

An Economic Impact of Kishan Credit Card (KCC) Scheme in Tribal Area of Gujarat (India)

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Abstract:- This paper analyzes the economic impact of Kishan Credit Card (KCC) in the tribal area of Gujarat especially in the southern district of Dang and Navsari. The socio economic conditions of the sample respondents, primary data relating to family characteristic features, type of land holding, cropping pattern and productivity were collected and analyzed. An attempt was made to study the cost of credit and adequacy of credit under KCC scheme as compared to non KCC scheme. The factors influencing the adoption of KCC scheme and constraints perceived by the farmers have been identified. Some measures have also been suggested to attract more farmers towards the scheme.

Key Words:- Kishan Credit Card, Cost of Credit, Scale of Finance, Credit Limit

I. INTRODUCTION

The Kisan Credit Card (KCC) scheme was introduced in 1998 for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that farmers may use them to readily purchase agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs. The scheme was further extended for the investment credit requirement of farmers viz. allied and non-farm activities in the year 2004. The scheme was further revisited in 2012 by a working Group under the Chairmanship of Shri T. M. Bhasin, CMD, Indian Bank with a view to simplify the scheme and facilitate issue of Electronic Kisan Credit Cards. The scheme provides broad guidelines to banks for operationalizing the KCC scheme. Implementing banks will have the discretion to adopt the same to suit institution/location specific requirements.

II. OBJECTIVES OF PRESENT STUDY

The study was conducted with the following specific objectives.

- To assess the procedures followed for issuing Kisan Credit Cards.
- To analyze the growth in the number of Kisan Credit Card users in the study area.
- To check the impact of KCC on profitability of crops.

- To assess the cost of credit and the adequacy of credit provided under KCC in comparison with credit without KCC.

Study period: - 2016-17 & 2017-18

Study Area: Dang & Navsari District of Gujarat

III. OBJECTIVE / PURPOSE OF KISAN CREDIT CARD SCHEME

The Kisan Credit Card scheme aims at providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers for their cultivation and other needs as indicated below:

1. To meet the short credit requirements for cultivation of crops
2. Post-harvest expenses
3. Produce marketing loan
4. Consumption requirements of farmer household
5. Working capital for maintenance of farm assets and activities allied to agriculture
6. Investment credit requirement for agriculture and allied activities.

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.

IV. ELIGIBILITY OF FARMERS

1. Farmers-individual/joint borrowers who are owner cultivators;
2. Tenant farmers, oral lessees share croppers;
3. Self Help Groups (SHGs) or Joint Liability Groups (JLGs) of farmers including tenant farmers, share croppers etc.

V. FIXATION OF CREDIT LIMIT/LOAN AMOUNT

The Credit limit under the Kisan Credit Card may be fixed as under:

All Farmers other than marginal farmers:

The short term limit to be arrived for the first year (For cultivating single crop in a year):

Scale of finance for the crop (as decided by District Level Technical Committee) X Extent of area cultivated + 10 % of limit towards post-harvest/household/consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance and/or accident insurance including PAIS, health insurance & asset insurance.

VI. LIMIT FOR SECOND & SUBSEQUENT YEAR

First year limit for crop cultivation purpose arrived at as above plus 10 % of the limit towards cost escalation/increase in scale of finance for every successive year (2nd,3rd, 4th and 5th year) and estimated term loan component for the tenure of Kisan Credit Card,i.e.,five years.

For cultivating more than one crop in a year

The limit is to be fixed as above depending upon the crops cultivated as per proposed cropping pattern for the first year plus an additional 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year). It is assumed that the farmer adopts the same cropping pattern for the succeeding four years. In case the cropping pattern adopted by the farmer is changed in the subsequent year, the limit may be reworked.

Term loan for investment

The term loan for investment is to be made towards land development, minor irrigation, purchase of farm equipment and allied agricultural activities. The banks may fix the quantum of credit for term and working capital limit for agricultural and allied activities, etc., based on the unit cost of the asset/s proposed to be acquired by the farmer, the allied activities already being undertaken on the farm, the bank's judgment on repayment capacity vis-a-vis total loan burden devolving on the farmer, including existing loan obligations.

The long term loan limit should be based on the proposed investment(s) during the five year period and the bank's perception on the repaying capacity of the farmer.

VII. MAXIMUM PERMISSIBLE LIMIT

The short term loan limit arrived for the 5th year plus the estimated long term loan requirement will be the Maximum Permissible Limit (MPL) and is to be treated as the Kisan Credit Card limit.

Fixation of Sub-limits

1. Short term loans and term loans are governed by different interest rates. At present, short term crop loans up to 3 lakh are covered under interest

subvention scheme/Prompt Repayment incentive scheme of the Government of India. Further, repayment schedule and norms are different for short term and term loans. Hence, in order to have operational and accounting convenience, the card limit is to be bifurcated in to separate sub-limits for short term cash credit limit cum savings account and term loans.

2. *Drawing limit* for short term cash credit should be fixed based on the cropping pattern. The amount(s) for crop production, repair and maintenance of farm assets and consumption may be allowed to be drawn as per the convenience of the farmer. In case the revision of scale of finance for any year by the district level technical committee exceeds the notional hike of 10% contemplated while fixing the five year limit, a revised draw able limit may be fixed in consultation with the farmer. In case such revisions require the card limit itself to be enhanced (4th or 5th year), the same may be done and the farmer be so advised.
3. For term loans, instalments may be allowed to be withdrawn based on the nature of investment and repayment schedule drawn as per the economic life of the proposed investments. It is to be ensured that at any point of time the total liability should be **within the drawing limit of the concerned year.**
4. Wherever the card limit / liability so arrived warrants additional security, the banks may take suitable collateral as per their policy.

For Marginal Farmers

A flexible limit of Rs.10,000 to Rs.50,000 may be provided (as Flexi KCC) based on the land holding and crops grown including post-harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc., plus small term loan investment(s) like purchase of farm equipment(s), establishing mini dairy/backyard poultry as per assessment of the Branch Manager without relating it to the value of land. The composite KCC limit is to be fixed for a period of five years on this basis.

VIII. OPERATIONAL MODALITIES OF KISAN CREDIT CARD (KCC) IN DANG & NAVSARI DISTRICT

Scale of Finance

On the basis of the Scale of finance the limit of KCC is decided and the scale of finance is calculated by Lead Bank manager in each district. In our study region the Lead bank is Bank of Baroda. So that here we purposely taken the KCC Holders of Bank of Baroda as a sample farmers in our study period.

Table 1: Scale of Finance for Major crops in Dang & Navsari District

Sr.No	Crops	SoF for 2016-17	SoF for 2017-18
1.	Paddy-Kharif(Irrigated)	16,400	17,000
2.	Paddy-Kharif (Unirrigated)	6,000	6,000
3.	Paddy-Ravi Season	16,400	17,000
4.	Wheat(Irrigated)	12,000	12,000
5.	Groundnut- Kharif	12,000	12,000
6.	Groundnut-Ravi	12,000	12,000
7.	Jowar	8,000	8,000
8.	Sapota	25,000	35,000
9.	Mango Plantation (above 10 Years)	35,000	40,000
10.	Papaya-Tissue Culture	35,500	36,000
11.	Papaya-Indigenous	15,000	15,000
12.	Banana-Tissue Culture	50,500	51,000
13.	Banana- Indigenous	25,000	25,000
14.	Ragi,Nagali,Varai	8,000	8,000
15.	Sugarcane-New Plantation	45,000	50,000
16.	Sugarcane-Ratoon Crop	22,000	25,000
17.	Watermelon	20,000	20,000
18.	Maize	7,000	7,000
19.	Pulses	10,000	10,000

(Source:- Lead Bank manager of Dang & Navsari Bank of Baroda)

Table 2: Unit Cost for Dairy Finance-Agriculture Term Loan Advance

Sr.No	Cattle	Unit Cost	Repayment Period
For Cow			
1.	Gir/Kankaraj	55,000	5 Years
2.	Jersey	55,000	5 Years
3.	H.F	55,000	5 Years
For Buffalo			
1.	Mehsani	65,000	5 Years
2.	Jafrabadi	55,000	5 Years
3.	Surati	45,000	5 Years

(Source:- Lead Bank manager of Dang & Navsari Bank of Baroda)

Table 3: Calculation of Kishan Credit Card (KCC) Limit for Small Farmer for the Year 2016-17

Sr.no	Particulars	Amount
	A. Small Farmer cultivating multiple crops in a year	
1.	Sitaram bhai Varli (Case of Dang)	
A.	Land holding : 2 acres	
B.	Cropping Pattern	
	Paddy-Kharif(I)- 1 acre (Scale of Finance plus crop insurance per acre:Rs.16,400)	
	Sugarcane-(N)1 acre (Scale of Finance plus crop insurance per acre : Rs.45,000)	
C.	Investment / Allied Activities	
	Establishment of 1+1 Dairy Unit in 1st Year (Unit Cost : ₹ 55,000 per animal) Replacement of Pump set in 3rd year (Unit Cost : ₹.30,000)	
2.	(1) Crop loan Component Cost of cultivation of 1 acre of Paddy and 1acre of Sugarcane (16,400+45,000) Add : 10% towards post-harvest / household expense / consumption Add : 20% towards farm maintenance Total Crop Loan limit for 1st year	61,400 6,140 12,280 79,820
	Loan Limit for 2 nd Year Add:10 % of the limit towards cost escalation/increase : In scale of finance (10 % of 42900 i.e 4300)	7,982 87,802
	Loan Limit for 3 rd Year Add : 10 % of the limit towards cost escalation/increase : In scale of finance (10 % of 47,200 i.e 4,700)	8,780 96,582
	Loan Limit for 4 th Year Add : 10 % of the limit towards cost escalation/increase : In scale of finance (10 % of 51,900 i.e 5,200)	9,658 1,06,240
	Loan Limit for 5 th Year Add : 10 % of the limit towards cost escalation/increase : In scale of finance (10 % of 57,100 i.e 5,700)	10,624 1,16,864
	Say.....(A)	1,16,864
(ii)	Term Loan component:	
	1 st Year: cost of 1 + 1 Dairy Unit (Gir)	1,10,000
	3 rd Year : Replacement of Pumpset :	30,000
	Total Term loan amount(B)	1,40,000
	Maximum Permissible Limit	2,56,864
	Kisan Credit Card Limit (A+B)	2.56 Lakh

Note:-Drawing Limit will be reduced every year based on repayment schedule of the term loan(s) availed and withdrawals will be allowed up to the drawing limit.

Table 4: Calculation Kisan Credit Card limit for other farmer cultivating multiple crops for the year 2017-18

Sr.no	Particulars	Amount
	Farmer cultivating multiple crops in a year	
1.	Devendrabhai Patel (Case of Navsari From Tankal)	
2.	Land holding : 10 acres	
3.	Cropping Pattern	
	Paddy-Kharif(I)- 5 acre (Scale of Finance plus crop insurance per acre:Rs.17,000 followed by	
	Groundnut-(K) 5 acre (Scale of Finance plus crop insurance per acre:Rs.12,000	
	Sugarcane-5 (N) acre (Scale of Finance plus crop insurance per acre : Rs.50,000)	
4.	Investment / Allied Activities	
	Establishment of 1+1 Dairy Unit in 1st Year (Unit Cost : ₹ 55,000) Purchase of Tractors in 1 st Year (Unit Cost : ₹.6,00,000)	
2.	Assessment of Card Limit	
	(1) Crop loan Component	3,95,000
	Cost of cultivation of 5 acre of Paddy, 5 acre of groundnut and 5 acre of Sugarcane	39,500
	Add : 10% towards post-harvest / household expense / consumption	79,000
	Add : 20% towards farm maintenance	
	Total Crop Loan limit for 1st year	5,13,500
	Loan Limit for 2 nd Year	
	Add:10 % of the limit towards cost escalation/increase :	51,350
	In scale of finance (10 % of 5,13,500 i.e 51,350)	5,64,850
	Loan Limit for 3 rd Year	
	Add : 10 % of the limit towards cost escalation/increase :	56,485
	In scale of finance (10 % of 5,64,850 i.e 56,485)	6,21,335
	Loan Limit for 4 th Year	
	Add : 10 % of the limit towards cost escalation/increase :	62,134
	In scale of finance (10 % of 6,21,335 i.e 62,134)	6,83,469
	Loan Limit for 5 th Year	
	Add : 10 % of the limit towards cost escalation/increase :	68,346
	In scale of finance (10 % of 6,83,469 i.e 68,346)	7,51,815
	Say.....(A)	7,51,815
(ii)	Term Loan component:	
	1 st Year: cost of 1 + 1 Dairy Unit	1,10,000
	Purchase of Tractor 1 st Year	6,00,000
	Total Term loan amount(B)	7,00,000
	Maximum Permissible Limit	14,51,815
	Kisan Credit Card Limit (A+B)	14.51 Lakh

Drawing Limit will be reduced every year based on repayment schedule of the term loan(s) availed and withdrawals will be allowed up to the drawing limit.

Table 5:Assessment of KCC LIMIT

Sr.no	Particulars	Amount
1.	Marginal Farmer cultivating single crops in a year	
	Sureshbhai Kukana case of Vandsa	
	1. Land holding : 1 acres	
	2. Crops grown :Nagali (Scale of Finance plus crop insurance per acre:Rs.8,000)	
	3.There is no change in cropping Pattern for 5 Years	
	4.Allied Activities to be finance-One Milch animal-Surati Buffalo (Unit Cost Rs.45,000)	
2.	Assessment of Card Limit	
	(i) Crop Loan Component	
	(Cost of cultivation for 1 acre of Nagali)	8,000
	Add:10 % towards post harvest/household expense/Consumption	800
	Add: 20 % towards farm maintenance	1,600
	Total Crop Loan Limit for 1 st Year(A1)	10,400
	(ii) Term Loan Component	
	Cost of one milch animal.....(B)	45,000
	1 st Year Composite KCC Limit (A1) + (B)	55,400
	2 nd Year	
	Crop loan component	
	A1 plus 10 % of crop loan limit(A1) towards cost escalation/increase in scale of finance (10,400 + 10 % of 10,400=1040)A2	11,440
	2 nd Year Composite KCC Limit : A2 + B (11,440 + 45000)	56,440
	3 rd Year:	
	Crop Loan Component :	
	A2 plus 10 % of crop loan limit (A2) towards cost cost escalation/increase in scale of finance (11,440 + 10 % of 11,440 =1144)(A3)	12,584
	3 rd Year Composite KCC Limit : A3+B (12584+45000)	57,584
	4 th Year	
	Corp loan Component:	
	A3 plus 10 % of crop loan limit (A3) towards cost cost escalation/increase in scale of finance (12,584 + 10 % of 12,584 =1258)(A4)	13,842
	4 th Year Composite KCC Limit : A4+B (13842+45000)	58,842
	5 th Year	
	Crop Loan component:	
	A4 plus 10 % of crop loan limit (A4) towards cost cost escalation/increase in scale of finance (13,842 + 10 % of 13,842 =1384)(A5)	15,226
	5 th Year Composite KCC Limit: A5+ B (15,226+45000)	60,226
	Maximum Permissible Limit/Composite KCC Limit	60,226

Disbursement

The short term component of the KCC limit is in the nature of revolving cash credit facility. There should be no restriction in number of debits and credits. The drawing limit for the current season/year could be allowed to be drawn using any of the following delivery channels.

1. Operation through branch
2. Operation using cheque facility
3. Withdrawal through ATM/debit cards
4. Operation through Business correspondents and banking outlet/part-time banking outlet
5. Operation through Pos available in sugar mills/Contract farming companies etc., especially for tie-up advances
6. Operations through Pos available with input dealers
7. Mobile based transfer transactions at agricultural input dealers and mandies.

The long term loan for investment purposes may be drawn as per installment fixed.

Minimum Credit Limit

Reserve Bank of India and NABARD while circulating their model scheme on Kisan Credit among the banks, had recommended Kisan Credit Cards for farmers whose requirement of crop loan was Rs.5,000/- and above. However, this limit was subsequently amended and all the banks were advised that they could work out their own loan limits. On an view of the schemes of Public Sector Commercial Banks, it was observed that most of the banks have brought down the limit from Rs.5,000/- to Rs.3,000/-. Some of the banks did not stipulate any lower limit in monetary terms whereas others have prescribed the limit in terms of ownership of irrigated land with the farmer i.e. minimum one acre of irrigated land.

Security

Security will be applicable as per RBI guidelines prescribed from time to time.

Security requirement may be as under:

1. *Hypothecation of crops*: For KCC limit upto ₹ 1.00 lakh banks are to waive margin/security requirements.
2. *With tie-up for recovery*: Banks may consider sanctioning loans on hypothecation of crops up to card limit of ₹ 3.00 lakh without insisting on collateral security.
3. *Collateral security*: Collateral security may be obtained at the discretion of Bank for loan limits above ₹ 1.00 lakh in case of non-tie-up and above ₹ 3.00 lakh in case of tie-up advances.
4. In states where banks have the facility of on-line creation of charge on the land records, the same shall be ensured.

Facilities of drawal at other branches

One of the ideas behind Kisan Credit Card was to allow flexibility to the farmer for drawal of cash at various branches of the issuing bank particularly those located in semi-urban or urban areas to facilitate easy availability of cash for purchase of agri-inputs like fertilizer and pesticides. Though most of the banks had allowed this facility to the card holder, some have restricted this facility to the identified branches within the district only. However, wherever this facility has been extended, it has been allowed for only literate cardholders. Cardholders who are illiterate will have to operate on the limit from the issuing branch only. The banks which have allowed this facility to their card holders had advised their branches to charge a specific amount as service charges if the card holder withdraws cash at a branch(s) other than the issuing branch. The amount of such service charge/commission ranged from two per cent to three per cent of the cash withdrawn.

Accounting procedures

Unlike crop loan, the KCC entitled the farmer to make any number of drawals and repayment within drawing power. Lender will be issued with the special type of passbook specially designed for KCC borrower. One of the basic ideas behind introducing Kisan Credit Card was to provide flexibility and convenience to the farmer in borrowing and repayment of money. In order to facilitate the drawal of cash both at the issuing as well as other designated branches some of the banks have issued cheque book to the card holders. This facility, however, has been restricted to only literate borrowers. In certain other banks, this facility has been given only to farmers holding good record. In the remaining banks, the drawals of cash are allowed only through the debit slip at the card-issuing branch only. Cheque book can be issued having limit of Rs. 25,000 and above.

Repayment instructions

Although the limit sanctioned under the Kisan Card is in the nature of revolving cash credit and each drawal is repayable within 12 months, all the banks have decided to fix specific repayment norms while sanctioning credit limit under Kisan Cards. All the banks have followed the procedure of fixing sub-limit under the Kisan Card. This means that if a farmer has been sanctioned a limit with sub limits for *Kharif* and *Rabi* crops, he would be allowed to draw on *Kharif* limit only when full/partial (depending upon the instructions issued by the bank) amount under *Kharif* limit has been repaid. Similarly, to draw upon the *Rabi* limit, specific portion of outstanding under *Kharif* sub-limit will have to be repaid. These stipulations are restrictive in nature and need to be revised to make the card really a cash credit type card. As against this, the scheme envisages multiple credits such that any given drawal has one year's period for repayment.

For the purpose of evaluating the objective of the study, the results of investigation are presented in the following heads,

1. Documentation of the variations in the procedures followed for issuing Kisan Credit Card
2. Growth in the number of Kisan Credit Card users
3. General characteristics features of sample farmers
4. Estimation of cost of credit and adequacy of credit
5. Identification of the constraints

Table 6: Documentation of the variations in the procedures followed for issuing Kisan Credit Card

Particulars	RBI/NABARD Circular	In the Study Area
Eligibility for issue of KCC	All farmers	Farmers with good tract of credit repayments. Farmers with production credit requirement of Rs. 5,000/- Initially only literate farmers, later on some banks extended it to illiterates. In some banks all tractor loan borrowers are considered.
Minimum credit limit	Rs. 5,000/-	Rs. 3000/-. Some banks did not fix minimum limit.
Fixation of Maximum credit limit	Size of holding, cropping pattern and scale of finance	Most banks followed this. But some banks considered total income (50 % income). Banks also fixed sub limits for <i>kharif</i> and <i>rabi</i> .
Margin and security norms	As applicable to any crop loan.	Margin for different slabs of sanctioned amount. Up to Rs. 50,000 - hypothecation of standing crop. > Rs.50,000 - hypothecation of standing crop + collateral security and third party guarantee.
Withdrawal at other branches	Any branch of issuing bank	Initially restricted to any branch of issuing bank within the district. For illiterates only in the issuing branch.
No. of withdrawals	Any number within the credit limit fixed.	All banks observed.
Repayment	Each withdrawal is repayable within 12 months	To draw on one season limit, loans drawn in previous season should have been repaid.
Crop insurance	Like any other crop loan	No deviation.
Insurance of card holder	No provision in the circular	Some banks have introduced.

General characteristics features of sample farmers

To assess the socio economic conditions of the sample respondents, primary data relating to family characteristic features, type of land holding, cropping pattern and productivity were collected and analyzed. The farmer having

land holdings of less than two ha were grouped as small farmers, the farmers having land holdings of two ha and less than four ha were grouped as medium farmers and the farmers having land holdings of more than four ha were grouped as large farmers.

Table 7: Sample Farmers

Sr.no	Name of District	Borrowers						Total
		KCC Holders			Non KCC Holders			
		Small	Medium	Large	Small	Medium	Large	
1.	Dang	10	10	10	10	10	10	60
2.	Navsari	10	10	10	10	10	10	60
	Total	20	20	20	20	20	20	120

Demographic and socio-economic characteristics of sample farmers

It was evident from Table no 8 that the average age of borrowers under KCC was 46.73 years while it was 44.88 years under non KCC category. The family composition was 1.85 male, 1.83 female, and 1.92 children under KCC category as against 1.65 male, 1.67 female, and 1.83 children

in the case of non KCC borrowers. The average family size for all KCC holders was 5.6 whereas for non KCC it was 5.15. None of the farmers under KCC category was illiterate but in the case of non KCC farmers 6.67 per cent of them were illiterate. Percentage of farmers completed their secondary and college education was found to be higher in KCC category (55 % and 38.33 % respectively) as against non KCC category (50 % and 33 % respectively).

Table 8: General Characteristics of sample farmers

S.N	Particulars	KCC Holders				Non-KCC			
		Small (n=20)	Medium (n=20)	Large (n=20)	All (n=60)	Small (n=20)	Medium (n=20)	Large (n=20)	All (n=60)
I	Average age	45.50	42.75	46.4	44.88	49.35	45.75	45.10	46.73
II	Family Composition								
1.	Male (no.)	1.65 (32.03)	1.90 (34.05)	2.00 (32.95)	1.85 (33.04)	1.35 (31.10)	1.45 (30.33)	2.15 (34.07)	1.65 (32.03)
2.	Female (no.)	1.5 (29.12)	2.00 (35.84)	2.00 (32.95)	1.83 (32.68)	1.4 (32.26)	1.45 (30.33)	2.15 (34.07)	1.67 (32.43)
3.	Children (no.)	2.0 (38.83)	1.68 (30.10)	2.07 (34.10)	1.92 (34.28)	1.59 (36.63)	1.88 (39.33)	2.01 (31.85)	1.83 (35.53)
4.	Avg. Family size (no.)	5.15 (100)	5.58 (100)	6.07 (100)	5.6 (100)	4.34 (100)	4.78 (100)	6.31 (100)	5.15 (100)
III	Education								
1.	Illiterate (no.)	0	0	0	0	3	4	0	7
2.	Primary (no.)	3	1	0	4	6	0	0	6
3.	Secondary (no.)	13	10	10	33	10	11	9	30
4.	College & Above (no.)	4	9	10	23	1	8	11	20
	Total	20(100)	20(100)	20(100)	20(100)	20(100)	20(100)	20(100)	20(100)

Land Holding of Sample Farmers

The land holding pattern of the sample farmers is presented in Table no 9 Under the KCC category, the average land holding for small, medium and large farmers was 0.82 ha, 2.30 ha and

5.08 ha respectively while for non KCC category it was 0.95 ha, 2.57 ha and 4.48ha respectively. The proportion of irrigated land under KCC category was 76.19 per cent of total land holding as against 73.31 per cent under non KCC farmer's category.

Table 9: Land Holding Pattern

S.N	Particulars	KCC Holders				Non KCC			
		Small (n=20)	Medium (n=20)	Large (n=20)	All (n=60)	Small (n=20)	Medium (n=20)	Large (n=20)	All (n=60)
1	Size of dry farm (ha.)	0.23 (28.0)	0.38 (16.52)	1.36 (26.77)	0.64 (23.81)	0.45 (47.36)	0.59 (22.96)	0.86 (19.20)	0.63 (23.69)
2	Size of irrigated farm (ha.)	0.59 (72.0)	1.92 (83.48)	3.72 (73.23)	2.08 (76.19)	0.50 (52.64)	1.98 (77.04)	3.62 (80.80)	2.03 (76.31)
3	Size of total land holding (ha.)	0.82 (100)	2.30 (100)	5.08 (100)	2.73 (100)	0.95 (100)	2.57 (100)	4.48 (100)	2.66 (100)

Table 10: Growth in Kisan Credit Card (KCC) issued in the study area.

	2016-17	2017-18	Percentage Change
Dang district (amount in Lakh)			
Kisan Credit Card A/C (KCC)	526	565	7.41 %
Amount	867	420	-51.56 %
Navsari District (Amount in Cr)			
Kisan Credit Card A/C (KCC)	33,235	41,109	23.69 %
Amount	482.12 Cr	638.15 Cr	32.36 %

(Source: Lead Bank Manager of BOB)

Estimation of cost of credit and adequacy of credit

An attempt was made to study the cost of credit and adequacy of credit under KCC scheme as compared to non KCC scheme.

Cost of credit

For calculating the cost of credit, the non interest cost (Application fee, Initial deposit(membership)Trips made, Bus fare, Copies of record, Security paper cost, Daily expenses, other charges *etc.*) and interest were taken into account. In both the districts there was no application fee for any scheme and hence it was taken as zero. Table 12 revealed that the percentage of the total non interest cost to loan amount borrowed was slightly higher in the case of small farmers as compared to medium and large farmers in both the KCC and Non KCC categories. The average of non interest cost as percentage of amount borrowed was found to be higher in non KCC category (0.56 %) as compared to KCC (0.29 %) which

implied that farmers from non KCC category incurred more non interest cost than that by KCC holder farmers. It was noticed that as the size of the farm increased the total non interest cost in absolute value increased but in terms of the percentage of total amount borrowed, it decreased.

The interest cost was calculated as per the interest rate charged by the banks. From Table 13 it was clear that, average interest cost for the non KCC category (Rs. 3,488.94) was lower than that for KCC (Rs. 3788.40). The total non interest cost and interest cost were added to arrive at the total cost of credit. The total cost as percentage of borrowed amount was higher in the non KCC category (11.06 %) as compared to that in the KCC (7.26 %). This indicated that for every hundred rupees loan under non KCC, the borrower has to incur Rs. 11 as cost where as it was Rs. 7.26 under KCC scheme. It was evident from the table that the size of farm had inverse relationship with percentage of total cost to amount borrowed.

Table 12 : Non- interest cost of credit for sample respondents

S.N	Particulars	Size of Farmers	Avg amt borrowed (Rs.)	Cost of trips (Rs.)	Cost of records (Rs.)	Total NIC Cost (Rs.)	NIC as per cent of amt borrowed
1.	KCC	Small	18040.00	45.00	40.00	85.00	0.45
		Medium	54120.00	47.00	57.50	104.50	0.20
		Large	90200.00	53.00	72.50	125.50	0.21
		Average	54120.00	48.33	56.67	105.00	0.29
2.	Non KCC	Small	18465.00	84.00	60.00	144.00	0.77
		Medium	31943.00	92.00	77.50	169.50	0.53
		Large	49276.00	93.00	95.00	188.00	0.38
		Average	33228.00	71.67	77.50	167.17	0.56

Note: NIC= Non interest cost

Table 13: Cost of Credit for sample respondents

S.N	Particulars	Size of Farmers	Avg amt borrowed (Rs.)	Total NIC cost (Rs.)	Interest Cost (Rs.)	Total Cost (Rs.)	Total cost as per cent of amt borrowed
1.	KCC	Small	18040.00	85.00	1262.80	1347.80	7.47
		Medium	54120.00	104.50	3788.40	3892.90	7.19
		Large	90200.00	125.50	6314.00	6439.5	7.13
		Average	54120.00	105.00	3788.40	3893.4	7.26
2.	Non KCC	Small	18465.00	144.00	1938.83	2082.83	11.27
		Medium	31943.00	169.50	3354.02	3523.52	11.03
		Large	49276.00	188.00	5173.98	5361.98	10.88
		Average	33228.00	167.16	3488.94	3656.11	11.06

Note: NIC= Non interest cost

Adequacy of credit

An attempt was made to assess the adequacy of credit under the Kisan Credit Card Scheme and credit without Kisan Credit Card. The average cost of cultivation was taken into

consideration and compared with average amount sanctioned. The credit gap worked as the difference between cost of cultivation and amount sanctioned showed adequacy of the credit. For this, Paddy crops were considered

Table 14: Adequacy of credit for paddy

(Per Acre)

S.N	Particulars	Size of Farmers	Average cost of cultivation (Rs.)	Avg.amt Sanctioned (Rs.)	Credit gap (Rs.)	Credit gap as per cent of amt sanctioned
1.	KCC	Small	21171.26	18040.00	3131.26	17.36
		Medium	20943.72	18040.00	2903.72	16.09
		Large	22111.34	18040.00	4071.34	22.57
		Average	21408.77	18040.00	3368.77	18.67

(Source:-Dept of Agril.Economics, NAU)

Identification of the constraints

Opinion survey of farmer beneficiaries was carried to find out timeliness, security, adequacy, interest and other issues of KCC and the results are summarized in Table 4.27. More than 80 per cent of farmers borrowed credit to meet the expenditure incurred in agriculture under the KCC category while only about 47 per cent of the borrowers were reported to borrow for agriculture purpose in non KCC category. With regard to adequacy of credit large number of farmers under KCC opined that the credit was adequate (55 %) but under non KCC the borrowers opined that it was inadequate (61.67 %). About the timeliness, 81.67 per cent farmers under KCC felt that the credit was timely while large number of the farmers under non KCC felt that it was untimely (86.67 %).

The large number of the farmers in both the categories opined that the rate of interest was high (61.67 % in KCC and 93.33 % in non KCC). As regard to repayment terms, majority of the farmers in both the categories felt that it was easy (98.33 % in KCC and 51.67 % in non KCC). Majority of the farmers expressed easy accessibility of the bank and it was within their reach. In respect of security for advance, 95 per cent of the respondents under KCC felt that it was flexible and on the other hand 51.67 per cent respondents under non KCC category felt that bank insisted for guarantors and other collateral securities for release of loan. With regards to the loan supervision by the staff of the bank, 55 per cent under KCC and 88.33 per cent under non KCC category respondents opined that loan supervision was rare.

Table 11: Opinion of borrowers with regard to terms and conditions of loans

S.N	Particulars	KCC Holders	Non KCC
1.	Purpose of Loan		
	Agricultural	50 (83.33)	28 (46.67)
	Non Agricultural	10 (16.67)	32 (53.33)
2.	Adequacy		
	Adequate	33 (55.00)	23 (38.33)
	Inadequate	27 (45.00)	37 (61.67)
3.	Timeliness		
	Timely	49 (81.67)	8 (13.33)
	Untimely	11 (18.33)	52 (86.67)
4.	Rate of interest		
	Low	23 (38.33)	4 (6.67)
	High	37 (61.67)	56 (93.33)
5.	Repayment Term		
	Easy	59 (98.33)	55 (51.67)
	Difficult	1 (1.67)	5 (8.33)
6.	Procedure for Advance		
	Simple	60 (100)	9 (15.00)
	Cumbersome	0 (0.000)	51 (85.00)
7.	Accessibility		
	Easy	57 (95.00)	56 (93.33)
	Difficult	3 (5.00)	4 (6.67)
8.	Security		
	Flexible	57 (95.00)	29 (48.33)
	Rigid	3 (5.00)	31 (51.67)
9.	Loan Supervision		
	Frequently	27 (45.00)	7 (11.67)
	Rarely	33 (55.00)	53 (88.33)
10.	Did Borrowing Help		
	Yes	59 (98.33)	60 (100.00)
	No	1 (1.67)	0 (0.00)

IX. POLICY IMPLICATIONS & SUGGESTIONS

The following policy implications are drawn based on the findings of the study

1. The negative growth in number of Kisan Credit Cards issued and amount sanctioned in last few years indicated the lack of interest either on the part of farmers or on the part of bankers. Hence, more efforts should be made by the banks to reach maximum farmers. The farmers need to be educated and encouraged about this innovative credit scheme.
2. Though the RBI and NABARD have circulated to banks to consider the ancillary activities related to crop production while fixing credit limit under KCC, the banks in the study area have not followed. Hence, banks are suggested to consider the ancillary activities while fixing credit limit. This ensures bridging the credit gap.
3. The interest paid per every hundred rupee borrowed was much less for Kisan Credit Card borrowers than that for other borrowers. The non-interest cost component of borrowing can be substantially reduced through the KCC scheme since there is no need to resubmit the loan documents for each borrowing as in the case of non KCC scheme. The loan documents once produced will be valid for three

years. Hence, the scheme of Kisan Credit Card should be extended to cover all the farmers which will help in reducing interest cost of credit.

4. The credit under KCC was restricted to crop loan only. It needs to be expanded to cover medium term loans if not long term loans.

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