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Tenant Farmers' Access to Credit and Extension Services: BRAC Tenant Farmer Development Project in Bangladesh

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BRAC/RED publishes research reports, scientific papers, monographs, working papers, research compendium in Bangla (*Nirjash*), proceedings, manuals, and other publications on subjects relating to poverty, social development and human rights, health and nutrition, education, gender, environment, and governance.

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Abstract

Using several large scale datasets/reports (such as, reports of Agricultural Censuses conducted by the Bangladesh Bureau of Statistics, the longitudinal repeat household surveys of 62 villages maintained by the first author and the household census for about 60,000 households conducted for an impact assessment study financed by the 3ie of the Global Development Network), this paper provides extensive information on the changes in the tenancy market and shows the number of small and marginal farm household has been growing despite rapid rural urban migration and expansion of rural non-farm economy. The tenancy market has moderated the distribution of land holding in a regime of highly skewed land ownership. But the agrarian structure is getting increasingly dominated by marginal and small farms that are largely dependent on the tenancy market for land. These farmers, however, have limited access to credit and extension services. With this backdrop, the BRAC tenant farmer development program, known as *Borga chashi Unnayan Prakalpa* (BCUP), was thus designed to meet the demands of working capital for farming and the knowledge of improved technology and farming practices.

1. Introduction

Due to the inherent limitations of conventional micro-credit and formal banking systems to provide agricultural credit to marginal and small farmers who dominate the agrarian structure in Bangladesh, BRAC designed an innovative project entitled 'Tenant Farmers Development Project' (*Borga Chashi Unnayan Prokalpa* (BCUP) that aims to provide credit and extension services to tenant farmers. In October 2009, the Bangladesh Bank (Central Bank of Bangladesh) provided BRAC a refinancing facility of Tk. 500 crore (US\$ 70 million) at a low cost (5% annual rate of interest). The fund was given initially for three years with a target of reaching 300,000 farmers with credit. The target group was tenant farmers with a size of farm of up to two acres that are either fully (pure tenant) or partially (tenant-owner) rented from absentee or non-farmer land owners under different tenancy arrangements. In 2012, the Central Bank approved extension of the project for another three years.

The BCUP provides a customized credit services. The farmers are provided loans at a subsidized rate of interest of 10 per cent per year, at a flat rate. At declining balance method, the rate of interest comes to about 15 to 18 per cent depending on the mode of repayment of the principal and interest due. According to the rules of the Micro-Credit Regulatory authority of the Central Bank NGOs can charge up to a maximum of 27% rate of interest on declining balance for their microfinance operations. Although the provision of extension service is not stipulated in the terms and conditions of the project contract, BRAC decided to include extension services free of charge on the premise that improved farming practices could increase the profitability of farming, and thereby improve capacity of the borrowers to repay the loan.

The project initially targeted male farmers of the tenant farm households by organizing them into informal Village Organizations (VOs), following the NGO led microfinance delivery system in Bangladesh. The VO meets once a month attended by the project's credit and extension staff, where the problems of farmers (insects and diseases, accessing inputs, etc.) are discussed and installments of the repayments and voluntary savings are collected. However, during implementation of the project it was revealed that male farmers lack interest in attending monthly meetings due to high opportunity cost of their time. It was also observed that in many tenant households women are farm managers while men are basically engaged in rural non-farm activities. Women are also engaged in vegetable and fruit production and in poultry and livestock activities around the home gardens. It helps to generate a regular stream of income that facilitate repayment of loans in small installments on a monthly basis. So, from 2011 the project started organizing women members of tenant households and provide credit and extension services through them.

Purpose of the paper and data sources

The purpose of this paper is to explain the context of the Project. The main idea is to provide information on the changes in the tenancy market and the need for targeting tenant households for credit and extension services. It also provides information on the organization of the project and the progress made during the pilot phase of three years (December 2009 to December 2012). The data for the paper are drawn from the reports of Agricultural Censuses conducted by the Bangladesh Bureau of Statistics and the longitudinal repeat household surveys of 62 villages maintained by the first author (Hossain and Bayes, 2009). For more recent information, the paper also analyzed data obtained from the Census of households in villages that was carried out to draw on samples of treatment and intervention households for an impact assessment study for BCUP (hereafter we will term as BCUP Census 2012) financed by the 3ie of the Global Development Network. The Census covered more than 60,000 households.

2. Agrarian structure and tenancy market

The incidence of rural landlessness has been steadily increasing in Bangladesh. Households who do not own any land at all has increased from 10.2% in 1996 to 12.8% in 2008, while those who do not own any cultivable land increased from 27% to 33% over 1983-84 to 2008 (BBS 1999, 2011). The share of the functionally landless households defined in Bangladesh as those who own less than 0.5 acre (that cannot provide a significant source of income) increased from 37% to 59% during 1987 to 2008. Landless and marginal landowners enter into farming activities through tenancy market. Changes in the structure of land tenure over 1960-2008 can be seen from Table 1. It may be noted that the number of farm households have increased from 6.1 million in 1960 to 9.97 million in 1983-84 and further to 14.87 million in 2008, despite rapid rural urban migration of population. Those who leave farms in favour of non-farm activities in rural and urban areas do not sell their land. Rather, they rent it out to poor relatives or former agricultural labourers in small sizes to maximize rent. So, the number of small and marginal farms continues to increase and the farm size gets smaller. The average size of farm has declined from 1.43 ha in 1960 to 0.92 ha in 1983-84 and further to 0.60 ha in 2008 (Table 1).

Table 1. Changes in the structure of land tenure, 1960 to 2008.
(Findings from national level agricultural censuses)

Type of holding	1960	1983-84	1996	2008
All holdings (000)	6,139	9,970	11,798	14,870
Operated area (000 ha)	8.80	9.18	8.08	8.88
Owner farmer				
% of farms	60.7	62.6	61.6	56.7
% of land operated	53.6	58.5	58.5	54.7
Part tenant farmer				
% of farms	38.8	36.0	34.9	40.2
% of land operated	45.2	40.9	39.6	43.4
Pure tenant				
% of farms	1.6	1.4	3.5	3.1
% of land operated	1.1	0.5	1.9	1.9

Sources: Central statistical office, Pakistan and Bangladesh Bureau of Statistics: Reports of census of agriculture, 1960, 1983-84, 1996 and 2008

The following points can be noted from the Table 2. The importance of marginal farmers has been growing over time. The number of farms operating up to 1.0 acre has increased from 49% in 2000 to 61% in 2012, while their share of cultivated has increased from 15% to 27%. At the other end, the number of medium and large farms holding over 2.5 acres has declined from 18.5 to 9.7% and their share of cultivated land has declined from 51% to 34%. The average size of farms has declined by 26%, from 1.62 acre in 2000 to 1.20 acre in 2012. Area under tenancy cultivation has increased from 33 to 36% in this period, but there has been some

redistribution of rented land in favour of marginal farmers. Over half of their holdings were rented in 2012 compared to 44% in 2000.

Table 2. Changes in the structure of farm holding and dependency on tenancy, 2000 to 2012

Farm size (acres)	2000			2012		
	Share (%) of farms	Share(%) of land	Rented land (% of farm)	Share (%) of farms	Share (%) of land	Rented land (% of farms)
Up to 0.5	23.5	4.4	44.7	32.0	8.2	52.5
0.51 to 1.0	25.3	11.9	44.1	29.2	18.8	50.5
1.01 to 2.50	32.8	32.4	40.0	29.1	38.9	36.3
Over 2.5	18.5	51.4	24.8	9.7	34.1	23.1
Total	100.0	100.0	32.9	100.0	100.0	35.9
Average size		1.62	0.98		1.20	0.74

Sources: 2000 (Longitudinal Survey) and BCUP census 2012

A longitudinal national level sample survey (Hossain *et al.* 1994, Nargis and Hossain 2006, Hossain and Bayes 2009) that generated panel data from 62 randomly selected villages from 57 districts noted some qualitative changes in the tenancy market over 1988-2008. Usually large and medium landowners rent out land in small parcels to small and marginal farmers who have some land of their own and rent-in additional land to make a viable holding. Landless households are not preferred as a tenant because they do not have farm experience, and lack of working capital to operate the farm efficiently. So, the pure tenant households were rare till 1996 (Table 3). But the incidence of pure tenancy has increased rapidly in recent years due to the vast expansion of micro-credit reaching landless and near landless households. Hossain and Bayes (2009) defined pure tenants as those who do not own any cultivated land but operate farms entirely rented from others. According to this definition, the number of pure tenant farms increased from 14% in 1988 to 21% in 2000 and further to 30% in 2012, while their share of cultivated land increased from only 7% in 1988 to 12% in 2000 and further to 18% in 2012 (Table 3). Pure tenants and tenant owners (predominantly tenants) now control 84% of the tenancy market.

Table 3. Changes in land tenure: findings from sample household surveys, 2000 to 2012

Land tenure category	2000			2012		
	Per cent of farms	Share (%) of cultivated land	Share (%) of tenancy market	Per cent of farms	Share (%) of cultivated land	Share (%) of tenancy market
Pure tenant	20.5	12.4	37.6	29.6	18.1	50.5
Tenant owner	19.0	20.0	45.9	14.3	16.6	33.7
Owner-tenant	14.8	21.0	16.6	13.9	18.2	15.8
Pure owner	45.7	46.7	0.0	42.3	47.2	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: 2000 (Longitudinal Survey) and 2012 (BCUP census)

Definition: Pure tenants, farmers with no cultivated land of their own; Tenant-owner, farmers with more than 50% of the operated land rented from others; Owner-tenant, farmers with less than 50% of the operated land rented from others; Pure owner, the entire farm holding is owned by the household

Table 4 provides information on the incidence of farming as an occupation and dependency on the tenancy market in the landownership scale. Nearly 44% of the rural households are now non-farm households. Non-farm activities as an exclusive occupation are not limited to landless and marginal land owners. More than a quarter of the households owning over 5.0 acres do not do any farming at all. They rent-out their entire holding to small land owners. The share of land rented-out is positively associated with landownership, while the proportion of rented-in is inversely related to land ownership. The medium and large landowners are increasingly leaving farming and are getting land cultivated by small and marginal landowners. Thus, the tenancy market apparently acts as an equalizing force in enabling access of land for farming in a regime of high inequality in the distribution of land ownership. The concentration for land ownership is acute and getting worse over time as revealed by the fact that the Gini coefficient for land owned has increased from 0.70 in 2000 to 0.73 in 2012. But the concentration of cultivated land is relatively low at 0.44 in 2012, and has improved from 0.50 in 2000, as the landless and marginal landowners began to get a larger share of land supplied to the tenancy market by medium and large landowners (Table 5).

Table 4. Importance of farming and tenancy transactions in land ownership scale

Land owned (acre)	Farm household (%)		Rented out land (% of land owned)		Rented in land (% of land cultivated)	
	2000	2008	2000	2008	2000	2008
Only homestead	28.8	30.5	nil	nil	100.0	100.0
Up to 0.5	60.3	61.3	18.5	12.6	76.9	81.4
0.51-1.00	74.3	90.0	21.9	24.5	51.9	52.8
1.01 to 2.50	76.2	72.2	27.7	32.3	28.4	26.5
2.51 to 5.00	83.4	80.8	30.8	32.9	11.8	7.6
5.01 to 7.50	76.7	72.0	38.1	42.2	14.3	3.6
7.51 & above	80.8	74.3	34.0	53.6	3.4	0.0
Total	57.9	56.3	29.9	35.8	32.9	37.3

Sources: Longitudinal Survey (2000, 2008)

Table 5. Concentration of owned and cultivated land, 2000 and 2012.

Land ownership scale	Share (%) of owned land		Share (%) of cultivated land	
	2000	2012	2000	2012
Bottom 40%	2.2	1.5	11.5	15.4
Middle 40%	26.7	23.7	33.6	32.3
Ninth decile	19.6	20.1	17.6	16.8
Top 10%	51.8	54.7	37.2	35.5
Total	100.0	100.0	100.0	100.0
Gini coefficient	0.696	0.728	0.496	0.440

Sources: 2000 (Longitudinal Survey) and 2012 (BCUP census)

The terms and conditions of tenancy have also undergone significant changes over the last two decades. Till the mid-1980s, the predominant tenancy arrangement was sharecropping under which the harvest is shared according to certain proportion (usually 50:50) and the cost of production (except labour) is also shared by the land

owner and the tenant (Hossain 1977). The sharecropping arrangement helps sharing the risk of cultivation between the landowner and the tenant, but is considered as an efficient tenancy arrangement (Cheung 1969, Jannuzi and Peach 1980; Mandal 1980). Recent Agricultural Censuses show a substantial decline in the importance of share tenancy in favour of fixed-rent arrangement and other longer term lease contracts (Table 6). One such contract is locally known as “*Khai-Khalasi*” under which land is leased against a fixed amount of advanced rent for a fixed number of years of operation and the land is returned when the landowner pays back the lease money. The change in the importance of different tenancy arrangement since 1983-84 can be noted from Table 5. With the landless and near landless households increasingly depending on the tenancy market for their livelihoods, the declining importance of sharecropping with the landowner, access to credit to tenant farmers have assumed more importance for financing working capital needs, purchasing of agricultural machinery and equipment and leasing land from the market.

Table 6. Changes in the importance of different tenancy arrangements in Bangladesh, 1983-84 to 2008

Tenancy arrangement	1983-84 Agricultural Census		2008 Agricultural Census	
	Per cent of tenant farms	Share (%) of rented land	Per cent of tenant farms	Share (%) of rented land
Share tenancy	70.2	74.0	43.0	41.3
Fixed seasonal rent	10.1	10.0	25.3	23.8
Lease arrangement	4.2	4.0	10.6	11.0
<i>Khai-Khalasi</i>	4.1	4.0	4.1	4.3
Land on Mortgage	11.4	8.0	17.0	19.6

Source: BBS, Reports of Agricultural Census, 1983-84 and 2008

To conclude, as a result of continued pressure of population on limited land resources, the farm size is getting smaller over time and the proportion of small and marginal farmers have been growing. At the same time rural households owing relatively larger size of land that accumulates some surplus from the adoption of improved technologies are investing the surplus in rural non-farm activities or migrating to urban areas in search of better economic opportunities. They are renting-out their land in small parcels to landless, marginal or small farmers through tenancy system, keeping ownership rights of the land. The land transactions in the tenancy market have moderated the effect of highly unequal distribution of landownership through land transactions from medium and large to small and marginal land owners. As a result, farming is getting increasingly dominated by small and marginal farmers.

3. The need for agricultural credit

The above overview of the transformation of the agrarian structure indicates a growing need for agricultural credit to sustain technological progress and productivity growth in Bangladesh agriculture. The small farmer has very little surplus production after consumption of self-produced goods that they can sell in the market for purchasing agricultural inputs. With the introduction of improved agricultural technologies, agricultural credit has come to be recognized as an indispensable input for crop production. For traditional crop varieties, the farmer used to supply most of the inputs from the household. The new crop varieties require large amount of “out of pocket” expenses for purchasing modern agricultural inputs – seeds, chemical fertilizers, pesticides and irrigation. Inability to finance such working capital needs would constrain adoption of improved technologies.

The marginal and small farmers, however, rarely have access to credit from formal financial institutions. The cost of provision of small loans that these farmers need is much higher than the rate of interest that the government fixes for lending to farmers. Tenant farmers are particularly bypassed as they do not have any asset to provide as collateral against loan. On the demand side, illiterate farmers do not feel comfortable with the formalities required for contracting loans with financial institutions. Funds can be borrowed from informal sources such as traditional moneylenders, traders and well-to-do land owners in the village, against collateral of land, household assets or advanced sale of crops and labour below market prices. Payment of interest charges on such high cost loans (usury) constitute a major drain on the income of the borrowing household, that affects their livelihood and sometimes make them perpetually indebted to the moneylender (Bhaduri 1973).

Recent literature (Sriram 2007, Carter 1989, Wakilur *et al.* 2011) provides evidences of a strong positive correlation between agricultural credit at reasonable cost and agricultural production. Carter (1989) argued that credit affects agricultural performance by relaxing the working capital constraints, inducing farmers to adapt new technologies and intensive use of fixed resources. Credit availability enables farmers to manage their land and other fixed assets, smoothen consumption during the crop production cycle thereby raise farm productivity and reduce dependence on high cost informal markets.

4. The credit market

Available studies indicate limited contribution of formal financial institutions such as banks and farmer cooperative in financing the capital needs of agriculture in Bangladesh. A large scale farm survey¹ conducted by the International Fertilizer Development Centre (IFDC) in partnership with the Bangladesh Agricultural Research Council (BARC) during 1979-81 reported that only 14% farm households received credit during 1979/80 and only 11% in 1981/82. The survey also noted that credit obtained from formal financial institutions was concentrated in the hands of medium and large land owners. For example during 1981/82 dry season when the irrigated rice farming (*boro*) is practiced, only 1.2% of farmers with holdings up to 0.4 ha accessed credit from the formal financial institutions, compared to 7.7% for middle farmers (with holdings of 1.0 to 2.0 ha) and 7.2% for large farmers.

Table 7. Changes in the importance of different sources of credit, 1988 to 2008

Sources of loan	% of households borrowing from the source		% share of the loan		Average loan per borrowing household (US\$)	
	1988	2008	1988	2008	1988	2008
Commercial banks	9.0	4.8	20.7	21.0	136	735
Microfinance organizations	3.8	34.1	8.7	37.0	102	184
Friends and relatives	16.9	4.9	33.6	26.8	115	920
Moneylenders	14.6	4.6	39.0	14.8	155	537
All sources	44.3	44.8	100.0	100.0	131	374

Source: Hossain and Bayes (2009)

Changes in the access to credit by rural households during 1988-2010 revealed from the longitudinal survey data mentioned earlier, can be noted from Table 7. Formal credit sources like banks are often unable to reach the tenant farmers due to various formalities and rigidities in terms and conditions. Hossain and Bayes (2009) showed that only 26% of the total institutional credit in rural Bangladesh is used for agricultural purpose. They also showed only 1.5% of the farmers who own less than 0.20 hector land, had access to bank credit while for those who own land above 2.0 hector, this proportion is 20% (Table 8). Because of collateral requirement of *Krishi* bank and other Government institutions, small and landless farmers are deprived from access to credit.

¹ The survey covered 2400 randomly selected farms in 117 villages from 20 *upazilas* scattered throughout the country (Sidhu and Banante 1984).

Table 8. Access of different landownership groups to institutional credit, 1988 and 2008 (% of households obtaining loans)

Size of land owned (ha)	Commercial banks		Microfinance organizations	
	1988	2008	1988	2008
Up to 0.2	4.7	1.5	3.7	39.6
0.2 to 0.4	8.0	6.8	6.0	30.6
0.4 to 1.0	14.4	8.8	4.2	28.5
1.0 to 2.0	14.6	9.1	2.2	23.0
Over 2.0	12.2	20.0	2.0	10.6
Total	9.0	4.5	3.8	34.1

Source: Hossain and Bayes (2009)

Most of the microfinance programmes do not serve the poorest (Morduch and Haley 2002, Quach *et al.*, 2003). Remenyi *et al.* (2000) argued that the effect of credit on household income varies with the degree of poverty. Effects are higher for those who are just below the poverty line than for those who are well below the poverty line. Coleman (2002) also concluded that welfare impact of microfinance on poorer people is largely insignificant. NGO loan disbursements are conditioned by land holdings requirement. Since they focus mainly on non-farm activities, the marginal farmers are subsided. It has been recognized that conventional microfinance is not suitable for agriculture. For example, Lianto (2005) argued that overcoming the barriers to agricultural microfinance goes beyond the simple provision of credit, extends outside agriculture, and shuns a “one size fits for all approach”.

The discussion above clearly indicates the need for agricultural credit facilities by which collateral, higher interest rates, low outreach and need-based problems can be addressed. As response against such problems BRAC introduced the *Barga Chasi Unnayan Prokalpo* (BCUP, or Tenant Farmer Development Project) to bring the remaining excluded households, particularly tenant and marginal farmers, both men and women, into financial inclusion.

5. Access to agricultural extension service

The transformative agricultural context of rural Bangladesh is dominated by widespread use of Modern Varieties (MV) of crops and external inputs such as irrigation, chemical fertilizers and pesticides. This situation has created a growing need for agricultural extension services for farmers who are, most often, illiterate. Unfortunately, rural farm household's access to extension service has been quite low. The benchmark survey for the impact assessment study finds that only about 34 per cent households were familiar with some form of agricultural extension service in the treatment group and 39 per cent of control households were familiar with them (Table 9).

Table 9. Exposure to agricultural extension service in 2012 (% of households)

	Treatment	Control	Difference (%)	p-value
Do you know extension officials?	34.3	39.1	-12.4	0.001
Have you received training?	3.0	5.2	-43.1	0.000

Source: BCUP census

Among agricultural extension service personnel, Sub-Assistant Agricultural Officer (formerly Block Supervisor) was the most familiar figure to the households (Table 10). The share of households coming in contact with them was 24 per cent for the treatment group and 23 per cent for the control group. Thirteen per cent of the treatment households were familiar with the *Upazila* Agricultural Officers and the *Upazila* Livestock Officers whereas this share in the control group was 15 per cent.

Table 10. Familiarity with agricultural extension service providers in 2012 (% of households)

	Treatment	Control	Difference (%)	P-value
<i>Upazila</i> Agricultural Officer	6.1	10.7	-42.6	0.000
Block Supervisor	24.3	23.1	5.2	0.354
Model Farmer	3.8	3.9	-1.6	0.915
<i>Upazila</i> Livestock Officer	6.9	5.1	34.0	0.016
Rural Development Officer	0.6	1.2	-48.2	0.049

Source: BCUP census

About 34 per cent of the households are familiar with the agricultural personnel, the percentage of households receiving extension services like training or suggestions might be even lower because familiarity of the households with agricultural personnel does not necessarily mean the family members would seek suggestion or receive training from them. Very few people of the surveyed households received training

from the agricultural extension provider. The share of household of which any member received training was about 3 per cent for the treatment group and five per cent for the control group.

One of the reasons behind lower familiarity with agricultural personnel can be found from the voice of one of the farmers in *Netrokona* district as he spells out, *'the Block Supervisors hardly visit the field. Even if they do, usually it's the big farms not the small farms run by ordinary farmers like us.'*

Nevertheless, small farmers try to contact extension practitioners in their offices. They sometimes seek information from fertilizer dealers and commercial agro-shops in the market. In this context of a collective need for knowledge, the farmers maintain explicit norms of exchange and cooperation among themselves in terms of seed and knowledge sharing. The small farmers in Bangladesh are found to be highly dependent on this rural system of communal learning in facing the challenges of modern cultivation.

Farmers also collect information about improved crop cultivation and management practices from the media. Mobile phone and television are the two most reported sources of information in terms of various degrees of importance attached to different sources by the households (Table 11). About 24 per cent households thought television had at least some importance-low or high and 39 per cent households had attached some importance to mobile phone though the majority thought it to be less important.

**Table 11. Sources of information for improved crop management practices in 2012
(% of Households who reported access to media)**

Sources of information	Treatment			Control		
	Highly important	Important	Less important	Highly important	Important	Less important
Radio	0.6	0.4	0.1	0.8	1.0	0.4
Television	7.7	7.0	8.5	8.2	8.6	7.9
News paper	0.8	0.5	0.7	1.3	0.8	1.1
Mobile phone	9.3	5.3	24.2	8.0	7.7	19.8
Internet	0.0	0.1	0.2	0.0	0.0	0.1
Street theatre	0.0	0.0	0.0	0.1	0.0	0.1

Source: BCUP census

6. BRAC tenant farmer development project (BCUP)

Due to the constraints of conventional micro-credit and formal banking systems in reaching the farming community especially the tenant farmers in Bangladesh, BRAC, the largest NGO in Bangladesh and the globe, introduced the 'Tenant Farmers Development Project (*Borga Chashi Unnayan Prakaipa* (BCUP)), with a low-interest revolving fund from the Bangladesh Bank (Central Bank of Bangladesh) under its financial inclusion strategy. The project was initiated in December 2009 (*Boro* season of 2010) with Tk 5,000 million (US\$ 70 million) as revolving loan fund with a rate of interest of 5% per month. The fund was given initially for three years with a target of providing credit to 300,000 farmers within this period. The target group was tenant farmers with a size of farm of up to two acres either fully (pure tenant) or partially (tenant-owner) rented from landowners under different tenancy arrangements. In 2012, Bangladesh Bank approved extension of the project for another three years.

The BCUP provides customized credit services. The farmers are provided loans at subsidized rate of interest of 10 per cent per year at a flat rate. The effective rate of interest comes to 18 per cent on declining balance. According to the rules of the Micro-Credit Regulatory Authority of the Bangladesh Bank, NGOs can charge up to a maximum of 27% rate of interest on declining balance for their microfinance operations. Although the provision of extension service was not stipulated in the terms and conditions of the project contract, BRAC decided to include extension services on the premise that improved farming practices could increase the profitability of farming and thereby improve capacity of the borrowers to repay the loan.

The main objective of the project is to reduce dependence of tenant farmers on high-cost informal markets for financing their working capital needs as they do not have access to the formal financial institutions. These poor farmers are also usually bypassed by the extension services of the Department of Agricultural Extension (DAE) under the Ministry of Agriculture. So, the supplementary objective of the project is to provide them knowledge on modern technology and crop management practices at free of charge.

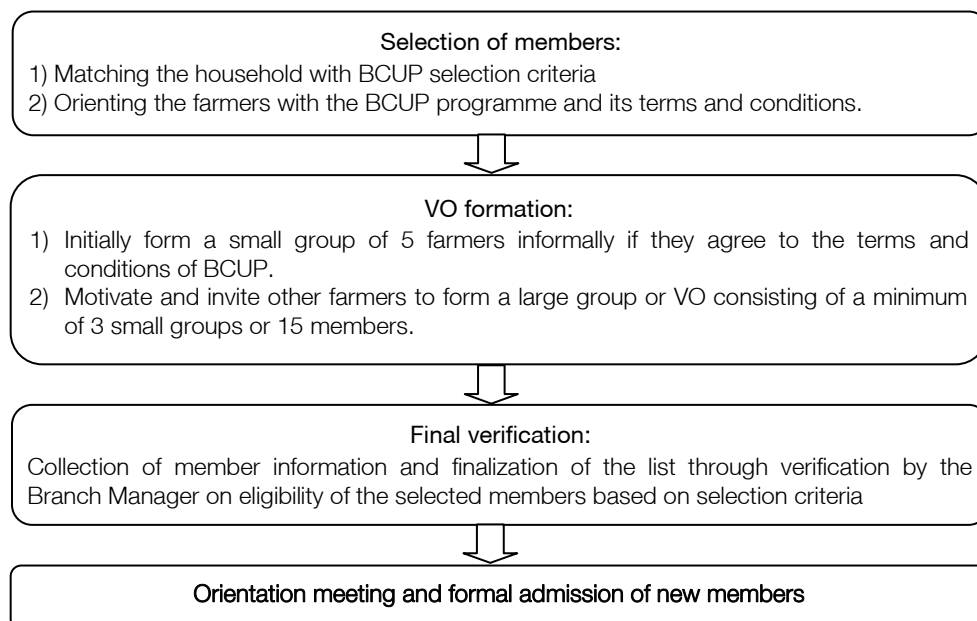
The project initially targeted male farmers of the tenant farm households by organizing them into informal village level associations. The association meets once a month attended by the project's credit and extension staff, where problems of the farmers (insects and diseases, accessing inputs, etc.) are discussed and instalments of repayments are collected. However, during implementation of project it was observed that men do not like to attend the monthly meetings because of the high opportunity cost of time. Also, it was found that in many tenant households women

are farm managers while men are basically engaged in rural non-farm activities. Many women are engaged in vegetable production and in poultry and livestock activities around the home gardens. It helps to generate a regular stream of income that would facilitate repayment of loans in small instalments on a regular basis. So, the project decided to include women along with men in the village organization of the tenant farmers. It is expected that the project will contribute to faster adoption of improved technologies thereby increasing land and labour productivity. The productivity growth will increase the profitability of farming for the tenant farmers by reducing the cost of production that will ultimately improve their livelihoods and nutritional status.

As mentioned earlier, an important feature of the programme is formation of Village Organization (VO) as the platform for delivery of services. In the VO, members are grouped in teams of five members and four to eight teams consisting of 20 to 40 members form the village level informal tenant farmer association. The VO meets every month on a fixed day and time which is attended by the BCUP Programme Organizer and an agricultural technician. Apart from the discussion of loan proposal and collection of repayment of instalment due and deposit of savings, farmers can get agricultural information, advice and training from the Agriculture Development Officer (ADO).

Households are selected for loan disbursement on the basis of a few stages of verification. After screening and verification of information, members are formed into small groups. Village organization (VO) is formed by combining at least 3 small groups. Figure 1 shows the whole process of VO formation and loan disbursement.

Figure 1. Village organization (VO) formation and loan disbursement procedure



BCUP is targeted to reach all the 484 *upazilas* of Bangladesh in successive phases. In 2012, it reached 212 *upazilas*. The progress achieved over the last three years can be seen from Table 12. By December 2013, the project organized over 355,000 tenant households in 16,517 Village Organizations. Women now constitute almost 71% of the members. The amount of loans disbursed has reached Tk. 695 crores (US\$ 147.3 million. @ of Tk. 78/US\$) and nearly fifty one per cent of it has been accessed by women farmers. About 1,48,000 farmers received training on improved technology and cultivation practices.

Table 12. BCUP programme roll out, December 2010 to October 2013

Name of Component	Cumulative position of BCUP			Gender disaggregation, October 2013		
	December 2010	December 2011	October 2013	Female	Male	Total
Tenant farmer Association (Nos)	7,579	10,826	16,517	8,467	8,050	16,517
Members enrolled (000)	141	220	355	253	102	355
Active borrower (000)	109	156	267	197	70	267
Loan disbursement (Crore Tk.)	159	372	1149	594	555	1149
Loan outstanding						
Portfolio at risk (%)	1.2	6.9	5.9	-	-	-
Farmers trained (000)	51	92	148	45	103	148

Source: BRAC, Agriculture and Food Security Programme Department, MIS Report, November 2012

7. Conclusions

The information on changes in the agrarian structure and tenancy market shows that many medium and large landowners are leaving farming in favour of rural non-farm activities and/ or migrating to urban areas in search of better economic opportunities. But they are not selling the in-land. Instead, they are renting out land to small and marginal farmers and their former agricultural labourers in small sizes. As a result, the number of small and marginal farm households has been growing despite rapid rural urban migration and expansion of rural non-farm economy. The tenancy market has moderated distribution of land holding in a regime of highly skewed land ownership. The agrarian structure is getting increasingly dominated by marginal and small farms that are largely dependent on the tenancy market for land. These farmers, however, have limited access to credit and extension services. The BCUP was designed to meet the demands of working capital for farming and knowledge of improved technology and farming practices.

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