



Research Article

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Role of Zarai Taraqiati Bank Limited in Agriculture Development



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Abstract

Agriculture is the mainstay of Pakistan economy. The agricultural credit is an essential ingredient in the growth strategy of agricultural sector of each country. From our studied found that worth mentioning point here is that these respondents, who received credit had applied them in their respective field (agriculture), resulted in increase in production and in-turn income of the respondent. It is evident from the findings that ZTBL disbursed greater amount for production loan, development loan and disbursed these loans province wise. This report was conducted during 2015, with the objectives studied the procedure of agriculture credit disbursement for the improvement of agricultural productivity through credit and by different scheme of ZTBL (Zarai Taraqiati Bank Limited) Mardan branch. The findings also show that during 2014 ZTBL disbursed an amount of 81,934 million, in which ZTBL disbursed greater portion toward production loan i.e. RS.63,286 million, an amount of RS.18648 million was disbursed for development loan. The long term loan should be made available to farmers, are encouraged to develop their agriculture, livestock and enhance their income leading towards agriculture development. In conclusion it is to be said that during 2014 ZTBL disbursed an amount of 81,934 million, in which ZTBL disbursed greater portion toward production loan i.e., RS.63,286 million. Greater part of loan was distributed as short term loan RS.63.86 million which were attract more respondents. Zarai Taraqiati Bank Limited (ZTBL) management should provide cheaper and timely funds to motivate the small farmers for using the latest technology in order to enhance agriculture production.

Keywords : Uninterrupted; Strong linkage; Downstream industry; Commercialization

Abbreviations : GDP: Gross Domestic Product; ZTBL: Zarai Taraqiati Bank Limited

Introduction

The Agriculture sector uninterrupted engages in recreation of Pakistanis economy since independence. In the early time period it was considered a dominant sector but decline in its performance is due to the political, social, environmental and climatic conditions and its production yield goes down gradually and now it is the second largest sector in Pakistan [1-5].

Pakistan agriculture sector contribute 20.9% of Gross Domestic Product (GDP), 43.5% of total labor force engaged with this sector. Around 63% of country population live in rural areas is indirectly or directly linked with this sector for their livelihood. Agriculture sector have strong linkage with the rest of the economy that is unnoticed in statistics. While on the Other hand, it is the primary supplier of raw materials to downstream industry, that contributing significantly to Pakistan's export; it is the largest market for industrial manufactured goods such

as pesticides, fertilizers, tractors and agriculture equipment's (Economic survey of Pakistan 2014-2015).

The objective of agriculture has changed from "self-reliance" to "Commercialization" and this is called economic operation in agriculture. Farming supplies are now being changed instead to individual benefits but as exchange commercial business. The aim of production converted into profit maximization. Gross Domestic Product (GDP) is one of the well-built indicators to measure the growth pattern of the economy. It notifies the aggregate value of all final goods and services produced within a country over the specific time period. Gross Domestic Product (GDP) of Pakistan was \$243.6 Billion in the year World Bank 2015. Predictor variable comprises five sub-sectors include major, minor crops, livestock's, fisheries and forestry. Major crops consist of cotton, rice, wheat and sugarcane etc and

contribute 6.5% solely to the Gross Domestic Product (GDP) [6]. Cotton is the main non-food crop that is used as a raw material for the textile industry. Pakistan is the fourth largest producer of cotton. Rice and wheat is the major food crops out of which rice is also one of the main export items of the country. Sugarcane is another important crop grown for sugar and sugar related products. Minor crops consist of oilseeds, vegetables, pulses, chilies and other small crops. Oil seed crops include cottonseeds, rapeseed/mustard, sunflower and canola etc [7-10].

Livestock sector includes cow, buffalos, goats, donkeys, horses and poultry and is an important sub-sector of agriculture. Its importance lies in the fact that many rural families depend on their livestock for their daily nutrition and income. Livestock also contributes around 11% to Gross Domestic Product (GDP). The Government has placed livestock on the national development agenda and has formulated the 'Livestock Development Policy' and 'Poultry Development Policy' aimed at the private sector involvement in these sectors. Pakistan has a large dairy sector and is, by current estimates, the fourth largest milk producer in the world, following India, China and USA. Current production levels are around 35 billion liters and there are around 8 million farming households and a total herd size of 50 million animals. In monetary terms, the milk produced in Pakistan is worth Rs. 177 billion and the largest product in the entire agriculture sector. Currently only 3% of the total milk production is processed and marketed through the formal channels. Milk production is expected to grow an additional 3 billion liters in the next five years and the market for processed milk is growing at a steady rate of 20% per annum [11-15].

As far as fisheries sector, Pakistan has a costal line about 1,050-km and has been famous for fishing in the region. Pakistan sell abroad good quality seafood's to various countries namely, China, Thailand, UAE and other gulf countries. Fresh, chilled or frozen fish comprise around 69% and shrimps around 21% of total exports. Pakistan is endowed with vast aquatic resources; however, the fisheries sector only constitutes 1% to Gross Domestic Product (GDP). The government aims to increase this share as fisheries can play an important role in the growth of the state economy by helping to reduce poverty and increase food security.

Agricultural development requires timely and adequate supplies of essential farm inputs. Investment capacity of majority of our farmers is low as they are poor and they cannot afford to meet increased demand for the purchase of improved seeds, recommended dose of fertilizer, hiring farm machinery etc.; so lack of finance is one of the main reasons for low productivity in our agriculture. A number of studies show that farmers' yields of various crops were higher for borrowers than non-borrowers (Dawar, 2003). All these studies recommend that credit is one of the important inputs to meet the cash requirements of the farmers and play the role of a bridge leading from subsistence to cash economy and eventually to invisible surplus.

There are two types of credit advanced to the farmers in Pakistan for agricultural development i.e. institutional and non-institutional. In early history of Pakistan main sources of agriculture credit were relatives and friends, landlords, shopkeeper's commission agents. It is revealed that 83.9% loan was provided by informal sources. The credit was advanced on high interest rates on the condition that the borrower would sell their output to the lender. In this way the lender was benefited in two ways. One, by charging higher interest rate on these loans, and second, by purchasing the farmers' output at comparatively lower prices. To avoid exploitation of poor farmers the government extended institutional credit facility through Commercial banks, Taqavi loans, Cooperatives societies and Zarai Taraqiati Bank Limited (ZTBL). Zarai Taraqiati Bank Limited (ZTBL) is considered one of the most important institutional sources of credit for agriculture in Pakistan. Zarai Taraqiati Bank Limited (ZTBL) advances, short, medium and long term loans to the growers. Short term loans are given for raising, processing, and marketing of crops. Medium loans are provided for the purchase of farm implements, leveling of land and setting up of agro based industries. Long term loans are provided for the purchase of farm machinery, installation of tube wells, construction of warehouses, etc. Zarai Taraqiati Bank Limited (ZTBL) has disbursed short term, medium term and long term loan facilities to all the categories of farmers. The volume of short term loan increased from Rs.2498.37 million to Rs.51635.53 million, medium from Rs.1184.90 million to Rs.1373.82 million.

Methodology

This chapter explains the methodology used to answer the internship research objectives and the actual work performed by the internee with the Zarai Taraqiati Bank Limited (ZTBL). Data were collected from secondary source which provide by Zarai Taraqiati Bank Limited mardan branch.

Credit disbursement of zarai taraqiati bank limited

The Zarai Taraqiati Bank Limited provides loans for the development and growth of rural areas and uplift of farm activities. The loans of Zarai Taraqiati Bank Limited are briefly explained as under.

Production loans

These loans are given to farmers for seed, fertilizer, pesticides and labor charges etc. to grow crops and vegetables including working capital for poultry, dairy, orchard and fishery and are recoverable within one and half year. The amount of disbursement of production loan is 77.2%.

Development loans

The loans provide for purchase of items like farm machinery, tractors, irrigation, land development, orchard, green houses, dairy, poultry, fishery, livestock, farming etc. are recoverable up to one to eight years. The amount of disbursement of development loan is 22.8%.

Province wise disbursement of loans

Province Wise Disbursement of Loans in different areas is almost in proportion to the agriculture potential of respective provinces/areas. According ZTBL annual report of 2014, the bank disbursed 80.7% in Punjab, 13.8% in Sindh, 4.5% in KPK, 0.3% in Balochistan, 0.3% in Azad Kashmir and 0.4% in Gilgit-baltistan.

Types of Loan Advanced

Short term loans

Short term loans are loans for shorter period of less than a year. It includes, crop production working capital and loans recoverable I lump sum commencing after harvest/marketing of respective crops and within maximum period of 18 months.

Medium term loans

Medium term loans are for a period of more than a year but less than 5 years. In includes, dairy farming and livestock etc. The installments of these loans are usually paid able in 5 years.

Long term loans

Long term loans are for a period of more than 5 years. These are development loans which require large amount and also need some time to show its result in shape of better production. It includes loans for tractor, agricultural machinery, poultry farming go downs and orchard in yearly/half yearly installments within maximum period of 8 years.

Results and Discussion

This chapter of the study deals with the procedure of agriculture credit disbursement for the improvement of agricultural productivity through credit and by different scheme of Zarai Taraqiati Bank Limited (ZTBL) Mardan branch.

Credit disbursement

During 2014, the bank disbursed an amount of Rs.91,934 million. The bank served 0.414 million borrowers during the year 2014. The bank disbursed loans for two purposes i.e., production and development.

Production loans

Bank disbursed a major portion of its funds towards production loan i.e., Rs.63,286 million constituting around 77.2% of total disbursement. In this regards Figure 1 shows that disbursement of production loan is increasing with passage of time. The data was categorized in fertilizer, seeds, pesticides, WC dairy, WC poultry, WC fisheries, WC livestock, labor and others. From the graph it is cleared that ZTBL disbursed loan of Rs.30,377 million for fertilizer, Rs.17,720 million loan disbursed for seeds, Rs.12,024 million loan disbursed for pesticides, Rs.1,722 million loan disbursed for WC dairy, Rs. 819 million for loan disbursed WC poultry, Rs.610 million loan disbursed for others, Rs.11 million loan disbursed for EC fisheries, Rs.3 million loan disbursed for livestock while Rs.0.5 million loan disbursed for labor respectively.

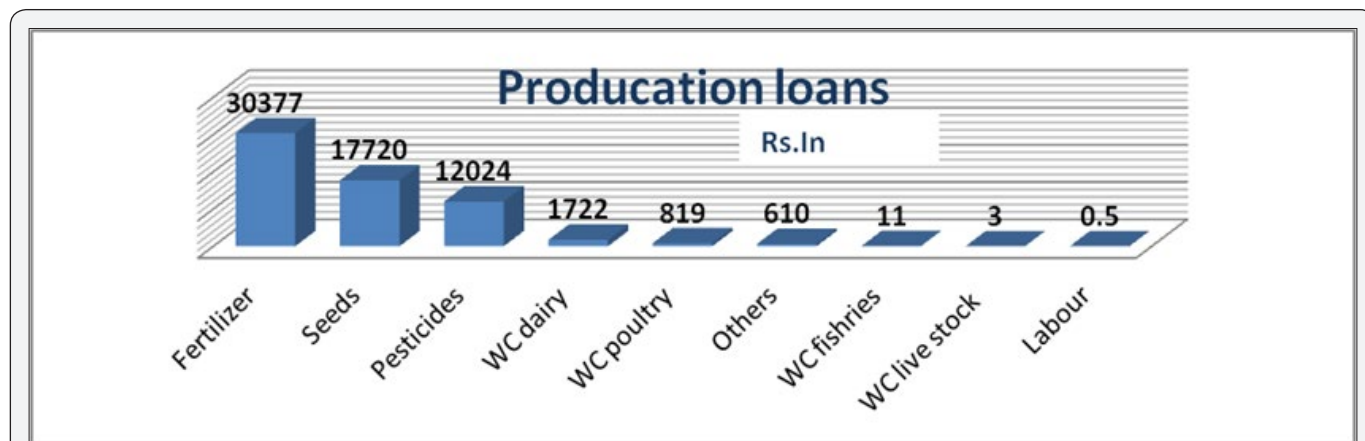


Figure 1: Disbursement of fund for production in 2014.

Source: ZTBL, Annual Report 2014.

Development loans

An amount of Rs.18,648 million constituting 12.8% of the total agriculture credit was disbursed for development loan. Zarai Taraqiati Bank Limited (ZTBL) can make a valuable contribution to development loan. The data in Figure 2 states that over all disbursement of fund towards development loan. The figure explain that Rs.7,489 million of the total development loan received by respondents for tractors, Rs.7,241 million loan

disbursed for dairy farming followed by Rs.1,937 million of loan received by respondents for live, stock purpose, Rs.608 million loan disbursed for tube wells, Rs.502 million loan disbursed for go down, Rs.455 million disbursed for farm equipments, Rs.280 million for other purposes, Rs.68 million for land development, Rs.61 million loan disbursed for orchards, Rs.5 million for poultry farming, Rs.2 million for fisheries while 0.22 million for farm transport respectively (Figure 3).

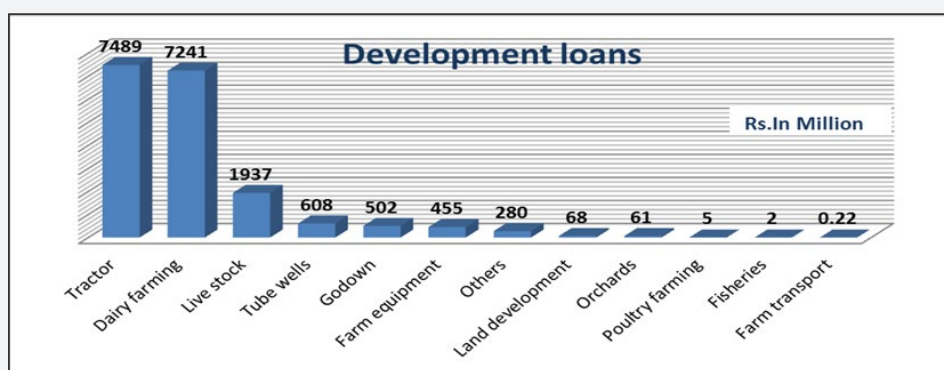


Figure 2 : Disbursement of fund for development in 2014.

Source: ZTBL, Annual Report 2014.

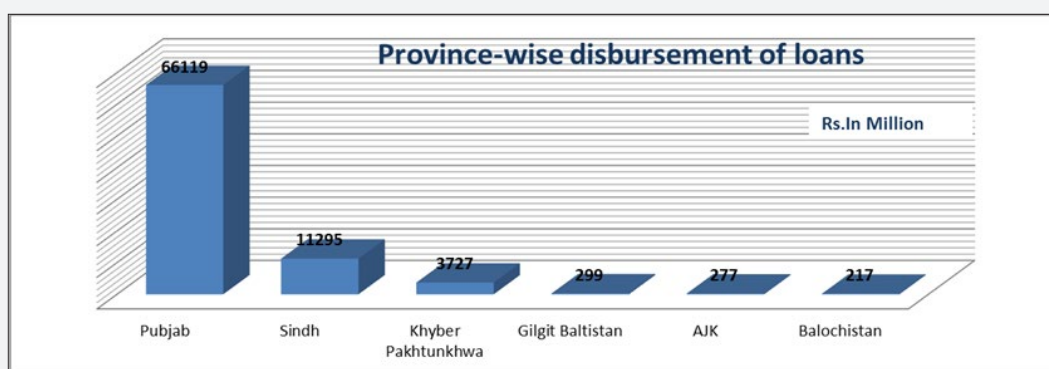


Figure 3 : Province wise distribution of fund by ZTBL in 2014.

Source: ZTBL, Annual Report 2014.

Term-wise loans disbursement

The bank provided loans on short, medium and long term basis. Short term loans are basically production loans having maturity period of maximum 18 months. Medium term and long

term loans are advanced for development purposes which are recoverable within 5 and 8 years respectively. In this regards Figure 4 indicates that ZTBL disbursed Rs.63, 286 million short term loans, Rs.9, 484 million disbursed medium term loans while Rs.9, 164 million loan disbursed for development purposes.

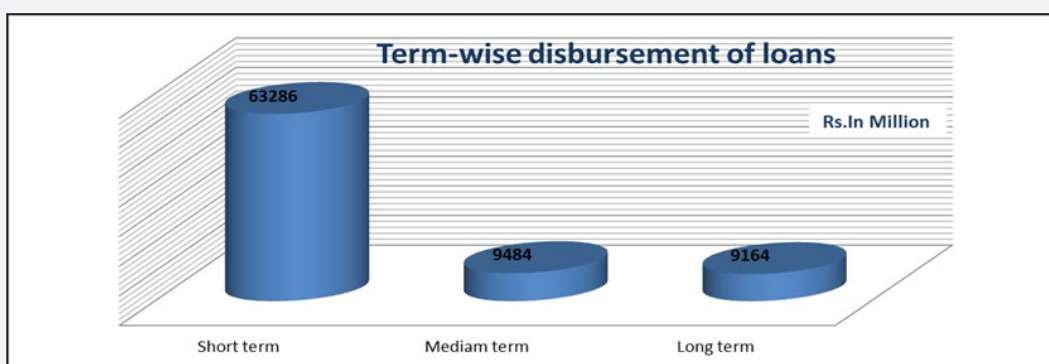


Figure 4 : Term wise distribution of fund by ZTBL in 2014.

Source: ZTBL, Annual Report 2014.

Security-wise disbursement of loans

ZTBL also disbursed security wise loans. Figure 5 reveals that loans amounting to Rs.81,219 million secured against

mortgage of tangible securities, loan amounting to Rs.518 million disbursed for other securities while loan amounting to Rs.103 million disbursed against personal surety and loan amounting to Rs.94 million advanced against hypothecation.

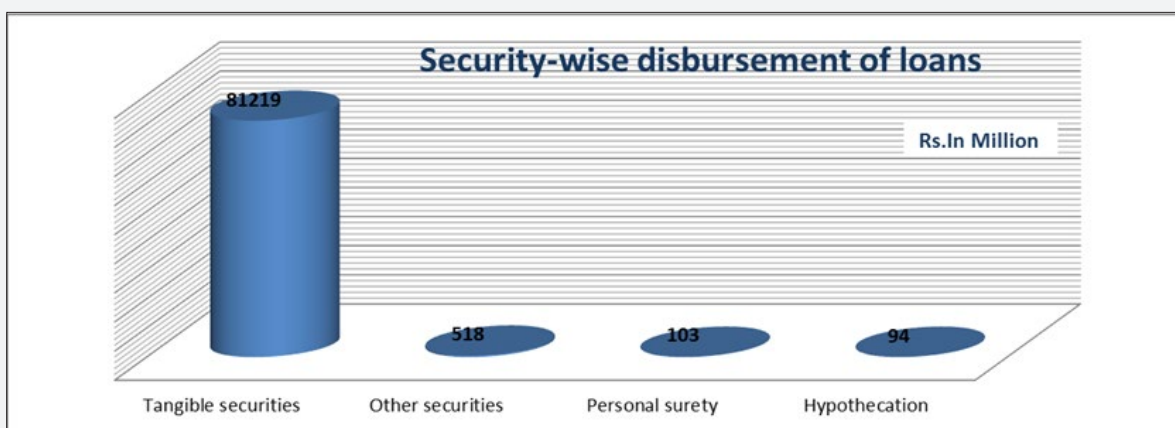


Figure 5 : Security wise distribution of loan by ZTBL in 2014.

Source: ZTBL, Annual Report 2014.

Holding-wise disbursements of loans

ZTBL also disbursed security wise loans during 2014. Figure 6 indicates that loan advanced to land owners having less than 12.5 acres amounted to Rs. 59,611 million in the overall disbursement. Farmers operating land from 16-25 acres received Rs. 8,768 million, farmers owning land from 12.5-16 acres

received Rs. 6,914 million. An amount of Rs. 2,471 advanced to farmers owning land from 32-50 acres. Its followed by Rs. 2,421 million disbursed to farmers with land holding from 25-32 acres. An amount of Rs. 1,067 million disbursed to land holders of 64 acres or above. An amount of Rs.675 million disbursed to land operators from 50-64 acres and the remaining credit amounting to Rs.7 million disbursed to land less farmers.

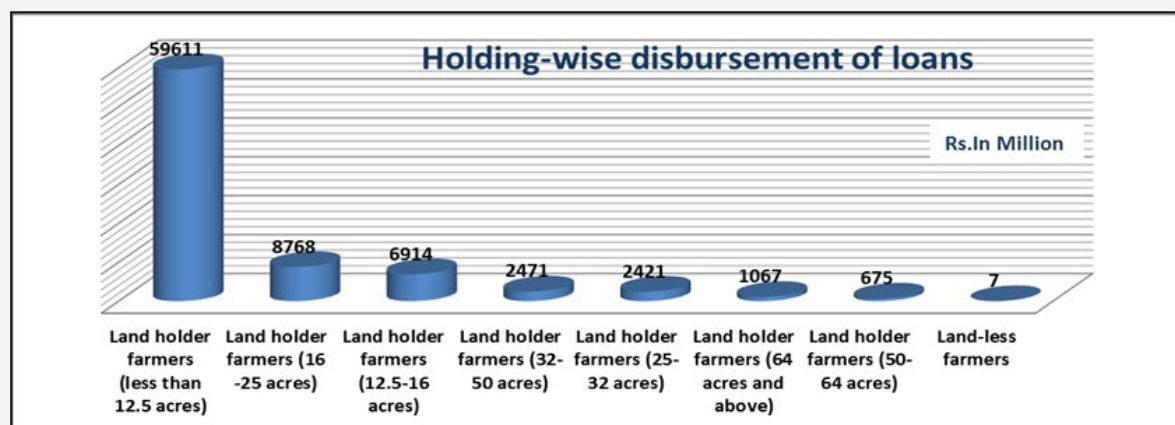


Figure 6 : Holding wise distribution of loan by ZTBL in 2014.

Source: ZTBL, Annual Report 2014.

Conclusion

This Report indicates that the credit advanced by Zarai Taraqiati Bank Limited for the agriculture was obtained by all the beneficiaries in Pakistan. ZTBL advances the credit through a proper procedure. The worth mentioning point here is that these respondents who received credit had applied them in their respective fields (agriculture), resulted in increase in production and in-turn income of the respondents. These recommendations are made based on the finding of the study: The efforts should be taken to enhance timely disbursement of loans to small farmers with greater outreach through efficient governance which will alleviate poverty in the rural sector. The pattern of province

wise disbursement of loan must be remaining equivalent so that the farmers are encouraged to developed their agriculture, livestock and enhance their income. Zarai Taraqiati Bank Limited management should provide cheaper and timely funds and management should concentration small farmers.

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