit operation is more dependent and based on factors and forces governing the local and national money supply and market, rather than make it dependent solely on a temporary grant or loan.

The relative administrative cost of credit saving programmes could be reduced gradually along with a parallel development in the institutional framework, credit delivery system, personnel productivity, economy of scale, mass literacy and training, regional infrastructure, & other exogeneous & endogeneous variables. It is difficult to determine precisely as to what could be considered to be the acceptable level of such costs. Like any other goods and services, such cost at some point in time would be subject to the law of supply and demand. And the extent of acceptability (demand) would vary on the basis of the cost itself. But one thing is quite clear from the experiment, that the existing cost has been or was acceptable. The cost incurred during the experiment was acceptable to the borrowers for the extent of credit given, even though its demand at such cost could not be ascertained because of the limited scope of the experiment.

QUESTION NO. 7: Is a credit program feasible as a " One dimensional" program i.e. not integrated with the delivery of farm input and marketing services. What degree of coordination is required with other rural development activities ?

ANSWER: Agrani through small farmer service center model and Pubali through technical model made an effort to combine farm input and technical services with lending but were not very successful. The effort was however on a very limited scale.

Credit as a one dimensional program may however face other problems such as the problem of self financing as explained in answers to questions 5 and 6 above.

There has been little or no coordination during the experiment with other rural development activities. It may not be possible to devise a credit system encompassing such a coordinated approach with other rural development programs. However, the system should take stock of the development taking place in various regions in determining the type and extent of credit needed for that region.

QUESTION NO.8: Is it beneficial to channel credit and savings programs through cooperative style groups ? Do groups face more productive opportunities and offer advantages for reaching the target population ?

ANSWER: Yes. Cooperative or group should normally be a stronger economic base to carry out rural activities of larger economic size and scale and as such hypothetically it should be more beneficial to channel credit and savings through such group formations. The group could also benefit from the collective knowledge, experience and expertise of its members. Besides, because of the possibility of larger economic activity, the group can enjoy more productive, marketing and procurement opportunities. However, the performance of group lending has not been very satisfactory in the experiment except in isolated cases and IRDP.

Since there is no organised movement for group formation as in the case of cooperatives, formation of groups for the purpose of obtaining credit has been at best a trial process which requires long term education, training and other persuasive efforts to make such an organization effective, efficient and replicable nationwide.

QUESTION NO. 9: How can rural producers be motivated and organized to save regularly ?

ANSWER: Majority of the rural people may not have a saving to put away for a considerable length of time but do possess short term surpluses which should be tapped to increase rural deposits as suggested earlier in this report. The following institutional factors, inter alia, could be considered for developing rural deposits among the rural people :

- 1) Higher interest rates on savings
- 2) Reassurance as to the security of their fund
- 3) Reassurance as to the availability of such fund when needed
- 4) Literacy
- 5) Positive incentives
- 6) Better service and public relations

QUESTION NO. 10: What is the importance and income and productivity potential of agricultural, agricultural-related, and non-agricultural loans respectively?

ANSWER: All enterprises which have a round the year operation and employ the available contributory family labour would normally have more productivity, employment, profitability and viability in terms of absorbing credit and amortizing it. It appears however, that most of the agricultural activities do not fall under the above category.

QUESTION NO. 11: Are short term (seasonal) lending programs constrained by lack of longer term credit for financing physical or institutional infrastructure development?

ANSWER: Short term seasonal lending programs are purely for the purpose of providing working capital as an accommodation loan to bridge the seasonal variation in income/expenditure and receipts/payments, while longer term credit, which is normally provided for the development of physical or institutional

infrastructure, may not have any direct bearing on the short term loans; the reverse, however, may be true. There has however, been no experimentation with the longer-term financing in this project.

QUESTION NO. 12: What is the impact of expanded institutional credit on the overall operation of rural financial markets in experimental areas? Consider: (a) total credit availability (b) the increase in total credit to the target group; and (c) the percentage of credit going to the target group.

ANSWER: Needless to say, any expanded institutional credit which would mean infusion of additional funds into the rural financial market would increase - (a) total credit availability by at least the amount of expansion; (b) total credit to the target group by approximately 90% of such amount. (c) The percentage of credit going to the target group of the total credit available can not be determined because of the lack of information on credit available prior to such expansion.

QUESTION NO. 13: How should rural credit and savings programs be designed and run for maximum effectiveness/efficiency ?

ANSWER: In order to bring maximum effectiveness and efficiency besides organization, motivation, training and other related aspects mentioned above, one of the approaches could be towards directing a program which would be manned, administered, run and ultimately owned by people with roots and a deep sense of belonging to rural Bangladesh, familiarity with the potential of the region, and having the patriotism, commitment, dedication and enthusiasm to develop the region. One other graduated approach could be towards the development of regional rural banks, provided there have been enough infrastructural educational and other developments including adequate credit needs in a particular region. Please also refer to answers to question numbers 5 and 6 above.

QUESTION NO. 14: Can credit be extended to the target group in a financially viable and eventually self-generating profitable manner? Based on interest rates, administrative costs, and recovery experience, what interest rate must be charged to ensure viability?

ANSWER: a) Yes. This has been extensively covered above.

b) Based on RFEP experience and as explained in the "Viability Analysis" chapter of the Institutional Survey, a total of 11% of the average outstanding loan should cover the operational cost of the outlet (including incentive estimated at 0.5%), the head office overhead and a generous provision for bad debts. Cost of fund and profit should be added to the above figure to arrive at the interest rate which will be viable to the institution. Cost of fund basis used by the institutions in the experiment (6.5% to 13%) is neither based on market conditions nor based on their cost of funds. Average cost of fund of major participating commercial banks is around 3% which can be approximated from their annual accounts. Cost of fund for banks engaged mainly in agricultural lending should be even lower considering a lower refinancing rate charged by Bangladesh Bank for such lending. Profit should be based on equity employed by an institution. Since a bank is expected to have a turnover manifold of its equity employed, a meagre 1 or 2% of the loan outstanding should provide a reasonable profit for the institutions.

It should however be appreciated that all the above cost factors are dynamic and subject to change from time to time as their underlying factors change. Cost of fund, for example, depends on a lot of other factors such as

interest rates of saving and lending of the money market, proportion of interest free deposits to that of interest bearing ones, etc. It would therefore be necessary to monitor changes in the various factors involved and have them scrutinized and normalized on a continuous basis. All of the cost components and the resultant interest rate should therefore be subject to revision based on any change in either their components or the overall situation.

QUESTION NO. 15: Does credit extension require a special delivery model or can it be integrated in a particular Bank's general agricultural lending?

ANSWER: A bank's general agricultural lending program may not be fully equipped to handle non-agricultural and agriculture related loans of this project. As such necessary modifications and inputs may need to be provided to such institutions for handling the credit system, assuming that the agricultural credit delivery system of such institutions is closely similar to the credit delivery system of the project.

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## Chapter One

### 1. Introduction:

The RFEP project seeks to identify and develop a financially viable institutional rural credit and savings system which would be successful at extending and recovering credit from small farmers including tenants and share-croppers/landless, and other small rural producers not presently reached by institutional credit. This credit system would seek to provide loan to these borrowers on time and at an interest rate which would be acceptable to them and adequate to cover all operational expenses including cost of fund and mobilization of savings to finance new demand for credit. The resources lent will be recovered on time with interest and will be re-usable.

Nine Lending institutions are experimenting with 8 different models at varying interest rates. The participating banks are experimenting with one interest rate in each outlet while the two co-operative institutions have been experimenting with different interest rates at the same outlet. Each model has certain distinctive characteristics. The original models in some cases were modified during the extended phase on the basis of recommendation of the consultants. The amended models are:-

| <u>Models</u>                    | <u>Lending Institutions</u> |
|----------------------------------|-----------------------------|
| 1. Krishi Shakha                 | Sonali Bank                 |
| 2. Small Farmer Credit Service   | Agrani Bank                 |
| 3. Village Level group lending   | Uttara Bank                 |
| 4. Technical Assistances Program | Pubali Bank                 |
| 5. Village Agent                 | Rupali Bank                 |
| 6. Budget line of credit         | B K B                       |
| 7. Area Approach                 | Janata Bank                 |
| 8. Co-operative lending          | IRDP & BSBL                 |

ii. OBJECTIVE OF THE SURVEY

The primary objective of the survey is to analyse institutional and financial viability of the participating institutions in detail.

iii. Methodology:

The cut off date for information for this survey was March 31, 1982 and the method for collection of data was a 25% sample drawn from each outlet covering all new and old ones subject to a minimum of 2 outlets per model as follows:

Modelwise Total and sample Outlets

| Models    | Number of Outlets | Selected outlets |
|-----------|-------------------|------------------|
| 1. Agrani | 9                 | 2                |
| 2. BKB    | 15                | 3                |
| 3. BSBL   | 13                | 3                |
| 4. Pubali | 4                 | 2                |
| 5. Rupali | 7                 | 2                |
| 6. Sonali | 10                | 3                |
| 7. Uttara | 5                 | 2                |
| 8. IRDP   | 14                | 3                |
| 9. Janata | 11                | 2                |
|           | <u>88</u>         | <u>22</u>        |

The survey was conducted by interviewing the following outlets incharge of the above selected outlets by administering a detailed questionnaire designed for the purpose.

|        |                                 |
|--------|---------------------------------|
| Agrani | Credit Officer                  |
| BKB    | Investigation Officer in-charge |
| Janata | Credit Officer RFEP             |
| Pubali | Loan Officer RFEP               |
| Rupali |                                 |
| Uttara |                                 |
| Sonali | Krishi Shakha in charge         |
| IRDP   | Project Officer TCCA            |
| BSBL   | Chairman UMPCS                  |

Similarly information was collected by interviewing the officers in-charge of the Project at the Head office of each of the Institutions. Two sets of questionnaire were therefore designed for the purpose of model survey and outlet survey and the findings of these two parts have been combined and cross-analysed to determine the overall institutional viability of RFEP.

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## Chapter Two

### I. Operational Characteristics of the Model

This chapter attempts to describe the operational characteristics of the models and their implementation. A table setting out the model wise credit ceiling has been annexed to this chapter.

#### i. Sonali

Sonali follows an individual approach and the model is called Krishi Shakha which is run by a locally recruited incharge. Krishi Shakha incharge does not have any loan sanctioning authority. Krishi shakha is tagged with the local branch and the branch manager exercises overall control of loan sanctioning on the basis of the production plan of the loanee. Disbursements are generally made in a weeks time.

The original key model features of the model are as follows:

1. Krishi Shakha to be situated at the village centre, 5-7 miles from the main branch.
2. Locally recruited person as Krishi Shakha in-charge.
3. Krishi Shakha to transact cash twice a week.
4. Local advisory council to assist the incharge in selecting borrowers and determining loan and collection of loan.
5. Loan sanction by the main branch manager.
6. Loan disbursement at Krishi Shakha in cash and kind.
7. A part-time Farm Technologist to be located at main branch.
8. One person to handle 300 borrowers.

Some key features of Sonali model were modified and/or dropped. Loan sanctioning authority given to the local advisory council was taken away and subsequently the council itself was abolished and a profession based group was formed in its place to help Krishi Shakha incharge to select borrowers. The model was not tested satisfactorily, and the savings model has not yet been introduced at all levels. The Krishi Shakha incharge was given loan sanctioning authority although it was not contemplated in the model design. The part-time farm technologist was also of little help.

## ii. Agrani

Agrani also takes an individual approach and the model is called "small farmer credit service" where the regular branch is the outlet. Branch manager has the loan sanctioning authority, the maximum loan being Tk. 5,000/- per borrower. The original key features of the model include the following:

1. Linking of credit with supply of agricultural inputs and services. For this purpose, unemployed village talents are to be selected, trained and given credit to establish supply and service centre.
2. Loans to and repayments by small farmers will be made in cash and in kind. The service centre will be the channel for in-kind disbursement and repayment.
3. Loan operation from existing branch to areas selected around the branch office.
4. One credit officer and one field assistant for each outlet.
5. Loan sanctioning authority with the branch manager.
6. Individual approach.
7. Production plan as the basis of loan
8. Loan as per requirement:
  - a) Higher interest rate on savings only for target group.

One notable deviation from the original key features is the shelving of the Service Center concept, as it was found difficult and impractical to materialize. The model originally titled "Small Farmer Service Center" was renamed "Small Farmer Credit Service". And although according to the original key features loans were to be given as required, a ceiling was later imposed under which the maximum loan per borrower was established at Tk. 5,000/-.

## iii. Uttara

Group approach is followed by Uttara and the village group lending approach is being implemented. Branch Manager has the loan sanctioning authority upto a limit of Tk. 1,500/- for a particular activity to a maximum of Tk. 5,000/-. Those who have repaid loans are

allowed to have loans by forming a fresh group with 3 to 7 members. An interest rebate is allowed only for 30% loans. The original key features are:-

1. Loans will be sanctioned on group basis to individuals of the group against the guarantee of the group members so that the liability is joint and several. A group will consist of five members.
2. Repeat loan will be granted only on satisfactory performance of the group as a whole.
3. Maximum admissible loan to a borrower is Tk. 1,500/- for crop and Tk. 500/- for other activities.
4. Loans on the basis of production plan.
5. Interest rebate of 4% allowed for timely repayment.
6. Loan operation from existing branch.
7. One sub-accountant and one Jr. Assistant will be detailed for the job.
8. Branch Manager to sanction loan.

One of the objectives of Uttara was the formation of group for loan sanctioning, but an effort to create such homogeneous groups was lacking. The result was the poor performance in loan recovery.

Loan limit for a particular activity was raised to Tk. 1500/- with a maximum of Tk. 5000/- and loan for more than one purpose was allowed. Loans were reissued to members of a group who repaid loans after they formed a fresh group. And the group size was made flexible with 3 to 7 members.

#### iv. Pubali

Pubali takes an individual approach and the modified model is called the "Technical Assistance Program". The Branch Manager has the loan sanctioning authority based on the family budget of the borrower upto Tk. 5,000/-.

The original key features of the model are as follows:

1. The lending officer will not only provide credit but will also act as referral agent arranging needed services from various development agencies.
2. Loans will be granted on the basis of family budget.
3. The Credit Operation will be carried out from the existing branch but one loan officer will be assigned full-time for the project.
4. Loan disbursement in cash.
5. The Loan Officer authorised to sanction loan upto Tk. 2,000/- Any amount beyond that will be sanctioned by the Regional Manager.
6. Union Chairman/Member will endorse prospective borrower.

The key model feature of the design which visualized the lending officer acting as an ombudsman, working as a referral agent arranging various services from different agencies like rural health or agricultural extension, was dropped as the diversity of such a role was found to be beyond the scope of an officer of a lending institution. The original model nomenclature was later changed to "Technical assistance performance". The family budget approach was also abandoned as it was found to be too complicated and time consuming. The provision of endorsement of the loan application by chairman/member was abolished. The loan officer's loan sanctioning authority was revised upwards to Tk. 5,000/- and the ceiling of loan has been established at Tk. 5,000/-

#### v. Rupali

Rupali follows an individual approach. This model provides for (1) 50% continuous rebate in cash and 50% in savings account on timely repayment (2) commission to village agent on top of the salary. Each village agent (whose nature of job is the same as the Credit Assistants) has specific geographical areas, normally two or more villages under his operation. The loan officer does not have the loan sanctioning power.

The following are the original key features of the model:

1. For loan operation, a person is appointed from the village as agent to collect loan application, mobilize savings and recover loans. He is paid 3% commission on timely recovery on top of his salary which is however relatively low.
2. Project is carried out from the existing branch. A Loan Officer is provided for the Project Operation.
3. Loan sanctioning authority lies with the branch manager.
4. Production plan is the basis of loan sanction.
5. Rebate is admissible to borrowers for timely repayment at determined rates.

The original key features have generally been kept sight of. The village agent feature/<sup>or</sup>example has been implemented according to the original model design.

#### vi. Bangladesh Krishi Bank

Bangladesh Krishi Bank has an individual approach, which is called "Budget Line Approach." The outlets are far away from BKB's branch offices. Staff and logistic supports have been provided to outlets as also at the Head Office. The loan officer has the power to delegate loan sanctioning authority. Recently some lady assistants have been provided to outlets to gear up savings mobilization and women involvement. The target group served per outlet is the maximum.

The model has the following original key features:

1. Preparation of family budget with detailed monthly cashflow. A previous year's estimate is taken into account which helps in estimating target group status but does not help planning and serving needs.
2. Loan ceiling Tk. 3,000/- including non-productive loan upto Tk. 1,000/-.

3. Existing branches are selected for project lending.
4. One Loan Officer for every 500 borrowers.
5. Sanction of loan upto Tk. 1,000/- by loan officer and above that by manager.

The original model feature of BKB's budget line approach was not properly implemented and had to be revised and a new form of application is also being considered. The budget prepared did not indicate important time of cash inflow in case of non-farm loans.

Individual loan ceiling was increased to Tk. 4,000/- and the loan officers have been given loan sanctioning authority up to Tk. 4,000/-. The permanent number account however was not implemented.

vii. Janata:

Janata follows a group approach which has been named "Area Approach" where individual loan is also permissible. The branch manager has the loan sanctioning power upto Tk. 5,000/-. But since the amount of loan for a group exceeds Tk. 5,000/- in most cases, the regional manager signs it. Community development activities are encouraged.

The original key features of the model are as follows:

1. Comprehensive credit needs of all the people within the area of operation of an outlet will be met with emphasis on community development project.
2. Approach will be group lending.
3. Operation will be conducted from existing branches; villages to be selected will be close to the branch office.
4. One trained bank officer will be incharge. Additional staff will be provided if volume justifies.
5. Loan sanction by the branch manager.
6. Production plan to be the basis of loan.
7. Loan disbursement in cash and in kind.

The original model name was changed from "Area Development approach" to "Area Approach". Little developmental activity was noticed in Janata's case. Area development feature was not implemented as, apart from the fact that it was beyond the scope of a lending institution, it was also found to be too expensive.

#### viii. Integrated Rural Development Project

One of the basic objectives of IRDP is to build up institutional infrastructure at different levels.

IRDP is the expanded program of the two-tier co-operative TCCA/KSS developed in Comilla. TCCA's (or Thana central cooperative association) are a federation at thana level of village based primary cooperative societies. The co-operative is distinctly different from the banks as it deals with members of the formal societies. TCCA is the thana based central body, and the various village based KSSs are registered with it. In some TCCAs there are female Deputy Project Officers to look after the women co-operative program.

The loan provided to the TCCAs is mainly of two categories.

- (1) Short crop-loan and (2) long term loan. The crop loan constitutes about 80% of the total loan requirements of the cooperative.

Although the TCCA gives loan to KSS (agricultural co-operative Societies) Managers there is no such broad co-operative group action. Moreover this co-operative is limited among the agriculturists only.

The original key features are the following:

1. Loans to only KSS members.
2. Loan limited to 20 times the paid up share.
3. Maximum ceiling for different purposes ranging from 350/- to Tk. 1,000/-.
4. Loan channelised by TCCA through the KSS

5. Loan sanctioning authority with Project Director at District level.
6. Different interest rates at the same outlet for different purposes, 18% for crop 24% other agriculture & 30% for non-farm activities.
7. Weekly savings by the borrower members.
8. Production plan as the basis of loan.
9. TCCA Inspector is incharge of operation.
10. Interest rebate of 4% for timely repayment.
11. KSS Manager gets 1% for collection & KSS gets 2%. The rest is received by TCCA.

As IRDP advanced loans only to KSS members, the non-member target group population was not reached. Maximum loan ceiling per borrower was raised to Tk. 5000/-.

Interest rebate for timely repayment was given only to 30% of loans.

#### ix. Bangladesh Samabaya Bank Limited

BSBL is an old co-operative and is also different from the banks as this too deals with members of the formal societies. The Thana co-operative office registers union based societies in each union called the union multipurpose co-operative society or UMPCS, headed by a Chairman/Manager elected locally. The Assistant Loan Officer has the loan sanctioning authority at the maximum loan ceiling of Tk. 8,000/- per borrower.

The original key features of the model are:-

1. Loans to members of selected groups in Target Group.
2. Loans to be channelised through Central Co-operative Bank & the Society to individual members.

3. Individual loan to be recommended by KSS, checked by CCB official and BSBL Lending Officer and sent to Head Office.
4. Sanction by General Manager, BSBL.
5. Disbursement and collection at Society Office.
6. Interest earned to be shared by KSS & CCB as follows:

|         |    |
|---------|----|
| Manager | 1% |
| KSS     | 2% |
| CCB     | 3% |
7. Interest rate of 18%, 24% & 30% to be charged respectively for crop, other agriculture & off-farm loans.
8. Loan on the basis of production plan for different activities.
9. Interest rebate of 2% for timely repayment.

Interest rebate of 2% for timely repayment as proposed as an original key feature of the model was dropped. Maximum ceiling of loan to each individual loanee was established at Tk. 8000/-. Commission given to Primary Society manager was also increased from 1% to 2%.

Table - 1  
Modelwise Credit Ceiling  
 (in thousand )

| Name of Outlet | Saving Model         | Credit Ceiling                            |
|----------------|----------------------|---|
| Sonali         | Family Savings Bank  | 5000/- per family                         |
| Agrani         | Group Savings        | 5000/- for all                            |
| Uttara         | Group Savings        | 5000/- per family                         |
| Pubali         | Family Model Savings | Group loan : Max.<br>2000/- other 5000/-. |
| Rupali         | No Approved Model    | 5000/- per family                         |
| BKB            | Family Savings Model | 4000/- per family                         |
| Janata         | Group Savings        | No Limitation for<br>credit disbursement  |
| I.R.D.P        | Group Savings        | Not mentioned                             |
| B.S.B.L.       | No Model             | Not mentioned                             |

Source : - Institutional Survey, Head Office questionnaire.

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Chapter Three

I. General Characteristics of the outlets surveyed.

i. The distance and coverage

A. Distance:

/ from the outlet office

The distance of the villages under each outlet/has a direct relation to the efficient implementation of the project. The table below shows in detail the institution wise(average)distance of the villages from the outlet headquarters. The highest distance is covered by BKB which is 7.33 miles while Janata's distance of 2.5 miles on an average is the lowest.

Table - 1

Average Distance covered by an outlet

| Institutions | Miles |
|--------------|-------|
| Sonali       | 3     |
| BKB          | 7.33  |
| IRDP         | 5     |
| Rupali       | 3     |
| Agrani       | 4     |
| Uttara       | 3     |
| Janata       | 2.5   |
| Pubali       | 3     |
| BSBL         | 3     |

## B. Coverage

The number of villages covered by different outlets vary. The differences are also significant within the institution, but on an average 6.49 villages have been covered by an outlet. The highest number of villages is covered by BSBL with 11.67 villages followed by Agrani with 11.5. On the other hand, Uttara covered only 1.5 villages followed by 2 by Rupali. The details of villages covered by each institution are given below:

Table - 2

Average number of villages covered by an outlet

| Institution | Number of outlets surveyed | Villages covered |
|-------------|----------------------------|------------------|
| Sonali      | 3                          | 6.7              |
| BKB         | 3                          | 10.61            |
| IRDP        | 3                          | 4                |
| Rupali      | 2                          | 2                |
| Agrani      | 2                          | 11.5             |
| Uttara      | 2                          | 1.5              |
| Janata      | 2                          | 3                |
| Pubali      | 2                          | 7.5              |
| BSBL        | 3                          | 11.67            |

### ii. Locational Suitability:

Outlet officials were asked to give their/ regarding the suitability of the area selected for the outlets. 68% of the total outlets surveyed expressed their satisfaction about the selection of the views

location whereas 32% expressed their dissatisfaction. The details in percentage term are given below.

Table - 3  
Locational suitability of the outlets

| Name of the Institution | No. of outlets surveyed | <u>Suitable</u><br>% | <u>Unsuitable</u><br>% |
|-------------------------|-------------------------|----------------------|------------------------|
| Agrani                  | 2                       | 50                   | 50                     |
| Sonali                  | 3                       | 67                   | 33                     |
| Uttara                  | 2                       | 50                   | 50                     |
| Janata                  | 2                       | 100                  | -                      |
| Pubali                  | 2                       | 50                   | 50                     |
| Rupali                  | 2                       | 100                  | -                      |
| BKB                     | 3                       | 67                   | 33                     |
| BSBL                    | 3                       | 33                   | 67                     |
| IRDP                    | 3                       | 100                  | -                      |

**iii. Loan Processing:**

The table below shows the number of loan cases processed per month during the last one year. It can be observed that on an average each of the outlets of BKB has processed the highest number of loan cases ( 66.03) each month followed by Janata with 66 cases. On the other hand, Uttara processed only 4 cases each month which was the lowest.

Table - 4

Processing of loan cases by outlets of different Institution on a monthly average.

| Name of Institution | No. of outlets surveyed | Number of loan cases processed per month |
|---------------------|-------------------------|--|
| Sonali              | 3                       | 44.80                                    |
| Rupali              | 2                       | 23.71                                    |
| Pubali              | 2                       | 30.50                                    |
| Janata              | 2                       | 66                                       |
| Uttara              | 2                       | 4  |
| BKB                 | 3                       | 66.03                                    |
| BSBL                | 3                       | 12                                       |
| IRDP                | 3                       | 43.77                                    |
| Agrani              | 2                       | 53.50                                    |

iv. Loan Sanctioning:

The loan sanctioning authority of different institutions are also different. However in all institutions the authority is spread over three main tiers:

- (1) Loan/Credit Officer
- (2) Branch Manager
- (3) Regional Officer.

The table below shows the institution wise loan sanctioning level in percentage terms. Pubali's RFEP incharge has full power for sanctioning loan, while Rupali & Agrani outlets incharge enjoy no such power. In other cases the authority is shared either between

the incharge and the branch manager or the branch manager and the Regional officer. However, in no institution the loan assistant has any authority for sanctioning loan. The table below shows the details.

Table - 5

Loan Sanctioning Authority

| Institutions | No. of outlets surveyed | Outlet incharge | Branch Manager | Regional Officer |
|--------------|-------------------------|-----------------|----------------|------------------|
| Sonali       | 3                       | 2               | 1              | -                |
| BKB          | 3                       | 2               | 1              | -                |
| IRDP         | 3                       | 1               | -              | 2                |
| Rupali       | 2                       | -               | 2              | -                |
| Agrani       | 2                       | -               | 2              | -                |
| Uttara       | 2                       |                 | 1              | 1                |
| Janata       | 2                       | 1               | 1              | -                |
| Pubali       | 2                       | 2               | -              | -                |
| BSBL         | 3                       | 1               | -              | 2                |

vii. Rejection of loan applications:

The table below gives the number of loan applications rejected during the one year period preceding the reporting date. From the table it can be seen that Pubali rejected maximum number of applications (50) followed by BSBL (41). Uttara, Agrani and Sonali sanctioned loans to all the applicants, and rejected none.

Table - 6

Loan applications rejected during  
one year period of time.

| Name of the institution | No. of outlets surveyed | No. of loan applications rejected. |
|-------------------------|-------------------------|------------------------------------|
| Agrani                  | 2                       | -                                  |
| Rupali                  | 2                       | 22                                 |
| Pubali                  | 2                       | 50                                 |
| Sonali                  | 3                       | -                                  |
| Janata                  | 2                       | 7                                  |
| BKB                     | 3                       | 3                                  |
| BSBL                    | 3                       | 41                                 |
| IRDP                    | 3                       | 10                                 |
| Uttara                  | 2                       | -                                  |

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## Chapter Four

### 1. Individual Performances

This chapter would attempt to describe the performances of each individual institution based on the head quarter questionnaires as well as from the monthly returns as on March 31, 1982 which was considered to be the cut off date of this survey. Performances here have been understood as, among others, number of outlets, number of loans and borrowers, percentage of women borrowers to total borrowers, percentage of households borrowing to total target group households, total taka loaned, percentage of loan volume to crops, other agriculture and for non-agriculture, savings, administrative costs and profitability etc. on the date, and comparative development from the last cut off date (September 30, 1981). A table therefore attached with the beginning of each individual description shows the comparative performance indices of the 9 institutions between the two cut off dates of the two institutional surveys.

The performance indices of the institutions on the two cut off dates also include, apart from the above factors, some relevant aspects of RFEP operation. Brief descriptions and comments on aspect like staff position both at the Head Quarter and in the outlets, logistical support provided to outlet staff, training of the RFEP staff and their supervision, problems faced by the outlets & their probable solution, women borrowers etc. have also been included. The responses on the above were received both from the institution Head Quarters and from the outlets.

## i MODEL : KRISHI SHAKHA

PARTICIPATING INSTITUTION : SONALI BANK

| <u>DATA SUMMARY</u>   | <u>September 30, 1981</u> | <u>March 31, 1982</u> |
|---|---------------------------|-----------------------|
| 1. Loan Interest Rates  | : 12%, 18%, 24%, 30%      | 12%, 18%, 24%, 30%    |
| 2. Savings Interest Rates   | : 11%, 12%, 13%, 14%      | 11%, 12%, 13%, 14%    |
| 3. Number of Outlets  | : 5 + 5 = 10              | 5 + 5 = 10            |
| 4. Number of Loans  | : 7,874                   | 10,384                |
| 5. Number of Borrowers  | : 5,984                   | 6,932                 |
| 6. Percentage of Women Borrowers to Total Borrowers   | : 2.5%                    | 3.0%                  |
| 7. Percentage of Households Borrowing to Total Target Group Households  | : 56.2%                   | 59.8% (approx)        |
| 8. Total Taka Loaned  | : Tk. 14,858,000          | Tk. 20,492,555        |
| 9. Percentage of Loan Volume for Crops  | : 27.5%                   | 28.1%                 |
| 10. Percentage of Loan Volume for Other Agriculture   | : 33.9%                   | 36.6%                 |
| 11. Percentage of Loan Volume for Non-Agriculture   | : 38.6%                   | 35.3%                 |
| 12. Total Taka Deposited in Savings Accounts  | : Tk. 1,420,000           | Tk. 1,442,385         |
| 13. Percentage of Savings to Loans Outstanding of   | : 13.3%                   | 10.66%                |
| 14. Percentage/Administrative Costs to Total Loans Disbursed  | : 3.0%                    | 9.66%                 |
| 15. Administrative Cost per Loan Disbursed  | :                         | 3.9% (approx)         |
| 16. Percentage of Principal Overdue to Total Amount which has fallen due  | : 13.4%                   | 18.7                  |
| 17. Estimated Profit/(Loss) 12 months (October, 1980 through September, 1981); NET profit/(Loss) April 1981 through March 1982. | : Tk. 264,000             | Tk. 545,000           |

1. Sonali Bank

Model: Krishi Shakha

Ten outlets are now in operation (primary stage 5, extension plan 5). Sonali's total target of loan disbursements is 8000, while the total target amount of loans is Tk. 11,000,000. Target of savings is not specifically mentioned.

Sonali's loan interest rates are 12%, 18%, 24% and 30% and savings interest rates are 11%, 12%, 13% and 14%. Number of loans provided is 10,384 and the number of borrowers 6,932. Total taka loaned amounts to Tk. 20,492,555. The percentage of loan volume for crops is 28.1%, other agriculture 36.6% and non-agriculture 35.3%. Total taka deposited in savings accounts is Tk. 1,442,385. The percentage of savings to loans outstanding is 10.66% while the percentage of principal overdue to total amount which has fallen due is 18.7%.

In the Head Quarters one deputy **general manager** (part time) and two officers are responsible for project work. In each of the outlets, for every 250 loan borrowers there are one Krishi Shakha in-charge and a maximum of three field Assistnats. One motor cycle and one bicycle are provided to each outlet. The Head Quarter staff visit the outlets once in every six months. Supervision of outlets by the Head Office takes place once every three months, by the regional office once every month and by the Branch Manager twice a month.

A maximum of Tk. 5,000/- is given as credit per family. Sonali Savings Models are (a) family savings bank (b) productive lending to build savings capacity for further growth.

Training, including periodical training once every year, given by the Sonali Bank to the credit officer in collaboration with RFEP is adequate. The staff appears to have understood its job.

Training has been given to the outlet staff in the years 1979, 1980 and 1981 each time for two week's duration at Sonali Bank Staff college on job and field training, motivation orientation, administration, credit mobilization, organization of credit management etc. Sonali Bank has its own self-evaluation plan which conducts periodical field visits with definite objectives.

The outlets' performances are satisfactory and the target of loan disbursement and recovery will not only be achieved but far exceeded.

The causes of low disbursement according to Sonali Bank are administrative difficulties as well as

- (a) lack of initiative by outlet personnel
- (b) failure of the entrepreneurship due to natural hazards or reasons beyond control of the loanee.

Steps taken to solve the problems include (a) Improvement of the efficiency of outlet personnel (b) Coverage risk of the entrepreneur against losses through insurance.

The Sonali Savings Model is not being introduced as per plan because of (a) administrative bottleneck (b) lack of initiative by management to experiment with any new venture. Change agents also do not perform their duties well.

Sonali Savings mobilization trends are not satisfactory and the reason is the incapacity of the target group borrowers to save from income. Compulsory savings should be introduced to increase savings.

Sonali sets target of disbursement of loan and savings deposit outletwise. The target number for loans is 900 and the amount is Tk. 1,300,000 on an average. There is however no target for savings.

Sonali established a policy to deal with delinquent borrowers which includes the following features:

- (1) In case of wilful defaulter application of legal measures
- (2) In case of default on genuine grounds rescheduling of loan repayment policy.

The outlet staff have been given adequate instruction in writing to deal with delinquent borrowers. Sonali fixes a target of productivity for the loan officer and the credit assistant which is at least Tk. 5 00,000. Financial benefits received by the outlet staff are not however adequate and some incentives should be provided to them. Sonali Bank Model is quite effective in handling target group credit.

The income from RFEP operation is adequate to meet the cost.

Almost all Sonali outlets are making profit except one. The interest rate of 12%, according to Sonali, calls for (a) change in the interest trend (b) Minimizing operation cost to make the operation a viable proposition. The lending rate as viewed by Sonali for a viable operation should be 18% (for cropping it should not exceed 15%). The number of borrowers per outlet may not be less than 900, and the savings rate should be 10% at the maximum.

Regarding Women loan Sonali planned to provide at least 10% of the loan to women, but in practice response from them was negative. Sonali is however giving maximum priority to women participation.

There is no provision for bad debts in Sonali Bank. But for commercial purposes 2% are reserved for bad debts.

Loan sanctioning authority at Sonali outlets lies with the incharge in five outlets and with the loan officer in the other five. The maximum amount a borrower is entitled to is Tk. 5,000/- per family, the ceiling ranging from 5,000/- to 10,000/-. The ceiling should continue to be applied.

Power delegated to project officer are not adequate to implement the project.

To make project viable and effective

- (a) The project officer should be given more authority.
- (b) The management should not interfere with the smooth running of project.
- (c) The project officer should be able to handle planning, implementation and also policy making matters without prior discussion with the higher authorities.
- (d) All types of administrative, operational and monitoring power, now being enjoyed by general manager should be delegated to the project officer to achieve the desired goal of project.
- (e) Reward system should be implemented.
- (f) Burden of additional banking work should be decreased.

#### Comparison with September 1981

Sonali's loan and savings interest rates have remained the same along with the number of outlets (10) during the period. An increase of 16% borrowers has led to an increase of 32% of loan numbers and 38% of total taka loaned over the previous survey. The increase in the percentage of loan volume for crops is less than one percent, and over 2 percent for other agriculture while non-agriculture has declined by more than three percent (3.3%) at the end of March, 1982.

Total taka deposited in saving account has gone up by a little of over one percent. A significant decline of nearly 11% was observed in the percentage of savings to loans outstanding over the previous survey.

Sonali made<sup>a</sup> net profit of Tk. 545,000 from April 1981 through March 1982 against Tk. 264,000 in the previous (October 1980 through September 1981) survey.

## ii MODEL : SMALL FARMERS CREDIT SERVICE

PARTICIPATING INSTITUTION : AGRANI BANK

| <u>DATA SUMMARY</u>   | <u>September 30, 1981</u> | <u>March 31, 1982.</u>  |
|---|---------------------------|-------------------------|
| 1. Loan Interest Rates  | : 12%, 18%, 24%, 30%, 36% | 12%, 18%, 24%, 30%, 36% |
| 2. Savings Interest Rates   | : 11%, 12%, 13%, 14%, 15% | 11%, 12%, 13%, 14%, 15% |
| 3. Number of Outlets  | : (12 - 1) = 11           | (12 - 2) = 10           |
| 4. Number of Loans  | : 7,160                   | 9,264                   |
| 5. Number of Borrowers  | : 4,513                   | 4,216                   |
| 6. Percentage of Women Borrowers to Total Borrowers                           | : 5.9%                    | 7.2%                    |
| 7. Percentage of Households Borrowing to Total Target Group Households        | : 46.0%                   | 46.0%                   |
| 8. Total Taka Loaned  | : Tk. 8,741,000           | Tk. 12,543,266          |
| 9. Percentage of Loan Volume for Crops  | : 29.4%                   | 28.8%                   |
| 10. Percentage of Loan Volume for Other Agriculture                           | : 24.4%                   | 27.2%                   |
| 11. Percentage of Loan Volume for Non-Agriculture                             | : 46.2%                   | 44%                     |
| 12. Total Taka Deposited in Savings Accounts                                  | : Tk. 1,168,000           | Tk. 1,645,358           |
| 13. Percentage of Savings to Loans Outstanding of                             | : 32.7%                   | 35.09%                  |
| 14. Percentage/Administrative Costs to Total Loans Disbursed                  | : 4.9%                    |                         |
| 15. Administrative Cost per Loan Disbursed                                    | : Tk. 60.3                | Tk. 63.22               |
| 16. Percentage of Principal Overdue to Total Amount which has fallen due      | : 5.8%                    | 4.3%                    |
| 17. Estimated Profit/(Loss) 12 months (October, 1980 through September, 1981) | : Tk. (2,000)             | 106000                  |
| Net Profit/(Loss) April 1981 through March 1982                               |                           |                         |

## 2. Agrani Bank

### Model: Small Farmer Credit service

During the first phase the number of outlets providing loan was 11, which was subsequently reduced to 10 and a target of total loan disbursement was fixed at 6249 borrowers with an average of 625 borrowers per outlet. Total taka loaned is Tk. 12,545,266; and the percentage of loan volume for crops is 28.8% while other agriculture is 27.2% and non-agriculture 44.0%. Total taka deposited in saving accounts is Tk. 1,645,385; percentage of savings to loan outstanding is 35.09% and the percentage of principal overdue to total amount which has fallen due is 4.3%.

Target of savings for all the outlets was Tk. 2,000,000 for the period under consideration which was Tk. 200,000 on an average for each outlet.

An Assistant General Manager is in charge of the cell at the Head Quarter but he is shouldering this responsibility in addition to his other usual banking assignments. There is one full time project Officer assisted by a clerical staff.

At the outlet level the manager of the respective branch is in over all charge of the implementation of the project besides his normal responsibilities. He is assisted by a full time credit officer and a credit assistant.

The Bank has provided each outlet with a motor cycle.

The delivery system of credit under this model is a supervisory one where the credit officer and the credit assistant devote considerable time in field supervision. The Manager in-charge also visits the locations and the Borrowers from time to time.

Overall performance of each of the outlets is reviewed by supervising officers from Head Quarters and the respective region.

Group saving was the saving pattern of the model at the initial stage. Later on, the same has been reviewed and saving in individual accounts has also been incorporated in the model.

The Bank has necessary facilities for imparting training to the direct recruits of the Bank and organizes refresher courses from time to time. Special arrangement has been made for training the officials of the outlets. Besides classroom formal training, the officers in-charge of the project also render certain training oriented services to the concerned staff.

Though there is no target for savings it was stipulated by the Bank that by the end of the time under consideration about Tk.200,000 could be saved by each of the outlets.

600 loans disbursements with Tk. 750,000 were set as the target to be achieved by each of the outlet.

The bank is satisfied by the performance of the Individual outlets. However, it is also emphasised that if the loans could be disbursed at a comparatively lower rate of interest, the disbursement as well as the recovery would have been better.

Crop failure and wilfull defaulters are being considered to be the main reasons for overdues which could be minimized by vigorous supervision and special recovery drive by the outlets and the regional office.

The achievement of saving model of Agrani Bank has not been as desired because of certain confusions that prevailed at the earlier stage. The instructions for the saving model were also received by the outlets much late . The Institution, however, considers that the saving model implemented is workable. The model implementation with proper motivation and little bit of propagaanda is expected to yield desired results.

The Bank upholds that the magnitude of overdue to due is of the normal level and so does not demand any special action for recovery.

Agrani Bank considers that a loan officer can effectively administer 500 loans with the help of a credit assistant.

The existing level of training and orientation is considered by the Bank as satisfactory but it is also felt that there is ample opportunities for improving the quality of the personnel by further training both at home and abroad.

The Bank considers that the present mode of incentive is inadequate for motivating the employees at the outlet level because the job is basically tedious, involving lot of public relations and frequent visit to remote villages.

Though some of the outlets of Agrani Bank are not profitable with the existing rate of interest for lending and savings, most of them will become profitable if the rate of interest is determined at 18% at the lowest.

It is also considered that the rate of interest extended by the Bank to the savers should be increased to 15% to motivate more savings.

The Bank considers that for making individual outlets profitable the number of Borrowers covered should be a minimum of 500, and the rate of interest being around 22%, allowing 15% interest on saving.

Regarding extension of loan to women, a special program has been chalked out. All the outlets have been instructed accordingly and recently a woman credit assistant has been recruited as a member of the outlet team.

Comparision with September 1981

Agrani's loan and savings interest rates individually have remained the same for the two different periods under survey. The number of outlets in the first surveyed period was 14 which fell to 10 during the second survey.

In regard to the number of loans disbursed and borrowers, the Model shows that the former has increased by 29.39% but the latter has fallen by 6.58%, over the period. An interesting fact that emerges is that the percentage of women Borrowers to total Borrowers has increased noticeably from 5.9% to 7.2%, while the percentage of Households Borrowing to Total Target Group Households has remained the same at 46.0% over the period surveyed.

It has clearly been shown that the total Taka loaned has increased from Tk.8,741,000 to Tk.12,543,266 leading to an increase of 43.50% over the surveyed period. The percentages of loan volume for crops and for non-agriculture have slightly decreased from 29.4% to 28.8% and from 46.2% to 44.0% respectively while the percentage of loan disbursement for other agriculture has registered a moderate increase of 27.2%. Total Taka Deposited in savings Accounts has gone up by 40.87% and the percentage of savings to loans outstanding has increased by 35.09%.

Percentage of Administrative costs to Total Loans Disbursed has however not been provided. The percentage of Administrative cost per loan disbursed has led to a rise of 4.84% amounting to Tk. 63.22. The percentage of principal overdue to Total amount which has fallen due has fallen by 4.3%.

The Model has run on profit by Tk.106,000 compared to a loss of Tk. 2,000 in the previous year.

## iii MODEL : VILLAGE LEVEL GROUP LEANDING

PARTICIPATING INSTITUTION : UTTARA BANK

| <u>DATA SUMMARY</u>   | <u>September 30, 1981</u> | <u>March 31, 1982.</u> |
|---|---------------------------|------------------------|
| 1. Loan Interest Rates  | : 18%, 24%, 30%, 36%      | 18%, 24%, 30%, 36%     |
| 2. Savings Interest Rates   | : 12%, 13%, 14%, 15%      | 12%, 13%, 14%, 15%     |
| 3. Number of Outlets  | : 5                       | 5                      |
| 4. Number of Loans  | : 1,174                   | 1,380                  |
| 5. Number of Borrowers  | : 840                     | 917                    |
| 6. Percentage of Women Borrowers to Total Borrowers                           | : 4.4%                    | 4.8%                   |
| 7. Percentage of Households Borrowing to Total Target Group Households        | : 32.6%                   | 32.6%                  |
| 8. Total Taka Loaned  | : Tk. 1,336,000           | Tk. 1,725,708          |
| 9. Percentage of Loan Volume for Crops  | : 27.1%                   | 22.9%                  |
| 10. Percentage of Loan Volume for Other Agriculture                           | : 38.1%                   | 38.8%                  |
| 11. Percentage of Loan Volume for Non-Agriculture                             | : 34.8%                   | 38.3%                  |
| 12. Total Taka Deposited in Savings Accounts                                  | : Tk. 62,000              | Tk. 89,697             |
| 13. Percentage of Savings to Loans Outstanding of                             | : 8.9%                    | 11.6%                  |
| 14. Percentage/Administrative Costs to Total Loans Disbursed                  | : 25.8%                   | 34.07%                 |
| 15. Administrative Cost per Loan Disbursed                                    | : Tk. 293.6               | Tk. 426.00             |
| 16. Percentage of Principal Overdue to Total Amount which has fallen due      | : 16.3%                   | 12.12%                 |
| 17. Estimated Profit/(Loss) 12 months (October, 1980 through September, 1981) | : Tk. (134,000)           | (98000)                |
| Net Profit/(Loss) April '81 through March '82                                 |                           |                        |

### 3. Uttara Bank

#### Model: Village level group lending

Uttara follows a group lending approach. The number of outlets in operation is five. The target number of disbursement is 2908 while the total amount of targetted loans is Tk. 3,200,000. There was provision for mobilizing savings compulsorily from the borrowers.

Uttara loan interest rates are 18%, 24%, 30%, and 36% and savings interest rates are 12%, 13%, 14% and 15%. Number of loans is 1380, and the number of borrowers 917. Percentage of women borrowers to total borrowers is 4.8%, while household borrowing to total target group household percentage is 32.6%. Total taka loaned is Tk. 1,725,708. Percentage of loan volume for crops is 22.9%, for other agriculture 38.8% and for non-agriculture 38.3%. Total taka deposited in savings accounts as of 31-3-82 is Tk. 89,697. Percentage of savings to loans outstanding stands at 11.6% and the percentage of administrative costs to total loan disbursed is 34.07%. Administrative cost per loan disbursed thus amounts to Tk. 426.00. Percentage of principal overdue to total amount which has fallen due is 12.12%.

The Head Quarter has one full time officer and outlets have one part time (Manager) and one full time officer besides other staff. Transport (**motor cycle**) is provided only to three outlets while the other 3 outlets have provision for conveyance allowances.

Supervision of outlets by head office takes place once in a month, by the regional office twice a month and by the branch manager once in a month.

The maximum credit given is Tk. 5,000/- according to requirements.

Uttara's Savings Model is group savings with provisions for individual accounts.

Training given is adequate and the credit officers have understood their job. Quarterly refresher courses for branch managers and loan officers are conducted, and orientation training is given according to plan. The outlet staff also were given training in late April-May, 1981, at the Uttara training institute and also in the field. The training included motivation and orientation, progress, models and problems of accounting procedures. Staff have been provided to outlets as per plan except Feni, Noakhali. Regarding self-evaluation, Uttara's Project Officer visits the project site regularly and holds discussions with the borrowers and the lending officials. Uttara sets target of disbursement of loan and savings deposit outletwise.

Uttara outlet performances do not appear to be satisfactory and the targets of loan disbursement and recovery have not yet been achieved.

The causes of low disbursement at Uttara are due to staff constraints resulting from pitfalls in initial model design, and the causes of unsatisfactory recovery are (a) indifferent attitudes of the borrowers (b) lack of proper use of the loan etc.

The model was therefore, revised half way through the operation. Regarding delinquent borrowers, Uttara prefers legal action and the outlet staff have been given adequate instruction in writing to deal with them.

There are targets for disbursement and recovery as well as for collection of savings for the loan officers. However, targets for increased savings should also <sup>be</sup> set. The financial benefits received by outlet staff are not adequate. The Uttara model cannot be considered to be effective to handle target group credit and the following modifications are considered necessary (a) project office should be located nearer to the project site, (b) additional staff, other than usual banking staff should be provided, (c) separate control from head office should be made, (d) delegation of power should be introduced.

There is no Uttara outlet making profit. The following steps are necessary to make the operation a viable proposition: (a) Increase disbursement (b) reduce overdue (c) reduce overhead cost.

According to Uttara, the lending rate required to make the operation viable is 24% and the minimum number of borrowers per outlet 300. Uttara instructed the branches to encourage women to take loans to augment their income. Uttara considers the rate for savings to be a minimum of 10% but not more than 15%, and the policy for reserve for bad debts 3% to 5%.

In Uttara a high official, usually the regional manager, sanctions loan and there is no power for loan officer. In case of credit ceiling the maximum amount a borrower is entitled to is Tk. 5,000/-. The ceiling should not be increased.

The power delegated to RFEP project officer is insufficient for handling various problems faced by him.

The power that need be delegated to project officer RFEP should include direct correspondence / field visits. More authority should be given to the project officer to make the project more effective and smooth.

#### Comparison with September 1981

Uttara's loan and savings interest rates have remained the same over the period from 31st September, 1981 to 31st March, 1982 in all the 5 outlets. On the other hand the number of loans and that of borrowers have increased by 17.55% & 9.17% respectively. The percentage of women borrowers to the total borrowers has increased only marginally (.4%) and the percentage of households borrowing to total target group households has remained the same during these periods. Total taka loaned increased by 29.16%. Out of total loan volume, percentage of loan volume for crops declined by 4.2% while percentage of loan volume for other agriculture and non-agriculture has increased by less than one percent and 3.50% respectively. Total taka deposited in savings accounts went up by 44.67% during the period and percentage of savings to loans outstanding by 2.71%. The administrative cost of total loans disbursed increased by 8.27% and of each loan disbursed by Tk. 45.09%. Percentage of principal overdue to total amount which has fallen due decreased by 4.18%.

The institution incurred loss of Tk. 98,000 which is 26.87% less than the loss incurred in the previous year.

## iv MODEL : TECHNICAL ASSISTANCE SERVICE (OMBUDSMAN)

PARTICIPATING INSTITUTION : PUBALI BANK

| <u>DATA SUMMARY</u>   | <u>September 30, 1981</u> | <u>March 31, 1982.</u> |
|---|---------------------------|------------------------|
| 1. Loan Interest Rates  | : 12%, 18%, 24%, 30%      | 12%, 18%, 24%, 30%     |
| 2. Savings Interest Rates   | : 11%, 12%, 13%, 14%      | 11%, 12%, 13%, 14%     |
| 3. Number of Outlets  | : 4                       | 4                      |
| 4. Number of Loans  | : 3,861                   | 4,420                  |
| 5. Number of Borrowers  | : 2,282                   | 2,429                  |
| 6. Percentage of Women Borrowers to Total Borrowers                           | : 2.3%                    | 2.8%                   |
| 7. Percentage of Households Borrowing to Total Target Group Households        | : 31.7%                   | 38.3%                  |
| 8. Total Taka Loaned  | Tk. 5,470,000             | Tk. 6,577,541          |
| 9. Percentage of Loan Volume for Crops  | : 21.7%                   | 21.0%                  |
| 10. Percentage of Loan Volume for Other Agriculture                           | : 31.9%                   | 32.7%                  |
| 11. Percentage of Loan Volume for Non-Agriculture                             | : 46.4%                   | 46.3%                  |
| 12. Total Taka Deposited in Savings Accounts                                  | : Tk. 112,000             | Tk. 134,132            |
| 13. Percentage of Savings to Loans Outstanding of                             | : 3.8%                    | 4.1%                   |
| 14. Percentage of Administrative Costs to Total Loans Disbursed               | : 8.0%                    | 17.4%                  |
| 15. Administrative Cost per Loan Disbursed                                    | : Tk. 113.5               | Tk. 259.6              |
| 16. Percentage of Principal Overdue to Total Amount which has fallen due      | : 20.8%                   | 21.4%                  |
| 17. Estimated Profit/(Loss) 12 months (October, 1980 through September, 1981) | : Tk. 261,000             | (244,000)              |
| Net Profit/(Loss) April '81 through March '82.                                |                           |                        |

Institutional Survey4. Pubali Bank

Model: Technical assistance service(Ombudsman)

Pubali model has been implemented through four outlets serving an average of 650 borrowers per outlet. Loans distributed amount to Tk. 1,700,000 per outlet on an average. Total target of disbursements (number of borrowers) is 2,600. Average Savings accounts number is 650 and the amount saved is Tk. 225,000. Loan interest rates are 12%, 18%, 24% and 30% while the savings interest rates are 11%, 12%, 13% and 14%.

Number of loans given is 4,420 and the number of borrowers is 2,429. Percentage of household borrowing to total target group household is 38.30%. Total taka loaned is 6,577,541.

Percentage of loan volume for crops is 21%, other agriculture 52.7% and non-agriculture 46.3%. Total taka deposited in savings accounts is Tk. 134,132. Percentage of savings to loans outstanding is 4.1% while the percentage of principal overdue to total amount which fallen due has increased is 21.4%.

Pubali Bank has established very detailed overall outlet-wise targets to be achieved during the project. The bank has appointed a loan officer in-charge who also serves as a technical assistant and referral agent. He is to arrange for assistance from the local agricultural extension agent, rural health centre, and other public service institutions serving rural areas to establish better customer-bank relationship. Staffing includes the loan officer in-charge and one or more loan assistants each serving 300-500 borrowers. Each branch is located within 3 to 4 miles of the villages served.

Loans are based on the family budget. The loan officer is authorised to approve loans upto Tk. 5,000/-. Disbursements are made in the branch office in cash or in kind. Payments may be received in the field or in the bank office.

Each borrower is required to open a savings account when a loan is approved.

Although unlikely to reach its disbursement target, Pubali has achieved a good level of lending in its outlet areas. The proportion of those who have borrowed is low, but the per outlet target group population is the target of RFEP. Pubali has also increased the effectiveness of the model by eliminating the requirement that a union council member endorse a loan application. In most outlets this authority is now being exercised by the loan officer.

In Pubali Head Quarter the staff include one part time and one full time officer besides one clerical worker.

At outlets there are one officer and two assistants who work full time. Pubali provides one motor cycle and one bi-cycle for each outlet.

Supervision of outlets by head office takes place once in three months, and by the regional office once in four months. Credit norm is Group loan and a maximum of Tk. 2,000/- is provided for live-stock and other agricultural related activities, Tk. 5,000/- for non-agricultural activities and Tk. 5,000/- for planned savings models, family model savings.

Pubali Bank RFEP training program has consisted of a three day orientation course for loan officers. The course covered the objectives of the RFEP and the procedures for meeting these objectives. The training covered general agriculture training, project implementation, orientation and half yearly self-evaluation plan. The training is however not adequate. Pubali's views are that project officials should be trained at least quarterly at the head office and subsequently at the field level. There should be a system of foreign training for officials. The financial benefits received are not satisfactory. There should be some more incentives provided to outlet staff.

Pubali Models are considered to be effective in handling target group credit.

The income from RFEP operation will be adequate to meet the cost if the present lending officer is replaced by low paid well trained staff.

Pubali considers that the lending rate should be 21%. The minimum number of borrower per outlet should be 350 to make the operation viable.

Pubali Bank is trying to increase loans to women but owing to some obligations they cannot implement the policy. The rate of savings should be above 15%. The bad debts reserved should be 5%.

The lending officer of Pubali sanctions loans upto Tk.5,000/-. The Branch Manager should be the lending officer since there are always some conflicts and strains between the branch manager and lending officers. Job description should be simple and the regional office should take more interest in the implementation of the project. It has been observed that Pubali has certain complications in the middle and higher level management. Slow decision making process and poor communication system tend to make the project ineffective.

There is no power delegated to project officer. All power rests with the management authority.

The project officer should get the power of model design and selection of outlets.

In Pubali the management structure tends to be authoritarian and not democratic. Incentives to the field staff should be made on the advice of the project officer, and all correspondences should go through the project officer.

Comparision with September 1981

The loan and savings interest rates of Pubali between September 30, 1981 to March 31, 1982 remained the same along with the number of outlets (4).

The number of loans distributed increased from 3,861 in September to 4,420 in March leading to an increase of over 14% against over 6% for the number of borrowers.

The percentage of women borrowers to total borrowers has increased marginally, while over 20% increase was observed in the case of total taka loaned in March 1982 against September 1981.

Out of the total taka loaned , percentage of loan volume for crop decreased by less than 1% while for other agriculture the percentage rose by .8% while non-agriculture loan volume showed a decline of only .1% over the previous survey.

19.76% increase was observed in total taka deposited in Savings Accounts and the percentage of savings to loans outstanding also increased by .3%. Administrative cost of total loan disbursed increased by 1.4% and the administrative cost for each loan disbursed by Tk. 146.10, Percentage of principal overdue to total amount which has fallen due has increased by less than one percent over the previous survey.

The institution incurred loss of Tk. 244,000 against a profit of Tk. 261,000 in the previous year.

## v. MODEL : VILLAGE AGENT MODEL

PARTICIPATING INSTITUTION : RUPALI BANK

| <u>DATA SUMMARY</u>   | <u>September 30, 1981</u>      | <u>March 31, 1982</u> |
|---|--------------------------------|-----------------------|
| 1. Loan Interest Rates  | : 18%, 24%, 30%, 36%           | 18%, 24%, 30%, 36%    |
| 2. Savings Interest Rates   | : 12%, 13%, 14%, 15%           | 12%, 13%, 14%, 15%    |
| 3. Number of Outlets  | : 7                            | 7                     |
| 4. Number of Loans  | : 3,378                        | 4,744                 |
| 5. Number of Borrowers  | : 2,301                        | 2,799                 |
| 6. Percentage of Women Borrowers to Total Borrowers                           | : 4.1%<br>(for 2300 borrowers) | 4.1%                  |
| 7. Percentage of Households Borrowing to Total Target Group Households        | : 44.6%                        | 47.8%                 |
| 8. Total Taka Loaned  | : Tk. 4,815,000                | 7353754               |
| 9. Percentage of Loan Volume for Crops  | : 21.8%                        | 22.7%                 |
| 10. Percentage of Loan Volume for Other Agriculture                           | : 33.2%                        | 34.1%                 |
| 11. Percentage of Loan Volume for Non-Agriculture                             | : 45.0%                        | 43.2%                 |
| 12. Total Taka Deposited in Savings Accounts                                  | : Tk 1,049,000                 | 1250469               |
| 13. Percentage of Savings to Loans Outstanding                                | : 34.1%                        | 28.6%                 |
| 14. Percentage of Administrative Costs to Total Loans Disbursed               | : 7.9%                         | 6.7%                  |
| 15. Administrative Cost per Loan Disbursed                                    | : Tk 112.8%                    | Tk 98.0%              |
| 16. Percentage of Principal Overdue to Total Amount which has fallen due      | : 6.1%                         | 6.2%                  |
| 17. Estimated Profit/(Loss) 12 months (October, 1980 through September, 1981) | : Tk. 28,000                   | 224000                |
| Net Profit/(Loss) April'81 through March'82.                                  |                                |                       |

## 5. Rupali Bank

### Model: Village Agent Model

No approved model of Rupali Bank has been in operation. Rupali has adopted a special saving scheme to make the project self financing, and it collects deposits both from the target and non-target group people.

The Project Officer visits the outlets regularly. The branch manager also makes frequent visits. Total target of disbursements (number of borrowers) is 4200, and the total target amount of loan is Tk. 5,040,000. Target of savings has not yet been fixed. Rupali's savings interest rates are 12%, 13%, 14% and 15% and the loan interest rates are 18%, 24%, 30% and 36%. The number of loans given is 4744 while the number of borrowers is 2799. Total taka loaned amounts to Tk. 7,353,754. Percentage of loan volume for crops is 22.7%, other agriculture 34.1% and non-agriculture 43.2%. Total taka deposited in savings account stands at Tk. 1,250,469. Percentage of savings to loan outstanding is 28.6%. Principal overdues to total amount which has fallen due increased to 6.2%.

At the head quarter the project officer is a full time officer. He performs his duties in addition to his normal work of general banking. In the outlet the branch manager is doing about 20% of the work, while the loan officer and the village agent are performing full time duties. Each outlet is provided with one motor cycle (4 outlets in all); bi-cycle is provided to all other outlets.

The training given is adequate and the credit officers have understood their job. Rupali had a plan of self evaluation, but owing to a shortage of manpower, adequate evaluation has not yet been done. Two training courses at head quarter and one at field level were conducted. Training has been given to outlet staff thrice, for 3-5 days duration at the Rupali Bank training Institute and also at the field level. The training included an orientation course, understanding of the mode of operation and practical experiences. Rupali bank had set a target of disbursement of loan and savings deposit outletwise. The average target per outlet is 600 loans, the amount being Tk.700,000.

The performances of outlets are satisfactory in most cases. In terms of volume of disbursement Kakanhat, Rajshahi is lagging behind. In Rajganj Bazar, Noakhali, there are wilful defaulters. Unsatisfactory recovery is due mainly to a lack of proper supervision. The presence of wilful defaulters also makes matters worse.

Rupali has taken a few steps to solve these problems, for example:

- (a) In Kakanhat the outlet is expected to be shifted to a more advantageous location.
- (b) The management will take necessary action against defaulters and people responsible for low recovery and try to gear-up recovery position by utilising existing manpower.

The Rupali savings model was introduced as per plan and it has set an excellent savings mobilisation trend. But motivation, image building and propaganda are needed. Rupali's policy to deal with delinquent borrowers is satisfactory and outlet staff have been given adequate instruction to that end.

Rupali had fixed target of productivity of loan officers/credit assistants at 5 lakh taka for each outlet where loan officers have the overall responsibility. There is one village agent for 2 villages.

Financial benefits received by outlet staff are not satisfactory in all cases and some additional incentives are needed to be provided to them.

The income from RFEP operation is adequate to meet the cost if reimbursement is included. Rupali is not in a position to meet all the costs from income from outlets. Four outlets are making profit.

These are: (a) Kalihati, (b) Narhatta, (c) Rahmatpur, (d) Khanshat. To make RFEF operation viable the lending rate should be around 20% to 25% and the minimum number of borrowers per outlet should be 600.

To increase loans to women Rupali has initiated a few moves. Thus if the head of the family is a **woman**, she is getting loan. Rupali models have assured more than one loan at a time if demand is so and the loan is given for different purposes, so that the housewife can also utilize the money.

Rupali had established a policy for bad debts which depends upon the aging of overdue. Of the loan amount which has become overdue for more than 1 year, 15-20% may be kept for bad debts. No legal action has yet been taken against defaulters and it is not possible to calculate the present bad debt reserve.

Rupali considers that the rate of savings should be 12 to 15% under the existing circumstances and the ceiling should be increased to Tk. 7,000/-.

At Rupali the Branch Manager sanctions the loans. It is however, prudent to give authority for sanctioning loan to the loan officer.

The power delegated to project officer is not adequate to implement the project. The project officer should have more decision making power in order to better implement the project. There should be regular field visits by the staff. The project officer should be more available for the project work, so that he can give full concentration to the project and undertake field visits, self evaluations and identify the problems and find their solutions and effect necessary improvements.

Comparision with September 1981

Rupali's loan and savings interest rates have remained the same over the period under survey. The number of outlets have also remained unchanged at 7. The disbursement in the 7 outlets increased by 40.43% as regards the number of loans, while the increase of borrowers is 21.64% from 30th September'81 to 31st March 1982. The percentage of women borrowers to total borrowers is 4.1% which is the same as in the previous year. Out of total borrowers target group ratio increased by 3.20% and total taka loaned went up by 52.73% while the loan volume for crops and other agriculture had increased by 0.90%. But percentage of loan volume for non-agriculture had declined by 1.80%.

The total taka deposited in savings accounts has increased by 19.20% over the previous period while the percentage of savings to loans outstanding had declined by 28.6%. The administrative cost has also come down by 1.2% showing a decrease of cost of Tk. 14/- per loan applied for. The principal overdue went up by 0.1% over the previous survey by target group.

The institution made a profit of 700% over the previous survey.

## vi MODEL: BUDGET LINE OF CREDIT

PARTICIPATING INSTITUTION: BANGLADESH KRISHI BANK ( BKB )

| <u>DATA SUMMARY</u>   | <u>September 30, 1981</u> | <u>March 31, 1982.</u> |
|---|---------------------------|------------------------|
| 1. Loan Interest Rates  | : 12%, 18%, 24%, 30%      | 12%, 18%, 24%, 30%     |
| 2. Savings Interest Rates   | : 11%, 12%, 13%, 14%      | 11%, 12%, 13%, 14%     |
| 3. Number of Outlets  | : 16                      | 16                     |
| 4. Number of loans  | : 18,720                  | 24,794                 |
| 5. Number of Borrowers  | : 11,812                  | 15,658                 |
| 6. Percentage of Women Borrowers to Total Borrowers                           | : 5.0%                    | 3.6%                   |
| 7. Percentage of Households Borrowing to Total Target Group Households        | : 64.8%                   | 74.0%                  |
| 8. Total Taka Loaned  | : Tk.31,933,000           | Tk.43,908,991          |
| 9. Percentage of Loan Volume for Crops  | : 14.1%                   | 14.2%                  |
| 10. Percentage of Loan Volume for Other Agriculture                           | : 53.7%                   | 55.8%                  |
| 11. Percentage of Loan Volume for Non-Agriculture                             | : 32.2%                   | 30.0%                  |
| 12. Total Taka Deposited in Savings Accounts                                  | : Tk.1,804,000            | Tk.3,809,267           |
| 13. Percentage of Savings to Loan Outstanding                                 | : 8.8%                    | 14.2%                  |
| 14. Percentage/Administrative Costs to Total Loan Disbursed:                  | 4.2%                      | 4.0%                   |
| 15. Administrative Cost for Loan Disbursed                                    | : Tk.72.2                 | Tk.70.00               |
| 16. Percentage of Principal Overdue to Total Amount which has fallen due      | : 10.4%                   | 10.5%                  |
| 17. Estimated Profit (Loss) 12 months (October, 1980 through September, 1981) | : 957,000                 | 1,741,000              |
| Net Profit/(Loss) April '81 through March '82.                                |                           |                        |

## 6. Krishi Bank (BKB)

Model: Budget Line of Credit.

The total number of outlets in operation is sixteen. The total target of disbursement number is 24,000 borrowers while the total amount of loans targetted is Tk. 48,000,000. The target of savings is one fourth of the total outstanding. BKB loan interest rates are 12%, 18%, 24% and 30% and the savings interest rates are 11%, 12%, 13% and 14%. The number of loans is 24,794 while the number of borrowers is 15,658. Total taka loaned Tk. 43,908,991. The percentage of loan volume for crops is 14.2%, other agriculture is 55.8% and non-agriculture 30.0%. Total taka deposited in savings accounts is Tk. 3,809,267. Percentage of savings to loan outstanding is 14.2% and the percentage of principal overdues to total amount which has fallen due is 10.5% as of 31st March, 1982.

The head office has two full time officers, and one typist.

In the outlets there are one officer and other staff. The staff is increasing with the increase in the volume of work.

Each outlet has been provided with one motor cycle.

The head office supervises three to five outlets per month while the regional office supervises outlets every month. The branch manager makes a monthly visit to the outlets.

BKB provides credit to a maximum of Tk. 4,000/- which may be rotated twice or thrice in a month.

The average target of disbursement number of loan per outlet is 1,500 and the amount is Tk. 3,000,000..

Training given is adequate and the credit officers have understood their job. BKB initially adopted orientation training, then continuous training once every year to loan officers, and once every year through seminar or workshops to branch managers. BKB has its own self evaluation plan which is designed by BKB research cell and run by the deputy general manager.

- The performance of outlets is not satisfactory and the target of loan disbursement and recovery will not be achieved as eight outlets out of sixteen are behind the target.

According to BKB the causes of low disbursement are **resource** constraints and shortage of target group.

The un-satisfactory recovery is mainly due to

- (a) Price fluctuation of consumer goods.
- (b) Socio-**political** and Economic instability and unrest.
- (c) Impact of gram sarker and the involvement of village touts and various pressure groups.
- (d) Market research problem and instability.

In order to solve these problems borrowers should be given rational and positive education.

Motivation and value system should also be developed. BKB Models have been introduced as per plan.

The effort to attain the target of savings mobilization seems satisfactory (15% of the outstanding).

Reasons for un-satisfactory savings mobilization are (a) distance of the outlets from the project area (b) inflation (c) better opportunity cost (d) low rate of interest.

BKB should strive to increase savings by (a) savings mobilization of rural people (b) setting up of colleges, small scale industries etc. (c) the bank **reaching** the people (d) Introducing a system of mobile bank. Some legal measures have been taken against delinquent borrowers. The outlet staff have been given adequate instruction to deal with the delinquent borrowers which are given in writing. Fifty loans per officer per month **have** been fixed as the target of productivity of loan officer.

BKB is giving maximum benefits to the outlet staff which are however, not adequate **and some positive incentives should be provided to them.** BKB Model is considered to be effective in handling target group credit.

The income from RFEP operation will be adequate to meet the cost if the rate of interest is 22%.

BKB outlets are making profit. The lending rate should be 22% and the minimum number of loanees per outlet should be 500 to make the operation viable.

To increase loans to women, BKB has taken some measures like posting a woman officer in each outlet.

BKB thinks that the policy for bad debts reserve should be 5%.

In BKB the project officer sanctions the loans.

The maximum amount a borrower is entitled to is Tk. 4000/-. The ceiling may be raised upto 5000/-, and the ceiling should not be abolished.

The power delegated to project officer is very inadequate to implement the project. More power should be delegated to him like the right to impose penalty and offer rewards upto a certain limit.

Comparision with September 1981

The loan and savings interest rates of Krishi Bank remained the same during the period from 30th September 1981 to 31st March 1982 in the 16 outlets. During this time the number of loans increased by 32.45% which led to an increase of 32.44% of borrowers. A 1.4% decrease in the number of women borrowers was registered over the previous survey and the percentage of household borrowing to total target households went up by 9.2%. Total taka loaned increased by 37.50%. Out of the total loan the percentage of loan volume for crops and their agriculture increased by 0.1% and 2.10% respectively percentage of loan volume for non-agriculture declined by 2.2%.

Total taka deposited in savings accounts went up by 111.16% and percentage of savings to loan outstanding by 5.4%. Administrative cost to total loan disbursed and administrative cost per loan disbursed declined by 0.2% and Tk. 2.2% respectively while the percentage of principal overdue to total amount which has fallen due remained almost the same at 10% over the periods.

The institution made profit of Tk. 1,741,000 recording the highest of all institutions.

## vii MODEL: AREA APPROACH

## PARTICIPATING INSTITUTION: JANATA BANK

| <u>DATA SUMMARY</u>  | <u>September 30, 1981</u> | <u>March 31, 1982.</u>  |
|--|---------------------------|-------------------------|
| 1. Loan Interest Rates   | : 12%, 18%, 24%, 30%, 36% | 12%, 18%, 24%, 30%, 36% |
| 2. Savings Interest Rates  | : 11%, 12%, 13%, 14%, 15% | 11%, 12%, 13%, 14%, 15% |
| 3. Number of Outlets   | : 11                      | 11                      |
| 4. Number of loans   | : 2,188                   | 4,129                   |
| 5. Number of Borrowers   | : 1,386                   | 2467                    |
| 6. Percentage of Women Borrowers to Total Borrowers                        | : 3.2%                    | 3.5%                    |
| 7. Percentage of Households Borrowing to Total Target Group Households     | : 48.0%                   | 79.0%                   |
| 8. Total Taka Loaned   | : Tk.3,867,000            | Tk.7,743,834            |
| 9. Percentage of Loan volume for Crops                                     | : 31.0%                   | 29.4%                   |
| 10. Percentage of Loan Volume for Other Agriculture:                       | 34.8%                     | 30.5%                   |
| 11. Percentage of Loan Volume for Non-Agriculture                          | : 34.2%                   | 40.1%                   |
| 12. Total Taka Deposited in Savings Accounts                               | : Tk.667,000              | Tk.1,100,705            |
| 13. Percentage of Savings to Loan Outstanding                              | : 27.7%                   | 21.8%                   |
| 14. Percentage <sup>of</sup> Administrative costs to Total Loans Disbursed | : 9.8%                    | 2.13%                   |
| 15. Administrative Cost per Loan Disbursed                                 | : Tk.173.9                | Tk.116.16               |
| 16. Percentage of Principal Overdue to Total Amount which has fallen due   | : 17.1%                   | 14.5%                   |
| 17. Estimated Profit/(Loss) 12 months(October,1980 through September 1981) | : Tk.91,000               | (Tk.78,000)             |
| Net Profit/(Loss)April'81  |                           |                         |

## 7. Janata Bank

### Model: Area Approach

The original model nomenclature was changed from "Area Development approach" to "Area approach" thereby indicating Janata's shelving of the community development features which were found to be too expensive to implement as well as beyond the scope of a lending institution. Except in a few cases, community development activities like family planning, adult literacy etc. were never carried out.

Janata gives loans to groups but individual loans are also permissible and loans are given both in cash and in kind on the basis of the loanees production plan. But the group lending approach has encountered a few difficulties regarding the formation of groups and the delinquency of their members. Groups are in most cases not homogeneous and are formed not in the spirit of collective enterprise, but for getting a loan easily. Consequently there have been instances of delinquency of individual members which the group itself could hardly help. And as the delinquency of one member makes the group ineligible for any subsequent loan even though others have paid back in time, the volume of lending has also been low. However, inspite of these difficulties, group lending approach continues. 5232 borrowers were planned to be covered by the bank, the amount of loan advanced being Tk. 6,728,820 as on February 1982.

The average target of loans per outlet is 250 and the amount is Tk. 1,700,000. The number of savings accounts is not specifically mentioned. However tentatively the amount was expected to be Tk. 200,000.

Janata's loan interest rates are 12%, 18%, 24%, 30% and 36% while saving interest rates are 11%, 12%, 13%, 14% and 15%. The number of loans stand at 4,129 and the number of borrowers at 2467. Total amount loaned is Tk. 7,743,834 and the percentage of loan volume for crops is 29.4%, other agriculture 30.5%, non-agriculture 40.1%. Total taka deposited in savings accounts is Tk. 1,100,705 while the percentage of savings to loans outstanding is 21.8%. Principal overdue to total

amount which has fallen due is 14.5%. Informal group lending is the credit norm at Janata involving 5 to 15 members.

The staff have been provided to outlets as planned, both part time and full time.

Supervision of outlets by head office takes place once in three months, by the regional office once in a month and quite frequently by the concerned rural credit officer.

The Janata Bank RFEF training program for branch managers and rural credit officers was conducted in 1979 (for 4 days), 1980 (7 days) and 1981 (15 days).

A refresher course on the relevant issues was organised in January 1981 at Janata Bank Training Institute.

Janata considers the outlets performance as satisfactory, and the targets of loan disbursement and recovery are expected to be achieved except in two outlets-Noapara and Paglapir.

Motivational shortcoming has been identified as the major contributory factor for failure in achieving the target in disbursement.

Lack of proper supervision, natural calamities and wilful defaulters are considered as the main reasons for unsatisfactory recovery status. To solve these problems some necessary steps should be taken which may include (a) efforts to motivate the rural credit officer both by the head office and the regional level offices (b) appropriate selection of borrowers (c) Advice and support service to the loanees.

To increase savings, the following steps may be considered (a) Proper motivation and (b) Consciousness among local people.

Janata has an established policy to deal with delinquent borrowers.

The concerned officers and staff working in RFEP are not provided with any special remuneration. A system may be introduced to extend extra financial benefits to motivate the staff.

The income from RFEP unit in most cases is adequate to meet the operational expenses. A few Janata outlets are making profit.

The lending rate, as viewed by the head quarter, should be 22% to make the operation viable.

Janata's initial concentration was in extending loans to male borrowers but recently more attention has been given to women borrowers.

The bank considers 16% rate of interest as reasonable on savings. The power delegated to the project officer to implement the project is considered to be satisfactory.

#### Comparison with September 1981

Janata's loan and savings interest rates did not change between the two cut off dates, the number of outlets also remained unchanged. The number of loans and the number of borrowers have increased by 88.71% and 77.99% respectively. Percentage of women borrowers to total borrowers and the percentage of households borrowing to total target group households have increased by 0.3% and 31% at the end of March. Over one hundred percent rise has been observed in the case of total taka loaned. Percentage of loan volume for crops was found to have slightly fallen by over one percent over the previous survey and the percentage of loan volume for other agriculture has also decreased by 4.30%. The loan volume for non-agriculture has increased by nearly six percent. Total taka deposited in savings accounts also rose by 65.02%.

Percentage of savings to loans outstanding decreased by 5.9% in March but the percentage of administrative costs to total loan disbursed has decreased by 7.67% and consequently the administrative cost per loan disbursed also decreased by Tk. 57.74. The percentage of principal overdue to total amount which has fallen due has fallen by 2.6% while the profitability has also declined by 14% compared to the previous year.

viii MODEL : LOW INCOME GROUP OF CO-OPERATIVE CREDIT  
SCHEME

PARTICIPATING INSTITUTION: INTEGRATED RURAL  
DEVELOPMENT PROGRAMME  
(IRDP)

| <u>DATA SUMMARY</u>   | <u>September 30, 1981</u> | <u>March 31, 1982</u> |
|---|---------------------------|-----------------------|
| 1. Loan Interest Rates :  | 18%, 24%, 30%             | 18%, 24%, 30%         |
| 2. Savings Interest Rates :   | 12%                       | 12%                   |
| 3. Number of outlets :  | 13                        | 14                    |
| 4. Number of Loans :  | 6,442                     | 8,703                 |
| 5. Number of Borrowers :  | 3,144                     | 3,569                 |
| 6. Percentage of Women<br>Borrowers to Total<br>Borrowers :                         | 10.5%                     | 8.6% (App)            |
| 7. Percentage of Households<br>Borrowing to Total Target<br>Group Households :      | 59.6%                     | 76.0%                 |
| 8. Total Taka loaned :  | Tk.6,508,000              | Tk.9,238,818          |
| 9. Percentage of Loan Volume<br>for Crops :   | 52.9%                     | 54.9%                 |
| 10. Percentage of Loan Volume<br>for Other Agriculture :                            | 21.4%                     | 19.1%                 |
| 11. Percentage of Loan Volume<br>for Non-Agriculture :                              | 25.7%                     | 26.0%                 |
| 12. Total Taka Deposited in<br>Savings Accounts :                                   | Tk.419,666                | Tk.482,555            |
| 13. Percentage of Savings to<br>Loans Outstanding :                                 | 12.4%                     | 11.4%                 |
| 14. Percentage of Administrative<br>Costs to Total Loans<br>Disbursed :             | 3.2%                      | 3.8%                  |
| 15. Administrative Cost per<br>Loan Disbursed :                                     | Tk.32.5                   | Tk.26.5               |
| 16. Percentage of Principal<br>Overdue to Total Amount<br>which has fallen due :    | 4.4%                      | 9.7%                  |
| 17. Estimated Profit/(Loss)<br>12 months(October, 1980<br>through September, 1981): | Tk.237,000                | 171,000               |

Net Profit/(Loss) April '81  
through March '82.

## 8. Integrated Rural Development Programme

### Model: Low Income Group Co-operative Credit Scheme

A two tier co-operative system, Thana Central Co-operative Association/Krishi Samabaya Samity (TCCA/KSS) which was developed by Comilla Academy in the mid sixties has been disseminated throughout the country and is now known as Integrated Rural Development Program. The objectives of this project include the creation of an institutional infrastructure which would speed up development by mobilizing available resources; organization of farmers for greater agricultural development as well as training them in innovative methods and approaches and utilization of available institutional credit for the disadvantaged groups etc.

IRDP has 14 outlets in operation. The loan interest rates are 18%, 24% and 30% and the savings interest rate is 12%. The number of loans provided is 8,703 and the number of borrowers is 3,569. Percentage of women borrowers to total borrowers is 8.6%. Total taka loaned is Tk. 9,238,818; the percentage of loan volume for crops is 54.9%, other agriculture 19.1% and non-agriculture 26.0%. Total taka deposited in savings accounts was Tk. 482,555. Percentage of principal overdues to total amount which has fallen due is 9.7% as of 31-3-82. Target of savings is Tk. 349,538.

The head office has one part time officer and one clerical assistant while outlets have two part time officers, one full time officer and one clerical assistant. Outlets have been provided with transport as per plan.

The relevant officer supervises the outlets four times a month. The project officer visits the outlets twice a month while the RFEF inspector visits the villages/KSSs 12 days in a month.

IRDP disbursed crop loan to the farmer at the rate of 18%, loans for agriculture related activities at 24%, and for non-agriculture at 30%.

Unlike the banks IRDP did not disburse loans individually but to groups, i.e. to a number of farmers jointly applying for loan through KSS but without having any group or co-operative activities.

Training given is adequate and the credit officers have understood their job. Proper training has been given to the outlet staff. Training of loan officers is conducted if necessary, while KSS/Managers are given continuous weekly training as part of IRDP's normal program. The training covers evaluation, progress, accounting problems, orientation training etc. The self evaluation plan operates through cross suggestion and net communication system.

IRDP had set target of disbursement of loan and savings deposit outlet-wise. The average target per outlet for loans was 900, loan amount Tk. 600,000 savings account number 700 and for savings amount Tk. 30,000.

The IRDP outlet/KSS performances are satisfactory and the target of loan disbursement and recovery is expected to be achieved except in three outlets-viz. Gopalpur, Daudkandi-and Morayalgonj.

Lack of capital resulted in low disbursement, while unsatisfactory recovery was due to lack of supervision.

A few members of the outlet staff have been found inefficient, and they should be replaced by more efficient staff. Proper supervision is also necessary for increased efficiency.

IRDP savings models were introduced as per plan. The savings mobilization trend does not appear to be satisfactory. Continuous weekly meetings should be held to attain the target.

IRDP had established a policy for delinquent borrowers. Financial benefits received by the outlet staff are not sufficient, and additional financial motivation should be provided to the outlet staff. IRDP does not consider its model as effective to handle target group credit. Modified implementation of some co-operative rates are suggested. The staff should be increased and the loan ceiling should also be revised upwards.

IRDP considers that the lending rate should be 24% so that the operation is viable. The minimum number of borrowers per outlet, as viewed by IRDP, should be 300 to make the outlet viable.

IRDP has started women co-operative societies and more general programs for women. Women participation has been given maximum priority.

IRDP considers the rate of savings for all target members to be 10%, and 2% from interest collection should be reserved for bad debts.

The managing committee and the project officer jointly sanction loans at outlet level. In IRDP the borrower can take a maximum amount of Tk. 5,000/- as loan.

The ceiling is considered to be sufficient for landless target group members.

The power delegated to project officers is insufficient and the power of direct correspondence, field visit when necessary should be delegated to project officer of IRDP.

Comparison with September 1981

The loan and savings interest rates have remained the same during the two periods under survey while one outlet has been added to the total at the end of March 1982, showing an increase of 7.69% over the previous period. An increase of 13.52% in the number of borrowers has led to a rise of 35.10% in the loans offered over the period from September 1981 to March 1982.

The number of households borrowing to total target group households has shown an increase of 16.40% while the number of women borrowers to total borrowers has decreased by 1.9% during the period from September 30, 1981 to March 1982.

A rise of 41.96% in the percentage of total taka loaned has also been observed. The rise in loan volumes in respect of crops and non-agriculture was 2.0% and 0.3% respectively while the percentage of loan volume for other agriculture has fallen by 2.3% over the stated period.

The model has registered an increase in total taka deposited in savings accounts by 14.99% while percentage of savings to loans outstanding has fallen by 1%.

The percentage of administrative costs to total loans disbursed has increased by 0.6% and the administrative cost per loan disbursed has decreased by Tk. 6/-. The percentage of principal overdue to total amount which has fallen due has increased by 5.30%. The institution has earned profit on March 31, 1982 to the tune of Tk. 171,000 which is 27.85% less than the previous year.

**ix** MODEL: SMALL AND LANDLESS FARMERS CO-OPERATIVE  
SCHEME

PARTICIPATING INSTITUTION: BANGLADESH SAMABAYA  
BANK LTD.(BSBL)

| <u>DATA SUMMARY</u>  | <u>September 30, 1981</u> | <u>March 31, 1982</u> |
|--|---------------------------|-----------------------|
| 1. Loan Interest Rates   | : 12%, 18%, 24%, 30%      | 12%, 18%, 24%, 30%    |
| 2. Savings Interest Rates  | : 12%                     | 12%                   |
| 3. Number of Outlets   | : 19                      | (19-6)=13             |
| 4. Number of Loans   | : 3,821                   | 4,370                 |
| 5. Number of Borrowers   | : 2,917                   | 3,232                 |
| 6. Percentage of Women Borrowers to Total Borrowers:                         | 3.4%                      | 2.7%                  |
| 7. Percentage of Households Borrowing to Total Target Group Households       | : 45%                     |                       |
| 8. Total Taka Loaned   | : Tk. 8,025,000           | Tk. 9,175,495         |
| 9. Percentage of Loan Volume for Crops                                       | : 27.9%                   | 29.4%                 |
| 10. Percentage of Loan volume for Other Agriculture                          | : 3%                      | 4.5%                  |
| 11. Percentage of Loan Volume for non-Agriculture                            | : 3%                      | 66.1%                 |
| 12. Total Taka Deposited in Savings Accounts                                 | Tk. 154,059               | Tk. 177,240           |
| 13. Percentage of Savings to Loans Outstanding                               | : 2.6%                    | 2.9%                  |
| 14. Percentage Administrative costs to Total Loans Disbursed                 | : 3%                      | 4.5%                  |
| 15. Administrative Cost per Loan Disbursed                                   | : Tk. 62.7                | Tk. 130               |
| 16. Percentage of Principal Overdue to Total Amount which has fallen due     | : 36.4%                   | 48.7%                 |
| 17. Estimated Profit/(Loss) 12 months (October, 1980 through September 1981) | : Tk. (248,000)           | Tk. (542,000)         |

Profit/(Loss) April '81  
through March '82.

## 9. Bangladesh Samabaya Bank Ltd

Model: Small and Landless Farmers Co-operative scheme

Bangladesh Samabaya Bank Ltd had established nineteen outlets out of which thirteen were functioning which served 5,500 borrowers providing them with loans of Tk. 23,45000 as on March 31, 1982.

BSBL's coverage of borrowers seemed to be limited with the membership of the primary Co-operative Societies (KSS) and union Multipurpose Co-operative Societies (UMPCS) rather than the total target group population. Before the implementation of IRDP in 1974 the entire short term loan was exclusively provided by the BSBL.

"But the BJSB created a number of bottlenecks for the TCCAs in receipt of loans. They not only created difficulties for the TCCA but indirectly encouraged the primary cooperatives to take loan from the Central Cooperative Banks (CCBs) at 9% rather than go to TCCA which charges 15% rate of interest and service charge. This discriminatory and step-mo therly attitude of the BJSB, forced the IRDP under persistent demand and request from the TCCAs to seek alternative source of short term credit. Accordingly, an agreement has been made in consultation with Govt. with Sonali Bank for supply of short term loan to the TCCAs" 1/ BSBL's loan interest rates are 12%, 18%, 24% and 30% while the savings interest rate is 12%. Number of loans is 4370, and the number of borrowers is 3,232. Total taka loaned is Tk. 9,175,495. Percentage of loan volume for crops is 29.4%, for other agriculture 4.5% and for non-agricultural activities 66.1%. Total taka deposited in savings accounts is Tk. 177,240. Percentage of savings to loans outstanding is 2.9% and the percentage of principal overdue to total amount which has fallen due is 48.7% as on March 31, 1982.

The head quarter has one full time officer in-charge, one junior officer and one clerical staff. The outlets have 6 full time officer and one part-time secretary who is elected in an honorary basis in each outlet.

1/ A Brief Report on IRDP for Parliamentary Advisory Committee on Rural Development & Coperative Division, Planning Division, IRDP, 24-25, Dilkusha Commercial Area, Dacca-2. April, 1974.

Outlets have not been provided with transport as per plan. The BSBL training programme was initiated in August 1978 with a six day course for KSS Managers, assistant loan officers and loan supervisors. The subjects discussed included aims and objectives of the RFEP and the procedures for meeting these objectives. Refresher courses on the same topics were given in January 1979, November 1979 and in September and December 1981 for one week's duration at the head office. Short specialised courses were given for loan officers and supervisors. These included (a) Preparation of loan requirement (b) disbursement and recovery of loan (c) writing of amount. Orientation training was given in the initial stage.

Training is given from time to time to the loan officers at the head office. Executive officers were trained accordingly. The training given to BSBL staff members is adequate and the credit officers have understood their job. Provision for self-evaluation has been made in the model.

Credit norm of BSBL for crop loan operates according to Government Rules (Ministry of Agriculture Circular). There is no planned savings Model.

BSBL set target of disbursement of loan and savings deposit, which is not set outlet-wise but overall.

The performance of BSBL outlets is more or less satisfactory and the target of loan disbursement and recovery is expected to be achieved.

Six outlets are however behind the target. These are (1) Shri-krisnapur, (2) Talukjamira, (3) Bhavanipur, (4) Arjuntola (5) Dubela, (6) Bilgozaria.

BSBL disbursement is satisfactory and it has exceeded the target set by Bangladesh Bank.

To solve the problems of the models, defaulted loans should be rescheduled, and fresh loans for further activities should be provided.

BSBL savings Model is not being introduced as per plan owing to inadequate surplus. BSBL may take legal steps under C/S act to deal with delinquent borrowers. Outlet staff have also been given adequate instruction to deal with the delinquent borrowers.

Financial benefits received by the outlet staff are satisfactory. But there must be some extra incentive to the outlet staff.

BSBL Models need certain improvement to handle target group credit.

The Modification plan may take into account the possibility of giving more authority to the outlet officers/staff over the outlet affairs.

Income from RFEP operation is adequate to meet the cost of BSBL.

Paschim Pakotia and Jhalam south and north are making profit.

BSBL considers that the lending rate should be 21% and the minimum number of borrowers per outlet 200 to make the operation viable. The rate of savings should be 12%; 25% of the net profit should be allocated as reserve for bad debts.

Regarding women participation, women activities have been financed by BSBL almost at all outlets on priority basis.

Comparison with September 1981

The loan and savings interest rates of the bank have remained the same between the period 30th September 1981 and 31st March 1982. The total number of outlets came down to 13 on 31st March, 1982 from 19 on 30th September, 1981. The number of loans has increased by 14.37% and that of borrowers by 10.8%. The volume of loan has increased by 14.34%. The percentage of loan volume has increased by 1.50% for crops and 1.2% for other agriculture. For non-agriculture the volume of loan has declined by 2.7%. Total taka deposited in savings accounts has increased by 15% while percentage of savings to loans outstanding has increased marginally (by.3%) and the percentage of principal overdue to total amount which has fallen due rose by 12.30%.

The institution incurred loss in both the periods which 118% more in March'82 than the last cut off date.

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Chapter Five

I Financial Viability

Financial viability of an institution could be considered as the major yardstick which not only depicts the result of its performance in various sectors but also ensures the continuity of its operations.

i) Overall Financial Viability of RFEP

Considering the overall experiment, the performance indicators are as follows:

|   | Year ending<br>30 September 1981 |  | Year ending<br>31 March 1982 |  |
|---|----------------------------------|--|------------------------------|--|
|   | Taka in<br>000's                 | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's             | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned   | 8,636                            | 21.5   | 12,691                       | 22.8   |
| Cost of fund  | 3,781                            | 9.4  | 5,382                        | 9.7  |
| Interest on savings   | 291                              |  | 489                          |  |
| Interest on borrowed funds  | 3,490                            |  | 4,893                        |  |
| Administrative cost   | 2,562                            | 6.4  | 2,742                        | 4.9  |
| Salaries  | 1,944                            |  | 2,238                        |  |
| Other expenses  | 618                              |  | 504                          |  |
| Profit before provision for bad debts                                 | 2,293                            | 5.7  | 4,567                        | 8.2  |
| Provision for bad debts   | 1,543                            | 3.8  | 2,744                        | 4.9  |
| Profit after provision for bad debts                                  | 750                              | 1.9  | 1,823                        | 3.3  |
| Cumulative disbursement to date                                       | 85,553                           |  | 118,760                      |  |
| Reserve requirement to date   | 2,197                            |  | 5,561                        |  |
| Reserve requirement to total disbursement                             | 2.57%                            |  | 4.68%                        |  |
| Head office overhead cost to average monthly loan outstanding balance | 1.00%                            |  | 1.00%                        |  |

Reserve requirement upto 30 September 1981 and 31 March 1982 has been calculated as follows:

Upto 30 September 1981 (Taka in 000's)

| Principal overdue                          |             | <u>Reserve requirement</u> |              |
|--|-------------|----------------------------|--------------|
| Less than 6 months                         | 3432        | 25%                        | 858          |
| 6-12 months                                | 680         | 50%                        | 340          |
| More than 12 months                        | 756         | 100%                       | 756          |
|  | <u>4868</u> |                            | <u>1954</u>  |
|  | =====       |                            |              |
| Interest outstanding                       | 971         | 25%                        | 243          |
|  | =====       |                            |              |
| Reserve requirement upto 30 September 1981 |             |                            | <u>2,197</u> |
|  |             |                            | =====        |

Upto 31 March 1982 ( Taka in 000's)

| Principal overdue                      |             | <u>Reserve requirement</u> |              |
|--|-------------|----------------------------|--------------|
| Less than 6 months                     | 5889        | 25%                        | 1472         |
| 6-12 months                            | 2120        | 50%                        | 1060         |
| More than 12 months                    | 1044        | 100%                       | 1044         |
|  | <u>9053</u> |                            | <u>3576</u>  |
|  | =====       |                            |              |
| Interest outstanding                   | 7940        | 25%                        | 1985         |
|  | =====       |                            |              |
| Reserve requirement upto 31 March 1982 |             |                            | <u>5,561</u> |
|  |             |                            | =====        |

From the above analysis it becomes evident that the total RFEP operation for the year ended 31 March 1982 breaks even at 19.5% rate of interest which includes a cost of fund or internal rate of return element of 9.7%. Assuming the cost of fund to be zero, the breakeven point would be 9.8%. The same for the year ended 30 September 1981 would be 10.2%. It appears that administrative cost has dropped sharply from 6.4% to 4.9% over a lapse of six month period. Even though provision for doubtful debts has increased from 3.8% to 4.9% the total operational cost excluding cost of fund went down from 10.2 to 9.8%. This trend is likely to continue if the existing outlets maintain their pace of operation.

Provision of reserve for doubtful debts has been made arbitrarily on the higher side since there is no experience on such debts in RFEP as yet.

RFEP therefore as shown in the above analysis has been making increasing profits and could therefore be considered viable without taking into account incentive payments of  $\frac{1}{3} + \frac{1}{3}$  made on lending and recovery to the participating institutions.

Since provision for bad debts made during the year is not a function of the average monthly outstanding loan of the year and relates more closely to the cumulative disbursement upto that year the charge to the year's profit and loss may have been more than what would be necessary on the basis of cost factors of 2.57% and 4.68% related to the respective years total disbursement.

ii) Financial Viability of Sonali Bank

The performance indicators of Sonali Bank for the years ended 30 September 1981 and 31 March 1982 are as follows:

|   | Year ending<br>30 September 1981 |  | Year ending<br>31 March 1982 |  |
|---|----------------------------------|--|------------------------------|--|
|   | Taka in<br>000's                 | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's             | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned   | 1,554                            | 18.8   | 2,507                        | 22.5   |
| Cost of fund  | 728                              | 8.8  | 1,176                        | 10.5   |
| Interest on savings   | 72                               |  | 117                          |  |
| Interest on borrowed<br>funds.                                | 656                              |  | 1,059                        |  |
| Administrative cost   | 263                              | 3.2  | 252                          | 2.3  |
| Salaries  | 198                              |  | 197                          |  |
| Other expenses  | 65                               |  | 55                           |  |
| Profit before<br>provision for<br>bad debts                   | 563                              | 6.8  | 1,079                        | 9.7  |
| Provision for bad<br>debts                                    | 299                              | 3.6  | 535                          | 4.8  |
| Profit after provision<br>for bad debts                       | 264<br>=====                     | 3.2  | 544<br>=====                 | 4.9  |
| Average monthly<br>balance of outstan-<br>ding loan principal | 8,282                            |  | 11,165                       |  |

TABLE- 1  
SONALI BANK - PROFIT/LOSS ESTIMATES FOR 10 OUTLETS FOR 12 MONTHS  
(4/81 THROUGH 3/82) (TAKA IN 000'S)

| OUTLET NAME                             | SITA-<br>KUNDA | KALIAR-<br>CHAR | SHAHPUR     | COURT<br>BUILDING | PHUL-<br>TOLA | BIRGANJ     | JOTPU-<br>KURIA | GOURI-<br>PUR | ZILLA-<br>BOARD | MARFALA-<br>BAZAR |
|---|----------------|-----------------|-------------|-------------------|---------------|-------------|-----------------|---------------|-----------------|-------------------|
| Income earned                           | <u>83</u>      | <u>161</u>      | <u>210</u>  | <u>158</u>        | <u>236</u>    | <u>327</u>  | <u>317</u>      | <u>498</u>    | <u>215</u>      | <u>301</u>        |
| Operating expenses                      |                |                 |             |                   |               |             |                 |               |                 |                   |
| Interest paid                           |                |                 |             |                   |               |             |                 |               |                 |                   |
| On savings                              | 44             | 14              | 18          | 5                 | 2             | 9           | 6               | 5             | 2               | 10                |
| On borrowed funds                       | 23             | 75              | 99          | 89                | 104           | 133         | 136             | 177           | 126             | 97                |
| Salaries                                | 17             | 24              | 24          | 9                 | 8             | 30          | 10              | 23            | 14              | 10                |
| Other expenses                          | 8              | 6               | 5           | 2                 | 2             | 5           | 5               | 4             | 3               | 8                 |
| Sub-Total                               | <u>92</u>      | <u>119</u>      | <u>146</u>  | <u>107</u>        | <u>116</u>    | <u>177</u>  | <u>157</u>      | <u>209</u>    | <u>145</u>      | <u>125</u>        |
| Profit before provision<br>for bad debt | (9)            | 42              | 64          | 53                | 120           | 150         | 160             | 289           | 70              | 176               |
| Provision for bad debt                  | 8              | 6               | 0           | 113               | 180           | 37          | 30              | 110           | 36              | 14                |
| Profit after provision<br>for bad debt. | <u>(17)</u>    | <u>36</u>       | <u>64</u>   | <u>(60)</u>       | <u>(60)</u>   | <u>113</u>  | <u>130</u>      | <u>179</u>    | <u>34</u>       | <u>162</u>        |
| Average monthly<br>balance              | <u>694</u>     | <u>896</u>      | <u>1172</u> | <u>876</u>        | <u>984</u>    | <u>1363</u> | <u>1320</u>     | <u>1660</u>   | <u>1196</u>     | <u>1004</u>       |

PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL

|   |       |      |      |       |       |      |      |      |      |      |
|---|-------|------|------|-------|-------|------|------|------|------|------|
| Earned income                           | 12.0  | 18.0 | 18.0 | 18.0  | 24.0  | 24.0 | 24.0 | 30.0 | 18.0 | 30.0 |
| Cost of fund                            | 9.7   | 10.0 | 10.0 | 10.7  | 10.7  | 10.4 | 10.7 | 11.0 | 10.8 | 10.8 |
| Administrative cost                     | 3.5   | 3.4  | 2.5  | 1.2   | 1.0   | 2.5  | 1.1  | 1.6  | 1.4  | 1.7  |
| Provision for bad debt                  | 1.2   | .6   | 0.0  | 12.9  | 18.3  | 2.7  | 2.3  | 6.6  | 3.0  | 1.4  |
| Net profit before bad<br>debt provision | (1.3) | 4.7  | 5.5  | 6.0   | 12.2  | 11.0 | 12.1 | 17.4 | 5.8  | 17.5 |
| Net profit after bad<br>debt provision  | (2.4) | 4.1  | 5.5  | (6.9) | (6.1) | 8.3  | 9.9  | 10.8 | 2.8  | 16.1 |

An analysis of Sonali Bank's operation for the year ended 31 March 1982 shows that it breaks even at 17.6% rate of interest which includes a cost of fund or internal rate of return element of 10.5%. The same for the year ended 30 September 1981 were 15.6% and 8.8% respectively. It appears that administrative cost has dropped from 3.2% to 2.3% over a lapse of six month period. Due to the sharp rise in provision for doubtful debts from 3.6% to 4.8%, the total operational cost excluding cost of fund went up from 6.8 to 7.1%.

The total operational cost, excluding cost of fund, of the 10 outlets of Sonali Bank ranges from 2.5 to 19.3% in the year ended 31 March 1982.

iii) Financial Viability of Agrani Bank

The performance indicators of Agrani Bank for the years ended 30 September 1981 and 31 March 1982 are as follows:

|  | Year ending<br>30 September 1981 |  | Year ending<br>31 March 1982 |  |
|--|----------------------------------|--|------------------------------|--|
|  | Taka in<br>000's                 | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's             | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned  | 760                              | 23.6   | 899                          | 23.3   |
| Cost of fund   | 337                              | 10.5   | 380                          | 9.9  |
| Interest on savings  | 21                               |  | 48                           |  |
| Interest on borrowed<br>funds.                                   | 316                              |  | 332                          |  |
| Administrative cost  | 288                              | 8.9  | 274                          | 7.1  |
| Salaries   | 204                              |  | 224                          |  |
| Other expenses   | 84                               |  | 50                           |  |
| Profit before<br>provision for<br>bad debts                      | 135                              | 4.2  | 245                          | 6.3  |
| Provision for<br>bad debts                                       | 137                              | 4.3  | 139                          | 3.6  |
| Profit after provision<br>for bad debts                          | (2)<br>=====                     | (0.1)  | 106<br>=====                 | 2.7  |
| Average monthly<br>balance of out-<br>standing loan<br>principal | 3,216                            |  | 3,356                        |  |

TABLE- 2  
 AGRANI BANK - PROFIT/LOSS ESTIMATES FOR 10 OUTLETS FOR 12 MONTHS  
 (4/81 THROUGH 3/82) (TAKA IN 000'S)

| OUTLET NAME   | NATHER<br>PETUA | CHAK-<br>NAGAR | KHAMAR     | BHATRA     | SADHU-<br>HATI | SHANTI-<br>NIKATON | BALI-<br>GAON | PHUL-<br>PUR | CADET<br>COLLEGE | JOYAG       |
|---|-----------------|----------------|------------|------------|----------------|--------------------|---------------|--------------|------------------|-------------|
| Income earned   | <u>85</u>       | <u>115</u>     | <u>54</u>  | <u>73</u>  | <u>131</u>     | <u>128</u>         | <u>123</u>    | <u>10</u>    | <u>168</u>       | <u>12</u>   |
| Operating expenses  |                 |                |            |            |                |                    |               |              |                  |             |
| Interest paid   |                 |                |            |            |                |                    |               |              |                  |             |
| On savings  | 1               | 13             | 1          | 0          | 1              | 1                  | 2             | 0            | 26               | 3           |
| On borrowed funds   | 53              | 45             | 35         | 36         | 59             | 46                 | 47            | 3            | 2                | 6           |
| Salaries  | 29              | 20             | 5          | 22         | 27             | 16                 | 19            | 7            | 32               | 21          |
| Other expenses  | 8               | 0              | 3          | 6          | 8              | 4                  | 3             | 0            | 7                | 4           |
| Sub-Total   | <u>91</u>       | <u>78</u>      | <u>45</u>  | <u>64</u>  | <u>92</u>      | <u>67</u>          | <u>71</u>     | <u>10</u>    | <u>67</u>        | <u>34</u>   |
| Profit before provision<br>for bad debt                     | (6)             | 37             | 9          | 9          | 36             | 61                 | 52            | 0            | 101              | (22)        |
| Provision for bad debt                                      | 5               | 1              | (1)        | 0          | 1              | (22)               | 145           | 6            | 0                | 3           |
| Profit after provision<br>for bad debt                      | <u>(11)</u>     | <u>36</u>      | <u>10</u>  | <u>9</u>   | <u>35</u>      | <u>39</u>          | <u>(93)</u>   | <u>(6)</u>   | <u>101</u>       | <u>(25)</u> |
| Average monthly balance<br>of outstanding loan<br>principal | <u>707</u>      | <u>639</u>     | <u>307</u> | <u>312</u> | <u>546</u>     | <u>425</u>         | <u>397</u>    | <u>29</u>    | <u>459</u>       | <u>32</u>   |

PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL

|   |       |      |       |      |      |       |        |        |      |        |
|---|-------|------|-------|------|------|-------|--------|--------|------|--------|
| Earned income                           | 12.0  | 18.0 | 17.5  | 23.5 | 24.0 | 30.0  | 31.0   | 36.0   | 36.6 | 36.0   |
| Cost of fund                            | 7.7   | 9.0  | 11.7  | 11.7 | 11.1 | 11.0  | 12.4   | 8.6    | 6.0  | 29.2   |
| Administrative cost                     | 5.2   | 3.2  | 2.8   | 8.9  | 6.3  | 4.7   | 5.4    | 25.0   | 8.6  | 77.7   |
| Provision for bad debt                  | 0.7   | 0.2  | (0.4) | 0    | 0.1  | (5.2) | 36.6   | 22.1   | 0    | 9.7    |
| Net profit before bad<br>debt provision | (0.8) | 5.8  | 2.9   | 2.9  | 6.6  | 14.3  | 13.1   | 0      | 22.0 | (68.7) |
| Net profit after bad<br>debt provision  | (1.6) | 5.6  | 3.4   | 3.0  | 6.5  | 19.6  | (23.4) | (19.7) | 22.0 | (80.5) |

Notes: Chowkbazar outlet, dropped from the experiment, could not be included as its data are below thousand taka.

An analysis of Agrani Bank's operation for the year ended 31 March 1982 shows that it breaks even at 20.6% rate of interest which includes a cost of fund or internal rate of return element of 9.9%. The same for the year ended 30 September 1981 were 23.7 and 10.5% respectively. It appears that administrative cost has dropped sharply from 8.9% to 7.1% over a lapse of six month period. Provision for doubtful debts has decreased from 4.3% to 3.6% and the total operational cost excluding cost of fund went down from 13.2% to 10.7%.

The total operational cost, excluding cost of fund, of the 10 outlets of Agrani Bank ( exclusive of the dropped outlet of Chowkbazar whose statistics are below thousand) ranges from 2.4 to 87.4%.

iv) Financial Viability of Uttara Bank

The performance indicators of Uttara Bank for the years ended 30 September 1981 and 31 March 1982 are as follows:

|  | Year ending<br>30 September 1981 |  | Year ending<br>31 March 1982 |  |
|--|----------------------------------|--|------------------------------|--|
|  | Taka in<br>000's                 | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's             | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned  | 161                              | 28.2   | 195                          | 27.3   |
| Cost of fund   | 70                               | 12.2   | 86                           | 12.0   |
| Interest on savings  | 4                                |  | 6                            |  |
| Interest on borrowed<br>funds.                                   | 66                               |  | 80                           |  |
| Administrative cost  | 159                              | 27.9   | 176                          | 24.6   |
| Salaries   | 138                              |  | 155                          |  |
| Other expenses   | 21                               |  | 21                           |  |
| Profit before<br>provision for<br>bad debts                      | (68)                             | (11.9)   | (67)                         | (9.4)  |
| Provision for<br>bad debts                                       | 66                               | 11.6   | 31                           | 4.3  |
| Profit after provision<br>for bad debts                          | <u>(134)</u>                     | (23.5)   | <u>(98)</u>                  | (13.7)   |
| Average monthly<br>balance of out-<br>standing loan<br>principal | 570                              |  | 714                          |  |

TABLE- 3  
 UTTARA BANK-PROFIT/LOSS ESTIMATES FOR 5 OUTLETS FOR 12 MONTHS  
 (4/81 THROUGH 3/82) (TAKA IN THOUSANDS)

| <u>OUTLET NAME</u>                                    | <u>MYMENSINGH</u>  | <u>TANGAIL</u>     | <u>ATIA</u>        | <u>BASAN</u>      | <u>FENI</u>        |
|---|--------------------|--------------------|--------------------|-------------------|--------------------|
| Income earned   | 18                 | 28                 | 31                 | 65                | 53                 |
| Operating expenses                                    |                    |                    |                    |                   |                    |
| Interest paid   |                    |                    |                    |                   |                    |
| On savings  | 1                  | 2                  | -                  | 1                 | 1                  |
| On borrowed funds                                     | 11                 | 11                 | 14                 | 27                | 17                 |
| Salaries  | 28                 | 22                 | 22                 | 28                | 30                 |
| Other expenses  | <u>5</u>           | <u>4</u>           | <u>6</u>           | <u>5</u>          | <u>1</u>           |
| Sub-Total   | <u>45</u>          | <u>39</u>          | <u>42</u>          | <u>61</u>         | <u>49</u>          |
| Profit before provision for bad debt                  | <u>(27)</u>        | <u>(11)</u>        | <u>(11)</u>        | <u>4</u>          | <u>4</u>           |
| Provision for bad debt                                | <u>(4)</u>         | -                  | <u>1</u>           | <u>10</u>         | <u>23</u>          |
| Profit after provision for bad debt                   | <u><u>(23)</u></u> | <u><u>(11)</u></u> | <u><u>(12)</u></u> | <u><u>(6)</u></u> | <u><u>(19)</u></u> |
| Average monthly balance of outstanding loan principal | <u>101</u>         | <u>118</u>         | <u>130</u>         | <u>216</u>        | <u>149</u>         |

PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL

|                                      |        |       |       |       |        |
|--------------------------------------|--------|-------|-------|-------|--------|
| Earned income                        | 17.9   | 24.0  | 24.0  | 30.0  | 35.3   |
| Cost of fund                         | 11.5   | 11.4  | 10.6  | 12.9  | 12.2   |
| Administrative cost                  | 32.7   | 21.6  | 21.2  | 15.4  | 20.4   |
| Provision for bad debt               | (4.2)  | -     | 1.2   | 4.8   | 15.4   |
| Net profit before bad debt provision | (26.3) | (9.0) | (7.8) | 1.7   | 2.7    |
| Net profit after bad debt provision  | (22.1) | (9.0) | (9.0) | (3.1) | (12.7) |

An analysis of Uttara Bank's operation for the year ended 31 March 1982 shows that it breaks even at 41.0% rate of interest which includes a cost of fund or internal rate of return element of 12.0%. The same for the year ended 30 September 1981 were 51.7 and 12.2% respectively. It appears that administrative cost has dropped slightly from 27.9% to 24.6% and provision for doubtful debts sharply from 11.6% to 4.3% over a lapse of six month period. Consequently the total operational cost excluding cost of fund went down from 39.5 to 28.9%.

The total operational cost excluding cost of fund of the 5 outlets of Uttara Bank ranges from 20.2 to 35.8%.

v) Financial Viability of Pubali Bank

The performance indicators of Pubali Bank for the years ended 30 September 1981 and 31 March 1982 are as follows:

|  | Year ending<br>30 September 1981 |  | Year ending<br>31 March 1982 |  |
|--|----------------------------------|--|------------------------------|--|
|  | Taka in<br>000's                 | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's             | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned  | 490                              | 20.4   | 602                          | 20.8   |
| Cost of fund   | 309                              | 12.9   | 364                          | 12.6   |
| Interest on savings  | 8                                |  | 9                            |  |
| Interest on borrowed<br>funds.                                   | 301                              |  | 355                          |  |
| Administrative cost  | 208                              | 8.7  | 219                          | 7.5  |
| Salaries   | 196                              |  | 173                          |  |
| Other expenses   | 12                               |  | 46                           |  |
| Profit before<br>provision for<br>bad debts                      | (27)                             | (1.1)  | 19                           | 0.7  |
| Provision for<br>bad debts                                       | 234                              | 9.7  | 263                          | 9.1  |
| Profit after provision<br>for bad debts                          | <u>(261)</u>                     | (10.8)   | <u>(244)</u>                 | (8.4)  |
| Average monthly<br>balance of out-<br>standing loan<br>principal | 2,403                            |  | 2,893                        |  |

**TABLE- 4**  
**PUBALI BANK- PROFIT/LOSS ESTIMATES FOR 4 OUTLETS FOR 12 MONTHS**  
**(4/81 THROUGH 3/82) (TAKA IN THOUSANDS)**

| <u>OUTLET NAME</u>                                       | <u>ELLENGA</u> | <u>SHAHBAZPUR</u> | <u>SATIHAT</u> | <u>BABUGANJ</u> |
|--|----------------|-------------------|----------------|-----------------|
| Income earned  | <u>195</u>     | <u>95</u>         | <u>185</u>     | <u>127</u>      |
| Operating expenses                                       |                |                   |                |                 |
| Interest paid  |                |                   |                |                 |
| On savings   | 1              | 2                 | 3              | 2               |
| On borrowed funds  | 66             | 98                | 125            | 66              |
| Salaries   | 39             | 45                | 40             | 39              |
| Other expenses   | 6              | 27                | 8              | 5               |
| Sub-Total  | <u>112</u>     | <u>172</u>        | <u>176</u>     | <u>112</u>      |
| Profit before provision<br>bad debt.                     | <u>83</u>      | <u>(77)</u>       | <u>9</u>       | <u>15</u>       |
| Provision for bad debt                                   | <u>19</u>      | <u>163</u>        | <u>53</u>      | <u>27</u>       |
| Profit after provision<br>bad debt                       | <u>64</u>      | <u>(240)</u>      | <u>(44)</u>    | <u>(12)</u>     |
| Average monthly balance<br>of outstanding loan principal | <u>543</u>     | <u>796</u>        | <u>1026</u>    | <u>529</u>      |

**PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL**

|   |      |        |       |       |
|---|------|--------|-------|-------|
| Earned income                           | 36.0 | 12.0   | 18.0  | 24.0  |
| Cost of fund                            | 12.4 | 12.6   | 12.5  | 12.9  |
| Administrative cost                     | 8.2  | 9.0    | 4.6   | 8.2   |
| Provision for bad debt                  | 3.6  | 20.5   | 5.2   | 5.1   |
| Net profit before bad<br>debt provision | 15.3 | (9.7)  | 0.9   | 2.8   |
| Net profit after bad debt<br>provision  | 11.8 | (30.2) | (4.3) | (2.3) |

An analysis of Pubali Bank's operation for the year ended 31 March 1982 shows that it breaks even at 29.2% rate of interest which includes a cost of fund or internal rate of return element of 12.6%. The same for the year ended 30 September 1981 were 31.2 and 12.9% respectively. It appears that administrative cost has dropped from 8.7% to 7.5% and provision for doubtful debts from 9.7% to 9.1% over a lapse of six month period. The total operational cost excluding cost of fund went down from 18.4 to 16.6%

The total operational cost, excluding cost of fund, of the 4 outlets of Pubali Bank range from 9.8 to 29.5%.

vi) Financial Viability of Rupali Bank

The performance indicators of Rupali Bank for the years ended 30 September 1981 and 31 March 1982 are as follows:

|  | <u>Year ending<br/>30 September 1981</u> |  | <u>Year ending<br/>31 March 1982</u> |  |
|--|--|--|--------------------------------------|--|
|  | Taka in<br>000's                         | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's                     | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned  | 535                                      | 25.7   | 927                                  | 28.4   |
| Cost of fund   | 228                                      | 11.0   | 372                                  | 11.4   |
| Interest on savings  | 62                                       |  | 102                                  |  |
| Interest on borrowed<br>funds.                                   | 166                                      |  | 270                                  |  |
| Administrative cost  | 248                                      | 11.9   | 267                                  | 8.2  |
| Salaries   | 239                                      |  | 265                                  |  |
| Other expenses   | 9  |  | 2                                    |  |
| Profit before<br>provision for<br>bad debts                      | 59                                       | 2.8  | 288                                  | 8.8  |
| Provision for<br>bad debts                                       | 31                                       | 1.5  | 65                                   | 2.0  |
| Profit after provision<br>for bad debts                          | <u>28</u>                                | 1.3  | <u>223</u>                           | 6.8  |
| Average monthly<br>balance of out-<br>standing loan<br>principal | 2,081                                    |  | 3,268                                |  |

TABLE- 5  
**RUPALI BANK- PROFIT/LOSS ESTIMATES FOR 7 OUTLETS FOR 12 MONTHS**  
**(4/81 THROUGH 3/82) (TAKA IN 000'S)**

| <u>OUTLET NAME</u>  | <u>RAJGANJ<br/>BAZAR</u> | <u>MANSA<br/>BAZAR</u> | <u>KAKANHAT</u> | <u>NARHATTA</u> | <u>RAHMATPUR</u> | <u>KHAN'SHAT</u> | <u>KALIHATI</u> |
|---|--------------------------|------------------------|-----------------|-----------------|------------------|------------------|-----------------|
| Income earned   | <u>69</u>                | <u>71</u>              | <u>24</u>       | <u>98</u>       | <u>76</u>        | <u>341</u>       | <u>248</u>      |
| Operating expenses  |                          |                        |                 |                 |                  |                  |                 |
| Interest paid   |                          |                        |                 |                 |                  |                  |                 |
| On savings  | 9                        | 29                     | 0               | 11              | 2                | 1                | 50              |
| On borrowed funds   | 34                       | 6                      | 13              | 36              | 26               | 136              | 19              |
| Salaries  | 45                       | 51                     | 24              | 24              | 24               | 20               | 52              |
| Other expenses  | 0                        | 0                      | 0               | 0               | 1                | 1                | 0               |
| Sub-Total   | <u>88</u>                | <u>86</u>              | <u>37</u>       | <u>71</u>       | <u>53</u>        | <u>158</u>       | <u>121</u>      |
| Profit before provision<br>for bad debt                     | (19)                     | (15)                   | (13)            | 27              | 23               | 183              | 127             |
| Provision for bad debt                                      | <u>20</u>                | <u>1</u>               | <u>5</u>        | <u>18</u>       | <u>4</u>         | <u>8</u>         | <u>8</u>        |
| Profit after provision<br>for bad debt                      | <u>(39)</u>              | <u>(16)</u>            | <u>(18)</u>     | <u>9</u>        | <u>19</u>        | <u>175</u>       | <u>119</u>      |
| Average monthly balance<br>of outstanding loan<br>principal | <u>381</u>               | <u>298</u>             | <u>99</u>       | <u>410</u>      | <u>253</u>       | <u>1137</u>      | <u>690</u>      |

PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL

|   |        |       |        |      |      |      |      |
|---|--------|-------|--------|------|------|------|------|
| Earned income                           | 18.0   | 24.0  | 24.0   | 24.0 | 30.0 | 30.0 | 36.0 |
| Cost of fund                            | 11.0   | 11.5  | 13.1   | 11.7 | 11.0 | 12.1 | 10.0 |
| Administrative cost                     | 12.0   | 17.2  | 24.0   | 5.8  | 9.9  | 1.8  | 7.6  |
| Provision for bad debt                  | 5.3    | 0.7   | 4.8    | 4.4  | 1.5  | 0.7  | 1.2  |
| Net profit before<br>bad debt provision | (5.0)  | (4.8) | (13.3) | 6.6  | 9.1  | 16.1 | 18.4 |
| Net profit after bad<br>debt provision  | (10.2) | (5.4) | (18.1) | 2.2  | 7.6  | 15.4 | 17.2 |

An analysis of Rupali Bank's operation for the year ended 31 March 1982 shows that it breaks even at 21.6% rate of interest which includes a cost of fund or internal rate of return element of 11.4%. The same for the year ended 30 September 1981 were 24.4% and 11.0% respectively. It appears that administrative cost has dropped sharply from 11.9% to 8.2% over a lapse of six month period. Even though provision for doubtful debts has increased from 1.5% to 2.0% the total operational cost excluding cost of fund went down from 13.4% to 10.2%.

The total operational cost, excluding cost of fund, of the 7 outlets range from 2.5% to 28.8% in the year ended 31 March 1982.

vii) Financial Viability of BKB

The performance indicators of BKB for the years ended 30 September 1981 and 31 March 1982 are as follows:

|   | Year ending<br>30 September 1981 |  | Year ending<br>31 March 1982 |  |
|---|----------------------------------|--|------------------------------|--|
|   | Taka in<br>000's                 | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's             | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned   | 3,135                            | 21.0   | 4,570                        | 21.4   |
| Cost of fund  | 939                              | 6.3  | 1,365                        | 6.4  |
| Interest on savings                                   | 73                               |  | 134                          |  |
| Interest on borrowed funds.                           | 866                              |  | 1,231                        |  |
| Administrative cost                                   | 954                              | 6.4  | 882                          | 4.1  |
| Salaries  | 624                              |  | 723                          |  |
| Other expenses  | 330                              |  | 159                          |  |
| Profit before provision for bad debts                 | 1,242                            | 8.3  | 2,323                        | 10.9   |
| Provision for bad debts                               | 285                              | 1.9  | 582                          | 2.7  |
| Profit after provision for bad debts                  | <u>957</u>                       | 6.4  | <u>1,741</u>                 | 8.2  |
| Average monthly balance of outstanding loan principal | 14,938                           |  | 21,323                       |  |

**TABLE- 6**  
**KRISHI BANK - PROFIT/LOSS ESTIMATES FOR 16 OUTLETS FOR 12 MONTHS**  
**(4/81 THROUGH 3/82) (TAKA IN 000'S)**

| OUTLET NAME   | GAIB<br>ANDHA | PARID<br>PUR | MANIK<br>GANJ | PAENA | KUSH<br>TIA | TAN<br>GAIL | RAJSH<br>AHI | MADA<br>RIPUR | MAJDEE<br>COURT | MYMEN<br>SINGH | NARSI<br>NGHDI | RANG<br>PUR | KHULNA | SYL<br>HET | MELA<br>NDAH | THAKUR<br>GAON |
|---|---------------|--------------|---------------|-------|-------------|-------------|--------------|---------------|-----------------|----------------|----------------|-------------|--------|------------|--------------|----------------|
| Income earned   | 165           | 297          | 232           | 192   | 332         | 322         | 492          | 328           | 236             | 114            | 99             | 451         | 422    | 163        | 448          | 262            |
| Operating expenses  |               |              |               |       |             |             |              |               |                 |                |                |             |        |            |              |                |
| Interest paid   |               |              |               |       |             |             |              |               |                 |                |                |             |        |            |              |                |
| On savings  | 17            | 7            | 20            | 5     | 5           | 19          | 15           | 15            | 11              | 3              | 2              | 3           | 7      | 2          | 5            | 2              |
| On borrowed funds   | 73            | 146          | 106           | 60    | 113         | 75          | 120          | 80            | 53              | 27             | 23             | 95          | 83     | 34         | 89           | 54             |
| Salaries  | 53            | 59           | 56            | 54    | 50          | 34          | 77           | 30            | 55              | 18             | 27             | 45          | 36     | 19         | 20           | 27             |
| Other expenses  | 10            | 13           | 39            | 12    | 11          | 4           | 13           | 3             | 9               | 4              | 2              | 10          | 9      | 5          | -            | 3              |
| Sub-Total   | 153           | 225          | 221           | 131   | 179         | 132         | 225          | 128           | 128             | 52             | 54             | 153         | 135    | 60         | 114          | 86             |
| Profit before provi-<br>sion for bad debt                     | 12            | 72           | 12            | 62    | 154         | 191         | 268          | 210           | 108             | 62             | 45             | 298         | 287    | 103        | 334          | 176            |
| Provision for bad debt -                                      | 35            | 35           | 25            | 9     | 16          | 55          | 29           | 71            | 23              | 6              | 36             | -           | 72     | 103        | 56           | 46             |
| Profit after provi-<br>sion for bad debt                      | 12            | 37           | (13)          | 53    | 138         | 136         | 239          | 139           | 85              | 56             | 9              | 298         | 215    | (-)        | 278          | 130            |
| Average monthly bal-<br>ance of outstanding<br>loan principal | 1342          | 2411         | 1899          | 1042  | 1831        | 1266        | 2022         | 1390          | 968             | 462            | 410            | 1492        | 1392   | 542        | 1468         | 860            |

**PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL**

|   |      |      |       |      |      |      |      |      |      |      |      |      |      |       |      |      |
|---|------|------|-------|------|------|------|------|------|------|------|------|------|------|-------|------|------|
| Earned income                           | 12.3 | 12.3 | 12.3  | 18.4 | 18.2 | 18.2 | 24.2 | 24.3 | 24.4 | 24.6 | 24.2 | 30.2 | 30.2 | 30.0  | 30.5 | 30.4 |
| Cost of fund                            | 6.6  | 6.3  | 6.6   | 6.2  | 6.4  | 5.3  | 6.6  | 6.9  | 6.6  | 6.5  | 6.1  | 6.5  | 6.4  | 6.6   | 6.4  | 6.5  |
| Administrative cost                     | 4.7  | 3.0  | 5.0   | 6.3  | 3.4  | 2.1  | 4.4  | 2.4  | 6.6  | 4.7  | 7.1  | 3.6  | 3.2  | 4.4   | 1.4  | 3.5  |
| Provision for bad debt -                |      | 1.4  | 1.3   | 0.9  | 0.8  | 3.1  | 1.4  | 5.1  | 2.4  | 1.4  | 8.7  | -    | 5.2  | 19.0  | 3.8  | 5.3  |
| Net profit before bad<br>debt provision | 0.9  | 3.0  | 0.7   | 6.0  | 8.4  | 10.8 | 13.1 | 15.1 | 11.2 | 13.4 | 10.9 | 20.0 | 20.6 | 18.9  | 22.7 | 20.4 |
| Net profit after bad<br>debt provision  | 0.8  | 1.5  | (0.6) | 5.1  | 7.5  | 7.7  | 11.7 | 10.0 | 8.8  | 12.1 | 2.2  | 20.0 | 15.4 | (0.1) | 18.9 | 15.1 |

An analysis of BKB's operation for the year ended 31 March 1982 shows that it breaks even at 13.2% rate of interest which includes a cost of fund or internal rate of return element of 6.4%. The same for the year ended 30 September 1981 were 14.6 and 6.3% respectively. It appears that administrative cost has dropped sharply from 6.4% to 4.1% over a lapse of six month period. Even though provision for doubtful debts has increased from 1.9% to 2.7%, the total operational cost excluding cost of fund went down from 8.3 to 6.8%.

The total operational cost, excluding cost of fund, of the 16 outlets of BKB ranges from 3.6 to 15.8% ( not considering the Sylhet outlet with 23.4% as it has been dropped from the experiment )

viii) Financial Viability of Janata Bank

The performance indicators of Janata Bank for the years ended 30 September 1981 and 31 March 1982 are as follows:

|  | Year ending<br>30 September 1981 |  | Year ending<br>31 March 1982 |  |
|--|----------------------------------|--|------------------------------|--|
|  | Taka in<br>000's                 | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's             | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned  | 396                              | 19.3   | 679                          | 22.3   |
| Cost of fund   | 225                              | 11.0   | 340                          | 11.2   |
| Interest on savings  | 28                               |  | 54                           |  |
| Interest on borrowed<br>funds                                    | 197                              |  | 286                          |  |
| Administrative cost  | 213                              | 10.4   | 265                          | 8.7  |
| Salaries   | 177                              |  | 227                          |  |
| Other expenses   | 36                               |  | 38                           |  |
| Profit before<br>provision for<br>bad debts                      | (42)                             | (2.1)  | 74                           | 2.4  |
| Provision for<br>bad debts                                       | 49                               | 2.4  | 152                          | 5.0  |
| Profit after provision<br>for bad debts                          | (91)                             | (4.5)  | (78)                         | (2.6)  |
|  | =====                            |  | =====                        |  |
| Average monthly<br>balance of out-<br>standing loan<br>principal | 2,053                            |  | 3,044                        |  |

TABLE- 7  
**JANATA BANK- PROFIT/LOSS ESTIMATES FOR 12 OUTLETS FOR 12 MONTHS**  
**(4/81 THROUGH 3/82) (TAKA IN THOUSANDS)**

| OUTLET NAME   | JHIKER<br>GACHA | PAGLAPIR   | BAMUNDI    | BANESWAR   | TEBUNIA    | BROHMA-<br>RAJPUR | NOAPARA     | BAIDER-<br>BAZAR | KHANKH-<br>ANAPUR | TAJPUR      | KUMIRA    | BHUR<br>GHATTA |
|---|-----------------|------------|------------|------------|------------|-------------------|-------------|------------------|-------------------|-------------|-----------|----------------|
| Income earned   | <u>67</u>       | <u>21</u>  | <u>46</u>  | <u>109</u> | <u>94</u>  | <u>26</u>         | <u>50</u>   | <u>123</u>       | <u>81</u>         | <u>35</u>   | <u>17</u> | <u>10</u>      |
| Operating expenses  |                 |            |            |            |            |                   |             |                  |                   |             |           |                |
| Interest paid   |                 |            |            |            |            |                   |             |                  |                   |             |           |                |
| On savings  | 5               | 1          | 5          | 7          | 0          | 1                 | 2           | 28               | 2                 | -           | 4         | 0              |
| On borrowed funds   | 60              | 15         | 21         | 44         | 48         | 8                 | 23          | 22               | 31                | 12          | 0         | 3              |
| Salaries  | 20              | 15         | 23         | 22         | 21         | 19                | 19          | 18               | 23                | 11          | 8         | 4              |
| Other expenses  | 2               | 5          | 3          | 0          | 1          | 1                 | 1           | 4                | 2                 | 10          | 0         | 0              |
| Sub-Total   | <u>87</u>       | <u>36</u>  | <u>52</u>  | <u>73</u>  | <u>70</u>  | <u>29</u>         | <u>45</u>   | <u>72</u>        | <u>58</u>         | <u>33</u>   | <u>12</u> | <u>7</u>       |
| Profit before provi-<br>sion for bad debt                     | (20)            | (15)       | (6)        | 36         | 24         | (3)               | 5           | 51               | 23                | 2           | 5         | 3              |
| Provision for bad debt  | -               | <u>38</u>  | <u>2</u>   | <u>(7)</u> | <u>9</u>   | <u>6</u>          | <u>47</u>   | <u>(3)</u>       | <u>0</u>          | <u>58</u>   | <u>0</u>  | <u>1</u>       |
| Profit after provi-<br>sion for bad debt                      | <u>(20)</u>     | <u>-23</u> | <u>(8)</u> | <u>43</u>  | <u>15</u>  | <u>(9)</u>        | <u>(42)</u> | <u>-54</u>       | <u>23</u>         | <u>(56)</u> | <u>-5</u> | <u>-2</u>      |
| Average monthly bala-<br>nce of outstanding<br>loan principal | <u>569</u>      | <u>116</u> | <u>256</u> | <u>453</u> | <u>392</u> | <u>110</u>        | <u>208</u>  | <u>408</u>       | <u>272</u>        | <u>97</u>   | <u>48</u> | <u>115</u>     |

PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL

|   |       |        |       |       |      |       |        |       |      |        |      |     |
|---|-------|--------|-------|-------|------|-------|--------|-------|------|--------|------|-----|
| Earned income                           | 11.7  | 18.0   | 18.0  | 24.0  | 24.0 | 23.9  | 24.0   | 30.0  | 30.0 | 35.9   | 35.8 | 9.0 |
| Cost of fund                            | 11.3  | 12.9   | 10.2  | 11.3  | 12.3 | 7.9   | 11.8   | 12.2  | 12.2 | 12.9   | 9.2  | 2.4 |
| Administrative cost                     | 3.9   | 17.8   | 10.2  | 4.9   | 5.5  | 18.0  | 9.7    | 5.3   | 9.5  | 21.5   | 16.8 | 3.3 |
| Provision for bad debt                  | -     | 32.9   | 0.9   | (1.6) | 2.2  | 5.7   | 22.9   | (0.8) | -    | 59.7   | -    | 0.9 |
| Net profit before bad<br>debt provision | (3.5) | (12.7) | (2.3) | 7.8   | 6.2  | (2.0) | 2.5    | 12.5  | 8.3  | 2.3    | 9.8  | 3.2 |
| Net profit after bad<br>debt provision  | (3.5) | (45.7) | (3.3) | 9.4   | 3.9  | (7.7) | (20.3) | 13.3  | 8.3  | (57.3) | 9.8  | 2.3 |

An analysis of Janata Bank's operation for the year ended 31 March 1982 shows that it breaks even at 24.9% rate of interest which includes a cost of fund or internal rate of return element of 11.2%. The same for the year ended 30 September 1981 were 23.8% and 11.0% respectively. It appears that administrative cost has dropped sharply from 10.4% to 8.7% over a lapse of six month period. Provision for doubtful debts has increased sharply from 2.4% to 5.0% and the total operational cost excluding cost of fund has gone up from 12.8 to 13.7%.

The total operational cost, excluding cost of fund, of the 12 outlets of Janata Bank ranges from 3.3 to 50.7% ( not considering Tajpur outlet with 81.2% as it has been dropped from the experiment).

ix) Financial Viability of IRDP

The performance indicators of IRDP for the years ended 30 September 1981 and 31 March 1982 are as follows:

|  | Year ending<br>30 September 1981 |  | Year ending<br>31 March 1982 |  |
|--|----------------------------------|--|------------------------------|--|
|  | Taka in<br>000's                 | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's             | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned  | 666                              | 22.5   | 844                          | 23.7   |
| Cost of fund   | 282                              | 9.5  | 313                          | 8.8  |
| Interest on savings  | 23                               |  | 19                           |  |
| Interest on borrowed<br>funds.                                   | 259                              |  | 294                          |  |
| Administrative cost  | 112                              | 3.8  | 175                          | 4.9  |
| Salaries   | 83                               |  | 143                          |  |
| Other expenses   | 29                               |  | 32                           |  |
| Profit before<br>provision for<br>bad debts                      | 272                              | 9.2  | 356                          | 10.0   |
| Provision for<br>bad debts                                       | 35                               | 1.2  | 185                          | 5.2  |
| Profit after provision<br>for bad debts                          | <u>237</u>                       | 8.0  | <u>171</u>                   | 4.8  |
| Average monthly<br>balance of out-<br>standing loan<br>principal | 2,953                            |  | 3,553                        |  |

**TABLE- 8**  
**IRDP - PROFIT/LOSS ESTIMATES FOR 13 OUTLETS FOR 12 MONTHS**  
**(4/81 THROUGH 3/82) (TAKA IN 000'S)**

| OUTLET NAME   | BABU<br>CANJ | ISLAM<br>PUR | JCYDEB<br>PUR | DHAM<br>RAI | MORREL<br>GANJ | CHOUDDA<br>GRAM | BURHAN<br>UDDIN | NATORE      | JHIKER<br>GACHA | KALIA<br>KOIR | DAUD<br>KANDI | KOLAR      | GOPAL<br>PUR | SONA<br>GAZI |
|---|--------------|--------------|---------------|-------------|----------------|-----------------|-----------------|-------------|-----------------|---------------|---------------|------------|--------------|--------------|
| Income earned   | <u>104</u>   | <u>101</u>   | <u>26</u>     | <u>57</u>   | <u>62</u>      | <u>155</u>      | <u>111</u>      | <u>40</u>   | <u>41</u>       | <u>29</u>     | <u>56</u>     | <u>30</u>  | <u>30</u>    | <u>3</u>     |
| Operating expenses  |              |              |               |             |                |                 |                 |             |                 |               |               |            |              |              |
| Interest paid   |              |              |               |             |                |                 |                 |             |                 |               |               |            |              |              |
| On savings  | 2            | 0            | 0             |             | 2              | 2               | 9               | 0           | 2               | 0             | 1             | -          | -            | -            |
| On borrowed funds   | 43           | 31           | 9             | 22          | 21             | 61              | 39              | 8           | 15              | 12            | 15            | 7          | 9            | 1            |
| Salaries  | 17           | 16           | 6             | 10          | 9              | 9               | 10              | 10          | 6               | 6             | 12            | 7          | 9            | 2            |
| Other expenses  | 4            | 5            | 0             | -           | 5              | 1               | 1               | 2           | 3               | 1             | 1             | 2          | 1            | -            |
| Sub-Total   | <u>66</u>    | <u>52</u>    | <u>15</u>     | <u>32</u>   | <u>37</u>      | <u>73</u>       | <u>59</u>       | <u>20</u>   | <u>26</u>       | <u>19</u>     | <u>29</u>     | <u>16</u>  | <u>19</u>    | <u>3</u>     |
| Profit before provision<br>for bad debt                         | <u>38</u>    | <u>49</u>    | <u>11</u>     | <u>25</u>   | <u>25</u>      | <u>82</u>       | <u>52</u>       | <u>20</u>   | <u>2</u>        | <u>10</u>     | <u>27</u>     | <u>14</u>  | <u>11</u>    | <u>0</u>     |
| Provision for bad debt  | 0            | 0            | 16            | 8           | 22             | 55              | 2               | 46          | 0               | 3             | 12            | 1          | 21           | 0            |
| Profit after<br>for bad debt                                    | <u>38</u>    | <u>49</u>    | <u>(5)</u>    | <u>17</u>   | <u>3</u>       | <u>27</u>       | <u>50</u>       | <u>(26)</u> | <u>15</u>       | <u>7</u>      | <u>15</u>     | <u>13</u>  | <u>(10)</u>  | <u>0</u>     |
| Average monthly bal-<br>ance of outstand-<br>ing loan principal | <u>462</u>   | <u>360</u>   | <u>110</u>    | <u>229</u>  | <u>267</u>     | <u>644</u>      | <u>491</u>      | <u>172</u>  | <u>190</u>      | <u>143</u>    | <u>213</u>    | <u>114</u> | <u>110</u>   | <u>36</u>    |

PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL

|   |      |      |      |      |      |      |      |        |      |      |      |      |       |       |
|---|------|------|------|------|------|------|------|--------|------|------|------|------|-------|-------|
| Earned income                           | 22.5 | 27.9 | 24.1 | 24.0 | 23.2 | 24.0 | 22.5 | 23.2   | 21.5 | 20.1 | 26.3 | 25.8 | 27.4  | 8.3   |
| Cost of fund                            | 9.9  | 8.7  | 8.3  | 9.0  | 8.5  | 9.8  | 9.9  | 4.8    | 8.7  | 8.8  | 7.7  | 5.9  | 8.1   | 3.0   |
| Administrative cost                     | 4.3  | 5.7  | 5.7  | 4.5  | 5.2  | 1.5  | 2.2  | 7.2    | 4.6  | 4.8  | 6.0  | 8.0  | 9.3   | 5.9   |
| Provision for bad debt-                 |      |      | 15.0 | 3.4  | 8.3  | 8.5  | 0.3  | 26.7   | 0.2  | 1.8  | 5.5  | 0.5  | 18.7  | .4    |
| Net profit before<br>bad debt provision | 8.3  | 13.6 | 10.0 | 10.5 | 9.4  | 12.6 | 10.4 | 11.1   | 8.1  | 6.5  | 12.6 | 11.9 | 10.0  | (0.6) |
| Net profit after bad<br>debt provision  | 8.3  | 13.6 | (5)  | 7.2  | 1.1  | 4.2  | 10.1 | (15.6) | 7.9  | 4.7  | 7.1  | 11.4 | (8.6) | (1.1) |

An analysis of IRDP's operation for the year ended 31 March 1982 shows that it breaks even at 18.9% rate of interest which includes a cost of fund or internal rate of return element of 8.8%. The same for the year ended 30 September 1981 were 14.5 and 9.5% respectively. It appears that administrative cost has increased from 3.8% to 4.9% and provision for doubtful debts has sharply gone up from 1.2 to 5.2%. The total operational cost excluding cost of fund has also sharply increased from 5.0 to 10.1%.

The total operational cost, excluding cost of fund, of the 14 outlets of IRDP ranges from 2.5 to 33.9%.

x) Overall Financial Viability of BSBL

The performance indicators of BSBL for the years ended 30 September 1981 and 31 March 1982 are as follows:

|  | Year ending<br>30 September 1981 |  | Year ending<br>31 March 1982 |  |
|--|----------------------------------|--|------------------------------|--|
|  | Taka in<br>000's                 | % of average<br>monthly loan<br>outstanding<br>balance | Taka in<br>000's             | % of average<br>monthly loan<br>outstanding<br>balance |
| Income earned  | 939                              | 25.4   | 1,468                        | 25.1   |
| Cost of fund   | 663                              | 17.9   | 986                          | 16.9   |
| Interest on savings  | -                                |  | -                            |  |
| Interest on borrowed<br>funds.                                   | 663                              |  | 986                          |  |
| Administrative cost  | 117                              | 3.2  | 232                          | 3.9  |
| Salaries   | 85                               |  | 131                          |  |
| Other expenses   | 32                               |  | 101                          |  |
| Profit before<br>provision for<br>bad debts                      | 159                              | 4.3  | 250                          | 4.3  |
| Provision for<br>bad debts                                       | 407                              | 11.0   | 792                          | 13.5   |
| Profit after provision<br>for bad debts                          | <u>(248)</u>                     | (6.7)  | <u>(542)</u>                 | (9.2)  |
| Average monthly<br>balance of out-<br>standing loan<br>principal | 3,690                            |  | 5,856                        |  |

TABLE- 9  
BSBL - PROFIT/LOSS ESTIMATES FOR 18 OUTLETS PERIOD COVERED FROM  
APRIL 1, 1981 THROUGH MARCH 31, 1982 (TAKA IN OOO'S)

P. 1 of 2

| OUTLET NAME                                     | SREE KRI-<br>SHNA PUR | BEEIGAZARIA | ZODUBOYRA | DUBELA | JAGANNATH<br>PUR | PANTI | TALUK-<br>ZAMIRA | TALTOLI | BALUHAR |
|---|-----------------------|-------------|-----------|--------|------------------|-------|------------------|---------|---------|
| Earned income                                   | 5                     | 18          | 28        | 2      | 31               | 13    | 2                | 51      | 92      |
| Operating expenses                              |                       |             |           |        |                  |       |                  |         |         |
| Interest paid                                   |                       |             |           |        |                  |       |                  |         |         |
| On savings                                      | 0                     | 0           | 0         | 0      | 0                | 0     | 0                | 0       | 0       |
| On borrowed funds                               | 4                     | 11          | 15        | 5      | 19               | 7     | 2                | 26      | 63      |
| Salaries  | 0                     | 0           | 2         | 0      | 4                | 1     | 0                | 2       | 6       |
| Other expenses                                  | 0                     | 0           | 3         | 1      | 3                | 2     | 0                | 9       | 6       |
| Sub-Total                                       | 4                     | 12          | 20        | 6      | 26               | 10    | 2                | 37      | 78      |
| Profit before provision<br>for bad debt         | 1                     | 6           | 8         | 1      | 5                | 3     | 0                | 14      | 19      |
| Provision for bad debt                          | 1                     | 51          | 27        | 12     | 33               | 0     | 0                | 32      | 72      |
| Profit after provision<br>for bad debt          | 0                     | (45)        | (19)      | (11)   | (28)             | 3     | 0                | (23)    | (53)    |
| Average monthly balance<br>of outstanding loans | 26                    | 90          | 135       | 35     | 146              | 61    | 10               | 220     | 415     |

PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL

|   |       |        |        |        |        |      |      |        |        |
|---|-------|--------|--------|--------|--------|------|------|--------|--------|
| Earned income                           | 18.0  | 19.5   | 20.7   | 21.0   | 21.3   | 21.4 | 22.9 | 23.1   | 23.5   |
| Cost of fund                            | 13.5  | 12.2   | 10.9   | 13.8   | 12.9   | 10.9 | 15.7 | 11.8   | 15.1   |
| Administrative cost                     | 0.1   | 0.6    | 3.7    | 2.7    | 5.4    | 5.6  | 0.5  | 5.1    | 3.7    |
| Provision for bad debt                  | 5.3   | 56.6   | 20.1   | 35.3   | 22.3   | 0    | 4.3  | 16.8   | 17.5   |
| Net profit before bad<br>debt provision | 0.0   | 0.1    | 0.1    | 0.0    | 0.0    | 0.0  | 0.1  | 0.1    | 0.1    |
| Net profit after bad<br>debt provision  | (0.9) | (49.9) | (14.0) | (30.8) | (19.3) | 4.9  | 2.4  | (10.6) | (12.8) |

TABLE- 9  
BSBL - PROFIT/LOSS ESTIMATES FOR 18 OUTLETS PERIOD COVERED FROM  
APRIL 1, 1981 THROUGH MARCH 31, 1982 (TAKA IN 000'S)

| OUTLET NAME                                     | BHABANI-<br>PUR | DEORA(N)    | PASCHIM<br>PAKUTIA NO.3 | JHALAM(N)    | JHALAM(S)    | DEORA<br>(MOHILA) | BOAILDAH    | CHARKALI<br>BARI | BATAZORE   |
|---|-----------------|-------------|-------------------------|--------------|--------------|-------------------|-------------|------------------|------------|
| Earned income                                   | <u>3</u>        | <u>209</u>  | <u>110</u>              | <u>314</u>   | <u>343</u>   | <u>32</u>         | <u>103</u>  | <u>62</u>        | <u>39</u>  |
| Operating expenses                              |                 |             |                         |              |              |                   |             |                  |            |
| Interest paid                                   |                 |             |                         |              |              |                   |             |                  |            |
| On savings                                      | 0               | 0           | 0                       | 0            | 0            | 0                 | 0           | 0                | 0          |
| On borrowed funds                               | 2               | 145         | 72                      | 219          | 229          | 22                | 76          | 46               | 24         |
| Salaries  | 0               | 17          | 9                       | 30           | 13           | 4                 | 1           | 5                | 2          |
| Other expenses                                  | <u>0</u>        | <u>11</u>   | <u>9</u>                | <u>15</u>    | <u>20</u>    | <u>1</u>          | <u>1</u>    | <u>8</u>         | <u>3</u>   |
| Sub-Total                                       | <u>2</u>        | <u>173</u>  | <u>90</u>               | <u>264</u>   | <u>262</u>   | <u>27</u>         | <u>78</u>   | <u>59</u>        | <u>29</u>  |
| Profit before provision<br>for bad debt         | 1               | 36          | 20                      | 50           | 81           | 5                 | 25          | 3                | 10         |
| Provision for bad debt                          | <u>5</u>        | <u>83</u>   | <u>20</u>               | <u>149</u>   | <u>158</u>   | <u>13</u>         | <u>74</u>   | <u>42</u>        | <u>14</u>  |
| Profit after provision<br>for bad debt          | <u>(4)</u>      | <u>(47)</u> | <u>(0)</u>              | <u>(99)</u>  | <u>(77)</u>  | <u>(8)</u>        | <u>(49)</u> | <u>(39)</u>      | <u>(4)</u> |
| Average monthly balance<br>of outstanding loans | <u>10</u>       | <u>843</u>  | <u>440</u>              | <u>1,248</u> | <u>1,332</u> | <u>119</u>        | <u>370</u>  | <u>219</u>       | <u>134</u> |

PERCENTAGE INDICATORS ON AVERAGE MONTHLY BALANCE OF OUTSTANDING LOAN PRINCIPAL

|   |        |       |       |       |       |       |        |        |       |
|---|--------|-------|-------|-------|-------|-------|--------|--------|-------|
| Earned income                           | 24.0   | 24.8  | 25.1  | 25.1  | 25.7  | 27.2  | 27.8   | 28.6   | 29.1  |
| Cost of fund                            | 16.1   | 17.2  | 16.4  | 17.6  | 17.2  | 18.6  | 20.6   | 20.9   | 18.3  |
| Administrative cost                     | 4.4    | 3.2   | 4.1   | 3.6   | 2.5   | 4.6   | 0.6    | 6.4    | 3.3   |
| Provision for bad debt                  | 44.8   | 9.9   | 4.5   | 11.9  | 11.8  | 10.5  | 20.1   | 19.4   | 10.2  |
| Net profit before bad<br>debt provision | 0.0    | 0.0   | 0.0   | 0.0   | 0.1   | 0.0   | 0.1    | 0.0    | 0.1   |
| Net profit after bad<br>debt provision  | (41.2) | (5.5) | (0.0) | (7.9) | (5.8) | (6.6) | (13.4) | (18.1) | (2.7) |

An analysis of BSBL's operation for the year ended 31 March 1982 shows that it breaks even at 34.3% rate which includes a cost of fund or internal rate of return element of 16.9%. The same for the year ended 30 September 1981 were 32.1% and 17.9% respectively. It appears that both administrative cost and provision for doubtful debts have increased from 3.2 to 3.9% and 11.0 to 13.5% respectively, over a lapse of six month period.

The total operational cost excluding cost of fund of the 18 outlets of BSBL range from 4.5 to 22.3% (without considering 6 dropped outlets).

### xi. Development of Cost Norms

From the overall and individual institutional analysis it becomes evident that all institutions, and within each institution, all the outlets are not viable. The reason for non-viability could be many such as choice of wrong site, lack of initiative at the outlet and or institution level, lack of resources including fund and lack of adequate time required for the establishment of a particular outlet.

It is therefore necessary to identify those operational outlets which have reached a steady state condition (after the lapse of initial start-up or transient state) and were able to achieve a minimum lending operation. From a study of the operational characteristics of the outlets an average outstanding loan volume of Tk. 500,000/- and up have been considered to be a sufficient criterion for fulfilling the above conditions.

A total of 38 outlets have been identified to fall under the above category whose average performance indicators are as follows:

|   | <u>Percentage of the average<br/>monthly outstanding loan<br/>Principal</u> |
|---|---|
| Income earned                           | 22.16   |
| Cost of Fund                            | 9.22  |
| Administrative cost                     | 3.41  |
| Provision for bad debt                  | 4.21  |
| Profit before provision<br>for bad debt | 10.33   |
| Profit after provision<br>for bad debt  | <u>6.89</u>   |

Estimated average rate of  
reserve requirement with  
respect to loan disbursement = 2.40%

The above data will be much more representative for determining institutional norms than either the overall or the individual institutional data. It appears that the institutions on an average would be able to break even at 7.62% charge without taking into account the cost of fund and head office administrative overhead.

### Administrative cost

This item includes direct cost of salaries and allowances of outlet staff and travelling and other operational expenses of the outlets. The norm for this cost element has been developed under various probability intervals on the basis of distribution of administrative costs of the 38 outlets taken into consideration for the purpose.

|  | <u>Percentage of time should fall below</u> |            |            |
|--|---|------------|------------|
|  | <u>86%</u>                                  | <u>93%</u> | <u>95%</u> |
| Administrative cost of outlets as a percentage of the average monthly loan outstanding | 6%  | 7%         | 7.1%       |

Normally a coverage of 95% should be acceptable to the institutions as an industry norm.

### Head Office Overhead

This item includes cost of salaries and allowances of head office staff and travelling and other operational expenses. Since this cost has not been allocated to individual outlets it was not possible to obtain the relevant data for the category of outlets considered and the cost norm could not be developed, However the average on the basis of total RFEP cost of 1% of average loan outstanding balance could be used for cost computation.

### Provision for bad debts

This item is expected to cover any losses arising out of any part of the loan becoming irrecoverable and is merely an estimate of such future losses. Since the reserve requirement determined

at the end of each year relates to loan disbursements of all the past periods, it is not appropriate to cost it out on the basis of average monthly outstanding balance. This cost would better relate to the disbursement and as such to the cumulative disbursement on any given date. Even though any upward or downward adjustment of the reserve would have to be incorporated in the year's profit and loss account, the determination of the extent of this cost element for the purpose of operational or venture cost would be better made on the basis of disbursements. In the absence of any empirical data the average calculated above of 2.40% could be used for cost computation.

#### Cost of fund

Since the institutions charge different rates of interest for their funds lent to the outlets (from 6.5% to 13%) and also offer different rates of interest to their depositors no attempt has been made to develop an institutional norm for such cost. This will be an add-on cost to the other two elements of cost in order to determine the total operational cost.

Development of any viable interest structure for the institutions should take into account the above cost elements. The average loan volume outstanding per outlet of the above category of outlets is Tk 1.128 million.

#### xii. Considerations for improvement of institutional viability

One of the fundamental steps to improve the financial viability of institutions is a reduction in the cost rates which also fits in with the increase in the overall performance of the outlets by an increase in lending, recovery and mobilisation of deposits. Administrative cost burden can be minimised by increasing the lending operation and productivity of the outlet, and cost of provision for doubtful debts by improving the process and performance of loan recovery and follow-up.

Cost of fund is however a major issue which has not been adequately covered in the experiment. The experiment was designed as a stand alone operation based on savings and borrowed funds at high rates of interest. It has not taken into account possibilities of developing sources of funds for self-financing in the form of interest free deposits and floats. As a result the experiment was dependent solely on the amount of funds that could be made available by the institutions from their other resources. A partial mobilisation of finance through savings accounts high rates of interest cannot provide a cost of fund base to operate reasonably and profitably within the normal bounds and forces of the money market, such as the lending interest rates charged by other institutions. The system, like other financial systems in the country, should have the means of mobilising non-interest bearing deposits in ratios greater than those of interest bearing ones in order to reduce the cost of funds.

Any credit system developed for rural producers should of necessity be integrated with the total money system so that such credit operation is more dependent and based on factors and forces governing the local and national money supply and market, rather than being dependent solely on a temporary grant or loan. Even though there has not been any study made of the money supply in rural Bangladesh, it stands to reason to assume that adequate money supply and circulation exist to finance the vast network of procurement, storage and distribution system covering the goods and services produced, consumed, imported and exported by approximately 90 million people in rural Bangladesh.

Unless the non-interest bearing deposits become the major source of funds as in the case of normal banking institutions, the cost of fund would always remain high which would adversely affect the viability of the institutions participating in this program. It may not be feasible to develop a system based on an interest structure higher than that of the money market and this system with its higher cost of funds will have to compete with other systems in

the money market offering lower lending rates. Needless to say that this programme is rather too small a component of the total rural credit system ( the current annual development budget for which is over Tk 7.8 billion) to influence or bring about a change in the interest structure of rural credit unilaterally.

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Chapter Six

I. Performances on Lending

i. Institutions and their coverage

The following table shows that among the nine institutions with eight models, BKB alone covers nearly one-fifth of the total operating outlets and more than one-third of the total borrowers.

Table - 1

Number of Borrowers and outlets by Institution

| Institutions | No. of outlets | %     | Total No of Borrowers | %     |
|--------------|----------------|-------|-----------------------|-------|
| Sonali       | 10             | 11%   | 6932                  | 16.4% |
| Agrani       | 10             | 11%   | 4216                  | 10%   |
| Uttara       | 5              | 5.6%  | 917                   | 2.2%  |
| Pubali       | 4              | 4.5%  | 2429                  | 5.8%  |
| Kupali       | 7              | 7.8%  | 2749                  | 6.6%  |
| BKB          | 16             | 17.8% | 15658                 | 37%   |
| Janata       | 11             | 12.2% | 2467                  | 5.8%  |
| IRDP         | 14             | 15.6% | 3569                  | 8.5%  |
| BSBL         | 13             | 14.5% | 3232                  | 7.7%  |
|              | 90             |       | 42219                 |       |

The table further shows that Uttara's institutional coverage, after Pubali's 4.5%, is the second lowest (5.6%) with only 2.2% of the total borrowers.

ii. Extending credit to target group

The result of verification of the target group status of borrowers to whom advances were made by the above institutions during the period from 1st September 1981 to 28th February 1982 shows that BKB again extended the highest (95.57%) amount of the credit to the target group borrowers. A detailed picture is given in Table - 2.

Table - 2Extension of credit to Target Group by Institutions

| Name of Models | Sample size |       | Borrowers    |       |                  |       |
|----------------|-------------|-------|--------------|-------|------------------|-------|
|                | No.         | %     | Target Group |       | Non target group |       |
|                |             |       | No.          | %     | No.              | %     |
| Agrani         | 288         | 13.84 | 236          | 81.94 | 52               | 18.06 |
| BSBL           | 137         | 21.92 | 129          | 94.16 | 8                | 5.84  |
| IRDP           | 227         | 18.22 | 192          | 84.58 | 35               | 15.42 |
| Janata         | 220         | 19.16 | 207          | 94.09 | 13               | 5.91  |
| Krishi         | 812         | 15.72 | 776          | 95.57 | 36               | 4.43  |
| Pubali         | 93          | 16.29 | 75           | 80.65 | 18               | 19.35 |
| Rupali         | 192         | 16.01 | 183          | 95.31 | 9                | 4.69  |
| Sonali         | 325         | 16.03 | 256          | 78.77 | 69               | 21.23 |
| Uttara         | 63          | 31.34 | 47           | 74.60 | 16               | 25.40 |
| All Banks      | 2357        | 16.53 | 2101         | 89.14 | 256              | 10.86 |

The table further shows that Uttara's coverage of target group both in respect to the total number of borrowers served by the institutions and by Uttara alone is also the lowest, the figures being 74.60% and 2.24% respectively. The table has however excluded the results of two outlets, namely, Babuganj TCCA (Barisal) and Baluhar BSBL K. to Chandpur, Jessore.

### iii. Disbursement By Target Group

The following table shows the total disbursement of loans to target group and non-target group borrowers as reported in monthly reports of the banks.

Table - 3

Total disbursement of loans  
by Institutions as of 28th February, 1982

(In Taka)

| Participating<br>Institutions | DISBURSEMENT       |               |                        |               | Total              |
|-------------------------------|--------------------|---------------|------------------------|---------------|--------------------|
|                               | To<br>Target Group | % of<br>Total | To<br>Non-target group | % of<br>Total |                    |
| Krishi                        | 41,963,823         | 40.53         | 1,945,168              | 15.40         | 43,908,991         |
| Agrani                        | 9,877,880          | 9.54          | 2,177,136              | 17.23         | 12,055,016         |
| Janata                        | 7,081,951          | 6.84          | 444,833                | 3.52          | 7,526,784          |
| Pubali                        | 5,114,654          | 4.94          | 1,227,137              | 9.71          | 6,341,791          |
| Rupali                        | 6,636,520          | 6.41          | 326,569                | 2.59          | 6,963,089          |
| Sonali                        | 15,564,286         | 15.03         | 4,194,869              | 33.21         | 19,759,155         |
| Uttara                        | 1,278,062          | 1.23          | 435,158                | 3.44          | 1,713,220          |
| BSBL                          | 8,639,646          | 8.34          | 535,849                | 4.24          | 9,175,495          |
| IRDP                          | 7,328,581          | 7.13          | 1,345,937              | 10.65         | 8,728,518          |
| <b>Total</b>                  | <b>103,539,403</b> | <b>89.13</b>  | <b>12,632,656</b>      | <b>10.87</b>  | <b>116,172,059</b> |

The table shows that over 40% of the total target group disbursement was made by BKB which recorded the highest disbursement while Uttara's contribution was just one percent of the total of target group loan disbursement of all institutions. Sonali disbursed one-third of the loans to the non-target group borrowers while Kupali's share was observed to be the lowest at 2.59%.

Uttara's coverage was, therefore, the lowest both by volume of disbursement and by the number of borrowers.

iv. Disbursement by outlets

The average disbursement of loan for each of the surveyed outlets by institutions is significantly different. The table given below shows the amount of loan disbursed by each of the lending institutions. It can be seen from table- 4 that on an average each of the outlets of BKB disbursed an amount of Tk. 3,507,157 upto the reporting period, followed by Sonali with Tk. 2,358,499. On the other hand, Uttara Bank had disbursed the lowest amount which was Tk. 253,679 followed by Janata with Tk. 428,760.

Table - 4

Average amount of loan disbursed by  
each of the outlets

| <u>Name of Institutions</u> | <u>Amount Disbursed</u> |
|-----------------------------|-------------------------|
| Agrani                      | 1,669,273               |
| Sonali                      | 2,358,499               |
| Rupali                      | 1,004,678               |
| Pubali                      | 1,793,250               |
| Janata                      | 428,760                 |
| BSBL                        | 736,772                 |
| BKB                         | 3,507,157               |
| Uttara                      | 253,679                 |
| IRDP                        | 1,133,548               |

v. Outlet Officials' view of the existing loan volume

When asked about their impression of the volume of loans they have disbursed on the whole, 77% of the surveyed outlet officials consider it satisfactory. The remaining 23% consider their loan disbursement volume unsatisfactory. The details of the institution-wise findings in percentage term are given below.

Table - 5  
Existing loan volume considered  
as satisfactory/unsatisfactory

| <u>Name of the institutions</u> | <u>Satisfactory</u><br>% | <u>Un-satisfactory</u><br>% |
|---------------------------------|--------------------------|-----------------------------|
| Agrani                          | 100%                     | -                           |
| Janata                          | 100%                     | -                           |
| Rupali                          | 100%                     | -                           |
| Pubali                          | 50%                      | 50%                         |
| Uttara                          | 100%                     | -                           |
| Sonali                          | 33%                      | 67%                         |
| BKB                             | 100%                     | -                           |
| BSBL                            | 67%                      | 33%                         |
| IRDP                            | 67%                      | 33%                         |

vi. Target Group Lending by Outlets.

The result of the survey of 22 outlets shows that the 9 institutions had 11033 target group borrowers out of the total number of 24201 target group households, thereby covering 45.57% of the total target group borrowers with an average target group household of 1100 and target group borrower of 501.

The following table gives a comprehensive picture of the percentage of target borrowers to the total number of target group households and their averages by institutions as on March 31, 1982.

Table - 6

Target group households and target group borrowers of surveyed outlets

| Name of Institutions | No. of outlets surveyed | Total No. of target group households | Total No. of target borrowers | Average No. per outlet  |                        | %     |
|----------------------|-------------------------|--------------------------------------|-------------------------------|-------------------------|------------------------|-------|
|                      |                         |                                      |                               | Target group households | Target group borrowers |       |
| Agrani               | 2                       | 2438                                 | 1056                          | 1219                    | 528                    | 43.31 |
| Pubali               | 2                       | 3040                                 | 1231                          | 1520                    | 615                    | 40.49 |
| BSBL                 | 3                       | 4588                                 | 707                           | 1529                    | 236                    | 15.41 |
| IRDP                 | 3                       | 974                                  | 878                           | 325                     | 293                    | 90.14 |
| Rupali               | 2                       | 1064                                 | 598                           | 532                     | 299                    | 56.20 |
| Sonali               | 3                       | 2954                                 | 2103                          | 985                     | 701                    | 71.19 |
| Janata               | 2                       | 817                                  | 285                           | 408                     | 142                    | 34.88 |
| Uttara               | 2                       | 680                                  | 385                           | 340                     | 192                    | 56.62 |
| BKB                  | 3                       | 7646                                 | 3790                          | 2549                    | 1263                   | 49.57 |
|                      | 22                      | 24201                                | 11033                         | 1100                    | 501                    | 45.57 |

The above table shows that IRDP covered the highest number of borrowers (90.14%) of their total target group households while BSBL's coverage was recorded to be the lowest at 15.41%.

The outlet-wise break up of the above table is presented in Table - 7 below.

The number of target households is also different for different outlets and institutions. BKB has the highest target households covering 2548.67 per outlet followed by BSBL with 1529.33. On the other hand the target household for IRDP was 325, followed by Uttara, the number being 340.

The table also shows the average number of target borrowers and the percentage of target borrowers to target households for each of the outlets of all the nine institutions. The average number of target borrowers for BKB outlet was 1263.33 followed by Sonali with 701.0. On the other hand the minimum number of borrowers was **served by** Janata at 142.5 followed by Uttara with 192.5. IRDP covered the highest percentage of target households which was 90.14%. On the other hand BSBL's coverage was only 15.41%, which is the lowest.

vii. Average size of loans and Borrowers

The average size of loans and borrowers per outlet by different institutions is presented in Table - 8.

Table - 7

Number of Target Group borrowers in Target Group households by Institutions

| Name of Institutions | Name of Outlets            | No. of T.G. households/outlets | No. of T.G. Borrowers/Outlets | % of T.G. Borrowers to T.G. households per outlet |
|----------------------|----------------------------|--------------------------------|-------------------------------|---|
| JANATA               | 1. Sitakundu-Chittagong    | 201                            | 75                            | 37.31   |
|                      | 2. Baneshwar-Rajshahi      | 616                            | 210                           | 34.09   |
| IRDP                 | 1. Babugonj-Barisal        | 600                            | 338                           | 56.33   |
|                      | 2. Natore-Rajshahi         | 374                            | 231                           | 61.76   |
|                      | 3. Chaudagram-Comilla      | -                              | 309                           | -   |
| SONALI               | 1. Jingtatali-Comilla      | 941                            | 891                           | 94.69   |
|                      | 2. Sundarpur-Dinajpur      | 983                            | 747                           | 75.99   |
|                      | 3. Court Building-Rajshahi | 1030                           | 465                           | 45.90   |
| B.K.B                | 1. Kotwali-Faridpur        | 2369                           | 1484                          | 62.64   |
|                      | 2. Paba-Rajshahi           | 4057                           | 1470                          | 36.23   |
|                      | 3. Sudharam-Noakhali       | 1220                           | 836                           | 68.52   |
| PUBALI               | 1. Ellanga-Tangail         | 1704                           | 644                           | 37.79   |
|                      | 2. Shatihah-Rajshahi       | 1336                           | 587                           | 43.93   |
| RUPALI               | 1. Kakonhat-Rajshahi       | 352                            | 96                            | 27.27   |
|                      | 2. Khanshat-Chittagong     | 712                            | 502                           | 70.50   |
| BSBL                 | 1. Batazor-Barisal         | 2771                           | 122                           | 4.40  |
|                      | 2. Taltoli-Barisal         | 717                            | 144                           | 20%   |
|                      | 3. Ghatail-Tangail         | 1100                           | 441                           | 40.09   |
| UTTARA               | 1. Kotwali-Mymensingh      | 354                            | 168                           | 47.46   |
|                      | 2. Feni-Noakhali           | 326                            | 217                           | 66.56   |
| AGRANI               | 1. Cadet College-Tangail   | 1610                           | 769                           | 47.76   |
|                      | 2. Bhatra-Bogra            | 828                            | 287                           | 34.66   |

Table - 8Amount of Loan, Borrowers, and number of loans per outlet

| Name of Institutions | Number of outlets Surveyed | Average amount of loan | Average number of |       |
|----------------------|----------------------------|------------------------|-------------------|-------|
|                      |                            |                        | borrowers         | Loans |
| Krishi               | 3                          | 3,507,157              | 1263              | 1905  |
| Pubali               | 2                          | 1,793,250              | 615               | 1040  |
| Sonali               | 3                          | 2,358,499              | 701               | 1064  |
| Rupali               | 2                          | 1,004,678              | 299               | 377   |
| IRDP                 | 3                          | 1,133,548              | 293               | 1065  |
| Janata               | 2                          | 428,760                | 142               | 141   |
| Uttara               | 2                          | 253,679                | 192               | 231   |
| BSBL                 | 3                          | 736,772                | 236               | 456   |
| Agrani               | 2                          | 1,669,273              | 528               | 1443  |
|                      | 22                         | 12,885,616             | 4269              | 7722  |
|                      |                            | (585,709.82)           | (194,05)          | (351) |

The table again shows that BKB's average number of borrowers and loans has been the highest i.e. 1263 and 1905 while Janata's performance has been observed to be the lowest at 142 and 141 respectively. The data from 22 outlets also show that BKB's average of 3 outlets recorded the highest amount of loans (Tk. 3,507,157) while again the lowest was seen in case of 2 average outlets of Janata with Tk. 428,760 as loan.

The average amount of loan and number of borrowers and loans per outlet of 22 surveyed outlets were Tk. 585,709,82, 194 and 351 respectively.

Viii. Repeat Borrowers

The number of repeat borrowers showed significant variation from institution to institution. The average repeat borrowing for Agrani was 506 per outlet followed by BKB with 464. On the other hand Uttara administered only 9 repeat borrowings per outlet followed by Rupali with 80 per outlet. Of the total repeat borrowings 27% was for crops, 32% for other agriculture, 55% for non-agriculture.

Table -9  
Average repeat borrowing per outlet

| <u>Institutions</u> | <u>No. of repeat borrowing</u> |
|---------------------|--------------------------------|
| Sonali              | 404                            |
| BKB                 | 464                            |
| IRDP                | 543                            |
| Rupali              | 80                             |
| Agrani              | 506                            |
| Uttara              | 9                              |
| Janata              | 10                             |
| Pubali              | 391                            |
| BSBL                | 144                            |

ix. Major use of loan by activity

One of the major objectives of RFEP was to extend credit to the target group borrowers by different productive and income generating activities. A type wise loan disbursement survey has recorded the number of loans, volume of loans, amount collected etc. by different activities which have been shown in Table 10 to 18 for the nine respective institutions. The table will further show that over half of all loan purposes have been utilized for no more than ten activities.

Table 10

MAJOR ACTIVITY-WISE DISTRIBUTION OF LOAN DISBURSEMENTS COLLECTIONS AND OVERDUES AS OF 31 DEC. 1981.

|                                   | BKB 1/              |                               |                                   |                            |
|-----------------------------------|---------------------|-------------------------------|-----------------------------------|----------------------------|
|                                   | <u>No. of loans</u> | <u>Amount loaned (Tk 000)</u> | <u>Amount Collected (Tk. 000)</u> | <u>Amount overdue (Tk)</u> |
| 1. Oxen/Buffalo for plowing/draft | 3594                | 7466                          | 2034                              | 130174                     |
| 2. Beef Fattening                 | 2314                | 3509                          | 1290                              | 40200                      |
| 3. T. Aman (local)                | 1189                | 1187                          | 320                               | 19250                      |
| 4. Milk Cow/Buffalo               | 1002                | 2109                          | 693                               | 91245                      |
| 5. Dhenki Rice - Husking          | 954                 | 1536                          | 756                               | 18309                      |
| 6. Pan leaf Production            | 856                 | 1603                          | 788                               | 36749                      |
| 7. Rickshaw                       | 703                 | 1750                          | 829                               | 143800                     |
| 8. Goats / Sheep                  | 654                 | 574                           | 220                               | 11790                      |
| 9. Grocery Shop                   | 521                 | 965                           | 424                               | 12438                      |
| 10. Boro (local)                  | 483                 | 371                           | 201                               | 10800                      |
| 11. Sugarcane Production          | 480                 | 670                           | 330                               | 18606                      |
| 12. Land releasing from mortgage  | 430                 | 529                           | 116                               | 11905                      |
| 13. <u>Hat</u> Trading            | 419                 | 587                           | 181                               | 32021                      |
| 14. B. Aus (local)                | 416                 | 455                           | 232                               | 18257                      |
| 15. Cattle Trading                | 378                 | 688                           | 334                               | 16400                      |
| 16. Rainfed Wheat                 | 317                 | 298                           | 89                                | 3550                       |
| 17. Vegetables Production         | 309                 | 250                           | 99                                | 8600                       |
| 18. HYV Aus                       | 303                 | 313                           | 187                               | 6250                       |
| 19. B. Aman (local)               | 299                 | 265                           | 96                                | 5520                       |
| 20. Oil Ghani(Press)              | 299                 | 656                           | 294                               | 10000                      |
| 21. Jute Production               | 281                 | 274                           | 118                               | 26215                      |
| 22. Handloom Cotton Weaving       | 212                 | 567                           | 201                               | 3700                       |
| 23. Poultry Raising               | 212                 | 176                           | 56                                | 6069                       |
| 24. Rice Wholeselling             | 200                 | 355                           | 124                               | 7872                       |

|                                    | <u>No. of<br/>Loans</u>   | <u>Amount<br/>loaned<br/>(Tk 000)</u> | <u>Amount<br/>Collected<br/>(Tk. 000)</u> | <u>Amount<br/>overdue<br/>(Tk)</u> |
|------------------------------------|---------------------------|---------------------------------------|---|------------------------------------|
| 25. Domestic Uses <sup>2/</sup>    | 190                       | 182                                   | 72  | 1522                               |
| 26. Muri/Chira<br>Making           | 195                       | 157                                   | 75  | -                                  |
| 27. Potato<br>Production           | 187                       | 213                                   | 53  | 250                                |
| 28. Agr. Inputs /<br>Pharmacy Shop | 170                       | 282                                   | 101                                       | 13570                              |
| 29. HYV Aman                       | 162                       | 160                                   | 75  | 1500                               |
|                                    | <u>17729<sup>2/</sup></u> | <u>Tk 28148940</u>                    | <u>Tk 10388318</u>                        | <u>Tk 706562</u>                   |

- 1/ Covers all outlets except Narsingdi, Kushtia and Sylhet.
- 2/ Includes: Consumption, Ceremonies, House repairs, Education, repayment of old loans etc.
- 3/ Amounts to 90.0% of all loans disbursed at these outlets. A further 94 loan purpose uses recorded of all types.

**Table 11**  
**MAJOR ACTIVITY-WISE DISTRIBUTION OF LOAN DISBURSEMENTS COLLECTIONS AND OVERDUES AS OF 31 DEC. 1981.**

SONALI BANK <sup>1/</sup>

| <u>Name of Activity</u>           | <u>No. of Loans</u> | <u>Amount loaned (Tk 000)</u> | <u>Amount Collected (Tk. 000)</u> | <u>Amount overdue (Tk)</u> |
|-----------------------------------|---------------------|-------------------------------|-----------------------------------|----------------------------|
| 1. Beef Fattening                 | 1796                | 2849                          | 626                               | 6896                       |
| 2. Oxen/Buffalo for plowing/draft | 1155                | 2556                          | 566                               | 155872                     |
| 3. HYV Boro                       | 407                 | 333                           | 238                               | 9142                       |
| 4. Grocery Shop                   | 391                 | 941                           | 394                               | 67050                      |
| 5. T. Aman (local)                | 388                 | 592                           | 239                               | 40902                      |
| 6. Pctato Production              | 327                 | 633                           | 274                               | 33144                      |
| 7. B. Aus (local)                 | 290                 | 466                           | 143                               | -                          |
| 8. Dhenki Rice Husking            | 248                 | 481                           | 111                               | 124881                     |
| 9. Petty Trading (general)        | 341                 | 662                           | 334                               | 54974                      |
| 10. Rickshaw                      | 236                 | 811                           | 257                               | 72519                      |
| 11. T. Aus (local)                | 195                 | 313                           | 115                               | 1442                       |
| 12. Milk Cow/Buffalo              | 190                 | 458                           | 164                               | 61050                      |
| 13. HYV Aman                      | 166                 | 277                           | 68                                | 5397                       |
| 14. Vegetables Production         | 153                 | 270                           | 98                                | 128732                     |
| 15. Rainfed Wheat                 | 150                 | 260                           | 49                                | 4500                       |
| 16. B. Aman (local)               | 125                 | 287                           | 81                                | 15500                      |
| 17. Handloom Cotton Weaving       | 111                 | 400                           | 126                               | 49075                      |
| 18. Jute Production               | 90                  | 138                           | 88                                | 37498                      |
| 19. Pan Leaf Production           | 73                  | 249                           | 11                                | 62645                      |
| 20. HYV Aus                       | 70                  | 139                           | 38                                | -                          |
| 21. Local Boro                    | 64                  | 119                           | 64                                | 8800                       |
| 22. Cloth Wholeselling            | 62                  | 157                           | 77                                | 7287                       |
| 23. Rice Wholeselling             | 55                  | 165                           | 40                                | -                          |
| <u>7083<sup>2/</sup></u>          |                     | <u>Tk 13309342</u>            | <u>Tk 202469</u>                  | <u>Tk 950306</u>           |

Notes: <sup>1/</sup> Data drawn from all outlets except Jingtatoli

<sup>2/</sup> Amounts to 91.0% of loans disbursed at these outlets. A further 45 loan purpose uses of all types recorded.

**Table 12**  
**MAJOR ACTIVITY-WISE DISTRIBUTION OF LOAN DISBURSEMENTS COLLECTIONS AND OVERDUES AS AT 31 DEC. 1981.**

JANATA BANK <sup>1/</sup>

| <u>Name of Activity</u>             | <u>No. of Loans</u> | <u>Amount loaned (Tk 000)</u> | <u>Amount Collected (Tk. 000)</u> | <u>Amount overdue (Tk)</u> |
|-------------------------------------|---------------------|-------------------------------|-----------------------------------|----------------------------|
| 1. Oxen/Buffalo for plowing/draft   | 347                 | Tk 644                        | Tk 364                            | Nil                        |
| 2. Beef Fattening                   | 299                 | 373                           | 132                               | -                          |
| 3. Irrigated Wheat                  | 140                 | 102                           | 6                                 | -                          |
| 4. HYV Boro                         | 130                 | 90                            | 56                                | -                          |
| 5. B. Aus (local)                   | 129                 | 82                            | 69                                | -                          |
| 6. T. Aman (local)                  | 123                 | 68                            | 36                                | -                          |
| 7. Dhenki Rice Husking              | 76                  | 159                           | 34                                | -                          |
| 8. Land releasing from mortgage     | 52                  | 113                           | 6                                 | 48492                      |
| 9. Grocery Shop                     | 48                  | 115                           | 46                                | -                          |
| 10. Cotton Production               | 45                  | 27                            | -                                 | -                          |
| 11. Goats / Sheep                   | 35                  | 17                            | 3                                 | -                          |
| 12. Rickshaw                        | 32                  | 104                           | 13                                | -                          |
| 13. Hat Trading                     | 27                  | 52                            | 13                                | -                          |
| 14. Small Business (general)        | 24                  | 33                            | -                                 | -                          |
| 15. Pottery Production              | 23                  | 26                            | 24                                | -                          |
| 16. Itinerant Trading (Feriwala)    | 20                  | 36                            | 5                                 | -                          |
| 17. Sugarcane                       | 15                  | 9                             | -                                 | -                          |
| 18. Transport of agricultural goods | 15                  | 49                            | 1                                 | -                          |
| 19. Tailoring/Ready-made clothes    | 15                  | 17                            | 13                                | -                          |
| 20. Pulses Processing               | 12                  | 46                            | 1                                 | -                          |
| 21. Milk Cow/Buffalo                | 11                  | 21                            | 21                                | -                          |
| 22. HYV Aman                        | 10                  | 9                             | 9                                 | -                          |
| 23. Bicycle Purchase                | 10                  | 16                            | 5                                 | -                          |
| <b>TOTAL</b>                        | <b>1682</b>         | <b>Tk 2207360</b>             | <b>Tk 911665</b>                  | <b>Tk 48492</b>            |

Notes: <sup>1/</sup> Data drawn from 7 outlets: Noapara, Bromarajpur Jhikergacha, Kumira Br., Bhurghata, Bamundi.

- 2/ Amounts to 90.50% of all loans made at these outlets.  
A further 37 loan purposes uses of all types recorded.
- 3/ The level of overdues cannot be considered representative as only one old outlet included in the sample. Data from other old outlets not supplied.

Table 13

MAJOR ACTIVITY-WISE DISTRIBUTION OF LOAN DISBURSEMENTS COLLECTIONS AND OVERDUES AS AT 31 DEC. 1981

AGRANI BANK-1/

| <u>Name of activity</u>           | <u>No. of loans</u> | <u>Amount loaned (Tk000)</u> | <u>Amount Collected (Tk 000)</u> | <u>Amount overdue (Tk)</u> |
|-----------------------------------|---------------------|------------------------------|----------------------------------|----------------------------|
| 1. Dhenki Rice Husking            | 1116                | Tk 1289                      | Tk 1309                          | Tk 25842                   |
| 2. Oxen/Buffalo for plowing draft | 830                 | 1187                         | 604                              | 19707                      |
| 3. Muri/Chira Making              | 670                 | 632                          | 501                              | 2000                       |
| 4. T. Aman (local)                | 504                 | 549                          | 245                              | 1470                       |
| 5. Beef Fattening                 | 481                 | 610                          | 396                              | 13140                      |
| 6. Rainfed Wheat                  | 354                 | 332                          | 305                              | 5027                       |
| 7. Potato Production              | 320                 | 452                          | 232                              | 47488                      |
| 8. HYV Boro                       | 340                 | 331                          | 260                              | 29772                      |
| 9. B. Aman (local)                | 219                 | 173                          | 170                              | ..                         |
| 10. Milk Cow/Buffalo              | 190                 | 305                          | 259                              | 3817                       |
| 11. Goats/Sheep                   | 188                 | 153                          | 132                              | 1398                       |
| 12. B. Aus (Local)                | 179                 | 197                          | 160                              | 4400                       |
| 13. T. Aus (local)                | 177                 | 150                          | 150                              | ..                         |
| 14. Small General Trading         | 169                 | 166                          | 51                               | 3250                       |
| 15. Rickshaw                      | 157                 | 273                          | 213                              | 1550                       |
| 16. Land releasing from mortgage  | 123                 | 232                          | 55                               | ..                         |
| 17. Local Boro                    | 118                 | 97                           | 29                               | 1300                       |
| 18. Pan leaf Production           | 115                 | 176                          | 153                              | ..                         |
| 19. Boat Making Repairing         | 113                 | 133                          | 83                               | ..                         |
| 20. Grocery Shop                  | 96                  | 303                          | 237                              | 4000                       |
| 21. Firewood Trading              | 89                  | 121                          | 97                               | ..                         |
| 22. Fishing (boat & net)          | 84                  | 115                          | 72                               | 28634                      |

| Name of activity                     | No. of loans       | Amount loaned (Tk 000) | Amount collected (Tk 000) | Amount overdue (Tk) |
|--------------------------------------|--------------------|------------------------|---------------------------|---------------------|
| 23. Bamboo Trading                   | 74                 | 102                    | 81                        | ..                  |
| 24. Mat/Pati Making                  | 70                 | 74                     | 70                        | ..                  |
| 25. Vegetables Production            | 67                 | 60                     | 51                        | 800                 |
| 26. Pottery Making                   | 56                 | 60                     | 30                        | ..                  |
| 27. Katha quilts & embroidery Making | 51                 | 79                     | 51                        | 8200                |
| 28. Rice Whole-selling               | 48                 | 83                     | 38                        | 25285               |
| 29. Fish Farming                     | 47                 | 98                     | 40                        | ..                  |
| 30. Tailoring/Ready-made clothes     | 40                 | 71                     | 58                        | 4000                |
| 31. Sand Carrying (by boat)          | 39                 | 74                     | 52                        | ..                  |
| TOTAL                                | 7090 <sup>2/</sup> | Tk 8875289             | Tk 6184027                | Tk 231080           |

Notes: 1/ Data drawn from 10 outlets: Natherpatua, Bhatra, Chuknagar, Baligoan, Shadhuhati, Santiniketan, Cadet College, Joyag Bazar, Chowkbazar & Khamar.

2/ Amounts to 90.38% of all loans disbursed at these outlets. A further 66 loan purpose uses of all types recorded.

Table 14

MAJOR ACTIVITY-WISE DISTRIBUTION OF LOAN DISBURSEMENTS COLLECTIONS AND OVERDUES AS AT 31 DEC'81

PUBALI BANK<sup>1/</sup>

| <u>Name of activity</u>          | <u>No. of loans</u>      | <u>Amount loaned (Tk000)</u> | <u>Amount collected (Tk 000)</u> | <u>Amount overdue (Tk)</u> |
|----------------------------------|--------------------------|------------------------------|----------------------------------|----------------------------|
| 1. Oxen/Bufalo for plowing/draft | 220                      | Tk 400                       | Tk 119                           | Tk 150591                  |
| 2. B.Aman (local)                | 161                      | 213                          | 56                               | 18400                      |
| 3. HYV Aus                       | 154                      | 150                          | 95                               | 7857                       |
| 4. Grocery Shop                  | 92                       | 98                           | 63                               | 19350                      |
| 5. Flour/Rice Retailing          | 90                       | 30                           | 12                               | 11000                      |
| 6. Oil Ghani (Press)             | 64                       | 76                           | 44                               | -                          |
| 7. T.Aman (local)                | 57                       | 59                           | 44                               | 5081                       |
| 8. B.Aus (local)                 | 45                       | 55                           | 21                               | 25300                      |
| 9. Pulses Whole-selling          | 42                       | 90                           | 38                               | -                          |
| 10. Cloth Shop                   | 40                       | 72                           | 27                               | 1000                       |
| 11. Vegetables Production        | 36                       | 24                           | 17                               | -                          |
| 12. Basket Making                | 35                       | 33                           | 10                               | -                          |
| 13. Rice/Atta Whole-selling      | 35                       | 62                           | 22                               | -                          |
| 14. Dhenki Rice Husking          | 33                       | 26                           | 13                               | -                          |
| 15. Hat Trading                  | 31                       | 29                           | 16                               | -                          |
| 16. Stationary Shop              | 28                       | 48                           | 23                               | -                          |
| 17. Sugarcane Production         | 25                       | 11                           | 3                                | 3500                       |
| 18. Jute Whole-selling           | 24                       | 49                           | 5                                | -                          |
| 19. Handloom Silk Making         | 22                       | 31                           | 25                               | -                          |
| 20. Wood Wholeselling            | 22                       | 56                           | 17                               | 7541                       |
| <b>Total</b>                     | <b>1256<sup>2/</sup></b> | <b>Tk 1610015</b>            | <b>Tk678929</b>                  | <b>Tk329620</b>            |

1/ Data drawn from two outlets Ellenga & Babuganj, Satihat's data unuseable, Shabazpur's not supplied.

2/ Amount to 85.2% of loans disbursed at these two outlets. Other loans disbursed for a further 43 categories of all types.

Table 15  
MAJOR ACTIVITIES-WISE DISTRIBUTION OF LOANS  
 COLLECTIONS AND OVERDUES AS OF 31 DEC'81

| <u>UTTARA</u> <sup>1/</sup>      |                           |                              |                                  |                            |
|----------------------------------|---------------------------|------------------------------|----------------------------------|----------------------------|
| <u>Name of activity</u>          | <u>No. of loans</u>       | <u>Amount loaned (Tk000)</u> | <u>Amount collected (Tk 000)</u> | <u>Amount overdue (Tk)</u> |
| 1. Beef Fattening                | 337                       | Tk 375                       | Tk 173                           | Tk 58998                   |
| 2. Dhenki Rice Husking           | 183                       | 242                          | 86                               | 13378                      |
| 3. Milk Cows/Buffalo             | 139                       | 207                          | 129                              | -                          |
| 4. HYV Boro                      | 109                       | 168                          | 100                              | -                          |
| 5. Local Boro                    | 78                        | 73                           | 45                               | 21630                      |
| 6. Vegetables Production         | 70                        | 79                           | 42                               | 734                        |
| 7. Pottery Production            | 61                        | 63                           | 56                               | 5500                       |
| 8. Bamboo/Cane Furniture Making  | 60                        | 48                           | 25                               | 195                        |
| 9. HYV Aman                      | 45                        | 39                           | 19                               | 19580                      |
| 10. Itinerant Trading (Feriwala) | 25                        | 22                           | 10                               | 11969                      |
| 11. Rickshaw                     | 25                        | 43                           | 11                               | 8095                       |
| 12. Cloth Trading                | 21                        | 43                           | 15                               | -                          |
| <b>TOTAL</b>                     | <u>1153</u> <sup>2/</sup> | <u>Tk 1401162</u>            | <u>Tk713369</u>                  | <u>Tk 140080</u>           |

<sup>1/</sup> Data drawn from all outlets.

<sup>2/</sup> Amounts to 90% of all loans made. Other loans made for HYV Aus, Small livestock, Fishing, Handicrafts, Grocery shops, Mustard Seed Production and Carpentry.

Table 16

MAJOR ACTIVITY-WISE DISTRIBUTION OF LOAN DISBURSEMENTS, COLLECTIONS AND OVERDUES AS AT 31 DEC '81

RUPALI BANK<sup>1/</sup>

| <u>Name of activity</u>            | <u>No. of loans</u> | <u>Amount loaned (Tk000)</u> | <u>Amount collected (Tk000)</u> | <u>Amount overdue (Tk)</u> |
|------------------------------------|---------------------|------------------------------|---------------------------------|----------------------------|
| 1. Oxen/Buffalo for plowing /draft | 577                 | Tk 1068                      | Tk 299                          | Tk 12382                   |
| 2. Milk Cow/ Buffalo               | 342                 | 695                          | 286                             | 12519                      |
| 3. HYV Boro                        | 289                 | 307                          | 227                             | 13663                      |
| 4. <u>Hat</u> Trading              | 267                 | 742                          | 137                             | 20825                      |
| 5. B.Aus (Local)                   | 168                 | 147                          | 126                             | 4096                       |
| 6. Dhenki Rice Husking             | 163                 | 203                          | 117                             | 39942                      |
| 7. Grocery Shop                    | 141                 | 240                          | 102                             | 10877                      |
| 8. Hardware Shop                   | 140                 | 175                          | 63                              | 4362                       |
| 9. Vegetables Production           | 121                 | 368                          | 21                              | 4000                       |
| 10. HYV Aman                       | 116                 | 79                           | 41                              | 1556                       |
| 11. Rice Wholesale-                | 112                 | 115                          | 43                              | 3005                       |
| 12. Pan Leaf Production            | 108                 | 132                          | 51                              | -                          |
| 13. B.Aman (local)                 | 100                 | 76                           | 58                              | 800                        |
| 14. Pottery Making                 | 87                  | 75                           | 27                              | 1355                       |
| 15. Rickshaw                       | 71                  | 207                          | 144                             | 17450                      |
| 16. Oil Ghani(Press)               | 66                  | 49                           | 19                              | 1445                       |
| 17. Goats/Sheep                    | 66                  | 30                           | 25                              | 1000                       |
| 18. Mustard/ Spices Wholesaleing   | 59                  | 90                           | 22                              | -                          |

| <u>Name of activity</u>                | <u>No. of loans</u>      | <u>Amount loaned (Tk000)</u> | <u>Amount collected (Tk 000)</u> | <u>Amount overdue (Tk)</u> |
|--|--------------------------|------------------------------|----------------------------------|----------------------------|
| 19. Vegetable/<br>Fruit Shop           | 58                       | 67                           | 38                               | -                          |
| 20. Fish Shop                          | 57                       | 51                           | 18                               | -                          |
| 21. T.Aman (local)                     | 52                       | 39                           | 8                                | -                          |
| 22. Pan/Cigarette<br>Shop              | 41                       | 73                           | 31                               | 7968                       |
| 23. Beef Fattening                     | 39                       | 64                           | 40                               | 1335                       |
| 24. Bamboo/Cane<br>Furniture<br>Making | 34                       | 25                           | 12                               | -                          |
| 25. Fishnet Making                     | 33                       | 26                           | 14                               | 353                        |
| Totals                                 | <u>3307<sup>2/</sup></u> | <u>Tk 5142901</u>            | <u>Tk 1970396</u>                | <u>Tk 158933</u>           |

1/ Data drawn from all outlets

2/ Amounts to 83.9% of loans disbursed. A further 52 loan purpose uses of all types recorded. 12 loans amounting to Tk 22700 have been for re-lending.

Table 17

MAJOR ACTIVITY-WISE DISTRIBUTION OF LOAN DISBURSEMENTS COLLECTIONS AND OVERDUES AS AT 31 DEC. 1981.

IRDP 1/

| <u>Name of activity</u>          | <u>No. of loans</u> | <u>Amount loaned (Tk 000)</u> | <u>Amount collected (Tk. 000)</u> | <u>Amount overdue (Tk)</u> |
|----------------------------------|---------------------|-------------------------------|-----------------------------------|----------------------------|
| 1. T. Amon (local)               | 737                 | Tk 751                        | Tk 401                            | Tk. 598                    |
| 2. HYV Boro                      | 508                 | 510                           | 427                               | 10070                      |
| 3. Goats/Sheep                   | 427                 | 275                           | 177                               | 2147                       |
| 4. Grocery Shop                  | 385                 | 520                           | 243                               | 43792                      |
| 5. Beef Fattening                | 281                 | 264                           | 353                               | ..                         |
| 6. T. Aus (local)                | 275                 | 339                           | 12                                | 32000                      |
| 7. Milk Cow/Buffalo              | 217                 | 195                           | 13                                | ..                         |
| 8. Dhenki Rice Husking           | 201                 | 188                           | 85                                | 81834                      |
| 9. Fish Farming                  | 187                 | 189                           | 27                                | 21000                      |
| 10. B. Aus (local)               | 171                 | 151                           | 148                               | 2200                       |
| 11. Itinerant Trading (Feriwala) | 138                 | 194                           | 106                               | 30650                      |
| 12. Permanent Shop               | 114                 | 176                           | 30                                | 22210                      |
| 13. Pan leaf Production          | 85                  | 93                            | 5                                 | 50000                      |
| 14. Small Cottage Industry       | 78                  | 116                           | 72                                | -                          |
| 15. Irrigated wheat              | 71                  | 86                            | 45                                | 40700                      |
| 16. HYV Aus                      | 63                  | 70                            | 11                                | -                          |
| 17. HYV Amon                     | 63                  | 69                            | 24                                | -                          |
| 18. Cattle Trading               | 62                  | 38                            | 7                                 | -                          |
| 19. Rabi Crops                   | 49                  | 25                            | 25                                | -                          |
| 20. Small Consumer Goods Shop    | 49                  | 44                            | 39                                | 9                          |
| 21. Vegetables Production        | 48                  | 40                            | 32                                | -                          |
| <b>TOTAL</b>                     | <b>4209</b>         | <b>Tk 4330138</b>             | <b>Tk 2024738</b>                 | <b>Tk 337210</b>           |

1/ Data drawn from all outlets except; Bhurannudin, Islampur, Gopalpur and Sonagazi.

2/ Amounts to 91.4% of loans made at these outlets. A further 30 loan purpose uses recorded, including Fishing, Small livestock, Food Processing, Handicrafts, Retailing and Transport.

**Table 18**  
**MAJOR ACTIVITY-WISE DISTRIBUTION OF LOAN DISBURSEMENTS COLLECTIONS AND OVERDUES AS AT 31 DEC. 1981.**

| BSBL <sup>1/</sup>           |              |                        |                            |                     |
|------------------------------|--------------|------------------------|----------------------------|---------------------|
| Name of Activity             | No. of loans | Amount loaned (Tk 000) | Amount Collected (Tk. 000) | Amount overdue (Tk) |
| 1. Dhenki Rice Husking       | 496          | Tk 1305                | Tk 353                     | Tk 223041           |
| 2. HYV Boro                  | 453          | 476                    | 341                        | 14755               |
| 3. Small Business, (General) | 280          | 844                    | 148                        | 190725              |
| 4. T. Aman (local)           | 278          | 234                    | 160                        | 8348                |
| 5. Handloom/Cotton Weaving   | 256          | 464                    | 326                        | 33847               |
| 6. Rice Wholeselling         | 241          | 1090                   | 98                         | 285107              |
| 7. T. Aus (local)            | 236          | 296                    | 98                         | 99200               |
| 8. Rickshaw                  | 196          | 681                    | 220                        | 209441              |
| 9. Grocery Shop              | 146          | 426                    | 110                        | 87823               |
| 10. HYV Aus                  | 129          | 185                    | 32                         | 146942              |
| 11. HYV Aman                 | 123          | 127                    | 57                         | 3648                |
| 12. Milk Cow/Buffalo         | 104          | 301                    | 80                         | 105659              |
| 13. Cloth Trading            | 97           | 302                    | 93                         | 58108               |
| 14. B. Aus (local)           | 93           | 139                    | 51                         | 88012               |
| 15. B. Aman (local)          | 78           | 47                     | 7                          | -                   |
| 16. Sugarcane Production     | 77           | 146                    | 18                         | -                   |
| 17. Rainfed Wheat            | 70           | 60                     | 35                         | 24815               |
| 18. Local Boro               | 68           | 65                     | 32                         | 32861               |
| 19. Vegetable/Fruit Trading  | 67           | 229                    | 23                         | 52384               |
| 20. <u>Hat</u> Trading       | 55           | 127                    | 15                         | 69433               |
| 21. Irrigated Wheat          | 54           | 37                     | 37                         | -                   |
| 22. Water-Melon Production   | 33           | 58                     | 54                         | 3581                |
| 23. Blacksmith/Metal Tools   | 32           | 52                     | 32                         | 2751                |
| 24. Firewood Trading         | 29           | 79                     | 32                         | 9795                |
| 25. Chilli Production        | 28           | 40                     | 33                         | 1500                |
| 26. Pan leaf Production      | 28           | 52                     | 9                          | 9240                |

| <u>Name of Activity</u> | <u>No. of Loans</u> | <u>Amount loaned (Tk 000)</u> | <u>Amount Collected (Tk. 000)</u> | <u>Amount overdue (Tk)</u> |
|-------------------------|---------------------|-------------------------------|-----------------------------------|----------------------------|
| 27. Pottery Making      | 25                  | 33                            | 20                                | 6061                       |
| 28. Mat/Pati Making     | 23                  | 31                            | 18                                | 1588                       |
| TOTAL                   | 3795 <sup>2/</sup>  | Tk 7927063                    | Tk 2533603                        | Tk 1767666                 |

Notes: 1/ Data drawn from all 19 outlets except Beelgazaria.  
2/ Accounts for 90.9% of all loans disbursed at these outlets.  
A further 50 loan purpose uses of all types recorded.

Chapter Seven

1. Recovery of Resources:

It has been mentioned earlier that the recovery of resources has been the second most important criterion in judging the viability of an institution. Timely recovery of loan qualifies the loanee to take loan again/<sup>and</sup>overdue position minimizes. The percentage of recovery over the loan disbursed by institutions as on 31-3-82 is shown in Table-1.

Table-1  
Recovery of loan by Institutions  
(Tk. in thousand)

| <u>Institutions</u> | <u>Loan disbursed</u> | <u>% of Total</u> | <u>Amount recovery</u> | <u>%</u> |
|---------------------|-----------------------|-------------------|------------------------|----------|
| Sonali              | 20493                 | 17.26             | 6962                   | 33.97    |
| Agrani              | 12543                 | 10.56             | 7854                   | 62.62    |
| Uttara              | 1726                  | 1.45              | 953                    | 55.21    |
| Pubali              | 6578                  | 5.54              | 3317                   | 50.43    |
| Rupali              | 7354                  | 6.19              | 2983                   | 40.56    |
| B K B               | 43909                 | 36.97             | 17046                  | 38.82    |
| Janata              | 7744                  | 6.52              | 2702                   | 34.89    |
| IRDP                | 9239                  | 7.78              | 5014                   | 54.27    |
| BSBL                | 9175                  | 7.73              | 3021                   | 32.93    |
|                     | 118,761               | 100.00            |                        |          |

The table shows that BKB alone disbursed 36.97% of total loan which is the highest volume among all lending institutions, but only 38.82% of the amount was finally recovered. Agrani's recovery position was recorded to be the highest at nearly 63% with 10.56% of the total loan disbursed.

The disbursement recovery picture leads to the conclusion that the lower the percentage of the loan disbursed the higher the percentage of recovery.

A comparison of disbursement between March'81 and March'82 indicates that BKB and BSBL did not disburse any loan in March'82 while at other institutions loan disbursement recorded a decrease from 1% to 100%(including the above two) except Rupali and IRDP whose disbursement has increased by 85% and 78% respectively in March'82 compared to March'81. Details are given in Table-2.

Table-2  
Comparison of Loan Disbursements between  
March'81 and March'82 by Institutions .

(Tk. in thousand)

| Participating<br>Institutions | 1981<br>March | 1982<br>March | Increase(Decrease)<br>1982 over 1981 |       |        |
|-------------------------------|---------------|---------------|--------------------------------------|-------|--------|
|                               |               |               | Taka                                 | March | %      |
| Krishi                        | 1381          | -             | (1381)                               |       | (100%) |
| Sonali                        | 1241          | 733           | ( 508)                               |       | ( 41%) |
| Janata                        | 601           | 217           | ( 384)                               |       | ( 64%) |
| Agrani                        | 645           | 488           | ( 157)                               |       | ( 24%) |
| Pubali                        | 241           | 238           | ( 3)                                 |       | ( 1%)  |
| Rupali                        | 211           | 391           | 180                                  | +     | 85%    |
| Uttara                        | 120           | 13            | ( 107)                               |       | ( 89%) |
| IRDP                          | 286           | 510           | 224                                  | +     | 78%    |
| BSBL                          | 1017          | -             | (1017)                               |       | (100%) |
|                               | 5743          | 2590          | (3153)                               |       | ( 55%) |

It is, however, interesting to note that BKB disbursed the highest amount of loan Tk.24,12,000 in February'82 compared to the second highest of Tk.15,21,000(after Sonali) in February'81 which are however not shown in the above table.

i. Overdue position by Institution

The amount of overdues is a function of the magnitude of the dues. However, even without establishing any co-relation between overdues to dues the volume of overdues indicates the overdue position in absolute term.

The overdue position of different institutions as on March 31, 1982 is shown in Table-3 and a comparison based on two cut off dates is presented in Table-4, which shows that BSBL's figure is the highest i.e.; 49% on 31-3-82 as well as on 31-9-81 with 36%.

Agrani's overdue position with 4% is the lowest on 31-3-82 compared to its second lowest position of 6% on 31-9-81.

Table-3

The overdue position of different institutions as on 31 March, 1982

(Taka in thousand)

| Institution | Amount Recovered | Amount Overdue | Percentage of overdue |
|-------------|------------------|----------------|-----------------------|
| BSBL        | 3021             | 2865           | 48.67                 |
| Pubali      | 3317             | 902            | 21.38                 |
| IRDP        | 5014             | 540            | 9.72                  |
| Agrani      | 7854             | 357            | 4.35                  |
| Rupali      | 2983             | 197            | 6.19                  |
| Janata      | 2702             | 457            | 14.47                 |
| B K B       | 17046            | 2007           | 10.53                 |
| Sonali      | 6962             | 1596           | 18.65                 |
| Uttara      | 953              | 131            | 12.08                 |
| All Banks   | 49852            | 9052           | 15.37                 |

Table-4

Comparison of overdue position between 31-9-81 and 31-3-82 (Tk. in thousand)

| Institutions | 31-9-81 |    | 31-3-82 |    |
|--------------|---------|----|---------|----|
|              | Amount  | %  | Amount  | %  |
| BSBL         | 1252    | 36 | 2865    | 49 |
| Pubali       | 661     | 21 | 902     | 21 |
| IRDP         | 143     | 4  | 540     | 10 |
| Agrani       | 316     | 6  | 357     | 4  |
| Rupali       | 112     | 6  | 197     | 6  |
| Janata       | 301     | 17 | 457     | 14 |
| BKB          | 1312    | 10 | 2007    | 11 |
| Sonali       | 646     | 13 | 1596    | 19 |
| Uttara       | 124     | 16 | 131     | 12 |

ii. Overdue position by Outlets

The amount of overdue in the surveyed outlets along with the amount of overdue more than 3 and 6 months is presented in the following table:

Table-5

Amount of Overdue in Surveyed  
Outlets as on 31-3-1982.

| Model  | Name of Outlets  | Amount of<br>overdue | 3 to 6 months |       | 6 months and above |       |
|--------|--|----------------------|---------------|-------|--------------------|-------|
|        |  |                      | Amount        | %     | Amount             | %     |
| B K B  | Kotwali-Faridpur<br>Sudarampur-Noakhali<br>Paba-Rajshahi           | 440233               | 27160         | 6.17  | 213255             | 48.44 |
| Agrani | Cadet College -<br>Mirzapur,Bhatra -<br>Bogra                      | 860                  | 0             | -     | -                  | -     |
| Sonali | Sunderpur-Dinajpur<br>Court Building-Rajshahi<br>Jingatoli-Comilla | 695894               | 67567         | 9.71  | 252560             | 36.29 |
| Rupali | Khanshat-Chittagong<br>Kakanhat-Rajshahi                           | 37219                | 21653         | 58.18 | 4144               | 11.13 |
| Pubali | Satihat-Rajshahi<br>Ellanga-Tangail                                | 260333               | 5545          | 2.13  | 49782              | 19.12 |
| Janata | Kumira-Chittagong<br>Baneswar-Rajshahi                             | 67923                | 15503         | 22.82 | 50420              | 74.23 |
| Uttara | Kotwali-Mymensingh<br>Feni-Noakhali                                | 99634                | 941           | 0.94  | 98693              | 99.06 |
| IRDP   | Chaudhgram-Comilla<br>Babugonj-Barisal<br>Natore-Rajshahi          | 264002               | 0             | -     | 33857              | 12.82 |
| BSBL   | Taltoli-Barisal<br>Batazor-Barisal<br>Paschim Pakutia - Tangail    | 281642               | 117964        | 41.88 | 67253              | 23.88 |

The table reveals that Sonali's overdue was the highest followed by Pubali, BKB & others while the lowest figure was recorded in case of Agrani. Again 3 outlets of the above 22 outlets, for example, Agrani's Cadet College(Tangail), Janata's Kumira(Chittagong), and IRDP's Babugonj(Barisal) had no overdue at the end of March'82. The percentage of overdue fallen more than three months was observed to be the highest(58.18%)in case of Rupali. At the bottom of the table with no overdue were Agrani, IRDP and Janata. The highest (100%) percentage of overdue more than 6 months was recorded by Janata followed by Uttara with 89.97% and BKB with 28.08%. The lowest was again observed in case of Agrani with no overdue. The overdue position has been calculated from the amount due rather from the outstanding which has been presented in the following Table(Table-6) along with the percentage of overdue to due.

Table-6  
Amount of Due, Overdue and Percentage of overdue  
to due outlets by surveyed.

| Name of Institutions | Outlets surveyed        | Amount Due | Amount overdue | % of overdue to Due |
|----------------------|-------------------------|------------|----------------|---------------------|
| Uttara               | Kotwali-Mymensingh      | 121700     | 16781          | 13.79               |
|                      | Feni-Noakhali           | 207201     | 82853          | 39.99               |
| Sonali               | Sunderpur-Dinajpur      | 1048664    | 122881         | 11.72               |
|                      | Court Building-Rajshahi | 470862     | 230717         | 49.00               |
|                      | Jinglatoli-Comilla      | 1301051    | 342296         | 26.31               |
| Janata               | Kumira-Chittagong       | 17979      | -              | 0                   |
|                      | Baneswar-Rajshahi       | 312173     | 67923          | 21.76               |
| BSBL                 | Batazor-Barisal         | 91908      | 41417          | 45.06               |
|                      | Paschim Pakutia-Tangail | 1150984    | 108709         | 9.44                |
|                      | Taltoli Kss-Barisal     | 366022     | 131516         | 35.93               |
| Pubali               | Shatihat-Rajshahi       | 1289481    | 223094         | 17.30               |
|                      | Ellenga-Tangail         | 731950     | 37239          | 5.09                |
| IRDP                 | Babugonj-Barisal        | 1092302    | -              | -                   |
|                      | Natore-Rajshahi         | 403647     | 80712          | 20.00               |
|                      | Chaudhagram-Comilla     | 721319     | 183290         | 25.41               |
| Rupali               | Khanshat-Chittagong     | 261972     | 24464          | 9.34                |
|                      | Kakonhat-Rajshahi       | 94970      | 12755          | 13.43               |
| B K B                | Sudarampur-Noakhali     | 1704738    | 150238         | 8.81                |
|                      | Paba-Rajshahi-          | 732986     | 104130         | 14.21               |
|                      | Kotwali-Faridpur        | 1929622    | 185865         | 9.63                |
| Agrani               | Cadet College-Mirzapur  | 1806709    | -              | -                   |
|                      | Bhatra-Bogra            | 621547     | 860            | 0.14                |
| (09)                 | (22)                    | 16479787   | 2147740        | 13.03               |

iii. Average Overdues by Outlets

Table-7 shows that Sonali's average amount of overdue stood at Tk.231964.67 on the reporting date followed by Pubali with Tk.147874.34. Again in absolute term the lowest amount of overdue was for Agrani, the amount being Tk.860. When aging of overdues is computed, it can be seen from the table that in case of IRDP more than 35.84% of the overdues are unsettled for more than 6 months period of time followed by 28.08% of BKB, 18.84% for Sonali and more than 11% in case of both Rupali and Pubali. Agrani once again has recorded no overdues.

Table-7

Average amount of overdues for each outlet and their aging thereof

| <u>Name of Institutions</u> | <u>Amount of overdues</u> | <u>Percentage of overdues not settled more than 6 months</u> |
|-----------------------------|---------------------------|--|
| B K B                       | 146744.33                 | 48.44  |
| Agrani                      | 430                       | -  |
| Sonali                      | 231964.67                 | 36.29  |
| Rupali                      | 18609.50                  | 11.13  |
| Pubali                      | 188583.33                 | 19.12  |
| Janata                      | 33961.50                  | 74.23  |
| Uttara                      | 49817.00                  | 99.06  |
| IRDP                        | 26904.00                  | 12.82  |
| BSBL                        | 93880.67                  | 23.88  |

iv. Overdue By Interest Rate

Does overdue increase with the increase in interest rate? An answer to <sup>this</sup> question has been attempted in the typewise loan disbursement survey as may be seen in the following table(8). The table has recorded the number of loan, amount disbursed, amount collected and amount overdue along with the percentage of overdue with 5 different interest rates. The table shows that the percentage of overdue has increased from 7.10% through 8.11% to 18.10% with the 12%, 18% and 24% interest rates. The percentage of overdue has therefore increased more than the increase in interest rate till 24%, after which the percentage of overdue has fallen from 15.90% to 4.82% with the increase in interest rate from 30% to 36% respectively.

Table-8Loan Disbursement at Different  
Interest Rate

| Interest Rate | No. of loan           | Amount of disbursed      | Amount Collected         | Amount Overdue          | % overdue    |
|---------------|-----------------------|--------------------------|--------------------------|-------------------------|--------------|
| 12            | 10294<br>(24.39)      | 17165710<br>(28.19)      | 8232756<br>(26.27)       | 624474<br>(15.34)       | 7.10         |
| 18            | 12910<br>(30.50)      | 15979162<br>(26.23)      | 8315160<br>(26.53)       | 733950<br>(18.02)       | 8.11         |
| 24            | 9916<br>(23.49)       | 15038988<br>(24.70)      | 7767586<br>(24.78)       | 1719883<br>(42.24)      | 18.10        |
| 30            | 5737<br>(13.50)       | 9368532<br>(15.38)       | 4631680<br>(14.78)       | 872524<br>(21.42)       | 15.90        |
| 36            | 3349<br>(7.93)        | 3949482<br>(5.50)        | 2395131<br>(7.64)        | 121309<br>(2.98)        | 4.82         |
|               | <u>42206</u><br>(100) | <u>60895874</u><br>(100) | <u>31342313</u><br>(100) | <u>4072149</u><br>(100) | <u>11.50</u> |

A detailed picture of the percentage of overdue by major activities has been presented in Tables 9,10,11,12 and 13 with interest rates of 12%,18%,24%,30% and 36% respectively.

Table-9  
 Major activity-wise loan disbursement and  
 overdues by interest rates level at 31-12-82  
12% interest rate level

| No. | Loan used for                       | No. total loans | Total Amount disbursed | Total Am't collected | Total Overdue | %Over-due |
|-----|-------------------------------------|-----------------|------------------------|----------------------|---------------|-----------|
| 01  | Beef fattening/<br>breeding         | 2493            | 5228950                | 887920               | 65700         | 6.9       |
| 02  | Oxen/buffalo for<br>ploughing/draft | 1234            | 2658400                | 790170               | 23600         | 2.9       |
| 03  | Milk cow/buffalo                    | 1116            | 2280778                | 1127795              | 101449        | 8.3       |
| 04  | T. Aman(Local)                      | 760             | 715367                 | 837713               | 11452         | 1.4       |
| 05  | HYV Boro                            | 651             | 287200                 | 156100               | 97000         | 38.3      |
| 06  | Dhenki rice husking                 | 574             | 1024200                | 514290               | 10946         | 2.1       |
| 07  | Grocery                             | 459             | 898600                 | 1001805              | 928           | 0.1       |
| 08  | B. Aus(Local)                       | 413             | 372490                 | 263630               | 2300          | 0.9       |
| 09  | Goats/sheep                         | 273             | 289530                 | 100470               | 1000          | 1.0       |
| 10  | Rice Trading                        | 256             | 269900                 | 197650               | 2906          | 1.5       |
| 11  | Rickshaw & Van                      | 247             | 677200                 | 369129               | 30244         | 7.8       |
| 12  | Sugar cane                          | 224             | 440500                 | 268531               | 12600         | 4.5       |
| 13  | T.Aus(Local)                        | 220             | 262150                 | 166791               | 2442          | 1.4       |
| 14  | Land releasing<br>from mortgage     | 166             | 215700                 | 95250                | 28400         | 23.0      |
| 15  | Un-irrigated wheat                  | 142             | 168960                 | 50645                | 1150          | 2.2       |
| 16  | HYV Aman                            | 130             | 130000                 | 70550                | -             | 0.0       |
| 17  | Fish farming/<br>Breeding           | 124             | 186450                 | 78400                | 32059         | 29.0      |
| 18  | Boro local                          | 112             | 126685                 | 79685                | 2200          | 2.7       |
| 19  | Fishing(Boat <sup>s</sup> /nets)    | 102             | 206800                 | 151640               | 5000          | 3.2       |
| 20  | HYV Aus                             | 95              | 95000                  | 41780                | -             | 0.0       |
| 21  | Vegetables                          | 90              | 127050                 | 184916               | 182248        | 49.6      |
| 22. | Fish net                            | 89              | 85200                  | 622000               | 5000          | 0.8       |
| 23  | Jute                                | 86              | 115400                 | 23750                | -             | 0.0       |
| 24  | Potatoes                            | 86              | 117000                 | 64298                | -             | 0.0       |
| 25  | Blacksmith metal<br>tools           | 86              | 143200                 | 77848                | 4150          | 5.1       |
| 26  | Chiken production                   | 66              | 43000                  | 10000                | 1700          | 14.3      |
|     |                                     | 10294           | 17165710               | 8232756              | 524474        | 7.1       |

Table-10

Major activity-wise loan disbursement and  
overdues by interest rates at 31-12-1981.  
18% interest rate level

| No.  | Loans used<br>for                      | Total No.<br>of loans | Total Am't<br>disbursed | Total Am't<br>collected | Total<br>Overdue | % over<br>-due |
|------|--|-----------------------|-------------------------|-------------------------|------------------|----------------|
| 001  | HYV Boro                               | 2135                  | 2153453                 | 1736665                 | 204989           | 10.6           |
| 002  | T.Aman(Local)                          | 2032                  | 2496530                 | 1309352                 | 11768            | 0.9            |
| 003  | Beef fattening/1459<br>breeding        |                       | 1664322                 | 628025                  | 14835            | 2.3            |
| 004  | Oxen/buffalo for<br>ploughing/draft    | 1140                  | 2390250                 | 852119                  | 42457            | 4.7            |
| 005  | T.Aus(Local)                           | 631                   | 730920                  | 206020                  | 131200           | 38.9           |
| 006  | B. Aus(Local)                          | 595                   | 591326                  | 441154                  | 87021            | 16.5           |
| 007  | Unirrigated wheat                      | 517                   | 299308                  | 147381                  | 2227             | 1.5            |
| 008  | B.Aman(Local)                          | 400                   | 333113                  | 185791                  | 5300             | 2.8            |
| 009  | HYV Aus                                | 350                   | 334825                  | 228181                  | 39093            | 14.6           |
| 010  | Vegetables                             | 335                   | 285885                  | 440563                  | 4000             | 0.9            |
| 011  | Fertilizer for<br>general use          | 310                   | 260000                  | 161000                  | 3800             | 2.3            |
| 012  | Oil ghani                              | 285                   | 649200                  | 288300                  | 5300             | 1.8            |
| 013  | Goat/sheep                             | 260                   | 111666                  | 57790                   | 2510             | 4.2            |
| 0.14 | Sugarcane                              | 243                   | 212700                  | 21338                   | 20300            | 48.8           |
| 015  | Grocery shop                           | 229                   | 426700                  | 225893                  | 4070             | 1.8            |
| 016  | Dhenki rice<br>husking                 | 217                   | 218750                  | 97434                   | 26262            | 21.2           |
| 017  | Small general<br>business              | 208                   | 195821                  | 60121                   | 3635             | 5.7            |
| 018  | Handloom(cotton)                       | 203                   | 702800                  | 268326                  | 57374            | 17.6           |
| 019  | Hat trading                            | 180                   | 182530                  | 101530                  | 1328             | 1.3            |
| 020  | Rickshaw/Van                           | 173                   | 499025                  | 261812                  | 16542            | 5.9            |
| 021  | Jute Cultivation                       | 165                   | 132400                  | 105400                  | 26000            | 19.6           |
| 022  | Muri/Chira                             | 163                   | 136200                  | 66019                   | -                | 100.0          |
| 023  | Milk cow/buffalo                       | 150                   | 370970                  | 197304                  | 13816            | 6.5            |
| 024  | HYV Aman(Local)                        | 144                   | 134899                  | 91167                   | 4132             | 4.3            |
| 025  | Land release from<br>mortgage          | 143                   | 261685                  | 28000                   | 1000             | 3.5            |
| 026  | Family subsistance<br>(loan repayment) | 140                   | 119000                  | 61700                   | -                | 100.0          |
| 027  | Mustard seed                           | 103                   | 78875                   | 45775                   | 5000             | 9.9            |
|      |  | 12910                 | 15973162                | 8315160                 | 733959           | 8.11           |

Table-11

Major activity-wise loan disbursement and  
overdues by interest rates at 31-12-1981.  
(24% interest rate level)

| No. | Loan used for                   | No. total<br>loans | Total Am't<br>disbursed | Total Am't<br>collected | Total<br>Overdue | % over-<br>due |
|-----|---------------------------------|--------------------|-------------------------|-------------------------|------------------|----------------|
| 01  | Oxen/buffalos for<br>plough     | 2187               | 4149900                 | 1368877                 | 343234           | 20.1           |
| 02  | Dhenki/Rice husking             | 1091               | 2100550                 | 2100550                 | 810102           | 27.8           |
| 03  | Milk cow/buffalo                | 1067               | 1867550                 | 1558318                 | 62770            | 3.9            |
| 04  | Goats/sheep <sup>s</sup>        | 659                | 469470                  | 328726                  | 11159            | 3.3            |
| 05  | Beef fattening                  | 397                | 810126                  | 134360                  | 2500             | 1.8            |
| 06  | B.Aman(Local)                   | 390                | 526305                  | 250816                  | 114920           | 31.4           |
| 07  | Rickshaw/Van                    | 376                | 770950                  | 411550                  | 90118            | 18.0           |
| 08  | T.Aman(Local)                   | 333                | 327483                  | 141107                  | 39900            | 22.0           |
| 09  | Grocery                         | 298                | 584950                  | 270179                  | 51838            | 16.0           |
| 10  | Sugarcane                       | 206                | 175800                  | 44953                   | 8006             | 15.1           |
| 11  | Rabi crops                      | 206                | 167450                  | 62694                   | 7893             | 11.2           |
| 12  | B.Aus(Local)                    | 203                | 235468                  | 164468                  | 28800            | 14.9           |
| 13  | Cattle purchasing               | 191                | 27600                   | 17350                   | -                | -              |
| 14  | Fish Farming                    | 183                | 233300                  | 19895                   | 2400             | 10.8           |
| 15  | Unirrigated wheat               | 182                | 38150                   | 10490                   | 1400             | 11.8           |
| 16  | Wood business                   | 170                | 272200                  | 100531                  | 13570            | 11.9           |
| 17  | HYV Aman                        | 162                | 212706                  | 48802                   | 7233             | 12.9           |
| 18  | Land Releasing from<br>mortgage | 162                | 243600                  | 27756                   | 5980             | 17.7           |
| 19  | Vegetable production            | 159                | 134200                  | 69230                   | 21500            | 13.8           |
| 20  | Flour/Rice/Retailing            | 128                | 95200                   | 36728                   | 13000            | 26.1           |
| 21  | T.Aus(Local)                    | 99                 | 129750                  | 51905                   | 2467             | 4.5            |
| 22  | Pan leaf production             | 95                 | 113500                  | 53177                   | 3300             | 5.8            |
| 23  | Vegetable wholesell-<br>ing     | 95                 | 141330                  | 50686                   | 900              | 1.7            |
| 24  | Fishing/net making              | 68                 | 135400                  | 41831                   | 4313             | 4.3            |
| 25  | HYV Aus                         | 67                 | 48550                   | 41500                   | 2875             | 6.4            |
| 26  | Local Boro                      | 67                 | 90250                   | 75094                   | 623              | 0.8            |
| 27  | Bamboo furniture                | 63                 | 58800                   | 33355                   | -                | -              |
| 28  | Potato                          | 59                 | 108500                  | 43872                   | 1750             | 3.8            |
| 29  | Cotton spinning                 | 59                 | 58300                   | 7974                    | -                | -              |
| 30  | Rice wholeselling               | 58                 | 168300                  | -                       | 43300            | -              |
| 31  | Pottery                         | 56                 | 71100                   | 64090                   | 5675             | 8.1            |
| 32  | Cottage industries              | 55                 | 9800                    | 6500                    | -                | -              |
| 33  | Bamboo business                 | 53                 | 19900                   | 11074                   | -                | -              |
| 34  | Fruit orchard                   | 51                 | 36000                   | 24233                   | 1075             | 4.3            |
| 35  | Jute production                 | 51                 | 118200                  | 38308                   | 1212             | 3.1            |
| 36  | Banana production               | 44                 | 48750                   | 6086                    | 2500             | 29.1           |
| 37  | Boat                            | 44                 | 56800                   | 26598                   | 4959             | 15.7           |
| 38  | Ox cart                         | 43                 | 76500                   | 8484                    | 2800             | 24.8           |
| 39  | Feri wala(Itinerent)            | 39                 | 106300                  | 12439                   | 5811             | 31.8           |
|     |                                 | 9916               | 15038988                | 7767586                 | 1719883          | 18.1           |

Table-12

Major activity-wise loan disbursement and  
overdues by interest rate at 31-12-1981.

30% interest rate level

| Sl. No. | Loan used for                   | Total loans | Total amount | Total collected | Total overdue | % over-due |
|---------|---------------------------------|-------------|--------------|-----------------|---------------|------------|
| 1       | Oxen/buffalow of plowing/draft  | 768         | 1485300      | 329051          | 12940         | 3.8        |
| 2       | Muri/Chira making               | 668         | 794900       | 486348          | 2000          | 0.4        |
| 3       | Grocery shops                   | 564         | 920750       | 818524          | 96417         | 10.5       |
| 4       | Hat trade/petty                 | 445         | 865950       | 764147          | 187163        | 41.5       |
| 5       | Potatoes production             | 416         | 551530       | 249187          | 67156         | 21.2       |
| 6       | Rickshaw/Van                    | 272         | 818192       | 358815          | 165288        | 31.5       |
| 7       | T.Aman(Local)                   | 259         | 356300       | 97802           | 2300          | 2.3        |
| 8       | Beef fattening                  | 222         | 291900       | 147994          | 31053         | 17.3       |
| 9       | Milk cow/buffalo                | 211         | 497800       | 167950          | 83269         | 33.1       |
| 10      | Dhenki rice husking             | 187         | 151100       | 92315           | 27213         | 22.8       |
| 11      | Rice/atta business              | 180         | 417150       | 106254          | 92314         | 46.9       |
| 12      | HYV Boro                        | 172         | 264500       | 197225          | -             | 0.0        |
| 13      | Pan boroj                       | 135         | 207500       | 170616          | 4900          | 2.8        |
| 14      | Land releasing from mortgage    | 115         | 146100       | 21751           | 1525          | 6.6        |
| 15      | Fishing(Boats & net)            | 108         | 155263       | 99060           | 39801         | 28.7       |
| 16      | Permanent shop                  | 94          | 146500       | 22480           | 22050         | 49.5       |
| 17      | Tobacco whole selling           | 90          | 100800       | 30206           | -             | 0.0        |
| 18      | Cloth business                  | 78          | 201800       | 93140           | 32107         | 25.6       |
| 19      | Un-irrigated wheat              | 73          | 56760        | 34860           | 2800          | 7.4        |
| 20      | Mat pati/making                 | 73          |              |                 |               |            |
| 21      | Goats/sheeps                    | 71          | 71000        | 23904           | 5151          | 17.7       |
| 22      | Vegetables/fruits whole selling | 71          | 149900       | 19011           | 5249          | 21.6       |
| 23      | Tobacco production              | 62          | 63300        | 20600           | -             | 0.0        |
| 24      | T.Aus(Local)                    | 59          | 57000        | 14103           | 3000          | 17.5       |
| 25      | Sugar cane                      | 56          | 417800       | 120175          | 18320         | 13.2       |
| 26      | Pan/Cigarettes stall            | 51          | 54600        | 39023           | -             | 0.0        |
| 27      | Chickens                        | 43          | 61400        | 11322           | 2411          | 17.6       |
| 28      | Blackmith/metal tools           | 42          | 66800        | 40850           | 2275          | 5.3        |
| 29      | Itinerant tradesman/feriwala    | 42          | 42600        | 26600           | 12800         | 32.5       |
| 30      | Bamboo cane furniture           | 39          | 35500        | 17400           | -             | 0.0        |
| 31      | Domestic purposes               | 36          | 37300        | 2672            | 1022          | 27.7       |
| 32      | Jute production                 | 35          | 36500        | 8295            | 2000          | 19.4       |
|         |                                 | 5737        | 9368532      | 4631680         | 872524        | 15.9%      |

Table-13

Major activity-wise loan disbursed and overdues  
by interest rate at 31-12-1981.  
36% interest rate level

| Sl. No. | Name of activity           | No. of loans | Total loans disbursed | Total loans collected | Total over-due | % over due |
|---------|----------------------------|--------------|-----------------------|-----------------------|----------------|------------|
| 1.      | Dhenki rice husking        | 489          | 603500                | 432963                | 5701           | 1.3        |
| 2       | Oxen/buffalo for ploughing | 371          | 413800                | 261738                | 5922           | 2.2        |
| 3       | Milk cow/buffalo           | 281          | 398258                | 251029                | 1000           | 0.4        |
| 4       | HYV boro                   | 214          | 183226                | 178325                | 600            | 0.3        |
| 5       | HYV Aus                    | 157          | 150619                | 95385                 | 7857           | 7.6        |
| 6       | Wholeselling(rice)         | 147          | 176208                | 65233                 | 3005           | 4.4        |
| 7       | Oil Ghani                  | 133          | 130350                | 68483                 | 1445           | 2.1        |
| 8       | Beaf fattening/breeding    | 132          | 120400                | 68158                 | 32933          | 32.6       |
| 9       | T.Aman(Local)              | 131          | 126000                | 75927                 | 5081           | 6.3        |
| 10      | Pottery                    | 129          | 126500                | 54116                 | 1355           | 2.4        |
| 11      | Rickshaw/Van               | 120          | 172900                | 124681                | 8494           | 6.4        |
| 12      | Firewood business          | 89           | 120600                | 97040                 | -              | -          |
| 13      | Grocery                    | 88           | 256400                | 173427                | 1300           | 0.7        |
| 14      | Un-irrigated wheat         | 82           | 56350                 | 55849                 | -              | -          |
| 15      | Goats/sheep                | 74           | 40900                 | 32985                 | 2350           | 6.7        |
| 16      | HYV Aman                   | 67           | 43735                 | 23418                 | 20317          | 46.5       |
| 17      | Cloth business             | 64           | 111650                | 42061                 | 1000           | 2.3        |
| 18      | Wholeselling(Mustard)      | 58           | 89903                 | 21350                 | -              | -          |
| 19      | Wholeselling (Jute )       | 55           | 86750                 | 7104                  | -              | -          |
| 20      | Feriwala/Itinerent trading | 46           | 45300                 | 14431                 | 11969          | 45.3       |
| 21      | Fish net making            | 45           | 36350                 | 21023                 | 2355           | 10.1       |
| 22      | Wholeselling pulses        | 42           | 89750                 | 37613                 | -              | -          |
| 23      | Blacksmith(metal tools)    | 38           | 37600                 | 6027                  | -              | -          |
| 24      | Basket making              | 35           | 33250                 | 19990                 | -              | -          |
| 25      | Bamboo cane furniture      | 34           | 24800                 | 22083                 | -              | -          |
| 26      | Wheat                      | 33           | 30483                 | 22083                 | 50             | 0.2        |
| 27      | Hat trading                | 31           | 29250                 | 15680                 | -              | -          |
| 28      | Wood business              | 30           | 62400                 | 17855                 | 6541           | 26.8       |
| 29      | Vegetable                  | 29           | 22500                 | 15494                 | 734            | 4.5        |
| 30      | Vegetable/fruit shop       | 28           | 36200                 | 18018                 | -              | -          |
| 31      | Stationery business        | 28           | 48250                 | 23162                 | -              | -          |
| 32      | Jute                       | 23           | 17300                 | 17300                 | -              | -          |
| 33      | Matpati                    | 22           | 28000                 | 15100                 | 1300           | 7.9        |
|         |                            | 3349         | 3949482               | 2395131               | 121309         | 4.82       |

## V. Reasons for Overdues

It is very difficult to identify the specific reasons for accumulation of overdues, as there is no automatic mechanism for determining the reasons for overdues in the existing system. However, a few general reasons for overdues can be identified, and their weights reduced in percentage terms.

|                               |     |
|-------------------------------|-----|
| 1) Failure of the enterprise  | 27% |
| 2) Lower than expected income | 5%  |
| 3) Wilful default             | 18% |

The remaining percentage represents wide variety of reasons which include high rate of interest, diversion of loan to other activities, sudden illness of the borrower, non-availability of other support services, repayment schedule and other factors.

A detailed attempt to locate the overdue problems outletwise has been made. The following table shows the causes of overdues along with the due and percentage of overdues. These are self-explanatory.

Table -14

Total Due, percentage of Overdue and Reasons  
for Overdues by surveyed outlets

| Name of Institutions | Outlets surveyed   | Due     | % of Overdue | Causes of Overdues   |
|----------------------|--|---------|--------------|--|
| Uttara               | Kotwali-Mymensing<br>Feni-Noakhali                                   | 328901  | 30.29        | Wrong selection of Borrowers. Draught Crop damages                                 |
| Sonali               | Sunderpur-Dinajpur<br>Court-Building-Rajshahi<br>Jingalatali-Comilla | 2820577 | 24.67        | Natural causes, Heavy rainfall, Flood Draught Business failure & death of loaness. |
| Janata               | Kumira-Chittagong<br>Baneswar-Rajshahi                               | 330152  | 20.57        | Wilful defaulter, Natural hazzards.  |
| BSBL                 | Batozor-Barisal<br>Paschim Pakutia-Tangail<br>Taltoli KSS-Barisal    | 1608914 | 17.51        | Loan spent for Unproductive purposes.  |
| Pubali               | Shatihah-Rajshahi<br>Ellenga-Tangail                                 | 2021431 | 12.88        | Non-repaying tendency Crop failure, Accident.                                      |
| IRDP                 | Chaudhagram-Comilla<br>Banugonj-Barisal<br>Natore-Rajshahi           | 2217268 | 11.91        | Willingness to repay, Crop failure, misused of loans.                              |
| Rupali               | Khanshat-Chittagong<br>Kakonhat-Rajshahi                             | 356942  | 10.43        | Lack of communication short repayment period, Natural elements.                    |
| BKB                  | Kotwali-Faridpur<br>Sudharampur-Noakhali<br>Paba-Rajshahi            | 4367346 | 10.08        | Financial inability.   |
| Agrani               | Cadet College-Mirzapur<br>Bhatra-Bogra                               | 2428256 | 0.04         | Draught, Flood.  |
| (09)                 | (22)&  |         |              |  |

Chapter Eight

I. Savings

One of the major objectives of the RFEP project is to mobilize rural savings, thereby breaking the vicious circle of low income and low savings which leads to low investment; as well as self financing of the expanded credit program.

Different rates of savings under different saving methods are practised by the participating lending institutions. Out of the participating institutions under the project 5 practise compulsory method of savings and the rest voluntary savings method.

Compulsory savings method has been practised in two different ways. Either a deposit has to be made before the loan is disbursed or a certain proportion of the loan is to be deducted at the time of disbursement and then kept at the borrower's account. In both cases the amount or proportion to be deposited to the account or deducted from the loan varies a great deal among the participating institutions. In case of voluntary savings method a built-in pressure on the borrowers(although not obligatory) is brought by the bank (outlet) officials.

All participating institutions taking part in the survey set their own targets of savings as well as loan disbursement. The name of the savings models of different institutions against average target of loan and savings with numbers are presented in the following table - 1.

Table - 1  
Savings models and average target of loan and savings

| Name Of Outlet | Savings Model        | (Tk in thousand)          |        |         |                  |
|----------------|----------------------|---------------------------|--------|---------|------------------|
|                |                      | Average target per outlet |        |         |                  |
|                |                      | Loans                     |        | Savings |                  |
| No.            | Amount               | No.                       | Amount |         |                  |
| Sonali         | Family Savings Bank  | 900                       | 1300   | -       | -                |
| Agrani         | Group Savings        | 600                       | 750    | -       | 200              |
| Uttara         | Group Savings        | 5816                      | 640    | -       | -                |
| Pubali         | Family Model Savings | 650                       | 1700   | 650     | 225              |
| Rupali         | No approved model    | 600                       | 700    | -       | -                |
| BKB            | Family Savings Model | 1500                      | 3000   | -       | % of outstanding |
| Janata         | Group Savings        | 250                       | 2600   | -       | 300              |
| IRDP           | Group Savings        | 900                       | 6000   | 700     | 30               |
| BSBL           | No                   | -                         | -      | -       | -                |

i. Savings as a percentage of outstanding loans

Although it is argued by most economists that the marginal propensity of the rural poor to consume is much higher than their marginal propensity to save, and any additional income generated is consumed due to the demonstration effect, still the potentiality to save through some institutional frame work has been observed to exist among them. And the propensity in some cases is quite substantial. Questions on the savings as percentage of outstanding loans were asked to each institution's head quarter in-charge and the answer has been recorded in Table - 2, which also ranks the performance of each institution in mobilizing savings.

Table - 2  
Savings as a percentage of outstanding loans

| Institutions     | % of outstanding |
|------------------|------------------|
| Agrani           | 35.1%            |
| Janata           | 21.8%            |
| BKB              | 14.2%            |
| Uttara           | 11.6%            |
| IRDP             | 11.4%            |
| Sonali           | 10.7%            |
| BSBL             | 2.9%             |
| Rupali           | 28.6%            |
| Pubali           | 4.1%             |
| All institutions | 14.7%            |

To calculate the savings as a percentage of outstanding loan, share deposit has been excluded in the cases of IRDP and BSBL. When share deposit is included the figures stand at 17.8% and 3.9% for IRDP and BSBL respectively.

The above table shows that Agrani's percentage of outstanding loan is recorded to be the highest at 35.1% followed by Janata and BKB with 21.8% and 14.2% while the lowest were recorded in the cases of BSBL and Pubali with 2.9% and 4.1% respectively. The average of all institutions is 14.7%. Savings mobilization of different institutions upto March 31, 1982 has been shown in Table - 3.

Table - 3

Savings Mobilization of Different Institutions upto March 31, 1982

(Tk. in thousand)

| Sl. No. | Name of the Institutions | No. of Outlets | Target Group | Non-Target Group | Total  |
|---------|--------------------------|----------------|--------------|------------------|--------|
| 1.      | BKB                      | 16             | 1898         | 1911             | 3809   |
| 2.      | Sonali                   | 10             | 816          | 626              | 1442   |
| 3.      | Janata                   | 12             | 314          | 787              | 1101   |
| 4.      | Agrani                   | 11             | 404          | 1241             | 1645   |
| 5.      | Pubali                   | 4              | 134          | -                | 134    |
| 6.      | Rupali                   | 7              | 112          | 1138             | 1250   |
| 7.      | Uttara                   | 5              | 67           | 23               | 90     |
| 8.      | IRDP                     | 14             | 349          | 134              | 483    |
| 9.      | BSBL                     | 19             | 177          | -                | 177    |
|         |                          | 98             | 4271         | 5860             | 10131  |
|         |                          |                | (42.2%)      | (57.8%)          | (100%) |

BKB mobilized savings to the tune of Tk.3,809,000 which was the highest among all the institutions while Uttara stood at the bottom. It is however interesting to note that the non-target group borrowers saved more (57.8%) than the target group (42.2%).

Therefore, the savings from non-target group is higher than the target borrower in the case of BKB, Janata, Agrani and Rupali. On the other hand, no savings is recorded by the non-target group with Pubali and BSBL.

### 11. Savings deposit by outlets

The following table shows the total amount of savings deposited by target/non-target group of the 22 surveyed outlets.

Table - 4

Amount of Savings Deposit by Target/  
Non-Target Group as on March 31, 1982

| Institutions | Number<br>of outlets | Target Group       | Non-Target Group     | Total            |
|--------------|----------------------|--------------------|----------------------|------------------|
| Sonali       | 3                    | 179,055<br>(58.85) | 125,153<br>(41.14)   | 304,208<br>(100) |
| Agrani       | 2                    | 98,952<br>(30.96)  | 220,568<br>(69.04)   | 319,520<br>(100) |
| Uttara       | 2                    | 20,825<br>(66.80)  | 10,350<br>(33.20)    | 31,175<br>(100)  |
| Pubali       | 2                    | 54,162<br>(100)    | -                    | 54,162<br>(100)  |
| Rupali       | 2                    | 12,908<br>(41.41)  | 18,263<br>(58.59)    | 31,171<br>(100)  |
| BKB          | 3                    | 383,752<br>(47.96) | 416,295<br>(52.03)   | 800,047<br>(100) |
| Janata       | 2                    | 55,038<br>(17.20)  | 264,865<br>(82.80)   | 319,903<br>(100) |
| IRDP         | 3                    | 114,341<br>(69.49) | 50,194<br>(30.51)    | 164,535<br>(100) |
| BSBL         | 3                    | 37,607<br>(100)    | -                    | 37,607<br>(100)  |
|              | 22                   | 956,640<br>(46.39) | 1,105,688<br>(53.61) | 20,62328         |

The table shows that BKB's amount of savings deposit was 47.96% by target group and 52.03% by non-target group, and out of the total deposited BKB alone had more than one-third of the total followed by Agrani and Janata with 15.5% and Sonali with 14.8% of the savings while Uttara's and Rupali's achievement was the lowest at 1.5%.

In case of savings deposit by the target group only, BSBL and Pubali recorded 100% followed by IRDP (69.49%). Sonali (58.85%) and the lowest was observed in case of Janata with 17.20%. The percentage of savings deposit by non-target group at Janata was the highest (82.80%) followed by Agrani with 69.04%, Rupali with 58.59% and BKB with 52.03%, while the lowest was observed in case of IRDP with 30.51%. Pubali and BSBL had no savings by the non-target group.

It is interesting to record that the amount of savings deposit of non-target group was higher in the case of Agrani, Rupali, BKB and Janata than the target group deposit while the percentage of the non-target group savings deposit of all institutions was 53.61% against 46.39% of target group.

### iii. Average Deposit per Outlet

The table below shows the average deposit of each of the outlets of the lending institutions as well as the percentage of the deposits for target group and non-target group.

The table reveals that on an average, the deposit of BKB was the highest with Tk. 233,349 followed by Sonali with taka 127,719. The lowest deposit of Tk. 14825 was made by Uttara.

Table - 5

Average deposit of outlets from the target group and non-target group

| Name of Institutions | Deposit from T.G. |      | Deposit from Non-T.G. |      |
|----------------------|-------------------|------|-----------------------|------|
|                      | Amount in Tk.     | in % | Amount in Tk.         | in % |
| Sonali               | 72901             | 60%  | 47818                 | 40%  |
| Janata               | 27500             | 17%  | 132400                | 83%  |
| Uttara               | 10216             | 69%  | 4619                  | 31%  |
| Pubali               | 22796             | 100% | -                     | -    |
| BKB                  | 127917            | 55%  | 105432                | 45%  |
| BSBL                 | 19010             | 100% | -                     | -    |
| IRDP                 | 124215            | 71%  | 50880                 | 29%  |
| Agrani               | 49666             | 81%  | 115284                | 19%  |
| Rupali               | 6454              | 32%  | 13755                 | 68%  |

iv. Views on Savings Volume

The views of outlet incharge on the volume of savings of their respective model was sought. 73% of the outlets surveyed expressed their dissatisfaction whereas only 27% felt that the situation is acceptable. The institution wise position is given in the table below.

Table - 6Impression about savings volume

| <u>Name of Institutions</u> | <u>Number of outlets</u> | <u>Satisfactory</u> | <u>Unsatisfactory</u> |
|-----------------------------|--------------------------|---------------------|-----------------------|
| Agrani                      | 2                        | 1                   | 1                     |
| Sonali                      | 3                        | -                   | 3                     |
| Pubali                      | 2                        | 1                   | 1                     |
| Rupali                      | 2                        | -                   | 2                     |
| Janata                      | 2                        | 1                   | 1                     |
| Uttara                      | 2                        | -                   | 2                     |
| BKB                         | 3                        | -                   | 3                     |
| BSBL                        | 3                        | -                   | 3                     |
| IRDP                        | 3                        | 3                   | -                     |

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Chapter Nine

**I Women Borrower**

The overall percentage of the women borrowers to total borrowers recorded an increase of less than one percent in all institutions except Agrani (1.50%) and the percentage for BKB, IRDP and BSBL have decreased while Rupali did not show any change in March 1982 compared to September 1981 which has been shown in the Table - 1.

Table - 1

Comparative % of Women borrowers to total borrowers between sept. 30, 1981 and March 31, 1982

| Instituions   | Sept. 30, 1981 | March 31, 1982 | % change<br>Increase/<br>(Decrease) |
|---------------|----------------|----------------|-------------------------------------|
| BKB           | 4.3            | 3.6            | (.70)                               |
| Agrani        | 5.7            | 7.2            | 1.50                                |
| <b>Sonali</b> | 2.5            | 3.0            | .50                                 |
| Pubali        | 2.3            | 2.8            | .50                                 |
| Rupali        | 4.1            | 4.1            | -                                   |
| Janata        | 3.2            | 3.5            | ..30                                |
| Uttara        | 4.4            | 4.8            | .40                                 |
| IRDP          | 10.5           | 8.6            | (1.9)                               |
| BSBL          | 3.4            | 2.7            | .70                                 |
|               | (4.48)         | (4.48)         |                                     |

The average percentage of women borrowers to total borrowers has remained the same at 4.48% in both the periods.

Women Borrowers By Outlets

The number of women borrowers and their percentage to target borrowers in the surveyed outlets vary significantly from one institution to another. The following table shows that on an average BKB covered the highest 137 women borrowers per outlet with 11.63% of the target borrowers while BSBL has covered only 2 women borrowers per outlet with the lowest coverage of less than one percent of the target borrower.

Table - 2

Average number of women Borrowers and their percentages to target Borrower

| Institutions | No. of women borrowers | % to target borrowers |
|--------------|------------------------|-----------------------|
| Sonali       | 56.33                  | 8.14                  |
| BKB          | 137                    | 11.63                 |
| IRDP         | 23                     | 8.52                  |
| Rupali       | 5                      | 1.73                  |
| Agrani       | 20.5                   | 3.88                  |
| Uttara       | 10                     | 5.19                  |
| Janata       | 4                      | 3.94                  |
| Pubali       | 23                     | 4.10                  |
| BSBL         | 2                      | .57                   |

A Comparison

The 1st institutional survey covered 26 outlets, 3 from each institution except BSBL, where 2 outlets were covered and no women borrower was recorded. The present survey covered 22 outlets. Therefore a comparison between the two surveys may not be justified. Nevertheless a comparative picture of the women borrowers is presented in Table I which shows that the percentages of Rupali, Agrani and Uttara have decreased by 86.49, 26.79 and 4.76 while those of the other institutions except BSBL have increased. BSBL's figure was not available for inclusion in -the report.

Table - I

Women Borrowers from  
Sept. 30, 1981 to March 31, 1982

| Institutions | Sept. 30, 1981<br>No | March 31, 1982<br>No | Percentage<br>Increase/(Decrease) |
|--------------|----------------------|----------------------|-----------------------------------|
| BKB          | 106                  | 411                  | 287.74                            |
| Agrani       | 56                   | 41                   | (26.79)                           |
| Sonali       | 69                   | 169                  | 144.93                            |
| Pubali       | 29                   | 46                   | 58.62                             |
| Rupali       | 74                   | 10                   | (86.48)                           |
| Janata       | 35                   | 8                    | (91.43)                           |
| Uttara       | 21                   | 20                   | ( 4.76)                           |
| IRDP         | 89                   | 71                   | (20.22)                           |
| BSBL         | -                    | 4                    | -                                 |
| <b>Total</b> | <b>479</b>           | <b>780</b>           | <b>73.28</b>                      |

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## Chapter Ten

### Training, Education and Salary of Officers and Staff of RFEP outlets

#### I . Training

Training is a vital aspect of managerial control and is accepted as a successful way of reducing accidents and waste and increasing quality in any field. There is an ever present need in every field for on-the-job training to meet the changing techniques or to improve old methods which with time become obsolete. In banking also, new employees need to be trained in banking procedures and policies even though they may be experienced in the particular task or area of operation they are engaged in.

There remains the problems of adjusting to changing social conditions and consultative supervision, arising out of various attempts to make banking democracy really work. Careful training and education in the fundamental principles and objectives as well as necessary orientation for motivating the entire organisation are necessary to cope the increasing demands. One must avoid looking at training as an activity which is divorced from all the other personnel or managerial activities. It must be viewed as an integral part of the whole management program, with all its many activities functionally inter-related.

The advantages of training are manifold. Employees for example, feel that they are working with and not for the higher authority. Similarly, (1) the supervisor gets the benefit of the individual experience and training (2) officers and staff get a chance to sound their worth (3) it develops the individual's initiative and self reliance and his confidence in the bank (4) it builds up the individual's self respect and his willingness to co-operate. (5) the officers can get to know the employees better and understand his own attitudes and feelings towards them.

i. Training at different participating Institutions

The nine different institutions participating in the Rural Finance Experimental Project have their different training methods and supervision practices. The status of training and supervision of different institutions is presented in the following table:

Table - 1

Status of training & supervision of  
different institutions

| <u>Institu-<br/>tions</u> | <u>Supervision<br/>of outlets<br/>from head<br/>quarter</u> | <u>Training of officer<br/>Year of training<br/>period</u> | <u>Training of staff<br/>Year of training<br/>period</u> |
|---------------------------|---|--|--|
| Sonali                    | Once in every<br>three months                               | Once every year  | 1979, 80, 81   |
| Agrani                    | Regular visit<br>by the P.O.                                | 1980, 81, 82   | 1979, 80, 81, 82   |
| Uttara                    | Once in a month   | 1981   | 1981   |
| Pubali                    | Once in three<br>months                                     | 1979   | 1979   |
| Rupali                    | Regularly   | Two times  | Three times  |
| BKB                       | 3 to 5 outlets<br>per month                                 | Once in a year   | 1979, 80, 81   |
| Janata                    | Each outlet once<br>in every 3 months                       | Training provided<br>acco rding to need                    | 1980, 81   |
| IRDP                      | 4 times in a<br>month                                       | Continuous weekly<br>training                              | 1982   |
| BSBL                      |   | Time to time   | 1981   |

Source: Institutional Survey, Head Office of PI's and Survey  
questionnaire for twenty two outlets.

Sonali

The table shows that periodical training at Sonali Bank in collaboration with RFEP takes place once a year and is considered adequate for the credit officers. The members of the staff appear to have understood their job. Sonali Bank has its own self-evaluation plan and is conducting periodical field visits with definite objectives. Training has been given to the outlets staff in the years 1979, 80, and 81, each time for two week's duration, at Sonali Bank staff college in job and field training, motivation orientation and administration, credit mobilization, organization of credit management etc. This has been shown in the subsequent tables.

Uttara:

Uttara Bank's training is adequate and the credit officers have understood their job. Training along with courses and orientation training were given to branch managers and loan officers. Regarding self-evaluation, Uttara project officers regularly visit the project site and hold discussions with the borrowers and lending officials.

BKB

The training given by Bangladesh Krishi Bank is very good and the loan and credit officers also have understood their job. BKB initially opted for orientation training but has since been conducting once a year training of loan officers as well as seminars and workshops for branch managers. BKB has its own self-evaluation plan, which is designed by BKB research cell and run by the deputy general manager.

Agrani

The Agrani Bank RFEP training program began in November 1979 with a five day orientation session to introduce managers, loan officers, regional managers and agricultural credit officers to the Agrani model and to train the staff in carrying out their duties. In July 1980, a two day refresher course was conducted for the regional managers, branch managers and loan officers to review the program and problems of the project. Branch managers were called together in January 1981 for a

two week training program to improve the performance of the field staff in loan disbursement and collection. A similar training was held in February 1981, and January 1982 at the Agrani Bank Training Institute, Dacca. The training covered orientation training model description, operational guidelines and review of performance.

### Pubali

Pubali Bank's RFEP training program has consisted of a small three day orientation course for loan officers. The course covered the objectives of the RFEP and the procedures for meeting the objectives. Training in aspects of general agriculture, project implementation, orientation and half yearly self evaluation plan was conducted at the Pubali training institute as well as in the field. Training given to Pubali staff is however not adequate. It is suggested that project officials be trained at least quarterly at the head office and subsequently in the field. Officials may also be sent abroad for higher training.

### IRDP

Integrated rural development program has given adequate training to its officers and staff which included evaluation, extension, accounting problems and orientation. The credit officers have understood their job. Weekly training is also given to loan officers and KSS managers. The IRDP self evaluation plan is executed through cross suggestions and net communication system.

### BSBL

The BSBL training program was initiated in August 1978 with a six day course for KSS Managers, Assistant Loan Officers and loan supervisors. The subjects discussed included the aims and objectives of the RFEP and the procedures for meeting these objectives.

Refereshar courses on the same topics were given in January and November 1979 and September and December 1981 for one week each time

at the head office. Short specialized courses were also given to loan officers and supervisors on (a) preparation of loan requirement (b) disbursement and recovery of loan and (c) writing of account. An orientation training was given in the initial stage. Training of loan officers is given from time to time at the head office. Executive Officers are also trained as needed. The training given to BSBL staff members is adequate and the credit officers have understood their job. Provision for self evaluation has been made in the model.

### Janata

The Janata Bank RFEF training program was initiated in 1979 with a four day session and in 1980 and 1981 sessions of 1 and 15 days respectively were held on credit related activities, orientation and practical field related matters for both branch managers and rural credit officers. A refresher course on the same topics was given in January 1981 at the Janata Bank Training Institute and at the Institute of Bank Management. Janata has its own self evaluation cell which has however not yet been fully implemented.

### Rupali

At Rupali the training given is adequate and the credit officers have understood their job. Rupali had a plan of self-evaluation but owing to a shortage of manpower adequate evaluation has not yet been made. Two training courses at Head Quarter and one at field level were also undertaken. Training has been given to outlet staff thrice for 3-5 days duration at the Rupali Bank Training Institute and also in the field. The training covered orientation courses, mode of operation and practical experiences.

In analysing all the above institutions we have tried to find out some similarities as well as differences in the plans and modes of their training based on the Head Quarter and outlet survey questionnaire.

To sum up, Rupali, Janata, Uttara, BKB, BSBL and Sonali Bank seem to have taken scientific and innovative approaches. Krishi, Sonali, Janata, Rupali, Uttara remain the dominant institutions regarding training to reach more optimistic self-financing goals. Special attention must be given to training, as without proper training the objectives and aims of the project will be extremely difficult to achieve.

ii. Training by outlet: Period, duration and Venue:

The outlet incharges in most of the cases have undergone training.

The training period, duration and venue of different outlets have been shown in the following table:

Table - 2

TRAINING PERIOD, DURATION AND VENUE OF DIFFERENT OUTLETS

| Name of Institutions | Name of outlets            | Period of training              | Duration of training | Training place |
|----------------------|----------------------------|---------------------------------|----------------------|----------------|
| 1. Sonali            | 1. Court Building-Rajshahi | Feb. 1980                       | 10 days              | Dacca          |
|                      | 2. Jingtatali-Comilla      | April, 79 to Nov. '81, Feb. '82 | 50 days              | Dacca          |
|                      | 3. Sundarpur-Dinajpur      | February 82                     | 7 days               | Dacca          |
| 2. Rupali            | 1. Kakonhat-Rajshahi       | Sept. 80 & Feb. 82              | 11 days              | Dacca          |
|                      | 2. Khanshat-Chittagong     | February 82                     | 7 days               | Dacca          |
| 3. IRDP              | 1. Babuganj-Barisal        | 1979 & 80                       | 7 days               | Dacca          |
|                      | 2. Natore-Rajshahi         | 1980 & 81                       | 4 days               | Dacca & Bogra  |
|                      | 3. Chauddagram-Comilla     | X                               | X                    | X              |
| 4. Agrani            | 1. Cadet College-Mirzapur  | February 80                     | 7 days               | Dacca          |
|                      | 2. Bhatra-Bogra            | 1979, 80 & 82                   | 14 days              | Dacca          |

(Continued table - 2 )

| Name of Institutions | Name of outlets         | Period of training | Duration of training | Training place         |
|----------------------|-------------------------|--------------------|----------------------|------------------------|
| 5. BSBL              | 1. Batazor-Barisal      | Sept. 79           | 7 days               | Dacca                  |
|                      | 2. Taltoli-Barisal      | 1979 & 81          | 5 days               | Khulna & Dacca         |
|                      | 3. Ghatail-Tangail      | 1978 & 80          | 10 days              | Dacca                  |
| 6. BKB               | 1. Kotwali-Faridpur     | Sept. 78 & Dec. 81 | 12 days              | Dacca                  |
|                      | 2. Paba-Rajshahi        | Sept. 78 & Dec. 81 | 14 days              | Dacca                  |
|                      | 3. Sundharam-Noakhali   | Sept. 78 & Dec. 81 | 14 days              | Dacca                  |
| 7. Pubali            | 1. Ellanga-Tangail      | 1980               | 11 days              | Dacca                  |
|                      | 2. Satihat-Rajshahi     | March 79           | 3 days               | Dacca                  |
| 8. Uttara            | 1. Kotwali-Mymensingh   | February 79        | 7 days               | Dacca                  |
|                      | 2. Feni-Noakhali        | 1979, 80           | 5 days               | Dacca & Chittagong     |
| 9. Janata            | 1. Banerwar-Rajshahi    | 1981               | 26 days              | Bogra, Dacca & Jessore |
|                      | 2. Sitakundu-Chittagong | July 1981          | 4 days               | Dacca - Jessore        |

iii. Content of Training

has been

The content of Training in different outlets / presented in the following table (3) which is self explanatory

Table - 3CONTENT OF TRAINING BY DIFFERENT OUTLETS

| Name of Institutions | Name of outlets            | Content  |
|----------------------|----------------------------|--|
| 1. Sonali            | 1. Court Building-Rajshahi | 1.(a) Target group identification, work supervision & motivation |

## (Continued Table - 3)

| Name of Institutions | Name of outlets           | Content   |
|----------------------|---------------------------|---|
| 2. Rupali            | 2. Jinglatali-Comilla     | 2.(a) Loan disbursement<br>(b) Co-ordination & as above                                       |
|                      | 3. Sundarpur-Dinajpur     | 3.(a) Primary Knowledge of RFEP   |
|                      | 1. Kakonhat-Rajshahi      | 1.(a) Various types<br>(b) Method of disbursement, objective result and analysis.             |
| 3. IRDP              | 2. Khanshat-Chittagong    | 2.(a) About various methods of RFEP<br>(b) Village Agent Models & finances.                   |
|                      | 1. Babuganj-Barisal       | 1.(a) Account<br>(b) T.G. definition, orientation and purpose etc.                            |
|                      | 2. Natore-Rajshahi        | 2.(a) T.G. identification<br>(b) Loan processing<br>(c) Loan supervision & ledger maintenance |
| 4. Agrani            | 3. Chuaddagram-Comilla    | X X   |
|                      | 1. Cadet College-Mirzapur | 1.(a) Orientation & Motivation  |
|                      | 2. Bhatra-Bogra           | 2.(a) Agriculture & small farmers credit<br>(b) Bankers advance on rural credit               |
| 5. BSBL              | 1. Batazor-Barisal        | 1.(a) Purpose of RFEP<br>(b) T.G. definition & orientation                                    |
|                      | 2. Taltoli-Barisal        | 2.(a) Overall RFEP.   |
|                      | 3. Ghatail-Tangail        | 3.(a) Determination of T.G.<br>(b) Loan processing<br>(c) Accounts maintenance.               |
| 6. B K B             | 1. Kotwali-Faridpur       | 1.(a) Orientation & purpose of RFEP<br>(b) Official procedure of the project                  |
|                      | 2. Paba-Rajshahi          | 2.(a) Plan programme of RFEP & their implementation   |
|                      | 3. Sudharam-Noakhali      | X X   |
| 7. Pubali            | 1. Ellanga-Tangail        | 1.(a) T.G. identification, modification & ledger maintenance                                  |
|                      | 2. Satihat-Rajshahi       | 2.(a) Accounting system management  |
| 8. Uttara            | 1. Kotwali-Mymensingh     | 1.(a) Group formation<br>(b) Operation of RFEP loans  |
|                      | 2. Feni-Noakhali          | 2.(a) Methods of solving various outlets problems   |
| 9. Janata            | 1. Banesar-Rajshahi       | 1.(a) RFEP credit programme   |
|                      | 2. Sitakundu-Chittagong   | 2.(a) Different topics of RFEP scheme<br>(b) Functions of RFEP staff                          |

iv . Training frequency of outlets incharge

The average number of training for each of the institutions is given below. It appears from the table that almost all the outlets in-charge were exposed to formal training at least on one occasion. The outlet incharge of Uttara bank was sent for training on an average of 3.5 times. The frequency of training apparently does not have any relevance towards profitability of the outlets.

Table - 4Average Training frequency of outlets incharge

| <u>Institution</u> s | <u>Frequency</u> |
|----------------------|------------------|
| Sonali               | 2                |
| BKB                  | 1                |
| IRDP                 | 1                |
| Rupali               | 2                |
| Agrani               | 1.5              |
| Uttara               | 3.5              |
| Janata               | 2                |
| Pubali               | 1.5              |
| BSBL                 | 1.7              |

v . Training of Other Staff

Like the incharge of outlets, other staff of the RFEP branches were trained regarding the operational aspects of RFEP. Like the officers the duration and frequency of their training was different from institution to institution. However, all the institutions, more or less, have imparted training to their staff. The training frequency for the staff of Rupali, on an average, was 2 followed by Sonali with 1.66 times. The table below gives the detail:

Table - 5Average Training frequency of staff of outlets

| <u>Institutions</u> | <u>Frequency</u> |
|---------------------|------------------|
| Sonali              | 1.66             |
| BKB                 | 1                |
| IRDP                | 1.5              |
| Rupali              | 2                |
| Agrani              | 1                |
| Uttara              | -                |
| Janata              | 1                |
| Pubali              | .5               |
| BSBL                | -                |

II . Salary Structure of the Outlets incharge

The outlets surveyed have showed wide variation in the salary structure of the incharge. This has contributed to the variation of operating cost, and therefore to the profitability of each of the outlets. From the table below it can be seen that the average monthly salary of the in-charge of Pubali was <sup>as</sup> high as taka 1601.50 followed by Agrani with taka 1497.50 perm month. The lowest salary of an in-charge was given by Sonali which was only Tk. 614.33 per month.

Table - 6Average monthly salary of the outlet in-charge

| <u>Institutions</u> | <u>Amount in Tk.</u> |
|---------------------|----------------------|
| Sonali              | 614.33               |
| BKB                 | 1385.66              |
| IRDP                | 943.33               |
| Rupali              | 1050.00              |
| Agrani              | 1497.50              |
| Uttara              | 927.50               |
| Janata              | 1024.00              |
| Pubali              | 1601.50              |
| BSBL                | 1078.00              |

Salary of Other Staff

Like the salary of the RFEP outlets incharge, a significant variation in the salary of the staff is also observed. The average salary of BKB staff is as high as Tk. 876.16 followed by Tk.833.75 for Rupali. The average salary of an IRDP staff is 563.34 followed by 566.76 for Sonali from <sup>the</sup> lower side. Details are given in the table below.

Table - 7

Average monthly salary of staff member at the  
outlet level

| <u>Institutions</u> | <u>Salary in Tk.</u> |
|---------------------|----------------------|
| Sonali              | 566.76               |
| Krishi              | 876.16               |
| IRDP                | 565.34               |
| Rupali              | 833.75               |
| Agrani              | 748.75               |
| Uttara              | -                    |
| Janata              | 780.00               |
| Pubali              | 624.00               |
| BSBL                | -                    |

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the

III• Education of/Officers in-charge

The survey of the 22 outlets reveals that 50% of the RFEP in-charge <sup>have</sup> have bachelor degrees, 27.3% have masters degrees and the rest/<sup>have</sup> varying educational background mostly of the SSC and HSC level. The 2 branches of Janata under survey are headed by officers having master degrees. None of the officers in-charge of Uttara has

a bachelor degree. All the officers incharge of BSBL and Pubali outlets have graduation degree. However, the level of education, it appears, has no relevance to the profitability of any outlet. Details are presented below:

Table - 8  
Average educational qualification of outlet incharge

| Institutions | Below graduation | Graduation | Masters |
|--------------|------------------|------------|---------|
| 1. Sonali    | 67%              | 33%        | -       |
| 2. BKB       | -                | 67%        | 33%     |
| 3. IRDP      | 33%              | 33%        | 33%     |
| 4. Rupali    | -                | 50%        | 50%     |
| 5. Agrani    | -                | 50%        | 50%     |
| 6. Uttara    | 100%             | -          | -       |
| 7. Janata    | -                | -          | 100%    |
| 8. Pubali    | -                | 100%       | -       |
| 9. BSBL      | -                | 100%       | -       |

IV . Strength of the Staff of different Institutions

The staff strength of different institution's head quarter is presented in Table- 9 while the average staff strength of the surveyed outlets is given in Table - 10.

Table - 9NUMBER OF OFFICERS BY DIFFERENT INSTITUTIONS

| Institu-<br>tions | Full time              |                     | Part time              |                     |
|-------------------|------------------------|---------------------|------------------------|---------------------|
|                   | <u>No. of Officers</u> | <u>No. of Staff</u> | <u>No. of Officers</u> | <u>No. of Staff</u> |
| Sonali            | 2                      | 5                   | 1                      | -                   |
| Agrani            | 1                      | 1                   | 1                      | -                   |
| Uttara            | 1                      | -                   | -                      | -                   |
| Pubali            | 1                      | 1                   | 1                      | 1                   |
| Rupali            | 1                      | -                   | -                      | 1                   |
| BKB               | 2                      | 1                   | -                      | -                   |
| Janata            | 1                      | 1                   | 2                      | -                   |
| IRDP              | ✓                      | -                   | 1                      | 1                   |
| BSBL              | 2                      | -                   | -                      | -                   |

Table - 10Average number of staff employed in each of the outlets

| <u>Institutions</u> | <u>Number</u> |
|---------------------|---------------|
| Sonali              | 3.66          |
| BKB                 | 2             |
| IRDP                | 1.66          |
| Rupali              | 2             |
| Agrani              | 3             |
| Uttara              | -             |
| Janata              | 1             |
| Pubali              | 2             |
| BSBL                | -             |

A wide variation is observed in case of the non-officer staff from institution to institution. The above table presents a picture of the average number of staff employed at each of the outlets of different lending institutions. Sonali is seen to have a big staff of 3.66 for each outlet while Uttara and BSBL have no staff provided at their outlets.

i. The average length of service of outlets incharge

The average length of service of outlets incharge is 2 years 8 months. BKB in-charge has the highest length of service with 3 years 8 months followed by Pubali and Uttara with 3 years 7 months and 3 years 3 months respectively. Rupali in-charge has the lowest service length in the outlet followed by Janata and Sonali. Details are given in Table 11.

Table - 11

Average Length of service of outlet-incharges

|        |                   |
|--------|-------------------|
| Sonali | 2 years 1 month   |
| BKB    | 3 " 8 months      |
| IRDP   | 2 " 6 months      |
| Rupali | 1 year 5 months   |
| Agrani | 2 years 10 months |
| Uttara | 3 years 3 months  |
| Janata | 2 years 1 month   |
| Pubali | 3 " 7 months      |
| BSEL   | 2 years 3 months  |

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v. Supervision and Related issues

Both the head office and outlet RFEP officials were asked about their impression of the supervision of the officials from the head offices and Regional Offices. 91% of the head office officials and 82% of outlet officials expressed their satisfaction regarding the visits.

The table given below shows in average the number of days in a week the in-charge of the outlet visits the borrowers. From the table it can be seen that the incharge of Sonali visits the borrowers' location on an average of 5 days a week. On the other hand BSBL officials visit the borrowers location only 1.67% days a week.

Table - 12

Frequency of visit of the outlet incharge  
to the borrowers location

| Name of the Institutions | Days per week |
|--------------------------|---------------|
| Agrani                   | 3.5           |
| Janata                   | 4.5           |
| Uttara                   | 4             |
| Sonali                   | 5             |
| Rupali                   | 3             |
| Pubali                   | 3             |
| BKB                      | 4.7           |
| BSBL                     | 1.7           |
| IRDP                     | 1.3           |

The visits were mainly meant for collection of loans, motivation and other related works. The results indicate that in 41% cases visits were made for collection of loans and in 40% cases for motivation. Only in 19% cases the visits were for other related works.

1. Problems of the borrowers:

Problems faced by the borrowers as viewed by the outlets in-charge have been taken into consideration in the survey. The outlets in-charge in 18% cases consider that the borrowers faced problems in the repayment

schedule and in 8% cases consider the higher rate of interest factor as a problem of the borrowers. The remaining percentage represents problems relating to the dependency on nature, total resources constraint problem, loan ceilings, non-availability of loan in time, inadequacy of loans etc.

ii. Problems faced by the outlets incharge

When the outlets in-charge were asked to specify the major problems they face in implimentating the project, 15% of the outlets incharge consider high rate of interest and 27% consider the shortage of staff as their major problems. About 6% of the respondents say that repayment schedule is un-realistic and consider it to be a major problem.

Though all the outlet officials covered under the survey are of the opinion that they have certain problems in the implementation of the project only 32% of the outlets so far have taken any action to redress these problem which include writing to the Head Office and taking certain measures at local levels. The remaining 68% of the outlets have not taken any action whatsoever for resolving the problems. The outlets that have initiated proposals for the solution of the problems have received positive result only in 14% cases. In 86% cases, there was no action from the competent authority.

All the outlets without any exception held regular meetings of relevant people to discuss the problems regarding implementation of the project with positive results. Such outlet officials receive guidance and directions from their respective Regional and Head offices.