

Impacts of Microfinance Scheme of Punjab Rural Support Program (PRSP) on Socio-Economic Conditions of Rural People in Tehsil D.G. Khan

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Abstract

Microfinance refers to providing loans and finance to poor people for self-employment. Pakistan has been blessed with abundance of natural and human resources, a more dynamic business community, a large and potentially more productive agriculture sector and a strategic location for trade. For poor rural families in Pakistan, access to credit and saving facilities made possible to make the variation between grinding poverty and an economically protected life. Universe for proposed study was rural areas of tehsil D.G. Khan. 120 respondents were interviewed and Majority of the respondents 53.3 percent motivated by their relatives/friends to acquire the loan from PRSP and 57.5 percent reported that they got loan for agriculture inputs. A huge proportion of the respondents 97.5 percent declared that PRSP's microfinance scheme was better than other organization for the improvement of livelihood of rural people.

Keywords: Microfinance loan, PRSP, Agri Inputs, Livelihood, Economic, Education, Land holding, Motivation.

1. Introduction

Presently 99 percent the hungry population live in developing countries and about 36 percent of the hungry people of the world live in south Asia and 6 percent in Pakistan. This 6 percent of the world hungry population living in Pakistan constitutes 34 percent (49 million) of Pakistan's total population (Azhar, 1993). Microfinance means loan given to poor free of security through institutionalized mechanism, the only security is the peer security. Microfinance is made on hand as and when it's needed at the access of client (Bajwa, 2001) and it is collectively refers to the supply of loans, savings accounts, and other basic financial services like insurance to the poor (Morduch, 1999).

Presently world has 6,892 million population and situation is becoming worse day by day due to increasing in poverty especially in Asia, where nearly two-third (4,157 million) people of world are living and nearly 1.5 billion peoples were still living on less than 2.0 dollar per day income (PRB, 2010; ADB, 2010).

There are 5.1 million farms in Pakistan and 93% of these are small and marginal farms accounting for 60% of the total cultivated area. The small farmers whose farm income is very low and family size is relatively large are generally constrained for want of funds to meet their farm input requirements like seed, fertilizer, pesticide, etc. They are not able to use inputs at the desired level for higher production (Sarwar, 2001).

Two sources of credit are available for the farming community; these include institutional and non-institutional agencies. Non-institutional credit is timely available when and whenever the need arises but the creditors charge significantly higher rate of interest on such loans. On the other hand, institutional credit takes some time for sanctioning official procedure but relatively low rate of interest is charged. Institutional credit for agriculture facilitates growth in employment and output (Malik *et al.*, 1991). Rural poor has need of credit to allow investment in their farms and small enterprises for proper consumption of inputs and reduction in weather and economic shocks (FAO, 2000). Microfinance

has marvelous impact on the economic life of the people in the rural areas (PRSP, 1999; Nazli, 2001). Without credit, the farmer would drop under poverty line (Malik and Nazli, 1999).

Thus the present study has been designed to investigate the following objectives.

- i. To know the impact of microfinance scheme by PRSP on socio-economic conditions and the satisfaction level of rural people regarding microfinance scheme by PRSP and to know the Association between land holding and annual income.

2. Materials and Methods

Universe for proposed study was rural areas of tehsil D.G. Khan. (UC Choti Zarine, UC Mutfariq Chahan and UC Mamoori) were selected randomly where PRSP's Core Scheme working. Thus convenient Sampling Technique was applied for the selection of 120 respondents. A well structured questionnaire was prepared to study the research objectives and 15 respondents were pretested. The collected data were analyzed through Statistical technique.

3. Results and Discussion

3.1 Distribution of the respondents regarding to their age group, Education and annul income before acquiring loan from PRSP.

Age group	Frequency	Percent
21-29	69	57.5
30-39	34	28.3
40-49	16	13.3
Above 49	1	0.8
Total	120	100.0
Education	Frequency	Percent
Illiterate	28	23.3
Primary	12	10.0
Middle	16	13.3
Matric	21	17.5
F.A	39	32.5
B.A and above	4	3.3
Total	120	100.0
Annual income	Frequency	Percent
51-90	2	1.7
91-150	10	8.3
151-200	54	45.0
Above 200 thousands	54	45.0
Total	120	100.0

Age is an important factor in determining the behaviour of human being. It indicates the ability to do work and attitude of person towards various social and economic aspect of life. Age refers to the number of years completed by an individual since his birth. Age factor is very important to influence one's behaviour; it widens the vision of an individual through experience. The above table 1 indicates that 57.5 percent of respondents belong to the age group of 21-29 years, 28.3 percent belonged to the age group of 30-39. The data also shows that 13.3 percent of the respondents were of age group 40-49. The respondents who belonged to the age group above 49 were .8 percent. It is also observed that the age and education of the household head and his/her partner in the family are significant and make a better impact of the household. Impact of micro finance is appreciable in bringing confidence, courage, skill development and empowerment (Rajendran and Raya, 2010).It is indicated from the table that 23.3 percents of the respondents were illiterate, while rests of the respondents were educated up to different levels as indicated in table. About 10.0 percent respondents had primary education, while 13.3 percents had middle, where as 17.5 percent were matriculation. The table also points out that a major proportion of the respondents i. e. 32.5 percent were intermediate, and only 3.3 percent were graduate and above. Microcredit had a significant and positive impact on schooling, especially for boys (Khandker, 1998). Education, especially post secondary is the other important element in creating a large middle class (ADB, 2010). Literacy in

Pakistan rose from 45 to 54 percent between 2002 and 2006, and net primary enrollment rates increased from 42 to 52 percent (The World Bank, 2011). Table 9 also indicates that the literacy level is also high in the selected area. The villages which are the life live of our country present a dismal and gloomy picture of poverty, illiteracy (Umair, 1999).The above table indicates that 1.7 percent of the respondents informed that their annul income before acquiring microfinance was 51 to 90 thousand, 8.3 percents respondents were informed that their annual income before getting loan was 91 to 150 thousands. 45.0 percent of the respondents replied that their annual income was 151 to 200 thousands, while the remaining 45.0 percent of the respondents told that their annual income before acquiring loan was above two hundred thousands.

3.2 Distribution of the respondents with regard to the motivation for acquiring the loan from PRSP, purpose of getting loan, PRSP's credit scheme is better than other institutions and the improvement in the livelihood through PRSP.

Motivated by	Frequency	Percent
Self	11	9.2
Relatives	64	53.3
Family	23	19.2
Agency	22	18.3
Total	120	100.0
Purpose of loan	Frequency	Percent
Expand business	27	22.5
Agriculture	69	57.5
Live stock	24	20.0
Total	120	100.0
PRSP' Credit Scheme is Better than other organization	Frequency	Percent
Yes	117	97.5
No	03	2.5
Total	120	100.0
Improvement in livelihood	Frequency	Percent
To great extant	101	84.2
To some extant	19	15.8
Total	120	100.0

It is clear from The data given in table that majority of the respondents 53.3 percent were motivated by their relatives/friends for acquire the loan from PRSP, 19.2 percents were motivated by their family. 18.3 percent of the respondents were motivated by PRSP, while rests of the respondents 9.2 percent were motivated by self to got loan from PRSP. It is revealed that majority of the respondents i.e. 57.5 percent reported that they was got loan for agriculture inputs, 22.5 percents of the respondents were told that they got loan from PRSP to expand their business. The table also shows that 20.0 percent of the respondents were got loan for livestock. Faisal, *et al.* (2005) concluded that we should encourage the concept of supervised the agriculture credit, which making plans for micro financing and procedure for getting loan should be easier.Rural poor has need of credit to allow investment in their farms and small enterprises for proper consumption of inputs and reduction in weather and economic shocks (FAO, 2000).Without credit, the farmer would drop under poverty line (Malik and Nazli, 1999). The small farmers whose farm income is very low and family size is relatively large are generally constrained for want of funds to meet their farm input requirements like seed, fertilizer, pesticide, etc. They are not able to use inputs at the desired level for higher production (Sarwar, 2001).Above Table 65 points out that a large majority i.e. 84.2 percent of the respondent informed that to great extent the program helped to bring improvement in their livelihood, whereas 15.8 percent of the respondent reported that the program had helped in bring improvements in their livelihood to some extent. Ahmad, *et al.* (2011) revealed that microcredit program has a significant impact on income generation and sources of the socioeconomic livelihoods of rural women.

3.3 Association between the land holding and the annual income.

Land holding	Annual income					Total
	Up to 50	51-90	91-150	151- 200	Above 200	
No land	1	1	4	5	2	13
	0.8%	0.8%	3.3%	4.16%	1.6%	10.83%
Up to 4 acres	0	0	6	14	2	22
	0.0%	0.0%	5%	11.66%	1.6%	18.33%
5 to 12 acres	0	0	0	31	22	53
	0.0%	0.0%	0.0%	25.83%	18.33%	44.16%
Above 12 acres	0	0	0	4	28	32
	0.0%	0.0%	0.0%	3.3%	23.3%	26.6%
Totals	1	1	10	54	54	120
	0.8%	0.8%	8.33%	45%	45%	100.0%

Chi Square = .000 d.f. = 12 Gamma = .817 Significant = .000

The Chi Square shows that a significant association between the land holding and the annual income. So the hypothesis "more will be the land holding, higher will be the income" was showed the strong relationship. Gamma values showed (.817) positive and strong co-relation between the variables. The level of land holding of the respondent confirming that the annual income of the respondents was high. The present study confirms to findings that PRSP's is helping for reducing Poverty.

*Income in thousands

3.4 Association between the education of the respondents and the opinion about the PRSP helped in improving livelihood.

Education	Improvement in livelihood		Total
	To great extant	To some extant	
Low	60	17	77
	50.0%	14.1%	64.1%
Medium	37	2	39
	30.8%	1.6%	32.4%
High	4	0	4
	3.3%	0.0%	3.3%
Total	101	19	120
	84.2%	15.8%	100.0%

Chi Square = .042 d.f. = 2 Gamma = -.709 Significant = .002

The Chi Square shows that a significant association between education and opinion about PRSP's credit scheme helped in improving the livelihood. So the hypothesis "higher will be the education of people, more will be the improvement in livelihood through PRSP's credit scheme" showed strong relationship. Gamma values show positive and strong co relation between the variable. PRSP's helped in reducing poverty to great extent and helping in improving the livelihood of the respondents through credit scheme.

4. Conclusion

In Pakistan regular body of organizations has been started in 1985. NGO's and CBO's are much important institutions for awareness rising and service delivery in the community at grass root level. They are providing assistance to Govt. as well as social development agencies. The Punjab Rural Support Program (PRSP) was incorporated in November 1997 as a "non profit organization". The purpose of such support system is to initiate and sustain a process of diversified growth of economic, human and natural resources specifically for the poor. It aims at poverty alleviation, improves the socio economic conditions of rural people and gave them social economic empowerment in rural areas of Punjab through community participation. In very remote areas of D. G. Khan it works very efficiently and helps the rural poor people in elevating Poverty.

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