



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH: C
FINANCE

Volume 14 Issue 5 Version 1.0 Year 2014

Type: Double Blind Peer Reviewed International Research Journal

Publisher: Global Journals Inc. (USA)

Online ISSN: 2249-4588 & Print ISSN: 0975-5853

Loan Disbursement and Recovery Performance of Crops and Livestock of RAKUB- A Case of Binodpur Branch, Rajshahi, Bangladesh

By Md. Rostam Ali, Md. Mostafizur Rahman & Syed Moudud-Ul-Huq

Science and Technology University, Bangladesh

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GJMBR-C Classification: *JEL Code: H81*



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Md. Rostam Ali ^α, Md. Mostafizur Rahman ^ο & Syed Moudud-UI-Huq ^ρ

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

Keywords: crops, livestock, loan disbursement, loan recovery.

I. INTRODUCTION

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

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

As most of the cultivators follow traditional method of cultivation, it is no longer possible for them to support the increasing needs of the population of

Bangladesh (Khan 1999). In Bangladesh the principal agricultural inputs are land and labor and alternative employment opportunities for agricultural workers are very limited. In addition to agricultural sector of Bangladesh is the principal source of labors, capital and raw materials for the industrial sector of the economy. But agricultural goods export contributes only 14% of the total export earning of Bangladesh. Whereas newly emerged Ready-Made Garments (RMG) contribute as much as 77% of the total export earnings. But agriculture (Jahan) still remains the largest employing sector (62.3% of the total workforce).

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

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

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

Author α: Lecturer, Department of Business Administration, Mawlana Bhashani Science and Technology University, Santosh, Tangail-1902 Bangladesh. e-mail: aliru56@gmail.com

Author ο: Lecturer, Department of Management, Hajee Mohammad Danesh Science & Technology University, Dinajpur-5200, Bangladesh. e-mail: mostafiz7241@yahoo.com

Author ρ: Assistant Professor, Department of Business Administration, Mawlana Bhashani Science and Technology University, Santosh, Tangail-1902 Bangladesh. e-mail: moudud_cu7@yahoo.com

58 of 1986. The main responsibility of this bank is to policy formulation for promotion of growth in agriculture leading to economic development of the northern side part of the country through agricultural credit support.

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

Binodpur Branch of RAKUB has distributed 93.5% loan in fiscal year 2006 – 2007, 91.6% loan in fiscal year 2007 – 2008, 64.25% loan in fiscal year 2008 – 2009, 54.29% loan in fiscal year 2009 – 2010 and 59.12% loan in fiscal year 2010 – 2011 in crops and livestock. In our study period most of the loan has been distributed in crops and livestock. So, loan disbursement and recovery performance of crops and livestock have great impact on overall performance of

RAKUB Binodpur Branch. In our study we have tried to find out the problems of loan disbursement and recovery performance of crops and livestock of RAKUB, Binodpur Branch and give some remedial measures for the better performance of this branch.

a) Financial Scenario of the Bank

As per the charter of RAKUB, its vision is to serve commercial purpose with the primary objective of providing credit facilities to farmers and promoters engaged in cottage and other allied industries primarily in rural as well as urban area. By consecutive achievement of these objectives, Binodpur Branch of RAKUB is to perform some functions like providing credit facilities for the development of the agro based industries, poverty alleviation, modernize the agriculture, and develop the social state of villagers. As part of this they provide various lending program for crops loan, livestock loan, agro based industrial loan, fisheries loan, cash credit etc. Table 1 represents the financial scenario of RAKUB, Binodpur, Rajshahi.

Table 01 : Financial Scenario

Fiscal Years	Total Loan Disbursement	Total Loan Outstanding	Deposit Collection	Loan Recovery		
				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

*Amount in thousand Tk.

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

II. OBJECTIVES OF THE STUDY

The study has been conducted with the principal objective of finding why loan recovery performance is lower in relation to loan disbursement? To accomplish this objective, the study covers the following specific objectives:

- To find out the reasons of low loan recovery performance.
- To evaluate the effectiveness of lending program and loan recovery performance.
- To find out the way to recover disbursed loan.

III. METHODOLOGY OF THE STUDY

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

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

IV. DISCUSSIONS AND RESULTS

a) Crop loan

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

b) Livestock

The bank extends credit facilities of livestock farming, which includes dairy, beef, fattening, poultry, rising and setting up of hatcheries, which in turn is

expected to increase production of milk, meat and eggs. As the marginal and small farmers can't borrow money from the other commercial banks due collateral and

other conditions this bank provides credit facilities to the marginal and small farmers for livestock farming activities.

Table 02 : Financial scenario of crops and livestock loan

Years	Crops				Livestock			
	Loan Disbursement	Loan Outstanding	Loan Recovery	Loan Uncollected	Loan Disbursement	Loan Outstanding	Loan Recovery	Loan Uncollected
2006-07	1072	5366	1198	4168	1464	8696	2001	6968
2007-08	2065	6233	1890	4343	3287	10255	2807	7448
2008-09	2540	6883	1998	4885	4461	11909	6206	5703
2009-10	2669	7554	2458	5556	9827	15530	212	15318
2010-11	3426	9611	3992	5619	8800	30422	9408	21014

* Amount in thousand Tk.

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

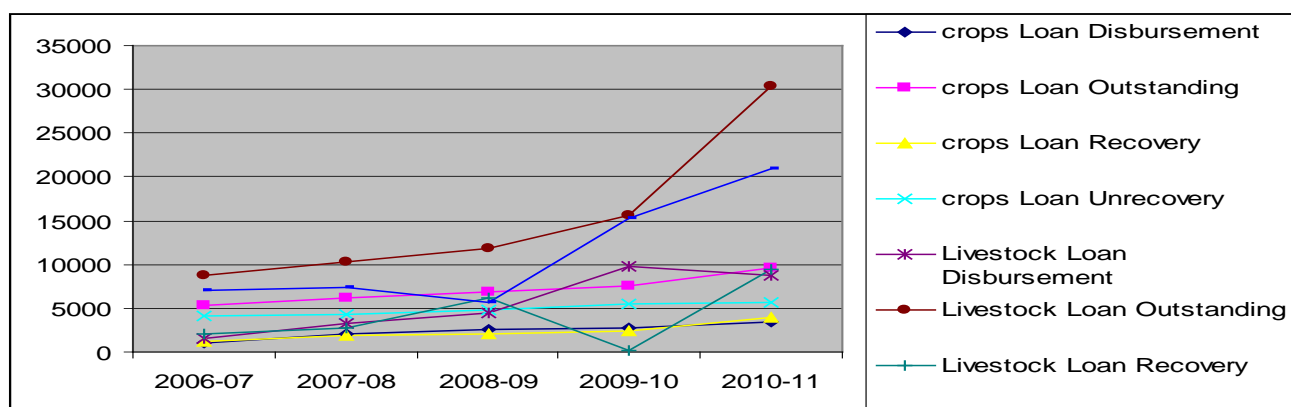


Figure 1 : Financial Conditions of Crops and Livestock Loan

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– 2011 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, 01.37% 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.

Table 03 : Loan Disbursement to Crops

Years	Amount
2006-07	1072
2007-08	2065
2008-09	2540
2009-10	2669
2010-11	3426

* Amount in thousand, Tk.

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

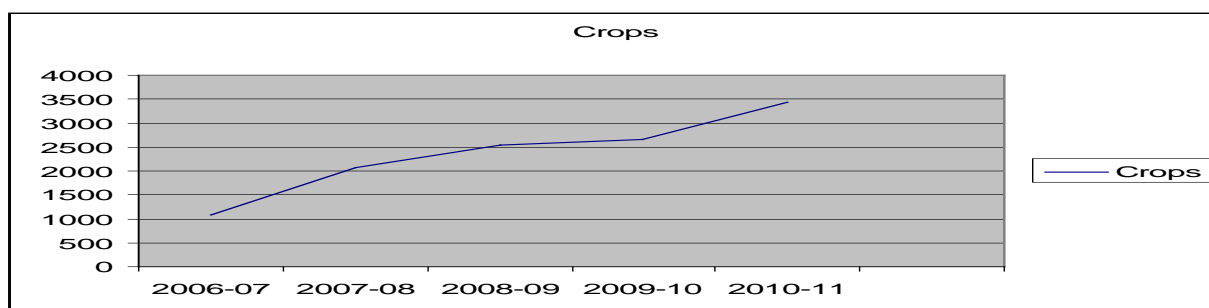


Figure 2 : Loan Disbursement to Crops

According to the table 3 and figure 2 loan disbursement to crops is gradually increasing as demand and production are increasing.

In the earlier this branch has provided small amount of paddy loan but now-a-days it provides only potato and banana loan due to increase the demand of these products. We know these products are seasonal products. The demand and price of these products

depends on various factors. Such as Condition of weather and climate, Price of the factor of production Consumer test, Due to the above reasons and chance to be affected by Nipah virus the production of banana is decreasing as result the distribution of loan to cultivation of banana is decreasing. The production of potato is increasing as result the distribution of loan to cultivation of potato is increasing.

Table 04 : Loan Disbursement to Livestock

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

* Amount in thousand, Tk.

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

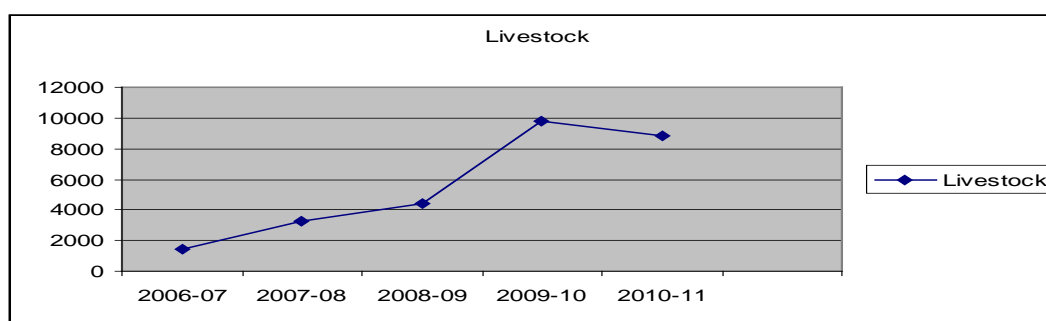


Figure 3 : Loan Disbursement to Livestock

According to the table and graph the disbursement of loan to this sector is increasing as demand and production of this sector are increasing. Livestock loan includes dairy, beef, fattening and poultry. It is known to all that livestock farming has been affected by Anthrax and Bird-flue. As a result, in fiscal year 2010 – 2011 loan disbursement to this sector has been decreased than the fiscal year 2009 – 2010.

Table 05 : Comparative Analysis of Loan Disbursement to Crops and Livestock

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

*Amount in thousand, Tk.

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

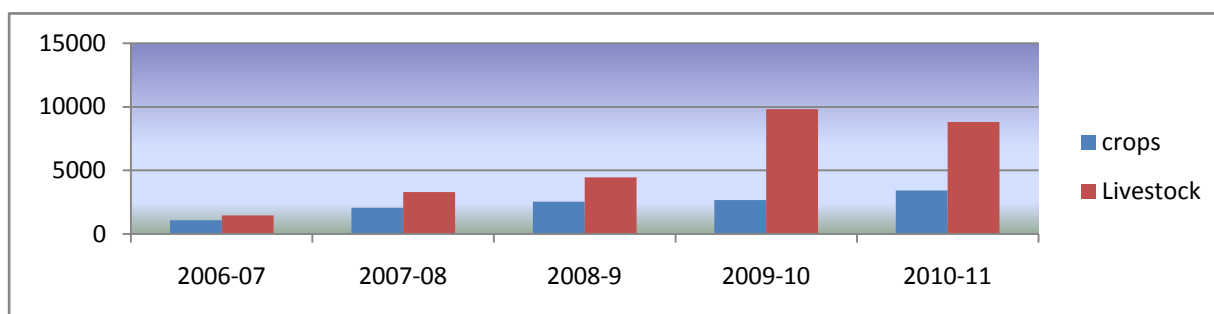


Figure 4 : Comparative Analysis of Loan Disbursement to Crop and Livestock

According to the table 5 and figure 4 the disbursement of loan to crops and livestock are increasing as demand and production of this sector are increasing. But the disbursement of loan to livestock is

higher than the disbursement to crops due to most of the farmers are marginal farmers and can't meet the necessary condition to get crop loan, condition of collateral, loan disbursement to crop is risky etc.

Table 6 : Loan recovery from crops

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

*Amount in thousand, Tk.

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

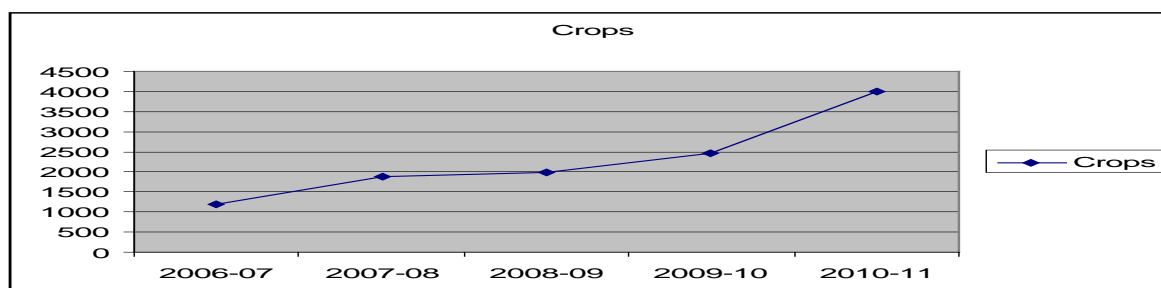


Figure 5 : Loan Recovery Trend of Crops

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.

Table 7 : Comparative analysis of recovery performance of crops

Years	Loan Disbursement	Loan Outstanding	Loan Recovery	Loan 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.

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

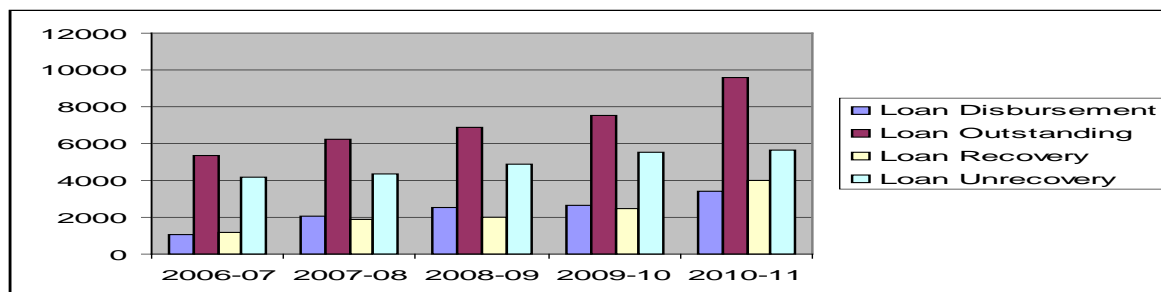


Figure 6 : Comparative analysis of recovery performance of crops

It is obvious from the table 7 and figure 6 that the collection of disbursed loan is increasing of the Branch. The branch has experienced huge amount of loan collection during the last fiscal years. From the above graph it is also clear that the amount of uncollected balance is very high with respect to the total

amount of collection. Even this increasing rate is so high that it is insignificant to the collection amount. It indicates that the performance of the Branch in case of collection is not efficient. So the efficiency of the Management should be increased.

Table 8 : Loan Recovery from Livestock

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

*Amount in thousand, Tk.

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

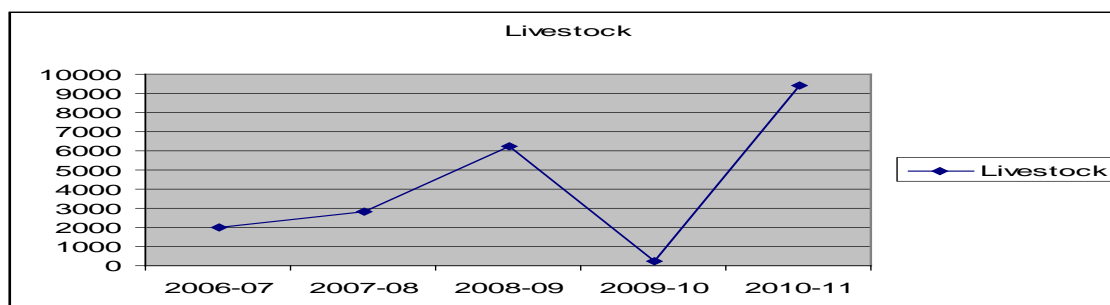


Figure 7 : Loan recovery from livestock

According to the table and graph the recovery of loan from this sector is sometime increasing and sometime decreasing as disbursement of loan to this

sector is increasing and decreasing according to the production and condition of climate.

The bank extends credit facilities of livestock farming, which includes dairy, beef, fattening and poultry. We know livestock farming has been affected by

Anthrax and Bird-flue. As a result the loanees have been unable to repay the loan in due date and loan recovery has been about to zero in fiscal year 2009 – 2010.

Table 9 : Comparative Analysis of Recovery Performance of Livestock

Years	Livestock			
	Loan Disbursement	Loan Outstanding	Loan Recovery	Loan 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.

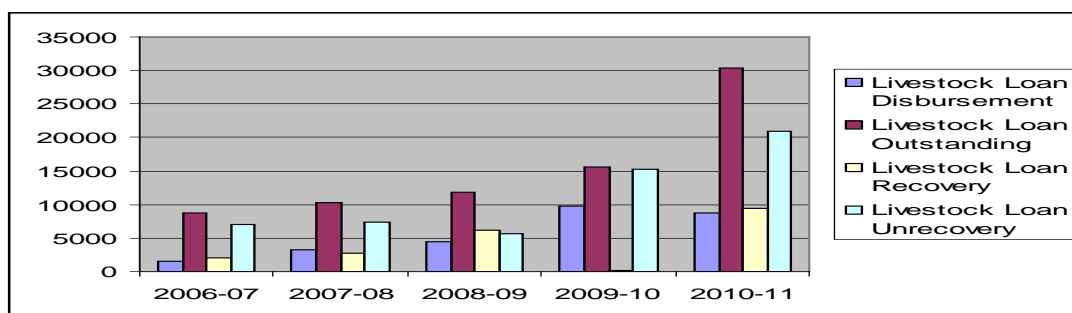


Figure 8 : Comparative Analysis of Recovery Performance of Livestock

It is clearly found from the table 9 and figure 8 that the collection of disbursed loan is increasing of the branch except the fiscal year 2009 – 2010 as the livestock has been affected by Anthrax and Bird-flue. The branch has experienced huge amount of loan collection during the last fiscal years. From the above graph it is also clear that the amount of uncollected balance is very high with respect to the total amount of

collection. Even this increasing rate is so high that it is insignificant to the collection amount. It indicates that the performance of the Branch in case of collection is not efficient. So the efficiency of the management should be increased. If the Branch fails to increase the efficiency of the management, it may fall in continuous loss.

Table 10 : Comparative analysis of recovery performance of crops and livestock

Years	Crops	Livestock
2006-07	1198	2001
2007-08	1890	2807
2008-09	1998	6206
2009-10	2458	212
2010-11	3992	9408

* Amount in thousand, Tk.

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

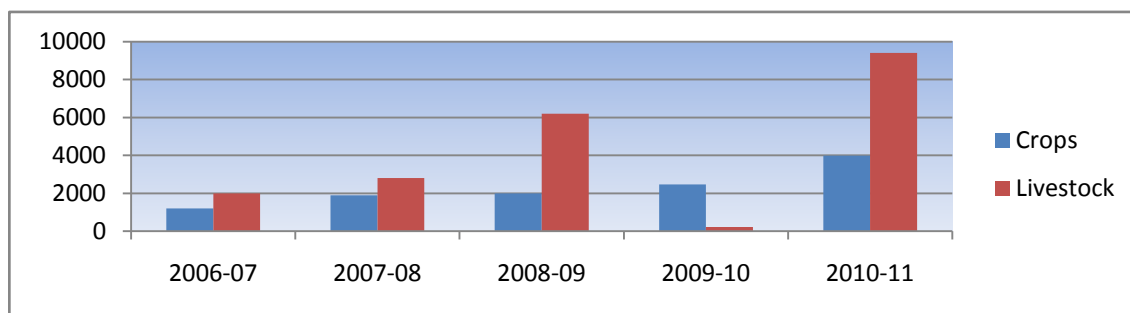


Figure 9 : Comparative analysis of recovery performance of crops and livestock

There is a fluctuation or variability (table 10 & figure 9) to collect the loan from crops and livestock as sometimes natural calamity destroys the crops, banana was affected by Nipah virus, livestock was affected by Anthrax and Bird-flue.

V. FINDINGS OF THE STUDY

a) Loan recovery problem

Loan recovery problem is a major problem for specialized bank like RAKUB. Binodpur Branch is also not out of this problem. In our study we have found that collection rate is quite lower than the uncollected rate.

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– 2011 have been uncollected. Again, 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.

b) Causes of default

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

c) Sector wise loan disbursement problem

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

d) Classified loan problem

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

e) Co-ordination problem between inter department

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

f) Lack of Manpower

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

g) Inefficient Management

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

h) Lack of Effective field work

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

i) Loan disbursement Problem

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

j) Political Influence

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

k) Crops loan disbursement problem

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

VI. SUGGESTIONS AND RECOMMENDATIONS

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

Binodpur Branch of RAKUB and observed some shortcomings in loan disbursement and recovery of crops and livestock. The Binodpur branch of RAKUB should take some measures to overcome those limitations. The study suggested that branch must try to increase the no. of deposits accounts by offering attractive deposits schemes, loan recovery department must more transparent and there must have some regular supervision. The study also suggest training to employees relating proper utilization of loan, selection of genuine borrowers, selection of productive sectors, disbursement and recovery relationship, resource mobility and liquidity, taxes and lawsuits, refinance plan. The study also suggests gaining proper knowledge about loanee and use of modern technology like management information systems.

VII. CONCLUSION

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

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