

IMPACT OF THE PUNJAB GOVERNMENT'S FINANCIAL INCLUSION INITIATIVE,  
E-CREDIT SCHEME ON SMALL HOLDER EMPOWERMENT: ANALYSIS OF  
EVIDENCE FROM DISTRICT KASUR

By

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## Abstract

This study explores the effect of Punjab Government's credit disbursement initiative to small farmers in terms of behavioral shift towards the use of inputs and willingness to avail credit from formal financial sources. The study explains how farmers have changed their farming patterns after the loan and the effect of such change on productivity. The study relies on a theoretical framework that assumes that the availability of credit to farmers has a positive relationship to improved use of input variables such as use of fertilizers, pesticide, water, etc. The theoretical framework also assumes that availability of credit from formal financial sources reduces small farmer's dependency on the system of '*Aarath*'. The study draws comparative insights across a range of selected variables in the form a before and after analysis of two groups of farmers over the course of two years. To make the findings more robust and credible the difference in difference econometric approach is employed to derive statistically valid conclusions. The relationship between credit availability and improved productivity has been extensively proven through ample scholarly research. Though problems with access to credit have left the farming community handicapped in terms of accessing credit through formal financial sources. This has helped the exploitative '*aarath*' system flourish and agriculture in Pakistan has not evolved into a robust and competitive sector. The Punjab Government's E-credit scheme is an initiative aimed to correct the hurdles that farmers face in accessing formal financial channels and encourage a shift away from the '*aarath*' system. The analysis in this study shows that the scheme has led to an improvement in farming practices and hence productivity through a cumulative effect of a number factors. Findings from the study reveal that that the most marginalized farmers have benefitted the most from this scheme in terms of improvement in productivity. It also shows that availability of finance from formal sources results in a freedom of choice for the famer in terms of farming practices which translate into improved outputs. Business process reengineering of credit access has also led to easier access to finance for farmers and this has to some extent led to a shift in preference of farmers from informal to formal sources of finance.