

Impact of Loan Facilities Provided by PRSP for Poverty Alleviation in Farming Communities of Faisalabad

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Abstract: The role of micro-credit in poverty alleviation can never be overemphasized. PRSP extended credit to the rural poor to change their standard of living through self help. The universe of the present study was these rural people of Faisalabad who get loan from Punjab Rural Support Programme. Filed unit Chak Jhumra and Satina were selected with a sample of 150 respondents both male and female through random sampling. A fair majority 41.3 percent of the respondents were having the income below Rs.50001, 34.7 percent of the respondents were fall under the income between Rs.50001 to Rs.75000, 13.3 percent were having the income between Rs.75001 to Rs.100000 and while 10.7 percent getting above Rs.100001 per annum. After receiving loans from PRSP. Majority of the respondents 86.7 percent were living in their homes, while 8 percent of the respondents lived in other nature of house and while about 5.3 percent of the respondents were living in rented houses after getting the credit. The loan size credited by PRSP was fine (55.31%), normal (39.31%) and bad (5.3%) as reported by respondents.

Key Words: AKRSP, Micro-credit, PRSP and Rural Development

Introduction

Pakistan is facing the twin challenge of reviving of economic growth and checking of poverty. It is fact that dream of economic growth will not be achieved without checking poverty and is only accused through social services. Therefore, government of Pakistan thus aimed at employing a combination of growth promoting policies and directed interventions to attack the problem of poverty as a part of its overall poverty reduction strategy.

The Government realizes that additional income alone, either through jobs or financial assistance, would not eliminate poverty unless the causes of poverty are addressed and eliminated. Therefore, restoring economic growth and improving access to basic needs, such as primary education, preventive health care and population welfare services, is essential for winning the war against poverty.

At the dawn of independence, people dreamed that state of poverty, which is reflected in hunger, disease, ignorance and vulnerability and era of prosperity of prosperity would usher henceforth. This however, did not happen and the people continued to plunge in deep poverty. Successive regimes whether political or military, claimed to take many initiatives but these did not make any visible impact and every passing day found hundreds of people falling below the poverty line.

The giant of poverty is not controlled alone by the government or through her allied departments due to less availability of funds and other constraints. Therefore, government invited Non-Governmental Organizations (NGOs) to share the solution of the problem all over the country. Aslam (2001) advocated for the collaboration of Non-Government Organizations (NGOs) and line departments as well as financial institutions for organizing woman groups as an effective means of distribution of inputs especially credits. In Punjab, many NGOs came forwards and helped the people (especially in rural areas) by launching the different programmes. Out of these is the most efficient organization that is struggling to reduce the poverty at high level is Punjab Rural Support Programme (PRSP).

Punjab Rural Support Program (PRSP): Inspired by the success of the Agha Khan Rural Support Programme (AKSP) and National Rural Support Programme (NRSP), the Government of Punjab decided to establish an organization based on the same principles. The objective was to reduce poverty and enhance the quality of life of the rural poor in the province. The organization was named as Punjab Rural Support Program (PRSP) and it came into existence in June, 1998. PRSP started operation in eight districts of the province namely. Faisalabad, Gujranwala, Lahore, Multan, Muzaffargarh, Narowal, Sahiwal and Sargodha. The main features, which encircled by PRSP are social mobilization, rural Credit and enterprise development, human resource development, natural resource social sector services, physical infrastructure and technology development.

In rural areas, many people involved in loaning but in private sector the mark up rates are so high that poor people are unable to get access the loans or return these loans and ultimately they sell their every property to get rid of these loans. Mosley and Hulme (1996) concluded that one characteristic is common to rural and urban poverty was poor peoples inadequate access to the market. The problems of the poor with borrowing were by no means of high interest rate but access to the formal money and capital market. Anonymous (1995) reported after examining the extent and degree of rural finance in Pakistan that the access by poor households to institutional sources of constrained by complex procedure while informal source were much simple and flexible, often requires little collateral. In this regard Anonymous (1997) stated that 76% of the formal institutional credit was against the security of landed property and 21% of loans were advanced on personal security. While for informal source 965 of loans were advanced on personal security. In these conditions PRSP took a bold step to provide loans on very nominal interest rates to uplift the living standard of rural people.

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Keeping these facts in view the present study were undertaken to find out the impact of loans provide by PRSP for poverty alleviation in farming community of Faisalabd.

Materials and Methods

The universe of the present study was these rural people of Faisalabad who get loan from Punjab Rural Support Programme. Filed unit Chak Jhumra and Sattiana were randomly selected. While sample of 150 respondents (male and female) were selected by using purposive sampling technique. For gathering of data an interview schedule was developed in English, also asked in local language (Punjabi). Interview schedule was pre-tested on 5 percent of the respondents. After addition/deletion and necessary amendment. Collected data was than transferred on tally sheet, transformed in tabular presentation some relation-ships have been ascertained through the application was statistical tests.

Results and Discussion

Lesser majority (16.7 percent) of the respondents were self motivated for getting credit, 42.0 percent of the respondents were motivated by agency/PRSP staffs, and while 36.7 percent of the respondents motivated by the relatives/friends and only 4.7 percent of the respondents were motivated by their family members. The majority (96.7 percent) of the respondents reported that they did not face any problem in getting the loan from PRSP, 0.7 percent of the respondents informed that they faced mobility problems, while as rest (1.3 percent) of the respondent reported that the PRSP's employees were not passing their case of loan request and 1.3 percent of the respondents replied that they face other problems in getting the credit. These results negates with those of Anonymous (1995) who reported that the access by poor households to institutional source of credit was constrained by complex procedures. He further reported that 76 percent of the formal institutional credit was against the security of landed property and 21 percent against personal security.

Results indicate that most (61.3 percent) of the respondents had taken credit only 1 time, one third (30.7 percent) of the respondent had received credit 2 time, 6.7 percent of the respondent had received credit 3 time and only 1.3 percent of the respondent had taken loan more than three times. Research further indicates that a major proportion of the respondents i.e. 53.3 percent had requested for Rs. 15,001 and above as credit, 22.7 percent of the respondent that had requested for Rs. 10, 001-Rs15, 000, 20.7 percent of the respondents requested Rs. 5,001- Rs 10,000 and only 3.3 percent of the respondents had requested below Rs .5,000 amount of credit from PRSP. A major proportion (71.3 percent) of the respondents obtained credit for agri inputs and 10.7 percent of the respondents got credit for the construction of the house, 8.7 percent got credit for locomotives, while 6.0 percent of the respondent did not used credit for asset formation, only 3.3 percent of the respondent used credit for appliances. These results are in line with those of Idrees

and Ibrahim (1993) who reported that majority (58.50 percent) of the farmers used credit for agricultural purpose and a small number of them misutilized it by spending on marriages and litigations.

Majority (83.4 percent) of the respondents reported that there was change in their saving behaviour, 16.6 percent of the respondents reported that there was not change in their saving behaviour after getting credit. Majority of the respondents (69.3 percent) were reported that there was no change in the number of their school going children and while remaining (30.7 percent) of the respondents were reported that there was a change in the number of their school going children after getting credit. Majority of the respondents (52.7 percents) were having Semi Pucca houses before getting credit from PRSP. Those respondents whose house were Semi Pacca, were 31.3 percent and rest (16.00 percent) of the respondents informed that their houses were Kacha before getting loan from PRSP. Majority of the respondents i.e. 63.3 percents house were having Puca houses. Those respondents, whose houses were Semi-Pucca, were 27.3 percent and while the remaining about 9.3 percent of the respondents informed that thier house were Kaccha after getting credit (Table 1). A high majority of the respondents (89.6 percent) were living in their house, while 9.1 percent of the respondents living in other nature of house and while about 6.3 percent of the respondents were living on rented houses before getting the credit. A wast majority of the respondents (86.7 percent) were living in their house, while 8 percent of the respondents living in other nature of house and about 5.3 percent of the respondents were living on rented houses after getting the credit (Table 2).

Table1: Distribution of the Respondents According to their Nature of House before Getting Credit

Nature of house	Frequency	Percentage
Owned	128	89.6
Rented	9	6.3
Other	13	9.1
Total	150	100.0

Table 2: Distribution of the Respondents According to their Nature of House after Getting Credit

Nature of house	Frequency	Percentage
Owned	130	86.7
Rented	8	5.3
Other	12	8.0
Total	150	100.0

Majority of the respondents (56.0 percent) said that to some extent the Micro-Credit scheme of PRSP had helped them in reducing their poverty, while about 36 percent of their respondents said that to great extent program had helped them in reducing their poverty and only 8 percent of the respondents said that the program had not at all helped them in reducing their poverty. Similar findings were achieved by Gragory and Sebtan (1996) ; Hulme and Mosyel (1996) they

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stated that the beneficiaries of micro-finance projects had been able to reduce the material poverty.

More than half (55.3 percent) of the respondents were pointed out that loan size was fine, while about 39.3 percent of the respondents were pointed out that loan size was normal and rest (5.3 percent) of the respondents pointed out that loan size was bad. A slightly high majority (62.7 percent) of the respondents were having the annual income be below Rs. 50, 001, 13.3 percent of the respondents were having the annual income between Rs. 75, 001 to Rs. 10, 0000, 8.7 percent of the respondents were having no income and while 5.3 percent of the respondents were having the annual income Rs. 10, 0001 and above before getting credit from PRSP. A fair majority (41.3 percent) of the respondents were having the income below Rs. 50, 001, 34.7 percent of the respondents were having the income between Rs. 50, 001 to Rs. 75, 000, 13.3 percent of the respondents were having the income between Rs. 75, 001 to Rs. 10, 0000 and while 10.7 percent of the respondents were having the income

above Rs. 10, 0001 per annum after getting the credit from PRSP.

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