

Wasayo Rajar

Agriculture is one of the most important sectors of the national economy which contributes 29.7% to the Gross Domestic Product, employs about 55% civilian labour force and agricultural products in raw or furnished forms constitute 75% of exports.¹ Thus it is a must due attention be paid to agricultural sector for the prosperity and stability of economy as the prosperity and well being of entire population depends on the development of this sector.

Modern farming requires a considerable outlay like other business activities. It involves proportionate combination of qualitative input to obtain minimum returns. The returns nature of various agronomic operations require optimum expenditure and effective performance in order to operate to the farming business. During the production processes expenses such as, wages of hired labour, purchase of seed fertilizer, implements and insecticides and on marketing the produce in time are to be incurred to obtain certain amount of income. Thus farming requires well planned and optimum combination of all the factors of production in order to maximise returns. Improper use of any of the factors, in the country, though possess optimum quantum of land and labour but they lack efficient capital and organizational resources. Some farmers are very competent in organizing the production of particular enterprises but they lack capital.

For filling up the financial gap, various public and private arrangements are evolved. Among them Agricultural Development Bank of Pakistan is also playing crucial role.

HISTORICAL BACKGROUND OF THE ESTABLISHMENT OF ADBP

The pre-partition, traditional sources of agricultural credit were the following:

- i) Village money lenders.
- ii) Friends and Relatives.
- iii) Landlords.
- iv) Marketing Intermediaries.
- v) Government and Institutional Sources:
Taccavi, given to meet emergency situation.
- vi) Cooperative Credit.

Credit extended by the village money lenders accounted 75% of all credit extended.² At the time of partition this class of money lenders migrated to India created a gap in the financing of agriculture. During the early stages of independence agriculture was ignored and no provision was made for institutionalized credit expansion. The private money lenders who were the landlords and marketing intermediaries took full advantage of the situation and exploited the farmers who needed credit.

Realizing the credit needs of the agriculturists specially for improvement and investment purposes were not adequately met by the existing credit institution, the Government established in 1952 the Agricultural Development Finance Corporation in order to expand the credit facilities to the farmers and to promote the development and modernization of agriculture in Pakistan.³ Again in 1956, another agency to be known as Agricultural Bank of Pakistan was brought into existence in order to lend to the farmers.⁴ This bank was established as the existing credit facilities were till lacking. Although the Agricultural Development Finance Corporation and the Agriculture

Bank of Pakistan functioned in different spheres, yet they created confusion and resulted in inefficiency. On account of these anomalies in the existing credit arrangements, the Credit Enquiry Commission suggested the merger of two institutions. Consequently, Agricultural Development Bank of Pakistan was instituted in the year 1961-5 through the promulgation of an ordinance. The ADBP functions by creating a direct contact with the farmers all over the country. Its main function is to promote agricultural development in preference to commercial consideration. It can, thus, be stated that it is primarily a financing institution for the development activities of agriculture.

OPERATIONS

Agricultural credit requirements differ for different categories of farmers and their terms also vary because of the different sizes of loans and projects of short, medium and long gestation periods.

i) Short Time Loans

These loans are given for seasonal requirements of raising crops. Inputs needs such as seeds, fertilizers and small agricultural implements are financed in this way. These loans are advanced against personal surety and hypothecation of crops. They are repayable immediately after the harvesting of the crop subject to a maximum period of 18 months.

ii) Medium Term Loans

These are granted for the items such as establishment of orchards, poultry farming, dairy farming and purchase of draught animals and other farm requirements including land leveling. They are repayable within a period

not exceeding 5 years.
 iii) LONG TERM LOANS

These are granted for a period exceeding 5 years upto 12 years. These were given exclusively for development purchases like construction of ware houses, cold storage, purchase of tractors and other heavy machinery, agro-industry, installation of Tube-wells and plantation of orchard etc. Long Term Loans are also used extensively for reclamation of land. The detailed information is given in table 1&2.

LOANS FOR FARM MECHANIZATION

In order to bring Pakistan's agriculture to a high degree of mechanization, the ADBP laid great stress on loans for farm mechanization. The scarcity of farm power is one of the most serious constraints in the proper cultivation of land, extension of suitable cultural practices and multiple cropping. The elimination of farm power deficiency is, therefore, deemed crucial for agricultural modernization. Since the early sixties the Bank has financed on the average around 45% to 50% of the Tractors imported into the country. During the year 1984-85 an amount of Rs.2305.668 million was advanced for the purchase of 25500 tractors. This indicates that the ADBP has been taking great interest for providing more funds to growers for purchasing the tractors. This detailed data is given in table-3.

The gradually increasing availability of mechanical farm power is facilitating the reclamation of waste land, intensification of farming and commercialization of agriculture. It is serving as an enabling condition in the rise of output. The farming community is made in a position to perform the routine agricultural operations more

Grassroots

effectively efficiently and with faster speed. The undertaking of heavy tasks like land levelling, clearing and settlement of new land is made as result of mechanization. A better rotation of crops is now carried out on Tractor farm's. Multiple cropping is facilitated on an average 10 to 15 acres of land is released from fodder production and used for cash crops and food grains.

The net work of Tube-wells financed by the ADBP have conferred multiparious benefits on the borrowers. The intensity of crops on tube-well farms has gone up to around 150%. High yielding variety of crops are invariably grown on such fields. The cropping pattern is tilted towards the production of more remunerative crops like maxi-pak-wheat, cotton, sugarcane, rice, fruits and vegetables etc. which require higher intake of water.

The production of main crops and yield per hecter increased at accelerated rate as shown in table-4.6

To utilize the tubewells fully, the owners have brought culturable waste land under plough and extended the watering facility to the neighbouring growers on charges. In view of more intensive agriculture on such farms the family labour is put to longer work over the year. Their time utilization, productivity and income have gone up considerably. It has been found that in all those villages where tube-wells are set up the fuel over the distribution and turns in the use of canal water have declined. The socio-economic nomifications of tube-wells reach out far beyond the owners.

The detailed information is given in table-3.

OTHER CREDIT SCHEMES

The Bank has the following other credit schemes designed for financing the credit requirements of farmers.

- i) Supervised credit.
- ii) Village Banking Scheme.
 - a) The Model Village Scheme.
 - b) Dehi Banker Scheme.
- iii) Mechanized cultivation through cooperatives.

i) Supervised Credit

In April 1947 the supervised credit programme was initiated on pilot basis in six project areas. The crucial elements of credit, supplies and know how were combined proper supervision to small farmer.

The programme has helped the participating growers in the proper use of seeds, sowing of improved varieties of crops, better seed-bed proportion, adoption of proper cultivation methods application of proper doses of fertilizers and taking of adequate plant protection measures. In this way the intensity of cropping increased by 10% to 15% on the farm borrowers.⁷ It was found that increase in the yields of crops ranged between 15% to 20%.⁸ During the year 1978-79 an amount of Rs.7.00 million was disbursed as supervised credit.⁹

ii) Village Banking Scheme

Under the ADBP village Agricultural Loaning Scheme the Bank introduced in 1975-76:-

- a) The Model Village Scheme.
- b) The Dehi Banker Scheme.

a) Under the Model Village Scheme the Regional Managers select an accessible village lying in their jurisdiction and establish personal contacts with farmers of

these selected villages for sanctioning and disbursing loans at the spot and for imparting guidelines on the use of physical resources.

Under this scheme the amount disbursed during 1977-78 was Rs.5.05 million to 575 loanees. Since the inception of this scheme to 1977-78 the total amount advanced Rs.11.92 million in 2501 cases. 10

b) Under the Dehi Banker Scheme, the Bank establishes closer contacts in inaccessible villages through the selection of local residents as Bank Representatives called Dehi Bankers. They act area for meeting their credit requirements. Since the introduction of this scheme the total amount disbursed Rs.17.37 million in 6341 cases. 11

iii) Mechanized Cultivation Through Cooperatives

The Bank is financing a scheme called mechanized institution through cooperatives sponsored by the Government of Punjab. A sum of Rs.140 million is set aside for this propose. It is an innovation promising great advantage to small farmers. About 4000 tractors would be supplied to them through the rural supply cooperatives corporation.12

The idea is to overcome the farm power problem fared by peasants having holding in the range 12 to 25 acres. The ADBP would advance loans to members of the cooperative societies upto 50% of the cost of tractor and implements against tangible security. The balance of 50% would be net by the loanees themselves.13

OBSERVATION/CONCLUSION

Looking at the contents of table no.2, the changes

which have been taken place from 1973-74 can be summarized as:

- i) Short term loans have been decreased from 46.8% to 18.7%.
- ii) Medium term loans have been decreased from 24.6% to 7%.
- iii) Long term loans have been increased from 28.6% to 74.3%.

The relationships between the above mentioned type of loans and agricultural productivity is not unique. Because short term loans are meant for direct marginal increment in the output at the farm level, while the medium term loans are meant for improving of agricultural infrastructure specially around the farm, therefore it has indirect position effect on the agricultural productivity. The long term loans are meant for providing better marketing, stocking and other related facilities for the total agricultural productivity function. Thus in the light of the above explanation of the each term, the small holding i.e. 70% is below subsistence level.¹⁴ It is, therefore, suggested that the short term loans should be encouraged more in comparison to medium and long term loans, because small farmers can manage these loans easily. In this way the short term loans effectiveness for providing productivity and incomes are relatively more than other types of loans.

Small farmers are getting loans for agricultural inputs i.e. seeds, fertilizers, pesticides in each cropping season on personal surety and other paper requirements. These formalities should be minimized in the form of introducing of an authorization card system scheme on regular basis to enable the farmers in getting agricultural inputs easily.

The farmers with bigger land holdings, mostly absentee landlords, have the necessary contacts, influence, pressure and landed security to swallow the bulk of the long term credit. In view of their limited land, the small farmers can not offer the required security to claim loans and are therefore liable to be by passed in process of lending for essential mechanization implements like tractors tube-wells and pumps etc. (for details see table.2).

The small farmers can be brought into the lists of longterm loanees if the security of landor assets is considered in terms of the productivity created by the loans, instead of the existing depreciated valuation of the land and assets on their present market value.

Thus Koucher has rightly pointed out:

"Only larger farmers have the political power of sophisticated agricultural knowledge to secure financing (credit) and with it seeds, fertilizer, water pumps, and so on, which are often limited in supply. Small farmers are more likely to be left out Tanent farmers may be brought out by the larger and wealthier ones".¹⁵

TABLE-1
SHOWING LOAND ADVANCED TO FARMERS BY ADBP
1960-61 to 1984-85

YEAR	AMOUNT	GROWTH (%)
1960-61	31.514	-
1961-62	46.912	48.9%
1962-63	40.671	13.3%
1963-64	46.651	14.7%
1964-65	40.469	13.3%
1965-66	67.975	68.0%
1966-67	100.481	47.8%
1967-68	100.248	5.7%
1968-69	82.086	22.7%
1969-70	91.345	11.3%
1970-71	92.687	1.5%
1971-72	80.009	13.7%
1972-73	169.100	111.5%
1973-74	415.570	145.8%
1974-75	396.310	4.4%
1975-76	532.850	34.5%
1976-77	638.770	19.9%
1977-78	430.530	32.6%
1978-79	416.937	13.2%
1979-80	711.550	70.7%
1980-81	1166.619	19.9%
1981-82	1557.386	46.0%
1982-83	2310.435	48.4%
1983-84	3131.676	35.5%
1984-85	4167.908	33.1%

Total: Since inception upto 30.6.1985 16806.439
upto December,1985 2757.010

SOURCE: 25 years of ADBP 1961-86 Activities and Achievements, Agricultural Development of Pakistan, Islamabad, P.8.

TABLE - 2:
TERM WISE COMPOSITION OF LOANS DISBURSED BY AGRICULTURAL DEVELOPMENT BANK OF PAKISTAN 1973-74
TO 1983-84.

YEAR	SHORT TERM			MEDIUM TERM						(Rs. in Million)		
	No.OF CASES	AMOUNT	%	No.OF CASES	AMOUNT	%	No.OF CASES	AMOUNT	%	No.of CASES	AMOUNT	% IN- CREASE D BASE YEAR 1973-74
1973-74	113029	194.27	46.8	29198	101.94	24.6	11095	118.97	28.6	1528322	415.18	100.00
1974-75	48379	101.79	25.7	10464	67.80	17.2	9283	225.91	57.1	68126	395.50	95.26
1975-76	36521	74.58	14.0	6451	35.79	6.7	9600	421.82	79.3	52582	532.19	128.18
1976-77	127341	177.47	27.8	14532	45.18	7.1	8322	415.28	65.1	150195	637.99	153.67
1977-78	18381	44.61	10.4	2821	14.19	3.3	6696	371.09	86.3	27898	429.83	103.42
1978-79	10729	49.92	10.6	13428	36.81	8.8	6837	335.66	80.6	31014	416.39	100.29
1979-80	16065	89.10	12.6	6263	48.75	6.9	9487	571.99	80.5	31815	709.84	170.97
1980-81	20996	199.31	18.1	6419	81.12	7.6	11586	791.17	74.3	39001	1075.60	256.66
1981-82	25845	320.36	20.6	12282	177.78	11.5	15125	1052.65	67.9	53252	1550.79	373.52
1982-83	24659	415.82	18.1	10764	168.20	7.3	21147	1713.72	74.6	56570	2297.74	553.43
1983-84	29501	581.44	18.7	13374	216.19	7.0	26076	2307.91	74.3	68951	3105.24	747.43

SOURCE: Government of Pakistan Agricultural Statistics of Pakistan 1982, Islamabad, 1983 P.167.

TABLE-3
SHOWING NO. OF TRACTORS AND TUBEWELLS FINANCED
BY ADBP 1960-61 TO 1984-85

YEAR	TRACTORS NO.	AMOUNT	TUBEWELLS NO.	AMOUNT
1960-61	191	4.300	635	10.000
1961-62	401	9.000	886	12.000
1962-63	368	8.300	879	11.700
1963-64	370	8.300	1100	15.800
1964-65	284	6.400	800	10.900
1965-66	810	18.200	2100	29.500
1966-67	2550	49.600	3100	31.000
1967-68	2115	42.700	2751	30.300
1968-69	2280	41.600	2700	24.800
1969-70	2618	47.900	2092	19.200
1970-71	2056	59.100	2389	26.400
1971-72	1906	37.410	1790	18.412
1972-73	1979	43.654	2389	26.415
1973-74	1997	74.500	2922	45.000
1974-75	3122	131.600	3566	74.500
1975-76	6043	348.200	2357	47.600
1976-77	5888	319.200	1364	25.700
1977-78	5768	324.050	580	10.793
1978-79	6003	310.200	543	10.100
1979-80	8661	468.900	425	9.300
1980-81	10111	636.560	562	13.646
1981-82	12359	880.198	745	20.576
1982-83	17497	1459.256	1246	38.109
1983-84	22766	2028.706	1623	57.938
1984-85	25500	2305.668	2548	67.424
TOTAL	144.343	9663.474	41417	679.362

SOURCE: 25 Years of ADBP 1961-1986 Activities and Achievements
Agricultural Development of Pakistan, Islamabad, P.24.

TABLE - 4 AGRICULTURAL PRODUCTION OF MAIN CROPS 1960-61 TO 1980-85

YEAR	WHEAT			RICE			COTTON			SUGARCANE				
	Producti on in million Tonnes	Index 1960-65 =100	Yield per hec- tare ki- lograms	Producti on in million tonnes	Index 1960-65 =100	Yield per hec- tare ki- lograms	Producti on in million tonnes	Index 1960- 65 =100	Yield per hectare kilogra ms	Produc tion in million tonnes	Index 1960- 65 =100	Yield per hec- tare ki- lograms		
1960-65	4.152	100	832	1.158	100	930	0.358	100	255	100	15.849	100	33.58	100
1965-70	5.716	138	977	1.722	149	1508	0.492	137	290	114	22.254	140	37.84	113
1970-75	7.222	174	1217	2.311	200	1532	0.649	181	340	133	21.646	137	35.72	106
1975-80	9.403	226	1446	2.956	255	1568	0.549	153	288	113	27.935	176	37.00	110
1980-85	11.562	278	1598	3.359	290	1694	0.758	211	356	140	33.785	213	36.97	110

SOURCE: i) Amjad Rashdi, Ahmed Viqar, The Management of Pakistan's Economy 1947-82,
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4. Ibid.

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