FINAL REPORT
RURAL FINANCE PROJECT

Agricultural Credit Department
Bangladesh Bank

US AID Project No 388-0037

VOLUME I
MAIN REPORT

Prepared by

Robert R. Nathan Associates, Inc
Washington, D.C.

with

National Council of Savings Institutions
Washington, D.C.

and

S.F. Ahmed & Co
Dhaka, Bangladesh

SEPTEMBER 1986

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September 1986

August 28, 1986

Mr. Kamal Uddin Ahmed
General Manager
Agricultural Credit Department
Bangladesh Bank
Dhaka.

Subject: Rural Finance Project Final Report

Dear Sir:

This report represents an executive summary of the detailed studies prepared by expatriate and local consultants during the twenty-three month course of the RFP program. From these summaries and underlying detailed reports, we draw together our findings in regard to the major areas we were contractually obligated to examine. We also present a series of recommendations which, if implemented, we feel would increase the overall efficiency and effectiveness of the rural finance sector in Bangladesh. Finally,as an Appendix to this report we present the initial findings of our Rural Branch and Branch Users Survey.

We wish to express our sincere appreciation to you and to your staff for their cooperation and assistance. We hope in return that our study reports and technical assistance provided to the Bangladesh Bank and other parts of your Government will lead to continued success in mobilizing rural savings and applying them to productive undertakings.

Yours truly,

J. W. Fay (for)
James W. Fay
VICE PRESIDENT
Robert R. Nathan Associates.

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GLOSSARY

ACD (also ACD/BB)	Agricultural Credit Department, Bangladesh Bank
ADB	Asian Development Bank
BB	Bangladesh Bank
BCD/BB	Banking Control Division
BCD	Bearer Certificate of Deposit
BCO	Banking Companies Ordinance
BIBM	Bangladesh Institute of Bank Management
BKB	Bangladesh Krishi Bank
BTI	Bank Training Institutes
CMLA	Chief Martial Law Administrator
CSACS	Contract Savings and Credit Scheme
DPS	Deposit Pension Scheme
D/NCB	Denationalized Commercial Bank
EDBNP	Executive Director for Bank National Programs
FSR	Financial Sector Review
GOB	Government of Bangladesh
GDP	Gross Domestic Product
GNP	Gross National Product
IG	Inspector General of Police
MBF	Mobile Banking Facility
MIS	Management Information System
NCBs	Nationalized Commercial Banks
NCILR	National Committee to Improve Loan Repayment
NCSI	National Council of Saving Institutions
NSD	National Savings Directorate
POSB	Post Office Saving Bank
RBB	Rural Branch Banks
RBBUS	Rural Bank and Bank Users Survey
RFA	Rural Field Assistants
RFEP	Rural Finance Experimental Project
RFP	Rural Finance Project
SACP	Special Agricultural Credit Program
SBP	Small Borrower Program
USAID	United States Agency for International Development
UACC	Union Agricultural Credit Committee

Chapter I

INTRODUCTION

The Rural Finance Project (RFP) began in October, 1984 and continued through September, 1986. During this entire period Dr. Lincoln Armstrong resided in Bangladesh and provided overall project direction and guidance. In addition, expatriate and local Consultants specializing in economics, finance, statistics, accounting, banking and banker training spent varying lengths of time studying and preparing special reports. As a consequence of these efforts a total of 20 detailed reports have been prepared covering five major elements of the RFP:

A. Savings Mobilization
B. Loan Recovery
C. Training and Institutional Development
D. Accounting and Management Information Systems
E. Data Collection and Project Evaluation

Table 1 provides a list of the reports prepared under the Rural Finance Project by RRNA and its sub-contractors. In addition to these detailed reports a number of working papers, memos and other documents were prepared. These have been distributed as appropriate for comment and review. In making our findings and recommendations we draw on not only the formal reports but also our other documents plus meetings and discussions held over the course of the project.

TABLE 1

Report No.	Rural Finance Project REPORT TITLES	SUBJECT AREA Savings Mobilization	Loan Recovery	Training & Institutional Development	Accounting & Management Information Systems	Data Collection & Project Evaluation
1	Household Saving and Borrowing Patterns in Rural Bangladesh	x	x			
2	Rural Savings Potential	x				
3	Savings Mobilization Schemes of the Bangladesh Bank	x				
4	Bank Savings Constraints and Restrictions	x		x		
5	Savings Mobilization in Bangladesh: A Preliminary Overview	x				
6	Comprehensive Savings Mobilization Action Planning	x				
7	Mobile Banking Facilities	x	x	x		
8	Contract Savings and Credit Scheme	x	x			
9	Status of National Savings Schemes	x		x		
10	Action Plan to Improve Loan Repayment		x			
11	Legal Aspects of Rural Banking Problems		x	x		
12	Rural Lending Efficiency		x		x	
13	Rural Bank Branch Licensing Policies			x		
14	Rural Credit Course Outlines and Notes for Rural Bank Managers			x		
15	Management & Supervision Course Outline & Notes			x		
16	Bangladesh Bank - Its Organization, Management and Functions as a Central Bank			x		
17	Issues in Rural Bank Accounting and Financial Reporting Systems				x	
18	Monitoring Extension and Recovery of Rural Bank Credit		x		x	
19	Financial Sector Review					x
20	Rural Bank and Bank Users Survey					x

X indicates the areas of emphasis of the report.

Chapter II

BACKGROUND

The RFP Project represents an effort on behalf of a major bilateral donor to assist the Government of Bangladesh(GOB) in meeting the demands for agricultural credit so as to improve the quality of life in the rural sector. The RFP in part represents a follow-on project to the AID Rural Finance Experimental Project (388-0025) which demonstrated, "inter alia", that higher interest rates both for loans and for savings accounts would be appropriate policy tools for generating savings in the rural sector and would, thereby,provide funds for agricultural credit.

AID made a grant of $75 million to the Government of Bangladesh to be used for agricultural credit. These funds were disbursed in three basically equal tranches in 1983, 1984 and 1985. Approximately 96 percent of the grant funds went to the Bangladesh Bank for on-lending to financial institutions having branches in the rural sector. The balance (i.e. 4%) provided for technical assistance to the Bangladesh Bank to help in (1) preparing saving mobilization and loan recovery plans, (2) preparing and implementing training programs, (3) conducting special studies including field surveys, and (4) making recommendations for policy and procedural changes affecting the rural banking sector.

The Agricultural Credit Department (ACD) of the Bangladesh Bank (BB) managed the RFP. Under the direction of the General Manager of the ACD, the prime contractor, Robert R. Nathan Associates, Inc. together with the National Council of Savings Institutions and the Bangladesh firm of S.F. Ahmed and Company (hereafter referred to as the Consultants) provided

a total of 68 person months of expatriate and 82 person months of local professional consultant time inputs. Apart from the Project Manager, who resided in Bangladesh during the full course of the Project, these consultants spent varying periods of time in Bangladesh working on the project in accord with the original technical proposal prepared by the Consultants in March,1984.

In terms of effort the largest share of expatriate time input was devoted to savings mobilization and loan recovery issues. Conversely, the largest single allocation of local professional time input was in regard to the undertaking of the Rural Branch and Bank Users Survey (RBBUS), a comprehensive field survey of 100 rural branch banks and 1500 rural households (plus some other entities).

Initially, it was believed possible to limit field surveying to a limited marketing research study and a borrowers' attitude survey. However, once it became clear that: (1) no disaggregated data existed on rural branch banks; (2) no aggregate data were available on loan recovery; and (3) knowledge of factors influencing household savings and borrowing functions was necessary and desirable, it was agreed to significantly expand the field survey component of the RFP. Now that the RBBUS has yielded so much data (over a million records) a Phase II has been added to the RFP. Phase II will focus on analysis of these data for additional useful information and the development of sophisticated econometric analysis in order to prepare predictive models of the potential impact of new agricultural credit programs.

Chapter III

SUMMARIES OF STUDIES UNDERTAKEN

A. Rural Savings Mobilization

Together with the issue of loan recovery, the major thrust of the RFP project has been concentrated on issues related to savings mobilization in the rural sector. During the last 23 months the Consultants have prepared nine reports dealing directly with various aspects of savings mobilization while many of the other reports have also dealt in part with issues that affect savings (e.g. Legal Aspects Report).

In general, trends in savings in the rural sector have been very positive in recent years. Deposits in rural banks have grown from 85.7 crore in 1975 to over 1,936 crore by 1985. The number of deposit accounts have increased from around 1.5 million in 1977 to nearly 7 million by 1985. Much of this growth in rural savings deposits can be attributed to the fact that the number of rural branch banks has increased four-fold between 1976 and 1985. But just as significant has been the fact that deposits per branch have also increased by more than four times during the same period.

Thus the emphasis of the studies undertaken by the RFP Consultants have been directed towards gaining a better understanding of what motivates savings in the rural economy of Bangladesh so that changes or modifications to existing savings program and policies could be recommended in order to continue the momentum that has been observed in Bangladesh in recent years.

The reason that savings mobilization is considered to be so vital to Bangladesh's development is founded on a basic tenant of economics that saving equals investment (S=I). Since there

is universal agreement that the only way to increase agricultural yields is mainly through the application of more factor inputs to Bangladesh's fixed supply of land, the need for more investment in the rural sector is clearly understood. Mobilizing additional savings, rural as well as urban, will assist greatly in the process of providing for the necessary investments.

Within the framework of recent trends in the rural economy the Consultants undertook sociological, economic, and operational studies pertaining to various aspects of savings mobilization. Detailed reports on these studies have been submitted to the Bangladesh Bank and USAID/Dhaka. Following are summaries of these reports:

1. Household Saving and Borrowing Patterns in Rural Bangladesh
A report by the RFP team's sociologist working in conjunction with a Bangladeshi sociologist. In light of overall RFP concern for determination of policies and strategies to make rural banks more self-financing, the role of savings mobilization in rural areas is considered of primary importance along with the role of credit disbursement and loan recovery. Prior to undertaking empirically oriented and quantitatively rigorous field surveys, it was considered necessary to make an "exploratory situational analysis" of the environment of rural banking. This report identified many factors and variables which influence or reflect rural borrowing and savings behavior.

The objectives of the study were three-fold:

a) To identify and describe prevalent rural household financial management patterns.

b) To observe and assess respondent perception of the usefulness of alternative savings and borrowing schemes, and constraints limiting their usefulness.

c) To arrive at tentative recommendations regarding needed policy and strategic changes that might result in improved savings mobilization and loan recovery in the rural Bangladesh banking sector.

The study was carried out in six geographically unrelated rural agricultural communities. Three hundred households were investigated in depth over a period of 2½ months by six trained Bangladeshi researchers; 50 households apiece. All work was supervised by the authors who personally researched the communities in which the households were located. Their emphasis was on interviewing bankers and other local elite and influential persons.

The major findings of the study may be summarized as follows:

a) Although a substantial literature exists on rural credit in Bangladesh, very little research literature at a micro-economic level on rural savings and investment was discovered. The most useful sources identified were some of the RFEP reports.

b) The average monthly income of the study group households was Tk. 3,120 generated by 1.7 income earners per household. There appears to be a positive relationship between the rate of savings and i) income, ii) size of landholding, and iii) opportunities for investment.

c) The study population had an overall savings rate of 24% of income per household. 80% of the households save within a range of 10% to 35% of their earnings. The term "Savings" is defined by the respondents as "what is left over after basic needs are met".

d) Only 34% of rural household savings reach formal financial institutions. The respondents prefer to invest their savings where they believe higher rates of return are

obtainable than in the formal market. To the rural peasant an investment in "GI" roofing is defined as saving. At this socio-economic level, savings in the form of financial asset holdings other than cash and gold jewelry is virtually non-existent.

e) Of the respondent households 41% maintained bank accounts. The main reason given for depositing savings in banks was "safety". Awareness of other banking services, the variety of types of accounts available, interest rates, etc., is meagre at best.

f) Females make up about 6.5 percent of primary household earners, and the same proportion of secondary earners. Such earnings do not include the "personal" earnings of females which are not traditionally expected to be contributed to the general household budget, and which are very small, in any case (Tk. 124 per earner per month from livestock activities, for example). Average monthly earnings of the females were Tk. 586. Women appear to save universally, but the fact is often concealed from their husbands. However, the amount of female savings is negligible, and rarely involves the formal banking sector. Traditional social and cultural barriers militate against rural women venturing beyond their household compounds which is, of course, necessary if banking services are to be accessed.

g) Successful spontaneous private savings and loan groups were found in all six study locations. This indicates that the propensity for small group cooperative endeavour is well established in rural Bangladesh culture. Thus, the near universal failure of the formal cooperative savings and credit system is probably attributable to weak and corrupt public sector management and administration.

h) The respondents mainly require credit and/or savings for purposes such as purchase of land, house repairs and main-

tenance, education, and marriage of children. They say their requirement for agricultural loans is rarely as great as, or coincident with the amounts and kinds disbursed through the banking system. Given the relatively high rate of "real property investment type savings" discovered among the respondent households, overall dependency on formal agricultural credit appears not to be as great as generally supposed.

i) Small farmers who require crop loans are often frustrated by difficulties in obtaining formal credit from the banks on time, if at all.

j) As with the concept of savings, the distinction between expenditure and investment is blurred. A lavish wedding banquet is regarded as an investment in terms of future social and economic benefits.

k) The vast majority of financial transactions is conducted through various informal sector intermediaries rather than formal sector ones. Most of these transactions observe traditional part-cash, part-credit methods, and are based on an intricate network of reciprocal relationships.

l) Most respondents allege that bribery is commonly involved in obtaining loans from the banks. The claimed rate of such "bribery" is 10% of the loan amount but actually is between 3% and 10%. However, borrowers who command local influence receive their loans without bribery. Those who pay the bribes can least afford to do so.

m) The prevalance of politically influenced loan disbursement and pronouncements of loan repayment forgiveness are probably not improving credit discipline in the study areas.

n) The findings point to two fundamental reasons for poor loan recovery. One is the traditional lack of familiarity with financial discipline in rural society. The other is failure

to hold financially responsible those influential individuals and groups (UACCs) without whose recommendation applications are not accepted by the banks.

o) Loan repayment bears little relationship to the use to which loan funds are put. Loan utilization often differs from the use for which the loan was intended by the bank, or requested by the borrower. Particularly in the case of small farmer loans, borrowed funds are usually comingled with other household funds.

Based on these findings the report contained the following recommendations:

a) Bank publicity campaigns should emphasize the advantages of saving for the kinds of things, other than agricultural inputs, that are also important to rural Bangladeshis: buying land, building materials, livestock, business working capital.

b) Discontinue drawing up loan programs against inflated estimates of agricultural credit needs.

c) Cost effectiveness of mobilizing rural women's savings should be carefully appraised. It is doubtful that such savings are sufficient in volume to make mobilization viable. Furthermore, they may be more beneficial to the local economy managed as they are at present than if they were banked.

d) To attract rural deposits, establish flexible banking hours, publicize banking services through local fairs, and greatly increase direct banker-customer personal contacts.

e) Bring bribery, which is rampant throughout the banking system, under control. The investigators believe that top management in the banking system can control bribery by providing better staff training and supervision, rewarding honesty, and giving

enthusiastic support to observance of legitimate banking practices.

f) Bankers should encourage group borrowing and saving by improving procedures for opening accounts by spontaneous informal savings and credit groups (unions, societies, etc.).

g) Introduce commission-based demonstration recovery programs as a means to develop repayment discipline in rural Bangladesh.

h) A national study should be conducted of spontaneous savings and loan groups to assess the role such groups might play in stimulating the rural economy and to determine potentially effective means by which to institutionalize such resources.

These and other recommendations are detailed in each chapter and fully summarized at the end of the report.

2. Rural Savings Potential in Bangladesh

This report investigated the level of saving in Bangladesh, the factors that influence saving, and the rural sector's saving potential. The report is in response to RFP study objectives to research the issue of saving mobilization in the rural sector by investigating macro-economic factors which influence saving in Bangladesh, particularly in rural areas. The report lists a number of findings based on its econometric analysis of statistical data. They include:

a) Level of saving in Bangladesh: The report begins with a careful definition of the appropriate economic concept of saving and discusses the difficulty of measuring household saving in Bangladesh. The basic saving categories recognized are monetized saving which results in either purchases of

real assets or of financial assets and non-monetized saving which is directly invested in real assets. Through examination of available data on expenditures, the private saving ratio (e.g. private saving as percent of GDP) during the period 1979-81 was 6.3-7.3%. This saving rate was further divided into urban and rural and the rural private saving rate was judged to be 9.2%. A second analysis divides all Bangladesh households into four groups: urban-rich, urban-poor, rural-rich, rural-poor (15% of households in both urban and rural areas are considered rich). The 1977/78 Household Expenditure Survey is used to estimate household saving: Both poor groups have zero savings: urban rich have a saving rate of 11.9%, while the rural rich have a saving rate of 19.6%. The higher saving rate for rural areas is consistent with developing countries.

b) Factors influencing savings: The study reports on four means by which it attempted to measure the factors which influence savings:

i) Correlations of the rural private sector saving rate and the total private sector saving rate were computed. These indicated a positive correlation with rural income and with real interest rates. Correlations were essentially zero with foreign saving and real GNP.

ii) The study compared financial deepening in Bangladesh with the Asian Development Bank analysis of the impact of financial deepening on total saving in other Asian countries. This analysis indicates that there is a positive impact of financial deepening and GDP growth on saving.

iii) Estimates of deposit functions (real deposits) by district over a five year period were made. These indicated that the number of rural bank branches, gross farm product, and

adult literacy were significant explanatory variables. The conclusion from this work is that expansion of the rural branch bank system and the increase in literacy has had a significant influence on the growth of deposits. Both factors serve to reduce depositor transaction costs raising the effective return from bank deposits.

iv) Correlations were made of various saving rates (gross domestic, gross national, private sector, and financial) with interest rates and financial saving rate (broad money/GNP). The correlations are all positive. The correlations of interest rates with private saving are about .5.

c) Saving potential in Bangladesh: By saving potential is meant how the saving rate will change under different circumstances. The four conclusions in the report are:

i) Using type of household analysis, the impact of different factors on saving was investigated:

a) Poverty reduction: If poor households were reduced to 50% of the total households rather than 85% as at present, the rural saving rates would increase to 15.2% from the base level of 8.4%.

b) Forced saving: If poor households were forced to save 2% of their income, then the rural saving rates would increase to 9.5%.

c) Reduced income inequality: A more equal income distribution reduces rural saving to 6.6%. (More equal is defined as the 1963/64 East Pakistan income distribution).

d) Increased urbanization: Increasing the fraction of urban households to 25% reduced the rural saving rate slightly to 8.3%.

ii) The financial deepening model was used to investigate

the impact of growth of GDP and financial deepening over a five year period. If GNP grows at 6% and financial deepening (broad money supply divided by nominal GNP) increases by 50% ,then the total saving rate increases to 18.7% (from 2.9% at present). This includes all saving; since government saving is negative, national saving is much lower than household saving. If GNP grows at 6% but there is no financial deepening, then the saving rate increases to 8.0%. While if financial deepening increases by 50% and GNP does not grow, then the saving rate increases to 7.1%.

iii) The analysis of determinants of rural deposits indicates that reduction of transactions costs through education and increasing the number of bank branches in rural areas will increase real deposits. There are potential deposits (saving) from households which are too far away from banks or which due to illiteracy find dealing with the formal banking system too expensive or too difficult.

iv) The report reviews the role of the money lender and suggests that if there are good opportunities to purchase financial assets from the banking system, this group would switch from the money lending activity to the use of bank deposits. It is believed that high interest rates for bank deposits would attract such funds reducing the money lender's own transaction costs, and lowering the risk inherent in such lending activity.

v) Comparison of Bangladesh with other Asian countries suggests that there is scope for substantial financial deepening. Bangladesh's level of financial deepening (broad money/GDP) is 18.1% as compared to Asian countries at a similar level of development where the ratio is 26.1%.

d) Conclusions/Recommendations: The evidence in this report points conclusively to the following:

i) The household saving rate in Bangladesh is approximately 10% and is low compared to other countries; the national saving rate is, comparatively, very low due to negative Government saving. Policies favoring growth of private saving as compared with national saving should be pursued.

ii) The saving rate will increase with growth in GDP. These two effects feed off each other and represent one of the keys to increasing the development level. Other policies appear much less effective. Policies aimed at increasing GDP and, thereby, the saving rate should be given priority over other relevant policies.

iii) The Bangladesh economy has insufficient financial depth for its current level of development. This is the second key: forcing the pace of financial deepening will raise the saving rate and it is recommended that efforts in this direction be continued.

3. Savings Mobilization Schemes of the Bangladesh Bank

This report reviews the Bangladesh Bank's savings mobilization policy and its effect on the growth of bank deposits during the Second Five Year Plan (1980-85).

The major policy measures which the Bangladesh Bank has promulgated to encourage savings and mobilize them through the formal banking system fall into the following general categories:

a) Interest Rate Policy
b) Branch Bank Expansion Policy
c) Refinance Policy
d) Implementation of Special Savings Mobilization Schemes

The report indicates the manner in which the Bangladesh Bank has used these policy instruments. Regarding interest rates there was little change in the post liberation period until 1980 when there was a major shift upward in interest rates on

deposits. This change apparently had a major impact on savings mobilization as the Deposit/GDP ratio which averaged 11.8% for the 1976-80 period increased to 16.7% for the 1980-85 period. However, since 1980 little use has been made of deposit interest rates as a policy instrument.

Concerning rural branch banks, there appears to have been a policy, albeit informal, to require two rural branches be established for every urban branch license granted. As a consequence, particularly in the second part of the 1970's and continuing into the first half of the 1980s, but at a slower rate, there has been a considerable increase in the number of rural branch banks.

Similar to interest rates, the Bangladesh Bank's refinance rate has been changed very infrequently during the last ten years. Indeed the report indicates that it has not been used as a policy instrument since 1983. Whether this reflects a feeling that the rates established in 1983 still are appropriate or conversely that it is not an appropriate policy instrument is not clear.

Finally, in discussing saving mobilization schemes the report indicates that the Bangladesh Bank has actively undertaken to introduce three new schemes. These are:

a) Deposit Pension Schemes
b) Deposit Insurance Schemes
c) Bearer Certificates of Deposit Schemes

All of these Schemes seemed to have been well received, particularly the Deposit Pension Schemes. From 1983 to 1985 the number of accounts (which require a 100 Tk. minimum deposit) have increased from 130,000 to 540,000. In the same period Bearer Certificates of Deposits have increased to over 30 crore taka. Deposit Insurance Schemes meanwhile have given depositors assurance that their savings are protected (up to

60,000 taka) against bank failures.

The report concludes by making the following recommendations:

Recommendations:

a) Bangladesh Bank should control concessional refinancing facilities to the scheduled banks to a degree that does not undermine deposit mobilization while also not jeopardizing its traditional function of controlling liquidity positions of the banks. The refinance rate matrix should ensure consistent spreads between refinance and loan rates so that the objective of fixing 'slab' or different refinance rates may not be defeated.

b) The banking system should guarantee real returns on financial savings and assets.

c) Bangladesh Bank should re-establish a reasonably financed 'Banking Publicity Board' or some such technical unit to support institutional level savings mobilization and loan recovery propaganda campaigns.

d) The DPS and BCD schemes appear to be successful. Other innovations of such merit should be encouraged.

e) The BB Interest Rate Technical Unit should be: (a) strengthened appropriately in staffing and management; (b) raised organizationally to where it is located in the Central Bank where it can control the nation's monetary system on a day-to-day basis; and (c) provided the autonomy and authority to formulate and implement interest rate strategies and tactics that are consistent with GOB and Central Bank general policy guidelines.

f) The policy of fixed absolute bank savings and lending rates should be abandoned in favor of rates with flexibility within stipulated ranges which might be gradually loosened as the Banks become adept at working with market forces.

g) Positive rates and rate spreads in real terms should be adopted as a high priority of the GOB and the Central Bank.

4. Savings/Deposit Constraints and Restrictions

Its purpose was to analyse constraints and restrictions that face Rural Branch Banks (RBBs) that vitiate the scope for further increasing mobilization of rural savings. This study attempts to identify savings impediments of a more conspicuous nature as reflected in: (1) Bangladesh banking law and legal practices; (2) contemporary technical literature; and (3) preliminary findings of the RBBUS. While this examination is not exhaustive, nor is it possible to measure the impact of individual restrictions quantitatively, it is useful in providing directional guidance.

The major findings of the report may be summarized as follows:

There are five broad areas of deposit restrictions which to some extent are overlapping: (1) legal, (2) procedural, (3) institutional, (4) market, and (5) branch level operational aspects of Bangladesh banking.

Legal aspects cover restrictions which arise indirectly out of the Companies Ordinance, 1962, and the Bangladesh Bank Order, 1972. They include restrictions on: (1) opening of new bank branches, (2) shifting of location of an existing branch, (3) lending of total amount of deposit mobilized, (4) recruitment and promotion of bank employees, (5) employee training, (6) lending against fixed deposit receipts, (7) income tax on interest, and (8) the Jamuna bridge levy. It is considered that all these restrictions, while based on good intentions, nevertheless indirectly affect deposit mobilization efforts of RBBs negatively.

Procedural aspects cover restrictions relating to: (1) approval by an account holder, (2) opening of an account by an illi-

terate or a Purdanashin woman, (3) opening of an account in the name of a minor, (4) maintenance of minimum balance, (5) interest paid on deposits, (6) withdrawals from savings accounts, (7) maximum allowable account balance, (8) banking hours/days, (9) maintenance of cash in branch vault and at the branch counter. It is contemplated that many of procedural restrictions owe their origin to legal restrictions, to the banker's responsibility to prevent fraud and forgery, and to the need to maintain safety and security of depositors' money. However, a separate set of somewhat relaxed procedures might be justified for rural bank branches without foregoing basic principles of sound banking. Currently procedures are similar for both urban and rural banks.

Institutional aspects sited in the report cover restrictions which arise at head office management level and which, nevertheless, affect rural banking. These relate to:(1) number of new branch openings and selection of locations; (2) low priority given to mobilization of small savings in rural areas; (3) limited number of approved depository products; (4) fewer other banking services at rural branch level; (5) lack of effort to improve quality of RBB services to customers; (6) the major preoccupation of RBBs, namely, BB/head office program lending; (7) lack of authority of RBBs to make loans on their own; (8) aversion towards mobilization of small deposits; and (9) improper branch locations and inadequate branch furnishings. It is submitted that institutional constraints are a manifestation of overall money and banking policy of the country and of the failure of individual bank managements to emphasize rural banking, in general.

Market aspects deal with general constraints and inefficiencies of formal rural financial markets of Bangladesh which are more or less similar to those obtaining in other low income count-

ries. Legal, procedural and organisational restrictions mentioned earlier add to market imperfections. Coverage of the formal rural financial market by the RBBs has not yet been correctly assessed. Many RBBs, themselves, have not yet surveyed the potential of their respective command areas. Information about the operation of informal rural money markets, believed to be significant, is scanty. RBB officials are tied to their desks compiling a large number of routine as well as ad hoc reports and statements. As a result, the RBBs play a less significant role in the rural financial market than otherwise might be possible.

The final part of the report on deposit restrictions reviews the experience of the RBB managers. The list of their views has been compiled by scrutinizing answers to relevant RBBUS branch manager questionnaires. The constraints, internal to RBBs, range from lack of transport facilities, inadequate compensation, inadequate entertainment and publicity funds, staff shortages, to lack of proper understanding among branch officials and other employees. Some of the restrictions mentioned previously also are mentioned by the RBB managers.

Recommendations evolving from this study include the following:

a) Rural branch bank licensing should be rationalized with a specific objective of optimizing rural outreach of banking services. It is not enough to simply open and shut the branching valve. That just results in clustering of banking services in the most urbanized of rural areas. Licensing should be used to control the distribution of banking facilities and services.

b) Certain policies and regulations which, while absolutely necessary under large scale, dynamic urban banking circumstances, should be judiciously relaxed under truly rural conditions:

i) The system-wide uniform statutory reserve requirement should be considered for relaxation.

ii) Likewise, the Selective Credit Control measures should be relaxed concerning:

a) Advances against fixed deposit receipts.

b) Advances against various other investment instruments such as Government Savings Certificates, Bonds, etc.

c) Prohibition of personal loans.

iii) All banks should be provided greatly increased autonomy in matters related to selection, recruitment, training, compensation and promotion of branch employees.

c) Social innovations directed at encouraging and facilitating use of rural banking services by illiterate, Purdanashin females and other similarly disenfranchised persons should be planned and implemented such as:

i) Recruitment of specially trained bank officers.

ii) Arrangement of specialized (separate if necessary) facilities within bank branches.

iii) Accessing educational assistance of various NGOs as intermediaries between banks and potential new-to-banking clients.

d) Branch banks should be provided with a special manual of instructions on dealing with procedural rigidities which discriminate against potential depositors.

e) Rural banks should be encouraged to experiment with innovative deposit mobilization schemes, such as the Contract Savings and Credit Scheme.

5. Savings Mobilization in Bangladesh - A Preliminary Overview

This report is an initial review of saving mobilization based on RFP banking team visits to 26 rural branch banks, three district regional offices and two credit cooperatives during the early stages of the program. This report summarizes their findings and impressions. This preliminary survey of regional branch banks was also used in the preparation of the detailed questionnaire for the comprehensive Rural Branch Bank and Users Survey.

The RFP banking team conducted extensive personal interviews in making a thorough review of all the typical savings products (e.g. demand accounts, savings accounts and long term fixed deposits) offered by the rural branch banking system. Based on this review they determined that new products and services and variations on existing products could be introduced without need for extraordinary re-education of bankers or customers.

In an attempt to provide the RFP with a better appreciation of the rural branch banking system, a questionnaire matrix was developed to record the following information:

a) Branch Characteristics
b) Staff Characteristics
c) Production and Account Characteristics
d) Training Issues.

After completion of the questionnaire matrix the RFP banking team spent some time analyzing the information collected. In general, their analysis indicated that rural branch bank managers appeared to carry out savings mobilization programs when told to do so but that the sheer volume of deposit accounts (2800 per average branch) and the lack of any mechanical aids basically overwhelmed the rural branch bank staffs.

After reviewing existing savings mobilization schemes the report develops criteria for the development of potential new programs:

a) Programs must be created to appeal to the young for the future and to adults for the present.

b) The blend of programs must be of reasonable cost to keep deposit interest expense plus related program administrative expense within an acceptable level.

c) The programs must have the potential to reach new depositors as well as obtain additional funds from current depositors.

d) The programs must have appeal for branch bank managers and staff as well as for depositors.

Based on these criteria the report outlines a series of potential new savings mobilization programs and gives a brief summary of the advantages and disadvantages of each.

The report concludes with some general observations and recommendations. One concerns the GOB Bank Deposit Insurance Scheme. The RFP banking team suggests that the Bangladesh Bank use this program as leverage in an attempt to get the banks to adopt specific performance criteria. Another recommendation concerns establishment of new accounting criteria. The team believes that branch bank managers are quite capable of implementing changes in accounting procedures if given proper guidelines.

The RFP banking team also suggested that rural branches could improve their physical facilities if properly motivated in order to make them more amenable and attractive to potential customers. Finally, the team commented on the lack of confidentiality that a depositor faces in dealing with branch bank staff and which may lead to reticence in opening of deposit accounts.

6. Comprehensive Savings Mobilization Action Planning for Rural Bangladesh

This report formulates a comprehensive savings mobilization planning approach for rural Bangladesh, and lays out the framework for such a plan. First, the report establishes criteria for program risk analysis since it states that all new savings mobilization plans have risks associated with them and therefore part of the planning process is to compare risk with the potential rewards from each alternative savings program. A matrix or Model Project Risk Profile is presented as a basic tool for evaluating alternative savings mobilization plans.

The report stresses the need to consider alternative savings mobilization plans within a risk profile analysis as being a more important consideration than specific programs themselves. However, it does identify the following as potential savings mobilization programs where the involved risk is warranted given the potential payoff:

a) The Youth Market
   i) individual coin savers
   ii) group coin savers

b) Branch Bank Involvement
   i) savings growth recognition awards

c) Go-to-the-Depositor
   i) mobile bank facility

d) Improvement of existing program
   i) deposit pension scheme

e) Contract Savings Schemes
   i) home equity deposits, marriage deposits, education fund deposits, productive small scale project financing, etc.

f) Public Education on Savings

g) Other Programs
   i) direct advertising
   ii) lotteries

For each of these programs a risk analysis was made which assessed: 1) the ease or complexity of implementation, 2) the expense of implementation in terms of high, low or moderate, 3) the ease or difficulty of monitoring, and 4) the degree of financial risk, again in terms of high, low or moderate.

The report points out that in preparing financial risk assessments estimates must be made of projected revenues and expenditures. The Mobile Banking Facility (MBF) program was used as an illustration in the report. Projections were made for five alternative scenarios in which the key variable was the number of expected transactions per accounting period.

The report discusses an eleven phase action plan for savings mobilization. These phases, in order, are:

a) Preparatory
b) Identification
c) Formulation
d) Approval and Selection
e) Regulatory
f) Development
g) Implementation and Start-Up
h) Operational
i) Monitoring
j) Assessment
k) Termination/Replication.

For each phase, the type of action and the responsibility for the action is indicated.

The report concludes by discussing how savings mobilization program risk can be reduced through technical assistance. Using

the mobile bank facility program as a model, the report outlines eight steps in which technical assistance could be combined with local expertise to put this savings mobilization program into action and see it through its initial implementation phase over a 19 month period.

7. Mobile Banking Facilities

Following up the overall action plan for savings mobilization and after extensive discussions with Bangladesh Bank and Sonali Bank officials it was decided that the MBF was the most suitable to be selected for more detailed study. In the course of its investigation, the RFP banking staff developed some interest on the part of Sonali Bank in pursuing this concept. This report provides a detailed analysis for extending mobile banking facilities to provide greater outreach to rural banks in Bangladesh.

The need for a mobile banking facility is supported by the fact that nearly half of the Unions (of which there are 4472) have no banking facilities what-so-ever. Also, from the RFP banking team's previous informal surveying of rural branch banks it became obvious that branch bank managers and their staff are too tied to their desks to actively seek new depositors or to track down overdue borrowers.

The concept of an MBF would be based around a mini van, a banking staff of four plus driver and guard.

The MBF would follow a prescribed route so that each day or parts of a day its location would be known to potential depositors or loan repayers.

Based on these parameters detailed cost estimates were made. Total cost was estimated to be Tk.800,000 for the investment and working capital of an MBF. Staffing costs were estimated

to be Tk.193,000 annually. Other costs including those for vehicle operations amounted to another Tk.78,000 for the first year.

Revenues were projected to come from three sources:

a) Interest income from loans
b) Loan collection fees from overdue accounts of other branches
c) Other income from penalty charges, fees and commissions, etc.

Assuming a gradual build up in revenues during its first three years of operation, the MBF is projected to earn net income at the end of three years, with an overall rate of return after taxes of 12.5% over the five year projected life of the vehicle.

As indicated in the report a critical assumption is that an MBF will be nearly 70% more efficient than the average rural branch bank in the number of transactions it will handle daily.

The report ends by drawing the following conclusions:

a) The MBF is worth pursuing on an experimental basis through a sponsor such as Sonali Bank. Funding in the amount of Tk.800,000 for each selected area should be established before any experimental program is undertaken.

b) An experimental project, if approved, should choose locations only after intensive further baseline research. It is suggested that four or so rural bank regions should be selected and subjected to empirical baseline surveying. The Cox's Bazar area is a potential one for an experimental project which deserves further research.

8. Contract Savings and Credit Scheme (CSACS)

In addition to the Mobile Banking Facility Scheme, a feasibility study of a new savings mobilization scheme that is tied to a small scale project lending program has been completed and is

the subject of this report. The objectives of the CSACS are to attract small savers who, in return for making periodic deposits over a stipulated time period (30 months was tested), become eligible to receive a loan in an amount that represents some multiple of the final deposit account including interest earned. The deposits earn interest at fixed term rates. The "contract" binds the depositor to utilize both the loan and the savings fund to finance an income generating or enhancing project mutually agreed upon with the bank. The report recommends that the program be targeted for remote branches where transaction costs are presumed to be higher and towards low income groups that might normally be expected to have difficulty in obtaining term project type loans through the formal banking sector. The report also recommends the program be introduced on an experimental basis in about 40 rural branch banks initially.

According to the report the program would be financially viable assuming administrative costs can be kept to 3-4%.

The CSACS, if adopted, is felt to provide the following advantages:

a) It would generate additional rural investment funds.

b) It would help to persuade rural inhabitants of planning for one's future.

c) It would enhance the development of banker-customer relationships.

d) It would add to the number of savings products rural branches can offer in order to attract new customers.

e) Locally generated savings would be earmarked for reinvestment in the same local economy.

f) Participants would learn to use the banking system effectively and thus, subsequently, to use it for larger scale project financing should the need arise.

9. Status of the National Savings Schemes in Bangladesh

The focus of previously summarised reports has been on increasing savings mobilization through the rural branches of the scheduled banking system. These are principally the branches of the four NCBs and the BKB. However, a parallel and interacting savings organization operates out of the Internal Resources Division of the Ministry of Finance and has similar responsibilities for mobilizing savings which go directly into the Government's account rather than into the banking system. This is the National Savings Directorate (NSD) which is responsible for mobilizing deposits under the National Savings Scheme (NSS) through the sale of savings certificates, stamps, bonds, and Post Office Saving Bank depository account services. In fact there are eight discrete products that the NSD sells in order to obtain deposits. It "sells" these products either directly or through the banking system, the post office system, its own National Savings Bureaus, or through independent commission agents.

In spite of the wide range of products it has to offer and a potential outlet network membership of over 10,000 agencies, the amount of NSD revenues as a percent of total bank deposits has declined to only 4.3% in 1985 in comparison with 5.6% in 1982/83. Gross sales of NSD products in 1984-85 were Tk.1547 million, of which the scheduled banking system sold about 30% while the Post Offices sold 57% with the remainder being sold through the four National Savings Bureaus and about 15 commission agents.

The report recommends that steps be taken to abolish the whole parallel system that the NSD creates and let the Bangladesh Bank and the scheduled banks assume full responsibility for managing National Savings Scheme operations by creating within the Banks including BB, appropriate departmental machinery for the purpose.

If the NSD program is not to be abolished the report recommends that the Bangladesh Bank be given the primary role in coordinating savings mobilization planning and operations between the scheduled banks and the National Savings Directorate.

It is further recommended that appropriate measures be taken to improve the volume and quality of work being done at present by all concerned and especially by providing appropriate training and incentive compensation to Post Office, National Savings Bureau and branch bank employees who actually work on savings mobilization.

B. Loan Recovery

The issue of loan recovery is paramount in the financial sector - both agricultural and industrial - at the present time. The reason relates to the widespread loan defaults and apparent lack of means to make borrowers with obvious financial resources repay their overdues.

In a country such as Bangladesh where farmers often are living on the edge of subsistence due to limited developed resources and frequent natural disasters, it is expected that there will be a significant number of overdue loans. However, in the expanding rural financial system of the late 1970s and early 1980s agricultural borrowers did eventually repay their loans resulting in recovery rates of 70% or more, but only after four to five years from the date of receiving the loans. This was the normal pattern of agricultural loan repayments until the last 2 years. Then, perhaps in response

to the publicity surrounding poor loan repayment by financially well endowed industrial borrowers from BSB and BSRS, the loan recovery rate according to our recently completed RBBUS study fell drastically. However, since branch bank financial reports are on an accrual basis there is little indication of adverse changes in loan recovery rates appearing in their operating statements.

While the RBBUS data has done much to shed light on a controversial issue, it did not contradict the Consultants' previously prepared loan recovery action plan. The empirical results of the field survey emphasize the need to put that plan or a similar one into action immediately.

10. Action Plan to Improve Loan Repayment

One requirement of the Consultant's terms of reference was to draft an action plan for loan recovery. This report was prepared by Arthur J. O'Donnell, the RFP team's banker who was a Consultant of the National Council for Savings Institutions (NCSI) which was part of the Robert R. Nathan / S.F. Ahmed team. Mr. O'Donnell spent 15 months in Bangladesh and had many meetings with Bangladesh Bank and other government officials and with various representatives of the five scheduled banks, 4 NCB's and BKB, which comprise the rural finance system.

The report prepared by Mr. O'Donnell develops an action plan for loan recovery divided in four phases. These are:

a) Political and Legal Actions
b) Bank Managerial Actions
c) Large Borrower Collection Activities
d) Small Borrower Collection Activities.

The report concludes by stating that the loan recovery action plan must be taken as a whole. Otherwise, Mr. O'Donnell states,

if the environmental conditions for loan recovery are not modified in the fashion outlined in his report, the specific steps outlined for large and small borrower recovery programs are not likely to be cost effective.

a) Political and Legal Actions

1) The Government of Bangladesh announces that all loans must be repaid as a priority national issue.

2) The GOB makes law that all its officials or candidates for government positions must repay or make current overdue loans or lose their government positions or the right to be candidates for such.

3) The GOB creates the National Committee to Improve Loan Repayment (NCILR) which possesses the mandate to study and implement recommendations to improve loan recovery. The NCILR is given all authority necessary to authorize and implement necessary changes within the banking system.

4) The NCILR studies and implements changes to the legal system which give priority to loan repayment cases, speeds the process of evaluating a borrower's ability to repay (or reorganize in order to become able to repay), and strengthens the collection process initiated by court order to make the legal system a more useful tool for bank officers to obtain repayment.

5) The NCILR can draft and lobby for implementation of law to make it a requirement that bank officers take all large defaulters to court after loans of Taka 10,000 or more fall overdue more than 30 days and the defaulters fail to rectify the situation after formal notice by the bank. The bank officer is provided no discretion in the matter in order to avoid the chance of his being compromised by borrowers.

b) Bank Managerial Actions

1) The NCILR should create a new position of senior manager for establishment in all banks called "Executive Director for Bank National Programs" (EDBNP).

2) A position of EDBNP should be filled in each bank for the purpose of resolving a single national banking issue. Loan repayment would be the first national banking issue to be managed in this fashion. The EDBNP positon should be provided a tenure of at least 5 years. Each EDBNP would report to his bank's Managing Director and to the NCILR jointly. In cases of dispute between Managing Directors and EDBNPs on any issue, the NCILR would make the final decision.

3) The EDBNP in each bank is to reorganize the loan recovery department to make it a more effective tool in bringing about repayment of loans. The department must have the ability to design and implement programs, direct the creation of training materials, understand and support bank legal activities concerning loan recovery and monitor and evaluate the current and future loan repayment performance of the bank.

c) Large Borrower Collection Activities

1) The EDBNP and his loan recovery department must prepare their regional and branch managers to collect loans under the new rules.

2) The EDBNP must train and motivate the regional bank managers to understand the importance of the program and the power of the new laws.

3) After the regional managers have been indoctrinated,branch implementation should begin. Branch managers would use a classification matrix to identify the oldest and largest

defaulting borrowers as defined by the new legistation supporting this loan recovery action program. They would notify the overdue borrowers as prescribed by law and try to recover as much as possible without recourse to court action. The rights of both borrower and bank as regards extension of repayment time, refinancing, etc. would be prescribed under the new legislation or regulations.

4) Borrowers who fail to repay after formal notice has been issued would have to be brought to court and made to pay or to forfeit personal assets. Borrowers who are brought to court would be denied future credit.

5) Exceptions to this program should be allowed only under extreme circumstances and only under the guidelines pre-established by the NCILR.

d) Small Borrower Collection Activities

1) The Small Borrower Program (SBP) would be implemented only after the large borrower program had been successfully underway for a reasonable time.

2) The SBP would be based on improved supervision of small borrowers as already contemplated under the "field assistant" program that has already been established and is at least partially operational. It must be greatly strengthened.

3) The SBP would count on the success of the large borrower program to act as a psychological force that would emphasize the importance of loan repayment to the small borrowers. To collect loans it is important for field assistants and bank officers to be in the right places (hats, bazars, etc.) at the right times (after harvests or produce sales) to ease the collection of outstanding loans before they become seriously overdue.

4) The SBP would build on the existing field assistant program and existing plans to increase its strength. This is necessary because the small borrower collection program is inherently rural, while the large borrower collection program is not necessarily rural in nature.

5) Loan collection emphasis must be based on justice and equality of action and, as such, cannot be based on purely rural versus urban grounds.

11. Legal Aspects of Rural Banking Problems in Bangladesh

The RFP team was supplemented by an expatriate lawyer for a period of two months. He worked closely with a Bangladeshi lawyer in developing this report. A major portion of this report deals with legal issues pertaining to loan recovery. The other parts of the report deal with savings mobilization and general problems of administration and management. Its general conclusion is that no major changes of law are required to improve the performance of the rural finance system. What is felt to be required is more effective implementation of existing provisions and the establishment of more precise regulations and procedures in certain areas, particularly with regard to the credit passbook and the system for identifying and policing overdue loans.

Specific points made in the report in the area of loan recovery deal with:

a) Certificate Proceedings - While not the best possible system, it may provide the only practical short run solution to improving loan recovery. For the long run, a normal court procedure, as used in most countries, would be better as it provides the proper protection of rights of the debtor and the banking system, and avoids bankers becoming directly involved in legal procedures.

b) Loan security - Legally, loan security is not a problem, but the lack of a comprehensive modern land record system leads to issues over proof of land ownership and hence responsibility for loan repayment.

c) Credit Passbook - The report states this system, itself, and its introduction are so flawed that it is unlikely to be successful and may even worsen the position of small farmers.

d) Role of the Union Agricultural Credit Committee (UACC) - It is suggested that if the system is to continue, its members should be made responsible for loan defaulters that it recommends as persons to whom loans should be made.

e) Group Borrowing/Cooperative Societies - The report indicates the advantages and disadvantages of present loan programs to groups and cooperatives. It does not raise any legal issues but notes that the Co-operatives Society Ordinance No.1 of 1985 now prevents persons who default on their loans from serving on Society Managing Committees.

f) System for Identifying and Policing Overdue Loans - The report recommends shortening the overdue loan statute's present length of three years to just three months. It recognizes, however, that a new reporting system would be needed as present ones are unable to determine when a loan is only three months overdue.

In the area of savings mobilization, the report finds that, unlike the loan recovery area, the main problems are not connected with laws or regulations but rather with marketing, and with provision of better and more secure banking services. The only legal problems cited are those in the case of heirs withdrawing money from the accounts of deceased account-holders, and the issue of confidentiality of accounts. It suggests that Bangladesh Bank should issue specific circulars on these matters.

On the general problems of administration and management, it is pointed out that the Bangladesh Bank does not possess authority for effective regulation of those financial institutions which are exempt from the provisions of the Banking Companies Ordinance, 1962. These include, the Grameen Bank, the Cooperative Bank (BSBL) and the Bangladesh Rural Development Board.

Another issue raised in connection with bank administration and management concerns the situation in the Bangladesh Bank where two or more departments often have overlapping and conflicting jurisdiction. For example: ACD and the Rural Credit Project Department, or the ACD Statistics Section and the general Statistics Department. Also, when it comes to refinancing

issues, there is often confusion between ACD and BCD responsibility. Thus, the report recommends that the Bangladesh Bank establish distinct lines of authority for each of its departments.

C. Training and Institutional Development

A specific task of the RFP was to prepare three rural branch bank manager oriented training programs and to provide corresponding instructors thereby helping to train trainers. This has been done. In addition, the Consultants examined the institutional environment in which necessary training must take place. Our coverage included the individual bank training institutes, the BIBM, and the BB Training Academy. While the overall thrust of training in regard to branch bank managers appears to be satisfactory, efforts must continue to be made not only to expand the types of training offered and improve its quality but also to make it more realistic in terms of assisting branch bank managers to deal with practical issues and problems facing the rural finance sector.

The following pages begin with a review of RFP reports on two institutional development issues (i.e. lending efficiency and branch licensing) and then turn to the banker training courses and discussion of the training environment.

12. Rural Lending Efficiency in Bangladesh

This report was prepared to satisfy another part of the Consultants' terms of reference which was to examine transaction costs of rural branch banks. It was done in the early part of the RFP study by a Consultant from NCSI. It was meant to serve in part as introduction to a more comprehensive study of transaction costs being done by Ohio State University.

The report defines transaction costs as having two components:

a) The cost of resources, including interest paid on deposits and interest paid on the bank's own borrowing.

b) Administrative expenses, including costs associated with mobilizing resources, processing loan transactions, monitoring borrowers' performance, and ensuring loan recovery.

Included in the above must be provisions for bad debt or loan losses and capital expenditures, particularly during start-up or expansion of operations.

The totality of transaction costs must be met from the spread between what branch banks earn from their loans to customers and/or their home offices and the interest paid to depositors on their accounts or other savings mobilization programs. The purpose of this report was to attempt to ascertain what is this spread and whether transaction costs do or could be covered within this range.

The study was based on a rather small sample of data (the study was done before the RBBUS was started). However, special data were gathered during the RBBUS on transaction costs for Ohio State University which indicated transaction costs to be somewhere in the range of 3-6 percent based on financial reports prepared by NCB's and BKB. The report also notes that this figure may also indicate that branches are not carrying a full range of activities that would be required to adequately attract more customers and better monitor outstanding loans.

The report examines the spread between interest earned on loans and interest paid on deposits. It reports values as of June 30, 1984 for NCB's and BKB as around 13.5% on interest from loans and 8-9.5% as interest paid on deposits. Thus, the apparent spread is 4-5.5%.

However, the report then notes that this spread is overstated since interest earned on loans is accrued interest, not cash received. Provision for bad debts (loan losses) if increased to only 6% would almost double transaction costs and make them larger than the spread between interest income received and interest paid to depositors.

From this analysis the report draws two basic conclusions. One is that realistic accounting practices must be used in order to calculate real transaction costs; second is the interest rate structure must be rationalized. Depositors should receive positive real interest (i.e. above the rate of inflation)and borrowers must cover the full cost of bank lending operations,

including making adequate provision for bad debts.

The report concludes with a number of findings pertaining to existing systems of financial reporting and makes recommendations regarding what should be contained in a revised management information system in order to eliminate problem areas such as:

a) Excessive number of required reports;
b) Aggregation of loan account data;
c) Overly complicated existing report forms;
d) Inflexibility in instructions to branch banks.

13. Rural Bank Branch Licensing Policies

One of the Consultants' subtasks provides for review of branch bank licensing policies and procedures, and development of alternative strategies for the bank to review. The report is based on interviews with the relevant officials of the Banking Control Department of the Bangladesh Bank and those of the NCBs. Successful branch licensing applications from NCBs as recorded in BCD, BB files also have been studied. Finally, statistical data on branch expansion and other information obtained from BB were analyzed. The findings of this report may be summarized as follows:

a) Under clause No. 28 of the Banking Companies Ordinance (BCO) 1962, no banking company can open a new place of business (branch) without official sanction by BB. Although BB does not have any set guidelines for branch licensing, correlation analysis indicates a positive relationship between population and income level and number of branch openings in a given area.

b) In general, BB gives due consideration to new branch applications, anywhere in the country, by any bank, on the merits

of the particular proposal. However, BB has yet to develop a system which will enable it to identify rural bank branches by union location.

c) Banks must apply to BCD/BB for opening a branch in accordance with the BCO. Before making an application, banks are supposed to conduct feasibility studies of the proposed branch locations involving in the process the relevant regional manager and the Rural Credit Department at the head office. In the feasibility study such pertinent variables as size of population, major business activities of the area, deposit and advance potentials, etc., are assessed.

d) The BB follows special licensing criteria for each banking class: i) BKB; ii) NCBs; iii) D/NCBs; and iv) Private banks:

i) BKB

BKB is allowed to open branches in unions which are unbanked and already assigned to it or the BB under the SACP of agricultural lending. BB approval is automatic on such an application.

BKB's application for opening of branches is considered favorably by BB even if the concerned union is already assigned to another bank but which does not have immediate plans to open a branch there, and the District Agricultural Credit Committee has written requesting a BKB branch.

BKB may be allowed to open urban branches if it can persuasively argue that the proposed branch will be able to mobilize enough deposits to support its urban activities and also gather additional deposits which can be transferred to support the bank's rural activities.

ii) NCBs

An NCB can expect to receive a license to open a branch

in a rural unbanked union which has been assigned to it under the SACP.

NCBs may be allowed to open additonal branches in Dhaka and Chittagong cities but only very rarely. Proposed urban branches must maintain two miles distance from existing operating bank branches.

Licenses may be granted to NCBs to open branches in other urban areas if strong justification can be advanced.

iii) Denationalised commercial banks (D/NCBs)

Uttara and Pubali banks will totally withdraw from agricultural loan operations. Rural branches of these two D/NCBs may be transferred to NCBs and BKB through negotiation.

The District Agricultural Committees will reallocate the unbanked unions vacated by the D/NCBs to NCBs and BKB.

iv) Private commercial banks

Private banks are allowed a maximum of five branches for Dhaka city and three branches for Chittagong city.

There are no restrictions on private banks opening branches in places other than Dhaka and Chittagong cities.

No further bank branches may be opened in any upazila headquarters if it is already banked by one or more commercial banks. However, a new branch may be permitted to open as a feeder branch to at least four rural branches providing a distance of at least ten miles from an existing feeder branch is maintained.

The report concludes by stating that the branch licensing policy followed by BB is flexible with a focus on granting licenses for unbanked rural unions and limiting those for urban areas. Also, it appears that the application process

for a rural bank branch is reasonably efficient, although, as is true in other countries licensing criteria do have a tendency to reduce competition.

The report recommends that licensing practices which reduce competition should be reconsidered and that the BB should develop a computer file containing demographic and economic data identifying exact locations of all the rural branches.

Finally, it recommends that the current application process for a rural branch license should be retained as the present network of rural branch banks appears to be rational at least from a business point of view if not from a social welfare one.

14. Rural Credit Course Outlines and Notes for Bangladesh Rural Bank Managers

This report is the first of two prepared to develop three prescribed course curricula:

a) Rural Credit for Branch Managers (2 weeks duration);

b) Refresher course in Rural Credit for experienced branch officers and supervisors (1 week duration);

c) A course in Management and Supervision for rural Branch Managers and mid-level officers.

The background, development, presentation and content of the first two courses mentioned above are presented in this report. This report was prepared by RFP Consultant, Dr. J.J. Harrington. The third course, prepared by Consultant M.A. Quasim and other RFP staff is reported separately.

The specific objective in developing the courses in Rural Credit was to meet an apparent need as reflected in the fact

that banker training had not previously broken out specialized courses in Rural Credit although a general course in "Credit Management" had been offered regularly by the Bangladesh Institute of Bank Management (BIBM). The training Consultant reviewed all available curricula representing courses on Credit Management and related matters as retained in BIBM and other Bank Training Institute (BTI) libraries and files. He also interviewed BIBM and BTI principals and faculty members. When fully cognizant of what was being done in the rural credit area, he prepared both course notes and subject area outlines in considerable, annotated detail. The outlines are in fact comprehensive teacher notes.

One of the two courses is scheduled for twelve full days of classroom study and exercises; the other for six days. The latter, encompassing 18 subject is intended to be a "refresher" course for more senior and longer experienced managers. The longer version contains 29 subjects and is aimed at newer rural branch managers and "probationary officers". The subjects covered are:

Subjects covered in one and two week long courses	Subjects covered only in two week course
Principles of sound lending	Rural economy and rural finance
Types of loans	Objectives for the rural branch
Loan application and interview	The branch publics
Feasibility evaluation, crop loans	Command area analysis
Role of UACCs, RFAs, and block supervisors	Deposit mobilisation
Loan security	Bangladesh Bank and the rural branch
Valuation of security	Evaluation of a branch and its officers
Documentation	Management information systems and ACD (L) 1-6
Sanctioning loans	Time management
Loan disbursement	Financial counseling
Loan diversion	Passbook system
Loan supervision and follow-up	

Subjects covered in one and two week long courses

Loan recovery
Nursing sick loans
Limitation
Certificate cases
Special situations in lending
Specialised lending programmes

When these courses were ready for presentation an introductory session was held for the benefit of Bangladesh Bank, BIBM, NCB and BKB principals. They were requested to encourage and permit members of the faculties of their training institutes to attend "Training of Trainers" seminars for both courses. Dr. Harrington presented these seminars to 57 trainers during the final weeks of his consultancy. Subsequently these courses have been offered by one or another BTI in collaboration with the RFP and under the supervision of the successor RFP training consultant, Mr. M.A. Quasim.

The report begins with a brief discussion of the development of banking education noting that the several bank training institutes were partly a response to the lack of any comparable curriculum in the nation's Universities, which is not considered unusual. The Bangladesh Institute of Bank Management is discussed in some detail. Although established in 1974, BIBM moved to its suburban residential campus only in 1984.

Overall, BIBM is seen to provide an excellent residential training environment with due consideration having been given to physical expansion of facilities. However, at present there are only 112 hostel accomodation for students and none for faculty, one reason why BIBM is already rather over-

whelmed by a trainee enrollment of under 1500 in about 50 course offerings per year.

BIBM is not now an academic degree granting institution but it could well develop stronger, more mutually productive relationships with the universities and perhaps other educational institutions. Physical distance between those institutions and bad transportation is a major constraint. At a minimum, however, those institutions could grant academic credits to their students who participate in BIBM courses and pass subject matter examinations prepared jointly by collaborating faculties.

Although the report finds present curricula development and course coverage basically adequate, rural credit management has received scant attention in the past as, indeed, does savings mobilization, in general. Rural aspects of these two subject areas plus customer relations and personnel management in rural branches, deserve special treatment in terms of curricula development and training methods.

BIBM has little or no effective control over trainee selection and assignment even when it spells out in detail for whom a particular course is intended. The banks do not advise BIBM what training courses they need or want. BIBM does not reject trainees for whom there is little or no purpose in their participation. A result is extreme heterogeniety in composition of trainees attending courses in terms of their levels of competency and job experience. There is also the tendency of the banks to send staff to training programs not on a need basis but rather on a reward basis for whatever may be the reason.

The report makes the following recommendations in regard to BIBM:

a) The principal officers at BIBM should be provided full authority to select trainee applications based on applications received directly from them or from their superiors.

b) In support of the above, the banks should provide to BIBM C.V.s of candidates for training from which BIBM can choose.

c) BIBM should be accorded the right to reject any trainee applicant it deems unqualified for a particular course and/or any applicant whose application has not been approved at least one month in advance of the date on which the course is scheduled to begin.

d) BIBM should make more use of university resources and strengthen cooperative relations with universities. It should press for having the universities grant credit to their students who take BIBM courses.

e) In recognition of the fact that rural banking differs from urban banking significantly in several substantive areas, it is recommended that future curricula development assure that appropriate emphasis is given to rural differentiation where relevant.

The report also contains a study of the various bank training institutions. These facilities and programmes are briefly described but not evaluated in this report. However, note is taken of :

a) Bank training institute headquarters are located in Dhaka while largely ad hoc training facilities are found in such cities as Chittagong, Rajshahi, Khulna, Bogra, and Comilla.

b) BTIs are accorded departmental status within their respective banks and thus lack any independence or autonomy as regards budget, staffing or facilities.

c) A general lack of adherence to the apparent GOB policy of

limiting BTI training to meeting the needs of lower echelon bank branch staff and reserving upper management training to BIBM. (Sonali and Agrani, for example, put major emphasis on training their own Probationary Officers).

a) The general inadequacy of present BTI training premises and facilities and the economies of scale that would result should the BTIs relocate their Dhaka centres to property adjoining BIBM in the Mirpur suburb of Dhaka.

b) An emergence of planning and research at Sonali and Agrani Training Institutes into future bank manpower development requirements and training needs.

c) The fact that the greatest pressure on BTI facilities is when large groups of future officers attend foundation courses at the time they are assigned to employment in the banks by the Banker Recruitment Committee of the Central Bank.

d) BTI staffing inadequacies in terms of insufficient numbers to permit a proper degree of specialization and avoid excessive dependence on use of non-professional bank officers as regular BTI teachers and guest lecturers.

e) A BTI staff motivational problem in the sense that such assignments to the training institutes are often viewed as temporary delays in advancement in their careers as bankers (Virtually no bank staff are originally recruited into banking with the intention of full-time assignment as professional educators and trainers).

f) A constraint on effective pragmatic curricula development is faced in the lack of standardization throughout the nationalized banking system in procedures, recording methods, accounting categories, trainee selection criteria, texts of Passbooks and sanction letters, interpretation of Central Bank circularized instructions and directives, job cards, etc.

More system-wide standardization would make possible more efficient and productive centralized banker training through greater uniformity in curricula development and teaching materials.

After making the above observations the report concludes with the following recommendations for the BTIs and training in general:

a) Training operations of the BTIs need to be closely coordinated with similar development in the Personnel Departments of the several banks.

b) Greater use of University faculty and other University resources in banker training programs should be made.

c) More use also needs to be made of BIBM "Training of Trainers" capability.

d) BTI headquarters facilities hould be relocated to BIBM adjoining sites in Mirpur as soon as possible.

e) Professionalization of BIBM and BTI faculty principals and members along with making their tenure as educators permanent should be encouraged.

f) Selection and recruitment of trainees for participation in training programs urgently requires complete overhauling. Selection by bank management on a reward basis (and, occasionally, a punishment basis) must be abandoned in favor of a system based on trainee needs, including his/her personal wishes whenever possible. BTIs and BIBM should have final jurisdiction based on academic and experimental criteria in the matter of admissibility of trainees to specific courses.

15. Management and Supervision Course Outline: Notes.

This report presents the syllabus for a one week seminar and workshop for rural branch bank managers on developing communication skills and understanding of the principles required for successful management in rural banking in Bangladesh.

The course begins with an "in-basket" exercise through which the trainees cope with a range of problems presented to a rural bank manager on a typical day. This is followed by reports from some of the participants and discussion on how they handled the problems.

Next, the course turns to a presentation of different styles of management, a discussion of the pros and cons of each style, and of their applicability in a rural banking situation. A case study on leadership is conducted and, time permitting, a role playing exercise is included.

To help the trainees better understand the dynamics of person to person communication, summaries of Eric Berne's "Transational Analysis", Maslow's "Hierarchy of Motives", and Drucker's "Management Responsibilities and Tasks" are presented. Against that theoretical background, classroom lectures and discussion turn to such subjects as: a) performance evaluation, b) posting, promotion, and compensation in motivating bank personnel, c) techniques of giving orders, d) role of MIS in maintaining employee morale and smooth staff relations, and e) the communal bonus and individual motivation . This part of the course ends with a case study in personnel management involving the handling of a "square peg in a round hole" problem situation.

The manager's role in preventing fraud, forgery and bribery is taken up next in the report. Disciplinary action is described from two points of view; the need to protect the rights of the accused employee; and the right, indeed, the obligation of the bank to look after the best interests of its depositors and borrowers. The trainees are to cite examples which are then discussed under the leadership of experts with appropriate legal and/or labor relations backgrounds.

As indicated in the report, in the final stage of the course, attention is focused on supervision and effective communication with the most important people of all in the banking system, namely, the customers -- the depositors and borrowers -- those who are already clients, and those still needing to be convinced that banking services are for them.

Subjects covered include;

1) The <u>What</u> and <u>Why</u> of "customer oriented banking".

2) Analysis of the customer-banker relationship in its legal-contractual and socio-cultural dimensions.

3) Assessment of customer needs (as opposed to wants, although they may be the same) as regards types of savings and/or loan services should be promoted.

4) Social and psychological criteria in the assessment of credit worthiness.

5) Inter-personal relations aspects of effective loanee supervision and follow-up.

6) Improvement of customer services for non-traditional markets such as women in Purdanashin, illiterates, women in general, youth, and spontaneous financial interest groups (informal).

During the final segment a case study in bank customer services is conducted. Also, a field work exercise is included. The latter takes the form of a simple "man-in-the-street" interview survey of public attitudes on the usefulness of banking services and of the image of the banker and his role in the community. Only a few structured precoded questions are asked and respondent identification is limited to age, sex, occupation and a broad estimation of socio-economic status. Field work is completed during an afternoon and evening, and group tabulation, analysis and discussion of results takes place the following morning.

Although the report indicates that the course will cover all these items within one week, ideally, when possible, two or three additional days should be scheduled allowing more time for reading and participation in case studies.

16. Bangladesh Bank -It's Organization, Management and Functions as Central Bank

This report was prepared to give members of the RFP team and non-Bangladesh Bank officials an overview of the central agency through which, among other responsibilities, most of the agricultural credit in Bangladesh is funnelled. Also, since many of the other reports refer to various parts or functions of BB there was felt to be a need to provide a comprehensive overview.

The report starts with a history and background of the Bank. It then lists its statutory powers and obligations as:

a) The Bank of Issue and the Controller of Currency
b) The Banker to the Government
c) The Banker's Bank
d) The Controller of Credit
e) The Controller of Foreign Exchange
f) Financial Intermediary and Development Finance Agency.

The Bank has 16 departments. It is headed by a Governor, two Deputy Governors, four Executive Directors and an Economic Advisor. There are five regional offices of the Bangladesh Bank in addition to its head office in Dhaka.

The remainder of the report gives detailed descriptions of the functions and organization of the various departments of the bank.

D. Accounting and Management Information Systems

There is an obvious need to improve the accounting and MIS capabilities of the rural finance system both to provide more accurate and current information on loan recovery and savings issues but also as a means of monitoring the impacts of policy reforms. While a number of reports prepared by the Consultants address various accounting and MIS issues, several specific reports on these items were prepared. A report on accounting matters is particularly useful since it was prepared by one of the leading Chartered Accountants in Bangladesh who has served as a subcontractor to the prime RFP Contractor. This lends to the report an "insiders" knowledge of the problems and potential solutions which point to the need for revision of outdated or misleading accounting practices in Bangladesh.

Concerning the development of a loan performance MIS, we acknowledge the utility of the ACD/BB (L) 1-6 system and we offer analysis and detailed suggestions on how it could be improved.

17. Issues in Rural Bank Accounting and Financial Reporting Systems

A recently completed report prepared by one of the Senior Partners of our local associates, S.F. Ahmed & Co. (SFACO) which draws on their experience as Chartered Accountants addresses issues required under the Consultants' terms of reference in regard to desired accounting changes. For the most part these changes deal with loan recovery and loan classification issues.

Lack of provision for bad debt and accounting of interest income under the present accrual basis of accounting used by the banks leads to distortions both to bank balance sheets (assets are overstated by including nonperforming loans) and profit and loss statements (income is overstated by showing accrued interest when, in fact, no cash interest payments are likely to be made). The obvious accounting solution to this problem is to increase provisions for bad debt and reduce accrued interest income so as to reflect more closely actual repayments of interest. Banks are not allowed to formulate their own procedures for such changes, however, and would need to be so instructed by the Bangladesh Bank. Indeed the BB has recently (1985) issued some new guidelines concerning "stuck up" loans, but until banks achieve their own financial viability, major differences between accrual accounting systems and cash reporting systems will be substantial.

The report also points out that there is no standardized procedures for classifying and aging of loans. It is also not possible to break out specific elements of loans such as principal, interest, service charges, etc. The report indicates a number of areas where accounting practices and banking practices could be standardized in order to more realistically measure individual branch financial performance and allow banks and branches to be analyzed in comparison with each other.

The report deals with income tax laws and practices that may have adverse impacts on the banking system and often result in perverse incentives to the growth of savings, promotional activities, provision for bad debt and other accounting and reporting practices.

Banks are required under the Banking Companies Ordinance of 1962 to publish financial statements once a year as audited by

professional and independant chartered accountants. However, the report feels these statements:

a) Have become outdated,
b) Offer little in the way of financial disclosure,
c) Are not even sufficient for purposes of the income tax department.

Again banks are not allowed to alter the prescribed format unless appropriate statutory regulations are amended. The report also notes that present auditing of banks and their branches is not adequate even though, in theory, they have both internal and external auditors and mandatory audits by the Bangladesh Bank. Part of the problem is related to a "frightening number of management reports that are generated at branch level and which vary from branch to branch and bank to bank."None of these reports are computerized, no feedback is given, no central data bank exists, and no one has time to analyze the 200 odd reports that each branch bank is generating. This results in the inability of banks and the banking system to make performance evaluations on either a micro or macro basis. Further, without objective performance evaluations, bad results will come into effect such as the tendency for branch bank managers to inflate branch profits or show increased deposits for the brief period during which their performance is recorded (i.e. end of year).

The report concludes with a series of recommendations, too numerous to cite here. Among the more important, however, are the following:

a) Branches should be made self accounting units through incorporation of all accrued expenses including a share of their head office overhead.

b) Branch bank managers should be judged by performance, given incentives and rewarded for good work and penalized for negligence and bad performance.

c) Taxing of bank profits should be based on actual receipt basis and not as at present on accruals. Bad debt provision based on realistic estimates should be allowable as tax deductions.

d) Financial statements should be prepared as required by the International Accounting Standards Committee of which the Institute of Chartered Accountants of Bangladesh is a member.

18. Monitoring Extension and Recovery of Rural Bank Credit

Related to the Action Plan for Loan Recovery Mr. O'Donnell prepared a report in response to the Consultant's requirement to design an impact monitoring system to track rural credit extension and loan repayment. This report first reviews the system established by the Agricultural Credit Department of the Bangladesh Bank. This system, referred to as "ACD(L)1-6" is a schedule of forms which all branch banks are required to submit monthly directly to ACD/BB.

While accepting the basic principles and coverage of the ACD(L) 1-6 information system, the O'Donnell report indicates ways in which the same information could be provided by the branch with less work and made more easy to verify. The modifications suggested together with a quarterly rather than monthly submission schedule would allow for more time to analyze data rather than just to compile it. O'Donnell also recommends that branch reporting, once the revised system is operational, be done on a statistical sampling basis, again, for the purpose of providing for more analytical time as compared with having to settle for data compilation alone.

The report contains a sample revised data recording format containing 104 columns on each of 5 cards for tracking loans. Once the initial data compilation task is completed, future reporting requirements need only deal with new disbursements and repayments. A complete list of instructions for filling in the revised format, column by column, is provided.

The O'Donnell report makes a detailed comparison between the ACD(L) 1-6 reports and the one suggested by himself. Where, for example, six ACD forms are required to be completed monthly only two RFP monitoring forms need be submitted quarterly. What is more important is that the RFP format makes possible much more detailed analysis of loan aging and disaggregation or break-out of principal, interest, penalty interest, service charges and other useful information not covered by ACD(L) 1-6.

E. Data Collection and Project Evaluation

The last two reports summarized below review the process and analysis associated with the RBBUS and the financial sector review of the RFP. The latter exercise is a requirement of the prime contractor to be done during the final three months of its contract. This report attempts to follow the guidelines laid out in the Project Paper to determine whether the goals, purposes and outputs originally envisioned for the project have been met.

This Final Report deals in greater detail with the results of the RBBUS since it offers the first opportunity to report on its findings (Delays in the arrival of the project's computer have made earlier reporting on findings impossible.) As a consequence a special appendix primarily containing computer compiled tables of the statistical analysis of field survey data have been incorporated into this report.

19. Financial Sector Review (FSR)

This report presents the penultimate study prepared by the Consultants. It was prepared in response to the requirement of the Project Paper that the, "Prime Contractor will perform a Financial Sector Review", after major policy changes have been made and most technical assistance activity completed.

The purpose of the review is to evaluate whether the project has accomplished its purpose, including the success of policy changes and technical assistance activities. It will also assess whether additional policy changes and supporting activities are desirable and, if so, identify specific areas and tasks.

The Financial Sector Review report is prepared in accordance with the Project's "Log Frame Matrix". It attempts to analyze whether the goals of the project have been reached, whether project purposes have been achieved and also whether the anticipated outputs from the project have been generated by appropriate parties.

The goal of the RFP was to accelerate food production and expand rural employment. The indicators for achieving this goal were to be evidence that production increases are greater in areas where farmers have access to banks and credit than in areas where they have no such ready access. The assumptions made were that there would be normal weather patterns, no political upheavals, and that inputs such as fertilizer, HYV's, pumps, etc., would be available.

In general the FSR indicates that the project has met its goals but recognizes this conclusion can be greeted with skepti-

cism since any indicator used such as 'production increase' can be influenced by factors other than the project. Also any assumptions, particularly in Bangladesh, pertaining to normality of weather and politics will be contradicted by at least half the population. Never-the-less, the macro picture in Bangladesh, since the disbursement of AID's first tranch in August 1983, has been relatively positive - at least by Bangladesh standards. For example, GDP in constant prices rose by 4.2%, 4.1% and 5.2% for the periods 1983/84, 1984/85 and 1985/86, respectively. The foreign exchange reserve balance during this period was considerably higher than for the period preceeding 1983. Increases in food grain production have been positive in each of these three time periods. The report also notes that data collected during the RBBUS when fully analyzed will provide more specific and directly applicable indicators.

Next, the report deals with the Log Frames which indicate purposes of the project, an important one being:

> "Create an economically viable rural financial system which mobilizes savings and provides credit facilities to private farmers and entrepreneurs".

As an indication that this project purpose is being accomplished the Log Frame requires:

a) All rural banks to charge interest on loans at levels sufficient to cover their cost of funds, administrative costs, bad debt reserve and a reasonable profit. (CY 1983 estimate was that a 24% rate would be required).

b) Savings, lending & refinancing rates would be periodically reviewed (at least twice annually) by the "Bangladesh Bank Advisory Committee on Interest Rates" and rates would be adjusted appropriately, based upon the Committee's

recommendations taking into account trends in inflation, bank administrative cost and loan recovery rates.

Assumptions given were: (1) no dramatic downturn in the economy, (2) rate, intensity and impact of natural disasters and political unrest be not greater than normal, and (3) prices for agricultural inputs and outputs remain at close to the same relative ratios as in 1982/83. Of these assumptions, the report states that the last one concerning agricultural prices is the one that has been least appropriate.

The RFP financial sector report points out the inherent dilema between project goals and purposes as indicated in the Log-Frame. The goal of increasing food production, at least in the short run is undoubtably enhanced by having more agricultural credit available, all other things being equal. In order to increase the availability of agricultural credit, the government imposes targets on the banking system which at this stage of Bangladesh development can only be met by relaxing normal bank lending criteria. Hence, in order to meet the project goal, the financial viability of the rural banking system must suffer. Many of the reports prepared by the RFP study team give evidence of this contradiction. The transaction study indicates that, primarily because of bad debts, the spread between interest earned on loans and interest paid to depositors is not sufficient.

A partial answer to the problem of an economically viable rural financial system is to raise interest rates on loans. But as the report indicates, loan rates basically have not been changed since 1983. The Bangladesh Bank Advisory Committee on Interest Rates appears to be dormant. The proposed AID financed interest rate advisor had little chance to advise and the technical assistance team from the US Federal Reserve never

materialized. (However, Prof. Maxwell Fry did train some Bangladesh Bank research staff in research methods). Finally price ratios between factor inputs and outputs have deteriorated thus violating another Log Frame assumption.
The basic conclusion regarding financial viability of the rural financial system is that it is not viable. However, the average deposits in rural branch banks have increased four-fold in recent years. The Bangladesh Bank has raised its refinance rate to encourage scheduled banks to raise funds by mobilizing savings rather than obtain them through a public sector window. To the extent this becomes policy it would appear that the BB may be accepting the concept of a "full-cost" credit system.

The major problem concerning the viability of the rural financial system, however, remains in the use of accounting practices which, according to the RBBUS survey indicate, for example, that 80 percent of rural branches make a profit when in fact appropriate provision for bad debts and accrued interest undoubtedly would show just the opposite.

The Log Frame stipulates a schedule of outputs beginning with studies and recommendations made regarding the following:

a) Structure of interest rates [3,9,12,17 & 19]

b) BB Accounting System [17]

c) BB Inspection System [17]

d) Mobilization of Savings [1-9]

e) Loan Recovery [10,11,18 & 19]

f) Establishment of Bank Branches [3,13 & 19]

g) Lending Policies and Procedures [10,11,12 & 18]

(The numbers in parentheses indicate the number of the RFP report corresponding to these required outputs).

While the RFP team has satisfied its responsibilities in terms of producing one or more reports with corresponding recommendations, the financial sector review report indicates a far lower degree of accomplishment in the area of policy changes announced and implemented by the Bangladesh Bank regarding Interest Rates. Those anticipated policies changes included:

a) Establishment of an operational Interest Rate Advisory Committee.

b) Establishment of lending rates which significantly reduce existing subsidies.

c) Establishment of lending rates which virtually eliminate subsidies.

d) Establishment of refinance rates for rural loans equal to or higher than bank weighted average cost of funds.

e) Maintenance of savings rates at levels sufficiently high to provide a real return to savers.

Our report indicates that nominal interest rates have changed little during the period of the RFP project. The changes were made in the Bank Rate (the refinance rate of the Bangladesh Bank) in 1980, 1983 and 1985. Fixed deposit rates were increased significantly in 1980 but have remained the same since. The rate on savings accounts with check facilities was revised upward in 1980 and both this rate and the one for savings without checking were increased just for rural areas in 1985.

Commercial Bank lending rates which are controlled by the Bangladesh Bank have remained virtually unchanged since 1983.

The report concludes that interest rates have not been effectively used as a policy instrument as envisaged in the project paper.

Concerning policy changes in the area of loan recovery and savings mobilization, the Bangladesh Bank has issued a number of directives. It is difficult to assess their impact, however, because they have often been overruled or superseded by political interventions. (One such example is the CMLA Secretariate directive to BKB, all NCBs and the IG of Police, etc., restricting pursuit of loan recovery certificate cases for the first six months of 1986).

The Bangladesh Bank's ACD during the RFP period has developed a new loan monitoring information system called "ACD(L) 1-6" in order to better track loan recoveries. The RFP team has made suggestions on how this system could be improved to make loan recovery tracking easier and more useful.

In general the report concludes that there have been limited policy changes initiated or implemented by the Bangladesh Bank. It notes that the BB may not have been the appropriate government agency from which to expect policy changes. Rather the Ministry of Finance and CMLA seem to have provided most of the policy oriented changes during the 1983-85 period.

The Log Frame indicated output which required the preparation of manuals and training courses. The RFP consultants have satisfied the latter, but manuals on (1) methodology for determining appropriate interest rates and (2) revised banking inspection procedures have not been prepared in part, it is assumed, because corresponding technical assistance (i.e. an interest rate advisor and FRS staff) was not made available.

Finally, the Log Frame indicates the number of individuals that should receive training. The FSR basically concludes that these targets have been met or exceeded.

The overall conclusion of the Financial Sector Report is that

while many of the RFP premises have been fulfilled, the inherent conflict between requirements for channeling greatly expanded volumes of agricultural credit to the rural sector through the commercial banking system while at the same time expecting that system to become financially viable was not realistic, at least in the short run. Indeed, the report indicates that present restrictions on credit, termination of ADB and World Bank agricultural credit programs due to frustration over loan recovery performance, and increases in prices for factor inputs such as fertilizer, may portend a bleak outlook for agricultural production in the not too distant future.

20. Rural Bank and Bank User Survey (RBBUS)

The RBBUS was conducted to obtain detailed information on the banking system in rural areas and on the customers that utilize the system. Since this report is so current and pertinent to the findings and recommendations of the entire RFP program, it has been made an Appendix to this report.

The complete analysis of data collected by the RBBUS has not been finished. Indeed much of this analysis will be done during Phase II of the RFP. However, the major part of the analysis of data pertinent to the main areas of interest of the initial phase of work has been completed. This report therefore focuses on the statistical analysis of data related to savings mobilization and loan recovery.

The findings on loan recovery indicate that since 1979, at least, recoveries have not been very satisfactory and that past reporting has probably overstated the success of short term agricultural loan recovery. There also is evidence from the RBBUS data that repayment of short term loans declined sharply in 1985 to 10% of the loans due for recovery from their previous rate of 25% observed for the 1979-84 period. Branch bank characteristics, such as size, location or age do not seem to influence loan recovery. However, for saving mobilization there

does appear to be correlation between deposits and branch characteristics. The location, age and profitability of bank branch affects deposits although the latter in an inverse manner. Also, it appears that branch banks do act in a profit maximizing manner given the accounting rules under which they operate.

In addition to the written report on RBBUS that is contained in the Appendix, there are about 200 computer prepared tables which give statistical results of the data analysis.

Chapter IV

FINDINGS

The reports summarized in the previous Chapter individually had a number of findings. This Chapter attempts to synthesize these findings in a manner reflecting which ones the RFP Consultants feel are the most significant.

A. Savings Mobilization

1. Interest Rates: Several of our studies indicate a positive relationship between rural savings mobilization and real interest rates. In October, 1980 the Bangladesh Bank increased interest rates on deposits. This resulted in real interest rates becoming positive or at least not negative and remaining so during much of the period 1980-85 as rapid growth in rural savings deposits continued (Molla, July '86). It appears, therefore, that a policy instrument of the Bangladesh Bank in its efforts to increase savings mobilization is maintenance of positive real interest rates. However, it also appears the interest rate policy tool is used infrequently and that it has not been especially targeted in favor of rural as compared with urban banks. There was an upward adjustment solely on rural bank non-checking savings accounts in April, 1985. It is too early to detect its impact, if any.

2. Rural Branch Bank Expansion: From 1976 to 1985 the number of rural branch banks increased from 826 to 3335 (303%). This means that probably 30 percent of the country's administrative unions now have normal banking facilities. Part of the increase in deposits/GDP ratio from less than 13% in 1979 to over 21% by 1985 (June) must be attributed at least partially to

the increase in the number of rural branch banks. However, it is difficult to separate the cause from other factors such as changes in real interest rates.

3. Rural Branch Bank Viability: Concerning the viability of rural branch banks, evidence from the RBBUS indicate that over 80% of the rural branch banks surveyed reported profits to their home offices. However, branch banks do not appear to have adequate bad debt reserves and they also accrue interest income even when no cash payments have been received on loans overdue for periods of 2,3 and more years. This problem of branch bank financial viability as well as loan recovery problems in general may account for the slow-down in rural branch bank expansion in recent years (in 1985 only 110 new rural branch banks were opened).

4. Rural Savings Deposits: Time and demand deposits in rural branch banks have increased from 1063 million taka in 1976 (June) to 16,159 million taka by 1985 (June). In nominal terms this represents a 1420% increase but only 228% in real terms. At the same time average deposits per rural branch bank have grown from 1.28 million taka to 4.85 million, up 278%. Of particular interest is that this increase in average rural branch bank deposit portfolio size for the period 1976-80 was only 29% while for the period 1980-85 the increase was 147%. Thus, the salient feature of the rural branch banking system since 1980 appears to be a significantly faster growth rate in deposits per branch rather than in the expansion of the number of branches. Rural branches only increased by 17% from 1981 to 1985.

5. Forms of Rural Savings: There are 16 authorized types of savings products (deposit accounts and financial assets) offered to savers by rural branch banks. Almost all of the deposits, however, are held in regular savings or checking accounts including fixed term deposits. However, in the rural sector as a whole, over 70% of savings is invested directly in real assets (e.g. land, livestock, etc.) rather than in formal financial sector instruments such as bonds, C.D.s, Stocks, etc. It, therefore, appears that the rural branch banks need to offer a wider range of products and/or make existing products more attractive while at the same time lowering potential savers transaction's costs.

6. Institutional Constraints to Rural Savings Mobilization: There is widespread evidence that the formal banking system in the rural sector is not well perceived by their potential depositors (Malony 4/86). Part of this problem is the lack of action by appropriate institutions to educate the rural population. Also, according to analysis of data collected in the RBBUS, branch and regional bank managers feel that totally inadequate incentives are being offered by banking institutions to reward branches for efforts made to increase rural savings mobilization. The major institutional constraint, however, is the highly centralized system of rules and regulations that exists in Bangladesh that makes it almost impossible for individual banks or rural branches to respond innovatively to conditions in their local environment. While most would be new depositors do not appear to face undue procedural constraints, women (especially in Purdanashin) and all illiterates are virtually

excluded from banking services because of their inability to comply with procedural requirements.

7. Savings Mobilization Planning and Campaigning: Such programs are lacking throughout the banking system, and especially for the rural sector. Few, if any, savings products have been designed to meet particular needs of the rural non-elite. (The RFP's CSACS may be the first!) The NSD's POSB system is inefficient and ineffective. However, Bangladesh Banks Deposit Pension Scheme and Bearer Certificate Deposit scheme are performing well but are urban-affluent oriented.

   The predominant reason for rural non-elite cash and other financial asset saving was found to be for the sake of safety and security. Among the banks, savings mobilization campaigns primarily take the form of fiscal year-end drives designed to balance the books vis-a-vis reserve and liquidity positions. It appears not to be an on-going continuous operation of any bank. Among the banks, Agrani's approach to savings mobilization during the RFP was the most professionally sophisticated and purposively organized and promulgated. In 1983/84 Agrani was second only to Janata in number of savings accounts per branch (2022 vs 2136) and value of savings portfolios per branch (Tk.4.35 million vs. Tk.4.99 million). RBBUS findings indicate that Agrani Bank is presently the leader of all banks on both these counts.

8. Needs and Wants of Rural Savers: According to one of our reports the formal banking system in the rural sector is only weakly satisfying potential customers.

Findings in regard to why individuals use the rural branch banks were:

a) Safety of assets

b) To earn interest (but only among the more urbanized affluent)

c) Prestige.

However, less than 10% of respondants mention crop production inputs as reason for saving. Most savings in cash go directly into real asset investments - land purchase, house upgrading, dowry goods, productive capital such as rickshaw or sewing machine. It appears therefore that a large portion of the rural population do not save cash or plan to borrow to meet future capital needs. Rather, they try to save in kind (seeds, organic fertilizer, potatoes, etc.).

B. Loan Recovery

1. Policy Issues: Overall monitoring and control is among the statutory powers of the Central Bank but frequent GOB intervention is observed. This intervention is manifested in the following ways:

a. Repayment is often forgiven in the case of disasters to the benefit of the loanees.

b. Bad debt is never written off and accrued unpaid interest is treated as income (regular or suspense) to the benefit of the bankers.

c. Union Agricultural Credit Committees are given authority to select loanee candidates but assume no responsibility for their loan repayment performance to the benefit of the rural political power structure.

Recently (late 1985), certain firm credit policy commitments to the IMF have been made by the Financial Advisor to the President. These have not been published, gazetted, or communicated to the banks (as of July, 1986) but are purported to contain assurance that the Government is seriously concerned about the poor and deteriorating loan recovery situation and has taken steps to apply more effectively existing laws and regulations. The policy of establishing recovery targets for individual banks is operational and is being enforced by reducing Central Bank refinancing limits for banks which fail to meet their targets.

2. Loan Repayment Programs, Campaigns and Incentives: Loan repayment performance is partly a function of the quality of the loan that is made. RFP was unable to identify any national policy on minimal loanee qualification or project feasibility appraisal standards or norms. Also the Target Program Credit is disbursed without any realistic provision for performance supervision.

Organized loan recovery campaigns are rarely initiated at NCB or BKB headquarters level, and virtually never at the regional or branch bank office level. Rather, generalized, unrevised instructions from the BB are usually transfered to individual bank letterhead and passed along to the branches through the regional offices.

There are no positive institutional or individual employee incentives for effective loan recovery performance. There are no individual bank employee penalties for poor loan performance. There is only

a negative penalty at the institutional level in the form of restriction of extension of credit by bank branches failing to hold their overdues below a specified proportion of loans outstanding.

3. Effective Managerial Continuity: Project development and long range planning in the banking system, especially at bank headquarters level, is greatly inhibited by rapid turnover of top management. It has been found that since 1980 Managing Directors of the banks are rotated on an average of every 1.3 years; General Managers every 1.8 years. Furthermore, it is found that in the process of rotating and replacing of bank managers, they are frequently moved in and out of banking itself. Under these circumstances, it is inevitable that a serious lack of professional managerial continuity exists throughout the Bangladesh banking system.

4. The Legal System for Loan Repayment and Enforcement: In general, the legal system, its courts, procedures, and enforcement facilities are doing an inadequate job of bringing about loan recoveries as evidenced by the fact that of the 260,000 Certificate Cases ever filed, only 60,000 have been settled. Also, according to RBBUS findings, the 100 branches settled 368 certificate cases in the year 1984/85. That amounted to about 3.7 settled cases per branch. However, 80% of the branches settled no cases. The value of the 368 settlements came to Tk.15,700 or Tk.4,243 per settlement.

The 100 RBBUS branches reported an average of 143 stuck-up loans per branch. Again, 50 banks reported

no stuck-up loans. It is significant that while the NCBs reported 183 stuck-up loans per branch, BKB reported only 24. It is clear that relatively small proportion of overdue loan repayments are being taken to certificate court recourse.

Banks appear to lack incentive for either filing or pursuing certificate cases because:

a. They are obligated to pay 16.67% of loan outstanding for a bond which may not be reimbursed. (The bond is a fee, not a deposit).

b. Certificate cases are filed primarily against small loanees; comparatively rarely against members of the elite. Thus, it is relatively less cost effective to pursue the poor than the rich. However, it may be less dangerous. During the year 1984/85, of over 5 million rural borrowers, 145,000 were large borrowers (loans exceeding Tk.10,000). These large borrowers absorbed 30% of rural credit.

c. Courts often sympathize with the poor borrower when he is unable to pay for the 16% bond and/or court costs. Judges decide who shall pay what costs. The certificate case process is inordinantly long. The statute of limitations permits a bank to delay filing of a certificate case for three years from the date overdue status begins.

d. Police are reluctant to serve warrants for loan collections upon either the elite or the poor.

5. Loan Recovery Accounting Performance: There is inconsistency among banks in the extent to which aging of loans is done and the classifying of loans

according to their age. Until mid-1986 BKB resisted adoption of a classification system established by ACD/BB in late 1984. However, prior to introduction of the ACD/BB system, only BKB had developed a classification system.

ACD/BB has recommended adoption of a practice of allowing interest not paid on overdues for two years to be allocated to income while subsequent yearly overdue interest would be allocated to "suspense accounts". Adoption appears to be coming about slowly and inconsistently.

6. Loan Recovery Recording System (MIS): As of mid-1986, the loan performance recording system known as "ACD-L (1-6)", introduced by ACD/BB in late 1984, is the official system which all scheduled banks are expected to follow. Compliance has been inconsistent, slow and often partial among the branches of particular banks. However, about 2200 out of 3335 branches had reported at least once by mid 1986. With compliance by BKB, over 90% of rural bank branches will be participating, however, slowly and not on a monthly basis as intended. Difficulties with ACD-L(1-6) which have been cited by rural bank branch officers include:

   a. Cumbersomeness and duplicativeness (duplications from form to form amount to 78%).

   b. Insufficient clerical staff in number and training.

   c. Reporting cycle (monthly) too fast/frequent

   d. Too complex. Not as simple as could be. Thus, more time consuming than necessary.

7. Establishment of Lending Criteria: Credit worthiness criteria are established by the different banks independently in the case of non-program lending. There is nothing particularly unique in this regard. Prospective borrower's references are checked as are their police records, experience of other banks with them, their reputation in the market place, the security they proffer, and so forth. Such lending constitutes only 30% of all rural lending of which two-thirds is for medium term agricultural loans and one-third for non-agricultural loans.

In the case of short term agricultural program loans, the BB spells out the product to be produced, location of intended recipients by Upazila or Union, types of inputs to be financed, etc.; this information derives from earlier review of previous year production, present year requirements, availability of financing, etc.; such review involving the participation of ACD/BB, the Ministry of Agriculture, and management of the various participating banks. Until recently, once the target has been defined, the credit announcement would be communicated to the appropriate Union Agricultural Credit Committee who would prepare a list of qualified loan recipients and present same to the bank designated by the BB. The bank then sanctions loans to the persons named on the list. Such lending amounts to about 70% of rural bank advances.

The UACC role in establishing or controlling lending criteria is in the process of modification through the issue of credit passbooks to bank borrowers when they submit loan applications in response to program loan announcements or otherwise. The UACCs may continue to introduce producers to the banks the first time, but thereafter the passbook alone will be sufficient to qualify the producer as a loan applicant.

The Passbook system that is being adopted gradually may not do much to improve loan recovery rates as it can easily be subjected to manipulation.

8. Disaster Risk and Crop Loan Insurance: The present GOB crop insurance program is non-viable and virtually defunct. The alternate GOB policy of "forgiving" interest payments in disaster areas is also problematic. Although such decrees are issued only from time to time, their implementation is uncontrolled and highly variable and their treatment in loan ledgers is often obscure. Therefore, they become an accounting nightmare at the rural branch bank level.

From the point of view of banking system viability and maintenance of credit discipline in the society, the GOB policy of forgiving disaster victims of their repayment obligations is wholly counter productive and negative in impact on all but strictly welfare oriented criteria. Finally, who is to bear the cost of forgiveness is not clear. As long as forgiven interest is not recorded as income, then reduced taxes and profit transfers to the Government largely shift the burden to the Treasury. Of course, in an environment of low repayment performance, any crop insurance program will be ineffectual unless development of such a program be accompanied by a vigorous recovery campaign.

Bangladesh farmers perceive great risk in agricultural activity. Average losses for paddy are 2.7% and for jute 2.3% of production. These represent average losses at a national level for major disasters, and exclude the frequent local losses. Loan

recovery is certainly influenced by the environmental risks faced by farmers. With many households at or below the margin of subsistence and facing constant threat of one type of natural disaster or another, it is understandable that loan repayment is a constant worry to many borrower households. However, with 70% of farmers repaying their loans within five years, it may be concluded that farmers are generally willing to repay, but often cannot, due to the high risk of dropping below subsistence. Any successful loan recovery program must be able to deal with these cases and, conversely, any loan recovery program that does not recognize environmental risk factors is certain to fail. The banking system has adapted to this basic reality by accommodating, however unwillingly, through widespread late repayment by borrowers. This also creates a situation where wilful defaulters emerge.

9. Trends in Lending Practices: Among the clearest trends in lending practices is the rapid proliferation in the number of targetted lending programs. Based on BKB data this trend is depicted in the following table:

Target Program Participation Trend
Number of Programs

	1973/74	1977/78	1983/84
Short term	3	5	23
Medium term	6	6	22
Long term	0	4	11
Total	9	15	56

Additionally, it may be noted that 15 non-governmental organizations have become progressively involved in substantial loan programs in rural areas, especially since 1980.

Agricultural lending in the private sector has increased rapidly since the years 1976-79 when such lending represented only 20% of total private sector lending. That proportion has increased to about 30% at the present time.

The practice of forgiving repayment of interest on loans to victims of disasters has increased dramatically during the '80s.

The rapid increase in agricultural lending of the 1970s and early '80s based on introduction of the UACCs into the loanee identification process has now slowed down considerably. This reflects changing government policy in this area as the GOB seeks to eliminate abuses of UACC participation in agricultural lending in favour of introduction of a Credit Passbook System.

10. Effectiveness of Bangladesh Bank Loan Recovery Program:

The Bangladesh Bank has sent a number of circulars to the banking network calling for greater effort to collect overdue loans. The circulars have varied in length and detail but have usually been quite general in terms of the instructions being imparted.

RFP Consultants find the foregoing BB loan recovery program insufficient in detail and failing to provide administrative follow-through, and notes that the program has not been successful.

Our findings here cover recent actions of the Bangladesh Bank related to the six policy instruments which the BB can use to influence loan recovery:

a) Targets: The target BB established for the program commencing January,1985 was to achieve 80% of all recoveries due by March,1985. This was an ambitious and unrealistic target far exceeding the historical levels reached by the banking system. The target was not achieved. Indeed, recovery rates in 1985 were below those of recent years. However, the lack of prompt improvement in the recovery level does not imply that the measures taken will not have some desirable impact although a realistic time frame would be much longer. For the 1986-87 Agricultural Credit Program the ACD has reduced the target for collection to 65% of the amount due.

b) Moral Suasion: The Bangladesh Bank can apply moral suasion in two ways: 1) Publicity such as : requiring branches to publish or display lists of defaulters; instructing the banks to provide more publicity emphasizing the importance of loan recovery etc. 2) Advice to the NCBs and BKB to increase their internal resources directed at recovery.

The effectiveness of moral suasion as a means of collecting loans is enhanced when the cost of not repaying is perceived to be high. Moral suasion in an atmosphere where the number of free riders is increasing is unlikely to be successful, so,although this is an important aspect of any loan recovery program,it cannot be expected to carry the burden itself.

c) Terms of Loans: The action taken by the BB in its 1985 recovery program was to reduce the interest rate by 2% and in effect raise the penalty rate by 2%. The cost of delay in repayment was therefore raised. However, any reduction in interest rates tends to reduce repayments. Although the change in rate at the boundary between penalty and normal interest rates was increased, the total rate including the penalty rate was unchanged. The rebate scheme would tend to reduce not enhance loan repayments.

d) Refinancing Policy: Bangladesh Bank has tended to tighten the availability of refinancing according to the repayment performance of the scheduled banks. However, as refinancing is provided to permit banks to meet reserve and liquidity requirements, it becomes more expansive when loan recovery is poor.

The refinance policy of Bangladesh Bank in theory could be used as a stick to force rural branch banks to improve their loan recovery rates i.e. no refinancing would be provided to rural banks with unacceptable loan recovery. However, in practice, since there is already a credit ceiling on rural branch banks as well as urban branch banks as a consequence of IMF imposed macro oriented credit expansion limits, for the refinance policy to be effective it would be necessary that the cost of recovering loans be lower than the option of using the BB refinance window. This clearly is not the case. Thus, given the restrictions on credit expansion, the refinancing policy option could only be effective in increasing loan recovery if its interest

rate were increased to a point where branch banks would find it cheaper to recover loans than to borrow from the central bank.

e) Rules for Establishing Bank Profitability: The Bangladesh Bank has been adjusting the regulations with respect to loan classification eligibility of accrued interest as current income to the bank, and the provision of bad debt allowances at the Head Office level. These changes are improving the relationship between true bank profitability and the bank's acounts. These rules will provide a more direct relationship between bank profitability and loan recovery. It is premature to assess the impact of these changes, but they are clearly in the right direction. However, there is room for further improvement in this regard. This finding is with respect to the loan recovery program of the Bangladesh Bank, whereas the issue of accounting rules is discussed elsewhere in a wider context.

f) Supervisory Powers: The Bangladesh Bank has initiated five management directives to the NCBs and BKBs dealing with loan recovery: 1) Provision of incentives to staff (officials and field assistants) for loan recovery. 2) Increased presence of senior bank officers at rural branches to improve management of the loan recovery program. Visits by senior bank officers are reported to have increased. 3) Encouraging the banks to follow certificate cases initiated in order to obtain recovery. 4) Improving knowledge of the true loan recovery position. 5) Improvement of circulation of defaulter lists among banks. The monetary incentives are still under development

at ACD/BB. It is premature to assess the impact on loan recovery. The increased emphasis on collection through the legal system resulted in an increase in the number of cases and in the attention that Bank officers directed to this activity. The intensity of this effort is presumably rather large; in February, 1986 the Government instructed local administrative officers and the police not to enforce certificate case court decisions until June 30, 1986. Hence, as of July 1, 1986 the local authorities are again able to carry out instructions of the courts. The Bangladesh Bank has reaffirmed the importance of pursuing certificate cases in its circular on the 1986-87 Agricultural Credit Program and has, in particular, noted that the Government's restriction on enforcement of verdicts is now lifted. The Bank is seriously pushing this channel of making debtors meet their obligations. It is premature to assess the impact of this sequence of events.

g) Overall Assessment: The BB's loan recovery program is in its early stages of implementation. Although it's overly ambitious targets for early 1985 were not met and available evidence suggest that loan recovery in 1985 was significantly worse than in the previous four years, it would be wrong to conclude that the program is unsatisfactory. A turn around of loan recovery rates and increasing them to a reasonable target level will take some years. Furthermore, the program will evolve only through considerable administrative effort by ACD/BB in both additional program formulation and in establishment of a MIS that will provide current data promptly.

11. Loan Defaulter Analysis:

There is increasing evidence from the analysis of the RBBUS data that the deteriorating situation in loan recovery is being caused primarily by larger borrowers. We interpret this to mean that willful defaulters are increasing in comparison to defaulters for liquidity reasons. Loan recovery on short term agricultural credit in 1985 fell to approximately 10% of the amount due although agricultural production increased significantly and real incomes in rural areas increased.

C. Training and Institutional Development

1. Training of rural branch bank managers is provided by two different institutions; the Bangladesh Institute of Bank Management and the several banks' own training institutes.

2. Training is of reasonable quality and the trainers are generally competent but there is a lack of courses which specialize in particular problem areas facing rural branch bank managers such as how to mobilize savings, how to recover a loan, how to reward individual merit, etc. Too often teaching materials and readings are direct copies, or bad paraphrasing of western sources sometimes wholly irrelevant in the context of rural bank management in Bangladesh.

3. While much training is concentrated in Dhaka it is also provided at various other sites. Indeed, about two-thirds of trainees received their training outside of Dhaka during the period 1981-85.

4. Most branch bank managers have participated in one or more training programs.

5. An important issue exists between GOB and BB officials who favor centralization of officer level training in Dhaka under BIBM oversight and commercial bank management which favors decentralization and the right to independent training of their own officers.

6. Most trainers appear motivated but lack facilities and opportunities to impart detailed knowledge of the problems facing rural branch managers because of an unnecessary curricular concentration on theoretical banking considerations. Also, a significant number of trainers are definitely nega-

tively motivated; some, because they define training as an unfortunate detour in their chosen careers as bankers.

7. There are many problems facing institutions involved in the rural financial sector. These include:

   a) Bangladesh Bank's apparent inability to initiate and follow through on significant policy changes.

   b) The NCB's and BKB lack of autonomy in matters of compensation and promotion required to enable them to provide incentives to branch bank managers and staff.

   c) The low level of compensation has obviously affected staff quality throughout the public sector banking system.

   d) Failure of legal enforcement due to lack of political will and abundance of power-elite group pressures make it difficult to turn deteriorating loan recovery performance around.

D. Accounting and Management Information Systems

1. The accounting system practiced by branch banks as prescribed by the Bangladesh Bank results in financial reports that indicate a viable rural financial system when, indeed, the opposite is the situation.

2. The present inadequate accounting system appears to be perpetuated by the need for the Government to collect taxes from the formal banking system. The fact that the taxes collected plus additional resources are effectively used to subsidize the banking system, does not seem to be considered or to enjoy official policy status.

3. It is not certain that financial reports are accurate, particularly on outstanding loans, prepared initially by branches and then summarized by home offices and given to the Bangladesh Bank.

4. The ACD(L)1-6 loan performance information system basically is good. It can, however, be improved and greatly simplified. What is clear is that the scheduled banks are not yet satisfying their obligation to respond to ACD(L)1-6 requirements or to its time schedule.

5. There is little computerization or even mechanization of accounting or other information systems in the banking sector. As a consequence, little staff time is available to analyze reported data since so much time is spent preparing reports.

6. Rural branch banks need to prepare on the average 160 different reports. This number is clearly excessive. Most reports prepared by the branches do not appear to be analyzed in a vigorous fashion nor do branches receive feed-back information. Indeed, it is impossible to reconcile statistical data differences as recorded at different levels of the operating information systems.

E. Data Collection and Project Evaluation

1. The RFP project resulted in an enormous amount of original data collection. This exercise demonstrated the high quality of field research that can be done in Bangladesh.

2. Original data needs are great in Bangladesh since nearly all of the secondary source data RFP consultants have worked with have been found to be inconsistent and in terms of accuracy, at best, suspect.

3. The formal banking system is very weak in data analysis capability. This applies to process, procedures and to staffing.

4. Data collection such as by the RBBUS is not done with sufficient periodicity to keep base line data current.

5. In part because of data limitations, project monitoring and evaluation is difficult, if not impossible.

6. The fact that there are over 200 active outside parties providing development program assistance to Bangladesh appears to make coordination impossible. As a consequence, it is virtually impossible to isolate the impact of any one program on RFP or any other results.

7. Whatever assumptions are made regarding weather,natural disasters, political stability or similar of factors, estimated parameters will inevitably be violated.

Chapter V

RECOMMENDATIONS

The recommendations contained in this chapter are systemic in that they are not meant to supersede the specific recommendations made in each of the twenty specialized reports but rather represent an attempt to present a series of inter-related actions that are required to improve the financial viability of the rural banking system. They also are made in line with the hierarchical structure that exists in the system from branch bank to Government. The overall thrust of these recommendations is to provide for a system of incentives and changes in rules and regulations that would affect the motivation of rural branch bank managers and staff, thereby to increase their efforts to mobilize savings, increase loan recovery rates, sanction productive,high return loans and operate efficient branch banks.

Although grouped by major categories, the thrust of the recommendation's are closely related to one another and their impact is mutually supporting. The general position which motivates these recommendations is that the rural banking system must have greater autonomy, its actions should be motivated by the interests of the participants rather than directed from outside, and the participants must carry the responsibility for what they achieve or fail to achieve. In addition to those recommendations grouped according to the main categories of the RFP's work, there are a number of general recommendations which affect more than one of the specific categories.

The continued rapid development of the rural economy requires the mobilization of greater resources, the application of these resources to the most productive opportunities, and the recovery of these resources so that they will be available to other agriculturists. These recommendation's will serve to direct the rural finance system toward achievement of these results.

A. Savings Mobilization

1. Branch Bank Managers should be required to prepare annual savings mobilization plans, including an outline of actions that would be undertaken by the branch staff and a statement of financial resources necessary to implement the plan. The plan should be submitted to their regional offices for review and constructive comment. The plans should be evaluated and revised annually as appropriate.

2. At the end of each year branch bank managers should be required to report on the outcome of their savings mobilization programs comparing actual results with the goals and targets formulated in their original plans. Where large differences occur between planned and actual results, revised action plans should be prepared either to correct for deficiencies or follow up on successes with appropriate explanation for each observed significant variance.

3. Regional banks should institute a program for determining incentives and punishments for their respective rural branches for success or failure towards increasing savings mobilization. The incentives should, for the most part, be monetary and be either by payment to the rural branch bank manager and staff or to the branch manager, alone and, at his discretion, for future division among branch staff. Under either system public announcement should be part of the incentive program.

4. Regional bank managers should be authorized to develop new savings programs and the discretion to institute them on a full scale basis or on an experimental "pilot" basis. Such plans should be submitted to their head offices for review and comment.

5. Regional managers should be required to develop a branch bank rationalization plan for their respective areas. While such plans may have as their long range objective a banking facility in every Union, a regional manager's plan for either opening or closing of branches should be based on an analysis of near term revenues and expenditures of existing and proposed new branches that will enable the regional system of branches to become financially viable.

6. The regional manager should be made responsible, given the authority and rewarded or punished for the success or failure (in the aggregate) of their branch bank managers' savings mobilization plans. Thus, each regional manager should prepare his own annual plan for regional savings mobilization and then provide an analysis in the following year of aggregate accomplishments or shortfalls by their branch banks. Correspondingly, regional managers must be provided authority to transfer or replace branch bank managers as necessary to carry out successful savings mobilization plans. They should also be given additional remuneration for meeting targets and suffer appropriate penalty when their own established savings mobilization goals have not been reached.

7. Regional bank managers should be encouraged to aggressively solicit potential large scale depositors. Either from information obtained from the home office, from branch banks, or from informal command area canvasing, regional managers should be made aware of who are the potential large scale depositors and they should be provided the authority and resources to approach them for the purpose of obtaining their business.

8. The head offices of the NCB's and BKB should delegate to regional and branch bank managers whatever authority is required to carry out the above recommendations.

9. Bank head offices should develop a MIS enabling them to analyze the effectiveness of each region's savings mobilization plans. Regional managers' reports on either very successful or very unsuccessful saving programs should be made available to other regions. Thus, incentive programs for regional or branch bank managers could not offer zero sum rewards (i.e. winners = losers) but, rather, they should be based on the amount of additional savings mobilized. Head offices should be required to prepare and prominently publish incentive plans and lists of winners and their rewards.

10. Bank head offices should establish comprehensive training courses in savings mobilization that incorporate the results of successful savings mobilization programs developed and conducted at the branch and regional levels.

11. The Bangladesh Bank (or the GOB, as the case may be) should give the scheduled banks the necessary authority to implement the recommendations above.

12. The Bangladesh Bank should adopt and implement a policy that ensures that scheduled banks offer positive real interest rates on all categories of savings deposits. It should accomplish this by exercising its authority to revise interest rates quarterly based on analysis of the rate of inflation. It is also recommended that the revised interest rates be expressed in a range of between 2-4 points so that scheduled banks, given the authority, would be able to adjust interest rates for different types of deposits to

reflect differences in transaction costs. It is assumed they would not liberalize rates on current accounts except under extraordinary circumstances.

13. Responsibility for managing the National Savings Schemes should be transferred from the National Savings Directorate to the Bangladesh Bank. Once this is accomplished the Bangladesh Bank should establish a new division with responsibility for directing overall savings mobilization programs of Bangladesh.

14. Once established, the savings mobilization division of the BB should, based on an analysis of savings mobilization program results from branch and regional levels of the banking system, publish annually its own analysis and make recommendations for continued efforts to increase savings deposits.

B. Loan Recovery

1. Branch banks should be required to develop accounting and MIS reporting systems that accurately reflect branch financial viability.

2. Branch bank managers should be required to meet with borrowers of all loans that are more than six months overdue. Next, they should report to their regional offices concerning which borrowers have the financial capacity to repay. Based on this report to the regional office they should be instructed whether to arrange for rescheduling or institute certificate cases. For any overdue borrower with whom the branch manager cannot arrange a meeting, certificate cases should be instituted immediately.

3. Agricultural loans secured by crop hypothecation are in essence unsecured loans. Either this fact should be recognized or other collateral, such as land, should be secured especially for loans over a certain amount.

4. The regional managers of rural branch banks should establish an incentive system to reward their rural branch bank managers and staff for achieving high rates of loan recovery. This incentive program should be developed at the regional level so that regional managers also can be included in an incentive system based on improved loan recovery in their regions.

5. NCB's and BKB should be required to expand and accelerate training programs on loan recovery issues so that all branch bank managers receive at least one week of training in recovery methods. Emphasis should be directed at how to reschedule loans to meet borrowers' ability to pay.

6. NCB's and BKB should engage outside private chartered accountants to revise their accounting systems particularly in regard to overdue loans, bad debts and loan interest payments, and to prepare annual financial statements in accord with accepted international standards of chartered accountants.

7. The Bangladesh Bank (or GOB as the case may be) should give schedule banks the authority, where necessary,to institute the recommendations stated above. If authorities of the Bangladesh Bank feel that such authority is not necessary or that the Bangladesh Bank does not have the authority to authorize the above mentioned recommendations, the BB should prepare a report, that would be available to donor agencies, outlining alternative means for accomplishing the basic objective of giving scheduled banks the power and incentives to improve loan recovery and change their accounting system to reflect the true financial viability of their rural branch banks.

8. The Bangladesh Bank should recognize that there are three categories of defaulters: (1) Hardcore willful; (2) newly willful; and (3) non-willful. Penalty rates should be highest for the first category and lowest for the third. The willfulness test should be objective and its application mandatory.

9. The Bangladesh Bank should revise its agricultural crop loan repayment schedules to allow for early repayment. In consideration for early repayment the borrower should be given a rebate. In view of the large number of defaulters and corresponding impact on transaction costs a rebate program would be a cost effective means for increasing loan repayments.

10. Bangladesh Bank should establish interest rates on new loans in order to reflect an intent to make the rural banking system financially viable. This would reflect a recognition that rural banks at present have a cost of capital (from depositors' monies) that is around 9%, bad debts in excess of 10% and normal transaction costs (salaries, overheads, etc.) of at least 2-3 percent. While these figures imply an immediate rise in loan rates, such an increase is likely to dramatically decrease loan defaults and hence bad debt allowances. This recommendation, however, cannot be viewed in isolation of what is happening with industrial and other non-agricultural sector loans.

11. The Bangladesh Bank should undertake an examination of the merits of a crop loan insurance program based on pilot projects, and should establish a program for its implementation, if warranted. At a minimum, a report should be prepared which makes recommendations concerning whether some such program would be feasible and/or should be instituted.

12. The Court system should be expanded to provide more personnel to allow for accelerating the processing of certificate cases and to establish a special court to deal with large defaulters.

13. The Government of Bangladesh at the appropriate level should provide the necessary regulations and funding to carry out the recommendations contained in No. 12 above. If necessary, cost benefit analysis can be prepared to prove that the monies collected from overdue loans will greatly exceed the level of additional government expenditures.

14. Parliament should prepare legislation that will require banks to bring legal proceedings against large overdue borrowers.

15. Last, but perhaps most important, there needs to be, at the highest level possible, a public statement indicating the determination and political will to take action against loan defaulters.

C. Training and Institutional Development

1. The role of the Bangladesh Institute of Bank Management should be distinctive from the training provided by the individual scheduled banks. This can probably best be done by making BIBM responsible for training bank branch managers on subjects related to policy issues while leaving the individual bank training programs to deal with training related to the implementation of programs such as savings mobilization, loan recovery, rural credit management, personnel and customer relations, market research, management and supervision, etc.

2. The major institutions involved in rural finance, that is the NCBs, BKB the Bangladesh Bank and the Court system as it pertains to the legal ramifications of loan recovery issues, are over-regulated and over-ruled. Relaxing regulatory reins on these institutions and letting them carry out their invested powers would, in our opinion, improve the situation in the rural finance sector from what it is now, where no one can be held responsible since they can always claim to have been over-ruled or superseded by higher authority.

3. In concert with providing more autonomy to the scheduled banks, the government should also provide more autonomy to the Bangladesh Bank. With the recommendations pertaining to incentives and awards for performance to regional and rural banks (and, presumably, throughout the banking system), there should be an overall increase in NCB and BKB salaries. If the Bangladesh Bank is to attract and retain competent staff it must be able to establish its own salary structure independent of the official Government salary structure.

D. Accounting and Management Information Systems

1. Each of the scheduled banks should be required to obtain the services of a chartered accounting firm to review their present accounting and financial reporting systems and to establish a new program which would reduce the number of reports required to be prepared by rural, regional and head offices while satisfying the requirements of the Bangladesh Bank and the internal needs of the scheduled banks.

2. Bangladesh Bank should make an internal review of its data requirements to determine whether it can simplify the reports it requires from the institutions under its jurisdiction.

3. Every effort should be made to accelerate the use of computers to prepare consistant reports and analyze data within the banking system. It needs to be recognized that such a process must proceed without over investment in capital equipment that will not be used efficiently. We therefore recommend that a program be undertaken that examines the costs and benefits of introducing micro computers at the regional bank level. If such a program proves to be successful it could be expanded both upward and downward.

4. While accountants can deal with making the bookkeeping changes recommended to reflect the real status of overdue loans, bad debts and accrued interest, the ramifications of such changes are so pervasive that it will require more senior level persons in the banking system and Government to deal with this issue on a policy basis. In particular, a careful definition of loan status must be made which is applied automatically without waiting for Bangladesh Bank audits and which is gradually strengthened over the next three years. In addition, provision for bad debt reserves must originate with the Branch and, as the loan becomes increasingly overdue responsibility for collection should be shifted to higher authority. In this way each level of the banking system would feel the impact of the level of loan collection's on its profitability.

E. Data Collection and Project Evaluation

1. The statistics and research departments of the Bangladesh Bank should establish a program for analyzing the data collected under the RBBUS. In this effort they should be advised by the Consultant during Phase II of the RFP. The objective of this research should be to provide policy makers with an analytical tool for measuring the impact of alternative programs prior to their implementation in the rural finance sector.

2. At least on an annual basis similar, albeit less comprehensive, field surveys should be undertaken following the approach developed by the RBBUS. These efforts are necessary in order to continue measuring changes in the rural sector in a manner that is unavailable through any other means. There also is a need to verify some of the findings of the RBBUS and to provide for data collection during the transition that the rural finance sector must undertake in order to regain its financial viability.

3. The type of training in computer assisted econometric analysis given by Dr. Maxwell Fry to staff of the Bangladesh Bank should be continued and expanded. Once the BB has established analytical procedures for measuring the effectiveness and efficiency of various rural finance sector programs it should institute a training program for research analysts on the scheduled bank staffs.

F. General Recommendations

1. The Government should seek to reduce the number of specilized loan programs by asking donors to channel their funds into two or three programs rather than the existing 50-60 plus. Donors should also be requested to disburse their program loans for farm credit through the regular channels of the BB and scheduled banks and not to create new channels with their related overhead and coordination costs.

2. Procedures with the formal rural financial sector should be established so that lending and even savings programs can be directed at groups and not just at individuals.

3. The refinance rate offered by the Bangladesh Bank to the scheduled banks should not serve as a disincentive for savings mobilization. For rural banks it should be set at a level somewhat higher than the rate offered on savings programs having low transaction costs, for example, fixed deposits. Also, the effective differential between rural and urban refinance rates should be maintained so as to reflect the presumed higher transaction costs of rural loans.

4. The RBBUS data has provided a detailed description of the present situation with regard to bank regional office and branch bank staffing, training, and facilities. Preliminary analysis of this data leads to the recommendation that substantial changes are desirable with regard to branch bank staffing patterns, training provided to officers working in rural branch banks, and the availability of facilities for rural branch banks. Guidelines should be issued by BB detailing the corrective measures to be undertaken. However, the individual banks should be free to adjust these quidelines in accordance with the particular conditions that hold in a location. The preparation of such guidelines is now feasible with the availability of RBBUS data on the operational conditions of the rural finance sector.

FINAL REPORT
RURAL FINANCE PROJECT

Agricultural Credit Department
Bangladesh Bank

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VOLUME II
ANNEX: RBBUS

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Summary of RBBUS Analysis Report 1

Introduction: The Rural Bank and Bank Users Survey (RBBUS) was carried by the Rural Finance Project to obtain detailed information on the banking system in rural areas and the customers that utilize that system. The survey was undertaken by the Project after review of the existing data indicated that much required material was not available. In particular, there was a serious lack of accurate data on loan recovery and the new collection system established by ACD would not be functioning during the time of the project. Information on the financial aspects of the banking system in aggregate was available, but there was little detail on the rural branches. Furthermore, no systematic information was available at the regional or the branch bank level on operations. The final gap was the lack of data on bank customers. As many of the controversies about the rural finance system revolve around disagreements about the factual situation, RBBUS set out to collect information that would permit the policy discussions to be based on a firm understanding of what has happened in the rural finance system. This report summarizes the findings of the first RBBUS report.

The RBBUS was a sample survey with rigidly controlled sampling procedures at every stage. The results are applicable to the national level and for the five banks covered. Data was collected for eight randomly selected districts, so district level data is not comprehensive and although there is some statistical reliability for data compiled at this level the results must be used with caution. The results of the analysis of RBBUS data is presented under a number of sections in this report. Different components of the survey are grouped according to their relevance to the subject for investigation. For this report work has concentrated on the two most important aspects of the RFP: Saving mobilization and loan recovery. Results are presented here in non-tabular form, emphasizing the most important results, but appropriate cross-references to the relevant Tables are made.

1.

The RBBUS covers all bank branches classified as rural and a few branches classified as urban, but which have an essentially rural character. While the emphasis is on the sanctioning and management of agricultural credit, the RBBUS covers all rural banking activities of the five NCBs and BKB.

The data collection was carried out over the period September, 1985 - February, 1986 by the staff of S.F. Ahmed, the sub-contractor on the Rural Finance Project. Data entry was carried out by the Bangladesh Bank and S.F. Ahmed. Data editing and computer entry have been successfully completed. Analysis of the survey for the RFP is presented in RBBUS Analysis Report No. 1. The analysis will continue on other topics in Phase II of the RFP. 2.

Saving Mobilization: RBBUS results reported herein cover the mobilization of deposits at rural branch banks. Saving mobilization is studied by investigation of characteristics of deposits in rural branches. Data reported here deal with deposits as of June 30, 1985. The volume and structure of the deposits provide a detailed picture of the deposit position of rural branches. This permits analysis of some of the factors which may influence deposits and their structure or, conversely, important properties of the rural banking system which the deposits determine. A branch bank after its establishment seems to take only limited steps in the active acquisition of deposit accounts. The main factors which have been hypothesized to influence deposit volumes are: Rural income, interest rates, market penetration, the growth of the bank branch's lending activity, the cost of borrowing from the head office and remoteness of the branch. 1/ Conversely the structure of deposits may have a strong influence on profitability and on the cost of funds. Saving mobilization campaigns have been rare and consequently their impact on the level of deposits is expected to be small. 2/ The RBBUS data permits examination of these factors.

1. The average rural branch has 5.5 million taka in deposits; the median value is 3.3 million taka. [1/] There is no significant difference among the four NCBs; however, BKB's deposits average 2.0 million taka per branch while NCBs are much larger at 6.6 millions taka. The average number of deposit accounts is 2250 per branch; the median number is 1640. BKB has significantly fewer accounts (mean 1700) as compared to the NCBs (mean 2400). Finally, the average account size (mean of the branch average deposit) is 2300 taka (median 1900 taka). Again NCB accounts are larger (2680 taka) than those of BKB (1250 taka).[2/] BKB's deposit mobilization effort is smaller in both the number of accounts and the size of the average account (Tables A-1 to A-3).

2. Analysis of the structure of deposits indicates that in value terms saving accounts represent 45% of deposits, current accounts 19%, fixed deposits 26% and the remainder 10%. However 83% of the number of accounts are saving deposits, 9% current accounts, 3.5% fixed, and other categories 4.5%. The deposit accounts divide into three categories: (1) a small number of fixed accounts (80/branch) with an average size of 17,900 taka; (2) a few current accounts (200/branch) with an average size of 5000 taka, presumably these are largely business accounts; (3) a large number of small saving accounts (1900/branch), of average size 1900 taka. Thus campaigns for saving mobilization have two distinct target groups: The owners (present or potential) of large fixed deposits and the small saving account holders.

1/ These numbers reflect a characteristic of the rural bank branches - a few large branches raise the mean significantly above the median. The median is a more representative estimate of the typical branch bank in the RBBUS sample.

2/ The average of the mean deposit size differs from the mean deposit size which are of course 2420 taka for all banks, 2720 taka for NCBs and 1160 taka for BKB.

Although very different in absolute size the relative deposit structure of the NCBs and BKB are essentially the same: 45% saving, 20% current accounts and 35% other. Although BKB has a higher percentage of deposits in the fixed category than do the NCBs, BKB has few accounts in other categories such as the DPS.

The average deposit account is 2420 taka; the NCB average is 2720 taka and the BKB account size is 1160 taka. Fixed deposits of NCBs average 19,000 taka, BKB fixed deposits average 11,000 taka. (Table A-4 to A-7). The urban and rural distribution of deposits is very different. Saving deposits represent 15% of urban deposits as compared to 45% of rural deposits. Fixed deposits represent 42% of urban deposits in contrast to 26% of rural. The number of accounts per branch is similiarly very different. (Table A-8) These differences highlight the importance of designing saving mobilization instruments and compaigns aimed at the rural population.

3. Relationship of deposits and remoteness of branch: (Tables A-9 to A-18) Each of the 100 branches was classified by the survey supervisors on a scale of 1-5 according to the remoteness of the branch. The total volume of deposits, the number of accounts, and deposit size all show a sharp decline with increasing remoteness of the branch. The non-checking saving account decline the least with increasing remoteness. The deposit level declines from 12 million taka for semi-urban branches to 1.9 million taka for branches which are very remote. The number of accounts also declined from 3358 to 1161 as does the mean deposit size with increasing remoteness. This result indicates that remoteness is, as one might expect, an important influence on the deposit volume. Following the rapid increase in the branch banking system in recent years one would expect the opening of new branches would now tend to be directed towards more remote areas and hence there would be

a considerable decline in deposits at new branches as compared to the what was achieved as the past. The extent of the difference in deposits is estimated to be a 40% reduction, as continued extension of the rural branch banking system will draw less and less deposits due to this greater remoteness of new branches. The decline in deposits arises more by the smaller number of accounts rather than smaller account size. These remoteness effects are more marked for the NCBs than for BKB, probably due to the lower volume and the smaller size of accounts at the typical BKB branch.

4. Relationship of deposits to the age of the Branch (Tables A-19 to A-27). The volume of deposits increases with the age of the branch. There is some tendency for deposits to increase in each of the deposit categories but the overall tendency is quite marked in the aggregate. The total value of accounts increases at 27% per annum, of which 16% arises from an increasing number of accounts and 9% from an increase in average account size. This is interpreted as clear evidence that two thirds of the increase in deposits comes from increases in the number of accounts with the age of the branch, while one third comes from the increase in the size of the accounts in real terms. However, the evidence for fixed deposits suggests the rapid increase in the value of accounts (29% per annum) with age arises from the increase in account size rather than the number of accounts. For current and saving accounts there is little increase in account size in real terms. These age and deposit growth effects are rather weak for BKB but very strong for NCB branches.

The conclusion is that market penetration effects are very strong: The presence of a bank branch in an area draws increasing deposits the older the branch, although at a declining rate. The rapid growth of deposits since 1981 is largely

explained by this gradual buildup in use of the bank branchs by the public, mostly from branches established from 1977-1981. Equally, the slow growth of new branches in the past five years will result in a much slower growth of rural branch deposits in the next few years unless other measures are taken to increase deposit growth.

5. Relationship of deposits to the size of the branch (Tables A-28 to A-37):One hypothesis about deposit mobilization is that it is linked to the branch bank's extension of loans; this could arise either through a requirement that loan customers be depositors prior to making an advance or due to the customer's increased willingness to deal with the bank after having obtained a loan. RBBUS shows that this hypothesis is false. There is no relationship between branch size measured by the volume of loans and the volume deposits. No relationship is seen for total value of deposits, number of accounts, or account size. No relationships are found for aggregate deposits or any type of deposit.

When aggregated to the district (former) level there is a stronger correlation relationship between deposits and advances,but at the branch bank level the mobilization of deposits and the sanctioning of loans are independent.

6. Relationship of rate of growth of the branch (measured by loans outstanding) and the volume of deposits (Tables A-38 to A-46): It is hypothesized that a rapid growth of deposits would be associated with a rapid growth of loans. This is similiar to the previous hypothesis but deals with a more dynamic assessment of the increase in advances over the past five years (or for the age of the branch if it is less than five years). No such relationship is found. The level of deposits in June 30, 1985 is independent of the prior rate

of growth of the branch. This holds for total deposits, number of accounts, and account size. No relationship is found between any type of deposit and the growth rate.

Together with the findings on the relationship of deposits and advances it is concluded that as the rural banking system has developed to date there is no relationship at the branch level between the raising of funds by deposits and the making of loans. Although the financial system as a whole expands credit through deposit mobilization the individual branch does not.

Financial intermediation matchs individuals who are savers with those who are borrowers. The conclusion suggested by these results is that such intermediation is not taking place within the Branch. Intermediation apparently is effective only at higher levels of geographic aggregation.

7. Branch profitability and the Structure of Deposits. (Tables A-61 to A-69): The main finding for the relationship of profitability and deposits structure is that high profitability is associated with a low volume of deposits. Branchs with negative profits have less deposits than those with low positive profits but as average branch profits increase, the average volume of deposits declines. A similiar phenomona occurs with the size of accounts whereas the number of deposit accounts does not vary systematically with profitability.

This is a surprising conclusion: It suggests that the cost of funds thru borrowing from the head office is less than the cost of funds raised through deposits. However, the evidence on this point (see below) does not support such an assumption However, if one considers the volume of loans sanctioned to be the main determinant of profit, and as we have seem above , loans are not associated with deposits

then higher profits would not be associated with high deposit volumes. Indeed high deposit volumes are associated with those branchs which lend to their head office at rates below the lending rate to borrowers and so earn less on their assets than do these branchs with large lending programs.

8. Share of deposits in available funds and deposit structure: (Tables A-47 to A-55). The branch banks have two sources of funds - deposits and net borrowing from the head office. Banks with a high ratio of deposits to total funds available have a large absolute volume of deposits. This means that net borrowing from the home office tends to make up for lack of deposits, as one would expect. Branches with very high deposits are net lenders to their head office. This reflects the effective control over credit extended by the head office and is consistent with previous findings that the volume or rate of growth of assets is independent of the growth of deposits. This effect is true for both the number of loans for branch and the size of accounts. Examining BKB branches no such effect can be seen while for the NCBs it is very evident.

9. Interest rates and deposits (Tables A-56 to A-60): The average interest rate on deposits is 9.2% (median 10.6%). There is a considerable spread in the interest rates, the standard deviation is 2.3 and difference between the 10-90 percentile is 6% (i.e. 11.7% to 5%). The difference between the cost of deposits and the cost of borrowing from the head office is generally negative for Agrani, Janata, and Sonali; it is generally positive for Rupali while for BKB half of the branches report the difference is positive, half that it is negative. This indicates that for Rupali and half of the BKB branches it is cheaper to borrow from the head office than it is to raise funds from deposits even without allowing for the transaction costs of managing deposits.

The cost of funds in rural branches is somewhat higher than the national average and the urban average cost. This is particularly evident examining the median branch cost of funds. The higher cost of funds arises from the relative low share of current accounts in rural area banks. The median rural branch indeed finds funds obtained from the head office cheaper than from deposit mobilization.

10. Structure of the deposits and branch characteristics (Table A-70): Classifying the structure of deposits according to fixed deposits and saving deposits, one finds that branches with substantially above average profitability have fixed deposits between 16 and 33% of deposits and saving accounts between 40 and 60%. Branches in other categories have negative or near average profitability. The class of branches that have high profitability have mean interest rates equal to the sample mean. Put another way the branches with interest cost of funds near the sample mean have maximum profits. Branchs which are away from the mean (typical) deposit structure tend to have lower profits. Those branchs which manage to acquire a deposit structure which corresponds to the typical branch achieve high profits; those which deviate have a sharp drop off in profitability. This should be interpreted as branch banks maximize their profits reported under the accounting rules which currently hold.

11. The Branch Managers and Regional Managers were queried on the policies which would be most effective in improving deposit mobilization (Table A-71): The responses indicate that there is considerable uncertainly as to what should be done to mobilize saving and thus a desire to have additional training. The managers also believe that present incentives are inadequate.

Loan Recovery: The RBBUS data on short term agricultural credit has been used to develop four indexes of loan recovery: Ratio 1 is the balance outstanding to the principal; it represents the most useful measure of the loan recovery position of a group of loans that were sanctioned during a given period. Ratio 2 is the balance outstanding to the principal plus an estimated interest payment; this ratio indicates the extent to which recovery has been made of both interest and principal. Ratio 3 is the balance outstanding to the principal with data adjusted to the prices of the last quarter of 1985 (current prices). This measures the burden of the repayment to the borrower and the difference between ratio 1 and ratio 3 indicates the extent to which price inflation has paid the loan from the borrower's perspective. Ratio 4 is the loan balance in current prices to the principal and interest adjusted to current prices. The discussion of loan recovery utilizes these four ratios to assess the extent of repayment.

Loan recovery is assessed here allowing for partial repayment. Thus ratio 1 is zero for a loan which is fully repaid; if it is less than one then the loan is partially repaid. When it is greater than one the borrower is not keeping up with the interest payments due. The tables dealing with recovery are presented counting the cases with different ratios. For analysis of loan recovery it is most useful to use the loan as the unit of analysis regardless of the amount. Most agricultural credit loans fall in the 0 - 6000 taka range and there are no distortions from extremely large loans.

1. Of the sample of loans disbursed from 1979-84 and due for repayment prior to the time data was collected 49% have been repaid and another 9% have had the principal reduced. The remaining 42% have a balance due exceeding the principal. Thus one can argue that 58% of the loans are repaid or have

moved towards repayment. Most of the loans not repaid have a ratio 1 value in the range 1-1.5. Allowing for inflation, 20% show reduction in the principal while 31% show a larger outstanding balance even after such allowance. Thus the inflation effect has a significant impact of the burden of loan recovery. When interest is included almost all loans have ratio's less than 1. Examining ratio 2 which allows for interest charges one finds 25% of the loans are in the range of .8-1.0; another 10% of these loans have ratio 2 value greater than 1. For these loans little progress has been made in loan recovery; the borrower has essentially done nothing. In real terms inflation has reduced the total loan burden significantly for approximately 25% of the population.

This data on loan recovery indicates that recovery - loans full paid is 50% of loans disbursed. Of course the probability of repayment increases as loans age, a point taken up subsequently, but the central point that must be kept in mind is that half of the loans due are not being repaid. Furthermore, only another 10% show any progress towards recovery, with 40% essentially ignoring the obligation to repay.

The loan recovery situation is therefore rather poorer than has been generally supposed. Although most reporting deals with comparision of amount due and amount recovered this data covers a representative random sample of all loans outstanding and is accurate to ±2% (Table A-72).

2. Repayment performance by nominal loan size was examined (Table A-73 - A-77). This analysis examines the ratios by the principal disbursed. The relationship between nominal loan size and recovery is complex: The percent of loans which are

fully repaid is 64% for the smallest loans and decreases more or less uniformly with increasing loan size. Counting loans that are partly repaid there is again a tendency for the percentage to decline with loan size. However, the percent of such loans is 70% for the smallest (32% of total loans) and drops to 50% for all other loans (68% of total loans). The mean of Ratio 1 for all loans by size category is .58 for the smallest loans and then rises to the range .66-.79 for higher size categories. Restricting consideration to those loans which are not repaid, the mean of Ratio 1 is 1.62 and this declines with growing loan size. Thus, small loans which are not repaid are more in arrears than the larger loans that are not repaid.

As the sample of loan has been disbursed over several years the real value of these loans has changed. Examining the real loans size and repayment (Tables A-78 - A-79) indicates essentially the same results as for the nominal case. The mean value of Ratio 3 for all loans increases from .31 for the smallest loan class towards .5 - .6 for the larger.

The conclusion is that small loans have better repayment records than do the larger loans.

3. Repayment performance and the age of the Branch (Tables A-80 A-82): Loan recovery for young branches (1-2 years) was not really studied as such Branches were excluded. There is no evidence that Ratio 1 increases with the age of the branch after the age of two years; experience of the branch operating in the area does not seem to improve loan recovery. There is no learning about loan recovery.

4. Repayment performance and remoteness of the Branch (Tables A-83 - A-85). Extremely remote branches have poorer recovery records than do all others. The most accessable branches have a recovery rate (Ratio 1 repaid or principal reduced) of .53.

The next two categories which are truly rural branches have a recovery of .61 while the most remote only .39. Expressed in real terms (Ratio 3) the recovery ratio is about .7 except for very remote branches when it declines to .49.

5. Recovery by District has been tabulated (Tables A-86 - A-88). This indicates considerable variation from one district to another ranging from .42 for Jamalpur to .66 for Dhaka. The mean value of Ratio 1 varies from .50 to .92. This spread in district repayment ratios is reduced when the loans are considered in real terms. (Ratio 3).

   The standard deviation of these estimates is high and differences among districts is not statistically significant.

6. Year of disbursement and the recovery rate (Tables A-93 - A-96): These data provide information about the rate of recovery as time passes. Examining Ratio 1 one sees that four years after disbursement 65% of the loans are recovered increasing to 70% if partial recoveries are included. Furthermore after four years there is no further improvement in the recoveries. Actually since 1985 is not a typical year the period during which continued recovery can take place may be less than four years. Ratio 2 shows essentially the same behavior. The impact of inflation on the outstandings is to bring the percent of fully or partly recovered loans to approximately 80% for early disbursement years and to 60-70% for later years. One critical hypothesis about the loan recovery process is the degree to which recovery has remained steady and then dropped significantly in 1985. Analysis of the data for loan recovery indicates that the RBBUS repayment characteristics can be explained on the following assumptions: (1) Of the number of loans disbursed, 25% are repaid. (2) Four years after disbursement no additional loans are recovered. Under these assumptions the total loans recovered as a percent of those disbursed is as follows :

Disbursement year	Actual recovery	Actual recovery including reduced principal	Model recovery
1979	.66	.69	.684
1980	.70	.73	.684
1981	.63	.68	.684
1982	.63	.68	.620
1983	.43	.51	.494
1984	.28	.49	.325

The model recovery rates provide a reasonable approximation of the actual rates and confirm the plausibility of the model parameters. Of the total loans disbursed this simple repayment model implies 54% are repaid as compared to an actual of 49% for complete recovery and 58% including partial recovery. Thus the RBBUS data indicates that recoveries, measured in number of loans, has never exceeded 25% per annum of those due or overdue. Actual loans paid in any year depend upon the pattern of disbursements in previous years.

7. Loan recovery by Bank: Recovery data classified by bank indicates that Agrani and Rupali have the highest recovery (Ratio 1 including partial recovery of .67 and .62 respectively); Sonali and BKB have recovery rates of.56 and .55 respectively and Janata has the lowest recovery ratio of .51 (Table A-97).

   Inter-bank differences in recovery rates are significant. This suggests that there are actions that banks can take to improve recoveries as the branches operate in a basically uniform environment. There is an indication that banks with larger loan portfolios have more difficulty with collections. Presumably on the margin supervision of branches deteriorates as banks become larger. Differences in recovery rates are, however, only of the order of 10%.

8. Loan recovery by rate of growth of the branch. No relationship is found between the rate of growth of the branch (measured by the increase in loans outstanding) and loan recoveries (Table A-98).

   One might have expected that rapid increases in advances would lead to a deterioration in loan quality. However, there is no evidence of this in the RBBUS data. The quality of loans recovery in an area does not show any 'learning' effect; i.e. sanctioning of many loans does not improve recovery through greater knowledge of borrowers,procedures etc.

9. Loan recovery and the size of the branch (Table A-99). Loan recovery in small branches is better than in the larger branches. The small branches recover (Ratio 1 including partial recoveries) .69 - .73 of their loans; the larger branches only .50 - .59.

   This is again an indication of diseconomies of scale in loan recovery. Small branches have fewer loans to manage and appear to be better at recovery. This branch level effect is different than the weaker bank level effect mentioned above (large banks tend to have poorer loan recovery than small banks). We conclude then that branches do not seem to learn from experience, recovery deteriorates with the size of the branch and rapid growth dues not have any influence on loan recovery.

10. Loan Collateral and Recovery: (Table A-100) Examination of the collateral to principal ratio and loan recovery indicates there is no systematic relationship between the collateral ratio and the recovery ratio. This evidence indicates there is little impact of collateral valuation on loan recovery. Most of the loans are collateralized by crop hypothecation, which is a purely formal procedure that has little significance in the loan recovery process.

The question of loan collateral is a particularly vexing one. For informal money markets the willingness to lend and ability to recover rests largely on the use of collateral. RBBUS data indicates very few rural loans have land as collateral and indeed as a matter of Government policy there has been in the past few years a systematic movement to reduce the use of collateral on agricultural loans. At present one can be certain that most loans have no effective collateral. Although any asset can be seized by the certificate court to meet loan repayments there is at a minimum a pyschologial advantage in having a crop loan collateralized by a real asset of which the bank can take possession. The linkage between collateral and recovery is far form clear; however one can be sure that collateral has no effective impact on recovery at present.

11. Loan recovery and interest rates: The short-term agricultural credit data was analysed to investigate the impact of interest rates on loan recovery. Real interest rates charged for loans are shown in Table A-101. These real interest rates were computed using the price index for the actual quarter of disbursement and either time of repayment or the time of collecting information for loans which are not fully repaid. The price index used was the BBS rural CPI for the area nearest to the branch. From this calculation one sees that there is a very wide range of real rates for individual loans, some very high due to the seasonal price movements. In rural credit, there is no single real rate of interest. Indeed this calculation done with RBBUS data suggests that there is a very large spread. Particularly for loans repaid in less then one year seasonal effects may lend to a real rate significantly higher than the nominal rate. The mean real rate for the RBBUS loan sample was 10.8%.

This is really quite a high real rate of interest. Most calculations that have been made of the real interest rate do not allow for the seasonal varriations in prices in rural areas and are broad averages. Farmers repaying at harvest time are more likely to experience low prices for output which for rice production is reflected in the rural CPIs.

One hypothesis often made is that high real interest rates are associated with better loan recovery. (Table A-89 - A-92): Examining the behavior of recovery ratio 1, the lower interest rate ranges (negative rates) indicate higher recovery than do the high positive rates. Although the effects are weak there is good evidence that loans with negative rates show better repayment behavior them those with much higher rates. However, some improvement in repayment is evidence for loans which have real interest rates greater than 20%. Nominal interest rates show no relationship to recovery (Table A-102).

The marginal real interest rate was computed as the nominal rate in the repayment quarter or the last quarter for which data was available less the expected inflation rate. This rate was computed as the weighted average of the rate of price increase in the previous four quarters (geometric weights, factor .8). The real marginal rate effect is very sharp: The higher the marginal real interest rate the lower the repayment. With sharply varying rural inflation rates this may be constrned as rational economic behavior : high marginal rates interest arise from declines in prices which reduce the expected inflation rate. This could leads the borrower to wait until the prices have risen again, thereby reducing the repayment burden if these output prices are reflected in the sellers income (Table A-103).

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12. The data on recovery rates from the Branch Managers Survey (Table A-104) provide information on the evolution of lending and recovery in four major loan categories over a five year period. Short-term loan disbursements increased rapidly though 1984 and them fell sharply in 1985. The short term agricultural lending shows a recovery rate of 30-40% of outstandings at the start of the year. With interest rates to be included (16% including penalty rate prior to October,1983; 22% since October, 1983) in the amount due, the recovery rates (percent of outstandings including interest during the repayment year) indicate considerable fluctuations and a sharp drop off in 1985 from the previous average of 35%. (This refers to the value of overdues rather than the number of loans as previously discussed).

The precipitate drop in the rate for 1985 indicates recoveries were not higher than 15% of the amount outstanding at the beginning of year. Thus the Branch level data and the individual loan data shown a broadly consistant pattern leading to the conclusion of rather low recovery rates with a sharp drop in 1985. The disbursement behavior indicates a sharp drop off also, conceivably recovery rates are influenced by the difficulty in obtaining new loans.

The data on medium and long term agricultural loans indicate a similar pattern: Disbursements declining in 1985, after rapid increases during the previous four years. Recoveries averaged about 50% of outstandings though 1984 and then fall sharply to approximately 30% of the amount due. Non-agricultural short term loans follow a similar pattern although recovery rates on such loans are much higher than for agricultural loans. Other long term loans show the same disbursement pattern as other categories. However, recoveries which are very high through 1984 again fell sharply in 1985. The entire rural financial sector shows the same pattern. Disbursements rising rapidly and then falling sharply; the recovery rates

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fairly steady and in the range 30-50% for agricultural loans, and 70-90% for non-agricultural loans through 1984 and then falling sharply in 1985.

This evidence suggests that recovery rates for loans made by rural banks can be maintained at reasonable levels when the branches have full responsibility for loan sanctioning. However, as the recovery rates fell across the board in 1985 for both agricultural and other loans this is indicative that more than poor weather was involved.

13. Opinions of Branch Managers and Regional Managers on ten potential loan recovery policies was obtained. The responses indicate that there is a very strong belief that existing branch staff is insufficient for administration of loan recovery. Furthermore, the managers believe that outside interference in the selection of borrowers is hindering recovery. (Table A-105)

The various results on loan recovery and the opinions expressed by the bankers operating in rural areas point to the conclusion that banks can do more to improve loan recovery. The level of effort by branch banks may make some difference in the level of recovery achieved. Even within the existing political environment, more effort (and more costs) would raise the recovery rate.

Loan sanctioning and structure

The typical (mean) rural branch had advances of 10 million taka on June 30, 1985. The median was 5.8 million taka indicating the effect of a few very large branches in the sample. BKB advances averaged 20.3 million taka, the NCB branch only 6.7 million takas. The volume of advances had increased substantially over June 30, 1984 when the average branch had 7.2 million taka in advances (median 3.5 million taka). The median - a more representative estimate - increased 67%. Some of this increase arises from the capitalization of unpaid interest during 1984/85 and does not represent a increase in fresh loans. Indeed disbursements in 1985 were much less than in 1984 (Tables A-102 to A-104 & A-107).

The percentage increases in value, number, and disbursements are summarized are as follows:

		Advances		Disbursement	
		Value	Number	Value	Number
1	All branches 5 fractile	34%	17%	-37%	-25%
2	10 fractile	37%	31%	-37%	-47%
3	30 fractile	47%	31%	-57%	-71%
4	50 fractile	67%	39%	-80%	-84%
5	70 fractile	70%	20%	-	-
6	90 fractile	140%	286%	-	-
7	95 fractile	133%	250%	-	-
8	All branches mean	39%	33%	-52%	-53%
9	Agrani	37%	33%	-59%	-59%
10	Janata	42%	25%	-83%	-65%
11	Rupali	72%	61%	-54%	-54%
12	Sonali	24%	16%	-43%	-54%
13	NCBs	31%	29%	-52%	-57%
14	BKB	48%	37%	-52%	-45%

The larger branches have a tendency to increase advances more slowly than the smaller branches (as measured by size of advances). The NCBs increased advances 31% much less than BKB which showed an increase of 48%. If we use an average interest rate including penalties of 20% and a loan recovery rate of 10% of amount due then the increase in advances due to capitalization of interest is 10% approximately; of the increase in advances some 80% arises from new disbursements and 20% from capitalized interest.

The average number of advances in the rural branch was 2167 in June 1985, median 1642. Again BKB branches had substantially more advances than NCBs, 4000 compared to 1550. This is an increase of 32% in the number of loans (median increased 39%) compared to an increase of 39% in value (Tables A-104 and A-107).

The fractiles all grew with the higher values growing more slowly. The number of advances at BKB increased 37% while for the NCBs it was less at 29%. However there were considerable changes from one NCB to another. It is clear that during 1984-85 there was a major increase in the number of borrowers in the rural finance system.

The median advance on June 30, 1985 was 3,520 taka; June 30, 1984 it was 2,930 an increase of 20%. Of the increase in advances we conclude that approximately 20% arise from capitalized interest, 60% from increase in the number of loans, and 20% from the increased in the average new disbursement.

Short term agricultural credit disbursement per branch had a mean in 1985 estimated at 857 thousand taka declining from an estimate of 1,800 thousand in taka in 1984. The number of loans declined to 250 per branch from 525 in 1984. RBBUS data indicates a major decline in 1985 agricultural disbursements. There were many more branches making no agricultural loans. Both the NCBs and BKBs fell sharply in the number of disbursements and value of credit extended. (Tables A-109 to A-112).

The distribution of short term loans in both nominal and real terms is given in Table A-113 The real loan size (last quarter 1985 prices) was 2570 taka. This is smaller than the mean advance since the later includes unpaid interest and covers all loan categories.

The mean number of loans sanctioned was 363 (BKB 421, NCBs 344), in 1983/84. However almost half of the branches reported no loans sanctioned in 1983/84. The number of loans renewed in 1984/85 was only 79 or 22% of the number sanctioned during the previous year.

Operations: This section summarizes a few of the RBBUS results on bank operations.

1. Branch bank have an average staff size of 11.8 person (median 11) Sonali has the largest staffs (13.8 persons), Rupali the smallest (9.3). This includes all staff officers and non-officers. (Table A-114)

2. The average salary at the branches (mean of means) is 12,600 Taka (median 12,200). The highest average salaries are at Rupali and Agrani, the lowest Sonali and Janata. These differences are due to the greater proportion of officers at Agrani and Rupali due to their smaller staffs, which has the effect of raising the mean salary. BKB's mean salary is slightly lower than the NCBs. Examining total non-interest expenses for staff member these average 22,100 Taka per year (median 20,400) BKB's expenses are greater than the NCBs; however Janata has the highest expenses per person employeed at the Branch. No regional or head office overhead is included in these costs. (Tables A-115 and A-116).

3. Loans (advances) per branch staff member show considerable variation among rural branch banks; the mean value of loans per staff member is 769,000 Taka (median 481 thousand). Using the median figure one sees that the median earnings (net of the cost of funds) is 26,500 person without any allowance for non-performing loans or provision for bad debt. The average employee than generates more income than the direct cost of bank operations. Althernatively one may argue that a loan portfolio requires one employee for approximately every 750,000 Taka extended in loans. (This is not based on operational studies but on what presently is the practice). (Table A-117)

4. Deposits per staff member average 479,000 Taka. The standard deviation is large (444,000) so there is a considerable spread in the deposits per staff member. The NCBs have much higher deposit levels (585,000 Taka) then BKB (161,000 Taka). (Table A-118)

5. Reporting by Branch was estimated by requesting each sampled Branch to list the number of reports, frequency of submission, and the number of man-hours required for preparation. The mean reports required totalled 160 per year. NCBs required 172 against BKB 125. Most reports were submitted to the regional office. The second largest recepient is the Head Office. Very few reports are directed else where. (Table A-119) The total hours spent in report preparation totals 1,642 per year. This implies 1-1.5 members of staff are engaged full time in report preparation. This represents approximately 15% of the total staff hours. It would appear that the reporting burden is not particularly heavy. (Table A-120)

Viability: The profit and loss data was collected from each of the sampled banks. Tables A-121 to A-130 present a summary of these results for each item. The main source of income is earnings from loans which averaged 1,162 thousand taka per branc (median 734). BKB has much higher interest earnings than the NCBs due to the larger volume of loans (Table A-121). Approximately half the banks earned from lending to head office (Table A-122). The average was 220,000 Taka (including all banks). BKB branches usually do not lend to the head office and earn little from this source. Other income averaged 121,000 Taka (median 48,000 Taka). There was a very wide spread in this income source (Table A-123). Total income earned averaged 1,492 thousand Taka (median 1,080). BKB earned more than twice the NCB average (Table A-124).

Interest paid to depositors average 326,000 Taka (median 190,000) Interest paid to the head office averages 538,000 Taka (median 217,000). The NCBs pay depositors 393,000 Taka and the head office 267,000 Taka while BKB pays depositors only 126,000 Taka and the head office 1,340,000 Taka (Tables A-125 and A-126). 70% of the branches borrow from the head office. Salary costs average 147,000 Taka (median 129,000) with little difference between NCBs and BKB. Other administrative costs come to 105,000 Taka (median 81,000). Total costs average 1,116 thousand taka (median 852) with NCBs costs per branch approximately half BKB costs (of cours BKB is lending much more).

Finally examining profits we find that the mean profit is 376,000 Taka/bank (median 177,000). Approximately 80% of the branches report profits. Table A-131 draws together the various income and expenses items by bank. The average rural bank branch earns 104% of its costs in loan interest, 20% of its costs from lending to the head office and 11% of costs from other sources. Of its total costs 29% are interest paid to depositors, 48% interest paid to the head office, salary are 13% and other administrative costs 9%. Profits are 34% of total costs.

Interpretation of the data on branch viability must be done with some care. In the RBBUS survey we sought to identify the extent to which interest was placed in suspense accounts rather than charged to income. The responses showed that such interest suspense accounts were very small. Similiarly branches do not provide for bad debt allowances; such provision is made at the head office.

The data on urban branches collected in the Regional Manager survey showed 80% were profitable. Thus by this overall performance measure there is little difference between urban and rural branches.

Using the median values the typical rural branch bank has the following profit and loss statement:

Earnings from loans to customers	734,000 Taka
Net earnings from loans to H.O.	- 214,000
Other income	48,000
Interest cost of deposits	190,000
Salary costs	129,000
Other administrative expenses	81,000
Profits	168,000

Median advances total 5.78 million Taka, which includes all unpaid interest. Using a 3% provision for bad debt (which automatically corrects for the accrued interest) the median branch is losing. The same result is obtained using means rather than median values.

The rural banking system is not viable. Any reasonable allowance for bad debts exceeds the profits.

RBBUS

Table:A-1

Distribution of Total Deposits
Rural Branch Banks, June 30, 1985

(Thousand Taka)

Distribution of Total Deposits

Percentile	Value
5	18,510
10	14,720
30	5,920
50	3,298
70	1,710
90	921
95	540

All banks	
Mean	5,457
s.d.	5,785

Bank	Mean	s.d.
Agrani	5,696	6,993
Janata	6,886	5,592
Rupali	6,060	4,762
Sonali	7,278	6,425
NCBs	6,617	6,221
BKB	1,979	1,380

Note : s.d. = Standard deviation

RBBUS

Table :A-2

Distribution of Number of Accounts
Rural Branch Banks, June 30, 1985

(# of Accounts)

Distribution of Number of Accounts

Percentile	Value	All banks	
5	5,463	Mean	2,253
10	4,750	s.d.	1,612
30	2,384		
50	1,643		
70	1,293		
90	916		
95	718		

Bank	Mean	s.d.
Agrani	2,735	2,129
Janata	2,602	1,925
Rupali	2,567	971
Sonali	2,096	1,437
NCBs	2,435	1,733
BKB	1,708	1,018

Note : s.d. = Standard deviation

RBBUS

Table:A-3

Distribution of Deposit Account Size
Rural Branch Banks, June 30,1985

(Taka)

Distribution of deposit account size

Percentile	Value	All banks	
5	6,505	Mean	2,326
10	3,909	s.d.	1,949
30	2,705		
50	1,920		
70	1,224		
90	680		
95	565		

Bank	Mean	s.d.
Agrani	1,762	1,073
Janata	2,500	1,078
Rupali	2,119	867
Sonali	3,585	2,813
NCBs	2,682	2,083
BKB	1,258	827

Note : s.d. = Standard deviation

RBBUS

Table: A-4

Structure of Deposits; Value of Deposits

Rural Branch Banks, June 30, 1985

(Thousand Taka)

	Agrani	Janata	Rupali	Sonali	NCB	BKB	Total
Saving accounts (checking)	2,139	3,094	3,144	1,590	2,217	401	1,763
Saving accounts (non-checking)	163	252	97	1,655	772	505	706
Current accounts	940	1,047	634	1,738	1,254	385	1,037
Fixed deposits	1,687	1,972	1,873	1,523	1,700	626	1,431
Short term deposits	352	242	63	350	301	16	229
Deposit pension scheme	130	145	115	128	131	-	98
Other deposits	286	135	135	293	242	47	193
Total	5,697	6,886	6,061	7,278	6,617	1,979	5,457

RBBUS

Table:A-5

Structure of Deposits Value

Rural Branch Banks, June 30, 1985

(Percent of total deposits)

	Agrani	Janata	Rupali	Sonali	NCB	BKB	Total
Saving accounts (checking)	37.5	44.9	51.9	21.8	33.5	20.3	32.3
Saving accounts (non-checking)	2.9	3.7	1.6	22.7	11.7	25.5	12.9
Current accounts	16.5	15.2	10.5	23.9	19.0	19.4	19.0
Fixed deposits	29.6	28.6	30.9	20.9	25.7	31.6	26.2
Short term deposits	6.2	3.5	1.0	4.8	4.5	.8	4.2
Deposit pension schemes	2.3	2.1	1.9	1.8	2.0	0	1.8
Other deposits	5.0	2.0	2.2	4.0	3.7	2.4	3.5

RBBUS

Table:A-6

Structure of Deposits: Number of Deposits
Rural Branch Banks, June 30, 1985

(Number)

	Agrani	Janata	Rupali	Sonali	NCB	BKB	Total
Saving accounts (checking)	2,066	2,037	2,063	705	1,515	434	1,345
Saving accounts (non-checking)	139	78	77	969	452	1,151	627
Current accounts	333	265	199	209	256	66	209
Fixed deposit	87	103	130	73	89	55	80
Short term deposit	2	3	3	3	2	1	2
Deposit pension schemes	91	100	78	106	98	0	73
Other deposits	18	17	19	31	23	1	18
Total	2,735	2,602	2,568	2,096	2,435	1,708	2,254

RBBUS

Table:A-7

Structure of Deposits: Average Account Size

Rural Branch Banks June 30, 1985

(Taka)

	Agrani	Janata	Rupali	Sonali	NCB	BKB	Total
Saving accounts (checking)	1040	1520	1520	2260	1460	920	14[illegible]
Saving accounts (non-checking)	1170	3230	1260	1710	1710	440	1126
Current accounts	2820	3960	3180	8320	4890	5870	4960
Fixed deposits	19380	19240	14400	20900	19170	11440	17850
Short term deposits	198360	82270	23280	136460	123910	20630	114150
Deposit pension schemes	1430	1450	1480	1210	1340	0	1340
Other deposits	16350	7750	7250	9410	10530	40280	11020
Total	2080	2650	2360	3470	2720	1160	

RBBUS

Table:A-8

Distribution of Major Deposits Types

June 30, 1985

(Amount-billion Taka; # of accounts-1000)

	Urban			Rural			Total		
	Amount	Size	# of accts.	Amount	Size	# of accts.	Amount	Size	# of accts.
Current	12.71	9629	1320	3.46	4960	697	16.17	8017	2017
Saving-checking	8.59	3234	2656	5.88	1420	4152	14.47	2125	6808
Saving-non-checking	2.84	2849	997	2.35	1126	2091	5.19	1680	3088
Fixed deposit	31.55	62475	505	4.77	17850	267	36.32	47047	772
Other	18.67	39305	475	1.74	5613	310	20.41	26000	785
Total	74.36	12490	5953	18.20	2420	7517	92.56	6872	13470

Percentage

Current	17.1	22.2	19.0	9.2	17.5	15.0
Saving-checking	11.6	44.6	32.3	55.2	15.6	50.5
Saving-non-checking	3.8	16.7	12.9	27.8	5.6	22.9
Fixed deposits	42.4	8.5	26.2	3.6	39.2	5.7
Other	25.1	8.0	9.6	4.1	22.1	5.8

Source : Total: Scheduled Bank Statistics, Bangladesh Bank

Rural: RBBUS estimate x (# of rural branches/100)

Urban: Difference between total and rural

RBBUS

Table:A-9

District Variation in Deposits - All banks

Mean Branch Deposits-June 30, 1985

(Thousand Taka)

	Chitt-agong	Dhaka	Fari-dpur	Jamal-pur	Jess-ore	Kush-tia	Rajs-hahi	Rang-pur
Saving accounts (checking)	5219	1140	1305	1099	1523	1178	1688	764
Saving accounts (non-checking)	1522	802	445	143	833	510	434	539
Current accounts	920	951	547	685	1237	1142	1423	1157
Fixed deposits	2209	1201	998	750	1810	1736	1516	1087
Short term deposits	158	200	126	7	306	31	636	125
Deposit pension schemes	177	55	96	88	129	90	96	74
Other deposits	179	208	387	172	104	58	175	201
Total	10386	4558	3904	2943	5942	4745	5969	3947

RBBUS

Table : A-10

Branch Remoteness and Deposit Structure - All banks
Mean Branch Deposits - June 30, 1985

(Thousand Taka)

	Remoteness index				
	1	2	3	4	5
Saving accounts (checking)	3013	2502	1814	878	584
Saving accounts (non-checking)	883	1144	604	459	347
Current account	2911	1345	515	838	388
Fixed deposit	3341	2364	982	647	572
Short terms deposits	1226	247	33	131	5
Deposit pension scheme	191	133	78	75	22
Other deposit	453	263	131	148	28
Total	12018	7998	4157	3176	1946

Note: 5 is most remote

RBBUS

Table : A-11

Branch Remoteness and Deposit Structure - All banks
Mean Number of Accounts - June 30, 1985

(Number)

	Remoteness index				
	1	2	3	4	5
Savings accounts (checking)	2180	1627	1211	776	524
Savings accounts (non-checking)	281	828	658	569	505
Current account	547	283	158	112	73
Fixed deposits	140	108	73	51	43
Short term deposits	5	4	1	2	0
Deposit pension scheme	136	94	58	63	15
Other deposit	70	24	5	12	0
Total	3359	2968	2164	1585	1160

Note: 5 is most remote

RBBUS

Table : A-12

Branch Remoteness and Deposit Structure - All banks

Mean Size of Account - June 30, 1985

(Taka)

	Remoteness index				
	1	2	3	4	5
Saving account (checking)	1380	1540	1500	1130	1110
Saving account (non-checking)	3150	1380	920	810	690
Current account	5330	4750	3270	7510	5320
Fixed deposit	23910	21820	13510	12590	13470
Short term deposits	240340	71440	50830	81330	30000
Deposit pension scheme	1410	1410	1350	1180	1450
Other deposits	6450	11220	25350	12860	82930
Total	3580	2690	1920	2000	1680

Note: 5 is most remote

RBBUS

Table : A-13

Branch Remoteness and Deposit Structure - BKB
Mean Branch Deposits - June 30, 1985

(Thousand Taka)

	Remoteness index				
	1	2	3	4	5
Saving account (checking)	0	412	499	362	177
Saving account (non-checking)	0	549	680	313	340
Current account	0	466	426	299	298
Fixed deposit	0	347	904	696	185
Short term deposits	0	0	21	29	0
Deposit pension scheme	0	0	0	0	0
Other deposit	0	185	4	2	3
Total	0	1959	2534	1701	1003

Note : 5 is most remote

RBBUS

Table : A-14

Branch Remoteness and Deposit Structure - BKB
Mean Number of Accounts - June 30, 1985

(Number)

	Remoteness index				
	1	2	3	4	5
Saving account (checking)	0	462	341	639	184
Saving account (non-checking)	0	1194	1277	1131	734
Current account	0	104	47	63	52
Fixed deposits	0	31	72	65	24
Short term deposit	0	3	0	0	0
Deposit pension scheme	0	0	0	0	0
Other deposit	0	2	1	1	1
Total	0	1796	1738	1899	995

Note: 5 is most remote.

RBBUS

Table : A-15

Branch Remoteness and Deposit Structure - BKB

Mean Size of Accounts - June 30, 1985

(Taka)

	Remoteness index				
	1	2	3	4	5
Saving account (checking)	0	890	1460	570	970
Saving account (non-checking)	0	460	530	280	460
Current account	0	4490	9110	4760	5740
Fixed deposit	0	11250	12420	10710	7590
Short term deposit	0	0	95000	101000	0
Deposit pension scheme	0	0	0	0	0
Other deposit	0	92340	3780	3210	3330
Total	0	1090	1460	900	1010

Note: 5 is most remote

RB/BUS

Table : A-16

Branch Remoteness and Deposit Structure - NCB
Mean Branch Deposits - June 30, 1985

(Thousand Taka)

	Remoteness index				
	1	2	3	4	5
Saving account (checking)	3013	3198	2328	1050	991
Saving account (non-checking)	883	1343	574	507	354
Current account	2911	1638	550	1018	478
Fixed deposits	3341	3036	1013	631	960
Short term deposits	1226	329	38	165	10
Deposit pension scheme	191	177	108	100	45
Other deposit	453	290	181	196	52
Total	12018	10011	4792	3667	2890

Note: 5 is most remote

RBBUS

Table : A-17

Branch Remoteness and Deposit Structure - NCB

Mean Number of Accounts- June 30, 1985

(Number)

	Remoteness index				
	1	2	3	4	5
Saving account (checking)	2180	2015	1552	822	866
Saving account (non-checking)	281	706	415	382	276
Current account	547	343	201	128	94
Fixed deposits	140	134	73	47	61
Short term deposits	5	4	1	2	1
Deposit pension scheme	136	126	80	84	31
Other deposit	70	31	7	15	0
Total	3359	3359	2329	1480	1329

Note: 5 is most remote

RBBUS

Table : A-18

Branch Remoteness and Deposit Structure - NCB

Mean Size of Accounts - June 30, 1985

(Taka)

	Remoteness index				
	1	2	3	4	5
Saving account (checking)	1380	1590	1500	1280	1140
Saving account (non-checking)	3150	1900	1380	1330	1280
Current account	5330	4770	2740	7960	5090
Fixed deposits	23910	22630	13930	13460	15830
Short term deposits	240340	87200	46180	80410	30000
Deposit pension scheme	1410	1410	1350	1180	1450
Other deposit	6450	9460	26590	13010	0
Total	3580	2980	2060	2480	2180

Note: 5 is most remote

RBBUS

Table : A-19

Branch Age and Deposit Sturcture - All banks

Mean Branch Deposits - June 30,1985

(Thousand Taka)

	Age in years									
	2	3	4	5	6	7	8	9	10	10+
Saving accounts (checking)	0	70	1230	350	356	1624	744	1385	1376	3552
Saving accounts (non-checking)	0	288	0	443	340	663	668	915	272	1029
Current accounts	0	52	3299	110	214	1633	1105	371	1272	1370
Fixed Deposits	0	68	423	396	356	855	875	1450	752	2879
Short term Deposits	0	0	0	0	10	310	130	48	197	484
Deposit Pension Scheme	0	0	148	0	20	74	48	108	77	184
Other Deposits	0	0	0	4	2	453	189	77	92	295
Total	0	486	5100	1303	1299	5613	3761	4355	4038	9793

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Table : A-20

Branch Age and Deposit Structure - All banks

Mean Number of Accounts - June 30, 1985

(Number)

	Age in years									
	2	3	4	5	6	7	8	9	10	10+
Saving accounts (checking)	0	21	411	372	334	651	646	984	1340	2471
Saving accounts (non-checking)	0	374	0	893	677	523	635	617	188	826
Current account	0	22	109	47	71	129	138	129	157	425
Fixed deposit	0	8	42	57	27	47	45	79	64	150
Short term deposit	0	0	1	0	0	1	3	2	1	4
Deposit Pension Scheme	0	11	155	0	14	65	42	79	63	127
Other deposits	0	0	0	2	0	17	12	12	6	38
Total	0	436	718	1369	1123	1432	1521	1901	1819	4041

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Table : A-21

Branch Age and Deposit Structure - All banks

Mean Size of Accounts - June 30, 1985

(Taka)

	Age in years									
	2	3	4	5	6	7	8	9	10	10+
Saving account (checking)	0	3330	2990	940	1070	2500	1150	1410	1030	1440
Saving account (non-checking)	0	770	0	500	500	1270	1050	1480	1450	1250
Current account	0	2360	30270	2370	3040	12660	8020	2890	8110	3230
Fixed deposit	0	8500	10080	7000	13090	18360	19350	18330	11760	19140
Short term deposit	0	0	150	0	129000	232770	42380	32100	361000	135070
Deposit Pension Scheme	0	730	950	0	1370	1140	1160	1360	1220	1450
Other deposit	0	0	0	2680	4400	27180	15710	6320	14310	7780
Total	0	1110	7100	950	1160	3920	2470	2290	2220	2420

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Table : A-22

Branch Age and Deposit Structure - BKB

Mean Branch Deposits - June 30,1985

(Thousand Taka)

	Age in years									
	2	3	4	5	6	7	8	9	10	10+
Savings account (checking	0	0	0	350	292	415	376	1233	0	217
Savings account (non-checking)	0	0	0	443	429	401	341	1304	0	702
Current account	0	0	0	110	313	759	523	133	0	228
Fixed deposits	0	0	0	396	446	452	694	465	0	1380
Short term deposits	0	0	0	0	16	0	29	31	0	0
Deposit pension scheme	0	0	0	0	0	0	0	0	0	0
Other deposits	0	0	0	4	3	366	3	6	0	3
Total	0	0	0	1303	1499	2393	1965	3171	0	2530

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Table : A-23

Branch Age and Deposit Structure - BKB

Mean Number of Accounts - June 30, 1985

(Number)

	Age in years									
	2	3	4	5	6	7	8	9	10	10+
Savings account (checking)	0	0	0	372	233	565	464	406	0	832
Savings account (non-checking)	0	0	0	893	917	533	917	2309	0	2339
Current account	0	0	0	47	82	74	68	39	0	40
Fixed deposits	0	0	0	57	34	25	55	58	0	136
Short term deposits	0	0	0	0	0	0	2	1	0	0
Deposit pension scheme	0	0	0	0	0	0	0	0	0	0
Other deposits	0	0	0	2	1	3	1	2	0	0
Total	0	0	0	1371	1266	1201	1508	2813	0	3348

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Table : A-24

Branch Age and Deposit Structure - BKB

Mean Size of Accounts - June 30, 1985

(Taka)

	Age in years									
	2	3	4	5	6	7	8	9	10	10+
Savings account (checking)	0	0	0	940	1250	730	810	3040	0	260
Savings account (non-checking)	0	0	0	500	470	750	370	560	0	300
Current account	0	0	0	2370	3830	10300	7690	3470	0	5750
Fixed deposits	0	0	0	7000	13320	17840	12580	8010	0	10120
Short term deposits	0	0	0	0	129000	0	11880	61000	0	0
Deposit pension scheme	0	0	0	0	0	0	300	0	0	0
Other deposits	0	0	0	2680	4400	122000	3500	3670	0	2670
Total	0	0	0	950	1180	1990	1300	1130	0	760

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Table : A-25

Branch Age and Deposit Structure - NCB
Mean Branch Deposits - June 30,1985

(Thousand Taka)

	Age in years									
	2	3	4	5	6	7	8	9	10	10+
Savings account (checking)	0	70	1230	0	459	2028	1002	1411	1376	3936
Savings account (non-checking)	0	288	0	0	199	750	898	850	272	1066
Current account	0	52	3299	0	57	1924	1513	411	1272	1502
Fixed deposits	0	68	423	0	213	990	1002	1615	751	3051
Short term deposits	0	0	0	0	0	414	200	51	197	540
Deposit pension scheme	0	8	148	0	51	98	82	126	77	206
Other deposits	0	0	0	0	0	482	320	89	92	329
Total	0	486	5100	0	979	6686	5017	4552	4038	10631

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Table : A-26

Branch Age and Deposit Structure - NCB

Mean Number of Accounts - June 30,1985

(Number)

	Age in years									
	2	3	4	5	6	7	8	9	10	10+
Savings account (checking)	0	21	411	0	494	679	774	1080	1340	2660
Savings account (non-checking)	0	374	0	0	294	520	438	335	188	651
Current account	0	22	109	0	53	147	187	144	157	469
Fixed deposits	0	8	42	0	17	54	38	83	64	152
Short term deposits	0	0	1	0	0	2	4	2	1	4
Deposit pension scheme	0	11	155	0	37	86	71	93	63	142
Other deposits	0	0	0	0	0	21	20	14	6	42
Total	0	436	718	0	894	1510	1530	1750	1819	4121

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Table : A-27

Branch Age and Deposit Structure - NCB

Mean Size of Accounts - June 30, 1985

(Taka)

	Age in years									
	2	3	4	5	6	7	8	9	10	10+
Saving account (checking)	0	3330	2990	0	930	2980	1290	1310	1030	1480
Savings account (non-checking)	0	770	0	0	680	1440	2050	2540	1450	1640
Current account	0	2360	30270	0	1090	13050	8100	2860	8110	3200
Fixed deposits	0	8500	10080	0	12360	18450	26170	19530	11760	20070
Short term deposits	0	0	150	0	0	232770	57190	30660	361000	135070
Deposit pension scheme	0	730	950	0	1370	1140	1160	1360	1220	1450
Other deposits	0	0	0	0	0	22710	16080	6360	14310	7790
Total	0	1110	7100	0	1090	4430	3280	2600	2220	2580

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Table : A-28

Branch Size and Deposit Structure - All banks

Mean Branch Deposits - June 30, 1985

(Taka in thousand)

	Branch Size (advances outstanding - June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20+
Savings account (checking)	1336	3110	3084	2021	2233	930	2346	366	1403	512
Savings account (non-checking)	465	276	1367	1541	246	434	646	406	984	783
Current account	659	271	994	1829	439	664	2449	731	895	1008
Fixed deposits	653	874	3052	2109	1172	1678	2401	509	848	1556
Short term deposits	156	26	83	437	34	119	926	10	137	80
Deposit pension scheme	71	96	151	132	120	139	159	28	83	40
Other deposits	79	68	158	389	672	123	259	29	98	363
Total	3419	4722	8890	8458	4915	4085	9186	2079	4447	4343

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Table : A-29

Branch Size and Deposit Structure - All banks

Mean Number of Accounts - June 30, 1985

(Number)

	Branch Size (advances outstanding - June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20+
Savings account (checking)	1026	2015	1615	982	1800	1027	2076	351	725	730
Savings account (non-checking)	305	94	599	733	265	605	327	653	1258	1354
Current accounts	104	137	223	281	195	204	486	78	163	125
Fixed deposits	54	48	143	81	88	104	118	31	69	84
Short term deposits	2	2	2	2	2	2	4	0	2	2
Deposit pension scheme	67	74	107	74	82	104	122	24	62	31
Other deposits	6	2	45	24	2	23	42	2	21	7
Total	1563	2371	2735	2179	2433	2070	3175	1141	2300	2332

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Table : A-30

Branch Size and Deposit Structure - All banks

Mean Size of Account - June 30, 1985

(Taka)

	Branch Size (advances outstanding - June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20 +
Savings account (checking)	1300	1540	1910	2060	1240	910	1130	1040	1940	700
Savings account (non-checking)	1530	2930	2280	2100	930	720	1970	620	780	580
Current accounts	6310	1980	4460	6510	2250	3260	5040	9350	5500	8040
Fixed deposits	12150	18300	21300	25950	13340	16130	20360	16440	12320	18570
Short term deposits	86750	14090	39490	203770	20560	51050	239970	22330	66550	42540
Deposit pension scheme	1060	1300	1420	1780	1480	1330	1310	1170	1330	1310
Other deposits	14300	42080	3500	16110	403140	5330	6230	11810	4550	52670
Total	2190	1990	3250	3880	2020	1970	2890	1820	1930	1860

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Table : A-31

Branch Size and Deposit Structure - BKB

Mean Branch Deposits - June 30, 1985

(Taka in thousand)

	Branch Size (advances outstanding June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20+
Savings account (checking)	0	0	0	0	0	300	1070	87	495	335
Savings account (non-checking)	0	0	0	0	0	440	1441	349	545	523
Current accounts	0	0	0	0	0	18	371	941	295	363
Fixed deposits	0	0	0	0	0	482	1937	173	392	967
Short term deposits	0	0	0	0	0	0	129	0	26	0
Deposit pension scheme	0	0	0	0	0	0	0	0	0	0
Other deposits	0	0	0	0	0	0	5	2	4	160
Total	0	0	0	0	0	1240	4953	1553	1756	2348

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Table : A-32

Branch Size and Deposit Structure - BKB

Mean Number of Accounts - June 30, 1985

(Number)

	Branch Size (advances outstanding June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20+
Savings account (checking	0	0	0	0	0	320	530	41	368	680
Savings account (non-checking)	0	0	0	0	0	883	672	767	1273	1465
Current account	0	0	0	0	0	13	100	31	87	63
Fixed deposits	0	0	0	0	0	76	75	14	56	57
Short term deposits	0	0	0	0	0	0	1	0	2	0
Deposit pension scheme	0	0	0	0	0	0	0	0	0	0
Other deposits	0	0	0	0	0	1	1	1	1	2
Total	0	0	0	0	0	1293	1379	854	1787	2267

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Table : A-33

Branch Size and Deposit Structure - BKB

Mean Size of Account - June 30, 1985

(Taka)

	Branch Size (advances outstanding - June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20 +
Savings account (checking)	0	0	0	0	0	940	2020	2100	1340	490
Savings account (non-checking)	0	0	0	0	0	500	2140	460	430	360
Current accounts	0	0	0	0	0	1380	3710	30370	3400	5740
Fixed deposits	0	0	0	0	0	6340	25830	12380	6950	17010
Short term deposits	0	0	0	0	0	0	129000	0	14610	0
Deposit pension scheme	0	0	0	0	0	0	0	0	300	0
Other deposits	0	0	0	0	0	30	5000	3500	3370	79930
Total	0	0	0	0	0	960	3590	1820	980	1040

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Table : A-34

Branch Size and Deposit Structure - NCB

Mean Branch Deposits - June 30, 1985

(Thousand Taka)

	Branch size (advances outstanding - June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20+
Saving account (checking)	1336	3110	3084	2021	2233	1244	2444	576	2918	1132
Saving account (non-checking)	465	276	1367	1541	246	430	585	449	1714	1694
Current accounts	659	271	994	1829	439	987	2609	572	1896	3265
Fixed deposits	653	874	3052	2109	1172	2275	2437	762	1608	3617
Short term deposit	156	26	83	437	34	179	987	17	322	362
Deposit pension scheme	71	96	151	132	120	208	172	50	220	182
Other deposits	79	68	158	389	672	184	279	48	254	1073
Total	3419	4722	8890	8458	4915	5508	9512	2474	8933	11324

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Table : A-35

Branch Size and Deposit Structure - NCB

Mean Number of Account - June 30, 1985

(Number)

	Branch size (advances outstanding - June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20 +
Saving account (checking)	1026	2015	1615	982	1800	1381	2195	584	1320	907
Saving account (non-checking)	305	94	599	733	265	467	301	568	1234	963
Current accounts	104	137	223	281	195	299	516	114	289	343
Fixed deposits	54	48	143	81	88	118	121	44	90	178
Short term deposit	2	2	2	2	2	4	4	1	3	9
Deposit pension scheme	67	74	107	74	82	157	131	43	166	139
Other deposit	6	2	45	24	2	34	45	4	55	24
Total	1563	2371	2735	2179	2433	2458	3313	1356	3156	2562

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Table : A-36

Branch Size and Deposit Structure - NCB

Mean Size of Account - June 30, 1985

(Taka)

	Branch size (advances outstanding - June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20 +
Saving account (checking)	1300	1540	1910	2060	1240	900	1110	990	2210	1250
Saving account (non-checking)	1530	2930	2280	2100	930	920	1940	790	1390	1760
Current account	6310	1980	4460	6510	2250	3300	5060	5040	6550	9530
Fixed deposit	12150	18300	21300	25950	13340	19280	20100	17410	17970	20320
Short term deposit	86750	14090	39490	203770	20560	51050	242070	22330	128870	42540
Deposit pension scheme	1060	1300	1420	1780	1480	1330	1310	1170	1330	1310
Other deposit	14300	42080	3500	16110	403140	5410	6230	12920	4590	44720
Total	2190	1990	3250	3880	2020	2240	2870	1830	2830	4420

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Table : A-37

Correlation Coefficients

All Banks

	Variable - 1	Variable - 2	Coefficients
1.	Total deposits value	Value of advances - June 85	-.080
2.	Total # of deposits account	# of advances - June 85	.051
3.	Average account size	Average loan size - June 85	.433
4.	Total deposits value	Value of advances - June 84	.001
5.	Total # of deposit account	# of advances - June 84	.099
6.	Average account size	Average loan size - June 84	.251

NCBS

1.	Total deposits value	Value of advances - June 85	.124
2.	Total # of deposit account	# of advances - June 85	.134
3.	Average account size	Average loan size - June 85	.437
4.	Total deposits value	Value of advances - June 84	.131
5.	Total # of deposit account	# of advances - June 84	.179
6.	Average account size	Average loan size - June 84	.239

BKB

1.	Total deposits value	Value of advances - June 85	.150
2.	Total # of deposit account	# of advances - June 85	.462
3.	Average account size	Average loan size - June 85	.253
4.	Total deposits value	Value of advances - June 84	.194
5.	Total # of deposit account	# of advances - June 84	.444
6.	Average account size	Average loan size - June 84	.214

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Table : A-38

Rate of Growth of the Branch and Deposit Structure - All banks
Mean Branch Deposits - June,1985

(Thousand taka)

	Annual Percent Rate of Growth in Advances									
	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50 +
Saving account (checking)	0	1688	165	2159	3326	1907	1564	2557	2211	1364
Saving account (non-checking)	0	8	269	524	420	484	1369	1231	929	559
Current account	0	467	606	1735	688	470	504	809	1612	1125
Fixed disposits	0	2573	128	664	1219	1801	1746	1791	2125	1238
Short term deposits	0	0	0	21	39	7	110	116	205	328
Deposit pension scheme	0	111	0	53	129	77	70	135	182	82
Other deposits	0	160	0	10	153	144	127	207	94	232
Total	0	5007	1168	5165	5976	4891	5490	6847	7357	4928

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Table : A-39

Rate of Growth of the Branch and Deposit Structure - All banks

Mean Number of Accounts - June 30, 1985

(Number)

	Annual Percent Rate of Growth in Advances									
	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50 +
Saving account (checking)	0	1587	345	1683	1990	1181	777	1745	1221	1080
Savings account (non-checking)	0	0	1034	410	124	590	1385	1102	689	503
Current account	0	239	46	319	202	234	170	187	276	204
Fixed deposits	0	71	27	58	64	99	117	124	100	66
Short term deposits	0	0	0	0	4	3	1	2	2	2
Deposit pension scheme	0	60	0	53	96	96	37	103	110	64
Other deposit	0	0	0	2	43	12	8	28	21	15
Total	0	1958	1452	2526	2523	2215	2496	3291	2417	1934

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Table : A-40

Rate of Growth of the Branch and Deposit Structure - All banks

Mean Size of Accounts - June 30, 1985

	Annual Percent Rate of Growth in Advances									
	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50 +
Saving account (checking)	0	1060	480	1280	1670	1610	2010	1470	1810	1260
Saving account (non-checking)	0	0	260	1280	3390	820	990	1120	1350	1110
Current account	0	1960	13170	5440	3410	2010	2960	4320	5840	5510
Fixed deposit	0	36230	4740	11450	19050	18190	14920	14460	21350	18760
Short term deposit	0	0	0	64000	10750	2240	165000	50940	102550	159770
Deposit pension scheme	0	1850	0	990	1340	800	1870	1310	1660	1280
Other deposit	0	0	0	4150	3540	12040	16230	7520	4570	15460
Total	0	2560	800	2040	2370	2210	2200	2080	3040	2550

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Table : A-41

Rate of Growth of the Branch and Deposit Structure - BKB

Mean Branch Deposits - June 30, 1985

(Thousand Taka)

	Annual Percent Rate of Growth in Advances									
	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50 -
Saving account (checking)	0	501	165	0	0	0	231	285	100	48
Saving account (non-checking)	0	0	269	0	0	0	599	697	326	50
Current account	0	85	606	0	0	0	221	132	2099	36
Fixed deposits	0	1128	128	0	0	0	927	915	250	53
Short term deposits	0	0	0	0	0	0	0	0	0	2
Deposit pension scheme	0	0	0	0	0	0	0	0	0	
Other deposits	0	0	0	0	0	0	3	2	5	7
Total	0	1714	1168	0	0	0	1980	2030	2780	198

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Table : A-42

Rate of Growth of the Branch and Deposit Structure - BKB

Mean Number of Accounts- June 30, 1985

(Number)

	Annual Percent Rate of Growth in Advances									
	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50 +
Saving account (checking)	0	833	345	0	0	0	252	815	26	404
Saving account (non-checking)	0	0	1034	0	0	0	1631	2349	1200	913
Current account	0	28	46	0	0	0	35	35	35	82
Fixed deposits	0	89	27	0	0	0	122	76	20	40
Short term deposits	0	0	0	0	0	0	0	0	0	1
Deposit pension scheme	0	0	0	0	0	0	0	0	0	0
Other deposits	0	0	0	0	0	0	1	1	1	1
Total	0	950	1452	0	0	0	2041	3276	1282	1441

RBBUS

Table : A-43

Rate of Growth of the Branch and Deposit Structure - BKB

Mean Size of Accounts- June 30, 1985

(Taka)

	Annual Percent Rate of Growth in Advances									
	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50 +
Saving account (checking)	0	600	480	0	0	0	920	350	3850	1190
Saving account (non-checking)	0	0	260	0	0	0	370	300	270	560
Current account	0	3030	13170	0	0	0	6300	3730	59970	4370
Fixed deposits	0	12680	4740	0	0	0	7600	11980	12500	13520
Short term deposits	0	0	0	0	0	0	0	0	0	20630
Deposit pension scheme	0	0	0	0	0	0	0	0	0	300
Other deposits	0	0	0	0	0	0	2670	2520	5000	50000
Total	0	1800	800	0	0	0	970	620	2170	1380

RBBUS

Table: A-44

Rate of Growth of the Branch and Deposit Structure - NCB

Mean Branch Deposits- June 30,1985

(Thousand Taka)

	Annual Percent Rate of Growth in Advances									
	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50 +
Saving account (checking)	0	2876	0	2159	3326	1907	2896	3177	2512	1708
Saving account (non-checking)	0	16	0	524	420	484	2140	1377	1015	578
Current accounts	0	850	0	1735	688	470	787	994	1542	1424
Fixed deposits	0	4017	0	664	1219	1801	2564	2030	2392	1512
Short term deposits	0	0	0	21	39	7	220	148	234	446
Deposit pension scheme	0	222	0	53	129	77	139	172	208	114
Other deposits	0	320	0	10	153	144	252	264	107	294
Total	0	8301	0	5165	5976	4891	8999	8161	8011	6076

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Table : A - 45

Rate of Growth of the Branch and Deposit Structure - NCB

Mean Number of Accounts- June 30, 1985

(Number)

Annual Percent Rate of Growth in Advances

	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50 +
Saving account (checking)	0	2341	0	1683	1990	1181	1302	1999	1391	1344
Saving account (non-checking)	0	1	0	410	124	590	1140	762	616	343
Current accounts	0	450	0	319	202	234	305	229	310	251
Fixed deposits	0	53	0	58	64	99	112	137	111	76
Short term deposits	0	0	0	0	4	3	1	3	2	2
Deposit pension scheme	0	120	0	53	96	96	75	131	125	89
Other deposits	0	0	0	2	43	12	15	35	23	20
Total	0	2965	0	2526	2523	2215	2950	3295	2579	2127

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Table : A-46

Rate of Growth of the Branch and Deposit Structure - NCB

Mean Size of Accounts- June 30,1985

(Taka)

	Annual Percent Rate of Growth in Advances									
	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50 +
Saving account (checking)	0	1230	0	1280	1670	1610	2220	1590	1810	1270
Saving account (non-checking)	0	16000	0	1280	3390	820	1880	1810	1650	1690
Current accounts	0	1890	0	5440	3410	2010	2580	4350	4970	5660
Fixed deposits	0	75790	0	11450	19050	18190	22990	14840	21580	19830
Short term deposits	0	0	0	64000	10750	2240	165000	50940	102550	186740
Deposit pension scheme	0	1850	0	990	1340	800	1870	1310	1660	1280
Other deposits	0	0	0	4150	3540	12040	17150	7550	4570	14510
Total	0	2800	0	2040	2370	2210	3050	2480	3110	2860

REBUS

Table : A-47

Source of Funds and Deposit Structure - All banks

Mean Branch Deposit - June 30, 1985

(Thousand Taka)

	Structure index				
	1	2	3	4	5
Saving account (checking)	3798	428	1035	1973	3268
Saving account (non-checking)	178	369	780	451	1132
Current account	228	280	1025	1336	1570
Fixed deposit	15	484	1102	1501	2513
Short term deposits	0	16	82	139	585
Deposit pension scheme	75	15	98	114	164
Other deposits	0	65	199	134	348
Total	4295	1657	4322	5648	9580

Structure index is based on ratio of deposits to deposits plus net borrowing from head office.

RBBUS

Table : A-48

Source of Funds and Deposit Structure - All banks

Mean Number of Accounts - June 30, 1985

(Number)

	Structure index				
	1	2	3	4	5
Saving account (checking)	1966	594	963	1536	1823
Saving account (non-checking)	6	890	660	279	599
Current account	91	105	188	246	297
Fixed Deposit	129	43	71	77	121
Short term deposit	0	1	2	3	3
Deposit pension scheme	44	12	81	88	116
Other deposit	0	2	18	21	30
Total	2236	1646	1982	2250	2989

Structure index is based on ratio of deposits to deposits plus net borrowing from head office.

RBBUS

Table : A-49

Source of Funds and Deposit Structure - All banks

Mean Size of Accounts - June 30, 1985

(Taka)

	Structure index				
	1	2	3	4	5
Saving account (checking)	1930	720	1080	1280	1790
Saving account (non-checking)	29740	410	1180	1610	1890
Current account	2500	2670	5450	5430	5280
Fixed deposit	120	11300	15580	19410	20850
Short term deposit	0	20130	43080	53720	201620
Deposit pension scheme	1710	1290	1220	1300	1410
Other deposit	0	37110	11050	6540	11510
Total	1920	1010	2180	2510	3210

Structure index is based on ratio of deposits to deposits plus net borrowing from head office.

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Table : A-50

Source of Funds and Deposit Structure - BKB

Mean Branch Deposits - June 30, 1985

(Thousand Taka)

	Structure index				
	1	2	3	4	5
Saving account (checking)	0	309	755	512	230
Saving account (non-checking)	0	448	580	717	529
Current account	0	307	719	332	531
Fixed deposit	0	632	552	849	142
Short term deposit	0	12	15	43	0
Deposit pension scheme	0	0	0	0	0
Other deposit	0	68	3	2	2
Total	0	1775	2625	2454	1434

Structure index is based on ratio of deposits to deposits plus net borrowing from head office.

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Table : A-51

Source of Funds and Deposit Structure - BKB

Mean Number of Accounts - June 30, 1985

(Number)

	Structure index				
	1	2	3	4	5
Saving account (checking)	0	467	403	398	125
Saving account (non-checking)	0	1250	811	863	1697
Current account	0	72	31	53	130
Fixed deposit	0	57	54	59	11
Short term deposit	0	1	0	0	0
Deposit pension scheme	0	0	0	0	0
Other deposit	0	1	1	1	1
Total	0	1848	1300	1375	1964

Structure index is based on ratio of deposits to deposits plus net borrowing from head office.

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Table : A-52

Source of Funds and Deposit Structure - BKB

Mean Size of Accounts - June 30, 1985

(Taka)

	Structure index				
	1	2	3	4	5
Saving account (checking)	0	660	1870	1280	1840
Saving account (non-checking)	0	360	720	830	310
Current account	0	4250	23370	6260	4080
Fixed deposit	0	11160	10220	14310	12910
Short term deposit	0	11880	61000	129000	0
Deposit pension scheme	0	0	0	0	0
Other deposit	0	52180	3250	2520	2000
Total	0	960	2020	1780	730

Structure index is based on ratio of deposits to deposits plus net borrowing from head office.

REBUS

Table : A-53

Source of Funds and Deposit Structure - NCB

Mean Branch Deposit - June 30, 1985

(Thousand Taka)

	Structure index				
	1	2	3	4	5
Saving account (checking)	3798	613	1101	2247	3369
Saving account (non-checking)	178	247	828	401	1152
Current account	228	240	1097	1524	1605
Fixed deposit	15	254	1231	1623	2592
Short term deposit	0	22	98	156	605
Deposit pension scheme	75	39	121	136	170
Other deposit	0	61	246	159	359
Total	4295	1475	4721	6247	9852

Structure index is based on ratio of deposits to deposits plus net borrowing from head office.

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Table : A-54

Source of Funds and Deposit Structure - NCB

Mean Number of Account - June 30, 1985

(Number)

	Structure index				
	1	2	3	4	5
Saving account (checking)	1966	790	1094	1750	1879
Saving account (non-checking)	6	335	625	170	563
Current account	91	155	225	282	303
Fixed deposit	129	21	75	81	124
Short term deposit	0	0	2	3	3
Deposit pension scheme	44	30	99	104	120
Other deposit	0	2	22	24	31
Total	2236	1334	2143	2414	3023

Structure index is based on ratio of deposits to deposits plus borrowing from head office.

RBBUS

Table : A-55

Source of Funds and Deposit Structure - NCB

Mean Size of Account - June 30, 1985

(Taka)

	Structure index				
	1	2	3	4	5
Saving account(checking)	1930	780	1010	1280	1790
Saving account (non-checking)	29740	740	1320	2360	2050
Current account	2500	1540	4870	5400	5300
Fixed deposit	120	11900	16490	20120	20870
Short term deposit	0	48190	42620	52160	201620
Deposit pension scheme	1710	1290	1220	1300	1410
Other deposit	0	24830	11130	6560	11520
Total	1920	1110	2200	2590	3260

Structure index is based on ratio of deposits to deposits plus borrowing from head office.

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Table : A-56

Average Interest Rates for Deposits

Distribution of average interest rate

Percentile	Value		
5	12.1	Mean	9.18
10	11.7	S.d.	2.30
30	10.6		
50	10.1		
70	8.4		
90	5.7		
95	4.6		

Bank	Mean	S.d.
Agrani	9.51	2.49
Janata	9.96	1.68
Rupali	9.73	1.36
Sonali	8.48	2.18
NCBs	9.21	2.18
BKB	9.06	2.70

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Table : A-57

Interest Rates on Deposits and Bank

(Number of cases)

Interest Rate	Agrani	BKB	Janata	Rupali	Sonali
0-5	2	2	0	0	2
5-7	2	4	1	0	6
7-8	1	3	2	0	3
8-9	1	1	1	3	3
9-10	2	3	0	0	8
10-11	8	6	9	2	6
11-12	5	4	3	2	0
12-13	1	1	0	0	2
13-15	0	1	0	0	0
15 +	0	0	0	0	0

1) Class limits are $0 < x \leq 5$

Table : A-58

Differential Interest Rate and Bank

(Number of cases)

	Agrani	BKB	Janata	Rupali	Sonali
-11/-9	0	0	0	0	0
-9/-7	1	0	0	0	1
-7/-5	2	2	2	0	3
-5/-3	2	2	1	0	7
-3/-1	6	4	7	0	3
-1/0	4	2	0	0	1
0/1	0	5	0	0	1
1/3	0	6	0	3	0
3/5	0	2	3	1	2
5 +	0	0	0	0	0

1) Differential interest rate equals interest rate cost of funds less cost of borrowing from head office.

2) Class limits are $0 < x \leq 5$

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Table : A-59

Interest Rates on Deposits and Bank

(Number of cases)

(Interest rate computed excluding demand deposits)

Interest Rate	Agrani	BKB	Janata	Rupali	Sonali
0-5	0	0	0	0	0
5-7	1	0	0	0	0
7-8	2	0	0	0	2
8-9	1	1	0	1	2
9-10	0	1	0	0	1
10-11	4	2	5	3	8
11-12	8	11	9	3	13
12-13	6	7	1	0	4
13-15	0	3	1	0	0
15+	0	0	0	0	0

1) Class limits are $0 < x \leq 5$

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Table : A-60

Differential Interest Rate and Bank

(Number of cases)

(Interest Rates computed excluding demand deposits)

	Agrani	BKB	Janata	Rupali	Sonali
-11/-9	0	0	0	0	0
- 9/-7	1	0	0	0	0
- 7/-5	0	0	0	0	0
- 5/-3	2	0	0	0	1
- 3/-1	13	2	12	3	23
- 1/-0	4	0	0	0	2
0/1	2	2	0	0	1
1/3	0	16	0	1	0
3/5	0	5	2	3	2
5+	0	0	2	0	1

1) Differential interest rate equals interest rate cost of funds less cost of borrowing from head office.

11) Class limits are $0 < x \leq 5$

RBBUS

Table : A-61

Profitablity and Deposit Structure - All banks

Mean Branch Deposit - June 30, 1985

(Thousand Taka)

	Profitability level				
	1	2	3	4	5
Saving account (checking)	1162	2143	1348	910	760
Saving account (non-checking)	443	832	375	1086	243
Current account	837	982	1634	1017	274
Fixed deposit	1227	1492	1648	831	1605
Short term deposit	202	183	577	48	0
Deposit pension scheme	100	113	60	49	39
Other deposit	131	233	78	299	0
Total	4102	5978	5720	4240	2922

Note: 5 is highest profitability

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Table : A-62

Profitability and Deposit Structure - All banks

Mean Number of Accounts - June 30, 1985

(Number)

	Profitability level				
	1	2	3	4	5
Saving account (checking)	963	1349	1407	640	1148
Saving account (non-checking)	352	633	689	1277	396
Current account	190	194	324	161	151
Fixed deposit	73	81	91	69	88
Short term deposit	3	2	1	4	1
Deposit pension scheme	79	82	46	50	34
Other deposit	17	14	26	44	0
Total	1677	2354	2584	2244	1818

Note: 5 is highest profitability

RBBUS

Table : A-63

Profitablity and Deposit Structure - All banks

Mean Size of Accounts - June 30, 1985

(Taka)

	Profitability level				
	1	2	3	4	5
Saving account (checking)	1210	1590	960	1420	660
Saving account (non-checking)	1260	1320	540	850	610
Current account	4400	5060	5050	6320	1820
Fixed deposit	16810	18520	18090	12070	18240
Short term deposit	68830	102170	475100	12570	0
Deposit pension scheme	1260	1390	1320	970	1160
Other deposit	7620	17060	2980	6870	0
Total	2450	2540	2210	1890	1610

Note: 5 is highest profitability

RBBUS

Table : A-64

Profitability and Deposit Structure - BKB

Mean Branch Deposit - June 30, 1985

(Thousand Taka)

	Profitability level				
	1	2	3	4	5
Saving account (checking)	501	482	201	480	420
Saving account (non-checking)	0	626	429	465	406
Current account	85	422	241	591	252
Fixed deposit	1128	573	518	387	2649
Short term deposit	0	36	0	0	0
Deposit pension scheme	0	0	0	0	0
Other deposit	0	5	2	221	0
Total	1714	2143	1391	2144	3727

Note: 5 is highest profitability

RBBUS

Table : A-65

Profitability and Deposit Structure - BKB

Mean Number of Account - June 30, 1985

(Number)

	Profitability level				
	1	2	3	4	5
Saving account (checking)	833	457	251	468	906
Saving account (non-checking)	0	1286	1313	933	781
Current account	28	53	61	108	65
Fixed deposit	89	42	64	43	157
Short term deposit	0	0	0	3	0
Deposit pension scheme	0	0	0	0	0
Other deposit	0	1	1	2	0
Total	950	1840	1689	1556	1909

Note: 5 is highest profitability

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Table : A-66

Profitability and Deposit Structure - BKB

Mean Size of Account - June 30, 1985

(Taka)

	Profitability level				
	1	2	3	4	5
Saving account (checking)	600	1050	800	1030	460
Saving account (non-checking)	0	490	330	500	520
Current account	3030	8010	3940	5470	3880
Fixed deposit	12680	13590	8150	9080	16870
Short term deposit	0	980	0	0	0
Deposit pension scheme	0	0	0	0	0
Other deposit	0	3720	3250	100280	0
Total	1800	1160	820	1380	1950

Note: 5 is highest profitability

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Table : A-67

Profitability and Deposit Structure - NCB

Mean Branch Deposits - June 30, 1985

(Thousand Taka)

	Profitability level				
	1	2	3	4	5
Saving account (checking)	1203	2508	2496	3060	1101
Saving account (non-checking)	471	878	320	4186	80
Current account	884	1105	3027	3151	296
Fixed deposit	1233	1694	2777	3051	562
Short term deposit	215	215	1154	289	0
Deposit pension scheme	106	138	121	292	78
Other deposit	139	283	155	691	0
Total	4252	6821	10049	14721	2117

Note: 5 is highest profitability

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Table : A-68

Profitability and Deposit structure - NCB

Mean Number of Account - June 30, 1985

(Number)

	Profitability level				
	1	2	3	4	Y 5
Saving account (checking)	971	1545	2563	1500	1390
Saving account (non-checking)	374	489	66	3000	11
Current account	200	225	587	425	237
Fixed deposit	72	89	119	200	19
Short term deposit	3	2	2	8	2
Deposit pension scheme	84	100	91	300	67
Other deposit	18	16	52	250	0
Total	1723	2466	3480	5683	1726

Note: 5 is highest profitability

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Table : A-69

Profitability and Deposit Structure - NCB

Mean Size of Account - June 30, 1985

(Taka)

	Profitability level				
	1	2	3	4	5
Saving account (checking)	1240	1620	970	2040	790
Saving account (non-checking)	1260	1790	4880	1400	7280
Current account	4410	4910	5160	7410	1250
Fixed deposit	17130	19040	23420	15260	29570
Short term deposit	68830	102330	475100	36130	0
Deposit pension scheme	1260	1390	1320	970	1160
Other deposit	7620	17290	2980	2760	0
Total	2470	2770	2890	2590	1230

Note: 5 is highest profitability

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Table : A-70

Classification of branches by deposit structure

Ratio of saving accouts to total deposits

Number of cases

Ratio of fixed deposits to total deposits	0 - .4 1/	.4 - .6	.6 - 1
0 - .16 1/	10	8	12
.16 - .33	11	17	18
.33 - 1	13	9	1

Profitability (Mean profits thousand taka) above sample mean

0 - .16	-131	+1	-269
.16 - .33	+1	395	-189
.33 - 1	+64	-121	-8

Interest Rate (Mean rate on deposits above sample mean)

0 - .16	-4.44	-2.06	+1
.16 - .33	-2.41	.6	+1.4
.33 - 1	+1.41	2.26	+3.08

1/ Class limits are $0 < x \leq .16$

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Table : A-71

Attitudes of Branch and Regional Managers towards Survey Mobilization Policies

		1	2	3	4	5
1.	Introduce National Deposit Insurance Scheme.	18	18	24	47	64
2.	Build overall bank staff morale by giving more recognition to exemplary staff performance.	0	3	16	66	86
3.	Design and Promote special purpose savings accounts.	6	9	22	70	64
4.	As an alternative to interest bearing deposits banks to generate their own funds by selling shares in their assets.	47	31	38	34	21
5.	Interview Training course on generating bank deposits.	1	0	8	55	107
6.	Banks to focus Public relations, advertising on new target groups	2	6	21	74	65
7.	Banks lend only to borrowers with deposits of at lest 50 Taka or 5% of the loan amount whichever 15 greater.	14	20	26	52	58
8.	Provide commissions or bonuses for generating deposits	0	1	3	23	43
9.	Increase deposit interest rates by 3%	9	10	20	73	53
10.	Introduce Mobile banking units	15	16	33	59	48

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Table : A-72

Loan Recovery Measures

(Percent of loans)

Value of Ratio	Ratio 1	Ratio 2	Ratio 3	Ratio 4
0	49	50	49	50
0 - .1	0	1	1	1
.1 - .2	1	1	1	1
.2 - .4	1	2	1	2
.4 - .6	1	3	2	5
.6 - .8	2	8	3	21
.8 - 1.0	4	25	13	15
1.0 - 1.5	30	9	28	5
1.5 - 2.0	9	1	3	0
2.0 - 4.0	3	0	1	0
4.0 +	0	0	0	0
Repaid	49	50	49	50
Principal reduced	9	40	20	45
Total improved	58	90	69	95
Principal not reduced	42	10	31	5

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Table : A-73

Loan Recovery Vs Loan Size : Ratio 1

(Number of cases)

Value of Ratio	Loan size in Tk. 0-1000	1000-2000	2000-3000	3000-4000	4000-6000	6000 +
0	1213	974	331	200	103	29
0 - .1	8	11	0	1	3	2
.1 - .2	19	16	11	2	1	3
.2 - .4	13	17	4	4	6	0
.4 - .6	14	27	12	5	5	1
.6 - .8	17	35	18	14	4	2
.8 - 1.0	33	89	67	34	19	4
1.0 - 1.5	271	623	411	282	101	38
1.5 - 2.0	174	252	51	14	7	1
1.0 - 4.0	117	67	14	3	1	1
4.0 +	0	0	0	0	0	0
Loans not repaid	666	1137	588	359	147	52
Total loans	1879	2111	919	559	250	81
Mean ratio loans not repaid	1.62	1.36	1.24	1.20	1.13	1.30
Mean ratio all loan	.58	.73	.79	.77	.66	.75

Ratio 1 : Balance outstanding/principal

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Table : A-74

Loan Recovery Vs Loan Size : Ratio 1

(Percent of loans)

Value of Ratio	Loan size in Tk. 0-1000	1000-2000	2000-3000	3000-4000	4000-6000	6000 +
0	64	46	36	36	41	36
0 - .1	0	1	0	0	1	2
.1 - .2	1	1	1	0	0	4
.2 - .4	1	1	0	1	2	0
.4 - .6	1	1	1	1	2	1
.6 - .8	1	2	2	2	2	2
.8 - 1.0	2	4	7	7	8	5
1.0 - 1.5	15	30	44	49	40	47
1.5 - 2.0	9	12	6	3	4	1
2.0 - 4.0	6	3	2	1	0	1
4.0 +	0	0	0	0	0	0
Repaid	64	46	36	36	41	36
Principal reduced	6	9	12	11	15	15
Total improved	70	55	48	47	56	51
Principal not reduced	30	45	52	53	44	49

Ratio 1 : Balance outstanding/principal

RBBUS

Table : A-75

Loan Recovery Vs Loan Size : Ratio 2

(Percent of loans)

Value of Ratio	Loan size in Tk. 0-1000	1000-2000	2000-3000	3000-4000	4000-6000	6000 +
0	66	48	36	36	41	36
0 - .1	1	1	1	0	2	5
.1 - .2	1	1	0	1	2	3
.2 - .4	1	2	1	1	3	0
.4 - .6	3	4	4	3	3	0
.6 - .8	4	8	13	11	7	8
.8 - 1.0	16	28	33	35	25	20
1.0 - 1.5	7	9	11	12	18	28
1.5 - 2.0	1	0	0	0	0	0
2.0 - 4.0	0	0	0	0	0	0
4.0 +	0	0	0	0	0	0
Repaid	66	48	36	36	41	36
Principal reduced	26	43	53	52	41	36
Total improved	92	91	89	88	82	72
Principal not reduced	8	9	11	12	18	28

Ratio 2 : Balance outstanding/principal + Interest due.

RBBUS

Table : A-76

Loan Recovery Vs Loan Size : Ratio 3

(Percent of loans)

Value of Ratio	Loan size in Tk. 0-1000	1000-2000	2000-3000	3000-4000	4000-6000	6000 +
0	64	46	36	36	41	36
0 - .1	1	1	1	0	1	4
.1 - .2	1	1	0	1	0	2
.2 - .4	1	1	1	1	3	1
.4 - .6	1	2	2	2	2	0
.6 - .8	2	3	5	4	5	2
.8 - 1.0	5	12	21	22	21	12
1.0 - 1.5	19	31	31	35	26	36
1.5 - 2.0	4	3	3	0	1	7
2.0 - 4.0	1	0	0	0	0	0
4.0 +	0	0	0	0	0	0
Repaid	64	46	36	36	41	36
Principal reduced	12	20	30	29	32	21
Total improved	76	66	66	65	73	57
Principal not reduced	24	34	34	35	27	43

Ratio 3 : Balance outstanding real terms/principal real terms.

RBBUS

Table : A-77

Loan Recovery Vs Loan Size : Ratio 4

(Percent of loans)

Value of ratio	Loan size in Tk. 0 - 1000	1000-2000	2000-3000	3000-4000	4000-6000	6000 +
0	66	48	36	36	41	33
0 - .1	2	1	1	0	2	6
.1 - .2	1	1	0	1	2	1
.2 - .4	2	3	2	2	2	1
.4 - .6	4	5	6	5	7	20
.6 - .8	13	23	29	23	18	10
.8 - 1.0	9	15	19	25	18	23
1.0 - 1.5	2	4	6	8	11	1
1.5 - 2.0	1	0	0	0	0	4
2.0 - 4.0	0	0	0	0	0	0
4.0 +	0	0	0	0	0	0
Repaid	66	48	36	36	41	33
Principal reduced	30	48	58	56	49	62
Total improved	96	95	94	92	.89	95
Principal not reduced	4	5	6	8	11	5

Ratio 4. Balance outstanding real terms/principal + interest real terms.

RBBUS

Table : A-78

Loan Recovery Vs Loan Size (real): Ratio 2

(Number of cases)

Value of Ratio	Loan size in Tk. 0 - 1000	1000-2000	2000-3000	3000-4000	4000-6000	6000 +
0	559	936	639	206	264	114
0 - .1	15	22	16	4	3	5
.1 - .2	4	9	10	3	4	4
.2 - .4	10	23	31	7	11	5
.4 - .6	12	62	59	24	22	4
.6 - .8	19	103	167	60	68	14
.8 - 1.0	113	395	404	202	216	33
1.0 -1.55	62	119	133	67	92	42
1.5 - 2.0	10	10	4	3	3	1
2.0 - 4.0	1	0	0	0	0	0
4.0 +	0	0	0	0	0	0
Loans not repaid	252	743	824	370	419	108
Total loans	811	1679	1463	576	683	222
Mean ratio loans not repaid	1.01	.85	.84	.89	.90	.87
Mean ratio all loans	.31	.38	.47	.57	.55	.45

Ratio 2: Balance outstanding/principal + interest

RBBUS

Table : A-79

Loan Recovery Vs Loan Size (Real): Ratio 2

(Percent of loans)

Value of ratio	Loan size in Tk. 0 - 1000	1000-2000	2000-3000	3000-4000	4000-6000	6000 +
0	69	56	44	36	39	51
0 - .1	2	1	1	1	0	2
.1 - .2	0	1	1	1	1	2
.2 - .4	1	1	2	1	2	2
.4 - .6	1	4	4	4	3	2
.6 - .8	2	6	11	10	10	6
.8 - 1.0	14	23	28	35	32	15
1.0 - 1.5	8	8	9	12	13	19
1.5 - 2.0	2	0	0	1	0	1
2.0 - 4.0	0	0	0	0	0	0
4.0 +	0	0	0	0	0	0
Repaid	69	56	44	36	39	51
Principal reduced	21	36	47	52	48	29
Total	90	92	91	88	87	80
Principal not reduced	10	8	9	12	13	20

Ratio 2 : Balance outstanding/principal + interest

RBBUS

Table : A-80

Loan Recovery Vs Age of Branch: Ratio 1

(Number of cases)

Value of ratio	Age of the branch in years									
	2	3	4	5	6	7	8	9	10	10+
0	7	0	42	59	383	381	457	528	196	797
0 - .1	0	0	0	3	3	5	4	2	2	6
.1 - .2	0	0	0	2	9	22	1	4	1	13
.2 - .4	0	0	1	1	8	3	5	9	3	14
.4 - .6	0	0	2	1	11	8	11	4	2	25
.6 - .8	0	0	4	7	20	10	11	11	2	25
.8 - 1.0	4	0	5	4	73	25	35	44	10	46
1.0 - 1.5	24	0	34	39	348	248	180	195	163	495
1.5 - 2.0	33	0	3	2	120	68	27	43	55	148
2.0 - 4.0	23	0	0	0	64	11	21	13	18	53
4.0 +	0	0	0	0	0	0	0	0	0	0
Loan not repaid	84	0	49	59	656	401	296	327	257	828
Total loans	91	0	91	118	1039	782	753	855	453	1625
Mean ratio loans not repaid	1.91	0	0	0	0	0	0	0	0	0
Mean ratio all loans	1.76	0	0	0	0	0	0	0	0	0

Ratio 1 : Balance outstanding/principal

RBBUS

Table : A-81

Loan Recovery Vs Age of Branch: Ratio 1

(Percent of cases)

Value of ratio	Age of the branch in years									
	2	3	4	5	6	7	8	9	10	10 +
0	8	0	46	50	37	49	61	62	43	49
0 - .1	0	0	0	3	0	1	1	0	0	0
.1 - .2	0	0	0	2	1	3	0	0	0	1
.2 - .4	0	0	1	1	1	0	1	1	1	1
.4 - .6	0	0	2	1	1	1	1	0	0	2
.6 - .8	0	0	4	6	2	1	1	1	0	2
.8 - 1.0	4	0	5	3	7	3	5	5	2	3
1.0 - 1.5	26	0	37	33	33	32	24	23	36	30
1.5 - 2.0	36	0	3	2	12	9	4	5	12	10
2.0 - 4.0	26	0	0	0	6	1	3	2	4	3
4.0 +	0	0	0	0	0	0	0	0	0	0
Repaid	8	0	46	50	37	49	61	62	43	49
Principal reduced	4	0	13	15	12	9	9	8	4	8
Total improved	12	0	59	65	49	58	70	70	48	57
Principal not reduced	88	0	41	35	51	42	30	30	52	43

Ratio 1 : Balance outstanding/principal

RBBUS

Table : A-82

Loan Recovery Vs Age of Branch : Ratio 2

(Percent of loans)

Value of ratio	Age of branch in years									
	2	3	4	5	6	7	8	9	10	10 +
0	13	0	46	50	38	48	61	61	44	49
0 - .1	0	0	0	3	1	3	1	0	1	1
.1 - .2	0	0	1	1	1	0	0	1	0	1
.2 - .4	0	0	3	2	2	1	1	1	1	2
.4 - .6	0	0	4	8	5	3	3	3	1	4
.6 - .8	0	0	18	5	8	12	6	7	8	8
.8 - 1.0	20	0	25	17	31	29	18	19	26	26
1.0 - 1.5	13	0	2	13	14	4	10	7	18	9
1.5 - 2.0	53	0	0	1	1	0	0	0	1	1
2.0 - 4.0	0	0	0	0	0	0	0	0	0	0
4.0 +	0	0	0	0	0	0	0	0	0	0
Repaid	13	0	46	50	38	48	61	61	44	49
Principal reduced	20	0	52	36	47	48	29	31	37	41
Total improved	33	0	98	86	85	96	90	93	81	90
Principal not reduced	67	0	2	14	15	4	10	7	19	10

Ratio 2 : Balance outstanding/principal + interest

RBBUS

Table : A-83

Loan Recovery Vs Branch Remoteness: Ratio 1

(Number of cases)

Value of ratio	Remoteness index 1	2	3	4	5
0	139	491	972	1177	71
0 - .1	0	5	12	8	0
.1 - .2	0	19	13	17	3
.2 - .4	1	10	20	10	3
.4 - .6	2	12	21	26	3
.6 - .8	9	15	39	22	5
.8 - 1.0	13	64	89	67	13
1.0 - 1.5	109	352	627	591	47
1.5 - 2.0	30	142	144	118	65
2.0 - 4.0	8	77	52	22	44
4.0 +	0	0	0	0	0
Loans not repaid	172	698	1020	884	183
Total loans	311	1189	1992	2061	254
Mean ratio loans not repaid	1.35	1.45	1.31	1.27	1.76
Mean ratio all loans	.75	.85	.67	.54	1.27

Note: 5 is most remote.

Ratio 1 : Balance outstanding/principal

RBBUS

Table : A-84

Loan Recovery Vs Branch Remoteness: Ratio 1

(Percent of loans)

Value of ratio	Remoteness index 1	2	3	4	5
0	45	41	49	57	28
0 - .1	0	0	0	0	0
.1 - .2	0	2	1	1	1
.2 - .4	0	1	1	0	1
.4 - .6	1	1	1	1	1
.6 - .8	3	1	2	1	2
.8 - 1.0	4	5	4	3	5
1.0 - 1.5	35	30	31	29	19
1.5 - 2.0	10	12	7	6	26
2.0 - 4.0	2	6	3	1	16
4.0 +	0	0	0	0	0
Repaid	45	41	49	57	28
Principal reduced	8	11	10	7	11
Total improved	53	52	59	64	39
Principal not reduced	47	48	41	36	61

Note: 5 is most remote.

Ratio 1 : Balance outstanding/principal.

RBBUS

Table : A-85

Loan Recovery Vs Branch Remoteness : Ratio 3

(Percent of loans)

Value of ratio	Remoteness index 1	2	3	4	5
0	45	41	49	57	28
0 - .1	0	1	1	1	1
.1 - .2	0	1	1	1	0
.2 - .4	0	1	1	1	2
.4 - .6	1	2	2	1	3
.6 - .8	6	3	4	2	7
.8 - 1.0	22	11	12	13	7
1.0 - 1.5	25	33	28	23	41
1.5 - 2.0	1	5	2	1	10
2.0 - 4.0	0	2	0	0	0
4.0 +	0	0	0	0	0
Repaid	45	41	49	57	28
Principal reduced	29	19	21	19	21
Total improved	74	60	70	76	49
Principal not reduced	26	40	30	24	51

Note: 5 is most remote.

Ratio 3 : Balance outstanding real terms/principal real terms.

RBBUS

Table : A-86

Loan Recovery Vs District : Ratio 1

(Percent of loans)

Value of Ratio	District							
	Chittagong	Dhaka	Faridpur	Jamalpur	Jessore	Kushtia	Rajshahi	Rangpur
0	44	61	57	31	54	47	54	37
0 - .1	0	1	0	0	0	1	0	0
.1 - .2	1	0	0	1	0	0	1	3
.2 - .4	1	1	1	0	1	0	1	1
.4 - .6	2	1	2	0	1	1	1	2
.6 - .8	2	2	2	1	1	2	2	2
.8 - 1.0	4	1	2	8	9	3	5	4
1.0 - 1.5	22	28	28	42	27	25	30	38
1.5 - 2.0	13	5	5	14	5	17	4	11
2.0 - 4.0	11	1	3	2	2	6	2	2
4.0 +	0	0	0	0	0	0	0	0
Repaid	44	61	57	31	54	47	54	37
Principal reduced	10	5	7	11	12	6	10	12
Total improved	54	66	64	42	66	53	64	49
Principal not reduced	46	34	36	58	34	47	36	51

Ratio 1: Balance outstanding/principal

RBBUS

Table : A-87

Loan Recovery Vs District : Ratio 2

(Percent of loans)

Value of Ratio	District							
	Chittagong	Dhaka	Faridpur	Jamalpur	Jessore	Kushtia	Rajshahi	Rangpur
0	48	60	57	31	55	51	54	37
0 - .1	1	1	0	1	1	1	1	4
.1 - .2	1	0	1	1	1	0	1	0
.2 - .4	3	1	3	1	1	1	1	2
.4 - .6	6	2	5	3	2	3	4	3
.6 - .8	9	3	8	10	7	14	8	7
.8 - 1.0	27	8	22	46	26	24	23	38
1.0 - 1.5	5	23	4	8	8	3	8	9
1.5 - 2.0	0	2	0	0	0	2	0	0
2.0 - 4.0	0	0	0	0	0	0	0	0
4.0 +	0	0	0	0	0	0	0	0
Repaid	48	60	57	31	55	51	54	37
Principal reduced	47	15	39	61	37	44	38	54
Total improved	95	75	96	92	92	95	92	91
Principal not reduced	5	25	4	8	8	5	8	9

Ratio 2: Balance outstanding/principal + Interest due.

RBBUS

Table : A-88

Loan Recovery Vs District : Ratio 3

(Percent of loans)

Value of Ratio	District							
	Chittagong	Dhaka	Faridpur	Jamalpur	Jessore	Kushtia	Rajshahi	Rangpur
0	44	61	57	31	54	47	54	37
0 - .1	1	1	0	0	1	1	0	3
.1 - .2	1	0	0	1	0	0	1	1
.2 - .4	2	1	2	0	1	0	1	2
.4 - .6	3	2	2	1	1	1	2	1
.6 - .8	5	1	3	3	1	2	3	6
.8 - 1.0	6	6	8	21	13	13	20	16
1.0 - 1.5	33	25	27	43	27	25	17	31
1.5 - 2.0	5	3	1	0	1	7	0	3
2.0 - 4.0	0	0	0	0	1	4	0	0
4.0 +	0	0	0	0	0	0	0	0
Repaid	44	61	57	31	54	47	54	37
Principal reduced	17	11	15	26	17	17	28	29
Total improved	61	72	72	57	71	64	82	66
Principal not reduced	39	28	28	43	29	36	18	34

Ratio 3 : Balance outstanding real terms/principal real terms.

RBBUS

Table : A-89

Loan Recovery Vs Interest Rates : Ratio 1

(Percent of loans)

Value of ratio	Interest rates									
	-1/-.5	-.5/-.10	-.10/-.05	-.05/0	0/.05	.05/.10	.10/.15	.15/.20	.20/.30	.30-
0	0	55	77	70	51	35	47	51	58	62
0 - .1	0	0	0	0	0	1	0	1	1	0
.1 - .2	0	0	0	1	1	1	1	3	0	0
.2 - .4	0	0	1	1	1	1	1	0	0	0
.4 - .6	0	2	1	1	1	1	1	2	0	0
.6 - .8	0	0	1	2	2	2	1	2	2	0
.8 - 1.0	0	4	10	6	2	4	5	4	5	6
1.0 - 1.5	0	31	10	19	36	30	32	32	33	30
1.5 - 2.0	0	8	0	0	5	18	10	5	0	2
2.0 - 4.0	0	0	0	0	1	8	2	0	1	0
4.0 +	0	0	0	0	0	0	0	0	0	0
Repaid	0	55	77	70	51	35	47	51	58	62
Principal reduced	0	6	13	11	7	9	9	12	8	6
Total improved	0	61	90	81	58	44	56	63	66	68
Principal not reduced	0	39	10	19	42	56	44	37	34	32

Ratio 1 : Balance outstanding/principal

RBBUS

Table : A-90

Loan Recovery Vs Interest Rates : Ratio 2

(Percent of loans)

Value of ratio	Interest rates									
	-1/-.5	-.5/-.10	-.10/-.05	-.05/0	0/.05	.05/.10	.10/.15	.15/.20	.20/.30	.30 +
0	0	55	77	70	51	35	47	51	58	62
0 - .1	0	0	0	0	1	1	1	3	1	0
.1 - .2	0	0	0	1	1	1	1	1	0	0
.2 - .4	0	0	2	1	2	3	2	1	1	0
.4 - .6	0	2	1	2	2	6	4	5	1	0
.6 - .8	0	0	0	1	4	8	12	16	11	1
.8 - 1.0	0	6	12	11	27	38	30	21	18	12
1.0 - 1.5	0	33	9	13	12	7	3	1	8	24
1.5 - 2.0	0	5	0	0	1	0	0	1	2	0
2.0 - 4.0	0	0	0	0	0	0	0	0	0	0
4.0 +	0	0	0	0	0	0	0	0	0	0
Loans repaid	0	55	77	70	51	35	47	51	58	62
Principal reduced	0	8	14	17	36	57	50	47	32	14
Total improved	0	63	91	87	87	93	97	98	90	76
Principal not reduced	0	37	9	13	13	7	3	2	10	24

Ratio 2: Balance outstanding/principal + interest.

RBBUS

Table : A-91

Loan Recovery Vs Interest Rates : Ratio 3

(Percent of loans)

Value of ratio	Interest rates									
	-1/-.5	-.5/-.10	-.10/-.05	-.05/0	0/.05	.05/.10	.10/.15	.15/.20	.20/.30	.30 +
0	0	55	77	70	51	35	47	51	58	62
0 - .1	0	0	0	0	1	1	0	2	1	0
.1 - .2	0	0	0	1	1	1	1	1	0	0
.2 - .4	0	0	2	1	1	2	1	0	1	0
.4 - .6	0	1	1	2	2	3	2	2	0	0
.6 - .8	0	9	0	1	3	5	3	3	1	0
.8 - 1.0	0	10	16	13	15	16	12	13	13	5
1.0 - 1.5	0	21	5	11	25	36	30	26	20	29
1.5 - 2.0	0	3	0	0	1	1	3	1	4	3
2.0 - 4.0	0	0	0	0	0	0	0	0	1	0
4.0 +	0	0	0	0	0	0	0	0	0	0
Loans repaid	0	55	77	70	51	35	47	51	58	62
Principal reduced	0	21	18	19	23	28	20	22	17	6
Total improved	0	76	95	89	74	63	67	73	75	68
Principal not reduced	0	24	5	11	26	37	33	27	25	32

Ratio 3: Balance outstanding real terms/principal real terms.

RBBUS

Table : A-92

Loan Recovery Vs Interest Rates : Ratio 4

(Percent of loans)

Value of ratio	Interest rates									
	-1/-.5	-.5/-.10	-.10/-.05	-.05/0	0/.05	.05/.10	.10/.15	.15/.20	.20/.30	.30 +
0	0	55	77	70	51	35	47	51	58	62
0 - .1	0	0	0	1	1	1	1	4	1	0
.1 - .2	0	0	0	0	1	1	1	0	0	0
.2 - .4	0	1	2	2	2	5	3	2	1	0
.4 - .6	0	1	1	2	4	9	6	5	1	0
.6 - .8	0	9	1	3	15	32	30	27	15	1
.8 - 1.0	0	10	16	17	24	17	11	9	10	14
1.0 - 1.5	0	22	4	5	1	0	1	1	11	22
1.5 - 2.0	0	2	0	0	1	0	0	1	2	0
2.0 - 4.0	0	0	0	0	0	0	0	0	0	0
4.0 +	0	0	0	0	0	0	0	0	0	0
Loans repaid	0	55	77	70	51	35	47	51	58	62
Principal reduced	0	21	19	25	47	65	52	47	29	16
Total improved	0	76	96	95	98	100	99	98	87	78
Principal not reduced	0	24	4	5	2	0	1	2	13	22

Ratio 4: Balance outstanding real terms/principal + Interest real terms.

RBBUS

Table : A-93

Loan Recovery Vs Year of Disbursement : Ratio 1

(Percent of loans)

Value of ratio	Year of disbursement							
	78	79	80	81	82	83	84	85
0	0	66	70	63	63	43	28	8
0 - .1	0	1	0	0	0	0	1	1
.1 - .2	0	0	0	1	0	1	3	0
.2 - .4	0	1	0	1	0	1	1	0
.4 - .6	0	0	1	1	1	2	2	0
.6 - .8	0	0	1	0	2	2	2	0
.8 - 1.0	0	1	1	2	2	3	13	8
1.0 - 1.5	0	5	5	5	18	44	50	28
1.5 - 2.0	0	8	15	19	13	5	1	33
2.0 - 4.0	0	17	6	9	1	0	0	23
4.0 +	0	0	0	0	0	0	0	0
Repaid	0	66	70	63	63	43	28	8
Principal reduced	0	3	3	5	5	8	21	9
Total improved	0	69	73	68	68	51	49	16
Principal not reduced	0	31	27	32	32	49	51	84

Ratio 1: Balance of outstanding/principal.

RBBUS

Table : A-94

Loan Recovery Vs Year of Disbursement : Ratio 2

(Percent of loans)

Value of ratio	Year of disbursement							
	78	79	80	81	82	83	84	85
0	0	66	70	67	64	43	28	9
0 - .1	0	2	0	1	0	1	3	0
.1 - .2	0	1	1	0	0	1	0	0
.2 - .4	0	1	2	2	1	2	2	0
.4 - .6	0	5	4	3	3	3	3	0
.6 - .8	0	4	7	7	6	7	14	4
.8 - 1.0	0	13	11	14	19	29	40	39
1.0 - 1.5	0	8	4	4	7	14	9	13
1.5 - 2.0	0	0	1	2	0	0	0	35
2.0 - 4.0	0	0	0	0	0	0	0	0
4.0 +	0	0	0	0	0	0	0	0
Repaid	0	66	70	67	64	43	28	9
Principal reduced	0	26	25	27	29	43	63	43
Total improved	0	92	95	94	93	86	91	52
Principal not reduced	0	8	5	6	7	14	9	48

Ratio 2 : Balance and outstanding/principal + interest due

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Table : A-95

Loan Recovery Vs Year of Disbursement : Ratio 3

(Percent of loans)

Value of ratio	Year of disbursement							
	78	79	80	81	82	83	84	85
0	0	66	70	63	63	43	28	8
0 - .1	0	1	0	0	0	0	3	1
.1 - .2	0	1	0	1	0	1	1	0
.2 - .4	0	1	1	1	1	1	1	0
.4 - .6	0	2	2	1	1	2	2	0
.6 - .8	0	3	2	3	3	4	3	1
.8 - 1.0	0	4	4	2	3	10	39	5
1.0 - 1.5	0	20	18	21	26	37	23	30
1.5 - 2.0	0	3	2	9	3	1	0	35
2.0 - 4.0	0	0	1	0	0	0	0	20
4.0 +	0	0	0	0	0	0	0	0
Repaid	0	66	70	63	63	43	28	8
Principal reduced	0	11	9	7	8	19	49	7
Total improved	0	77	79	70	71	62	77	15
Principal not reduced	0	23	21	30	29	38	23	85

Ratio 3: Balance outstanding real terms/principal real terms.

RBBUS

Table : A-96

Loan Recovery Vs Year of Disbursement : Ratio 4

(Percent of Loans)

Value of ratio	Year of disbursement							
	78	79	80	81	82	83	84	85
0	0	66	70	67	64	43	28	9
0 - .1	0	2	0	1	0	1	3	0
.1 - .2	0	1	1	1	0	1	0	0
.2 - .4	0	4	3	3	2	3	2	0
.4 - .6	0	7	7	4	4	5	4	0
.6 - .8	0	13	12	15	20	23	28	4
.8 - 1.0	0	8	4	6	5	16	32	35
1.0 - 1.5	0	0	2	3	5	9	2	17
1.5 - 2.0	0	0	0	2	0	0	0	35
2.0 - 4.0	0	0	0	0	0	0	0	0
4.0 +	0	0	0	0	0	0	0	0
Repaid	0	66	70	67	64	43	28	9
Principal reduced	0	34	28	29	31	48	70	39
Total improved	0	100	98	95	95	91	98	48
Principal not reduced	0	0	2	5	5	109	2	52

Ratio 4 : Balance outstanding real terms/principal + interest real terms

RBBUS

Table : A-97

Loan Recovery Vs Bank : Ratio 1

(Percent of loans)

	Bank				
Value of ratio	Agrani	Janata	Rupali	Sonali	BKB
0	54	43	58	47	48
0 - .1	0	0	0	1	1
.1 - .2	0	0	0	2	1
.2 - 44	1	1	1	0	1
.4 - .6	2	0	1	1	1
.6 - .8	2	1	1	1	2
.8 - 1.0	8	6	2	4	2
1.0 - 1.5	26	24	26	31	36
1.5 - 2.0	6	14	8	9	7
2.0 - 4.0	1	10	3	4	1
4.0 +	0	0	0	0	0
Repaid	54	43	58	47	48
Principal reduced	13	9	5	9	8
Total improved	67	52	63	56	56
Principal not reduced	33	48	37	44	44

Ratio 1: Balance outstanding/Principal

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Table : A-98

Loan Recovery Vs Rate of Growth : Ratio 1

(Percent of Loans)

Value of ratio	Rate of growth of bank									
	LT-100	-100/-50	-50/-25	-25/0	0/10	10/20	20/30	30/40	40/50	50+
0	0	62	27	61	63	33	58	47	49	48
0 - .1	0	1	0	0	0	0	1	0	2	0
.1 - .2	0	0	0	0	1	0	0	1	1	1
.2 - .4	0	1	2	0	1	1	1	1	1	1
.4 - .6	0	1	0	1	1	1	2	1	1	1
.6 - .8	0	0	2	2	1	1	0	2	1	2
.8 - 1.0	0	0	4	3	3	3	1	6	1	5
1.0 - 1.5	0	34	43	26	19	21	27	28	29	32
1.5 - 2.0	0	0	16	6	9	16	9	8	12	8
2.0 - 4.0	0	0	6	3	2	24	1	6	4	2
4.0 +	0	0	0	0	0	0	0	0	0	0
Repaid	0	62	27	61	63	33	58	47	49	48
Principal reduced	0	4	8	5	7	6	5	11	6	10
Total improved	0	66	35	65	70	38	63	58	55	58
Principal not reduced	0	34	65	35	30	61	37	42	45	42

1985)
20+
48
0
3
0
1
1
6
35
5
1
48
11
59
41

Ratio 1 : Balance outstanding/principal

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Table:A-99

Loan Recovery Vs Branch Size : Ratio 1

(Percent of loans)

Value of ratio	Branch size (advances outstanding (Tk. in million)-June 30, 1985)									
	0-1	1-2	2-3	3-4	4-5	5-6	6-8	8-10	10-20	20+
0	66	59	48	35	43	47	44	43	47	48
0 - .1	0	0	1	1	0	1	1	0	0	0
.1 - .2	0	1	1	0	0	0	1	1	1	3
.2 - .4	1	1	1	0	1	1	0	1	1	0
.4 - .6	2	1	1	1	1	1	1	1	1	1
.6 - .8	2	2	2	2	1	1	2	1	1	1
.8 - 1.0	3	4	5	10	4	1	5	3	3	6
1.0 - 1.5	22	21	25	28	26	37	35	38	36	35
1.5 - 2.0	4	7	12	15	13	8	9	9	9	5
2.0 - 4.0	1	4	5	8	11	3	3	3	1	1
Repaid	66	59	48	35	43	47	44	43	47	48
Principal reduced	7	9	10	14	7	5	9	7	7	11
Total improved	73	68	58	49	50	52	53	50	54	59
Principal not reduced	27	32	42	51	50	48	47	50	46	41

Ratio 1 : Balance outstanding/principal.

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Table : 100

Loan Recovery Vs Collateral : Ratio 1

(Percent of loans)

Value of ratio	Collateral ratio 0-.1	.1-.2	.2-.3	.3-.4	.4-.5	.5-.6	.6-.8	.8-1.0	1.0-2.0	2.0
0	40	36	35	43	46	46	57	63	46	31
0 -.1	0	1	1	1	0	1	1	0	0	0
.1 -.2	2	1	1	2	1	1	0	1	0	8
.2 -.4	0	1	1	2	1	1	0	2	0	0
.4 - .6	1	2	1	1	1	1	1	1	0	0
.6 - .8	2	2	1	1	2	2	2	1	0	0
.8 - 1.0	6	2	6	3	5	6	3	1	0	0
1.0 - 1.5	36	40	46	41	32	30	27	24	42	38
1.5 - 2.0	6	13	8	7	9	9	7	6	4	0
2.0 - 4.0	6	3	1	0	3	3	3	2	8	23
4.0 +	0	0	0	0	0	0	0	0	0	0
Repaid	40	36	35	43	46	46	57	63	46	31
Principal reduced	11	8	10	9	10	12	7	5	0	8
Total improved	51	44	45	52	56	58	64	68	46	39
Principal not reduced	49	56	55	48	44	42	36	32	54	61

Ratio 1: Balance outstanding/principal.

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Table : A-101

Real Interest ratio for short term loans

Class interval	%
-1 to -.50	0
-.50 to -.10	4
-.10 to -.05	2
-.05 to 0	6
0 to .05	14
.05 to .10	25
.10 to .15	19
.15 to .20	11
.20 to .30	9
.30	10

Mean real interest rate 10.8%

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Table:A-102

Total Advances by Branch June 30, 1984

(Million taka)

Percentile	Value
5	24.98
10	19.88
30	6.74
50	3.46
70	2.06
90	.25
95	.06

Mean	7.23
s.d.	11.4

Bank	Mean	s.d.
Agrani	5.27	13.1
Janata	2.95	2.3
Rupali	2.21	2.5
Sonali	6.71	14.9
NCBs	5.1	11.8
BKB	13.73	7.3

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Table: A-103

Total advances by Branch June 30, 1985

(Million taka)

Percentile	Value
5	33.43
10	27.31
30	9.90
50	5.78
70	3.50
90	.60
95	.14

Mean	10.06
s.d.	11.80

Bank	Mean	s.d.
Agrani	7.2	13.3
Janata	4.2	3.0
Rupali	3.8	5.4
Sonali	8.3	11.4
NCBs	6.7	10.4
BKB	20.26	9.8

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Table:A- 104

# of advances by Branch June 30, 1984

Percentile	Value
5	5,261
10	4,063
30	2,214
50	1,181
70	652
90	29
95	4

Mean	1,635
s.d.	1,591

Bank	Mean	s.d.
Agrani	833	755
Janata	1,258	1,309
Rupali	783	851
Sonali	1,534	1,677
NCBs	1,208	1,333
BKB	2,917	1,636

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Table : A-105

Attitudes of Branch and Regional Managers towards Loan Recovery Policy

		1	2	3	4	5
1.	Shift responsibility for collection of large overdues to the regional office.	58	50	20	28	14
2.	Charge all interest to suspense accounts until loans are fully paid	48	37	44	23	17
3.	Assign life of loan responsibility to specific loan officers, reward on time loan repayments.	0	4	11	53	101
4.	Hold financially accountable UACC and other technical appraisal agencies.	12	6	9	29	113
5.	Introduce a compulsory crop loan insurance system.	12	28	24	52	53
6.	Sell loans that are overdue to a collection agency.	37	34	30	38	30
7.	Make filing of law suits automatic	8	21	25	54	62
8.	Employ more collection officers.	1	1	13	44	111
9.	Introduce graduated penalty rates on overdues.	18	19	38	47	48
10.	Eliminate all non-accountable external participation in loanee selection.	6	5	4	41	113

Note : The higher the rating the more effective the policy is judged to be.

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Table : A-106

Loan Recovery Vs Interest rates : Ratio 1

(Percent of loans)

Value of ratio	Interest rates									
	-1/-.5	-.5/-.10	-.10/-.05	-.05/0	0/.05	.05/.10	.10/.15	.15/.20	.20/.30	.30 +
0	0	0	0	0	44	40	82	40	42	60
0 - .1	0	0	0	0	0	0	0	1	0	1
.1 - .2	0	0	0	0	0	0	0	1	1	2
.2 - .4	0	0	0	0	0	0	1	1	1	0
.4 - .6	0	0	0	0	0	0	0	2	2	0
.6 - .8	0	0	0	0	0	0	0	2	2	0
.8 - 1.0	0	0	0	0	0	10	2	2	6	6
1.0 - 1.5	0	0	0	0	56	50	13	35	33	29
1.5 - 2.0	0	0	0	0	0	0	1	12	10	2
2.0 - 4.0	0	0	0	0	0	0	0	5	2	0
4.0 +	0	0	0	0	0	0	0	0	0	0
Repaid	0	0	0	0	44	40	82	40	42	60
Principal reduced	0	0	0	0	0	10	3	8	12	9
Total improved	0	0	0	0	44	50	85	48	54	69
Principal not reduced	0	0	0	0	56	50	15	52	46	31

Ratio 1: Balance outstanding/principal.

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Table:A-107

# of advances by Branch June 30, 1985

Percentile	Value
5	6,191
10	5,321
30	2,783
50	1,642
70	781
90	112
95	14

Mean	2,167
s.d.	2,005

Bank	Mean	s.d.
Agrani	1,110	931
Janata	1,571	1,586
Rupali	1,257	1,852
Sonali	1,940	1,992
NCBs	1,554	1,649
BKB	4,004	1,875

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Table:A-108

Disbursements and Recoveries for Loan:Branch Means

(Thousand Taka)

	1981	1982	1983	1984	1985
Short Term Agricultural Loans					
Outstanding 1/	606	750	1014	1874	3560
Disbursements	366	467	614	1789	1650
Recoveries	272	261	499	614	825
Medium and Long Term Agricultural Loans					
Outstanding 1/	381	511	829	1364	2628
Disbursements	226	282	534	1070	652
Recoveries	141	107	161	219	223
Other ST Loans					
Outstanding 1/	82	129	174	348	688
Disbursements	69	127	670	1556	1158
Recoveries	44	82	550	1297	905
Other Long Term Loans					
Outstanding 1/	44	116	291	534	814
Disbursements	71	128	237	235	134
Recoveries	21	31	67	120	28

1/ At start of year

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Table:A-109

Short Term Agriculture Credit Disbursement 1984

(Number of Loans)

Percentile	Value
5	2,035
10	1,652
30	570
50	346
70	119
90	0
95	0

Mean	525
s.d.	660

Bank	Mean	s.d.
Agrani	246	265
Janata	300	249
Rupali	593	1074
Sonali	657	830
NCBs	459	665
BKB	720	620

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Table:A-110

Short Term Agriculture Credit Disbursement 1985;9 months

(Number of Loans)

Percentile	Value
5	1,148
10	652
30	123
50	43
70	0
90	0
95	0

Mean	186
s.d.	325

Bank	Mean	s.d.
Agrani	76	148
Janata	78	189
Rupali	206	253
Sonali	228	383
NCBs	149	285
BKB	298	411

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Table:A-111

Short Term Agricultural Credit Disbursement 1985; 9 months

(Value of loans; thousand taka)

Percentile	Value
5	3,343
10	2,435
30	601
50	164
70	0
90	0
95	0

Mean	643
s.d.	1,053

Bank	Mean	s.d.
Agrani	241	468
Janata	95	92
Rupali	582	632
Sonali	802	1,103
NCBs	471	820
BKB	1,177	1,465

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Table:A-112

Short Term Agricultural Credit Disbursement 1984

(Value of loans; thousand taka)

Percentile	Value
5	7,081
10	5,121
30	1,857
50	1,092
70	405
90	0
95	0

Mean	1,789
s.d.	2,196

Bank	Mean	s.d.
Agrani	792	757
Janata	715	699
Rupali	1,684	2,468
Sonali	1,875	2,026
NCBs	1,300	1,640
BKB	3,237	2,931

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Table :A-113

Distribution of Loan Sizes of Short Term Agricultural Loans

Class interval	Nominal	Real 1/
0 - 1000	32%	15%
1000 - 2000	36%	32%
2000 - 3000	16%	27%
3000 - 4000	10%	11%
4000 - 6000	4%	12%
6000 - 8000	1%	2%
8000 - 10000	0	1%
10000 - 15000	0	1%
Mean Loan Size (Taka)	1720	2570

1/ 1985 prices

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Table:A-114

Total Staff in Branch Banks June 30, 1985

(Number)

Percentile	Value
5	21
10	18
30	14
50	11
70	9
90	5
95	5

Mean 11.8
s.d. 5.59

Bank	Mean value	s.d.
Agrani	9.8	5.0
Janata	10.5	4.2
Rupali	9.3	4.1
Sonali	13.8	7.6
NCBs	11.5	6.2
BKB	12.8	3.1

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Table:A-115

Annual Salary Expenditure per Staff Member-1984

(Taka/year)

Percentile	Value		
5	20,600		
10	18,400	Mean	12,600
30	14,900	s.d.	4,800
50	12,200		
70	10,400		
90	6,400		
95	3,800		

Bank	Mean	s.d.
Agrani	14,800	5,963
Janata	11,100	4,203
Rupali	14,900	5,860
Sonali	11,800	4,177
NCBs	12,800	5,086
BKB	12,000	3,938

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Table: A-116

Bank non-interest Expenses per Staff Member-1984

(Taka)

Percentile	Value		
5	36,400		
10	36,000	Mean	22,073
30	24,100		
50	20,400	s.d.	10.388
70	18,300		
90	11,900		
95	10,000		

Bank	Mean	s.d.
Agrani	10,080	7,952
Janata	25,200	9,461
Rupali	21,823	5,243
Sonali	20,094	9,403
NCBs	21,349	8,796
BKB	24,245	14,142

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Table:A-117

Loans Outstanding per Staff Member - 1985

Rural Branch Banks

(Thousand Taka)

Percentile	Value
5	3,000
10	1,700
30	821
50	481
70	261
90	100
95	30

Mean	769
s.d.	790

Bank	Mean	s.d.
Agrani	616	833
Janata	400	276
Rupali	370	521
Sonali	508	600
NCBs	503	619
BKB	1,560	717

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Table:A-118

Deposit per staff member - 1985
Rural Branch Bank-
(thousand taka)

Percentile	Value
5	1,312
10	1,186
30	548
50	296
70	192
90	82
95	61

Mean	479
s.d.	444

Bank	Mean	s.d.
Agrani	525	464
Janata	614	403
Rupali	671	419
Sonali	596	513
NCBs	585	462
BKB	161	119

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Table:A-119

Number of Reports Filed per year - 1985
Rural Branch Banks

Destination	Agrani	Janata	Rupali	Sonali	NCBs	BKB	Total
Regional Office	109	90	79	97	97	101	98
Head Office	35	96	56	59	60	17	49
Bangladesh Bank	3	4	5	1	2	3	3
Other	13	27	6	6	12	4	10
Total	160	216	146	163	172	125	160

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Table:A-120

Hours spent in report preparation - 1985
Rural Branch Banks
(Hours)

Destination	Agrani	Janata	Rupali	Sonali	NCBs	BKB	Total
Regional Office	1,067	635	1,340	1,716	1,260	995	1,194
Head Office	84	1,096	260	387	437	63	344
Bangladesh Bank	44	84	34	33	47	84	56
Other	65	43	26	71	59	15	48
Total	1,261	1,858	1,660	2,206	1,803	1,156	1,642

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Table:A-121

Interest earned from loan
Rural Branch Banks
(1984-85 - Thousand Taka)

Percentile	Value
5	3,743
10	3,042
30	1,066
50	734
70	368
90	134
95	42

Mean	1,162
s.d.	1,398

Bank	Mean	s.d.
Agrani	1,127	2,072
Janata	480	348
Rupali	474	398
Sonali	740	716
NCBs	769	1,222
BKB	2,313	1,251

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Table:A-122

Interest earned from Head Office
Rural Branch Banks
(1984-85 - Thousand Taka)

Percentile	Value
5	1,503
10	806
30	197
50	3
70	0
90	0
95	0

Mean	220
s.d.	401

Bank	Mean	s.d.
Agrani	294	474
Janata	370	446
Rupali	383	621
Sonali	229	376
NCBs	293	441
BKB	4	16

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Table :A-123

Other income
Rural Branch Banks
(1984-85 - Thousand Taka)

Percentile	Value
5	675
10	318
30	119
50	48
70	21
90	4
95	2

Mean	121
s.d.	185

Bank	Mean	s.d.
Agrani	141	170
Janata	136	203
Rupali	102	111
Sonali	84	108
NCBs	113	151
BKB	144	264

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Table:A-124

Total income of Branch Banks
Rural Branch Banks
(1984-85 - Thousand Taka)

Percentile	Value
5	4,182
10	3,153
30	1,697
50	1,080
70	721
90	310
95	238

Mean	1,492
s.d.	1,404

Bank	Mean	s.d.
Agrani	1,562	2,203
Janata	986	480
Rupali	960	651
Sonali	1,029	728
NCBs	1,164	1,299
BKB	2,460	1,272

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Table:A-125

Interest paid to Depositors
Rural Branch Banks
(1984-85 - Thousand Taka)

		Percentile	Value		
Mean	538				
s.d.	838				
		5	1,279	Mean	326
		10	1,000	s.d.	360
		30	343		
		50	190		
		70	95		
		90	43		
		95	33		

Bank	Mean	s.d.
Agrani	376	438
Janata	451	398
Rupali	467	513
Sonali	358	329
NCBs	393	390
BKB	126	114

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Table: A-126

Interest paid to Head Office
Rural Branch Banks
(1984-85 - Thousand Taka)

Percentile	Value
5	2,325
10	1,762
30	471
50	217
70	4
90	0
95	0

Mean	538
s.d.	838

Bank	Mean	s.d.
Agrani	514	1,342
Janata	143	191
Rupali	77	131
Soanli	204	301
NCBs	267	751
BKB	1,340	755

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Table:A-127

Salary Costs of Rural Branch Banks

(1984-85 - Thousand Taka)

Percentile	Value
5	315
10	273
30	176
50	129
70	95
90	57
95	52

Mean	147
s.d.	80

Bank	Mean	s.d.
Agrani	151	81
Janata	119	79
Rupali	134	80
Sonali	156	94
NCBs	146	86
BKB	151	61

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Table:A-128

Other Administration Expenses of Rural Branch Banks

(1984-85 - Thousand Taka)

Percentile	Value
5	316
10	215
30	113
50	81
70	53
90	27
95	16

Mean	105
s.d.	97

Bank	Mean	s.d.
Agrani	55	32
Janata	134	79
Rupali	71	79
Sonali	100	92
NCBs	92	79
BKB	144	129

RBBUS

Table:A-129

Total Rural Branch Banks Costs

(1984-85 - Thousand Taka)

Percentile	Value		
5	2,813	Mean	1,116
10	2,221	s.d.	916
30	1,334		
50	852		
70	605		
90	325		
95	243		

Bank	Mean	s.d.
Agrani	1,100	1,412
Janata	847	430
Rupali	749	567
Sonali	817	503
NCBs	897	853
BKB	1,761	794

RBBUS

Table:A-130

Rural Branch Bank profit and loss

(1984-85 - Thousand Taka)

Percentile	Value
5	1,413
10	929
30	364
50	177
70	65
90	- 43
95	- 79

Mean	376
s.d.	850

Bank	Mean	s.d.
Agrani	462	1,623
Janata	138	252
Rupali	211	227
Sonali	211	307
NOBs	267	890
BKB	698	628

RBBUS

Table:A-131

Rural Branch Bank profit and loss 1984-85

(Thousand taka; percent of total costs in brackets)

	Bank						
	Agrani	Janata	Rupali	Sonali	NCBs	BKB	All
Earnings							
Interest from loans	1,127(102)	480(57)	474(63)	740(90)	769(86)	2,313(131)	1,162(104)
Interest from Head Office	294(27)	370(44)	383(51)	229(28)	293(33)	4(0)	220(20)
Other income	141(13)	136(16)	102(14)	84(10)	113(13)	144(8)	121(11)
Total income	1,562(142)	986(116)	960(128)	1,029(126)	1,164(130)	2,460(140)	1,492(134)
Costs							
Interest to depositors	376(34)	451(53)	467(62)	358(44)	393(44)	126(7)	326(29)
Interest to Head Office	514(47)	143(17)	77(10)	204(25)	267(30)	1,340(76)	538(48)
Salary costs	151(14)	119(14)	134(18)	156(19)	146(16)	151(9)	147(13)
Other administrative costs	55(5)	134(16)	71(9)	100(12)	92(10)	144(8)	105(9)
Total costs	1,100	847	749	817	897	1,761	1,116
Profits	462(42)	138(16)	211(28)	211(26)	267(30)	698(40)	376(34)