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## **AGRICULTURAL CREDIT INSTITUTIONS AND POLICIES IN BANGLADESH, 1974-84\***

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### **ABSTRACT**

The paper shows that there has been considerable geographical and institutional overlap in the coverage of the rural areas involving inefficiency in resource allocation and stop-uniform coverage of the clientele. Operation of the lead bank system has also proved to be difficult. Multiple lending to defaulters of other and multiple pledging of the same security remain serious problems. A number of suggestions made to improve the situation.

### **I. INTRODUCTION**

Rural development is a firm commitment of the Government of Bangladesh. In particular, with the emergence of the Martial Law Government in 1982, considerable has been placed on the development of agriculture and rural development. The welfare of 68,000 villages is professed to be the cornerstone of the present Government policy. The agricultural credit institutions and policies form a major part of the development policy package.

The purpose of this paper is to trace out the gradual development of the agricultural credit policy during the decade of 1974-84 along with growth, development of institutions executing those policies. In Section II, we will describe very briefly the devolution of those policies. In Section III, the present mechanism of rural credit along with its institutional structure has been presented. In Section IV, highlights of the characteristics of rural credit as distinguished from the industrial credit in terms of norms, seasona-

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lity, availability and institutional complexity have been highlighted. In Section V, an evaluation of the agricultural credit institutions and policies have been presented in the light of the realities that exist at present. In Section VI, suggestions have been offered to improve the situation so that efficiency of the rural credit system is raised, cost of delivery lowered and better geographical coverage is achieved thereby enhancing the prospects of achievements of the goal of agricultural planning.

## II. THE GROWTH OF AGRICULTURAL CREDIT POLICIES

The number of total rural branches from July 1975 to June 1984 are presented in Table 1. The total volume of credit disbursed during the period from 1974-75 to 1983-84 and the amount recovered during the same period are shown in Table 2. Programmes existing in 1973-74 and 1983-84 are presented in Appendix A and Appendix B.

During 1974-84, the per branch disbursement of the rural branches rose from Tk. 0.05 crore to Tk. 0.31 crore. However, during 1975-84, the per branch recovery of the rural branches rose from Tk. 0.06 crore to Tk. 0.16 crore. In 1974 on an average one rural branch was available for 17,000 rural borrowers whereas in 1984 more than three rural branches were available for the same number of borrowers. The organisational structure of coordination of agricultural credit for distribution of input was the BADC,

TABLE 1. NUMBER OF BRANCHES OF THE NCBs AND BKB

Year	Urban Branches			Rural Branches			Total Branches		
	NCBs	BKB	Total	NCBs	BKB	Total	NCBs	BKB	Total
1975-76	823	68	891	770	84	854	1593	152	1745
1976-77	882	68	950	987	103	1090	1869	171	2040
1977-78	1063	72	1135	1469	125	1594	2532	197	2729
1978-79	1163	72	1235	1816	180	1996	2979	252	3231
1979-80	1254	77	1331	2045	335	2380	3299	412	3711
1980-81	1409	84	1493	2296	471	2767	3705	555	4260
1981-82	1416	87	1503	2383	549	2932	3799	636	4435
1982-83	1419	88	1507	2321	729	3050	3740	817	4557
1983-84	1424	88	1512	2413	812	3225	3837	900	4737

Source : Bangladesh Bank.

TABLE 2 STATEMENT SHOWING DISBURSEMENT AND RECOVERY OF AGRICULTURAL LOAN BY THE NCB, BRB &amp; BSHL

(Figure in Crore Taka)

Year	DISBURSEMENT				BRDP <sup>a</sup>	RECOVERY				BRDP <sup>a</sup>
	NCBs	BSHL	BRB	TOTAL		NCBs	BSHL	BRB	TOTAL	
1974-75	10.67	9.40	17.63	37.70	NA	8.25	9.22	19.20	36.67	NA
1975-76	16.96	10.62	18.51	46.09	4.50	9.98	12.09	27.48	49.55	NA
1976-77	36.22	11.33	38.84	86.39	6.63	16.14	11.22	29.74	57.10	NA
1977-78	85.81	15.82	55.31	156.94	10.90	43.18	12.23	38.18	93.59	9.73
1978-79	68.40	20.11	74.66	163.17	12.24	51.98	11.89	52.17	116.04	9.23
1979-80	113.55	27.04	141.50	282.09	20.45	55.85	16.94	74.73	147.52	8.75
1980-81	136.04	27.64	209.74	373.42	25.50	73.70	16.13	131.08	220.91	5.71
1981-82	134.22	18.58	271.04	423.84	25.84	99.29	18.02	197.03	314.34	9.95
1982-83	254.99	22.95	400.81	678.75	46.68	115.12	24.97	202.24	342.33	25.73
1983-84	389.59	26.67	592.43	1008.69	66.84	190.81	15.87	307.46	514.14	42.90
Total	1246.45	190.16	1820.47	3257.08		664.30	148.58	1079.31	1892.19	

<sup>a</sup>. Included in NCBs.

Source : Bangladesh bank.

BSCIC, the Handloom Board etc., the same institutions in smaller scale as today. In addition to the Nationalized Commercial Banks (NCB) and the Bangladesh Krishi Bank (BKB), disbursement of agriculture credit was made by Bangladesh Samabaya Bank Limited (BSBL) and Integrated Rural Development Programme (IRDP).

From 1977, the new Special Agricultural Credit programme (SACP) was introduced for the first time and the concept of lead bank system was introduced. The rationale of a lead bank was taken from the point of view of coordination on a geographical basis within the administrative districts existing at that point of time. The arrangements of the lead bank system as worked out by the Bangladesh Bank is shown in Appendix C.

The volume of credit disbursed as a result of this new approach increased by 1067% from end of June, 1977 to end of June, 1984 in money terms, but in real terms (deflated by consumer price index for lower income families at Dhaka, 1973-74=100), it rose by 442%. On per capita borrower basis, the disbursement per branch rose by 926% in nominal terms but it rose by 350% in real terms. The distribution of the major input (fertilizer) rose in volume from 5.24 lakh tons to 11.29 lakh tons during the period under review (BBS 1984).

### III. THE PRESENT STRUCTURE OF CREDIT & INSTITUTIONS

The present institutional structure of rural credit is explained in Appendix D. The procedure and norms of distribution of agricultural credit to the rural areas vary depending on the credit institution. The NCBs who have altogether 2419 rural branches (as on 31-8-84) generally disbursed 38% of the total volume of credit. This is particularly so because of the lack of specialization on the part of the NCB staff in distribution of agriculture credit. The BRDB has a different system. The system in Samabaya Bank is also little different. The norms of credit in terms of amount per unit of land, rate of interest, including penal rate, the fraction of disbursement in terms of inputs are spelled out by the Bangladesh Bank.

The Bangladesh Krishi Bank has altogether 820 rural branches (as on 31-8-84) and disbursed about 58% of the total credit (during 1983-84). Judged by the volume of disbursement, the cost of distribution of Bangladesh Krishi Bank is about 58% cheaper than those of the NCBs while considering the overhead expenditure in relation to total disbursement. The Rural Finance Experimental Project—Terminal Evaluation Report, came to similar conclusion (USAID 1982).

This phenomenon is primarily explained by the training inputs of the staff manning the rural branches and the policy thrust at the top level. The objectives of operation of Bangladesh Krishi Bank is development of agriculture and agro-related industries whereas the major thrust of operation of a commercial bank is primarily on trade and import-export activities. The comparative estimate of year-wise disbursement in terms of cost

effectivity judged by volume of disbursement is succinctly presented in the Evaluation Report of RFEF.

#### IV. METHODOLOGY—PROGRAMMING OF RURAL CREDIT AND ITS DISTINCTIVE FEATURES

The methodology presently followed in estimation of the volume and allocation of rural credit is, first, to estimate the volume of rural credit as part of the total credit to be generated within the economy in a given financial year consistent with price stability, growth in production and savings of the nation. An exercise is done by the Ministry of Agriculture to determine the total need of agricultural credit taking into account the input prices of different kinds, intensity of land utilisation and intensive or extensive nature of the programme. The Ministry collates the data obtained from the field, and keeping in view the targetted increase in production recommends a total volume of credit to the Ministry of Finance. Ideas are exchanged between the Ministry of Agriculture and the Ministry of Finance and Bangladesh Bank. Through this process, a net volume of credit figure is arrived at, allocated between the Banks and between different programmes and projects.

Rural credit has certain distinctive feature as distinguished from industrial credit. The seasonal nature as determined by weather in Bangladesh sets definite limits over time within which credits must be distributed. Additionally unlike the industrial entrepreneur, the farmer cannot commence productive activity once financial resources are available. Fertilizer must be available in the neighbourhood, the plough and the bullocks are to be available, the seeds need to be in possession and finally weather has to be favourable for fortune to smile on him. Judged in this context, the risk elements in agricultural production are way above industrial production. However, it is a paradox that in the situation where agricultural production is far riskier and subject to more frequent vagaries of nature, we do not have any organisation to systematically ensure that agriculture gets a fair return to the investments made as is analogous to the functions of a Tariff Commission for the industrial sector. It is not inappropriate to mention that the floods like the last year (1984) not only wash the current investment away but also destroy the capital stock already accumulated which may take years to be replenished.

#### V. EVALUATION OF PRESENT POLICIES

In this section, we shall briefly evaluate the multi agency approach to rural credit in the context of the present structure. The existing multi agency approach for providing institutional support for efficient delivery of rural credit has been in operation in Bangladesh since the beginning. The primary goal of the system has been as follows :

- (a) To utilise the deposit resources of the NCBs in the agriculture sector (the deposit resources earlier were too meagre to achieve greater coverage of the

farmers); (b) to achieve better harmonization between the extension agencies and the credit institutions.

The multi agency approach no doubt achieved a notable success. However, the basic weakness of the approach has been the unplanned proliferation of branches resulting in sub-optimal geographical coverage. Commercial banks do not have a specialised approach towards rural credit as it is with Bangladesh Krishi Bank or Grameen Bank. The third weakness has been the absence of better coordination between the financial institutions and BADC, primarily responsible for distribution of agriculture inputs, and the extension services of the Agricultural Ministry.

The Government having realised the weaknesses moved to a policy of gradual expansion of Bangladesh Krishi Bank to achieve a better coverage with the specialised operations in rural credit. The Bangladesh Krishi Bank now operates nation-wide and has the largest number of branches in rural areas and also has the greatest single coverage. Secondly, as a matter of policy, a unified cooperative system is being enforced to lend to members of cooperatives for all agriculture activities and traditional rural enterprises.

However, there still remains certain conceptual deficiencies in the present framework of agricultural credit delivery mechanism. These are as follows :

- a. The norms of agriculture credit are based on partial cost of production and not on full cost ;
- b. the requirement of the marginal and small farmers are met only partially ;
- c. the Lead Bank system introduced as far back as in 1977 on the basis of old districts has become ineffective. The strength of rural branches of different banks, which was the yardstick of Lead Bank has undergone radical changes over these years ;
- d. the coordination between agricultural credit agencies (BADC, BSCIC, Handloom Board and the Sericulture Board) are still loose.

Supply of agriculture credit through the institutional sources is still inadequate in the context of contribution of agricultural sector to GDP. It has been increasingly recognised that fundamental changes in the norms and policies for distribution of agriculture credit taking into account the need of the farmers on a full cost basis have to be worked out. The approach of the lending institutions towards collateral and security has been relaxed by consideration of productivity and ultimate ability of repayment. The other related policy issue is the rate of interest including the transaction cost of credit. With a view to increasing the supply of loanable funds, the Government by and large opted for a high interest rate policy for the agriculture sector taking into account the

productivity and also the cost of administration of credit to small farmers.<sup>\*</sup> Presently, financial institutions charge 2-4% service charge and also have penal interest of 6%.

Finally, agriculture product price has direct bearing on the profitability of agriculture operations and also with the demand for agriculture credit. Recognising this aspect, the Government resorts to wide scale procurement at floor prices. Agriculture credit policy has a direct bearing to the policy of agriculture input prices such as fertilizer, insecticides, pesticides, irrigation water etc. and also with the network arrangements of distribution of the inputs. These prices are generally adjusted from time to time although not much is known to the professionals about the methodology and the basis of these exercises and the extent of correctness of the sets of inter-relationship between product prices and the prices of inputs including interest rate, and finally the big risk factor for which imputed value needs to be used.

The volume of institutional credit to the agricultural sector which rose from Tk. 30.04 crores in 1974 to Tk. 1008.69 crores in 1984, is to be raised further.

## VI. CONCLUSIONS & SUGGESTIONS

It has been established by the joint GOB/IDA study that there has been considerable geographical & institutional overlap in the coverage of the rural areas involving inefficiency in resource allocation and non-uniform coverage of the clientele. Also coordination at the field level through the operation of the Lead Bank System has been exceedingly difficult resulting in frustration and complaint amongst the farmers. There also has been multiple lending to defaulters of other institutions and multiple pledging of the same security, making programme planning quite difficult.

In the long term planning it is suggested that the following strategy be adopted for an efficient delivery mechanism and optimal geographical coverage :

- a. Presently BKB is operating nationwide but its lending is limited to individuals only. Lending by BKB to groups like the cooperative system may be made permissible. Once the cooperative system has been unified and the BSBL restructured, the operational relationship of BKB in lending to the cooperatives will become easier.
- b. The role of the NCBs in lending to agriculture should be made optional, their primary focus being on financing trade, industry and commerce. The lending to the rural areas may be considered to be exclusive domain of Bangladesh Krishi Bank. This of course cannot be done immediately on grounds of limitations of trained manpower, institutional and infrastructural facilities but once a decision is taken to that effect planning can be made and actions can be organised towards achieving that goal.



- c. The operations of BKB network be further decentralised (present decentralised structure of BKB is described in Appendix E). This will further raise its operational efficiency by lowering transaction costs and other harassments which cannot be measured in monetary value.
- d. Planned and systematic efforts be made to bring the Agriculture Development Extension agencies (like BADC, BSCIC, Hondloom Board, Sericulture Board) and BKB closer for operational synchronisation.

## APPENDIX A

## PROGRAMMES IN OPERATION DURING 1973-74

Short Term	Medium Term
1. Seed/Seedlings	16. Land levelling and clearing
2. Fertilizer	17. Excavation/embankment
3. Bullock Cart	18. Draught animal —w
4. Hiring bullock/plough	19. Bullock cart
5. Wage expenses	20. Indigenous equipment
6. Jute cultivation	21. Country boat
7. Tobacco cultivation	22. Truck
8. Tea (seasonal)	23. Orchard
9. Country Boat	24. Poultry farm, Dairy farm
10. Sericulture	25. Animal husbandry
11. Indigenous equipment	26. Sea fishing
12. Other farm equipment	27. Tea (development)
13. Cottage Industries	28. Sericulture
14. Cold storage (Potato storage)	29. Cottage industries
15. Misc.	30. Shallow tubewell, Power pump
	31. Farm equipment
	32. Misc.

## Long Term

- |                                      |                                  |
|--------------------------------------|----------------------------------|
| 33. Godown                           | 38. Other farm equipment         |
| 34. Cold Storage Construction        | 39. Orchard                      |
| 35. Deep tubewell, Power pump        | 40. Inland fish culture          |
| 36. Tractor, parts and trailer       | 41. Tea (development, equipment) |
| 37. Mould board plough and equipment | 42. Misc.                        |

Source : Bangladesh Krishi Bank.

## APPENDIX B

## PROGRAMMES IN OPERATION DURING 1983-84

## SHORT-TERM

## A. CROP LOAN

1. Intensive Summer Crop Programme (ISCP) : Aus, B. Aman, Jute, Sugarcane.
2. Intensive T. Aman Programme (ITAP) : T. Aman.
3. Intensive Rabi Crop Programme (IRCP) : Boro, Wheat, Potato, Mustard, Other crops.
4. Matir Dak : Boro, Wheat, Potato, Mustard, Other crops.
5. DTW Utilization
  - a. BKB-CARE-BADC : Boro, Wheat, Mustard.
  - b. Other than CARE and International Fund for Agricultural Development (IFAD) : Boro, Wheat, Mustard.
6. STW/LLP Utilization for individual farmer : Boro.
7. BADC Contract Growers : Wheat, Potato.

## B. SPECIAL PROGRAMME : Rural Finance Experiment Project, Swanirvar, Other.

## C. FOREIGN AIDED PROJECT : IFAD General, IFAD-DTW Utilization.

## D. EXPORT FINANCE OF NON-TRADITIONAL ITEMS : Shrimps, Tea, Tobacco, Others.

**WORKING CAPITAL**

1. **Potato storage** : Growers, Cold Storage.
2. **Fertilizer Dealers, Pesticide Dealers.**
3. **Cottage Industries** : Handloom other than Weaver's Scheme, Others.
4. **Tobacco Processing, Fish Processing, Salt growers.**
5. **PROSHIKA**
6. **Cash Credit/W.C. (Processing)**: Rice Mill, Oil Mill, Wheat/Flour Mill, Saw-Mill, Others (specify).

**ACTIVITIES NOT USUALLY SUBJECT TO REFINANCE FROM BANGLADESH BANK**

1. **Working Capital** : Jute Processing, Tobacco Traders, Cotton Marketing (BTMC, CDB).
2. **Cash Credit/W.C.** : Drilling contractor, Pump and Agricultural Implement, Weaver's scheme, Other.

**SHORT TERM (Project : Foreign aid/Credit)**

Working Capital for STW (Asian Development Bank).

**MEDIUM TERM**

**ACTIVITIES SUBJECT TO REFINANCE FROM BANGLADESH BANK**

1. **Non-Project** : (1) Rural Finance Experimental Project (RFEP) (2) Swanirvar (3) Sericulture (4) Tank Rehabilitation (SACP) (5) Rural Electrification (6) Tank Rehabilitation Development Programme (7) Youth Development (8) Draft Animal (9) Rural Transport : General Programme, Bangladesh Bank Programme (10) Agricultural Implements (11) Land Development (12) Others.
2. **Project/Programme**
  1. Dairy, Beef Fattening, Mixed farming, Marine Fishery, Self-employment.
  2. Shrimp culture : Bangladesh Bank Programme, General Programme.
  3. Project (Foreign Aid) : IFAD (General, HTW), Tank Rehabilitation.
  4. S.T.W. : Private under WES, B.A.D.C., IDA.
  5. Horticulture : Coconut Plantation (B.B. Programme), Nursery.
  6. Poultry/Goatery/Duckery.

7. Cottage and Small Industries : Light Engineering (NORAD), Small Industries (NORAD), Women Education (USAID), Workshop (IDA), Grain Storage (IDA), Bio-gas, UNCDF, Village Mechanic (IDA).
8. HTW (General including spring well).
9. Others.

**B. ACTIVITIES NOT USUALLY SUBJECT TO REFINANCE FROM BANGLADESH BANK BUT A PORTION IS FOREIGN AIDED**

1. Aquaculture, STW, Fisheries Development, Workshop (ADB).
2. Agro-Project Industries (combined): Grain processing mill, Ice plant, Workshop for manufacture of pump/implements.
3. Village mechanic : repairing.
4. Other Projects.

**C. ACTIVITIES NOT USUALLY SUBJECT TO REFINANCE FROM BANGLADESH BANK**

1. Transport facilities : Truck, Cargo vessels.
2. Warehouse/Godown.
3. Other (Loans against FDR etc.)

**LONG TERM**

**A. ACTIVITIES SUBJECT TO REFINANCE FROM BANGLADESH BANK (Project)**

1. Rubber plantation.
2. Tea Development
3. Horticulture : C.H.T., General
4. Farm Machinery : Tractor, Power Tiller, Other machinery
5. Tank Re-excavation, Tank Excavation (New)
6. Irrigation Equipment: DTW, LLP, STW (Private under WES, BADC), STW (IDA, B.B. Programme).

**B. ACTIVITIES NOT USUALLY SUBJECT TO REFINANCE FROM BANGLADESH BANK BUT A PORTION IS FOREIGN AIDED**

1. Fish & Sea Food—Cold Storage, Ice Plant.
2. Agro Industry—Grain Mill, Fruit Canning, Manufacturing, others.
3. STW (ADB).

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Source : Bangladesh Krishi Bank.

## APPENDIX C

### THE LEAD BANK SYSTEM

In order to avoid duplication and to maintain an effective coordination in the disbursement of credit for each district, a Lead Bank system has been introduced, designating one bank as the Lead Bank for a district. In consultation with the District Committee the Lead Bank will distribute the Unions between different bank branches so that no Union is served by more than one bank branch. Consequent upon upgradation of the Sub-Divisions into District, banks designated as "Lead Bank" for the districts operating prior to upgradation of the Sub-Division will also continue to function as "Lead Bank" in the newly created districts on adhoc basis.

At the time of disbursement of loans, the Union Parishad Chairmen and Ward Members should remain present to identify the borrowers. The local Tahshildars and Upasila Agricultural Officers should also remain present to assist disbursement.

There will be a district level Committee at the headquarters of each district for coordinating the credit programme for the entire district. The Committee will be constituted with the Deputy Commissioner as Chairman and the District Manager of the main branch of the Lead Bank of the district as the Member-Secretary. The other members will be as follows : (a) The District Agricultural (Extension) Officer ; (b) The District Manager of BADC ; (c) District Manager/Manager of the main branch of all other banks including BKB. If necessary, the Committee will coopt members from other Departments/Organizations concerned.

The main functions of the Committee are set out below :

- (i) To sub-divide the district allocation of credit among the Unions within the district ;
- (ii) To demarcate, on Union basis, the area of operation for each bank branch to ensure that one Union is served by one bank branch only ;
- (iii) To determine which of the Unions will be served by an existing bank branch and which will need to be served by mobile units ;
- (iv) To draw up a union-wise disbursement programme in such a way that the loans are disbursed in all the Unions well in time ;
- (v) To communicate the programme in time to the Union Parishad Chairmen, Circle Officer and other local officials concerned so that the Union Parishad Chairmen and Ward-Members remain present at the time of disbursement of loans by the bank officials, for identification of the borrowers. The local

Tahshildar and Upazila Agricultural Officer would also need to be present at that time ;

- (vi) To arrange Police escorts for the mobile units whenever requisitioned by the Manager of the designated Lead Bank ;
- (vii) To ensure adequate availability of inputs, like fertilizers, seeds etc. at the Union level ;
- (viii) To ensure supervision of the proper use of the loan as also its timely recovery, through the Upazila Agricultural Officers and Union Parishad Chairmen and Members ;
- (ix) To carry on continuous publicity to impress upon the borrowers that this is a bank loan for purchase of inputs etc. and is required to be repaid as soon as the harvesting is over.

At the time of launching the programme, Agrani, Sonali, Rupali, Pubali and Uttara Banks were given the responsibility of Lead Bank respectively in 9, 6, 3, 2 and 1 (old) districts respectively.

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Source : Bangladesh Bank.

## APPENDIX D \*

## PRESENT INSTITUTIONAL STRUCTURE OF RURAL CREDIT

In this Section, we shall briefly evaluate the multi agency approach to rural credit in the context of the institutions described in Section III. The multi agency approach for providing institutional support for efficient delivery of rural credit has been in operation in Bangladesh since the beginning. The primary goal of the system has been as follows : (a) to utilise the deposit resources of the NCBs in the agricultural sector which were earlier too meagre to achieve greater coverage of the farmers; (b) to achieve better harmonization between the extension agencies and the credit institutions.

**Bangladesh Bank**

The Bank is required under its charter to maintain an Agriculture Credit Department (ACD) and specially to maintain an expert staff to study all questions of agricultural credit and be available for consultation by GOB and other institutions involved in agricultural credit and to coordinate the operations of the Bank in connection with agricultural credit. The Rural Credit Project Dept. (RCPD) has also been set up to coordinate specially project-oriented rural credits. These two Departments have launched the following rural credit projects and programmes in the country :

- (i) Special Agriculture Credit Programmes (since 1977) ;
- (ii) Credit Programme on different modes of rural transport (since 1981) ;
- (iii) Hand tubewell and Power Pump Financing Programme (since 1980) ;
- (iv) Banana Financing Programme (since 1980) ;
- (v) Shrimpculture Financing Scheme (since 1980) ;
- (vi) Lac culture Financing Scheme ;
- (vii) Minor Irrigation Credit Project ;
- (viii) Commercial Poultry Financing Scheme (1983) ;
- (ix) Financing of low cost rural housing scheme.

Resources for financing these projects/programmes come from both domestic institutions/agencies and international financing institutions like IDA, IFAD. Almost all the NCBs, BKB and BRDB-TCCAs are the participating credit agencies and are directly involved in implementation of these projects/programmes. However, the credit

programmes on modes of rural transport, hand tubewell financing scheme, commercial poultry financing scheme, financing of low cost rural housing scheme have been specially designed and are being implemented through the NCBs only.

#### **Bangladesh Krishi Bank (BKB)**

BKB provides credit facilities to individuals and corporate bodies engaged in crop production, horticulture, forestry and fishery. It also provides help to agro-based and cottage industries with financial and technical assistance. The charter requires the Bank to act on commercial consideration with due regard to the development of agriculture, agro-based and other related industries in the rural as well as urban areas. Under the provisions of its charter, BKB, as far as possible, gives preference to the credit needs of the small farmers and other disadvantaged groups.

#### **Nationalised Commercial Banks (NCBs)**

Since 1977, when a Special Agriculture Credit Programme (SACP) was initiated by Bangladesh Bank, the six Nationalised Commercial Banks have been participating in lending direct to the individuals.

#### **BRDB and other Cooperatives**

The cooperative system is the oldest established system for channelling institutional credit. Presently, the linkage of the cooperative with the national credit system takes place at two different levels. For the TCCAs, under the two tier system, the financier is the Upazila Branch of Sonali Bank—a NCB ; for traditional system, the linkage is through the Central Cooperative Banks (CCBs) at Sub-Divisional level which are federated into Bangladesh Samabaya Bank Ltd. (BSBL). Both Sonali Bank and BSBL in their dealings with cooperatives are guided by overall policies set by Bangladesh Bank.

A successful pilot programme during the sixties in Comilla District led to the establishment of an Integrated Rural Development Programme (IRDP) in Bangladesh. Of the four major components of the pilot programme—Thana Training and Development Center (TTDC), Thana Irrigation Programme (TIP), Rural Works Programme (RWP), and the Thana Central Cooperative Association (TCCA) and Krishi Samabaya Samity (KSS)—the implementation of the last component started in 1972 through IRDP. The other three components were implemented by other GOB agencies.

IRDP has been reorganised and redesignated as Bangladesh Rural Development Board (BRDB) in 1983. Since its creation, BRDB embarked on the rural poor programme as a national programme and started organising the landless rural people of men (Bittahen Samabaya Samity (BSS) and Cooperatives of Women—Bangladesh Mohila Samabaya Samity (MSS), and also consolidated the BSS/MSS already formed earlier.



The Comilla type of cooperative is the two tier cooperative system. They are based on the Thana and village as the focal points. The traditional system has its focal points at different levels. The tiers in the two credit programmes are :

	TCCA	Traditional
National	—	BSBL, apex societies
District	—	CLMB
Subdivision	—	CCB, CSGCS
Thana	Sonali, TCCA	TCCA
Union	—	MPCS
Village	KSS	KSS

#### Grameen Bank

The Grameen Bank Project participated by BKB and NCBs was started by Bangladesh Bank in 1977. It focuses on improving the access of the rural poor to financial resources for utilising their productive energies. Grameen Bank staff carry on a motivational campaign by visiting villages and explaining the bank discipline, to the target population—families which own less than 0.40 acre of land and whose assets do not exceed the market value of 1.00 acre of medium quality land in the area. Beneficiaries are required to form groups of like minded people of same or less social status. These groups elect their own leaders, the group discipline is maintained through peer pressure ; members can engage in individual or group activities of their own choice, but they must meet in weekly meetings when they are expected to repay their weekly instalments of loans as well as deposit savings. Attendance of the weekly meeting is necessary. The project has been converted into a full fledged Grammen Bank in late 1983.

#### Non-Government Organisations (NGOs)

NGOs and Private Voluntary Agencies have been involved in assisting Bangladesh poor to undertake income generating activities so that their beneficiaries can be self supporting. There are about 100 foreign and local NGOs working in Bangladesh. Most of them cover a limited area while some operate country-wide mostly in rural areas. Their target population generally includes landless labourers, marginal farmers, disadvantaged families, children and youth. They are involved in a variety of income generating activities in agriculture, handicrafts, rural industry, fruit processing, self-employment activities, infrastructure and other development services.

Source : Various publications of Bangladesh Bank, BKB, BRDB, BSBL and NGOs.

## APPENDIX E

### CURRENT DECENTRALISATION OF AUTHORITY IN BKB

BKB decentralised authority to the (i) Branches, (ii) 64 Regional Manager's Office and (iii) General Manager/Zonal Manager's Office of each Division of business, financial and administrative powers as follows :

#### BUSINESS

The Branch Managers have business power to sanction Taka 1.00 lakh. They can also sanction working capital loan varying from Tk. 1.00 lakh to 50. thousands. The maximum credit sanctioning authority of the Regional Manager for project loan is now Tk. 5.00 lakhs. For Tea, working capital (export oriented industries), export credit, it is Tk. 30.00 lakhs. In case of irrigation equipment, the sanctioning power of the managers is the actual cost of the machine. The General Managers have business power to the extent of Tk. 70.00 lakhs for proprietorship project and Tk. 90.00 lakhs for corporate projects. Besides, to gear up implementation of small scale industries under NORAD credit, authority was dispersed to the RMs to the tune of Tk. 25.00 lakhs.

An Engineer and a Project Economist has been/is being provided to the office of each Regional Manager.

The Four Divisional Offices have been designed as mini Head Office. Each Division is headed by a General Manager assisted by DGMs of various Departments and also Project Economists and Engineers for processing, sanctioning and also monitoring and implementation of projects in addition to routine crop loans.

In case of c.c. limits/working capital loans, RMs can renew the cases falling within the business power of AGM/DGM and similarly DGM can renew the cases falling within the jurisdiction of GM provided there is no default or irregularity in utilisation of the earlier c.c. limit.

#### FINANCIAL

The Divisional, Regional and Branch managers have been given wide financial powers to make their purchases, print forms and meet establishment expenditures including renting of offices. RMs can sanction Motor Cycle Advances, House building advances to employees for whom he is the appointing authority. The Provident Fund balances are also being placed at the disposal of the Unit Heads. Additionally pension papers and gratuity awards may also be assigned to the Heads of administrative units.

**ADMINISTRATIVE**

RMs are now the authority to appoint, transfer, promote and terminate all subordinate staff under their jurisdiction. The subordinate cadre is on regional basis. Zonal/Divisional Managers appoint, transfer, promote and terminate the Grade-VI officers who belong to the Divisional cadres. The GMs of the zones/divisions are also authorised to promote to the extent of 50% of the vacancies in the Grade-V cadre. The Head office authority to initiate personnel action in terms of appointment, promotion, transfer, leave sanction etc. is limited to 50% of the officers of Grade-V. The General Manager (Admn.) of the Head Office exercises all these powers.

The authority of the Managing Director is limited to personnel actions of officers of the level of Chief Manager and above.