



Safeguarding food security

Enhancing agricultural production is crucial for ensuring the four components of food security: availability, accessibility, utilization, and stability. When farmers can profit from selling their produce, it boosts their purchasing power and contributes to overall food security.

SAUDIA AFRIN

Bangladesh, despite its dense population and limited agricultural land, has successfully managed its food supply, largely due to the steadfast dedication and resilience of its farmers. Central bank policies, including initiatives such as agricultural loans, combined with proactive measures from state-owned and commercial banks, have played a pivotal role in providing crucial financial support for agricultural development. The increasing trend of loan disbursement in the agricultural sector holds promise for bolstering food security and fortifying the rural economy.

In FY24, the central bank has set a target of Tk 35,000 crore for agricultural and rural credit disbursement. This underscores the significance of ensuring adequate credit flow in the agricultural sector to stimulate GDP growth, boost agricultural production, and mitigate inflationary pressures arising from global factors.

Loan on easy terms

Traditionally, farmers have relied on borrowing money during specific agricultural seasons through two main channels: formal and informal. In rural areas, NGOs and high-interest moneylenders have been predominant options due to limitations within the established financial system. This often results in farmers falling into a debt trap, burdened with long-term loans.

According to the Agriculture and Rural Statistics Report of 2018, approximately 73.91% of households obtained loans from private sources, including NGOs, relatives, and moneylenders. Dr. Mizanul Haque Kazal, former dean of the Faculty of Agribusiness Management at Sher-e-Bangla Agricultural University (SAU), emphasized that farmers often end up with empty pockets after repaying these loans, perpetuating a cycle of debt that hinders their ability to improve their living standards and foster rural socioeconomic development.

"Due to the lack of institutional finance, farmers are unable to achieve the potential production of rice, resulting in income losses. Timely supply of credit at a low interest rate can significantly boost agricultural output," explained Md.



PHOTO: ANISUR RAHMAN

Improved productivity

Understanding production costs is crucial for farmers as it directly affects their profitability and long-term sustainability. By carefully analyzing production costs, farmers can make informed decisions about resource allocation, which, in turn, influences their agricultural operations and overall profitability.

According to Md. Belayet Hossain, Program Head of the Microfinance Program at BRAC, "The costs associated with fuel for machinery, fertilizers, pesticides, seeds, labor, and all other inputs have been steadily increasing every year. This year alone, the cost has surged by 5 to 10 percent per kilogram of rice."

BRAC's Microfinance Program supports approximately 600,000 farmers out of a total of 1.2 million beneficiaries.

Farmers are grappling with escalating production costs along with challenges

Rahman highlights that the efficient movement of agricultural products from farms to consumers is crucial for the sustainability of the rural economy.

Diversified food production

Crop diversification and cultivating alternate crops play a crucial role in bolstering food security by mitigating the risks associated with market fluctuations and crop failures. "In times of scarcity, especially with staples like rice and onions, which we often rely on imports for, securing our food supply necessitates robust domestic production," emphasized Dr. Atiur Rahman.

The central bank's policy of offering 4% interest for agricultural loans for alternative crops such as onions, pulses, oilseeds, spice crops, and maize cultivation has proven instrumental for Bangladesh. A Tk5,000 crore scheme has been implemented to

ensure a consistent flow of loans to primary agricultural sectors at a low-interest rate.

This approach fosters stability in food prices, Rahman noted, underscoring the importance of diversifying food sources for greater security, not solely relying on rice production. Additionally, a Tk1,000 crore initiative aims to revive wheat and potato production. Diversifying agricultural activities enables farmers to mitigate risks associated with crop failure and market fluctuations, thereby enhancing food production and supply security.

Moreover, diversification enhances dietary diversity, ensuring access to a wider range of nutrients and promoting overall health and well-being in communities.

Promote mechanization

To promote mechanization in the agriculture sector, banks offer agro-

machinery loans. "This scheme covers power tillers, reapers, rice transplanters, and combine harvesters, which cost millions to buy, making them unaffordable for small or marginal farmers. However, we provide agro-machinery loans to large agro-based companies such as Pran and ACL," explained Kamrul Mehedi of City Bank.

Dr. Mizanul proposes establishing groups of agricultural entrepreneurs at the upazila and thana levels, supported by loans or subsidies, to facilitate farmers' access to modern agricultural technologies such as combine harvesters during the irrigation period. This approach is poised to boost productivity, mitigate challenges faced by marginal farmers, and ultimately ensure food security.

"Farmers can be encouraged to use loans to invest in greenhouse technologies alongside modern farming equipment to increase efficiency and reduce production costs," said Dr. Atiur Rahman while emphasizing the adoption of green technologies such as solar irrigation pumping as a means of sustainable farming practices.

Despite the significant contribution of agricultural loans to food security, several challenges persist, including limited access to credit for smallholder farmers, high-interest rates, inadequate infrastructure, and limited financial literacy. "Many banks fail to fulfill their target in disbursing agricultural loans, which may cast a shadow on the country's efforts to boost food production," emphasized Prof. Mizanul.

Dr. Atiur Rahman highlights the significance of initiatives like BRAC's Tenant Farmers Development Project (BCUP), supported by a low-interest revolving fund from Bangladesh Bank. He believes that continuing projects similar to BCUP would be beneficial, recognizing Bangladesh's progress in the right direction.

Rahman emphasizes the importance of coordinated efforts among policymakers, financial institutions, and other stakeholders to develop inclusive and sustainable agricultural financing mechanisms.



PHOTO: AMRAN HOSSAIN

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Katebur Rahman, Senior Vice President and Head of the Agriculture Banking Unit at Dhaka Bank, which disbursed BDT 8,689.89 million among 94,000 farmers until March, 2024.

When banks disburse agricultural loans through their networks, farmers can access credit at a 9.13% interest rate. However, loans obtained through MFIs incur significantly higher interest rates, reaching up to 24%. "A 24% interest rate is exorbitant for farmers. Bangladesh Bank's decision to increase banks' disbursement targets by 50% underscores the cost-effectiveness of obtaining credit directly from banks. Our goal is to expand banks' reach even to the most remote areas of the country to meet farmers' needs," said Kamrul Mehedi, Head of SME, Micro Finance and Agent Banking at City Bank.

"Several agricultural sectors, including cropping and fisheries, rely on seasonal financing rather than year-round loans. Marginal and small-scale farmers often require seasonal loans. Timely loan disbursement is crucial for ensuring the efficiency of every stage in agro-processing. In addition to general microfinance, tailored loans and insurance can significantly impact the agricultural sector," emphasized Tausif Ahmed Qureshi, Senior Program Manager of the Climate Change Program at BRAC.

MFIs obtain wholesale credits from banks to cater to lower-end borrowers. "Banks and MFIs significantly influence the rural economy by balancing the aspect of supply and demand, contributing to increased employment and purchasing power," highlighted Dr. Atiur Rahman, former Governor of Bangladesh Bank.


such as natural calamities, resulting in reduced yields and subsequent income losses. "Typically, marginal farmers require funds for almost every crop cycle. Agricultural loans empower farmers by providing them with the financial resources needed to invest in seeds, fertilizers, machinery, and other inputs essential for crop cultivation. With access to credit, farmers can invest in quality inputs and timely cultivation practices, leading to improved productivity," said MD Nasiruzzaman, Chairman of Bangladesh Krishi Bank.

Ensuring accessibility of food

Enhancing agricultural production is crucial for ensuring the four components of food security: availability, accessibility, utilization, and stability. Dr. Mohammad Mizanul Haque emphasizes that when farmers can profit from selling their produce, it boosts their purchasing power and contributes to overall food security.

Surplus production enables farmers to engage in commercial activities, thereby increasing their purchasing power. "Marginal farmers, in particular, benefit from loans as they help boost productivity, especially when tailored to factors such as crop type and seasonal requirements. This is especially critical as the agricultural sector employs 51.88% of the total population," noted Dr. Mohammad Mizanul.

With increased production and supply, overall food security is strengthened. An adequate supply of agricultural produce supports employment opportunities, such as in shops and transportation, which are essential for agricultural processing and marketing. Dr. Atiur



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আপনার ভবিষ্যৎ আর্থিক নিরাপত্তা নিশ্চিত করতে এবং স্বাচ্ছন্দ্যময় জীবনযাত্রার নিশ্চয়তার লক্ষ্যে পূবালী ব্যাংক নিয়ে এলো 'পিপলস পূবালী পেনশন স্কীম'।

১৮ থেকে ৫৯ বছর বয়সী যে কোনো বাংলাদেশী নাগরিক এই হিসাব খুলতে পারবেন। এই স্কীমে মাসিক কিস্তি বাধ্যতামূলক নয়, যেকোন সময় এবং যতবার খুশি ১০০/- বা তার গুণিতক হারে জমা প্রদান করা যাবে। কোন মাসে টাকা জমা দিতে না পারলেও জরিমানা দিতে হবে না। হিসাবধারীর ৬০ বছরে স্কীমের মেয়াদপূর্তি এবং মেয়াদপূর্তিতে এককালীন/মাসিক/আংশিক উত্তোলন সুবিধা পাবেন। আংশিক উত্তোলনের ক্ষেত্রে অবশিষ্ট স্থিতির উপর একই হারে সুদ/মুনাফা প্রদান করা হবে অথবা গ্রাহক আজীবন হিসাব চালু রেখে সুদ/মুনাফা গ্রহণ করতে পারবেন। হিসাবধারী মেয়াদান্তে ডেবিট কার্ড ও চেক বই ব্যবহারের সুবিধা পাবেন। মেয়াদপূর্তির পূর্বে যেকোন সময় হিসাব নগদায়ন করা যাবে, এক্ষেত্রে গ্রাহক জমাকৃত টাকা প্রযোজ্য সুদ/মুনাফাসহ তাৎক্ষণিক ফেরত পাবেন।

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