



FARMERS' FINANCIAL INCLUSION IN BANGLADESH: A SURVEY ON DINAJPUR DISTRICT

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ABSTRACT

The aim of this study was to explore the nature of farmers' financial inclusion in Bangladesh highlighting the proportion of farmers having bank account, bank loan and insurance policies, and using money transfer facilities. Primary data were collected through structured questionnaire of 100 respondents from Kaharole Upazila of Dinajpur district using multi-stage random sampling. Frequency distributions have been used for data analysis and Chi square for testing hypothesis. The reliability of the data was tested using Cronbach's Alpha. The state of farmers' financial inclusion is very poor since most of the farmers don't have bank account and few of them took loan from banks. The survey discovered that despite having demand for loan, many farmers are outside of formal financial network for various reasons like fear of rejection, complex loan approval process, disliking interest and unfriendly behaviour of bankers. It is also found that the farmers are not satisfied with the amount of loan granted, timing of loan, consultancy services and training facilities provided by banks. Among the loan holders, mostly don't know the actual interest they are paying for having loan. Almost all the farmers are totally excluded from the coverage of agricultural insurance. Again, farmers' use of banking channel for transferring money is also not pleasant. By giving the actual picture of farmers' financial inclusion, this study may help the concerned policy makers for making appropriate policies to bring the farmers under formal financial network.

Key words: Bank account, bank loan, farmers, financial inclusion

INTRODUCTION

Financial inclusion is a very important concept in Bangladesh. It helps to utilize the potentialities of people by providing necessary funds and removing different money transfer related, psychological and socio-economic barriers. Many people in Bangladesh are outside of the formal financial network that is working as impediments to the balanced development of the country. The prominent financially excluded segments are people with low income, marginal farmers, labours, street people, and socially excluded groups. Chakrabarty (2013) defined financial inclusion as "the process of ensuring access to appropriate financial products and services for all people and vulnerable groups particularly the weaker sections and low income groups at

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affordable cost, in a fair and transparent manner, by regulated, mainstream institutional player". Shettar (2016) said by promoting sustainable development and generating employment especially in rural areas financial inclusion eradicate poverty from country. Access to small loan, bank account and insurance develop the lives of poor and low income family by improving nutrition, housing, education, medical services and living standard (Yunus 2008).

Bangladesh is an agro-based developing country. Many of the poor farmers cannot conduct their agricultural activities properly due to the lack of sufficient capital. Again, they do not adapt the insurance policies for addressing agriculture related risks. Training facilities on financial literacy is also not sufficient. Most of the farmers are beyond the banking umbrella which is hindering the socio-economic development of Bangladesh. Currently, 47% of the adult populations in Bangladesh are financially included (Azim 2019). Around 80% of people in Bangladesh do not have access to formal financial services and only about 19% adults have access to banks (Daily Star 2017). As per the development policies of Bangladesh, national development would be challenged if extended financial services are not made accessible to all (Hannig 2018). Farmer's financial inclusion can play an effective role in this context. It is the process of bringing all the farmers of the country under financial network and providing the necessary capital to utilize their capabilities and skills, ensuring training, insurance, and counseling facilities for the expected use of that capital and dealing with various types of agricultural related risks. Olaniyi (2017) mentioned extension of access and usage of finance are needed for comprehensive social and economic development in rural areas. For diversifying farmers' means of sustenance, reduce hunger, and eradicate poverty traps, wide range of financial products and services are essential that will ensure increased income of rural people through agriculture (Adeola and Evans 2017).

From the earlier studies, it is clear that financial inclusion of all segments of people specially the poor is essential for the socio-economic development of a country. To decide the necessary actions for including people financially, at first we need to measure what portion of people of each segment are financially excluded. But there is a dearth of studies that provide current scenario of farmers' financial inclusion in Bangladesh, which is essential for bringing the farmers under financial network. Therefore, the objective of this study was to unveil the current situation of farmers' financial inclusion in Bangladesh as we have lacking about the deep scenario of farmers' financial inclusion from the preceding studies. The specific objectives were: to explore the portion of farmers having bank account and bank loan; and to investigate the use of insurance policies and money transfer pattern used by the farmers.

MATERIALS AND METHODS

This is basically a primary data based descriptive study that aimed to portray the picture of farmers' financial inclusion in Bangladesh. The area of study was Kaharole Upazila of Dinajpur district and the target population was all the farmers of that Upazila. The sample size was one hundred. Sample size was assumed enough since all the respondents expressed almost consistent and uniform responses. Data were collected through pre-structured questionnaire from different six unions (Sub-division of Upazila) of Kaharole Upazila using multi-stage random sampling procedure, during the month of September to December of the year 2019. The reliability of data regarding the use of loan and role of loan for agricultural development has been tested using Cronbach's (1951) Alpha and the result was 0.953. Frequency distributions have been used for

data analysis and Chi-square for testing hypothesis. Bar diagram has been used for data presentation. Core indicators of financial inclusion namely, bank account, loan, insurance, money transfer, and consultancy services were taken into consideration. The study set two hypotheses. The null hypotheses were H_0 : farmers with the ability to use to loan are equal to farmers without the ability to use loan; and H_0 : farmers recognised the roles of loan for agricultural development are equal to the farmers not recognised the role of loan for agricultural development.

RESULTS AND DISCUSSION

Bank account and bank loan

Table 1 shows that among 100 respondents 88 farmers had no bank account at all. Only 12 % of farmers had bank account and all accounts were savings among different types of accounts. The result is also consistent to the Daily Star (2017) that only 5% adults in rural areas and 40% adults in urban areas have access to bank accounts. The picture of bank loan got by the farmers is also not pleasant. Only 19% respondents have bank loan. The result is also in line with the study conducted by Ahmed *et al.* (2016) where they said about 83% of farmers want loan out of which only about 29% get loan facilities for agricultural purpose. Alauddin and Biswas (2014) also reported only 17% farmers have direct access to institutional credit though 80% of farming populations are small and marginal in Bangladesh. All of these information present the worsen situation of farmers' financial inclusion in Bangladesh.

Table 1. Bank account and bank loan of farmers

Bank account			Bank loan		
Response	Frequency	Percent	Response	Frequency	Percent
No	88	88.00	No	81	81.00
Yes	12	12.00	Yes	19	19.00
Total	100	100.00	Total	100	100.00
Average amount of land per farmer (decimal)		241.87	Average amount of bank loan per borrower (BDT)		120928.57

Since farmers' access to financial services is unpleasant, others dimensions like usage, quality and impact are far reaching. The average amounts of land owned by each farmer is 242 decimals (approximate) and average amounts of bank loan per farmer who borrowed is BDT. 121,000 (approximate). Many farmers do not get bank loan for various reasons in spite of having demand. The reasons are presented in Figure 1.

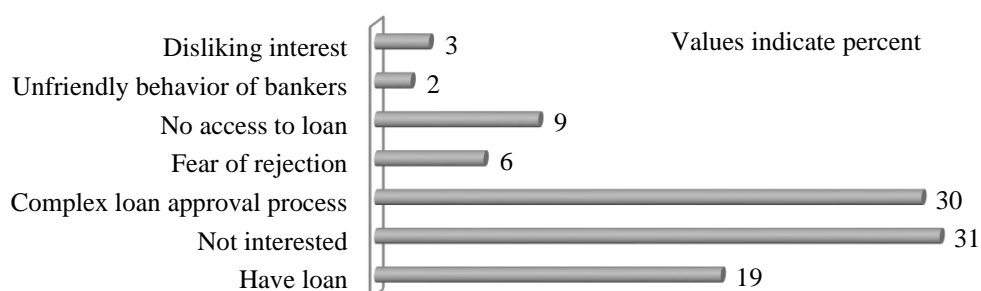


Figure 1. Reasons for not taking bank loan

Sufficiency of loan amounts and time of loan sanctioning

Table 2 shows that 81% farmers didn't get any bank loan. Only 19% farmers have received bank loan. Of them only 26.32% farmers opined that amounts of bank loan is sufficient. However, amounts of bank loan are not adequate for 73.68% farmers. Again, 52.63% of them have informed that they didn't get bank loan timely. That means the loan sanctioning procedure of these banks is very long. It symbolizes the miserable pictures of farmers' financial inclusion in Bangladesh.

Table 2. Sufficiency of loan amounts and loan sanctioning time

Sufficiency of loan amounts				Timely loan sanction			
Response	Frequency	Percent	Valid percent	Response	Frequency	Percent	Valid percent
No	14	14.00	73.68	No	10	10.00	52.63
Yes	5	5.00	26.32	Yes	9	9.00	47.37
Total loan taken	19	19.00	100.00	Total loan taken	19	19.00	100.00
Don't get loan	81	81.00		Don't get loan	81	81.00	
Total	100	100.00		Total	70	100.00	

Security for loan and consultancy service

Table 3 shows that among the total 19 bank loan holder, 94.74% used land deed as security against bank loan. Due to lack of security many farmers do not get loan from bank. Gounasegaran *et al.* (2013) also reported despite hard work the small and marginal farmers are in poverty and have no sufficient assets to provide security for getting loan. 63.16% loan holders said they don't get consultancy services to utilize their bank loan properly. This information is also not encouraging for farmers' financial inclusion. Table 4 reveals that only 13% farmers have taken loan from NGOs.

Table 3. Security for loan and consultancy service

Types of security for loan				Consultancy service			
Response	Frequency	Percent	Valid percent	Response	Frequency	Percent	Valid percent
Land deed	18	18.00	94.74	No	12	12.00	63.16
Others	1	1.00	5.26	Yes	7	7.00	36.84
Total loan taken	19	19.00	100.00	Total loan taken	19	19.00	100.00
Don't get loan	81	81.00		Didn't get loan	81	81.00	
Total	100	100.00		Total	70	100.00	

Table 4. Loan taken from NGOs

Response	Frequency	Percent
No	87	87.00
Yes	13	13.00
Total	100	100.00

Information about interest

Table 5 reveals that among the loan holders from bank 73.68% farmers don't know how much rate of interest they paid for having bank loan. Again, among the loan holder from NGOs, 69.23% don't know how much rate of interest they paid for having loan. These are also the awful scenario of farmers' financial inclusion in Bangladesh. It compels us to think about the necessity of the financial literacy programmes for farmers.

Table 5. Interest information of farmers' loan from banks and NGOs

Interest information of banks				Interest information of NGOs			
Response	Frequency	Percent	Valid percent	Response	Frequency	Percent	Valid percent
No	14	14.00	73.68	No	9	9.00	69.23
Yes	5	5.00	26.32	Yes	4	4.00	30.77
Total loan taken	19	19.00	100.00	Total loan taken	13	13.00	100.00
Don't get loan	81	81.00		Don't get loan	87	87.00	
Total	100	100.00		Total	100	100.00	

RAKUB loan information and media

Rajshahi Krishi Unnayan Bank (RAKUB) has been established by the government in 1986 to provide agricultural loan to farmers at easier terms and conditions for accelerating the agricultural development in the northern region of Bangladesh. From Table 6 it is observed that 40% farmers in this area don't know this information. 40% farmers have known this information from bank authority, 12% farmers from relatives and 8% farmers from others sources like neighbours and friends. This is another gloomy side of farmers' financial inclusion in Bangladesh that entails the need of publicity of government efforts to motivate farmers.

Table 6. RAKUB loan information and media

RAKAB loan information			Media of RAKUB loan information		
Response	Frequency	Percent	Response	Frequency	Percent
No	40	40.00	Bank Authority	40	40.00
Yes	60	60.00	Relatives	12	12.00
Total	100	100.00	Others	8	8.00
			Don't Know	40	40.00
			Total	100	100.00

Table 7. Insurance policy and money transfer

Insurance policy			Money transfer		
Response	Frequency	Percent	Response	Frequency	Percent
No	97	97.00	No	84	84.00
Yes	3	3.00	Yes	16	16.00
Total	100	100.00	Total	100	100.00

Insurance policy and money transfer

Table 7 presents that 97% farmers have no insurance policies and 84% farmers don't transfer money over banking or mobile banking channel. Another study by Azim (2019) has given the

same result. He said 17% of adults are digitally involved through the mobile money account in Bangladesh. This information also presents the poor picture of farmers’ financial inclusion in Bangladesh. But hopefully people are being included in financial network by the large extent via the mobile banking channels.

Ability of farmers to utilize the loan

It is seen from Table 8 that 71% farmers have responded that they would be able ensure the proper utilization of borrowed funds. Again, 67% farmers have said that agricultural loan would help them to develop their agricultural conditions by having funds to buy supporting raw materials and storing agricultural products after harvesting. At the stage, the study evaluates whether the opinions are statistically significant using chi square goodness of fit test. The study has tested the null hypothesis that the number of farmers able to use to loan are equal to the number of farmers would not be able to use loan. The hypothesis is rejected significantly since $\chi^2(1) = 17.640, p(0.000) \leq 0.05$ (Table 9). This variation in opinion regarding the ability of using loan is significant. So it is statistically supported that most of the farmers have the ability to use agricultural loan.

Table 8. Frequencies of Chi-Square for loan utilization and agricultural development

Opinion about the ability to use of loan				Opinion about the role of loan for agricultural development			
Response	Observed N	Expected N	Residual	Response	Observed N	Expected N	Residual
No	29	50.0	-21.0	No	33	50.0	-17.0
Yes	71	50.0	21.0	Yes	67	50.0	17.0
Total	100			Total	100		

Role of loan for agricultural development

The study has tested another null hypothesis that number of farmers recognised the role of agricultural loan for agricultural developments are equal the number of farmers not recognised the role of agricultural loan for agricultural development. This hypothesis is also rejected significantly since $\chi^2(1) = 11.560, p(0.001) \leq 0.05$ (Table 9). This variation in opinion regarding the role of loan for agricultural development is significant. So, statistically it is supported that agricultural loan play positive role for the development of agriculture.

Table 9. Test statistics of Chi-square for loan use and role of loan

Opinion about ability to use of loan		Opinion about role of loan for agricultural development	
Chi-Square	17.640 ^a	Chi-Square	11.560 ^a
df	1	df	1
Asymp. Sig.	0.000	Asymp. Sig.	0.001

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 50.0.

CONCLUSION

Despite taking many initiatives by Bangladesh Bank and Bangladesh government we are far away from bringing all the farmers under financial network. Only 12% of rural farmers have bank accounts and 20% have access to bank loan. The conditions of quality of access and uses to financial products and services, insurance, financial literacy of farmers, training, and information are more miserable. The money transfer practice of farmers through banking channel is also not satisfactory but getting improved through mobile banking channels. Most of the farmers opined that they will be able to use their borrowed funds properly and 67% farmers reported agricultural loan will develop agricultural conditions of farmers. If we want to see a happy, prosperous and developed Bangladesh, the financially excluded farmers are needed to be brought under the formal financial network. This study tries to explore the real scenario of farmers' financial inclusion in Bangladesh based on bank account, loan, insurance and money transfer channels followed by farmers. It may help the concerned policy makers to formulate policy for bringing farmers under financial network. Expansion of study area and use of more indicators with advanced statistical tools will enhance the robustness of the study. This study confined only to the farmers of a particular Upazila and some selected indicators have been used. So, it is the opportunity for researchers to conduct further study by collecting data from farmers throughout the country using more advanced indicators.

For boosting up the farmers' financial inclusion in Bangladesh some initiatives may be taken into considerations. The notable ones are loan documentation and approval process should be made easy, loan should be given without security at flexible interest rate and in some cases without interest, training and consultancy services should be given to enhance financial literacy and utilize funds properly, insurance schemes needed to be made available to farmers and their fear of insurance needed to be eliminated, and publicity and promotional campaigns needed to be enhanced.

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