



**IMPACT OF AGRICULTURAL CREDIT OF FINANCIAL INSTITUTIONS ON SUSTAINABLE  
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KURIGRAM DISTRICT, BANGLADESH**

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## IMPACT OF AGRICULTURAL CREDIT OF FINANCIAL INSTITUTIONS ON SUSTAINABLE LIVELIHOODS OF RURAL FARMERS IN CHAR AREA: A COMPARATIVE ANALYSIS IN KURIGRAM DISTRICT, BANGLADESH

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### ABSTRACT

Agriculture is one of the driving forces of Bangladesh's economy. Agriculture is the basis of the rural economy of this country. Almost half of Bangladesh's employment is linked to the agricultural sector. Through this research, it has been revealed again how dedicated and important contribution farmers are making in improving household and country's nutrition and food security. The research work also highlights how essential agriculture credit is for poor, marginal and sharecroppers and how important it is to agricultural production. Public and Private Scheduled Banks Specially Sonali Bank PLC providing Agricultural Credit to Poor, Marginal Farmers and Sharecroppers. Through this research work, an attempt has been made to focus on the agricultural credit demand of Sonali Bank and other banks and what to do in the future. The study also focused on what can be done to improve the current situation by increasing the country's agricultural production, ensuring sustainable nutrition and food security and reducing foreign exchange expenditure.

### INTRODUCTION

Bangladesh is an agriculture dependent country. Most of the people of this country depend on agriculture in one way or another. At present there are about 18 crore people living in this country. The farmers of our country are meeting the food and nutritional needs of this huge population. Farmers of this country are producing various crops and other cash crops through hard work facing various adverse environment. Contribution of agriculture to the GDP is 11.66% and Crops & horticulture is 5.64%.<sup>1</sup> . The main source of the employment and income of the rural people of Bangladesh is agriculture. About 41% percent of the country's total labour force is directly involved in agriculture occupation.<sup>2</sup> Bangladesh is the 94th largest country in the world. However, according to FAO, Bangladesh ranks 14th in the production of primary agricultural products (crops only). China, India, and the USA are at the top. According to FAO data, the value of agricultural products produced in Bangladesh in 2021 was about Tk 4 lakh crore. Bangladesh is ranked among the top 10 countries in the world in the production of 22 agricultural products. It includes products like, lentils, potatoes, onions, and tea, as well as different

types of fruits.<sup>3</sup>

Following Bangladesh Bank's Agricultural & Rural Credit Policy and Program, various financial institutions of the country are investing in the agricultural sector, the objectives of which are to modernize agriculture, increase agricultural production, create employment, meet the food and nutritional needs of the people of the country, and above all, bring about sustainable development through poverty alleviation. There are 1,00,22,973 bank accounts open for farmers in state-owned banks and other scheduled banks for just 10 taka (Up to March 2023). Apart from the subsidy given by the government, these bank accounts are being used for disbursing agricultural credit, depositing and withdrawing savings, depositing remittances, etc.

Sonali Bank is one of the financial institutions in Bangladesh which is consistently investing in agriculture following various government laws and policies and is making an important contribution as one of the partners in the economic development of the country.

### **RATIONAL FOR THE STUDY**

Various research activities have been carried out on agricultural economics, contribution of agricultural sector to economy etc. But very few research program has been carried out on the impact of agricultural credits from public financial institutions on the farmers of the char area, river erosion and flood prone under Kurigram District of northern part of Bangladesh, who are severely affected by climate change. In this circumstance, an initiative has been taken to conduct the research work to get a proper idea about this. So that poor, marginal and shared farmers can ensure their households and country's food security by increasing production with support of financial support. Not only the food security of the family, but also plays an important role in socio-economic development by meeting the food and nutrition needs of the country and making financial gains.

Research Methodology: This research work used two types of data sources both primary and secondary. Primary data collected through qualitative research method following Key Informant Interview (KII) and in-dept interview with key stakeholders and agricultural credit customers of state-owned bank. Secondary data collected from Sonali Bank database and various relevant literature reviewing.

### **AGRICULTURAL CREDIT TRENDS OF SONALI BANK PLC IN LAST THREE YEARS**

Sonali Bank PLC - Kurigram Principal Office allocates agricultural credits to poor, marginal and shared farmers at specific rates as per the policies and guidelines of Bangladesh Government and Bangladesh Bank. Out of total annual allocation of agriculture Credit portfolio, 60% is earmarked for Crop financing. The credit program covers all the seasonal crops produced in the area. The credit is disbursed as per norms set by the Bangladesh Bank.

The rate of interest for this sector is 8%. The rate of interest may however, vary from time to time. At subsidized interest rates of 4 percent, banks provide agricultural credits for production of certain crops (such as pulses, oilseeds, spices and maize) as import substitutes. Both the landowner and sharecroppers are normally the target group for this credit. Poor and marginal farmers are also eligible for the credit. Most of the farmers in Kurigram district are economically insolvent. Agriculture is the only source of income for these farming households. Most of the farmers have very less amount of cultivable land. Once upon a time, many farmers were owner a lot of cultivable land but due to river erosion, the land was lost to the river bed. Every year many farmers are losing their agricultural land along with

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habitations due to river erosion. As a result, every year new families are added to the list of poor. Many farmers are depending on the small piece of owned cultivable land or other people's land as condition of crop sharing.

The main crop of farmers in this region is paddy and is their staple food also. They use a significant volume for HH consumption, poor and marginal farmers sell the remaining paddy to meet other household needs. For several years farmers have been producing high value crops like maize, pulses, mustard, wheat, jute, potato, spice and various vegetables in addition to paddy. As a result of the production of these crops, they are also benefiting economically. A good amount of money has to be invested to produce high value chain crops or cash crops. But the main problem facing farmers in this area is lack of capital to invest in agriculture, the farmers often do not have money. As a result, they cannot purchase agricultural inputs and other agricultural services on time. Which disrupts their agricultural production and the livelihood of the family becomes difficult. But it's not a household's livelihood issue for farmers, it is linked to the production and economy of the country.

**Table 1: Last Three years credit disbursement trend**

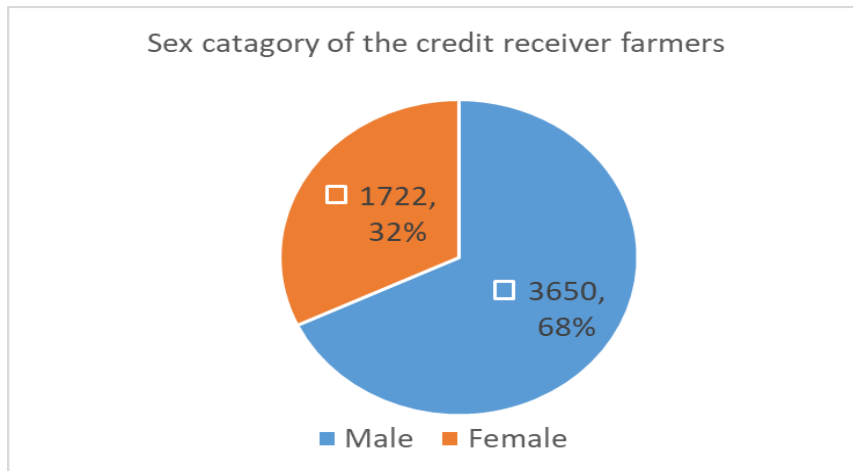
Fiscal Year	Agricultural Credit			
	Credit (in Taka)	Number of Farmers	Payback	Percent
<b>2020-2021</b>	144,000,000.00	1403	140,300,000.00	97.43
<b>2020-2021</b>	144,000,000.00	1950	143,500,000.00	99.65
<b>2020-2021</b>	151,000,000.00	2019	149,500,000.00	99.01
<b>Total</b>	439,000,000.00	5372	433,300,000.00	98.70

Sonali Bank PLC is committed to providing inclusive financial services to the target farmers by upholding the Agricultural & Rural Credit Policy and Program of Bangladesh Bank. Kurigram Principal Office, Sonali Bank PLC only provided agriculture credit to 5372 poor and marginal farmers. Seasonal and 3-year agricultural credits are distributed among the farmers. Area approach and crop types are emphasized in disbursing agricultural credit. Kurigram Principal Office, Sonali Bank PLC Agricultural Credit Disbursement Trend Analysis Data shows, disbursed a total of TK. 439,000,000 among 5372 farmers in the last three financial years. Financial year-based data shows that the office disbursed credit in 2020-2021 financial year Taka 144,000,000 among 1403 farmers, 2021-2022 financial year Taka 144,000,000 among 1950 farmers and 2022-2023 financial year Taka 151,000,000 among 2019 farmers.

Analyzing the data of credit collection again, it is seen that in the last three years, farmers payback Taka 433,300,000.00 against the credit of Taka 439,000,000.00 which is 98.70 percent. On the other hand, analyzing the year-wise credit collection scenario, it is seen that the credit return rate is 97.43 percent in 2020-2021, 99.65 percent in 2021-2022 & 99.01 percent in 2022-2023 financial year respectively. A comparative review of credit disbursement and disbursal data over the years shows that agricultural credit recovery is very satisfactory and is a very low risk for financial institutions and one of the most successful sectors. However, the success of this credit collection depends a lot on the selection of potential farmers and close monitoring by the institution.

## SCENARIO OF INCLUSIVE FINANCIAL SERVICES

The role of women in agriculture is undeniable. Women have been involved in the agricultural sector



since ancient times and it still exists. The role of women in modern agriculture has increased. If we look at the rural poor and marginal farming families, we find that male members of the family are more inclined towards non-agriculture to increase the family income and women are taking the

Place of men. In many households, women are taking all the agricultural decisions and are Figure 1: Sex category of the farmers.

Successfully driving the agricultural sector forward. Therefore, the inclusion of women in order to agricultural credit by the financial institutions is essential. A review of the data on agricultural borrowers reveals that 32 per cent women and 68 per cent men are farmers. It also appears that women inclusion in rural economy is gradually increasing. However, the economic inclusion of women should be increased for the overall economic growth of the country.

The success of the individual farmer depends on adoption of improved agricultural technology, adoption of good agricultural practices (GAP), use of quality inputs and timely taken necessary measures. Besides, the agriculture of Bangladesh depends a lot on the favorable weather. Farmers produce crops every year battling extreme rains, floods, droughts and river erosion. Therefore, crop production is a risky job for the farmer and farmers have been continuing to produce crops for their family and country at risk. The profit and loss of the farmer also depends a lot on the post-harvest management of crops and the output market system of agricultural products.

“In 2020, all my agricultural land was submerged in water due to severe floods. I was deeply disappointed and I could not think what to do next. My rice and vegetables were much damaged. After the water receded from the land, I saw that all the crops were ruined. There was no money in hand to produce crops again. In this situation I approached Sonali Bank for direct agricultural credit and they gave me an agricultural credit of Tk 50000 just by looking at my land papers. After which I again cultivated rice and vegetables. I raised the crop and sold it to pay off the bank credit. So I am thankful to Sonali Bank. They have done a lot of favors to my family by helping me and my family in my time of distress”- said Mr. Rajendonath Ray, village- Ranojiteshor, Razarhat Upazila of Kurigram

Golam azom of Nagasiri upazila said, "I am a marginal farmer. My family is fully dependent on agriculture. After maintaining family needs, I don't have any money for farming. I first got an agricultural credit from Sonali Bank in 2015 for boro paddy cultivation. Then every year I took agricultural credit for new crops production and payback the credit on time. Last year also I took a credit of Taka 80000 for potato cultivation. Potato production was very good and I got much higher p.

Due to timely get credit and low interest rate, farming with agricultural credit is profitable for the farmers."

"I am a marginal farmer; family consist of 6 members. Agriculture is the only source of income for my family which is challenging for me to make sure my family wellbeing. In 2018, I took a Taka 100,000 agriculture credit from Sonali Bank PLC, Ulipur branch, Kurigam and farmed fish with the credit money. I made a lot of profit from fish farming and paid off the bank credit from the sales money. Later, I took agricultural credit and cultivated maize along with fish farming. I earned a significant amount of money from both sectors and pay off the credit at the end of the season. With the remaining money, the family is doing well and my family is somewhat advanced economically.

Thus, by providing agricultural credit to farmers, the banks of Bangladesh, especially the state-owned banks, are contributing to the development of the country's agricultural sector. It is evident that it is possible to bring radical changes in agriculture through the use of modern technology and farm mechanization. For this, it is necessary to increase investment in agriculture sector. The public and private banks of Bangladesh are increasing their participation in the modernization of the agricultural sector by increasing investment in agriculture.

The research work identifies some problems faced by agricultural credit institutions and credit receivers and also suggests some possible suggestions for solving these problems-

### **SOME CHALLENGES OF AGRICULTURAL CREDIT**

1. Bangladesh is a disaster zone and one of the victims of climate change. So, every year the farmers have the possibility of crop loss and many are affected. Which is one of the reasons for their misery. If they faced this situation, it becomes difficult for them to repay the credit amount and there is a possibility of defaulting on their agriculture credit.
2. Most of the Farmers of our country are poor and marginal Farmer, and in case of disbursing credit to a Marginal Farmer suitable Grantor are difficult to find out. Grantor Plays a Vital role on the
3. Surety of credit repayment in case of any undesirable situation.
4. Marginal and poor Farmers don't have sufficient land in their own name. So, the farmers need to take Credit under sharecropping Cultivation System. Many times, sharecropping farmers get less returns from farming, in this situation it becomes difficult to repay the credit money for them.
5. Sometimes farmers from very remote rural areas are ignorant. So, many of them are not well acquainted about the agricultural credit program of commercial banks.
6. Due to global political context, the ps of agricultural inputs, equipment and relevant services have increased significantly, but the credit amount has not been revised. As a result, the current credit amount is insufficient for many farmers.
7. Still many farmers do not have Krishi Card, but Krishi Card is an important document in getting agricultural credit. As a result, many potential farmers are deprived of agricultural credit.
8. At present the average farm size of individual farmer of our country is small. So small amount of credit to a small farm is not sufficient enough to meet the need of the farmers.

## **SOME RECOMMENDATIONS FOR THE BETTERMENT OF POOR AND MARGINAL FARMERS**

1. Crop insurance program can be introduced for agricultural credit borrowers. So that even if the production of farmers is damaged due to the disaster, they can be compensated to some extent.
2. Need to be increased agricultural credit coverage considering area context and increasing more production specially import substitute crops (i.e., maize, pulses, oilseeds, and spices).
3. Training on Improved Agriculture Technology may be organized for agricultural borrowers in coordination with Department of Agriculture Extension. So that they know about improved agriculture technology and can adopt it to increase production and be more profitable.
4. Measures can be taken to disseminate the crop disaster related message among the farmers through the concerned departments by SMS or other protocol, so that the farmers can know about the crop disaster related information in advance and can take early steps to avoid or minimize the crop damage,
5. Bank have to be soft about the grantor for marginal Farmers. Local elite person has to be come forward as the grantor of a marginal farmer.
6. Ceiling of credit need to be revised (increase) as per acre land considering current context.
7. Commercial Bank need to be introduced new and innovative program to disseminate information about Agricultural credit to the rural and very remote rural farmers of the all over the country.
8. More agriculture cards need to be distributed among real farmers so that they can avail proper services using these cards.
9. There needs to be a database of real farmers across the country, using this database service providers can provide services to the right farmers.

## **CONCLUSION**

It is proven that the economy of Bangladesh is directly and indirectly dependent on agriculture. The agriculture sector also has an indirect contribution to the GDP of service and industrial sectors. Agriculture plays an important role in producing nutritious food, increasing foreign currency, creating employment and above all in the economic development of the country. Agriculture is one of the sectors of economic empowerment of women. These farmers are supplying food to about 18 crore people. Due to their hard work the country has achieved self-sufficiency in food today. Otherwise, the country would have to spend huge amounts of money to import food from abroad. Therefore, if we want to sustain our country's agriculture, farmers and their families, financial support is absolutely necessary for them. If the farmer lives, the country will live, if the country lives, the overall development of the country will be achieved. Therefore, the government should give more importance to agriculture to strengthen food security, alleviate poverty and keep the rural economy vibrant by increasing the scope of agricultural credit, financial inclusion and increasing the flow of rural finance.

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