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4 Received: 15 December 2013 Accepted: 2 January 2014 Published: 15 January 2014

5

6 **Abstract**

7 Rajshahi Krishi Unnayan Bank (RAKUB) has taken some steps to alleviate the poverty of the
8 north-west region in Bangladesh. Providing loan in agricultural sector is one of them because
9 the most of the people in the country are directly and indirectly engaged in agriculture.
10 Surprisingly they generate a low income causing low investments and more than one-third of
11 the people live below the poverty line. This study is an endeavor to conduct with the
12 objective of finding why loan recovery performance is lower in relation to loan disbursement.
13 The descriptive research works have been used for analyzing and investigating the empirical
14 data derived from primary and secondary sources related to loan disbursement and recovery
15 performance of crops and livestock of the RAKUB, Binodpur Branch, Rajshahi. In this paper
16 it has found that the branch is in ahead of loan disbursement but disbursed loan of this
17 branch being unrecovered and classified due to use of that fund in family private expenses and
18 festival expenses and natural calamity like flood, rain with hail, drought. The study suggests
19 that the branch should be more concentrative on loan recovery performance through
20 awareness and supervision then this branch will be able to expand the socio-economic
21 activities at this region and the country to develop and generate the agro-based industries,
22 self-employment facilities etc.

23

24 **Index terms**— crops, livestock, loan disbursement, loan recovery.

25 **1 Introduction**

26 Bangladesh is an agricultural country of having about 80% of total populations directly or indirectly dependent
27 on farm business, livestock, fisheries, small cottage industry, etc., Xhakollari (2013).

28 In spite of gradual decline, agriculture sector of Bangladesh is the largest contributor of Gross Domestic
29 Product (GDP) and it is almost 21.91% ??Hossain). About 76.61% of the total population in our country live
30 in rural areas and depend on agriculture for their livelihood.

31 As most of the cultivators follow traditional method of cultivation, it is no longer possible for them to support
32 the increasing needs of the population of Bangladesh (Khan 1999). In Bangladesh the principal agricultural
33 inputs are land and labor and alternative employment opportunities for agricultural workers are very limited.
34 In addition to agricultural sector of Bangladesh is the principal source of labors, capital and raw materials for
35 the industrial sector of the economy. But agricultural goods export contributes only 14% of the total export
36 earning of Bangladesh. Whereas newly emerged Ready-Made Garments (RMG) contribute as much as 77% of
37 the total export earnings. But agriculture ??Jahan) still remains the largest employing sector (62.3% of the total
38 workforce).

39 The salient features of agrarian economy of Bangladesh reinstate that agriculture sector should be considered
40 to prime sector for sustainable economic development of Bangladesh. In the rural areas, most of the land-holders
41 are marginal who have less than one hectare of arable land and their financial conditions are not satisfactory. In
42 fact, consumption expenditure of largest part of them is higher than their real income.

6 METHODOLOGY OF THE STUDY

43 To modernize agriculture as well as to increase its productivity, the use of various inputs such as hybrid
44 seeds, balanced dose of fertilizers, pesticides, irrigation, drainage, etc. is indispensable. To purchase inputs the
45 majority of farmers need additional funds. In most cases, the poor farmers depend on loans from "Mahajans or
46 Moneylenders at an exorbitant rate of interest. The indigenous moneylenders and other landlords supply credit
47 to produce crops and for other purposes to the farmers and many farmers lose their belongings due to inability
48 to repay their debt. They take loan from moneylender and when they repay the money with interest, they would
49 become landless day by day.

50 Since the Government of Bangladesh has put much emphasis on agricultural sector, as a result, different
51 financial institutions have started giving agricultural credit to the farmers. Among the institutional sources
52 the National Commercial Banks (NCBs), Bangladesh Rural Development Board (BRDB), Bangladesh Samabay
53 Bank limited (BSBL), Grameen Bank, BRAC, Proshika, ASA etc., are increasing farm productivity as well as
54 increasing business work. For the continuation Government established Rajshahi Krishi Unnayan Bank (RAKUB)
55 as a state-owned specialized Bank on 15th march in 1987 by the president's order no.

56 2 Year

57 () C 2014

58 Abstract-Rajshahi Krishi Unnayan Bank (RAKUB) has taken some steps to alleviate the poverty of the north-
59 west region in Bangladesh. Providing loan in agricultural sector is one of them because the most of the people in
60 the country are directly and indirectly engaged in agriculture. Surprisingly they generate a low income causing
61 low investments and more than one-third of the people live below the poverty line. This study is an endeavor to
62 conduct with the objective of finding why loan recovery performance is lower in relation to loan disbursement.
63 The descriptive research works have been used for analyzing and investigating the empirical data derived from
64 primary and secondary sources related to loan disbursement and recovery performance of crops and livestock
65 of the RAKUB, Binodpur Branch, Rajshahi. In this paper it has found that the branch is in ahead of loan
66 disbursement but disbursed loan of this branch being unrecovered and classified due to use of that fund in family
67 private expenses and festival expenses and natural calamity like flood, rain with hail, drought. The study suggests
68 that the branch should be more concentrative on loan recovery performance through awareness and supervision
69 then this branch will be able to expand the socio-economic activities at this region and the country to develop
70 and generate the agro-based industries, self-employment facilities etc. m 58 of 1986. The main responsibility of
71 this bank is to policy formulation for promotion of growth in agriculture leading to economic development of the
72 northern side part of the country through agricultural credit support.

73 Binodpur Branch of RAKUB has been established on 27 August, 2006. The main objectives of this branch are
74 to play a vital role to increase agriculture production, create income-generating activities and develop of socio-
75 economic condition of the farmers of the Binodpur area of the country. Through achieving these objectives, it
76 helps to be self-dependence of landless, marginal and small farmers and plays an important role for the economic
77 growth of the country.

78 Binodpur In our study period most of the loan has been distributed in crops and livestock. So, loan
79 disbursement and recovery performance of crops and livestock have great impact on overall performance of
80 RAKUB Binodpur Branch. In our study we have tried to find out the problems of loan disbursement and
81 recovery performance of crops and livestock of RAKUB, Binodpur Branch and give some remedial measures for
82 the better performance of this branch.

83 3 a) Financial Scenario of the Bank

84 As per the charter of RAKUB, its vision is to serve commercial purpose with the primary objective of providing
85 credit facilities to farmers and promoters engaged in cottage and other allied industries primarily in rural as well
86 as urban area. By consecutive achievement of these objectives, Binodpur Branch of RAKUB is to perform some
87 functions like providing credit facilities for the development of the agro based industries, poverty alleviation,
88 modernize the agriculture, and develop the social state of villagers. As part of this they provide various lending
89 program for crops loan, livestock loan, agro based industrial loan, fisheries loan, cash credit etc. Table ??
90 represents the financial scenario

91 4 Objectives of the Study

92 The study has been conducted with the principal objective of finding why loan recovery performance is lower in
93 relation to loan disbursement? To accomplish this objective, the study covers the following specific objectives:
94 a) To find out the reasons of low loan recovery performance. b) To evaluate the effectiveness of lending program
95 and loan recovery performance. c) To find out the way to recover disbursed loan.

96 5 III.

97 6 Methodology of the Study

98 The study is concerned with the analysis of loan disbursement and recovery performance of crops and livestock
99 of the RAKUB, Binodpur Branch, Rajshahi. The approach adopted is basically analytical and interpretive in

100 nature considering the objectives of the study. It is also decided to employ descriptive method of analysis and
101 investigation of the empirical data of primary and secondary sources related to loan disbursement and recovery
102 performance of crops and livestock of the RAKUB, Binodpur Branch, Rajshahi.

103 **7 IV.**

104 **8 Discussions and Results**

105 **9 a) Crop loan**

106 RAKUB finances all the summer crops, winter crops and nursery etc. High yielding and high value crops and
107 seeds production is particularly encouraged. But only the cultivations of paddy, banana and potato are financed
108 by RAKUB "Binodpur Branch"

109 **10 b) Livestock**

110 The bank extends credit facilities of livestock farming, which includes dairy, beef, fattening, poultry, rising
111 and setting up of hatcheries, which in turn is expected to increase production of milk, meat and eggs. As
112 the marginal and small farmers can't borrow money from the other commercial banks due collateral and other
113 conditions this bank provides credit facilities to the marginal and small farmers for livestock farming activities.
114 2 loan disbursement to crops is gradually increasing as demand and production are increasing.

115 In the earlier this branch has provided small amount of paddy loan but now-a-days it provides only potato and
116 banana loan due to increase the demand of these products. We know these products are seasonal products. The
117 demand and price of these products depends on various factors. Such as Condition of weather and climate, Price
118 of the factor of production Consumer test, Due to the above reasons and chance to be affected by Nipah virus
119 the production of banana is decreasing as result the distribution of loan to cultivation of banana is decreasing.
120 The production of potato is increasing as result the distribution of loan to cultivation of potato is increasing.
121 According to the table and graph the disbursement of loan to this sector is increasing as demand and production
122 of this sector are increasing. Livestock loan includes dairy, beef, fattening and poultry. It is known to all
123 that livestock farming has been affected by Anthrax and Bird-flue. As a result, in fiscal year 2010 -2011 loan
124 disbursement to this sector has been decreased than the fiscal year 2009 -2010. ?? the disbursement of loan to
125 crops and livestock are increasing as demand and production of this sector are increasing. But the disbursement
126 of loan to livestock is higher than the disbursement to crops due to most of the farmers are marginal farmers
127 and can't meet the necessary condition to get crop loan, condition of collateral, loan disbursement to crop is
128 risky etc. ?? that the collection of disbursed loan is increasing of the Branch. The branch has experienced huge
129 amount of loan collection during the last fiscal years. From the above graph it is also clear that the amount of
130 uncollected balance is very high with respect to the total amount of collection. Even this increasing rate is so
131 high that it is insignificant to the collection amount. It indicates that the performance of the Branch in case of
132 collection is not efficient. So the efficiency of the Management should be increased. According to the table and
133 graph the recovery of loan from this sector is sometime increasing and sometime decreasing as disbursement of
134 loan to this sector is increasing and decreasing according to the production and condition of climate. ()

135 The bank extends credit facilities of livestock farming, which includes dairy, beef, fattening and poultry. We
136 know livestock farming has been affected by Anthrax and Bird-flue. As a result the loanees have been unable to
137 repay the loan in due date and loan recovery has been about to zero in fiscal year 2009 -2010. 9 and figure 8
138 that the collection of disbursed loan is increasing of the branch except the fiscal year 2009 -2010 as the livestock
139 has been affected by Anthrax and Bird-flue. The branch has experienced huge amount of loan collection during
140 the last fiscal years. From the above graph it is also clear that the amount of uncollected balance is very high
141 with respect to the total amount of collection. Even this increasing rate is so high that it is insignificant to the
142 collection amount. It indicates that the performance of the Branch in case of collection is not efficient. So the
143 efficiency of the management should be increased. If the Branch fails to increase the efficiency of the management,
144 it may fall in continuous loss.

145 **11 b) Causes of default**

146 The loanee can't make loan payment in due time in various causes. The main cause is like the natural calamity
147 destroys the crops, for this reason the loanee is unable to pay in due time. Sometimes, RAKUB cannot take
148 proper step against the influential loanee. The loanee does not use the loan properly and repay loan in due time.

149 **12 c) Sector wise loan disbursement problem**

150 Binodpur branch emphasizes only certain sector like Crops, Fisheries, Livestock, SME. But this cannot ensure
151 the equal distribution for well balanced economy.

152 **13 d) Classified loan problem**

153 The rate of collection of classified loan is quite better. But the number of customer repaid is less. This problem
154 can create serious hazard for this branch as well as RAKUB as a whole.

155 14 e) Co-ordination problem between inter department

156 There is a lack of co-ordination problem between loan disbursement department and loan collection department
157 of Binodpur Branch. Hence my study tells uncollected balance is increase seriously.

158 15 f) Lack of Manpower

159 In our study period, the total number of executives and staff are thirteen. That is very insufficient. Furthermore
160 there is a lack of experience and skill campaigner.

161 16 g) Inefficient Management

162 Binodpur Branch faces the problem of inefficient management due to lack of training facility available in this
163 branch.

164 17 h) Lack of Effective field work

165 Field work is necessary for such type of specialized bank. Because most of the customer of this branch is illiterate
166 in nature. But we have not found any effective field work.

167 18 i) Loan disbursement Problem

168 The study suggests that loan disbursement of this brunch is only for medium types of loan; usually extend loans
169 for 1-3 years. Small and large types of loan are absent there. That is very much worst scenario for this brunch.

170 19 j) Political Influence

171 All of we know Government organization of LDC is heavily affected by political influence. RAKUB as well as
172 Binodpur Branch is not out of this problem. And this is the major cause of loan recovery problem.

173 20 k) Crops loan disbursement problem

174 Crop loans are distributed only for certain crops like potato, banana and boro. The customer who wants to
175 cultivate land for ladies finger can't excess for any kind of loan.

176 21 VI. uggestions and ecommendations

177 RAKUB plays a vital role in agricultural sector in the northwest region of Bangladesh. In our study we have
178 acquired practical banking experience from

179 22 S R

180 shortcomings in loan disbursement and recovery of crops and livestock. The Binodpur branch of RAKUB
181 limitations. The study suggested that branch must try to increase the no. of deposits accounts by offering
182 attractive deposits schemes, loan recovery department must more transparent and there must have some regular
183 supervision. The study also suggest training to employees relating proper utilization of loan, selection of genuine
184 borrowers, selection of productive sectors, disbursement and recovery relationship, resource mobility and liquidity,
185 taxes and lawsuits, refinance plan.

186 The study also suggests gaining proper knowledge about loanee and use of modern technology like management
187 information systems.

188 VII.

189 23 Conclusion

190 Bangladesh is a developing country and 76.61% of the total population in our country is living in rural area
191 (Census 2001, BBS). Financial condition of those people is miserable. They depend only on agricultural and
192 small business activities. So, they will be taking loan from this bank for agricultural expends and their business
193 activities. Getting loan from commercial bank is not possible as they charge high interest rate and collateral
194 against loan. To solve this problem RAKUB has been established on 15 March, 1987 and Binodpur Branch
195 of RAKUB has been established on 27 August, 2006. Due to illiterate and lack of technical knowledge, the
196 farmers of our country do not use borrowed money properly, moreover they diverse their borrowed money for
197 family private expenses and festival expenses. Crops are destroyed in natural calamities like flood, rain with hail,
198 drought etc., and livestock are affected Anthrax and Bird-flue. As a result default culture has been created and
199 loan default is one of the major problems of our country. It is quite impossible for a branch as well as RAKUB
200 as a whole alone to improve the financial conditions of the rural people. But it requires the help of all classes'
201 people and also the government should take necessary steps for the better performance of RAKUB so that it can
202 help to fulfill its objectives.



Figure 1: 2

01

Fiscal Years	Total Loan	Total Loan	Deposit	Loan Recov- ery		
	Disbursement	Outstanding	Collection	Classified	Unclassified	Total
2006-2007	2711	12108	1167	1763	718	2481
2007-2008	5842	16769	3817	1797	3330	5127
2008-2009	10896	22390	4119	2283	6309	8592
2009-2010	23016	41635	6643	3561	9651	13212
2010-2011	20680	44755	12869	5669	18158	23827

[Note: *Amount in thousand Tk. **Source: Official Records of RAKUB, Binodpur Branch, Rajshahi. II.]

Figure 2: Table 01 :

02

Years	Crops				Livestock Loan	Outstanding F
	Loan	Loan	Loan	Disbursed		
2006-07	10725366	119841681464			8696	2
2007-08	20656233	18904343287			10255	2
2008-09	25406883	199848854461			11909	6
2009-10	26697554	2458550827			15530	2
2010-11	34269611	39926198800			30422	9

* Amount in thousand Tk.

**Source: Official Records of RAKUB, Binodpur Branch, Rajshahi.

Figure 1 : Financial Conditions of Crops and Livestock Loan

According to the table 2 and figure 1 every item is gradually increasing as demand and production are increasing. This table and graph show that 22.33% crops loan in fiscal year 2006 -2007, 30.32% crops loan in fiscal year 2007 -2008, 29.03% crops loan in fiscal year 2008 -2009, 32.54% crops loan in fiscal year 2009 -2010 and 41.54% crops loan in fiscal year 2010 -2011 have been collected where 77.67% crops loan in fiscal year 2006 -2007, 69.68% crops loan in fiscal year 2007 -2008, 70.97% crops loan in fiscal year 2008 -2009, 67.46% crops loan in fiscal year 2009 -2010 and 58.46% crops loan in fiscal year 2010-20011 have been uncollected.

Again 23.01% livestock loan in fiscal year 2006 -2007, 27. 37% livestock loan in fiscal year 2007 -2008, 52.11% livestock loan in fiscal year 2008 -2009, 37% livestock loan in fiscal year 2009 -2010 and 30.92% livestock loan in fiscal year 2010 -2011 have been collected where 76.99% livestock loan in fiscal year 2006 -2007, 72.63% livestock loan in fiscal year 2007 -2008, 47.89% livestock loan in fiscal year 2008 -2009, 98.63% livestock loan in fiscal year 2009 -2010 and 69.08% livestock loan in fiscal year 2010 -2011 have been uncollected.

Figure 3: Table 02 :

03

[Note: * Amount in thousand, Tk. ** Source: Official Records of RAKUB, Binodpur Branch, Rajshahi.]

Figure 4: Table 03 :

04

Years	Amount
2006-07	1464
2007-08	3287
2008-09	4461
2009-10	9827
2010-11	8800

[Note: **Source: Official Records of RAKUB, Binodpur Branch, Rajshahi.]

Figure 5: Table 04 :

05

Years	crops	Livestock
2006-07	1072	1464
2007-08	2065	3287
2008-9	2540	4461
2009-10	2669	9827
2010-11	3426	8800

[Note: ** Source: Official Records of RAKUB, Binodpur Branch, Rajshahi. Figure 4 : Comparative Analysis of Loan Disbursement to Crop and Livestock According to the table 5 and figure]

Figure 6: Table 05 :

6

Years	Crops
2006-07	1198
2007-08	1890
2008-09	1998
2009-10	2458
2010-11	3992

[Note: *Amount in thousand, Tk. Figure 5 : Loan Recovery Trend of Crops According to the table 6 and figure 5 the recovery of loan from this sector is increasing as disbursement of loan to this sector is increasing.]

Figure 7: Table 6 :

7

Years	Loan	Loan	Loan	Loan
Disbursement		Outstanding	Recovery	Uncollected
2006-07	1072	5366	1198	4168
2007-08	2065	6233	1890	4343
2008-09	2540	6883	1998	4885
2009-10	2669	7554	2458	5556
2010-11	3426	9611	3992	5619

Amount in thousand, Tk.

[Note: **Source: Official Records of RAKUB, Binodpur Branch, Rajshahi. Figure 6 : Comparative analysis of recovery performance of crops It is obvious from the table 7 and figure]

Figure 8: Table 7 :

8

Years	Livestock
2006-07	2001
2007-08	2807
2008-09	6206
2009-10	212
2010-11	9408

[Note: *Amount in thousand, Tk. **Source: Official Records of RAKUB, Binodpur Rajshahi.]

Figure 9: Table 8 :

9

Years	Livestock			
	Loan	Loan Recovery	Outstanding	Loan
Disbursement			ing	Uncollected
2006-07	1464	8696	2001	6968
2007-08	3287	10255	2807	7448
2008-09	4461	11909	6206	5703
2009-10	9827	15530	212	15318
2010-11	8800	30422	9408	21014

Amount in thousand, Tk.

**Source: Official Records of RAKUB, Binodpur Branch, Rajshahi.

[Note: Figure 8 : Comparative Analysis of Recovery Performance of Livestock It is clearly found from the table]

Figure 10: Table 9 :

10

Years	Crops	Year) (Livestock

Figure 11: Table 10 :

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