

# **Agriculture and Microfinance**

## **(AM)**

### **For AIBB**

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### **Suggestion:**

- **Read 4 star and 5 star marked chapter if you have time shortage to read all chapter.**
- **Must read short notes from all chapter.**
- **MetaMentor Center suggest to read whole note to find 100% common in exam. We cover everything in our note.**

Important	Details	Number of Question common in previous years
*****	Module A: <i>Agriculture Finance</i>	50
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## **Syllabus-2025**

### **Module-A: Agriculture Finance**

Nature, Approaches and Need for Agricultural Finance, Institutional and Non-Institutional Sources, Types of Agri-finance-Crop and Non-Crop, Agro-Based Project Financing - Procedures and Collaterals in Agri-finance Problems of Agri-finance- Role of Commercial Bank and Bangladesh Bank in Agri-finance - Monitoring and Recovery of Agricultural Credit - Public Demand Recovery Act - Sector and Sub-Sector of Agricultural Finance - Methods of Agricultural Credits Disbursements - Use of IT in Agricultural Credits - Role of Banks in Agriculture Sector Financing - Regulatory Policies for Agricultural and Farm Sector Financing.

### **Module-B: Micro Credit and Micro Finance: Evolution, Legal Framework and Products**

Historical Development of Micro Credit, Micro Credit and Micro Finance, Micro Credit and Poverty Alleviation. Government Policy and Legal Framework Regarding Micro Finance in Bangladesh, Micro Credit Regulatory Authority (MRA) in Bangladesh, Requirements of Collateral Security, Collateral Substitutes, Saving-Compulsory Deposit System, Insurance, Payment Services, Social Intermediation, Enterprise Development Services.

### **Module-C: Micro Financial Institutions (MFIs)**

Micro Financial Institutions and their Objectives, Target Market and Impact Analysis, Formal, Semi-Formal and Informal Financial Institutions, Institutional Growth and Transformation, Linkages Among Different Types of MFIs and between Banks and MFIs. Social Services of the MFIs.

### **Module-D: Working Capital, Special and Priority Sector Financing**

Working Capital Assessment for Fishery, Poultry, Dairy, etc. Finance in High Value Crops, Tissue Culture, Oil Palm Cultivation, Nursery, Salt Cultivation, Cereal Cultivation, Silk Cultivation, Roof- top Gardening, Mushroom Cultivation, Betel Leaf Cultivation, etc. Value Chain Developing Commodity Markets.

### **Module-E: Role of Specialized Banks (SBs) and MFIs in Rural Finance and Pover Alleviation in Bangladesh**

Role of BKB, RAKUB, Grameen Bank, BRAC, ASA, PRASHIKA, BRDB and PKSf as the Micro/Rural Financial Institutions in poverty alleviation

### **Module F: Performance Assessment of SBs and MFIs**

Repayment Rates, Financial Viability, Profitability, Leverage and Capital Adequacy, Borrowers Viability and Poverty Alleviation.

## **Module-A**

### **Agriculture Finance**

**Q-01. What is agricultural Finance/credit? [BPE-96th]**

Agricultural finance refers to the provision of financial services to support farmers and agribusinesses. It involves lending money, providing credit, and offering financial products tailored to the unique needs of the agriculture sector. In a country like Bangladesh, where agriculture is a vital part of the economy, agricultural finance plays a crucial role in helping farmers acquire resources like seeds, fertilizers, and machinery. This financial support enables them to invest in their farms, improve productivity, and navigate challenges such as seasonal fluctuations. Institutions like banks and microfinance organizations often facilitate agricultural credit, aiming to boost rural development, alleviate poverty, and ensure food security by empowering farmers with the necessary financial tools.

**Q-02. What agricultural industry and other business industries are different from each other and how they might affect the demand for agricultural credit?**

Agricultural and other business industries differ in their operations and characteristics. The agricultural sector relies on nature-dependent activities like farming and livestock, which are susceptible to weather conditions. In contrast, non-agricultural businesses, such as manufacturing or services, are often less influenced by nature.

These differences impact the demand for agricultural credit. Farmers may require credit to purchase seeds and fertilizers, affected by seasonal changes. Non-agricultural businesses might need credit for equipment or expansion, with demand less influenced by weather patterns. Economic shifts, like in the non-agricultural sector, can affect overall credit availability. In Bangladesh, where agriculture is significant, understanding these distinctions helps policymakers tailor credit programs to meet the unique needs of farmers, ensuring stable rural economies and sustained agricultural growth.

**Q-03. How agricultural credit may contribute to the economic development of Bangladesh? BPE-96<sup>th</sup>, Or, Discuss the need for agricultural finance.**

**Or, Discuss why Bangladesh Bank has given so much importance on the disbursement of agricultural loan. BPE-98<sup>th</sup>**

**Or, Describe the importance of agricultural credit for agricultural development of Bangladesh. BPE-97<sup>th</sup>. BPE-5<sup>th</sup>.**

- 1. Increased Productivity:** Agricultural credit allows farmers to invest in high-quality seeds, fertilizers, and modern equipment, leading to improved yields and enhanced productivity.
- 2. Food Security:** By supporting farmers with credit, Bangladesh ensures a steady and increased supply of agricultural products, contributing to national food security.
- 3. Poverty Reduction:** Access to credit empowers farmers economically, helping them break the cycle of poverty by generating income through agricultural activities.
- 4. Stimulated Local Economies:** The surplus produce from increased productivity creates economic opportunities in rural areas, as it generates income and stimulates local markets.

5. **Innovation and Technology Adoption:** Agricultural credit facilitates the adoption of new technologies, fostering innovation in farming practices and contributing to the modernization of the agricultural sector.
6. **Overall Economic Growth:** Given the significance of agriculture in Bangladesh's economy, a thriving agricultural sector positively impacts the nation's overall economic development, providing a stable foundation for sustained growth.

**Q-04. Describe the main features of Bangladesh agriculture. BPE-96<sup>th</sup>**

1. **Predominantly Subsistence Farming:** Agriculture in Bangladesh is largely characterized by small-scale, subsistence farming where farmers grow crops for personal consumption rather than large-scale commercial purposes.
2. **Rice Dominance:** Rice cultivation is the backbone of Bangladeshi agriculture, with paddy fields covering a significant portion of arable land. Various rice varieties are grown to meet the staple food needs of the population.
3. **Seasonal Farming:** The agricultural calendar is defined by distinct seasons, such as the aman (monsoon), boro (dry winter), and aus (summer). Farmers plan their crops and activities around these seasons.
4. **Vulnerability to Climate Change:** Bangladesh's agriculture is vulnerable to climate change, facing challenges like floods, cyclones, and salinity intrusion. Adaptive measures and resilient farming practices are essential.
5. **High Dependency on Labor:** Agriculture is labor-intensive, with a significant portion of the population engaged in farming. Traditional methods coexist with modern techniques.
6. **Diversified Crops:** Besides rice, farmers cultivate a variety of crops, including jute, sugarcane, pulses, and fruits, contributing to a diverse agricultural landscape.

**Q-05. Discuss the roles of agriculture in the economic development of Bangladesh.**

1. **Major Contributor to GDP:** Agriculture is a key player in Bangladesh's economy, contributing significantly to the Gross Domestic Product (GDP) and providing livelihoods for a large portion of the population.
2. **Employment Generation:** The sector is a major source of employment, especially in rural areas. It sustains the livelihoods of millions of farmers and supports ancillary activities, fostering economic stability.
3. **Food Security:** With a primary focus on rice cultivation, agriculture ensures food security for the nation by producing a substantial portion of the staple diet.
4. **Export Revenue:** Agricultural products, including jute, contribute to export earnings, enhancing the country's economic position on the global stage.
5. **Rural Development:** Agricultural activities stimulate rural development, creating economic opportunities, infrastructure, and improving overall living standards in rural communities.
6. **Market Linkages:** Agriculture establishes critical linkages with other sectors, such as agribusiness and agro-industries, further boosting economic growth and diversification.

**Q-06. How Agricultural sector was affected by Covid-19? Describe. BPE-96<sup>th</sup>**

1. **Labor Shortages:** COVID-19 restrictions led to a shortage of agricultural labor as migrant workers returned to their hometowns, impacting planting and harvesting.
2. **Supply Chain Disruptions:** Disruptions in transportation and markets affected the supply chain, causing delays in getting produce to consumers and reducing farmers' income.

3. **Access to Inputs:** Farmers faced challenges in accessing agricultural inputs like seeds, fertilizers, and pesticides due to lockdowns and disrupted supply chains.
4. **Market Price Volatility:** Fluctuations in market demand and prices affected farmers' income, with some experiencing financial losses due to reduced selling prices for their produce.
5. **Export Challenges:** Export-oriented crops like vegetables and fruits faced challenges in reaching international markets, impacting foreign exchange earnings.
6. **Government Interventions:** The government implemented relief measures and agricultural stimulus packages to support farmers during the pandemic, aiming to mitigate the economic impact on the agricultural sector.

**Q-07. What are some of the future scenarios that could grossly affect the agricultural sector of Bangladesh by year 2041? What could be some of the financing approaches to address such scenarios?**

By 2041, Bangladesh's agriculture may face challenges like climate change leading to rising sea levels and extreme weather. This could cause floods, droughts, and saltwater intrusion, harming crops. Also, rapid urbanization might reduce farming land. To address these, financing approaches could include:

1. **Climate-Resilient Farming:** Investing in techniques and crops that withstand harsh conditions.
2. **Technology Adoption:** Funding for modern farming technologies to increase efficiency.
3. **Insurance Schemes:** Offering insurance to protect farmers against natural disasters.
4. **Sustainable Practices Funding:** Supporting eco-friendly farming to preserve the environment.
5. **Education and Training:** Financing programs to educate farmers about advanced agricultural practices.

These approaches will help adapt to and mitigate future agricultural challenges in Bangladesh.

**Q-08. What is the nature of Agri-finance in our country? BPE-99th**

1. **Purpose:** Provides financial support to farmers and agribusinesses.
2. **Types of Loans:** Includes crop loans, equipment financing, and storage facilities funding.
3. **Sources:** Comes from banks, microfinance institutions, and government programs.
4. **Interest Rates:** Generally lower compared to other sectors to encourage agricultural development.
5. **Impact:** Helps increase agricultural productivity and income for farmers.
6. **Challenges:** Limited access in rural areas and high loan repayment risks due to weather uncertainties.

**Q-09. What types of problems faced in Agri-finance? How to minimize those problems explain.**

**Problems in Agri-finance include:**

1. **Limited Access:** Farmers often struggle to get loans due to strict requirements.
2. **High Interest Rates:** Loans can have high interest, making them costly.
3. **Lack of Awareness:** Farmers might not know about available financial services.

**To minimize these problems:**

1. **Easier Access:** Make loan processes simpler and more flexible.
2. **Lower Interest Rates:** Offer loans with affordable interest rates.
3. **Education:** Educate farmers about financial options and how to use them effectively.
4. **Government Support:** Increase government programs and subsidies to aid farmers.

**Q-10. What are the emerging challenges in agriculture for Bangladesh? How banks can respond to those challenges?**

Emerging challenges in Bangladesh's agriculture include climate change impacts like floods and droughts, soil fertility decline, and water scarcity. There's also the issue of outdated farming techniques and a lack of access to finance for small farmers.

Banks can respond to these challenges by:

1. **Providing Loans for Modern Equipment:** Helping farmers buy advanced tools to increase productivity.
2. **Offering Microfinance:** Small loans can support small-scale farmers to improve their farming methods.
3. **Investing in Climate-Resilient Agriculture:** Supporting farming practices that withstand extreme weather.
4. **Funding for Sustainable Farming:** Encouraging eco-friendly farming through financial incentives.
5. **Educational Programs:** Providing knowledge on modern agriculture techniques and financial management.

These steps can help farmers overcome modern challenges and enhance agricultural productivity in Bangladesh.

**Q-11. Discuss about the role of Commercial Banks and Bangladesh Bank in to develop Agri finance in Bangladesh.**

In Bangladesh, commercial banks and the Bangladesh Bank play crucial roles in developing agricultural finance. Commercial banks provide necessary funds to farmers through various loan programs. These loans help farmers buy seeds, equipment, and other essentials, boosting their productivity. Banks also offer microfinance options for small-scale farmers who need smaller loan amounts.

Bangladesh Bank, the central bank, sets policies and guidelines for agricultural lending. It ensures that commercial banks allocate a certain portion of their loans to agriculture. Additionally, it introduces special programs and refinancing schemes to support farmers, especially in times of crisis or natural disasters. Together, these institutions ensure that the agricultural sector receives adequate financial support, which is vital for the growth and sustainability of agriculture in Bangladesh.

**Q-12. How climate change is affecting and may affect the agriculture sector of Bangladesh? What is climate-smart agriculture? Why this is important for Bangladesh?****Climate Change Impact on Bangladesh's Agriculture:**

1. **Increased Floods & Cyclones:** Damages crops, affects yield.
2. **Rising Sea Levels:** Reduces arable land, increases soil salinity.
3. **Future Impacts:** More extreme weather, soil fertility loss.

**Climate-Smart Agriculture (CSA):**

1. **Increased Productivity:** Using advanced methods for better yield.
2. **Adaptation to Climate Change:** Resilient crops, improved farming practices.
3. **Reduced Emissions:** Environmentally friendly techniques.



**Importance of CSA for Bangladesh:**

1. **Ensuring Food Security:** Adapts farming to climate change.
2. **Economic Sustainability:** Supports farmers' livelihoods.
3. **Environmental Protection:** Helps in global climate change efforts.

**Q-13. How use of modern agricultural equipment helps to cope with the challenges of climate change? BPE-97<sup>th</sup>.**

The use of modern agricultural equipment plays a crucial role in addressing the challenges of climate change by enhancing farming efficiency and resilience. Here's how:

1. **Precision Farming Tools:** Equipment like GPS-guided tractors and drones optimize planting, watering, and fertilizing, reducing waste and ensuring resources are used efficiently, which is vital in conditions of water scarcity and changing rainfall patterns.
2. **Water-Efficient Irrigation Systems:** Technologies such as drip and sprinkler irrigation systems deliver water directly to the plant roots, minimizing evaporation and runoff, crucial for conserving water in drought-prone areas.
3. **Resilient Crop Cultivation:** Machinery that supports the planting of resilient crop varieties can help adapt to changing climates, ensuring food security.
4. **Reduced Carbon Footprint:** Energy-efficient machines lower greenhouse gas emissions, contributing to mitigation efforts against climate change.

By leveraging these technologies, farmers can maintain and even increase productivity in the face of climate variability, safeguarding food security and livelihoods.

**Q-14. Who needs agricultural credit in Bangladesh? Why policy makers emphasize so much on agricultural finance in Bangladesh? Write the importance of agricultural credit in Bangladesh from i) policy makers perspectives and ii) users' perspectives?****Who Needs Agricultural Credit in Bangladesh:**

1. **Small and Marginal Farmers:** They need funds for seeds, fertilizers, and equipment.
2. **Medium and Large-Scale Farmers:** For modernizing and expanding their farming operations.
3. **Agricultural Entrepreneurs:** Startups in farming, processing, and related sectors.

**Importance from Policy Makers' Perspective:**

1. **Economic Growth:** Agriculture is vital for Bangladesh's economy; investing in it boosts overall growth.
2. **Food Security:** Ensuring enough food production to feed the population.
3. **Employment:** Agriculture employs a significant portion of the workforce.
4. **Rural Development:** Strengthening rural economies and reducing poverty.

**Importance from Users' Perspective:**

1. **Access to Resources:** Enables buying necessary inputs for farming.
2. **Risk Management:** Helps in coping with uncertainties like bad weather or crop failures.
3. **Income Improvement:** Increases productivity and profit potential.
4. **Technological Advancement:** Facilitates the adoption of modern farming techniques.

Agricultural credit is crucial in Bangladesh for both economic development and for supporting the livelihoods of those in the agricultural sector.



**Q-15. What are the main sources of agricultural finance in rural Bangladesh? Describe with limitations. BPE-97<sup>th</sup>.**

In rural Bangladesh, the main sources of agricultural finance include:

1. **Government Banks:** Such as Bangladesh Krishi Bank, provide loans with lower interest rates. **Limitation:** Limited reach and often bureaucratic delays.
2. **Microfinance Institutions (MFIs):** Like Grameen Bank, offer small loans to farmers. **Limitation:** Higher interest rates compared to traditional banks.
3. **Non-Governmental Organizations (NGOs):** Offer financial services alongside social programs. **Limitation:** May not cater to all types of agricultural needs.
4. **Cooperatives:** Pool resources to offer loans to their members. **Limitation:** Limited capital and reliance on member contributions.
5. **Informal Lenders:** Including moneylenders and traders, provide quick access to funds. **Limitation:** Extremely high interest rates and the risk of indebtedness.

Each source has its role in supporting agriculture in Bangladesh, but limitations such as access, cost, and scale of finance present challenges for farmers seeking to invest in improving or expanding their agricultural activities.

**Q-16. What steps and incentives would play effective role for recovering agricultural credit? BPE-97<sup>th</sup>.**

To effectively recover agricultural credit in Bangladesh, several steps and incentives could be pivotal:

1. **Flexible Repayment Schemes:** Aligning repayment schedules with the agricultural cycle would ease the burden on farmers, improving repayment rates.
2. **Interest Rate Subsidies:** Lowering interest rates for timely repayments can incentivize farmers to clear their debts promptly.
3. **Crop Insurance:** Offering insurance against crop failure or natural disasters would secure farmers' ability to repay loans even in adverse conditions.
4. **Capacity Building Programs:** Educating farmers on financial management, sustainable farming practices, and market strategies can enhance their profitability and creditworthiness.
5. **Digital Payment Solutions:** Simplifying the repayment process through mobile banking or digital platforms can increase convenience and reduce default rates.
6. **Loan Restructuring Options:** Providing options to restructure existing loans during hardships can

Implementing these measures can foster a supportive environment for agricultural credit recovery, ensuring the sustainability of farming practices and financial stability for rural communities in Bangladesh.

**Q-17. Do you think that timely credit disbursement would be helpful for agricultural credit recovery? BPE-97<sup>th</sup>.**

Yes, timely credit disbursement plays a critical role in the recovery and sustainability of agricultural credit in Bangladesh. When farmers receive loans at the right moment, they can invest in necessary inputs like seeds, fertilizers, and irrigation at the start of the cropping season. This timely investment leads to better crop yields, higher income, and, consequently, an enhanced ability to repay loans, creating a positive cycle of credit utilization and repayment.

Moreover, timely disbursement allows farmers to leverage seasonal opportunities, avoid high-cost emergency loans from informal lenders, and reduce the risk of crop failure due to delayed inputs. It fosters

trust between farmers and financial institutions, encouraging regular repayment and re-borrowing. Therefore, ensuring loans are provided when farmers need them most is essential for the health of the agricultural sector and the effectiveness of credit recovery efforts.

**Q-18. "Awareness and training of bank officials is important for disbursement and recovery of agricultural credit "Justify the statement. BPE-97<sup>th</sup>.**

Awareness and training of bank officials are pivotal for the effective disbursement and recovery of agricultural credit, serving as the cornerstone for a robust agricultural finance ecosystem. Well-informed officials understand the unique needs and challenges of the agricultural sector, enabling them to tailor financial products and services that align with the seasonal and cyclical nature of farming activities. By possessing a deep insight into agricultural practices, risks, and market dynamics, these officials can make informed decisions on creditworthiness and appropriate loan conditions, reducing the risk of defaults.

Furthermore, trained bank personnel can offer valuable guidance to farmers, helping them optimize the use of funds, adopt sustainable agricultural practices, and enhance their financial management skills. This not only improves loan repayment rates but also fosters a culture of trust and partnership between the banking sector and the agricultural community, ultimately contributing to the sector's overall growth and resilience.

**Q-19. What are the institutional and non institutional sources of agricultural credit in Bangladesh? What are the advantages and disadvantages of institutional sources of agricultural credit?**

**Institutional Sources of Agricultural Credit in Bangladesh:**

1. **Commercial Banks:** Government and private banks providing loans.
2. **Microfinance Institutions:** Such as Grameen Bank, offering small-scale loans.
3. **Cooperatives:** Member-based organizations providing credit to farmers.
4. **Bangladesh Bank:** The central bank that also offers special agricultural loan programs.

**Non-Institutional Sources:**

1. **Money Lenders:** Individuals offering loans, often at high interest rates.
2. **Traders and Middlemen:** Providing credit, usually tied to selling products to them.
3. **Friends and Family:** Personal loans without formalities.

**Advantages of Institutional Sources:**

1. **Lower Interest Rates:** Generally, more affordable than non-institutional sources.
2. **Reliability:** Regulated and more secure.
3. **Large Loan Amounts:** Ability to offer bigger loans for substantial investments.
4. **Additional Services:** Like financial advice and support.

**Disadvantages of Institutional Sources:**

1. **Strict Eligibility Criteria:** Harder for some farmers to qualify.
2. **Complex Procedures:** Application and approval process can be time-consuming.
3. **Collateral Requirement:** Often need to provide security against the loan.

Institutional sources are more regulated and beneficial in the long term, but their accessibility and procedures can be challenging for some farmers in Bangladesh.

**Q-20. Why farmers often choose agricultural credit from informal sources despite high interest rates?**

Farmers in Bangladesh often choose agricultural credit from informal sources like money lenders, even though the interest rates are high, due to several reasons:

1. **Easy Accessibility:** Informal sources are readily available, especially in rural areas where banks might not be present.
2. **Less Paperwork:** They require minimal documentation, making the process faster and simpler.
3. **No Collateral Needed:** Unlike banks, informal lenders usually don't ask for collateral, which is helpful for small-scale or poor farmers who don't have assets.
4. **Flexibility in Repayment:** Informal lenders often offer more flexible repayment terms, adjusting to the farmer's situation.
5. **Immediate Cash:** They provide quick cash, which is crucial during emergencies or urgent needs.

Although these advantages make informal sources appealing, the high interest rates can lead to long-term financial difficulties for the farmers.

**Q-21. What are the advantages and disadvantages of non-institutional sources of agricultural credit?****Advantages of Non-Institutional Sources of Agricultural Credit:**

1. **Quick Access:** They provide loans quickly, without delays.
2. **Simple Process:** Less paperwork and formalities.
3. **No Collateral Required:** Helpful for those without assets.
4. **Flexibility:** Adaptable repayment terms based on the farmer's situation.
5. **Availability:** Easily accessible, even in remote areas.

**Disadvantages of Non-Institutional Sources:**

1. **High Interest Rates:** Can lead to debt traps.
2. **Lack of Regulation:** Risk of exploitation and unfair practices.
3. **Short-Term Relief, Long-Term Burden:** Immediate help but can cause financial problems later.
4. **No Additional Services:** Unlike banks, they don't offer guidance or support services.
5. **Unpredictable Terms:** Terms can change, adding uncertainty.

While non-institutional sources offer easy and quick access to funds, they come with risks like high costs and potential financial instability for the farmers.

**Q-22. What are the types of agricultural credit based on tenures? What are the types of agricultural credit based on purposes?**

**Or, What do you mean by short term and mid-term agricultural credit? Give example. BPE-98<sup>th</sup>, BPE-99<sup>th</sup>**

**Types of Agricultural Credit Based on Tenures:**

1. **Short-Term Credit:** For immediate needs like buying seeds or fertilizers. Usually repaid within a year.  
Example: A farmer borrows money to buy seeds and fertilizers for the upcoming planting season, with plans to repay the loan after the harvest.
2. **Medium-Term Credit:** For buying equipment or small-scale land improvements. Repayment period ranges from 1 to 5 years.

Example: A farmer takes out a loan to purchase a new tractor, planning to repay it over the next three years from the income generated by improved farm productivity.

- 3. Long-Term Credit:** For significant investments like buying land or constructing storage facilities. Repayment can extend beyond 5 years.

Example: A farmer secures a long-term loan to buy additional farmland, with a repayment plan extending over ten years, expecting increased production and income over time.

#### **Types of Agricultural Credit Based on Purposes:**

- 1. Production Credit:** For day-to-day farming expenses like seeds, fertilizers, and labor.
- 2. Investment Credit:** For buying assets like machinery, land, or developing infrastructure.
- 3. Marketing Credit:** To support costs related to storing and selling produce.
- 4. Consumption Credit:** For personal needs of the farmer's family, especially during off-seasons.

These categories help in understanding the different financial needs of farmers and tailor credit services accordingly.

#### **Q-23. What is agro-based project financing? Is the amount disbursed for agro-based projects treated as agricultural finance by Bangladesh bank?**

Agro-based project financing refers to providing financial support for projects related to agriculture. This includes funding for setting up or expanding agricultural businesses, like farms, processing plants, or other enterprises that deal with agricultural products.

In Bangladesh, the amount disbursed for these agro-based projects is indeed treated as agricultural finance by the Bangladesh Bank. This classification is important because it aligns with the bank's objectives to support and grow the agricultural sector, which is a key part of the country's economy.

By considering these funds as agricultural finance, Bangladesh Bank ensures that adequate resources are allocated to the agricultural sector, promoting its development and helping to improve the livelihoods of those involved in agriculture, from small farmers to larger agribusinesses.

#### **Q-24. How Bangladesh Bank supports agro-based project financing through refinance?**

Bangladesh Bank supports agro-based project financing through a process called refinance. Here's how it works in simple terms:

- 1. Providing Funds to Banks:** Bangladesh Bank gives money to commercial banks at a lower interest rate.
- 2. Banks Lend to Farmers/Agribusinesses:** These banks then lend this money to farmers or agro-based businesses for their projects.
- 3. Affordable Loans:** Because Bangladesh Bank offers funds at lower rates, banks can provide loans to farmers at more affordable rates.
- 4. Encouraging Agricultural Projects:** This makes it easier for people in agriculture to finance projects like starting a farm, buying equipment, or setting up processing units.
- 5. Repayment and Recycling:** Once these loans are repaid, the money goes back to Bangladesh Bank, which can then be used again to finance more projects.

Through this refinancing process, Bangladesh Bank effectively boosts the agricultural sector by making financial resources more accessible and affordable.

**Q-25. Why is agro-based project financing important for agricultural development?**

Agro-based project financing is crucial for agricultural development for several reasons:

1. **Enables Investment:** Provides farmers and agribusinesses with the necessary funds to invest in new technologies, equipment, and infrastructures like irrigation systems or storage facilities.
2. **Boosts Productivity:** With better tools and technologies, farmers can increase crop yields and improve quality.
3. **Encourages Diversification:** Helps farmers to diversify into different types of crops or farming methods, which can reduce risk and increase income sources.
4. **Supports Value Addition:** Enables investment in processing facilities, which can increase the value of agricultural products.
5. **Enhances Sustainability:** Financing can also support eco-friendly and sustainable farming practices.
6. **Creates Employment Opportunities:** Agro-based projects can create new jobs in rural areas, aiding in economic development.

Thus, agro-based project financing is a key driver in modernizing agriculture, enhancing productivity, and fostering overall economic growth in rural areas.

**Q-26. What are the procedures of agricultural financing? How banks determine good borrower?**

The procedures of agricultural financing typically involve several steps:

1. **Application Submission:** Farmers or agribusiness owners submit a loan application to a bank, detailing their project or needs.
2. **Document Verification:** Banks check documents like land records, identity proofs, and project plans.
3. **Assessment of the Proposal:** Banks evaluate the feasibility and profitability of the proposed agricultural project.
4. **Credit History Check:** Banks review the borrower's credit history to assess their past loan repayments.
5. **Collateral Evaluation:** If needed, banks assess the collateral (like land or equipment) that secures the loan.
6. **Loan Approval and Disbursement:** If everything is satisfactory, the bank approves the loan and disburses the funds.

To determine a good borrower, banks consider:

1. **Repayment Capacity:** Ability to repay the loan based on income and expenses.
2. **Credit History:** Past record of loan repayments.
3. **Project Viability:** Potential success and profitability of the agricultural project.
4. **Collateral:** Value and security of the collateral offered.

A good borrower is typically someone with a strong repayment capacity, a positive credit history, a viable project plan, and adequate collateral.

**Q-27. Why collaterals are discouraged in financing small farm holdings in Bangladesh.**

Collaterals are discouraged in financing small farm holdings in Bangladesh for several reasons:

1. **Lack of Assets:** Small farmers often don't have enough valuable assets to offer as collateral. This makes it hard for them to secure loans if collateral is a requirement.

2. **Risk of Losing Land:** Using land as collateral is risky for small farmers. If they can't repay the loan, they might lose their primary means of livelihood.
3. **Inclusivity:** Requiring collateral can exclude many small farmers from accessing credit, as they may not have the necessary assets.
4. **Promoting Equity:** Avoiding collateral requirements helps in making financial services more accessible to all farmers, regardless of their wealth or asset ownership.
5. **Encouraging Small-Scale Farming:** By not requiring collateral, banks encourage more people to engage in small-scale farming, which is crucial for rural development and food security in Bangladesh.

Thus, by discouraging collaterals, financial institutions aim to make loans more accessible to small farmers, supporting broader economic and social goals.

**Q-28. How Bangladesh Bank plays an important role in agricultural finance while it cannot disburse a penny directly to the farmers?**

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2. **Risk of Losing Land:** Using land as collateral is risky for small farmers. If they can't repay the loan, they might lose their primary means of livelihood.
3. **Inclusivity:** Requiring collateral can exclude many small farmers from accessing credit, as they may not have the necessary assets.
4. **Promoting Equity:** Avoiding collateral requirements helps in making financial services more accessible to all farmers, regardless of their wealth or asset ownership.
5. **Encouraging Small-Scale Farming:** By not requiring collateral, banks encourage more people to engage in small-scale farming, which is crucial for rural development and food security in Bangladesh.

Thus, by discouraging collaterals, financial institutions aim to make loans more accessible to small farmers, supporting broader economic and social goals.

**Q-29. What is the importance of banks in agricultural finance in Bangladesh?**

Banks play a crucial role in agricultural finance in Bangladesh, and their importance can be outlined as follows:

1. **Providing Essential Funds:** Banks offer loans to farmers for buying seeds, fertilizers, equipment, and other farming needs.
2. **Supporting Modernization:** They help in financing new technologies and methods that improve farming efficiency and productivity.
3. **Risk Management:** Loans from banks can help farmers manage risks, like crop failure or market fluctuations.
4. **Economic Stability:** By supporting agriculture, banks contribute to the overall economic stability and growth of Bangladesh.
5. **Encouraging Development:** Bank loans can encourage farmers to diversify crops, try new farming techniques, and invest in value-added agricultural activities.
6. **Accessibility and Inclusion:** Banks provide financial services across various regions, making finance accessible even to remote or small-scale farmers.



In summary, banks are vital in empowering the agricultural sector by providing financial support, encouraging innovation, and ensuring the economic well-being of farmers in Bangladesh.

**Q-30. What is the importance of monitoring and recovery in agricultural finance? What is the objective of agricultural credit monitoring by Bangladesh Bank?**

**Or, Mention the importance of recovering agricultural credit. BPE-97<sup>th</sup>.**

**Importance of Monitoring and Recovery in Agricultural Finance:**

1. **Ensures Proper Use of Funds:** Monitoring makes sure that loans are used for the intended agricultural purposes.
2. **Risk Management:** Helps in identifying and managing potential risks, like non-repayment of loans.
3. **Improves Loan Performance:** Regular monitoring leads to better repayment rates and financial health of lending institutions.
4. **Encourages Responsible Lending:** Ensures that banks lend responsibly and farmers borrow within their means.

**Objective of Agricultural Credit Monitoring by Bangladesh Bank:**

The main objective is to ensure that the agricultural loans provided by banks are effectively supporting the agricultural sector. This involves:

1. **Ensuring Compliance:** Making sure banks follow the policies and guidelines set for agricultural loans.
2. **Assessing Impact:** Evaluating how these loans contribute to agricultural productivity and farmers' welfare.
3. **Promoting Sustainable Practices:** Encouraging banks to support environmentally sustainable and profitable farming practices.

Overall, monitoring by Bangladesh Bank aims to enhance the efficiency and effectiveness of agricultural finance in supporting the country's agriculture and economy.

**Q-31. How Bangladesh Bank monitors agricultural finance by the banking sector?**

Bangladesh Bank monitors agricultural finance by the banking sector through several steps:

1. **Setting Guidelines:** It establishes rules and regulations for how banks should lend to the agricultural sector.
2. **Loan Allocation Monitoring:** The bank checks whether commercial banks are allocating the required portion of their loans to agriculture.
3. **Reviewing Reports:** Banks submit regular reports on their agricultural lending, which Bangladesh Bank reviews for compliance and effectiveness.
4. **On-Site Inspections:** Occasionally, Bangladesh Bank conducts field visits to verify how loans are being used and whether they are benefiting the intended recipients.
5. **Ensuring Accessibility:** It ensures that loans are accessible to all types of farmers, including small and marginal ones.
6. **Evaluating Impact:** Bangladesh Bank assesses how these loans are impacting agricultural productivity and farmers' livelihoods.

Through these methods, Bangladesh Bank ensures that agricultural finance is being managed properly and effectively supports the agricultural sector.



**Q-32. What are the sector and subsectors of agricultural finance under agricultural credit policy and program?? Discuss the necessity of such sectors and sub-sectors credit. BPE-98th.**

Agricultural finance covers various sectors and subsectors, focusing on different aspects of agriculture:

**Main Sectors:**

1. **Crop Production:** Financing for growing crops, including grains, vegetables, fruits, and other plants.
2. **Livestock:** Funding for raising animals like cows, goats, chickens for milk, meat, eggs, and other products.
3. **Fisheries:** Support for fish farming and related activities.
4. **Forestry:** Financing for managing forests, including timber and non-timber products.

**Subsectors:**

1. **Farm Equipment:** Loans for tractors, harvesters, and other machinery.
2. **Seed and Fertilizer:** Financing for buying seeds, fertilizers, pesticides, and other inputs.
3. **Irrigation:** Funding for developing and maintaining irrigation systems.
4. **Storage and Processing:** Loans for constructing storage facilities and processing units.
5. **Marketing and Distribution:** Financing for transporting and selling agricultural products.

These sectors and subsectors encompass the wide range of activities and needs in the agricultural sector, ensuring comprehensive financial support.

The necessity of sectors and subsectors credit in agricultural finance includes:

- **Enhanced Productivity:** Provides essential funds for crop production, livestock, fisheries, and forestry, boosting output.
- **Modernization:** Enables purchase of farm equipment, enhancing efficiency and reducing labor.
- **Sustainability:** Supports irrigation development, ensuring water availability and effective land use.
- **Value Addition:** Funds storage and processing units, reducing post-harvest losses and increasing product value.
- **Market Access:** Facilitates marketing and distribution, helping farmers reach broader markets and improve income.

These targeted financial supports stabilize food supply, improve rural livelihoods, and promote overall economic growth by addressing the diverse needs of the agricultural sector.

**Q-33. What is the difference between procedures and methods of agricultural credit disbursement? Discuss the methods of agricultural financing.**

The difference between procedures and methods of agricultural credit disbursement lies in their focus and scope:

**Procedures:** This refers to the steps or processes involved in providing the loan to the borrower. It includes application submission, document verification, loan approval, and fund disbursement.

**Methods:** These are the various ways or approaches through which agricultural financing is provided. Some common methods are:

1. **Direct Lending:** Banks directly lend to farmers or agribusinesses.
2. **Group Lending:** Loans are given to a group of farmers, who collectively guarantee repayment.

3. **Contract Farming:** Financing is provided under an agreement where the farmer sells the produce to a specific buyer, often at a predetermined price.
4. **Microfinance:** Small loans are offered to small-scale farmers and rural entrepreneurs.
5. **Government Subsidized Loans:** Loans provided at lower interest rates, often with government support.

Each method has its unique approach to support different needs and conditions in the agricultural sector.

**Q-34. Discuss the importance of use of IT in agricultural finance. Discuss some advancements in IT adoption by banks in Bangladesh. Why customer confidentiality is important in the age of IT?**

The use of IT in agricultural finance is important for several reasons:

1. **Efficiency:** IT systems speed up loan processing, making finance more accessible to farmers.
2. **Reach:** Digital platforms help banks reach remote or small-scale farmers.
3. **Transparency:** IT enables better tracking and monitoring of loans, ensuring proper use.

Advancements in IT adoption by banks in Bangladesh include:

1. **Online Banking Services:** For easy loan applications and transactions.
2. **Mobile Banking:** Allowing farmers to manage finances via smartphones.
3. **Data Analytics:** Used by banks to assess credit risk and tailor loan products.

Customer confidentiality is crucial in the age of IT because:

1. **Data Protection:** Personal and financial data need protection from unauthorized access.
2. **Trust Building:** Keeping customer information confidential builds trust in banking services.
3. **Preventing Fraud:** Ensures data isn't misused for fraudulent activities.

Overall, IT enhances agricultural finance by improving service delivery, but it also requires strong measures to protect customer confidentiality.

**Q-35. What are the benefits of IT for banks as well as customers? How IT can impact service quality in Banks? What are the scopes of IT in agricultural finance?**

**Or, Application of IT in Agriculture BPE-99<sup>th</sup>**

**Or, Information technology in agriculture BPE98<sup>th</sup>**

**Benefits of IT for Banks and Customers:**

1. **Efficiency:** IT speeds up banking processes, making transactions faster for customers.
2. **Accessibility:** Customers can access banking services remotely, anytime.
3. **Reduced Costs:** Automated processes lower operational costs for banks, potentially leading to lower fees for customers.
4. **Enhanced Security:** Improved data security protects customer information.

**Impact of IT on Service Quality in Banks:**

1. **Better Customer Service:** Quick, accurate responses to customer queries.
2. **Personalized Services:** Data analytics allow banks to offer tailored products.
3. **Reliability:** Automated systems reduce errors in transactions.

**Scopes of IT in Agricultural Finance:**

1. **Mobile Banking:** Farmers can access loans and other services via mobile devices.
2. **Online Platforms:** For easy loan applications and information access.

3. **Data Management:** Better tracking of loan distribution and repayments.
4. **Remote Monitoring:** Banks can remotely monitor the progress of funded projects.

IT significantly improves service quality in banks and opens up new possibilities in agricultural finance, making it more accessible and efficient for farmers.

**Q-36. What is the role of banks in agricultural sector financing in Bangladesh. Discuss the performance of SBS, SCBS, PCBs and FCBs in agricultural finance in Bangladesh.**

**Role of Banks in Agricultural Sector Financing in Bangladesh:**

Banks in Bangladesh play a crucial role in supporting the agricultural sector by providing financial resources. They offer loans for buying seeds, equipment, and other farming needs. Banks also help in the adoption of new technologies and sustainable farming practices.

**Performance of Different Bank Types in Agricultural Finance:**

1. **State-Owned Banks (SBS):** Generally have a significant role in agricultural financing, often focusing on policy-driven lending.
2. **Specialized Commercial Banks (SCBS):** Like Bangladesh Krishi Bank, these banks specifically target agricultural financing and usually have extensive outreach in rural areas.
3. **Private Commercial Banks (PCBs):** They also contribute to agricultural financing but with more focus on commercial viability.
4. **Foreign Commercial Banks (FCBs):** Their involvement in agricultural finance is usually limited, focusing more on urban and corporate banking.

Each type of bank has a unique role, with state-owned and specialized banks playing a more prominent part in directly supporting agriculture in Bangladesh.

**Q-37. Discuss the important Regulatory Policies for Agricultural and Farm Sector Financing in Bangladesh.**

In Bangladesh, several important regulatory policies guide agricultural and farm sector financing:

1. **Loan Quota System:** Bangladesh Bank mandates a certain percentage of total loans from commercial banks to be allocated for agriculture.
2. **Refinance Schemes:** Bangladesh Bank offers refinancing to other banks for agricultural loans, encouraging them to lend more to this sector.
3. **Interest Rate Cap:** The central bank sets a maximum interest rate for agricultural loans to keep them affordable for farmers.
4. **Loan Rescheduling and Waiver Policies:** For farmers facing difficulties, there are provisions for rescheduling loan repayments or even waiving off loans under specific circumstances.
5. **Collateral Relaxation:** Policies often relax collateral requirements for small and marginal farmers.
6. **Specialized Loan Programs:** Introduction of targeted loan programs for specific agricultural activities or innovations.

These policies aim to ensure adequate, affordable, and accessible financial support for the agricultural sector, which is a vital part of Bangladesh's economy.

**Q-38. Discuss the policy support provided by Agriculture Credit Department (ACD) of Bangladesh Bank to overcome the Covid-19 situation. BPE-96<sup>th</sup>**

During the Covid-19 situation, the Agriculture Credit Department (ACD) of Bangladesh Bank provided several policies supports to help the agricultural sector:

1. **Loan Rescheduling:** They allowed farmers to reschedule their loan payments without penalty, giving them more time to pay back.
2. **Reduced Interest Rates:** Interest rates on agricultural loans were lowered to ease the financial burden on farmers.
3. **Stimulus Packages:** Introduced special financial packages to ensure continuous flow of credit to the agriculture sector.
4. **Extended Loan Tenures:** Loan repayment periods were extended, reducing the pressure on farmers to repay quickly.
5. **Relaxed Lending Criteria:** Made it easier for farmers and agribusinesses to qualify for loans.
6. **Increased Funding:** Provided additional funds specifically for agricultural financing during the pandemic.

These measures were aimed at supporting farmers and the agricultural sector through the financial challenges brought by the Covid-19 pandemic.

**Q-39. Discuss special policy support by Bangladesh Bank for CMSMEs (Cottage, Micro, Small and Medium Enterprise) during Covid-19 period. BPE-96<sup>th</sup>.**

During the COVID-19 period, Bangladesh Bank implemented special policy support to assist Cottage, Micro, Small, and Medium Enterprises (CMSMEs) in navigating the economic challenges. Recognizing the vital role of CMSMEs in the economy and their vulnerability to the pandemic's impacts, the central bank introduced several measures:

1. **Refinancing Schemes:** A significant refinancing scheme was introduced to provide CMSMEs with low-cost loans, ensuring they have the necessary liquidity to sustain operations.
2. **Loan Moratoriums:** Temporary suspension of loan repayments was offered to help businesses cope with cash flow disruptions.
3. **Interest Rate Caps:** Interest rates for new loans to CMSMEs were capped to lower the cost of borrowing.
4. **Credit Guarantee Scheme:** To encourage banks to lend to CMSMEs, a credit guarantee scheme was established, reducing the risk for lenders.

These initiatives aimed to cushion the economic blow, maintain employment, and stabilize the CMSME sector, crucial for the country's economic recovery.

**Q-40. What are the main initiatives taken by Bangladesh Bank for women enterprise development under the policy support program. BPE-96<sup>th</sup>.**

Bangladesh Bank has been proactive in promoting women enterprise development through a series of targeted initiatives under its policy support program, focusing on enhancing access to finance and encouraging entrepreneurship among women. Key initiatives include:

1. **Dedicated Refinancing Scheme:** Introduction of a refinancing scheme specifically designed for women entrepreneurs to provide them with affordable credit.
2. **Interest Subsidy:** Offering interest rate subsidies for loans taken by women entrepreneurs to reduce the cost of borrowing and encourage more women to access financial services.
3. **Collateral Requirements Relaxation:** Easing the collateral requirements for women entrepreneurs to facilitate easier access to credit.

4. **Capacity Building Programs:** Organizing training and development programs to enhance the business skills, financial literacy, and entrepreneurial capabilities of women.
5. **Special Credit Quotas:** Allocating special credit quotas within financial institutions to ensure a certain percentage of lending is directed towards women-owned businesses.

These initiatives aim to empower women entrepreneurs, enabling them to contribute more significantly to the economy and achieve financial independence.

**Q-41. Mention further steps to be taken for development of women entrepreneurs. BPE-96<sup>th</sup>.**

For the development of women entrepreneurs, further steps that could be beneficial include:

1. **Enhanced Access to Capital:** Establish dedicated financial products and funds for women-led businesses, ensuring easier access to capital with favorable terms.
2. **Capacity Building Programs:** Offer specialized training and mentorship programs focusing on business management, digital literacy, and market access to empower women entrepreneurs with the necessary skills and knowledge.
3. **Market Linkage Support:** Facilitate connections between women entrepreneurs and potential markets, both locally and internationally, through trade fairs, online platforms, and networking events.
4. **Policy Reforms:** Implement and enforce policies that encourage gender equality in entrepreneurship, including equal property rights, inheritance laws, and anti-discrimination measures.
5. **Childcare Support:** Provide or subsidize childcare services for women entrepreneurs, enabling them to balance business commitments with family responsibilities more effectively.

Adopting these measures can significantly contribute to the empowerment and success of women entrepreneurs, fostering a more inclusive and equitable economic environment

**Q-42. What do you mean by Global Warming? What might be the negative impact it may have on our agriculture production. system? BPE-98<sup>th</sup>.**

Global warming refers to the long-term increase in Earth's average surface temperature due to human activities, primarily the emission of greenhouse gases like carbon dioxide. This warming leads to significant changes in climate patterns.

The negative impacts of global warming on agriculture production can include:

1. **Extreme Weather:** More frequent and severe droughts, floods, and storms can damage crops and reduce yields.
2. **Shifts in Growing Seasons:** Changing temperatures can affect planting and harvesting times, disrupting traditional farming schedules.
3. **Water Scarcity:** Increased evaporation and altered rainfall patterns can lead to water shortages, affecting irrigation.
4. **Pest and Disease Proliferation:** Warmer temperatures can encourage the spread of pests and diseases that harm crops.
5. **Soil Degradation:** Changes in rainfall and temperature can affect soil health, reducing its fertility.

These impacts can challenge agriculture, potentially leading to reduced food production and increased difficulties for farmers.

**Q-43. What are the problems faced by the small and marginal farmers to obtain institutional agricultural credit? What are the possible solutions to these problems?**

**Problems Faced by Small and Marginal Farmers for Institutional Agricultural Credit:**

1. **Lack of Collateral:** Many don't have assets to secure loans.
2. **Complex Procedures:** Loan processes can be complicated and time-consuming.
3. **High Interest Rates:** Often unaffordable for small-scale farmers.
4. **Limited Access:** Some live in remote areas with limited banking services.
5. **Low Financial Literacy:** Lack of understanding of financial products and processes.

**Possible Solutions to These Problems:**

1. **Microfinance Options:** Small, collateral-free loans.
2. **Simplified Loan Procedures:** Making the application process easier and more farmer-friendly.
3. **Government Subsidies:** Reducing interest rates through subsidies.
4. **Mobile Banking Services:** Providing banking services in remote areas.
5. **Financial Education Programs:** Educating farmers about finance and banking.

Implementing these solutions can help small and marginal farmers access the credit they need more easily and effectively.

**Q-44. Define and distinguish between the concepts of institutional and non-institutional agricultural credit. BPE-98<sup>th</sup>.**

**Or, Compare Between the formal and informal sources of agricultural finance, BPE-99<sup>th</sup>.**

**Institutional Agricultural Credit:**

This type of credit comes from formal financial institutions like banks, cooperative societies, and government agencies. These sources are regulated by laws and have structured processes for lending. They offer various loan products with defined interest rates and repayment terms. Institutional credit is generally more secure and reliable, and often comes with lower interest rates.

**Non-Institutional Agricultural Credit:**

Non-institutional credit refers to loans from sources outside the formal banking system. This includes money lenders, traders, friends, and relatives. These sources are not regulated by financial laws, and their loan terms can vary widely. Non-institutional loans might be easier and quicker to obtain, especially for small-scale farmers, but they often come with higher interest rates and less formalized repayment terms. There's also a higher risk of unfair practices due to the lack of regulation.

**Institutional vs. Non-Institutional Agricultural Credit:**

Feature	Institutional Agricultural Credit	Non-Institutional Agricultural Credit
<b>1.Source</b>	Banks, cooperative societies, and government institutions	Moneylenders, traders, landlords, friends, and relatives
<b>2.Regulation</b>	Governed by formal regulations and policies	Informal and unregulated
<b>3.Interest Rates</b>	Generally lower, with caps set by authorities	Typically higher, with no regulation
<b>4.Documentation</b>	Requires formal documentation and paperwork	Minimal to no documentation required



<b>5.Security/Collateral</b>	Often requires collateral or security	May or may not require collateral; often based on personal trust
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**Q-45. Describe the features and objectives of supervised credit.**

Supervised credit is a type of loan where the lender, usually a bank or financial institution, closely monitors how the loan is used. Here are its features and objectives:

**Features of Supervised Credit:**

1. **Close Monitoring:** The lender regularly checks how the borrower is using the money.
2. **Specific Purpose:** Loans are given for specific purposes, like buying seeds or equipment, and the borrower must use the money accordingly.
3. **Guidance and Support:** Lenders often provide advice and guidance to borrowers, helping them use the loan effectively.

**Objectives of Supervised Credit:**

1. **Ensuring Proper Use:** To make sure that the loan is used exactly for the intended purpose.
2. **Improving Loan Repayment:** By monitoring and supporting, lenders aim to increase the likelihood of the loan being repaid.
3. **Enhancing Project Success:** Supervision helps in the successful implementation of the project or business for which the loan was taken.
4. **Reducing Risk:** Close monitoring reduces the risk of loan misuse or failure

**Q-46. Mention the basic requirements of financing an agro-based project. BPE-97<sup>th</sup>.**

Financing an agro-based project in Bangladesh requires adherence to a set of basic requirements to ensure the viability and sustainability of the investment. These include:

1. **Feasibility Study:** A comprehensive feasibility study demonstrating the project's economic viability, including market analysis, technical feasibility, environmental impact, and financial projections.
2. **Business Plan:** A detailed business plan outlining the project's objectives, strategies, operational plans, and financial forecasts.
3. **Collateral Security:** Adequate collateral security or guarantee to cover the loan amount, as required by the financing institution.
4. **Compliance with Regulations:** Adherence to all relevant national and local regulations, including environmental laws and agricultural policies.
5. **Technical Expertise:** Evidence of the technical expertise and management capability necessary to successfully implement and operate the project.
6. **Financial Contribution:** A significant financial contribution from the entrepreneur to demonstrate commitment and reduce the risk for the lender.

Meeting these requirements ensures that agro-based projects are both financially sound and aligned with the sustainable development goals of Bangladesh, thereby increasing their eligibility for financing.

**Q-47. Why an agro-based project become sick? BPE-99<sup>th</sup>****How banks can be helpful to save an agro-based sick project? BPE-97<sup>th</sup>.**

An agro-based project may become sick due to various reasons, including poor management, inadequate planning, lack of technical expertise, market fluctuations, natural disasters, and insufficient financial



management. These factors can lead to operational inefficiencies, reduced productivity, and financial instability, jeopardizing the project's sustainability.

Banks can play a crucial role in reviving sick agro-based projects through several interventions:

1. **Restructuring Loans:** Modifying repayment terms to ease the financial burden on the project, providing breathing space to regain stability.
2. **Providing Additional Financing:** Offering additional loans or credit facilities for restructuring operations, acquiring modern technology, or expanding market reach.
3. **Technical Assistance:** Offering expertise in agricultural best practices, financial management, and market analysis to enhance operational efficiency and profitability.
4. **Facilitating Training Programs:** Arranging for training and development programs for project staff and management in modern agricultural techniques, business management, and sustainability practices.

By taking these steps, banks can help sick agro-based projects recover, ensuring their long-term viability and contribution to the economy.

**Q-48. What important factors are considered by a bank for financing in agro-based projects? How a financing bank can assist for rehabilitation of a sick project?**

**Or, What factors are considered by the bank before financing an agro-based project. BPE-99<sup>th</sup>**

**Or, How banks can assist the sick projects for sustainable development. BPE-99<sup>th</sup>**

When a bank considers financing agro-based projects, it looks at several important factors:

1. **Viability of the Project:** The bank assesses if the project is practical, profitable, and sustainable.
2. **Experience and Skill of the Borrower:** The borrower's knowledge and experience in agriculture or related activities are important.
3. **Market Potential:** How well the project's products or services might sell in the market.
4. **Environmental Impact:** The project's effects on the environment are considered, ensuring sustainability.
5. **Repayment Capacity:** The bank evaluates the borrower's ability to repay the loan.

For rehabilitating a sick project, a financing bank can assist by:

1. **Restructuring the Loan:** Adjusting the repayment schedule to make it more manageable.
2. **Providing Additional Funds:** If needed, for reviving the project.
3. **Technical and Managerial Advice:** Offering expertise to help improve the project's operations and management.
4. **Monitoring Progress:** Closely monitoring the project's recovery and providing ongoing support.

**Q-49. Discuss the formalities of sanctioning and disbursement of Agricultural credit by the nationalized Commercial Banks and private Commercial Banks.**

When nationalized and private commercial banks in Bangladesh sanction and disburse agricultural credit, they follow these formalities:

1. **Loan Application:** Farmers submit an application with details of their farming project and personal information.
2. **Document Verification:** Banks check documents like land records, identity proofs, and business plans.
3. **Project Evaluation:** The bank assesses the project's feasibility, profitability, and sustainability.

4. **Creditworthiness Check:** The bank reviews the borrower's financial history and repayment capacity.
5. **Approval Process:** If the evaluation is positive, the loan is approved by the bank's concerned authority.
6. **Loan Agreement:** The borrower signs a loan agreement detailing the terms and conditions.
7. **Collateral Evaluation:** If required, collateral is assessed and documented.
8. **Disbursement:** Finally, the loan amount is disbursed, either in a lump sum or in phases, depending on the project's needs and the bank's policy.

These steps are designed to ensure that loans are given to viable agricultural projects and are likely to be repaid

**Q-52. What do you mean by Financial Inclusion? BPE-97<sup>th</sup>**

**Discuss the policy measures taken by Bangladesh Bank to promote financial inclusion in the country.** Financial inclusion means ensuring that individuals and businesses have access to useful and affordable financial products and services that meet their needs, like transactions, payments, savings, credit, and insurance. It's about bringing people into the formal financial system, especially those who are traditionally excluded.

To promote financial inclusion in Bangladesh, Bangladesh Bank has taken several policy measures:

1. **Mobile Financial Services:** Encouraging mobile banking to reach people in remote areas.
2. **Agent Banking:** Setting up banking agents in underserved areas to provide basic banking services.
3. **Microfinance:** Supporting microfinance institutions that offer small loans to those without access to traditional banking.
4. **Inclusive Loan Products:** Introducing loan products tailored for small entrepreneurs and marginalized groups.
5. **Financial Literacy Programs:** Conducting programs to educate people about financial services and their rights.
6. **Women's Banking:** Special initiatives to increase women's access to financial services.

These policies aim to make financial services more accessible and affordable for all, especially the underserved populations in Bangladesh.

**Q-53. Describe the role of middleman in agricultural product price at consumer level. BPE-97<sup>th</sup>.**

In Bangladesh, middlemen play a significant role in determining the price of agricultural products at the consumer level. They act as intermediaries between farmers and consumers, handling the transportation, storage, and distribution of produce. While they provide essential services in the supply chain, their presence often leads to increased costs.

1. **Price Markup:** Middlemen add their markup to cover operational costs and profit, leading to higher prices for consumers.
2. **Limited Bargaining Power of Farmers:** Farmers often sell at lower prices due to lack of market access and immediate cash needs. Middlemen then sell at higher prices to retailers or consumers.
3. **Information Asymmetry:** Middlemen might exploit the lack of market information available to farmers, buying low from producers and selling high to consumers.
4. **Supply Chain Inefficiencies:** Multiple layers of middlemen can lead to inefficiencies and increased costs, further inflating consumer prices.

Overall, while middlemen are crucial for market function, their role can sometimes contribute to higher consumer prices and reduced earnings for farmers

**Q-54. How "Farmers' 10-taka Account" playing important role towards financial inclusion? BPE-97<sup>th</sup>.**

The "Farmers' 10-taka Account" in Bangladesh plays a pivotal role in advancing financial inclusion among the rural farming community. This initiative allows farmers to open bank accounts with just 10 Taka, significantly lowering the barrier to entry into the formal banking system. Key impacts include:

1. **Access to Banking Services:** Farmers gain access to basic banking services, savings schemes, and credit facilities, which were previously inaccessible due to high account opening fees.
2. **Encourages Savings:** It encourages a savings culture among farmers, contributing to their financial security and resilience.
3. **Gateway to Credit:** With an account, farmers are more likely to obtain formal credit at reasonable rates, reducing their reliance on informal, high-cost borrowing.
4. **Financial Literacy:** The program often comes with financial education, helping farmers to make informed decisions about savings, investments, and loans.
5. **Government Benefits:** It facilitates direct transfer of government subsidies and support, ensuring minimal leakage and efficient distribution.

Overall, the "Farmers' 10-taka Account" significantly contributes to the financial empowerment of the rural agrarian sector in Bangladesh.

**Q-55. What is the role of Agricultural finance to attain self-sufficiency in food production? How to promote export of agricultural products?**

**Role of Agricultural Finance in Attaining Self-Sufficiency in Food Production:**

1. **Enables Investment:** Helps farmers buy seeds, fertilizers, and equipment, leading to higher crop yields.
2. **Supports Modernization:** Finance can be used for adopting new technologies, increasing efficiency and productivity.
3. **Risk Management:** Provides a safety net for farmers against crop failures or market fluctuations.
4. **Diversification:** Encourages farmers to grow a variety of crops, enhancing food security.

**Promoting Export of Agricultural Products:**

1. **Quality Improvement:** Investing in improving the quality of products to meet international standards.
2. **Market Research:** Understanding global market demands and trends.
3. **Infrastructure Development:** Building better storage, processing, and transportation facilities.
4. **Government Support:** Providing subsidies and incentives for export-oriented agriculture.
5. **Certifications and Standards:** Obtaining international certifications for organic or sustainable farming.

These strategies can help in achieving self-sufficiency in food production and boost the export of agricultural products, contributing to economic growth

**Q-56. What are the causes of poor recovery of rural credit provided by the specialized banks?**

The poor recovery of rural credit provided by specialized banks can be due to several reasons:

1. **Natural Disasters:** Floods, droughts, and other weather-related issues can lead to crop failures, making it hard for farmers to repay loans.
2. **Low Market Prices:** If farmers don't get good prices for their produce, their income might be insufficient to cover loan repayments.
3. **High Interest Rates:** Sometimes, the interest rates might be too high for small-scale farmers.
4. **Inadequate Loan Size:** Loans might be too small to make a significant impact on the borrowers' productivity and income.
5. **Lack of Financial Literacy:** Farmers might not fully understand the terms and conditions of the loans.
6. **Poor Project Planning:** Loans used for poorly planned projects may not yield expected returns.
7. **Inefficient Monitoring:** Lack of proper monitoring by banks can lead to misuse of loan funds.

Addressing these issues is crucial for improving the recovery rates of rural credit in specialized banking.

**Q-57. What is Agent Banking? Discuss merits and demerits of disbursing agricultural loan through Agent Banking system. BPE-97<sup>th</sup>.**

Agent Banking is a system where banks use agents to provide banking services in areas where they don't have branches. These agents can be shops or individuals authorized to carry out banking transactions on behalf of the bank.

**Merits of Disbursing Agricultural Loan through Agent Banking:**

1. **Accessibility:** Makes it easier for farmers in remote areas to access loans.
2. **Convenience:** Farmers don't need to travel far to a bank branch.
3. **Faster Service:** Simplifies and speeds up the loan application process.
4. **Lower Costs:** Reduces transaction costs for both banks and borrowers.

**Demerits:**

1. **Limited Services:** Agents might not offer all the services available at a bank branch.
2. **Risk of Fraud:** There's a potential risk of fraud or mismanagement.
3. **Dependency on Agents:** Quality of service depends heavily on the agent's reliability and expertise.
4. **Training and Oversight:** Requires effective training and oversight of agents, which can be challenging.

Overall, while agent banking improves access to agricultural loans, it requires careful management and oversight to ensure reliability and security.

**Q-58. Why agent banking is becoming popular day by day in rural Bangladesh? BPE-97<sup>th</sup>.**

Agent banking is rapidly gaining popularity in rural Bangladesh due to its pivotal role in bridging the financial inclusion gap. This model extends banking services to remote areas where traditional bank branches are scarce or non-existent, through agents like local shopkeepers. Here's why it's thriving:

1. **Accessibility:** It brings banking services to the doorstep of rural populations, making financial transactions more accessible.
2. **Convenience:** With extended operating hours compared to traditional banks, it offers greater convenience for customers.
3. **Low Cost:** It reduces the need for travel to distant bank branches, saving time and money for rural dwellers.

4. **Financial Inclusion:** It plays a critical role in incorporating the unbanked population into the formal financial system, offering services like deposits, withdrawals, remittances, and loan payments.
5. **Empowerment:** By facilitating easier access to banking services, it empowers rural populations financially, contributing to their economic well-being and development.

The success of agent banking in rural Bangladesh exemplifies how innovative banking models can significantly impact financial inclusion and rural development.

**Q-60. What is contract farming? BPE-96<sup>th</sup>, BPE-98<sup>th</sup>, BPE-99<sup>th</sup>.**

Contract farming is an agreement between farmers and a company, where the farmers agree to produce a certain type of crop or livestock and then sell it to the company at a predetermined price. The company usually provides the farmer with seeds, fertilizers, technical advice, and sometimes even financial support. In return, the farmer ensures that the product meets the quality and quantity requirements set by the company. This arrangement helps farmers by reducing market risks and providing them with a guaranteed buyer, while companies get a steady supply of agricultural products. It's a way to connect farmers directly with the market.

**Q-61. Discuss the merits and demerits of contract farming. BPE-96<sup>th</sup>, BPE-98<sup>th</sup>.**

**Merits of Contract Farming:**

1. **Stable Income:** Farmers have a guaranteed buyer and a fixed price for their products, providing income stability.
2. **Reduced Risk:** The company often bears some of the market risks, like price fluctuations.
3. **Access to Technology:** Farmers get access to modern technology and high-quality inputs provided by the company.
4. **Technical Guidance:** Companies often provide technical advice and training, improving farming practices.

**Demerits of Contract Farming:**

1. **Dependency:** Farmers might become dependent on the company for inputs and market.
2. **Less Control:** Farmers have less control over what to grow and how to grow it.
3. **Quality Standards:** Pressure to meet high quality standards set by the company can be challenging.
4. **Risk of Exploitation:** There's a risk of unfair practices by companies, like offering low prices.

Overall, while contract farming can provide stability and support to farmers, it also requires careful management to avoid dependency and ensure fair treatment.

**Q-62. How bank and agro based entrepreneurs get benefit from contract farming? BPE-96<sup>th</sup>, BPE-98<sup>th</sup>.**

**Banks and agro-based entrepreneurs both benefit from contract farming in several ways:**

**For Banks:**

1. **Reduced Risk:** Contract farming agreements offer a more secure investment for banks, as the produce already has a guaranteed buyer.
2. **Regular Repayments:** With stable income from contracts, farmers are more likely to repay loans on time.
3. **Market Expansion:** Banks can expand their market by providing loans to more farmers involved in contract farming.

**For Agro-Based Entrepreneurs:**

1. **Steady Supply:** They get a consistent and reliable supply of agricultural products as per their requirements.
2. **Quality Control:** Entrepreneurs can specify quality standards in the contract, ensuring they get the desired product quality.
3. **Cost Efficiency:** Reduces the cost of searching for and negotiating with multiple individual farmers.

In summary, contract farming offers financial stability and market assurance to both banks and agro-based entrepreneurs, making it a mutually beneficial arrangement.

**Q-63. Illustrate the "Special credit programmed for share croppers"-Introduced by Bangladesh Bank. Do you agree with the interest rate as mentioned in this programmed? Discuss with reasons. BPE-98<sup>th</sup>.**

The "Special Credit Program for Sharecroppers" introduced by Bangladesh Bank aims to provide financial support to sharecroppers who traditionally have difficulty accessing formal credit due to lack of collateral. Under this program, sharecroppers can borrow money for agricultural purposes without having to provide land or other assets as security. The program usually involves a third-party guarantee and is designed to empower sharecroppers, enabling them to invest in better inputs and farming practices, thereby increasing their productivity and income.

Regarding the interest rate of this program, whether it's agreeable or not depends on several factors:

- **Affordability:** The interest rate should be low enough for sharecroppers to afford the repayments.
- **Sustainability:** It should cover the bank's costs, ensuring the program's sustainability.
- **Comparative Analysis:** The rate should be compared with other available agricultural credit options to assess its competitiveness.

Ultimately, the success of the program hinges on balancing affordability for sharecroppers while ensuring the program is financially viable for the bank.

**Q-64. What do you mean by crop calendar and credit norms? BPE-96**

A "crop calendar" is a schedule that farmers use to plan the activities involved in growing crops. It includes the timing for each step in the crop production process, like when to prepare the land, plant seeds, apply fertilizers, water, and harvest. The calendar is based on the specific needs of each type of crop and the local climate conditions. It helps farmers optimize their farming practices and improve crop yields.

"Credit norms" in agriculture refer to the guidelines or rules set by financial institutions for giving loans to farmers. These norms include the amount of loan, the interest rate, repayment schedule, and other conditions. They are usually based on factors like the type of crop, its production cost, expected yield, and market price. Credit norms help ensure that farmers get the right amount of money at the right time for their agricultural needs.

**Q-66. Define farm mechanization. BPE-97<sup>th</sup>. BPE-98<sup>th</sup>.**

**Or, Write Short note on - farm mechanization- BPE 5<sup>th</sup>.**

**Farm mechanization** refers to the use of machinery and tools to conduct agricultural operations, replacing manual labor and traditional farming methods. This includes a wide range of equipment from simple tools like tractors and plows to more advanced technologies such as harvesters, seed drills, and irrigation systems.



The goal of farm mechanization is to increase productivity, efficiency, and crop yields while reducing the time and labor required for farming tasks. It allows farmers to cultivate larger areas more effectively, manage crops with greater precision, and significantly cut down on the physical labor associated with traditional farming. By adopting mechanized farming techniques, farmers can achieve higher production rates, improved product quality, and better overall farm management.

**Q-69. Define 'landless' and 'marginal' farmers. How can we finance these groups in a way suitable for them as well as for the financial agencies?**

'Landless' farmers are those who do not own any agricultural land. They might work on others' farms or rely on different livelihood activities. 'Marginal' farmers, on the other hand, own very small pieces of land, typically less than one acre. Their land holdings are too small to provide for a substantial income.

Financing these groups in a suitable way involves:

1. **Microfinance:** Providing small loans that match their limited financial needs and repayment capacity.
2. **Group Lending:** Offering loans to a group, where members collectively guarantee each other's loans.
3. **Flexible Repayment Plans:** Structuring repayments according to their income patterns, like allowing repayments after harvests.
4. **Training and Support:** Providing education on financial management and efficient farming techniques.
5. **Government Subsidies and Grants:** Offering subsidized loans or grants targeted at these groups.

These methods can help make finance accessible and manageable for landless and marginal farmers, while also ensuring safety and viability for the financial agencies.

**Q-70. Explain the importance of grain storage credit and marketing credit. BPE-98<sup>th</sup>.**

Grain Storage Credit:

- Reduces Post-Harvest Losses: Helps in storing grains properly, minimizing waste.
- Maintains Quality: Ensures grain quality is preserved over time.
- Income Stabilization: Allows farmers to sell produce when prices are favorable.

**Marketing Credit:**

- Enhanced Market Access: Provides funds for transportation and distribution.
- Better Prices: Helps farmers reach broader markets and reduce intermediaries.
- Efficient Selling: Facilitates packaging and other marketing activities, improving income potential.

Together, these credits empower farmers to manage produce efficiently, stabilize their income, and contribute to food security and economic growth.

**Q-71. What are the different types of agricultural credit required by farmers based on tenure?**

Farmers typically need three types of agricultural credit based on tenure:

1. **Short Term Agricultural Credit:** Loans with a tenure of less than one year, typically needed for 6 months to a year. These loans are used for procuring inputs like seeds, fertilizer, pesticides, and for paying rent and government taxes. They also cover working capital expenses for livestock, poultry, and fish farms.



2. **Medium Term Loan:** Loans with tenures over one year and up to three years. These are used for purchasing agricultural machinery such as tractors and irrigation equipment.
3. **Long Term Loan:** Loans with a tenure of over three years, needed for commercial agricultural projects, land-filling, and desalinization of land.

**Q-72. What are the main problems faced by farmers/demand side in obtaining agricultural finance from formal sector banks?**

Farmers face several challenges in obtaining agricultural finance from formal sector banks:

1. **Long Institutional Procedure:** Complex and lengthy processes hinder access to credit.
2. **Urban Bias:** Banks prioritize urban areas for credit operations, leaving rural areas underserved.
3. **Limited Banking Operations in Rural Areas:** With only 47% of branches in rural areas, many farmers lack access to banking services.
4. **Higher Non-Interest Costs:** Additional costs such as transportation and multiple bank visits increase the overall cost of obtaining loans.
5. **Inability to Provide Collateral:** Farmers often cannot meet the collateral requirements set by formal sector banks.
6. **Lack of Timely Loan Assistance:** Delays in loan disbursement can ruin crops, as timely financial support is crucial for farming activities.

**Q-73. What are the main problems faced by banks/supply side in providing agricultural finance?**

Banks face several challenges in providing agricultural finance:

1. **High Cost Business:** Agricultural credit often has interest rate ceilings and requires more supervision, increasing costs without economies of scale benefits.
2. **Lack of Risk Reduction Mechanism:** Agriculture is vulnerable to climate and natural risks. The absence of a robust agricultural insurance system makes banks hesitant to finance this sector.
3. **Lack of Incentive:** Poor performance in public sector banks like BKB and RAKUB is due to weak governance, lack of performance incentives, and past loan waivers creating a culture of non-repayment.
4. **Poor Institutional Capability:** Specialized banks are financially weak, and much of the government funding is used for operational expenses rather than reaching small and marginal farmers. There is also a lack of adequate staff, limiting agricultural finance to rich and influential farmers.

**Q-74. What steps can banks take to expedite the recovery of agricultural and rural credit?**

To expedite the recovery of agricultural and rural credit, banks can implement several measures:

1. **Incentives for Officials:** Award certificates or incentives to officials for effective loan recovery.
2. **Interest Rate Rebate:** Offer interest rate rebates to borrowers who repay loans on time.
3. **Settle Certificate Cases:** Take effective steps to resolve long-pending Certificate Cases, providing incentives for lump-sum repayment of outstanding loans.
4. **Loan Rescheduling:** Work with Bangladesh Bank to reschedule classified loans.
5. **Recovery Cell:** Establish a dedicated 'Recovery Cell' in branches with high levels of classified or overdue loans.
6. **Recovery Camps:** Organize 'Agricultural Credit Recovery Camps' at farmer gatherings with prior publicity.
7. **Information Technology:** Encourage the use of IT to streamline the loan recovery process.

**Q-75. What are the various methods banks can use for agricultural credit delivery according to the Agricultural and Rural Credit Policy of Bangladesh Bank?**

Banks can utilize several methods for agricultural credit delivery:

1. **Direct Credit Delivery:** Through branch networks, providing adequate agricultural credit directly to farmers.
2. **Agri-Credit Delivery through MFI Linkage:** Partnering with Micro Finance Institutions (MFIs) to meet agricultural credit targets, ensuring proper monitoring and compliance.
3. **Agri-Credit Delivery through Agent Banking:** Deploying agents in remote areas to offer banking services, including small loans and deposits.
4. **Agri-Credit Delivery through Contract Farming:** Financing farmers under contracts with agro-based industries, ensuring fair prices and marketing support.
5. **Open Credit Delivery through Credit Camps:** Organizing credit camps to facilitate easy access to agricultural credit for farmers.

These methods aim to enhance financial inclusion and support agricultural development.

**Q-76. What are the qualifications and requirements for entrepreneurs involved in contract farming to obtain agricultural loans?**

To qualify for agricultural loans in contract farming, entrepreneurs must:

1. Be a company registered under the registrar of joint stock companies and firms.
2. Have experience in the preservation, marketing, and processing of agricultural commodities.
3. Have experience working with farmers at the field level.

Additionally, a copy of the contract between the farmers and the entrepreneur must be submitted to the Agricultural Credit & Financial Inclusion Department. Banks must obtain prior permission from Bangladesh Bank for each loan sanctioned. The interest rate for loans to farmers must comply with the interest ceiling set by Bangladesh Bank and be calculated on a reducing balance method. Entrepreneurs must maintain and provide account statements of the farmers on demand.

**Q-77. Does a foreign bank disburse agricultural credit in Bangladesh.**

Yes, foreign banks in Bangladesh do disburse agricultural credit. Although they joined the agricultural credit program later than domestic banks, foreign banks now participate due to the mandatory agricultural credit disbursement policy by Bangladesh Bank. For instance, in FY 2020, foreign banks disbursed Tk. 7.42 billion in agricultural credit, exceeding their target by around 9%. This participation helps meet the agricultural credit requirements in rural areas where these banks often work through partnerships with Micro Finance Institutions (MFIs) to ensure the funds reach the grassroots level.

**Q-78. Difference between Subsistence farming and commercial farming. BPE-98<sup>th</sup>**

Particulars	Subsistence Farming	Commercial Farming
<b>Purpose</b>	Primarily for the farmer's own consumption.	Mainly for sale in the market to earn profit.
<b>Scale of Operation</b>	Small-scale with limited resources and technology.	Large-scale with significant investment in technology and resources.
<b>Market Orientation</b>	Not market-oriented; surplus, if any, sold locally.	Highly market-oriented with production based on market demands.

<b>Labor</b>	Mainly family labor with minimal hired help.	Uses hired labor and advanced machinery.
<b>Use of Technology</b>	Limited use of technology, relying on traditional methods.	Extensive use of modern technology and farming techniques.

**Q-79. Write difference between Food security and food self-sufficiency. BPE-98<sup>th</sup>.**

Aspect	Fixed Capital	Working Capital
<b>Definition</b>	Investment in long-term assets	Investment in short-term assets
<b>Type of Asset Acquired</b>	Non-current assets	Current assets
<b>Tenure of Investment</b>	Usually, long-term	Less than one year
<b>Liquidity</b>	Not liquid, hard to convert into cash	Highly liquid, easier to convert into cash
<b>Objective Served</b>	Serves strategic objectives	Serves operational objectives

**Q-80. Distinguish between Own network credit disbursement and bank MFI linkage credit disbursements. BPE-99<sup>th</sup>.**

Criteria	Own Network Credit Disbursement	Bank-MFI Linkage Credit Disbursement
Fund Source	Uses own funds of MFIs or banks	Banks provide funds to MFIs for disbursement
Customer Base	MFIs have a broad rural customer base	Banks have a limited rural customer base
Service Delivery	MFIs provide door-to-door service	Customers must visit bank branches to access credit
Experience in Microfinance	MFIs specialize in small credit disbursement and recovery	Private and foreign banks lack experience in microfinance
Regulatory Requirement	MFIs operate independently within MRA regulations	Banks must meet Bangladesh Bank's mandatory agricultural credit target by using MFIs as intermediaries

**Q-81. How the formal sources of agricultural finance create accessibility and impact the economic condition of the farmers BPE-99<sup>th</sup>**

**Impact of Formal Agricultural Finance on Farmers**

Formal sources of agricultural finance, such as **banks, MFIs, and cooperatives**, improve **access to credit** and positively impact farmers' economic conditions.

**Accessibility of Formal Finance**

1. **Availability of Capital:** Enables farmers to purchase inputs like seeds, fertilizers, and equipment.
2. **Lower Interest Rates:** Institutional credit is cheaper than informal loans from moneylenders.
3. **Easier Loan Terms:** Some banks offer collateral-free loans and flexible repayment options.
4. **Wider Reach:** Special agricultural credit schemes, including microfinance, reach small and marginal farmers.

**Economic Impact on Farmers**

1. **Increased Productivity:** Access to credit allows farmers to modernize farming techniques, improving yields.
2. **Income Growth:** Higher production leads to better sales and profitability.
3. **Employment Generation:** Seasonal labor demand increases, reducing rural unemployment.

4. **Poverty Reduction:** Enhanced income and productivity improve living standards and food security

**Q-82. Describe the effectiveness of “Annual Agricultural and Rural Credit Policy” of Bangladesh Bank for achieving food security of the country BPE-99<sup>th</sup>**

The **Annual Agricultural and Rural Credit Policy** of Bangladesh Bank plays a crucial role in ensuring food security by enhancing agricultural productivity. Key contributions include:

1. **Increased Credit Allocation:** The policy mandates a minimum of 2.5% of total bank loans to be disbursed as agricultural credit, ensuring financial support for farmers
2. **Support for Crop Production:** Around 60% of total agricultural loans are directed towards crop cultivation, ensuring stable food production
3. **Targeted Loan Programs:** Subsidized loans at 4-5% interest rates for specific crops like spices, oil seeds, and maize help boost food security
4. **Financial Inclusion:** Over 9.9 million farmers have access to credit through bank accounts opened with minimal deposits, reducing dependency on informal lenders
5. **Disaster and Risk Management:** While agricultural insurance is still under development, pilot projects are addressing climate-induced risks, which is vital for sustainable food production

However, challenges like low credit access for smallholders, delays in loan disbursement, and weak institutional capacity hinder full effectiveness. Strengthening financial infrastructure and expanding farmer-friendly policies can further enhance food security in Bangladesh.

**Q-83. Describe the impact of maize and wheat refinance scheme of Bangladesh Bank in the economy of our Country BPE-99<sup>th</sup>**

The Maize and Wheat Refinance Scheme of Bangladesh Bank has had a significant impact on the economy by ensuring food security, supporting farmers, and reducing import dependency. Key impacts include:

1. **Increased Cultivation:** Maize and wheat cultivation areas have expanded due to accessible credit, making maize an important cereal crop in Bangladesh.
2. **Food Security Enhancement:** These crops are essential for both direct consumption and as raw materials for industries like poultry feed, reducing reliance on imports.
3. **Financial Support for Farmers:** Subsidized refinancing allows farmers to access affordable credit, improving productivity and profitability.
4. **Import Substitution:** Encouraging local production of wheat and maize helps reduce foreign currency expenditure on imports.
5. **Economic Growth:** Increased cereal production contributes to GDP growth, employment generation, and rural development.

Despite these benefits, challenges such as land availability and climate change effects need further policy support to sustain the scheme's effectiveness.

**Q-84. District Agriculture Credit Committee (BPE-99<sup>th</sup>)**

The **District Agricultural Credit Committee (DACC)** plays a crucial role in coordinating and monitoring agricultural credit at the field level under the **Lead Bank** system. The Deputy Commissioner (DC) of the district acts as the **Chairman**, and a designated **Lead Bank** is responsible for coordination. The committee ensures effective loan disbursement, recovery, and transparency in agricultural financing. Monthly meetings are held to supervise loan distribution, address challenges, and enhance financial inclusion for farmers. Additionally, private and foreign banks participate in the committee to improve rural credit operations

**Q-85. Agricultural Credit Monitoring (BPE-99th)**

Agricultural credit monitoring ensures proper loan utilization and minimizes default risks. Bangladesh Bank has established a three-tier monitoring system:

1. Central Monitoring (Bangladesh Bank): Collects reports from banks and conducts inspections.
2. Bank-Level Monitoring: Participating banks oversee loan disbursement and recovery.
3. District Agriculture Credit Committee: Ensures coordination and supervision at the district level.

Regular meetings, on-site inspections, and direct farmer interactions improve transparency. Banks are also encouraged to publicly disburse loans to increase accountability

**Q-86. Vermi compost (Short Note) BPE-97<sup>th</sup>**

Vermi compost is an organic fertilizer produced by decomposing organic waste using earthworms. It improves soil health, increases nutrient availability, and reduces dependence on chemical fertilizers. Earthworms break down materials like vegetable waste, manure, and crop residues, converting them into nutrient-rich compost. This process enhances soil aeration, water retention, and microbial activity, making it a sustainable farming practice. Farmers benefit from higher crop yields, cost savings, and improved soil fertility.

In Bangladesh, vermi composting is gaining popularity due to its eco-friendly nature and government support. The Bangladesh Agricultural Research Institute (BARI) promotes its use to encourage organic farming. Vermi compost helps restore soil balance, making it ideal for long-term agricultural sustainability. By adopting vermi composting, farmers can enhance productivity, reduce costs, and contribute to environmental conservation

**Q-87. Distinguish between:****(i) Agricultural credit and rural credit. BPE-99<sup>th</sup>**

Aspect	Agricultural Credit	Rural Credit
Definition	Credit provided specifically for agricultural activities like crop production, irrigation, and livestock.	Credit provided for overall rural development, including agriculture, business, housing, and consumption.
Purpose	Supports farming-related activities such as purchasing seeds, fertilizers, and equipment.	Covers broader rural financial needs, including small businesses, education, healthcare, and housing.
Target Beneficiaries	Farmers and agribusinesses.	Farmers, rural entrepreneurs, artisans, and households.
Loan Type	Mostly short-term and seasonal, with some long-term financing for farm infrastructure.	Includes both short-term and long-term loans for various rural needs.
Regulation	Guided by agricultural credit policies of Bangladesh Bank.	Falls under broader rural finance policies, including microfinance institutions.

**Q-88. What are the major challenges faced by the commercial banks in providing agricultural credit to smallholder farmers in Bangladesh? BPE-5<sup>th</sup>.**

Major Challenges Faced by Commercial Banks in Providing Agricultural Credit to Smallholder Farmers in Bangladesh:

1. **Lack of Collateral:** Small farmers often have no formal land titles, so banks consider them risky.
2. **High Transaction Cost:** The cost of monitoring and disbursing small loans in rural areas is high.

3. **Inadequate Financial Literacy:** Farmers often don't understand loan procedures or banking terms.
4. **Crop Risk:** Weather and natural disasters make farm income uncertain.
5. **Delayed Loan Processing:** Bank procedures are slow and discourage farmers.
6. **Lack of Customized Products:** Loan terms are not suitable for agriculture cycles.
7. **Limited Bank Branches in Rural Areas:** Farmers face difficulty accessing formal credit.

These issues limit credit access for small farmers, reducing their productivity and income.

**Q-90. How can the adoption of innovative financing models such as contract farming help overcome the barriers to agricultural finance? BPE 5<sup>th</sup>.**

Contract farming is an effective innovative financing model that helps smallholder farmers overcome barriers to agricultural finance. Under this model, a company makes an agreement with farmers to buy their crops at a pre-agreed price. This agreement acts as a guarantee, helping farmers secure bank loans more easily.

**How Contract Farming Helps Overcome Barriers to Agricultural Finance:**

1. **Pre-agreed Price:** Farmers get a guaranteed buyer with a fixed price, which reduces market risk.
2. **Loan Access:** This contract helps farmers get bank loans more easily, as it acts as security.
3. **Input Support:** The company often provides seeds, fertilizers, and technical help.
4. **Lower Default Risk:** Since the buyer assures purchase, farmers can repay loans on time.
5. **Higher Confidence of Banks:** Banks feel safer lending due to reduced repayment risk.
6. **Stable Income:** Farmers earn more regularly, which helps them manage money better.
7. **Better Credit History:** On-time repayment improves farmers' credit records.
8. **Financial Discipline:** Farmers learn to manage money properly, which builds long-term trust.

**Q-91. What are the common types of collateral required by banks for agricultural loan? BPE 5<sup>th</sup>.**

Common Types of Collateral for Agricultural Loans:

1. **Land Documents:** Ownership or lease papers of agricultural land are the most common collateral.
2. **Crops (Standing Crops):** In some cases, banks accept the value of current crops as collateral.
3. **Livestock:** Cows, goats, or poultry used in farming can be considered as movable collateral.
4. **Farm Equipment:** Tractors, irrigation pumps, and other machinery may be used as security.
5. **Stored Products:** Stored grains or produce can be pledged, especially in warehouse financing.
6. **Personal Guarantees:** In absence of physical assets, banks may accept third-party personal guarantees.
7. **Group Liability:** In microfinance models, group guarantees often act as a substitute for formal collateral.

These help banks manage risk while providing credit to farmers

**Q-92. How do banks promote agro-based industries for export promotion? BPE 5<sup>th</sup>.**

How banks promote agro-based industries for export promotion:

- Banks provide **low-cost loans** to agro-industries for processing, packaging, and value addition.
- They support **contract farming** by financing both farmers and buyers to ensure steady raw material supply.
- Banks encourage **investment in cold storage and logistics** to maintain product quality for export.
- Export-oriented agro-industries get access to **foreign exchange and export credit facilities**.
- Banks help agro-entrepreneurs with **training and financial literacy** to improve export readiness.
- Special schemes and refinancing are available for **agro-processing zones and export clusters**.



- Some banks collaborate with government and international agencies to **co-finance export-oriented agro-projects**.

**Q-93. What are the prospects and future of agro-based industry in Bangladesh? BPE 5<sup>th</sup>.**

Prospects and Future of Agro-Based Industry in Bangladesh:

1. **High Growth Potential:** With a large agricultural base, agro-industries can expand in processing, packaging, and value addition.
2. **Export Opportunities:** Demand is rising globally for Bangladeshi agro-products like fruits, vegetables, and processed foods.
3. **Employment Creation:** These industries generate jobs in rural areas as processing, logistics, and packaging expand.
4. **Technology Advancement:** Adoption of modern equipment and cold storage increases efficiency and reduces post-harvest losses.
5. **Rural Development:** Supporting agro-industries promotes wider rural income, infrastructure, and living standards.
6. **Government Support:** Policies offer subsidies, tax breaks, and export incentives to agro-based firms.
7. **Foreign Investment:** Growing interest from foreign investors adds capital and market linkages.
8. **Sustainability Focus:** A future focus on organic products and eco-friendly methods aligns with global trends.

**Q-94. What is agro-based industry? Give concrete examples. BPE 5<sup>th</sup>.**

Agro-based industry refers to businesses that use agricultural products as raw materials to make finished or semi-finished goods. These industries add value to crops, livestock, or forest products and help increase farmers' income and create rural jobs.

**Examples:**


1. **Rice mills** – Process paddy into rice.
2. **Dairy industries** – Turn milk into cheese, yogurt, etc.
3. **Jute mills** – Convert raw jute into bags, ropes, and carpets.
4. **Fish processing** – Prepare and pack fish for local and export markets.
5. **Fruit processing plants** – Make juice, jam, and pickles from fruits.

These industries play a big role in rural development and help grow exports by turning farm products into saleable items.

**End of Module-A**

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