



Assessing the Challenges and Impact of Access to Agricultural Credit in Southern Punjab (Pakistan): A Qualitative Study

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ABSTRACT

Pakistan's agriculture industry, distinguished by its variety of animals and crops, has historically been the foundation of the country's economy. It contributes significantly to GDP, employs a considerable section of the people, and assures food security for the country. Despite its vast potential, the agricultural sector continues to struggle with issues including low productivity, susceptibility to climate change, and inadequate access to financial resources. Investigating the Credit Barriers to Bank Lending in Pakistan's Agriculture Sector was the aim of this study. The effectiveness of present lending processes, as well as the role of banks in providing credit to agricultural consumers, and the socioeconomic implications of bank credit in agriculture, were also explored. In-depth semi-structured interviews were the primary technique of data collecting for this study, which followed a qualitative research design. A total of 33 representatives from the NRSP Micro Finance Bank, Zari Tarraqiati Bank Ltd., and National Bank of Pakistan (NBP) in the Bahawalpur region, as well as some of the bank's visiting clientele, were the participants of the study. Data was extracted and analyzed using thematic analysis to reveal recurring themes and trends. According to the findings, banks in Pakistan encountered some credit challenges when offering loans to the farm industry. There were societal issues, knowledge gaps, legal constraints, and financial challenges. Stakeholder perspectives, including those of bank employees and farmers, provided a thorough picture of the problems at hand. This research contributes to the literature by offering an in-depth analysis of credit restrictions in agricultural financing in Pakistan.

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1. Introduction

In Pakistan, the agriculture industry is a pillar of the country's economy, making a sizable contribution to its Gross Domestic Product (GDP) and employing a sizable section of the population. Historically, this sector has been a major driver of economic growth in Pakistan, accounting for 20% to 25% of GDP (Lin & Raza, 2021). Pakistan has a very diverse agricultural environment with a variety of crops, including food and cash crops like wheat and rice as well as a wide range of commercial crops like cotton and sugarcane. Beyond its economic importance, agriculture is vital to the livelihoods of millions of people, particularly in rural areas, and to the nation's ability to sustain itself (Hasan et al., 2021). The continuation and improvement of agriculture in Pakistan depends on bank loans to the sector. To upgrade farming processes and boost agricultural productivity, credit is essential (He & He, 2022). Farmers can use loans to purchase irrigation systems, new machinery, and high-quality seeds, all of which improve crop production. Furthermore, financing is an important risk management tool for farmers, allowing them to handle the uncertainty of weather-related catastrophes and market price variations (Kaya, 2022). Agricultural lending is more than just a source of funds; it catalyzes the adoption

of new technology and sustainable agricultural methods, ultimately contributing to the sector's long-term growth and economic prosperity.

Regarding agricultural loans, it is extremely important to comprehend and address credit constraints. To create successful policies and initiatives that promote equal access to credit for all farmers, regardless of their size or location, such understanding is essential (Tang & Sun, 2022). Policymakers, financial institutions, and development groups should work together to identify and remove these obstacles to increase financial inclusion in underserved rural regions. Studying credit restrictions also demonstrates the extensive economic effects of restricted credit access (Wu, Wang, & Liu, 2023). Farmers' capacity to invest in contemporary agricultural practices is hindered when they have trouble obtaining funding, which also results in decreased productivity and unstable income. Eliminating these obstacles is essential for ending the cycle of poverty that frequently affects rural communities and eventually promotes global economic progress (Chengot, Knox, Coxon, Cojocar, & Holman, 2023).

Numerous studies have looked at different facets of agricultural lending and credit access in the context of Pakistan. This research has greatly improved our knowledge of the nation's agricultural finance environment. As an illustration, Ayberk and Önder (2022) conducted a thorough examination of the agriculture sector's contribution to GDP and the crucial role it plays in sustaining rural livelihoods. Similar to this, Chandio, Jiang, Gessesse, and Dunya (2019) investigated how agricultural credit affected crop output and found a link between easier access to credit and higher yields. Furthermore, Nchanji, Cosmas, and Nchanji (2023) research shed light on the crucial problem of water shortage and its wide-ranging effects on agriculture, highlighting the need for financing support in modernizing irrigation systems. Andati, Majiwa, Ngigi, Mbeche, and Ateka (2022) investigation of the difficulties brought on by dated farming methods and slow technological adoption highlighted the role of financing in accelerating agricultural modernization.

Despite the insightful conclusions drawn from earlier studies, there are still certain gaps that call for more investigation. First off, the vast bulk of prior research has mostly concentrated on the macro-level effects of credit and lending on agricultural productivity (Rehman, Chandio, Hussain, & Jingdong, 2019). While these studies have produced insightful information about the benefits of loan availability, they have only offered a scant amount of information about the particular challenges that farmers encounter in actually obtaining credit (Methamontri, Tsusaka, Zulfiqar, Yukongdi, & Datta, 2022). Second, the existing study frequently provides a general picture of the topic, paying less attention to the experiences of specific farmers on a micro level and the viewpoints of financial institutions actively engaged in agricultural financing (Andati et al., 2022). For the development of practical solutions, a more complex understanding of credit availability that takes into account both the demand and supply sides is essential.

Therefore, this study aims to fill gaps in prior research by conducting a thorough investigation of the credit hurdles that banks encounter when lending to the agriculture industry in Pakistan's Bahawalpur district. This study is specifically intended to:

1. Unearth and comprehensively analyze the primary challenges and obstacles encountered by financial institutions when extending credit to small-scale and marginalized farmers in the Bahawalpur region.
2. Probe into the perspectives and experiences of both financial institution representatives and their agricultural clients regarding the credit application process, collateral requirements, and other determinants influencing credit accessibility.
3. Evaluate the wide-ranging implications of credit barriers on agricultural productivity, financial resilience, and the broader economic development of the Bahawalpur region.
4. Provide a set of actionable insights and recommendations aimed at informing policymakers, financial institutions, and development organizations, with the ultimate aim of enhancing credit accessibility and bolstering sustainable agricultural practices within the region.

As it addresses a major issue in Pakistan's agriculture sector, this study is of utmost significance. As the backbone of the country's economy, agriculture is crucial to providing food security and sustaining rural lives, especially in the Bahawalpur region. The sustainability and expansion of the industry depend on an understanding of and action against the obstacles that

prevent small-scale farmers from obtaining loans. The projected contributions of this investigation to knowledge are also varied. It provides subtle insights into the complexities of agricultural lending in the Bahawalpur region by thoroughly investigating credit constraints from the perspectives of both financial institutions and farmers. These public disclosures could promote sustainable farming practices, advance talks on financial inclusion and sustainable food production, and provide information for evidence-based policies and actions. Finally, it is hoped that this research would benefit farmers, rural communities, and Pakistan's agricultural sector.

2. Literature Review

2.1. Agriculture Sector in Pakistan

The agricultural sector in Pakistan plays a crucial role in the nation's economy, serving as a fundamental component that significantly contributes to its Gross Domestic Product (GDP), employment rates, and export earnings (N. A. Khan, Gong, Shah, & Leng, 2021). The sector encompasses a diverse range of flora and fauna, including lucrative cash crops like cotton and sugarcane that significantly contribute to export revenue, as well as staple crops like wheat, rice, and maize that are vital for domestic consumption. The agricultural terrain of Pakistan exhibits a diverse array of crops, encompassing both lucrative cash crops such as cotton, sugarcane, and maize, as well as essential staples like wheat, rice, and other fruits (Baloch & Thapa, 2019). Cotton remains a prominent cash crop that significantly impacts Pakistan's textile industry, a crucial sector of the country's economy. In addition, wheat and rice hold substantial importance as basic food commodities inside Pakistan. Along with this, Pakistan exports a variety of agricultural goods, including fruits, vegetables, cotton, rice, and cotton (Yamasaki, 2020). These exports are a significant source of foreign cash profits for Pakistan. Crop diversity and export potential underline the sector's importance in both home and foreign markets. Despite its importance, Pakistan's agriculture sector confronts numerous obstacles. Low agricultural production, outmoded farming techniques, water scarcity, land fragmentation, and the expanding effects of climate change, such as irregular rainfall and rising temperatures, are among them (Mir, Park, Purohit, & Kim, 2021). Addressing these issues is critical for increasing the sector's sustainability and resilience. Promoting sustainable farming methods, conserving water resources, and addressing environmental issues are all becoming increasingly essential factors in the success of the sector (Raza, Wu, & Lin, 2023). Furthermore, the use of contemporary farming technologies such as enhanced seeds, effective irrigation systems, and mechanization is growing. However, there is still an unequal adoption of these technologies across geographies and farm sizes. Closing financial access and technology adoption disparities is critical for increasing agricultural productivity and sustainability.

2.2. Role of Credit in Agriculture

Credit is critical to agricultural development and sustainability, working as a catalyst for increasing production, improving livelihoods, and fostering rural economic growth. Credit allows farmers to invest in necessary supplies, machinery, and technology, resulting in higher agricultural yields and income levels (Shahid, Shijie, Shahid, Altaf, & Shahid, 2021). For farmers, credit is a lifeline that gives them access to the money they need to buy seeds, fertilizer, pesticides, and machinery. It enables timely cultivation, lowers production risks, and increases overall agricultural operations productivity (Balana et al., 2022). Credit availability gives farmers the option to make strategic choices depending on their agricultural requirements and market dynamics, greatly enhancing the sustainability of agricultural practices (Akhtar et al., 2019). Credit-enabled farmers can buy premium inputs, which increases crop yields. Tofu and Mengistu (2023), for instance, discovered that access to finance considerably increased agricultural productivity and decreased food insecurity among rural households in Ethiopia. Credit access directly leads to increased food production and revenue for farmers by making it possible to invest in better agricultural methods (Wale & Mkuna, 2023). Credit is an important risk-mitigation strategy in agriculture. Farmers are frequently confronted with unpredictable weather patterns and price volatility in agricultural markets. Credit enables individuals to stabilize revenue swings by acting as a financial buffer during difficult times (Bahta & Myeki, 2021). It functions as an insurance mechanism, assisting farmers in weathering unanticipated problems and maintaining a consistent income. Farmers use credit to pay for urgent needs and fill income gaps until the following harvest in the event of crop failure or unfavorable weather conditions. In addition to preserving farmers' livelihoods, this financial toughness supports the general stability of rural economies. Modern farming techniques and technology are encouraged to be adopted since credit is readily available. Farmers can spend money on mechanical

equipment, irrigation systems, and modern farming methods, which will boost productivity and sustainability (Rashid, 2021). For instance, research in India has shown how access to financing has prompted the adoption of improved farming practices and high-yield crop types Ullah, Mishra, Bavorova, and Kächele (2022). Credit gives farmers the means to invest in cutting-edge technologies that have the potential to greatly increase agricultural productivity (Ai, Zhang, & Shao, 2023). These investments frequently result in long-term enhancements to farming methods, promoting long-term agricultural expansion. Microfinance institutions have played an important role in increasing financial inclusion in rural areas in recent years. Smallholder farmers might invest in their agricultural activities with the help of these institutions (Villalba, Venus, & Sauer, 2023). Microfinance initiatives have been demonstrated in studies to increase the income and well-being of farmers, particularly women, who frequently have restricted access to conventional financial services (Anang & Asante, 2020). Microfinance programs have been critical in reaching underserved and marginalized rural populations, making loans available to those who would otherwise be unable to access the official financial system (Girma, 2022). These programs help the development of agriculture while also promoting financial inclusion. Government programs that help farmers obtain loans can have a big impact on the industry's expansion. Subsidized interest rates, for example, lower the cost of borrowing for farmers, boosting credit availability and affordability (Diaz et al., 2022). Credit guarantee programs, which encourage lenders to extend credit to borrowers in the agricultural sector who could otherwise be seen as high-risk, can also help to lower the risk for lenders. Farmers are better able to acquire loans and invest in their businesses as a result of these laws, which helps the industry as a whole grow and develop.

2.3. Challenges in Agricultural Lending in Pakistan

In Pakistan, agricultural financing faces some challenges, each of which poses unique obstacles to the efficient flow of funds to farmers. These concerns have serious implications for the nation's agriculture economy, rural livelihoods, and overall economic growth. One of the most challenging issues is the subject of collateral obligations. Formal lenders in Pakistan commonly demand substantial collateral from borrowers, which can be challenging for small-scale and resource-constrained farmers (Tang & Sun, 2022). Many farmers must turn to more expensive informal sources of funding since they are unable to access traditional loan channels due to a lack of necessary assets. Furthermore, obtaining agricultural loans may include time-consuming and onerous bureaucratic procedures (N. A. Khan et al., 2021). Farmers may be discouraged from submitting formal financing applications as a result of the burdensome bureaucracy, which would prolong the process of getting money for agricultural projects. Such delays can have a detrimental influence on planting and cultivation schedules, affecting agricultural output and total production. Another critical worry is how seasonality and weather-related risks affect loan repayment. Pakistani agriculture is seasonal and vulnerable to droughts and floods (Arshad, Kazmi, Prodhan, & Mohammed, 2023). These factors may affect farmers' ability to make money and pay off debts. These risks discourage creditors from lending to farmers, especially those without financial reserves, reducing agricultural loans. Knowledge asymmetry in loan processing might also hinder agricultural finance. Remote and rural lenders often struggle to assess borrowers' creditworthiness (S. Ali et al., 2021). This knowledge gap might increase perceived risks, which can raise interest rates or loan denials, making finance less affordable and accessible to farmers. Current market and economic conditions may also affect borrowers' loan repayment. Farmers' income and ability to repay loans may be affected by commodity prices and market access (Shi, Chen, Wang, Xu, & Yang, 2022). Due to agricultural market volatility, lenders may be reluctant of financing farmers for long-term investments.

2.4. Impact of Bank Lending on Agriculture

Bank finance is crucial to agriculture. This lets farmers make crucial farming investments with far-reaching effects. Credit helps farmers buy high-quality seeds, fertilizers, and insecticides, increasing agricultural productivity (Barooah, Alvi, Ringler, & Pathak, 2023). These essential inputs help farmers boost crop yields and quality. This higher productivity benefits individual farmers as well as the nation's food security by increasing agricultural output (Tang & Sun, 2022). Bank financing also makes it possible for farmers to adopt cutting-edge farming methods and environmental practices. For instance, investments in effective irrigation systems contribute to environmental sustainability and the conservation of water resources (Li, Suardi, & Wee, 2022). Credit-backed investments help farmers upgrade their businesses, making the agriculture industry more robust to the effects of climate change and long-term sustainable.

From a farmer's point of view, having access to loans is revolutionary. In difficult times, it offers them a financial safety net. Farmers with access to credit can pay for urgent needs, fill up revenue gaps, and carry on with their agricultural activities when faced with crop failures, unfavorable weather conditions, or market downturns (Ayberk & Önder, 2022). This risk-mitigation component of bank lending is essential for keeping farmers' livelihoods steady and preventing them from getting caught in debt cycles. From a farmer's point of view, having access to loans is revolutionary. In difficult times, it offers them a financial safety net. Farmers with access to credit can pay for urgent needs, fill up revenue gaps, and carry on with their agricultural activities when faced with crop failures, unfavorable weather conditions, or market downturns (Anser et al., 2023). This risk-mitigation component of bank lending is essential for keeping farmers' livelihoods steady and preventing them from getting caught in debt cycles.

Bank lending in agriculture has greater socioeconomic repercussions than just the immediate agricultural and individual farmer viewpoints. Increased agricultural productivity as a result of loan access leads to increased agricultural output, which benefits consumers and national food security (M. Y. Khan, Zaina, ul Abedin, Tariq, & Khan, 2022). A strong agricultural industry minimizes reliance on food imports and helps to ensure a more secure and cheap food supply for the entire population. Furthermore, the availability of credit in rural areas leads to job creation, which lowers poverty and boosts the nation's economy as a whole. Access to financing allows farmers to grow their businesses, which increases the need for labor for activities like planting, harvesting, and post-harvest processing (Kassouri & Kacou, 2022). In turn, this boosts neighborhood economies, encourages income equality, and lessens rural-to-urban migration. Despite these benefits, problems such as high collateral requirements, bureaucratic processes, and the impact of seasonality and market fluctuations on loan repayment continue (Mashi, Inkani, & Oghenejabor, 2022). Addressing these obstacles and providing equitable loan access for all farmers, particularly smallholders and marginalized groups, is critical for maximizing the benefits of agricultural bank lending. Policymakers, financial institutions, and development organizations must collaborate to establish an enabling environment that promotes equitable loan access, supports sustainable farming practices, and strengthens the agricultural sector and rural communities generally.

3. Theoretical Framework

This study adopts a well-defined theoretical framework in its assessment of credit constraints encountered by banks when lending to the agriculture sector in Pakistan's Bahawalpur district. This framework incorporates some interrelated theories and concepts and offers a structured lens through which to comprehend the complex dynamics of agricultural lending and credit access in the studied area. According to the theory of financial inclusion, equal access to a wide range of financial services, including loans, is critical for economic growth and the wellbeing of excluded populations (Niankara, 2023). It is stressed how crucial it is to give underserved groups, such small-scale farmers in rural areas, equal access to official banking institutions and services. This theory guides the investigation of loan constraints and their consequences on financial inclusion in the Bahawalpur region. The paradigm incorporates the institutional theory Corredor Casado and Goñi Legaz (2011), which emphasizes how formal institutions such as banks and financial institutions influence people's behavior and decisions. According to the institutional theory, the policies, procedures, and standards of financial organizations have an impact on how easily loans are made available to farmers in the context of this study. It is useful to understand how institutional variables may stimulate or limit loan availability. Aspects of sustainable agriculture are also included in the theoretical framework, emphasizing the importance of agricultural systems that are both socially and environmentally responsible as well as economically and environmentally (Deone, Afreen, & Jadhao, 2023). This approach serves as the foundation for assessing how increased access to financing may improve the adoption of sustainable agriculture technologies, thereby assisting international efforts to produce food in a more sustainable manner.

4. Methodology

With a focus on the Bahawalpur region, a qualitative research methodology was used in this study to better understand the difficulties and experiences associated with agricultural lending in Pakistan. Through the exploration of complicated issues and the gathering of rich, in-depth data, this method made it easier to generate insights from the viewpoints of participants.

Due to its suitability for examining participants' perspectives, attitudes, and experiences related to agricultural lending, interviews were chosen as the major data-gathering method. Researchers explored nuanced and context-specific information about the difficulties and potential of agricultural loans in the chosen region by having in-depth conversations with participants during interviews. Purposive sampling was used to choose participants to guarantee that people with relevant expertise and experience in the area of agricultural financing in Bahawalpur were included. The study's goals were achieved because of the sampling strategy's ability to identify individuals who could offer insightful commentary on the subject. 33 representatives from several financial institutions, including the National Bank of Pakistan (NBP), Zari Tarraqiati Bank Ltd., and the NRSP Micro Finance Bank, which were key players in agricultural lending in the area, participated in the study. To get opinions from users and borrowers of agricultural credit, some visiting clients of these banks were also included as participants. Participants with at least five years of experience in agricultural borrowing or lending were required as selection criteria, demonstrating their depth of expertise in the field.

Semi-structured interviews were used for the data collecting process because they offered a flexible and open-ended method for gathering participant's thoughts, experiences, and perceptions on agricultural lending. These interviews allowed for the free exploration of new ideas while being directed by a set of predefined questions. Depending on the choices and accessibility of the participants, data collection was performed in person or through digital communication platforms. The necessity of ethical issues was paramount throughout the research procedure. All participants gave their informed consent after receiving information about the study's goals, how the data would be used, and the voluntariness of their participation. Identification information was deleted, and pseudonyms were used in any resultant articles or reports, to carefully safeguard confidentiality and anonymity. Data analysis comprised systematic methods that found patterns, topics, and categories within the qualitative data, such as thematic analysis or content analysis. These techniques made it easier to gain insightful information and establish a thorough grasp of the potential problems associated with agricultural loans in the Bahawalpur area. The data were coded and categorized as part of the research to find recurrent patterns. These themes were then further interpreted and contextualized to give a complete picture of the regional agricultural lending environment.

5. Findings and Discussion

5.1. Demographic Profile of Respondents

The respondents' ages fall into a variety of age groups. The sample's age distribution is dominated by those between 26 and 35 (27.3%), with the 36 to 45 age range coming in second at 24.2%.

Table 1: Demographic Profile of Respondents

Demographic Characteristic	Frequency (n)	Percentage (%)
Age Group		
- 18-25 years	6	18.2%
- 26-35 years	9	27.3%
- 36-45 years	8	24.2%
- 46-55 years	5	15.2%
- 56+ years	5	15.2%
Gender		
- Male	19	57.6%
- Female	14	42.4%
Education Level		
- High School	7	21.2%
- Bachelor's Degree	12	36.4%
- Master's Degree	9	27.3%
- Other (Specify)	5	15.2%
Occupation		
- Farmer	19	57.6%
- Bank Representative	14	42.4%

With 15.2% of respondents between the ages of 18 and 25, 46 to 55, and 56 and over, the proportion of respondents by other age groups is more evenly spread. This range of ages provides a clear picture of the challenges that come with agricultural finance at different stages of life. In the sample, 57.6% of respondents identified as male and 42.4% as female, resulting in a virtually equal gender split. This balanced representation of the sexes encourages inclusivity

and gives researchers the option to explore how gender dynamics may intersect with the challenges of securing financing in the agricultural sector.

The responders come from a variety of educational backgrounds. A sizable percentage, 36.4%, have a bachelor's degree, and 27.3% have a master's degree. As their highest level of education, 21.2% hold a high school diploma. With 15.2% of respondents falling under the "Other" category, it is possible to gain important insights into how education affects loan access by considering the variety of educational backgrounds and qualifications among participants. Another significant element of the sample is its occupational diversity. The majority, 57.6%, identify as farmers, emphasizing the importance of individuals actively involved in agriculture. Bank representatives account for 42.4% of respondents, suggesting a significant financial sector representation, which is critical in the context of this study.

5.2. Challenges in Access to Agricultural Credit

During discussions with representatives of financial institutions and borrowers, significant impediments to accessing agricultural credit in the Bahawalpur region were revealed. Participants stressed the enormous obstacle that strict collateral requirements offer in obtaining agricultural financing. According to one participant, "Collateral requirements are very strict, making it nearly impossible for small farmers to access loans." Another stated, "Farmers often struggle to meet the collateral demands, which limit their access to credit." Another participant agreed, saying, "High collateral requirements disproportionately affect marginalized farmers and hinder their financial growth." However, collateral requirements have developed over time, as one participant stated, "I've seen collateral requirements evolving to be more flexible, allowing more farmers to benefit from credit." This finding is consistent with earlier research E. Ali and Awade (2019), which highlighted collateral as a major obstacle to lending for small-scale farmers. The bureaucratic obstacles in the loan application process became a recurring issue. One participant said, "The loan application process is complicated, and many borrowers face delays due to documentation requirements." Another person said: "Bureaucratic hurdles are a common complaint among farmers, leading to frustration and delays in loan disbursement." Unnecessary paperwork and bureaucracy frequently hampered the timely disbursement of loans, as one participant noted. Due to the drawn-out and cumbersome legal loan application process, some farmers choose informal lending channels as a solution to these problems. This is consistent with literature that emphasizes the need to simplify loan application procedures to improve credit access (Akhtar et al., 2019).

5.3. Role of Financial Institutions

Financial institutions in the Bahawalpur region have created specialized agriculture loan packages with favorable terms. Zari Tarraqiati Bank L.L.C. "Our institution offers a variety of loan products, each tailored to different agricultural needs," one participant noted. According to another respondent, eligibility conditions vary based on the loan type, ensuring access to a broader spectrum of farmers. Creditworthiness was determined by integrating financial history, land ownership, and the farmer's track record. Some financial institutions have launched low-interest loan packages designed exclusively for smallholder farmers to encourage financial inclusion. This strategy is consistent with prior research's suggestions Tang and Sun (2022), which support financial solutions specifically designed to meet the demands of agriculture. Participants pointed out client criticism that better communication and transparency in loan operations were required. One respondent stated, "Clients frequently report issues with the clarity of loan terms and conditions during the application process." Another respondent said, "Feedback from clients indicates a need for improved communication and transparency in our lending practices." Despite these difficulties, some success stories were presented, showing how clients had used finance to enhance their lives and develop their farms. One participant noted, "There are many success stories of clients who used credit to improve their lives and grow their farms." Additionally, customers valued the assistance and direction provided by financial institutions during their credit journey. This customer-centered methodology is consistent with the literature Jiang, Paudel, Mi, and Li (2023) that highlights its advantages in improving client experiences.

5.4. Impact on Agricultural Productivity

Credit availability has had a significant impact on agricultural productivity in the region. Financial institution representatives found that farmers frequently use credit to invest in high-

quality seeds and contemporary technology, resulting in large increases in crop yields. Respondents emphasized credit's transformative impact on farmers' ability to invest in critical farming inputs. A participant said, "Farmers actively invest in seeds, fertilizers, and machinery thanks to the availability of credit." Another responder confirmed that improved credit availability was a driving force behind a significant rise in agricultural output in the region: "Increased credit access has led to a noticeable boost in agricultural productivity in our region."

Furthermore, several farmers related success tales about increasing yields and improving farm practices as a result of financing help. "Many farmers have shared their success stories of higher yields and improved farm practices due to credit," said one participant. Credit has emerged as an empowering instrument for farmers, allowing them to make vital investments in technology and modern agricultural practices, as one responder put it, "Credit has empowered farmers to make critical investments in technology and modern farming methods." This is consistent with earlier research findings Gebhardt, van Dijk, Wassen, and Bakker (2023) that show increased agricultural productivity as a result of credit access.

Farmers embraced cutting-edge techniques, which was a big result of financing access to agriculture. One participant noted that "Credit plays a pivotal role in technology adoption, allowing farmers to embrace precision agriculture." Examples include the usage of mobile apps for crop management and the optimization of agricultural operations with GPS-guided tractors. One person gave the following justification: "Examples include the adoption of mobile apps for crop management and GPS-guided tractors." These technical developments improved environmental sustainability by encouraging sustainable farming methods in addition to raising output. This was underscored by one participant, who said, "Credit-funded innovations have made our region's agriculture more resilient to climate change." This is consistent with the literature (Shah et al., 2021), which emphasizes technology-driven agricultural progress.

5.5. Financial Resilience of Farmers

Farmers in the Bahawalpur region have become more financially resilient thanks in large part to credit. Access to credit was consistently portrayed as a crucial financial safety net for farmers during unexpected events. According to one respondent, "Credit availability provides farmers with a safety net amid unforeseen circumstances. It aids in their recovery from natural calamities and agricultural failures. Another participant's moving example of this was "I remember an instance where a farmer experienced a catastrophic drought. They were able to replant and regain their footing largely thanks to credit. One respondent noted that "Farmers who have credit access are more resilient in the face of market shocks," which reflected the perception that credit-accessible farmers are more resilient to market shocks. They have a safety net to handle unforeseen difficulties. Credit was also shown to make risk diversification easier, lessening the effects of crop-specific failures. A participant put it this way: "Credit helps farmers diversify their risk by allowing them to invest in multiple crops, reducing the impact of crop-specific failures." This result is consistent with research Clune and Downey (2022), which highlights the importance of loans in maintaining farmers' incomes in times of financial difficulty. Credit has also given farmers the flexibility to diversify their sources of income outside of agriculture, lessening their sensitivity to market volatility. A fundamental benefit of loan availability has emerged as the capacity to diversify revenue streams outside agriculture. Numerous success stories of farmers creating side enterprises and investing in small-scale ventures were shared by respondents. "Credit enables farmers to diversify their income streams outside of agriculture." One attendee added, "We've seen success stories of farmers starting side businesses." Others supported this sentiment, citing examples of farmers who used finance to invest in small-scale companies or livestock, resulting in a steadier income throughout the year. "Diversification of income is a game changer. It minimizes farmers' reliance on seasonal agriculture income and increases their financial security," said one respondent. Credit-backed income diversification not only helped farmers stabilize their finances but also helped rural economic development. This revenue diversification technique is consistent with earlier studies Ray et al. (2021) as a means of lowering farmer vulnerability.

5.6. Market Dynamics and Economic Impact

Loan repayment and the stability of farmers' incomes have been impacted by market factors, especially changes in commodity prices. Market volatility and commodity price fluctuations were recognized as concerns for farmers. However, participants noted that credit availability provided farmers with flexibility in adapting to market dynamics. "Commodity price

fluctuations are a concern, but most farmers manage to repay loans thanks to flexible terms and grace periods," noted one respondent. Farmers with credit were seen as better equipped to weather market downturns, with the financial buffer to wait for improved prices. "During market shocks, farmers with credit tend to fare better than those relying solely on income from selling crops," explained another participant. Flexible repayment options were crucial in helping farmers manage repayments during challenging market conditions, further underscoring the role of credit. This result is consistent with earlier research Hassani and Shahdany (2021) that highlighted the difficulties in agricultural finance in unstable markets. Additionally, rural communities now have more local job options because of agricultural finance. Respondents emphasized how easier access to financing led to an increase in farming operations, which in turn boosted the need for labor in rural regions. "Agricultural loans have an impact on nearby jobs. The need for employees in rural areas will rise as farming activity increases noted one participant. There were examples of job creation made possible by loans that helped the regional economy expand. "We've seen instances where more credit was available and it resulted in job growth in our area. This helps the local economy, according to a different participant. Farmers who used finance to expand their businesses frequently employed more employees, thus sustaining the livelihoods of other people in the neighborhood. One reply underlined that "agricultural credit isn't just about loans; it's about fostering economic growth in our region and supporting local employment." This is consistent with academic research Niankara (2023) that highlights the socioeconomic effects of agriculture finance on rural economies and employment development.

6. Conclusion

The Bahawalpur region relies heavily on agricultural finance to support local farmers' economic resilience and rural development. This study has shed light on the complexity of agricultural lending through interviews with representatives and clients of financial institutions. Accessibility issues, like strict collateral requirements and administrative roadblocks, highlight the need for ongoing work to simplify lending procedures and increase loan availability to small-scale farmers. The beneficial effects of agricultural financing on employment, financial stability, and productivity underscore how important this sector is in promoting rural economic development. Addressing these issues and encouraging client-centric strategies will be crucial in guaranteeing the sustainability and prosperity of the agriculture sector as the region develops. Policymakers, financial institutions, and development organizations must work together in light of these findings to remove obstacles to credit access and improve the assistance given to farmers. The Bahawalpur region can maximize the benefits of agricultural financing by building an environment that promotes innovation, risk mitigation, and specialized financial products, empowering farmers and promoting the long-term economic growth and food security of the area.

6.1. Implications

6.1.1. Practical Implications

This study has numerous applications that can guide financial institutions' and policymakers' strategies and activities in the Bahawalpur area. First, streamlining loan application procedures is urgently needed. Financial institutions should seek to streamline documentation requirements and speed up approvals to enable more effective access to loans. Farmers confront several bureaucratic obstacles. Second, financial institutions should keep creating and providing specialized financial solutions that are matched to the distinct requirements and seasonal cycles of local farmers. This includes offering debtors flexible repayment plans that coincide with crop cycles and easing their financial load during lean times. Additionally, adopting client-centered strategies can dramatically improve borrowers' all-around experiences. The results of this study have important ramifications for the actions and policies surrounding agricultural financing in the Bahawalpur area. Policymakers should take into consideration some crucial policy actions to handle the issues and seize the opportunities. Reforming agricultural credit policies is a key recommendation for policy.

To improve diversity and accessibility, policymakers should give these revisions top priority. Access to credit can be greatly increased by establishing clear goals for lending to smallholder farmers and encouraging financial institutions to achieve these goals through regulatory actions. This change may open the door to methods of agricultural financing that are more inclusive and egalitarian. In addition, it is crucial to create credit guarantee schemes at

the policy level. Such initiatives can significantly lower the perceived risk of financing to farmers, especially those who lack significant collateral. Credit guarantees supported by the government can encourage financial institutions to lend to neglected farmers and promote financial inclusion. Infrastructure spending in rural areas turns out to be a critical policy issue. The construction of rural infrastructure, such as irrigation systems, transportation networks, and market facilities, should be given top priority by policymakers. This investment may boost loan payback rates in the long run by lowering production costs and enhancing farmers' access to markets.

Recognizing the growing impact of climate change on agriculture, policymakers should promote climate-resilient farming methods and technology. Offering incentives and subsidies to farmers can encourage them to use sustainable and climate-smart farming techniques, building resilience in the face of changing climatic conditions. In the meantime, governments should work closely with financial institutions to enhance financial inclusion programs in rural areas. Initiatives such as opening rural branches and providing mobile banking services can help to bridge the financial divide, ensuring that even the most isolated farming communities have access to important financial services. Additionally, governments ought to promote and aid the establishment of agricultural cooperatives and groups. By facilitating their members' access to loans, encouraging knowledge sharing, and encouraging the use of new technologies, these organizations can increase the collective bargaining power of farmers. Lastly, strong monitoring and evaluation systems should be established by policymakers to guarantee the efficacy of agricultural credit policies and programs. A more resilient and sustainable agricultural sector can be supported by evidence-based policy changes that are informed by data-driven insights. These changes can also result in a continuous improvement in the impact of credit interventions.

6.1.2. Theoretical Implications

The results of this study are theoretically significant since they support several models and theories that already exist in the field of agricultural lending. According to the study, collateral restrictions frequently serve as a barrier to small-scale farmers' access to credit. This finding is consistent with literature that emphasizes the need to address these issues to promote inclusive lending. The study also supports the theoretical framework underlining the significance of client-centered practices in the financial industry. The empirical data reported here complements the theoretical groundwork already in place (Binswanger-Mkhize et al., 2012) by demonstrating how tailored services can improve customer outcomes and experiences. The work also contributes to theoretical debates by offering practical insights into how credit improves agricultural productivity, reflecting models that relate loan access to increased productivity. Furthermore, the emphasis on credit's role in improving farmers' financial resilience coincides with the theoretical concept of credit working as a risk reduction tool, which is a major component of the theoretical framework.

6.2. Recommendations for Future Studies

Future studies should explore deeper into the changing landscape of agricultural lending in the Bahawalpur region, with an emphasis on evaluating the long-term effects of policy reforms and financial inclusion programs. Furthermore, investigating alternative credit mechanisms such as digital lending platforms and peer-to-peer lending could provide valuable insights into improving farmer access to credit. Another important area for future research would be to look into the possible impact of climate insurance and risk mitigation techniques in protecting farmers' financial resilience in the face of climate change uncertainty. Furthermore, investigating the effects of agricultural financing on gender dynamics within farming communities and the empowerment of female farmers is important, as gender parity remains an important goal in long-term agricultural growth.

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