



EFFECTIVENESS OF KISAN CREDIT CARD: A HOLISTIC STUDY

¹VIKAS KUMAR SHUKLA

¹Research Scholar, Department of Economics
University of Allahabad

Abstract

The Kisan Credit Card is introduced by the finance minister in union budget of 1998-99 with objective to provide adequate and timely credit support from the banking system to the farmers for their cultivation & other needs All Farmers. This scheme is applicable for all Individuals / Joint owner cultivators, Tenant Farmers, Oral Lessees, Share Croppers and Joint Liability Groups of Farmers. Theoretically this scheme has potential to resolve all types of needs of all groups of farmers. But, what is ground reality? To find out effectiveness of this scheme, present study has been done. This study is based on primary survey. There are 270 acting farmers have been selected randomly from nine villages of Phoolpur sub-district of Allahabad. 182 marginal farmers (67%), 60 small farmers (22%) and 28 medium farmers (11%) have been selected.

The study shows that only 27% farmers holding Kisan Credit Card. Level of awareness is very low among the farmers. Approx 10% farmers who hold KCC were not aware about any provision of the scheme. Approximately 87 % farmers were found below than average awareness. 60% of respondents respond that the fund sanction through Kisan Credit Card, found enough to their agricultural needs while rest 40% claim that the fund was insufficient. Only 27% farmers expend their loan amount drawn through KCC on agricultural inputs, while rest 73% farmers expend it on other than agricultural expenditures. 51 % KCC holder farmers respond that there is no any problem in formation of KCC, while 49% respond that they face some problems. The farmers who faced problem in formation of Kisan Credit Card, 41% of them said about non cooperative behavior of bank employees/lekhpal. 28% farmers claim that they face money demand by mediator. Same amount of farmers face the bribe demanded by bank employees/lekhpal. As a conclusion the scheme is not functioning smoothly. It did not seem effective and participatory among farmers.

Introduction

Well said that “Indian soil is rich but Indian farmers are poor”. There are very good geographic scenario i.e. various geographic regions and climate for better and variety agriculture and very good deposition of natural resources. Adding human resources and big all time internal demand made it more effective. All these things support for a better, strengthen, profitable and inclusive agriculture sector in India. But reality is far behind. Neither Indian farmer nor Indian agriculture sector are able to survive alone. Both need government’s support in the terms of subsidy/transfer payments. Without government’s support the agriculture sector of India which is also known as ‘Back bone of Indian economy’, not able to survive enough.

There is no doubt that agriculture is back bone of Indian economy because of its great contribution in employment, national income and international export. It is base of Indian industries

also. Nearly 55%¹ of employments generate in agriculture and allied sectors. Agriculture contributes around 15.1%² in GVA (2016-17) of Indian economy. This sector also contributes 12.3% in Indian export in 2016-17(P)³. Some studies show that 1% increase in agricultural production will increase 0.5% in industrial production as well as 0.7% in national income⁴. These facts certified the importance of agriculture in Indian economy.

In the light of importance of agriculture sector for inclusive development, government of India is doing heavy exercise to develop this sector since independence. There are various strategy have been adopted. To provide credit facility is one of the most important strategy. Nationalization of banks and establishment of regional rural banks are most important efforts in this area. But due to some limitations of institutional credit facility, these efforts could not fulfill the requirements of the farmers. Therefore to provide adequate credit to farmers and to minimize hurdles in institutional credit, a committee under chairmanship of R. V. Gupta, has been constituted. According to the recommendations of the committee Indian government introduced a innovative credit scheme named Kisan Credit Card which contains good features of both institutional as well as non-institutional credit.

Kisan Credit Card: A brief introduction

The Kisan Credit Card is introduced in union budget of 1998-99 by the finance minister. It is a innovative credit delivery mechanism for providing adequate and timely institutional credit under single window to farmers with flexible and simplified procedure, adopting whole farm approach, including the short-term, medium term and long term credit needs of the farmers for agricultural activities and a reasonable component for consumption needs. In simple words Kisan Credit Card provides sufficient credit according to needs of farm. In this scheme a credit limit has been decides for individual farmers by the financial institutions⁵. To decide credit limit there is a scientific mechanism has been adopted, which contains land holding, crop patterns and scale of finance⁶. Ten percent consumption needs also have been added in credit limit. Farmer can withdraw money within their limit according to their needs. The interest charged only on withdrawal amounts not whole credit limit. This provision reduces costs of loan and allows farmers to get money at any time in the year.

Objectives of the Scheme:

Primary objective of Kisan Credit Card Scheme is to provide adequate and timely credit support from the banking system to the farmers for their cultivation & other needs. There are six objectives have been identified in the revised guideline of Kisan Credit Card scheme in 2012. These objectives are given below:

- a. To meet the short term credit requirements for cultivation of crops.
- b. Post harvest expenses.
- c. Produce marketing loan.
- d. Consumption requirements of farmer household.
- e. Working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery etc.
- f. Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc.

Note: The aggregate of components a. to e. above will form the short term credit limit portion and the aggregate of components under f will form the long term credit limit portion.

Eligibility of Farmers-

- i. All Farmers – Individuals / Joint borrowers who are owner cultivators

¹ India 2017, Department of Publication, Ministry of Information and Broadcasting, Government of India.

² Second advance estimate of national income, 2016-17, Ministry of Statistics and programme implementation, Government of India.

³ Economic Survey, statistical appendix 2016-17, Ministry of Finance

⁴ Prof. Raj Krishna (1976), Chakravarti S. (1979) and Rangarajan C. (1982), correlation among agriculture and industry.

⁵ Financial institutions means credit provider financial institutions such as commercial banks, regional rural banks and cooperative banks.

⁶ Scale of finance is approved by technical committee of district which contains maximum money needs for a specific crop.

- ii. Tenant Farmers, Oral Lessees & Share Croppers
- iii. SHGs or Joint Liability Groups of Farmers including tenant farmers, share croppers etc.

Advantages of the KCCS to the farmers:

- Access to adequate and timely credit to farmers with full year's credit requirement.
- Minimum paper work and simplification of documentation.
- Assured availability of credit at any time in the year enabling reduced interest burden for the farmer.
- Sanction of the facility for 3/5 years subject to annual review.
- Flexibility to draw cash at any time and buy inputs as per the need of the farmer and also to repay as and when surplus fund is available.
- Taken care of consumption needs of farmers.

Research Methodology-

This research work is based on primary survey. There are 270 acting farmers have been selected randomly from nine villages of Phoolpur sub-district of Allahabad. 182 marginal farmers (67%), 60 small farmers (22%) and 28 medium farmers (11%) have been selected. In these farmers only 27% (74 farmers) holding Kisan Credit Card. This study covers various aspects of this scheme such as awareness about scheme, fund expenditure, hurdles in functioning of schemes etc. the results are shown through percentage, charts, tables etc. for statistical result there are chi square test has been applied somewhere.

Results of the study-

Awareness about scheme-

First and necessary condition for success of any scheme is there should be full awareness about the scheme among the beneficiaries. In this studies awareness has been assess on the basis of six provisions i.e. credit limit, validity of credit card, crop pattern, rate of interest, personal accidental insurance and crop insurance. These provisions are very basic provisions and each and every beneficiary should know. Without having proper awareness about these provisions the scheme could not be implemented smoothly. The results about awareness of these provisions is given in the table-1

Table-1

Awareness about Kisan Credit Card Scheme			
(Figures are in percentage)			
Serial No.	Provisions	Aware	Unaware
1	Credit limit	89	11
2	Validity of credit card	30	70
3	Crop pattern	23	77
4	Rate of interest	20	80
5	Personal accidental insurance	17	83
6	Crop insurance	12	88

Source- Self survey

Table shows that the level of awareness about various provisions of the schemes is very low except credit limit. 89% KCC holder farmers know about the credit limit, which have been approved for him. This is because farmer's decision to hold card is based on expected credit limit. About the other provisions the level of awareness is unsatisfactory level. Only 30% farmers were found aware about validity of card, while only 23% farmers were found aware about crop pattern which was proposed by him. Awareness about rate of interest and provisions related to insurance are much lower. Only 20% farmers were found aware rate of interest while this ratio is 17% and 12% respectively for personal accidental and crop insurance.

When researcher further analysis about provisions of Kisan Credit Card known by farmers? The result remains shocking. Approx 10% farmers were not aware about any provision, while 38% farmers knew only one (Any one) provision of scheme. 21% farmers were found aware on any two provisions only while 18% knew about three (Any three) provisions only. Thus approximately 87 %

farmer were aware either only three provisions or less. These figures on awareness raise serious questions of policy makers as well as implementing agencies.

Implementation of Scheme-

In the study there is found that implementation of Kisan Credit card is dependent on land holding. To test their dependence chi square test has applied on table-2. Calculated value of chi square (12.016) found more than chi square tabulated value (5.991) on 5% level of significance for 2 degree of freedom. It shows that implementation is dependent to land holding. Table- also shows that in small and medium farmers, there is more ratio of KCC holders than marginal farmers. 42% in small farmer and 39% in medium farmers holding Kisan Credit card, while in marginal farmers this ratio is only 21%.

Table-2
Implementation of KCC

Types of Farmers	KCC holding		Total
	Yes	No	
Marginal	38 (21%)	144 (79%)	182 (100%)
Small	25 (42%)	35 (58%)	60 (100%)
Medium	11 (39%)	17 (61%)	28 (100%)
Total	74 (27%)	196 (72%)	270 (100%)

Source- Self survey

Utilization of fund-

In the study there are only 27% farmers expend their loan amount drawn through KCC on agricultural inputs, while rest 73% farmers expend it on other than agricultural expenditures. When the researcher tried to know reason behind it he found that most of the farmers go to have KCC for other purpose like marriage, medical care, small business etc. instead of agricultural needs. There is no any relation found between type of farmer (Land holding) and fund utilization. To test their dependence chi square test has applied on modified table by merging second and third row (Small and medium farmers). Calculated value of chi square (0.2037) found less than chi square tabulated value (3.841) on 5% level of significance for 1 degree of freedom. It shows that utilization of fund is independent to land holding

Table-3
Utilization of KCC fund

Types of Farmers	Agricultural inputs	Other than Agriculture	Total
Marginal	11 (29%)	27 (71%)	38 (100%)
Small	5 (20%)	20 (80%)	25 (100%)
Medium	4 (36%)	7 (64%)	11 (100%)
Total	20 (27%)	54 (73%)	74 (100%)

Source- Self survey

As table- 3 shows that there more than 64% farmers utilize their fund on non agricultural activities. 36% medium farmers utilize their fund on agricultural input that is maximum in all groups.

Sufficiency of Fund-

In the study 60% of respondents respond that the fund sanction through Kisan Credit Card, found enough to their agricultural needs. On other hand 40% farmers claim that the fund was in sufficient. As shown in table-4 50% of marginal farmers, 64% of small farmers and 82% of medium

farmers admit that their fund is sufficient for agricultural needs. Due to less count in one cell chi square test could not be applied that's why any statistical conclusion could not be drawn.

Table-4

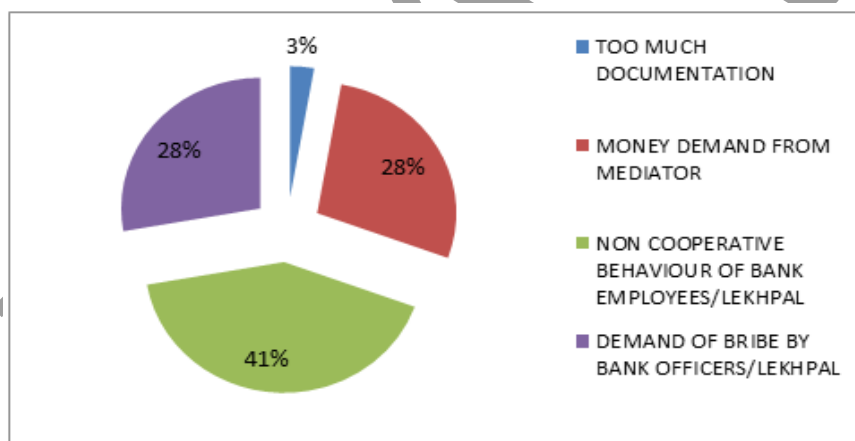
Types of Farmers	Sufficiency of KCC fund		Total
	Yes	No	
Marginal	19 (50%)	19 (50%)	38 (100%)
Small	16 (64%)	9 (36%)	25 (100%)
Medium	9 (82%)	2 (18%)	11 (100%)
Total	44 (60%)	30 (40%)	74 (100%)

Source- Self survey

Challenges against scheme

51 percent KCC holder farmers respond that there is no any problem in formation of KCC, while 49% respond that they face some problems. The farmers who faced problem in formation of Kisan Credit Card, 41% of them said about non cooperative behavior of bank employees/lekhpal. 28% farmers claim that they face money demand by mediator. Same amount of farmers face the bribe demanded by bank employees/lekhpal. 3% farmers faced heavy documentation process. As shown in chart-1

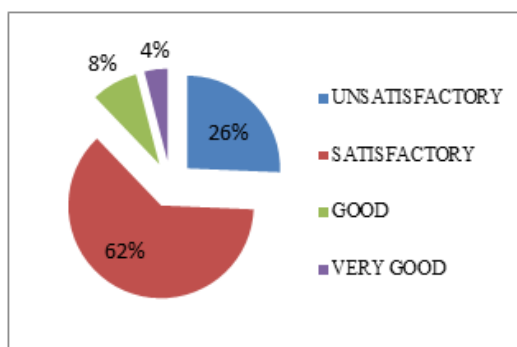
Chart-1



Farmers approach on KCC credit limit

Result of the study shows that 26% farmers were not satisfy with process of credit limit formation. Their opinion is that the credit limit formation in present process does not address total farm needs and it should be enhanced. As chart-2 shows on other hand 74% of respondents were found the process satisfactory. Among them 62% said it is satisfactory but need some improvement while 8% said that process of credit limit formation is good. 4% farmers remark as very good process.

Chart-2



Conclusion and suggestions-

Present study shows that there is very low awareness about the scheme. It is big hurdle in smooth practice. Government, NABARD and executive agencies should work on it. Gram pradhan, bank Mitra and farmer's representative models could be become effective. The miss use of fund is unacceptable. It must be stopped. There should be audit model. Bank/government officials should verify the present crop pattern is same as they proposed. There is also found some fear in farmers about government debt. In this situation there should be clear the objectives of the scheme. There also need to manage farmers approach towards agriculture as well as agricultural finance.

References:

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- Prof. Raj Krishna (1976), Chakravarti S. (1979) and Rangarajan C. (1982), correlation among agriculture and industry.

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