**[Ailing farm sector](https://www.dawn.com/news/1630821/ailing-farm-sector)**

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EVERY government in Pakistan invariably describes agriculture as the key to ending our economic woes and leading the country on the path of economic development. And they are not wrong. But the question is one of how this must be achieved.

Efforts to improve the agricultural economy have met with consistent failure over the last 70 years. In our neighbourhood, the BJP went into the 2004 elections with its ‘India Shining’ slogan. The country had stellar economic growth rates due to its fast-growing IT sector. The Congress, largely representing the rural electorate, challenged the slogan, saying that IT was benefiting just one per cent of the population and could not lead India on the path of economic development. It defeated the incumbent BJP (despite the higher economic growth rates) and ruled 1.25 billion people for the next 10 years.

But all the Congress party could do for rural India was to write off $15bn of farmers’ loans (the worse possible gift) and enact the National Rural Employment Guarantee Act, 2005, a conditional cash transfer scheme. One may not doubt its intentions but the party’s knowledge of the rural economy was an issue. (Obviously, it was voted out of power.) This can be said for Pakistan’s agricultural, and wider rural economic issues, too.

The formal financial sector does not exist for farmers.

Everyone knows Pakistan is an agricultural country but few appreciate it is an irrigated-agriculture country. Irrigated agriculture is a sort of semi-industrial agriculture with modern financial requirements. The country is one of the most endowed in terms of natural resources particularly its fertile alluvial (river-depositing) soils and freshwater resources. It has a vast geography including different elevations and four growing seasons. Pakistan has over 41 million acres of irrigated land (not including areas in the riverine belt and mountain valleys) commanded by 19 barrages from up country to the delta in the south.

It is important for national policy planners to have a true perspective of what an ordinary farmer faces regarding basic production — ie raising his crop, managing an orchard or running a livestock farm or a combination of activities. We are not talking about intermediate activities such as processing or hi-tech activities, but just basic economic functions. Finance is the single-most important issue affecting agriculture as the lack of it affects farmers’ choices and the level attained by agricultural development and modernisation. This does not mean there are no other development constraints.

Finance to business is like air to lungs and this also applies to farmers’ business. The greatest challenge to improving and modernising farming is access to competitive sources of credit. It can be safely said that for farmers and agriculture, the formal financial sector does not exist, no matter what policymakers claim or what banks report to the central bank about their agri- credit disbursements. Sadly, for policymakers the culprit are the middlemen and arthis. This is too simplistic and flatly wrong. Who can believe Rs1.5 trillion farm credit disbursement (for 2021-22, there is talk of Rs2.7tr!) when the total private-sector credit take-off is far less than shown as agri-credit disbursement?

Being non-taxed, agricultural land’s asset values are astronomical and provided as collateral for agri-financing. When excellent collaterals are available — sometimes land values are Rs10m an acre — all bankers need to do is to assess, one, the social and business reputation of an aspiring farmer client and, two, the quality of the business plan. Both issues require the knowledge to ask the right questions. However, the problem is related to the banks’ urban culture, capacity and mindset, resulting in the failure of the formal financial system to respond to the financing and business needs of farmers.

In an age said to define ‘the knowledge economy’ how can one expect to respond to agricultural business needs without understanding them or having knowledge about them. This lack of knowledge is manifested in demonising the middlemen or arthis. If they are powerful and controlling farming in Pakistan, it is even more imperative that farmers have access to formal finance sources so that the ‘stranglehold’ of the middlemen and arthis on farming is curtailed.

The finance minister is speaking of interest-free loans to farmers. They don’t need dole outs. They need capitalism to work for them and that is only possible when those who are in the engine room of capitalism — the bankers — understand it. The finance minister, Shaukat Tarin, when he owned a bank in the early 2000s started the Kissan credit card, a financing product. The latter was funded through a UK government grant. It proved a spectacular failure. When asked a question related to agriculture by this writer at a seminar he said that ‘we bankers do not know the ABC of agriculture’.

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*Published in Dawn, June 22nd, 2021*