

ABSTRACT

The informal credit sources, though their share in the total credit market is declining, can still be considered as the main providers of agricultural credit mostly in developing countries of the world especially in Pakistan. To conduct the study, out of the total Ninety Two (92) Union Councils of district Peshawar, fourteen (14) Union Councils were purposively selected. One thousand samples were taken from the selected fourteen Union Councils through systematic sampling technique. Questionnaire was designed to collect the data through face-to-face interviews.

The results of study indicate that informal lenders were successfully generating on average thirty five thousand (35000) Pakistan Rupees per annum in rural areas and ninety three thousand (93000) rupees from urban areas. Seventy percent of lenders relied on their personal sources and the remaining on formal and informal sources of credit. More than eighty percent (80%) credit is taken for production purposes and less than twenty percent (20%) is used for personal uses. Small farmers constituted thirty eight percent (38%) of the total borrowings and their share in total credit was only fifteen percent (15%). Financial difficulties and crop failure were the main reasons for non-payment of loan. Eighty three percent (83%) of borrowers were involved in informal sector and only seventeen percent (17%) among them were drawing credit from formal sources. The results of the logistic regression analysis indicated that farmer's literacy status, better village having good infrastructure facilities and bank branches was the most important factors, which affected farmer's access to formal sources of credit.