

Enhancement of Tobacco Production Through Credit Program of Zari Taraqati Bank Limited in Rural Area of District Mardan

Dr.Naushad Khan*

Institute of Development Studies , The University of Agriculture Peshawar

Dr.Munir Khan

Institute of Development Studies, The University of Agriculture Peshawar

Abstract

This crop play key role in generating income to rural farming community. Therefore ZTBL has given credit to the farmer of District Mardan for boosting tobacco production. Seeing to its importance the study was conducted to analyze the effect of credit program of ZTBL on different size of farms. The universe of the study consisted of tehsils, Mardan, Takhth Bahi and Katlan and on the basis of more loani purposively from each tehsil two villages Gujar Garhi, Rustum, Lund khwar, Sharegarh, Katlang and Jamal Garhi were respectively selected. Total number of beneficiaries of the tobacco was 54, which distributed in tehsil Mardan 11, Takhth Bahi 7, and Katlang 36. Through questionnaire data were collected and using percentages, correlation and paired t-test statistical techniques for data analysis. Average tobacco production per hectare after credit was found 1993 Kg and before 1677 Kg and the result was found non-significant which explains that statistically credit has no positive effect on tobacco production while statistically shows a little improvement by credit program. Average cost per hectare after credit was Rs.159718 and before Rs.81756 and the result was found highly significant at .05 levels. The average return per hectare after credit was Rs.265078 and before was Rs.122392 and difference was Rs.142685. The return after credit was found more than before and the result was found highly significant. The correlation in land and tobacco production was .151 which explains that one unit land increase boost 15.1% production of tobacco crops. Problems were found high costs of the inputs; complicated procedure of the bank, high interest rate and non availability of loan in time etc by bank in the study area. On the basis of problems and constraints, recommendations were fit for future policy formulation which is given as loan should be provided to farmers according to requirements; interest rate should be decreased in future; quality seed should be provided on low price for boosting the tobacco production in the study area.

Keywords: Enhancement, Tobacco Production, Credit Program, Rural Area Mardan

INTRODUCTION

Tobacco has a long history and was first grown in central and south America but now it is grown throughout the world while in 17th century it was the back bone of the American economy and although export tobacco to Europe and earn an adequate amount of foreign exchange from this crop. Two types tobacco namely *Nicotiana Tobaccum* and *Nicotiana Restica* are grown in Pakistan, due to diverse climatic condition every type of tobacco grown is possible in Pakistan. About 90% of area is accounted for *Nicotiana tobacum* and 10% by *Nicotiana Restica* and its seeds are grown in early January and seedlings are transplanted in April. It is harvested in August end or early September. The plants are harvested in the farm and leaves are hung in tobacco barn for 6-8 weeks and after that make bundles and carry to market for selling. The utilization of tobacco in Pakistan is usual. Twenty two million smokers smoke tobacco in the country and large proportion of the cigarettes smoker is recorded in south Asia. Tobacco are used in different mode in Pakistan, such as Naswar, cigarettes, Hokah, chewing and pesticides etc.

It is a cash crop of Pakistan and earns enough foreign exchange and generates employments for the people of Pakistan and played crucial role in the alleviation of poverty in the rural world while more than 10 million people are involved in the activities of tobacco as cultivation, industry and trading. It is the only sector in the country which pay enormous amount to tobacco growers and huge revenue to government in the form of taxes. Tobacco contributed Rs.46.70 billion to GDP in 2008-09 while in all taxes the share of tobacco was five percent. There are 12 tobacco companies and 15 manufacturing factories are working in Pakistan which produced 96.187 billion cigarette pieces per year in three shifts and out of these factories 10 are working in Khyber Pathunkhwa which produced 36.737 billion pieces per annum. One factory is working in Sind which produced 12.100 billion pieces per year and 4 factories are working in the Punjab which accounted for 47.350 billion piece per annum while in KP majority factories are working in District Sawabi followed by District Mardan (**Agriculture Policy Institute , Islamabad**)

Our farmer are very poor and can not afford the expenses of their farm inputs and Govt have arranged bank facilities for credit provision in the country. Among these banking ZTBL is the well known bank in Pakistan. They provide loan to their farmer in time of their financial crisis for input purchasing. Ahmad (2007) studied that the small and land less farmer avail the credit less amount due to lack of collateral availability and complex procedure followed by bank .Therefore, a dire need to start a finance program to benefit the maximum

number of poor communities without any complicated collateral system. Khan et. al (2011) recorded that monitoring cell injection in bank is necessary for the development of bank activities. Through this cell mistake, exact communication, auditing and check up will be processed very efficiently and the require amount will be supplied in time for purchasing their inputs to farming community and defaulter chances will be decreased in future. Ayaz and Hussain (2011) found that the availability of credit to farmers was much more important than any other factor to improve the resource use efficiency in agriculture sector. Without finance quality seed, fertilizer and water etc application is impossible. If you have money then you will purchase the inputs for your farm in time and obtain high productivity.. Seeing to its importance the cited title topic was selected to see the credit program effects on tobacco crop production on different size of farms and constraints/problems faced to tobacco grower by ZTBL in the study area.

MATERIALS AND METHODS

The main income source of District Mardan is agriculture and both small and large farmers avail the credit from different sources, including ZTBL. Since ZTBL has advanced huge amount of finance to farmers in district Mardan . There five banks are working in District Mardan for distribution of credit to farmer namely Mardan, Takhth Bai, Sharegarh, Katlang and Rustam . District Mardan is consists of three tehsils, namely Mardan, Takhth Bahi and Katlang. Purposively from each tehsil on the basis of more crops two villages namely Gujar Garhi, Rustum, Lund khawar, Sharegarh, Katlang and Jamal Garhi were respectively selected. All beneficiaries of ZTBL consists of 54 tobacco growers were selected for the study. The number in tehsil Mardan was 11, Takhth Bahi 7, and Katlang 36 while village wise Gujar Garhi 23, Rustam 4, Lundkhwar 4, Sharegarh 4, Katlang zero and Jamal Garhi 23. Through questionnaire data were collected from the respondents. Using correlation and paired t-test for data analysis.

RESULTS AND DISCUSSION

Table 1 Literacy Position of the sampled Respondents of Tobacco Growers in the study area

Particular Item	No	%
Illiterate	14	26
Literate	40	74
Total	54	100

Source- Field Survey 2012

Table 1 indicates the Literacy, position of the sampled respondent of tobacco growers in the study area. According to table 26% is illiterate while 74% literate. So the Literacy rate is better than Pakistani Literacy rate which is 58%, Sind and Punjab 60% followed by Khyber Pukhthunkhwa 52% while Baluchistan 46% (GOP, 2012-2013). So it is a good symbol for the sampled farmers because literacy play crucial role in the development of a country. Literate farmers more easily adopt the modern technology for enhancement of their field productivity than illiterate farmers. They read the research publication and pamphlets very easily. Through this way they improve their farming knowledge's and use in the fields for increasing farm productivity which make improvement in their standard of living and enhance the Gross Domestic Products of Pakistan

Table 2 Educational Level of the Sampled Respondents of the Tobacco Growers in the Study area

Educational Status	No	%
Primary	05	13
Middle	08	20
Matric	16	40
F.A/F.Sc	03	07
B.A	06	15
M.A	02	05
Total	40	100

Source:- Field Survey,2012

Table 2 shows the educational level of the sampled respondents in the study area. According to table primary strength is 13%, middle 20%, Matric 40%, F.A/F.Sc 07%, B.A 15% and M.A 05%. The data reveals that M.A education of the tobacco growers is less than the other level while majorities are matriculates. The study shows that high levels struggle for other jobs and do not take keen interest in agricultural occupation.

Table 3 Tenancy Position of the sampled Farmers of Tobacco growers in the Study area

Particular Item	No	%
Owner	51	94
Owner-Cum-Tenant	03	06
Tenant	00	00
Total	54	100

Source:- Field Survey,2012

Table 3 reveals the Tenancy Position of the sampled farmers of the tobacco growers in the study area. There 94% is owner, 6% owner Cum Tenant while tenant is Zero percent. So the table data explains that the loan has given to only owner and owner cum tenant farmers while have not provided to tenant due to lack of land. So it is a great hitch to agriculture development in Pakistan because the bank do not give loan to those farmer which are landless while actually they play important role in the development of agriculture..

Table 4 Distribution of Various Size of land in Hectares of sampled Farmers of Tobacco growers and correlation of various size of land and Tobacco production per hectare in the Study area

Various Size of Land	No	%	r=.151 P= .275
1-5	14	15	
5-10	22	37	
10-15	09	11	
15-20	07	22	
Above-20	06	15	
Total	58	100	

Source:- Field Survey, 2012

Table 4 reveals the distribution of various Size of land in Hectares of sampled farmers of Tobacco growers in the study area. According to table the coverage of 1-5 category is 15 %, in 5-10 hectare category 37%, in 10-15 hectare category is 11%, while 15-20 hectare category is 22% and above 20 hectares land is 15% Majority farmers have been found in second category followed by 15-20 category. It also reflects that economic holding farmer percentage is more than the non-economic holding farmer and tobacco is grown by those farmer who land is more and purchasing power is more because per hectare cost is more than the other crops. Through heredity division the land divided into small pieces generations after generation which affect the productivity of tobacco. The correlation between various size of land and tobacco production is .151 and found non-significant. If one unit of the land increases then 15 percent positive changes will be occurred in Production. So tobacco crop and land size has a positive relationship in the study area

Table 5 Type of Credit Availed by Tobacco Growers in the Study Area

Type of Credit	No	%
Short Term	24	44
Medium Term	29	54
Long Term	01	02
Total	54	100

Source:- Field Survey, 2012

Table 5 Indicates type of credit availed by sampled farmer of Tobacco growers in the study area. There the share of short term by sampled farmers is 44%, Medium Term 54% and Long Term 2%. The table explains that the medium term strength is higher than the other followed by Short term while long term counted only 2%. The table also shows that the economic holding farmer is more than the other farmer because of this more loaned have obtained by economic holding farmers.

Table 6 Total Amount (Rs) of Credit Dispersed to Tobacco Growers

Type of Credit	Amount	%
Short term	2710000	19
Medium term	10825000	77
Long term	600000	04
Total	14135000	100

Source:- Field Survey, 2012

Table 6 indicates the total amount of credit dispersed by ZTBL among sampled farmers of tobacco growers in the study area. There the total credit is Rs.14135000, short term allocate 19% amount to sampled farmers, medium term 77% and Long term 4%. There the medium term amount is more than the other term followed by short term. The long term amount is less than the other. There it is proved that the economic holding farmers obtained more amount than the non economic holding farmers

Table 7 Continuation Position of Credit Program by Tobacco Growers

Continuation Status	No	%
Yes	38	70
No	16	30
Total	54	100

Source:- Field Survey,2012

Table 7 reflects the continuation position of the ZTBL credit program by sampled farmers of tobacco growers in the study area. According to data 70% still obtain the loan from the bank while 30% have stop the loan due to some reasons such as religious tension, payment in time to bank and police arrestment etc which have disturb the tobacco growers by bank staff in the study area for returning the loan.

Table 8 Credit Effects on Average Yield (Kg)/hectare on Tobacco Production

Name of Crop	Average Yield After Credit	Average Yield Before Credit	Differences	%change	Degree of Freedom	t-values	P-values
Tobacco	1993	1677	316	19	53	1.326	.191

Source:-Field Survey, 2012

Table 8 indicates the average yield of the tobacco grower per hectare after credit in the study area. The average yield per hectare after credit is 1993 Kg and before was 1677 Kg. The difference is 316 Kg and change is 19%. while the credit effect is non significant and it shows that credit has no effects on the tobacco' per hectare production in the study area. After credit the tobacco growers per hectare average yield and before are the same and credit has no role in tobacco development in the study area. The average yield of tobacco in Pakistan is 2097Kg/hectare while the world average per hectare is 1752Kgs (**Agriculture Policy Institute , Islamabad**). There the production difference is very little and table data shows the same situation of production in the study area

Table 9 Credit Effects on Average Cost per Hectare of Tobacco Production in the Study Area.

Name of Crop	Average cost After Credit	Average cost Before Credit	Differences	%change	Degree of Freedom	t-values	P-values
Tobacco	159718	81256	78463	97	53	24.896	.000

Source:- Field Survey, 2012

Table 9 shows the average cost per hectare of tobacco grower after credit in the study area. There the cost after is Rs.159718 and before was Rs.81256 and change is 97%. The result is highly significant at .05 levels and shows that after cost per hectare is higher than before cost while the bank loan is still less than the requirement because of this farmer cannot shows their efficiency in tobacco development in the study area. Credit supply have also play key role in cost increasing. The supply of money before was less while after credit application the supply of money increase which also push the cost of per hectare of the tobacco crop.

Table 10 Credit Effects on Average Return (Rs) per Hectare of Tobacco Production in the study area.

Name of Crop	Average Return After Credit	Average Return Before Credit	Differences	%change	Degree of Freedom	t-values	P-values
Tobacco	265078	122392	142685	117	53	7.647	.000

Source:- Field Survey, 2012

Table 10 indicates the credit effect on average return of per hectare of tobacco production in the study area. The average return after credit of per hectare was Rs.265078 and before Rs.122392, percent change was 117%. The result was found highly significant at .05 level. The result reflect that due to inflation the price of production was greater than the before per hectare production, so it is a good sign for credit owner. Through price increase the interest of the farmer also increases and they grow more tobacco than before due to high return. So price increasing for crop grower is a special incentive for farmer. This is the price which decrease and increase the productivity of the crops. When price increasing the supply of the tobacco will be increasing and when price decreasing then the supply of tobacco will be decreasing and farmers take turns to other pattern of the crops and leave the present pattern of the tobacco.

Table 11 Problems and Constrained Faced to sampled Farmers of Tobacco growers by Bank in taking credit in the study area

Problem	Yes	%	No	%	Total	%
Non availability of credit in time	32	59	22	41	54	100
Complication of Passbook preparation by Patwari	34	63	20	37	54	100
Non Availability of collateral	31	57	23	43	54	100
Non-Co operation of Bank Staff	21	39	33	61	54	100
Amount less than requirement	28	52	26	48	54	100
Bank away	27	50	27	50	54	100

Source:- Field Survey,2012

Table 11 reveals the problems and constrained faced to sampled farmers of tobacco growers by ZTBL in taking credit in the study area. According to data 59% told that the credit was not available in time, 63% stressed that the passbook preparation was complicated and patwari did not prepare the passbook in time. They demand for money and used delay tactics in preparation of the passbook. Prominent and dominant farmers very easily prepare the passbook while poor farmer faced troubles in passbook preparation. However 57% also claimed that the collateral availability in the study area is also a great dilemma. No one was ready for signing the credit form, due to police arrestment in malfunction of payment. Thirty nine percent told that the bank staff did not lend a hand with us and met with impolite behavior in time of case processing. Fifty two percent claimed that the bank provided credit on the basis of their land, if the land is more, then payment will be more, if less then payment will be less and not according to their requirement. Das et. al (un known) also claimed that inadequate provision of credit to small and marginal farmers was also main hurdle for agriculture development in India. Fifty percent reported that the bank is away from them and due to engagement in farming activities, they faced hitch in loan processing cases due to remote area.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that ZTBL Credit program has no effects on tobacco production. The cost was higher than before due to inflation. The correlation with various farm of size and tobacco per hectare production of sampled grower of tobacco was found positive while non significant. Finally It is concluded that credit plays key role in tobacco production enhancement while without credit the development of tobacco production is impossible. Recommendations are given below for enhancement of this crop production:-

- Interest rate should be decreased, for increasing the purchasing power of the farmer.
- One window operation policy should be applied by ZTBL because to speed up the loan distribution in the farming community and in time the farmer obtained the loan.
- Amount should be provided in kinds by bank to decrease the miss-utilization chances of the credit.
- Loan amount should be given according to farmers requirements, to fill the financial gap for purchasing inputs.
- Islamic principles should be applied by ZTBL, to reduce the religious tension of farmers in the study area.
- Qualified Staff appointment and monitoring cells development for enhancing agriculture productivity is required in the study area.

ACKNOWLEDGEMENT

I acknowledged to all those people who help me in data collection and report writing and also acknowledge to my wife and children who give me time for my research work.

REFERENCES

- Ayaz S. and Z. Hussain 2011. Impact of Institutional Credit on Production Efficiency of Farming Sector. A case Study of District Faisalabad. *Pak. Eco. and Soci. Review* 49(2): 2149-162.
- Ahmad, M. 2007. Evaluation of AKRSP' Micro Credit Program on Agriculture and Enterprise Development in District Astore, Northern Areas. Faculty of Rural Social Sciences, M.Sc (Hons) Thesis Agric. NWFP AUP.
- Das A., M. Senapati, and J. John. Impact of Agricultural Credit on Agriculture Production: An Empirical Analysis in India. Reserve Bank of India (www.rbi.org.in/scripts/bs_viewcontent.aspx?id=2240)
- GoP, 2011-12. Economic Survey of Pakistan. Finance Division, Ministry of Finance, Government of Pakistan Islamabad.
- GoP, 2012-13. Economic Survey of Pakistan. Finance Division, Ministry of Finance, Government of Pakistan Islamabad.
- Khan, N., M.M. Shafi, M. Shah, Z. Islam, M. Arif, R. Javed and N. Shah 2011. Review of Past Literature on agriculture credit in rural area of Pakistan. *Sarhad J. Agric.* 27(1): 103-110.
- Williamsburg, VA. Colonial Tobacco Economy. Unit Plan for Upper Elementary and Middle School Students. Jamestown-Yorktown Foundation P.O.Box 1607, Williamsburg, VA 23187(www.historyisfun.org)
- Agriculture Policy Institute, Islamabad: TOBACCO FARMING IN PAKISTAN (<http://api-islamabad.blogspot.com/2011/tobacco-farming-in-pakistan.html>)