

The agricultural reform has been going on in Tajikistan for several years – thousands of small dehkan farms have emerged on the basis of collective farms and state farms. However, experts think high loan interest rates can become an obstacle to the developing sector.

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Makhfirat Sairakhmonova has been the head of a dehkan farm “Idibek” in Shakhritus district for 15 years. According to her, additional funds are needed for farm development to purchase high-quality seeds, fertilisers and other required materials, but current loan interest rates reduce the benefit.

“From my experience, I took a bank loan for farm development two years ago. Loans are short-term with high interest rates. So we couldn’t benefit from this money. After all, we decided to stop taking loans,” Sairakhmonova said.



Makhfirat Sairakhmonova. Photo: CABAR.asia



However, not all can afford not taking loans.

Kibiryo Usmonova, a head of dehkan farm “Navruz” of Yavan district, said they cannot do without loans.

“We take bank loans when the sowing campaign begins and pay them off after harvesting operations. We can hardly work without loans. This year we took a bank loan at an interest rate of 19 per cent. We won’t benefit much with such interest rates.”

Pending government approval

Gulmakhmad Tagoyev, deputy director of the branch office No. 42 of Amonatbank operating in

Kibiryo Usmonova. Photo: CABAR.asia

Bokhtar district of Khatlon region, said that in 2018 all bank departments in the region allocated 1 million 883.7 thousand somonis (199.9 thousand dollars) to the agricultural sector. Minimum loan rates were 24 to 26 per cent.

“More than 36 per cent of our loan facilities are allocated to the rural sector. This year this figure will possibly exceed 40 per cent. Our bank loan interest rates depend on the borrowed funds. If we borrow funds at low interest rates, we provide loans to our customers at lower interest rates,” Tagoyev said.

In 2018, all branches of credit institutions of the country in Khatlon region allocated nearly 1.15 billion somonis (121.6 million dollars) in loans. Almost one third of them, 365.7 million somonis (38.8 million dollars) were provided to the agricultural sector.

Compared to 2017, this indicator is 55.5 million somonis (5.9 million dollars) higher, as **Badriddin Safarov**, representative of the National Bank in Bokhtar district of Khatlon region, said. Loan periods are 12 to 36 months. Loans in cotton farming sector are provided mainly for 12 months, in horticulture and honey production – for up to 36 months.

According to Safarov, the loan rate is 18 to 33 per cent per annum. It depends on the interest rate of borrowed funds. For example, Amonatbank borrows budget funds under national programmes, so their interest rates are lower. They also can use deposits to grant loans both to their customers and to shareholders – local and international financial organisations.

“Refinancing is another option in the banking system. It means that banks allocate available cash to each other. The refinancing rate is 16 per



Badriddin Safarov. Photo: CABAR.asia

cent in average. The bank that borrows money at this rate adds its costs and interest to it. That's why different banks have different interest rates," Safarov said.

See also: [Chinese Companies in Khatlon: Investment or Expansion?](#)

No other choice

Nemat Bobomurodov is the chairman of dekhan farm Loik in Dusti district. It was established in 2009 and grows main cotton, watermelons, and other crops. They take loans at 29-30 per cent interest rate. They can benefit a little with this rate, according to Bobomurodov, only if weather conditions are favourable:

"In 2018, our harvest was poor because of the hot weather and we could hardly pay out the loan. This year we haven't decided yet if we are going to take a loan or not. It's unprofitable to work with such high interest rates, but we have no other choice. We cannot start field works without a loan."



Mekhnatullo Sirodzhov. Photo: CABAR.asia

The head of the agriculture office of Khatlon region, **Mekhnatullo Sirodzhov**, said that banks grant loans to dekhan farms on the same conditions as to other business entities. There are no preferences for the agricultural sector. "Farmers work for 7-8 months to reap harvest. However, they cannot get profit with such high interest rates. The state doesn't support them," Sirodzhov said.

The same opinion has Rakhmatullo Bobomurodov, head of NGO "Initsiativnaya set", which has worked for years to raise legal awareness of the farmers in Khatlon region. According to the expert, the agricultural sector needs subsidised loans and current forms of loan do not meet the needs of farmers.

Today Tajikistan has 178.4 thousand dekhan farms. According to **Bakhodur Nazarov**, head of the agricultural policy office of the Ministry of Agriculture, only few national programmes and two investment projects support the sector in

various areas. However, there are no programmes designed to support dehkan farms. "We cannot influence the banking system and demand that they lower loan interest rates. However, the Ministry of Agriculture has submitted its proposals to the government of the country. We asked them to allocate funds to long-term bank loans at low interest rates to support dehkan farms and to develop the sector. Our proposal is still pending," Nazarov said.

Alternative sources

Makhfirat Sairakhmonova said that the agricultural sector can develop once it has access to cheap borrowed funds. Today they have to buy cheap seeds at 7-8 somonis (0.74-0.85 dollars) because they are short of money, while high-quality seeds cost more than 30 somonis (3 dollars).

This is the reason why agro-engineering measures are not always taken. For example, the insufficient amount of fertilisers leads to poor harvest.



Cotton fields in Khatlon region of Tajikistan. Photo: tj.sputniknews.ru

According to Sairakhmonova, cotton farms have alternative sources of funding – loans from

cotton processors. They set certain conditions and interest rates, but compared to the banks, this scheme is more convenient for cotton growers. Cotton processors don't demand monthly interest payments. After harvesting, farmers sell cotton to them and thus pay out their loans and interest. "In case of poor harvest, the contract is prolonged to the next year, which is interest-free. This is why it's more beneficial to cooperate with cotton processors than banks," Sairakhmonova said.

Expert **Rakhmatullo Bobomurovod** agrees with this point of view. However, according to him, there's another nuance: processors buy cotton from indebted farmers at a cheaper rates: "They buy cotton from indebted farms 50 dirams (nearly 0.05 dollars) cheaper than from other farms. In my opinion, it would be helpful if cotton processors eliminate this difference," Bobomurodov said.

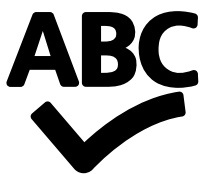
He noted that methods of financing convenient for farmers need to be sought to develop the agricultural sector.



Rakhmatullo Bobomurodov. Photo: CABAR.asia

The rural sector needs subsidised long-term loans to contribute to farm development.

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