



### Short Communication

## Institutional Credit and Constraints Confronted by Farmers in District Kasur of Punjab Province

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### Abstract

The access to institutional credit, its transparent and timely disbursement ensures the sustained growth in total factor productivity in agricultural sector. This paper addressed to the major constraints faced by the loanee farmers before and after availing agricultural credit facility in district Kasur of Punjab province. For the purpose, purposive sampling technique was adopted and 60 respondents were selected from the respective branches of United Bank Limited. The data thus collected were summarized using descriptive statistics. Finally, found that lack of guidance, preparation of Agricultural Pass Book, elements of bribery, disbursement below actual requirement, delayed disbursement, high interest rate were the major constraints faced by the sample respondents. © 2013 Friends Science Publishers

**Keywords:** Agricultural credit; Constrains; Kasur

### Introduction

Agricultural credit usually considered a vital determinant for growth and development of agricultural sector in Pakistan. It is widely acknowledged by different studies (Feder *et al.*, 1990; Iqbal *et al.*, 2003; Bashir *et al.*, 2010; Bahir and Mehmood, 2010) that financial support to the farming community helps them to use the modern techniques, in time accessibility of inputs and product disposal to the market or storages. Hence, the volatility in this sector is detrimental to the income growth of the farmers which traps them in vicious cycle of poverty.

Majority of the farmers particularly small one's are not in a position to procure the key inputs from their own sources due to financial anemia (both invested and working), thus to meet the required investment and to bring about the increase in the production credit is an essential element (Mehmood *et al.*, 2012). Therefore, credit for farm inputs either from institutional or non-institutional sources are the prerequisite to improve the productivity and income generating capacity of the farmers.

In Pakistan scenario, the non-institutional sources are neither sufficient nor reliable to meet the credit needs of the farming community. However, it is imperative to note that agricultural credit obtained through institutional source is a vital source to fulfill the financial requirements of the farming community. Keeping in view the paramount importance of the agricultural credit for farming community the study in hand was conducted with an objective to explore the hurdles faced by the sample respondents before

and after getting agricultural credit facility in district Kasur of Punjab province.

### Materials and Methods

Purposive sampling technique was adopted to select the respondents as well as to get the necessary information from the six villages of district Kasur. A well structured questionnaire was designed and ten respondents from each village were selected purposively. The data thus collected were summarized using descriptive statistics.

### Results and Discussion

Results of the study showed that 75% of the sample respondents are facing difficulties in preparation of requisite documents including Agricultural Pass Book. The pre and post approval documents are issued by Revenue Department, which causes inordinate delay in the process. Mainly on the part of poor state of educational achievements as most of the population was not having more than primary education. The results inextricably revealed that 82% farmers are not provided proper guidance that is understandable at their level. A small proportion of farmers that accounts 11% reported that bribery is one of the hurdles in obtaining loan. Nearly one half of the respondents reported that the loan provided by the bank was insufficient and did not cover the cost of major inputs. Availability of credit at right time is

**Table 1:** Constraints confronted by loaning farmers

Nature of constraints	Loaning farmers	Percentage
Difficulty in preparation of Agricultural Pass Book	45	75
Lack of proper guidance	49	82
Bribery	11	18
Disbursement below actual requirement	39	65
Insufficient term wise-loans	31	51
Delay in disbursement	33	55
High interest rate	43	71

a significant determinant of agricultural productivity. The delay in the disbursement of loan is a potential factor contributing towards restricting the agricultural productivity growth as 55% of the sample farmers reported that the loan was disbursed to them with delay. This delay was expected to be due to clerical procedures at the bank's end. Apart from all these constraints that farmers faced high interest rate is one of the major constraints as 71% farmers complained about high interest rates charged by the banks. A brief summary of the results obtained during the survey are presented in the Table 1.

### Conclusion

From above facts, it is concluded that farming community in district Kasur is facing a lot of constraints regarding pre and post disbursement of agricultural credit facility, which need to be resolved for better productivity and sustained agricultural growth. It was observed that the availability of formal credit to farmers remain restricted mainly due to the poor mechanism for the delivery of credit along with increased rate of interest also play a critical role in farmer's access to credit.

### Suggestions

Keeping in view the above mentioned problems which were faced by the farmers some measures are suggested.

- Documentation procedure is much complicated it should be replaced by easy and simple one.

- The element of bribery should be eradicated through continuous inspection of higher authorities in Revenue Department as well as in Financial Institutions.
- An effective system of guidance and dissemination of proper information should be developed by the financial institutions. State Bank of Pakistan can play a vital role in this regard.
- The present per acre limit should be enhanced up to a level that fulfills the cost of production of major crops.
- The rate of interest needs to be brought down as it directly influences the repayment capacity of the borrowers.

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