

A Comparative Analysis of Loanee and Non-Loanee Farmers

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Abstract

Agriculture sector is the largest contributor to the national incomes (GDP) of the world economies as well as for Pakistan contributing nearly 21 percent to the GDP and provides employment to nearly 43 percent of the workforce and supplies raw material to the industrial sector (notably textile industry) of Pakistan. Credit is an important tool for getting the inputs in time increasing thereby the productivity of the farms particularly those of small ones. The current study was designed know the diversifying characteristics of the loanee and non loanee farmers. It was found that that almost on all accounts variations were observed in the characteristics of loanee and non loanee farmers. It is suggested that improvement in education status will help farmers not only to understand the myths about loan / credit but also to utilize the finances in a much better way.

Key words: Agriculture, credit, loanees, non loanees, diversification, Pakistan,

Introduction

Agriculture is the main stay of the economies of the developing nations as well as for Pakistan. Even it is important for the developed nations as they have to provide the food to their people who are working / serving in the other sectors of the economy. So the importance of the agricultural sector in the economies cannot be denied. Though the share of the agricultural sector in Pakistan's economy has declined over the past two decades yet it is still the single largest sector contributing nearly 21 percent to Pakistan's national income (GDP) and employing nearly 43 percent of its workforce. Pakistan is a country which is blessed with profusion of natural and human resources; luxuriant lands, mountains and lakes, four seasons, the best irrigation systems of the world and a comparatively prolific agriculture sector (GOP, 2006-07).

Credit is considered to be the back bone for any business including agriculture which traditionally is taken as a non-monetary activity in countries like

Pakistan. Rural credit which is not considered a direct tool of production but is very effective and helpful to shatter the ferocious circle of 'grow-eat-grow' by minimizing the financial constraints faced by the farmers which ultimately help them to use the recommended doses of the inputs and increase the pace of the adoption of new technologies. So credit facilities can thus be included as a vital part of the commercialization process of the agriculture. The provision of easy and cheap credit is the quickest way to boost up the agricultural production. Therefore, it was the prime policy of all the successive Governments to meet the credit requirements of the farming community of Pakistan.

Formal / institutional credit to the farmers is being provided through Government (Taccavi Loans), Cooperatives, Zarai Taraqiati Bank Limited (ZTBL), Domestic Private Banks and Commercial Banks. Government considers it an important instrument for achieving higher production and attaches high priority and attempts to ensure its timely availability to the farmers. Credit requirements of the farming community have shown an increasing trend over the years

Credit is required for the capital development, diverse agricultural production & efficiency in the resource-use, in the face of piercing poverty in the rural areas where farmers are the major players. The use of credit facilities would definitely translate to higher resource employment and capacity utilization, increased output and income, and poverty reduction in these areas, especially among the farmers and be helpful to increase the food production which would lead to an improvement in the welfare of the farmers (Olagunju, 2007).

For the transformation of subsistence agriculture to commercialized one, credit is a leading factor. Agricultural credit, in reality, is an integral part of the process of modernization of agriculture and commercialization of the rural economy. However, in spite of considerable efforts to streamline, reinforce, expand and institutionalize the agricultural credit system the achievement falls short of proclamations, policies and programs. Unless agriculture credit is systematically institutionalized for small farmers, agricultural development can not be materialized. Due to small holdings, low crop yields and small

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income there is very little saving among the majority of the farmers of Pakistan. Therefore, it is the need of time that credit agencies come up to help them in adopting the improved farm practices. The study in hand was designed to know the diversifying characteristics of the loanee and non loanee farmers.

Methodology

The study in hand was designed and confined to Faisalabad district. The district was divided into six zones and from each zone two villages were randomly selected. Figure 1 shows the zones and the selected villages.

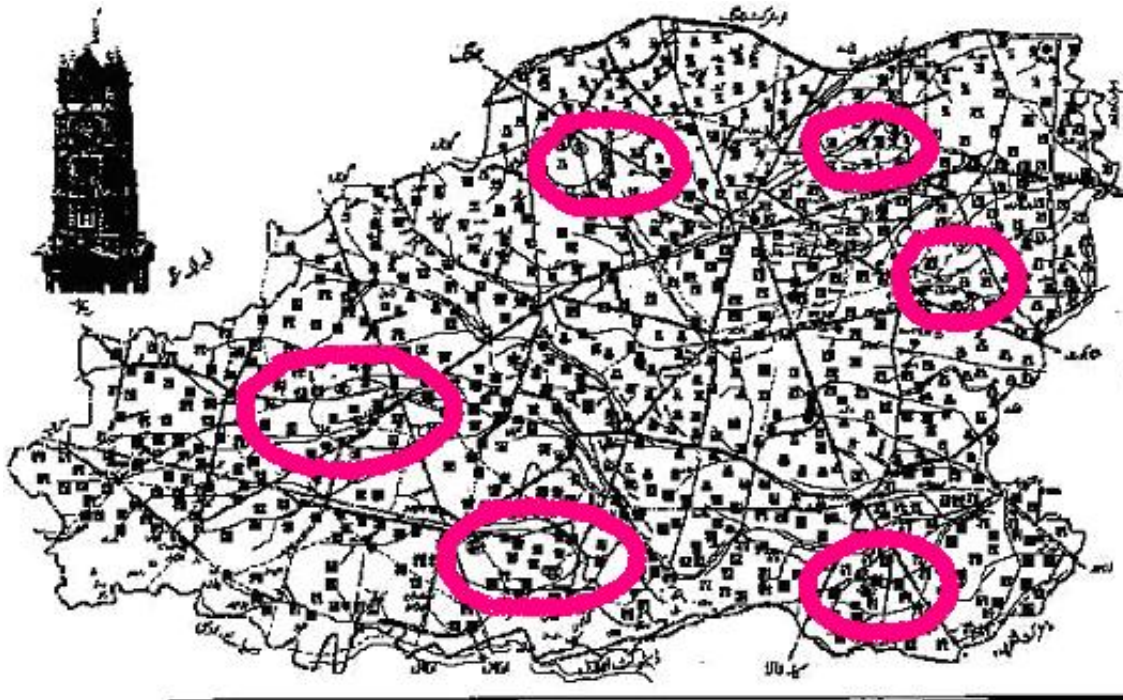


Figure 1. Zones and randomly selected villages

According to Dixon (1983) any set of individuals or objects having some common observable characteristics constitute a population. The present study was designed specially to focus the diverse characteristics of the loanee and non loanee farmers. For the said purpose United Bank Limited (UBL) was selected as a representative of the commercial banks on the basis of its last year's credit disbursement in Faisalabad district. Time and cost are usually the limiting factors in social research. It is, therefore economical to base the study on sample rather than to study the whole population. A sample refers to small representative of a large whole (Goode and Hatt, 1952).

There are two basic requirements of a good sampling procedure. First, it must be a representative and second, it must be adequate. For this reason a list of borrowers of the selected commercial bank was obtained from the respective branches for the selected villages. It was intended to select five loanees from each village. However, in one of the selected villages (74 JB), there were only two loanees. The number of the sample respondents was, therefore, reduced from 60 to 57. An equal number of no-loanees were also selected randomly from these villages for the sake of comparison. An interview schedule was used for the collection of required data. The data were then analyzed using Averages and percentages.

Averages

Averages were calculated using the following formula;

$$\text{Avg.} = \frac{n}{N}$$

where,

Avg. = Average

n = number of observations in a particular group

N = total number of observations

Percentages

Percentages were calculated using the following formula;

$$P = \frac{n}{N} * 100$$

where,

P = Percentage

n = number of observations in a particular group

N = total number of observations

Results and Discussion

Keeping in view the objectives of the study the comparison between the loanee and non-loanee farmers was made on the basis of following attributes;

Literacy Level of Loanee and Non-Loanees

Education is one of the most important factors to improve the personality, behavior, thinking and skills of human beings. It enables the persons to compare and evaluate the costs and benefits and to take initiatives in their farming business. Information with regard to education of respondents was collected and is given below;

Table 2. Literacy Level of the Sample Farmers

Literacy Level	Loanees			Non-loanees		
	Number	Avg.	%	Number	Avg.	%
Illiterate	6	.105	10.5	17	.298	29.8
Primary	2	.035	3.5	27	.474	47.4
Middle	19	.333	33.3	10	.175	17.5
Matric	17	.298	29.8	3	.053	5.3
Intermediate	8	.140	14.0	0	0	0
Graduation	5	.088	8.8	0	0	0
Total	57		100	57		100

Analysis indicated that majority of the loanees and non-loanees had very low level of education. In case of loanees 29.8 percent were Matriculates, 14 percent intermediate, 8.8 percent Graduates and 36.8 percent had a schooling of up to 8 years. In case of non-loanees only 5.3 percent were matriculates, 17.5 percent middle and 47.4 percent had just got education up to primary, where as no respondents had education beyond matriculation. As much as 10.5

percent of loanees and 29.8 percent of non-loanees were illiterate.

Family Size of the Sample Respondents

Family size is the basic unit of a society and plays an important role in family income, consumption, expenditure and credit requirements. As the family size increases the consumption expenditure also increases and thus credit requirements increase.

Table 3 Family Size of the Sample Farmers

Family Size	Loanees			Non-Loanees		
	Number	Avg.	%	Number	Avg.	%
1	2	.035	3.5	0	0	0
3	4	.07	7.0	5	.088	8.8
4	2	.035	3.5	8	.14	14
5	11	.193	19.3	11	.193	19.3
6	10	.175	17.5	10	.175	17.5
7	19	.333	33.3	13	.228	22.8
8	3	.053	5.3	7	.123	12.3
9	3	.053	5.3	3	.053	5.3
10	2	.035	3.5	0	0	0
11	1	.018	1.8	0	0	0
Total	57		100	57		100

The table shows that 78.9 percent loanee farmers had the family members between 4-8 as compared to 85.9 percent of non-loanees. About 10.6 percent loanees and 5.3 percent non-loanees had a family size of 9 to 11 members.

Age of the Sample Respondents

Age is one of the most important indicators to determine the behaviour of human beings. It shows the ability to work, efficiency, willingness to progress, experience and attitudes towards various social and economic aspects of life. Age of the sample respondents is given in the following table,

Table 4 Age of the Sample Respondents

Age Groups	Loanees			Non-loanees		
	Number	Avg.	%	Number	Avg.	%
26-30	4	.0702	7.02	2	.0351	3.51
31-35	4	.0702	7.02	3	.0526	5.26
36-40	12	.2105	21.05	14	.2456	24.56
41-45	7	.1238	12.28	14	.2456	24.56
46-50	10	.1754	17.54	6	.1053	10.53
51-55	7	.1228	12.28	11	.1930	19.30
56-60	4	.0702	7.02	2	.0351	3.51
61-65	8	.14035	14.035	5	.0877	8.77
66-70	0	0	0	0	0	0
71-75	0	0	0	0	0	0
75-80	1	.0175	1.75	0	0	0
Total	57		100	57		100

The table demonstrates that 64.91 percent loanees and 68.42 percent non-loanees were in the age bracket of 26 to 50 years while about 35 percent of loanees and 31 percent non-loanees were between 51-80 years.

Land Ownership of the Sample Farmers

Ownership of the land is an important variable to differentiate the characters of loanees and non-loanees. Table 5 shows the farm size of the sample farmers. It may be seen from the table that about 77 percent loanees had a farm size between 6 to 25 acres while about 87 percent of the non-loanees had a farm size between 6 to 10 acres.

Among the total land holdings 46 percent of the loanees had the owned land between 6 to 15 acres while 87.72 percent of the non-loanees had just owned land between 1 to 10 acres. Table 5 also shows that 63.16 percent loanees had rent in land between 6 to 25 acres as compared to the non-loanees who did not rent in any land.

Table 5. Land Ownership of the Sample Farmers

No. of Acres	Farm Size						Owned Land						Rented In					
	Loanees			Non-Loanees			Loanees			Non-Loanees			Loanees			Non-Loanees		
	No.	Avg.	%	No.	Avg.	%	No.	Avg.	%	No.	Avg.	%	No.	Avg.	%	No.	Avg.	%
Up to 5	1	.0175	1.75	1	.0175	1.75	28	04912	49.12	1	.0175	1.75	18	.3158	31.58	57	1.00	100
6-10	16	.2807	28.07	49	.8597	85.97	21	.3684	36.84	49	.8597	85.97	14	.2456	24.56	0	0	0
11-15	16	.2807	28.07	7	.1228	12.28	5	.0877	8.77	7	.1228	12.28	14	.2456	24.56	0	0	0
16-20	7	.1228	12.28	0	0	0	1	.0175	1.75	0	0	0	4	.0702	7.02	0	0	0
21-25	5	.0877	8.77	0	0	0	0	0	0	0	0	0	4	.0702	7.02	0	0	0
26-30	6	.1052	10.52	0	0	0	0	0	0	0	0	0	1	.0175	1.75	0	0	0
31-35	4	.0702	7.02	0	0	0	1	.0175	1.75	0	0	0	1	.0175	1.75	0	0	0
36-40	1	.0175	1.75	0	0	0	1	.0175	1.75	0	0	0	0	0	0	0	0	0
41-45	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
46-50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
51-55	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
56-60	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
61-65	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
66-70	0	0	0	0	0	0	0	0	0	0	0	0	1	.0175	1.75	0	0	0
71-75	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
76-80	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	57	1	57	57	1	100	57	1	100	57	1	100	57	1	100	57	1	100

Use of Recommended Doses of Pesticides

The analysis showed that the loanees used the recommended dose of pesticides as compared to nonloanees. Table 6 shows the same results;

Table 6: Use of Recommended Doses of Pesticides by the Sample Farmers

	Loanees			Non- Loanees		
	Number	Avg.	%	Number	Avg.	Percent
yes	57	1.00	100	17	.298	29.8
No	0	0	0	40	.702	70.2
Total	57		100	57		100

Table shows that 100 percent loanees used the recommended doses of pesticide as compared to only 29.8 percent of non-loanees.

Use of fertilizer and F.Y.M.

All the loanee farmers had used recommended doses of fertilizer and farm yard manure as compared to 33 percent in case of non-loanees as is depicted in the following table.

Table 7: Use of Recommended Doses of Fertilizers by the Sample Farmers

	Loanees			Non- Loanees		
	F	Avg.	%	F	Avg.	%
Yes	57	1.00	100	19	.333	33.3
No	0	0	0	38	.667	66.7
Total	57		100	57		100

Conclusions

In conclusion it can be said safely that almost on all accounts variations were observed in the characteristics of loanee and non loanee farmers. However the diversity was more pronounced in education and the usage of recommended doses of pesticides & fertilizers.

The loanee farmers were slightly better in education. Greater percentage of loanees had a relatively large family size as compared to non loanees. Similarly relatively more aged (51-80 years) were found in the category of loanees. Although the size of land utilization / holding was greater in case of loanees but ownership status was better of non loanees.

It can be suggested from above discussion that improvement in education status will help

farmers not only to understand the myths about loan / credit but also to utilize the finances in a much better way.

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