AN EVALUATION OF MICRO CREDIT SCHEMES OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT AUTHORITY (SMEDA)

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ABSTRACT

Small and Medium Enterprise Development Authority (SMEDA) claims to provide a nutritious jump to the small farmers for getting more produce from their farm. The present study was conducted to evaluate the project support services for agriculture credit of SMEDA in collaboration with Bank of Punjab (BOP). The purpose of the study was to assess the impact of micro credit scheme of SMEDA and BOP on crop productivity in two union council of district Sheikhupura of Punjab province. One hundred and twenty farmers from the selected villages were interviewed. The results indicated that majority of the farmers (76.7%) meet their financial requirements through institutional credit. More than 60% farmers obtained loans for fertilizers and about 50% got credit for quality seed where as about 37% for pesticides/insecticides etc. it was further indicated that all the farmers used the loan for the purpose for which it was obtained.

Key words: SMEDA, micro credit, institutional credit, support services.

INTRODUCTION

In order to improve farmers' conditions, there is a need to improve the agricultural production of their farms. Increase in agricultural production will enhance the demand for inputs but the majority of farmers lack financial resources for adopting agricultural innovations. Rural credit in the form of loans, cash or commodity is the only alternative left for the farmers' improvement purpose. Different institutions are providing credit for agriculture. These institutions are commercial banks, provincial co-operative banks, other provincial co-operative societies, central co-operative banks, agricultural co-operative societies, Zarai Taraqati Bank Limited (ZTBL), Khushali Bank, governmental organizations and non-governmental organizations (NGOs) like AKRSP, NRSP, PRSP, and BRSP.

Certain NGOs provide credit to farmers but their out reach is very limited. Due to limited access to institutional resources; borrowing from money lenders, landlords, dealers, relatives and friends is common practice. Usually the loans are provided at highly extortionate conditions and interest rates. The borrower has to pay many times the amount of capital originally borrowed before the debt is finally discharged. This adds to misery of the poor. The launching of supervised agricultural credit scheme by the government was a relief for the farmer. The role of Agriculture Development Bank of Pakistan (ADBP) now called as Zari Taraqati Bank Limited (ZTBL) had been significant with respect to credit disbursement. Despite all the efforts to improve the economic conditions of the poor they are still under pressure and crying for change. The role of banking business is "collateral" which serves as explicit guarantee against the possible risks. The poor are not considered bankable, as they are unable to manage collateral. This denial of opportunity has bound them in a vicious circle. They are poor because they are already in a poverty trap of low initial endowments, low income, low saving and low investment.

Majority of farmers in Pakistan is resource poor. It lacks financial resources, technical advice, financial advice, training and development, latest knowledge and information, supervision, and coordination between banks. Without these factors the farmers are unable to increase their farm production and living standard. In order to improve the living standard of farming community, a number of NGOs and institutions are working for their uplift. Small and Medium Enterprise Development Authority (SMEDA) claims to provide a nutritious jump to the small farmers for getting more produce from their farm. SMEDA is one of the institutions whose challenging and growing role has impelled the need for the present study. No such study has so far been carried out which could support to elaborate the facts responsible for building the pace of development, which SMEDA presently owns. The trend of internal evaluation of different projects related to SMEDA is available in the form of documents, but no formal evaluation has been yet reported by any other allied agency. Keeping in view the role of SMEDA in strengthening the pillars of rural development for a prosperous future and to introduce the lower industrial sector as a prominent and promising partner in strengthening the national economy has developed an

urge to study and evaluate the factors responsible for this success.

MATERIALS AND METHODS

The present study was designed for and conducted in tehsil Ferozwala of Sheikhupura district to evaluate the project support services for agriculture credit (SSAC) of Small and Medium Enterprise Development Authority (SMEDA) in collaboration with Bank of Punjab (BOP) Kot Abdul Malik Branch. The purpose of the present study was to assess the impact of micro credit scheme of SMEDA and BOP on crop productivity in two selected union councils; Mandyali and Kot Pindi Das. Villages selected from Madyali union council were Mysin, Kalar, Emco colony and Mandyli itself. While the population of Kot Pindi Das itself was equal to one union council while few Dera's in the surrounding of the village were also considered. The impact was examined by interviewing respondents (farmers) of the research area.

All the contact farmers of SMEDA and BOP were the respondents from whom the data were collected. According to list of contact farmers obtained from SMEDA field officer, the number of contact farmers was 168. These contact farmers made the population of the study. Sampling was made for the selection of a small number of contact farmers from the entire population in such a way that they could represent the whole population. It was decided to select a reasonable sample for the study. In order to have representation of entire population of 168, an appropriate sample size of 120 respondents was drawn with the help of table used for determining sample size developed by Fitzggibbon *et al*., (1987) by using simple random sampling technique.

RESULTS AND DISCUSSION

The data revealed that 76 respondents out of 120 were illiterate (63.3%), while 4.2% of the respondents were primary, 0.8% of the respondents were middle and 14.2% were matric qualified. The percentage of the intermediate respondents were 10.8 and the respondents holding graduation degree were 6.7 percent.

It was also noted that 59.2% of the respondents were small farmers holding the land up to 12.5 acres or less than 12.5 acres. Similarly 28.3% of the respondents were medium farmers i.e., holding land with size in between 12.5 to 25 acres. The percentage of the large farmers, holding land size greater than 25 acres was 12.5%. These results are not in line with those of Waheed (1991) who reported that farmers having small land holdings were not getting their due share of institutional credit agencies. Similarly the findings also differ from those of Shafique (1997) who concluded that the credit system went more in the hands of big and rich farmers as compared to more needy farmers.

Musharraf (2001) stated that maximum loans must be available to small farmers because they have good repayment behaviour. He said that special care must be given to small farmers who constitute the backbone of agricultural sector. The present study shows that majority of the farmers were small and it was observed that all the respondents small, medium or large farmers were enjoying the agricultural credit packages offered by the different institutions.

It was observed that the 76.7% of the respondents meet their financial requirements through institutional credit, 12.7% of the respondents through no institutional credit while 10.8% of the respondents through other sources. Results regarding respondents sources for meeting their financial requirements are almost similar to NFC and NDFC agricultural credit survey conducted during 1983 according to which majority of respondents (92%) had preference for institutional credit. The important reasons for the preference were, easy accessibility (39%), interest free loans (21%) and with out any personal obligations (20%), on the part of the loanees to the banks. These findings employed that the farmer having once gone through the bank procedure and formalities involved in the process of obtaining production credit, realized that it was preconceived fear and notion regarding access to the bank credit. After obtaining the first loan, the farmer became familiar with the bank's requirements and starts preferring bank credit for meeting his input needs instead of going to non institutional credit which involved personal obligation and necessitated a close association with the lenders.

It was noticed that 51.7% of the respondents got credit only one time before from ZTBL, 32.5% of the respondents got credit from M.C.B. two times before, 13.3% of the respondents told that they got credit three times before from H.B.L. while 0.8% of the respondents told that they obtained credit from A.B.L., U.B.L., N.B.P. more than three times, respectively.

Table 1 depicts the different purposes for which the respondents applied for the credit. The separate percentage for separate category was calculated as that for the chemical fertilizers 60% of the respondents got credit from chemical fertilizers category. Similarly 47.5% of the respondents got credit for the quality seed and other 52.5% of the respondents didn't get credit for quality seed. For insecticides and pesticides 36.67% of the respondents got credit, only 30% of the respondents from 100% of tractor category got credit for tractor and 6.7% of the respondents got credit for farm machinery. From the category livestock 14.2% of the respondents got credit for livestock and zero % of the respondents told that they didn't get any credit for any other purpose to serve. All the respondents had utilized the loan for the

purpose it was sanctioned. Results are similar to Mushtaq (2000) who found that agricultural loan was spent on the purchase of chemical fertilizers, insecticides/pesticides and farm machinery. The results of the present study are in line with there of Idress and Ibrahim (1993) who reported that the capital was required for the purchase of improved seeds, fertilizers, pesticides, farm implements and farm machinery. Therefore, capitcal was considered as a prerequisite for agricultural development.

Table 1: Reasons given by respondents for obtaining loan

Purpose	Response of the respondents			
	Yes		No	
	F	(%age)	F	(%age)
For chemical fertilizers	72	60	48	40
For quality seed	57	47.5	63	52.5
For insecticides and pesticides	44	36.67	76	63.3
For tractor	36	30.0	84	70.0
For farm machinery	8	6.7	112	93.3
For livestock	17	14.2	103	85.8

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