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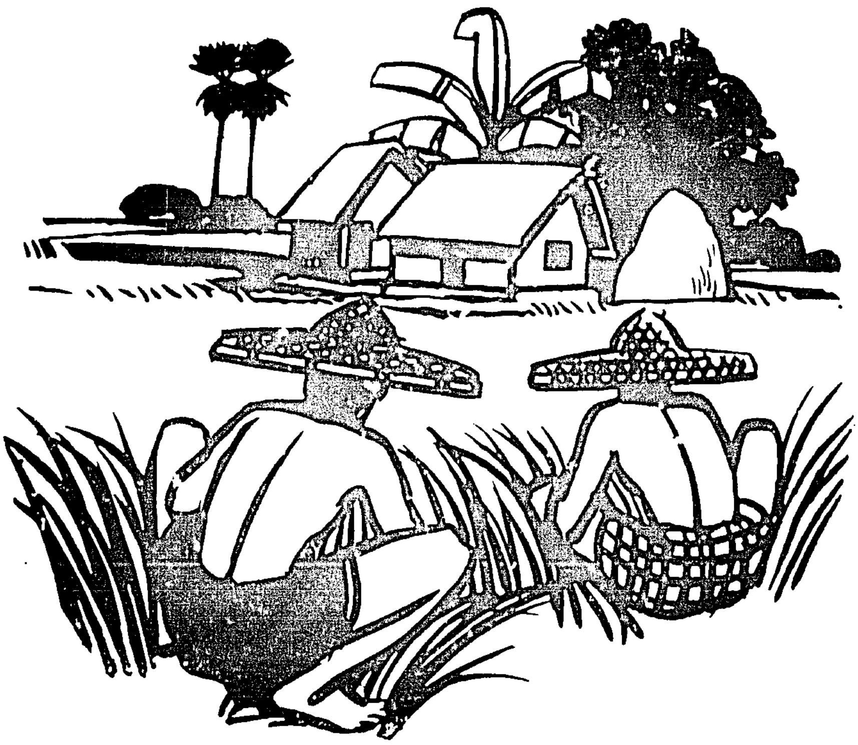
THE BANGLADESH BANK'S

RURAL FINANCE EXPERIMENTAL PROJECT

IN CO-OPERATION WITH THE

U S AGENCY FOR INTERNATIONAL DEVELOPMENT

TERMINAL EVALUATION REPORT



AUGUST 1982

Public Administration Service
McLEAN, VIRGINIA, U S A

S F Ahmed & Company
DACCA, BANGLADESH

RURAL FINANCE EXPERIMENTAL PROJECT

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

S. F. AHMED & CO.
DACCA BANGLADESH

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

REF :

DATE :

August 25, 1982

Mr. [illegible]uddin Ahmed
[illegible]
Agricultural Credit Department
Bangladesh Bank
Dacca.

Dear Mr. Ahmed:

This letter is to transmit this Terminal Evaluation Report for the Rural Finance Experimental Project. The two consulting firms are not in full accord with all of the findings, opinions and recommendations set forth in this report. As the differences could not be fully resolved this report reflects the views of the Public Administration Service. The S.F. Ahmed and Company may wish to submit additional, differing or qualifying opinions. In this case the Bangladesh Bank can determine where there are differences which best serves the Government's needs. Two additional reports are in preparation; the second Institutional Survey and the Borrower's Financial Survey, they will be sent to you under separate cover.

The sector goal for the project within the context of the country's development priorities was to contribute to the establishment of an effective nationwide institutional credit and savings system for small farmer and other rural producers in Bangladesh. The purpose of the project was to test and identify one or more replicable rural finance systems able to meet the needs of Bangladesh's productive and potentially productive rural poor. It was expected the goal would be achieved through a follow-on project to finance the nationwide installation of the selected credit and savings system. The project purpose would be achieved if one or more rural finance systems was identified which demonstrated its ability to (a) extend credit as needed to the project target group; (b) fully or substantially recover the resources loaned; (c) cover all operational costs through interest and or other financial charges levied equitably and (d) finance expanded operations through mobilization of rural savings.

(more)

The Bangladesh Bank and the Agency for International Development committed considerable resources and time to plan implement and evaluate this experimental project. The project has been in the implementation and test phase since October 1978. Two different consultant contract teams were employed during its four years of implementation. Nine Bangladesh lending institutions have participated in this test project.

There have been seven semiannual evaluation reports, [illegible] volumes of regular progress and special reports and staff papers covering special topics related to the project.

The present consultants will terminate their services at the end of what has been referred to as the project's second phase ending on August 31, 1982.

All of the services in the contract terms of reference will have been completed when the reports for the Second Institutional Survey and the Borrower's Financial Survey are sent to your office.

In the written evaluations, various letters, staff reports and from the periodic formal and informal meetings with the Bangladesh Bank, the USAID and the participating lenders; both general and specific conclusions have been drawn and embodied in specific documents prepared.

1) A viable credit and savings system concept did emerge from the experiment. The more important criteria and design for that concept was prepared and sent to the Bangladesh Bank and USAID on March 12, 1982 for discussion and consideration. This was titled "Discussion Draft for a Rural Finance Project".

2) A two volume "Training Manual" for the proposed Rural Finance Project was completed and sent to the BDB and USAID on 23 June 1982.

3) A complete "Management Information System" for the proposed Rural Finance Project was sent to BDB and USAID on 15 July 1982.

4) A major Evaluation Report of January 1982, was sent on March 18, 1982 to BDB and USAID.

5) An example for a "Field Loan Officer's Handbook" was sent to BDB and USAID on May 31, 1982. (This was not a contract requirement but was done to illustrate what might be done for the follow-on project).

6) All monthly and quarterly reports were submitted as required by the contract in addition to a large number

(more)

of special audit reports for project lending and recovery operations. Requests for ⅓ - ⅓ reimbursement were reviewed as necessary and consultant's recommendations sent to the Bangladesh Bank and USAID as required.

A great deal of useful experience and information has been gained from this project. Nine lending institutions cooperated in this multipurpose project; BDB's Agricultural Credit Department took the leadership in contracting for the technical services and in planning and coordinating the activities of the participating lenders; hundreds of Bangladeshi rural credit personnel become intimately and personally acquainted with special credit and savings model concepts; the effect of variable interests rates as well as on the job training in means to reach the poorest of the poor with institutional credit and savings services were tested.

Volumes of written material prepared for and about this project now are a primary resource which could be used as a guide when formulating future rural and agricultural credit policies. The experience and information gained should also be very useful to international development agencies and other developing countries.

We wish to express to you on behalf of the Public Administration Service and the S.F. Ahmed and Company and all of the Project personnel that it has been a challenge and pleasure to have shared the work on this project with you.

If the Public Administration Service or the S.F. Ahmed and Company can be of any further service or assistance to you or the Bangladesh Bank, we would be happy to do so.

Sincerely yours,

S.F. Ahmed
Team Leader

Wilmot Averill
PAS Representative

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SYNOPSIS OF THE RFEP

A. Project Background

With more than 90% of the total population living in rural areas; its population density more than 2000 persons per square mile; an unfavourable natural resource endowment (per capita availability of cultivable land only 0.38 of an acre); a high incidence of illiteracy and a population growth rate of about 2.8% per annum; Bangladesh is in an extreme condition of under-development and rural poverty.

It is believed that the majority of the Bangladeshi smaller farmers, share croppers, landless day labourers, petty traders or cottage industry artisans could, with access to institutional credit, exploit productive opportunities and increase their income. The only credit traditionally available to them has been from relatives, friends, landowners and village money lenders, often on reportedly extortionate terms.

In August 1977, the Governments of Bangladesh and the United States signed a $7.0 million project agreement for the Rural Finance Experimental Project (RFEP). The purpose of the RFEP was to develop or identify one or more rural financial systems for meeting the needs of poor rural producers not reached by institutional credit.

This section is a synopsis and summary of the findings and analysis of this terminal and other evaluation reports submitted during the life the project. It covers the project's principal objectives and most of its major policy issues.

B. Project Description and Purpose

Nine (9) rural finance institutions (PLI's) have been implementing and testing eight (8) different credit delivery and saving systems. Overall project management has been the responsibility of the Agricultural Credit Department of the Bangladesh (Central) Bank. The purpose of the project was to test how best to provide credit and savings services to a substantial portion of the rural poor "target group" in selected rural outlet areas of the FLI's. The target group was, in essence, defined as a family head owning 2 acres or less of cropland, with an annual gross cash income of Tk 6000 ($400) or less.

Indicators selected to verify achievement of the project objectives were that under one or more of the systems (models):

1) Credit reaches a substantial portion of the target group and is not diverted to larger rural producers;

2) Target group productivity and incomes are increased;

3) Loans have been substantially recovered with interest;

4) Lending institutions cover their operational costs through interest and finance charges and are motivated and capable of expanding rural operations;

5) Rural savings are mobilized.

A number of policy, organizational and procedural variables were also scheduled to be tested, including; enhanced loan and deposit interest rates; village outlets; savings promotion measures; multiple loan purposes; simplified forms and procedures; loan supervision; personnel policies and incentives; local planning; group lending etc. Each variable was built into the project design so as to permit assessment of its impact on achieving project objectives.

Assuming the experimental period resulted in identifying one or more systems which satisfied the project purpose and objectives, the two Governments indicated their mutural interest to proceed with an expanded and operational follow-on project.

C. Summary Performance

After more than three years of actual field operations and experimentation upto 31st March 1982, the RFEP has for the most part met its objectives and fulfilled its purpose. The summary sheet overleaf highlights the levels of performance.

1. Credit reaches a substantial portion of the target group and is not directed to larger rural producers:

   42219 families representing 51% of all eligible borrowers have taken 72188 loans amounting to Taka 118,762,000 through 98 selected rural outlets of the PLI's. This represents, an average of Tk 2,813 per family. Tk 49,730,281 has been paid back which is 84.6% of the funds due to have been paid at this time. The most common loan purposes were oxen buffalo for plowing/draft, beef fattening, dhenki rice husking, T. Aman rice (local), HYV Boro rice, milch cows, small grocery trading, B. Aus rice (local), rickshaws and goats sheep rearing. These uses are fully in accord with the project design and purposes.

   Continuous monitoring throughout the life of the project has indicated that 85% of all loans have gone to the target group as defined. Loans to non-target group persons have been made partly through initial inexperience on the part of outlet staffs in incorrectly identifying their clientele and partly because the strict application

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RURAL FINANCE EXPERIMENTAL PROJECT
SUMMARY OF PERFORMANCE AS OF 31ST MARCH, 1982

Total Borrowers served under RFEP	42,219
No. which were women	1783
Total takas loaned under RFEP	118,762,000
Total loans made under RFEP	72,188
Average loan size taka	1790
Total amount disbursed to PEI's under 1/3+1/3 provision	31,560,000
Total overdues	9,025,557
% of overdues to total loans having falling due	15.4%
Savings mobilized under RFEP	10,132,000
% Savings to outstanding loans	14.7%

Performance Factors by Institution (Taka 000's)

	Outlets(1)	Loans	Borrowers	Borrowers to Total T.G. households(2)	Total Taka loaned	Total Taka Saving	%Savings to loan outstanding	Admn.costper loan Disb.(3) Taka	%Overdues	Total Profit or(loss) % 4/81 - 3/82
KRISHI	16	24794	15658	65.0	43,939	3,809	14.2	75	10.5	8.2
SONALI	10	10384	6932	66.8	20,493	1,442	10.7	50	18.6	4.9
JANATA	12	4129	2467	43.3	7,744	1,101	21.8	99	14.5	(2.6)
AGRANI	11	9264	4216	43.4	12,543	1,645	35.1	79	4.3	2.7
PUBALI	4	4420	2429	40.0	6,578	134	4.1	179	21.4	(8.4)
RUPALI	7	4744	2799	47.6	7,354	1,251	28.6	110	6.2	6.8
UTTARA	5	1380	917	46.8	1,727	90	11.6	469	12.1	(13.7)
IRDP	14	8703	3569	61.2	9,239	483	11.4	43	9.7	4.8
BSBL	19	4370	3232	23.7	9,175	177	2.9	130	48.7	(9.3)
TOTAL	98	72188	42219	51.0	118782	10,132	14.7	83	15.4	3.3

1) The above data is based on 98 outlets, however 10 outlets have been dropped leaving 88 active outlets as of March 31, 1982 (Dropped Outlets are:- Krishi-1, Janata-1, Agrani-2, BSBL-6)

2) All operating outlets only

3) For the 12 months 4/81 thru 3/82

of target group criteria has classified a number of persons, who depend solely on cash income and have no land, as non-target group borrowers. Specific recommendations have been made to overcome this latter difficulty in any follow-on project.

Lending experience has tended to confirm a fundamental RFEP hypothesis, i.e.; that the higher loan interest rates (24%, 30% and 36%) are acceptable to rural producers. Loan demand is high at these rates; repeat loans are as numerous as at 12% and 16% and although loan sizes are smaller at 36% than other rates, overdues do not markedly increase at the higher rates, which indicates ability to repay. (See pages [illegible] of [illegible] report and 159 through 170 of this Financial Report)

2. Target group production and income are increased:[1]

There has been great diversity in the purposes for which loans have been disbursed. Over 100 discrete activities have been identified in the RFEP[2]. Borrowers, while usually utilizing the loans for the purpose stated in the application, may use part of the funds for other purposes, usually domestic consumption. Loan funds tend to be added to the family income and are spent on a variety of purposes. Investment opportunities, new priorities and emergencies all may intervene to change investment decisions. Only two institutions, Krishi and Janata, advanced specific loans for domestic consumption purposes

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1/ Please also refer to the Borrowers Financial Survey Report which at the time this was written, was being prepared.

2/ See Tables on Typewise Loan Disbursement Survey in Sections II and III of this report.

and these amount to only 0.4% of all RFEP loans. Loan use data from the Sociological Report of May 1982 shows 7.7% of RFEP loans used wholly or partly for such purposes. This is believed to probably be a low estimate.

During the short period of the RFEP it would be difficult to effectively measure significant changes in borrowers output and income as a result of their loans. Only 16% of 765 respondents in the "Anthropological Survey of Borrowers (Feb.'82)" indicated they had commenced an entirely new activity by taking an RFEP loan. 41% said they used the loan to enhance an existing activity while 43% said the loans was used to maintain existing activity at the same level of production. Innovation and change in rural peasant societies is slow. Factors such as:- landlessness, village factionalism, inadequate input supply and marketing facilities, lack of technical extension assistance and so on, are generally believed to be much more critical to economic growth than the supply of credit.

Notwithstanding that generalization, the positive responses of borrowers to the RFEP and the increasing number of 2nd and subsequent loans (ratio of loans to borrowers up from 1 to 1.55 in September 1981 to 1 to 1.71 in March 1981) suggest that borrowers accepted the RFEP credit systems and are benefitting from the project in the absence of any alternative credit.

3. <u>Loan have been substantially recovered with interest:-</u>

Largely through outlet staff inexperience, initial loan recovery was poor but has markedly improved since 1980 as the data below shows.

Date	Level of Overdue
As of 30 Sept.'79	33.1%
As of 31 March'80	18.5%
As of 30 Sept.'80	13.0%
As of 31 March'81	11.7%
As of 30 Sept.'81	13.1%
As of 31 March'82	13.4%

The lending institutions have, since early 1980, improved management controls and overdues have been reduced. However overdues, once high, are not easy to reduce quickly. BSBL and to a lesser degree, Pubali, have allowed overdues to continue rising to what the consultants believe are unacceptably high levels.

The evidence from the RFEP is that unless natural calamity intervenes, borrowers will repay loans if they feel that a further loan will be forthcoming quickly and when they need it. In other words, if there is a state of mutual confidence and trust between client and banker, then recovery will be good. The current downturn in lending since end-February 1982 and the possible hiatus between the RFEP and any follow-on project may undermine both borrowers and institutional confidence, leading to poor recovery of existing loans. Such a breach once made, will not easily heal.

4. <u>Lending institutions cover their operational costs through interest and finance charges and are motivated and capable of expanding operations:-</u>

The performance of the nine institutions in covering costs through interest charges has improved as the data showing profitability below records.

Date	Level of Profitability
Profit (loss) as of Dec. 31'79	(3.24)%1/
-do- May 31'80	1.72 %1/
-do- 12 months thru Dec. 31'80	(2.5)%
-do- Sept. 30'81	1.9 %
-do- March 31'82	3.3 %

Note: 1/ No reserve for bad debt included. Figures not based on full 12 months operations for all PLI's.

As of March 1982, five of the institutions (Krishi, Sonali, Agrani, Rupali and IRDP) are securely profitable. Janata is marginally unprofitable and Pubali, Uttara and BSBL are each suffering considerable losses.

Out of 98 outlets opened since project inception, 10 have been closed. Of the remaining 88, fifty (50) are profitable or sustaining only very small losses while 35 are unprofitable. The 3 not included have been opened too recently to include in this comparison.

Profitability is determined by; the volume of lending from which interest income is earned; the spread between the interest rates charged for loans and borrowed funds; the overhead and other administrative costs and; the reserve for bad debts, as a result of overdue loans. Analysis has shown that the most critical of those factors are the volume of lending and size of overdues and resultant bad debt reserve. The five most profitable institutions have a high volume of lending and low overdues. The unprofitable institutions either have a low volume of loans (Janata) or high overdues (Rupali) or both (BSB and Uttara).

- Rural savings are mobilized.

Savings mobilization has not been accorded the same priority in the RFEP as lending, for many reasons:-

- The 1/3 + 1/3 incentive scheme for lending and collections has meant a concentration on these aspects of the project to the detriment of savings.
- No real project emphasis was placed on savings until late 1980. Even then a number of approaches suggested by the first consulting group were not fully adopted and supported. BKB's later on deployment of female savings assistants has been the only savings innovation tried.
- Institutions have for the most part been reluctant to collect deposits at the special (and higher) RFEP rates because of the concern that, in future, such deposits could not be profitably relent.

Nevertheless currently some 15% of all RFEP outstanding loans are covered by deposits. Agrani has 35% of its outstanding loans in deposits, Rupali 29% and Janata 22%. Krishi's assistants in the last year have helped Krishi to attract Tk 3.8 million of the Tk 10.1 million mobilized under the RFEP to date. The non-target group have contributed the larger (58%) and increasing share of total RFEP savings deposits.

Both target and non-target group depositors are sensitive to the rate of interest for their deposits. The target group depositor who is also a borrower is reluctant to save when the difference between the interest on his deposits and interest payable on his loan is high, (upto [illegible] in the RFEP). The non-target depositor is sensitive because his deposit is an investment from which he expects a return. RFEP experience shows that the size of non-target deposits is on average four times as large at 14%-15% interest than at 11%-12%.

All acknowledged experts believe that there are very substantial capital funds that can be mobilized from rural people in LDC's. Despite the patchy performance of the RFEP as a whole, the experience gained (viz: Agrani, Rupali and BKB) confirm this view. Given a concentrated effort from the outset, up to 50% of target group credit needs could be mobilized from rural depositors. Such rural depositors are not target group families. Rather they are persons with surplus funds who, if conditions are right, will make available such funds through institutions as one of the better available investment opportunities open to them. Thus a rural credit program can be in large part financed through institutions acting a conduit for resource transfers from one rural sector to another and therefore obviate the need for credit funds to be supplied wholly from outside.

D. Policy Issues of the RFEP

Besides lending, collections, savings and financial viability, the most important policy issues of the project, not mentioned elsewhere in this analysis, are:-

1. <u>The importance of the RFEP</u>

The RFEP has been an important experiment to test the effectiveness of selected rural credit and savings models. The experience gained is of interest and value not only to Bangladesh but also to other developing countries. Many of the international development agencies look to the results of the project with hope that new insights and answers to specific problems will be forthcoming.

2. <u>Organization and management of project</u>

The project encountered some early implementation difficulties during its first phase. The consultant's first project manager was dismissed and there were reported differences between the consulting firms. When the first project team contract came to an end, the contract was not renewed. There were, however, two extensions of six and two months each so as to continue the project's implementation while bids were let to award a contract to a new consultant team. The first contractor was a party to litigation which contested the contracting procedures for the second contract. This casued considerable delay and as a result the contract for the second phase originally planned for twenty four months was actually only implemented for fifteen. While the time period was shortened by more than eight months the original terms of reference did not change accordingly. Consequently a considerable quantity of work had to be completed within the shortened time period. There were also internal problems during the second phase of the project as the contract team personnel had differences with respect to the authority and responsibility of the two consulting firms. The Bangladesh Bank had assumed responsibility for project policy, direction and coordination.

It was strongly recommended for the follow-on project that the implementing agency, be it the Bangladesh Bank or other institution, appoint one of its own senior staff officers as project manager and that person should organize and provide day to day supervision to any consultant team. The will clearly define the lines of authority and responsibility so essential for effectively implementing and coordinating the follow-on project.

3. Outlet Management and Procedures

Management (Institutional) surveys conducted in the areas throughout the project period have revealed numerous operational constraints including:- (1) low loan officer productivity; (2) frequent transfer of trained project field officers; (3) field officers being frequently assigned non-project responsibilities; (4) job responsibilities and operational steps not well defined or executed; (5) lack of porfolio planning based on analysis of local needs (crop calendars etc.); (6) low salary compared to level of responsibility demanded; (7) inadequate logistical support for field operations; and (8) inadequate supervision and authority delegated less than needed.

Time and experience has seen some of these problems overcome. Currently on average, each loan officer disburses some 220 loans per annum, or 18 a month. Krishi and IRDP officers disburse upward of 25 per month. Generally loan transaction time (from receipt of application to loan disbursal) has been reduced to acceptable levels. Simple procedures and fast transaction time are necessary for certain types of loans (crop production etc.) and to reduce administrative costs. The RFEP borrowers who receive their loans as individuals, or grouped in [illegible], receive their loans within one week of application and make only one visit to the outlet. However those in the group schemes rarely get their loans in less than two weeks and in some instances have to wait for 3-4 months.

On the other hand several serious management problems remain. These are notably; RFEP staff transfers, RFEP staff carrying out non-project tasks (or not assigned full-time to the project), low salaries, lack of logistic support and headquarters supervision. Much of this stems from the failure in all institutions by senior management to delegate authority to their respective RFEP Project Officers.

4. <u>Model features tested</u>

Eight discrete models for rural savings and lending were supposed to have been tested by the nine participating institutions. Only the models of Rupali, Sonali and the Cooperatives were meaningfully tested as originally designed. Most models were adjusted in their design in the latter half of project implementation.

a) <u>Agrani - Service Center:-</u> The Service Center concept did not prove effective in practice. The concept was, for a commercial bank, to undertake a model for which it had no expertise and experience.

b) Bangladesh Agricultural Bank (BKB):- The "budgeted line of credit" feature was not meaningfully tested. The permanent number account was not implemented. This is unfortunate as it is believed that, these, with modifications, should be employed in the follow-on project.

c) Bangladesh Cooperative Bank; Integrated Rural Development Program:- The cooperatives under these two participating institutions restricted themselves by not reaching the target group beyond their membership. Otherwise the cooperative model was largely carried out.

d) Janata Area Development:- Little "area development" activity occured. This plan was not realistic nor within the bank's capability to perform. A bank is not, nor can it be, a community development agency.

e) Sonali Village Agricultural Branch:- Most features of this model were effectively tested. It was in the main successful and with some modification is recommended for the follow-on project.

f) Rupali Village Agent:- Periodic reviews have shown that implementation has closely conformed to model design. Commissions have been paid to village agents, as have interest rebates to borrowers for timely repayment of loans. As an institution, Rupali has been viable and both model and institution can be recommended. The village agent concept is recommended with modifications for the follow-on project.

g) <u>Pubali Ombudsman:-</u> The original key model feature was that the loan officer serves as a referral agent capable of arranging extension, health and other services. This "ombudsman" role was not carried out. It was beyond the scope and not germane to the role of banking. The model was changed to Small Farmers Credit Service but this too was not adequately implemented.

h) <u>Uttara Group Lending:-</u> Group lending under this model was very slow and recovery unsatisfactory. This model is believed to be, by any measure, the least successful of the models attempted and very unprofitable.

The previous consultants recognized in mid - 1980 that while eight models had been identified and scheduled for testing, there were only four discrete models[1/] being implemented. In reviewing this, the present consultants are of the opinion that only three models were in operation during RFEP. They are:-

1.	Group lending	- Janata, Uttara
2.	Co-operative lending	- IRDP, BSBL
3.	Individual lending	- Krishi, Sonali, Agrani, Pubali and Rupali

Group lending and cooperative lending remain discrete, though they share a principal feature that borrowers belong to a group. Uttara by allowing groups to reform and by lending to individuals, has diverged from group lending.

1/ Pages 147 through 156 of the Major Evaluation Report of January 1982 provides a more detailed analysis of model performance.

Of the five remaining [illegible] individual banks, only Rupali continued to use its original complete model concept of the village agent. The credit extension and loan recovery procedures followed by all these five banks is more or less the same and all of them are to a degree successful lenders to the rural target group.

5. Personnel policies and incentives

The project work plan of 7 August 1981 noted the intentions of the RFEP towards incentives. It expressed the consultant's dedication to developing an effective and comprehensive plan to cover performance related incentives: (a) for the participating institutions (b) to rural bank outlet staff to stimulate individual performance and (c) to client borrowers and depositors.

All project documents, from the earliest PID, the original PP, up to PIL Number 15; strongly supported, recommended and actually authorized the payment of incentives. Except for the 1/3 + 1/3 incentive payments to the participating lenders, which was established at the outset as an inducement to the PLI's, to participate, no effective incentive plans or programs were either seriously considered or put into practice.

In particular, the RFEP called for experimentation with personnel incentives systems, training, logistic support and various levels of supervision to demonstrate the impact on development of rural credit systems. Little or no experimentation was conducted in this regard. Only Rupali Bank offered bonuses to its village agents based on loans collected from 1981 onwards and considered this experiment to be quite successful and influential in maintaining that bank's low loan overdues record. IRDP and BSBL generally failed to pay the commissions, as originally planned, to their primary societies and society secretaries/managers. Furthermore the intensity and content of staff training has been inadequate. On average, outlet staff have had only 1 introductory course of 1-2 weeks plus 1-2 refresher courses (1-5 days) during the whole of the project. The content of recent sessions has, in the view of the present consultants tended to review past performance rather than be directed to the formulation of plans to overcome problems and reinforce successes.

The problem of low loan officer productivity is believed to directly relate to personnel incentives, supervision and training. To perform effectively, officers should have sufficient remuneration to make a second job or fraudulent activity unnecessary. A system of rewards and punishments should operate to make it in everyone's self interest to be productive and honest. The low salaries, absence of rewards for good performance and lack of reprimands for poor performance, which characterize the RFEP's implementation has discouraged good performance. Senior managers recognize the problem but feel it is intractable and tied to the entire problem of government salaries and unchangeable personnel policies. Good officers, handling large volumes of money, find themselves unable to support their family, in harsh rural environments. They come under strong social/political pressures for "special favors", often to the determinent of potential target group clients.

As for the question of client incentives for repayment and savings performance, only a few outlets have offered rebates on interest charges for prompt repayment of loans. Nothing has been offered to depositors at all and there has been no trial of other incentives such as prizes, certificates, etc.

These deficiences in the implementation of the RFEP are unfortunate. The project designers thought them necessary, the USAID was willing to fund additional incentives and provided a large training fund. All the PLI's wanted an incentives plan and submitted their individual recommendations for such. Both of the consulting firms were strongly in favour of personnel incentives based on performance. The Bangladesh Bank was not supportive except for the 1/3 + 1/3 reimbursement. The BDB's Agrricultural Credit Department, in October 1981, decided that there would be no further consideration of individual incentives, stating that 1/3 plus 1/3 was adequate. It was stated that individual incentives were contrary to national policies and not acceptable to the highest authorities of the PLI's.

Adequate and regular training is essential for rural based staff to carry out their jobs effectively, often under difficult circumstances. If one follows the principle that rewards for good performance usually have a positive effect, then a credit program would be more successful in meeting its objectives with incentives.

6. Non-Institutional Credit

There were principally two justifications for initiating and implementing the RFEP in Bangladesh. The first of paramount importance was the hypothesis that "the rural target group needed and would use institutional cred_t to in order take advantage of and exploit investment opportunities available to them". RFEP was to test this. The second was a dual inter-related hypothesis. This was first "that institutional credit was not available to the target group to be reached and second "that the non-institutional credit available to them was inadequate, excessively usurious or tied to unfair marketing or land mortgaging arrangements."

A good deal was known about the rural target group's need and the investment opportunities available from previous empirical data. The RFEP surveys greatly added to these data and refined them. That only limited institutional credit was available was also supported by empirical data. However the second part of this, relating as to how the target group was or was not served from private credit sources was not adequately studied. While there are some data from sociological observations on this subject, some of which has been generated by the consultants' during the course of the RFEP, there are little or no hard empirical data from which to draw reasonable conclusions about the non-institutional finance market in Bangladesh.

In this respect the RFEP would have been more meaningful if it were known what the institutional credit project design had to compete with from the private money lenders. Also whether there might have been or are opportunities that could be tapped in the private credit market to serve the target groups needs as or more effectively than the proposed project design. It appears that no real in-depth study was made of the private credit market prior to initiating the RFEP experiment.

COMMENTS ON THE PROJECTS 15 CRITICAL QUESTIONS:

The consultants were asked to comment on 15 critical questions and the bearing these have when considering a follow-on project. Preliminary comments were included in the major evaluation report of January 1982. These have been updated in the light of further evidence since available. The questions and revised comments are as follows :-

1. DO SMALL FARMERS AND OTHER RURAL PRODUCERS FACE PRODUCTION OPPORTUNITIES WHICH CAN BE EXPLOITED THROUGH INSTITUTIONAL CREDIT: UNDER WHAT CIRCUMSTANCES? WHAT IS THE TARGET GROUP DEMAND FOR CREDIT ?

a) Both the RFEP and the Grameen Bank projects have been very active in lending to rural producers for varied production enterprises. The Grameen Bank project is directed to the poorest of the poor landless rural residents and the great majority of its loans are non-agricultural. RFEP has loaned to over 42,000 persons. Approximately 1/3 for crops production, 1/3 for other agricultural purposes and 1/3 for non-agriculture. From the Grameen project reports and the several sociological surveys of the RFEP, there is certifiable evidence that the poorer rural families in Bangladesh can and do benefit from the institutional credit they received.

Note: A borrowers financial survey, under the RFEP was in final analysis and publication preparation at the time of the submission of this part of the evaluation report. This will have additional empirical data related to this. It may also be referred to for more details on target group demand for credit.

b) Productive credit must be related realistically to opportunity. Loans must be made on a timely basis and without the burden of bureaucratic and time consuming procedures.

c) Credit coupled with improved technology, i.e., better varieties of seed, proper fertilizer and other inputs, gives farmers better opportunities to increase production. Credit gives the small operators in non-agricultural enterprises a chance to operate on a larger scale and earn more with the same labor. All benefit from the more favorable interest rates enjoyed in institutional credit.

d) It is estimated between 80 to 85 percent of the Bangladeshi rural people including those engaged in both agricultural and non-agricultural activities can benefit from institutional credit. The precise percentage for the RFEP target group is not known. However, in the outlets areas operated, about 50% of the target group did take advantage of RFEP lending.

2. <u>AT COMMERCIAL OR FULL-COST INTEREST RATES, IS THE TARGET GROUP BENEFITTING FROM CREDIT-UNDER WHAT CIRCUMSTANCES ?</u>

a) The RFEP target group borrowers have been taking loans at 24%, 30% and 36% interest rate. Survey evidence has indicated that most of these borrowers have benefitted from these loans. The information contained in the earlier and later evaluation reports support this. However, when asked in the sociological surveys, 20% of the respondents indicated they would prefer to pay less interest.

b) There has been an equal percentage of repeat borrowers at all interest rates. This indicates a need and most probably a benefit from these loans.

c) Non-agricultural activities where all production is sold for a profit are found in equal numbers at all interest rates.

d) Those engaged in agricultural activities can less afford the higher interest rates where much of the product is home consumed. The numbers of crop loans declined markedly at the 30%, 36% interest rate levels.

3. CAN CREDIT SYSTEMS BE DEVISED TO REACH THE TARGET GROUP ON A LARGE SCALE WITHOUT BEING [illegible] BY MORE PRIVILEGED PERSONS - HOW ?

a) Yes. RFEP records show that nearly 85 percent of loans made reached those in the target group.

b) Penalties for loans from project funds to ineligible borrowers is an effective way to enforce and monitor this.

c) Experience with the RFEP project to date indicates that distribution of credit to the target group seems effective when operated under a program separated from the institution's conventional credit programs and personnel are trained to serve the target group.

4. HOW CAN TIMELY REPAYMENT BE INDUCED AND DEFAULT MINIMIZED?

a) Lenders should develop a firm understanding with the borrower at the outset concerning interest rates, number of payments, when due and amount, collateral, where payments are to be made, etc. This is improved client education, information and services.

b) Timely repayments depend on repayment capacity of borrower. Payments should be scheduled when and in amounts that the borrower can afford. No payments should be scheduled before income is available.(see the draft of loan officers' handbook).

c) Reward borrowers who pay on time with quick and easy follow-on loans, possible interest rebates, simple procedures and reduce or eliminate collateral requirements for those who pay on time or ahead of schedule.

d) Reschedule payments not made in time because of loss of income due to bad weather, theft, fire etc. Consider additional support loans and relending under conditions which are not controllable by an otherwise co-operative borrower.

e) Adequate pay and incentives to rural bank staff based on performance in making good loans, reaching the target group, educating borrowers, generating savings, effective collecting of loans and follow-up servicing of borrowers on a continuous basis.

5. <u>WHAT ARE THE PRINCIPAL INSTITUTIONAL AND MANAGEMENT CONSTRAINTS TO EFFECIENT OPERATION OF THE FINANCIAL INSTITUTIONS? WHAT DEVELOPMENT OR IMPROVEMENT IS NEEDED ?</u>

a) Cumbersome lending procedures and forms, too long a period of time from application date until funds are disbursed, approval authority not at the local level.

b) Rural bankers not properly trained, particularly about village socio-economic traditions etc. Some of their time is utilized by the bank for other functions than RFEP.

c) There is a tendency for institutions to direct their loan activities towards bigger loans, where there is more profit.

d) Surveys conducted indicate that some rural bankers rely more on the advice of the local leaders and power groups rather than establish a direct relationship with the borrowers.

f) The local staff lack enthusiasm for loan and savings promotion when they receive low pay or do not receive compensation in the form of incentives or increased pay.

g) Some outlets are inconviently located for good physical communications between the lender and borrower.
This can be avoided by surveying the proposed outlet area very carefully considering the market (target groups clients) before opening an outlet.

6. <u>WILL HIGHER INTEREST RATES ON CREDIT AND SAVINGS MOBILIZE CAPITAL IN THE RURAL SECTOR AND BRING ABOUT GREATER AVAILABILITY OF RURAL CREDIT TO THE TARGET GROUP</u> ? <u>CAN THE ADMINISTRATIVE COSTS OF CREDIT / SAVINGS PROGRAMS BE REDUCED TO ACCEPTABLE LEVEL</u> ? <u>HOW</u> ?

(Comments here related to savingsinterest rates only).

Analysis of savings performance in the RFEP shows that the target group cannot of themselves provide the funds needed for lending. It is only by tapping non-target group deposits that such funds can be raised. To date non-target deposits account for close to 60% of total savings mobilized in the RFEP. This proportion is expected to improve even though only 12% of such people are depositing in the outlet areas. Further, such depositors are very sensitive to interest rates on their deposits. Those depositing at the higher RFEP rates of 14% - 15% have deposits four times as large as those depositing at the low rates of 11% - 12%. The performances of Agrani (36% of outstanding loan balances as deposits) and Rupali (29%) suggest that provided the return is adequate, the non-target group will invest in banks and there is every reason to suppose that at least 50% of credit needs can be mobilized in this way. However, interest rates of themselves are not enough. Unless savings are pursued vigourusly from the outset of the program and the mechanisms are in place whereby such deposits are re-cycled to the target group and not elsewhere, then enhanced interest rates on savings will have only a limited effect upon target group credit availability.

7. IS A CREDIT PROGRAM FEASIBLE AS A "ONE DIMENSIONAL" PROGRAM, i.e.; NOT INTEGRATED WITH THE DELIVERY OF FARM INPUT AND MARKETING SERVICES ? WHAT DEGREE OF COORDINATION IS REQUIRED WITH OTHER RURAL DEVELOPMENT ACTIVITIES ?

a) It was found in the efforts by the Agrani Bank's small farmer service center model and Pubali's technical assistance model, that the lending institutions were not capable and experienced to manage farm supply stores and technical assistance as "ombudsman".

b) If regular credit institutions are to be involved then the credit program is one dimensional in so far as the credit is concerned.

c) Ideally if there are good support institutions and services providing market information and help, extension information and advice, etc., it must be assumed that the borrowers will take advantage of these.

d) The bank or institutional lender can best serve the target group or rural borrowers by specializing in loan making, savings mobilization, servicing and credit related services such as credit advice, insurance and general information. General information includes where to obtain inputs, marketing conditions, technology, health services etc., but no attempt is made to provide these special services by the bank.

8. IS IT BENEFICIAL TO CHANNEL CREDIT AND SAVINGS PROGRAMS THRU COOPERATIVE STYLE GROUPS ? DO GROUPS FACE MORE PRODUCTIVE OPPORTUNITIES AND OFFER OTHER ADVANTAGES FOR REACHING THE TARGET POPULATION ?

a) Theoretically yes. Groups can have more productive opportunities than individuals in such areas as procuring irrigation equipment, inputs for cottage industries etc., provided there is strong group cohesion. In practice, group lending has not been successful under RFEP except at most IRDP outlets and a few outlets of Janata, Uttara and BSBL.

b) Many groups formed only to procure loans and then the members operated independently. There was little compatability among the members and good borrowers suffered from the laxity of others in repaying their loans.

c) Groups lending by these four institutions; did not result in lower administrative costs; a lower percentage of the target group was reached, loan officer productivity was lower, loan recovery and savings mobilization was lower than where loans were made to individuals.

d) Group lending is difficult and time consuming and needs specially trained staff to be successful, which is perhaps beyond the scope of a normal lending institution.

9. HOW CAN RURAL PRODUCERS BE MOTIVATED AND ORGANIZED TO SAVE REGULARLY ?

a) There doesn't seem to be a set criteria or plan for motivating savings and for target group members to save regularly.

b) Some institutions require a percentage of funds to be deposited as savings when loans were disbursed. There was a tendensy for borrowers not to increase their deposits in these cases.

) Rupali bank had three old outlets who were able to cover 70% of the outstanding balance of loans with locally mobilized savings. This suggests that the ideal of an almost self-financing rural credit institution may be possible in some areas. It is significant that Rupali retained this high ratio of savings to loans without any special gimmicks or campaigns. It appears that Rupali was more willing to accept deposits at higher rates of interest than other lending institutions.

) Krishi Bank made significant progress in the later months of the project in increasing savings deposits among women. This was accomplished by hiring female assistant savings officers to promote and collect savings from village women. It appears women are very interested in savings particularly for special events such as marriage of daughter, etc. This appears to be a good source for mobilizing savings.

) 57.8% of RFEP savings were obtained from the non-target group. Although borrowers had to be within the target group, savers do not have to.

) Several suggestions for generating savings came from outlet experience. These are :

- O Offering higher rates of interest or regular deposits.
- O Accepting savings deposits even from those who can only deposit one or two taka at a time if that is all they can afford.
- O Offering prizes or incentives for good savers and outlet personnel.
- O Persistent efforts by outlet through personnal contacts to develop a positive attitude toward saving. "Savings is an investment".
- O Use women savings assistants to contact housewives and

other women who are a good potential source of regular deposits.

10. WHAT IS THE IMPORTANCE AND POTENTIAL OF CROP LOANS, AND WHAT ARE THE SPECIAL PROBLEMS AND CONSIDERATIONS OF CROP LENDING ?

a) About [illegible] percent of the people live in rural areas and a high percentage of these are engaged in agriculture. Increased production is essential to feed the population. One of the major export items for Bangladesh is jute, an agricultural product. Consequently crop production is of major importance to the economy and well being of the people.

b) Credit for crop loans in itself may not benefit the borrower unless the loan is coordinated with other inputs of production such as; irrigation facilities, high yield varieties of seeds, adequate fertilizers, insecticides, pesticides, market facilities, delivery of loan funds when needed etc.

c) The proper amount of funds must be made available to the farmer when needed and in the amount required to properly produce the crop.

d) Some of the special problems confronting the success of crop loans are the high risks involved because of droughts, bad storms, poor quality inputs, low level of management, inputs not available when needed, inadequate marketing facilities, low prices at time of harvest.

e) Crop loans are often delinquent because the repayment period is too short or payments are not scheduled when income is available. A high percentage of target group borrowers are subsistence farmers and consume most of their produce. Therefore they do not have a marketable surplus. Repayments have to be made from other sources of income.

f) It is much easier to list the special problems of crop lending than to offer sound solutions. Traditionally the answer put forward is for; lower interest rates, subsidies and group farmers in cooperatives, etc. Money spent in improving services to small farmers is much more beneficial to them than a credit subsidy. No serious study has ever proved that a credit subsidy helps to develop the rural poor. Such credit usually ends up in the pockets of the rural rich.

11. ARE SHORT TERM (SEASONAL) LENDING PROGRAMS CONSTRAINED BY LACK OF LONGER TERM CREDIT FOR FINANCING PHYSICAL OR INSTITUTIONAL INFRASTRUCTURE DEVELOPMENT ?

a) No special [illegible] data is available [illegible] RFM reports to reply with specificity to this question.

b) It is generally felt that short term (Seasonal) lending is not constrained by lack of long term credit. However, borrowers in many cases do need longer term loans of 1 - 3 years for purchase of bullocks, irrigation facilities, tools etc.

c) Seasonal lending programs can also be constrained by a lack of longer term credit if capital isn't made available for construction of godowns and other marketing facilities, transportation facilities, input businesses, etc., though such credit is of course directed to a different group of borrowers.

12. WHAT IS THE IMPACT OF EXPANDED INSTITUTIONAL CREDIT ON THE OVERALL OPERATION OF RURAL FINANCIAL MARKETS IN EXPERIMENTAL AREAS ? CONSIDER: (A) TOTAL CREDIT AVAILABILITY IN THE RFM; (B) THE INCREASE IN TOTAL CREDIT TO THE TARGET GROUP; (C) THE PERCENTAGE OF CREDIT GOING TO THE TARGET GROUP.

a) RFEP data does not give an answer to this question. There are a number of special credit programs, none of which however are available in all areas or funded in amounts to

b) This amount is not known.

c) Statistics show that [illegible] percent of RFEP funds have actually gone to the target group. The percentage of funds provided by other rural credit sources to the target group is not known.

d) Before RFEP only 4.1% of the target group in RFEP areas were getting loans, now 52.8% are getting loans though RFEP, a rise of 48.7%.

13. IN GENERAL, HOW SHOULD RURAL CREDIT AND SAVINGS PROGRAMS BE DESIGNED AND RUN FOR MAXIMUM EFFECTIVENESS/EFFICIENCY ?

14. CAN CREDIT BE EXTENDED TO THE TARGET GROUP IN A FINANCIAL VIABLE AND EVENTUALLY SELF-GENERATING PROFITABLE MANNER ? BASED ON INTEREST RATES AND RECOVERY EXPERIENCE, WHAT INTEREST RATE MUST BE CHARGED TO INSURE VIABILITY ?

15. DOES SUCH EXTENSION OF CREDIT REQUIRE A SPECIAL DELIVERY MODEL AS PER THIS EXPERIMENT PROJECT OR CAN IT BE INTEGRATED IN A PARTICULAR BANK'S GENERAL AGRICULTURAL LENDING ?

In Bangladesh, and based on the RFEP experimental lending, the consultant's recommendations were detailed with cost estimates, credit and savings concepts, a training program, a management information system, etc. in a series of published reports. These included a proposed follow-on project paper, a two volume training manual, a management information system, a rural credit officer's handbook, etc.

As the answers to these three questions are inter-related and somewhat complex, we prefer that the interested reader [illegible] to special reports, evaluations, etc., in the files of the Bangladesh Bank and the U.S. Agency for International Development in Dacca. Both the S.F. Ahmed Company in Dacca and the Public Administration Service, McLean, Virginia have these documents in their files.

Based on analysis of BKB data as of 30 September 1981 the present consultant's designed a full cost credit system which indicated that a loan interest rate (cost to borrower) should be approximately 24%. This considered a cost of borrowed funds of 10½ %, adequate rural bank staff with adequate salaries, separate facilities in the rural service areas, superior performance incentives, and a realistic reserve for bad debts.

Data in table "A" page 97 of the report should only be used with caution as the 19.5% average interest shown is based on actual figures without necessary institutional adjustments for strict comparability, i.e., BKB cost of funds is only 6½%.

SECTION I: SUMMARY OF RFEP EVALUATION REPORTS

Introduction:

Since the inception of the RFEP in late 1978, six major evaluations have been conducted. The reports are:

1. 1st Major Evaluation of January, 1980
2. 2nd Major Evaluation of April, 1980
3. Final Report of August 1980
4. Final Report of 6 months extension period upto February 1981
5. Report on 2 month extension period upto April 1981
6. Major Evaluation Report of January 1982

A summary and the principal findings for each evaluation report follows:

1st Major Evaluation: (October 1978 through June 1979):

Project operations for the participating institutions, except for the Bangladesh Krishi Bank (BKB), only cover 4 months. BKB started its activities under the project in October 1978, the others in March 1979. Consequently the data base is limited and it is considered by the authors to be a basic information source book rather than an overall evaluation. This First Evaluation Report was published in three volumes: (1) an "Executive Summary", (2) "Institutional Performance in Experimental Areas" and (3) "Detailed Operation of Each Model".

Its principal findings related to initial start-up of outlets. The summary states that the absence of detailed planning, lack of staff, inadequate training, lack of staff incentives, poor head office support and insufficient allocation of management resources resulted in a slow growth in lending operations.

Also the outlet staff appeared to have had an unclear idea of what they were trying to achieve. At several of the first opened outlets loan overdues reached very high levels.

Project lending was dominated (61%) by the BKB partly due to its early start, but it only loaned 4% for crops. Other agriculture and non-agricultural loans were predominant with non - agriculture capturing over 50% of the funds loaned. 25% of those borrowing in this period were not eligible target group borrowers.

The project's target for first year lending was Tk. 11.3 million and the disbursements reached Tk. 6 million. A good performance considering the short time period of operations during the first year.

The average size of loan expected to be made was underestimated in the project paper. The Sonali, Janata and Krishi banks averaging 1,771; 1,682 and 1,530 taka loans respectively, averaged 254%, 236% and 53% higher than initially projected.

The experimental higher rates of interest did not seem to be any deterrent to the borrowers.

Loan productivity as measured by the number of loans disbursed varied from 143 per employee on average in Pubali branches to 26 in the BSBL branches.

The constraints observed in this evaluation were lack of specific planning and low staff productivity believed caused by inadequate training and no individual performance incentives.

The report concluded by putting forward nine general recommendations to improve management systems, training, incentives, loan recovery and savings through the development of more specific institutional plans in these areas.

2nd Major Evaluation: October 1978 through December 1979

This report in two volumes (Executive Summary and Main Report) analysed project operations from inception thru December 1979. This evaluation focused on eight principal areas: (1) Magnitude of the RFEP Experiment; (2) Ability of Institutions to Lend to Target Group; (3) Potential of Savings; (4) Financial Viability; (5) Analysis of Institutions Operational Capabilities; (6) Model Implementation; (7) Problems and Benefits of Target Clientele; (8) Recommendations.

1) Magnitude:

Utilizing information from the baseline survey and the census the total number of households and number of target households (gross cash income of 6,000 takas or less and/2.0 acres or less of owned cultivable land) were estimated. The total number of households in the areas covered by 62 outlets of the nine lending institutions was estimated to be 44,035. The number of target households would have then been 63.2% or 27,826.

Krishi operations account for 38% of all project target households. The highest percentage of target group households was found in the areas served by Rupali 76%. It appeared, Sonali served more affluent areas as the target group households in its area only represent 46% of the total households in those areas.

There was a big variation in average number of target households per outlet. The average Krishi outlet was about 1,400 households, whereas the average number of target households per outlet for Sonali and Agrani was below 400. IRDP and BSBL, limited to cooperative membership, only served on the average, about 100 target group households per outlet.

2) Ability to Lend to Target Group:

From early baseline data it was determined that the year before the RFEP was initiated, only 11% of the target group households received loans as compared with 18.6% among the non-target group households. With respect to the target group households the loan incidence varied a great deal from a high of 24% in Sonali's areas to a low of 4.4% in Uttara's areas.

Following RFEP start-up through December 31, 1979, 21.3% of all target group households had been reached with one or more loans. The highest percentage reached was by Sonali, which reached 50.6% of the target group households in its areas.

Agrani came second with 40.2%. The poorest was that BSBL which reached only 7.2%. However, if cooperative membership is considered to be its target group then the percentage reached goes to 30.9%. Similarly IRDP goes from 21.8% to 70.4%.

An interesting related factor is that within the target group itself the loan incidence under the RFEP varied significantly. For example, the loan incidence of those target group families with gross cash income of 3000 takas or less was compared with the loan incidence for families with gross cash income of 3001-6000 takas. Only 13.5% of the families in the lower income category received loans as compared with an incidence of 30.3% for the families in the higher income category!

3) Savings:

The Baseline Survey indicated that 11.3% of the target households had savings prior to RFEP. Janata was high where 27.8% of the target households held savings.

The number of target group depositors on December 31, 1979 according to the lending institutions was reported to be 5,034 target group savers or 18.6% of the target group households.

Based on a special sample survey of savers carried out in February and March 1980, it was concluded that 45% of the then current target group savers were previous savers. In effect there was a significant shift to the RFEP savings program on the part of previous target group savers.

Utilizing the lending institutions reports of December 31, 1979 it was estimated that the target group savers contributed about 7.14% of the resources which were borrowed under RFEP. The average size deposit was about 8.5% of the average size loan.

Withdrawals were quite heavy and it appeared that the savings account was a conduit for the loan. Before the credit was actually needed it may have gone into a savings account. Also some of the lending institutions would record repayments of loans in a savings account rather than to record the payment against the outstanding loan.

In a sample survey of savers it was discovered there were very few savers who made more than one withdrawal. The one withdrawal tended to be quite large and the reason for the withdrawal given generally was for investment purposes, primarily for business or the purchase of a rickshaw.

4) Financial Viability:

It was too early to reach final conclusions regarding the financial viability of the RFEP approach to rural credit delivery to the target group clientele since all but one of the lending institutions operations cover only 10 months or less.

The estimated loss overall for all institutions from start-up time through December 31, 1979 was Taka 2,96,000 excluding any allowance for bad debts. This amounted to 3.24% of the net outstanding principal as of that date. Krishi with largest outstanding balance appeared to have had a small profit, 34,000 takas or 0.79% of outstanding principal. Janata, Pubali, Rupali and Uttara all had outstanding principal amounting to less than Taka 8,00,000. Their estimated losses ranged from 8.7% to 20.9%. Sonali and Agrani with over Taka 10,00,000 each of outstanding loans appeared to have had losses less than 4.5%. The relatively low estimated losses of IRDP and BSBL were attributable to use of part-time help and their narrow target group -- cooperative members only.

A number of outlets of various institutions made respectable profits before provision for bad debts. It was noted that all of them charged 24% or higher interest on loans. When the net income or losses of the outlets were tabulated by interest rates, there was a clear indication that profits, not including provision for bad debts, were highly correlated with interest rates, at least, up to the 36% interest rate.

5) Institutions Operational Capabilities:

The academic qualifications of institution staffs were high with 63% of the Grade 1 employees (Managers) being university graduates. The bank training received was reported to be adequate for carrying out assigned responsibilities under the RFEP.

The field staff reported that they were receiving more visits and assistance from top management in the lending institutions and better support. One problem however, was the number of transfers into and out of the RFEP Outlets which had occured in the relatively short life of the project. It was estimated from the various surveys that over one fourth of the field employees were transferred into the RFEP Outlets after the program was initiated in each lending institution. This was one reason given why so many of the staff members knew so little about the RFEP.

The average number of loans per outlet in the six month period from June 1979 to December 1979 was 81. The average number per employee (full plus part-time) was 45.

One of the problems reported with respect to productivity was the large number of part-time employees. Almost 2/3rds of the employees were part-time. In the case of IRDP and BSBL all the employees were part-time employees. When these are not included, part-time employees for the other institutions accounted for 58% of all the employees. This turn-over of personnel, inadequate training, and lack of personal incentives taken together appeared to reduce productivity which was initially expected.

6) Model Implementation:

At this early date most of the institutions were not following their model plans. Strong individualism of the rural dwellers seem to inhibit the forming of groups for the purpose of group lending. Very little was accomplished with respect to the area development approach. Sonali in Comilla, Chittagong, Mymensingh, Dinajpur and Khulna tried some form of area development.

However, lack of trained personnel in area development and the fact this is not a banking or credit function acted as the principal constraints to the carrying out of this model.

The lack of experience in providing borrowers with technical assistance or supervised agricultural credit, except possibly for Krishi, was the biggest constraint to implementing this model. Also the staffs' limited knowledge as to how to proceed to prepare appropriate production plans and enterprise loans hampered the fulfilment of this model. A still further problem arose with respect to lack of accurate data on which to base production plans with result that wrong decisions were frequently made as to amount, terms, etc. The technical support and farm inputs supply also were too complicated and again not related to bank lending. (Later on it was determined the specific models were not tested and for the most part only three of the 8 lending models were actually implemented.)

7) <u>Problems of Target Group:</u>

Loans were given for purposes borrowers did not want - a milk cow rather than a desired business loan, amounts and terms set arbitrarily, etc. The information related to satisfied borrowers as well as those with apparent problems.

8) <u>The following principal recommendations were made.</u>

Restructuring outlets - Increase outlet size to that of BKB.

- Drop IRDP/BSBL unless they expand lending to full target group, not just KSS's.
- Increase the size of target group exposed to the higher rates of interest.

Credit Policy	- Longer repayment schedules - Larger loans.
Savings	- Initiate innovative savings programs. - Vigorous mobilization of non-target group deposits.
Financial Viability	- Increase volume of lending - Careful scrutiny and follow-up of overdues. - Establishment of reserve for bad debts. - Assignment of project loan personnel on a full-time basis.
Outlet Operations	- Enhanced training of staff. - Action to increase productivity. - Adherence to model features and review of operations to ensure conformity.

Final Report of August 1980 (October 1978 through August 1980):

This report was titled the Final Report as the consulting contractors, Clapp and Mayne, Servicios Technicos Del Caribe and Froggani Consultants, were completing their phase of the contract work. They were extended until April 1981 pending arrival of a new consulting team, the Public Administration Service and S. F. Ahmed and Company, which commenced on May 29, 1981.

This report analysed project operations from inception through August 1980. It contains an analysis of the data available up to August 1980, and attempted to draw some conclusions from the experience of the first 18 month phase of RFEP. The report examined performance of the institutions and models, described the services rendered and made some specific recommendations.

Chapter I and II of this report cover an introduction or history of the contract start up, the organization of the consulting team formed to accomplish the work plan and similar administrative arrangements. Chapter III covered the services actually performed and seems to have followed the principal terms of reference in their contract. In addition to advising and assisting the BDB, helping to design models, plan and conduct training, etc; a major effort was made to help coordinate and monitor the project activities, conduct a variety of surveys and prepare specific reports and evaluations. Chapters IV, V and VI cover the project's principal findings on model implementation, model performance, including extension of credit, recovery, financial viability, effect of savings, recommendations and a synthesis of the overall evaluation. A brief summary of chapters IV, V and VI follows:

1) Implementation of models:

The project design gave emphasis to experimenting with eight different models associated with nine lending institutions. Each was to have distinctive characteristics that were to differentiate it from the others.
The models and the institutions were:

Model	Lending Institutions
Budget line or permanent number	Bangladesh Krishi Bank(BKB)
Agricultural sub-branch (Krishi Shakha)	Sonali Bank
Area development	Janata Bank
Small farmer service center	Agrani Bank
Banker as ombudsman	Pubali Bank
Village Agent	Rupali Bank
Group lending	Uttara Bank
Cooperative lending	Integrated Rural Development Program (IRDP)
	Bangladesh Samabaya Bank Limited (BSBL).

With few exceptions the institutions did not implement the key features of their respective models.

Krishi Bank - the budget line approach had very little application. No prospective cash in-flows and out-flows were made. A previous year's estimation was made but it was for establishing target group status and not for planning and servicing their productive and non-productive credit needs as envisioned in the model design.

Sonali Bank - The agricultural sub-branch (Krishi Shaka) wasn't satisfactorily tested due to their deviations. Local advisory councils were given loan sanctioning authority not contemplated in the model design causing substantial delays and certain conflicts; (b) no sanctioning authority was given to Krishi Shakha in charge contrary to model design; and (c) the farm technologist had no visible impact.

Janata Bank - The area development approach was not implemented. The reasons given were: (a) too difficult and beyond the normal scope of a bank; (b) too expensive; and (c) the need to concentrate on servicing the financial needs of the target group.

Agrani Bank - With the exception of one (Cadet College) out of the 10 outlets, the key feature of establishing small farmer service centers was not implemented. Even at Cadet College outlet the service center was a small store only selling a few inputs with no capability to provide any technical guidance to borrowers.

Pubali Bank - The ombudsman role was not implemented for the reasons, that it's services were beyond the scope of a lending institution, very difficult and time consuming. The family budget feature was tried but abandoned for the latter two reasons.

Rupali Bank - Generally this conformed to model design with the exception that no rebate on interest was paid to borrowers contrary to the design.

Uttara Bank - Deviated from model design. Key elements of group formation and administration were wanting, creating conflicts and poor performance which were reflected in poor loan recovery.

I R D P - No individual loan application was taken and no rebate was offered to borrowers for timely repayment of loans as intended.

B S B L - No rebate was paid to borrowers for timely repayment of loans as intended.

It should be noted, however, that with the exception of failing to implement certain key features of models, all the lending institutions made substantial efforts to reach the target group and to lend and recover loans and interest. In so doing this, all followed more or less the same norms and procedures. These are summarized as follows:

All are reaching out for target group households either by opening small offices (Sonali), recruiting village agents (Rupali), giving loan sanctioning authority to field officers (Krishi and Pubali) or assigning field assistants that keep periodic contact with target group households to promote the project and to supervise loans (Agrani and Krishi).

Although the great majority require sureties or hypothecation to obtain a loan. (One or two requiring mortgaging of homesteads). Loans are easy to obtain and with some important exceptions (Sonali, BSBL, IRDP) the time taken to process a loan application is reasonable.

Repayment of loans are made in a number of cases either in the field or in the office which is very convenient to the small producers.

All the institutions, with the exception of Agrani, established a maximum global amount that can be granted per household, or limits for groups of activities. In some cases this has negatively affected borrowers who are forced to turn to local money lenders to obtain additional funds needed to carry out their projects.

2) Implementation of Credit / Savings:

Regarding loan limitation and procedures, many of the institutions followed practices and procedures negatively affecting timely disbursement of loans in adequate amounts. To help correct this one simple uniform loan application form with no fixed or arbitrary maximum loan amount was recommended.

The volume of lending and loan purposes were in line with expected targets, except for Krishi which while being the largest volume lender it only loaned 13.9% for crops. The others averaged 26% crops; 35% other agriculture; and 30% non-agriculture. 62 outlets had been opened as of May 31, 1980 and 21,244,008 taka disbursed averaging 342,658 per outlet. The highest average per outlet was Krishi at 840,828 taka per outlet; Pubali second at 440,291 taka and the smallest Uttara at 133,973 taka per outlet. Agrani was second to Krishi in total disbursements but its average per outlet made it fourth among the nine institutions.

The highest productivity was in the Krishi outlets averaging 35, second was Pubali with 24.6. The two at the bottom were Janata with 5.4 and Uttara at 6.2.

Loan recovery performance improved substantially as the project matured and personnel gained experience. On December 31, 1979 overall overdues stood at 27.4% but by May 31, 1980 these were reduced to 17.2%. Overdues were concentrated in a small number of outlets that had special problems. Out of the nine institutions five either had no overdues or had less than 5% (including BSBL that was showing no overdues up to that time). In the other four institutions having a somewhat high percentage of overdues, the problem was concentrated in all branches having more than 10% of overdues; one as high as 95%. The average percent of overdues in those 11 branches was 31.9% which reduces dramatically to only 4.2% for these four institutions if the problem branches are excluded.

The report summarized that the lending institutions were successful in recovering resources lent to the target group and that where overdues were excessive this was mainly due to inadequate management which could be corrected.

The savings mobilization did not produce the results hoped for during early project planning. Total savings balances as a percentage of loans outstanding as of May 31, 1980 was only 9.7%. The highest mobilization percentage wise was in the Rupali, Sonali and Janata outlets with averages of 29.3%, 19.5%, and 17.9% respectively. The lowest were BSBL at 1.3% and Agrani at 2.1%. Reasons believed most important in affecting the poor performance included : (a) that savings were mainly forced and little effort to encourage systematic voluntary savings; (b) savings interest rates at some outlets were too high (15%) which frightened bank personnel from obligating the bank to pay this rate should the project terminate; (c) too much emphasis on lending which weakened efforts to mobilize savings, etc.

Finally a very interesting statistic is that target group savings in May 31, 1980 exceeded those of the non-target group. Page V-26 of the report.

3) <u>Financial viability:</u>

Note (It was hoped and expected by the project designers that all operational costs for one or more models in the RFEP could be covered by charges levied on the borrowers. In other words to test and prove a financially viable rural credit and savings system not requiring subsidy was one primary objective of the project.)

In this final evaluation report two methods were devised to measure financial viability. These are described below, together with the results of their application.

a) <u>First approximation</u>

This method was designed to produce a percentage of viability which was calculated by dividing cumulative net operating income (or loss) by the amount of the principal of outstanding loans as of December 31, 1979 and May 31, 1980.

The following table shows that there was considerable improvement from December 31, 1979 to May 31, 1980 using this method.

Statement of the Viability as of
December 31, 1979 and May 31, 1980

Lending Institution	Percent of net viability (loss) as of December 31, 1979	May 31, 1980
1. Krishi	0.79	5.32
2. Sonali	(1.31)	2.19
3. Janata	(14.42)	(7.67)
4. Agrani	(4.31)	(1.41)
5. Pubali	(8.67)	(6.68)
6. Rupali	(9.26)	(4.93)
7. Uttara	(10.90)	(20.91)
8. I R D P	(25.22)	3.65
9. B S B L	(4.52)	3.58
Total:	(3.24)	1.72

[illegible]:

1/ [illegible]

2/ [illegible] are each institution's internal rate.

3/ Accrued interest included in [illegible].

4/ All institutions included [illegible] head office and branch office expenses [illegible] made for overhead.

[illegible] with a high volume of lending was the only profitable institution. Of the nationalized commercial banks only Sonali was found [illegible], along with the two cooperative institutions, [illegible] and BSBL. Each of these have very low costs due to not having salaries assigned to local cooperative managers. They work on a commission basis.

An analysis on profitability was prepared on the basis of interest rates for 43 outlets (excluding [illegible] outlets of [illegible] and [illegible] which charge different interest rates within the same outlet). The number of profitable and not profitable for the different rates were: 12%, 4 were profitable and 7 not profitable; [illegible]%, [illegible] were profitable and 8 not; 1[illegible]%, 4 were profitable and 6 not; 20%, [illegible] were profitable and [illegible] not; and [illegible]%, [illegible] profitable and [illegible] not. This totalled 17 profitable and [illegible] not profitable.

b) Second approximation

The above estimates while useful for progress measurement do not adequately reflect such important costs as (a) provision for bad debts; (b) actual cost of capital; and (c) overhead. For this reason the consultants used a second approximation which can be referred to in the full report. It is not covered here due to its complexity, length and the large number of data tables used. Some of the important conclusions reached from these data are: (a) with a 3% default, financial viability is possible only when no less than 300 loans are made per annum (25 per month) at not less than 24% interest rate. At 30% interest rate 200 loans are required. Twelve and 18% interest rates are not viable; (b) as per size of loan, results indicate again that with 3% default financial viability is possible only at 24% interest rate and maintaining an average size of loans of Tk. 1500. At 30% interest rate the size required is Tk. 1000. There is no possibility of viability at the 12% and 18% interest rates.

4) <u>Synthesis:</u>

The report was finalized by a synthesis and overall evaluation. The conclusions were that only 4 model types were being tested. (a) group lending; (b) cooperative lending; (c) sub-branch approach; and (d) the village agent concept. Based on selected indicators each institution was ranked by using numerical ratings for performance characteristics. These combined to determine an overall score. The indicators were (a) extending loans; (b) recovering loans, (c) covering operating costs; and (d) mobilizing savings. Based on these, Krishi and Rupali were considered in the class of village agent lending and each had a score of 55 out of a maximum possible 72; IRDP as a cooperative lender also had a 55. Janata and Uttara were lowest at 36 and 30 respectively and both classed as group lenders.

6 Months Extension (September 1980 through February 1981):

Note: The original Clapp Mayne consultant's contract was amended to extend services for six months. This 6 month report covers that six month period in addition to updating some of key information from the August 1980 Final Report.

There were three successive reports all titled the final report. The August 1980, this 6 months report and a third evaluation report for the two month Clapp Mayne consultants extension. This latter report covering March and April '81. To avoid confusion this report is being referred to as the "6 months Extension Report" and the one immediately following below will be referred to the "2 months Extension Report". The 2 months report was in fact the last report the Clapp Mayne consultant team prepared for this project.

1). Work performed and progress:

Intensive discussions were carried out during September and October by the consultants in meetings with each of the nine participating institutions. Extension plans were prepared individually for each institution following the suggestions of the AID's Implementation Letter No. 15. The extension plans as approved by the Bangladesh Bank outlined several recommendations for improving operations of the various models. As these were quite detailed they may be referred to for each institution on pages 2 through 14 of the original report. About 20% of the report covered the details of plans for the final phase and recommended adjustments or improvements for conduct of continuous surveys, financial monitoring, baseline surveys, and for the improvement in project progress reports from the implementing lenders.

There were several special analytical studies undertaken such as farmer's financial surveys 1 and 2, a comparative study of the 100 crore program and a study of the principal causes for the project's loan overdues.

Further studies were made as to the relationship between interest rates and the level of borrowing. The results of these studies indicated the higher rates of interest did not impede the making of crop loans. There were fewer non-crop agricultural loans made as the interest rates increased, however, the higher rates of 30% and 36% were readily accepted by applicants for non-agricultural loans.

2). Evaluation of Model Performance:

This section reviews the experience with the models to date in relation to 4 key criteria believed critical to project success. These were :-

i) extend credit when and in quantity needed.
ii) fully recover loans, on time with interest.
iii) cover all operational costs through charges levied on target borrowers; and
iv) finance expanded operations from rural savings.

The report shows that substantial progress was made by most of the institutions in the average number of loans disbursed per branch during the year 1980 compared with the previous period. The Krishi, Sonali and Pubali banks made the most substantial gains followed by Agrani, Rupali and IRDP. At the bottom of the scale were Uttara and Janata. Uttara, actually declined from 12 to 7 loans per month and Janata only increased from 8 to 11 loans per month. Their low level of productivity had a devastating effect on their financial viability.

An analysis was made comparing the percentages of overdues (Taka amount) for each institution by quarters from September 30, 1979 through December 31, 1980. The quarter ending December 1979 showed the highest percentage of overdue loans. Krishi and Sonali started out in Sept.'79 at 36% and 32% respectively and gradually decreased their percentages to 12% and 15% by December 1980. Rupali made the most significant headway reducing its overdues from 30 percent in December 1979 to 2 percent by December 1980. The report concludes that there is no evidence of any meaningful or causal relationship between interest rates and overdues that can be attributed to borrowers inability to repay loans at the higher interest rates.

Recommendations for ways to mobilize savings were considered. The BDB decided that the lending institutions were to experiment with two models - group savings and family savings. They were also permitted to experiment with other models. The consultants recommended the "small savings scheme" for both the target and non target savers. As of December 1980 there were 15,678 "target" households depositing their savings under RFEP aegis.

3). Conclusions:

The report concluded that RFEP is effectively reaching the target group. Informal questioning of borrowers indicated that the higher interest rates charged by RFEP are only half, at the most, the going rates charged by local money lenders. Based on the information on costs and returns given by the borrowers themselves high rates of return on investment were obtained by owner operators after paying even the highest interest rate on borrowed funds charged by the project.

Report on Two-Month Extension March/April 1981

This report is a continuance of the 6 months report summarizing the progress of the participating institutions in implementing the model extension plans. Most of the recommendations had been or were in process of implementation by the end of April'81.

A table was developed showing the theoretical increase in profits or decrease in losses of outlets that charged 12% in 1980, had they charged 18%. The results indicated that 18% was still an inadequate rate to cover all costs. In fact a second table was prepared to show that the interest rate needed if it was expected to cover all costs would have to be fixed at 23.2% in 1980 and raised to 25.2% for 1981. The interest needed to cover all costs, less reserve for bad debts, increased from an average of 17.7% in 1980 to 19.6% in 1981.

Not much attention had previously been paid to the different interest rates charged borrowers by IRDP & BSBL. Both institutions have been experimenting with 18%, 24% and 30% within the same outlet. Generally the lower rates were charged for crop and other agricultural purposes and the higher rate for non-agricultural enterprises. Based on the experience of IRDP and BSBL the following recommendations were made:

1. Select two or three of the seven institutions other than IRDP or BSBL and request them to identify at least one outlet to experiment with the multiple rate approach. These were recommended to be outlets having a good mix of purposes, well staffed and efficiently managed.

2. Experiment with not more than three different rates to borrowers and only one rate of interest to savers.

3. Develop a list of program purposes to be assigned to each of the three rates; the three broad groups being

crop loans, other agriculture, and non-agricultural loans.

4. Design and conduct field surveys to gather information to determine relative profitability of different project activities.

Accounts of [illegible] outlets were audited during the two month extension period. These audits showed that RFEP accounts were maintained satisfactorily in all cases except for two outlets. Willful defaulters were noted at five branches, second loans used to repay first loans were noted in three branches, and serious understatement of the amount of overdue loans was noted at five branches. Audit reports were submitted to BDB, USAID and to the lending institutions containing recommendations for improvement.

Conclusions:

The combination of information on project progress and model implementation for the 6 and 2 months extensions stated very clearly that (a) less than 24% interest charged for lending was not viable; (b) the higher interest was acceptable and provided economic opportunities to target borrowers; (c) only 4 discrete models were being tested; (d) personal incentives were not tested; and (e) the various management recommendations made by the consultants needed to be incorporated in the project's implementation by the cooperating lenders.

[illegible] (Through 30 Sept., 1981)

[illegible]:

[illegible] phase [illegible] 28, [illegible]. [illegible] comprehen[illegible] [illegible] for each of [illegible] participating lenders. [illegible] and [illegible]. [illegible] in Section I of the report; pages [illegible] through 113. [illegible] profiles include [illegible] showing the geographic distribution of [illegible] of the nine institutions rural branch outlets.

Section II of the report is an intensive cross model analysis comparing various performance factors such as extending credit, recovery of loans, financial viability, savings mobilization, model evaluations and institutional effectiveness. This section contains 14 supporting tables of data and covers from page 114 through 168 of the report.

Section III is the financial analysis with several sensitivity tables and a report on the results of the numerous project audits conducted. Section IV contains several special topical subjects concerning interest rates, savings, group lending, training, loans to women, etc. The final Section V is the sociological and anthropological report.

Summary of the January 1982, Evaluation Report:

1) Magnitude of Lending:

As the following table shows, Krishi and Janata [illegible]-

[illegible] :

Institution	No. of Outlets	%	Total No. of Borrowers	%	Total No. of Loans	%	Tk.(000) Volume of Loans	%
Krishi	16	16.7%	11,812	33.6%	18,720	34.3%	31,933	37.3%
Sonali	10	10.4	5,984	17.0	7,874	14.4	14,858	17.4
Janata	11	11.5	1,386	3.9	2,188	4.0	3,867	4.5
Agrani	11	11.5	4,513	12.8	7,160	13.1	8,741	10.2
Pubali	4	4.1	2,282	6.5	3,861	7.1	5,470	6.4
Rupali	7	7.3	2,301	6.6	3,378	6.2	4,815	5.6
Uttara	5	5.2	840	2.4	1,174	2.1	1,336	1.6
IRDP	13	13.5	3,144	8.9	6,442	11.8	6,508	7.6
BSBL	19	19.8	2,917	8.3	3,821	7.0	8,025	9.4
Total	96	100.0	35,179	100.0	54,618	100.0	85,553	100.0

On a per outlet basis, Krishi, Sonali and Pubali have the best performance.

	Loans per Outlet	Borrowers per Outlet	Taka lent per Outlet(000's)
Krishi	1,170	738	1,996
Sonali	787	598	1,486
Pubali	965	571	1,368

The average size of a loan is Taka 1,566. IRDP (55.9%), BSBL (49%), and Janata (42%) have the greatest percentage of the total lending portfolio extended to crop loans. Krishi (50%), Uttara (37.6%), Janata (35.5%), and Sonali (34.9%) have the greatest percentage of the total lending portfolio going to agriculture related loans. BSBL (68.8%) Rupali (44.3%) and Pubali (43.2%) have the greatest percentage to non-agricultural loans. A significantly larger amounts of loans and found them—[illegible] of [illegible] [illegible] [illegible]. [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

[illegible]. [illegible] Processing Time:

[illegible] of [illegible] institution in relation to loan [illegible]. [illegible] the borrowers at Krishi, Rupali, [illegible] required no more than two visits to the branch office to get their loans processed. On the other hand over half the borrowers at BSBL and Janata had to visit their outlets at least three times. This is not a staffing problem since the branches that have done a larger volume of lending also have a larger lending portfolio per officer. Krishi (369 borrowers per officer), [illegible] (241 borrowers per officer), and Sonali (199 borrowers per officer). Krishi Bank disburses nearly twice the [illegible] average and is 90% higher than the second ranking institution. It is the low volume, small portfolio model that takes the longest time to disburse loans either because of problems in [illegible] of implementation or management deficiencies.

3). Reaching the Target Groups:

The project loaned funds to families with a gross cash income of Tk. [illegible],000 or less and owning land of two acres or less. Performance as of the end of October 1981 was as follows:-

Proportion of Target Group Households Borrowing

Institution	No. of borrowers per outlet	% of T. G. households
Krishi	738	64.8
Sonali	598	56.2
Pubali	571	31.7
Agrani	410	46.0
Rupali	379	44.6
IRDP	241	59.6
Uttara	168	32.6
BSBL	154	45.0
Janata	126	48.0
Average	366	51.5

4). Loan Recovery:

The single most important element of any rural credit project is to lend and recover funds on time. On a national scale, the amount of the lending portfolio that is overdue is reportedly very high. Such performance is of course unsatisfactory. As detailed below, the performance of RFEP outlets was significantly better.

Percentage of Loan Amounts Overdue

Institution	% Overdue	Amount overdue Taka
IRDP	4.4%	143,270
Agrani	5.8	315,745
Rupali	6.1	112,217
Krishi	10.4	1,312,112
Sonali	13.4	645,834
Uttara	16.3	124,257
Janata	17.1	301,271
Pubali	20.8	661.026
BSBL	36.4	1,252,305
All Institutions	13.1	4,868,037

Ageing of Overdue Loan Amounts

Institution	% [illegible]	% [illegible]	% [illegible]	% More than [illegible]
[illegible]	[illegible]1.5	10.[illegible]	[illegible].7	[illegible].7
[illegible]	74.8	[illegible]	7.[illegible]	8.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	11.[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	21.[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	21.[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] concerns [illegible] conditional [illegible] impossible. The reasons for [illegible] whether one asks the borrowers or lenders. Borrowers say they default because they lose confidence in the [illegible] and feel they will not get repeat loans. If they feel confident about a repeat loan, they will go to great lengths to repay even from other sources. Most branch staff think overdues are caused by either [illegible] failure or laziness on the part of the borrowers.

[illegible] group [illegible] cooperative lending models present a [illegible] in that often a momentum of overdues builds up particularly among non-homogeneous groups. Such a reaction is hard to check, especially if the borrowers know that subsequent loans will only be forthcoming when all have been repaid. This has been the case with [illegible] Bank. Uttara's overdues were reduced markedly after groups were allowed to exclude defaulters. (Uttara's overdues are [illegible], but excluding one exceptionally poor performing branch they drop to 4[illegible]).

The [illegible] has had the best overdue position. Good management at the TCCA has been a factor as has the [illegible] tional efforts to tie to prompt repayment with repeat loans. Also the membership [illegible] to exclude higher risk borrowers.

Institutional lending to individuals generally has a much lower level of overdues. Much of the overdue amount is [illegible] and if [illegible] less than three months, the overall position improves to around 6[illegible].

In summary, the most important factor in loan recovery is establishing a genuine client customer relationship. This gives the borrower the assurance that credit will be available in the future. It also obligates the lending branch to make an aggressive effort to collect loans when they fall due and not let overdues age past three months. In outlets where management has been good, overdues are negligible or nil. Examples were Cadet College and Bhatra (Agrani), Gaibandha and Rangpur (Krishi), Basan (Uttara), Elenga (Pubali) and Kalihati (Rupali).

5). <u>Financial Viability:</u>

The question of financial viability is a critical one for RFP. The analysis of profitability was based on actual and adjusted figures for interest earned, administrative costs, the cost for borrowed funds, and a detailed provision for loan losses much more strict than that used in the Bangladesh banking system. It is possible that after additional experience is gained in the follow-on RFP, further analysis on the cost of funds may yield useful information to fine tune policies.

(12 Months ending September 30, 198[illegible])

[illegible]	[illegible] 1/	[illegible] 2/	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Average	[illegible]	2.9	[illegible].4

1/ Based on actual interest rates (12-[illegible]) and 10% inter-branch borrowing rate.

2/ Hypothetical: 24% interest rate; 10% interbranch borrowing, 12% [illegible] rate

The four institutions [illegible], Krishi, Sonali and Rupali Bank are currently profitably [illegible] for [illegible] of lending [illegible] rate. The most important reasons for their profitability are: high volume of lending, an adequate spread between interest earned and interest paid for borrowed funds, reasonable control over administrative expenses, and a comparatively smaller requirement to provide for loan losses because of better collection experience. Special mention should be made of Krishi Bank which, besides performing above average, has accounted for 37% of total lending in the project.

[illegible]. Savings:

RFEP experience indicates that bankers have been hesitant to amass deposits they could not profitably lend at non project loan rates. Because of the large (one-third, one-third) lending incentive, the project to date does not constitute a valid test of any savings model nor should the data available to date be regarded as a true measure of the potential for savings mobilization among the rural populations of Bangladesh.

For the project as a whole total savings were equal to 12.9% of the taka amount of loans outstanding (Tk. 6,855,000). The following tables give detailed performance:

Savings as Percentage of Loans Outstanding

(Data through 30 September, 1981)

Institution	Old Outlets	New Outlets	All Outlets
Krishi	9.6%	4.8%	8.8%
Sonali	9.4	5.6	17.3
Janata	28.9	26.6	27.7
Agrani	31.5	146.3	32.7
Pubali	3.8	-	3.8
Rupali	70.3	9.6	34.1
Uttara	8.9	15.0	8.8
IRDP	11.8	14.7	13.4
BSBL	2.9	2.3	2.6
All	15.1	8.0	12.9

Per the above, three of the participating institutions, Agrani, Rupali and Janata have financed as much as a quarter to a third of their loans with locally mobilized funds. Also old outlets show a higher ratio of savings deposits to outstanding loans balances indicating that generating savings is a long-term proposition. The figures suggest that if the self-financing goal is to be achieved. Special attention will have to be given to reaching the non-target group.

While there is no clear tendency for the average account size to either rise or fall as the rate of interest varies, the savings data indicates that the target group borrower is sensitive to the large variations between loan interest rates and savings interest rates permitted in the project. Target group savers are also target group borrowers. Where the difference between interest rates and saving rates are highest ([illegible]%), borrowers had a strong incentive to repay their loans as quickly as possible and not accumulate significant savings. Bankers, on the other hand, appear sensitive to the interest rate and prefer to borrow from their head office at 10% rather than pay higher interest on local savings even though a potential exists for accumulating savings.

A special institution is Krishi Bank. There has been rising trend in the ratio of total savings to total loans' outstanding. In February 1981, Krishi Bank commissioned women savings mobilizers. The women visit the homes of the non-target group in their project areas and solicit deposits from women. The innovation was subsequently extended to all 16 KFEP outlets operated by the Krishi Bank. The Krishi Bank maintains that this has had beneficial results as the following table shows.

Krishi Bank Total Savings, 1981
(in Taka)

	Target Group	%	Non-Target Group	%	Total	%
Sept. 30	1,265,622	70.1	538,837	29.9	1,804,459	100
Dec. 31	1,698,702	53.2	1,495,184	46.8	3,193,886	100
Change	433,080	31.2	956,347	68.8	1,389,427	100
% change	34.2%		177.5%		77.0%	

Krishi Bank Total Savings
Compared with Loans Outstanding
(in Taka)

	Loans Outstanding	Savings	Savings as % of Loans
[illegible]	[illegible]	[illegible]	[illegible].8
[illegible] Dec. '81	[illegible]	[illegible]	[illegible].1
Increase, fourth quarter 1981	[illegible],687,506	1,[illegible],427	37.8
[illegible] Dec. 1981	885,741	[illegible]5,766	75.2

As seen from the above, 37.8% of credit extended during the last quarter of 1981 was funded from new savings. In other words, net savings mobilized in December represent 25% of cumulative savings through November 1981 and was sufficient to finance 75% of the net disbursal of credit at Krishi's 16 project outlets during the month.

Outside of RFEP, Krishi's savings performance has been good. In 1981, for example, it is reported that savings as a percent of loans outstanding were [illegible].7%. Over a four year period, total savings have grown at a rate of 50% per annum. Even so the performance of Krishi Bank under RFEP in the last part of 1981 was better and should be supported.

7). Group Lending:

The group lending approach tried under RFEP was assumed to reduce costs, increase loan officer productivity, reduce borrower's transaction costs, better mobilize savings, and increase the repayment rate. With some modifications Janata, Uttara, IRDP and BSBL tried the group approach. The individual lending approach, however, has reached more people. Loan officer productivity is measured as the number of borrowers and number of loans per full time RFEP officer at the outlet. With the exception of IRDP, the group models' productivity is lower than any of the individual models:

Costs of Disbursing Loans

Institution	Administrative cost per loan disbursed (Taka)
Individual	
Krishi	72.2
Sonali	57.0
Agrani	60.3
Pubali	113.3
Rupali	112.8
Average	74.4 1/
Group 2/	
Janata	173.9
Uttara	293.6
IRDP	32.5
BSBL	62.7
Average	86.6
All	77.1

1/ The follow-on project based its costs per outlet at Tk 46,000 because it called for more adequate staff and more reasonable salary levels for such staff.

2/ The cost per loan is the cost per borrower, not the cost per group or BSS loan.

While over two-thirds of all borrowers taking individual loans received their loans in a week or less, only 12% of those borrowing in groups did so. About 75% of them have to wait for more than two weeks and in some cases up to four months to have their loan approved under the group lending model. This was especially the case for BSBL. The table below shows the respective overdue position of the two types of approaches. With the exception of Pubali, the individual approach appears to have been more positive.

Percentage of Loan Volume Overdue

Institution	As of June '80	As of Sept '80	As of June '81	As of Sept '81
Individual				
Krishi	17	10	9	10
Sonali	31	28	12	13
Agrani	1	5	4	6
Pubali	7	4	19	21
Rupali	5	3	3	6
Group				
Janata	18	25	16	17
Uttara	19	28	18	16
IRDP	0	6	3	4
BSBL	35	38	32	36
Overall	16	13	11	13

Source : Monthly Financial Reports.

The implementation of the group concept is illustrated by some of the Uttara outlets. Current practice allows groups to reform in order to exclude a defaulter so that the group can take further loans. On some occasions, loans are given to individuals. Not only is this a negation of the group approach concept but also a tacit admission by the institutions that the approach is less acceptable to borrowers. This is also confirmed by the consultant's sociologist who reports that borrowers would prefer to receive loans as individuals.

Four reasons account for the generally poor performance of the group approach:

1) Most groups formed did not have any binding common interest.

2) Outlet staff have not had enough specialized training. Only Janata Bank has covered the group approach in their training courses.

3) Branch staff consider group lending as a hindrance.

4) Borrowers do not like group lending because of the long loan sanctioning process and bureaucratic delays in loan approval (i.e., Janata, IRDP, and BSBL).

There are reportedly examples of successful group lending in Bangladesh. Most notably these are the Grameen Bank Project and the IRDP experience in Comilla. However, conclusive data are not available to fully support this. But both of these have had group solidarity, mandatory deposit requirements, good local leadership and have combined credit with other services. Under RFEP the best group lending has been achieved by Janata Bank at its outlets in Baider Bazar, Jhikergacha, Khankhanapur and Burghatta outlets.

8). <u>Loans to Women:</u>

Existing social conditions in rural Bangladesh do not permit women to act independently. Loans are often made in the name of a male family member even though the activity financed is carried out by a female.

The table below gives the detailed breakdown of lending that has been made directly to women.

RFEP Loans to Women

Institution	Total Borrowers	Women Borrowers	% Women to Total	Average number of Women Borrowers per outlet
Krishi	11,812	512	4.3	32
Sonali	5,984	151	2.5	15
Janata	1,386	42	3.0	4
Agrani	4,512	259	5.7	24
Pubali	2,282	53	2.3	13
Rupali	2,301	94	4.1	13
IRDP	3,144	273	8.7	21
BSBL	2,917	73	2.5	4
Total	35,178	1,494	4.2	16

Loan Uses of Women Borrowers

Activity	Percentage
Preparation of puffed rice	31.3
Handicrafts	25.0
Paddy Husking	21.9
Livestock Husbandry	9.4
Betal Leaf Selling	3.1
Marriage of Daughter	3.1
Rickshaw Repair	3.1
Other	3.1
Total	100.0

While the women borrowers said loan interest rate levels were too high, over 50% were repeat borrowers.

Of the respondents interviewed, 19% said they had not yet earned additional income from their loan though it should be noted that about 40% of those women interviewed had not fully utilized their first loan. Outlet staff regard women as better credit risks, and feel they can make a profit at the same rate as a man. Branches also say women's repayment record is better. Only one institution, Krishi, has employed women as loan officers, despite the recommendation that such staff might be an effective way of reaching the estimated 40% of target households headed by women.

9). Sociological Findings:

In spite of higher than average interest rates, borrowers view the RFEP loans favorably. In fact low interest rates is the most often cited favorable reason. This reflects the high cost of informal credit when available and indicates the acceptance of higher interest rates on the part of the borrowing population.

Between 40% and 65% of rural people take non-institutional loans. About 40% are for rice or other basic consumption and about 30% are for short or medium term capital for agriculture, petty trade, and livestock. Other uses are a daughter's marriage, health care, home building, education and buying land. RFEP has had a significant effect on informal credit. In several RFEP areas, money lenders who previously charged 120% annual interest have reduced their rates to 60% or 40%. All 15 moneylenders interviewed said they regard RFEP as a threat to their profession.

Some Attitudes Recorded in Sociological Interviews were:

a) Landowners: Landowners generally dislike the program. They say RFEP has added a new dimension to the socio-economic environment. Field workers now try to lease land. It is more difficult to get agricultural laborers and wage rates have tended to go up.

b) Religious Leaders; Two-third thought the program was aimed properly at the poor; the remaining one-third were not aware of the program.

c) Village Pradhans: Of 30 people, 18 thought the program threatened their control of the poor and 12 were satisfied that the program helped the villagers achieve greater economic security.

d) <u>Local Political Leaders:</u> Twenty out of thirty local political leaders thought the program was helping the poor attain self-reliance and that borrowers were becoming more socially, economically and politically conscious.

e) <u>Union Parishad:</u> Of 15 chairmen, 8 thought the program was helping the poor; the remainder were unaware or believed the program made the poor too politically conscious.

f) <u>Gram Sarkar Pradhans:</u> Of 15 interviewed, 12 believed the program was very helpful.

Nearly 90% of the borrowers interviewed expressed satisfaction with the services given by the RFEP staff. For the 10% that were dissatisfied, the reasons most often given were delay in disbursement of the loan, favoritism, unofficial fees, and land documents being required as security.

While more data is required, RFEP appears to stimulate economic activities and reduce the level of under-employment. Loans are usually taken for activities to supplement main occupations. In some places, landless people take loans for goats, then take repeat loans for cattle and other agricultural purposes. In outlets near towns or bazars, farmers take loans for paddy husking, mat making and tin smithing.

There was a degree of discrepancy between bank records and borrowers, actual circumstances with respect to an estimation of net worth, land holding size and loan purpose. In 90% of the cases, however, eligibility does not change.

While complete accuracy and independent verification for eligibility is difficult, a contributory factor is factionalism existing in virtually every village. In outlets where recommendation signatures were required, local leaders might have recommended loans on behalf of non-target people to build up a political following. In some cases local brokers collected fees for disbursal of application forms or for expediting loan approval.

Instances were noted where banks required either a pledge of land as security or deposit of land parcha (official record showing boundaries for tax purposes), or an official mortgage paper, or mortgage by a guarantor of the borrower. Some of the landless cooperatives allowed members with up to two acres to borrow.

Landless agricultural laborers in a number of outlets reported that they did not borrow because they fear reprisals in case they failed to repay. They are afraid to enter a bank having an armed guard, where they will be embarrassed by not knowing the procedures and not having any security. They cannot psychologically shift easily from living by daily labor to taking up an enterprise since they rarely get a non-institutional loan.

The pattern of loan use depends on the outlet. In some areas almost all loans are for agriculture and livestock. In outlets near towns and bazars a high proportion are for small trade. Some borrowers need money for a daughter's marriage, medical expenses, or other emergencies, and some borrow to release mortgaged land or pay off other debts. Since all incorporate the loans into their family budgets, it is not entirely possible to separate productive from non-productive uses.

(The material above covering the January 1982 Evaluation has been taken directly from a summary prepared by Dennis Zvinakis of USAID/Dacca.)

SECTION II INSTITUTIONAL ANALYSIS OF DISBURSEMENTS, COLLECTIONS, PROFITABILITY AND SAVINGS.

Introduction:

The principal purpose of this project is to identify one or more replicable rural financial systems best able to meet the financial needs of the productive and potentially productive rural poor. The conditions indicating that the project purpose has been achieved is the identification of at least one rural finance system or a combination of more than one which criteria by which this can be measured. They are the ability to :-

- Extend credit as needed to the target group
- Recover the resources lent on time and with interest
- Cover all its costs from interest earned and other charges equitably levied.
- Finance expanded operations through the effective mobilization of rural savings.

This section looks at the performance of each institution in these four areas as it compares with the other eight project participants. The main analytical tool used is the ranking of institutions by various indices of performance. Certain indices are of interest in their own right. Others are more interesting for their explanatory value. Each of the four criteria will be separately examined and the section will conclude with an overall evaluation of the institutions.

Data in this section is drawn from the Monthly Reports of the participating institutions and is cumulative from inception of the RFSP thru March 1982, unless otherwise stated.

EXTENDING CREDIT TO THE TARGET GROUP:

The Level of Lending:

The following table reports the level of RFEP lending by the nine participating institutions through March 1982.

Table - 1

LEVEL OF LENDING

Institution	No. of Outlets	% of Total	Total No. of Borrowers	% of Total	Total No. of loans	% of total	Tk(000) Value of Loans	% of Total
Krishi	16(1)	16.3%	15658	37.1%	24794	34.3%	43,909	37.0%
Sonali	10	10.2	6932	16.4	10384	14.4	20,493	17.3
Janata	12(1)	12.3	2467	5.8	4129	5.7	7,744	6.5
Agrani	11(2)	11.2	4216	10.0	9264	12.8	12,543	10.6
Pubali	4	4.1	2429	5.7	4420	6.1	6,578	5.5
Rupali	7	7.1	2799	6.6	4744	6.6	7,354	6.2
Uttara	5	5.1	917	2.2	1380	1.9	1,727	1.4
IRDP	14	14.3	3569	8.5	8703	12.1	9,239	7.8
BSBL	19(6)	19.4	3232	7.7	4370	6.1	9,175	7.7
Total	98 1/ (10)	100.0	42219	100.0	72188	100.0	118,762	100.0

Note:- 1/ The total number of outlets is a cumulative figure of outlets opened. A total of 88 were actually in operation at the end March 1982. The figures in parenthesis indicate the numbers closed by each institution.

The relative volume of lending by the institutions is much the same as in September 1981. Krishi is first with over one-third of all the lending, followed by Sonali with just over 15%. Agrani, Pubali and Rupali have continued to disburse funds in line with the numbers of outlets opened. Janata, while still lagging behind the leaders, did rapidly increase its lending during the period September 1981 thru March 1982. IRDP and especially Uttara and BSBL have disbursed proportionally fewer loans to fewer borrowers in less volume than the number of their outlets would suggest.

The next three tables rank the institutions by outlet performance on number of loans per outlet; number of borrowers per outlet; and total takas loaned per outlet.

Table-2
LOANS PER OUTLET

Institution	Loans per outlet
Krishi	1550
Pubali	1105
Sonali	1038
Agrani	1011
Rupali	678
IRDP	622
Janata	370
Uttara	276
BSBL	230
Average	737

Table-3
BORROWERS PER OUTLET

Institution	Borrowers per outlet
Krishi	979
Sonali	693
Pubali	607
Agrani	455
Rupali	400
IRDP	255
Janata	219
Uttara	183
BSBL	170
Average	430

Table-4
VOLUME OF LOANS PER OUTLET
(Taka 000's)

Institution	Volume per outlet
Krishi	2,744
Sonali	2,049
Pubali	1,644
Agrani	1,380
Rupali	1,051
IRDP	660
BSBL	483
Janata	687
Uttara	345
Average	1,212

Performance has improved considerably since September with average number of loans and borrowers and the Taka value of loans increasing by 30%, 18% and 36% respectively 1/. This indicates that both average loan size has increased and proportionally more repeat loans have been made to existing borrowers than first loans to new borrowers. While Krishi, Sonali and Pubali continue to be the largest lenders on an outlet basis Agrani and to a lesser degree, Rupali and IRDP have all enhanced their performance in this respect. While Janata has in this period, almost doubled per outlet lending, it is still less than 50% of the average. It should also be noted that all four of the institutions lending to groups rank lowest among the nine institutions. In terms of borrowers, loans and volume, all are below the average.

The following table permits an analysis of loan size by institution. This data covers the entire project period. Sonali, Krishi, Pubali and Janata have traditionally given the largest sized loan amounts to borrowers, while IRDP has disbursed the smallest sized loans. BSBL has, since 1980/81 disbursed the largest sized loans to their KSS members, sometimes regardless of purpose. Given the varying types of enterprises (loan purposes) financed under RFEP and varying loan needs, the wide variations in average loan amounts is understandable. The make-up of the institution's portfolio is also influential. For example crop loans, which are usually smaller than for other purposes, dominate IRDP's portfolio. Non-agricultural lending, which usually requires larger loan amounts, forms a large share of BSBL's portfolio.

Overall, since the inception of the RFEP, average per loan amount has increased by 30% which is to be expected given the current inflationary situation in Bangladesh. From a low in 1979/80, amounts increased by 35% in two years. If this latter increase is projected forward, average loan amount in 1982/83 will be around Taka 2100, and possibly higher as input prices rise. The loan amounts used for RFP estimates of Taka 3,000 per loan are thus well in line with previous experience and may be on the low side by 1984/1985.

1/ See January 1982 Evaluation P.116. Ave. loans was 569; Borrowers was 366; and Taka value of loans was 891,000.

Table-5

AVERAGE TAKA AMOUNT OF RFEP LOANS PER INSTITUTION (TAKA)

Institution	Inception to 31 March'79	% of Average	Year to 31 March 1980	% of Average	Year to 31 March 1981	% of Average	Year to 31 March 1982	% of Average
BSBL	Tk 881	64.0%	Tk 975	73.7%	Tk 2023	128.5%	Tk 2714	151.6%
Sonali	1457	105.9	1545	116.8	1922	122.1	2114	118.1
Janata	1400	101.7	2193	165.8	1709	108.6	1880	105.0
Krishi	1512	109.9	1948	147.2	1593	101.2	1890	105.5
Uttara	755	54.9	890	67.3	1318	83.7	1833	102.4
Rupali	-	-	1061	80.2	1355	86.1	1792	100.1
Agrani	457	33.2	887	67.0	1491	94.7	1514	84.6
Rupali	1451	105.5	1116	84.4	1474	93.6	1353	75.6
IRDP	485	35.2	821	62.1	1067	67.8	1143	63.9
Average	Tk 1376	100.0%	Tk1323	100.0%	Tk 1574	100.0%	Tk 1790	100.0%
Rate of change over year	-	-	(-Tk53)	(-3.9%)	+ Tk251	+ 19%	+Tk 216	+ 13.7%

The extent of outlet-wise borrowing can also be examined in the light of outlet staff productivity.

Table-6

NUMBER OF BORROWERS AND LOANS PER FULL TIME LOAN OFFICER

Institution	Total No.of RFEP borrowers.Inception thru March'82 per F.T.Officer	No.of loans April'81 thru March'82 per F.T. Officer	No.of Full Time loan officers per outlet (average)
Krishi	489	392	2 1/
IRDP	255	291	1
Sonali	347- 231	254-169	2-3 2/
BSBL	266	137	1
Pubali	202	146	3
Agrani	228- 152	267-178	2-3
Rupali	200	174	2 2/
Janata	219- 110	243-122	1-2 5/
Uttara	92	38	2
Average	283 - 232	233-191	-

Notes: 1/ Female Assistants not included

2/ Krishi Shaka-in-charge plus 1 or 2 assistants, all doing same work. Farm Technologist not included.

3/ Branch Manager plus 1 or 2 assistants

4/ Village Agents only, as loan officer does not have separate portfolio.

5/ Branch Manager, plus 1 assistant in some outlets.

Source: Monthly Financial Reports and Institutions' Staff Records.

Although improved a little since September 1981, productivity remains low. Only Krishi and IRDP disburse 300 loans per officer per year or 25 per month. 300 loans per year with an average balance of Tk. 2000 each is believed to be the minimum for which projected viability under RFP can be achieved. Some Sonali and Agrani branches are reasonably close to this norm but all other institutions would need to substantially boost productivity in order to reach acceptable levels under the proposed follow on RFP.

Loan Purposes

To date, loan purposes under the RFEP have been recorded under 3 broad categories: crops, other agriculture and non-agriculture. A recent survey of RFEP outlets has provided insights as to a more exact categorisation 1/.

Tables 7 and 8 record the 33 most common purposes for which loans have been disbursed. Tables A i thru A ix in Appendix A of this chapter show the distribution by institution. These 33 purposes account for nearly 90% of loans by number and amount, however a total of 123 discrete loan purposes have been recorded. Generally, except for Uttara and Janata, most if not all of the 33 categories of main purpose loans have been disbursed by all of the institutions. The variety of purposes is perhaps an excellent indication of both the wealth of opportunities which can be financed and the demand for credit in the outlet areas.

Food crop agriculture lending is probably the single most important purpose. Although differentiated by season and variety, it should be noted that in many areas of the country only one crop

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1/ Typewise Loan Disbursement Survey of January 1982, Bangladesh Bank Memo No. ACD (RFEP) 407/24/82-30 of 18 January 1982 to all PLI's. The loans recorded are only loans disbursed under the RFEP.

Table-7

MAJOR ACTIVITY-WISE DISTRIBUTION OF MUMBERS 1/
OF RFEP LOANS AS OF 31 DEC.1981-ALL INSTITUTIONS

NAME OF ACTIVITY	NO.OF LOANS	PERCENTAGE OF TOTAL LOANS	CUMULATIVE PERCENTAGE
Oxen/Buffalo for plowing/draft	6745	12.8	12.8
Beef Fattening	5566	10.6	23.4
Dhenki Rice Husking	3470	6.6	30.0
T. Aman (local)	3328	6.3	36.3
HYV Boro	2299	4.4	40.7
Milk Cow/Buffalo	2209	4.2	44.9
Grocery Shop	1827	3.5	48.4
B.Aus (local)	1491	2.8	51.2
Rickshaw	1488	2.8	54.0
Goats/Sheep	1414	2.7	56.7
Pan Leaf Cultivation	1273	2.4	59.1
B.Aman (local)	1002	1.9	61.0
T.Aus (local)	977	1.9	62.9
Rain-fed Wheat	899	1.7	64.6
Muri/Chira Production	890	1.7	66.3
Potato Cultivation	872	1.7	68.0
Boro (local)	842	1.6	69.6
Hat Trading	816	1.5	71.1
Vegetables Production	809	1.5	72.5
HYV Aus	749	1.4	74.0
Small Business (general)	694	1.3	75.3
Rice Wholeselling	693	1.3	76.6
HYV Aman	685	1.3	77.9
Sugarcane Production	654	1.2	79.1
Hand-loom/Cotton Weaving	608	1.2	80.3
Land releasing from mortgage	605	1.2	81.5
Itinerant Trading (Feriwala)	591	1.1	82.6

NAME OF ACTIVITY	NO. OF LOANS	PERCENTAGE OF TOTAL LOANS	CUMULATIVE PERCENTAGE
Oil Ghani (press)	452	.9	83.5
Jute Cultivation	404	.8	84.3
Cattle Trading	384	.7	85.0
Irrigated Wheat	335	.6	85.6
Fish Farming	331	.6	86.2
Domestic and Subsistance	195	.4	86.6
	45,607 2/		

Notes: 1/ Data drawn from 78 outlets of all institutions amounting to 52,661 loans.

2/ A further 7054 loans (13.4%) in 90 seperate categories also recorded.

Table-8

MAJOR ACTIVITY-WISE DISTRIBUTION OF AMOUNT OF LOANS AS OF 31 DECEMBER'81-ALL INSTITUTIONS 1/

NAME OF ACTIVITY	TAKA AMOUNT DISBURSED	PERCENTAGE OF TOTAL AMOUNT	CUMULATIVE PERCENTAGE
Oxen/Buffalo for plowing/draft	13,369,150	15.9	15.9
Beef Fattening	8,111,285	9.7	25.6
Rickshaw	6,964,157	8.3	33.9
Dhenki Rice Husking	5,427,800	6.5	40.4
Milk Cow/Buffalo	4,324,843	5.2	45.6
Grocery Shop	3,619,340	4.3	49.9
T.Aman (local)	3,479,599	4.1	54.0
Pan Leaf Cultivation	2,314,900	2.8	56.8
HYV Boro	2,309,689	2.8	59.6
Rice Wholeselling	1,873,158	2.2	61.8
B.Aus (local)	1,692,801	2.0	63.8
Hat Trading	1,552,131	1.9	65.7
Handloom/Cotton Weaving	1,471,400	1.8	67.5
Small Business (general)	1,415,235	1.7	69.2
Potato Cultivation	1,347,601	1.6	70.8
T.Aus (local)	1,205,426	1.4	72.2
Itinerant Trading (Feriwala)	1,096,200	1.3	73.5
Vegetables Cultivation	1,094,450	1.3	74.8
B.Aman (local)	1,087,775	1.3	76.1
Goats/Sheep	1,072,658	1.3	77.4
Muri/Chira Production	1,013,700	1.2	78.6
Rain-fed Wheat	956,673	1.1	79.7
Sugarcane Cultivation	953,700	1.1	80.8
Land releasing from mortgage	873,885	1.0	81.8
Oil Ghani (press)	834,550	1.0	82.8

NAME OF ACTIVITY	TAKA AMOUNT DISBURSED	PERCENTAGE OF TOTAL AMOUNT	CUMULATIVE PERCENTAGE
HYV Aman	759,197	0.9	83.7
Local Boro	757,935	0.9	84.6
Cattle Trading	688,400	0.8	85.4
HYV Aus	628,725	0.8	86.2
Jute Cultivation	439,287	0.5	86.7
Fish Farming	420,350	0.5	87.2
Irrigated Wheat	240,880	0.3	87.5
Domestic and Subsistance	181,700	0.2	87.7
	73,562,587 2/		

Notes: 1/ Data drawn from 79 outlets of all institutions amounting to Tk 83,849,535.

2/ A further Tk 10,286,948 (12.3%) disbursed among another 90 seperate categories.

can be grown due to the nature of the land. Food crops alone amount to 25.9% by number and 17.2% by volume of all loans made. No other activity is so important though cattle fattening(large/small) accounts for 13.3% by number and 11% by volume. Oxen for plowing/draft account for 12.8% and 15.9% respectively and is the single most popular discrete activity.

One of the more interesting [illegible] disbursed [illegible] has been that of loans to release land from previous mortgage, allowing the owners to derive the full production from the land. It indicates the importance of land but also shows how a nominally non-productive loan use may derive greater benefits for the borrower than a more conventional enterprise loan.

Loans for subsistance, education, marriage, house repairs and repayment of old debts were disbursed by only two institutions; Krishi (190) and Janata (5) as only these two instituions permitted loans to be made for such purposes. At Krishi they accounted for just less than 1% of loans. However as reported in the recent Sociological Report, many borrowers use all or part of their loans for such non-productive purposes. There is a demonstrated and obvious need for this type of loan and Krishi's experience shows repayments are good (only 2.1% overdues). Proper adoption of the Budget Line of Credit in the follow-on project could help in meeting these felt credit needs of the target borrowers.

Despite the variety of loan purposes, over half of all loan purposes have been for no more than 10 activities. This is illustrated in tables 9 and 10. By number only, BSBL, Rupali and Pubali have less than 50% of their loans in these 10 categories. In the case of BSBL it appears that the separate KSS's have often taken loans for a single purpose which may not be found elsewhere e.g. Pan-leaf production only at Deora UCCA and Sugarcane at Panti, KSS. Pubali's figures are considered somewhat unrepresentative

Table-9

SHARE OF TEN MOST IMPORTANT RFEP LOAN USES BY INSTITUTION BY NO. OF LOANS AS AT 31 DEC.'81

Name of Activity	BKB	Sonali	Janata	Agrani	Pubali	Rupali	Uttara	IRDP	BSBL	All PLI's
Oxen/Buffalo for plowing /draft	18.2%	14.8%	18.7%	10.6%	14.9%	14.6%	-	-	-	12.8%
Beef Fattening	11.7	23.1	16.1	6.1	-	1.0	29.7	6.1	-	10.6
Dhenki Rice Husking	4.8	3.2	4.1	14.2	2.2	4.1	14.3	4.4	11.9	6.3
T.Aman (local)	6.0	5.0	6.6	6.4	3.9	1.3	-	16.0	6.7	6.3
HYV Boro	-	5.2	7.0	3.9	-	7.3	8.5	11.0	10.8	4.4
Milk Cow/ Buffalo	5.1	2.4	0.6	2.4	-	8.7	10.9	4.7	2.5	4.2
Grocery Shop	2.6	5.0	2.6	1.2	6.2	3.6	-	8.4	3.5	3.5
B.Aus (local)	2.1	3.7	6.0	2.3	3.1	4.3	-	3.7	2.2	2.8
Rickshaw	3.6	3.0	1.7	2.0	-	1.8	2.0	-	4.7	2.8
Goats/Sheep	3.3	-	1.9	2.4	-	1.7	-	9.3	-	2.7
Total	57.4%	65.4%	66.2%	51.5%	30.3%	48.4%	65.4%	63.6%	42.3%	56.7%

Table-10

SHARE OF TEN MOST IMPORTANT RFEP LOAN USES BY INSTITUTION BY AMOUNT OF LOANS AS AT 31 DEC.'81

Name of Activity	BKB	Sonali	Janata	Agrani	Pubali	Rupali	Uttara	IRDP	BSBL	All PLI's
Oxen/Buffalo for plowing /draft	22.3%	17.1%	25.7%	11.9%	20.1%	18.1%	-	-	-	15.9%
Beef Fattening	10.5	19.1	14.9	6.1	-	1.1	24.1	5.4	-	9.7
Rickshaw	5.2	5.4	4.1	2.7	-	3.5	2.8	-	7.9	8.3
Dhenki Rice Husking	4.6	3.2	6.3	12.9	1.5	3.4	15.5	3.8	15.1	6.5
Milk Cow/ Buffalo	6.3	3.1	0.9	3.1	-	11.8	13.3	4.0	3.5	5.2
Grocery Shop	2.9	6.3	4.6	3.0	4.9	4.1	-	10.7	4.9	4.3
T.Aman(local)	3.5	4.0	2.7	5.5	3.0	0.7	-	15.4	2.7	4.1
HYV Boro	-	2.2	3.6	3.3	-	5.2	10.8	10.5	5.5	2.8
B.Aus (local)	1.4	3.1	3.3	2.0	2.8	2.5	-	3.1	1.6	2.0
Goats/Sheep	1.7	-	0.7	1.5	-	0.5	-	5.7	-	1.3
Total	58.4%	63.5%	66.8%	52.0%	32.1%	50.9%	66.5%	58.6%	41.2%	60.1%

due to the absence of data from 2 of their 4 outlets. A similar picture emerges for loan amounts except that the smaller sized loans for crops and small livestock and larger size loans for draft animals and rickshaws alters the individual proportions to some extent.

Loans to Women

The January 1982 Evaluation Report (Sec. IV Ch. 6) analysed in detail in activities of women loanees. Up to September 1981, 4.2% of all loans had been disbursed to women. It appeared that few loans had gone to women as heads of households even though it has been suggested that as many as 10% of rural households are headed by women and PIL 15 of July 1980 enjoined the PLI's to reach a substantial portion of those women. Baseline data from RFEP suggests that this normative figure may be an overestimation. Data, from new outlets, indicates that approximately 4% of households only, are headed by women 1/.

The overall number of women loanees to date is shown in the table below which shows that the proportion of women borrowers has remained constant at 4.2% of total borrowers.

1/ Baseline Survey Report of June 1982. Ch. III Sec. 2.

Table - 11

RFEP LOANS TO WOMEN

Institution	Total Borrowers	No. of women Borrowers	% women to total	Ave. No. of[1/] women borrowers per outlet
Krishi	15658	565	[illegible].6%	38 (15)
Sonali	6932	308	[illegible]	[illegible] ([illegible])
Janata	2467	67	[illegible].5	9 (10)
Agrani	4216	305	7.2	38 (8)[3/]
Pubali	2429	68	[illegible].8	17 (4)
Rupali	2799	114	4.1	19 (6)
Uttara	917	44	4.8	9 (5)
IRDP[2/]	3569	306	8.6	22 (14)
BSBL	3232	86	[illegible].7	12 (7)
All Institutions	42219	1783	4.2%	23 (79)

Note: 1/ Figures in parentheses indicate No. of outlets with women borrowers.

2/ IRDP's figures are estimated.

3/ Agrani's high figure is due to one outlet Santiniketan, Chittagong where there are approximately 200 women borrowers, namely Hindus.

Source: PLI's own records.

Only IRDP and Agrani get close to the norm established by PIL 15. All other institutions except Pubali and BSBL are quite close to the RFEP average which itself is consistent with the data from the recent Baseline Survey of new outlets. Although few of the women loanees are household heads, it is likely that loans are reaching their households in the name of a son, daughter or relative of adult age residing with them.

Existing social constraints in rural Bangladesh make it difficult for women to come forward and borrow. It is encouraging that a significant number have taken loans under the RFEP.

Krishi Bank by using female assistants and IRDP with special KSS's for women have demonstrated that if substantial numbers of women borrowers are to be reached, special services should be available at the outlet level to assist them.

Reaching the Target Group

Table - 12 ranks the institutions performance in reaching target group borrowers thru December'81. Operational outlets only are included and old and new outlets are segregated as new outlets have had less time to fully service and reach their clientele. Unlike previous evaluations, no adjustment has been made for so called non-target borrowing as recorded in the continuous surveys. This has been done for three reasons: first to adjust borrowing for non-target borrowing would need to be compensated by correspondingly reducing the size of the potential target group in each outlet area, which would simply cancel the adjustment. Second the problems inherent in the present target group definition are such that mistakes can easily be made by both outlet and consultants' field survey staff in assessing whether a borrower is in the target group. Third target group identification surveys by outlet staffs and more formal baseline surveys show considerable conformity in estimating the size of the target group. Both surveys calculate that on average 63% of households are in the target group 1/. Thus outlet staff cannot be said to be overestimating their potential clientele.

1/ See Baseline Survey Reports of December 1979 and June 1982. Target Group Identification Survey data derived from Typewise Loan Disbursement Survey of January 1982, where outlets supplied data on T.G. numbers from the records of their own surveys.

Table - 11

PROPORTION OF TARGET GROUP BORROWERS TO TOTAL MEMBERS
BY OLD, NEW AND ALL OUTLETS 1/

Institutions	Old Outlets No	Old Outlets %	New Outlets No	New Outlets %	All Outlets No	All Outlets %
Sonali	776	82.5%	611	53.9%	693	65.8%
Krishi	1156	67.7	724	52.7	1064	65.0
IRDP	317	58.4	191	69.9	269	61.2
Rupali	543	45.1	293	51.5	400	47.6
Uttara	189	45.8	160	52.1	183	46.8
Agrani	504	46.7	66	9.9	455	43.4
Janata	254	59.2	180	35.6	207	43.3
Pubali	607	40.0	-	-	607	40.0
BSBL	270	21.1	210	30.5	245	23.7
Average	561	52.8%	330	46.9%	479	51.0%

Note: 1/ Operating outlets only.

Sonali has achieved the best overall performance followed by Krishi, and IRDP. Considering only old outlets and including Janata, all of these have reached over half their clients. Agrani, Rupali, Uttara and Pubali have reached between 40% - 50% while BSBL has reached less than a quarter. Care should be exercised in comparing these figures with those of previous reports, not just because of the different basis for the figures but also due to changes in outlet size. Some of Rupali's and Krishi outlets added extra villages in recent months thus increasing their potential clientele. Agrani on the other hand found recently it had double recorded many borrowers when taking second loans and in adjusting its figures, the extent of coverage declined. IRDP's figures are overestimated and are probably more in line with those of BSBL where total population and not just KSS/UCMPS membership is used as the basis. Many IRDP outlets persist in restricting potential clientele to KSS members and not the population as a whole.

Although Sonali has achieved a high degree of coverage, Krishi has served nearly 50% more borrowers. Pubali too has reached a good number of borrowers as have Agrani and Rupali. IRDP, BSBL, Janata and especially Uttara have reached few borrowers, less than 30% of those reached by Krishi and in case of IRDP, Janata and Uttara outlet areas have been very small, thus artificially inflating their coverage.

New outlets, while covering a smaller proportion of potential clients than old outlets, have nevertheless achieved a much higher level of lending more quickly than old outlets. The experience of reaching borrowers that was gained during Phase-I of RFEP has been effectively utilised during the current phase. However on a cautionary note, the size of new outlets is generally smaller than old outlets. Outlets size and infrastructure is further analysed in this report (See Sec. IV Ch. 1).

Table-12 below shows how far old outlets have increased the numbers of T.G. persons borrowing under RFEP since before operations began. There has been a more than tenfold increase in borrowing in 3-4 years so that currently over half of all target group households in these areas have been effectively exposed to institutional credit.

Table - 12

PROPORTION OF TARGET GROUP HOUSEHOLDS BORROWING 1/

Institution	No. of T.G. borrowers per outlets	% of T. G. households borrowings	% getting institutional loans prior to RFEP.	Changes 2/ + (-)
Sonali	776	82.5	3.5	+ 79.0
Krishi	1156	67.7%	3.7%	+ 64.0%
Janata	254	59.2	4.2	+ 55.0
IRDP	317	58.4	9.5	+ 48.9
Agrani	504	46.7	6.2	+ 40.5
Uttara	189	45.8	2.6	+ 43.2
Rupali	543	45.1	3.7	+ 41.4
Pubali	607	40.0	1.8	+ 38.2
BSBL	207	21.1	2.1	+ 20.0
Average	561	52.8	4.1	+ 48.7

Note: 1/ Old Operating Outlets only.

2/ From 1979 Baseline Survey Report - See Second Evaluation Report of April 1980, Table 11-4 P. 23.

Appendix-A

Table Ai

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

BKB 1/

	No.of loans	Amount loaned (Tk 000)	Amount Collected (Tk. 000)	Amount overdue (Tk)	% over-due
1. Oxen/Buffalo for plowing/draft	3594	7466	2034	130174	6. 0%
2. Beef Fattening	2314	3509	1290	40200	3. 0
3. T. Aman (local)	1189	1187	320	19250	5. 7
4. Milk Cow/Buffalo	1002	2109	693	91245	11. 6
5. Dhenki Rice - Husking	954	1536	756	18309	2. 4
6. Pan leaf Production	856	1603	788	36749	4. 5
7. Rickshaw	703	1750	829	143800	14. 8
8. Goats / Sheep	654	574	220	11790	5. 1
9. Grocery Shop	521	965	424	12438	2. 8
10. Boro (local)	483	371	201	10800	5. 1
11. Sugarcane Production	480	670	330	18606	5. 3
12. Land releasing from mortgage	430	529	116	11905	9. 3
13. Hat Trading	419	587	181	32021	15. 0
14. B. Aus (local)	416	455	232	18257	7. 3
15. Cattle Trading	378	688	334	16400	4. 7
16. Rainfed Wheat	317	298	89	3550	3. 8
17. Vegetables Production	309	250	99	8600	8. 0
18. HYV Aus	303	313	187	6250	3. 2
19. B. Aman (local)	299	265	96	5520	5. 4
20. Oil Ghani(Press)	299	656	294	10000	3. 3
21. Jute Production	281	274	118	26215	18.18
22. Handloom Cotton Weaving	212	567	201	3700	1. 8
23. Poultry Raising	212	176	56	6069	9. 8
24. Rice Wholeselling	200	355	124	7872	6. 0

	No.of Loans	Amount loaned (Tk 000)	Amount Collected (Tk. 000)	Amount overdue (Tk)	% Over-due
25. Domestic Uses 2/	190	182	72	1522	2. 1%
26. Muri/Chira Making	195	157	75	-	0. 0
27. Potato Production	187	213	53	250	0. 5
28. Agr. Inputs / Pharmacy Shop	170	282	101	13570	11. 9
29. HYV Aman	162	160	75	1500	2. 0
	17729 2/	Tk 28148940	Tk 10388318	Tk 706562	6. 4

1/ Covers all outlets except Narsingdi, Kushtia and Sylhet.

2/ Includes: Consumption, Ceremonies, House repairs, Education, repayment of old loans etc.

3/ Amounts to 90.0% of all loans disbursed at these outlets. A further 94 loan purpose uses recorded of all types.

Table Aii

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

SONALI BANK 1/

Name of Activity	No. of Loans	Amount loaned (Tk 000)	Amount Collected (Tk. 000)	Amount overdue (Tk)	% Overdue
1. Beef Fattening	1796	2849	626	6896	1.1
2. Oxen/Buffalo for plowing/draft	1155	2556	566	155872	21.6
3. HYV Boro	407	333	238	9142	3.7
4. Grocery Shop	391	941	394	67050	14.6
5. T. Aman (local)	388	592	239	40902	14.6
6. Potato Production	327	633	274	33144	10.8
7. B. Aus (local)	290	466	143	-	-
8. Dhenki Rice Husking	248	481	111	124881	53.0
9. Petty Trading (general)	341	662	334	54974	14.1
10. Rickshaw	236	811	257	72519	22.0
11. T. Aus (local)	195	313	115	1442	1.2
12. Milk Cow/Buffalo	190	458	164	61050	27.2
13. HYV Aman	166	277	68	5397	7.3
14. Vegetables Production	153	270	98	128732	56.8
15. Rainfed Wheat	150	260	49	4500	8.4
16. B. Aman (local)	125	287	81	15500	16.0
17. Handloom Cotton Weaving	111	400	126	49075	28.0
18. Jute Production	90	138	88	37498	30.0
19. Pan Leaf Production	73	249	11	62645	85.0
20. HYV Aus	70	139	38	-	-
21. Local Boro	64	119	64	8800	12.1
22. Cloth Wholeselling	62	157	77	7287	8.7
23. Rice Wholeselling	55	165	40	-	-
	7083 2/	Tk 13309342	Tk 202469	Tk 950306	18.4

Notes: 1/ Data drawn from all outlets except Jinglatoli

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

Table Aiii

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

JANATA BANK 1/

Name of Activity	No. of Loans	Amount loaned (Tk 000)	Amount Collected (Tk. 000)	Amount overdue (Tk)	Over-due
1. Oxen/Buffalo for plowing/draft	347	Tk 644	Tk 364	Nil	Nil
2. Beef Fattening	299	373	132	-	-
3. Irrigated Wheat	140	102	6	-	-
4. HYV Boro	130	90	56	-	-
5. P. Aus (local)	129	82	69	-	-
6. T. Aman (local)	123	68	36	-	-
7. Dhenki Rice Husking	76	159	34	-	-
8. Land releasing from mortgage	52	113	6	48492	65.89
9. Grocery Shop	48	115	46	-	-
10. Cotton Production	45	27	-	-	-
11. Goats / Sheep	35	17	3	-	-
12. Rickshaw	32	104	13	-	-
13. Hat Trading	27	52	13	-	-
14. Small Business (general)	24	33	-	-	-
15. Pottery Production	23	26	24	-	-
16. Itinerant Trading (Feriwala)	20	36	5	-	-
17. Sugarcane	15	9	-	-	-
18. Transport of agricultural goods	15	49	1	-	-
19. Tailoring/Ready-made clothes	15	17	13	-	-
20. Pulses Processing	12	46	1	-	-
21. Milk Cow/Buffalo	11	21	21	-	-
22. HYV Aman	10	9	9	-	-
23. Bicycle Purchase	10	16	5	-	-
TOTAL	1682 2/	Tk 2207360	Tk 911665	Tk 48492	5.05 3/

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

2/ Amounts to 90.50% of all loans made at these outlets. A further 37 loan purposes uses of all types recorded.

3/ The level of overdues cannot be considered representative as only one old outlet included in the sample. Data from other old outlets not supplied.

Table A iv

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

AGRANI BANK 1/

Name of activity	No.of loans	Amount loaned (Tk000)	Amount Collected (Tk 000)	Amount overdue (Tk)	% over-due
1. Dhenki Rice Husking	1116	Tk 1289	Tk 1309	Tk 25842	2.0%
2. Oxen/Buffalo for plowing draft	830	1187	604	19707	3.2
3. Muri/Chira Making	670	832	501	2000	0.4
4. T. Aman (local)	504	549	245	1470	0.6
5. Beef Fattening	481	610	396	13140	3.2
6. Rainfed Wheat	354	332	305	5027	1.6
7. Potato Production	320	452	232	47488	17.0
8. HYV Boro	340	331	260	29772	10.3
9. B. Aman (local)	219	173	170	..	0.0
10. Milk Cow/Buffalo	190	305	259	3817	1.5
11. Goats/Sheep	188	153	132	1398	1.1
12. B. Aus (Local)	179	197	160	4400	2.7
13. T. Aus (local)	177	150	150	..	0.0
14. Small General Trading	169	166	51	3250	6.0
15. Rickshaw	157	273	213	1550	0.7
16. Land releasing from mortgage	123	232	55	..	0.0
17. Local Boro	118	97	29	1300	4.3
18. Pan leaf Production	115	176	153	..	0.0
19. Boat Making / Repairing	113	133	83	..	0.0
20. Grocery Shop	96	303	237	4000	1.7
21. Firewood Trading	89	121	97	..	0.0
22. Fishing (boat & net)	84	115	72	28634	28.

Name of activity	No. of loans	Amount loaned (Tk 000)	Amount collected (Tk 000)	Amount overdue (Tk)	% Over-due
23. Bamboo Trading	74	102	81	..	0.0
24. Mat/Pati Making	70	74	70	..	0.0
25. Vegetables Production	67	60	51	800	1.5
26. Pottery making	56	60	30	..	0.0
27. Katha quilts & embroidery Making	51	79	51	8200	13.9
28. Rice Whole-selling	48	83	38	25285	39.8
29. Fish Farming	47	98	40	..	0.0
30. Tailoring/Ready-made clothes	40	71	58	4000	6.4
31. Sand Carrying (by boat)	39	74	52	..	0.0
TOTAL	7090 2/	Tk 8875289	Tk 6184027	Tk 231080	3.6%

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

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

Table A v

MAJOR ACTIVITY-WISE DISTRIBUTION OF LOAN DISBURSEMENTS COLLECTIONS AND OVERDUES AS AT 31 DEC'81 1/

PUBALI BANK

Name of activity	No.of loans	Amount loaned (Tk000)	Amount collected (Tk 000)	Amount overdue (Tk)	% Over-due
1. Oxen/Buffalo for plowing/draft	220	Tk 400	Tk 119	Tk 150591	55.[illegible]%
2. B.Aman (local)	161	213	56	18400	24.6
3. HYV Aus	154	150	95	7857	7.7
4. Grocery Shop	92	98	63	19350	23.6
5. Flour/Rice Retailing	90	30	12	11000	48.9
6. Oil Ghani (Press)	64	76	44	-	0.0
7. T.Aman (local)	57	59	44	5081	10.4
8. B.Aus (local)	45	55	21	25300	52.2
9. Pulses Whole-selling	42	90	38	-	0.0
10. Cloth Shop	40	72	27	1000	3.5
11. Vegetables Production	36	24	17	-	0.0
12. Basket Making	35	33	10	-	0.0
13. Rice/Atta Whole-selling	35	62	22	-	0.0
14. Dhenki Rice Husking	33	26	13	-	0.0
15. Hat Trading	31	29	16	-	0.0
16. Stationary Shop	28	48	23	-	0.0
17. Sugarcane Production	25	11	3	3500	53.8
18. Jute Whole-selling	24	49	5	-	0.0
19. Handloom Silk Making	22	31	25	-	0.0
20. Wood Wholeselling	22	56	17	7541	30.0
Total	1256 2/	Tk 1610015	Tk678929	Tk329620	32.7%

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

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

Table Avi

MAJOR ACTIVITY-WISE [illegible]
[illegible]

RUPALI BANK 1/

Name of activity	No. of loans	Amount loaned (Tk000)	Amount collected (Tk000)	Amount overdue (Tk)	% Over-due
1. [illegible] for plowing /[illegible]	577	[illegible]	[illegible]	[illegible]	[illegible]
2. Milk Cow/ Buffalo	342	605	286	12519	5.0
3. HYV Boro	289	307	227	13682	5.7
4. Hat Trading	267	242	137	20826	13.2
5. B.Aus (Local)	198	147	136	4096	5.1
6. Dhenki Rice Husking	163	203	117	39942	25.4
7. Grocery Shop	141	240	102	10877	[illegible].6
8. Hardware Shop	140	175	63	4362	6.5
9. Vegetables Production	121	368	21	4000	15.8
10. HYV Aman	116	79	41	1556	5.6
11. Rice Whole-selling	112	115	43	3005	6.5
12. Pan Leaf Production	108	132	51	-	0.0
13. B.Aman (Local)	100	76	58	800	1.4
14. Pottery Making	87	75	27	1355	4.9
15. Rickshaw	71	207	144	17450	10.8
16. Oil Ghani(Press)	66	49	19	1445	2.1
17. Goats/Sheep	66	30	25	1000	3.8
18. Mustard / Spices Wholeselling	59	90	22	-	0.0

Name of activity	No.of loans	Amount loaned (Tk000)	Amount collected (Tk 000)	Amount overdue (Tk)	% Over-due
19. Vegetable/ Fruit Shop	58	67	38	-	0.0
20. Fish Shop	57	51	18	-	0.0
21. T.Aman (local)	52	39	8	-	0.0
22. Pan/Cigarette Shop	41	73	31	7968	20.6
23. Beef Fattening	39	64	40	1335	3.2
24. Bamboo/Cane Furniture Making	34	25	12	-	0.0
25. Fishnet Making	33	26	14	353	2.5
Totals	3307 2/	Tk 5142901	Tk 1970396	Tk 158933	7.5%

1/ Data drawn from all outlets

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

Table A vii

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

UTTARA 1/

Name of activity	No.of loans	Amount loaned (Tk000)	Amount collected (Tk 000)	Amount overdue (Tk)	% Over-due
1. Beef Fattening	337	Tk 375	Tk 173	Tk 58998	25.4%
2. Dhenki Rice Husking	183	242	86	13378	13.5
3. Milk Cows/Buffalo	139	207	129	-	0.0
4. HYV Boro	109	168	100	-	0.0
5. Local Boro	78	73	45	21630	32.4
6. Vegetables Production	70	79	42	734	1.7
7. Pottery Production	61	63	56	5500	8.9
8. Bamboo/Cane Furniture Making	60	48	25	195	0.8
9. HYV Aman	45	39	19	19580	50.5
10. Itinerant Trading (Feriwala)	25	22	10	11969	53.7
11. Rickshaw	25	43	11	8095	41.6
12. Cloth Trading	21	43	15	-	0.0
TOTAL	1153 2/	Tk 1401162	Tk713369	Tk 140080	16.4%

1/ Data drawn from all outlets.

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

Table Aviii

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

IRDP 1/

Name of activity	No.of loans	Amount loaned (Tk 000)	Amount collected (Tk. 000)	Amount overdue (Tk)	% Over-due
1. T. Amon (local)	737	Tk 751	Tk 401	Tk. 598	0.1%
2. HYV Boro	508	510	427	10070	1.2
3. Goats/Sheep	427	275	177	2147	1.2
4. Grocery Shop	385	520	243	43792	15.3
5. Beef Fattening	281	264	353	..	..
6. T. Aus (local)	275	339	12	32000	72.7
7. Milk Cow/Baffalo	217	195	13	..	..
8. Dhenki Rice Husking	201	188	85	81834	49.1
9. Fish Farming	187	189	27	21000	44.2
10. B. Aus (local)	171	151	148	2200	1.5
11. Itinerant Trading (Feriwala)	138	194	106	30650	22.4
12. Permanent Shop	114	176	30	22210	11.7
13. Pan leaf Production	85	93	5	50000	90.6
14. Small Cottage Industry	78	116	72	-	-
15. Irrigated wheat	71	86	45	40700	47.5
16. HYV Aus	63	70	11	-	-
17. HYV Amon	63	69	24	-	-
18. Cattle Trading	62	38	7	-	-
19. Rabi Crops	49	25	25	-	-
20. Small Consumer Goods Shop	49	44	39	9	0.02
21. Vegetables Production	48	40	32	-	-
TOTAL	4209	Tk 4330138	Tk 2024738	Tk 337210	14.3%

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

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

Table A ix

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

BSBL 1/

Name of Activity	No. of loans	Amount loaned (Tk 000)	Amount Collected (Tk. 000)	Amount overdue (Tk)	% Over-due
1. Dhenki Rice Husking	496	Tk [illegible]	Tk [illegible]	Tk [illegible]	[illegible]
2. HYV Boro	453	476	341	14755	4.9
3. Small Business, (General)	280	944	148	190725	50.2
4. T. Aman (local)	278	234	160	8548	5.0
5. Handloom/Cotton Weaving	256	464	326	33847	9.5
6. Rice Wholeselling	241	1090	98	285107	74.9
7. T. Aus (local)	236	296	98	99200	50.2
8. Rickshaw	196	681	220	209441	48.8
9. Grocery Shop	146	426	110	87823	44.3
10. HYV Aus	129	185	32	146942	82.2
11. HYV Aman	123	127	57	3648	6.0
12. Milk Cow/Buffalo	104	301	80	105659	56.8
13. Cloth Trading	97	302	93	58108	38.5
14. B. Aus (local)	93	139	51	88012	63.2
15. B. Aman (local)	78	47	7	-	0.0
16. Sugarcane Production	77	146	18	-	0.0
17. Rainfed Wheat	70	60	35	24815	41.4
18. Local Boro	68	65	32	32861	50.3
19. Vegetable/Fruit Trading	67	229	23	52384	69.4
20. Hat Trading	55	127	15	69433	82.0
21. Irrigated Wheat	54	37	37	-	0.0
22. Water-Melon Production	33	58	54	3581	6.2
23. Blacksmith/Metal Tools	32	52	32	2751	8.0
24. Firewood Trading	29	79	32	9795	23.5
25. Chilli Production	28	40	33	1500	4.3
26. Pan leaf Production	28	52	9	9240	49.3

Name of Activity	No.of Loans	Amount loaned (Tk 000)	Amount Collected (Tk. 000)	Amount overdue (Tk)	% Over-due
27. Pottery Making	25	33	20	6061	22.9%
28. Mat/Pati Making	23	31	18	1588	8.0
TOTAL	3795 2/	Tk 7927063	Tk 2533603	Tk 1767666	41.1%

Notes: 1/ Data drawn from all 19 outlets except Beelgazaria.

2/ Accounts for 90.9% of all loans disbursed at these outlets. A further 50 loan purpose uses of all types recorded.

LOAN RECOVERY

Loan recovery is measured by the recovery of that portion of the total portfolio which has become due for repayment. Overdues are measured as a percentage of this total amount.

The table below ranks all institutions by this measure, those with the lowest overdues being the best performers in terms of loan collections.

Table 13
PERCENTAGE OF LOAN AMOUNTS OVERDUE TO AMOUNT FALLEN DUE

Institution	% overdue	Amount overdue (Tk)
Agrani	4.3%	Tk 356572
Rupali	6.2	197379
IRDP	9.7	540166
Krishi	10.5	2007216
Uttara	12.1	131481
Janata	14.5	456074
Sonali	18.6	1590234
Pubali	21.4	902300
BSBL	48.7	2864555
All Institutions	15.4%	Tk 9052557

The overdue Taka amount has nearly doubled since September, 1981. The proportion of overdue to amount due has noticeably increased also during the same period having been constant at around 13% since September, 1980 1/. This is shown in table 14 below. This increase in overdues has coincided with a reduced level of lending by the participating institutions. The cause for this is believed directly related to the announced cut-off, as of

1/ Latest draft returns from the PLI's for May/June 1982, which have yet to be fully verified, indicate the level of overdue is now close to 16%.

28 February, 1982 of 1/3 reimbursements for target group lending. The probable effects of this were reported to the Bangladesh Bank at the end of April 1982.

Table 14

PERCENTAGE OF LOAN AMOUNTS OVERDUE TO AMOUNT FALLEN DUE DURING THE LIFE OF THE RFEP.

Institution	% Sept 30,1979	% March 30,1980	% Sept. 30,1980	% March 30,1981	% Sept. 30,1981	% March 30,1982
Agrani	0.0%	0.3%	4.7%	4.6%	5.8%	4.3%
Rupali	0.0	15.5	2.9	2.2	6.1	6.2
IRDP	0.0	0.0	6.1	1.1	4.4	9.7
Krishi	36.3	20.2	10.3	9.4	10.4	10.5
Uttara	47.6	25.3	27.7	22.2	16.3	12.1
Janata	2.1	14.8	25.2	23.8	17.1	14.5
Sonali	32.5	39.2	22.7	11.3	13.4	18.6
Pubali	14.5	3.0	4.4	15.0	20.8	21.4
BSBL	0.0	19.8	37.8	36.9	36.4	48.7
All Institutions	33.1%	18.5%	13.0%	11.7%	13.1%	15.4%

Agrani, Rupali and IRDP have maintained overdues at a relatively low level although IRDP overdues have increased in recent months. Krishi has been consistant at around 10% since September 1980. Both Janata and Uttara have improved their performances to reduce past due loans and currently their levels of overdue are close to the RFEP average. Sonali and Pubali both had poor starts, then improved but again have allowed overdues to increase in the past year. Sonali overdues have risen quite sharply in recent months. BSBL's overdues have continued to climb, increasing by 30% in the 6 months since September 1981. BSBL appears to have little control over collections in the absence of which overdues are likely to rise still further. Thus there is considerable scope for improvement among 5 institutions - Sonali, Janata, Pubali, Uttara and BSBL.

Another point of concern is the lack of uniformity of recording overdues. This is especially true for installment loans. A recent visit to the Agrani Bank's, "Cadet College" Branch, which has never had overdues recorded, revealed that overdues of its installment loans are not reported as such until the date of the final installment is past regardless of whether all installments are repaid on due dates. This practice may [illegible] elsewhere and if so, it could be that short term overdues may be grossly underestimated.

The two tables below show the period of time overdue or age of the deliquent loans. As an overdue loan ages, it usually becomes more difficult and costly to collect and the institution's reserve for bad debts should be increased accordingly. The institutions in tables below are listed by their relative standing for the over 12 months column. Those with the lower numbers are the best relative performers.

Table 15

AGEING OF OVERDUE LOAN AMOUNTS BY PERCENTAGE OF TOTAL IN EACH AGE BAND

Institution	% less than 3 months	% 3-6 months	% 6-12 months	% 12 months and above	Taka amount of overdues (000's)
Rupali	45.0%	37.1%	16.3%	1.6%	Tk 197
BSBL	32.0	38.8	23.7	5.5	2,865
IRDP	65.3	25.0	3.4	6.3	540
Sonali	57.2	21.6	13.9	7.3	1,596
Krishi	38.4	9.8	38.3	13.5	2,007
Pubali	63.3	4.8	14.3	17.6	902
Agrani	23.0	16.8	41.8	18.4	357
Janata	29.8	13.4	24.6	32.2	457
Uttara	23.5	0.7	8.3	67.5	131
All Institutions	42.7%	22.4%	23.4%	11.5%	Tk 9,052

Table 16

AGEING OF NUMBER OF OVERDUE LOANS BY PERCENTAGE OF TOTAL IN EACH AGE BAND

Institution	% less than 3 months	% 3-6 months	% 6-12 months	% 12 months and above	Total No. of overdue loans
Rupali	51.7%	27.7%	18.7%	1.9%	267
Sonali	62.3	18.1	15.0	4.6	1416
IRDP	59.8	30.3	2.5	7.4	595
BSBL	35.4	34.0	21.4	9.2	2412
Krishi	46.6	11.6	30.9	10.9	2556
Pubali	58.2	8.4	15.1	18.3	1052
Agrani	21.8	14.7	42.8	20.7	266
Janata	19.3	11.9	27.4	41.4	244
Uttara	9.7	0.5	8.7	81.1	185
All Institutions	46.2%	19.8%	21.6%	12.4%	8993

The institutions rank almost indentically by volume and number of loans, but in relation to their relative positions for overdues overall, there are significant variations. IRDP and Rupali rank high both overall and in ageing with the bulk of overdues less than 3 months old and few over 12 months old. Agrani's overdues, while low, are older with over half being more than 6 months old. Pubali and Sonali have high overdues but nearly two-thirds are less than 3 months old, though in the case of Pubali the amount overdue for more than 12 months is high. Janata and Uttara also give cause for serious concern. Although both institutions have commendably reduced overdues in the past year, the proportion more than 12 months old is very high i.e., one-third in the case of Janata and over two-thirds in the case of Uttara.

The ageing of overdue loans is analysed further in the next two tables which show respectively the trend in amounts and number of overdue loans more than 1 year old during the life of the RFEP.

Table 17

TREND OF AMOUNT OF LOANS OVERDUE FOR MORE THAN 1 YEAR (TK 000's)

Institution	As of March 1980	As of Sept. 1980	As of March 1981	As of Sept. 1981	As of March 1982
Krishi	1(.2)	5 (.8)	156(19)	174(13)	271(14)
Sonali	-	1 (.4)	77(28)	137(21)	117(7)
Janata	1(2)	100(57)	51(21)	69(23)	147(32)
Agrani	-	-	1(.6)	68(22)	66(18)
Pubali	-	-	38(12)	54(8)	158(18)
Rupali	-	-	2(1)	2(3)	3(2)
Uttara	-	10(9)	57(45)	96(77)	88(68)
IRDP	-	-	-	8(.6)	33(6)
BSBL	-	11(3)	10(2)	155(13)	157(6)
Total	2(.2)	127(7)	392(16)	763(16)	1040(12)

Note: Figures in parenthesis record the percentage of overdue that is more than 1 year old, to total overdue.

Table 18

TREND OF NUMBER OF OVERDUE LOANS
FOR MORE THAN 1 YEAR

Institution	As of March 1980	As of Sept. 1980	As of March 1981	As of Sept. 1981	As of March 1982
Krishi	1(.1)	5(.6)	143(14)	176(12)	279(11)
Sonali	-	3(.8)	51(12)	52(5)	65(5)
Janata	1(2)	57(5)	51(34)	72(38)	101(41)
Agrani	-	-	4(3)	47(20)	55(21)
Pubali	-	-	62(17)	68(9)	193(18)
Rupali	-	-	1(2)	4(2)	5(2)
Uttara	-	16(8)	92(45)	157(78)	150(82)
IRDP	-	-	-	1(.6)	44(7)
BSBL	-	16(3)	16(2)	223(12)	221(9)
Total	2(.2)	97(4)	420(13)	800(12)	1113(13)

Notes: Figures in parenthesis record the percentage of overdue loans that are more than one year old, to total overdue.

Both the amount and number of these overdues will in all probability increase as the project continues; in percentage terms the trend seems stable or even declining. Any substantial rise in absolute amounts and numbers should be a matter of serious concern. All institutions except Rupali have followed an upward trend. This indicates that loans in the previous age group (6-12 months overdue) are not being recovered fully and thus are becoming increasing overdue. Unless this trend is at least halted, if not reversed, increasingly large amounts will become unrecoverable. This will result in financial losses to the institutions and should be protected through adequate bad debt reserves. Equally the administrative burden of pursuing a large number of deliquent clients will either increase overheads or result in existing staff spending more time as deliquent or bad debt collectors and less on servicing and supporting new and existing client borrowers and depositors. Not effectively serving viable and good borrowers may of itself further accelerate the growth of delinquency.

The August,1980 and February,1981 Reports showed how high overdues, which could distort an institution's overall performance, were usually confined to a few outlets. The next table examines this by separating outlets where overdues are greater than 10%. The status of the outlet is also shown as to whether it is:- an old outlet opened in Phase 1(O); new opened in Phase 2 (N); viable or potentially so (V); problematic (P) or dropped (D). For details of the latter status, see Section III Ch. 1 of this report.

Table 19
OVERDUES AT ALL OUTLETS UNDER RFEP

Institution 1/	Outlets with overdues more than 10% 2/		Outlets with overdues less than 10%		Overdues among outlets having less than 10% overdue
Krishi (10.5%)	N/V/Thakurgaon	79.8%	O/V/Gaibandha	0.0%	5.2%
	O/D/Sylhet	45.6	O/V/Rangpur	0.0	
	N/V/Narsingdi	32.3	O/V/Pabna	2.1	
	N/V/Melandah	24.2	O/V/Kushtia	2.8	
	N/V/Khulna	21.0	O/V/Manikgonj	5.6	
	O/V/Rajshahi	14.2	N/V/Mymensingh	6.2	
	O/V/Madaripur	11.1	O/V/Maijdee Court	8.8	
	(7)		O/V/Tangail	9.3	
			O/V/Faridpur	9.6	
			(9)		

1/ Institution	Outlets with overdues more than 10% 2/		Outlets with overdues less than 10%		Overdues among outlets having less than 10% overdue
Sonali (18.6%)	N/P/Phultala	92.1%	O/V/Shahpur	1.6%	4.5%
	N/V/Ct.Bldg.	49.0	O/V/Sitakunda	2.3	
	O/V/Goripur Bazar	26.3	O/V/Kuliarchar	8.7	
	N/V/Zillaboard	18.8	N/V/Marfala Bazar	9.9	
	N/V/Jotpukuria	17.1	(4)		
	O/V/Birgonj	11.7			
	(6)				
Janata (14.5%)	N/P/Noapara	92.2%	O/V/Jhikergacha	0.0%	1.2%
	N/D/Tajpur	51.1	N/V/Kumira	0.0	
	O/P/Paglapir	34.0	N/V/Khankhanapur	0.0	
	N/V/Brohmorajpur	33.1	N/V/Burghatta	0.0	
	O/V/Baneswar	21.8	N/V/Bamundi	2.7	
	N/V/Tebunia	10.8	O/V/Baiderbazar	3.6	
	(6)		(6)		
Agrani (4.3%)	O/P/Baligoan	25.6%	O/V/Cadet College	0.0%	1.6%
	N/D/Phulpur	12.4	O/V/Chuknagar	0.1	
	O/D/Cowkbazar	12.0	O/V/Bhatra	0.1	
	(3)		O/V/Sadhuhati	0.3	
			O/V/Natherpetua	1.1	
			O/V/Shantiniketon	5.4	
			O/V/Khamar Bazar	6.4	
			N/P/Joyag	7.2	
			(8)		

Institution [1/]	Outlets with overdues more than 10% [2/]		Outlets with overdues less than 10%		Overdues among outlets having less than 10% overdue
Pubali (21.4%)	O/V/Babuganj	52.8%	O/V/Ellenga	5.0%	5.0%
	O/V/Shabazpur	19.5	(1)		
	O/V/Satihat	17.3			
	(3)				
Rupali (6.2%) [illegible]	N/V/Narhatta	17.5%	O/V/Mansha Bazar	0.7%	4.7%
	N/V/Kakonhat	13.4	N/V/Rahmatpur	4.9	
	(2)		O/V/Rajgonj	6.8	
			N/V/Khan's Hat	9.3	
			(5)		
Uttara (12.1%)	O/P/Feni	40.0%	O/V/Tangail	0.0%	4.2%
	O/V/Mymensingh	13.8	N/V/Atia	0.0	
	(2)		O/V/Basan	8.8	
			(3)		
IRDP (9.7%)	N/P/Gopalpur	60.7%	O/V/Babuganj	0.0%	0.3%
	O/P/Morrelgonj	27.6	O/V/Islampur	0.0	
	O/P/Chowddagram	25.4	O/V/Burhanuddin	0.2	
	O/V/Joydebpur	22.6	N/V/Jhikargacha	1.7	
	O/V/Natore	20.0	N/V/Kalaroa	3.5	
	N/V/Daudkandi	16.7	N/V/Kaliakoir	5.2	
	O/V/Dhamrai	10.6	(6)		
	N/V/Sonagazi	10.4			
	(8)				

Institution 1/	Outlets with overdues more than 10% 2/		Outlets with overdues less than 10%		Overdues among outlets having less than 10% overdue
BSBL (48.7%)	O/D/Beelgazaria	81.4%	O/D/Arjuntala	0.0%	8.9%
	N/V/Jhalam(S)	75.2	N/V/Panti	0.0	
	O/D/Talikjumira	74.2	O/V/Pakutia	9.4	
	N/V/Deora(N)	71.8			
	N/V/Jagannathpur	71.1	(3)		
	N/P/Deora-Mohila	60.6			
	O/D/Dubela	59.6			
	N/V/Zadubayra	59.3			
	O/V/Boaildah	58.7			
	O/V/Jhalam(N)	58.3			
	O/P/Charkalibari	58.2			
	O/V/Batazore	45.1			
	O/P/Baluhar	43.7			
	O/V/Taltoli	35.9			
	O/D/Sreekrishnapur	34.3			
	O/D/Bhabanipur	21.7			
	(16)				
Total (15.4%)	53		45		3.8%

Notes: 1/ Figures in parenthesis are institutions' overdues as a whole as at end March 1982.

2/ Figures in parenthesis are numbers of outlets of each type for each institution.

This analysis tends to refute previous findings, even though there may be some statistical bias due to the cut off date of 31 March 1982 (i.e. - several outlets close to 10%). Overall 53 of 98 outlets have overdues greater than 10%. It is only the institutions with generally low overdues, Rupali and Agrani, which have high overdues concentrated in a few outlets only. All the others with higher overdues, including IRDP and Krishi but except Uttara, have 40% or more of their outlets having higher overdues. Except for Kuliachar (Sonali) and Baram (Uttara), all of the outlets having high overdues recorded in the August 1980 Report continue to have overdues in excess of 10%. More significantly of the 36 new outlets opened in Phase 2 of the RFEP, 22 or 61% fall in the category of outlets having in excess of 10% overdues compared to only 31 or 50% of old outlets.

As suggested in the 1980 Report, initial lending operations at the outlets may lead to high overdues until outlet staff and borrowers gain both experience and mutual trust and confidence in each other. But the fact that all but two of the outlets having high overdues in 1980, still have high, albeit reduced, overdues, shows that to reduce high overdues is not simply a question of improved collections and management. As discussed in the Sociologists Report of May 1982, once an outlet generates a momentum of overdues, it is extremely difficult for management to break the upward cycle. The present consultants are of the view that the high level of overdues at these 53 outlets, especially the new outlets, may not be swiftly reduced and the institutions are optimistic in rating 16 of the 22 new outlets as viable or potentially so.

Analysis in previous evaluations of the RFEP has indicated that unless drought or similar natural calamity occured, overdues were often a result of poor outlet management. The present consultants are of the view that the most likely reason people repay loans is the expectation that they will be able to secure another future loan quickly and easily, (See Sociological Report of May 1982). In other words it is a matter of client confidence. If overdues less than 5 months old, which account for 42.7% of all overdues, are excluded and which are caused either:- by a dilatory attitude on the part of borrowers or outlet staff, or by less than expected enterprise income, or by too stringent repayment terms, the evidence suggests that where relations between outlets and clients are poor, overdues rise. Examples of this, cited in field reports and other documents include Feni, Uttara (40.0% overdue) most BSBL outlets (ave. 48.7% overdue), Babuganj, Pubali (52.8% overdue).

Because of this, the current uncertainty about the future of the RFEP among the FLI's and the reduction in lending since 28th February, 1982 when the % reimbursements for disbursement was to have ended, will probably cause a sharp increase in overdues and bad debts. While trend evidence is scanty, it is the consultants view that if lending operations to existing clients are noticeably curtailed or even halted, overdues will rise sharply and the prospects for high recovery will be difficult, costly or even impossible. Good will between banker and client and the expected mutual trust where the borrower knows he can depend on the bank for his future credit needs and the banker knowing the client will repay his loans, is violently upset when either of the partners breaches this trust. It is expected this may well be the case in the immediate future in the interim period between RFEP and RFP. Once broken this mutual trust is very difficult to re-establish.

PROFITABILITY OF THE PARTICIPATING LENDING INSTITUTIONS:

The ability of lending institutions to make reasonable profits from their rural lending portfolios is essential for the success of any rural credit project. In the absence of such profits, banks have little incentive to provide adequate services in rural areas, even if their losses are written off through subsidies.

This section looks at the profitability and related issues of the nine participating institutions during the twelve month period, April 1981 thru March 1982. Complete data is presented in the three tables in Appendix - A at the end of this chapter. However to highlight more important aspects of the analysis, special summaries of these tables are presented below.

Table - 20
PROFITABILITY OF INSTITUTIONS 1/

Institution	Actual 2/
Krishi	8.2%
Rupali	6.8
Sonali	4.9
IRDP	4.8
Agrani	2.7
Janata	(2.6)
Pubali	(8.4)
BSBL	(9.3)
Uttara	(13.7)
Average	3.3%

1/ % profit (loss) of average monthly outstanding loans.

2/ See table - A in appendix for more comprehensive details.

During this latest 12 month period, all institutions, except IRDP, have either become more profitable or reduced their losses. Krishi, Rupali, Sonali and IRDP continue to be comfortably profitable and Agrani, for the first time since the inception of the RFEP, is also fully profitable. Janata has commendably reduced its losses so that it is now only marginally non-profitable. While Pubali, BSBL and Uttara have reduced their losses, all three institutions continue to lose considerable amounts of money. (Note: These are project computed losses not actual because the ⅓ + ⅓ reimbursements fully cover the losses.)

The current financial status of 85 operating outlets among all institutions which have been open for a full year up to 31 March 1982, is detailed in Table-B of the appendix. Table 21, summarises this by institution.

Table - 21

STATUS OF OPERATING OUTLETS
MEASURED BY THEIR PROFITABILITY 1/

Institution	No. of profitable outlets.	No. of marginal outlets.	No. of non-viable outlets.	Total operational outlets
Krishi	12	3	0	15
IRDP	9	1	3	13
Sonali	7	0	3	10
Agrani	6	1	2	9
Rupali	4	0	3	7
Janata	4	0	5	9
Pubali	1	0	3	4
BSBL	1	1	11	13
Uttara	0	0	5	5
All Institutions.	44(52%)	6(7%)	35(41%)	85(100%)

1/ Does not include dropped outlets (10) and three very new outlets (Burghatta and Kumira of Janata and Sonagazi of IRDP) which have not been open for the full 12 months period.

2/ Marginal outlets are those in the range from 2% profitability to 2% loss.

Individual outlet performance generally mirrors the institution's overall profitability. All Krishi's outlets are profitable or marginal (the three marginal outlets being those disbursing loans at 12%) while the other profitable institutions all have more than half their operational outlets currently profitable. Rupali's overall profitability seems higher than the number of profitable outlets would suggest. This because its outlets disbursing at the highest RFEP loan interest rates of 30% and 36% are very profitable. In the same way Krishi's, Sonali's and Agrani's outlets disbursing loans at 12% are all either marginal or non-viable thus reducing profitability overall.

Five of Janata's 9 outlets are not profitable. By having so many non-profitable outlets, Pubali, BSBL and Uttara cannot expect to be profitable as a whole, even though all have a mix of lending interest rates at their respective outlets similar to the other institutions.

Overall, 50 or 60% of all the operational outlets are currently profitable or marginal. These 50 outlets represent a very solid base for future operations and expansion under any proposed follow-on project.

Several factors contribute to institutional viability. The most important are: (a) the spread between interest earned on loans disbursed and the cost paid for borrowed funds; (b) any reserve for bad debts which is a function of the level of overdues; (c) the administrative costs; and (d) while not a cost, the volume of lending is important as the interest earned on loans is income from which costs are met.

Table-22 below ranks the institutions by the size of their respective interest rate spreads.

Table - 22

INSTITUTIONAL INTEREREST SPREAD 1/
BETWEEN LOAN INTEREST RATE AND THAT FOR BORROWED FUNDS

Institution	Interest earned on loans disbursed.	Interest paid at outlets for borrowed funds	Spread
Rupali	28.4%	12.5%	15.9%
Uttara	27.3	12.5	14.8
Krishi	21.1	6.5	14.6
IRDP	23.8	10.0	13.8
Sonali	22.5	11.0	11.5
Agrani	23.3	12.0	11.3
Janata	22.0	13.0	9.0
Pubali	20.8	13.0	7.8
BSEL	24.3	17.3	7.0
Average	22.8%	12.0%	10.8%

Notes: 1/ See Table-A in Appendix. Interest paid on savings is ignored, as an average it accounts for only 4.5% of costs and absorbs only 3.8% of income among all the institutions and amounts to only 10% of the cost of borrowed funds.

All the profitable institutions have spreads greater than 10% while the non-viable institutions generally have lower spreads. Conversly Uttara, the least profitable institution, has one of the highest spreads. The next table below shows that the non-viable institutions, except Janata, would require a higher spread than the highest current spread, that of Rupali, in order to be profitable. This suggests that the interest spread may not be the most critical factor determining profitability.

Table - 23

INTEREST RATE NEEDED TO COVER TOTAL EXPENSES 1/

Institution	% rate to cover all expenses	Spread required to cover all expenses 2/	Spread required to cover all costs less reserve 2/
Uttara	41.0%	28.5%	24.2%
BSBL	34.3	17.0	3.5
Pubali	29.2	16.2	7.2
Janata	24.9	11.9	6.9
Rupali	21.5	9.0	7.1
IRDP	18.9	8.9	3.7
Agrani	20.6	8.6	5.0
Krishi	13.3	6.8 3/	4.0
Sonali	17.6	6.6 3/	1.8
Average	19.5%	7.5 %	2.6 %

Notes: 1/ See Table (in appendix)

2/ Assumes fund costs remain the same as in table A in appendix.

3/ The very low spread required by Krishi and Sonali for profitability which also pulls down the average, should not be interpreted to mean that all target group lending can be done at such low rates. Sonali and Krishi have built up a high volume of loans over 4 years and some outlets have exceeded manageable limits. For lending operations within safe limits, the required spreads of Janata and Rupali would be better indicators.

Perhaps more significant is the final column of table-23 above, which shows that costs for all institutions, except Uttara, fall sharply when the reserve for bad debt is ignored. Disregarding IRDP and BSBL which have charged unrepresentatively low administrative overhead to the project and Sonali whose 'Krishi Shakhas' are paid about one third of the amount paid by other institutions to their loan officers, the range needed to cover overhead is low. It is a narrow band from Krishi's 4.0% to Pubali's 7.2%. This strongly indicates that, once fully established and operational, rural bank outlets in Bangladesh do not need a very large cost to earnings spread in order to cover overhead and other administrative expenses.

When the reserve for bad debts is included in interest rate calculations, the effect upon profitability becomes clearer The institutions with higher overdues generally find the larger proportion of expenses being absorbed in this way. Hence a wider cost to earnings spread is necessary for such institutions to be profitable.

Table - 24
RESERVE FOR BAD DEBTS AS A PERCENTAGE OF TOTAL EXPENSES 1/

Institution	%	% of overdue loan Am't more than 6 months old
BSBL	39.4%	30.2%
Pubali	31.1	31.9
IRDP	27.5	9.7
Sonali	27.3	21.2
Krishi	20.6	51.8
Janata	20.1	56.8
Agrani	17.5	60.2
Uttara	10.6	75.8
Rupali	9.2	17.9
Average	25.2%	34.9%

Notes: 1/ See Table-A in appendix.

It was reported in the earlier analysis of overdues, that not only is the size of overdues critical but also their age. The older an overdue loan becomes, the less likely it will be repaid, and the resultant reserve for such non-payment must be adjusted upwards accordingly. For example BSBL and Pubali, with large amounts of overdues and a considerable proportion of these more than 6 months old, need a large bad debt reserve. On the other hand, Agrani, despite its low overdues, needs a higher reserve than might be expected due to the age of its overdues. IRDP's proportion is high despite its low overdues because its other expenses are low. In the case of Uttara, the reverse of this is true; Uttara's other expenses are very high. Rupali is the most ideally placed, having both low overdues and a low proportion of these more than 6 months old.

The third factor to consider is the cost of disbursing loans, which the next table presents in three ways; the cost per loan disbursed, the current proportion of costs accounted for by overhead and the amount of income consumed by these costs.

Table - 25

ADMINISTRATIVE COST OF DISBURSING LOANS 1/

Institution	Cost per loan disbursed (Tk) 2/	Salaries and allowances as % of total costs less reserve	Salaries etc. as % of income earned
Uttara	Tk 469	59.2%	79.5%
Pubali	179	29.7	28.7
BSBL	130	10.8	8.9
Rupali	110	41.5	28.6
Janata	99	37.5	33.4
Agrani	79	34.3	24.9
Krishi	75	32.2	15.8
Sonali	50	13.8	7.9
IRDP	43	29.3	16.9
Average	Tk 83	27.6%	17.7%

Notes: 1/ See also Appendix-3 at the end of this chapter.

2/ Includes:- outlet staff salaries, travelling allowances, stationery, office rent and head office expenses for the year ending 31, March 1982.

Here again a strong inverse relationship is observed, with the institutions having the highest proportional costs being the least profitable, notably Uttara, BSBL, Pubali and Janata. Rupali too has a high costs though its low overdues and good cost to earnings spread compensate for this. As regards the effect upon earned income, except for BSBL where salaries are low, the non-profitable institutions tend to consume over a quarter of their income on salaries and other administrative costs. But as Rupali and Agrani are similarly placed this particular correlation is less clearly defined.

The fourth and final factor is the volume of lending. This is most critical because the only meaningful source of income for the RFEP institutions is the interest earned on loans disbursed. A low volume of lending limits income so much so that no matter what the overhead is, or how good the collections may be or even whether the cost to earnings spread is generous the institution will probably not be profitable. Table-26 below shows the extent by which the four institutions making losses currently, would need to increase lending in order to break even and in doing so the table assumes administrative costs and overdues would remain constant.

Table-26

MONTHLY OUTSTANDING LOAN BALANCE REQUIRED PER OUTLET TO MEET TOTAL COSTS (ACTUAL BASIS) OF THOSE INSTITUTIONS SUSTAINING LOSSES 1/

Institution	Current monthly balance of outstanding loans (Taka in 000's)	Average monthly balance required to cover costs (Taka in 000's)	% change in monthly balances required to cover costs
Uttara	Tk 143	Tk 214	+ 49.7%
Pubali	723	1017	+ 40.7
BSBL	437	575	+ 31.6
Janata	309	321	+ 3.9

Note: 1/ Excludes dropped outlets and those not open for more than 12 months and includes the appropriate share of Head Office Expenses.

While in percentage terms the increases seem high, the levels needed to be achieved by Uttara and Janata are not high by the standards of Rupali (Tk 552,000 per outlet), IRDP (Taka - 319,000 per outlet) and Agrani (Tk 517,000 per outlet). BSBL would need to reach quite a high level of lending, though this has already been achieved by three outlets respectively of both IRDP and BSBL itself. Pubali on the other hand would need to achieve per outlet a level of lending that only 25 outlets have achieved so far (of which 14 are Krishi and 7 are Sonali who have by far the largest operation in the RFEP).

This analysis clearly shows that profitability can only be achieved through a high volume of lending (income) and low costs, especially overdues. All the non-profitable RFEP institutions would need a cost to earnings spread somewhat higher than the current maximum to be viable. Similarly administrative costs, while important, are not as crucial. As the volume of lending increases, the administrative costs rise much more slowly and are spread over a larger portfolio thus reducing unit costs. Consequently the size of the lending portfolio is much more critical than the actual administrative costs themselves.

Krishi, Sonali, Agrani and Rupali have become profitable primarily through aggressive lending policies. Krishi's and Sonali's high productivity counteracts the effects of their overdues. This is especially true of Sonali. Rupali has a much lower volume of lending but it also sustains very low overdues. Agrani, despite a higher level of lending than Rupali and lower administrative costs, earned less profit because a high proportion of its overdues are more than 6 months old, which increases the size of the bad debt reserve needed.

IRDP is profitable despite a lower level of lending at its outlets. IRDP has low overdues, 90% of which are less than 6 months old. Consequently only a small reserve for bad debts is required. Equally important, its overhead is very small and smaller than expected because generally the commissions to societies and managers have not been paid as per IRDP's plan. If these had been paid, profitability would have been much reduced. IRDP's overdues are presently rising and with 8 of 14 outlets showing overdues of more than 10%, there is a need for corrective action. The consultants are of the opinion that the limited level of borrower supervision carried out by TCCA staff and failure to pay commissions, means that IRDP is not servicing its borrowers adequately. The evidence can be found in the overdues trend. IRDP should both increase supervision, despite the cost, in order to control overdues and considerably increase its volume of lending in order to sustain its profitability on firmer foundations.

Janata's losses have been reduced in the 6 months since September 1981 solely because it has increased its level of lending to such an extent that it needs only a small increase in lending to become profitable. Overdues, the interest rate spread and administrative costs have changed little during this period. It is the increased interest income (up by 74%) that has accounted for Janata's much improved performance.

Despite quite high levels of lending, BSBL and Pubali continue to sustain substantial losses. This is due solely to the high levels of overdues, and a reduction of these is essential if there is to be any improvement in viability. On past performance this is unlikely. BSBL's losses are only kept in check by its small administrative costs. Like IRDP, supervision is minimal and commissions to societies are not paid. Despite the attendent increase in costs, greater supervision is essential if the rapidly spiralling trend of overdues and resultant growing losses is to be halted.

Uttara, the least profitable institution, continues to remain so despite improved collection of overdue loans, a wide difference between the cost of borrowed funds and that earned from loan interest payments and a reasonable overhead. As a result of lower overdues, since September 1981 when losses stood at 23.5%, Uttara has cut its losses by almost half to 13.7%. However the small rise in income from Tk. 161,000 to Tk.195,000 has been insufficient. With overdues now under control, Uttara needs to boost its levels of lending considerably in order to become profitable. Regretably, past performance indicates this is unlikely to happen.

TABLE A

SUMMARY OF PARTICIPATING INSTITUTIONS PROFIT/LOSS ESTIMATES
12 MONTHS (APRIL 1981 THROUGH MARCH 1982)
(TAKA IN '000) ACTUAL BASIS

	Krishi	Sonali	Janata	Agrani	Pubali	Rupali	Uttra	I R D P	B S B L	Average
Income Earned	4,570	2,507	679	899	602	927	195	844	1,468	1,410
Operating Expenses										
Interest paid										
On savings	134	117	54	48	9	102	6	19	-	54
On borrowed funds	1,231	1,059	286	332	355	270	80	294	986	544
Salaries	723	197	227	224	173	265	155	143	131	249
Other expenses	159	55	38	50	46	2	21	32	101	56
Sub-Total	2,247	1,428	605	654	583	639	262	488	1,218	903
Reserve for Bad Debts	582	535	152	139	263	65	31	185	792	305
Total Operating Expenses	2,829	1,963	757	793	846	704	293	673	2,010	1,208
Net Profit (Loss)	1,741	544	(78)	106	(244)	223	(98)	171	(542)	202
Average monthly balance of out-standing loans	21,323	11,165	3,044	3,856	2,893	3,268	714	3,553	5,856	6,186
% profit (loss) of average monthly outstanding loans	8.2%	4.9%	(2.6%)	(2.7%)	(8.4%)	6.8%	(13.7%)	4.8%	(9.37%)	3.3%
Average monthly balance of outstanding loans needed to over total operating expenses	13,408	8,724	3,441	3,403	4,067	2,479	1,073	2,828	8,272	5,298
Salaries and allowances as % operating costs, less reserve	32.2%	13.8%	37.5%	34.3%	29.7%	41.5%	59.2%	29.3%	10.8%	27.6%
Reserve for Bad Debts as % of total operating expenses	20.6%	27.3%	20.1%	17.5%	31.1%	9.2%	10.6%	27.5%	39.4%	25.2%
Interest rate needed to cover total operating expenses	13.3%	17.6%	24.9%	20.6%	29.2%	21.5%	41.0%	18.9%	34.3%	19.5%
Interest rate needed to cover operating ex-penses, less reserve	10.5%	12.8%	19.9%	17.0%	20.2%	19.6%	36.7%	13.7%	20.8%	14.6%

APPENDIX A

TABLE B
LIST OF MOST TO LEAST SUCCESSFUL OUTLETS IN ORDER OF PROFITABILITY
FOR TWELVE MONTH PERIOD-APRIL 1981-MARCH 1982 1/

Institution	Outlet	%Net Profit Actual for months ending 3/31/82	Actual loan rate	No.of Borrowers (Cumulative)	Taka savings balance as of 3/31/82 (000's)	Taka Balance of loan outstanding as 3/31/82 (000's)	Taka Reserve for Bad Debts as of 3/31/82 (000's)
Agrani	Cadet College	22.0	36%	769	294	577	-0-
Krishi	Rangpur	20.0	30%	1109	57	1817	-0-
Agrani	Santineekaton	19.6	30%	664	28	458	16
Krishi	Malendah	19.0	30%	1174	135	2534	56
Rupali	Kalihati	17.2	36%	931	642	1119	11
Sonali	Marfalabazar	16.1	30%	745	116	1253	16
Rupali	Khan's Hat	15.4	30%	502	23	1532	8
Krishi	Khulna	15.4	30%	719	230	1735	98
Krishi	Thakurgaon	15.1	30%	516	40	132 7	46
I R D P	Islampur	13.6	27.9%	290	18	417	-0-
Janata	Baider Bazar	13.3	30%	239	213	574	5
Krishi	Mymensingh	12.1	24%	481	92	769	6
Pubali	Elenga	11.8	36%	644	16	808	47
Krishi	Rajshahi	11.7	24%	1470	239	2684	37
I R D P	Kolaroa	11.4	25.8%	195	25	143	1
Sonali	Gouripur	10.8	30%	891	36	2223	141
I R D P	Burhanuddin	10.1	22.5%	645	104	681	1
Krishi	Madaripur	10.0	24%	1307	185	1817	90
Sonali	Jatpukuria	9.9	24%	801	52	1692	30
Janata	Baneswar	9.4	24%	210	81	494	33

Institution	Outlet	% Net Profit Actual for months ending 3/31/82	Actual loan rate	No. of Borrowers (Cumulative)	Taka savings balance as of 3/31/82 (000's)	Taka Balance of loan outstanding as 3/31/82 (000's)	Taka Reserve for Bad Debts as of 3/31/82 (000's)
Krishi	Maijdee-Court	8.8	24%	836	309	1069	89
I R D P	Babugonj	8.3	22.5%	358	28	623	-0-
Janata	Khankhanapur	8.3	30%	291	27	722	-0-
Sonali	Birgonj	8.3	24%	747	175	1763	84
I R D P	Jhikergacha	7.9	21.5%	303	26	284	-0-
Krishi	Tangail	7.7	18%	1284	1070	2156	69
Rupali	Rahmatpur	7.6	30%	265	35	465	4
Krishi	Kushtia	7.5	18%	1105	165	2041	19
I R D P	Dhamrai	7.2	24%	322	27	284	12
I R D P	Daudkandi	7.1	26.3%	200	36	189	12
Agrani	Saduhati	6.5	24%	467	51	793	1
Agrani	Chuknagar	5.6	18%	431	320	871	2
Sonali	Shahpur	5.5	18%	779	312	1169	8
Krishi	Pabna	5.1	18%	1132	206	1370	11
B S B L	Panti	4.9	18%	82	1	108	-0-
I R D P	Kaliakoir	4.7	20.1%	136	17	284	3
I R D P	Chouddagram	4.2	24%	309	52	680	55
Sonali	Kuliarchar	4.1	18%	785	141	1099	72
Janata	Tebunia	3.9	24%	214	84	568	9
Agrani	Khamar	3.4	18%	283	8	375	15
Agrani	Bhatra	3.0	24%	287	26	334	-0-
Sonali	Zilla Board	2.4	18%	713	59	1773	38

Instituion	Outlet	% Net Profit Actual for months ending 3/31/82	Actual loan rate	No. of Borrowers (Cumulative)	Taka savings balance as of 3/31/82 (000's)	Taka Balance of loan outstanding as of 3/31/82 (000's)	Taka Reserve for Bad Debts as of 3/31/82 (000's)
Krishi	Narsingdhi	2.2	24%	313	127	410	35
Rupali	Narhatta	2.2	24%	308	155	428	18
Krishi	Faridpur	1.5	12%	1484	252	2841	70
I R D P	Morrelgonj	1.1	23.2%	268	28	261	22
Krishi	Gaibandha	0.9	12%	928	273	1576	-0-
B S B L	Pachim Pakutia	(0.02)	24.1%	441	19	501	42
Krishi	Manikgonj	(0.7)	12%	1346	410	2248	52
Agrani	Natherpetua	(1.6)	12%	678	841	790	6
Pubali	Babugonj	(2.3)	24%	392	38	606	100
Sonali	Sitakunda	(2.4)	12%	676	399	620	13
B S B L	Barazore	(2.8)	26.5%	122	12	185	14
Uttara	Basan	(3.1)	30%	199	9	186	11
Janata	Bamundi	(3.3)	18%	328	70	488	2
Janata	Jhikergacha	(3.5)	12%	321	139	873	-0-
Pubali	Satihat	(4.3)	18%	587	38	1018	61
I R D P	Joydebpura	(5.0)	24.0%	134	13	78	17
Rupali	Mansabazar	(5.4)	24%	327	272	311	4
B S B L	Jhalan (South)	(5.8)	24.6%	406	35	1373	158
Sonali	Phultola	(6.1)	24%	330	60	974	183
B S B L	Deora (Mohila)	(6.6)	26.3%	59	4	110	13
Sonali	Court Building	(6.9)	18%	465	93	965	117
Janata	Bhoromorajpur	(7.7)	24%	208	129	337	6
B.S.B.L	Jhalam (North)	(7.9)	25%	580	38	1553	192
[illegible]	[illegible]	[illegible]	[illegible]	121	15	79	21

Institution	Outlet	% Net Profit Actual for months ending 3/31/82	Actual loan rate	No. of Borrowers (Comulative)	Taka savings balance as of 3/31/82 (000's)	Taka Balance of loan outstanding as of 3/31/82 (000's)	Taka Reserve for Bad Debts as of 3/31/82 (000's)
Uttara	Atia	(9.0)	24%	160	19	156	2
Uttara	Tangail	(9.1)	24%	173	31	152	-0-
Rupali	Rajgonj Bazar	(10.2)	18%	370	115	359	23
B S B L	Taltoli	(10.6)	20.2%	144	25	197	40
Uttara	Feni	(12.7)	36%	217	12	145	100
B S B L	Baluhar	(12.8)	22.4%	337	8	341	152
B S B L	Boidah	(13.4)	27.8%	164	4	363	97
B S B L	Zodubayara	(14.0)	18%	87	3	101	28
I R D P	Natore	(15.6)	23.2%	231	84	144	14
Rupali	Kakonhat	(18.1)	24%	96	7	158	5
B S B L	Charkalibari	(18.1)	27.9%	100	-0-	218	47
B S B L	Jagannathpur	(19.3)	20.1%	141	3	123	33
Janata	Noapara	(20.3)	24%	208	67	485	48
Uttara	Mymensingh	(22.1)	18%	168	19	133	17
Agrani	Baligaon	(23.4)	30%	452	29	458	152
Pubali	Shahazpur	(30.2)	12%	806	42	829	194
Janata	Paglapir	(45.7)	18%	247	38	127	87
Agrani	Joyag	(80.5)	36%	66	47	5	3

1/ Excludes outlets not operated for the full period.

* For all IRDP/BSBL an average rate for lending has been used due to co-operative's 3 tier rates.

APPENDIX A

TABLE

INTEREST RATES CHARGED FOR BORROWED CAPITAL AND VOLUME OF LOANS OUTSTANDING IN RELATION TO PROFITABILITY
12 MONTHS-APRIL 1981 TO MARCH 1982

Institution	Effective interest rate earned	Interest rate needed to cover		Monthly average balance of loan outstanding Taka in 000's	
		All operating cost Actual	All operating cost exclusive reserve for bed debts Actual	Actual	Amount needed to cover total operating costs
KRISHI	21.1	13.3	10.5	21.323	13,408
SONALI	22.5	17.6	12.8	11.165	8,724
JANATA	22.0	24.9	19.9	3,044	3,441
AGRANI	23.3	20.6	17.0	3,856	3,403
PUBALI	20.8	29.2	20.2	2,893	4,067
RUPALI	28.4	21.5	19.6	3,268	2,479
UTTARA	27.3	41.0	36.7	714	1,073
IRDP	23.8	18.9	13.7	3,553	2,828
BSBL	24.3	34.3	20.8	5,856	8,272
TOTAL	22.8	19.5	14.6	55,672	47,695

Appendix-B ADMINISTRATIVE COSTS OF RFEP OUTLETS

Introduction

At the request of AID/Dacca, a special report has been prepared detailing the administrative costs for all participating lending institutions. These were itemised for the months of June and July 1982 for both salaries of the various grades of staff serving the project in the outlets and overhead costs such as; travel, stationery, rent, medical expenses etc . The monthly data for recurring expenses was multiplied by twelve to arrive at an estimated annual figure. The lesser or unique items were adjusted for comparability. Details of this are given in footnotes to the tables as appropriate.

There are 9 institutions involved in the RFEP; 7 banks and 2 cooperatives. The cooperatives organisation and operational systems are quite different from those of the banks. While IRDP's cost items are similar to the banks, they are much lower. IRDP's outlet wise data, presented in Table-B, is for information only. These data have not been included in any of the other comparative tables. The BSBL outlets are cooperative societies managed by honorary managing committee members. The society manager/secretary looks after loan operations and gets 2% commission on loan collections. In some large societies there is a peon-cum-messenger at a consolidated pay of Tk. 250 - Tk. 300 per month. BSBL has deputed Assistant Loan Officers at the rate of one per 2 to 6 societies and their proportionate salary is charged to each outlet. In others there are no regular paid staff. Thus, though the average cost of BSBL outlets is Taka 12.225/- per annum, there are no regular salaried staff in any outlet and the cost is not comparable with the cost of commercial banks. Further both IRDP and BSBL have generally not paid the commissions to the societies and managers/secretaries as expected. This is an administrative cost and in its absence, the costs for the outlets of the cooperatives are further reduced.

Administrative Costs of the Seven Banks

In table B-i, the average annual administrative cost per outlet of each institution and the average of all the institutions has been presented. Separate outlet costs for each institution are presented in table B-ii to B-viii. Table B-x presents the average salary cost of different categories of staff and other costs of each institution.

Table B-i shows that the average annual outlet administrative cost is Tk. 39,687.00. The range of variation is fr. Tk. [illegible] 340,00 for Sonali to Tk. 54,786.00 for Krishi. While Sonali's average for all outlets is Tk. 28,340.00, the cost for only the old outlets averages Tk. 37,344.00. This is due to the larger staff at these outlets. Sonali's outlet cost is quite low because the Krishi Shakha incharge who functions as a loan officer is a low paid employee with the status of clerk. The average outlet cost of Agrani is also very low at Tk. 28,977.00. This is because Agrani does not have any definite staff policy in respect to exclusive assignment in the RFEP. Its outlets are managed mostly by utilizing existing branch staff, ensuring maximum economy and keeping costs low. Though the overall average is Tk. 39,687.00 the cost of three institutions; Krishi, Pubali and Rupali is above Tk. 44,000.00 each. Overall the annual average outlet cost of the five most comparable banks; Krishi, Janata, Pubali, Rupali and Uttara, is Tk. 44,958.

Table B-x shows that the salary of Loan Officers of the different banks varies widely. Loan officers of some banks are in the pay scale of Tk. 625 to Tk. 1515 while loan officers of Rupali, Pubali, Janata and Krishi are in the pay scale of Tk. 750 to Tk. 1470. The variation in total salary is because some loan officers are senior, drawing salaries at the top end of the scale. There is less variation in the salaries of loan assistants but some banks have assistants on fixed salaries and others on scale rates of pay.

Travelling expenses are significantly high in the case of Krishi compared to other banks. There are two reasons. First the Krishi service area is usually some distance from the branch office and second the Krishi loan officers get daily allowances when they visit the area at a high rate because it is related to their relatively high salaries.

The R.F.P.

Planning for a follow-on project could be based upon the salary scales and other costs in table B-x. The size of the outlet staff is likely, at least initially, to be small; each unit having a loan officer, a loan assistant, a bookkeeper, a peon. The salaries and other costs may be estimated or follows:

Loan Officer	1800 x 12	=	Tk 21,600
Loan Assistant	650 x 12	=	7,800
Bookkeeper	650 x 12	=	7,800
Peon	300 x 12	=	3,600
Sub Total Salaries			Tk 40,800 1/
Travelling expenses	300 x 12	=	3,600
Stationery	50 x 12	=	600
Total			Tk 45,000 2/

1/ Medical provision, provident fund, bonus and living expense perquisites, i.e. entertainment, rent allowance, transportation, etc are included in the salaries.

2/ Rent is not included as only two institutions actually charge rent. If it is to be included, costs should rise by Tk. 1000/- to Tk. 46,000/-.

Table B1

AVERAGE ANNUAL ADMINISTRATIVE COSTS
PER OUTLET(TAKA)

Institution	Budget Head: Salary	Travel	Stationery	Rent	Medical 1/	Total
Krishi	43815	8449	180	1200	-	53644
Sonali	22340	4020	600	1380	-	28340
Janata	29532	3771	240	600	-	34143
Agrani	23630	4188	751	408	-	28977
Pubali	44376	1512	1851	2850	4197	54786
Rupali	39978	3147	600	450	-	44175
Uttara	33485	3446	410	600	-	37941
Average	33879	4075	662	1070	-	39687

1/ Not included in calculations for average costs.

Table B ii

MONTHLY ADMINISTRATIVE COST OF OUTLETS
KRISHI BANK

Outlet	Budget Head: Salary	Travel	Statio-nery	Medical	Rent	Total	Vol. of loan (Tk.000's)	Total No.of Borrowers
Malendah	4950	600	15	-	100	5665	2337	1174
Rangpur	4418	900	15	-	100	5433	1720	1109
Maijdee Court	4418	1000	15	-	100	5533	1075	836
Rajshahi	4472	1000	15	-	100	5587	2383	1470
Kushtia	4367	850	15	-	100	5332	2046	1105
Manikganj	4200	1500	15	-	100	5865	2117	1346
Faridpur	4305	800	15	-	100	5220	2719	1484
Gaibandha	4106	800	15	-	100	5021	1553	928
Karatia	3931	615	15	-	100	4661	2077	1284
Pabna	4200	800	15	-	100	5115	1286	1132
Sylhet	2575	400	15	-	100	3090	477	454
Khulna	1934	500	15	-	100	2549	1686	719
Madaripur	2539	300	15	-	100	2954	1808	1307
Mymensingh	1809	500	15	-	100	1414	712	481
Thakurgaon	3098	350	15	-	100	3563	1289	800
Narsingdi	3098	350	15	-	100	3563	423	313
Annual average per outlet	43815	8449	180	-	1200	53644	1667	997

Table B iii

MONTHLY ADMINISTRATIVE COST OF OUTLETS

SONALI BANK (TAKA)

Outlet	Budget Head: Salary	Travel	Stationery	Medical	Rent	Total	Vol. of loan (Tk. 000's)	Total No. of Borrowers
Jinglatoli	2612	300	50	-	250	3212	2000	891
Kuliarchar	2612	300	50	-	100	3062	1500	785
Birgonj	2612	300	50	-	100	3062	1600	272
Shahpur	2612	350	50	-	100	3112	1500	765
Sitakunda	1612	300	50	-	100	2262	1000	676
Jotpukuria	1252	350	50	-	100	1762	1500	801
Morfula Bazar	1252	550	50	-	100	1952	1200	750
Zilla Board	1448	300	50	-	100	1898	1500	650
Court Building	1448	300	50	-	100	1898	1000	457
Phultala	957	300	50	-	100	1407	1000	330
Annual average per outlet	22340	4020	600	-	1380	28340	1380	683

Table B iv

MONTHLY ADMINISTRATIVE COST OF OUTLETS

JANATA BANK (TAKA)

Outlet	Budget Head						Vol.of loan (Tk.000's)	Total No.of Borrowers
	Salary	Travel	Stationery	Medical	Rent	Total		
Jhikargacha	2623	375	20	-	50	3068	909	306
Khankhanapur	2410	300	20	-	50	2780	757	291
Banoswar	2386	375	20	-	50	2831	445	179
Baidyerbazar	2836	375	20	-	50	3281	478	221
Bamundi	2324	100	20	-	50	2494	446	239
Tebunia	2333	200	20	-	50	2603	571	184
Paglapur	2317	475	20	-	50	2862	121	225
Annual average per outlet	29532	3771	240	-	600	34143	532	235

Table B v

MONTHLY ADMINISTRATIVE COST OF OUTLETS
AGRANI BANK (TAKA)

Outlet	Budget Head: Salary	Travel	Stationery	Medical	Rent	Total	Vol. of loan (Tk.000's)	Total No. of Borrowers
Cadet College	2661	250	100	-	50	3061	496	695
Shadhuhati	2055	500	75	-	30	2660	503	415
Khamar	1235	200	52	-	30	1517	260	300
Shatra	2136	295	11	-	30	2472	322	288
Santiniketan	1759	500	75	-	30	2364	338	635
Annual average per outlet	23630	4188	751	-	408	28978	384	467

Table [illegible]

MONTHLY ADMINISTRATIVE COST OF OUTLETS
PUBALI BANK (TAKA)

Outlet	Budget Head: Salary	Travel	Stationery	Medical	Rent	Total	Vol. of loan (Tk.000's)	Total No. of Borrowers
Shabajpur	4147	107	273	330	650	5507	825	807
Elenga	3573	102	113	347	100	4235	896	667
Babugonj	3501	95	110	334	100	4140	627	412
Satihat	3571	200	121	388	100	4380	1139	568
Annual average per outlet	44376	1512	1851	4197	2650	54786	872	619

Table B.11

MONTHLY ADMINISTRATIVE COST OF OUTLETS
RUPALI BANK (TAKA)

Outlet	Budget Head: Salary	Travel	Statio-nery	Medical	Rent	Total	Vol.of loans (Tk.000's)	Total No.of Borrowers
Manshabazar	3740	333	50	-	25	4148	350	309
Rajgonj	3528	400	50	-	35	4013	500	370
Kalihati	3654	316	50	-	30	4050	800	931
Khan's Hat	2404	-	50	-	60	2514	1200	496
Annual aver-age per out-let	39978	3147	600	-	450	44175	713	527

Outlet	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		Vol. of loans (Tk 000's)	Total No. of Borrowers
[illegible]	[illegible]	[illegible]	[illegible]	-		[illegible]		
[illegible]	[illegible]	[illegible]		-		[illegible]		
[illegible]	[illegible]	[illegible]	[illegible]	-		[illegible]		
[illegible]n	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	-		[illegible]	[illegible]	[illegible]
Annual average per outlet	[illegible]	[illegible]	[illegible]	-		[illegible]		

Table B ix

MONTHLY ADMINISTRATIVE COST OF OUTLETS

I R D P (TAKA)

Outlet	Budget Head: Salary	Travelling Expenses	Statio-ery	Medical Allowance	Rent	Total	Vol. of loans (Tk 000's)	Total No. of Bor-rowers
Babugonj	716	140	10	-	-	866	462	231
Islampur	715	110	12	-	-	837	360	318
Joydebpur	609	110	15	-	-	734	110	134
Dhamrai	688	120	8	-	-	816	240	438
Morrelgonj	661	110	15	-	-	786	267	268
Chouddagram	780	140	20	-	-	940	644	309
Borhanuddin	732	140	15	-	-	887	491	648
Natore	775	140	15	-	-	930	172	231
Jhikargacha	666	110	20	-	-	796	190	303
Kaliakoir	788	140	10	-	-	938	143	136
Daudkandi	719	140	40	-	-	899	213	200
Kolaroa	776	150	10	-	-	936	114	195
Gopalpur	782	110	10	-	-	902	110	145
Sonagazi	755	110	10	-	-	875	36	220
Annual Average	871	1517	180	-	-	10408	3552	3776

Note: 1/ Only one full time staff at monthly salary of Tk.328-470 and two part-time staff of TCCA for RFEP. The KSS gets 2% out of interest and KSS Manager gets another 1% interest earned from loans which are collected.

Table B x

ITEMWISE AVERAGE COST FOR STAFF SALARIES AND OTHER ITEMS ALL INSTITUTIONS (TAKA) 1/

Budget Item	Krishi	Sonali	Janata	Agrani	Pubali	Rupali	Uttara
Salary of Loan Officer	1843	600	1626	1309	2149	1864	1433
Salary of Loan Assistant	600	400	550	450	681	-	1041
Salary of Village Agent	-	-	-	-	-	650 2/	-
Travelling Expenses	704	335	314	349	126	262	287
Stationery 3/	15	50	20	63	154	50	34
Rent of Premises 4/	100	100	50	34	100	38	50
Medical Expenses 5/	-	-	-	-	350	-	-

Note: 1/ IRDP and BSBL not included as non-comparable.

2/ Salary includes estimated commission of Tk 350/- per month. Basic Salary Tk 300/- only.

3/ Stationery expenses are not real because bulk of stationery is supplied free from the project office. The figures show a national average which is charged by each institution for its outlets generally.

4/ Rent is not actually charged except by Sonali and Pubali, but is included for each comparability institution on a pro rata basis for comparability.

5/ Medical expenses have not been charged by other banks, even though there are usually some expenses on medical allowances BKB salaries includes medical expenses.

SAVINGS

The table below ranks the performance of each institution in mobilizing savings from both target and non-target households.

Table -27

TOTAL SAVINGS [illegible]
AS A PERCENTAGE OF [illegible]

Institution	TG Savings (Tk)	NTG Savings (Tk)	Total Savings (Tk)	Savings as % of loans outstanding
Agrani	Tk 404,299	Tk 1,241,085	Tk 1,645,384	35.4
Rupali	112,456	1,158,613	1,271,069	18.6
Janata	314,201	786,504	1,100,705	21.8
Krishi	1,297,778	1,911,489	3,209,267	14.2
Uttara	66,630	23,067	89,697	11.6
I.R.D.P.	348,744	133,811	482,555	11.4
Sonali	816,405	625,980	1,442,385	10.7
Pubali 1/	134,132	-	134,132	4.1
BSBL 1/	177,240	-	177,240	2.9
All institutions	Tk 4,271,885	Tk 5,859,949	Tk 10,131,834	14.7%

Note: 1/ Pubali and BSBL do not solicit non-target savings.

Overall savings performance has continued to improve, rising from 12.9% of outstanding loans as of September 1981 to the 14.7 level reported above. This has been due largely to the heavy growth of deposits in Krishi outlets, which has more than counteracted the relative decline of both Rupali & Janata. Agrani, the leading bank in marshalling deposits, has continued to mobilize around one-third of outstanding loans from deposits. Rupali has not maintained its upward trend. The rapid increase in lending by Janata in recent months has exceeded the relative pace of its deposit mobilization. Sonali's trend has also declined. BSBL and Pubali continue to demonstrate the negative effect of not taking deposits from non-target groups savers.

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The relationship between the size of non-target deposits and total performance is strongly direct as shown in the next table.

Table - 28

PROPORTIONS OF TARGET AND NON-TARGET SAVINGS TO TOTAL SAVINGS

Institution	% TG Savings	% NTG Savings
Rupali	9.0%	91.0%
Janata	28.5	71.5
Agrani	24.6	75.4
Krishi	49.8	50.2
Sonali	56.6	43.4
IRDP	72.3	27.7
Uttara	74.3	25.7
Pubali	100.0	0.0
BSBL	100.00	0.0
All Institutions	42.2%	57.8%

The top performers, Agrani, Rupali and Janata, generate more than half their deposits from the non-target group. Krishi too now has just over 50% from this source. Overall non-target group savings amount to over half of all deposits and the percentages have exactly reversed in the six months from September 1981. This trend is likely to continue. It also reinforces the views expressed in the January '82 Evaluation Report concerning the importance of non-target deposits and the need to offer attractive rates of interest to encourage such deposits 1/.

This relationship persists in the ranking of institutions by;-the taka amount generated,and size of deposits per outlet as shown in the next two tables.

1/ See January 1982 Evaluation Report. Sec.IV,Ch.2,Ps. 229-251.

Table - 29

AVERAGE AMOUNT OF [illegible] 1/

Institution	Amount (Tk)
Krishi	Tk [illegible]
Agrani	[illegible]
Rupali	126,638
Sonali	144,239
Janata	93,526
I R D P	56,462
Pubali	33,533
Uttara	17,929
B S B L	14,335
All Institutions	Tk 114,790 (88 outlets)

Note: 1/ Operating outlets only, dropped outlets excluded.

Table-30

AVERAGE SIZE OF DEPOSITS (Taka)

Institution	NTG	TG
Rupali	Tk 3579	Tk 40
Janata	2587	237
Krishi	1445	192
Agrani	1116	111
Sonali	627	159
Uttara	563	81
I R D P	93	90
Pubali	-	56
B S B L	-	43
All Institutions	Tk 1058	Tk 125

Again the top performers rank high. All have substantially increased deposits per outlet except for Sonali where the increase has been small perhaps due to the limited business hours of Sonali's sub-branches. Krishi has now the largest deposits in total savings due to the scale of its operations. BSBL and Pubali savings mobilization is comparatively very small. This is in large part due to taking deposits only from the target group. Similarily IRDP by offering a very low rate of interest to the non-target group has consequently been unable to mobilize much from this source. Also IRDP outlets do not operate like regular banks and depositors cannot freely withdraw their savings daily as is the case with the other institutions. This is reflected in the average size of IRDP's deposits. The negative effect of compulsory savings upon target group deposits as earlier discussed 1/, continues to be clear with the generally voluntary methods of Janata, Agrani, Krishi and Sonali overall yielding higher deposits than institutions adopting compulsory methods. The best of the voluntary institutions, Janata, has realised per depositor two and half times more than the best compulsory institution, IRDP. The least of the voluntary institutions, Agrani, has realised nearly three times as much as the least of the compulsory institutions, Rupali. Further except for Rupali, the voluntary institutions total deposit mobilization from both target and non-target savers, has been better overall than the compulsory institutions. While compulsory deposits may have their place, they should be substantial and directly related to loan size if they are to make a contribution towards deposit mobilization and justify the costs of administering many small savings accounts. The present consultants do not recommend compulsory savings as a policy.

The relative performance of old and new outlets is shown in the next table.

1/ See January 1982 Evaluation. Sec. V, Ps 319-321

Table 31

[illegible] ([illegible])
AS PERCENTAGE OF [illegible]

Institution	Old outlets	New outlets	All outlets
[illegible]	[illegible]	[illegible]	[illegible]
Sonali	[illegible]	[illegible]	[illegible]
Janata	[illegible]	21.7	21.8
Krishi	15.6	7.8	14.2
Uttara	11.5	[illegible]	11.6
IRDP	11.2	11.8	11.4
Agrani	15.5	5.7	10.7
Rupali	4.1	-	4.1
BSBL	[illegible]	2.5	2.9
All Institutions	[illegible]	8.9%	8.2%

New outlets have only mobilized half the deposits in relation to outstanding loans achieved by old outlets, except at Janata, IRDP and Uttara. This is quite commendable given the current age of old outlets and the fact that the volume of lending at the new outlets has been much higher than old outlets during the initial phase of the RFEP. Traditionally, deposits most always lag behind lending (Janata's performance has been contrary to this in this project). It is strongly believed that aggressive deposit mobilization, particularily among the non-target group, could occur simultaneously with the development of significant target group lending.

The next table examines savings from a slightly different perspective, that of the amount of lending that has (at least in theory) been financed by deposits. Statutary regulations in Bangladesh demand that 25% of deposits are kept either in cash or invested in approved securities which usually yield a relatively low return. Thus only 75% are theoretically available for lending.

Table 32

AMOUNT OF LOANS FINANCED
BY DEPOSITS 1/

Institution	Inception thru 31 March, 1980	April '80 thru 2/ March '81	April '81 thru 2/ March '82
Rupali	19.1%	29.0%	16.7%
Agrani	7.6	15.8	60.8
Janata	5.8	21.8	17.2
Krishi	4.5	6.0	16.1
Sonali	14.7	11.0	3.4
I R D P	9.3	7.9	8.1
Uttara	4.5	5.9	20.5
Pubali	4.8	0.4	5.7
B S B L	1.3	1.7	2.7
All Institutions	6.2%	9.6%	13.9%

Note: 1/ Loans means outstanding loans and deposits means 75% of actual deposits which are actually available to finance loans.

2/ Increase in outstanding loans financed by increase in deposits only for the period stated.

As the table shows, over the life of the project up to March '81, less than 10% of lending was financed by deposits. In the last twelve months, performance has improved despite the steady growth of lending. Among the PLI's; Janata, Rupali and Sonali have been most successful even though Sonali showed some decline in the last year. Krishi and especially Agrani have both shown steady improvement. Agrani's performance clearly shows what can be achieved especially when allied to good loan recovery. Despite its high level of lending, Krishi's performance on saving mobilization has recently accelerated. The proving of Krishi's use of women as its [illegible], first discussed in the January 1982 evaluation report is evidenced in the table below. A monthly net increase in lending of over 1 million Taka has been 25% financed by deposits. This is very encouraging when one recalls that Krishi's growth in lending has, in 6 months, been greater than the current total outstanding loan balance of all institutions except Sonali and [illegible].

Table 33

KRISHI BANK - AMOUNT OF LOANS FINANCED FROM DEPOSITS

Month	Amount lent 1/	Net Amount Deposited 2/	% of amount loaned generated by deposits
Sept '81	Tk 1037668	23206	2.2%
Oct.	1379221	382070	27.7
Nov.	1402628	299357	22.8
Dec.	865741	499323	56.4
Jan '82	1421328	100700	7.1
Feb.	1534557	456360	29.7
March	(-376803)	(-220687) 3/	-
	5,862,902	1,480,356	25.2

Note: 1/ Net amount increased i.e. increase in outstanding loan balance.

2/ 75% only of deposits as per bank rules, 25% of all deposits are held in cash or in approved securities and are not available for lending.

3/ Reduced savings are calculated at 95%. The 5% of deposits held in cash is deducted to show the withdrawals from liquid reserves which would otherwise be lent.

Further insights into deposit mobilization can be gained from the two tables below which show the proportions of potential target and non-target households in the outlet areas now saving compared to before RFEP.

Table 34

PERCENTAGE NUMBER OF TARGET-GROUP HOUSEHOLDS IN OUTLET AREAS NOW SAVING IN BANKS UNDER RFEP COMPARED TO BEFORE RFEP 1/

Institution	Prior to 2/ RFEP (%)	Since RFEP %	+ (-) Change
Sonali	16.1%	65.0%	+ 48.9%
Rupali	1.4	46.9	+ 45.5
I R D P	21.5	62.3	+ 40.8
Uttara	4.8	45.4	+ 40.6
Agrani	7.0	41.3	+ 34.3
Pubali	8.3	39.6	+ 31.3
Krishi	9.9	40.8	+ 30.9
B S B L	13.0	25.6	+ 12.6
Janata	27.8	35.8	+ 8.0
All Institutions	11.3%	42.3%	+ 31.0%

Notes: 1/ Old operating outlets only
2/ Data from 1st Baseline Survey of Old Outlets

While the rise in the number of depositors has quadrupled, it should be recalled that generally the target group may save in banks only when they begin to take institutional credit. The size of their deposits is generally low and, as previously discussed, they are less likely to make deposits if they have outstanding loans and the variation between the lending & deposit rates of interest is large. 1/

1/ See January '82 Evaluation Sec. IV Ch. 2 P-251

Target group deposits have exceeded the potential maximum of Tk 1,705,500[1/] estimated in [illegible]. These should continue to grow as lending expands.

Table 35

[illegible]

Institution	No. of new deposi-tors under RFEP (%)	No. of existing 2/ depositors prior to RFEP	Total % now saving
Rupali	59.6%	39.2%	98.8%
Janata	50.0	21.0	71.0
B R D B	43.3	14.8	58.1
[illegible]	22.7	22.6	45.3
Agrani	27.0	18.1	45.1
Uttara	29.7	3.9	33.6
Krishi	23.5	8.8	32.3
BSBL	40.7	0.0	40.7
Pubali	29.7	0.0	29.7
All Institu-tions	31.6%	12.6%	44.2%

Notes: 1/ Old operating outlets only

2/ Data from 1st Baseline Survey of Old Outlets

The potential among non-target deposits is obvious. RFEP has only attracted 12.6% of new non-target households to deposit. Given that 30% of non-target households were already depositing and such deposits have not generally been switched to RFEP's enhanced rates, the data suggests that well over half of such households have yet to be brought into the institutional deposit network. Certain PLI's have done very well, notably Rupali, Agrani and Janata and it is these who have mobilized the [illegible] deposits under IRDP. Sonali's performance [illegible] that it has reached its maximum potential. However, given the small size of Sonali's outlet areas (1196 persons of which only 260 are non-target persons) and the possible inconvenience of thrice weekly as opposed to daily services which may reduce the size of deposits, not too much should be read into this figure. Similarly Janata's small outlet size (442 persons and only 100 non - target households) enhances its overall performance in this respect. IADP has reached a not inconsiderable number of non-target depositors but the rate of interest offered has undoubtedly discouraged both potential depositors and those who do deposit appear to place only limited amounts in their accounts.

The previous consultants estimated in 1980 that if over 50% of NTG households were covered, non-target deposits could yield between Tk. 3.6 million and Tk. 6.5 million. To date a total of Tk. 4.85 million has been deposited and less than 45% of the non-target group are depositing. It is in this sector that the potential exists. Krishi's innovative approach is showing results but also the steady effort by outlet staffs of Rupali, Janata, Agrani and even Sonali, without any special programs, has produced results. Assuming that the pricing policy for the proposed RFF is adequate and given that the non-target group are quite sensitive to interest rates 1/, there is no doubt that a coherent strategy and allocation of quite minimal resources can tap sufficient non-target deposits to generate much more capital which could amount to a large portion of the resources required to finance target group credit demand.

1/ See January 1982 Evaluation Sec. IV Ch.2. Para - 251

EVALUATION OF INSTITUTIONAL PERFORMANCE

For the January 1982 Evaluation, the present consultants developed a methodology based upon the grading system used by academic establishments throughout the world to assess student performance and adapted it to make an inter-institutional evaluation of performance. A number of indices of performance were selected for which each institution was given a grade 1/. Following the same indices of performance of: a) Extending credit to the target group, b) Financial viability and c) Savings mobilization, an updated ranking of institutions performance in the RFEP can be undertaken.

Extending Credit to the Target Group

The two indices used to measure performance in extending credit are presented in the table below. Two indices are used in order to neutralise the very wide variations in the scale of outlet operations which are in part due to outlet size. The index of loans also reflects projections for the proposed RFP where each outlet should disburse a minimum of 300 loans up to a maximum of 1200 per annum.

1/ See January 1982 Evaluation Sec.II Ps 157-159 for Methodology and Indices.

Table 36

TWO INDICES OF PERFORMANCE IN EXTENDING CREDIT TO THE TARGET GROUP

Insti-tution	Av. No. of loans per outlet			% TG receiving loans(old outlets only)			Grade point average for both indices
	Index.	Grade	Points	Index.	Grade	Points	
Krishi	1550	A	4	67.7	A	4	4
Sonali	1038	B	3	82.5	A	4	3.5
IRDP	622	C	2	58.4	B	3	2.5
Agrani	1011	B	3	46.7	C	2	2.5
Pubali	1105	B	3	40.0	C	2	2.5
Rupali	678	C	2	45.1	C	2	2.0
Janata	370	D	1	59.2	B	3	2.0
Uttara	376	D	1	45.8	C	2	1.5
BSBL	230	E	0	21.1	E	0	0

Both indices show a clustering at the "B" and "C" levels. While there is a reasonable degree of correlation between the two indices which indicates that both are a valid predicator of the other, there is equally sufficient variation to justify using both indices as a basis for assigning grades according to this criteria.

Financial Viability

As before the index of viability is the percentage of profit/(loss) on the average monthly outstanding loan balance of each institution for the twelve months April 1981 thru March 1982. This is the basic measure of profitability used in the RFEP. The table below records this.

Table 37
FINANCIAL VIABILITY

Institution	Index	Grade	Points
Krishi	8.2%	A	4
Rupali	6.8	A	4
Sonali	4.9	A	4
IRDP	4.8	A	4
Agrani	2.7	A	4
Janata	(2.6)	C	2
Pubali	(8.4)	D	1
BSBL	(9.3)	D	1
Uttara	(13.7)	D	1

The five profitable institutions were assigned "A"s automatically. Janata with only a modent loss was assigned a "C" while the remaining three institutions showing considerable losses were assigned "D"s.

Savings

The table below presents the index used to measure savings performance, that of savings in relation to loans outstanding as it is the ability to mobilize deposits for lending and not the gross size of deposits that is critical.

Table 38

SAVINGS MOBILIZED AS PERCENT OF OUTSTANDING LOAN AMOUNTS

Institution	Index	Grade	Points
Agrani	35.1	A	4
Rupali	28.6	B	3
Janata	21.8	B	3
Krishi	14.2	C	2
Uttara	11.6	C	2
IRDP	11.4	C	2
Sonali	10.7	C	2
Pubali	4.7	E	0
BSBL	2.9	E	0

Here the scores are quite spread out though with a definite clustering in the middle "C" range. BSBL in recording the lowest level of savings at 2.9% received its second "E".

Synthesis

In the final table of this section are combined the three indices into a composite score and a grade point average.

Table 39

COMPOSITE SCORES AND RANKING OF
INSTITUTIONS OF GRADE POINT AVERAGE

Institution	Credit to target group	Savings	Financial viability	Compost score	Grade point average
Agrani	2.5	4	4	10.5	3.5
Krishi	4	2	4	10	3.33
Sonali	3.5	2	4	9.5	3.17
Rupali	2.0	3	4	9	3.00
IRDP	2.5	2	4	8.5	2.83
Janata	2	3	2	7.0	2.33
Uttara	1.5	2	1	4.5	1.50
Pubali	2.5	0	1	3.5	1.17
BSBL	0	0	1	1.0	0.33

Agrani by improving performance in extending credit and financial viability allied to its continuing strong savings record, has improved its grade point average and now ranks first. Krishi and Sonali rank next as they did previously and both have improved their grade point average through greater savings mobilization and better extension of credit respectively. Rupali's average has slipped a little due to a down turn in savings. All four institutions continue to average 3.00 or better. IRDP and Janata have improved their average because of their increased levels of lending. Uttara and Pubali continue to average less than 2.00 with indifferent grades for all three indices. BSBL's performance has markedly deteriorated in recent months and this is reflected in its very low grade point average.

Commentary

It should be emphasized that this system of grading was devised to allow for inter-institutional comparisons of performance. The RFEP, being an experimental project, is designed to investigate differences in model and institutional performance. Any average of these scores, therefore, has little meaning as an indicator of overall project performance and should not be so used.

SECTION III   SPECIAL TOPICS

This section comprises three chapters on the following topics.

Chapter 1 - [illegible]
Chapter 2 - [illegible]
Chapter 3 - [illegible].

Chapters 1 and 2 consider aspects of the [illegible] not previously covered by earlier reports. Chapter 1 is of special significance in the light of planning for the projected follow-on [illegible] and the carry over of existing institutional systems from the [illegible].

Chapter 3 presents further analysis of this component of the [illegible] based on new data sources. It should be read in conjunction with Section IV, Chapter 1 of the January, 1982 evaluation Report.

Each chapter is separate and complete within itself. They are put together in this section for convenience. Each chapter indicates its own data sources, and unless otherwise stated all financial data is up to 31 March, 1982.

CHAPTER 1 MANAGEMENT REVIEW OF OUTLETS

Introduction

A total of 98 outlets were opened by the nine participating institutions under the aegis of the RFEP/during the first 62 phase (October 1978 to July 1980) and a further 36 during the present or second phase (August 1980 to August 1982). Since all but three(3) have been in operation for at least 12 months, it is believed useful to project evaluation to review their current status.

The data and analysis presented below is based upon the participating institutions' management review of outlets together with observations from the consultants. Several interviews were conducted with the Project Officers of the participating institutions in June/July 1982 to determine how many and which outlets are likely to continue under the anticipated follow-on project, RFP. The questions were also directed to determine what specific operational problems were encountered.

RFEP Outlets

The table below records how each institution views its outlets by three subjective categories; viable or potentially so, problematic and already closed or discontinued. Appendix-A at the end of this chapter records the outlets by name. Those recorded as viable are operating without financial loss and should continue to do so (36), those potentially viable (38) need: some management improvement, increase in volume of lending, decrease in overdue loans, reduction in delivery costs or a combination of two or more of these. Those recorded as problematic do not seem to have the same potential. Strict targets should be set in order that they quickly reach desired performance levels. Otherwise they should be dropped.

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Table 40

PERFORMANCE OF OPERATING OUTLETS UNDER RFEP

Institution	Rating of Outlet: Viable or potentially viable	Problematic	Dropped	Total Outlets
Krishi	15	0	1	16
Sonali	9	1	0	10
Janata	9	2	1	12
Agrani	7	2	2	11
Pubali	3	1	0	4
Rupali	7	0	0	7
Uttara	4	1	0	5
IRDP	11	3	0	14
BSBL	9	4	6	19
TOTAL	74	14	10	98
	(75.5%)	(14.3%)	(10.2%)	(100%)

Ten of the 98 outlets originally opened have been dropped as a result of excessive losses and poor performance. 14 others at the time this survey was conducted were considered problematic. The institutions were asked to state the reasons why their outlets have been dropped or are considered problematic. The responses of the Project Officers made are recorded below.

Table 41

PRINCIPAL REASONS WHY OUTLETS CLOSED OR PROBLEMATIC

	Reason	Percentage of Responses 1/
-	Poor outlet management	83.3%
-	Lack of credit opportunities for borrowers leading to enterprise failure and default. (This embraces poor loan appraisal)	45.8
-	Shortage of potential borrowers because of size of area, lack of interest, small number of target group population	45.8
-	High interest rates of RFEP and availability of lower interest credit	20.8
-	Shortage of outlet staff, inadequate training or both	12.5
-	Village factionalism	12.5
-	Difficulties of model implementation	4.5

Note: 1/ Most outlets had multiple problems.

The responses can be broadly classified into:- (a) borrower constraints and (b) management problems. Even so these are subjective and do not take into account borrowers' opinions. High interest rates (a critical RFEP variable) and the models were considered to be major problems at only a few outlets. This tends to confirm earlier studies on interest rates. The operational differences between the models in the original concept were very wide, however in practice the differences were much smaller than original plans. In fact the institutions all adopted one of three basic model approaches; individual, group or cooperative lending.

Borrowers Constraints:

22 out of the 24 problematic or dropped outlets cited borrower constraints. These included but were not limited to:-

marketing difficulties; flood affected areas leading to crop failure; limited opportunities for off-farm activities; distance of outlet office from the villages; etc. All RFEP outlets, except for the sub-branches of Sonali, have been located at existing rural branches of the institutions. The selection of the target areas was generally arbitrary. Although baseline surveys and target group identification surveys have indicated the size of the target group these have been carried out after RFEP operations commenced. As far as the present consultants are aware, no market surveys were conducted to determine the potential opportunities to be exploited by credit in the outlet areas, or the needs or numbers of target group families in these areas. Field reports and actual experience indicate certain areas selected are not suitable for this sort of program. Examples of such outlets include; Feni of Uttara, Baneswar and Noapara of Janata and Babuganj of Pubali.

The following two tables show the size of outlets under RFEP drawn from outlet records collected during the type-wise loan disbursement survey.

Table 42
POPULATION SIZE OF OUTLET AREAS

No. of T.G. Households	No. of outlets Old	New	Total	%
0- 300	9	9	18	19.4%
301- 600	11	8	19	20.4
601- 900	13	5	18	19.4
901-1200	11	2	13	14.0
1201-1500	5	5	10	10.7
1501-1800	6	1	7	7.5
1800+	7	1	8	8.6
Total	62	31	93	100.0%

Table 43

POPULATION SIZE OF OUTLET AREAS BY INSTITUTION

Institution	Old outlets Target Group households	New outlets Target Group households	All outlets Target Group households
Krishi	1707	1373	1636
Pubali	1522	-	1517
Sonali	937	1134	1035
BSBL	1276	574	952
Agrani	975	664	944
Rupali	1203	569	840
Janata	429	612	482
IRDP	543	273	439
Uttara	413	307	392

Note: Overall averages are not shown given the inter-institutional variations. BKB's large outlet sizes would skew the results.

Over 40% of all outlet areas have less than 600 T.G. households. New outlets show a greater trend towards small size, where over 55% have less than 600 potential borrower clients. Yet the August 1980 Final Report stated that as a general guide 300 loans p.a. would be necessary for viability[1/]. As the table above shows, except for Sonali and Janata, the average size of new outlets is smaller than old outlets. Recently several old outlets have increased the numbers of target villages in order to attract additional clients to borrow. Of the 24 problematic or dropped outlets recorded above, 15 (63%) have less than 600 potential clients.

The significance of this analysis can be seen in the light of RFEP experience and projections for the follow-on project. Among old outlets, the maximum number of borrowers served is 1156 at Krishi outlets some of whom have been in operation for nearly 4 years. These outlets have reached 67.7% of potential clients.

1/ Final Report, August 1980., P V - 22.

Projections for the follow-on project call for outlets to serve at least 900 borrowers after three years in order to be viable. This implies a potential clientele of around 1800 per outlet. Currently only 8 outlets (4 BSBL, 2 Krishi, 1 Agrani, 1 Pubali) are of that size. Considered also in the light of opportunities for lending, adequate market surveys,(as detailed in the proposed MIS for the RFP[1]), prior to commencing lending operations,are of crucial importance to ensure that the investment in an outlet will prove to be operationally viable for the institution and provide necessary and desired services to the client borrowers and savers.

As for current outlets, whether viable, potentially so or even problematic, a careful assessment needs to be made of each one to determine what expansion potential it has along with any constraints. It is not merely a matter of adding on new villages. This may increase staff costs in visiting the area and/or borrower transaction costs in visiting the outlet office. An assessment of credit opportunities needs to be made (market survey). Some existing outlet locations may not be entirely suitable and a new location nearer or within the actual target villages may be necessary (as Krishi has already determined at Khulna and Faridpur). It is the consultants opinion that all outlets with less than 900 potential clients should, at an early date, be surveyed to determine this potential, before any expansion of lending under RFP is undertaken.

Management Problems:

A review of RFEP reports suggests that there are three principal causes of management problems. This review supports that one or more of these factors affect the problematic or dropped outlets.

1/ MIS for RFP of July 1982, Ps. 56-59

The first is inadequate training. It is reported by consultant observers that outlet staff do not fully understand their roles and the full objectives of the project. It was reported in the March 1982. Evaluation that 51% of the outlet staffs interviewed in 1980, said that their training was inadequate. During the February 1982 Institutional Survey of 26 outlet staffs, 12 of those interviewed were perceived to be only moderately knowledgeable, hesitant or unsure in their knowledge about the project and their specific jobs.1/ It does not appear that the quality, subject or content and frequency of the training has been modified to relate specifically to RFEP needs. It appears the training has concentrated more on traditional subjects and formal lectures rather than "how to do it" and solving operational difficulties.

Second the lack of appropriate performance incentives for rural outlet staffs has been a negative factor. The one institution without any problematic or dropped outlets, Rupali, is the only institution offering some modest staff incentives. Both IRDP and BSBL have failed to effectively implement their incentives schemes. A higher than average number: 3 of 14 (21%) and 10 of 19 (53%) of their outlets respectively, have either been dropped or are problematic. The adequate provision of rural credit services involves a lot of work under very difficult and personal hardship conditions on the part of outlet staffs. The present consultants fully agree with the project designers and the first consultant team that without personal performance rewards outlet staff have little stimulus to do an adequate job and any failures of the project can be partly attributed to the lack of an enlightened personal incentives program.

Third is the provision of head office support and guidance, particularly action on the part of senior headquarters staff to provide leadership, supervision and to correct management defects. This problem was identified in the first major evaluation of RFEP

1/ March 1982 Evaluation Report, Sec. IV, Ch. 5, Pp. 276-277 in January [illegible] and although the situation has improved, it is still not satisfactory in the view of the present [illegible] consultants. The continuous transfer of staff throughout the project period is one example of this. During the recent investigation into self-evaluation, an almost universal comment from the institutions' Project Officers was of the lack of support from their own senior management officers and the Project Officers' inability to themselves instigate corrective actions.

While one can never fully legislate against management problems, it is possible to minimize their effects. Most important is to achieve a high level of training together with regular refresher courses for all staff. Besides being thorough, training and particularly refresher courses must address themselves to specific work and problem resolution and not be solely an exercise in examining past performance. Training must be backed up by personal incentives as a reward for superior performance. This is a most essential tool for a credit program[1/]. At headquarters, sufficient manpower, resources and authority to act must be invested in the appropriate staff so that they can provide the essential guidance and back-up to outlet staff in the performance of the program.

1/ March 1982 Evaluation Report, Sec. IV, Ch. 4, P. 273

Appendix A

STATUS OF OUTLETS

Institution	Viable or potentially so	Problematic	Dropped
A. Krishi	Gaibandha	-	Sylhet
	Faridpur		
	Manikganj		
	Pabna		
	Kushtia		
	Tangail		
	Rajshahi		
	Madaripur		
	Maijdee Court		
	Mymensingh		
	Narsingdi		
	Rangpur		
	Khulna		
	Melandah		
	Thakurgaon		
B. Sonali	Sitakunda	Phultula	-
	Goripur Bazar		
	Kuliachar		
	Birganj		
	Shahpur		
	Jotpukuria Br.		
	Zilla Board		
	Chittagong Bldg.		
	Morfala Bazar		
C. Janata	Jhikergacha	Paglapir	Tajpur
	Baneswar	Noapara	
	Baidyer Bazar		
	Bamundi		
	Tebunia		
	Khankhanpur		
	Kumira		
	Burghatta		
D. Agrani	Natherpetua	Baligaon	Chowkbazar
	Chuknagar	Jojag	Phulpur
	Khamar		
	Bhatra		
	Sadhuati		
	Shantiniketan		
	Cadet College		
E. Pubali	Ellenga	Babuganj	-
	Shabajpur		
	Satihat		

Institution	Viable or potentially so	Problematic	Dropped
F. Rupali	Kalihati Rajganj Mansha Bazar Kakonhat Narhatta Rahmatpur Khan's Hat	-	-
G. Uttara	Basam Mymensingh Atia Tangail	Feni	-
H. IRDP	Babuganj Islampur Joydebpur Dhamrai Burhanuddin Natore Jhikergacha Kaliakoir Kolaroa	Morelganj Chouddagram Gopalpur	-
I. BSBL	Taltoli Pashim Pakutia Jhalam(N) Batazore Jagannathpur Jhalam(S) Zadubayra Panti Deora(N)	Boailadah Baluhar Charkalibari Deora(Mohila)	Sree Krish-napur Talukjamira Arjuntala Beelgazaria Dubela Bhabanipur

Source: Short Institutional Survey of RFEP Outlets, June 1982.

CHAPTER 2 SELF-EVALUATION [illegible]

Introduction:

PIL 15 of July 30, 1980 called for each of the participating lending institutions (PLI's) to establish a self-evaluation capability within their respective [illegible] offices. This was to have been done by designating an additional staff member as the evaluation officer, who would be in a position to have a major influence on RFEP policy and implementation. PIL 15 also suggested a number of priority areas for initial analysis. Each PLI was expected to address this matter in its plan for the extension phase of RFEP upto August, 1982. This section of the report is a summary of progress during the extension phase of the RFEP.

Extension Period Plans:

Each PLI addressed the subject in its extension plan. Only four institutions - Krishi, Sonali, Agrani and Rupali - indicated that an additional staff person would be assigned to carry out this role, in conjunction with the RFEP Project Officer. The remaining institutions devolved responsibility for this work onto the Project Officer, though IADP did indicate that their Research and Evaluation Division would assist in the work.

Four institutions stated that the self-evaluation work would focus on some of the predetermined topics indicated in PIL 15 such as: loan recovery, staff productivity, demand for credit, impact of interest rates, savings mobilization, crop lending, model features, etc.. None of these plans however, laid down any framework and timetable as to when reports would be produced and how findings would be used and disseminated.

Achievement to Date:

Only two of the four institutions have assigned the additional staff as planned - Krishi and Agrani. Unfortunately in neither case have these officers remained in their respective positions. The officer at Krishi resigned and the one at Agrani was transferred. Neither was able to make any significant contribution and as of this date neither has been replaced. Sonali and Rupali have not assigned additional staff for this work and IRDP's Project Officer reported that the Institution's Research and Evaluation Division had not yet been involved in any way with evaluating RFEP activities.

The principal activity of the FLI's thus far has been limited to routine monitoring of performance and all institutions have been doing this to varying degrees of intensity. The work has concentrated principally upon institutional performance, accounting, reports and model implementation. The prime data sources are monthly financial reports from the outlets together with field visit reports, (See example in Appendix A).1/ At several institutions, notably Agrani and Sonali, the RFEP Officers reported that field visits were curtailed by senior management for the purpose of cost saving. Some institutions have apparently established quite detailed outlet-wise targets, notably; Krishi, Sonali and Janata, against which performance is measured. Among all institutions, where outlets fall below actual or perceived targets, the project officers attempt to stimulate corrective action either at the outlet level or through senior staff intervention. It does not appear that the sort of in-depth detailed studies that were originally proposed have been carried out. No reports on self-evaluation, except routine monthly progress data, such as are presented at the monthly meetings of the RFEP, have been made available to the present consultants.

Additional work has been done at the various refresher training courses held since July 1980, where sessions have been devoted to evaluation of performance. Details of these courses can be found in the Evaluation Report of 18 March, 1982.2/ Summary data, comparative charts, even outlet profitability in the case of Rupali, (See Appendix B) have been prepared for such sessions.

1/ The 3 appendices included are reproduced as written by the institutions concerned. No attempt has been to varify the accuracy of the calculations.

2/ See pages 279-288 of the above report.

The RFEP Project Officers have stated that this has been useful. However the consultant's training specialist has commented that, at those training courses he has attended in recent months, the emphasis of such sessions has been to examine previous performance and not enough consideration has been given to formulating plans to improve performance. This, it is believed, diminishes the value of such exercises.

Some of the institutions have carried out additional work in this field as follows:

<u>Krishi:</u> The RFEP project office has developed a Monthly Performance Report (See Appendix - C) for each officer working in the outlets. Each outlet is assessed against its targets and the levels of other outlets for comparative purposes. Performance factors can then be individually assessed. The aim is to develop a series of norms for future use. So far data has been collected but no analysis undertaken.

<u>Sonali:</u> Following the mid-project evaluation of 19[illegible], Sonali undertook an extensive model examination and introduced various substantial changes including; larger target areas, increased salaries and a debt rescheduling and refinancing policy for loanees whose activities had failed. Perhaps more significantly, plans were made to have regular training-cum-evaluation workshops every 6 months. Only two such workshops have thus far been held.

<u>Janata:</u> Headquarters sometimes sends out the regular summary performance figures to all outlets so that the staff can see how their individual performance compares to those of other outlets. Janata's Project Officer considered that this has helped to stimulate better performance at some outlets.

<u>IRDP:</u> Where problems occur at a particular outlet, the Project Officer always follows-up through field visits on a monthly basis until the situation is improved.

BSBL: as a result of its [illegible] [illegible], [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]. The introduction of ALO's 1/ at the [illegible] has [illegible] been successful in supervising the BDO's. [illegible] considering major structural [illegible] [illegible] proper control over the many BDO's operations and utilise their funds.

In discussions with [illegible] Project Officers, [illegible] [illegible] some [illegible] of frustration with the [illegible] [illegible] and a feeling that [illegible] has not been getting the full support of senior management. Common expressions of [illegible] [illegible] the travel restrictions, the arbitrary relocating of trained [illegible] staff and lack of additional headquarters staff. Project [illegible] commented that their reports and recommendations for action are frequently ignored or returned without comment by their superiors. This makes it difficult to overcome problems. Krishi, Agrani, Pubali, Rupali and Uttara specifically raised these matters during discussions.

What Assistance is Required:

Janata, Rupali and [illegible] were unable to offer any specific suggestions though Janata and Pubali said they would consider the matter and advise the consultants.

Other institutions identified several areas notably:-

- Calculations of outlet profitability together with sensitivity analysis to indicate which variables can and would affect financial viability most critically.
- Techniques to assess borrower benefits arising from loans.
- Training of outlet staff in evaluation techniques.
- Data collection and analysis techniques.

Several institutions suggested that training workshops on these topics would be useful, either for all institutions together or separately so as to include outlet staff in the

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1/ Assistant Loan Officers

process. On the whole however there seems to have been little real thought as to how such self-evaluation should be undertaken and what support by way of training etc. might be necessary.

Conclusions and Recommendations:

The development of self-evaluation within the institutions [illegible] in all five [illegible] not taken place. [illegible] little of the analysis proposed has been carried out. Two factors may be contributing to this.

First, the institutions have not allocated the resources required to do this work. Indeed five made no provision for additional manpower in their extension plans even though this was called for. In reviewing the relevant sections of the plans, the present consultants are of the opinion that in most cases the project officer alone would not have been able to carry out the studies envisaged. With hindsight it is arguable that the scale of self-evaluation called for was perhaps too elaborate, given the small size of the project, its experimental nature and the continued presence of consultants performing an evaluation function.

Second, there appears to have been little of the close dialogue between advisory Head Office staff and outlet staffs who are in charge of actual daily operations. This would be needed to carry out the studies planned and implement their findings. The more closely involved outlet staffs and even borrowers became in the evaluation process, and the more they feel responsible for the program the more likely it is that they would be willing to assist in initiation and implementation of changes.

Various workshops and training sessions could now be developed which would enable Head Office and outlet staff to better evaluate their performance. This could cover general topics such as evaluation techniques as well as technical matters; e.g., financial analysis, loan officer productivity, assessment of borrower benefits, etc. Guidelines and proforma could be developed to assist in this. The value of such training, however, will be lessened if the Project Officers at the institutions do not have either the resources to carry out such tasks or the support of senior management to initiate changes.

As the RFEP is now in its final stages any major effort at this time may be of only limited value. If self-evaluation is to be a high priority activity in the RFP, the following should be done:-

- Institutions continuing in the RFP should be expected to positively allocate the necessary resources and manpower at the outset for this work.

- Special attention should be given to assisting the evaluation officers in carrying out their tasks including special training courses, detailed guidelines and assistance with field work. In order to do this, training and other necessary materials will need to be developed.

- Evaluation planning and preparation should be a joint exercise between project personnel and the institutions' evaluation officers, with a view to increasing the level of evaluation carried out internally. Over 3-5 years, the institutions, with appropriate guidance and assistance could gradually assume the major role for evaluation of their activities, with the project's staffs assuming a secondary, co-ordinating role.

- Finally and perhaps most important, mechanisms need to be established whereby the results of evaluations can be both disseminated and policy and operational changes made in the light of evaluation findings can be quickly implemented. At the highest level, a project monitoring committee such as recommended on two occasions by the consultants represents a good approach.[1] Similar arrangements should be considered at the institutional and outlet level. Such mechanisms should not merely be of a monitoring nature but have operational functions to oversee implementation. Without such mechanisms, the value and lessons of project evaluations will be minimised.

1/ See Final Report three February 1981, P. 80-81 and RFEP Project Work Plan dated 7 August 1981, P.5

Inspection Report on the Progress of Islampur TCCA [illegible]
Director (Credit), IRDP

I visited the Islampur TCCA on the [illegible] January, 1982 to inspect progress and check the relevant office records. I also visited the KSS's under this TCCA.

A total of 565 loans amounting to Tk 6,35,850/- were disbursed [illegible] loanees from the [illegible] funds of the TCCA. Total collection upto the [illegible] January, 1982 was Tk 3,15,900/- and the balance Tk 3,19,750/- was outstanding. There were no defaulters. Details of loan disbursement and collection can be seen in the following schedule.

Name of KSS	No. of Loan	Purpose of loan	Amount dis-bursed	Amount col-lected	Amount out-standing	Defaul-ter
Purba Darir-bad	176	Trading	2,65,800	82,800	1,83,000	-
	86	Goat rearing	65,800	21,600	44,200	-
	47	Aus/B. Aman	17,000	17,000	-	-
	58	Sugarcane	82,500	82,500	-	-
Charia	27	Trading	29,400	-	29,400	-
	10	Goat rearing	5,000	-	5,000	-
Paschim Kismat Jala	114	Trading	1,64,650	1,15,000	49,650	-
	77	Goat rearing	56,800	47,200	9,600	-
Total	565		6,35,850	3,15,900	3,19,750	-

The TCCA has a savings account (No. 192) and a current account (No. 86) at the nearest bank. It appears in the bank statement that the TCCA has Tk 5,160.80 in the savings account upto 29th January, 1982 and Tk 96,642.06 in the current account upto 27th January, 1982. The Project Officer reported that a considerable amount of money has been transferred to the current account for loan disbursement to two KSS's. I advised the Project Officer to keep a small amount only in the current account and to deposit all share and savings funds in the savings account.

Office records of the program were not maintained properly. Type of loan (vide book No. 1, p. [illegible]) and [illegible] (vide book No. [illegible], pp. [illegible]) were not [illegible] supplied by the project. I requested [illegible] all necessary [illegible] to update the [illegible].

[illegible] ([illegible] loans [illegible]) of [illegible] member [illegible] in the TCCA. I [illegible] at this time, [illegible] the project, but to wait until [illegible].

I [illegible] the Project Officer to [illegible] mobilization and try to ensure [illegible] the [illegible]. I also [illegible] target families of the project area in the [illegible] because there had been virtually no increase in the number of [illegible] borrowers since the initial project [illegible].

Salary, benefits and travelling allowance of the Project Officer (10%) Accountant (20%), Inspector ([illegible]) and Village Accountant (if any, then 100%) were not reported in columns 7, 8 and 9 of p. 2 of monthly report. Moreover, it appears from the records that the per month expenditure on stationary was Tk 100/-. As a result it becomes difficult to evaluate the program properly. I requested them to keep proper accounts of all expenditure in future.

Rebates on loan repayment had not been calculated & given the TCCA members inspite of clear instructions from head office. If any member does not draw the rebate money, the amount should be deposited in the savings account of that member. According to the rules, the rebate can only be given to those who have taken loans at an interest rate of 24% and 30%. I requested the Project Officer to transfer the 1% commission to KSS managers and [illegible]% commission to the societies and the rebates to members as early as possible.

Project Officer and Project Director are requested to pay attention to the above mentioned points during subsequent visits to this TCCA.

Azizuddin Ahmed
Assistant Director (Credit)
IRDP, Dacca

RUPALI BANK

Appendix B

RURAL FINANCE EXPERIMENTAL PROJECT - INCOME AND EXPENDITURE MADE DURING THE SECOND PHASE 1-10-[illegible] - 31-12-[illegible]

Sl. No.	Name of the branch	Income (interest realized)	Interest paid on savings: Target Group	Interest paid on savings: Non-Target Group	Interest on Head Office investment	Interest on branch investment	Salary and allowance	Travelling allowance	Other operating expense	Total
1.	Kalihati	Tk 141580	3342	57008	3117	11384	61095	[illegible]	346	136749
2.	Rajganj Bazar	64425	168	14957	-	41607	57337	[illegible]	224	[illegible]
3.	Mansha Bazar	57220	550	35527	294	5572	57624	-	[illegible]	[illegible]
4.	Kakonhat	10362	33	445	1145	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5.	Narhatta	37512	1200	10574	32905	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6.	Rahmatpur	18349	243	1370	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7.	Khan's Hat	40882	402	468	23777	[illegible]	[illegible]	-	[illegible]	[illegible]
	Total:	Tk 370330	5998	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]
([illegible])

Sl. No.	Name of Branch	Date of initiation of loan	Rate of interest on advance	Total No. of loans	Total No. of loanees	[illegible]	Purpose of loan with percentage		
							[illegible]	Diversion and other [illegible]	Non-[illegible]
1	2	3	4	5	6	7	8	9	10
1.	Kalihati (Tangail)	[illegible]	[illegible]	1448	832	Tk [illegible]	[illegible] ([illegible])	[illegible] ([illegible])	1001680 (69.95%)
2.	Hajiganj Bazar (Noakhali)	29-05-79	18%	735	367	Tk 11,10,029	216229 ([illegible])	237000 ([illegible])	456750 ([illegible])
3.	Mansha Bazar (Khulna)	07-0[illegible]-79	24%	536	308	Tk 6,52,721	92353 ([illegible])	229820 ([illegible])	230380 ([illegible])
4.	Kakonhat	30-03-80	24%	105	77	Tk 1,57,815	10255 ([illegible])	75000 ([illegible])	72250 ([illegible])
5.	Karnatta (Bogra)	[illegible]-80	24%	[illegible]	[illegible]	Tk [illegible]	[illegible] ([illegible])	[illegible] ([illegible])	[illegible] ([illegible])
6.	Rahmatpur (Barisal)	09-10-80	30%	[illegible]	[illegible]	Tk [illegible]	[illegible] ([illegible])	[illegible] ([illegible])	[illegible] ([illegible])
7.	Khan's Hat (Chittagong)	16-10-80	30%	538	457	[illegible]	[illegible] ([illegible])	[illegible] ([illegible])	[illegible] ([illegible])
	Total :			3940	[illegible]	[illegible]	[illegible] ([illegible])	[illegible] ([illegible])	[illegible] ([illegible])

Loan recovered with percentage		Overdue		[illegible]		
				Rate of interest	[illegible]	
Principal	Interest	Principal	Interest		[illegible]	[illegible]
11	12	13	14	15	16	17
688359 (96.74%)	177775 (96.56%)	25220	6114	15%	[illegible]	[illegible]
748391 (92.81)	93245 (99.55%)	57959	417	12%	6502	[illegible]
375965 (98.47%)	68742 (97.22%)	5859	1954	15%	11457	[illegible]
53865 (82.39%)	10562 (85.69%)	11515	1731	13%	1457	[illegible]
157855 (67.40%)	37512 (100%)	76350	-	13%	[illegible]	[illegible]
87662 (88.50%)	18849 (86.95%)	11393	2833	14%	[illegible]	[illegible]
169182 (87.37%)	40882 (100%)	24450	-	14%	[illegible]	
2281279 (91.54%)	441367 (92.13%)	210746	13059		[illegible]	[illegible]

Appendix C.

BANGLADESH KRISHI BANK

________________ BRANCH

RURAL FINANCE EXPERIMENTAL PROJECT

FOR ________________
(Name of the month)

Sl. No.	Particulars	Name/Names of the Officer/Officers	
		Mr.	Mr.
1.	New target groups covered		
2.	Amount of loan recommended and disbursed		
3.	Amount of deposit collected		
4.	Amount of loan recovered within due date		
5.	Total amount of loan recovered from the alloted area		
6.	Amount overdue in the alloted area		
7.	No. of passbooks in arrear for distribution to the borrowers of the area		

Signature of the Officer

Signature of the Officer

Signature of the Manager

CHAPTER 3 INTEREST RATES ON LOANS

Introduction:

Evidence from the RFEP to date has indicated that the varying rates of interest for loans have not greatly affected levels of borrowing, collections or overdues. Data from the Typewise loan Disbursements Survey, as of 31 December 1981, permits further analysis of specific loan purposes. Data from the old outlets only are presented here, because the more recent lending at new outlets would distort the picture. This is particularity true in relation to overdues. Appendix A at the end of this chapter tabulates the numbers, amounts, collections and overdues of the principal loan purposes. These data account for approximately 90% of loans made at the outlets at the various interest rate levels. For detailed analysis, the ten (10) most common loan purposes earlier identified in Section II of this report have been selected. Although the universe is different, these loan purposes are usually the major ones at each interest rate level and comprise an adequate cross section of crop, agriculture related and non-agricultural enterprizes.

Number of loans

The first table below shows the percentage of number of loans for the ten activities listed at each interest rate level. Except for Beef Fattening and B.Aus (local) which decline markedly as interest rates rise, there is no obvious trend of activities becoming less popular and being replaced by others at the higher interest rate levels. HYV Boro for example is as widespread at 36% as it is at 12%. Perhaps most significant is the diversity of activities at each of the interest rate levels as seen in the appendix which indicates both the wealth of opportunities and imagination of borrowers in exploiting them.

Table 44

PERCENTAGE SHARE OF TOTAL LOAN NUMBERS OF 10 MOST COMMON LOANS PURPOSE AT DIFFERENT LOAN INTEREST RATES

Name of activity	Rate of interest for loans 12%	18%	24%	30%	36%
Oxen/Buffalo for plowing /draft	10.8%	8.0%	19.8%	12.1%	10.1%
Beef Fattening	21.9	10.2	3.6	3.5	3.6
Dhenki Rice Husking	5.0	1.5	9.9	3.0	13.2
T.Aman(local)	6.7	14.2	3.0	4.1	3.6
HYV Boro	5.7	14.9	-	2.7	5.8
Milk Cow/ Buffalo	9.8	1.0	9.7	3.3	7.6
Grocery Shop	4.0	1.6	2.7	8.9	2.4
B.Aus (local)	3.6	4.2	1.8	-	-
Rickshaw/Van	2.2	1.2	3.4	4.3	3.3
Goats/Sheep	2.4	1.8	6.0	1.1	2.0
Total	72.1%	58.6%	59.9%	43.0%	51.6%

Loan size

The next table shows the size of loans of the same activities at the various interest rate levels. There appears to be evidence of an inverse correlation between loan size and interest rate among individual activities. Overall average loan size up to 30% is consistent. (The low average at 18% is an anomaly caused by the large number of small crop loans disbursed by IRDP). This inverse trend, while not perfect, is most evident for livestock purposes and rickshaws. This suggests that the size of interest payments may become a significant factor for borrowers at the higher rates of interest.

They react by reducing the size of their loans. The correlation however does not hold good for crops generally except that few if any people have borrowed for B. Aus (local) at the higher interest rate levels. This may be significant. The correlation also does not hold for the other non-agricultural activities where loan size at 30% and 36% is comparable to or ever higher than that at the lower interest rate levels.

Table 45

LOAN SIZE OF 10 MOST COMMON LOAN PURPOSE AT DIFFERENT LOAN INTEREST RATES

Name of activity	Rate of interest for loans 12%	18%	24%	30%	36%
Oxen/Buffalo for plowing /draft	Tk 2154	Tk 2096	Tk 1898	Tk 1934	Tk 1115
Beef Fattening	2097	1141	2040	1315	909
Dhenki Rice Husking	1784	1009	3346	807	1235
T.Aman (local)	941	1229	982	1375	962
HYV Boro	441	1008	-	1541	855
Milk Cow/ Buffalo	2044	2473	1750	2360	1416
Grocery Shop	1958	1865	1963	1633	2909
B. Aus (local)	901	993	1158	--	--
Rickshaw/Van	2741	2884	2050	3007	1441
Goats/Sheep	1062	430	712	1000	554
Average 1/	Tk 1636	Tk 1237	Tk 1673	Tk 1632	Tk 1179

Notes: 1/ The average is that for loans as a whole at each interest rate taken from the tables in the appendix to this chapter.

It appears that while people are quite willing to take loans for all types of activity, they adjust the size of the loan where possible in order to minimize the costs of borrowing and yet maintain the return on the investment. While this is less easy with crops where adequate inputs are vital to secure a proper output, it can be done with livestock by reducing the size of the enterprise:- buying smaller animals, using own funds etc.. As for the small size of rickshaw loans at 36% the reasons are not entirely clear because the actual purchase costs do not vary greatly. One possible explanation, which has been observed during field visits, is that borrowers may buy reconditioned rickshaws at lower prices rather than new ones, thus reducing the size of the loan and consequent interest payments.

Overdues

The table below shows the overdue position of the activities at the different interest rate levels.

Table 46

PERCENTAGE OF OVERDUES OF PRINCIPAL LOAN PURPOSES AT DIFFERENT LOAN INTEREST RATE LEVELS

Name of activity	Rate of interest on loans				
	12%	18%	24%	30%	36%
Oxen/Buffalo for plowing/draft	2.9%	4.7%	20.1%	3.8%	2.2%
Beef Fattening	6.9	2.3	1.8	17.3	32.6
Dhenki Rice Husking	2.1	21.2	13.6	22.8	1.3
T.Aman (local)	2.8	0.9	22.0	2.3	6.3
HYV Boro	38.3	10.6	-	0.0	0.3
Milk Cow/Buffalo	8.3	6.5	3.9	33.1	0.4
Grocery Shop	0.2	1.8	16.0	19.1	0.7
B.Aus (local)	0.9	16.5	14.9	-	-
Rickshaw/Van	7.8	5.9	18.0	31.5	6.7
Goats/Sheep	1.0	4.2	3.3	17.7	6.7
Average 1/	6.1%	8.5%	13.8%	17.0%	4.8%

Notes: 1/ The average given is that for loans for the respective interest rates as a whole, taken from the appendix to this chapter.

It might be expected that overdues would rise as interest rates increase and the above table shows that when all loans are taken together this appears to be the case up to the 30% level. However at 36% overdues are the lowest of all interest rates overall and for all the activities listed except for Beef Fattening and T. Aman. Equally the overall trend is not seen among the individual activities, except for grocery shops, which would be expected, given that these 10 activities account for over half of all loans made (except at 30%).

A further examination of the complete tables in the appendix for 24%, 30% and 36% show that overall overdues are skewed by a few activities. At 24%, four activities (Oxen/Buffalo for plowing/draft, Dhenki Rice Husking, B. Aman (local) and Rice Wholeselling which together account for just one-third of loans) account for 55% of overdues. Eliminating these, the overdues fall to 9.2%. Similarly at 30%, four activities (Hat Trading, Rickshaw, Rice/Flour Retailing, Small Shops which together account for just 15% of loans) account for 55% of overdues. Eliminating these, the overdues fall to 10.4%. Conversely at 36%, two activities (Dhenki Rice Husking and HYV Boro which account for 20% of loans) only account for only 5% of overdues. Eliminating these, the overdues rise to 6.1%. Further by referring to the Typewise Loan Distribution by institution in Section II of this report, these high overdues are often confined to one or a few outlets (e.g.: 55% for Oxen/Buffalo for plowing at Pubali, Babuganj at 24%; 49% overdues for rickshaws at 30% at BSBL outlets). Virtually all the activities with high overdues are found at BSBL outlets (e.g.: Rice Husking-39% overdues, Rice Wholeselling-76%, Hat Trading-82%). Conversely activities at 36% are calculated on data from 4 outlets only, three of which; Cadet College, Kalihati and Ellenga both dominate the lending and have low or zero overdues.

Time has not permitted further analysis of activities by interest rate for each institution seperately. Further conclusive analysis, particularly as regards the real benefits of loans at varying interest rates, from the 'Borrowers Financial Survey' being prepared by the S.F. Ahmed Company, was not available at the time this was written. But on the evidence so far it would be wrong to conclude that interest rates themselves markedly affect repayment of loans rather than the attitudes and relations between outlet staff and borrowers.

Conclusions

Studies during Phase I of the RFEP concluded that the rates of interest on loans has not affected the levels and intensity of borrowing. During Phase 2 of the project rather more detailed studies have been carried out as the issue has been a main feature of the experiment and required some resolution when considering the proposed follow-on project. The January 1982 evaluation analysed levels of borrowing, repeat loans, collections and overdues and concluded that up to the 30% interest rate level, there were no significant variations. At the 36% interest rate level, there was some borrower resistance in terms of less crop loans and smaller loan sizes, which could have been due partly to the availability of cheaper crop loans from other sources.

The additional analysis afforded by these data may be interpreted as follows. The level of food crop lending quite clearly declines at both the 30% and 36% interest rate levels. Similarly loan size quite markedly declines, especially for activities for which the loan size can be flexible, at the 36% interest rate level. Borrowers at the 36% interest rate level seem prepared to borrow but where possible appear to reduce the size of their loan so as to reduce the absolute size of interest charges. The pattern of overdues does initially appear to be affected by interest rates, rising up to 30%, then falling. However this may be an anamoly due to the composition of the institutional and outlet data sources for the various interest rate levels. The lower overdues at the 36% level may also be influenced by the decline in loan size at that level. While analysis from the 'Borrowers Financial Survey' may throw more light on this subject, the evidence so far certainly shows that there is little need to offer low interest or subsidized loans to RFEP borrowers. Equally it is difficult to justify such an approach because the evidence from the RFEP strongly supports the view that it is not the cost of the loan which affects defaults but the relations or lack thereof between client and lender that will determine whether the loan is repaid or not.

APPENDIX-A

MAJOR ACTIVITY-WISE LOAN DISBURSEMENTS, COLLECTIONS AND OVERDUES BY INTEREST RATE LEVEL (AT 31-12-82)

12% INTEREST 1/

Loan purpose	No.of loans	Total disbursed (Tk 000's)	Total collected (Tk 000's)	Total overdue (Tk)	% overdue
Beef Fattening	2493	Tk 5229	Tk 888	Tk 65700	6.9%
Oxen/Buffalo for Plowing/draft	1234	2658	790	23600	2.9
Milk Cow/ Buffalo	1116	2281	1128	101449	8.3
T.Aman (local)	760	715	388	11452	2.8
HYV Boro	651	287	156	97000	38.3
Dhenki Rice Husking	574	1024	514	10946	2.1
Grocery shop	459	899	566	928	0.2
B.Aus (local)	413	372	264	2300	0.9
Goats/Sheep	273	290	100	1000	1.0
Rice Trading	256	270	198	2906	1.5
Rickshaw/Van	247	677	369	30244	7.8
Sugarcane	224	441	269	12600	4.5
T.Aus (local)	220	262	167	2442	1.4
Land releasing from mortgage	166	216	95	28400	23.0
Rain-fed Wheat	142	169	51	1150	2.2
HYV Aman	130	130	71	-	0.0
Fish Farming/ Breeding	124	186	78	32059	29.0
Boro (local)	112	127	80	2200	2.7
Fishing (boats/ nets)	102	207	152	5000	3.2
HYV Aus	95	95	42	-	0.0
Vegetable Production	90	127	65	1332	2.0
Fish Net Making	89	85	62	5000	0.8
Jute Cultivation	86	115	24	-	0.0
Potato Production	86	117	64	-	0.0

Loan purpose	No. of loan	Total disbursed (Tk 000's)	Total collection (Tk 000's)	Total overdue (Tk)	% overdue
Blacksmith(metal tools)	86	Tk 143	Tk 78	Tk 4150	5.1
Chicken Rearing	66	430	100	1700	14.3
TOTAL	10294 2/	Tk 16837	Tk 6759	Tk 442658	6.1%

Notes: 1/ Data drawn from 8 outlets: BKB:- Gaibanda, Manikganj, Sonali:- Sitakunda. Agrani:-Natherpetua, Pubali:- Shahabazpur.

2/ Accounts for 90.30% of all loans made. A further 55 loans purpose uses recorded.

MAJOR ACTIVITY-WISE LOAN DISBURSEMENTS, COLLECTIONS AND OVERDUES BY INTEREST RATE LEVELS (AT 31-12-81)

18% INTEREST 1/

Loan purpose	No. of loans	Total disbursed (Tk 000's)	Total collected (Tk 000's)	Total overdue (Tk)	% overdue
HYV Boro	2135	Tk 2153	Tk 1737	Tk 204989	10.6%
T.Aman (local)	2032	2497	1309	11768	0.9
Beef Fattening	1459	1664	628	14835	2.3
Oxen/Buffalo for plowing/draft	1140	2390	852	42457	4.7
T.Aus (local)	631	731	206	131200	38.9
B.Aus (local)	595	591	441	87021	16.5
Rain-fed Wheat	517	299	147	2227	1.5
B.Aman (local)	400	333	186	5300	2.8
HYV Aus	350	335	228	39093	14.6
Vegetables Production	335	286	185	3800	2.0
Fertilizer (for general use)	310	260	161	3800	2.3
Oil Ghani (press)	285	649	288	5300	1.8
Goats/Sheep	260	112	58	2510	4.2
Sugarcane	243	213	21	20300	48.8
Grocery Shop	229	427	226	4070	1.8
Dhenki Rice Husking	217	219	97	26262	21.2
Small General Business	208	196	60	3635	5.7
Handloom (cotton)	203	703	268	57374	17.6
Hat Trading	180	183	102	1328	1.3
Rickshaw/Van	173	499	262	16542	5.9
Jute Cultivation	165	132	106	26000	19.6
Muri/Chira Making	163	136	66	-	-
Milk Cow/Buffalo	150	371	197	13816	6.5

Loan purpose	No.of loans	Total disbursed (Tk 000's)	Total colleted (Tk 000's)	Total overdue (Tk)	% overdue
HYV Aman (local)	144	Tk 135	Tk 91	Tk 4132	4.3
Land releasing from mortgage	143	262	28	1000	3.5
Family Subsistence /Domestic	140	119	62	-	-
Mustard Seed Cultivation	130	79	46	5000	9.9
TOTAL	12910 2/	Tk 15974	Tk 8058	Tk 733759	8.5%

Notes: 1/ Data drawn from 21 outlets: BKB:- Pabna, Tangail. Sonali:-Kuliachar, Shahpur. Rupali:-Rajganj.Agrani: Chuknagar, Khamar Bazar. Uttara:-Mymensingh. IRDP: Babuganj, Chouddagram,Morrelganj,Dhamrai, Joydebpur, Natore,Borhanuddin. BSBL:-Baluhar, Jhalam(N),Boildah, Charkalibari, Pachim Pakutia, Taltoli.

2/ Covers 90.36% of all loans made. Another 49 loan purpose uses record.

MAJOR ACTIVITY-WISE LOAN DISBURSEMENT, COLLECTIONS AND OVERDUES BY INTEREST RATE LEVELS (AT 31-12-81)

24% INTEREST 1/

Loan purpose	No. of loans	Total disbursed (Tk 000's)	Total collected (Tk 000's)	Total overdue (Tk)	% overdue
Oxen/Buffalo for plowing/draft	2187	Tk 4150	Tk 1369	Tk 343234	20.1%
Dhenki Rice Husking	1091	3650	1599	250939	13.6
Milk Cow/Buffalo	1067	1868	1558	62770	3.9
Goats/Sheep	659	469	329	11159	3.3
Beef Fattening	397	810	134	2500	1.8
B.Aman (local)	390	526	251	114920	31.4
Rickshaw/Van	376	771	412	90118	18.0
T.Aman (local)	333	327	141	39900	22.0
Grocery shop	298	585	270	51838	16.0
Sugarcane	206	176	45	8006	15.1
Rabi Crops	206	167	63	7893	11.2
B.Aus (local)	203	235	164	28800	14.9
Cattle Trading	191	28	17	-	-
Fish Farming	183	233	20	2400	10.8
Rain-fed Wheat	182	38	10	1400	11.8
Wood Trading	170	272	101	13570	11.9
HYV Aman	162	213	49	7233	12.9
Land releasing from mortgage	162	244	28	5980	17.7
Vegetable Production	159	134	69	21500	13.8
Flour/Rice Retailing	128	95	37	13000	26.1
T.Aus (local)	99	130	52	2467	4.5
Pan Leaf Production	95	114	53	3300	5.8
Vegetables Wholeselling	95	141	51	900	1.7
Fish Net Making	68	135	42	4313	4.3

Loan purpose	No. of loans	Total disbursed (Tk 000's)	Total collected (Tk 000's)	Total overdue (Tk)	% overdue
HYV Aus	67	Tk 49	Tk 42	Tk 2875	6.4
Local Boro	67	90	75	623	.8
Bamboo Furniture Making	63	59	33	-	-
Potato Cultivation	59	109	44	1750	3.8
Cotton Spinning (Charka)	59	58	8	-	-
Rice Wholeselling	58	168	-	43300	100.0
Pottery	56	71	64	5675	8.1
Cottage Industries (gen.)	55	10	7	-	-
Bamboo Trading	53	20	11	-	-
Fruit Orchard	51	36	24	1075	4.3
Jute Cultivation	51	118	38	1212	3.1
Banana Cultivation	44	49	6	2500	29.1
Boat (for transport)	44	57	27	4959	15.7
Ox-cart	43	77	8	2800	24.8
Feriwala	39	106	12	5811	31.8
TOTAL	9916 2/	Tk 16588	Tk 7268	Tk 1160720	13.8%

Notes: 1/ Data drawn from 22 outlets:- BKB:-Maijdee court,Rajshahi, Mymensingh,Madaripur. Sonali:-Birganj. Rupali:-Mansha Br. Pubali:-Babuganj. Uttara:-Tangail.IRDP:-Babuganj,Chouddagram, Morrelganj, Dhamrai, Joydebpur, Natore. BSBL:-Baluhar, Jham(N), Boildah, Charkalibari, Pachim Palutia, Taltoli. Agrani:-Bhatra, Shadhuhati.

2/ Accounts for 89.7% of all loans made at these outlets. Another 57 loan purpose uses recorded.

MAJOR ACTIVITY-WISE LOAN DISBURSEMENTS, COLLECTIONS AND OVERDUES BY INTEREST RATE LEVELS (AT 31-12-81)

30% INTEREST 1/

Loan purpose	No. of loans	Total disbursed (Tk 000's)	Total collected (Tk 000's)	Total overdue (Tk)	% overdue
Oxen/Buffalo for plowing/draft	768	Tk 1485	Tk 329	Tk 12940	3.8%
Muri/Chira Making	668	795	486	2000	0.4
Grocery Shop	564	921	407	96417	19.1
Hat Trading	421	824	245	178883	42.2
Potato Cultivation	416	552	249	67156	21.2
Rickshaw/Van	272	818	359	165288	31.5
T.Aman (local)	259	356	98	2300	2.3
Beef Fattening	222	292	148	31053	17.3
Milk Cow/Buffalo	211	498	168	83269	33.1
Dhenki Rice Husking	187	151	92	27213	22.8
Rice/Flour Retailing	180	417	106	92314	46.9
HYV Boro	172	265	197	-	0.0
Pan Leaf Production	135	208	171	4900	2.8
Land Releasing from mortgage	115	146	22	1525	6.6
Fishing (boat and net)	108	155	99	39801	28.7
Permanent Shop (gen.)	94	147	22	22050	49.5
Tobacco Wholeselling	90	101	30	-	0.0
Cloth Retailing	78	202	93	32107	25.6
Rain-fed Wheat	73	57	35	2800	7.4
Mat/Pati Making	73	-	-	-	-
Goats/Sheep	71	71	24	5151	17.7
Vegetables/Fruits Wholeselling	71	150	19	5249	21.6

Loan purpose	No. of loans	Total disbursed (Tk 000's)	Total collected (Tk 000's)	Total overdue (Tk)	% overdue
Tobacco Production	62	Tk 63	Tk 21	Tk -	0.0
T.Aus (local)	59	57	14	3000	17.5
Sugarcane	56	418	120	18320	13.2
Pan/Cigarettes Stall	51	55	39	-	0.0
Chicken Rearing	43	61	11	2411	17.6
Blacksmith/metal tools	42	67	41	2275	5.3
Feriwala	42	43	27	12800	32.5
Bamboo/Cane Furniture Making	39	36	17	-	0.0
Family subsistance /Domestic	36	37	3	1022	27.7
Jute Cultivation	35	37	8	2000	19.4
TOTAL	5713 2/	Tk 9327	Tk 4223	Tk 864244	17.0%

Notes: 1/ Data drawn from 18 outlets: BKB;-Rangpur, Khulna. Uttara:-Basam. IRDP:-Babuganj,Chouddagram,Morrelganj, Dhamrai,Joydebpur,Natore. BSBL:- Baluhar, Jhalam(N), Boildah,Charkalibari,Pachim Pakutia,Taltoli. Janata: Baider Bazar. Agrani:- Santiniketan, Baligoan.

2/ Covers 90.33% of all loans made. Another 58 loan purposes used recorded.

MAJOR ACTIVITY-WISE LOAN DISBURSEMENTS, COLLECTIONS AND OVERDUES BY INTEREST RATE LEVELS (AT 31-12-81)

36% INTEREST[1/]

Loan purpose	No. of loans	Total disbursed (Tk 000's)	Total collected (Tk 000's)	Total overdue (Tk)	% overdue
Dhenki Rice Husking	489	Tk 604	Tk 433	Tk 5701	1.3%
Oxen/Buffalo for plowing/draft	371	414	262	5922	2.2
Milk Cow/ Buffalo	281	398	251	1000	0.4
HYV Boro	214	183	178	600	0.3
HYV Aus	157	151	95	7857	7.6
Rice Wholeselling	147	176	65	3005	4.4
Oil Ghani(press)	133	130	68	1445	2.1
Beef Fattening	132	120	68	32933	32.6
T.Aman (local)	137	126	76	5081	6.3
Pottery	129	127	54	1355	2.4
Rickshaw/Van	120	173	118	8495	6.7
Firewood Trading	89	121	97	-	-
Grocery Shop	88	256	173	1300	0.7
Rain-fed Wheat	82	56	56	-	-
Goats/Sheep	74	41	33	2350	6.7
HYV Aman	67	44	23	20317	46.5
Cloth Retailing	64	112	42	1000	2.3
Mustard Whole-selling	58	90	21	-	-
Jute Whole-selling	55	87	71	-	-
Feriwala	46	45	14	11969	45.3
Fish Net Making	45	36	21	2355	10.1
Pulses Whole-selling	42	90	38	-	-
Blacksmith (metal tools)	38	38	6	-	-

Loan purpose	No. of loans	Total disbursed (Tk 000's)	Total collected (Tk 000's)	Total overdue (Tk)	% overdue
Basket Making	35	Tk 33	Tk 20	Tk -	-
Bamboo Cane Furniture Making	34	25	22	-	-
Boat Making (transport)	33	30	22	50	0.2
Hat Trading	31	29	16	-	-
Wood Trading	30	62	18	6541	26.8
Vegetables Production	29	23	15	734	4.5
Vegetables/Fruit Shop	28	36	18	-	-
Stationery Shop	28	48	23	-	-
Jute Cultivation	23	17	17	-	-
Mat/Pati Making	22	28	15	1300	7.9
TOTAL	3349	Tk 3949	Tk 2395	Tk 121310	4.8%

Notes: 1/ Data drawn from 4 outlets: Rupali:- Kalihati, Uttara: Feni, Ellenga (Pubali), Agrani:- Cadet College.

2/ Accounts to 90.7% of all loans made at these outlets. A further loan purposes recorded.