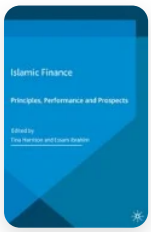
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Ahmad Kaleem & Saima Ahmad

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Abstract

Regular access to formal credit is considered vital to reduce poverty in any agrarian society. Easy access to credit not only helps to improve the overall productivity of the farmers, but also improves social indicators in the long run. Despite all economic benefits, agriculture financing is generally considered risky and has low returns owing to unpredictable weather conditions and high default ratios. The same impression may also be true in Pakistan, where commercial banks, despite raising 28 per cent of total deposits, only disbursed 3.5 per cent of the total loans in the rural areas by the end of 2002.[1] The figures highlight the need to ensure regular transfer of funds to rural areas to reduce poverty levels, and to generate economic activities for the farmers.

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