

Financial Contribution: Rural Bank in Bangladesh

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Abstract

Financial contribution refers to all those indicators that create proper financial products and services attainable, approachable and capable to individuals and businesses. It is illustrated as the accessibility of opportunity to execute financial assistances. It is also noted as financial inclusion. To reduce poverty and gain included economic growth, the contribution of financial services is not ignorable. To examine financial contribution of Rural Banks is the main study motive. Further the study has resolved the impression of financial contributions of rural people. Rural population is playing vital role in the contribution of GDP as well as employment generation of Bangladesh. Almost 70 percent of Bangladeshi people still live in rural areas where agriculture and allied activities is main livelihood. 40.60% of employees in Bangladesh were active in agriculture sector and 86% of people of Bangladesh are directly or indirectly contributing to agricultural sector. The conversion of gaining the financial inclusion which is in a relative environment is pointed out in the reporting statement and by which process, banks in the village people from in village side. Majority of population are still inaccessible to bank. On the report of Bangladesh bank (BB), there were opened a variation of 10114 branches in countrywide up to June 2018. The official report of banks showed that in rural sides, 4890(48.35%) branches were exposed where 5224 (51.65%) were in urban sides. In 2002, 6119 branches were in totally. Out of its, 3659 branches (59.80%) were in rural areas and 2460 (40.20%) in urban areas. Financial inclusion was 39.76% in 2004 which rose to 56.42% due to opening 9 million Tk. 10 accounts in state-owned banks. In 2018, Bangladesh occupied 136th rank in world human development index. Recently the coverage of banking services reveals that number of account holders per 100 of adult population in Bangladesh is 59. Remaining 41 people are still financially excluded. Most of them are from rural sides. However, it can be higher opportunity to eradicate poverty, enhance in standardized reside and authorization and entrepreneurial proficiencies, in case of taking accurate movements by government to run out the people extruded from financial actions.

Keywords: Financial contribution, poverty reduction, farmers, village, town, Bangladesh.

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I. Introduction

Banking industry in Bangladesh has a rich history and heritage. It is estimated a remarkable increase in size and perplexity in last few years. There are opportunity doing significant enrichments in the sectors that engage to financial durability, remuneration and emulation. But there will be a concern that large portion of population is been able to include by bank for financial services particularly the unheeded segment of the community. To make No-frills Accounts (NFA) which is for farmers with ten taka credit on account, the central bank of Bangladesh addressed dictations for the cadastral banks on January 17, 2010. Because of executing government cooperation and agricultural loan to farmers, those NFAs accounts are being conducted for the farmers now. These No-frills Accounts holder will get opportunity to operate native and foreign internal-external remittance and hand over funds like general bank accounts. Compulsory requirement of minimum balance and charges for providing services is not necessary. 12 more types of No-frills Accounts had been added by the central bank of Bangladesh except farmers' accounts for the cadastral banks. The accounts; corporal challenged individual, community safety-net allowance, extreme poor, garment maker etc were included in the improved chart of No-frills Accounts (NFA). The amount of 17881118 was remained in No-frills Accounts till June 2018. Gaining 9,317,557 accounts of farmers was in peak pursued by that 4,700,466 accounts was in community safety-net stipend accounts. Jibon Bima policy accounts (111,514), Extreme poor accounts (2,483,832), corporal challenged individual including the eyeless accounts (182,694), garment maker accounts

(274,756) were the rest of accounts. BDT 16.1 billion was amount of No-frills Accounts that was the complete accrued balance till June 2018. BDT 3.0 billion (18.6%) of farmers accounts was portion of the complete scale followed to BDT 5.2 billion (32.3 %) of community safety-net stipend accounts estimated the highest portion. Extreme poor accounts BDT 2.6 billion (16.1%), accounts of liberation war fighters BDT 2.1 billion (13.0 %), and garment makers accounts BDT 1.3 billion (8.1%) were the contributions of the rest key accounts.

The basic functions of a rural bank can be summarized as follows:

- To maintain deposit accounts from rural people.
- Make investment in agricultural and other income generating sector in rural areas.
- To generate loans and advances and improve purveyance of liquid assets.
- To conduct social welfare activities.
- To co-ordinate the rural financing.
- To flourish its connectivity to touch each sectors of the society.
- To motivate people's fringe in the pecuniary process.
- To provide safety to the savings of customers.
- To mobilize the savings of public.

Rural banking and financial contribution may be treated as synonyms as the multiplicity of the village people is not comprised in the comprehensive outgrowth. Therefore to the principle of economy in Bangladesh, the notion of financial inclusion has been a competitive situation. Enriched and excellent viable pecuniary as well as communal promotion of the country empowers financial incorporation. By the purpose for delighting the abreast and self-sustaining of the authorization among the pitiable, impecunious, indigent people of villages to receive excellent financial augment is assisted to it.

Objectives of the study

- To measure performance of rural banking institution in Bangladesh.
- To identify the major roadblocks and provides solutions in rural banks.

Methodology of the study

For executing the motives of the perusal, the requisite search was gathered from secondary judgments. The natures of secondary information were collected from different articles, books, internet and journals. The financial report of bank of eight main administrative department of Bangladesh, namely Chittagong, Khulna, Rajshahi, Sylhet, Dhaka, Barishal, Mymensingh and Rangpur is used to compress the estimation of metering.

II. Analysis and Discussion

Banks in urban and rural

There are consisted of four types of banks in the section for banking in Bangladesh such as public worth commercialized bank, public worth especial bank, privately trading bank, exotic trading bank. On the report of Bangladesh bank (BB), there were opened branches a variation of 10114 branches in countrywide up to June 2018. The official report of banks showed that in rural sides, 4890(48.35%) branches were exposed where 5224 (51.65%) were in urban sides (Table 1).

Table 1: Section of banks, savings and loans — Village vs. Town

Anno	Savings (Taka in billions)			Loans (Taka in billions)			No. of Sections		
	Town	Village	Total	Town	Village	Total	Town	Village	Total
2000	549.20	160.60	709.80	493.50	100.10	593.60	2460	3659	6119
2005	1197.60	218.30	1415.90	999.70	117.60	1,117.30	2638	3764	6402
2010	2,942.30	436.90	3,379.20	2,367.50	206.90	2,574.40	3265	4393	7658
2015	6,364.70	17,55.10	7,939.80	5,227.30	571.30	5,798.60	3944	5187	9131
2018(June)	8,223.60	2,142.80	10,366.40	7,607.10	863.10	8,470.20	5224	4890	10114

Collected from: Department of Banking Regulation and Policy of Bangladesh Bank

Albeit a great rate of 65.3% of the branches was increased between December 31, 2000 and June 30, 2018, the percentage decreased between almost 60 % in December 31, 2000 and almost 48% in June 30, 2018. Because of

improvements of the few clownish areas into town areas, the decrease of the branches in rural branches was happened.

Analyzing the data from branches of rural area and town area, the banks are more motivated to make branches in urban areas rather than the rural areas. In June, 2018 almost 20.67% of the total savings were purveyed on the part rural sides where just 40.28% was provided to the rural areas as advances which was 10.19% of the total advances (Table-1).

Table 2: Sections of banks at different county in Bangladesh

Division	2009			2010			2015			2018 (March)		
	Town	Village	Total									
Chittagong	662	922	1,584	707	989	1,696	881	1,262	2143	941	1,361	2,302
Dhaka	1,361	1,097	2,458	1,459	1,214	2,673	1,717	1,385	3102	1,832	1,506	3,338
Khulna	279	480	759	299	495	794	357	547	904	382	567	949
Rajshahi	451	944	1395	307	580	887	370	629	999	394	645	1,039
Barishal	104	277	381	114	282	396	155	323	478	173	332	505
Sylhet	194	416	610	203	437	640	245	488	733	253	502	755
Rangpur	-	-	-	176	396	572	210	431	641	225	443	668
Mymensingh	-	-	-	-	-	-	128	269	397	142	275	417
Total	3,051	4,136	7,187	3,265	4,393	7,658	4,063	5,334	9,397	4,342	5,631	9,973

Collected from: Department of Statistics of Bangladesh Bank

The table 2 hints that the bank branches are more motivated to make branches in Chittagong division. The number of bank's branches and growth rate increased from 1584 (22.04% of total) in 2009 to 2302 (23.08% of total). Though only about 30% of people in Bangladesh reside in the town areas, they were getting services of 43.54% of Bank's branches. The consistency of bank was much superior in town areas in compared to the village which was exposed in Table 2.

Tk.10 account of Farmers:

To favor the people of lower income related to agriculture activities and extreme impoverished farmers in village open Ten Taka accounts, the central bank of Bangladesh mentioned all public owned banks in September of 2010 so that the mentioned people can enjoy the conveniences of welfare programs or SSNPs. After the expertise steps taken by Bangladesh Bank, the performances of Tk.10 accounts have been improved. About 52.1% farmers' accounts of the total NFA was estimated in June 2018. The central bank had proposed to increase the goals for banks to execute agricultural advances by 6.8% for fiscal year 2018-19. The goal had been decorated at Tk. 2018 billion, on the report of the Agricultural and Rural Credit Policy and Program. Those settle accounts remained at BDT 3.0 billion which was the accretive savings. For collecting administrative helps and cooperation by government in company by the rest banking facilities is the main motive of the account of farmers. The selection of farmers' accounts getting administrative helps and co operations by government was completely 1,993,598 accounts with accretive savings of taka 50 millions. Moreover the central bank of Bangladesh renew the financing plan shrouded 37,103 accounts of farmers for administrative helps and cooperation by government, albeit that Taka 80 millions loans was executed. The number of 19,910 accounts of farmers with 71 million taka was mentioned as foreign remittance savings.

Small and medium enterprises (SMEs) financing

Just 22.15% of the complete SME advances for village entrepreneurs had been conducted in fiscal year 1018. Quoting central bank data, a local daily reports that during that year, out of the total Tk. 1419.86 billion disbursed by banks under the Bangladesh Bank's SME credit program, of the share of rural SMEs was 314.45 billion.

Contributions of banks on Agronomical related loan and advance execution in Bangladesh:

The financial institution assigning in Bangladesh was conducted the agricultural advances in the conforming sectors:

1. Harvest or crops (outside of tea).
2. Buying and setting of Sprinkling Materials.
3. Farming domestic animals.

4. Trading agronomical products.
5. Fishery.
6. Poorness retrenchment and revenue making actions.
7. The rest agronomical related actions.

1. **1. Harvest or crops (outside of tea)**

Table -3: Credits on Harvest or crops (outside of tea)

Collected from: Department of Agricultural Credit of Bangladesh Bank.

Year	2014	2015	2016	2017	2018
Harvest or crops (outside of tea) (Taka in billions)	71.31	76.04	86.95	100.61	103.37
Growth rate	-	6.63%	14.35%	15.71%	2.74%

Crops are those plant products that can be grown and harvested for profit or subsistence. The table-3 recounts that the amount of loans and advances on yielding of crops was improved to 103.37 Billion in 2018 where in 2014 it was 71.31 billion taka. But the growth rate decreased from 6.63% in 2014 to 2.74% in 2018.

2. **Buying and setting of Sprinkling Materials**

Table-4: Credit on buying and setting of Sprinkling Materials

Year	2014	2015	2016	2017	2018
Buying and setting of Sprinkling Materials (Taka in billions)	2.39	2.38	2.60	3.01	2.74
Growth rate	-	-0.42%	9.24%	15.77%	-8.97

Collected from: Department of Agricultural Credit of Bangladesh Bank.

Sparkling materials means irrigation equipment. To cultivate the land, there is no alternative of irrigation equipment. When then farmers cannot afford to purchase the equipment, they borrow it from others or takes loan to purchase. The table-4 describes that the sum for loans and advances to buy and set of agricultural materials was increased from 2.39 Billion in 2014 to 2.74 Billion in 2018. But the growth rate decreased from -0.42% in 2014 to -8.97% in 2018.

Credit on Farming Domestic Animals

Table -5: Credit on farming domestic animals

Year	2014	2015	2016	2017	2018
Farming domestic animals (Taka in billions)	19.96	20.57	26.14	30.57	30.58
Growth rate	-	3.06%	27.08%	16.95%	0.033%

Collected from: Department of Agricultural Credit of Bangladesh Bank.

It is related with dairy and livestock productivity. With World Bank, The prime minister of Bangladesh has signed a project of 500 million dollar named 'livestock and Dairy Development Project' for the sake of helping new entrepreneurs related to agro-productions. For a farmer, farming domestic animal is like depositing money in banks. The table-5 defines that execution of agronomical loans for farming domestic animals in 2014 was 19.94 billion taka. The sum of loan execution on livestock was improving slowly by 30.58 billion taka in 2018 and the growth rate decreased from 3.06% in 2014 to 0.033% in 2018. In the following year the execution of loan and advances farming domestic animals was improved significantly.

Trading Agronomical Products**Table -6: Disbursement of loan on trading agronomical products**

Year	2014	2015	2016	2017	2018
Trading agronomical products (Taka in billions)	1.67	1.54	1.09	1.14	1.14
Growth rate	-	-7.78%	-29.22%	4.59%	0%

Source: Department of Agricultural Credit of Bangladesh Bank.

It is the process of transferring goods farmers to consumers. The table-6 recounts that the loans executions on trading agronomical products in 2014 was 1.67 billion taka. The sum of loan execution on trading agronomical products was decreasing gradually down to 1.14 billion taka in 2018. But growth rate increased from -7.78% in 2014 to 4.59% in 2017 and in 2018 it remains unchanged.

Credit on Fishery**Table-7: Credit on Fisheries**

Year	2014	2015	2016	2017	2018
Fishery (Taka in billions)	13.78	16.53	19.85	24.13	24.64
Growth rate	-	19.96%	21.56%	21.56%	2.11%

Collected from: Department of Agricultural Credit of Bangladesh Bank.

In general, fishery means a nature of engaging in rearing or farming fish that will be obtained by authority. Due to presence of the ingredients to develop careers as well as fishery sources and an enhanced need in these sectors, people are more motivated and attracted to join there more than conventional fish hunters and community of in shore areas. The checkerboard-7 mentions that the loans and advances in fishery in 2014 was 13.78 billion taka. The volume of loan execution on fishery was improving softly by Tk. 24.64 in 2018. But the growth rate of loan disbursement on fisheries decreased from 19.96% in 2014 to 2.11% in 2018. The disbursement of agricultural credit on fisheries has rising significantly in its magnitude realizing the importance in more fish production.

Credit on Poorness Retrenchment**Table-8: Credit on poorness retrenchment**

Year	2014	2015	2016	2017	2018
Poorness retrenchment (Taka in billions)	18.64	14.81	15.59	18.85	21.50
Growth rate	-	-20.55%	5.27%%	20.91%	14.06%

Collected from: Department of Agricultural Credit of Bangladesh Bank

It is to alleviate poverty. This is closely related with the development and growth of a country. Since 1996 Government of Bangladesh had taken various progressive programs and plans to alleviate poverty. Providing interest free or low interest loans are one of them Table-8 exhibited that the loans and advances on poorness retrenchment in 2014 was 18.64 billion taka. A sum of loans and advances on poorness retrenchment was improving slowly by Tk. 21.50 in 2018 and the growth rate also increased from -20.55% in 2014 to 14.06% in 2018.

Credit on the rest Agronomical related actions

Table 9: Credits on the rest agronomical actions

Year	2014	2015	2016	2017	2018
The rest agronomical related actions (Taka in millions)	32.62	27.91	24.24	31.68	29.96
Growth rate	-	-14.44%	-13.15%	30.69%	-5.43%

Collected from: Department of Agricultural Credit of Bangladesh Bank

The rest actions related to agriculture that are creating incomes in other agricultural activities like as poultry, forestry, dairy farms etc. Therefore, the rest agronomical related actions have great contributions for improving economic and financial conditions of villagers. The table 9 illustrated that the execution of agronomical loans and advances in the rest agronomical related actions in 2014 was 32.62 billion taka. A significant amount to pay loans and advance was decreased softly where it was 32.62 billion taka in 2014 and came to 29.96 billion taka in 2018. But growth rate of loan disbursement on other agricultural activities also increased from -14.44% in 2014 to -5.43% in 2018.

The challenges of rural banking

- Percentage of no. of Bank's branch was decreased from 59.80% in 2002 to 48.90% in 2018.
- Percentage of credit on crops loan was decreased 6.63% in 2014 to 2.74% in 2018.
- Percentage of credit in buying and setting of sprinkling materials was decreased 0.42% in 2014 to -8.97% in 2018.
- Percentage of credit on fisheries decreased from 19.96% in 2014 to 2.11% in 2018
- Long institutional procedure.
- Unwilling to pay loan from the beginning for expecting discharge loan by Govt. for small loan.
- The amount offered to rural population is insufficient than expected amount.
- Crops damages due to natural disaster.
- In imitation of the comparative proficiency of the farmers, Organizational loans and advances are not shared out. However in conformity with loan acceptor like financial as well as implied authority, it is preferable.
- There are no training facilities and guidance is provided for utilizing agricultural loan.
- Deficiency of proper documentation.
- Absence of Inspections because of insufficiency of local staff.
- Inappropriate communication facilities.
- Indigence of comfortable and proper marketable vendible and service formation of banks.

Recommendations

- The central bank should provide guideline to increase banking services in rural areas and decrease higher density of branches from urban areas.
- Loan disbursement policy should be revised to increase investment n crops loan, purchase and installation of irrigation equipment, fisheries.
- Time costing procedure and insufficient amount offered by bank should be reevaluated.
- The rural population should be encouraged to pay installment in time.
- Young and energetic person should be recruited for better output and supervised the field works.
- One cannot decrease crops damages due to natural disaster but for decreasing minimum loss, the central bank can pass ordinance for affected people to pay interest free loan.
- Training facilities and guidance should be arranged to teach utilizing agricultural loan, to develop communication facilities, to introduce suitable product and services structure of banks.

III. Conclusion

An excellent performing pecuniary process is essential to the development of an economy, especially in a poor assets developing country like Bangladesh. It promotes extensive economical betterments and eradicates impoverishments in a country liked Bangladesh. The aim of financial contribution is to achieve goal of eradicating extreme poverty boosting share of prosperity. The role of bank in Bangladesh to make structural development in rural areas can't be ignored. The contribution of rural population in GDP cannot be ignored. 40.60% of employees are directly evolved in agricultural sector. To achieve sustainable development goals (SDGs) by 2030, to reach among Higher-Mid Level Income Economy by 2030, and Upper Level Income

Economy by 2040, there is a compulsory option to develop structural infrastructure in rural areas. On the report of the World Economic Forum, Bangladesh has the possibility to be in 24th number position among the greatest economic countries by 2030. Financial inclusion can change the financial behavior of the marginalized people that ultimately lead to ensuring some of the SDGs, especially ensure gender equity, greater food security, and good health. If this complex process is made easier, the accessibility of the rural poor to the banking system can be increased. Therefore, the rural banks should adopt innovative method to make the banks economically viable as well as emphasis must be given applicable, little expensive, legitimized and secured pecuniary goods and assignments which will lead to attract the villagers to avail the available facilities.

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