

# Influence of Socio-Economic Aspects on the Delivery of Loans under one Window Operation of Agricultural Development Bank of Pakistan

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## ABSTRACT

This paper examines the relationship of farmers' age, educational qualification and social status with the timely availability of loan and fee charged for the completion of Pass Book. The data were collected from 116 loanees of Faisalabad branch. The analysis of data shows that age and educational qualification had a highly significant negative relationship with the timely availability of loan while there existed a non-significant relationship between these variables and fee charged for the completion of Pass Book. There was also a non-significant relationship between social status and timely availability of loan and fee charged for the completion of pass book.

**Key Words:** Agricultural credit; Bank; One window operation; Socio-economic aspects

## INTRODUCTION

Pakistan is predominantly an agricultural country. Most of the economic activities in the country are based on the performance of agricultural sector. It contributes 24.5% to GDP (Govt. of Pakistan, 1999a). However, the average yield of most of our crops is still very low as compared with that of many countries of the world (Govt. of Pakistan, 1999b). Amongst various factors responsible for this low yield, the use of conventional farming methods by the farmers seems to be the most important one. The modern technology is capital intensive and can only be adopted if adequate capital is available for the investment in farming. The improved agricultural technologies are not being adopted by majority of farmers due to the lack of capital (Afeef, 1988). The major constraints in the adoption of recommended farm practices were lack of credit and non-availability of chemical fertilizers (Shaukat, 1986). The capital is needed for different inputs like improved implements, quality seeds, fertilizers, insecticides/pesticides etc. Khan (1988) argued that majority of the farmers adopted improved agronomic practices and plant protection measures after getting agricultural loan. The farmers who were receiving agricultural credit from Commercial Banks and ADBP were in a better position to reduce the yield gap than those who were not receiving credit because of timely availability of inputs (Javed, 1989). It has generally been argued that mostly a number of aspects influence the availability of agricultural credit from various loaning agencies. The present paper mainly focuses on the influence of socio-economic aspects of loanee farmers on the delivery of loan to them under One Window Operation of ADBP.

## MATERIALS AND METHODS

At the time of study, there were 210 villages under the action area of Faisalabad branch of ADBP. However, the loanees were scattered only over 145 villages. Out of these 145 villages, 10 villages, each having eight or more loanees were selected for the study. All the loanees of the selected villages were taken as study respondents. Thus the number of respondents consisted of 116. The respondents were personally interviewed with the help of an interview schedule. The data were analyzed by using Chi-square test to see the relationship between the selected independent and dependent variables. The significance of association was shown at three levels: \* is  $P < 0.05$ , \*\* is  $P < 0.01$ , \*\*\* is  $P < 0.001$  and NS is  $P > 0.05$ .

## RESULTS AND DISCUSSION

**Relationship of respondents' age with the timely availability of loan and fee charged for the completion of pass book.** The data given in Table I indicate that there was a highly significant negative relationship between timely availability of loan and the age of the respondents. It may lead to a conclusion that the younger farmers were more likely to get agricultural loan on time than old farmers. This may be due to the reason that the younger farmers might have made more efforts to get the loan on time as compared to the aged farmers.

The data presented in Table II show a non-significant relationship between the fee charged for the completion of Pass Book and the age of the respondents. It may imply that the revenue staff might have charged fee for the completion of Pass Book irrespective of age of the respondents.

**Table I. Relationship of availability of loan on time with the age of the respondents**

Age (Years)	Availability of loan on time		
	On next day	Not on next day	Total
Up to 35	19 (82.60%)	4 (17.40%)	23 (19.83%)
35-35	40 (85.10%)	7 (14.90%)	47 (40.52%)
Above 50	13 (28.30%)	33 (71.70%)	46 (39.65%)
TOTAL	78 (68.07%)	44 (37.93%)	116 (100%)
$X^2$ Cal	= 37.04***	d.f = 2	
$X^2$ tab	= 5.99		

**Table II. Relationship of fee charged for the completion of pass book with the age of the respondents**

Age (Years)	Fee charged for the completion of Pass Book		
	Recommended rate	More than recommended rate	Total
Up to 35	6 (21.60%)	17 (73.90%)	23 (19.83%)
35-35	11 (23.40%)	36 (76.60%)	47 (40.52%)
Above 50	6 (13.00%)	40 (87.00%)	46 (39.65%)
TOTAL	23 (19.83%)	93 (80.17%)	116 (100%)
$X^2$ Cal	= 2.27 <sup>NS</sup>	d.f = 2	
$X^2$ tab	= 5.99		

**Relationship of timely availability of loan and fee charged for the completion of pass book with the educational qualification of respondents.** Education is considered to be an important factor which has a positive influence on human behaviour. Educated farmers are expected to possess more favourable attitude towards agricultural credit as compared to uneducated ones. It seems easier for the mobile credit officers (MCOs) of loaning agencies to motivate educated farmers for the acquisition and productive utilization of loan as compared to illiterate farmers (Hassan, 1991).

The data presented in Table III show that there existed a highly significant negative relationship between the timely availability of loan and educational qualification of the respondents. The relationship seems to be unnatural. However, the possible explanation is that the farmers with little or no education at all might have been given agricultural loan on time because of their continued insistence. They might not be ready to accept any logic given by the bank functionaries especially in a situation when there is a real shortage of money with the local branches.

The data presented in Table IV show that there existed a non-significant relationship between the fee charged for the completion of Pass Book and the educational qualification of the respondents. It may imply that the

revenue staff might have charged fee for the completion of pass book irrespective of educational qualification of the respondents.

**Table III. Relationship of availability of loan on time with educational qualification of the respondents**

Educational qualification	Availability of loan on time		
	On next day	Not on next day	Total
Illiterate	20 (60.60%)	13 (39.40%)	33 (28.45%)
up to Middle	36 (80.00%)	9 (20.00%)	45 (38.79%)
Above Middle	16 (42.10%)	22 (57.90%)	38 (32.76%)
TOTAL	72 (62.07%)	44 (37.93%)	116 (100%)
$X^2$ Cal	= 12.66**	d.f = 2	
$X^2$ tab	= 5.99		

**Table IV. Relationship of fee charged for the completion of Pass Book with the educational qualification of the respondents**

Educational qualification	Fee charged for the completion of Pass Book		
	Recommended rate	More than recommended rate	Total
Illiterate	4 (12.10%)	29 (87.90%)	33 (28.45%)
up to Middle	11 (24.40%)	34 (75.60%)	45 (38.79%)
Above Middle	8 (21.10%)	30 (78.90%)	38 (32.76%)
TOTAL	23 (19.83%)	93 (80.17%)	116 (100%)
$X^2$ Cal	= 1.87 <sup>NS</sup>	d.f = 2	
$X^2$ tab	= 5.99		

**Relationship of social status of respondents with the timely availability of loan and fee charged for the completion of pass book.** The farmers having either formal or informal social status are more likely to get benefits from their resources than ordinary farmers to maintain their status in the society and thus they may require agricultural credit for this purpose. They may have more access to agricultural credit than ordinary farmers by virtue of their social status and influence on credit agencies. Farmers with high social status like Numberdar, Member/Chairman of Union Council etc. had shared a big amount of agricultural credit from various loaning agencies like ADBP, Commercial Banks and Cooperative Societies (Iqbal, 1989).

The data given in Table V showed a non-significant relationship between timely availability of loan and social status of the respondents. It may imply that the bank functionaries might have disbursed loan to the farmers without giving any consideration to their social status.

Likewise, the data presented in Table VI show that there existed a non-significant relationship between the fee

charged for the completion of Pass Book and the social status of the respondents. It may lead to a conclusion that the revenue staff might have not considered the social status of the respondents while charging the fee for the completion of Pass Book according to the recommended rate.

**Table V. Relationship of availability of loan on time with the social status of the respondents**

Social status	Availability of loan on time		
	On next day	Not on next day	Total
Ordinary farmers	66 (66.00%)	34 (34.00%)	100 (86.20%)
Formal/informal social status	6 (37.50%)	10 (62.50%)	16 (13.80%)
TOTAL	72 (62.07%)	44 (37.93%)	116 (100%)
X <sup>2</sup> Cal	= 3.62 <sup>NS</sup>	d.f = 1	
X <sup>2</sup> tab	= 3.84		

**Table VI. Relationship of fee charged for the completion of Pass Book with the social status of the respondents**

Social status	Fee charged for the completion of Pass Book		
	Recommended rate	More than recommended rate	Total
Ordinary farmers	17 (17.00%)	83 (83.00%)	100 (86.20%)
Formal/informal social status	6 (37.50%)	10 (62.50%)	16 (13.80%)
TOTAL	23 (19.83%)	93 (80.17%)	116 (100%)
X <sup>2</sup> Cal	= 3.64 <sup>NS</sup>	d.f = 1	
X <sup>2</sup> tab	= 3.84		

## CONCLUSIONS

The results of the study have given a clear picture of the relationship of age, educational qualification and social status with the timely availability of loan and fee charged for the completion of pass book. Age and educational qualification had a highly significant negative relationship with the timely availability of loan. It may imply that the younger farmers were more likely to get agricultural credit on time than old farmers. This may be due to the reason that the younger farmers might have made more efforts to get the loan on time than old/aged farmers. However, the possible explanation of this highly significant negative

relationship between educational qualification and timely availability of loan is that the farmers with little or no education at all might have been given agricultural loan on time because of their continued insistence. They might not be ready to accept any logic given by the bank functionaries especially in a situation when there is a real shortage of money with the local branches. While there existed a non-significant relationship between these variables and fee charged for the completion of Pass Book. It may imply that the revenue staff might have charged fee for the completion of Pass Book irrespective of age and educational qualification of the respondents. There also existed a non-significant relationship between the social status of the respondents and the timely availability of loan and fee charged for the completion of pass book. It may lead to a conclusion that the bank functionaries and the revenue staff might have not considered social status of the respondents while disbursing loans to the needy farmers and charging fee for the completion of pass book.

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