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UTILIZATION OF AGRICULTURE CREDIT BY THE FARMING COMMUNITY OF ZARAI TARIQIATI BANK LIMITED (ZTBL) FOR AGRICULTURE DEVELOPMENT

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The capital is considered as one of the basic essentials for boosting vital sector of agriculture. It plays an important role in agricultural development because timely availability of capital leads to adoption of improved seed, fertilizer and modern technologies, which increase the farm production and ultimately the growth rate. Therefore, agriculture credit is an important element for modernization in agriculture and uplifting Pakistan's economy. So, the present study was designed to analyze the utilization of agriculture credit as received by the farming community of tehsil Faisalabad from Zarai Tariqati Bank Limited (ZTBL). A sample of 120 loanees was selected randomly. The collected data were analyzed with the help of Statistical Package for Social Sciences (SPSS) to draw conclusions and to formulate recommendations. It appeared from the results that the credit for agri. purposes was also used for partially for other purposes. It was utilized for livestock and poultry production, and household needs along with crop rising activities. There is a dire need to make it sure that all agri. credit be utilized for the same purpose for which it was obtained.
Keywords: Bank, agriculture credit, agriculture development, micro credit, credit utilization

INTRODUCTION

In the developing world, it appeared a gigantic task to escape from the vicious circle of poverty and there is a dire need to empower the people through improving their earning capacity (Shirazi and Khan, 2009). In Pakistan, agricultural sector provides real support to the country's economy directly as well as indirectly in terms of GDP, employment and agro-based industries (Govt. of Pakistan, 2011). For backstopping this important sector, capital is the real fuel that can run this important vehicle. It not only paves the way for uplifting agricultural sector but also contributes in poverty reduction (Sial *et al.*, 2011a) This is more critical when the farmers are the focal point. The reason is quite obvious that without making investment in this sector there is least probability of outcomes. Rising prices of inputs like seeds, fertilizers, pesticides, and machineries appeared as major dilemma of agri. sector in Pakistan (Sial *et al.*, 2011b). Application of modern technologies has become imperative to get maximum production. It is also a matter of fact that our farmers are facing financial constraints in the application of the agri. technology especially agri. inputs (ibid). The expedition in the use of more and more inputs has transformed the agricultural scenario and for this purpose agri. credit can play a vital role (Bashir *et al.*, 2010). So, it is imperative to develop such a mechanism that can strengthen the financial position of farming community.

Adebayo and Adeola (2008) highlighted the importance of credit and availability thereof in rural areas in the forms of agricultural and community banks. Institutional credits can facilitate the process of enhancing the farm productivity and thus boosting income and bettering living standards (Jan and Khan, 2012). Credit also plays an important role in the sense of food security and increasing opportunities for employment (Khan *et al.*, 2011). However, proper policies can enhance the efficacy thereof (Rahman *et al.*, 2011). Micro credit revealed a positive and healthy impact (Javad *et al.*, 2006; Khan *et al.*, 2011). Mohsin *et al.* (2011) pointed out the importance of credit in the context of getting rid of financial hurdles. There is still need to facilitate the common farmers to access the credit facility in a comfortable manner (Jan and Khan, 2012). The access to credit can contribute towards farmers' technical efficiency (Ayaz and Hussain, 2011; Ayaz *et al.*, 2011). Akram *et al.* (2008) indicated the famers' dilemma in getting loan. The farmers should be helped both in terms of obtaining and returning credit/loan so that they may be able to utilize it to enhance productivity (Bashir and Azeem, 2008).

It is also understandable that if a farmer is not in a position to put the required inputs in the field how he can expect a bumper output. There are various avenues to backup the farmers in this context including commercial banks and cooperative societies. Banks especially, Zarai Taraqiati Bank Limited (ZTBL) is one of the main contributors to provide financial assistance in terms of credit to the farmers (Ahmed and Gill, 2007). The agriculture 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. and the formal credit sources comprised financial institutions like Zarai

Taraqiati Bank Limited (ZTBL) formerly known as Agricultural Development Bank of Pakistan (ADBP).

ZTBL is one of the leading of credit providing institutions that are facilitating the farmers in a multidimensional way. ZTBL is the prime mover in the context of provision of agri. credit which is putting soul in the form of capital for uplifting the agricultural sector as well as prospects of cottage industries in the rural areas (ZTBL, 2006). But, sometimes farmers get agri. credit and use it for other purposes which is not only inappropriate morally and ethically but also illegal. Resultantly, farmers face difficulties in returning the credit to the lending institutions. It has two pronged effect. On one hand, it affects farm productivity negatively and lending institutions have to take legal action and start proceedings against the defaulters. It also has financial implications for the lending institutions. Hence, considering the importance of the utilization of agri. credit by the farmers, the present study was planned and executed in one of the area of Punjab province. The study was conducted for probing the utilization of credit received by farmers in the study area.

METHODOLOGY

The study was conducted in action area of ZTBL, Faisalabad region. The data were collected in 2008 by using cross sectional survey technique. At first step purposive selection and then simple random sampling technique was applied in the later steps. The action area consisted of 8 units, comprising 200 villages. From these 8 units, 2 units with maximum number of villages were selected purposively. From each of these 2 units, 5 villages were selected randomly. From these selected 10 villages, a complete list of agri. loanees was obtained from the ZTBL, Faisalabad which served as a sampling frame for the study. A sample size of 120 loanees was drawn randomly. The data were collected through pre-tested interview schedule. The data thus collected were analyzed with the help of Statistical Packages for Social Sciences (SPSS). Frequencies, percentages (descriptive statistics), and Chi-square (inferential statistics) were used to explain the results.

RESULTS AND DISCUSSION

***Loan borrowed*:** The importance of credit is vital in the perspective of agriculture. Under general credit scheme, the ZTBL provides short term, medium and long term credit facility to the farmers. Short term credit up to one year is to facilitate the farmers to purchase agri. inputs such as improved seeds, fertilizers, pesticides, herbicides and small tools and for the payment to labour hired for planting and harvesting. Medium term credit for three to five years was related to finance dairy farming and poultry farming. Long term credit was for the purpose of developing orchids, buy farm machinery, and tube well, etc. The data collected from the respondents concerning the loan borrowed are presented in (Table1).

The data presented in Table 1 clearly indicate that the big chunk of respondents (82.5%) appeared under the category of 'short term loan' followed by medium term loan (11.71%) and only 5.8% were getting long term loan. It may be inferred from the data that the major concern of the respondents prevailed about addressing their needs pertinent to raising seasonal crops and they need agriculture credit for seed, fertilizers and pesticides etc. to maintain the desired level inputs. Shah *et al.* (2008) found a positive relationship between productivity and agricultural credit. They also emphasized to review interest rate and simplify the procedure of obtaining credit provided by ZTBL. The respondents who borrowed medium and long term loan were business oriented. They also involved in livestock and poultry production along with crop rising activities.

Table 1. Distribution of the respondents according to the loan borrowed

Loan borrowed	Frequency	Percentage
Short term	99	82.5
Medium term	14	11.7
Long term	7	5.8
Total	120	100

***Purpose served through credit*:** For getting insight related to various specific purposes for acquiring agricultural credit, the respondents were asked in this context and the information is depicted in (Table 2). A conspicuous figure which came to scene was purchase of fertilizer. The other noticeable areas of utilization were purchase of seed and pesticides. The other subsequent cases (such as purchasing herbicides, irrigational water/cultural practices, made payment to the labour and on land leveling) were with meager percentage. Likewise, other utilization spheres were dairy farming, poultry farming and on animal and poultry shed construction. A small fraction of the respondents had taken the loan to buy tractor and attachments.

The possibility of using the credit for exact purpose for which it was obtained or using credit partially for that purpose was also analyzed. For getting the real picture, the respondents were asked about this crucial aspect and the collected information (Table 3). It appeared from the data that major chunk of the respondents utilized the credit fully for which it was obtained. However, there were respondents (reasonable number) who utilized it for other purpose as well. From the above data it may be concluded that a majority of respondents borrowed the loan for agriculture activities to increase their farm production but a considerable proportion of respondents were using this agri. credit partially for the purpose it was obtained from the ZTBL.

Table 2. Distribution of respondents according to purpose served through credit

Area of utilization of credit	Frequency	Percentage
Agricultural inputs		
Seed	76	63.3
Fertilizer	101	84.2
Pesticides	74	61.7
Herbicides	18	15.0
Land leveling	13	10.8
Labour charges	4	3.3
Culture practices/irrig,water	17	14.1
Livestock		
Dairy farming (purchasing of buffaloes/cows/sheep	22	18.4
Poultry farming	8	6.7
Poultry and animal shed construction	3	2.5
Agriculture machinery		
Tractor and attachments	7	5.8
Tube well installment	0	0.0

Table 3. Distribution of respondents according to the utilization of agricultural credit

Utilization	Frequency	Percentage
Fully	73	60.8
Partially	47	39.2
Not at all	0	0.0
Total	120	100.0

***Other purposes served through credit*:** It was also deemed necessary to probe out another dimension of their credit. The respondents who revealed their utilization of the credit for other purposes were further enquired about their specific spheres of utilization for getting in-depth insight and the relevant data is presented in (Table 4).

Table 4. Distribution of respondents according to the other purposes served through credit

Other purposes served through credit	Frequency	Percentage
Household needs	33	27.5
Construction of house	5	4.1
Business	6	5.0
Repairing of agricultural machinery	3	2.5
Buying more piece of land	2	1.7

The prominent area identified was household needs like medical treatment, marriage, visa arrangement and buying of other necessary things (Table 4). The other identified areas included business, construction of house, repairing of agriculture machinery and buying of more piece of land area for agricultural production. Moreover, multiple responses regarding uses were also there.

Probing other pertinent researches disclosed various aspects of agri. credit. Khan *et al.* (2007) found a positive impact of short term credit scheme of ZTBL upon production. They also underlined the need to provide short term on larger scale and with increase in credit limits. Moreover, Bashir *et al.* (2007) highlighted the importance of agricultural sector and pointed out that credit facility reflected a positive impact upon crop productivity. Mirza *et al.* (1993) also underlined the crucial importance of institutional credit in terms of facilitating farmers for purchasing agri. innovations. Indicating various dimensions of usefulness of agri. credit, Javed *et al.* (2006) manifested that credit facility in the form of micro credit contributed to improve crop production, income and thus farmer's livelihood. Furthermore, Abedullah *et al.* (2009) also reflected credit importance for the growth of livestock sector. Lodhi *et al.* (2006) revealed diversified use of credit by the respondents. However, Mehmood *et al.* (2012) conducted a research in the context of repayment of agricultural loan and identified miss-utilization of loans as one of the constraints in repayment.

***Relationship of demographic characteristic with utilization of agricultural credit*:** The data regarding the relationship of demographic characteristic (age) with utilization of agricultural credit are depicted in Table 5. The data reflect positive significant relationship between age and utilization of agricultural credit. It may be inferred that age has a strong positive impact on the utilization of agricultural credit in an appropriate way. Moreover, it appeared from the relationship that middle and old age respondents were more inclined towards the proper utilization of credit as compared to the younger respondents.

Table 5. Relationship of age with utilization of agricultural credit

Age (in years)	Utilization		Total
	Fully	Partially	
Young (up to 35)	13	8	21
	10.83%	6.66%	17.5%
Middle (36 to 50)	44	19	63
	36.66%	15.83%	52.5%
Old (above 50)	16	20	36
	13.33%	16.67%	30%
Total	73	47	120
	60.83%	39.17%	100%

Chi-square = 6.214; df= 2

***Conclusions and recommendations*:** On the basis of empirical evidences, it is inferred that credit obtained for specifically agri. purposes was also being utilized for fulfilling other needs. This situation demands for a concerted effort on the part of credit related personnel to ensure that the loanee uses credit for the exact purpose it was obtained.

It would have two pronged effect. On one hand, the farmers would be able to increase per unit productivity which will bring prosperity not only for the farming community but also for the nation and on the other hand, they will also timely return the loan to ZTBL. Moreover, the ZTBL will not confront with any loan recovery problem.

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