

Agri Business Financing In Bangladesh, a Case Study on Bangladesh Krishi Bank

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Abstract

This paper discusses the important issues pertaining to the agribusiness activities in Bangladesh. The author presents an overview of Bank wise involvement in financing agribusiness. Moreover, the paper also enlightens the investment issues in agriculture sector and other promotional aspects especially with reference to the entrepreneurship in respect of the development of agribusiness.

Key words: Agri business, Gross domestic product, Export, Import, Fiscal Year.

1. Introduction

Bangladesh the home of 140.00 million people is one of the developing countries of the world characterized by high incidence of landlessness and a labor surplus economy. The global economic environment is undergoing drastic changes with the concept of market economics for sustainable development. Under such an environment, production in both the Agribusiness and Industrial sectors are stagnating the aid pipeline, drying up remittances and as a sequence in investment growing shy. Only exports, especially in non-traditional areas, offer the most promising avenue for sustained growth. In this context agri related business processing industries have enough and fresh opportunities for employment and income generation through increased domestic agricultural production.

Bangladesh has considerable potential to increase the production of conventional and non-conventional fruits, vegetables as well as aquatic resources. Production of major agri products in current prices during the last 5(five) years is shown in Annexure-A. The Annexure reveals that there is an increasing trend for all items. Exploitation of this potential needs are well developed and systematic export promotion programme of agricultural produces will have a significant impact on agriculture and economic development. This will ensure higher income to farmers for earning foreign currency and expand agro processing industries. To boost up export earnings from agriculture produces, the government has taken some special measures like supplying high yielding variety seeds, extension services, incentive for exporting agriculture produces etc.

The Sectoral share and growth rate of GDP of major agri products at current prices 2007-2008 to 2010-2011 is shown in Annexure-B. The Annexure reveals that the contribution of major agri business activities shows slightly up and down trend during the last five years. So, measures need to be taken by both the financial institutions and concerned organization including agricultural extension, Fisheries and live stock Departments to boost up production of agricultural produces and development of agribusiness sector.

Objective of the study :-> To study the activities of Bangladesh Krishi bank in the field of agribusiness financing.

>To find out the performance of the bank in the field of agribusiness financing.

> To identify the problems faced by the bank and the clients in Credit operation.

>To suggest remedial measures for the improvement of Bank's Performance in credit operation.

Methodology of the study: This study is basically descriptive in nature and based on secondary information. The study analyses published books, different published research works, newspaper, magazines, reports of various

government authorities, and websites. Different officials of Bangladesh Krishi Bank were interviewed to obtain the relevant data.

This paper is divided into seven parts. Section 2.0 describes the definition & dimension of Agribusiness. Section 3.0 describes briefly the development role of agribusiness sector. Section 4.0 analyses the different aspects of financing of agribusiness sector. Section 5.0 describes the investment & entrepreneurship development aspects and section 6.0 discusses the problems of financing of agri processing and finally section 7.0 concludes the paper with a future policy implication and recommendations.

2.0 Agribusiness: Definition & Dimension:

The definition of agribusiness refers to the business which deals in the agricultural products, including the trading of raw materials used in an agro processing industry. This agribusiness activity includes the activities of agro-processing industries that transforming products originating from agriculture. Agribusiness is numerous in Bangladesh and form a large majority in the domestic markets. According to the estimate of BSCIC there are about 523 thousands of small agribusiness enterprises including cottage sector in the Country employing about 2.3 millions of people which covers around 82 percent of total labour forces. Thus agribusiness in Bangladesh covers a widening ranging from petty business to sophisticated agro industrial sector that uses raw materials derived from the agricultural sector.

3.0 Developmental role of agribusiness sector:

In the context of Bangladesh the developmental role of agribusiness is largely linked to the relative abundance of agricultural raw materials and cheap labour. Where the raw material represents a large proportion of the total cost of agribusiness sector. A small agro-business complex may be economically efficient, in many cases but the domestic market is limited by low purchasing power and sometimes by the small size of the market itself.

The raw inputs used by agro-business enterprises are generally characterized by the seasonal nature and variability of their production as well as by their perishability. These aspects put particular attention both on the organization of agro-industrial activities and on the agricultural-base institutions entangled with producing the inputs and thereby adding to the need for a close integration of raw materials production and processing. The major commodities are often deals in business/trading may be divided into three categories:

- (i) Domestic trading
- (ii) Import and
- (iii) Export

The items generally traded domestically are mostly seasonal agri products like raw jute and jute goods, paddy, rice, wheat, oil seeds, pulses, onion, ginger, garlic, chilly, hides & skins, fish products, fruits and vegetables etc. The imported items are mainly foodstuffs and exportable agri products are raw jute and jute goods, hides & skins, fish, shrimps, prawns, vegetable etc. In addition, there are some other categories of agri business like warehousing and cold storage for preservation of potatoes, vegetable & fruits, working capital for agro-based industries which includes the procurement of raw materials. A list of agribusiness activities is given in the Annexure-C.

The role of agribusiness as a sector of the economy has multiple dimension to create a greater changes in the course of development by way of promoting agribusiness enterprises to expedite the process of optimum contribution to the economy in the form of employment generation to a large number of unemployed labor force. The consensus that has been gradually forming emphasizes the role of government in creating and enabling environment conducive to private sector investment, providing a macro-economic foundation and removing market distortions through policy reforms.

4.0 Different aspects of Financing in Agribusiness:

Among four factors of production i.e. land, labor, capital and organisation financing the capital input plays the most paramount role in running any business enterprises. Therefore, in the development of agri business sector in Bangladesh, financing aspects need to be taken into consideration with due importance.

The present Government of Bangladesh has given top priority for development of Agricultural sector especially, agribusiness enterprise. As such several measures have already been taken for example, reduction of rate of interest in agri sector like crop production, poultry, duckery, fishery horticulture, agro processing, nursery etc including export financing.

Different banks have taken soft financing programmes with a view to boost up production marketing & export of agro-related businessmen. In this regard bank wise agricultural credit performance of different banks are furnished in Table-I below:

Agriculture credit performance of lenders-FY 11

TABLE-I

(Billion Taka)

Lender	Disbursement target	Actual disbursement	Recovery	Overdue	Outstanding	Overdue as percent of outstanding
SCBs	25.75	22.14	20.11	25.83	64.36	40.13
BKB	45.00	52.34	50.18	26.47	116.22	14.17
RAKUB	11.40	10.10	11.41	12.95	33.15	39.00
BRDB	7.70	7.50	6.91	3.91	10.65	36.71
BSBL	0.01	0.02	0.08	0.56	0.61	31.80
Total	89.86	92.10	89.19	59.72	224.99	26.54
Summary						
FY11	126.17	121.84	121.48	60.97	254.92	23.92
FY10	115.12	111.17	101.12	64.04	225.87	28.35
FY 09	93.79	92.84	83.77	60.80	195.98	31.02
FY 08	69.75	61.67	43.75	58.37	158.49	36.83
FY 07	63.51	52.93	46.76	66.35	145.82	45.50

Source: Agricultural Credit Department Annual Report, Bangladesh Bank, 2010-2011.

The above table reveals that agricultural credit for financial year 2011 was disbursed at Tk.126.17 billion which is 3.56 % higher than the actual Tk. 121.84 billion disbursement during preceding year. Out of total disbursement of Tk.92.10 billion, BKB alone disbursed Tk. 52.34 billion which is 56.82% of the total disbursement whereas all SCB's participation is only Tk.22.14 billion which is 24.03% of the total amount disbursed Rajshahi Krishi Unnayan Bank(RAKUB) disbursed Tk.10.10 billion which is 10.96% . So far recovery of loan is concerned out of total recovered amount of Tk.89.19 billion, BKB recovered Tk.50.18 billion, which is 56.26% of the total recovered amount.

The Table also shows that the percentage of overdue in relation to outstanding BKB's position is to an extent better (14.17) then the global situation.

4.01 Export Financing of Agri products

The banks and financial institutions have not only financed agribusiness in the form of production, processing and domestic marketing, those have also financed in promoting export of agri products. The export of major agri products (item wise) is furnished below at Table-I

EXPORT OF MAJOR AGRIPRODUCTS

Table: I
Figure in Million US\$

Item	Year	
	2010-2011	2011-2012
Raw Jute	196.3	397.3
Jute Goods(excluding carpet)	591.7	757.7
Tea	5.7	3.2
Leather	226.1	297.8
Frozen Shrimps & Fish	437.4	611.3
Total	1457.2	2067.3
Total Exports	16204.7	22924.4

Source: Export promotion bureau Annual Report, Bangladesh Bank, 2010-2011.p245

The Table- II reveals that the main exported agri product up to 2010 were raw jute, jute goods, tea, leather, frozen fish and shrimps. The total volume of export in 2010 was US\$ 22924.4 million. Out of which agri products accounted for US\$ 2027.3 million which is more than 8.84% of the total export.

Among all agri-products, export of Jute goods occupied highest position with more than 30% (US\$ 611.3 million), frozen shrimp and fish remains in 2nd position with 37.37% (US\$ 757.7 million) leather remains in 3rd position with 14.69(US\$ 297.8).

It is observed that to boost up export of agri products there is a scope to put more emphasis in increasing production of shrimp and fish rearing, development of livestock especially, goat farming through bank finance.

In addition, nontraditional export marketing like flowers, vegetables, battle leaves; fruits and other primary products have wide demand in international market. In the previous years the mentioned items (primary products) have already been exported with a very small share (0.38%) which amounting to US\$ 22.5 million.

Steps may be taken to increase both production and export of these primary products and accordingly the total allocation of bank finance for the sector may be increased & implemented.

Like export, banks and financial institutions also play a vital role in importing various agri products from abroad. Bank & financial institutions imports agri products through opening letter of credit (LC). Imports of major agri products are rice, wheat, milk cream, spices, edible oil, sugar, oil seeds, coconut oil etc. Composition of merchandise of imports of major agri products in FY 2010-2011 and FY 2011-2012 is shown in Table-III as below:

COMPOSITION OF MERCHANDISE IMPORTS OF MAJOR AGRI PRODUCT Table: III

(Million US\$)

Items	2010-2011	2011-2012
Rice	75	830
Wheat	761	1081
Milk cream	106	161
Spices	109	127
Edible Oil	1050	1067
Sugar	650	654
Oil Seeds	130	103
Total	2881	4023
Total Imports(FOB)	21388	30336

Source: Statistics Department Annual Report, Bangladesh Bank, 2011-2012.p246

The Table-III reveals that import of most of the agrobased items have been increased in the year 2012 than the previous year. This is because of increase of domestic. However, demand and fall of production due to repeated natural calamities. However Different banks & financial institution are endeavoring hard in the form of implementing different soft credit programmes, allocation of more resources, strengthening monitoring & supervision of bank branches both by respective bank & Central bank for increasing the domestic production of agro-products with a view to cope up with demand increased..

A special credit programme with Tk.1.00 billion in the name of Equity and Entrepreneurship Fund (EEF) has been introduced for ultimate support of agriculture sector. The fund was provided by the government and it is being administered by the central bank for equity support to new ventures in the information technology and agro based sector. Different banks (SCB's specialized banks and private banks) have participated in the programme. The disbursement of equity support in 2001-2002 from the EEF was a modest Tk.0.05 billion but have increased substantially afterwards in the first quarter of 2002-2003. Later on, the Government has announced the enhancement of the fund To Tk.3.00 billion in 2003.

Financing in Agri-sector by Bangladesh Krishi Bank: Bangladesh Krishi Bank was established with the objective of strengthening rural economy by extending credit support to agricultural and agro-based sectors. In consideration of the importance of Micro level Agri-financing with the objective of generating employment as well as encouraging social development BKB has undertaken several Micro-credit programs of its own and also in collaboration with local and foreign agencies. The programs have been designed to cover all segments of poor population whether skilled or unskilled such as small and marginal farmers, landless labourers, destitute women, disabled, unemployed youth and rural artisans etc. Considering the needs of the target groups since late seventy's BKB has been implementing a series of agro-based Micro credit programs out of which 10 programs have recently been completed and 31 programs are in operation. Bangladesh Krishi Bank received " Asian Banking Award-2001" from international Banking Forum in Bangkok on 25.05.2001 for contribution to alleviate poverty of the poor people through agri-financing by creating employment opportunities, empowering the rural woman to establish their own rights, improving the living standard of the rural people, mobilizing rural savings, making optimum utilization of rural resources, engaging inactive human resources of the rural areas in production activities and eliminating exploitation done by the money lenders, etc. As the premier financial institutions BKB finances (a) Crop, (b) Fisheries, (c) Livestock, (d) Agro-equipment & farm machineries, (e) Continuous loan and with the changing scenario for making Bangladesh into industrially developed, BKB has been financing Agro-based project/industry since 1980. The Bank has started financing to renowned corporate bodies of the country for the last 3/4 years. This has opened a new arena of utilizing agri-product marketing channel of the companies in soft terms and at a lower interest rate. Such companies are as follows:

<u>Name of Company</u>	<u>Name of Product Produce</u>
1. Pran Group (Agriculture Marketing Company Ltd.)	Processed Milk & juice
2. Square Group (Square Consumer Products Ltd.)	Salt & Food items
3. Partex Group (Partex Furniture Ltd.)	Partex Furniture
4. Supreme Seeds	Agri-seed marketing
5. Padma Group	Textile
6. PHP Group	Glass
7. TK Group	Oil & food items
8. Ispahani Group	Tea
9. SA Group	Agro-Product
10. KDS Group	Agro-Product
11. City Group	Oil & food
12. S.Alam Group	Sugar
13. Meghna Group	Food & power plant
14. Abul Khair Group	Oil, Tobacco & food items
15. BRAC	Micro-credit in Agribusiness
16. Paragon Group	Poultry
17. Bay-Agro Group	Poultry
18. East-West Seed	Seed processing & marketing
19. Akij Group	Tobacco & food items
20. Harvest Rich	Garments & Agro-industry
21. Navy Group	Garments & CNG gas
22. A. Monem Group	Marketing of Agro-Products
23. Ifad Group	Flour & food items
24. Kazi Group	Poultry
25. Mono Group	Feed & Poultry feed.

Present scenario of economy is concentrated on Small and Medium Enterprises (SMEs). Bangladesh's SME sector has increasingly been viewed upon as occupying a crucial position in the economy of Bangladesh. Bangladesh Krishi Bank has recently introduced the SME policy strategies and financing norms in accordance with the industrial policy 2005 and Bangladesh Bank's Prudential Regulation to assist in the achievement of Millennium Development Goals (MDGs) set by the government. BKB is now focusing to the development of SME sector and has initiated a commendable effort by financing the following way with an allocation of fund Tk. 600.00 core for FY-2011-2012.

Booster Sector of Small and Medium Enterprise (SMEs):

1. Electronics & Electrical
2. Software Development
3. Light engineering and metalworking
4. Agro-processing /agri-business/plantation agriculture/specialist farming/tissue-culture and related business.
5. Leather making and leather goods.
6. Knitwear and readymade garments.
7. Plastic & other synthetics.
8. Healthcare and diagnostics.
9. Educational Services.
10. Pharmaceuticals/cosmetics/toiletries.
11. Fashion-rich personal effects, wear and consumption goods.

Credit Facility:

1. Small Enterprises : Tk. 2.00 lakh to 50.00 lakh
2. Medium Enterprises : Tk. 51.00 lakh to 500.00 lakh

Interest Rate:

1. Small Enterprises: 12.50%

2. Medium Enterprises : 12.50%
3. Working Capital : 13.00%

Repayment:

EMI (equal monthly installment) maximum for 5 (five) years and working capital for 1 (one) year.

BKB's SME position at a glance as on 30.06.2012 is furnished below:

SL. No.	SME Type	No. of Account	Amount in Lakh
1.	Service Concern	145	2459.00
2.	Trading Concern	8523	23527.00
3.	Industrial Concern	402	5976.00
	Sub-Total (Small Enterprise)	9070	31962.00
4.	Service Concern	12	1395.00
5.	Trading Concern	219	13815.00
6.	Industrial Concern	63	6123.00
	Sub-Total (Medium Enterprise)	294	21333.00
	Grand Total	9364	53295.00

Year and sector wise financing in agribusiness activities by BKB is shown in Annexure-D and sector wise disbursement in agribusiness as sector under Agriculture Technology Development program (ATDP) by BKB up to 2011-2012 is shown in Annexure-E.

5.0 Investment Scope and Entrepreneurship development in the Agri-business sector:

Entrepreneurs in Agri-business require three categories of investment i. Short-term trading purpose ii. Working capital (short term investment), iii. Financing for export & import purposes. Many macro studies have recorded the fact that Agri-business sector in developing countries rarely get such finance either in adequate amount or in short time to run the enterprise effectively on a sustainable basis.(Dhungana, 1996).

However in order to promote agri-business activities, it was also stated earlier that the government has introduced a credit programme in the title of "Equity and Entrepreneurship Fund (EEF)" under the direct supervision and guidelines of Bangladesh Bank. Apart from, very recently the Government is going to introduce a new credit programme under the direction of Bangladesh Bank. The title of the credit programme is 'SMALL AND MEDIUM Enterprises (SME) development. All the scheduled banks are to be asked to participate in the programme.

Research focus on less satisfactory performance of financing agri-business sector in Bangladesh has received considerable attention. Failure to repay loans, listless entrepreneurial effort, and poor management capacity of the sponsors are some of the reasons usually identified for the failure of the industrial investment. The issue of entrepreneur development is widely neglected in Bangladesh. So the banks & DFIs should devise innovative means to create and promote investors relation in order to promote industrialization in the country. However factors affecting entrepreneur development are not similar in nature. It changes frequently depending on socio economic and environment condition of the country. Therefore, the banking institutions need to reorient their role through introducing innovative bank management system. The success of the development of agri-business can be achieved to a great extent by patronizing the entrepreneur's development programmes and the Banks & DFIs should borne in mind that they are partners in the process. In this context socio-economic background of the entrepreneurs, specially, their levels of education, experiences, training in the concerned business, family background, occupations, hobbies, etc. seems to be the influencing factors to the operational performance of an enterprise. A study carried out by Dr. Zillur Rahman (1998) on BKB financed business enterprises regarding the sponsors back ground and the operational status of the business. The result of the survey is depicted in the Annexure-F.

Regarding educational background of the sponsors, the Annexure-F shows that academic qualification of the entrepreneurs do not seem to have any significant effect for smooth operation of the business enterprises. The entrepreneurs who have only secondary education (SSC) have scored the maximum as compared to graduates and others. However, the fact for that as identified through the study is that these entrepreneurs (up to SSC pass) are the ones who have come from business/trading families. This fact has also been supported by another study carried out by Zahir and Manhas.

With respect of experience of the entrepreneurs, it is observed (Annexure-F) that the entrepreneurs having prior experience in the related fields have scored better than the entrepreneurs do not have any experience. The annexure also shows that the sponsors those have no past experience, only 23% of their enterprises are in operation.

As regards training factor of the entrepreneurs, the Annexure-F shows that out of 65 business enterprises, only sponsors of 5 enterprises acquired related training and cent percent of their business enterprises are in operation. On the other hand, sponsors of the remaining 60 business enterprises of which 22 enterprises (37%) have been closed down and the rest 29 enterprises (48%) are in operation.

In consideration the age of the sponsors, Zillur (1998) observed that the tender aged sponsors are unstable in nature; they like to change their mind very frequently. In contrast, the old aged sponsors are also observed to be ineffective in performing their responsibilities. On the other hand, the sponsors of the age group of 30 to 50 years, their business enterprise are in operation & running smoothly.

The study also found that there is a correlation between the operational status of the enterprises and the hobbies of the sponsors. Annexure-F shows that sponsors who are inclined with hobbies like traveling and reading have scored the maximum of 60 percent against the enterprises in operation. While the sponsors who play card, have failed to run the enterprises.

The sponsors who have political and social involvements, 56 percent of their business enterprises are in operation, 35 percent have been closed down and 9 percent have not been implemented. On the other hand, the sponsors those are not involved in social and political activities, 50 percent of their business enterprises are in operation, 33 percent have been closed down and 17 percent of their business enterprises have not been implemented. So, this result reveals that there is no remarkable positive or negative effect regarding operational activities of the business enterprises whose sponsors are involved in political or social activities.

Occupation of fathers, father in laws and grand fathers of the sponsors' i.e. family background of the sponsors play an important role in success or failure of business enterprises. It appears from the Annexure-F that a total number of 20 (31%) sponsors out of 65 have come from the families having business occupations of the fathers, 80% of their business enterprises are in operation. On the other hand, sponsors whose fathers' occupations were service, agriculture and others are relatively low and deteriorating in comparison with the above category of sponsors.

As like as the occupations of the sponsors father, the occupations of father in laws have more influence over the operational performance of the business enterprises as shown in the Annexure-F. The Annexure shows that the sponsors, whose father in laws were in business occupations, have done well (77%) in operation their business enterprises. In contrast, 68 percent and 25 percent of the business enterprises, the sponsors whose father in laws were in service and agricultural occupations respectively, are in operation.

Similarly the Annexure-F also shows that the sponsors whose grand fathers were engaged in business have better operational performances than those grand fathers were engaged in other occupations like service, agriculture etc.

From the above discussion, it is found that there is a correlation between the occupations of fathers, father in laws and grand fathers of the sponsors and operational status of their business enterprises. The sponsors who come from the families with business background are doing better than others who have not such family background.

Annexure-F also presents that the sponsors who have spent more than 50 percent working hours for business enterprises activities, their operational performance is better than the sponsors who have not spent more time for their business enterprises works. It has been revealed in Annexure-F that 41 sponsors (63%) out of 65 have spent more than 50 percent of their working hours for their business enterprises works and 71 percent (29) of their business enterprises are in operation. On the other hand, 20 percent, 42 percent and 38 percent of the business enterprises owned by the sponsors who have given less than 50 percent working hours in their business enterprises activities are in operation, closed down and not implemented respectively.

In sum, it may be stated that socio-economic background of the sponsors, specially their experiences, training, family back ground of occupations (both parental and ornamental), hobbies, working hours spent etc. seen to be the influencing factors for the operational performance of the business enterprises. Therefore, while selecting the entrepreneurs for financing in agri-business purposes these factors should be taken in to consideration.

6.0 Problems of development & financing of agribusiness:

There has been insignificant development of technology for Agri-business activities in Bangladesh. Agri-business in Bangladesh still practices low grade and traditional methods and use outdated and worn-out tools and equipment resulting production of inferior quality products. There are a number of constraints hindering the development of agri-business which may be identified as follows:

- Absence of proven entrepreneurs.
- Lack of improved packaging material & technology
- Absence of long-term national plan, program, strategy & training facilities.
- Absence of an organized and viable marketing or processing structure.
- The lack of adequate marketing infrastructure (storage, handling and transportation facilities) and lack of processing & preservation facilities which affect adversely the farm gate price directly and act as a disincentive to the fruit growers.

- Shortage of adequate trained well-qualified personnel, particularly researcher in the field of agri business research.
 - Lack of sufficient appropriate production and post harvest technology and Inadequate expansion and credit support for transfer of available technology.

- Lack of long term plan of Banks & Financial Institutions in development of promising entrepreneur class.

- Lack of proper financing plan of Agribusiness sector.

7.0 Recommendations & policy implication:

In the light of the foregoing discussions and the existing problems of development of agribusiness, the following suggestions are put forward as policy recommendations:

- 1) General principles for financing agribusiness should be introduced Bangladesh Bank may act as coordinator for implementation and monitor the programme. All banks (nationalized commercial banks, DFIs and private banks) should participate in the programme and Bangladesh Bank may allocate the lending budget according to the potentiality of the banks. In this regard credit opportunities should be planned with a view to exploiting only the most promising area of investment. This will make the optimum use of the scarce resources, yield high rate of return to the entrepreneurs.

- 2) A data bank for the financing agriculture sector including agro industrial credit purposes should be developed in the Bangladesh Bank. This data bank will maintain up-to-date data on input and output prices, information on demand supply gaps of primary and finished products as well as raw materials. Besides, the data bank will preserve information regarding existing similar business enterprises, their operational performances etc.
- 3) A research section should be opened under the Ministry of Industry (MOI) which will launch a series of study on potential agro based industrial sector to be established in different parts of the country based on the local raw materials. The researchers will also prepare the detailed business enterprises profile and that can be bought by potential entrepreneurs on payment.
- 4) The research section of MOI should arrange a comprehensive training programme for potential entrepreneurs identified on the basis of conducting research regarding potential area of investment. MOI may conduct training programme through BSCIC, Directorate of Youth and BIBM. Training facilities should be informed widely by publishing in the daily news papers. Besides a list of potential investment sector and business enterprises cost (both long & short term investment), source of machinery, rate of return on investment etc. should be publishing a magazine on regular basis (i.e. quarterly/half yearly journal).
- 5) In selection of entrepreneurs, Banking institutions should give priority to those entrepreneurs who have past business experiences, good family background, educational qualifications, training, managerial and technical competences, capacities to bear the loads of equity and margin and above all past successive records of successes, and leadership qualities and are able to give enough time on business enterprises activities.
- 6) MOI, Agriculture Extension Department and each Banking Institution should monitor closely and evaluate the existing agri primary products that to be used as raw materials of agro-based industries on category basis. If any sector found successful interims of production, using local raw materials, contribution to GNP, employment creation, repayment of loans etc; such category of business enterprises may be further expanded.
- 7) Banks and DFIs should be given emphasis on improving the credit management system with a view to get better yields from the investment. As such appraisal staffs should be well trained and motivated.
- 8) Tariff structure for import of raw materials, machinery and equipments & other related items need to be rationalized.
- 9) Rate for electricity, gas, water other public utilities should be reduced as same as residential rate instead of industrial or commercial rates. This would stimulate the growth of new agri enterprises.
- 10) Packaging technologies must be improved & developed as per international standard. So packaging industries may be considered as agro-sector.
- 11) Increasing self-reliance within the agro-sector, in the sense that imports of agro-processing finished products should be reduced to the minimum consistent with the industrial development goals.
- 12) Likewise the staff development plan each bank should design a long term entrepreneurship development plan with a view to ensure development of entrepreneur class. So that later on from among these entrepreneur class promising eligible entrepreneurs may be financed. Therefore, each bank may organize entrepreneurship development training programme for prospective entrepreneurs on a continuous basis.

Conclusion:

"Development of Agriculture is the development of Bangladesh". "Industrialize or perish" both the sayings are appropriate for Bangladesh in the context of development of industries in general and agribusiness in particular. Without industrialization economic development of the country cannot be accelerated. In the process of

industrialization, agribusiness is a necessity and demand of time. The geographic location of Bangladesh is in favour of export earnings and there is an ample scope to commercialize our agriculture for boosting up export earnings.

Marketing of agri products both domestic and international markets can open the door of development of agricultural sector in the country. The agribusiness sector will encourage farmers to produce higher value products, better quality commodities which will bring them higher income for raising their quality of life and living standard and this is the aim of the Government. In consistent with this, Entrepreneurship & Equity Fund (EEF) that has been introduced with the direct supervision of the Bangladesh Bank and the programme "SME" has been introduced in the country, both the programmes would fulfill the aims and objectives for the development of agriculture sector by gearing up the production high value crops and Agri business sector in the country as a whole.

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ANNEXURE: A

**Gross Domestic product of Bangladesh at current prices, 2007-08 to 2010-2011
 (Figure: Tk. in Millions)**

	Y e a r				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Crops&horticulture	524676	605784	672467	753391	850228
Animal Farming	107803	121182	140022	162188	183644
Forest and related services	68763	75049	81775	90301	100012
Agriculture and forestry (Total)	701242	802015	894264	1005880	1133884
Fishing	177827	197901	218064	242229	269928

Source: Bangladesh bureau of statistics.

ANNEXURE: B

Sectoral Share of GDP at current prices,2007-2208 to 2010-2011

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Agriculture & Forestry	15.35	15.25	15.06	14.98	14.89
Crops and horticulture	11.49	11.52	11.32	11.22	11.16
Animal farming	2.36	2.30	2.36	2.42	2.41
Forest and related services	1.51	1.43	1.38	1.34	1.31
Fishing	3.89	3.76	3.67	3.61	3.54

Source: Bangladesh bureau of statistics.

Sectoral Growth Rate of GDP at current Prices, 2007-08 to 2010-2011

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Agriculture and forestry	12.70	14.37	11.50	12.48	12.73
Animal farming	11.34	12.41	15.55	15.83	13.23
Forestry and related services	7.06	9.14	8.96	10.43	10.75
Fishing					
Crops and horticulture	13.77	15.46	11.01	12.03	12.85

Source: Bangladesh bureau of statistics.

ANNEXURE-C
LIST OF AGRIBUSINESS ACTIVITIES

1.	Fruits Processing (Jam, Jelly, Juice, Syrup, Pickles, Squash, Drinks, Sauce etc.)
2.	Processing of canned fruits (Tomato, Mango, Guava, Jackfruit, Litchi, Pineapple, Vegetable, Pulse, coconut, etc.)
3.	Bread and Biscuits (Vermicelli, Lachlan, Chanachur, Noodles, etc.) Producing industries
4.	Atta, Flour, Suzie, Producing & trading
5.	Rice, Popped rice (Muri), Chira, Khai etc. producing & trading
6.	Mushroom & spirulina processing & trading
7.	Starch, Glucose, Dextrose & others starch goods producing & trading
8.	Milk Processing (Pasteurization, Powder Milk, Ice cream, Condensed Milk, Sweet-meets, Cheese, Ghee, Butter, Chocolet, and Yogurt etc.)
9.	Processed food industries from potato (chips, potato flakes, starch etc.)
10.	Flavored/Perfumed Rice, producing & trading
11.	Refining & Hydrogenation of edible oil.
12.	Salt Processing & trading.
13.	Bio-pesticides, Neem producing, Pesticides
14.	Shrimp & fish processing & freezing (for export)
15.	Bio-fertilizer, Mixed fertilizer, Urea Producing
16.	Powdered spices producing
17.	Tea processing & trading
18.	Herbal & Veshage cosmetics Processing & trading
19.	Unani & Ayurvedic medicine trading
20.	Coconut oil producing & trading (If Copra collected from deshi coconut is used)
21.	Fish, Poultry and animals balanced feed Industry.
22.	Seed processing & preservation.
23.	Production of Jute goods (i.e. Rope, Yarn, Twine, gunny bags, carpet, jute made sandel etc.)
24.	Rubber tape, Lakhma processing & trading
25.	Silk cloth producing & trading.
26.	Installation & Repairing of auxiliary machinery industries for producing of agro-products.
27.	Honey producing
28.	Cold storage.
29.	Rubber related products producing.
30.	Particle Board.
31.	Preservation and export of Flower.
32.	Furniture maxing using wood, Bamboo & cane (except cottage)
33.	Meat processing.

ANNEXURE: D

Year and Sector-wise financing in agribusiness activities by Bangladesh Krishi Bank

(Figure in core Taka)

	Y e a r			
	2008-09	2009-10	2010-11	2011-12
1. Crop	1488.40	1787.52	2072.58	2330.70
2. Fishery	296.47	329.41	370.85	421.28
3. Livestock	229.83	260.97	307.72	327.24
4. Farm and irrigation machineries	28.93	35.64	37.73	32.40
5. Agro based industries	179.64	252.53	331.85	835.15
6. Cash Credit	1462.34	1623.09	2384.13	1320.63
7. Poverty Alleviation	47.82	48.76	52.26	55.96
8. Others	269.77	481.78	343.87	489.94
Total :	4003.20	4819.70	5900.99	5813.30

Source: Annual Report, Bangladesh Krishi Bank, 2008-09 to 2011-12 and data of Branches Control Department, BKB, HO, Dhaka.

Sector-wise Disbursement in agro-business sector under Agriculture Technology Development Programme (ATDP) by BKB (FY 2011-2012)

(Taka in lakh)

Sl.No.	Name of the Sectors	D i s b u r s e m e n t	
		Number	Amount
1	Seed	1408	328.00
2	Fertilizer	194	1132.00
3	Agri-Machinery	896	1360.00
4	Agro Processing	722	10670.00
5	Horticulture	816	382.00
6	Poultry	664	5430.00
7	Livestock	47707	32724.00
8	Fisheries	42891	42128.00
	Total :	95298	94154.00

Source: Monthly follow-up statement for the month of June, 2007 and weekly statement dated 30.06.07 prepared by Branches Control Department, BKB, HO, and Dhaka

ANNEXURE-F

Relationship between the Socio-economic Background of the Sponsors and The Operational Status of the Enterprises

Socio-economic background	Level of socio economic background	Operational status of the project						Total	
		Not Implemented		Implemented but closed down		In operation		No	%
		No	%	No	%	No	%	No	%
1	2	3	4	5	6	7	8	9	10
Education	Up to SSC Pass	01	06	05	31	10	63	16(25)	100
	HSC and bachelor Degree holder	06	17	13	37	06	46	35(54)	100
	Master degree Holder	02	14	04	29	08	57	14(21)	100
Sub Total		09	14	22	34	34	52	65(100)	100
Experience	Sponsor have related experience	00	00	02	11	17	89	19(29)	100
	Sponsors have non related experience	00	00	12	50	12	50	24(37)	100
	Sponsors have no experience	09	41	08	36	05	23	22(34)	100
Sub total		09	14	22	34	34	52	65(100)	100
Training	Sponsors have related training	00	00	00	00	05	100	05(8)	100
	Sponsors have no training	09	15	22	37	29	48	60(92)	100
Sub total		09	14	22	34	34	52	65(100)	100
Age	Sponsors age below 30 years	00	00	01	33	02	67	03(5)	100
		07	15	11	23	29	62	47(72)	100
	Sponsors age from 30 to 50 years	02	13	10	67	03	20	15(23)	100
	Sponsors age above 50 years								
Sub total		09	14	22	34	34	52	65(100)	100
Political Social involvement	Sponsors have political/Social involvement	02	09	08	35	13	56	23(35)	100
	Sponsors have no political/social involvement	07	17	14	33	21	50	42(65)	100
Sub total		09	14	22	34	34	52	65(100)	100
Father	Fathers have business background	01	05	03	15	16	80	20(31)	100
	Fathers have agricultural background	03	19	08	50	03	31	16(25)	100
	Fathers have other background	01	14	03	43	03	43	07(10)	100
Sub Total		09	14	22	34	34	52	65(100)	100

Status of loan Account	Holder of U.C. Loan	00	00	00	00	09	100	09(14)	100
	Holder of S.S. Loan	00	00	01	25	03	75	04(06)	100
	Holder of D.F. Loan	01	05	06	32	12	63	19(30)	100
	Holder of B.L. Loan	08	26	15	48	08	26	33(50)	100
Sub Total		09	14	22	35	32	51	63(100)	100
Father-In-Law	Fathers in laws have background	01	08	02	15	10	77	13(21)	100
	Fathers in laws have agricultural background	03	19	09	56	04	25	16(26)	100
	Fathers in laws have service background	02	07	07	23	19	68	28(45)	100
	Fathers in laws have other background	02	40	02	40	01	20	05(8)	100
Sub total		08	13	20	32	34	55	62(100)	100
Hobby	Traveling	00	00	02	40	03	60	05(8)	100
	Sports and Culture	03	17	05	28	10	56	18(28)	100
	Gardening	0	33	01	33	01	34	03(5)	100
	Photography	00	00	02	50	02	50	04(6)	100
	Card Playing	01	50	01	50	00	00	02(3)	100
	Fishing	00	00	02	50	02	50	04(6)	100
	Reading	00	00	04	40	06	60	10(15)	100
	Other	04	21	05	26	10	53	19(29)	100
Sub Total		09	14	22	34	34	52	65(100)	100
Working hour spent	Sponsors have spent more than 50% working hour for projects work	00	00	12	29	29	71	41(63)	100
	Sponsors have spent less than 50% working hours for projects work	09	38	10	42	06	20	24(37)	100
Sub Total		09	14	22	34	34	52	65(100)	100
Grand Father	Grand fathers have business background	00	00	01	17	06	83	06(09)	100
	Grand fathers have agricultural background	06	15	12	30	22	55	40(52)	100
	Grand fathers have service background	02	29	01	14	04	57	07(11)	100
	Grand fathers have other background	01	08	08	6	03	25	12(18)	100
Sub Total		09	14	22	34	34	52	65(100)	100

Source: Agro-based Industrial Credit Management, A study of Bangladesh Krishi Bank by Dr.Zillur Rahman, 1998.

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