

**IMPACT OF FINANCING BY RAJSHAHI KRISHI UNNAYAN  
BANK ON AGRICULTURAL DEVELOPMENT OF BANGLADESH –A CASE  
STUDY OF SELECTED BRANCHES IN NILPHAMARI DISTRICT**

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Institutional suppliers of agricultural finance in Bangladesh include state-owned agricultural or rural development banks, nationalized commercial banks, the Grameen bank, NGOs, cooperatives, special rural credit programs operated by government agencies etc. Farmers also borrow from some informal non-institutional sources. However, banks play a major role in agricultural finance of the country.

The main objective of the present study is to identify the impact of bank financing on agricultural development in terms of augmenting agricultural production, use of inputs, assets accumulation and consumption expenditure etc., and to develop an integrated reform plan for the process of bank financing to agriculture. The study is confined to 12 selected branches in Nilphamari district of one of the government agricultural development banks, namely the Rajshahi Krishi Unnayan Bank. Out of the 'total borrowers list' 247 borrowers are selected for interview through stratified random sampling. Another 247 sample farmers are selected for interview as a control group under a quasi-experimental research design. Only the pipeline clients, who have applied for loan to the sample bank but have not received it by the time of data collection, are selected as control group of non-borrowers to avoid self-selection results in biased estimates. Cross-sectional retrospective and recalled data are collected for two different periods of time: 'last year and 'three years back'. Changes in the borrowing group minus changes in the non-borrowing group reveals the impact associated with bank financing. Moreover, some econometric analyses to establish relationships between the determinants of agricultural development and demand of bank credit, and rank correlation analysis for the opinions on bank financing process are attempted.

Variations in farm and off-farm production, income from agro-based trade, intensity of cropping, amount of cultivated area of uncommon crops, total and per capita consumption expenditure of the borrowers are found statistically significantly higher than the non-borrowers. On the other hand, insignificant relations of 'working capital investment for farming' and 'use of inputs' with 'demand of bank credit' are observed in case of small and large farms, but those are found significant in case of medium farms. Credit delivery procedures and services of the sample bank do not satisfy the expectations of the borrowers. The study embodies that the major problems associated with the bank financing are diversion of borrowed fund, poor recovery of loans and high default rate, which are attributed to both the borrowers and the bankers.

From the bankers' side, it appears that close supervision of loans is the best alternative of remedy. The bank should take a number of well-coordinated initiatives like posting adequate number of field staffs in the branches with necessary logistic support and training, regular briefing to the field staffs setting their individual targets, regular and repeatedly reminders to the defaulters, timely disbursement of loans and timely reminders for repayment, ensuring proper utilization of loan funds through partially or fully in-kind-disbursement, proper selection of borrowers avoiding external pressure or lobbying, group-lending where applicable etc. Government should also implement some initiatives relating to legal action procedures, security interests, registry services for mortgage property, land reform activities and land revenue collection etc.