Revealing the Pathway of Reluctancy Toward Agricultural Credit Repayment: A Case Study on Fish Farmers in Bangladesh

Dewan Abdullah Al Rafi[1,5]*, Sanzida Taurin[2], Kentaka Aruga[3], Arifa Jannat[4], Md. Monirul Islam[1,6]

[1] Department of Agricultural Economics, Bangladesh Agricultural University, Mymensingh, Bangladesh
[2] Principal Officer (S-4576), Bangladesh Krishi Bank, Mymensingh, Bangladesh.
[3] Graduate School of Humanities and Social Sciences, Saitama University, Japan.
[4] Institute of Agribusiness and Development Studies, Bangladesh Agricultural University, Mymensingh, Bangladesh
[5] Department of Agricultural and Applied Economics, The University of Georgia, USA
[6] Commonwealth Scientific and Industrial Research Organisation - CSIRO, Waite Campus, Adelaide, South Australia
* Corresponding Author's Email: rafi@uga.edu

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Extended Abstract

In Bangladesh, the non-performing loan (NPL) ratio stands at almost 10%, positioning it as the second highest in Asia [1]. Among these NPLs, the Bangladesh Krishi Bank (BKB), a state-owned bank specializing in loans for farmers, has achieved a notable reduction of 22% in its NPLs [2]. This improvement is attributed to the BRPD-5 circular, which has been criticized as a "gift to bad borrowers" [1]. While agricultural credit disbursement is on the rise, recovery rates have not kept pace, creating an imbalance that negatively affects the overall economy. This study investigates both the direct and indirect impacts of various socioeconomic and demographic factors that contribute to fish farmers' reluctance to repay agricultural loans in Bangladesh (Fig. 1). To achieve this, a field survey was conducted using a purposive sampling technique, gathering data from 250 fish farmers. The average age of the respondents was 45.42 years, and the average loan amount was USD 4,673.10.

Using a binomial logistic regression model, the study identified several factors that positively and significantly affect loan repayment. These factors include a secondary source of income, the number of earning members in the household, farm size, and training on sustainable fish farming and loan management. On the other hand, the ability to repay was found to have a negative relationship with loan repayment reluctance, indicating that as a borrower's capacity to repay increases, the likelihood of repayment delays decreases. To further understand the indirect factors influencing loan repayment status, a second binomial logistic regression was conducted, this time considering the ability to repay as the dependent variable. The results suggest that farm size, the number of earning members, training, and farming experience all positively influence the ability to repay, while loans taken from alternative sources negatively affect repayment capacity (Fig. 2). Based on these findings, the study offers several policy recommendations, which are summarized in Table 1. These recommendations focus on enhancing farmers' repayment capacity and mitigating the factors contributing to loan

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defaults. They underscore the need for targeted financial literacy training and support in sustainable farming practices, as well as better monitoring of credit disbursement and repayment schedules to improve overall loan recovery in the agricultural sector.
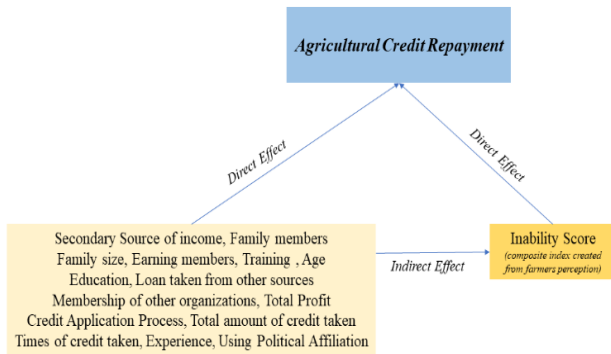

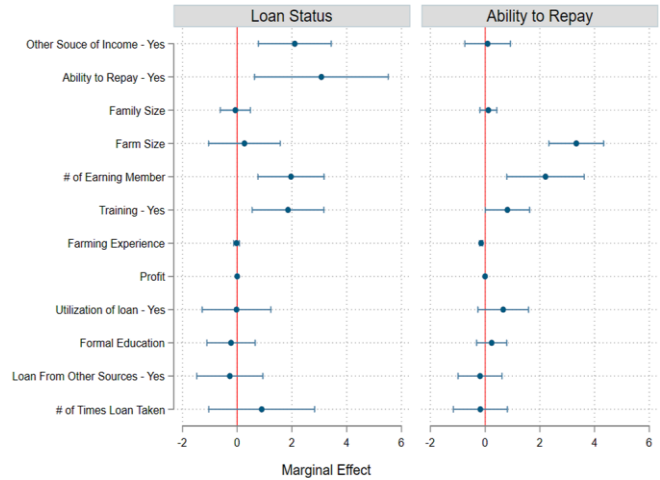Figure 1: Conceptual Framework of this study.

Figure 2: Coefficient plot of the estimation.

Table 1: Policy recommendation from the estimation.

Variables	Field situation	Our findings	Policy recommendation
Training	Serious lacking. 59% of farmers do not have any training	Training can be practical towards loan repayment.	Rigorous training on modern fish farming and loan management should be provided to the farmers.
Age	Most farmers were middle-aged.	Higher age can be effective.	Farmer's age and farming experience should be considered carefully before loan disbursement
Experience	16% have less than nine years of experience	Higher experience can be effective	
Education	The secondary level of education is the average level of our respondents	Education can be effective for timely loan repayment	Educated farmers should be encouraged to take a loan from banks
Secondary income source	44% of farmers do not have a secondary income source	The secondary source of income can be effective for loan repayment	Farmers having a secondary source of income should have priority in terms of loan receiving
The secondary source of loan	56% have taken a loan from the secondary source	A loan taken from a secondary source can be ineffective for timely loan repayment.	Those who have a loan from other sources should be excluded.
Times loan taken from banks	84% have taken a loan from the bank for the first time	A loan taken from banks more than one time have a higher probability of repaying the loan	Those farmers who have taken a loan from a bank more than one times should be encouraged
Loan use	35% of farmers used loans in an improper way	Proper use of a loan would help the farmer to repay the loan.	Proper investigation should be carried out from the end of the bank before and after disbursing the loan.

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