

Estimation of the Credit Requirement of Selected Landless Households In The FAO/ University Project Area

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Abstract: To assess the credit requirement of selected landless households for new income generating activities. The data were collected from the University project area i.e. Faisalabad. The results of the study showed that saving rate was higher in case of barbers and carpenter as compared to other categories of the landless respondents while the highest and lowest credit requirements were calculated for the carpenters and barbers respectively.

Key Words: Credit, Kamees, Seyp, Landless

Introduction

The importance of agriculture, as a basic constituent of Pakistan's economy, is beyond any doubt and is expected to remain so in future. In spite of speedy growth in other sectors, it is still the major sector contributing about 24.6 percent in GROSS Domestic Product. Over seventy percent of the Pakistan's population lives in rural areas, of which only 47 percent are engaged in practical farming. So over 50 percent of rural population belongs to the category of those who either do not own land or have only a marginal stake in the agricultural economy. (Economic Survey 1998-99) Households in a typical Punjab's village can be classified into farm and non farm households. Farm households include land operators and livestock holders where as non farm households have no access to land to cultivate. Non farm households comprises of "Kamee" and "Non Kamee" households. Kamees i.e. artisans include those non farm households who have a 'seyp' relationship with the cultivator and they receive payment in kind for the services they render for agricultural operations in the form of food grains i.e. wheat, rice, maize, gur etc. They include Tarkhan (Carpenter), Lohar (Blacksmith), Nai (Barber) etc. they in fact help the cultivator to keep running their farm implements and tools. Non kamee households do not have any seyp relationship with farming households. These households are involved in different kinds of activities such as shop keeping, masons, drivers, laborers, milkman etc. (Hirashima, 1977)

The prosperity and well being of the country thus greatly depends upon rural households who have very meager resources and are unable to meet the gross financial requirements for production and development purposes from their own resources. The inadequacy of capital is a strong reason for a general reluctance to embark upon new activities. The investment required for new income generating activities can come either from household's own savings or through borrowings. In cases where propensities to save are low, recourse to credit becomes the only option to meet the required investment expenditures. Hence improving their income is a matter of great priority for a developing nation like ours and there is nothing new in saying that credit is one of the vital inputs for enhancing the productivity and income of the rural households particularly the landless ones who

have been ignored totally in the development efforts so far.

Credit is a sine-qua-non for any business, more so for, agriculture which has traditionally been a non monetary activity for the rural population in Pakistan. Rural credit though not a direct tool of production can help to break the vicious cycle of eat grows eat by removing the financial constraints and accelerating the adoption of new technologies. Provision of adequate and timely credit thus seems to be an integral part of the commercialization process of rural economy. The major objective of the study in hand was to examine the income and expenditure pattern of the respondents and thus to assess the credit requirement for new income generating activities.

Materials and Methods

The results were based on primary data collected from all the eight villages of FAO/University project area (i.e. Faisalabad) First of all a complete list of rural households was prepared and then four groups of rural households were selected. Thus a total sample of seventy respondents consisting of sixteen barbers, fifteen carpenters, thirteen cobblers and twenty six laborers was selected. Then the data were collected by using a comprehensive and pre-tested interviewing schedule. Credit requirement for different categories of the respondents were calculated in the following sequence:

- Gross income was calculated by considering all sources of income. Cash receipts and receipts in kind (converted into cash at market prices) were considered to reach at the total sum of gross income.
- Professional expenditures were calculated by taking into account all the activities i.e. depreciation, labor, electricity, repair and maintenance and others.
- The net income of the respondents was calculated by subtracting the professional expenditures from the gross income.
- Then the average expenditures on family consumption were estimated at market prices and were subtracted from net income to reach at the savings of the respondents.
- Then capital requirements for new income generating activities were computed by considering item wise material required for that activity at the

market prices.

- Lastly, credit requirement was calculated by subtracting savings from capital requirements for a particular category of respondents.

Results and Discussion

Among the total families in the research area, farmer and non farmer families constituted 71.28 and 28.72 percent respectively. The average family size was found as 6.54 members of the sample families which was similar to those pointed out by previous studies (Ahmad, B. and K. Pervaiz). The literacy rate was found to be 34.38 percent. With respect to employment level of the work force of the respondents, 71.71 percent were fully employed while 28.29 percent were partially employed which indicated the need for creating more jobs for the rural poor through financing of their existing professions. This would improve the economic conditions of the families and thus will check the migration to the urban areas.

A barber in the village was engaged in haircutting, shaves of the population and cooking food at marriages and death occasions. Besides, the family members are also engaged in other income generating activities helpful in meeting their needs. It was spotlighted that barber earned on an average Rs.34875 per annum. Of which 40 percent came from haircutting, 30 percent from shaves, 20 percent from cooking and 10 percent from other activities. The professional expenditures were estimated as Rs.8175 per annum comprising 12.4 percent capital cost, 6.3 percent repair and maintenance, 25 percent labor wages, 21 percent rent, 29.3 percent electricity and 4.1 percent as other charges. As regards his net income, it was found as Rs. 26700 per annum, from this net income the respondent had to meet the family consumption expenditures which on an average were Rs.24469 per family (91.6 percent of the net income). The saving thus stood at Rs. 2231 per annum, (8.4 percent of the net income). This meager saving cannot support the expenditures required to adopt new income generating activities which these families intended to undertake in future for enhancing their income to satisfy ever increasing family needs. The barber families in project area thus need approximately an amount of Rs. 18000 as credit for proposed income generating activities.

In the project area carpenters were involved in the preparation of new implements for the farmers as well as in their repair work. They were also involved in the preparation and maintenance of furniture. Majority of the carpenters were working with the traditional tools with limited facilities in their workshops. Only a few carpenters were working with semi modern tools. On an average a carpenter earned Rs. 25162 per annum from these activities. He earned 22 percent of his total income from preparation of new implements, 11.40 percent from the repair of implements, 44.20 percent from new wood work, 9.80 percent from repair of Wood work and 12.60 percent from other activities.

The average professional expenditures were estimated as Rs. 4410 per annum. Of which capital cost constituted 11.04 percent, repair and maintenance 7.03 percent, labor wages 9.07 percent, rent 12.70 percent, electricity 45.35 percent and other expenditures as 14.81 percent. As regards his average net income, it was estimated as Rs. 20752 per annum (82.47 percent of the gross income). His average family consumption expenditures

were Rs. 19020 per annum (91.65 percent of the net income). This showed his saving as Rs. 1732 per annum (8.35 percent of the net income). So the credit requirement of the carpenter for new income generating activities in the area was calculated as Rs.26800.

As far as cobblers were concerned, some of them were working in their stalls on the roads without any proper shop while others were mobile in their working. Average gross income of the cobbler was estimated as Rs.20297 per annum. He earned 27.40 percent of his gross income from repair work, 63.69 percent from new products like shoes and 8.91 percent from other works. The average professional expenditures were estimated as Rs.825 per annum, of which capital cost constituted 11 percent, repair and maintenance 7.46 percent, labor wages 9.33 percent, rent 7.46 percent, electricity 37.31 percent and Other expenditures as 24.42 percent. Average net income of the cobbler was estimated as Rs. 19472 per annum (95.96 percent of the gross income) while his average family consumption cost was Rs.18346 per annum (94.21 percent of his net income). His average saving was calculated as Rs.1126 per annum (5.78 percent of his net income). So the credit requirement for new income generating activities like was calculated as Rs.20800.

The laborers in the area were working on daily basis or on contract basis. The laborers working on daily basis were not sure of getting work through out the year. Except the calendar holidays, they had to face many blank days in the year due to non existence of labor market. The labor can be divided into agricultural and non agricultural ones. On over all basis, average earning of a laborer was Rs.24165 per annum. The average earning of an agricultural laborer was Rs.25132 per annum while non agricultural laborer was earning Rs.23561 per annum. The expenditure pattern of this category was different from other categories due to the reason that instead of using instruments, a laborer was using his physical power to perform the functions. On an average a laborer was spending an amount of Rs.5973 per annum. There was a great variation in the expenditure pattern of the laborer. This was due to the fact that some laborers were enjoying meal from their employers while other had to purchase meal, some travel on their own bicycles while others have to pay fare etc. The expenditures of the laborer constituted 24.72 percent of his gross income. Average net income of a laborer was calculated as Rs. 18192 per annum (75.28 percent of his gross income). His average family consumption expenditures were found to be Rs. 17765 per annum (97.65 percent of his net income) so in this way saving for laborer was arrived at Rs. 427 per annum (2.35% of the net income) which was the lowest among all the respondents. So the credit requirement for the laborer was calculated as Rs. 20035 for new income generating activities such as new shop, donkey cart, tonga etc.

Finally it was concluded that the amount of credit estimated for different categories, if provided to them, would hopefully enable them to start new income generating activities to enhance their income to meet ever increasing demands. This will ultimately raise their standard of living and will restrict them to stay in the rural areas.

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Table 1: Income Sources of Barber

Particular	Hair Cutting	Shaves	Cooking	Others	Total
Total of all samples	223200	167400.0	111600	55800.0	55800
Avg./ Respondent	13950	10462.5	6975	3487.5	34875
Rs./ annum					
Percent of total income	40	30.0	20	10.0	100

Table 2: Expenditures Incurred by Barber

Particulars	Capital cost	Repair & maintenance	Labor employed	Rent	Electricity	Others	Total
Total of all samples	16200.00	8200.00	32600.00	30000.00	38400.00	5400.00	130800
Avg./ Resp. (Rs./a)	1012.50	512.50	2037.50	1875.00	2400.00	337.50	8175
Percent of total cost	12.38	6.27	24.92	22.94	29.36	4.13	100

Table 3: Income Sources of Carpenter

Particulars	New implements	Repair of implements	New wood work	Repair of wood work	Others	Total
Total of all samples	83034.60	43027.02	166824.00	36988.10	47556.18	377430
Avg./ Resp. (Rs./a)	5535.60	2868.50	11121.60	2465.80	3170.40	25162
Percent of total income	22.00	11.40	44.20	9.80	12.60	100

Table 4: Expenditures Incurred by Carpenter

Particulars	Capital cost	Repair & maintenance	Labor employed	Rent	Electricity	Others	Total
Total of all samples	7300.00	4650.00	6000.00	8400.00	30000.00	9800.00	66150
Avg./ Resp. (Rs./a)	486.67	310.00	400.00	560.00	2000.00	653.33	4410
Percent of total cost	11.04	7.03	9.07	12.70	45.35	14.81	100

Table 5: Income Sources of Cobbler

Particulars	Repair work	New products	Others	Total
Total of all samples	72297.60	168052.40	23509.60	263860
Avg./ Resp. (Rs./a)	5561.40	12927.10	1808.50	20297
Percent of total income	27.40	63.69	8.91	100

Table 6: Expenditures Incurred by Cobbler

Particulars	Capital cost	Repair & maintenance	Labor employed	Rent	Electricity	Others	Total
Total of all samples	1180.00	800.00	1000.00	800.00	4000.00	2940.00	10720.00
Avg./ Resp. (Rs./a)	90.77	61.54	76.92	61.54	307.69	226.00	824.62
Percent of total cost	11.00	7.46	9.33	7.46	37.31	27.42	100.00

Table 7: Income Sources of Laborer

Particulars	Agricultural labor			Non agricultural labor		Total
	Cash	Seyp	Others	Cash	Others	
Total of all samples	80320.00	151000.00	20000.00	300000.00	76980.00	628300
Avg./ Resp. (Rs./a)	8032.00	15100.00	2000.00	18750.00	4811.25	26108
Percent of total cost	31.96	60.08	7.96	79.58	20.42	

Table 8: Expenditures Incurred by Laborer

Particulars	Meal	Transportation	Tea and smoking	Others	Total
Total of all samples	50700.00	36000.00	55000.00	15000.00	151700.00
Avg./ Resp. (Rs./a)	1950.00	1384.62	2115.38	576.92	5834.62
Percent of total cos	33.42	23.73	36.26	9.89	100.00

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Table 9: Overall Summary

Particulars	Barber	Carpenter	Cobbler	Laborer
Av. Gross income Rs/annum	34875.00	25162.00	20297.00	24165.00
Av. Expenditures Rs/annum	8175.00	4410.00	825.00	5973.00
Percent of the gross income	23.44	17.53	4.06	24.72
Av. Net income Rs/annum	26700.00	20752.00	19472.00	18192.00
Percent of the gross income	76.56	82.47	95.96	75.28
Av. Family consumption Rs/annum	24469.00	19020.00	18346.00	17765.00
Percent of the net income	91.64	91.65	94.22	97.65
Av. Saving Rs/annum	2231.00	1732.00	1126.00	427.00
Percent of the net income	8.36	8.35	5.78	2.35
Av. Capital required (Rs.)	17812.00	28533.00	21923.00	20462.00
Credit requirement (Rs.)	15581.00	26801.00	20797.00	20035.00

Suggestions

- It was observed in the project area that respondents were not adept at performing various activities related to their new proposed professions. So it is suggested that certain training institutions should be established in rural areas for the training of unskilled rural masses so that they can perform their activities efficiently.
- It's a common practice in our rural areas that once the credit is disbursed it is not supervised for its productive use and the same was happening in the project area. So in order to ensure the productive use of the micro credit the activities of the respondents should be supervised by the field staff of that lending institution.
- The saving rate is very low in our rural community and this is one of the major hurdles in the way of

adopting new income generating activities. So saving in rural areas should be mobilized by introducing attractive saving schemes through enhancing the present rate of return reasonably.

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