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Role of Agricultural Credit in Improving Agricultural Productivity of Pakistan "A Case Study of Qambar Shahdadkot District"

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Abstract
The aim of this study is to investigate the Role of agricultural credit on Agricultural production of Pakistan. Primary data was collected from Borrowers and Non Borrowers of agricultural credit in district Qambar shahdadkot, Sindh Province of Pakistan. Borrowers of Agricultural credit consisting formal and non formal sources of credit, result shows the total revenue of Agricultural credit borrowers was 76000 rupees while the non borrowers agricultural revenue was 61750 rupees and the variable cost for agricultural credit borrowers was a little bit high then non borrowers as 41652 and 34342 rupees respectively it is because of availability of capital, those farmers borrowing agricultural credit was able to provide inputs on time and in proper way and getting better production. Agricultural credit support farmers to provide inputs requirements on time and obtained better crop production.
Keywords: Agricultural Credit, Borrowers, Non Borrowers, total revenue, total cost, variable cost

I. Introduction

The Agriculture sector is the second largest sector of economy of Pakistan which accounting for 20.9 percent of the Gross Domestic Product (GDP) in 2014-15 and is a source of livelihood of 43.5 percent of rural population. Increased agricultural production and high crops yield is essential for food security which make the farming systems less vulnerable to climate change. To make agriculture more effective in supporting sustainable higher economic growth trajectory and reducing poverty in Pakistan, a policy framework needs to be anchored coupled with favorable socio political climate, adequate governance, and sound macroeconomic fundamentals. The prime focus of the government is on high value agriculture including horticulture, livestock and fisheries. Concerted efforts are being made to improve farm level practices and developing linkages of farmers with markets and industry based on new technologies, ideas and future pathways for sustainable growth of agro industry. Nearly 62 percent of the country's population resides in rural areas, and is directly or indirectly linked with agriculture for their livelihood. The Agriculture sector's strong linkages with the rest of the economy are not fully captured in the statistics. While on the one hand, the sector is a primary supplier of raw materials to downstream industry, contributing substantially to Pakistan's exports, on the other, it is a large market for industrial products such as fertilizer, pesticides, tractors and agricultural implements. (Economic survey of Pakistan 2015)

The potential role for agriculture in development is to reduce poverty and drive growth for countries whose economies are agriculture-based. Growing population size requires agriculture growth compatible to meet required level of food. The change in consumption pattern with a change in per capita income level requires more proteins containing diet. The transition of agriculture from traditional to modern farming techniques is based on adequate availability of inputs like certified seeds, balanced use of fertilizers, mechanization, and agricultural credit. Agricultural credit plays an important role in enhancing the agricultural productivity in developing countries like Pakistan. Credit is the back bone for any business, more so for agriculture which has traditionally been a nonmonetary activity for the rural population in Pakistan. Rural credit, though not a direct tool of production, can help break the vicious circle of 'grow eat grow' by removing financial constraints and accelerating the adoption of new technologies. Credit facilities are thus the integral part of the process of commercialization of the rural economy. The introduction of easy and cheap credit is the quickest way to give boost to the agricultural production. Therefore, it was the prime policy of all successive governments to meet the credit requirements of the farming community of Pakistan. (Saeeda Habib 2015)

Credit is an important tool for getting the inputs in time increasing thereby the productivity of the farms particularly those of small ones. The current study was designed to investigate the problems faced by the farmers while getting the loan. It was found that the small farmers faced a lot of problems in getting and returning the loan which must be removed to get better results and hence improving the quality and quantity of the agricultural products. (Muhammad Khalid Bashir and Muhammad Masood Azeem 2008)

The use of credit facilities would therefore translate to higher resource employment and capacity utilization, increased output and income, and reduce poverty in the rural economy, especially among the farmers

and be helpful to increase the food production which would lead to an improvement in the welfare of the farmers and consequently a reduction in their poverty and food insecurity levels (Olagunju, 2007).

II. Sources of agricultural Credit in Pakistan

The agricultural credit system of Pakistan consists of informal and formal sources of credit supply. The informal sources include friends, relatives, commission agents, traders and private moneylenders etc. Presently, the formal credit sources are comprised of financial institutions like Zarai Taraqiati Bank Limited (ZTBL)—formerly known as Agricultural Development Bank of Pakistan (ADBP), Commercial Banks, and Federal Bank for Cooperatives. Recently some non-government organizations (NGOs) are also advancing agricultural credit to the rural communities Iqbal M., Munir A and K Abbas (2003).

Traditionally, friends and relatives, village shopkeepers, traders, commission agents, etc. have remained a major source of agricultural credit. These sources generally lend for short periods and charge an exorbitant rate of interest. Such loans are given to tide over bad periods and as such are meant for consumption purposes. Loans are also made available for buying seasonal inputs where cash is essentially required. These sources are both inadequate and non dependable. No comprehensive data are available on the amount of credit advanced by informal credit sources. As such it is difficult to find solid evidence regarding the relative share of these sources in the total credit supply. However, few reports and some other rough estimates show that the formal credit sources have been able to meet only 50 percent of the total credit requirements of the farm sector and it may be assumed that the rest are met by informal sources of credit. These sources play a vital role in our rural economy, especially for meeting the consumption requirements of thousands of small farmers along with fulfilling the need for irrigation water, hiring of farm power, cost of fuel etc. Mark-up tends to vary from product to product and also by type of borrower as well as lender. On the average, the mark-up is estimated to be 25 percent. In the case of fertilizer it is 29 percent while for the pesticides it comes around 35 percent. High mark-up charged on pesticides sold on credit is mostly due to rather unholy alliance between the manufacturers and traders/dealers. The case studies suggest that pure money lending is on the rise with quite exploitative interest rates ranging from 48 percent to 120 percent per year (Irfan M. et al, 1999).

Agricultural credit is an essential part of the process of uplifting of agriculture and rural economy. Agriculture credit is systematically institutionalized for small farmers, agricultural development cannot be materialized. Due to small holdings, low crop yields and small income there is very little saving among the majority of the farmers of Pakistan. Therefore, it is need of time that credit agencies come up to help them in undertaking the improved farm practices.

III. Objectives

To find out socioeconomic condition of borrowers and non borrowers of agricultural credit.
To find out impacts of Agricultural credit on agricultural production.

IV. Methodology

The study was based on primary data collection. The data was collected from Borrowers and Non Borrowers of agricultural credit in district Qambar shahdadkot, Sindh Province of Pakistan. Borrowers of agricultural credit include formal and non formal sources of credit. The study focused on the credit and its impact on agricultural production and household income. The total costs were including land inputs and land tax, labor inputs, capital inputs and marketing costs.

A comprehensive and well designed questionnaire was prepared for data collection, selected borrowers and Non borrowers of agricultural credit which were interviewed to collect the data. To accomplish the objectives the specific analytical techniques were used. The proposed analytical techniques are farm cost and production analysis. The results of this study were provided socioeconomic condition of respondent, total costs of production and returns of borrowers and non borrowers of agricultural credit, purpose of credit and its impact on household rural development and the problem regarding agricultural credit.

V. Results

To testify the objectives of study, the resist consist of socio economic condition of peoples of study area, socio economic conditions stands for education condition, occupation status, facilities of basic infra structure. second objective testified by analysing the cost of production and production analyses of agricultural credit borrowers and Non borrowers .

A. Age of respondents

Age of respondent was classified as respondent below 18 year; second group was 19-60 years Age, while third age group was more 60 years. The result shows that the majority of the respondents 65.00 percent belonged to the age group of 19 - 60 years and 23.33 percent of less and equal to 18 years age; where as 11.67 percent respondents were greater than 60 years of age in study area.

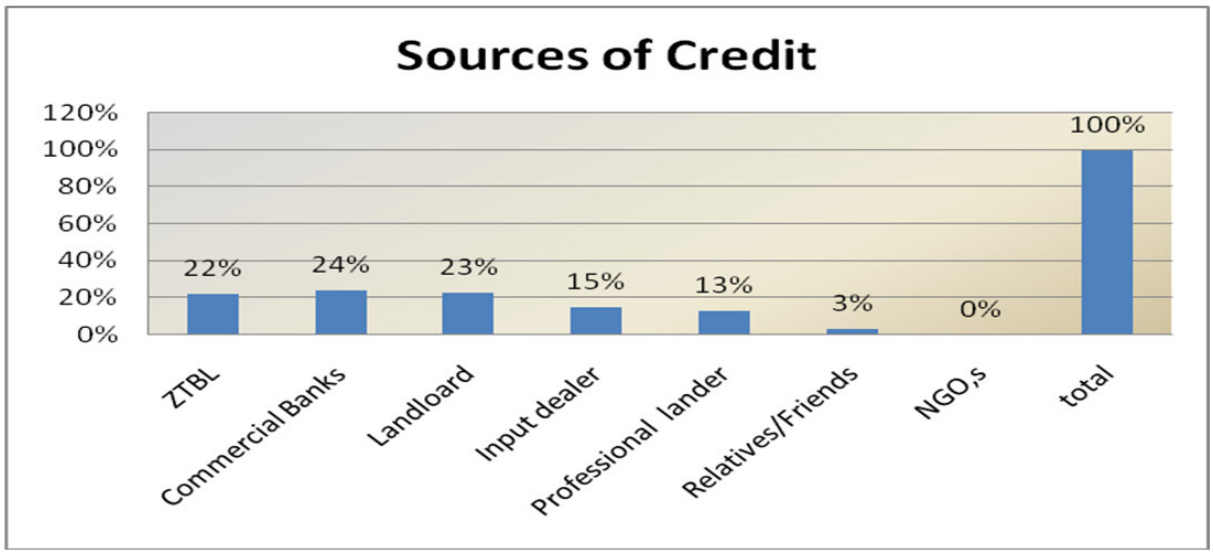
B. Education level of respondents

Education of respondent was categories as Illiterate, Primary education, Middle, Matriculation, Collage/University. Results shows that about 46.67 percent of respondent in study area are illiterate, while about 23.33 percent were have primary education, 15 percent were middle, 10 percent were matriculation and 5 percent of respondent were have college and University education.

C. Occupation of the Respondents

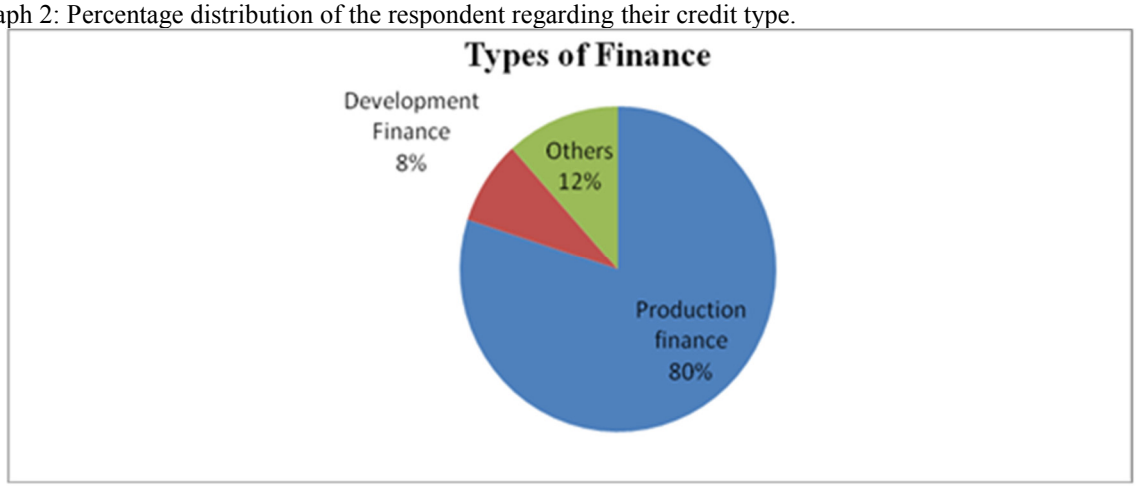
Sources of occupations in study areas were found as Agriculture, Labour, Business, Private job and Government job. The result of study shows the majority of the respondents about 73.33 percent had agriculture as source of their income, while 13.33 percent were labour, 6.67 percent were have business, 5.00 were have government job and 1.67 percent of respondents were have private job.

Graph 1: Distribution of respondent according to sources of Agricultural credit.



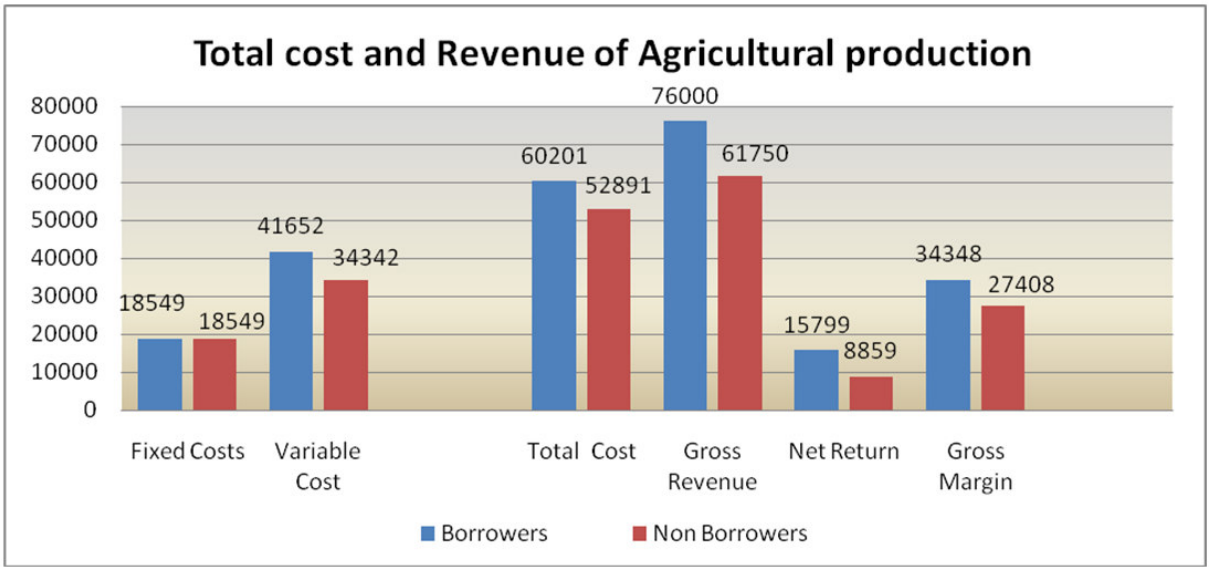
Graph 1: shows the sources of financing in study area, about 24 percent of respondents taking credit from commercial banks, 23 percent from landlord, 22 percent from Zarai Taraqiati Bank Limited (ZTBL), 15 percent of respondents taking credit from input dealers, 13 percent from professional lenders, while only 3 percent of respondents taking credit from relatives and friends.

Graph 2: Percentage distribution of the respondent regarding their credit type.



Graph 2 shows that majority of the respondents 80 percent were getting productions credit i.e purchase of inputs etc, 8.33 percent were getting development credit i.e development of new business etc, 11.67 percent of respondent getting credit for other purposes i.e, household expenses.

Graph 3: Agricultural production total cost and total revenue of Borrowers and Non borrowers of Agricultural credit.



The Agricultural production based on use of inputs timely and properly, for usage of inputs the capital is very important so those farmers who do not have capital they could not use inputs timely. Here the agricultural credit plays a lot of role for purchase of inputs and use it,s on time to get high agricultural production and revenue.

Graph 3 shows the total revenue of Agricultural credit borrowers was 76000 rupees while the non borrowers agricultural revenue was 61750 rupees and the variable cost for agricultural credit borrowers was a little bit high then non borrowers as 41652 and 34342 rupees respectively it is because of availability of capital, some farmers borrowing agricultural credit and providing inputs on time and in proper way to get better production.

VI. DISCUSSION

Agricultural credit system of Pakistan consists of informal and formal sources of credit supply; the informal sources include friends, relatives, commission agents, traders and private moneylenders etc. Presently, the formal credit sources are comprised of financial institutions like Zarai Taraqiati Bank Limited (ZTBL)—formerly known as Agricultural Development Bank of Pakistan (ADBP), Commercial Banks, and NGOs. A total of 60 respondents consist of 30 borrowers and 30 non borrowers of agricultural credit were selected as sample size.

The results of the present study shows that the total revenue of Agricultural credit borrowers was 76000 rupees while the non borrowers agricultural revenue was 61750 rupees and the variable cost for agricultural credit borrowers was a little bit high then non borrowers as 41652 and 34342 rupees respectively it is because of availability of capital, some farmers borrowing agricultural credit and providing inputs on time and in proper way to get better production.

VII. CONCLUSION

Agricultural production is based on proper and timely use of inputs, for usage of inputs the capital is very important so those farmers who do not have capital they could not use inputs timely and obtaining low agricultural production. Here the agricultural credit plays a vital role for purchase of inputs and its use on time to get high agricultural production and revenue.

The results shows that the total revenue of Agricultural credit borrowers was 76000 rupees while the non borrowers agricultural revenue was 61750 rupees and the variable cost for agricultural credit borrowers was a little bit high then non borrowers as 41652 and 34342 rupees respectively it is because of availability of capital, some farmers borrowing agricultural credit and providing inputs on time and in proper way to get better production. It is concluded that agricultural credit enables farmers to get best agricultural production by providing timely inputs requirements of agricultural production.

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