



# PIDE SLUDGE SERIES | **AGRICULTURE CREDIT**

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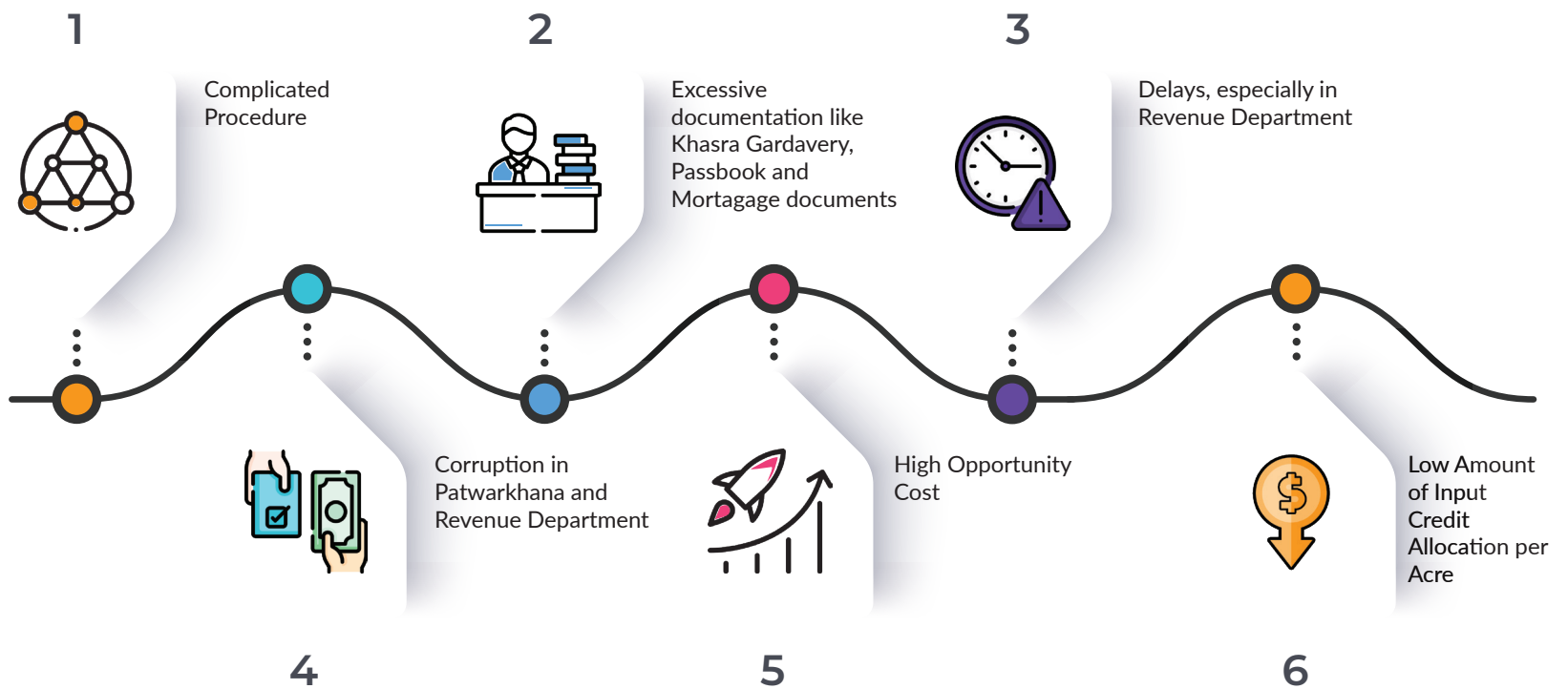
## Reality of Agriculture Credit

Only 20% of  
allocated  
resources are  
disbursed



20 %

## Challenges



## What is Sludge

- ▶ Excessive or unjustified frictions that make it difficult for people to get things done.
- ▶ Frictions that make processes difficult to complete, including; excessive paperwork, unnecessary NOCs to be obtained, excessive hierarchy involved in approvals, centralized decision making and rent seeking attempts – All this costs time and money and frustrates people by depriving them of access to goods, opportunities, and services.




## Why it Matters?

- ▶ Sludge impedes decision making by making it more difficult for people to navigate through their everyday lives.
- ▶ It imposes costs upon the economy in terms of waste of resources, and the opportunity costs incurred. This discourages investments, lowers productivity and therefore constrains GDP growth.
- ▶ It can be used to seek rents, which again constrains economy activity and GDP growth.
- ▶ It imposes psychological costs as well in the form of frustration, humiliation, and stigma.

## Objectives of the Sludge Series

- ▶ To highlight the sludge in different activities
- ▶ Induce the concerned agencies to work for reducing the sludge
- ▶ To pin down areas where the sludge can be reduced by shortening the processes or reduce through digitization

## Agriculture Credit



Time Consumed ( Days)	Cost ( PKR)
Total Time 91	Total Cost Rs.27637
Agency Time 71	Monetary Cost Rs. 12910
Overhead Time 11	Opportunity Cost Rs. 14763
Processing Time 9	Stress Level 4/5

### Agency Time:

The time consumed by the department/agency concerned in processing an activity.

### Overhead Time:

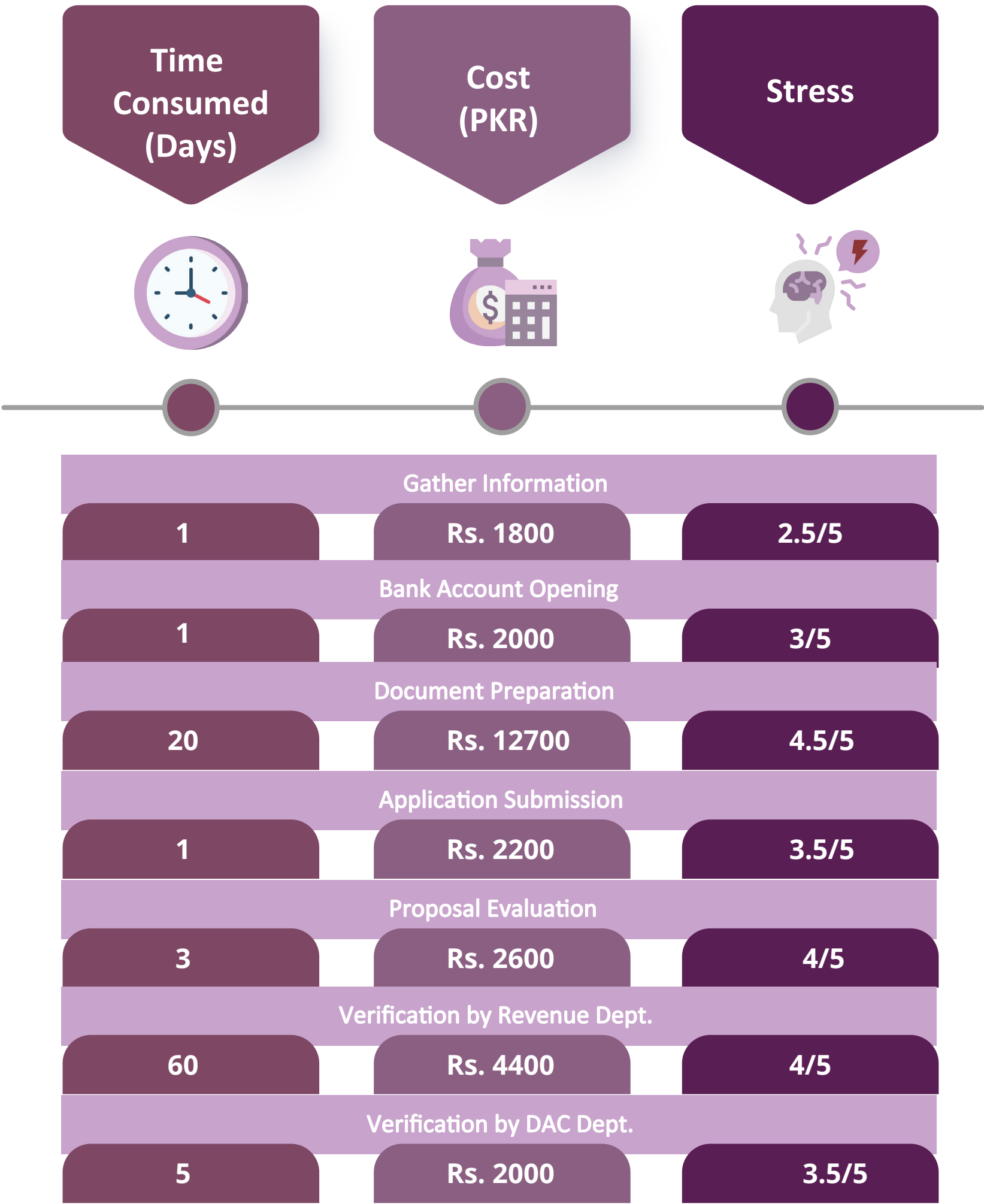
Part of the day lost due to being involved in this activity for a fraction of the day.

### Opportunity Cost:

Income earned if the time consumed in this activity is put on an alternative use. It is measured by multiplying total processing time with the hourly per capita Gross National Income.



# Sludge in Agriculture Credit



## Sources of Sludge

The major source of the sludge is in the documentation preparation and monetary cost which is needed to prepare the documents. The most of time is consumed in Patwarkhana preparing Khasra Gardavery and Passbook. The processing time is unnecessarily long in revenue department.

### Cutting Sludge

## Eliminating Unnecessary Steps

### CNIC

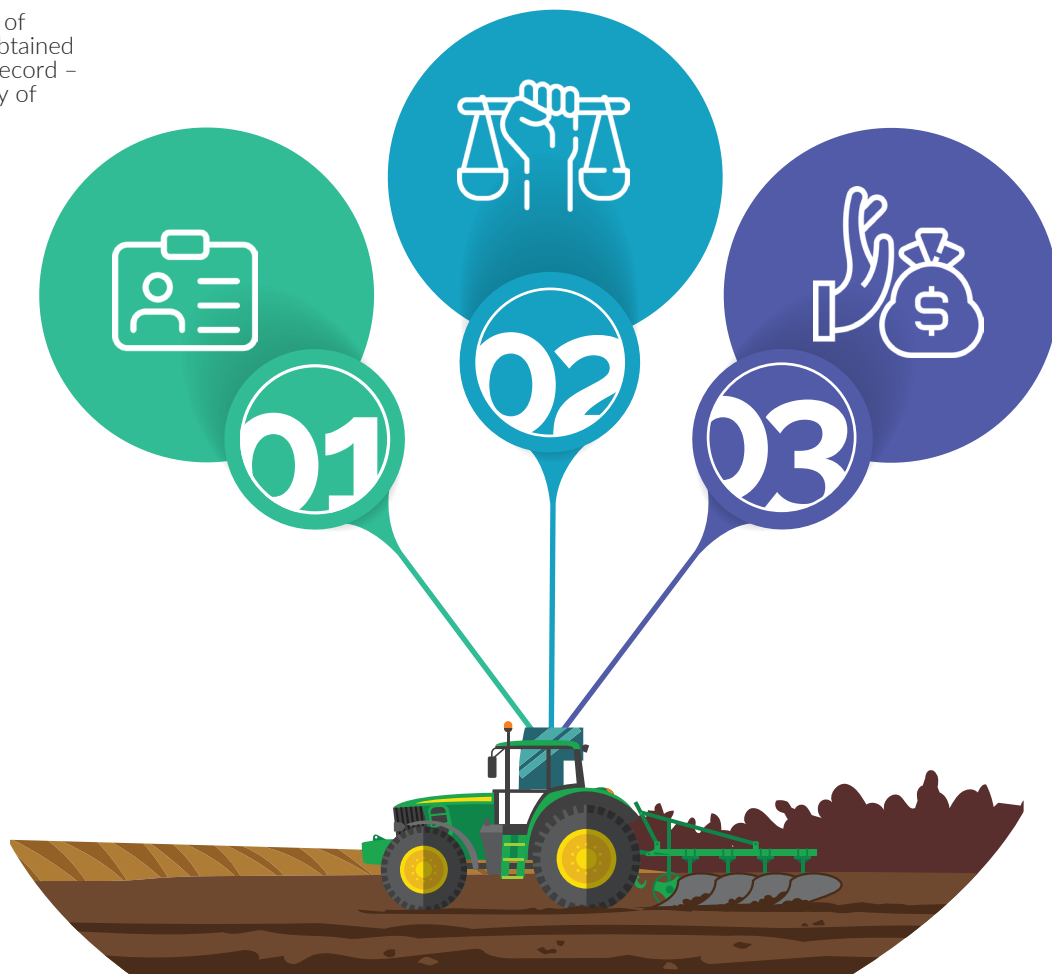
Providing an attested copy of CNIC. This verification is obtained directly from the NADRA record – this makes an attested copy of CNIC unnecessary.

### Equity

Equity requirement (10%), this requirement rules out farmers facing serious financial issues.

### Speed Money

Revenue department verification takes unnecessarily long time period, and requires bribe to do it fast. Revenue department verification should be eliminated and banks should be given primary role.

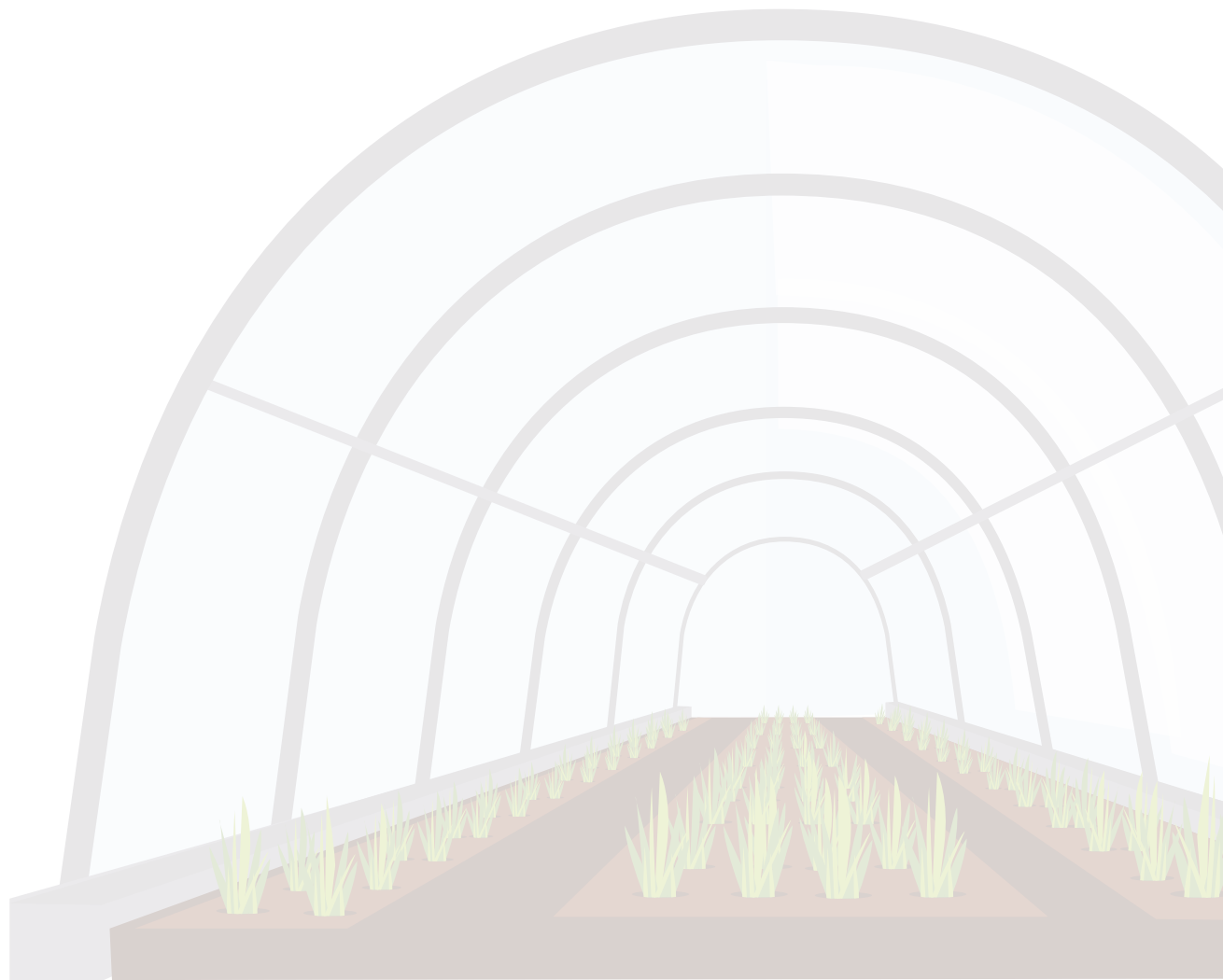


## Key Way Forward

Agriculture input credit is quite low i.e. 40 to 70 thousand per acre, depending on the type of crop being cultivated; it should be enhanced.



Usually, it is a short term loan whereas, it takes long processing time, and the time should be reduced to two weeks.



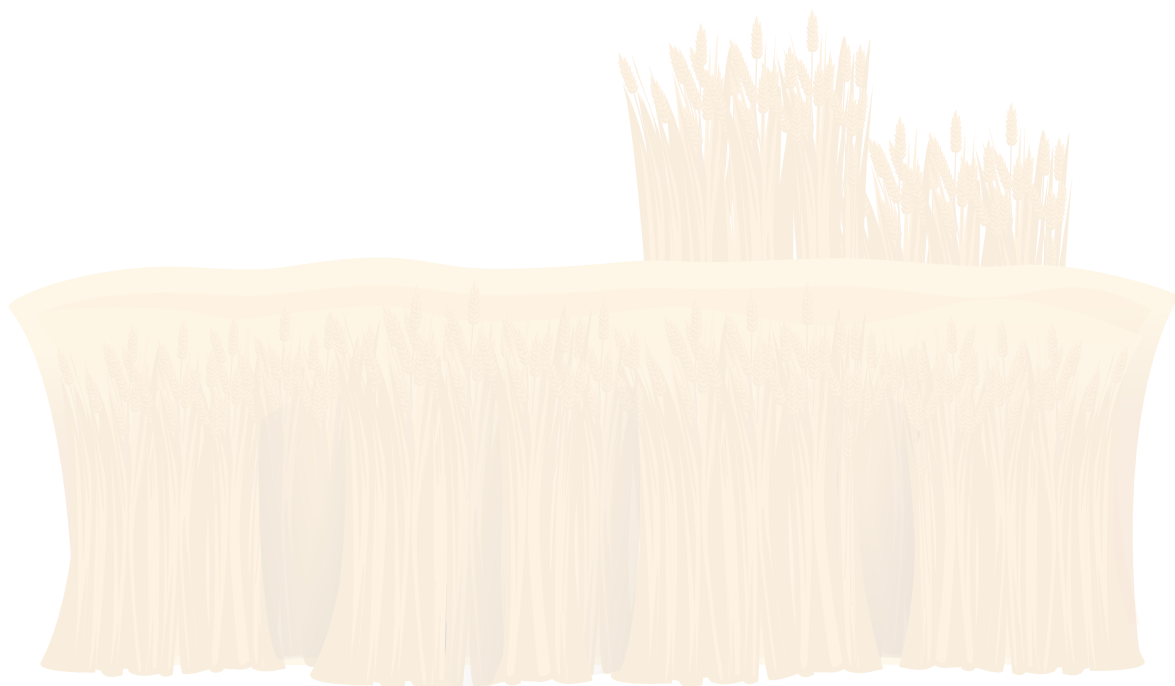
## Color Legend



**Table 1: Steps and Time Consumed in Agriculture Credit**

Steps	Description	Time (minutes)					
		Travel/ Approach	Waiting/ Queue	Transacti on/ Process	Total	Overhe ad Time	Agency Time
Information Gathering	Travel to Bank	90			90	480	
	Meet Officer to Gather Information		30	30	60		
	Finish the Day	90			90		
Open account in BOP	Travel to Bank	90			90	480	
	Account Opening		30	60	90		
	Finish the day	90			90		
Document Preparation	Application Form	90	30	150	270	960	3360
	Pass book						
	Visit Post Office	90	30	30	150		
	Visit Patwarkhana	90			90		
	Prepare Passbook		60	60	120		
	Visit Patwarkhana	90			90		
	Collect Passbook		60	60	120		
	Finish the Day	90			90		
	Khasra Gardanvery					960	1440
	Visit Patwarkhana	90			90		
	AksShajra		30	30	60		
	Copy of Registry		5	15	20		
	Finish the Day	90			90		
	Visit -2 Patwarkhana	90			90		
	Collect fard After 3 Days		30	30	60		
	Ask to Prepare Ghasra			60	60		
	Finish the Day	90			90		
	Copy of CNIC	90	30	5	125	480	
	Attestation	120	30	5	155		
	Pictures	90	30	60	180		
	Attestation		30	5	35		
	Finish the Day	90			90		
Application Submission	Visit to Bank	90			90	480	480
	Application Submission		60	120	180		
	Finish the Day	90			90		
Proposal Evaluation	Visit to Bank	90			90	480	480
	Property Mortgage		60	180	240		
	Finish the Day	90			90		

Verification by Revenue Dept.	Visit to Revenue Dept.	90			90	960	26880
	Token Issueance		120	60	180		
	Finish the Day	90			90		
	Verification Of Property				0		
	Visit to Revenue Dept.	90			90		
	Receiving NOC		120	60	180		
	Finish the Day	90			90		
Verification by DAC Dept.	Visit to DAC Dept.	90			90	480	1920
	Verification by DAC Dept.		60	60	120		
	Finish the Day	90			90		
<b>Total Time (Minutes)</b>					<b>4385</b>	<b>5280</b>	<b>34080</b>
<b>Total Time (Hours)</b>					<b>73</b>	<b>88</b>	<b>568</b>
<b>Total Time (Days)</b>					<b>9</b>	<b>11</b>	<b>71</b>
<b>Aggregate Time</b>		91					



**Table 2: Monetary and Opportunity Cost in Agriculture Credit**

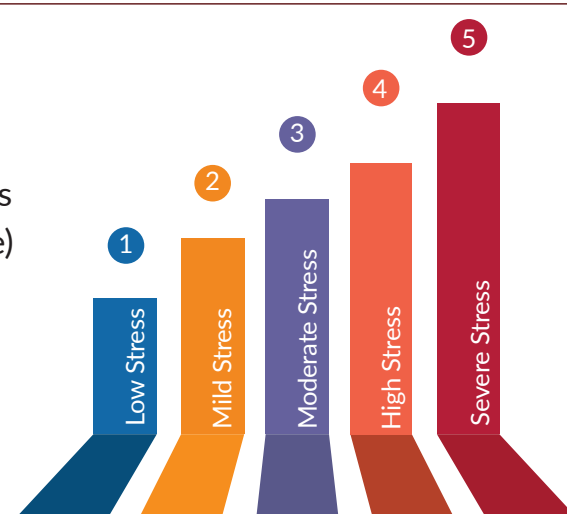
Steps	Description	Cost (PKR)			Opportunity cost(PKR)
		Travel/Approach	Fee	Total	
Information Gathering	Travel to Bank	500		500	303
	Meet Officer to Gather Information			0	202
	Finish the Day	500		500	303
Open account in BOP	Travel to Bank	500		500	303
	Account Opening			0	303
	Finish the day	500		500	303
Document Preparation	Application form			0	909
	Pass book			0	0
	Visit Post Office	500	100	600	505
	Visit Patwarkhana	500		500	303
	Prepare Passbook		100	100	404
	Visit Patwarkhana	500		500	303
	Collect Passbook			0	404
	Finish the Day	500		500	303
	Khasra Gardavery	500		500	0
	Visit Patwarkhana		100	100	303
	AksShajra		100	100	202
	Copy of Registry	500		500	67
	Finishing the Day	500		500	303
	Visit 2 Patwarkhana			0	303
	Collect fard After 3 Days			0	202
	Ask to Prepare Ghasra		100	100	202
	Finish the Day	500		500	303
	Copy of CNIC	500	10	510	421
	Attestation			0	522
	Pictures		200	200	606
	Attestation			0	118
	Finish the Day	500		500	303
Application Submission	Visit to Bank	500		500	303
	Application Submission			0	606
	Finish the Day	500		500	303
Proposal Evaluation	Visit to Bank	500		500	303
	Property Mortgage		200	200	808
	Finish the Day	500		500	303
Verification by Revenue Dept.	Visit to Revenue Dept.	500		500	303
	Token Issuance			0	606
	Finish the Day	500		500	303
	Verification of Property			0	0
	Visit to Revenue Dept	500		500	303
	Receiving NOC			0	606
	Finish the Day	500		500	303

Verification by DAC Dept.	Visit to DAC Dept.	500		500	303
	Verification by DAC Dept.			0	404
Finish the Day		500		500	303
Total				12910	14763
Total Cost				27673	
























**Box- 2: Stress Percentage**

Percentage The distribution of stress across steps has been calculated by multiplying the total process time (including travel, waiting, and transaction time) of each step with the stress level. The Stress % column in the table contains a percentage representation of stress distribution

**Table 3: Stress Level in Agricultural Credit**

Steps	Description	Stress Level (out of 5)	Stress %
Information Gathering	Travel to Bank	2	1.34%
	Meet Officer to Gather Information	4	1.78%
	Finish the Day	2	1.34%
Open account in BOP	Travel to Bank	2	1.34%
	Account Opening	4	2.67%
	Finish the day	2	1.34%
Document Preparation	Application form	4	8.02%
	Pass book		0.00%
	Visit Post Office	3	3.34%
	Visit Patwarkhana	2	1.34%
	Prepare Passbook	4	3.56%
	Visit Patwarkhana	2	1.34%
	Collect Passbook	5	4.45%
	Finish the Day	2	1.34%
	Khasra Gardavery		0.00%
	Visit Patwarkhana	2	1.34%
	AksShajra	4	1.78%
	Copy of Registry	5	0.74%
	Finish the Day	2	1.34%
	Visit-2 Patwarkhana	2	1.34%
	Collect fard After 3 Days	3	1.34%
	Ask to Prepare Ghasra	4	1.78%
	Finish the Day	2	1.34%



	d) Copy of CNIC		2	1.86%
	Attestation		4	4.60%
	e) Pictures		2	2.67%
	Attestation		4	1.04%
	Finish the Day		1	0.67%
Application Submission	Visit to Bank		2	2.23%
	Application Submission		5	6.68%
	Finish the Day		2	1.34%
Proposal Evaluation	Visit to Bank		2	1.34%
	Property Mortgage		5	8.91%
	Finish the Day		2	1.34%
Verification by Revenue Dept.	Visit to Revenue Dept.		2	1.34%
	Token Issueance		4	5.35%
	Finish the Day		2	1.34%
	Verification of property		5	0.00%
	Visit to Revenue Dept.		2	1.34%
	Receiving NOC		4	5.35%
	Finish the Day		2	1.34%
Verification by DAC Dept.	Visit to DAC Dept.		2	1.34%
	Verification by DAC Dept.		5	4.45%
	Finish the Day		2	1.34%

## Notes:

The information used in the report has been collected through multiple interactions and in-depth interviews with stakeholders including concerned government agencies and private entities. Applicants were key informants and were also interviewed in-depth.

## Assumptions:

1. Travel time is assumed 90 minutes one-way.
2. Overhead time: For instance, though it takes 150 minutes to gather information, but the entire day (480 minutes) of the applicant are consumed in the process. The analogy remains same in the remaining steps.
3. Agency time: the time taken by the concerned department to process/approve the transaction.



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