

Land Tenure and Credit: A Study in Selected Areas of Mymensingh District

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Abstract

The present study aims at investigating into the existing land tenure system and its relationship with credit. A total of 70 households from three villages of Trishal Upazila of Mymensingh district were randomly selected from whom required data have been collected through administering well prepared interview schedules. Six tenurial arrangements (owner operator, part operator, part tenant cum part operator, part tenant, tenant and absentee land owner) were found to exist in the study villages. The study reveals that land owner group (owner operator, part operator, part operator cum part tenant and absentee land owner) had relatively more access to institutional sources of credit while the tenants had not any such access during present study. Tenants however, received loan from member based institutional sources like GB and BRAC available in the area. A lion's share of borrowed money has been productively used by the respondents irrespective of tenurial categories signifying their positive attitudes towards productive loan use. The study suggests for extending more timely credit to the farmers in general and the tenants and part tenants in particular. Active loan supervision by the institutional field level staff is also suggested.

Keywords: Tenurial Arrangements and Credit

Introduction

In spite of the GOB's top priority in food security and increased agricultural production, the country has continuously been facing the problem of inadequate production and improvement in various sub-sectors of agriculture due to multi-facet factors of which land tenure system in practice and vulnerable financial aspects are worth-mentioning. Resource use and production under different tenurial arrangements in less developed countries has been one of long debated,

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most widely discussed and controversial issues in development literature. In recent years, more theoretical and empirical contributions have been made which added diverse dimensions to this issue (Mandal 1979, Talukder 1980, Jabbar 1977, Hossain 1977) although the basic controversy still seems to remain unresolved. The comparative production efficiency of alternative forms of land tenure has long been debated. Similar is the case with credit receipt from institutional sources and land tenure. Considering the importance of farmer's external financial assistance, credit programmes at different time periods have been undertaken by the GOB since the independence 1971. But very few made any specific provision for extending agricultural loan to marginal, small and those of tenants. The introduction of Tk. 100 crore special Agricultural Credit Programme (Tk. 100 crore SACP, simply SACP lateron) in 1977 has been in this connection a significant stepping stone because of the fact that it has made specific provision for extending loan to the share croppers and tenants. But unfortunately the SACP in fact, failed to well accommodate the tenants and share croppers within the domain of institutional sources of credit (Bashar 1981, Nathan Associates 1980).

But at present various Non-government Organizations (NGOs) and the Grameen Bank and following them other banks and the BRDB having targeted micro credit programmes provide credit to the landless, marginal, small and tenant farmers without any tangible security. Various studies undertaken by the researchers even then reveal that this group (landless, marginal, small and tenant farmers) has relatively less access to institutional sources and so resort to non-institutional borrowing at exorbitant rate of interest (Jabbar 1977, Alam 2004). The present study therefore, intends to look into credit-tenancy relationship under tremendous structural changes that happened in the agricultural sector since independence 1971 of the country. The specific objectives taken care of in the study are as follows:

- to assess the socio-economic characteristics of the respondents in the study area;
- to examine the credit receipts and its adequacy in relation to tenurial arrangements in the study area;
- to investigate into the utilization of credit in relation to tenurial arrangements in the study area;
- to draw some conclusions based on the study findings.

To rationally achieve the objectives of the present study, three villages (Jhairpar, Gaisapara and Dorirampur) under Trishal Upazila of Mymensingh District were purposively selected as study area. After selecting the study area, a total of 70 farmers comprising 25 each from Jhairpar and Gaisapara and 20 from Dorirampur were randomly selected from whom required information were sought during intensive field visits in between March and April 2008. Data used in the present study covered the period January-December 2007. Primary level data were collected through using direct interview schedules. After completion of data collection, filled in schedules were carefully scrutinized, checked, edited, coded and then analyzed and tabulated to obtain the set objectives of the study. Statistical measures like average, percentages, ratios and empirical analysis were made to arrive at desired results. Very often secondary data were also used as back up support of the present study.

Results and Discussion

Socio-economic Profiles of the Respondents

Socio-economic characteristics of the respondents, by and large, may have an important bearing on loan receipt, use and its repayment from institutional as well as non-institutional sources of credit and as such felt necessary in present study to assess some of the important and at the same time relevant socio-economic characteristics of the farmers and farm households. Findings related to socio-economic characteristics are presented in table 1.

Sampled farmers in the present study belonged broadly to two major groups of tenurial arrangements (a). Owner operator group (owner operator, part operator and absentee land owner (b). Tenant operator group (part tenant, part operator cum part tenant and tenant). It is evident from the table that 67 percent of the respondents were owner operator/ land owner while 33 percent belonged to tenant operator's group during the study. Average family size considering all tenurial categories together was found to be 5.37 (3.07 males and 2.30 females) being a bit more than national average (4.90, BBS 2006). Average family size was the highest for the tenants (5.86) and lowest expectedly for the absentee land owner (4.88) during the study. Dependency ratio shows relatively more persons in case of owner operator (2.98), part operator (2.43) and absentee land owner (3.00) while minimum for the tenants during the same period perhaps because of child labour available in tenant families.

No one among the absentees was found illiterate while majority of the tenant respondents (57 percent) were illiterate and 43 percent of them attended only upto

Table 1 : Socio-Economic Characteristics of the Respondents

Particulars	Owner Operator	Part Operator	Part tenant	Part operator -cum part tenant	Tenant	Absentee	Total
Sample Farmer (no)	24	15	11	5	7	8	70
Family Size (no)	5.21	5.67	5.45	5.20	5.86	4.88	5.37
Average earning member (no)	1.75	2.33	2.27	1.80	2.57	1.63	2.03
Dependency ratio (no)	2.98	2.43	2.40	2.89	2.28	3.00	2.65
Education Level (Percent)							
Illiterate	29	40	46	40	57	-	34
Primary	33	27	36	40	43	12	32
S.S.C	25	20	18	20	-	38	21
Above S.S.C	13	13	-	-	-	50	13
Occupation (Percent)							
Only farming	63	67	55	60	29	-	51
Farming major-cum-other minor	29	27	36	40	14	-	26
Farming minor cum-other major	8	6	9	-	57	50	16
Occupation other than farming	-	-	-	-	-	50	7
Size of Land Holding (acre)							
Cultivated own land	1.94	3.20	0.78	1.16	-	-	1.74
Land Rented in	-	-	0.11	0.08	0.41	-	0.06
Land Rented out	-	0.58	-	0.33	-	0.75	0.23
Land mortgaged in	-	-	0.19	0.21	0.07	-	0.05
Land mortgaged out	-	0.41	-	-	-	0.85	0.19
Total cultivated land	1.94	3.20	1.08	1.45	0.48	-	1.63
Home stead	0.18	0.18	0.09	0.14	0.10	0.20	0.16
Other (Pond, Fallow, Orchard, etc.)	0.23	0.24	0.12	0.21	0.13	0.27	0.21
Total land owned (Legal status)	2.35	4.62	0.99	1.84	0.23	2.07	2.21
Control over available land (percent)	22 (34)*	34 (22)*	09 (16)*	14 (07)*	2 (10)*	19 (11)*	100
* Asteric figures indicate percent of farms.							
Value of Assets (Tk. in '000)	156	172	64	109	42	204	136
Annual income (Tk. in '000)							
Farm income (Tk. in '000)	86	100	44	68	15	30	68
Non-farm income (Tk. in '000)	11	28	08	08	21	84	23
Total income (Tk. in '000)	97	128	52	76	36	114	91
Annual expenditure (Tk. in '000)							
Farm expenditure	43	47	19	27	04	07	31
Family expenditure	43	65	22	34	29	91	48
Total	86	112	41	61	33	98	79
Annual savings (Tk. in '000)	11	16	10	15	02	15	12

Source: Field Survey, 2008

* 65% farm households controlled 75% available land.

33% farm households controlled 25% available land.

primary level education in the study villages. The table further reveals that owner operators/land owners group (13 percent of both owner operators and part operators and 50 percent of absentees attended above S.S.C level education implying their ability to incur cost for higher education and consciousness about the importance of education in quality human life. Overall literacy level in the study villages surveyed however, was approximately 66 percent, almost the same as national average (63.36 percent, BBS, 2007).

Considering the actual land tiller groups (owner operator, part operator, part operator cum part tenant, part tenants and tenants) except the tenants, majority of the respondents had farming as only the source of livelihood. On the other hand, tenants and the absentee land owners were observed expectedly to have main occupation other than farming. Reasons however, may be different for the tenants and the absentee land owners. In the case of tenants might be quite uneconomic size for livelihood while the absentees to maintain connection with rural areas (perhaps because of using land property) as strong base in rural power structure and as security against institutional loan or briding future political career.

On an average, land holding under effective use was found to be 1.63 acre taking all farms together while land holding under legal status was estimated at 2.21 acres during the study period. Maximum land was owned (4.62 acres) by the part operators and a minimum (0.23 acres) by the tenant farmer. Analysis of land use pattern shows that the tenants and the part tenants were in efforts to increase the effective land use while the part operators and part operator-cum-part tenants were found to have leased out land to others during the same period. This may to either lack in other non-land resources or their efforts to find out better income source outside agriculture.

Gini coefficient (0.35) indicates that land distribution among the sampled households were relatively equitable in the study villages. Relationship between tenure classification and that of farm size category shows that the owner farm groups belong to small and medium farm size categories except on insignificant proportion of part operators (13 percent) representing the large ones while the tenant groups fall exclusively in small farm size category during the same period. It may therefore, be concluded that the selected area is quite land poor by and large, showing common scenario of rural Bangladesh. It is apparent from the table that average assets value of absentee landowner and part operator was expectedly maximum while that of a tenant farmer was minimum (Tk. 42,000) during the year.

Annual income and expenditure analysis reveals a positive relationship between owner farm group and tenant farm group during the year of study. Annual savings, on an average was the highest (Tk.16,000) for part operator followed by part operator cum part tenant and absentee land owner (Tk. 15,000) while minimum (Tk.2000) was expectedly for the tenant in the study villages.

Sources of Credit Available and Amount Received by Different Tenure Category Farmers

Tenurial arrangements are expected to have influence on receipt of credit available from various sources particularly the institutional ones. It has been considered to be the core objective of present study. The null hypothesis to be tested is that access to institutional credit is independent of tenurial status of the sampled farmers. Sources of credit found working in the area were BKB, GB and BRAC among the institutional sources and money lenders and friends and relatives among non-institutional ones in the study villages during the study

Table 2 : Amount of Loan Contracted from Different Sources of Credit (in Tk.)

Tenure category	Institutional source			Non-institutional source			Total
	BKB	Others (GB, BRAC) Others (GB, BRAC)	Sub-total	Money lender	Friends and relatives	Sub-total	
Owner operator	23417 (90)	-	23417 (90)	1333 (5)	1292 (5)	2625 (10)	26042 (100)
Part operator	27920 (88)	-	27920 (88)	1500 (5)	2267 (7)	3767 (12)	31687 (100)
Part tenant	14814 (75)	-	14814 (75)	2273 (11)	2818 (14)	5091 (25)	19909 (100)
Part operator-cum-part tenant	18900 (79)	-	18900 (79)	2740 (12)	2260 (9)	5000 (21)	23900 (100)
Tenant	-	6120 (88)	6120 (88)	492 (7)	317 (5)	809 (12)	6929 (100)
Absentee land owner	30750 (88)	-	30750 (88)	1375 (4)	2875 (8)	4250 (12)	35000 (100)
All categories	21204 (84)	612 (2)	21816 (86)	1538 (6)	1893 (8)	3431 (14)	25247 (100)

Figures in parentheses indicate percentages of total

Source: Field Survey, 2008

period. Average amount of loan from available sources contracted by the respondents belonging to various tenorial categories during last twelve months is presented in table 2.

It appears from the table that loan receipt from non-institutional sources was quite insignificant (14 percent) relative to institutional sources (86 percent) considering all categories together indicating the GOB's success to popularize the institutional credit among rural mass of the country. Analysis further shows that the land owner groups (owner operator 90 percent, part operator 88 percent, absentee land owner 88, part operator cum-part tenant 79 percent and part tenant 75 percent of total households) could have better access to institutional sources of credit signifying the historical evidence that institutional loan still deviates towards land rich people ignoring the GOB's set priority to provide more credit facilities to marginal and small farmers and even the tenants who constitute a mega portion of total population and are engaged actually in land tiling activities in the country. Tenants as before were found to have no loan at all from the BKB because of their inability to offer adequate security against loan. The tenant farmers in the study villages however, have been taken care of by the member based credit institutions present in the area (GB and BRAC) which provide credit to the farmers for various income generating activities popularly known as micro credit sharing small amount of loan (on an average Tk. 6120) during the study period. The null hypothesis therefore, is hereby rejected implying that the provision of institutional credit in Bangladesh is still security-based.

Analysis relating to source wise loan distribution during the study year reveals that loan receipt from non-institutional ones was quite insignificant (14 percent) compared to institutional ones (86 percent) considering all the respondents together proving the positive effect of expanding network of branches over the country on one hand and the GOBs good will for such programme as well as the emergence of micro credit extension by NGOs on the other. It may therefore, be concluded that the dominance of informal credit market has been gradually declining among the rural mass in the study villages. Formal credit market of course still has affinity for rich people even having no direct attachment with actual farm production because of loving attitude of the institutional source of credit. So far the loan receipt from the informal sources is concerned, similar trend was evident. For instance, tenant household was observed to have received Tk. 809 from informal sources whereas, the amount received by land owner people ranged from Tk. 2625 to Tk. 5091 during the same period.

Transaction Cost of Loan According to Tenure Category

It is generally alleged that high transaction cost of receiving institutional loan acts as one of the discouraging factors among the borrowers in general and the farmers of small means in particular to contract loan from institutional sources. According to many, transaction cost sometimes exceeds the cost involved in settling credit from non-institutional sources (Bashar et al.1981). Attempt has been made in present study to estimate loan transaction cost other than interest wherein six major cost items were identified e.g. (a). Documents, stamps and deeds (b). Cost of entertainment (c). Cost of certificates and photographs (d). Cost of travel to and

Table 3 : Cost of Obtaining Credit from the Institutional Sources (in Tk.)

Components of cost	Tenure category						
	Owner operator	Part operator	Part tenant	Part operator-cum-part tenant	Tenant	Absentee land owner	All
Documents, stamps and deeds	5	5	5	5	5	5	5
Cost of travels of and from the bank	32	38	27	29	22	40	32
Cost of entertainment	24	26	21	25	-	25	22
Photograph	20	20	20	20	20	20	20
Tips and bribes	125	139	122	142	-	141	122
Labor cost of days spent in obtaining credit	175	180	160	155	100	200	169
Total cost	381	408	355	376	147	413	370
Cost per Tk. 100	1.63	1.46	2.40	1.99	2.41	1.40	1.70

Source: Field Survey, 2008

from the bank branch (e). Mandays spent to negotiate loan (f). Tips and bribes to give at different stages. Table 3 reveals that total average cost incurred all together was Tk. 370 ranging from Tk.147 (tenant) to Tk. 431 (absentee land owner) in the study villages during the present study.

The table also shows that the cost per Tk. 100 was observed to be minimum (Tk.1.40) for absentee land owner while maximum cost incurred by the tenant farmer (Tk. 2.41) possibly because of economies of scale or their (absentees) early acquaintance with bank officials.

Table 4 : Utilization of Credit Received from Different Sources According to Tenure Category (in percent)

Head of expenditure	Percent amount of loan use						
	Owner operator	Part operator	Part tenant	Part operator-cum-part tenant	Tenant	Absentee land owner	All categories
Purchase of livestock	28.21	23.30	32.80	28.80	11.19	6.25	25.30
Purchase of land	5.27	4.17	5.81	5.58	-	25.37	6.91
Purchase of tube-well/power pump/power tiller	2.97	6.87	2.10	3.91	-	-	3.10
Pond leased in/digging	5.30	4.10	3.88	2.38	-	2.10	3.72
Total capital expenditure on farming	41.75	38.44	44.59	40.67	11.19	33.72	39.03
Land preparation	4.90	5.20	3.10	4.48	8.80	1.70	4.68
Purchase of seed/seedling	3.10	1.10	1.80	2.10	5.20	1.82	2.46
Purchase of fertilizer	5.92	4.50	4.41	3.29	8.00	2.12	4.96
Charge for human labour	6.81	7.42	3.40	2.91	-	-	4.67
Irrigation charge incurred	19.91	22.32	7.71	5.90	15.72	4.81	15.02
Purchase of insecticides	2.10	3.18	0.87	1.27	2.98	1.80	2.13
Total current expenditure on farming	42.74	43.72	21.29	19.95	40.70	12.25	33.92
Expenditure on business	5.22	3.82	7.12	6.18	4.15	36.15	10.01
Total non-farm business expenditure	5.22	3.82	7.12	6.18	4.15	36.15	10.01
Purchase of food	-	-	6.85	5.81	18.00	4.20	3.04
Purchase of cloths	3.80	4.82	7.28	6.60	7.50	2.82	4.52
Medicinal treatment	1.25	2.37	4.58	5.28	4.50	0.68	2.10
Expenditure on education	2.21	1.25	2.41	3.22	2.83	3.39	2.06
Social ceremonies	3.03	3.37	2.52	3.71	2.21	4.48	3.01
Construction/repairing of house and furniture	-	2.21	3.36	8.58	8.92	2.31	2.31
Total family expenditure	10.29	14.02	27.00	33.20	43.96	17.88	17.04
Grand total	100	100	100	100	100	100	100

Source: Field Survey, 2008

Loan Utilization by the Respondents

Proper loan use ensures timely loan repayment which in turn upholds the liquidity position of lending institutions as well as encourages them to further extend fund to the farmers. But unfortunately, timely repayment of loan by the farmers particularly in less developed countries, is very scarce and competent experts opine that improper use of loan might be the prime reason of loan defaults. There are however, other reasons too for these happenings. Keeping all these in mind, attempt has been made to look into the matter based on data collected during field survey. The purposes for which the loanees generally used loan money during the year of investigation are broadly classified into the following: (a) capital expenditure on farming (b) current expenditure on farming (c) non-farm business expenditure and (d) family expenditure.

Broad heads of expenditure were further detailed out to identify the specific purposes prioritized by the respondents with a view to finding out the extent of productive loan use in the study villages. Percentage use of loan money is presented in table 4 and sequentially discussed in brief in the article.

It is evident from table 4 that the tiller groups have used maximum of capital expenditure on purchasing livestock while minimum has been done expectedly by the absentee land owners during the year. Considering the respondents all together, near about 40 percent of loan money has been spent on capital expenditure on farming. Irrigation charge (15 percent) incurred by the farmers ranked highest among various items of current expenditure on farming. There again, the absentee land owners were observed to have incurred least because of obvious reasons. About 34 percent of total loan proceeds has been spent on various items of broad current expenditure on farming by the respondents in study villages during the study year. Next to capital and current expenditure on farming, the farmers had to give priority on different items of family expenditure although the extent was found to be quite insignificant (17 percent) relative to productive loan use. It is to be mentioned here that the tenants, part operator cum-part tenants and part tenants were found to have spent relatively more on family expenditure the extents being respectively 44 percent, 33 percent and 27 percent whereas, owner operator, part operator and absentee land owner incurred logically minimum on the same during the study period. Tenants have logically spend mostly on food consumption (18 percent) followed by repairing households (about 9 percent) in the study villages. On the other hand, absentee land owners have spent mostly for business purposes (36 percent) during the same period. Discussion on loan use therefore, suggests to opine that lion's share (83 percent)

of loan money has been very much productively utilized by the respondents signifying the positive attitudes of the borrowers toward effective loan use which is encouraging from economic view point.

Conclusion

Conclusions drawn based on the findings of the present study are as follows:

- Land ownership on legal status still plays an important role in receiving loan from formal sources of credit implying less access of marginal, small and tenant farmers to the same;
- Member based sources (GB, BRAC, etc.) of credit however, take care of the dependent in rural villages;
- Sources of institutional as well as member-based credit are however, not adequate relative to the requirement;
- Informal sources of credit get less importance among the rural mass because of more availability of formal credit in the study villages;
- Productive loan use at present becomes more preferable to the farmers;
- Lastly the study suggests for conducting similar studies in other parts of the country to test the validity of present one and make it representative for the entire country.

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