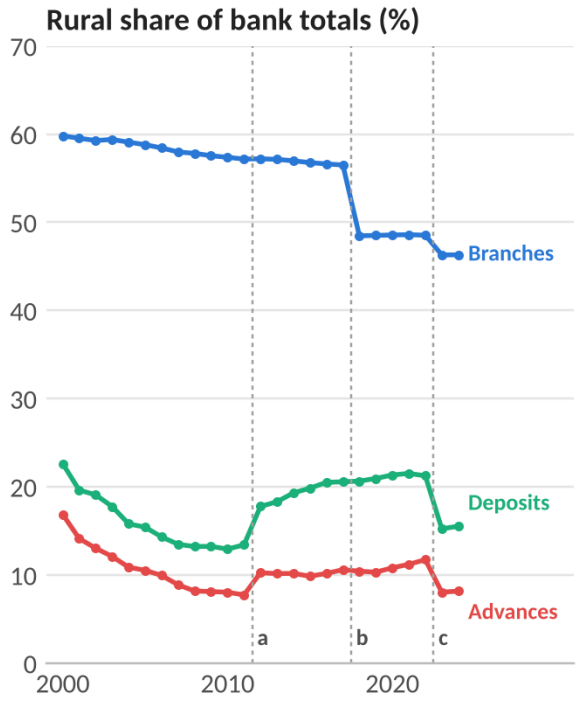
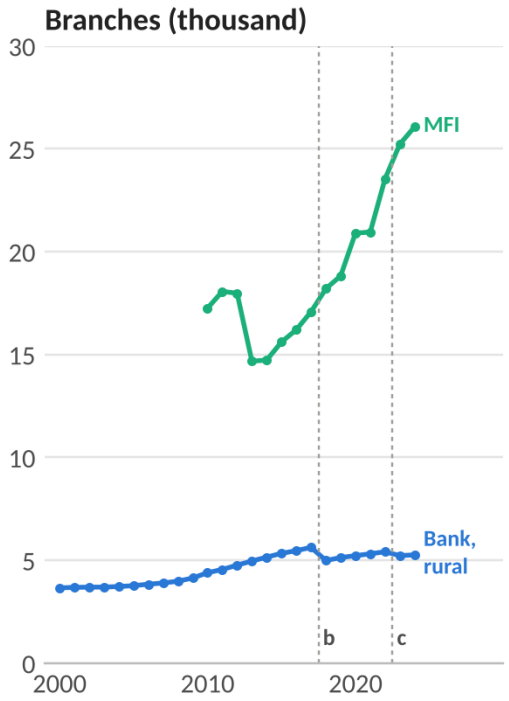
The structural transformation of Bangladesh's rural credit market since 2000: Evidence from nationally representative surveys

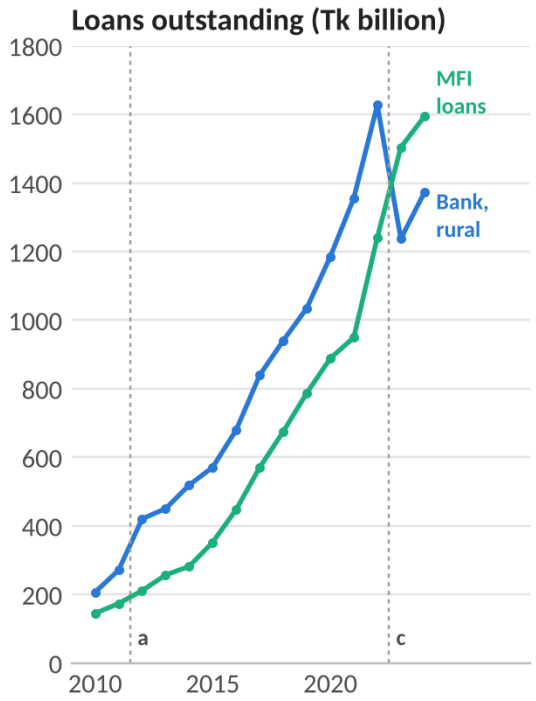
Who lends, for what, on what terms, and at what cost: 2000–2022

Kazi Iqbal
Bangladesh Institute of Development Studies (BIDS)
Financing Food Systems in Bangladesh: Evidence and Policy Dialogue
12th October, 2026

Rural credit is moving out of the bank branch







60% → 46% rural share of bank branches, 2000–2024

17% → 8% rural share of bank advances, 2000–2024

5× MFI branches (26,000) per rural bank branch (5,300) in 2024

Tk 1.6 trillion MFI loans (FY24), more than the Tk 1.4 trillion lent by rural bank branches

Banks also reach villages through MFIs.

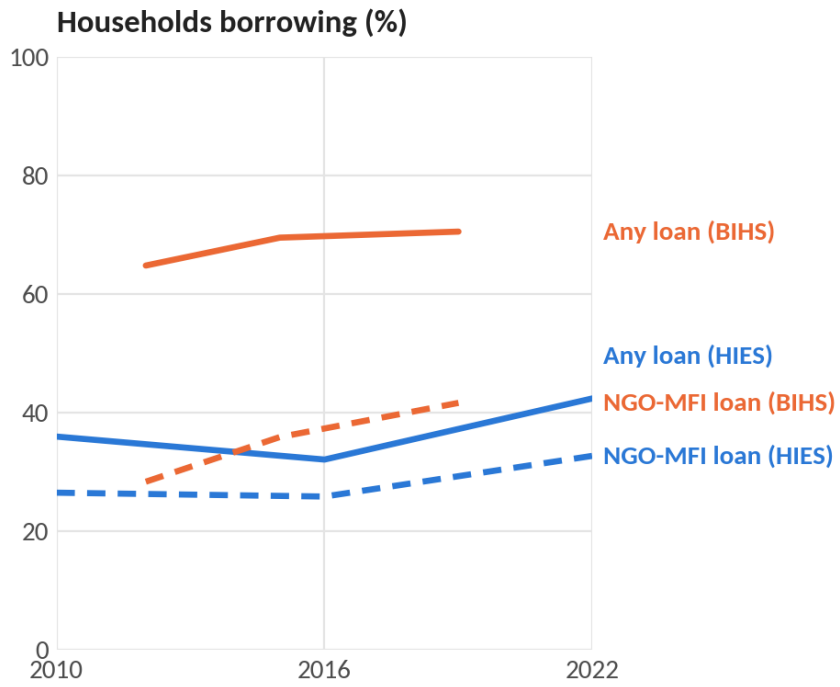
Sources: Bangladesh Bank Annual Report 2012–13, Table 5.11 (2000–2010; deposits and advances end-June); Scheduled Banks Statistics, Oct–Dec issues 2011–2024 (end-December); MRA, FY2010–FY2024. Every point is a reported figure; nothing is interpolated. Breaks: (a) coverage of rural deposits and advances changed in 2012; (b) 2018 and (c) 2023 municipal reclassification moved rural branches to urban. Rural branches 2021–24 = total × reported rural share.

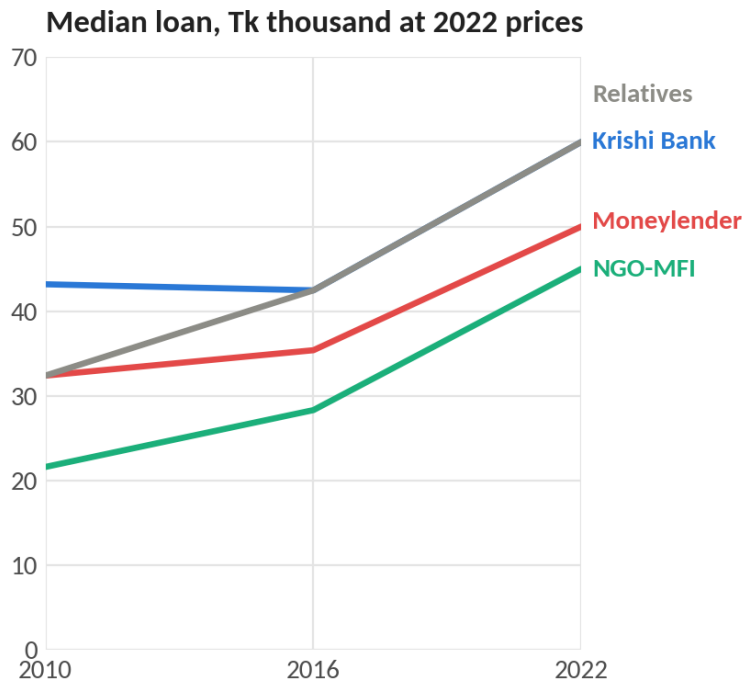
Two household surveys and the lenders' own statistics

Source	Rounds	What it gives	Loans in rural sample
HIES (BBS)	2000, 2005, 2010, 2016, 2022	National rural series; loan module from 2010; crops, tenure and inputs from 2000	3,430 / 13,124 / 4,357 (2010 / 2016 / 2022)
BIHS (IFPRI)	2011/12, 2015, 2018/19	Rural panel; loans, tenure, crops, inputs, savings; village modules on NGOs and moneylenders (353 and 447 villages)	6,084 / 6,371 / 6,641
Bangladesh Bank, MRA	FY2000–FY2024	Bank branches, deposits and advances by area; agricultural credit; licensed MFI aggregates	—

All money at 2022 prices; survey weights throughout. Grameen Bank is coded as a bank in BIHS 2011/12.

More households are borrowing, and they are borrowing more





36% → 42% of rural households borrowed in the past year (HIES)

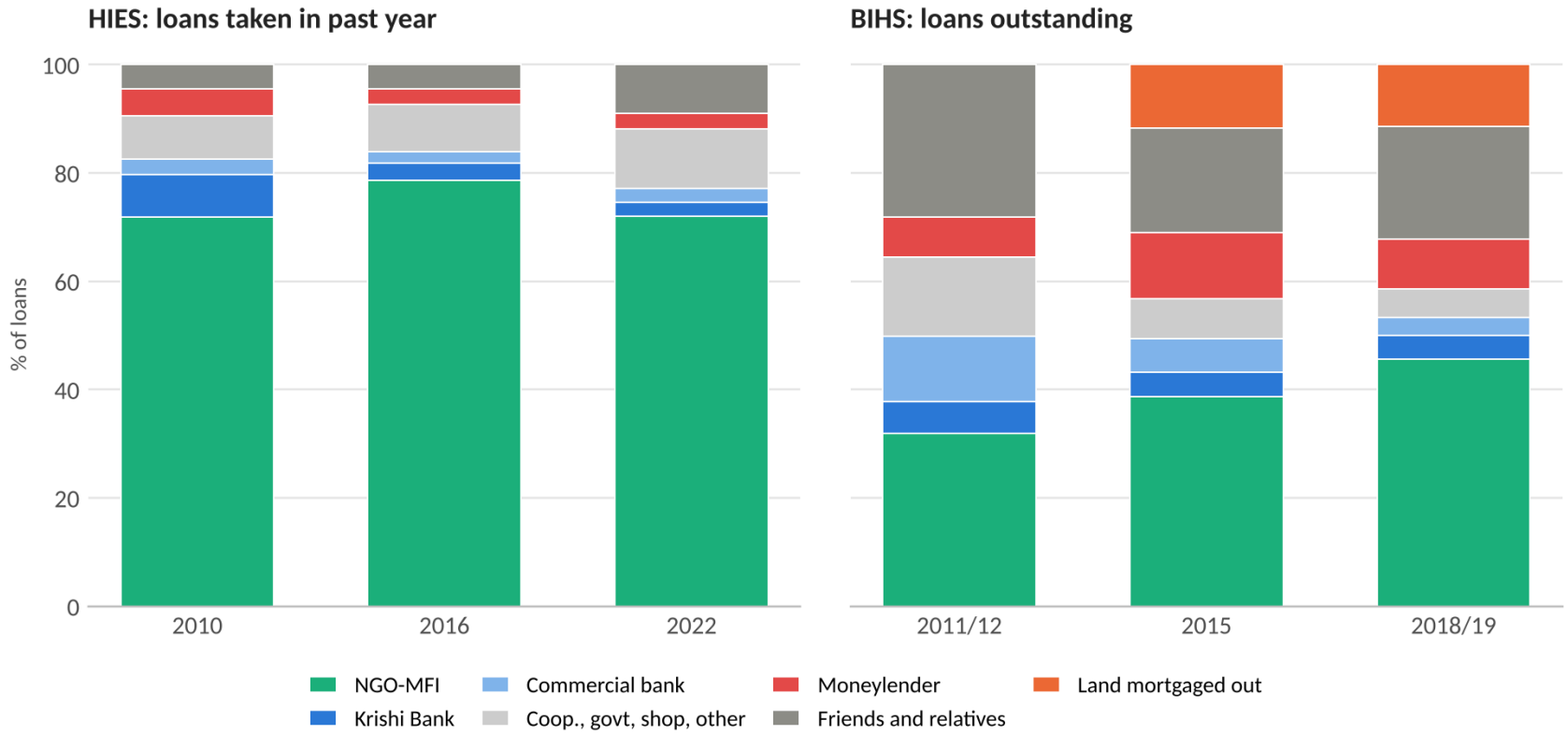
65% → 71% had a loan outstanding (BIHS)

2× the median NGO-MFI loan in real terms: Tk 22,000 → 45,000

Loans from every lender grew in real size

Source: HIES 2010, 2016, 2022; BIHS 2011/12, 2015, 2018/19. Author's calculations. Median loan sizes from HIES.

The NGO-MFI is the dominant player as the village's lender



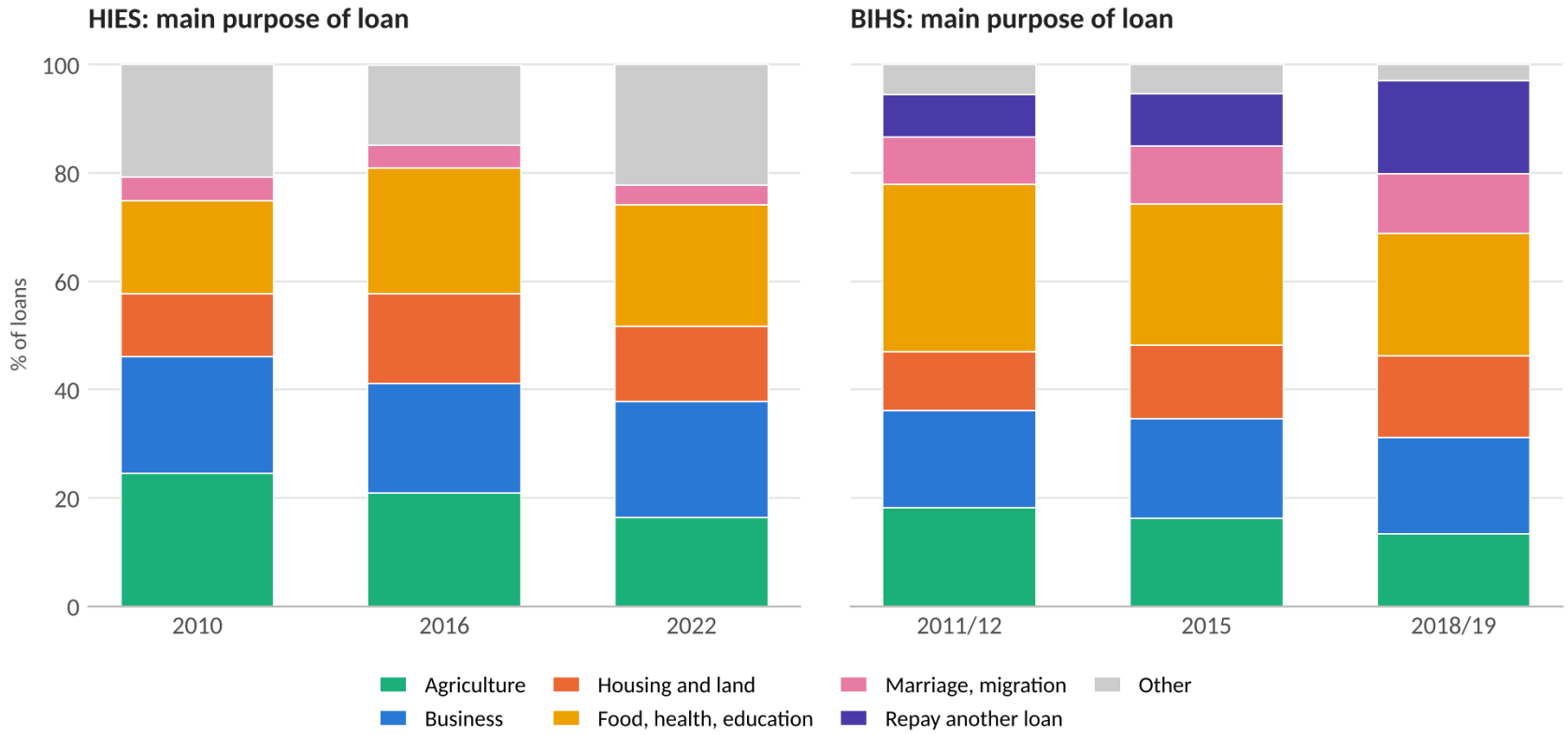
3 in 4 rural loans come from an NGO-MFI (HIES)

50–67% of the amount borrowed

4.7% → 2.9% of households with a bank loan

Source: HIES 2010, 2016, 2022 (n = 3,430 / 13,124 / 4,357 loans); BIHS 2011/12, 2015, 2018/19 (n = 6,084 / 6,371 / 6,641). Author's calculations; shares of loans by lender.

Agriculture's share of rural loans is shrinking



25% → 16% of loans for agriculture (HIES)

21% → 17% (BIHS, any farm use)

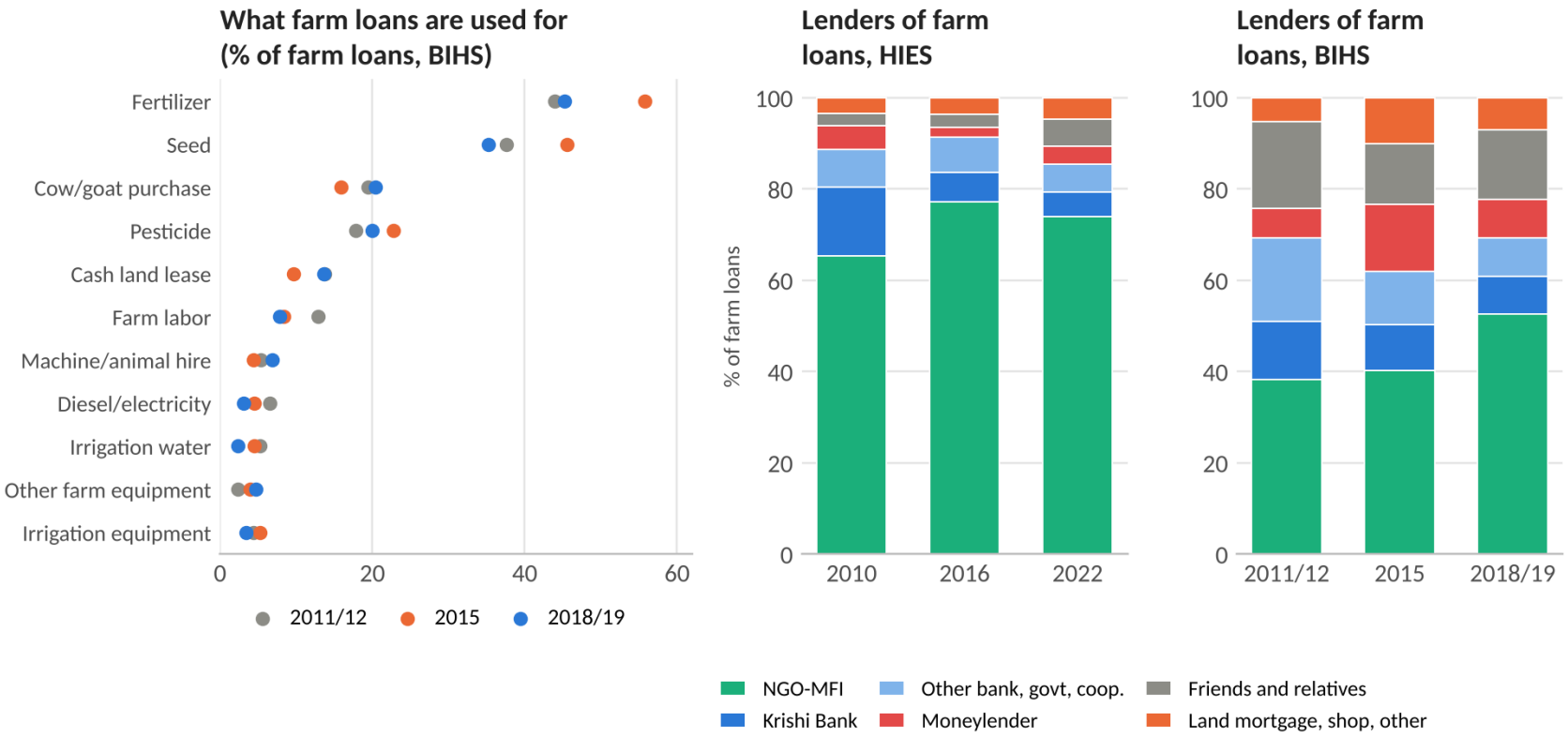
Business, housing and consumption grew

Reflects overall structural transformation of the economy

8% → 17% of loans taken to repay another loan

Source: HIES 2010, 2016, 2022; BIHS 2011/12, 2015, 2018/19. Author's calculations. Main purpose of loan, share of loans.

Farm loans buy fertilizer, seed, animals and cash leases



44–56% of farm loans buy fertilizer; 35–45% seed

16–20% buy a cow or goat

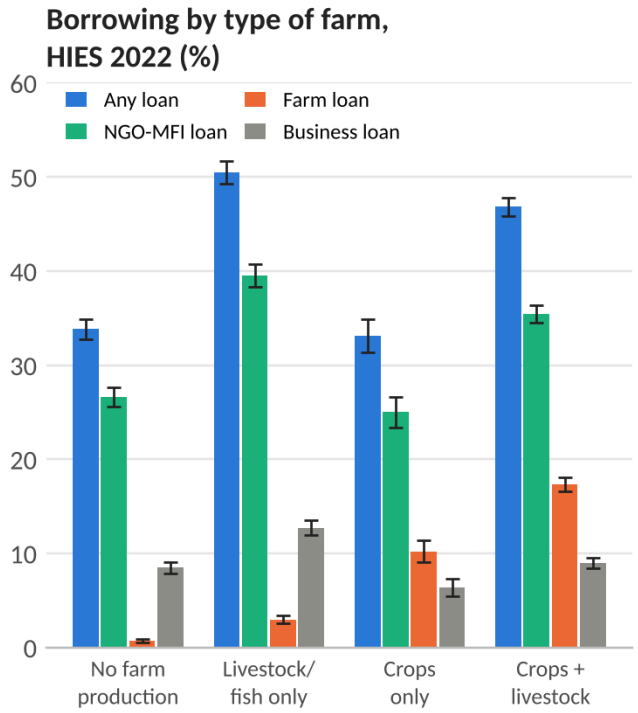
10–14% pay a cash land lease

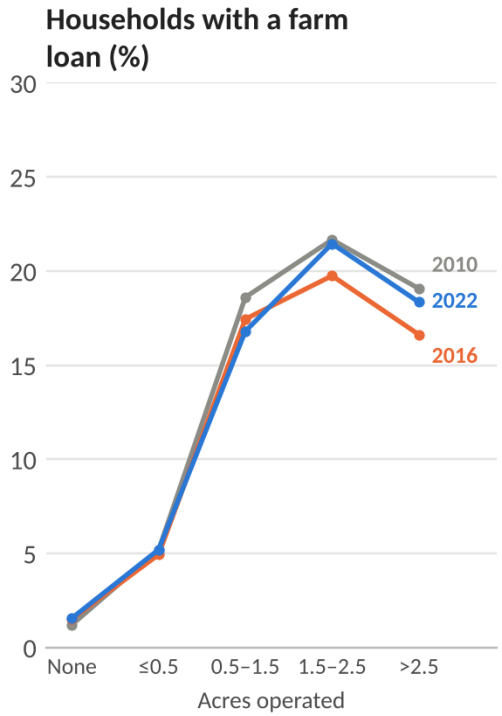
Machinery and irrigation equipment are rarely bought on credit; farmers hire them

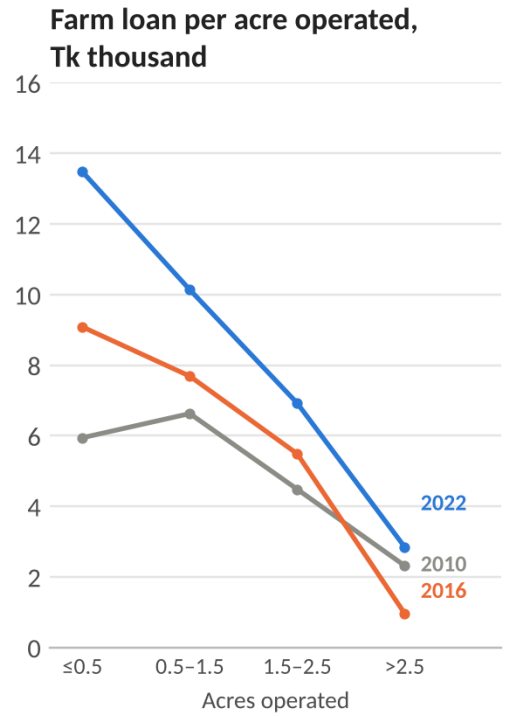
NGO-MFIs now make most farm loans (65% → 74% HIES; 38% → 53% BIHS); Krishi Bank fell from 15% to 5%

Source: HIES 2010, 2016, 2022; BIHS 2011/12, 2015, 2018/19. Author's calculations. Left: uses named for farm loans (BIHS, up to three per loan). Right: lenders of loans whose main purpose is farming, share of loans (n ≈ 821 / 2,895 / 743 HIES; 1,259 / 1,217 / 1,142 BIHS).

Who borrows for the farm?







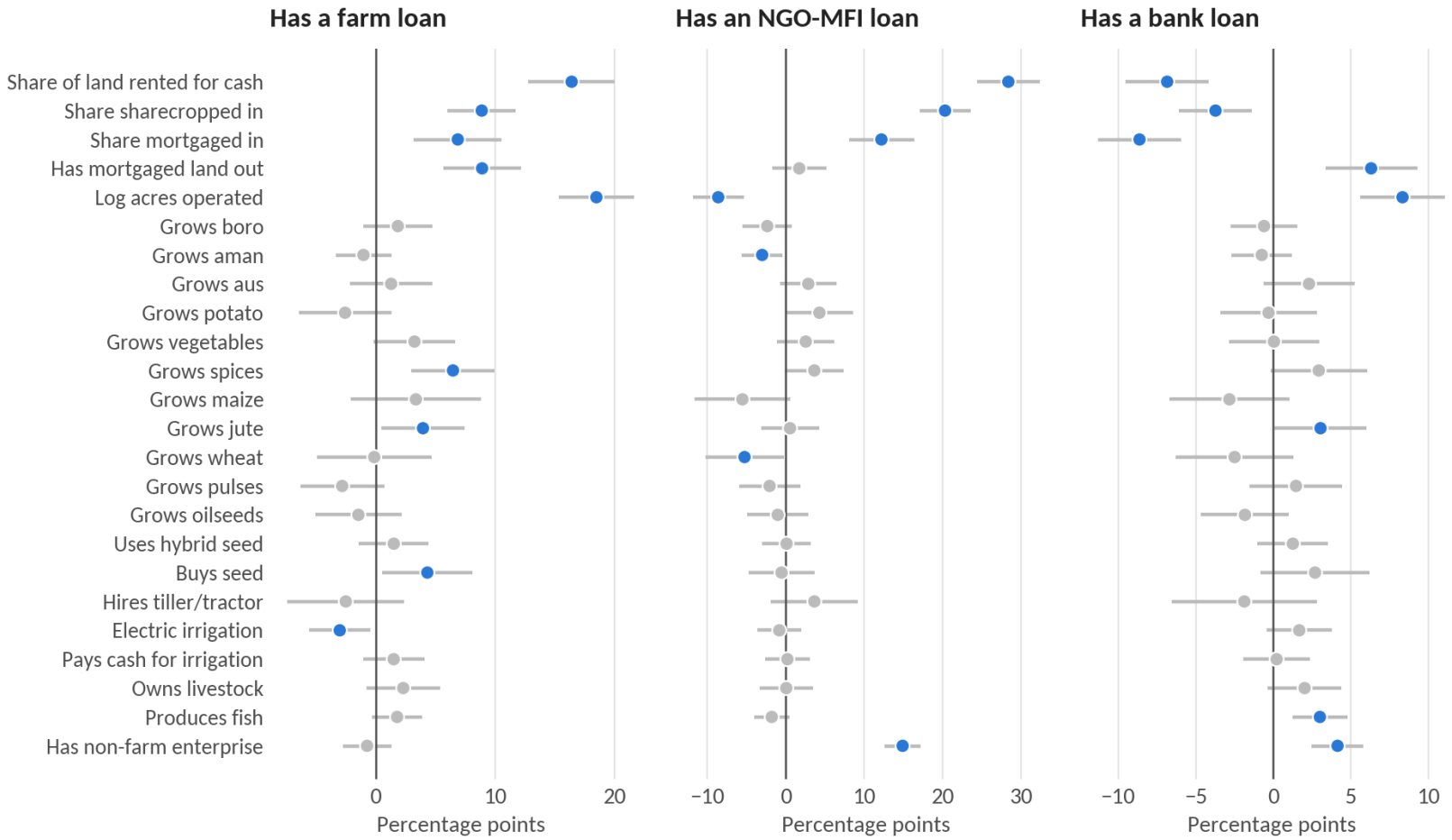
Households with livestock borrow most: 47–51% have a loan, against 33–34% of crop-only and non-farm households

Farm loans rise with land operated up to 2.5 acres, then flatten

Loan per acre is highest for the smallest farms and rose over time

Source: HIES 2010, 2016 and 2022, rural households. Author's calculations. Left panel n = 2,004 / 1,708 / 705 / 2,782 households.

What predicts a farm, NGO or bank loan



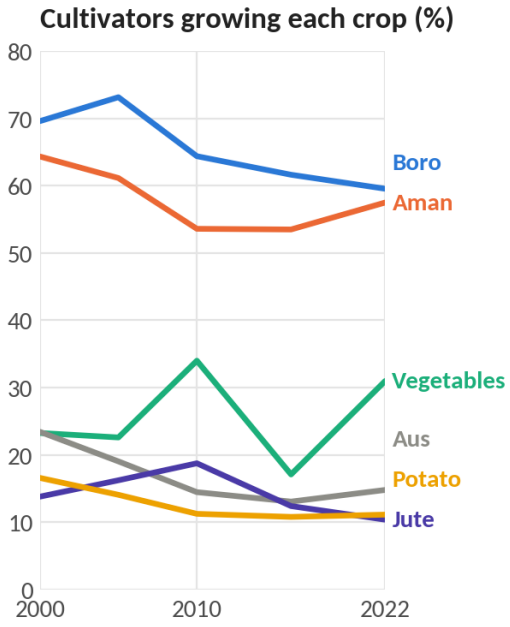
Cash tenancy raises farm and NGO borrowing and lowers bank borrowing

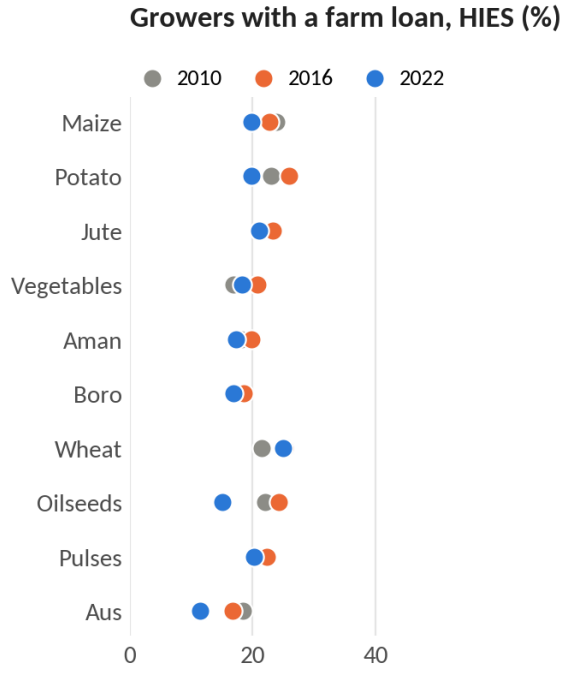
Land operated predicts a farm loan; land owned predicts a bank loan

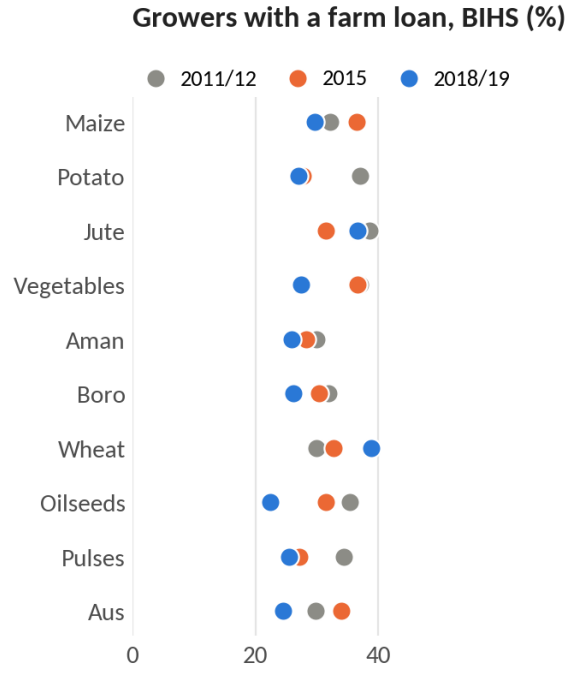
Crop choice and technology matter little once tenure and land are controlled

Source: BIHS 2011/12, 2015 and 2018/19. Linear probability models with round and division effects; bars are 95% confidence intervals; blue dots significant at 5%.

Crops changed, but borrowing does not follow the cropping patterns







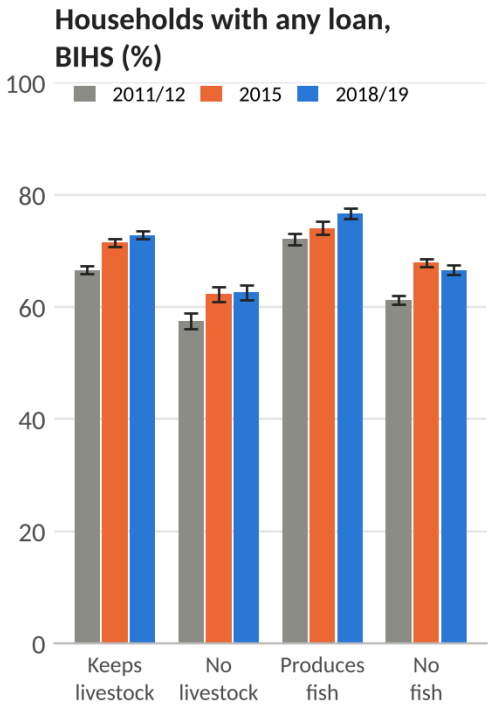
Boro and aman shares fell; vegetables rose

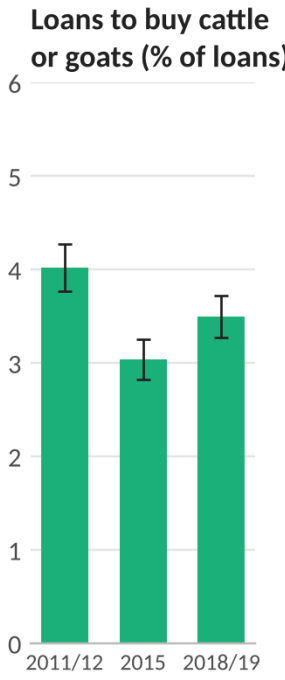
Growers of every crop borrow at similar rates: 15–25% (HIES), 25–40% (BIHS)

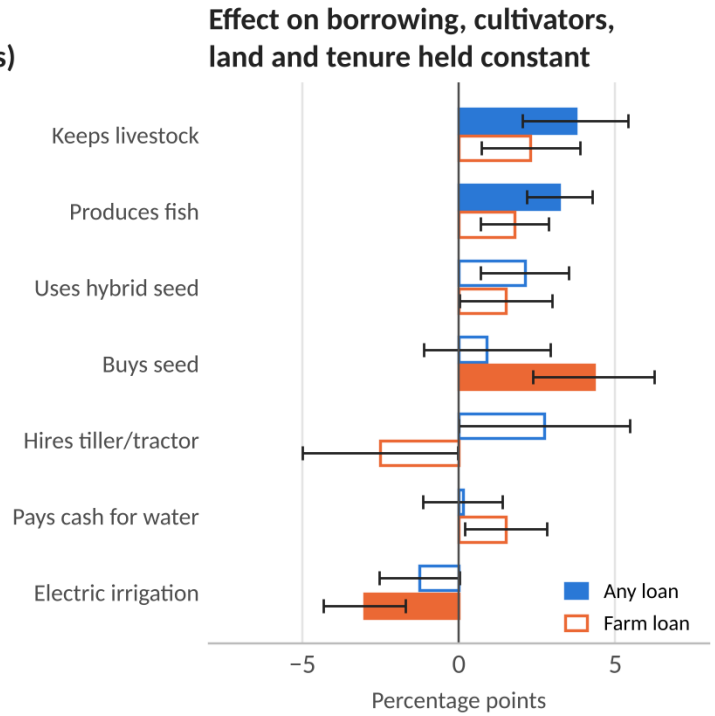
There is no crop-specific credit market

Source: HIES 2000–2022 (crop shares among cultivating households); HIES 2010, 2016, 2022; BIHS 2011/12, 2015, 2018/19. Author's calculations.

Livestock and fish raise borrowing; new farm technology does not







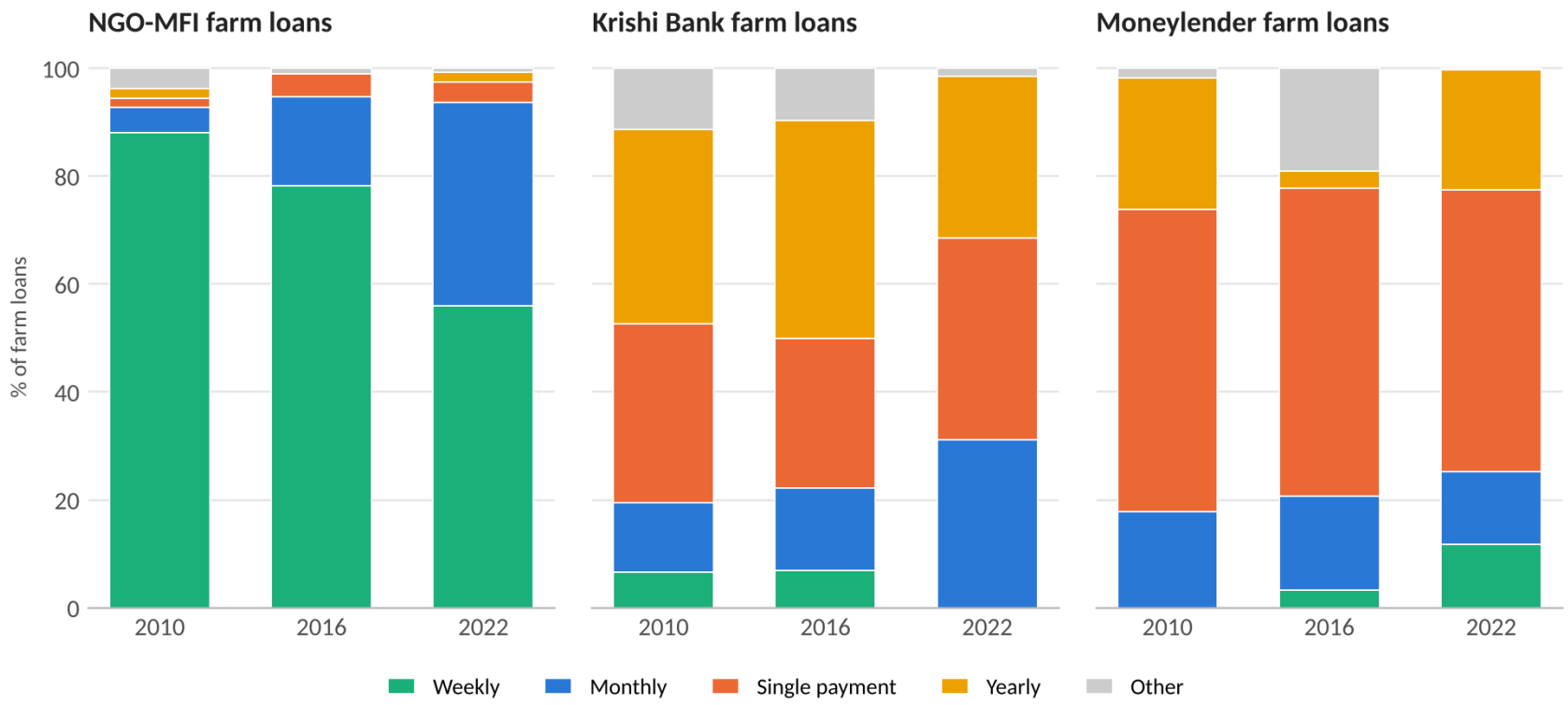
+3 to +4 points chance of having a loan for households with livestock or fish, land and tenure held constant

Loans to buy cattle or goats: 3–4% of all loans, mostly from NGO-MFIs

Only buying seed raises farm borrowing (+4 points); electric irrigation lowers it

Source: BIHS 2011/12, 2015 and 2018/19. Author's calculations. Left and middle. Right: linear probability models for cultivating households with land operated, tenure shares, crops, round and division effects; ±1 SE clustered by household; filled bars significant at 5%.

Farm loans moved from weekly to monthly repayment



88% → 56% of NGO-MFI farm loans repaid weekly (2010–2022)

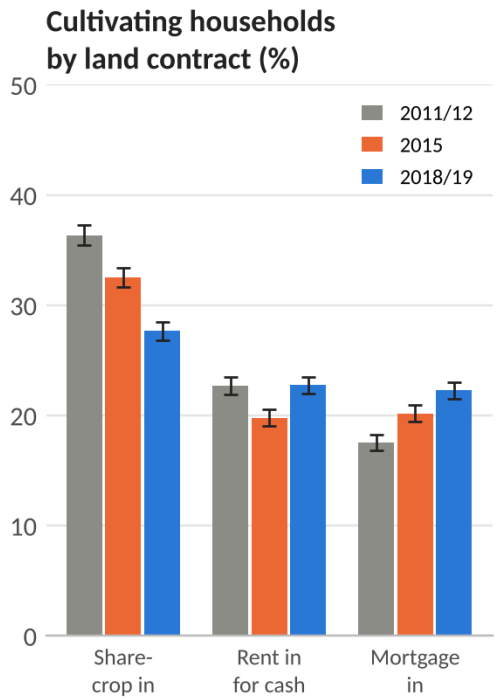
5% → 38% repaid monthly

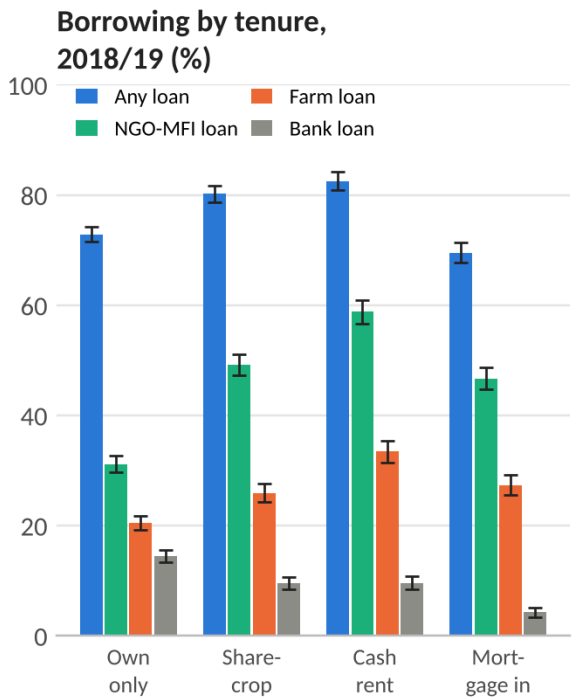
13% → 31% of Krishi Bank farm loans repaid monthly; the rest in one payment or yearly

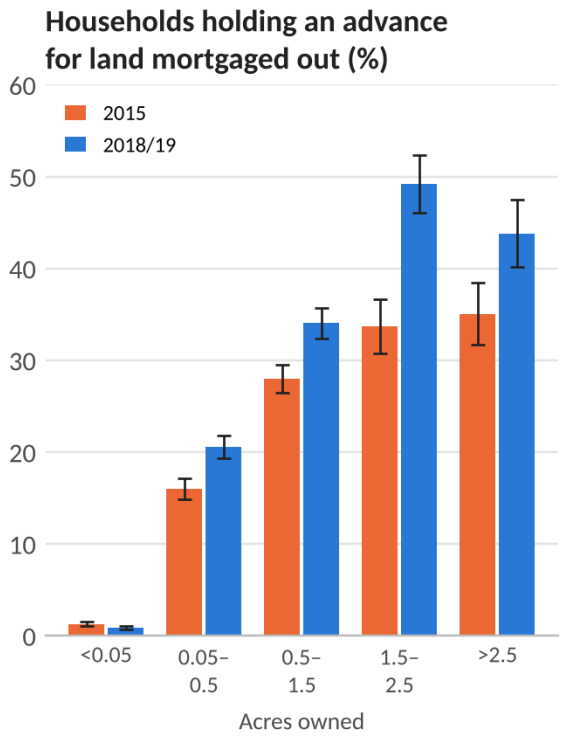
Moneylender farm loans: mostly a single payment after the harvest

Source: HIES 2010, 2016 and 2022, rural households; loans whose main purpose is agriculture, by lender (NGO-MFI n = 537 / 2,236 / 549; Krishi Bank 126 / 233 / 45; moneylender 45 / 60 / 36). Krishi Bank 2022 and moneylender bars rest on small samples.

Cash tenancy and the mortgage (Bandhak) created new demand for credit







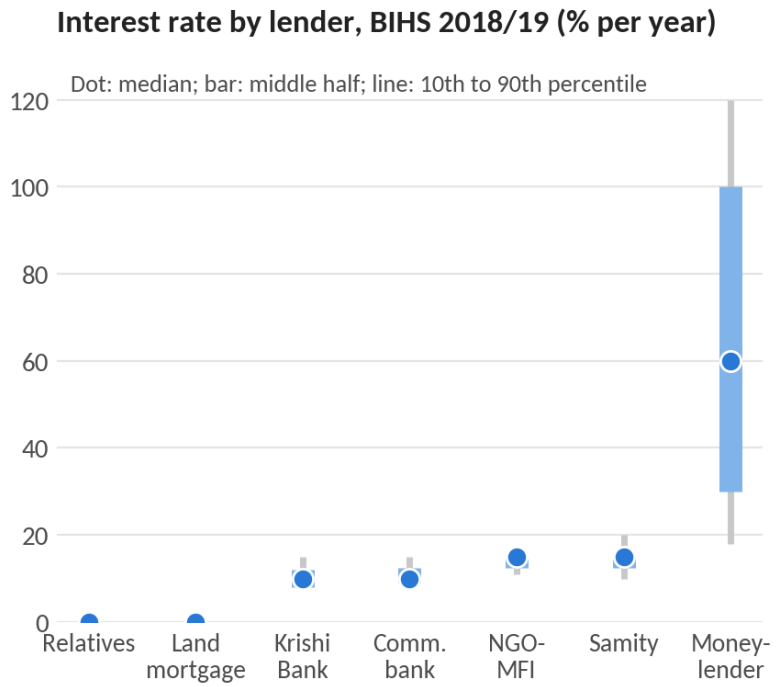
Sharecropping households fell from 36% to 28% of cultivators; mortgage-in rose from 18% to 22%; cash renting stayed at 20–23% (left)

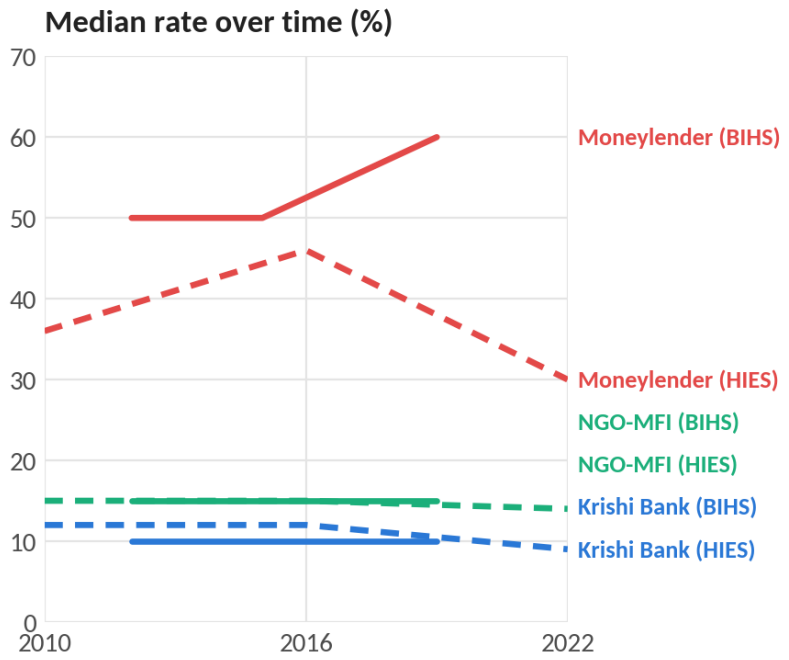
83% of cash tenants have a loan: 59% an NGO-MFI loan, 34% a farm loan, only 10% a bank loan (middle)

1% → 49% of households hold an advance for land mortgaged out, from the landless to owners of 1.5–2.5 acres; higher in 2018/19 than 2015 in every landowning class (right)

Source: BIHS 2011/12, 2015 and 2018/19. Author's calculations. Right: households whose outstanding loans include an advance received for land mortgaged out, by acres owned (2011/12 had no separate code).

Interest rates by lender: 0, 10, 15, 60





10% banks

15% flat NGO-MFIs (about 27% declining)

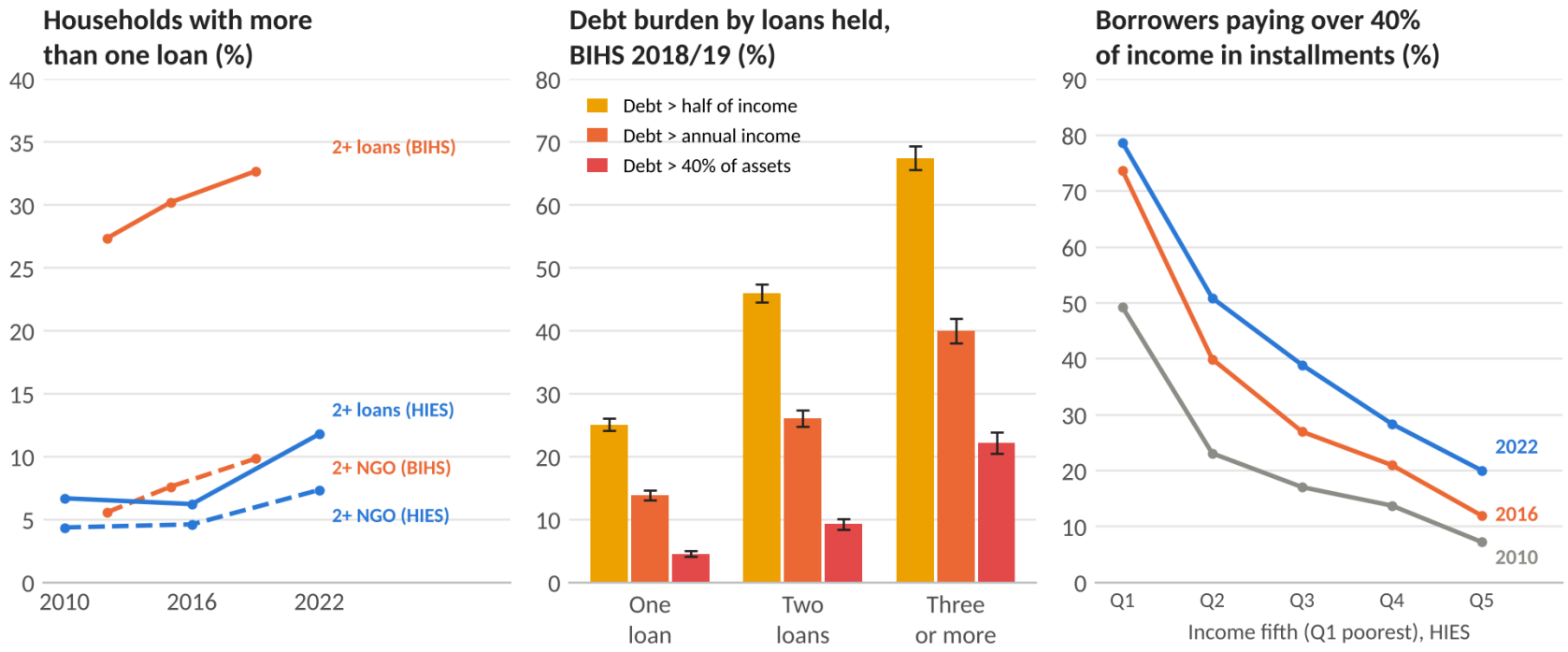
50–60% moneylender median; a third of their loans at 100% or more

0% relatives and land-mortgage advances

Rates barely moved in a decade

Source: HIES 2010, 2016, 2022; BIHS 2011/12, 2015, 2018/19. Author's calculations. Annual rates as reported by borrowers; HIES monthly entries corrected.

More loans per household, heavier debt service



27% → 33% of BIHS households with two or more loans

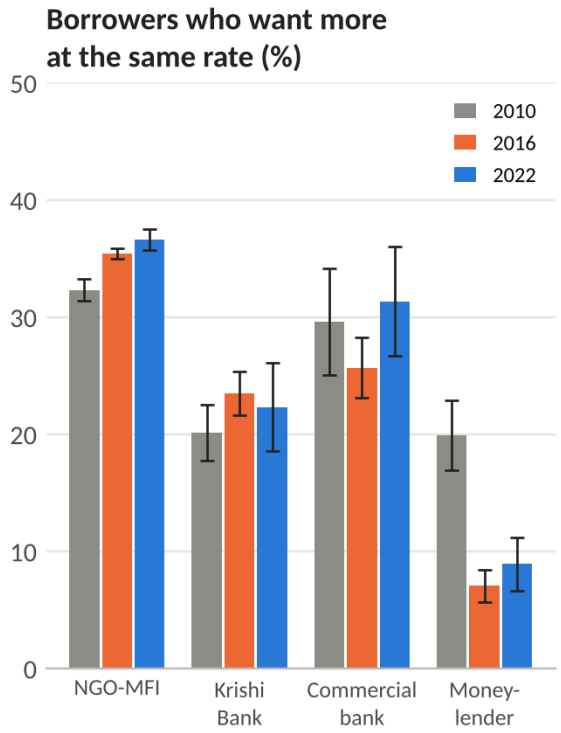
5.6% → 9.8% with two or more NGO loans

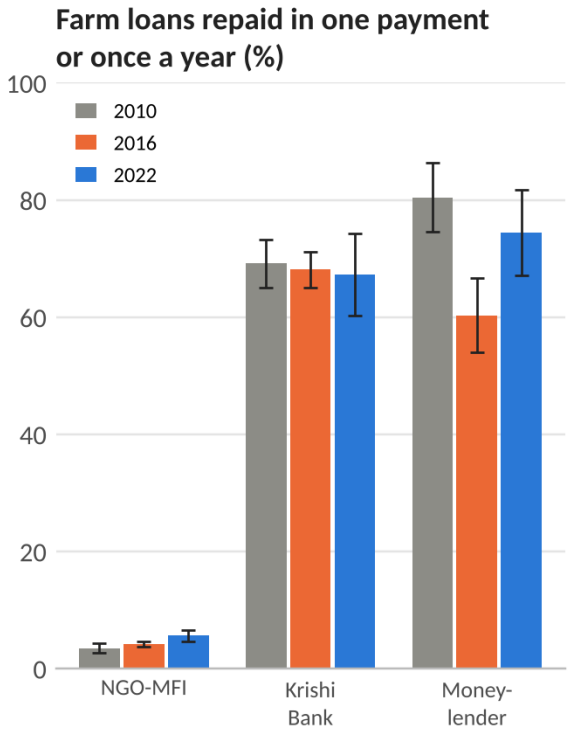
0.28 → 0.40 debt to annual income

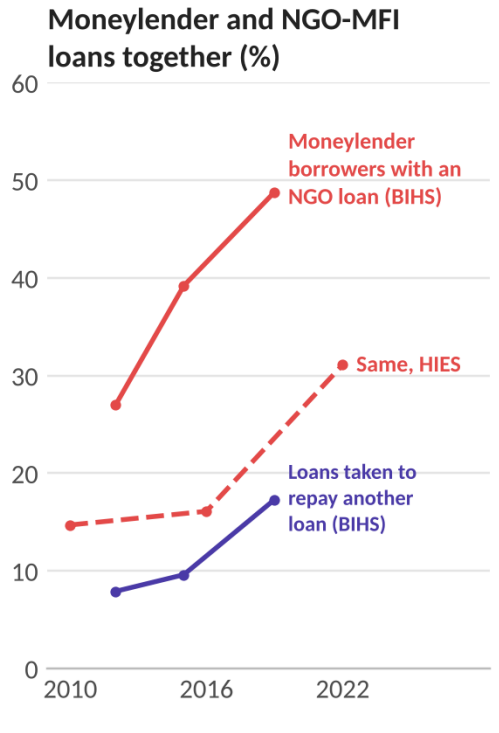
22% → 41% of borrowers pay over 40% of income in installments; poorest fifth 49% → 79%

Source: HIES 2010, 2016, 2022; BIHS 2011/12, 2015, 2018/19. Author's calculations. Debt service ratio: annual installments over annual income, among borrowing households. Middle panel n = 2,122 / 1,208 / 615 households.

Why mohajon exists? The mohajon meets unmet demand and lends on a harvest schedule







32% → 37% of NGO-MFI borrowers want more at the same rate; only 9% of moneylender borrowers do

6% of NGO-MFI farm loans are repaid in one payment or yearly, against 74% of moneylender farm loans (2022)

27% → 49% of moneylender borrowers also hold an NGO-MFI loan; loans taken to repay another loan 8% → 17%

The price: 50–60% a year, and rising

Source: HIES 2010, 2016, 2022; BIHS 2011/12, 2015, 2018/19. Author's calculations. Left: loans taken in the past year, by lender (n = loans). Middle: loans whose main purpose is agriculture (NGO-MFI n = 537 / 2,236 / 549; Krishi Bank 126 / 233 / 45; moneylender 45 / 60 / 36).

KEY TAKEAWAYS

Credit reached the village through the NGO-MFI; farm credit lagged

1

More households borrow, and loans are larger

36% → 42% borrowed in the past year (HIES); the median NGO-MFI loan doubled in real terms

2

The NGO-MFI is the village lender

3 in 4 loans; banks reach farmers mainly by lending to MFIs, not through their own branches

3

Agriculture gets a falling share of credit

25% → 16% of loans; farm loans buy fertilizer, seed, animals and cash leases, not machines

4

Tenancy, not the crop, drives farm borrowing

Cash tenants and mortgage-in farmers borrow most; a bank loan follows land owned

5

Repayment moved toward the farm calendar, slowly

NGO farm loans shifted from weekly to monthly; seasonal products were tried and dropped

6

More lenders, but no price competition

Banks 10%, NGO-MFIs 15% flat (≈27% effective), moneylenders 50–60%: unchanged in a decade

7

Debt service weighs most on the poorest

Borrowers paying over 40% of income in installments 22% → 41%; poorest fifth 49% → 79%

8

The moneylender survives because of unmet demand and tailored to farm cash demand

27% → 49% of moneylender borrowers also hold an NGO-MFI loan; he bridges installments and emergencies

Redesign farm credit around tenants and the crop cycle

1. Lend to tenants without a land title

Evidence: Cash tenants are the most likely farm borrowers (34% have a farm loan, 59% an NGO-MFI loan), but only 10% have a bank loan: bank credit follows land owned, not land farmed.

Action:

.

- Reserve a fixed share of each bank's agricultural credit target for tenant farmers.

2. Tie repayment to the harvest, not the week

Evidence: Farm loans pay for fertilizer, seed, animals and cash rent months before any income arrives, yet 56% of NGO-MFI farm loans are still repaid weekly.

Action:

- Bangladesh Bank and PKSF should prioritize refinance those MFI farm loans whose repayment follows the crop or livestock cycle: a grace period until harvest, or a single repayment after sale.

3. Register the bandhak

Evidence: Advances for land mortgaged out are 11–12% of all loans and a fifth of the amount owed: the largest informal credit contract in the village.

Action:

- Register usufructuary mortgages at the union land office on a standard form stating amount, term and redemption.
- Allow a registered bandhak to serve as collateral for the farmer who takes the land in.

4. Limit total debt per borrower

Evidence: poorest-fifth borrowers paying over 40% of income in installments 49% → 79%; 17% of loans are taken to repay another loan.

Action:

- MRA should run a credit bureau shared by MFIs and banks and require lenders to check it before every loan.
- No new loan where total installments would exceed 50% of household income.

Thank you