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***STRUCTURAL CHANGES OF RURAL CREDIT OVER TIME
IN TWO VILLAGES OF BANGLADESH***

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ABSTRACT

This is a follow-up study of a research conducted in 1968. Significant socioeconomic structural changes in the field of rural credit took place over time. The institutional sources of credit have replaced the non-institutional lenders to a greater extent. The amount of credit received in real terms, however, did not increase. The bulk of the institutional credit has been appropriated by large farmers as observed in 1968. Significant overlapping of loan cases have been observed due to involvement of various agencies in agricultural credit. The pattern of loan utilization registered significant improvement over time. The study recommends for extending the lead bank system to all the farm credit programmes of the country with a view to avoiding overlapping of loan cases.

I. INTRODUCTION

With the application of modern technology during the last two decades, Bangladesh agriculture has become more capital intensive. Capital and technology are so interrelated that one can not bring about positive result without the other. Realizing the importance of the agricultural sector in the overall economy of the country and the low level of economic standard of people in rural areas, successive governments underscored the need for its development. For this purpose the policy prescriptions of the government are directed to encourage increased use of HYV seeds, chemical fertilizers, irrigation facilities and other agricultural implements and machineries among the farmers in rural areas. All these investments demand huge capital which can not be met fully by the farmers out of their own savings because of their hard pressed financial position. In this context, the availability of farm credit in adequate amount at proper time is necessary in order to introduce the HYV technology intensively in the agricultural sector.

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The government of Bangladesh is continuously expanding institutional sources of credit in rural areas so that people can be provided with adequate credit. The Special Agricultural Credit Programme (SACP), different credit projects of government and non government organisations, are being undertaken to serve the rural people. One of the underlying reasons was to replace the non-institutional lenders by providing institutional credit facilities in rural areas.

The main objective of this paper is to follow up a previous study (Bashar 1968), especially to examine the structural changes in the field of agricultural credit. It aims specifically at finding out the changes in the major socioeconomic characteristics of the sample farmers, the relative contribution of the different institutional and non-institutional sources of credit and changes in loan utilization that took place in two particular villages of Bangladesh during the last 14 years.

II. METHODOLOGY

The original study (Bashar 1968) was undertaken in two villages, namely, Panghagra and Kazirshimla respectively under Kotwali and Trishal Upazilas of Mymensingh district. The authors of the present study revisited the villages in late 1982. The original study had 50 samples collected randomly taking 25 from each of the villages. The same sample farmers were again interviewed in 1982. A non-borrower farmer in village Panghagra was not found because of his migration to another area of the country, and therefore, information from him could not be collected. Three other original sample farmers died whose information were collected from their successors. Thus the total sample for the present follow-up study became 49 comprising 24 from village Panghagra and 25 from village Kazirshimla.

Most of the figures of 1968 were taken from the previous study. But nevertheless interview schedules of 1968 were consulted for deriving meaningful information. For the convenience of comparison in respect of the amount of loan received, the 1982 figures were deflated using the price index of 1968-69.

III. RESULTS AND DISCUSSION

Socioeconomic characteristics like education, occupation, family composition etc. have important bearing on the attitude of the farmer towards adoption of modern technology while the economic variables like size of land, status of tenancy, income and expenditure may determine the financial ability as well as financial requirement of the farmers. Changes in some of the socioeconomic variables are examined in this section in order to observe its impact on the availability and receipt of credit.

Changes in the status of *de jure* and *de facto* land holdings have been shown in Table 1. Average size of *de jure* holding became smaller in village Panghagra and larger in village Kazirshimla. On the contrary, the size of *de facto* holding was observed to have increased in village Panghagra and decreased in village Kazirshimla. Average size of rented in land was also found to be characterized with similar changes as observed in the case of *de facto* (cultivated) holding. Quantity of land rented out increased significantly in both the villages during the period. Data on mortgage as a practice in agricultural land use was not collected in either of the villages in 1968 but was observed and collected in 1982. Changes in these characteristics of land use seemed to be relatively more distinct in village Panghagra than in village Kazirshimla. Distribution of land among different categories of farms also indicates that a significant change has taken place in village Panghagra (Table 2 and 3).

Aspects of land tenure show that proportion of owner operator farms increased overtime while the owner-cum-tenant operator farms decreased in village Panghagra but increased in village Kazirshimla. Absentee owners were not found in 1982 (Table 4). Therefore, it appears from the Table that importance of land for agricultural use between 1968 and 1982 increased significantly. Socioeconomic characteristics like family size, male-female ratio, education, etc., were also observed to have undergone a significant change. Average size of *de jure* plot was observed to have reduced indicating that subdivision of land increased overtime (Table 5).

TABLE 1. AVERAGE SIZE OF LAND UNDER DE JURE AND DE FACTO STATUS (ACRES)

Land Use	Panghagra		Kazirshimla	
	1968	1982	1968	1982
Owned land	4.02	3.50	4.15	4.24
Rented in	0.24	0.72	0.77	0.76
Rented out	1.23	9.25	1.33	2.44
Mortgaged in	—	0.48	—	0.74
Mortgaged out	—	0.70	—	0.62
Cultivated land	2.40	2.59	2.75	2.74

—Not available

TABLE 2. PERCENTAGE DISTRIBUTION OF FARMS AND LAND ACCORDING TO SIZE OF FARM

Size of farms (acres)	Village Panghagra				Village Kazirshimla			
	1968		1982		1968		1982	
	Percent of farms	Percent of land	Percent of farms	Percent of land	Percent of farms	Percent of land	Percent of farms	Percent of land
0.01—1.00	24	5	36	5	16	5	20	3
1.01—2.00	20	9	8	4	20	7	28	13
2.01—5.00	28	25	48	53	36	28	16	14
Above 5.00	28	61	8	38	28	60	36	70

TABLE 3. AVERAGE SIZE OF LAND ACCORDING TO SIZE OF FARM

Size of Farms (acres)	Panghagra		Kazirshimla	
	1968	1982	1968	1982
0.01—1.00	0.91	0.48	0.90	0.71
1.01—2.00	1.68	1.75	1.63	2.03
2.01—5.00	3.53	3.91	3.12	3.65
Above 5.00	8.89	17.81	8.73	8.52

TABLE 4. CLASSIFICATION OF FAMILIES ACCORDING TO LAND TENURE

Types of tenure	Panghagra				Kazirshimla	
	1968		1982		1968	1982
					1982	
Owner operator	40	63	16	19		
Owner cum tenant operator	28	25	48	35		
Part operator	24	12	24	38		
Absentee owner	8	na	12	na		
Part tenant-cum part operator	—	—	—	8		

na. Not available

TABLE 5 SIZE OF FAMILY, LITERACY AND AVERAGE SIZE OF PLOT

Characteristics	Unit	Panghagra		Kazirshimla	
		1968	1982	1968	1982
Size of family	Person	6.20	6.42	7.72	8.11
Male		3.52	3.83	3.96	4.27
Female		2.68	2.58	3.76	3.57
Male-female ratio		1.3	1.48	1.05	1.19
Literacy	Percent	28.07 ^a	66.64	43.80 ^a	88.46
Average size of plot	Acres	.36	.34	.33	.29

a. Figures represent literacy percent of the villages according to District Census Report (Mymensingh) 1961.

Loan Receipt According to Sources

Tables 6 and 7 show the percentage distribution of loanees and amount of credit received by borrower families according to sources. Only 5 percent of the total loan contracting families borrowed from institutional sources in village Panghara in 1968 who obtained 9 percent of the total loan. At that time only Agricultural Development Bank of Pakistan (now BKB) supplied loan in village Panghara. The average amount of loan was Tk. 500, but the average amount became only Tk. 20 when all the surveyed families were taken into consideration. In village Kazirshimla only 15 percent of the total borrowers contracted loan from Agricultural Development Bank of Pakistan (now BKB) and Government (Taccavi) who received only 1.28 percent of the total loans (Table 7). This provides an average amount of Tk. 27 per borrower family and only Tk. 3 per surveyed family.

On the other hand most of the credit institutions, namely, BKB, Cooperative, BRDB and NCBs were found to be in operation in 1982 in the villages under consideration. In village Panghara, institutional sources supplied about 35 percent of total loan to 70 percent of the borrower families with an average amount of Tk. 1135 (Table 6). In village Kazirshimla, 69 percent of the total borrower families received 54 percent of the total

TABLE 6. DISTRIBUTION OF LOANEES AND AMOUNT OF LOAN ACCORDING TO SOURCES OF CREDIT IN VILLAGE PANGHAGRA

Sources of loan	1968			1982		
	Percent borrower	Percent of amount borrowed	Amount borrowed per borrower (Tk.)	Percent borrower	Percent of amount borrowed	Amount borrowed per borrower (Tk.)
ADBP (BKB)	5	9.2	500	10	5.67	1300
Cooperatives	—	—	—	10	1.97	450
BRDB (IRDP)	—	—	—	40	25.16	1437
Commercial Banks	—	—	—	10	1.97	450
All Institutional sources	5	9.2	500	70	34.79	1135
Money lenders	45	31.9	192	—	—	—
Well-to-do rural people	10	5.0	135	30	23.19	1767
Shop-keeper	40	3.0	20	—	—	—
Friends and Relatives	50	51.0	296	40	42.02	2400
All Non-institutional sources	100	91.0	246	70	65.21	2129
All Sources together		100	271		100	1632

Note : Percent of loan contracting families in each case aggregated will not be equal to the total percentage of the loan contracting families borrowing from all sources, because of family might have borrowed from one or more sources at a time.

TABLE 7. DISTRIBUTION OF LOANEES AND AMOUNT OF LOAN ACCORDING TO SOURCES OF CREDIT IN VILLAGE KAZIRSHIMLA

Sources of loan	1968			1982		
	Percent of borrower	Percent of amount borrowed	Amount borrowed per borrower (Tk.)	Percent of borrower	Percent of amount borrowed	Amount borrowed per borrower (Tk.)
Government	10	0.48	15	—	—	—
ADB (BKB)	5	0.80	50	25	45	4150
Cooperatives	—	—	—	19	4	500
BRDB (IRDP)	—	—	—	6	2	700
Commercial Banks	—	—	—	19	3	383
All institutional sources	15	1.28	27	69	54	1814
Money lenders	10	3.47	109	—	—	—
Well-to-do rural people	25	11.88	149	31	33	2460
Shop keeper	35	36.15	324	—	—	—
Friends and Relatives	65	47.22	228	38	13	833
All No-institutional sources	95	98.72	326	68	46	1573
All sources together		100.00	314		100	1693

Note : Components may not add up to 100 because a family might have borrowed from one or more sources at a time.

loan from institutional sources with an average amount of Tk. 1814 per borrower family (Table 7).

Unlike institutional sources all the borrower families were found to have contracted non-institutional sources. This was almost equally applicable in both the villages. Non-

institutional sources contributed 91 percent of the total supply of credit in village Panghagra in 1968 as against 65 percent in 1982. Dependence on non-institutional sources for loans reduced in both the villages.

When all sources of credit were considered it was found that the average amount of loan per borrower family increased more than 5 times during this period. But in real terms the average size of loan received per borrower family virtually registered a decline in both the villages. At 1968-69 constant prices, average borrowing per borrower family in panghagra was Tk. 262 in 1982 as against actual borrowing of Tk. 271 in 1968. In Kazirshimla, real borrowing decreased in 1982 (Tk. 272) compared to actual borrowing of Tk. 314 in 1968. In village Panghagra the loan cases of institutional borrowers seem to be an exception because the average size of institutional loan in real terms increased here over time.

The study of overlapping of loan cases, i.e. borrowing from more than one source for the same purpose, indicates that the nature of overlapping has changed. It took place mainly among the non-institutional sources in 1968 because institutional sources of credit was quite inadequate. Overlapping of loan in 1982 was observed mainly among the institutional sources. In 1968, 81 percent of the families borrowing from non-institutional sources in Panghagra borrowed from more than one source; in 1982 only 14% borrowers did so. In 1968 none of the borrowers in this village borrowed from more than one institutional source, but in 1982, 33% institutional borrowers borrowed from more than one source. More or less similar pattern was observed in Kazirshimla. The average size of loan per overlapping loan case was observed to be higher than loan from single source in both the villages.

Structural Changes in Agricultural Credit

Structure of agricultural credit was observed to have undergone a significant change during the last fourteen years. Many new institutions like BRDB, BKB emerged after 1968. Besides a special project for women was also started in Panghagra in 1976 to organize the rural women for productive and income generating activities. This project was sponsored by UNICEF and supervised by Bangladesh Agricultural University. Institutional loans through programmes on Transplanted Aman, Jute and Wheat were also distributed in the late seventies and early eighties. These, therefore, influenced both demand for and supply of credit in the villages under consideration.

Number of BSBL and BRDB cooperative societies and their membership increased overtime though the latter emerged after independence of Bangladesh. The members of BRDB-TCCA-KSS of Kazirshimla obtained loan from Sonali Bank located at the Trishal Upazila headquarters, about 12 kilometers away from the villages. The BSBL cooperative society functioning in village Panghagra also provides loan after obtaining it from Central Cooperative Bank (CCB), also located at the Upazila

head quarters. The existing BKB branch (former Rupali Bank, established in 1972) located at Churkhai Bazar is about two kilometers away from village Panghagra and the branch of the same bank located at Dhanikhola Bazar is about 7 kilometers away from the village Kazirshimla which was previously located at the district head quarters, about 10 kilometers away from the study area. Thus the establishment of BKB branch at (hurklai Bazar in 1983 and Dhanikhola Bazar in 1982 brought the credit facilities near to both the villages. Loans from other institutional sources are received from institutions located at Upazila headquarters. When the study was first conducted, it was found that only two institutional sources namely Government (Taccavi) and BKB (former ADBP) supplied credit to the sample farmers. The BSBL cooperative societies were non-existent at that time. A very negligible amount of loan in kind of fertilizer was provided by Government only in village Kazirshimla in 1968. Besides, it was in irregular source of fund. The BKB was found in operation in both the villages but its fund used to come from district headquarters. Besides, the amount of money lent was also inadequate.

The study areas were observed to be dominated by non-institutional sources of credit. Among the non-institutional sources money lenders, well-to-do rural people, shopkeepers, and friends and relatives were important in 1968. The situation changed substantially during the fourteen years time. Friends and relatives were found to be the only non-institutional lender in the villages in 1982. On the contrary, several institutional sources, viz. BKB, BRDB societies and special projects emerged after 1968.

Loan Receipt in Relation to Farm Size

An elaborate break-up of the sources of loan has been shown in Tables 8 and 9. It attempts to identify the specific beneficiaries of credit. It is quite clear that most of the beneficiaries of institutional credit were of higher farm size groups. This was true for both the villages in 1968. The situation improved slightly in 1982. Almost all the farm size groups in Kazirshimla got the opportunity to receive institutional credit in 1982. This pattern of loan distribution does not suggest that institutions dealing with credit gave any emphasis to divert loans to smaller farmers. In spite of the improvement in the prevailing situation it was still observed that the improvement in the prevailing situation it was still observed that smaller farmers were provided with relatively lower proportion of credit compared to farmers of higher farm size groups. Proportion of loans increased with the increase in farm sizes. This was particularly true in the case of institutional borrowing.

TABLE 8. PERCENTAGE DISTRIBUTION OF LOAN AMOUNT ACCORDING TO SIZE OF FARM

Size of Farms (Acres)	Institutional Sources		Non-Institutional Sources	
	1968	1982	1968	1982
Panghagra				
0.01-1.00	—	—	7.40	20.81
1.01 - 2.00	—	11.32	14.64	30.20
2.01 - 5.00	100.00	88.68	65.25	48.99
Above 5.00	—	—	12.71	—
All sizes	100.00	100.00	100.00	100.00
Kazirshimla				
0.01 - 1.00	—	1.25	4.35	17.34
1.01 - 2.00	—	7.02	19.33	18.50
2.01 - 5.00	10.42	2.51	67.55	11.56
Above 5.00	89.58	88.22	8.77	52.60
All sizes	100.00	100.00	100.00	100.00

TABLE 9. PERCENTAGE DISTRIBUTION OF LOAN CONTRACTING FAMILIES ACCORDING TO SIZE OF FARM

Size of Farms (Acres)	Institutional Sources		Non-Institutional Sources	
	1968	1982	1968	1982
Panghagra				
0.01 - 1.00	—	—	19.05	42.86
1.01 - 2.00	—	28.57	19.05	28.57
2.01 - 5.00	100.00	71.43	33.33	28.57
Above 5.00	—	—	28.57	—
All sizes	100.00	100.00	100.00	100.00
Kazirshimla				
0.01 - 1.00	—	9.09	21.05	18.19
1.01 - 2.00	—	27.27	10.53	36.36
2.01 - 5.00	66.67	9.09	42.10	9.09
Above 5.00	33.33	54.55	26.32	36.36

Receipt of Loans in Relation to Family Size

Table 10 classifies the average amount of loan per borrower by size of family. A positive relationship was observed between loan receipt and family size in village Panghagra. While somewhat different relationship was observed in village Kazirshimla. No specific relationship between size of family and receipt of loan was observed here in either point of time.

TABLE 10 AVERAGE AMOUNT OF LOAN IN RELATION TO FAMILY SIZE

Size of family (Persons)	Panghagra		Kazirshimla	
	1968	1982	1968	1982
1 to 4	164	500	195	4500
5 to 6	251	1862	683	1390
7 to 8	253	7450	382	1233
9 and above	482	—	193	3650
All sizes	271	1632	314	1693

Utilization of Loan

The analysis of loan utilization shows that significant changes have occurred in the pattern of loan utilization over time (Table 11). Farmers are diverting less and less

TABLE 11. EXTENT OF LOAN UTILIZATION BY SOURCES OF CREDIT

Uses	Panghagra			Kazirshimla		
	Institu- tional	Non-Insti- tutional	All Sources	Institu- tional	Non-Insti- tutional	All Sources
Capital	36.36	63.64	25.38	—	100.00	18.31
expenditure	(40.55)	(59.45)	(51.63)	(7.59)	(92.41)	(21.21)
Current	—	100.00	9.69	24.69	75.15	5.19
expenditure	(52.17)	(48.83)	(23.30)	(85.00)	(15.00)	(10.74)
Non-farm	—	100.00	20.31	—	100.00	31.85
expenditure	(—)	(—)	(—)	(91.50)	(8.70)	(46.30)
Family	—	100.00	44.62	—	100.00	44.65
expenditure	(6.83)	(92.17)	(25.17)	(2.46)	(97.54)	(21.75)

Figures in parentheses represent year 1982

amount of loan money now-a-days. The use of loan money in family and non-farm expenditure has decreased. Utilization of loan money on current agricultural and capital expenditure registered significant improvement over time.

The loanee farmer of village Panghagra allocated 26 and 14 percent more in capital and current agricultural expenditure respectively. The corresponding figures for village Kazirshimla were only 3 and 5 percent. Utilization of loan money in family expenditure has been reduced to the extent of about 22 percent in both the villages.

IV. CONCLUSIONS

This follow up study leads to a number of important conclusions regarding the structural changes of credit and its consequences on the availability of rural credit. These conclusions may help the policy makers in designing new plans for agricultural lending and making improvements in the existing procedures.

It is concluded that structural changes in the field of agricultural credit took place over time. Dependence of farmers on non-institutional loans reduced because of the emergence of institutional credit facilities. Average size of credit being provided by the institutional sources registered an increase in both the villages although at constant prices it did not increase in village Panghagra.

The distribution of institutional loan was found to be still biased towards large farmers as in 1968 though small farmers got access to institutional sources in 1982. However, measures can be taken and be developed quite easily to accommodate more small farmers within the purview of institutional credit facilities. To make more credit available to the small farmers, underlying principles of production credit should be strictly followed.

To avoid overlapping of cases, i.e., borrowing from more than one source, it may be suggested that the amount of loan to be distributed by the individual bank or institution should be adequate enough to cover up the production need of the farmer.

There has been significant improvement in the pattern of loan utilization over time. Productive utilization of loan shows a distinct improvement with the passage of time. Change in loan receipt, loan utilization and overall farm welfare may be explained by the emergence of institutional facilities, extension services and to some extent loan supervision.

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