LAND OWNERSHIP PATTERNS AND ACCESS OVER FORMAL AND INFORMAL LENDING: A CASE STUDY OF SINDH, PAKISTAN

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ABSTRACT

This study seeks to present empirical evidence on overwhelming influence of land ownership patterns over the access of agriculture credit in Sindh, Pakistan. The data presented revealed overpowering influence of land ownership patterns and socio-political elite over formal lending. Review of the literature identified land ownership patterns are skewed, however, there is majority of small farmers in the country. The secondary data evidence suggests that small landowners possess one third of agricultural land in Sindh. Study also highlighted corruption as one of the major causes along with collateral credit limit and methods for recovery. In light of the findings of the study, policy implications for government, corporate managers, bankers and small and large landowners are discussed.

INTRODUCTION

This article seeks to evaluate the performance of formal lending institutions in relation to land ownership patterns, the social environment, and political influence over the access of lending facility of formal financial institutions. Besides, this article also provides a comparative analysis of the performance of Non-Governmental Organizations (NGOs) and the banks. At first, general review of land ownership patterns in study area has been made with focus on rationale of land reforms introduced in the country. Lastly, accessibility over lending is linked with land ownership patterns and subsequent influence of sociopolitical elite class which is proportional to the size of land owned by the farmers. Bigger the land ownership more the sociopolitical influence and consequent access over banks' credit facility.

LITERATURE REVIEW

Land Ownership Patterns: Pakistan is believed as agriculture country with 27 percent of its land used for cultivation. Nation is blessed with large number of small-scale farmers and also huge number of land holding communities which are settled along River Indus. Nevertheless, the land ownership and distribution has remained uneven. It is estimated that about less than 1 percent of the agriculture landholders possess over 25 percent of the total cultivable land. It is also a surprising fact that about 65 percent of landowners possess nearly 15 percent of the cultivable land about two hectares or less. As a result, half of the fertile land is cultivated by peasants, tenant and sharecroppers. Moreover, millions of landless rural population works in agricultural sector on daily wages. SBP 2008 consider such rural manpower as unprivileged, poor, undernourished and live in sharp contrast to the wealth, status, and political power of the landed elite. At the time of independence, Pakistan had large scale princely states and they were largely owned by influential landlords. As most of the land was owned by few people, it was not possible to supervise and cultivate all land for them, therefore, land was given on lease to managers and they were known as land operation operators. According to Binswanger and Fedder (1993) about 50 percent crop land was cultivated by tenants (i.e. operational owners). The land was further distributed among share croppers with broadly input and output ratio of 50:50. The full time land owners and most of the tenants also cultivated through daily wage labors, especially the crops that had long terms crop cycle for example orchard and sugarcane. During the decade of 1950s, serious attempt was made to reduce the negative factor of those who do not have land e.g., absenteeism and rent seeking through land reforms. The purpose of these reforms was to provide access over vital resources. Land reforms from 1950s to date aimed to allot agriculture land to landless peasants. Table 1 presents information on distribution of agriculture land and categories. It reveals about 81 percent of the landowners occupy between less than 5-acres which constitute 39 percent of the total agriculture land. Similarly, another chunk of 12 percent farmers hold 5-10 percent of total area and are known as medium size land holders.

On the contrary, 7 percent of the farmers who have the land holding between 10 acres to sixty acres own 40 percent of the area.

Table-1
DISTRIBUTION OF FARM LAND IN DIFFERENT CATEGORIES

Size of Farms [ha]	Percentage of land holders	Percentage of Area
Less than 0.5	13	1
0.5 to 1.0	14	3
1.0 to 2.0	21	8
2.0 to 3.0	16	10
3.0 to 5.0	17	17
Total Small Farms	81	39
Medium Farms [5 to 10]	12	21
10 to 20	5	16
20 to 60	2	14
Large farm 60	0.3	10
Total large farms	7	40

Source: Khan, M. H. (1998

Land Reforms: Owing to large gap in landownership and landlessness which caused ever-increasing difference between 'haves and haves not' in the country, several governments initiated land reforms by distributing agriculture land among those who were landless to bridge some gap and reduce poverty. Land reforms aimed at overcoming socioeconomic and political contradictions without impairing fabric of society and social relations. Rather governments deliberately aimed at transforming the agrarian structure by immensely realizing the urgent need of equitable ownership and security of tenancy. On the contrary, the reforms paved the way of uncertainty especially in rural part of the country by intensifying the animosity between wealthy landlords and small farmers and sharecroppers.

There appears uniformity and consensus among research scholars such as Khan (1998) and Nabi & Hamid (1986) that government, with good intentions, embarked on introducing land reforms in January 1959 which aimed to boost agricultural output, promote social justice, and ensure security of tenants. Legal framework of land reforms notified a ceiling of about 200 hectares of irrigated land and 400 hectares of non-irrigated land for each landless individual. Framework also directed concerned authorities to provide landowners who surrendered land with adequate compensation for avoiding future misunderstanding and animosity. Numerous exemptions, including title transfers to family members, limited the impact of the ceilings. Slightly fewer than 1 million hectares of land were surrendered, of which a little more than 250,000 hectares were sold to about 50,000 tenants. However, critics of legal framework of land reform suggested that the law failed to break up large landholdings and reduce the feudal elitism. Critics further viewed the new law merely an attempt to provide some security of tenure to tenants, consolidate existing holdings, and prevent fragmentation of farm plots. Critics recommended that five hectares of land should have been allocated for a family's subsistence and in addition about 20-25 hectares must have been desirable economic holding. Later, the 1973 legal measures required landlords to pay all taxes e.g. water charges, seed costs, and one-half of the cost of fertilizer and other inputs. It prohibited eviction of tenants as long as they cultivated the land, and it gave tenants first rights of purchase. Other regulations increased tenants' security of tenure and prescribed lower rent rates than had existed (Khan, 1998).

Table-2
SUMMARY FEATURES OF LAND REFORMS IN PAKISTAN: 1959 TO 1977

Year	Description	Key Features and Recommendations
1959	Land and Tenancy Reform - Martial Law Regulation 64, 64A and 64B	Ceiling on holdings: 500 acres irrigated, 1000 acres un-irrigated; additional land allowed to bring land holding to the equivalent of 36000 Produce Index Units resumed land to be sold first to tenants and then to small farmers; abolition of *jagirs* occupancy tenants made owners; all peasants/tenants and tenants-at-will given protection; rents to be paid in kind and all charges other than crop share abolished.
1972	Land and Tenancy Reforms-Martial Law Regulation 115 and amendments	Ceiling on landholding: 150 acres irrigated, 300 acres un-irrigated or equivalent 12000 PIUs plus 2000 PIUS for tractor and tube well owners; no compensation to landowner, land distribution without charge to landless tenants with below subsistence holdings; share system remains unchanged; land revenue, water rates, and pesticides to be shared equally; tenant eviction decided by revenue courts if tenant failed to pay rent, failed to cultivate land, sublet tenancy, rendered land unfit for cultivation.
1977	Land Reform Act	Landholding: 100 acres irrigated, 200 acres un-irrigated or 8000 PIUs equivalent; compensation to landowners on resumed land at Rs. 30 per PIU; redistribution as in 1972. This Act was completely ignored by the government after July 1977.

Source: Nabi & Hamid. (1986).

Table 2 suggests that in 1959 first attempt was made to bring reforms in land ownership patterns i.e. the major focus was land owner of minimum 500 acres irrigated land and 1000 acres un-irrigated. This attempt could not produce fruits and failed as to distribute land among poor because elite kept on influencing Pakistan's rural economy. In 1972 ceiling was further reduced to 150 acres of irrigated and 300 acres un-irrigated land. Under these reforms estimated 0.9 million acre lands was marked for redistribution. One of the criticisms that are leveled against these reforms was the fact that these reforms failed to consider families who owned land on joint basis. Contrary to this, reforms focused upon individual farmers while ceiling was set for redistribution. The drawback was that large owners manage to keep their holding within their joint family and in this way they kept their land within the family members. It was only less productive and swoopy land that was declared for distribution.

Precisely, several attempts were made during 1959 and 1972 but all efforts failed to deliver in practice. In other words land redistribution did not bring equitable distribution of resources in the rural economy. Even the 1990s federal land commission has identified approximately 8 percentage of cultivated area for distribution among landless people. The expected beneficiaries may be over 0.3 million. However, land ownership still remained highly skewed. It is argued that effective land reforms are difficult to implement especially that the rural policy has to operate within its socio-economic and political environment. It is a fact that this environment is highly influenced by feudal; therefore, the estimated attempt cannot be fully materialized. To supplement the argument the orchards' fields were not included in 1972. This was used as an advantage by the landowners as productive lands were declared under the orchards and poor quality land was accruing acquired for redistribution.

Pakistan Census of Agriculture (1972) presented a comprehensive statistics on the utilization of land acre by acre. Census revealed that about 25 acre landholdings constitute 88 percent of the total number of farms which make up almost 57 percent of total farm area. From the viewpoint of raising the yield per acre of small farmers (i.e. farms with less than 25 acres) the critical consideration was that 54 percent of the total farm area in the small-farm sector is tenant-operated. Tenants and peasants, being poor, lose a major share of the crop to the landlord. Consequently, neither they save enough or posses enough to invest in technology for greater yield. In addition to that, poor farmers face weak financial and social status and live up 'hand to mouth'. Hence, they follow traditional plowing and growing rather than having sophisticated technology and techniques to be employed in farming. Nabi & Hamid (1986) view their ability to invest gets further eroded by a nexus of social and economic dependence on the landlord, which deprives the tenant of much of his investable surplus. Critics of the government policies have repeatedly suggested corrective actions and concerted efforts at institutional level may raise agriculture yield in the small-farm sector. However, the opponents of land reforms scheme also consider it imperative to repeat such earlier efforts of land reform programmes today to accelerate agricultural growth, to prevent the developing social crisis associated with the impact of the Green Revolution on Pakistan's rural society.

Literature review revealed that land ownership patterns in Sindh are extremely skewed and favor large farmers. Since the nature of input markets is based on imperfect competition, and the financial institutions serving agriculture credit have been biased against the resource poor (i.e. small farmers), any gains from innovations in agriculture tend to be unevenly distributed between large and small farmers (Nabi & Hamid, 1986). Extant literature suggests that there has been uneven landownership and incomplete land distribution which further created problems in the agriculture sector on one hand and the Green Revolution Technology on the other, which further worsened issues of poor and powerless farmers. This ultimately, created a sharp increase in rural poverty, unemployment and the pressure on big urban centers. This study considers following few of the contradictions generated by the growth process in Pakistan's agriculture.

Institutional Credit in Pakistan: Agriculture credit facility is deemed pivotal for farming community to match day today expenditure like business corporations need working capital to meet operational expenditures. Qureshi & Akhtar (1992) suggested there has been sharp rise in credit requirements after Green revolution for increased inputs for crop production and farm investment. The small farmers, with a limited ability to finance investment, are the logical target group for credit facility. Agricultural development in Pakistan has multi-dimensional policy implication since independence 1947. Before independence, formal credit was known as Taccavi loans provided by the government cooperative societies. The Taccavi loans were advanced in response to natural disasters like floods. This opportunity continued but not impressive in terms of its quantitative terms.

Historically, cooperative credit has remained effective for long time with mixed result of success and failure. In the beginning, cooperative credit lacked enthusiasm to finance inputs and/or farm investments. It was designed to compete with non-institutional sources of credit and was aimed, generally to meet the credit needs of farmers to finance their consumption expenditure. Federal Bank for Cooperatives in 1976, with extraordinary financial support of State Bank of Pakistan, changed cooperative credit commitment fundamentally. In addition, technical assistance was provided for the strengthening of the cooperative credit structure.

Additionally, Pakistani commercial banks were also found reluctant to lend to the agricultural sector. Prior to 1972, Banking Reforms had ordained commercial banks to broaden the scope of lending to finance modern farm inputs and investments. Commercial banks were made liable to achieve minimum target of lending for the agricultural sector. The reluctance on the part of the Commercial Banks was based on high administrative costs of lending to small farmer widely scattered throughout rural Pakistan and high risk of lending to and non availability of acceptable securities with farmers. Target was set as a proportion of total bank lending in the economy. The 1972 Banking Reforms empowered SBP to regulate and monitor agriculture credit policy by increasing the flow of credit in favour of small farmers. A scheme for agricultural loans was introduced by the State Bank in December 1972. An Agricultural Credit Advisory Committee was also constituted to estimate credit requirements each year for the agricultural sector. The Agricultural Credit Advisory Committee works out the agricultural credit requirements each year. On the basis of the available data on acreage under each crop in each province and observed input-to-acreage ratios for different crops, total physical input requirements are estimated. Using input prices, the input requirement is worked out in value terms. Accounting for farmers' own savings and their access to the private credit market, an estimate of the total credit supply from institutional lending agencies is worked out.

Financial institutions were advised to transform traditional criterion of credit-worthiness by accepting personal sureties whilst advancing loans to increase production. Lending quotas are fixed for each bank to encourage lending in support of agricultural and rural development. Banks were also advised to strictly follow the lending quota failure to which banks may face penalties. A pass-book system requiring the pass book containing complete record of the land owned by a particular farmer, was introduced to expedite the approval of institutional credit against land mortgage. Any institutional lender can grant a loan against the security of land by just recording an entry in the pass-book. Agricultural Purposes Rules 1973 fixed the quotas of credit for different sizes of farms. It recommended 70 percent of institutional loans must be advanced to farms of less than 12.5 acres, 20 percent to farms between 12.5 acres and 50 acres, and 10 percent to farms larger than 50 acres. Qureshi & Akhtar (1992) noted that in the beginning these targets were in respect of small loans. However, during 1980-81 the entire amount of credit to be provided by commercial banks to the agricultural sector was to be treated as a mandatory target.

The complaint of lack of liquidity was realized and it was deemed as major constraint for agricultural development. As a result, this hindrance needed to be removed for rapid growth in formal agricultural credit in the country. Between 1959-60 and 1991-92 institutional credit for the sector had recorded an annual growth rate of 31 percent in nominal terms and 20 percent in real terms. Agricultural credit increased by the creation of new financial institutions, strengthening of already existing institutions and the adoption of credit policies to increase the flow of credit for the sector in general for small farmers in particular. Over the years, deliberate efforts have been made to review and revise agriculture credit policy and its associated impact on agriculture sector development especially focusing on rural sector creditors.

Credit Policies: Since there are many credit institutions with different sources of capital and offer varying credits products. As a result, they vary on terms and condition along with mark up they charge. The commercial banks depend entirely on their deposits therefore they differ from other credit institutions. All other institutions, though not barred from deposit mobilization, depend on refinancing from the State Bank of Pakistan and/or foreign financial institutions. The ZTBL has borrowed extensively from the World Bank, the Asian Development Bank, and the International Fund for agricultural development of Pakistan. The

Federal Bank for Cooperatives has depended exclusively on the State Bank of Pakistan. The failure to mobilize deposits is partly due to the policy of financial suppression adopted in Pakistan but largely due to abundant and cheap refinancing facilities made available to the credit institutions by the government. Strict limits on the rate of interest on deposits of different kinds and the availability of financial instruments offering high returns like Defense Savings Certificates explain poor deposit mobilization by commercial banks. Similarly, Qureshi (1993) identified that the availability of cheap refinancing facilities as a part of the credit planning exercised by the State Bank of Pakistan has discouraged the Cooperative Societies and the ZTBL in their efforts to mobilize deposits from their clients.

In summary, the policy approach to rural credit specifies an explicit relationship between formal credit and input use or credit and fixed farm investments. Institutions specialize in financing particular credit needs. However, a careful review of the literature on the subject suggests that there is acute shortage of research undertaken to address the relationship of formal credit facility with the ownership of the agriculture land. Consequently, this research seeks to evaluate formal credit facility and land ownership patterns with special reference to socio-political influences that allegedly tilt the loaning to big farmers.

METHODOLOGY

Given that the study objectives are multiple in nature which require mixed methods to be employed for data collection. Secondary data were gathered through different sources such as State Bank reports, Statistical and Economic surveys. Additionally, primary data were gathered through survey from about 225 formal and informal money lenders. About 86 branches of formal institutions of ZTBL, HBL, NBP and ADB were surveyed. Similarly, about 139 informal money lenders included private money lender, shopkeepers, SAWFCO and SRSP.

RESULTS AND DISCUSSION

Access to Rural Credit: Table 3 showing distribution of credit by tenure, size of farm and type of credit which throws up an interesting picture. Over the years the trend of providing credit to the subsistence holding has been consistent with slight rise in year 1997-98 indicating 77 percent and 2002-03 with 78 percent. In contrast the credit advancing to economic holding and above economic holding has been inconsistent. Specifically, credit advancing to above economic holding seems declining.

Table-3
AGRICULTURAL CREDIT ADVANCED BY COMMERCIAL BANKS ACCORDING TO SIZE OF HOLDING (Rs. in million)

Province / Year	Subsistence Holding		Economic Holding		Above Economic Holding		Total
	Amount	%	Amount	%	Amount	%	
PAKISTAN							
1996-97	2508	62	1381.6	34	168.1	4	4057.7
1997-98	4324.6	77	1157.35	20	169.93	3	5651.88
1998-99	4307.77	73	2029.44	24	226.84	3	6564.05
1999-00	6692	74	2083.7	23	313.85	3	9089.55
2000-01	8379.88	76	2027.74	19	585.82	5	10993.44
2001-02	11361.84	76	2210.97	15	1441.12	9	15013.93
2002-03	13405.56	78	2255.59	13	1528.52	9	17189.73
2003-04	18347.85	70	5376.25	20	2358.81	9	26109.91
2004-05	31396.45	74	7655.07	18	3545.1	8	42596.62
2005-06	39314.17	76	7677.37	15	4913.71	9	51905.25
SINDH							
1996-97	620.3	32	1181.7	62	115.4	6	1917.4
1997-98	1263.39	59	762.1	36	110.46	5	2135.95
1998-99	1717.13	70	641.66	26	90.71	4	2449.5
1999-00	1744.58	69	645.62	25	159.88	6	2550.08
2000-01	2705.21	72	597.31	16	471.13	12	3773.65
2001-02	2763.73	73	436.68	12	560.21	15	3760.62
2002-03	3196.82	72	569.62	13	668.38	15	4434.82
2003-04	2992.55	56	1817.61	34	517.09	10	5327.25
2004-05	4054.98	57	2354.74	33	690.13	10	7099.85
2005-06	4317.1	60	2030.63	28	818.5	11	7166.23

Source: *Economic Survey of Pakistan*, 2008.

In addition to table 3 presented earlier, table 4 reveals supply of agriculture credit in million rupees institution-wise between year 2003-04 to 2007-08. There has been constant change in the agriculture credit each year. The total agricultural credit supplied by Institutions has increased from 73.4 billion (2002-2003 and 2003-2004) to rupees 138.6 billion in the year 2007-2008 but as percentage change, it has almost remained same with the exception of the 2004-2005 where it increased to 48 percent.

Table-4
SUPPLY OF AGRICULTURAL CREDIT BY INSTITUTIONS
(Rs.in millions)

Year	ZTBL	Commercial Banks	PPCBL	Domestic Private Banks	Total	
					Rs. Million	% Change
2003-04	29933.07	33247.45	7563.54	2701.80	73445.86	24.6
2004-05	37408.84	51309.78	7607.47	12406.82	108732.91	48.0
2005-06	47594.14	67967.40	5889.49	16023.38	137474.40	26.4
2006-07	56473.05	80393.19	7988.06	23976.16	168830.46	22.8
2006-07	40881.42	48962.19	5269.57	16081.99	111195.17	-
2007-08	39561.17	65124.83	3935.16	29975.57	138596.72	24.6

Source: *Economic Survey of Pakistan*, 2008

Similarly, it could further be observed from the Table 5 that lowest 20 percent of the farmers have received a very negligible amount i.e. 1.05 percent.

Table-5
DISTRIBUTION OF FORMAL CREDIT BY LAND SIZE

Institutional			
Asset Quartiles	**Percentage Credit**	**No. of Loans**	**Percent Credit from Friends and Relatives**
Lowest	1.05	3	31.43
Second	4.83	13	49.53
Third	12.60	23	48.33
Fourth	29.62	52	35.44
Highest	58.36	116	20.10
All Households	32.16	207	35.39

Source: State Bank of Pakistan, *Annual Report 2007-08.*

Table 5 shows the lowest 20 percent received only 1.05 percent of the total institutional credit, whereas the highest 20 percent got 58.36 percent out of the non-institutional sources. The lowest 20 percent got 67.51 percent and the highest 20 percent got 21.54 percent. As far as the credit from friends and relative is concerned lowest 20 percent received 31.4 present and highest 20 percent got 21.10 percent. This clearly indicates that the lowest 20 percent gets only negligible percentage that is 1.05 percent from the Institutional sources and depends almost wholly on non-institutional sources such as friends and relatives.

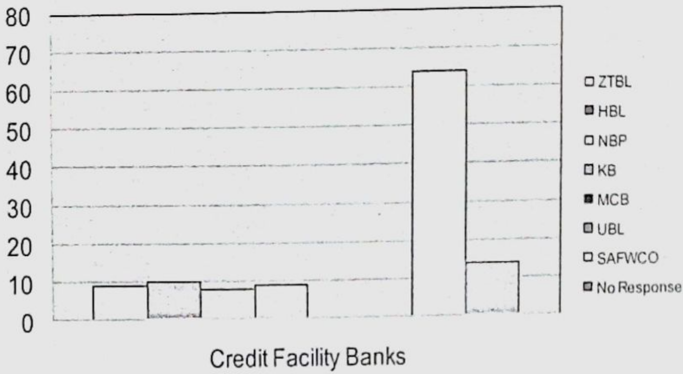
Table-6
DISTRIBUTION OF INFORMAL CREDIT BY LAND SIZE

Non-Institutional			
Asset Quartiles	**No. of Loans**	**Percent crodit from other Informal sources**	**No. of Loans**
Lowest	201	67.51	585
Second	249	45.63	396
Third	244	39.07	308
Fourth	174	34.95	285
Highest	139	21.54	263
All	**1,007**	**35.45**	**1,837**

Source: State Bank of Pakistan, *Annual Report 2007-08*.

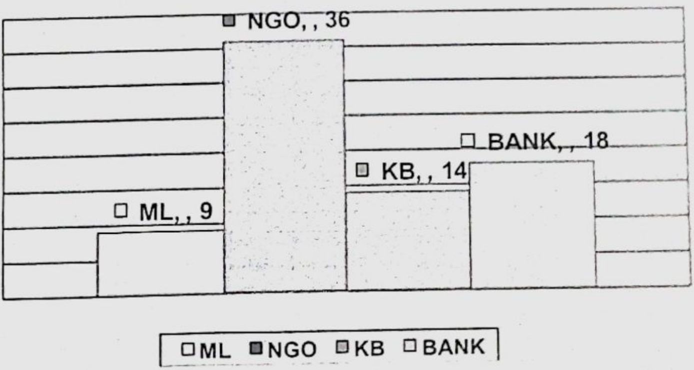
Survey data in following figure 1 and 2 reveal the cumulative percentages of small and medium farmers' accessibility over agriculture credit between the years 2003-2007. ZTBL provides bigger opportunity with almost 65 percent amongst all lending institutions. Besides, UBL NBP and SAFWCO also appear in the line credit providers with almost 10 percent.

Figure-1
SMALL AND MEDIUM FARMERS BY ACCESSIBILITY TO AGRICULTURAL CREDIT CUMULATIVE PERCENT OF PAST FIVE YEARS, (2003-2007)



Source: Survey Data 2005.

Figure-2
FARMER ACCESS OVER LENDING CUMULATIVE OF PAST FIVE YEAR N=139

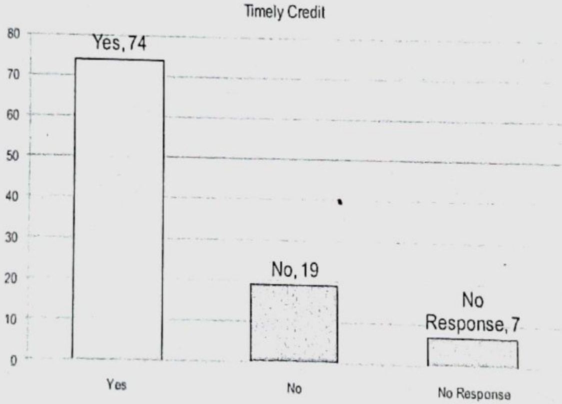


Source: Survey Data 2005.

Figure 2 divulges extent of accessibility by NGO (i.e. SAFWCO) and other public institution. SAFWCO is markedly performing well to date as compared to other institutions as depicted in figure 3. It is observed that the NGOs have substantially less screening, processing and other cost that combined together are also known as transaction cost. The 98 percent farmers reported that there was no physical collateral required by the NGOs for lending.

Figure-3

RESPONSE TOWARDS INFORMAL CREDIT BY SAMPLE RESPONDENTS AND CUMULATIVE PERCENT OF PAST FIVE YEARS-2003-2007 FARMER RECALL N= 139



Source: Survey Data 2005.

Table 7 provides criterion that influences especially large farmers to seeking formal credit. Data reveals that ceiling for getting credit is significantly high as compared to private lenders and NGOs. It is mentioned that high ceiling is linked with the size of collateral that farmers could offer to produce as guarantee (i.e., land and ornaments) which gives him immense choice to bring more and more land into cultivation which otherwise could not have been brought into cultivation. When compared NGOs with money lenders, survey data reveals that markup charged by the formal institutions is significantly low; due to the fact that formal lending carries visible legal flaws in the loan repayment policy; the large farmer use policy flaw to his advantage. About 91 percent sample respondents reported that they take advantage of by influencing the management in seeking loans and delaying the process of repayments. According to the respondent there was no accountability therefore, there was always room to delay the implementation of rules and create space for seeking advantage of in-accountability. The executive(s) of financial institutions are influenced through paying those bribes and sometimes pressurizing them by threats. This all is done to delay the process of recovery of loans; also there is no database available that could integrate the profile of lender seeking loans from more than one formal institution within one accounting cycle.

Table-7
CRITERION FOR SEEKING FORMAL CREDIT

S. #	Parameters	FORMAL	INFORMAL		Remarks about formal lending
			NGO's	Money Lender	
1	Ceiling	500,000*	30,000	200,000	Enhances Capital
2	Duration	1-3 yrs	1 year	Seasonal	Leverage for Repayments
3	Collateral	Land and Gold Ornaments	Social	Social	Those who could afford
4	Credit limit	80 Percent of Collateral	3000 to 30,000	3000/acre	Not suitable for small farmers
5	Pass Book	Yes	Some Form	No	Assets are must
6	Mark-up	09 % to 16 %	22 %	50 %	Low
7	Bad debts	80 Percent	05 %	50 %	Legal flaws
8	Installments	Yearly	Monthly/ Seasonal	Seasonal	Waits for cash crops to grow
9	Process Days	01 week to 15 days	01 week	No Time Limit	Conducive

Source: Survey Data 2005.

In most cases farmers who may be termed as bad debtors, may seek credit from other formal institutions without seeking clearance form first institute that landed them debts.

The pass book is one of the major verification documents showing the authenticity of land registered under the name of farmer who uses it in an effective manner for getting loan from more than one source at one time. In majority cases land is distributed among the entire family who constitute a kin or tribe; the slots of family land are registered among male and female members; the individual members seek registration of land under their names in a book called 'Pass Book', the book is issued by the revenue department. Generally, entire family land is operated by one or two owners among the family. At the time of seeking formal loan the farmer has to produce passbook as guarantee which then is kept till the loan is not cleared or paid in an agreed time period. The farmer after a while goes to revenue office to get transferred his piece of land (i.e. that was used as a guarantee) to his family member and after paying some bribe get a duplicate pass book which shows same land transferred and registered to his family member; this provides him another chance to seek loan from some new source of formal institute. Findings reveal that more than 90 percent farmers borrowed capital from more than one formal source. In order to counter such practices the formal institution since 2007-8 have started a modified approach which empowers them to verifying the credit practice of the client through exchange of data about client seeking loans from particular institute during the accounting cycle. This modified shift is in its infancy stage, therefore, needs adequate time frame with in which its advantages and disadvantages could be gauged.

CONCLUSION

This study presented empirical evidence on overwhelming influence of land ownership patterns over the access of agriculture credit in Pakistan. The data revealed that land ownership patterns have significant influence over formal lending. Land ownership patterns are skewed in such a nature that small farmers comprised majority. Yet they own one-third agricultural land in agrarian society in Sindh. Secondary data suggest smaller farmers or landholders though in big number receive limited agriculture credit as compared to large landholders who apply socio-political influence in accessing formal credit. Successive governments seem failing to break the scenario and control over credit facility and maintain equal opportunity of agriculture credit and restore farmers trust in formal credit institutions. Formal credit since 1950s till to date favors land ownership patterns. This paper reviewed some of the factors that underpin the access over formal credit for formal credit. In last couple of tables, other factors influencing agriculture credit include corruption along with collateral credit limit and methods for recovery. In light of the revelation of findings government and policy makers are suggested to revise agriculture credit framework making it more small landholder friendly, who genuinely need a credit facility form formal credit institutions e.g. banks for their agriculture inputs. This, for sure, will enhance agriculture output of the country and improve their economic conditions which virtually will reduce rural poverty in the country. Government also needs to regulate informal credit facility providers e.g. NGOs especially their criterion, ceiling, collateral, etc. ensuring small farmers take advantage of informal credit facility.

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