

A STUDY OF THE FULFILLMENT OF CREDIT NEEDS OF THE FARMERS IN DISTRICT KHANEWAL

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In order to meet their agricultural needs, farmers have traditionally depended on non-institutional sources of credit. These sources have been insufficient and could provide relief to the farmers only to a limited extent. The institutional sources like banks have offered loans to farmers at their demand. The study aims to find out the extent to which the credit advanced by various sources has been instrumental in meeting the agricultural needs. Overall requirements have been meagre, mostly in the range of 20,000 to 50,000 rupees. The amount taken as loan has been used in buying all sorts of agricultural innovations. The procedures for getting loan and its recovery including the interest charged by banks have been discouraging. If some remedial measures are taken in this regard, the benefit accrued from loaning schemes will be more tangible.

INTRODUCTION

Agriculture is the most important sector of Pakistan's economy. It contributes about 26.5% share to GDP. It provides employment to 51.15% of the labour force and its direct or indirect share in annual export of country is of the order of 70%. However, the average yield of our crops is very low as compared to that of several advanced countries (Anon., 1990-91) which no doubt is the result of non-adoption of different inputs including good quality seed, improved implements, fertilizers and chemicals. In fact, the non-adoption of modern crop production technology is generally attributed to the poor financial conditions of the farming community particularly the small farmers who operate 70.7% of the total accounting for 35.7% of the cultivated area in Punjab.

Credit helps in making up some of the financial deficiencies of the farmers and thus considered as the key element in the modernization of agriculture. As such the credit

facilities are integral part of the process of rural development.

Farmers have traditionally relied upon the non-institutional sources such as borrowing from friends, relatives and the local shopkeepers or commission agents. These sources could fulfill farmer's personal and family needs and have not been instrumental in improving their agricultural outputs.

Our government has made arrangements for the provision of institutional credit to the farmers to help them boost up agricultural productivity of their farms. But the fact remains that full benefits do not seem to have been derived as the loaning agencies usually extend this facility more to the well-to-do farmers and the small farmers who are more in need of agricultural credit are by and large by-passed.

Objectives: The main focus of the study was:

1. To determine the credit requirements of the farmers,
2. To know the extent to which the credit facilities were being availed by the

farmers with varying size of land holdings, and

3. To compile farmers suggestions from farmers for the improvement of various agricultural credit programmes.

MATERIALS AND METHODS

Following a multi-stage sampling technique, three union councils were selected randomly from Khanewal district. Five villages from each union council were randomly selected and in turn nine loanee farmers were selected randomly from each village, thus a total sample of 135 respondents was drawn from 15 villages. The data were collected with the help of an interviewing schedule, and analyzed statistically to draw conclusions.

RESULTS AND DISCUSSION

The tendency of farmers to get loan from different sources and its use for various agricultural purposes has been depicted in the following tables:

Table 1. Distribution of respondents regarding agricultural credit borrowed from various loaning agencies

Agencies	n	Per cent
Commercial banks	37	27.40
Cooperative societies	55	40.70
Agricultural Development Bank of Pakistan	126	93.30

The data given in Table 1 show that a large majority (93.30%) of the respondents got credit from Agricultural Development Bank of Pakistan while 40.70% obtained loan from Cooperative Societies. Only

27.40% of the respondents borrowed agricultural credit from Commercial Banks. The purpose for which loan is drawn indicates the prospective use the farmers would make of it. The respondents named the type of innovation to which the loan money would be supportive (Table 2).

Table 2 shows that the major share of agricultural loans issued to the farmers was spent on the purchase of chemical fertilizers, insecticides and farm machinery as reported by 88.10, 77.80 and 62.20% of the respondents, respectively. It was observed that 31.10, 22.20 and 21.50% of the respondents used agricultural loan for installation of tubewells, to set up dairy farms and for purchase of quality seed respectively.

The requirements of the farmers are varied and the credit institutions can fulfill them to varying degrees of success. If the agricultural inputs are costly, the farmers requirements would be increased. Table 3 shows the monetary requirements of the respondents to meet various farm expenses.

About half of the respondents require Rs. 20,000 to 50,000 to meet various farm expenses. It was further revealed that 13.30%, 24.40% and 10.40% of the respondents required upto Rs. 10,000, 10,001 to 20,000 and Rs. 50,001 to 1,00,000 to meet various farm expenses, respectively. Only 3.00% of the respondents required more than Rs. 1,00,000 to meet various expenses.

It was observed that a majority (67.4%) of the respondents opined that their credit requirements were fulfilled partially whereas 29.6% thought that their credit requirements were being fulfilled fully by the credit institutions. Only 3.00% told that their credit requirements were not being fulfilled at all (Table 4). Khan (1974) stated that institutional arrangements for agricultural credit existed in Pakistan for the farming community in general and those for small farmers in particular.

Table 2. Purpose for which loan is drawn

Purpose	n	Per cent
Purchase of farm machinery	84	62.20
Purchase of quality seed	29	21.50
Purchase of chemical fertilizer	119	88.10
Purchase of insecticides, pesticides and fungicides	105	77.80
To engage labour	6	4.40
Construction of farm building	13	9.60
Installation of tubewell	42	31.10
Dairy farming	30	22.20

Table 3. Credit requirements of the respondents

Requirements (Rs.)	n	Per cent
Upto 10,000	18	13.30
10,001-20,000	33	24.40
20,001-50,000	66	48.90
50,001-10,0000	14	10.40
More than 1,00,000	4	3.00
Total	135	100.00

The data presented in Table 5 showed that all the respondents used chemical fertilizer and adopted plant protection measures as a result of credit facilities extended to them. These data further showed that the major share of agricultural loan disbursed was spent on improved seeds, improved sowing methods, improved furrow irrigation, improved implements, improved inter-cultural practices and farm yard manure as indicated by 97.8, 75.6, 62.2, 53.3, 57.0 and 40.7% of the farmers, respectively. Ahmad (1992) also found that majority of the respondents utilized agricultural credit for the purchase of chemical fertilizers.

Table 4. Extent to which the agricultural credit institutions fulfilled the credit requirements of the farmers

Extent of fulfillment	n	Per cent
Fully	40	29.6
Partially	91	67.4
Not at all	4	3.0
Total	135	100.00

According to about three-fourth of the respondents, the loaning schemes were effective to some extent for the improvement of their economic conditions (Table 6). For 17.0% respondents, the loaning schemes were greatly helpful in improving their economic conditions.

Majority (94.1 and 91.9%) of the respondents faced difficulties due to "complicated procedure of Pass Book System" and illegal demands of concerned functionaries", whereas 64.4, 45.9 and 29.6% respondents faced the difficulties due to non-cooperation of Revenue Department,

Table 5. Improved farm practices adopted by the respondents as a result of credit facilities

Purpose	n	Per cent
Improved implements	72	53.3
Improved sowing methods	102	75.6
Improved seeds	132	97.8
Improved intercultural practices	77	57.0
Furrow irrigation	84	62.2
Farm yard manure	55	40.7
Chemical fertilizers	135	100.0
Plant protection measures	135	100.0

Table 6. Opinion of the respondents about the extent of effectiveness of loaning schemes towards the improvement of their economic conditions

Extent of effectiveness	n	Per cent
Fully	23	17.0
Partially	101	74.8
Not at all	11	8.2
Total	135	100.00

time consuming procedure of banks and non-cooperation of bank functionaries, respectively. Only 7.4% respondents faced the difficulty due to delayed delivery of tractor, farm implements, etc. by the concerned agencies.

Awan (1980) observed that Pass Book loaning scheme has not been a success with a large number of farmers as the Revenue Officials demand illegal gratification from them during the preparation of Pass Books and mortgaging of land with the banks. He further reported that farmers suffered a lot in getting the Pass Book and obtaining loan

Table 7. Major constraints reported by loanees

Constraints	n	Per cent
Complicated pass book procedure	127	94.1
Long and time consuming procedure of banks	62	45.9
Non-cooperation of bank staff	40	29.6
Non-cooperation of Revenue Department	87	64.4
Delayed delivery of tractors, farm implements, etc. by concerned agencies	10	7.4
Illegal demands of concerned functionaries	124	91.9

due to unscheduled visits of the Revenue Officials. Chaudhry (1984) observed that the revenue clerks and *Patwaris* charged their share from each borrower. Shirazi (1985) perceived lengthy nature of the procedure involved in processing a bank loan as the major hindrance.

Suggestions: The respondents generally had complaints against the illegal demands on the part of officials. They suggested change in the Pass Book System. They stressed the need for timely release of loan and curtailing of interest rate. The loanee farmers wanted easier instalments for recovery of the loan. Also, they desired that the amount advanced must be commensurate with their needs. In respondents opinion, personal sureties should be as valid for grant of agricultural loans as are of landed property. This would be particularly helpful to small farmers.

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