



CULTIVATING PROSPERITY

Bangladeshi banks are ramping up support for farmers with agri loans

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Agricultural loans serve as a cornerstone for rural farmers, playing a crucial role in sustaining a nation's food security and rural economy. Bangladesh, known for its remarkable growth story, is striving to elevate itself to an upper middle-income status. Given the paramount importance of agriculture and food security in this pursuit, the demand for agricultural loans remains robust, with the sector's scale steadily expanding. Nevertheless, persistent challenges

continue to exist.

In FY23, the agricultural sector contributed 11.38 percent to Bangladesh's gross domestic product (GDP), as estimated by the Bangladesh Bureau of Statistics. Furthermore, data from the 2022 Labor Force Survey reveals that 45.33 percent of the nation's workforce is

directly involved in agriculture. In alignment with the broader goals of the Bangladeshi government's development agenda, the Bangladesh Bank (BB) formulates the 'Agricultural and Rural

Credit Policy and Programme.' This initiative is designed to ensure the smooth, timely, and hassle-free flow of funds into agricultural and rural economies, thereby directly benefiting grassroots-level farmers.

According to the Bangladesh Bank, agricultural and rural credit disbursed during FY23 amounted to BDT 328.30 billion, surpassing the target of BDT 308.11 billion by 106.55 percent. This also represents a notable increase from the amounts disbursed in FY21 (BDT 255.1 billion) and FY22 (BDT 288.3 billion), indicating a positive trend in agricultural financing. For FY24, Bangladesh Bank has set the target at BDT 350 billion, marking a 13.60% increase compared to the previous fiscal year.

The disbursement structure delineates between short-term and long-term categories following the central bank's directives. In FY23, short-term loans constituted the majority at BDT 269.0 billion, with long-term loans comprising the remaining BDT 59.3 billion, as disclosed by the Bangladesh Bank. Moreover, the recovery performance has been commendable, with a total of BDT 330.1 billion recovered in FY23, surpassing the recovery figures of BDT 271.2 billion in FY21 and BDT

274.6 billion in FY22. These statistics underscore the inherently secure nature of agricultural loans.

Despite the excellent recovery figures, the BBS survey (2017) reveals that out of the 27,480,054 households surveyed, only 10,157,553 households (36.96%) availed agricultural credit. Notably, NGOs are the primary sources of loans for households, with 63.28% of households obtaining loans from this sector, followed by banks (26.03%), Mahajans or local lenders (3.67%), relatives (3.75%), and other sources (3.27%). These statistics underscore the need for greater accessibility to agricultural loans from banks, particularly for genuine farmers who require them most.

"In general, our banking sector shows little interest in extending loans to farmers, considering them inherently risky. Instead, loans predominantly flow towards sectors indirectly linked to agriculture, such as local agribusiness or general enterprises involved in processing or marketing agricultural products," opines Hossain Zillur Rahman, Executive Chairman of PPRC. He emphasizes the vital role of farmers in securing the nation's food supply and urges improved accessibility to banking services tailored to their needs.

Rahman notes bankers' perception of agricultural loans as risky due to the absence of personal connections, contrasting with their familiarity with industrial and corporate borrowers. He also questions NGOs' effectiveness in reaching farmers at the grassroots level, citing various barriers farmers face, such as social and bureaucratic hurdles, and often high loan processing costs.

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