

THE IMPACT OF MICRO CREDIT ON LIVESTOCK ENTERPRISE DEVELOPMENT IN DISTRICT ABBOTTABAD (A CASE OF SRSP MICRO CREDIT PROGRAMME)

Naushad khan^{*}, Inayatullah Jan^{*}, Mujib Ur Rehman^{**}, Mahboob ul Latif^{*}
and Akhtar Ali^{***}

ABSTRACT

The study was conducted with the aim to analyze the impact of micro credit program of Sarhad Rural Support Programme for livestock enterprise development in six villages of district Abbottabad, NWFP. The study was carried out in April 2006. From the field survey, it was found that SRSP disbursed credit on pilot basis to 60 households for livestock enterprise development. All the loannees were selected for the study to examine the effect of credit on their livelihood. It was found that 33% households utilized credit in accordance with the project objectives. As a result of income of the households increased which resulted positive effect on the consumption as well as children education of the sample households. The study also depicted that 67% miss-utilized credit and therefore no impact on their socioeconomic conditions was identified. The study recommends measures such as provision of credit to the potential borrowers, training the community people in the establishment and development of livestock enterprises, and monitoring for the proper utilization of credit.

Keywords: Credit, Income, Livestock, Milk Production, SRSP

INTRODUCTION

Livestock is an integral part of the agricultural system of Pakistan. It includes cattle, buffaloes, sheep, goats, horses, camels, asses and mules. The domestic livestock population in Pakistan was estimated as 22.7 million during 1999-2000. They are estimated to annually produce 25.56 million tons of milk, 1.96 million tons of meat, 8463 million eggs, 38.9 thousand tons wool, 324 thousand tons bones, 7.6 million hides and 37.2 million skins. The annual per capita availability of livestock products is 62.81 liters of milk and 20.22 kg meat, which contributes 9% of the total GDP (Abbas, 2001). Livestock accounts for 46.8% of agricultural value added and about 10.8% of the GDP.

The importance of livestock in the rural economy may be realized from the fact that 30-35 million rural populations is engaged in livestock farming with an average of 2-3 cattle/buffalo and 5-6 sheep/goat per household. They derive 30-40% of income from livestock. In Pakistan, the annual production of milk is 28 billion liter, the value of which is more than the combined value of wheat and cotton (Govt. of Pakistan, 2004-05). The population of NWFP is 20 million out of which 70% lives in rural areas. Livestock is kept under traditional mixed farming system integrated with crop production. The province has relatively less land for crop production as most of the area is wet hilly in southwest or dry hilly in the north. In such situation, more than 85% of small farmers and landless totally depend on livestock farming system (Govt. of Pakistan, Provincial Census Report, 1998).

The study was conducted in the framework of different studies conducted on the impact assessment of various micro credit programmes. The findings of various studies on micro enterprises development within and outside Pakistan in the past are briefly presented below.

Bangladesh Rural Advancement Committee (BRAC) is one of the leading NGOs working for poverty reduction through different developmental program including micro credit interventions. An impact assessment study conducted by Mustafa, et.al. (1991) shows the importance of micro-credit in rural Bangladesh. Importance of the study was due to two factors i.e. "a specific definition of poverty" and an "integrated approach to the assessment of poverty alleviation". They used several "key indicators" to assess poverty alleviation including; increased material well being; reduced vulnerability to seasonality; increased economic security; improvements in women's status; and the development of village organizations and institutions. In their analysis, they differentiated between the impacts of credit on men and women. They further differentiated two groups of households by using the length of time i.e. participant and non-participant households in the BRAC program. Similar study conducted by Remenyi (1991), which concluded that the provision of credit is a powerful instrument against poverty.

In provision of micro credit one thing that has been very significant is the better performance of women than men. Many studies have concluded that micro-credit offered to women have better results on

^{*} Institute of Development Studies, NWFP Agricultural University, Peshawar – Pakistan

^{**} Health Services Academy, Islamabad – Pakistan

^{***} Pakistan Academy for Rural Development, Peshawar - Pakistan

income generation of the profitability and credit recovery.

These findings were supported by study conducted by Pitt and Khandker (1991). They studied impact of three credit programs in Bangladesh and proved it to have positive effects if credit was provided to women. Credit offered to women is also essential in the sense that micro credit is basically offered to the poor and women are the most vulnerable in our societies in terms of socioeconomic development. Such suggestions have been put forward by Qureshi (1997) that the government of Pakistan should make credit available to women and to the rural poor for consumption, and for sustainable income generating activities in order to improve performance in the economy.

Nevertheless, getting access to the different sources of credit is not easy for the poor. It is even difficult for the male folks notwithstanding the rural poor women. In its report, World Bank (1995) reveals that in Pakistan the access by poor households to institutional source of credit is constrained by complex procedures while informal sources are much simpler and more flexible, often requiring no / little collateral. It was 76% of the formal institutional credit was procured against the security of landed property and 21% against personal surety. For informal sources of credit, 96% of credit was disbursed on personal surety.

From the above discussion it is cleared that poverty reduction and economic growth can be made possible through providing micro finance facilities to the rural communities, especially, the vulnerable groups of small farmers, landless and women.

Justification and Objectives of the Study

The study was conducted in district Abbottabad, NWFP. Abbottabad is one of the important districts of NWFP, which is famous for its scenic landscapes and natural resources including forests, agriculture and livestock. Veterinary services in the district are supervised by the Assistant Director (AD) Animal Husbandry. There are two main veterinary hospitals at Abbottabad and Havelian with small units working at Sherwan, Lora, Nara, Nawansher, Qalanderabad, Bagnoter, Bakot and other union council head quarters. About 85% of the rural population earns their income from livestock. Abbottabad district has less land for cultivation, therefore, majority of the rural people prefer subsistence farming integrated with livestock farming system (Govt. of Pakistan, District Census Report 1998).

Agricultural credit provides financial resources to the farming community particularly for purchase of primary inputs like fertilizer, seeds, pesticides,

machinery, equipment etc. The government considers it an important instrument for achieving higher production and attaches high priority to ensure its timely availability to the farmers. Credit requirements of the farming community have shown an increasing trend over in recent past. Therefore, government has enhanced agricultural credit allocation from 65.5 billion in 2003-04 to 85 billion in 2004-05. Institutional credit to the farmers is provided through Zari Taraqiate Bank Limited (ZTBL), Commercial Banks, Cooperatives and Domestic Private Banks (Economic Survey of Pakistan, 2004-05).

Although the government of Pakistan has expanded institutional credit program, still less than 10% of the farmers have access to adequate and affordable financial services. It is due to the fact that institutional credits are backed up by hard and tough pre-conditions of the credits institutions. Most of the small farmers and rural poor who are credits worthy fail to benefit from such programs due to requirements of the credits institutions (Inayat, 2007). In such cases credit programs of the rural support programs (RSPs) are the easily available alternatives to the rural poor. Therefore, taking inspirations from Agha Khan Rural Support Programme (AKRSP) and National Rural Support Programme (NRSP), the government of NWFP decided to start Sarhad Rural Support Programme (SRSP) in 1989 with the main purpose to alleviate poverty from rural areas of NWFP. Head office of SRSP is in Peshawar and its regional offices are working in 24 districts of NWFP. SRSP's micro-credit program is operational in 8 districts of NWFP including Abbottabad. SRSP is working in rural areas of NWFP to achieve the targets such as rural enterprise development, resource development etc in the project area. In Abbottabad, SRSP provided credit sum of Rs. 827, 7000 to the rural population for the establishment of livestock enterprises (District Report, SRSP 2004-05).

Majority of the rural people of NWFP depends on livestock farming. Livestock sector has great potential to raise the national economy by directly raising the agriculture sector productivity and thus raising per capita income of rural people. Rural people face financial constraints and therefore, cannot establish their own livestock enterprises. In such situation the role of micro-credits cannot be ignored if properly utilized for these purposes.

The present study was aimed to assess the impact of SRSP's micro-credit programme or livestock enterprise development in rural areas of district Abbottabad. The specific objectives were to analyze the impact of SRSP's micro credit programme on livestock enterprise development and to find-out post project effects of the above

programme on the income level of the sample respondents.

MATERIALS AND METHODS

The study was conducted in district Abbottabad, NWFP in April, 2006 with the aim to analyze the poverty reduction and sustainable livelihoods programs of Sarhad Rural Support Programme for livestock enterprise development. Within district Abbottabad six villages namely Pind Kargu Khan, Dherian, Mian De Seri, Khokher Maira, Salhad and Jhangi Mori were selected. In these villages, SRSP micro credit programme was initiated on pilot basis. The loan disbursement and repayment period was 2004-05.

During 2004-05 SRSP disbursed credit to 60 households in the area. All the households were selected for the study. In the first stage of the study it was found that all respondents did not properly utilize the credit for livestock purpose. They used for other off farm purpose due to various reasons.

RESULTS AND DISCUSSION

Credit Utilization for Livestock Purchasing

Table I represents the frequency and percentage of respondents utilizing credit for livestock and other purposes. The table shows that 33% of loanees utilized credits for the required purpose, whereas 67% used it for other purpose such as, consumption, construction, business and medical treatment etc. Out of the total respondents, 27% purchased buffaloes and 6% purchased cows whereas the remaining 67% did not utilize credit for the purchase of livestock.

Daily Milk Production

The daily milk production of the respondents who utilized credit for livestock purposes is presented in Table II. The table shows that 13% respondents obtained 6-8 liters milk, 16% obtained 8-10 liters and 3% obtained in the range of 10-12 liters per day. As in village Salhad, credit was not utilized for the livestock purposes, therefore, no response came from the respondents about milk production.

Changes in Income Level of the Respondents after the Credit Programme

Table III elaborates the income situation of the respondents before and after the credit intervention by SRSP. The table clarifies that before project, the annual income of 60% respondents ranged from Rs. 4000-7000 and that of the 40% respondents ranged from Rs. 7000 – 10000. However, the situation improved as a result of the credit programme in the area. After getting financial assistance, the income level of 70% respondents ranged from Rs. 6000 – 10000 and of 30% respondents ranged from Rs. 10000 – 15000. The study depicts that after the availability of financial

resource to the respondents, their income level improved to an optimal level. Unfortunately, the situation remained worse in village Salhad of the project area due to utilization of credit for other off-farm purposes. Hence, no effects on income level were observed there.

Effects of Livestock Enterprises on Education of Children in the Area

The income level of the respondents who utilized credit for the required purpose improved during the course of time (Table III). This increase in the income level showed positive effects on the education of children in the area. Table IV shows that 39% children of the respondents used to go to the school before the project. In constraint 60% children of the sample households went to school after the credit intervention. In Salhad village, there was no positive response as respondents' utilized credit for other purposes. It shows that increase in the income level of the household has directly positive effects on education of the children.

Effects of Livestock Enterprises on Daily Food Consumption

The goal of credit interventions is always to improve the living standards of people. Table V shows that improvement has occurred in the food consumption patterns of the sample households in the area. It is clear from the table that 26% of the sample households in the project area reported improvement in their daily food consumption, whereas 7% reported no change occurred on their food consumption patterns. The remaining households (67%) did not show any response as they utilized credit for other purpose.

Community Response about SRSP's Credit Programme in the Area

SRSP is one of the leading rural support programs working in NWFP for poverty alleviation through different interventions. One of the interventions of SRSP is micro-credit program in different areas of NWFP. The study area is one of the project areas where SRSP is providing micro credits to the communities for different income generating activities such as livestock development.

To identify community response about the credit program of SRSP in the area, a question was put on the respondents about the effectiveness of the credit program for poverty reduction. Majority of the respondents reported that micro- credit program for livestock development has positive effects on their socioeconomic conditions. It has not only increased the income level of the respondents but has also created employment opportunity in the rural market. The multitude of labour force has increased as a result of increase in the number of livestock in the area. The hidden (indirect) employment has

also increased as a result of the development in the dairy industry.

However 100% respondents reported that the credit limit was not enough for their needs and they could not get required amount to develop their livestock position. Consequently, many farmers who attained credit for the livestock purposes used it for other non farm purpose due to insufficient amount.

CONCLUSIONS AND RECOMMENDATIONS

The main focus of the study was to evaluate of SRSP's micro credit programme in Abbottabad and to identify its impact on the socioeconomic conditions of people in the area. The study shows that SRSP is operating a full-fledged micro credit program in the area. The project was started on pilot basis and is being replicated in other parts of the province. SRSP provided loan to 60 respondents in the study area. Based on the findings of the study, it was depicted that availability of financial resources had shown

positive effects on the income generation, consumption patterns and education level of the children. However, majority of the farmers did not utilize credit for the required purpose. It was due to the fact that credit amount dispersed was not enough for purchase of good quality breeds of livestock.

As policy implication, it is recommended that:

- i. SRSP should increase the credit limit to the respondent.
- ii. SRSP should develop a mechanism from identification of the potential credit worthy respondents.
- iii. Proper monitoring and supervision is necessary to ensure proper utilization of credit.
- iv. Trainings programme should be arranged for the loaners about proper management of livestock breed.
- v. Training programme for female should also be ensured in the area.

Table I: Types of livestock purchased as reported by the sample respondents

Name of Villages	Livestock Purchased						Total
	Buffaloes		Cows		Mis-utilized credit		
	No	%	No	%	No	%	
Pind Kargu Khan	3	30	2	20	5	50	10
Dherian	6	40	-	-	9	60	15
Mian De Seri	2	25	-	-	6	75	8
Khokher Maira	3	42	-	-	4	58	7
Salhad	-	-	-	-	6	100	6
Jhangi Mori	2	14	2	14	10	71	14
Total	16	26	4	6	40	67	60

Source: Field Survey

Table II: Daily milk productions as reported by the sample respondents

Name of Villages	6-8 Liter						8-10 Liter		10-12 Liter		Mis-utilized credit		Total
	6-8 Liter		8-10 Liter		10-12 Liter		Mis-utilized credit						
	No	%	No	%	No	%	No	%					
Pind Kargu Khan	2	20	2	20	1	10	5	50	10				
Dherian	4	26	2	13	-	-	9	60	15				
Mian De Seri	2	25	-	-	-	-	6	75	8				
Khokher Maira	-	-	3	42	-	-	4	58	7				
Salhad	-	-	-	-	-	-	6	100	6				
Jhangi Mori	-	-	3	21	1	7	10	71	14				
Total	8	13	10	16	2	3	40	67	60				

Source: Field Survey

Table III: Income level before and after the credit

Name of Villages	Income (Rs) before and after the project								Total
	Before				After				
	4000-7000		7000-10000		6000-1000		10000-15000		
	No	%	No	%	No	%	No	%	
Pind KarguKhan	4	40	1	10	4	40	1	10	5
Dherian	4	66	2	33	5	83	1	17	6
Mian De Seri	1	50	1	50	1	50	1	50	2
Khokher Maira	2	66	1	33	2	66	1	33	3
Salhad	-	-	-	-	-	-	-	-	-
Jhangi Mori	1	25	3	75	2	50	2	50	4
Total	12	60	8	40	14	70	6	30	20

Source: Field Survey

Table IV: Frequency of school going children before and after the livestock enterprise

Name of Villages	Before		After		Total
	No	%	No	%	
Pind Kargu Khan	12	41	17	58	29
Dherian	3	33	6	66	9
Mian De Seri	4	44	5	55	9
Khokher Maira	3	37	5	62	8
Salhad	-	-	-	-	-
Jhangi Mori	1	33	2	66	3
Total	23	39	35	60	58

Source: Field Survey

Table V: Change in daily food consumption after the livestock enterprise

Name of Villages	Change in Daily Food Consumption				Mis-utilized credit		Total
	Yes		No		No	%	
	No	%	No	%			
Pind Kargu Khan	4	40	1	10	5	50	10
Dherian	6	40	-	-	9	60	15
Mian De Seri	-	-	2	25	6	75	8
Khokher Maira	2	28	1	14	4	58	7
Salhad	-	-	-	-	6	100	6
Jhangi Mori	4	29	-	-	10	71	14
Total	16	26	4	6	40	67	60

Source: Field Survey

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