EFFECT OF PUNJAB RURAL SUPPORT PROGRAM (PRSP) MICROCREDIT SCHEME ON AGRICULTURAL PRODUCTIVITY OF SMALL SCALE FARMERS IN DISTRICT GUJRAT, PAKISTAN

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ABSTRACT

In developed countries, industry is a major contributor to economic growth and development. Nevertheless, in developing countries including Pakistan, agriculture is considered backbone of economy. Since its inception in 1947, Pakistan faced several issues in agriculture including the use of microcredit scheme for agriculture. This research investigates the contribution of microcredit schemes which were implemented in agriculture. This research intends to document the role of Punjab Rural Support Program (PRSP) in agricultural productivity of small scale farmers in District Gujrat, Pakistan. It also aims to highlight the benefits of this scheme for the marginalized and small scale farmers. A quantitative study was conducted in district Gujrat by using survey method to collect data from the farmers who took an advantage from the microcredit scheme of PRSP. A list of all those farmers was collected from PRSP regional office and by using systematic random sampling technique total 261 respondents were selected.

The findings of the research reveal that majority of the farmers were lacking in resources. Most of the respondents were illiterate and they did not have advanced knowledge about the modern agricultural techniques. But at the same time, this research indicates that PRSP loan scheme is bringing about significant change in the lives of farmers. These schemes were not only for improving their agricultural productivity but also improving their socio-economic conditions of their families. The research concludes by suggesting enhancing the loans for agricultural sector in Pakistan for improving the agricultural productivity.

Keywords: Agriculture productivity, microcredit, small scale farmers Gujrat.

INTRODUCTION

Over the past three decades, microcredit schemes have become a much significant and favorable intervention for sustainable agricultural development (Omobolanle, 2010). The provision of microcredit has uplifted the socio-economic conditions of the rural masses (Jived *et.al.,* 2006), and significantly increased the agricultural productivity to a substantial extent (Aslam, 2001; Ansari, 2001; Nazli, 2000). Studies have been conducted to determine impact assessment of microcredit schemes on borrowers' income. These studies indicated that microcredit schemes have a positive impact on borrowers' incomes and they have reduced vulnerability of poor borrowers (Khandker, 2005; Khandker, 2001; Pitt & Khandker, 2001; Wright, 2000; Zaman, 2000; Pitt & Khandker, 1998; Pitt & Khandker, 1996).

Institutional and non-institutional agencies have been included as a source of credit for the farming community (Abbas *et.al.,* 2005). Institutional credit system comprised financial institutions and non-institutional credit system includes friends, relatives, commission agents, traders and private moneylenders etc (Riaz *et.al.,* 2012). Institutional credit would have been considered more favorable for enhancing the agricultural productivity and improvement (Jan and Khan, 2012; Nazli, 2000; Ikaram, 1994; Malik *et.al.,* 1991). Nevertheless, lack of access to the financial services is a critical constraint for the expansion of viable agricultural enterprises (Omobolanle, 2010). It is suggested in literature that credit constraints have adverse effects on agricultural productivity in developing countries (Petrick, 2004).

In Pakistan, significant population (65.9%) of the rural areas is directly or indirectly dependent on agricultural sector (Economic Survey, 2007) that provides the real support in terms of GDP and employment (Economic Survey, 2011). Unfortunately, majority of the farmers have no resources. Thus, microcredit can play a vital role in providing financial support to small farmers. This would increase agricultural productivity in the rural economy and increasing opportunity for employment (Khan *et.al.,* 2011). In 1990's, Government of Punjab launched the microcredit scheme to finance the small scale farmers and other rural dwellers through Punjab Rural Support Program (PRSP). The scheme aimed to finance the ignored marginal and small scale farmers through

institutional credit facilities (Aslam, 2001) and "harnessing the potential of the poor to help themselves" (PRSP, 2012). The availability of the finance may enable the vulnerable farmers to use new techniques for increasing agricultural productivity. Microcredit can also help poor farmers to purchase various agricultural inputs such as seeds, fertilizer, etc. It has been transforming subsistence production patterns to commercial farming (Khan, 1989). The present study was designed to investigate the role of PRSP microcredit scheme on agricultural development and to estimate the changes and improvement in seasonal income of microcredit borrowers after getting loan.

OBJECTIVES

The objectives of the research are:

- To document the contribution of microcredit schemes which are implemented in agriculture sector,
- To evaluate the role of Punjab Rural Support Program (PRSP) on agricultural productivity of small scale farmers in District Gujrat, Pakistan,
- To highlight the benefits of PRSP scheme for the marginalized and small scale farmers.

METHODS

The current research was conducted in District Gujrat, Pakistan in order to investigate the impact of the microcredit scheme of PRSP on the productivity of the small scale farmers.

In this regard a quantitative study is conducted by using survey method to collect data from those farmers who borrowed loan or took an advantage of the microcredit scheme of PRSP. A list of all those farmers was collected from PRSP regional office. A sample of 261 respondents was selected from the given sampling frame by using systematic sampling technique. A well-structured close ended interview schedule was developed and was used for data collection. Both Descriptive and inferential statistics were applied on the data in order to have comprehensive results regarding the issue.

RESULTS

Descriptive Analysis

Table 1 depicts the socio-demographics characteristics of the sample. A total of 261 micro-credit users were included in the

sample. As far as the gender of the respondents was concerned, significant majority of them 248 (95%) were males and 13 (05%) were females. Majority of the micro-creditors 109 (42%) did not get a chance to get any formal education in any school setup. While 37 (14%) of them did get primary education and 42 (16%) did get secondary education. A marginally less number of respondents 39 (15%) were completed matriculation and only 11 (04%) did get intermediate level education. Majority of the respondents 172 (66%) were in the age group of 31 to 35 years while 34 (13%) were in the age group of 35-40 years and 29 (11%) were having an age less than 30 years. There were only 10 (04%) respondents who were in the age group of 41-45 years. Moreover, the majority of the micro-creditors 154 (59%) were dependent on agriculture as a livelihood activity while 51 (19%) were running their own business and 28 (11%) respondents were doing job.

TABLE: 1
SOCIO-DEMOGRAPHIC CHARACTERISTICS OF PRSP MICRO-CREDIT USERS

Response Category	**Frequency**	**Percentage %**
Residence		
Male	248	95
Female	13	05
Level of Education		
Illiterate	109	42
Primary	37	14
Middle	42	16
Matriculation	39	15
Intermediate	11	04
Bachelors	23	09
Age of the Respondents		
Less than 30 years	29	11
31-35 years	172	66
36-40 years	34	13
41-45 years	10	04
Above 45 years	16	06
Occupation of the Respondents		
Agriculture	154	59
Business	51	19
Job	28	11
Others	28	11

Inferential Analysis

In order to investigate the association between agricultural development, micro-creditors socio-economic status and micro-credit provided by PRSP, Chi square analysis was conducted by using SPSS.

Table-2 reveals that association between agricultural productivity and perceptions regarding micro-credit provided by the Punjab Rural Support Programme (PRSP). Result indicates that there was a significant association between access to micro-credit facilities by small scale micro-creditors and improved agricultural productivity ($P<0.0001$, $\chi^2= 62.217$, $df= 4$). Nevertheless, there was a significant association between micro-credit facilities taken by small scale farmers and improved socio-economic status of micro-credit users ($P<0.003$, $\chi^2= 18.046$, $df= 4$).

TABLE: 2
ASSOCIATION BETWEEN AGRICULTURE PRODUCTIVITY, MICRO-CREDIT USERS SOCIO-ECONOMIC STATUS AND ACCESS TO MICRO-CREDIT FACILITIES

Variable	Chi-Square	df	P-Value
Agriculture Productivity	62.217	4	<0.0001**
Micro-creditors' Socio-economic Status	18.046	4	<0.003*

*P<0.001, **P<0.0001

CONCLUSION

The above mentioned finding of the study concludes that access to micro-credit facilities is the main cause of improving socio-economic status and agricultural productivity of micro-creditors in Gujrat, Pakistan. Access to micro-credit facilities is considered to be an important indicator to uplift the agriculture sector development which leads to improve the socio-economic status of the disadvantaged rural farmers (Omobolanle, 2010). The micro-credit facilities should be provided by institutional agencies like PRSP, which can play a vital role in increasing agricultural productivity of small scale farmers. Higher agricultural productivity would significantly improve the livelihood activities of the farmers.

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