

FARMERS' PERCEPTION OF THE OBSTACLES IN OBTAINING AGRICULTURAL CREDIT FROM ADBP

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This paper reports the fanners' perception of the 'difficulties in obtaining agricultural loans from Agricultural Development Bank of Pakistan (ADBP). The credit facilities provided by the bank are likely to be effective only if these are available to the loanees according to the procedure as prescribed by the bank and without causing much inconvenience to them. It is generally thought that the fanners usually face a number of obstacles in obtaining agricultural credit. A great majority of the respondents regarded the loaning procedure either difficult or very difficult. The major difficulties faced by the loanees were illegal demands by 'Patwaris', overcharging for the completion of pass book and complicated and lengthy loan granting procedure of the bank.

Key words: ADBP, agricultural credit, loaning procedure, obstacles

INTRODUCTION

Credit is a key element in the modernization of agriculture as modern agricultural technologies are capital intensive. They can mainly be adopted if adequate capital is available to fanners for investment in fanning. The greater the availability of credit, the higher the adoption of new technologies (Shah & Rose, 1992). Availability of sufficient capital is a prerequisite to technology adoption right from the sowing of crop to its harvesting, storage and marketing. Perhaps that is why the extension approach used by the Kenya Tea Development Authority relies on integrated package that includes among other inputs agricultural credit as an important element (Bandish and Evenson, 1993). Non-adoption of modern crop production technologies is generally attributed to the non-availability of required inputs and farm equipment mainly because of poor economic conditions of small fanners (Abmad, 1993). This ultimately results in low agricultural productivity (Areef, 1989). In the same context, Malitlo (1988) reported that lack of credit is one of the main reasons for low per hectare yield in Pakistan. Therefore it becomes essential to provide fanners with the needed credit facilities without any difficulty to enable them to buy inputs essentially required for the adoption of modern agricultural technologies for enhanced agricultural productivity.

It is generally thought that the fanners usually face a number of obstacles in obtaining agricultural loan (Ahsan, 1985). They generally perceive loaning procedure as complicated and lengthy (Shirazi, 1985; Anonymous, 1988). This situation discourages fanners to apply for agricultural loan from the credit agencies. The loaning facilities provided by the loaning agencies are likely to be attractive and effective only if they are easily available to the end users and according to the procedure as prescribed by the loaning agency. How far the loaning agencies have been effective in advancing loans to the needy fanners according to the prescribed procedure seems to be an important area to

look into. The present paper reports the procedural difficulties faced by the loanees which need to be removed.

MATERIALS AND METHODS

The study was confined to the Agricultural Development Bank of Pakistan (ADBP) only because of its major role in advancing agricultural loans to fanners. The study was further confined to tehsil Samundri of Faisalabad district. The loanees of the bank were scattered over 143 villages, of which 56 villages located within eight kilometers on both sides of Samundri-Rajana road served as the research population. Eight villages, each having at least 10 loanees, were selected at random. All loanes of the selected villages were taken as study respondents. Data were collected by using an interview schedule.

RESULTS AND DISCUSSION

Completion of PUI Book: The federal government passed the Loans for Agricultural Purposes Act No. XLII of 1973, and framed rules thereunder whereby tile land owners are issued 'Pass Books' available at post offices and banks at a cost of Rs. 10 per set. The fee for the completion of the pass book is paid in the form of court fee stamps. At the time of preparation of pass book, the 'Patwari' concerned records the issuance of pass book in the 'Khata' of the land owner. The respondents were asked about the fee they paid for the completion of their pass books. Their responses given in Table 1 indicated that a great majority (60.82%) of the respondents had to pay the required fee plus illegal gratification for that purpose because of illegal demands at various levels. However, 39.18% respondents were charged fee according to the prescribed rate.

Difficulties Faced by Loanees in Obtaining Agricultural Loan: The responses of loanees shown in Table 2 revealed that majority (59.79%) of the respondents faced difficulties in obtaining loan due to illegal demands of 'Patwari'. Almost the same number of respondents complained about the complicated procedure of the bank. Non-cooperation by

the bank functionaries was also reported by 16.49% of the respondents. Awan (1980) also reported similar findings with regard to illegal demands at various levels.

Loanng Procedure as Perceived by the Loanees: Their views recorded in Table 3 showed that about 30% of the respondents regarded the loanng procedure of ADBP as difficult and almost the same number of respondents (24%) viewed it as very difficult. This may lead to a conclusion that majority of the respondents faced difficulties in obtaining loans from ADBP. A similar situation has been reported from Nepal where institutional credit programmes by the commercial banks and the Agricultural Development Bank of Nepal (ADBN) are not used by the poor farmers because, among other reasons a too complex application procedure hindered their way (Anonymous, 1990). However, recently the ADBP is striving hard to simplify the loanng procedure through 'one window operation' programme (Anonymous, 1998) so that all the formalities in this regard are completed at the spot within a day or two.

Conclusions: Majority of the respondents had to pay more than the prescribed fee for the completion of their pass books because of illegal demands at various levels. The major difficulties faced by the loanees were illegal demands by 'Patwaris' and complicated and lengthy procedure of the bank. A great majority of the respondents regarded the loanng procedure of the bank either difficult or very difficult.

Table 1: Distribution of respondents based on the payment of fee for the completion of pass book

Category	(No.)	(%)
Paid according to the prescribed rate	38	39.18
Had to pay more than the prescribed rate	59	60.82

Table 2: Difficulties faced by the respondents in obtaining agricultural loan

Difficulties	(No.)	(%)
Complicated procedure of pass book system	54	55.67
Lengthy and time consuming procedure of bank	54	55.67
Non-cooperation by bank functionaries	16	16.49
Illegal demands of:		
MCO	7	7.21
Tehsildar	4	4.12
"Patwaris"	58	59.79

Table 3. Loanees perception of the loanng procedure

Loanng procedure	(No.)	(%)
Very simple	12	12.38
Simple	29	29.88
Undecided	2	2.06
Difficult	30	30.93
Very difficult	24	24.75

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