Survey-based Special Research Work

Assessing the Impact of the Agricultural Credit Disbursement on the Borrowers in Bangladesh

Research Department
Bangladesh Bank

Head Office

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Research Team

Chief Editor

Dr. Sayera Younus
Executive Director (Research)

Editor

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Director (Research)

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Md. Belaiet Hossain, Assistant Director (Statistics)

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Executive Summary

The agriculture sector serves as a cornerstone for economic development, particularly in a developing nation like Bangladesh, where it significantly contributes to GDP, supports the livelihoods of a large portion of the population and stimulating the rural economy through employment opportunities. Hence, agricultural credit facilities play a pivotal role in enhancing productivity by enabling farmers to access essential resources and modern equipment.

In this context, the primary objective of this survey is to assess the multifaceted impact of agricultural credit on the socio-economic lives of borrowers. Additionally, the study aims to verify the authenticity of credit recipients as genuine farmers and investigate the presence of any disruptions in the credit process, such as the involvement of middlemen or financial constraints.

This survey covers all eight divisions and 41 districts of the country, collecting data from 1,034 agriculture credit recipients (farmers) and 161 bank branch managers. The data was gathered through face-to-face interviews conducted by a predefined survey team. The interviews were structured using two distinct questionnaires—one for farmers and another for branch managers. The selection of bank branches was carried out through random sampling. The report is organized into ten specific sections, each addressing particular aspects of the survey and its analysis.

Mentionable some of the major findings of the survey are summarized below:

- A majority (69.34%) of respondents were interviewed from rural branches, with Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) accounting for 41.68% of the total respondents.
- Majority of farmers were middle-aged, with 41–50 years being the largest age group (29.59% of the total), followed by 31–40 years group (24.37%). Male respondents overwhelmingly dominated.
- Farming was the primary occupation for 66.44% of respondents, with crop farming being the most common (49.23%), followed by fisheries (14.7%) and dairying (11.21%). Almost 60.25% of respondents reported additional occupations, mainly within farming activities.
- The majority of the respondents utilized loans for crop farming (37.4%), followed by cattle farming (27.2%) and fisheries (24.3%) with most loans utilized for these declared purposes (73.2%). However, 26.8% of the borrowers diverted their loans, primarily due to higher profits in other sectors (43.9%), lower agricultural credit interest rates (21.3%) and emergency expenses (14.6%).

- New borrowers accounted for 31.82% of respondents, while 56.0% had taken loans two to five times. Among new borrowers, middle-aged individuals (41–50 years) were the largest group (29.48%).
- Only 2.32% of loans were rescheduled, primarily for older borrowers aged 51–60 who accounted for 54.17% followed by 20.83% for respondents aged over 60.
- Land ownership was predominated, with 79.8 percent of respondents owning agricultural land, while 4.54% relied on leased or sharecropped land. This suggests that only a relatively small portion of the borrowers approached banks without any land arrangements.
- The majority of loans (81.62%) were repaid within 12 to below 18 months, with minimal borrowers opting for shorter or longer repayment periods.
- 65.6% of respondents reported loan processing times of up to seven days, with minimal hidden costs.
- 96.1% of respondents completed their loan process independently while only 3.9% of respondents processed their loans through middlemen, such as brokers, or through relatives, friends, or others.
- The survey revealed that 12.1% of respondents received a lower amount of loans than the sanctioned loans, with the total shortfall amounting 1.23% of the total net loans received.
- Most respondents (81.62%) followed repayment periods of 12–18 months, with 69.4% opting for installment-based payments.
- 89.9% of respondents reported profitability in production after receiving credit, and 87.9% managed loan repayments through these profits. A majority (96.1%) expressed willingness to reapply for loans.
- The survey found that 92.5% of borrowers reported improved financial conditions, with 81.7% seeing increased net assets while 19.4% faced higher net debt.

This survey encountered some issues and recommended some policy suggestions that policymakers may ponder for agriculture credit. Some of these are as follows:

- **Increase Loan Amounts and Improve Accessibility:** Agricultural credit ceilings should be raised, aligning loans with the actual needs of farmers. It is crucial to expand for high-demand sectors like livestock and crop farming. Collateral-free (unsecured) loans to marginal farmers and young entrepreneurs may also enhance financial inclusion.
- **Enhance Gender-Inclusive Credit Policies:** The survey reveals a significant gender disparity, with only 12.77% of borrowers being women. To address this, banks should introduce gender-focused loan schemes, offering tailored financial products and training programs to encourage female participation.

- **Revise Interest Rates and Offer Disaster Relief:** Subsidized interest rates for priority agricultural sectors and Bangladesh Bank's refinance facilities must be reviewed. Further, offering interest waivers for borrowers affected by natural calamities namely floods, river erosion would support recovery.
- **Flexible Repayment Terms and Financial Support:** Farmers are often burdened by rigid loan repayment schedules, especially during periods of financial hardship. Extending loan repayment periods and providing grace periods, especially for farmers impacted by market volatility or natural disasters, would alleviate financial stress.
- **Sector-specific Credit Support and Agricultural Insurance:** Developing loan schemes for purchasing agricultural machinery, supporting post-harvest processing, and funding Boro crop cultivation could address sector-specific challenges. Introducing agricultural insurance schemes will provide farmers with a safety net against the risks posed by natural disasters and market syndicates.
- **Strengthen Monitoring and Utilization of Credit:** Banks should implement regular monitoring of loan utilization and offer borrowers training on reducing financial mismanagement and loan misuse.
- **Establish Price Stabilization Mechanisms:** To protect farmers from market fluctuations, the government should establish price stabilization mechanisms, such as minimum support prices and crop procurement systems.
- **Strengthen Loan Utilization Monitoring:** Banks can implement regular loan utilization checks and introduce borrower training programs focusing on effective financial management and maximizing agricultural output from loans.
- **Prohibit Agricultural Credit Disbursement via NGOs:** NGOs' loan interest rate is much higher compared to banks offering. So, **a**gricultural credit should be disbursed directly to farmers, eliminating intermediary, costs and ensuring that funds reach to the beneficiaries without unnecessary financial burdens.
- **Strategic Merger of BKB and RAKUB:** A strategic merger of BKB and RAKUB into a unified national agricultural bank is recommended. This merger would eliminate geographic limitations—currently dividing northern and southern operations—and streamline administrative functions to reduce costs and increase bank staff efficiency.

1. Introduction

Agriculture is the backbone of Bangladesh's rural economy, employing nearly 90 percent of the rural workforce and contributing significantly to the national GDP. Approximately half of the country's total labor force is engaged in agricultural activities. The sector is not only vital for food production but also supports industrial growth by providing raw materials and food for laborers. Additionally, agriculture drives the service sector by facilitating the marketing of agricultural commodities. Furthermore, the agricultural sector plays a crucial role in controlling inflation by ensuring a steady supply of food and other essential commodities. Given its importance, developing the agriculture sector is essential for ensuring food security, creating employment opportunities, reducing poverty, and improving the quality of life in rural areas.

Population growth exerts pressure on limited cultivable land, increasing the demand for food production. This demand has led to technological advancements, such as the Green Revolution, which has significantly boosted agricultural productivity and output. However, the capital-intensive nature of modern agricultural techniques often requires farmers to seek credit. Consequently, countries worldwide, including Bangladesh, have developed agricultural credit systems to support this sector's growth and to foster socio-economic development. Bangladesh Bank, in collaboration with state-owned and private commercial banks, has formulated agricultural credit policies to provide essential financial support to farmers.

1.1 Historical Background of Agricultural Credit

Agricultural financing began with tenant farmers receiving seeds and equipment from wealthy landowners, repaying with a share of their produce—a system known as sharecropping, which lasted until the 19th century across Europe, the Americas, and the Indian subcontinent. As agriculture became more specialized, farmers required more capital, leading to the rise of formal credit markets.

In the U.S., formal agricultural credit started with the Federal Farm Loan Act of 1916. In South Asia, farmers historically relied on informal lenders like landlords and moneylenders under systems like Dadan, where they borrowed inputs but remained trapped in debt cycles. The earliest recorded agricultural credit system in the region is mentioned in Kautilya’s Arthashastra.

The British colonial government introduced institutional credit in the 1870s, particularly during droughts. The Cooperative Societies Act of 1904 aimed to support rural credit needs. To combat moneylender exploitation, Rabindranath Tagore established Krishi Bank in 1894 (Shilaidah, Kushtia) and 1905 (Patisar, Naogaon). The RBI Act of 1934 expanded agricultural credit, but by 1936, informal lenders still dominated. To address this, Sher-e-Bangla A.K. Fazlul Haque established the Rin Salishi Board under the Bengal Agricultural Debtors Act (1936).

Post-independence, Bangladesh Krishi Bank (BKB) was founded in 1973, alongside Rajshahi Krishi Unnayan Bank (RAKUB). Over time, commercial banks, non-bank financial institutions, and NGOs also began offering agricultural loans. In the 1980s, Bangladesh Bank introduced institutional credit for small and marginal farmers at concessional rates, expanding these schemes over the years to support agricultural growth.

1.2 Importance of Agricultural Credit in Socio-economic Impact on Agricultural Credit

Bangladesh has successfully managed its food supply despite a large population and limited farmland, thanks to the resilience of its farmers and strong financial support. Central bank policies, alongside efforts by state-owned and private banks, have driven agricultural credit growth, improving food security and strengthening the rural economy.

In FY23, agriculture contributed 11.38% of GDP, employing 45.33% of the workforce. The Bangladesh Bank's Agricultural and Rural Credit Policy ensures timely funding for farmers, supporting various sub-sectors like fisheries, livestock, and poultry. Seasonal credit plays a crucial role in sustaining production cycles and enhancing economic stability.

Access to agricultural credit empowers farmers by enabling investments in quality inputs, increasing productivity, and boosting incomes. This, in turn, raises living standards, creates jobs, and fosters rural development. However, rising production costs and natural disasters pose challenges. Supporting diversified farming can mitigate risks, enhance food security, and improve nutrition, contributing to sustainable economic growth.

1.3 Status of Agricultural Credit in Bangladesh

As a predominantly agrarian country, agriculture sector accounts for a significant portion of food security, poverty alleviation, employment creation, and GDP in Bangladesh. In doing so, access to timely and adequate agricultural credit enables farmers to invest in modern inputs, adopt advanced technologies, and improve productivity. Moreover, ensuring adequate agricultural financing involves managing the various aspects of credit delivery, such as targeting the appropriate beneficiaries, well-timed disbursement, recovery of loans, monitoring outstanding balances and addressing the non-performing loans (NPL). However, the government and Bangladesh Bank have continued their active support to boost the agricultural sector by ensuring an adequate supply of credit with the involvement of formal financial institutions, including commercial banks and specialized agricultural credit institutions. Bangladesh Bank has formulated an extensive agricultural and rural credit policy and program to ensure agricultural and rural credit disbursement is easier and hassle-free for the farmers. Besides, the agricultural

and rural credit policy and program in FY25 is formulated to speed up the agricultural credit at the marginal level.

The government and Bangladesh Bank set agricultural credit targets to ensure that farmers have access to credit for crop production, livestock, fisheries, agricultural mechanization and rural development. These targets are usually aligned with agricultural production goals and development priorities. The target for agricultural credit of BDT 24124.00 crore has been set for FY20. The amount has progressively increased to BDT 35000.0 crore in FY24 to support farm mechanization, adaptation to climate change, and rural economic development.

Disbursement of agricultural credit has been rising steadily due to government efforts and bank partnerships. In FY23, BDT 32829.89 crore has been disbursed as agricultural credit through all the scheduled commercial and specialized banks, which exceeds the target of BDT 30811.00 crore. Besides, BDT 37153.90 crore was disbursed in FY24, and the disbursement rate was 106.15 percent in that fiscal year. However, the disbursement amount can be changed by factors like natural disasters, crop prices, or policy changes.

The recovery position of agricultural credit is BDT 35571.62 crore by all scheduled banks in FY24, reflecting an increase of 7.76 percent compared to the previous fiscal year's recovery amount (Table-1). Like in previous fiscal years, agricultural credit recovery has increased every year. To some extent, agricultural credit recovery has faced challenges due to natural disasters, climate variability, crop failure, market price instability, and other external shocks.

The total outstanding agricultural credit, including interest, for all scheduled banks reached BDT 58,119.59 crore in FY24, reflecting a 10.27 percent increase from BDT 52,704.45 crore in FY23. In comparison, the outstanding credit stood at BDT 45,592.86 crore in FY20. This continuous growth can be attributed to an increased focus on agricultural financing alongside challenges related to repayment defaults.

Additionally, the amount of non-performing loans (NPL) of agricultural credit in FY24 reached BDT 3876.96 crore, which was 1.81 percent higher compared to non-performing loans of BDT 3807.97 crore in FY23. Notably, NPLs position indicates multiple risks impacting farmers' ability to repay, with financial inclusion strategies and loan restructuring being central to addressing this issue.

The following table provides a comprehensive overview of agricultural credit in Bangladesh over the last five fiscal years, including aspects such as target, disbursement, recovery, outstanding credit and non-performing loans**.**

Table1: Summary of Agricultural and Rural Credit

(Taka in crore)

Indicator	FY20	FY21	FY22	FY23	FY24
Target	24124.00	26292.00	28391.00	30811.00	35000.00
Disbursement	22749.03	25511.35	28834.21	32829.89	37153.90
Recovery	21245.24	27123.90	27463.41	33010.09	35571.62
Outstanding Credit	45592.86	45939.80	49802.28	52704.45	58119.59
Non-performing Loans	4047.54	4035.33	3898.11	3807.97	3876.96

Source: Agriculture Credit Department, Bangladesh Bank

1.4 Major Problems in the Field of Agricultural Credit Disbursement &Recovery

High-interest rates hinder agricultural credit disbursement, rising from 8 percent in June 2023 to 12-14 percent currently. Farmers now pay 4-6 percent more, making borrowing costlier. Recent floods and natural disasters further strain their ability to invest. Additionally, limited awareness and weak promotional efforts by banks contribute to lower disbursement rates.

Credit disbursement follows norms set by the Department of Agricultural Extension (DAE), but adjustments are needed to account for inflation. Climate change disrupts crop calendars, delaying credit availability. Meanwhile, MFIs offer door-to-door loans with minimal paperwork, intensifying competition for banks. Some banks disburse credit through MFIs, but inadequate monitoring raises concerns over transparency and efficiency. Banks also hesitate to lend to new customers, limiting network expansion.

Credit recovery is challenging due to crop losses, unfair market prices, and political instability. Farmers struggling with losses often delay repayment. A culture of loan defaults, lax monitoring, and improper loan allocation further increase non-performing loans (NPLs). Bank management's focus on large loans sometimes sidelines agricultural credit recovery. Political influence and weak local administrative support also create obstacles. Additionally, farmers' limited knowledge of loan procedures and repayment schedules leads to delays.

1.5 Some Case Studies

During the course of conducting the survey, the team members encountered several noteworthy and unique situations. A summary of these special cases and firsthand accounts has been compiled and presented in the annexure for further reference and analysis.

1.6 Recent Measures by BB for Agriculture and Rural Finance

Agriculture and rural finance are vital for ensuring food security, reducing poverty, and promoting inclusive economic growth. In countries like Bangladesh, where a significant portion of the population depends on agriculture for their livelihood, access to affordable and timely finance empowers farmers to invest in improved inputs, adopt modern technologies, and enhance productivity. Bangladesh Bank has undertaken several initiatives to strengthen agriculture and rural finance some of which are enlisted in the annexure.

2. Literature Review

Hossain, M., et. al (2016) investigated the effects of agricultural credit in Bangladesh through a randomized control trial (RCT) under the BCUP program. Their study, spanning 2012 to 2014, revealed that credit access significantly enhanced productivity, modern seed adoption, and farming income. However, benefits were skewed toward well-resourced farmers, highlighting disparities. While the findings supported prior research on credit's role in technology adoption and income stability, they also emphasized the need for targeted interventions. The study recommended complementary measures such as training and insurance to ensure equitable benefits for marginal and landless farmers.

Rahman, M. H., et. Al (2020) explored the impact of agricultural credit in Bangladesh, highlighting its role in boosting productivity and improving livelihoods, particularly for marginalized farmers. The study found that concessional loans, such as Bangladesh Bank's 4% interest scheme, enhanced technology adoption and crop yields. However, benefits varied by region and wealth status, favoring better-resourced farmers. Despite its success in raising income levels, gaps in loan distribution and allocation persist, necessitating policy refinements for sustainable and equitable benefits.

Akhtaruzzaman M., et. al. (2017) evaluated Bangladesh Bank's "Sharecroppers Refinance Scheme," implemented via BRAC in FY16, and found it significantly improved sharecroppers' socio-economic conditions. The scheme reduced reliance on non-institutional credit, increased productivity, and enhanced formal credit access. Positive impacts included higher income, asset accumulation, and women's empowerment. However, challenges like fund diversion and repayment issues remained, prompting recommendations for program adjustments to enhance financial inclusion and rural development.

Paul B. P. et al. (2016) examined Bangladesh Bank's refinance scheme for sharecroppers, highlighting its role in financial inclusion and agricultural productivity. Implemented through BRAC, it improved living standards, yields, and socio-economic conditions, particularly for women. However, challenges like high lending rates and mandatory savings persisted.

Recommendations included subsidized inputs, crop insurance, and mobile banking to enhance effectiveness.

Rahman, M. W. (2011) assessed agricultural credit programs, highlighting policy reforms and the role of new financial intermediaries like PCBs and FCBs. The study found a strong positive correlation between credit disbursement and farm production, emphasizing its importance in boosting output. Despite improved credit performance, allocation challenges persist. Analytical models provided insights for policymakers to refine credit framework.

Goetz, A. M., & Gupta, R. S. (1996) critically examined credit programs' impact on women's empowerment in rural Bangladesh, revealing that male relatives often control women's loans, undermining empowerment goals. The study highlighted that prioritizing repayment rates over financial autonomy limits actual benefits. It recommended policy adjustments to ensure credit programs genuinely enhance women's agency and investment capacities.

Khandker, S. R., & Faruqee, R. R. (2003) assessed the Agricultural Development Bank of Pakistan's (ADBP) role in rural financing, finding that while it improved household welfare, large landholders benefited most. High loan default costs reduced its cost-effectiveness. The study recommended better targeting of smallholders and reducing defaults to enhance ADBP's efficiency, offering key insights for improving rural credit policies.

Deb, L., Sarkar, M. A. R., and Siddique (2021) evaluated Bangladesh Krishi Bank's (BKB) agricultural credit program for Boro rice cultivation in Mymensingh. Their study found that BKB loans boosted profitability by improving input management and farming efficiency, though 46% of loans were misused. Challenges included high acquisition costs and bureaucratic hurdles. Strengths included low interest rates and infrastructure. Recommendations focused on streamlining loan processes, reducing unofficial costs, and improving credit allocation for smallholder farmers.

Khan, N. (2018) reviewed 75 studies on agricultural credit in developing countries, highlighting inefficiencies such as high interest rates, bureaucratic hurdles, and inadequate monitoring. The study found that influential farmers benefited more than smallholders, and loans were often misused. It recommended interest-free loans, improved monitoring, better infrastructure, and farmer-focused initiatives like subsidized inputs and high-yield seed distribution to enhance agricultural productivity and ensure sustainable credit use.

Al Rafi et al. (2022) analyzed factors influencing fish farmers' reluctance to repay loans in Bangladesh. Their study found that secondary income, earning members, farm size, and training improved repayment, while the ability to repay negatively impacted it. Larger farm size, training, and experience enhanced repayment, while loans from multiple sources hindered it. Policy

suggestions included training on sustainable practices, diversified income, and enhanced loan monitoring to improve repayment rates.

Islam et al. (2014) highlighted the crucial role of agricultural credit in rural development in Bangladesh, particularly in resource-limited areas. Small-scale, collateral-free loans facilitated access to formal credit, fostering self-employment. Group-based borrower organization reduced default risks and improved loan performance. Despite challenges with classified loans, nationalized and specialized banks demonstrated the potential of small-scale financing to drive economic growth and improve rural living standards.

Spio, K. (2006) examined agricultural credit systems in developing countries, highlighting their impact on productivity and livelihoods. The study found that agricultural credit improved productivity when used effectively but faced challenges like high interest rates, bureaucratic barriers, and unequal access, especially for small farmers. Recommendations included reducing interest rates, improving institutional infrastructure, and offering targeted support to smallholders, aiming to enhance credit utilization, agricultural sustainability, and rural development.

Alauddin, M., & Biswas, J. (2014) examined agricultural credit trends and challenges in Bangladesh, finding that while access to institutional credit improved, issues like bureaucratic obstacles, high interest rates, and collateral requirements hindered small farmers. The study recommended simplifying credit processes, expanding rural banking, and developing tailored credit schemes. Policy suggestions included enhancing formal credit access, improving governance of state-owned banks, and using ICT to ensure timely loans for sustainable agricultural growth.

Balana, B. B., & Oyeyemi, M. A. (2022) studied agricultural credit constraints for smallholder farmers in Nigeria, highlighting both supply-side (limited access, high collateral) and demand-side (risk aversion, high transaction costs, low financial literacy) barriers. Their findings showed demand-side constraints significantly affect technology adoption, such as fertilizers and mechanization. They recommended crop insurance, financial literacy programs, expanded ICT access, and addressing structural barriers to improve credit access and technology adoption.

Hussain, A., & Thapa, G. B. (2016) analyzed agricultural credit allocation by smallholder farmers in Punjab, Pakistan, finding significant credit fungibility, with one-third of credit used for non-agricultural purposes. Factors like landholding size, household size, and literacy influenced this. The study recommended tailored credit products, better monitoring, awareness campaigns, and flexible repayment schedules to improve credit utilization and reduce reliance on informal sources, along with policy interventions for socio-economic disparities.

Odhiambo and Upadhyaya (2021) studied the impact of flexible loans on smallholder farmers in Kenya, highlighting barriers like high interest rates and rigid repayment schedules. They found that loans with seasonal repayment plans and lower collateral improved loan uptake, repayment, and agricultural productivity. The study recommended flexible loan policies, digital financial inclusion, government-backed guarantees, and capacity building to enhance financial access and literacy for smallholders.

Admasu, A., & Paul. (2010) examined agricultural credit delivery to smallholder farmers in Ethiopia, finding that loans were provided through cooperatives, with land size as the eligibility criterion. However, inadequate land limited access to loans, and defaults occurred due to farmers' lack of awareness about repayment terms. The study recommended improving financial literacy, expanding credit mechanisms, and enhancing government support to address land and input shortages for sustainable productivity.

Ukwuaba, I. C., et. al (2021) investigated credit accessibility among crop farmers in Enugu-Ezike, Nigeria, finding limited access due to rigid procedures, high interest rates, and inadequate institutional support. While informal sources offered quicker loans, they were less reliable. The study revealed that socio-economic factors were not significant predictors, but cooperative membership negatively affected access. Recommendations included simplifying loan processes, lowering interest rates, expanding rural banking, and promoting cooperatives to improve access to credit.

Rizwan et al. (2019) studied agricultural credit among rice farmers in Punjab, Pakistan, finding that most farmers relied on informal sources, with only 64.8% of credit used for agriculture. Socio-economic and environmental factors influenced credit demand and source choice. The study recommended revising credit policies, simplifying institutional guidelines, promoting full agricultural credit utilization, addressing socio-economic barriers, and integrating environmental sustainability into agricultural strategies.

Olowa, O. W., &Olowa, O. A. (2011) examined agricultural credit challenges in Nigeria, emphasizing its role in boosting food production and alleviating poverty. Key issues included inadequate beneficiaries, high default rates, and weak policy coordination. The study recommended clear, long-term credit policies, improved legal frameworks for land use, integrating credit with input supply and education, and strengthening cooperatives to address these challenges and enhance agricultural development.

Khanam, F. A., & Hasan, K. (2013) evaluated Bangladesh Krishi Bank's agricultural credit management, finding inefficiencies in fund allocation and loan recovery, resulting in high non-performing loans (NPLs) and declining profitability. Regression analysis showed large loans negatively impacted profitability and productivity. The study recommended improving loan

recovery, credit allocation, and supervision, addressing systemic issues, and advocating for government intervention to reform BKB's operations for sustainable agricultural financing.

Uddin et al. (2015) found that Bangladesh Bank's re-finance scheme for BKB and RAKUB improved farmers' economic well-being, boosting productivity and income. However, challenges like high non-performing loans (NPLs), financial losses, and weak recovery persisted. The study recommended expanding the scheme, adopting innovative credit facilities, addressing NPLs, improving monitoring, and enhancing gender inclusion to strengthen rural credit systems and support sustainable agricultural growth.

3. Rationality of the Study

The agriculture sector, one of the key pillars of Bangladesh's economy, plays a vital role in accelerating economic growth and generating employment. According to the Bangladesh Bureau of Statistics (BBS) provisional data, the sectoral share of agriculture, industry, and service stood at 11.02 percent, 37.95 percent, and 51.04 percent respectively in FY24. Although the contribution of the agricultural sector to GDP is relatively low, the employment opportunity in this sector is still very high. According to the Labor Force Survey 2023, agriculture sector directly employs 44.41 percent of the country's total labor force. In addition, the agricultural sector also plays a crucial role in promoting the growth of manufacturing and services, therefore indirectly creating employment opportunities. The agriculture sector also ensures that the supply chain of food items and other commodities is maintained, which helps control inflationary pressures. Therefore, it is imperative to develop the agriculture sector to ensure nutritious food security, create employment opportunities, alleviate poverty, and improve the quality of life of the rural people. To do so, the expansion of banking activities in rural areas, particularly through agricultural and rural credit, can play a pivotal role. Access to agricultural credit helps farmers, especially small and marginal farmers, adopt advanced technologies like mechanization, high-quality seeds, and sustainable practices, thus reducing costs and enhancing productivity. It also supports crop diversification, risk minimization from market price fluctuations, and exploration of high-yielding crops and livestock.

Bangladesh Bank has been pivotal in providing adequate agriculture and rural credit by formulating and implementing agriculture and rural credit policies and programs every fiscal year. In this context, Bangladesh Bank publishes a booklet named 'Rural Credit Policy and Program' at the beginning of every fiscal year that outlines the implementation status of the immediate past agriculture and rural credit policies and programs as well as the policies and programs that could be implemented in the current fiscal year.

The amount of both program and realization of agricultural and rural credit have significantly increased over the years. As per available data, Tk. 37,154 crore agricultural credit (including

rural credit) was disbursed toward 37.4 lac farmers through banks in FY24. This amount of disbursement was 6.15 percent higher than the target set for FY24 and 13.17 percent higher than the actual disbursement in FY23. The target for agricultural credit disbursement has been set at Tk. 38,000 crore for FY25, which is 8.57 percent higher than the target set for FY24 (Tk. 35000 crore) and 2.28 percent higher than the actual disbursement in FY24 (Tk. 37,154 crore).

Therefore, BB needs to ascertain the effectiveness of agricultural credit to make policy initiatives. Considering this, the higher authority of BB instructed the Research Department to conduct a field survey to assess the impact of the agricultural credit disbursement on the borrowers in Bangladesh.

4. Objective of the Study

The broad objective of this study is to assess the effectiveness of agricultural credit on the development of the real economy through improving the agricultural sector. Therefore, the specific objectives of this study are to:

- Analyze the status of agricultural credit disbursement, highlighting sub-sectoral distribution.
- Identify the key challenges faced by real farmers in accessing agricultural credit.
- Evaluate the effectiveness of agricultural credit disbursement through analyzing its utilization.
- Provide recommendations to improve the credit disbursement process and its impact on the agricultural sector.

5. Methodology and Scope of the Report

A research team comprising 24 officials from different Departments of Bangladesh Bank (BB) and Bangladesh Institute of Bank Management (BIBM), conducted this study based on primary survey data. This research team followed the steps below to complete this study.

Step 1: A well-structured and comprehensive questionnaire is very crucial to collect necessary information and data from the stakeholders, like bank officials and the agricultural credit recipients, particularly farmers, through interviews. Therefore, the research team prepared a structured questionnaire based on primary information and data gathered from personal observations and analyses of different related newspaper and journal articles. Personal communications with some known stakeholders were also helpful in preparing the questionnaire. The questionnaire covered the following areas:

- Availability and accessibility of agricultural credit.

- Terms and conditions of credit (interest rates, repayment schedules, etc.).
- Utilization of credit by farmers (e.g., purchase of inputs, machinery, etc.).
- Impact of credit on agricultural output and income levels.
- Challenges in the credit disbursement process (e.g., bureaucratic hurdles, lack of awareness).
- Gender aspects in credit disbursement and utilization.
- Case studies of successful and unsuccessful credit utilization.

The Questionnaire Set-A was specifically designed for the borrowers to gather basic information such as loan information, loan payments, loan availability, loan uses, and their effects. This data helped in analyzing the effectiveness of agricultural credit in Bangladesh. Questionnaire Set-B was designed for bank branches to collect data regarding the disbursement of agricultural credit of respective bank branches.

Step 2: Selecting a representative and unbiased sample of respondents is very necessary for collecting reliable information and data through interviews. Therefore, the research team contacted the credit divisions of 20 scheduled banks based on their agricultural credit disbursement in FY24 and the number of rural branches in order to select the borrower of agricultural credit, all over the country. A stratified random sampling method is used to make a sample of respondents that ensures representation across different regions and farmer types. In this process, we collected nearly 6900 branches of 20 scheduled banks from 64 districts of 8 divisions on the basis of top agricultural credit disbursement of both rural and urban areas. Out of these branches, a total of 161 branches of 18 scheduled banks from 41 districts of both rural and urban areas have been chosen in a random process with Excel operating system. In this context, 41 districts from 8 divisions and at least 24 respondents (sample size) have been selected from each district. Thus, a total of 1034 respondents (41X24) have been selected on a random sampling basis. The 10 sub-teams interviewed all respondents through a structured questionnaire from 14 October 2024 to 24 October 2024 during the field survey.

Step 3: The research team used SPSS statistical software to analyze the survey-based primary data and interpret those data to generate a comprehensive report.

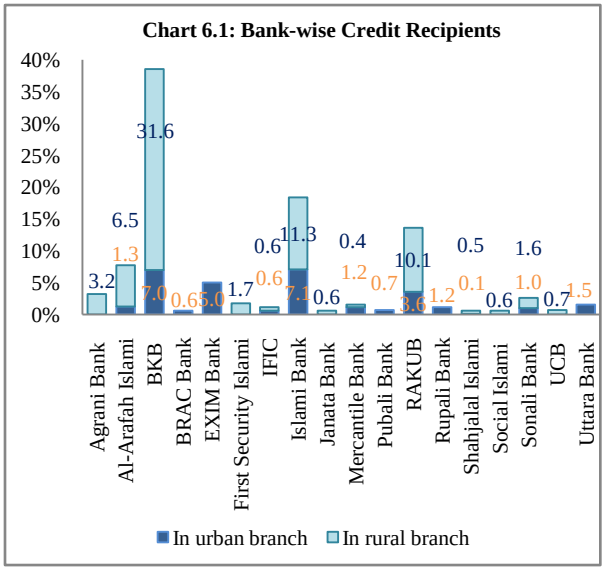
6. Analysis of the Field Survey Data

As mentioned in the methodology section, the survey involved 1,034 agricultural credit borrowers (respondent) from 41 districts across 8 divisions of Bangladesh. These respondents collectively received agricultural loans totaling Tk. 102.17 crore during the fiscal year 2024 from 161 branches of 18 commercial banks. These branches are distributed across both urban and rural areas, with the participating banks comprising 2 specialized banks (BKB and RAKUB), 4

state-owned commercial banks, and 12 private commercial banks. Out of the 161 bank branches, 36% are from BKB, 14% from RAKUB, and the remaining 50% are from the other 16 commercial banks. In addition to the borrowers, there was one respondent from each of the 161 branches, primarily the branch managers responsible for credit lending. The agricultural loans were divided into three main categories: crops, fish, and cattle, which include livestock and poultry. An additional category was created for borrowers whose activities did not fall within these three areas. This "other" category included agricultural machinery production, honey production, silk production, and more. The survey consisted of two distinct sets of questionnaires: one for the credit borrowers and another for the credit lenders. The survey results are presented and analyzed in the following subsections.

6.1 Location of the Credit Recipients

The distribution of agricultural credit recipients varied by geography and banking institution is shown in chart 6.1. A significant majority (69.1%) of recipients were from rural areas, whereas urban areas accounted for 30.9%. In terms of institutional distribution, Bangladesh Krishi Bank served the largest share of recipients (38.6%), followed by Islami Bank Bangladesh (18.4%) and Rajshahi Krishi Unnayan Bank (13.7%).



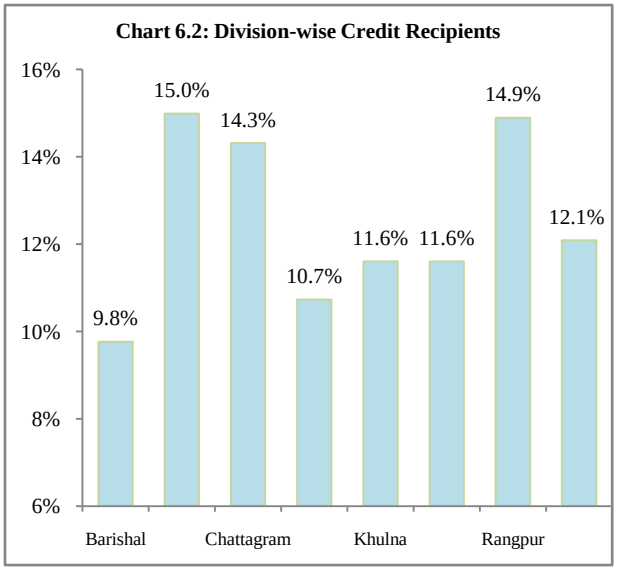
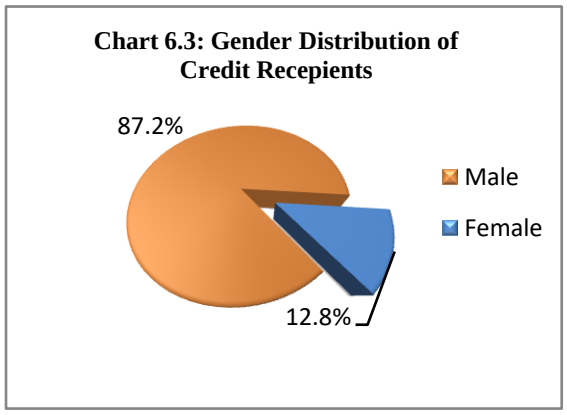
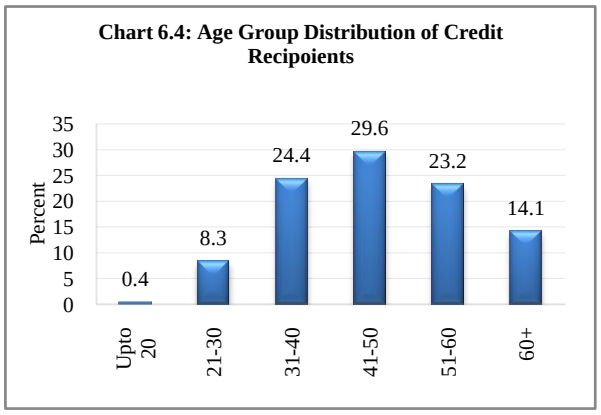


Chart 6.2 shows the regional distribution of the credit recipients involved in this study. The data reveals that the highest proportion of recipients were from the Dhaka division (15.0%), followed closely by Rangpur (14.9%), Chattogram (14.3%), Khulna (11.6%), and Rajshahi (11.6%) divisions.

6.2 Demographic Characteristics of the Recipients

Chart 6.3 shows the gender distribution and the Chart 6.4 shows the age group distribution of the credit recipients under survey.

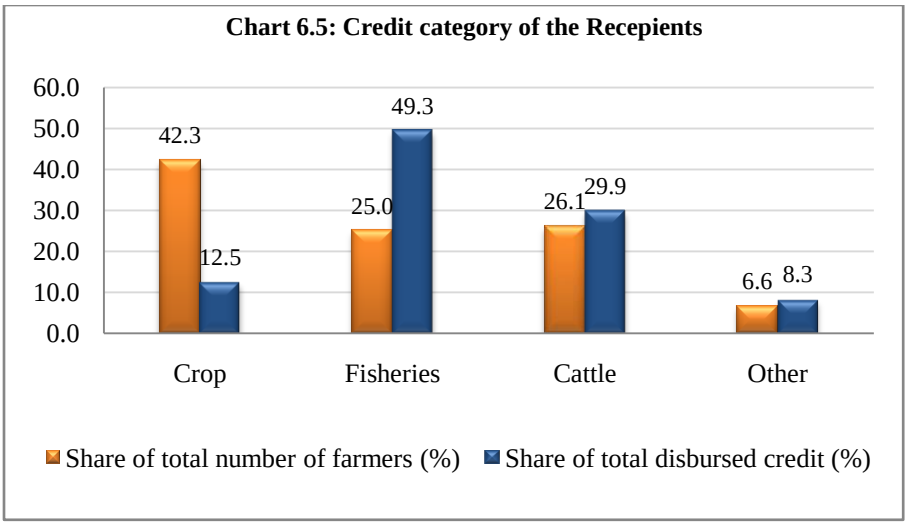




It shows that 87.2% are male credit recipients and 12.8% are female credit recipients. With regard to age group distribution, 30% are middle-aged (41-50) credit recipients, and 32.7% are younger aged (21-40) credit recipients. This result suggests that the bank manager should take initiatives to incorporate younger aged people more as credit recipient for the overall development of the agricultural sector.

6.3 Credit Category of the Recipients

The distribution of agricultural credit among recipients varied across different sectors is shown is chart: 6.5. It shows that the crop credit recipients recorded the highest number (42.3%) followed by the number of cattle credit recipients (26.1%) and the number of fish credit recipients (25.0%). But the highest amount of agricultural credit goes to the fish sector (49.3%) followed by cattle sector (29.9%) and crop sector (12.5%). The costs of fish feeds and the coverage of large area for fish cultivation work behind the highest amount of fish credit. However, it is noteworthy that as per Bangladesh Bank guidelines, published in the 'Agricultural and Rural Credit Policy and Program' booklet in every fiscal year, banks should disburse 60% of total agricultural credit to the crop sector followed by 15% to the livestock, and 13% to the fish sector. Therefore, the banks should follow the BB's guidelines in all over the country.

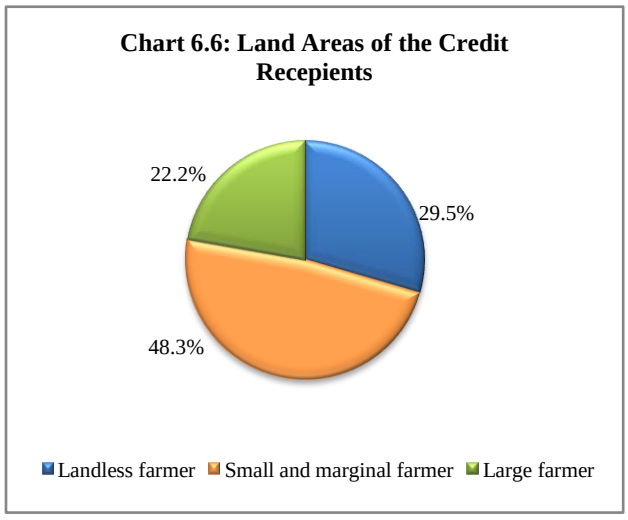


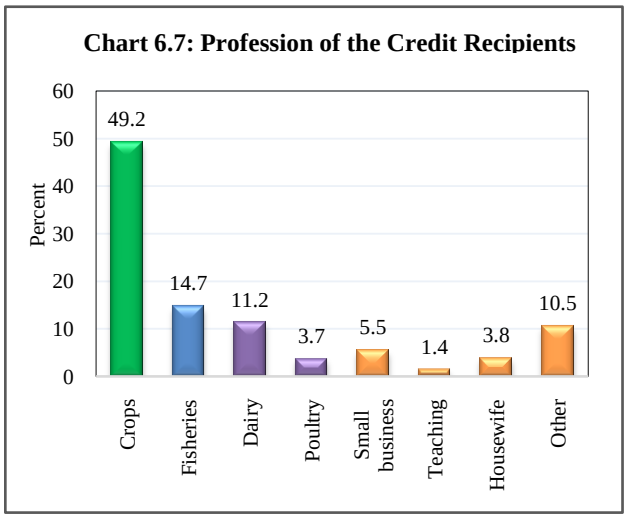
6.4 Land Areas of the Credit Recipients

The distribution of cultivated land among credit recipients in FY24 highlights varying farm sizes is shown in Chart 6.6. It is observed that 48.3% of 1034 recipients are small and marginal farmers, 29.5% are landless farmers, and 22.2% are large farmers. In this context, it is mentionable that the farmers who cultivate less than 0.494 acre of land are called landless farmer, who cultivate from 0.494 acre to 2.47 acres of land are called small and marginal farmers, and who cultivate above 2.47 acre of land are called large farmers (Source: Agricultural and Rural Credit Policy and Program, FY25). In addition, out of 437 recipients (42.3% of 1034 recipients), 18% are landless farmers, 57% are small and marginal farmers, and 25% are large farmers.

6.5 Profession of the Credit Recipients

The professional backgrounds of agricultural credit recipients are presented in Chart 6.7. It has been seen that 49.2% of the credit recipients

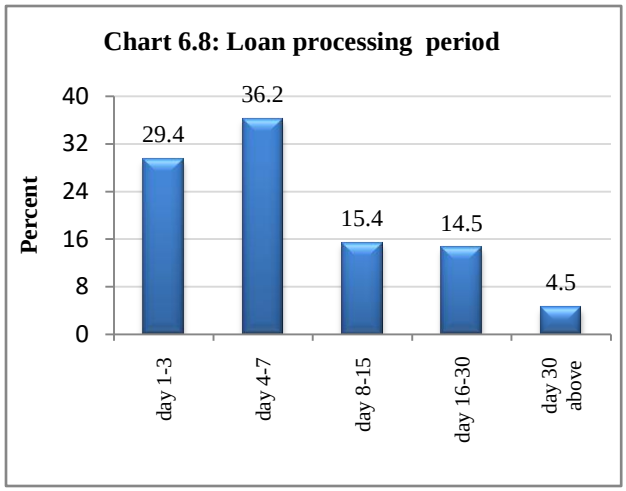


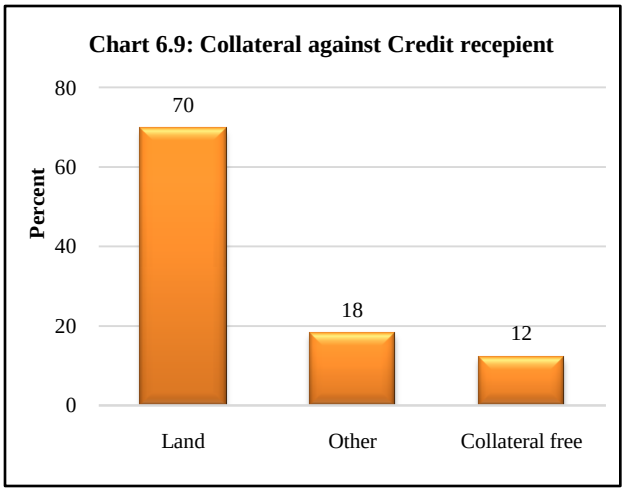


are crop farmers, 14.7% are fishers, and 14.9% are cattle farmers. It has also been seen that there are some credit recipients (219, 21.2% of 1034) whose main professions are other than agriculture, like teaching, small business, housewife, etc. However, they (other professionals) received credit to use for the production of agricultural goods. Out of 219 credit recipients who are engaged in other professions, 36.5% received crop credit, 20.1% received fisheries credit, and 27.9% received cattle credit.

6.6 Loan Processing Period

Chart 6.8 displays the loan processing period. It is observed that 80% of the credit recipients received their agricultural credit within the timeframe set by Bangladesh Bank (two weeks, i.e., 10 working days). However, 20% of recipients received the loan late.



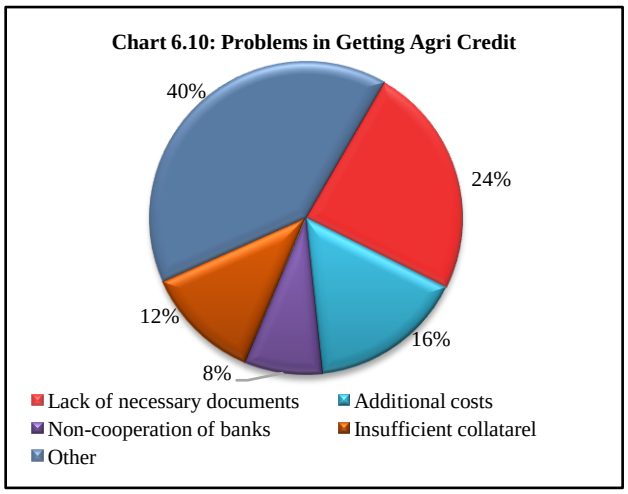


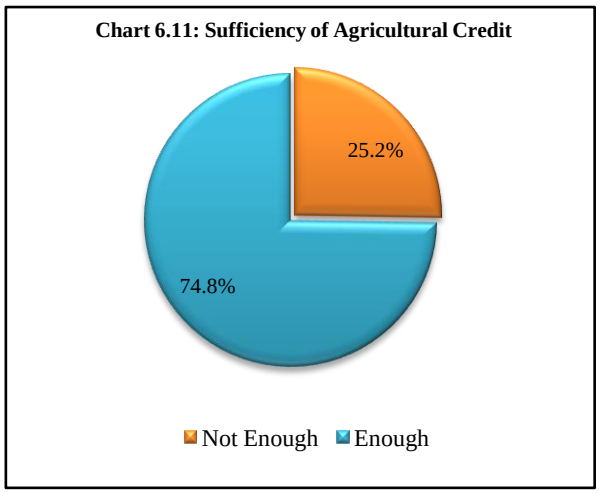
6.7 Collaterals against the Agricultural Credit

The types of collateral used by agricultural credit recipients are illustrated in Chart 6.9. It is observed that 70 percent of agricultural credit recipients used their land as collateral, though these lands are not properly mortgaged in most cases. Instead, original registered deeds are taken into branch custody to make the recipients accountable. In addition, 18 percent of the credit recipients used other forms of assets like checks and FDRs as collateral. However, 12 percent of the recipients received collateral-free agricultural credits.

6.8 Problems in Getting Agricultural Credit

The challenges faced by agricultural credit recipients in obtaining their loans are highlighted in Chart 6.10. In this context, the survey results showed that a very small portion of total recipients (25, 2.4 percent of 1034 recipients) faced problem in getting agricultural credit. Out of 25 recipients, 24% have shortage of necessary documents, 16% face undocumented charges, 12%





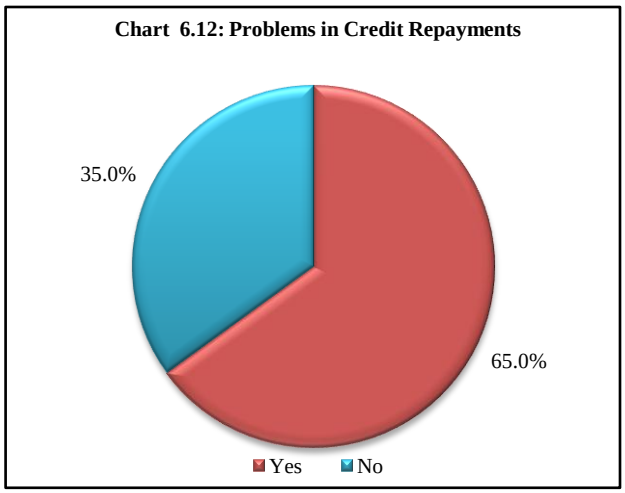
have insufficient collaterals, 8% face non-cooperation of bank officials, and 40% have other problems, like limited awareness of loan programs.

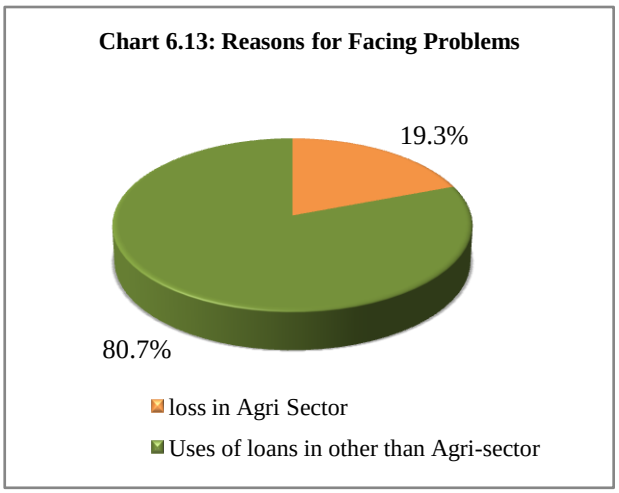
6.9 Sufficiency of Agricultural Credit

The sufficiency of the disbursed agricultural credit amount in meeting the needs of the recipients is presented in Chart 6.11. It is observed that most of the recipients (74.8%) mentioned that the credit amount is sufficient as per their need. While a small but significant portion of recipients (260, 25.2% of 1034 recipients) mentioned that the credit amount is insufficient as per their need. Out of 260 credit recipients, 45% are crop credit recipients, 25% are fish credit recipients, and 25% are cattle credit recipients. They requested to enhance the credit amount per unit of agricultural land in line with the current situation. In this context, it is mentionable that the amount of credit per unit of land is disbursed by the commercial banks as per the guidelines of Bangladesh Bank published in the Agricultural and Rural Credit Policy and Program. Bangladesh Bank takes this decision on the basis of the suggestions of the Department of Agricultural Extension (DAE), the Department of Livestock Services (DLS), and the Ministry of Finance (MoF).

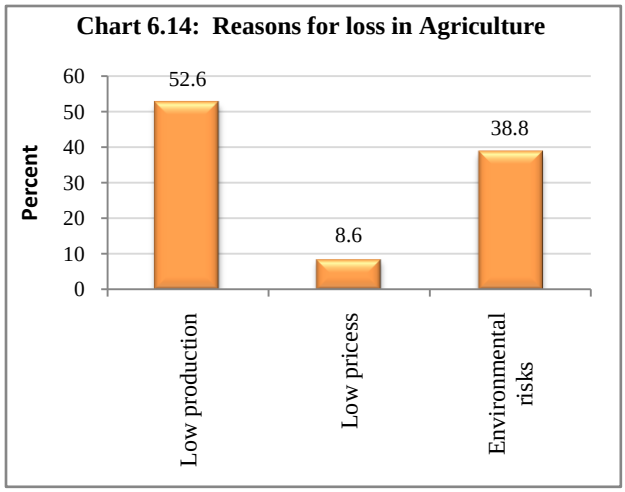
6.10 Problems in Credit Repayments

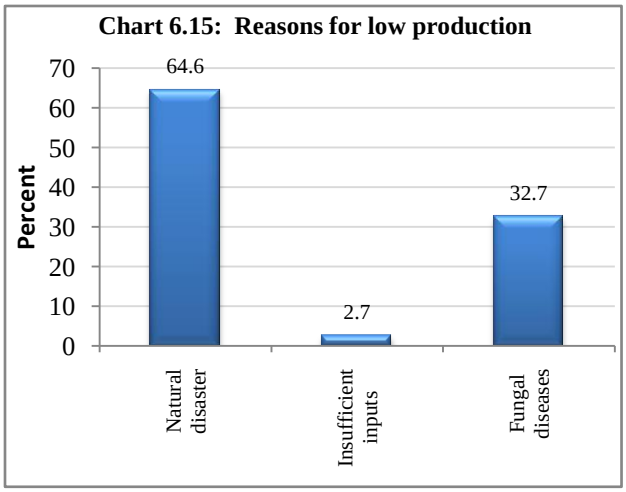
Chart 6.12 shows whether the credit recipients face problems in repayment of debt or not. It is seen that majority of the recipients (672 recipients, 65% of 1034) said that they face different problems in repayment of debt. However, 362 recipients (35% of 1034) said that they do not face any problem in repayment of debt.





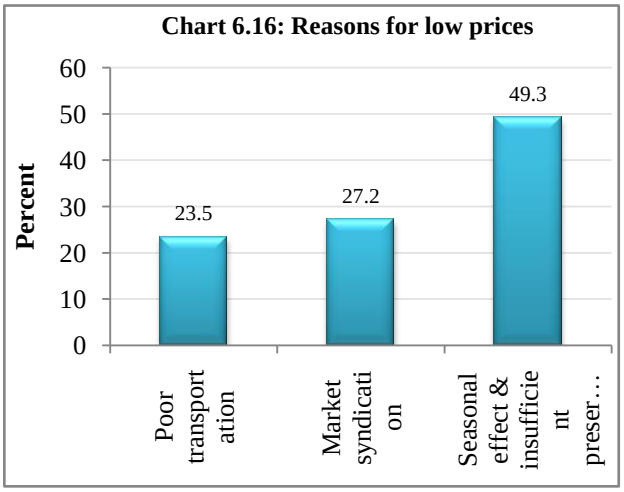
Out of 672 credit recipients, 81.4% use credit in other than agricultural sectors, implying potential fund diversion, and 19.6% face (132 recipients) losses in agriculture due to low production, low market prices, and environmental disasters. Out of 132 credit recipients, 52.6% (122 recipients) said that they face low production in respective sub-sectors, 38.8% said that they face loss due to natural disaster, and 8.6% said that they face low prices of their agricultural productions.

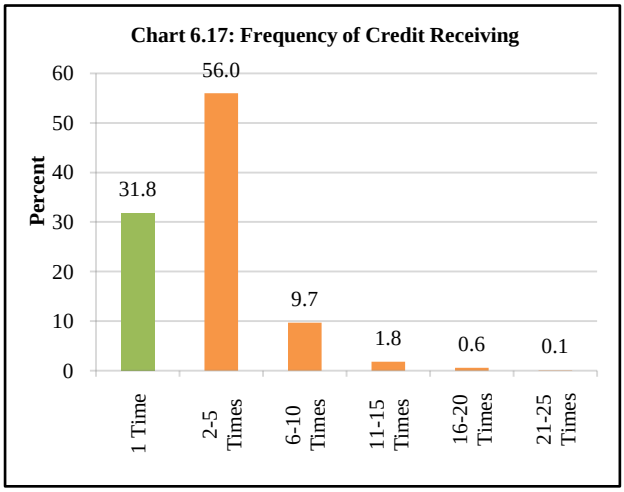




Out of 122 recipients who told about the problem of low agricultural production, 64.6% talked about natural disasters, 32.7% talked about fungal diseases, and 2.7% talked about insufficient input as significant causes for low agricultural production.

Out of 20 credit recipients who told about the low prices of agricultural production as cause of loss, 49.3% talked about seasonal effect with insufficient storage facility, and 50.7% talked about the factors such as market cartel and poor transportation as significant causes for low prices of agricultural production (Chart 6.16).



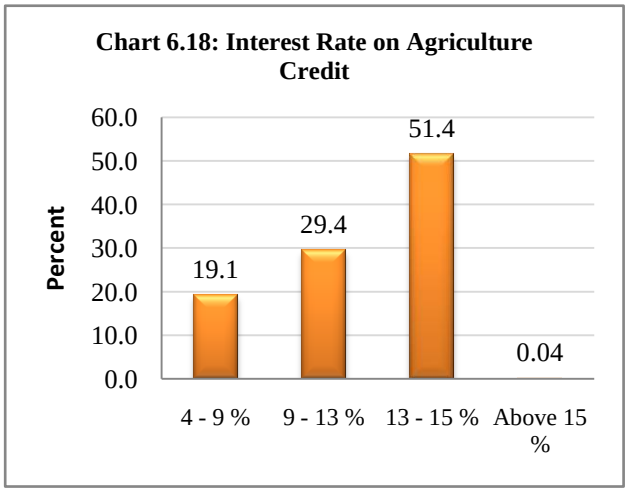


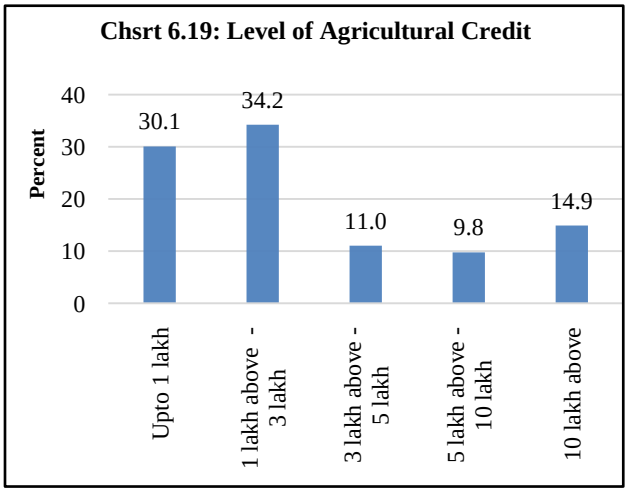
6.11 Frequency of Credit Receiving

The frequency of credit received by the survey recipients is depicted in Chart 6.17. It is observed that 31.8% credit recipients were new borrower, the rest of recipients borrowed more than one time. Among them, most of the borrowers (56.0%) received agricultural credit 2–5 times from the same branch, reflecting the banks' confidence on their recipients regarding their repayment capacity. Besides, 12.2% recipients received agricultural credits more than 5 times from the same branches.

6.12 Interest Rate on Agricultural Credit

Chart 6.18 shows the different ranges of interest rates imposed on the total amount of disbursed agricultural credit (102.17 crore) in FY24. It is observed that a high range of interest rates (13%-15%) was imposed on the major portion of the total disbursed amount (51.4%). In this context, it is mentionable that Bangladesh Krishi Bank (BKB) applied an interest rate of approximately 12% on agricultural credit, while other private commercial banks charged 14–15%. Therefore,





the farmers requested to apply special interest rate for agricultural credit.

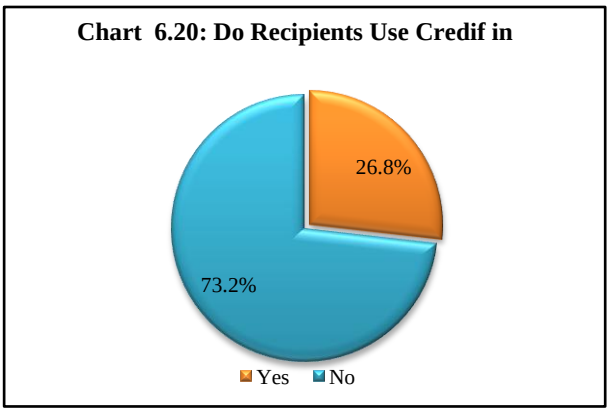
6.13 Level of Agricultural Credit

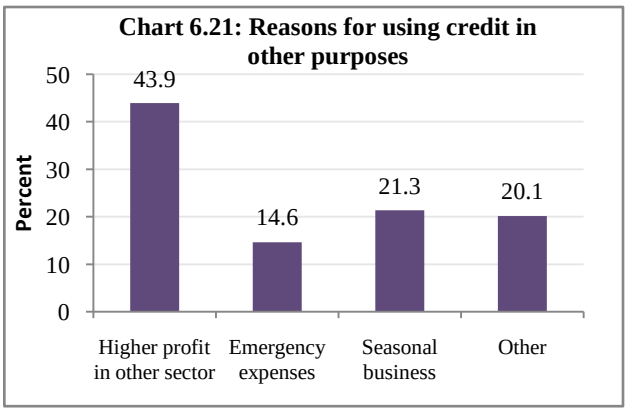
The level of agricultural credit disbursed in the survey areas in FY24 is presented in Chart 6.19. It is seen that most of the recipients (64.3% of 1034 recipients) received agricultural credit that was not more than Tk. 3 lakh, highlighting the strong demand for smaller credits in the agricultural sector. However, the amount of agricultural credit is above 10 lakh in some cases (14.9%).

6.14 Uses of Agricultural Credit

Chart 6.20 shows whether the agricultural credit uses in other purposes or not. It is observed that most of the recipients (73.2%) used their credit in agriculture purpose, though a significant portion (278 recipients, 26.8% of 1034) used their agricultural credit for other purposes.

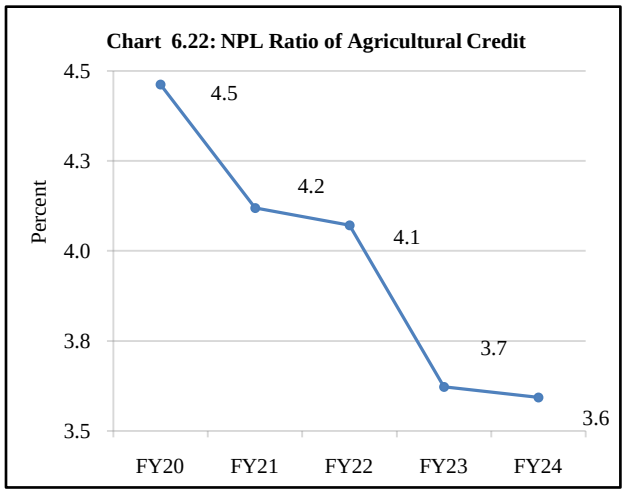
The reasons for diverting agricultural credit to non-agricultural purposes are examined in Chart 6.21. Out of 278 recipients who used their agricultural credit for other purposes, 43.9% said that they earned more profit from other sector as compared to the agricultural sector, 21.3% said that they used agricultural credit in seasonal business, and 14.6% said that they used their agricultural credit to meet their emergency expenses. However, 20.1% reported that they used their agricultural credit for some other purposes, like paying off previous debt, lending to relatives/friends, etc.

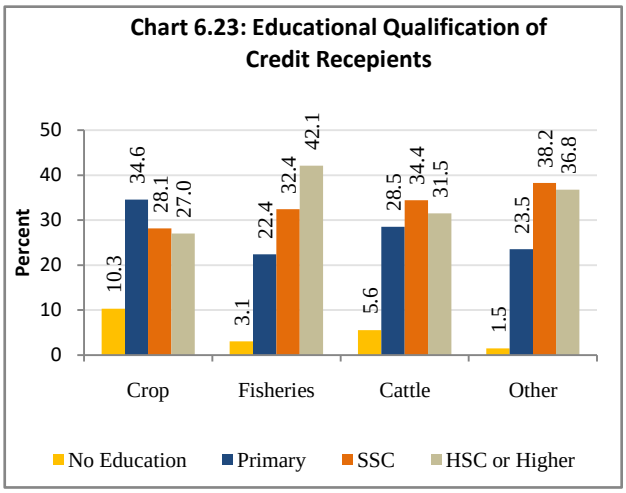




6.15 Default Scenario of Agricultural credit

Chart 6.22 shows the non-performing loan (NPL) ratio of agricultural credit disbursed from 161 bank branches under survey. It is observed that the average NPL ratio has declined from 4.5% in FY20 to 3.6% in FY24. To improve the recovery of agricultural credit, 50% of 161 surveyed bank branches focus on specific strategy, such as agricultural credit campaigns, and p-2-p relation.





6.16 Educational Qualification of Credit Recipients

Chart 6.23 shows the educational qualification of agricultural credit recipients. It is observed that most of the agricultural credit recipients are educated (primary and above), while the existence of illiterate people is very insignificant. If we see the scenario as per agricultural sub-sector, it is observed that most of the highly educated (HSC and above) credit recipients are engaged in fish sub-sector followed by cattle sub-sector and crop sub-sector. However, crop sub-sector occupies most of the recipients who are SSC and below.

6.17 Impact of Agricultural Credit

The survey results reveal that 78% of credit recipients reported an improvement in the living standards of their family members following the receipt of agricultural credit. This improvement was primarily attributed to enhanced access to better education, higher quality food, and overall better living conditions. Additionally, 8% of recipients highlighted other indirect benefits, such as facilitating their children's marriage or supporting their children in establishing an earning source abroad. These impacts were made possible due to the financial assistance received from the agricultural credit, which contributed to improved financial stability and opportunities for their families.

7. Major Findings of the study

This study examines the impact of agricultural credit on the real economy, focusing on its role in enhancing the agricultural sector. The field survey covered 18 banks engaging 1,034 agricultural credit recipients across 41 districts and 8 divisions of Bangladesh, targeting three primary agricultural sub-sectors namely crops, fisheries, and cattle (including livestock and poultry). The survey covered various aspects, such as credit accessibility, terms and conditions, utilization, and

its effects on agricultural output and income. The analysis below summarizes the insights from the collected responses through questionnaire designed for agricultural credit recipients specifically farmers.

Demographics: The majority (87.2 percent) of credit recipients were male. Farmers aged 41-50 formed the largest group (30 percent), followed by those aged 21-40 (32.7 percent). Farming was the primary occupation for 66.4 percent of respondents, with crop farming being the most common activity (49.2 percent), followed by fisheries (14.7 percent) and dairying (11.2 percent).

Credit Allocation: Most farmers received loans for crop farming (42.3 percent), followed by cattle farming (27.2 percent) and fisheries (24.3 percent). However, 26.8 percent of borrowers diverted their loans to non-agricultural purposes, primarily for higher profits (43.9 percent), lower agricultural credit interest rates (21.3 percent), and emergency expenses (14.6 percent).

Land Ownership: Nearly half (48.3 percent) were small and marginal farmers, while 29.5 percent were landless. The remaining 22.2 percent were large-scale farmers. 79.8 percent owned agricultural land, while 4.5 percent relied on leased or sharecropped land.

Loan Processing & Disbursement: Around 80 percent of respondents obtained their loans within two weeks as per Bangladesh Bank's guidelines, with minimal hidden costs. However, 12.1 percent received a lower amount than sanctioned, with a shortfall of 1.23 percent of total disbursed loans.

Collateral & Loan Sufficiency: The majority (69.6 percent) secured loans using land as collateral, while 12.2 percent received collateral-free loans. Although 74.8 percent found loan amounts sufficient, 25.2 percent cited insufficiency due to collateral constraints.

Loan Repayment: The majority (81.6 percent) repaid their loans within 12-18 months, with 69.4 percent opting for installment-based payments. However, 19.3 percent struggled with repayments due to agricultural losses, mostly caused by natural disasters (64.6 percent) and market syndicates (27.2 percent). Only 2.3 percent of loans were rescheduled, primarily for older borrowers.

Impact of Credit: Nearly 90 percent of respondents reported profitability after receiving credit, with 87.9 percent using their earnings to repay loans. Most (96.1 percent) were willing to reapply for credit due to its accessibility. However, those unwilling cited high interest rates (57.5 percent) and loan management difficulties (25.0 percent).

Living Standard Improvements: Around 92.5 percent of borrowers reported better financial conditions, with 81.7 percent experiencing asset growth. Credit helped improve quality of food (28.7 percent), education (26.7 percent), and clothing (22.9 percent). However, some funds were misallocated to child weddings (4.8 percent) and overseas migration (3.3 percent), highlighting

mixed outcomes.These findings highlight the diverse benefits of agricultural credit, though challenges remain, particularly in loan repayment and access to sufficient credit.

7.1 Policy Suggestions

This section highlights the major challenges encountered by the farmers while taking agricultural credits from banks. Besides, to address the challenges and enhance the overall effectiveness of agricultural credit, this section proposes targeted policy recommendations. Based on the insights gathered from borrowers and bank branches, these suggestions intend to improve the credit disbursement process, ensure better accessibility for farmers, and maximize the impact of agricultural credit on sectoral development. Major challenges and the proposed recommendations are outlined below.

7.2 Interest rate on agricultural credit

Farmers used to benefit from lower interest rates on agricultural credit from banks, as these rates were set below market-based interest rates for other types of loans. This concessional credit facility was introduced to support agricultural production. However, this preferential rate is no longer available, forcing farmers to pay higher market-based interest rates on their loans. The interest rate on agricultural credit has risen from 8 percent in June 2023 to a range of 12-14 percent, increasing borrowing costs by 4-6 percent compared to one and a half years ago.

Given that returns on agricultural production are comparatively lower than in other sectors and considering the critical role of agriculture in food security and employment generation, Bangladesh Bank should reinstate refinance facilities for agricultural credit. This would help lower interest rates for priority agricultural sectors, making credit more accessible and supporting sustainable agricultural development.

7.3 Adequacy of the credits

Approximately 25 percent of borrowers reported that the current agricultural credit limits are insufficient to cover production costs, particularly in sectors such as fisheries, banana cultivation, and innovative agricultural projects. Bank branches are unable to provide additional credit beyond these limits, as they must adhere to the agricultural credit norms set by Bangladesh Bank (BB). However, BB determines these credit norms based on data provided by Department of Agricultural Extension (DAE), Department of Livestock Services (DLS) and Department of Fisheries, which at times do not accurately reflect actual market costs of agricultural production.

7.4 Special facilities for loan classification

Previously, agricultural credit borrowers benefited from a grace period and special provisions for loan classification and provisioning. However, with the issuance of Bangladesh Bank's master circular (BRPD Circular No. 15, dated November 27, 2024), agricultural credit has been aligned with other types of loans for classification and provisioning, resulting in the removal of these benefits.

To support farmers and ensure the sustainability of agricultural credit, Bangladesh Bank should exempt agricultural loans from the provisions of this circular. The grace period and special facilities for loan classification should be reinstated to provide farmers with the necessary financial flexibility.

7.5 Special Facilities for Natural Disaster

Agricultural production Bangladesh is highly vulnerable to natural disasters such as floods, cyclones, droughts, and heavy rainfall. Farmers in disaster-prone regions often face difficulties in loan repayment due to these unforeseen calamities.

To address these challenges, providing interest waivers for borrowers affected by natural disasters would aid in their recovery. This policy would alleviate financial stress, allowing farmers to rebuild their livelihoods without excessive debt, thereby strengthening the resilience of the agricultural sector. Additionally, introducing agricultural insurance schemes would serve as a financial safety net, protecting farmers from the risks associated with natural disasters and market fluctuations. Such measures would help stabilize farmers' incomes and improve repayment rates by minimizing the financial burden of unexpected losses.

7.6 Strengthen Monitoring and Utilization of Credit

The survey found that 26.8 percent of borrowers diverted their agricultural loans for other purposes, often in pursuit of higher profits or for various personal reasons.

To address this issue, banks should strengthen monitoring mechanisms to ensure that loans are utilized appropriately for agricultural activities. Additionally, providing financial management training for borrowers can help prevent loan misuse. Enhancing oversight will ensure that credit is directed toward its intended purpose, ultimately improving the efficiency of the agricultural credit system, supporting farm production, and boosting overall productivity.

7.7 Establish Price Stabilization Mechanisms

Market price volatility, particularly the influence of middlemen, has significantly impacted crop prices, affecting 27.2 percent of borrowers, especially during the harvest season. This volatility creates financial strain on farmers, making timely loan repayment more challenging.

To safeguard farmers from unpredictable price fluctuations, the government should implement price stabilization mechanisms, such as minimum support prices and crop procurement systems. These measures would help ensure fair prices for agricultural product, improve farmers' profitability, and reduce the financial stress associated with market instability, ultimately supporting timely loan repayments.

7.8 Agricultural Credit Disbursement through NGOs

Many private commercial banks distribute agricultural credit through NGOs to meet their credit disbursement targets. However, this practice increases costs for farmers due to additional service charges, making agricultural credit less accessible to those who need it most.

To resolve this issue, agricultural credit should be disbursed directly to farmers, cutting out intermediary costs and ensuring that the funds go directly to the intended beneficiaries. Simplifying the disbursement process would improve accessibility, reduce borrowing costs, and enhance the overall efficiency of the agricultural credit system.

8. Concluding Remarks

This survey aimed to assess the impact of agricultural credit on Bangladesh's agricultural sector, with a particular focus on its role in improving farmers' livelihoods and boosting agricultural productivity along with proper distribution of credit. The findings highlight the significant benefits of agricultural credit, as the data reveals that it has contributed to increased farm output, generated more employment opportunities for farmers, and enhanced their overall quality of life.

The survey offers in-depth insights into the efficiency and challenges of agricultural credit distribution among farmers across different districts and bank branches. The majority of borrowers reported a positive experience, with 98 percent stating that the loan application process was smooth and 96 percent managing the entire procedure independently. However, certain issues still require attention, including inadequate loan amounts, difficulties in repayment, loan rescheduling, non-performing loans, and obstacles faced by some borrowers. Additionally, limited access to credit remains a concern that needs to be addressed.

To overcome the existing challenges, this study proposes several key policy recommendations. These include implementing refinance facilities to lower interest rates, increasing the credit allocation under agricultural credit norms, introducing a grace period and special provisions for

loan classification, and providing dedicated support for farmers affected by natural disasters. Additionally, strengthening the monitoring of credit utilization, establishing a price stabilization mechanism, and reducing credit disbursement through NGOs are crucial measures.

Enhancing policies, improving monitoring systems, and fostering disaster resilience can significantly improve the effectiveness and long-term sustainability of agricultural credit programs. Furthermore, the study emphasizes the need for tailored support for marginalized farmers and ensuring that agricultural credit remains both accessible and adequate for all.

The survey highlights the crucial role of agricultural credit in promoting economic development and improving rural living standard. To maximize its benefits, it is essential to ensure timely and sufficient credit disbursement, prevent misuse, and support sustainable farming practices that contribute to long-term agricultural growth.

Implementing these recommendations can greatly enhance the efficiency of agricultural credit, fostering greater financial inclusion, increased productivity, and sustainable development within the sector. Future research and surveys can further refine these strategies and broaden their impact, helping to build a stronger and more equitable agricultural credit system for farmers across Bangladesh.

9. Limitations of the Survey Report

The survey covered responses of 1034 credit recipient farmers and 161 branch managers from 18 scheduled banks across the eight divisions of Bangladesh. However, the sample might not fully represent the overall thought and response of entire borrowers or farmers across different sub-sectors of agriculture, and thus it can create any probable sampling bias.

Self-reported data may turn to be inaccurate, as branch managers' overestimate or underestimate feedback, could potentially influence the data results and findings. Additionally, lower literacy levels among many farmers might limit the depth and quality of their response, and thereby affecting the accuracy of the survey data.

In the presence of branch officials, farmers' responses may have been influenced by the creditors' self-imposed criteria and perceptions. As a result, the analysis might overstate the actual scenario. Furthermore, the survey utilized data from a single year (FY24) for farmers, alongside branch information from the past five years, making it challenging to set the collective data as a comprehensive time-series data. Despite these limitations, the survey made significant efforts to present a descriptive statistical analysis based on the gathered data and feedback

The study focuses on three key sub-sectors of agricultural credit—crop, fish, and cattle—while excluding areas such as priority sector lending, sharecropping, concessional interest-based

lending, and credit for women farmers. Additionally, responses from borrowers in flood-affected regions may differ significantly from those in normal circumstances, posing a limitation to the survey's generalizability. Further, the use of different research methodologies could also yield varying insights into the topic or its related aspects.

These limitations should be carefully considered when interpreting the results, as they may influence the reliability and scope of the findings.

According to the Governors and other higher officials, we recommend incorporating the following steps in future studies to achieve better, unbiased results:

a) **Emphasizing the Questionnaire Set and Methodology:** The preparation and structuring of the questionnaire should be rigorously developed and approved by higher authorities to ensure comprehensive and effective data collection.

b) **Importance of Proper Training of the Survey Team:** Training should be provided to ensure surveyors understand the methodology and maintain consistency in data collection.

c) **Expanding the Sample Size:** Future surveys should include a larger and more diverse sample to enhance the representativeness of the data across different agricultural sub-sectors.

d) **Selection of Specific Regions:** Identifying and targeting key agricultural regions can help refine insights and create more targeted policy recommendations.

e) **Categorizing Borrowers:** Farmers should be categorized into three groups: small, medium, and large, to better understand their credit needs and financial behaviors.

f) **Region-wise Data Collection Directly from Farmers:** Data should be collected directly from farmers to reduce biases, similar to census methodologies.

g) **Random Sampling for Sample Selection:** The sample should be selected using a random sampling approach to ensure comprehensive and unbiased representation across banks.

h) **Verification with Related Banks:** The collected data should be cross-verified with respective banks to ensure accuracy and consistency.

i) **Market-Based Data Sources:** Information from BADC, DAE, DAM, and the livestock department should be carefully assessed, as their price estimations often deviate from market values and are more volatile and risky.

j) **Depicting the Credit-Deposit Ratio for Agricultural Credit:** The study should incorporate an analysis of the credit-deposit ratio to understand the flow of agricultural credit.

k) **Importance of Revolving Credit Facilities:** Introducing and expanding revolving credit facilities can help farmers access continuous financial support and manage seasonal agricultural cycles effectively.

By implementing these recommendations, future surveys and studies can improve the accuracy, relevance, and policy implications of agricultural credit research in Bangladesh.

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Annexure

A. Questionnaire for the Credit Recipients

Assessing the Impact of the Agricultural Credit Disbursement on the Borrowers in Bangladesh

[For the agricultural credit recipients]

A) Serial Number:

B) Lender's Information

1. Bank Name:
2. Branch Name:
3. District:

C) Borrower's Information

4. Borrower's Name:
5. Age:
6. Gender: □Male □Female
7. Address: Village-
   Upazila-
   District-
8. Phone Number:
9. Main Occupation:
10. Other Occupation:
11. Educational Qualification: □Illiterate □Primary □Secondary □Higher Secondary or above
12. Total Agricultural Land Area (in cents):
    a) Own: □ b) Lease/Rent:□
13. Agricultural Land Area under Loan (in cents):
14. Purpose of Loan: □Crop & Crop Production □Fish Farming □Livestock □Other
15. Main Agricultural Production: □Crop & Crop Production □Fish Farming

□Livestock □Other

16. Experience in Agriculture (in years):

D) Loan Information

17. Approved Loan Amount (in Taka):
18. Net Loan Amount:
19. Reason for Receiving Less Loan:
20. Loan Repayment Duration:
21. Interest Rate (percent):
22. Amount of Loan from Other Sources:
23. Interest Rate from Other Sources (percent):
24. Reason for Borrowing from Other Sources:

E) Ease of Access to Loan

25. Loan Acquisition Method: □Self □Relative/Friends □Broker
26. Collateral Details: □Land □Jewelry □Other
27. Loan Process Duration:
28. Visible Costs of Loan:
29. Hidden Costs of Loan:
30. Bank's Assistance in Loan Process: □Satisfactory □Unsatisfactory
31. Adequacy of Loan: □Sufficient □Insufficient
32. Reason for Insufficient Loan: □Lack of Collateral □Other

    If other, reason: _____

33. Timeliness of Loan Acquisition: □Received on Time □Delayed
34. Reason for Delay in Loan Receipt: □Late Application □Other

    If other, reason: _____

F) Loan Repayment Information

35. Type of Loan Repayment: □Installment-based □Lump sum

36. Amount of Loan Repaid:

37. Amount of Loan Unpaid:

38. Reason for Non-repayment of Loan: □Loss □Non-productive Use of Loan □Other

39. Reason for Loss: □Low Production □Low Crop Prices □Other

40. Reason for Low Production: □Natural Disasters □Insufficient Resources □Other

41. Reason for Low Crop Prices: □Poor Transportation Infrastructure □Market Syndication □Other

G) Loan Usage Information

42. Purpose of Loan Use: □Crop & Crop Production □Fish Farming □Livestock □Other

43. Reason for Using Loan in Other Areas: □Higher Income from Other Areas □Essential/Urgent Expenses □Lower Agricultural Loan Interest Rate

H) Impact of Loan on Farmer

44. Has Production Become Profitable? □Yes □No

45. Was Loan Repayment Possible from Agricultural Production? □Yes □No

46. Are You Interested in Taking Agricultural Loan Again? □Yes □No

47. Reason for Interest: □Easily Available □Low Interest

48. Reason for Disinterest: □Complicated Process □High Interest

49. Has Financial Condition Improved After Taking Loan? □Yes □No

50. Has Net Worth Increased After Taking Loan? □Yes □No

51. Has the Amount of Debt Increased After Taking Loan? □Yes □No

52. What Positive Changes Have Occurred Due to Loan? □Education □Food Quality □Clothing □Children's Marriage □Sending Children Abroad □Other

I) Suggestions for Effective Implementation of Agricultural Loans:

…… ……

Borrower's Signature Interviewer's Name and Signature

B. Questionnaire for the Bank Branches

[Survey Form for Agricultural Loan Distribution

Bank Name: Branch Name:

Branch Location (Urban/Rural): Number of Employees in the Branch:

Name of the Branch Manager: Contact Number:

1. Information on Agricultural Loans of Branches:

a) Does the branch provide agricultural loans under policy guidelines of Area approach?
☐ Yes ☐ No

b) Are genuine small and marginal farmers, as well as sharecroppers, being provided agricultural loans through a simplified process, either individually or in groups?
☐ Yes ☐ No

c) If the answer to the above is "Yes," how are agricultural loans issued under the policy?
☐ Individually ☐ In groups

d) Does loan disbursement prioritize any sector, size, region, or crop type?
☐ Yes ☐ No
If "Yes," provide details (sector, size, region, or crop type): .....

e) Are agricultural loans disbursed following refinance guidelines of Bangladesh Bank?
☐ Yes ☐ No
If "No," mention the reason: .....

f) Provide data on agricultural loans disbursed over the past five years:

Fiscal Year	**Total Agricultural Loan Disbursed (in crore Taka)**	**Recovered Loan Amount (in crore Taka)**	**Number of Borrowers**	**Recovery Rate (percent)**	**Non-performing Loans (NPL) Status**	**Loans by Sector**
2019-20						
2020-21						
2021-22						
2022-23						
2023-24						

1. 2. Loan Recovery and Risk Management:
2. **a)** Does the branch prioritize loan restructuring in cases of repayment difficulties?
   ☐ Yes ☐ No
3. **b)** What measures does the bank take to recover default loans?
4. **c)** Data on loan recovery over the past five years:

Fiscal Year	Total Outstanding Agricultural Loans (in crore Taka)	Agricultural Loan Recovery Rate (percent)	Total Loan Recovery Rate (percent)
2019-20			
2020-21			
2021-22			
2022-23			
2023-24			

5. **d)** What major challenges do you think are hindering loan recovery?
6. **e)** What measures should be taken to improve loan recovery from defaulters?
7. **f)** Has the branch adhered to reporting guidelines for agricultural loans issued, as per Bangladesh Bank's instructions?
   ☐ Yes ☐ No ☐ Partially
8. If "No," what are the reasons for non-compliance? .....
9. 3. Borrower Information:
10. **a)** What type of farmers typically apply for loans?
    ☐ Marginal ☐ Small ☐ Large
11. **b)** Are there specific schemes for female farmers?
    ☐ Yes ☐ No
12. **c)** Has the branch conducted promotional campaigns regarding agricultural loans?
    ☐ Yes ☐ No
13. If "Yes," mention the methods used for promotion:
    ☐ Radio/TV ☐ Agricultural Loan Information Sessions
    ☐ Pamphlet Distribution ☐ Personal Meetings
    ☐ Social/Cultural Events ☐ Others (specify): .....

14. **d)** Does the branch provide subsidized banking services for agricultural loans at Tk. 10 as per Bangladesh Bank's directive?
    ☐ Yes ☐ No
15. If "Yes," how many accounts have been opened and what is the disbursement volume under this scheme? .....
16. **e)** Have agricultural loans improved farmers' livelihoods and productivity?
    ☐ Yes ☐ No
17. If "Yes," specify the improvements observed: .....
18. **f)** Have borrowers faced any major challenges while taking loans?
    ☐ Yes ☐ No
19. If "Yes," specify the challenges: .....
20. **g)** What is your assessment of the benefit agricultural loans have provided to farmers?
21. **h)** Are there disaster relief or contingency measures for agricultural loan management in cases of natural calamities or other emergencies?
    ☐ Yes ☐ No
22. **i)** Has your branch monitored whether borrowers are utilizing agricultural loans as intended?
    ☐ Yes ☐ No
23. If "Yes," how was it monitored? .....
24. **j)** Is the current agricultural loan policy sufficient to meet the branch's operational needs?
    ☐ Yes ☐ No
25. If "No," provide your observations or recommendations: .....
26. Certification:

Bank Branch Officer's Signature and Date: .....

Authorized Officer from Bangladesh Bank's Signature and Date:

C. Case Studies

Case study 01

Fahad Motsyo Khamar, Gazipur.

Mr. Fahad, a valued client of IBBL, Maona, is a highly successful fish farmer based in Gazipur. He specializes in cultivating a variety of fish species, including Pabda, Pangus, Tilapia, and local carps such as Rui, Catla, and Mrigal. During a recent visit to his Pabda farming project in Gazipur, it was observed that he maintains separate ponds for each species, with only carps being cultured in a mixed pond. The Pabda pond visited by the team spans 8 acres and houses several thousand fish. All of his ponds are meticulously managed with artificial aeration systems and a dedicated electric generator to ensure optimal conditions. Mr. Fahad anticipates earning approximately BDT 2 crore in profit from this pond alone.

Initially, he started his fish farming venture with agricultural loans from local banks. However, as his business expanded, his financial requirements surpassed the limits of agricultural credit, prompting him to transition to regular loans. Looking ahead, he aims to export fish, particularly Pabda, to India and other South Asian markets, further expanding his enterprise.

Case study 02

Ratul Ahmed

He is a Dhaka University graduate who had not started searching jobs rather thought of creating jobs for him, his relatives and his local youths. In the middle of his graduation, he had to take a gap from his study and during that time he plans for giving a cattle farm in his house. With the help of his father and brother, he set up the infrastructure with financial help from local banks through various stimulus financing schemes. Very soon his efforts resulted in fruition and he became a National Level award winner entrepreneur. Now he extracts more than 130 liters of milk per day. He also has a beef fattening project from which he expects a substantial amount of profit after next Eid-ul-Azha period. He has the dream of alleviating unemployment problem from his village and wants to influence the youths to start entrepreneurships

Case study 03

Kranti Krishi Biponi, Barishal.

It is a compact farming of fish, crops, poultry and cattle. Established on a land with an area of more than 52 acres. The farm received 2.5Cr funding from refinance scheme for ensuring food security in Bangladesh. Combining with own funding and help from those schemes the said farm has three fishing ponds with more than 2000 fingerlings released, two poultry shades with 700+ red egg laying hens, 200+ ducks in open cage, crops and fruits in between these activities. This farms created job opportunities for at least 200 local people and boosted the overall production rate in the entire area.

D. Recent Measures by BB for Agriculture and Rural Finance

- As per BRPD Circular No. 15 issued on 27 November 2024, Bangladesh Bank plans to implement Expected Credit Loss (ECL) based provisioning system for banks in accordance with International Financial Reporting Standards (IFRS) by 2027 circular link: nov272024brpd15e.pdf).
- Through BRPD Circular No. 39 issued on 01 September 2024, loan repayment/adjustment of borrowers affected by recent floods was facilitated (circular link: sep012024brpdl39.pdf (bb.org.bd)).
- Through ACD Circular No. 01 issued on 29 August 2024, Agricultural and Rural Credit Policy and Program for FY25 was published (circular link: aug292024acd01.pdf (bb.org.bd)).
- As per ACD Circular No. 03 issued on 21 November 2023, facilitating most of the actual/marginal farmers under BDT 5000.00 crore refinance scheme, ceiling of new loan/investment in favor of single customer from livestock sector shall be BDT20 lakh (circular link:nov212023acdl03.pdf (bb.org.bd)).
- According to ACD Circular No 01 issued on 22 June 2023, banks were directed to recruit experienced people from NGOs/MFIs on temporary contractual basis for the post of 'Agri Credit Supervisor (Contractual)' following manpower requirement need for ensuring proper uses of agricultural credit (circular link:jun222023acd01.pdf (bb.org.bd)).
- According to ACD Circular No 02 issued on 21 March 2023, beef fattening sector was included into the refinance scheme of BDT 5000.00 crore (circular link:mar212023acdl02.pdf (bb.org.bd)).
- Following ACD Circular No: 01 of January 2023, agricultural credit on priority basis shall be disbursed to new farmers, and to more than one member of the same family based on rational consideration (circular link:jan012023acdl01.pdf (bb.org.bd)).
- As per ACD Circular No. 08 of 19 December 2022, fund titled 'Bangladesh Bank Agricultural Development Common Fund (BBADCF)' had been formed with the unattainable portion of banks annual agriculture and rural credit disbursement target (circular link:dec192022acd08.pdf (bb.org.bd)).
- According to ACD Circular No. 07 of 17 November 2022, BB formed a refinance scheme of BDT 5000.00 crore for agriculture sector to ensure food security of the country (circular link:nov172022acd07.pdf (bb.org.bd)).