KCC - AN EFFECTIVE RURAL CREDIT INSTRUMENT TO SMALL AND MARGINAL FARMERS- A CASE STUDY

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ABSTRACT

Kisan Credit Card aims at providing timely and adequate credit support from the banking system to the farmers with flexible and simplified procedure adopting whole farm approach. It includes the short term, medium term and long term credit needs of the borrowers for agriculture and allied activities. Later the scope of the card is expanded to cover the consumption and investment credit needs of the card holders besides providing him / her agriculture and personal insurance cover at a nominal cost. As per the available information approximately 9.06 crore farmers have been so far covered by the banking system, providing their farming clientele with KCC. However the present study aims at studying the effectiveness of the KCC scheme by comparing the agricultural revenue productivity and net benefit of KCC and Non KCC farmers in the Keesara Mandal of Ranga Reddy District of Telangana. For this purpose data were collected from 70 KCC holders and 70 Non KCC holders comprising of Marginal, Small & Big farmers from the 12 villages of the select Mandal, of the Ranga Reddy District during the year 2012. The present study made use of statistical tools like two sample T – test to measure the significance of relation specified in the study. The findings show significant difference between the agricultural revenue productivity and net benefit of KCC & Non KCC marginal farmers while no significant difference between the net benefit of KCC & NON KCC small and big farmers.

Keywords: Kisan Credit Card scheme, agricultural revenue productivity, cost of cultivation, net benefit.

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Introduction:

Agriculture is the major economic activity that provides income and employment to the vast majority of rural work force in rural India. As nearly two thirds of national population still lives in rural areas and most of them are dependent on agriculture. Improving the share of agriculture in GDP through timely institutional credit support has been accepted as the requisite policy measure of Government of India. Provision of timely, hassle free and adequate credit, duly offering a choice to the farmers to purchase or provide qualitive inputs is considered a critical factor in Agricultural economy. The Government of India together with RBI & NABARD came up with a bankable alternative namely Kisan Credit Card (KCC) during the year 1998-99. After establishment of its utility and effectiveness, the Union finance minister in his budget speech of 2001-02 directed all the banks to cover all eligible farmers with KCC by 2004-05. According to NABARD annual report 2011-12 nearly 936.72 lakhs of KCCs have been issued up to the end of 2009-10 by the banks throughout the country and over all cumulative sanctioned amount was Rs.4,27,748 crores. The commercial banks have issued the total highest number of KCCs (423.63 lakhs) cards, followed by Cooperative banks (378.87 lakhs), RRBs issued (134.21 lakhs). It is appropriate to study about the effectiveness of the scheme since it has completed more than one and half decades. The present study was formulated to analyze the effectiveness of KCC credit on farmers' agricultural revenue productivity and net benefit in comparison with the NON KCC farmers.

Objective of the Study:

The specific objectives of the study were:

1. To study the effectiveness of the KCC scheme on agricultural revenue productivity and net benefit.

Hypothesis

Ho1 : There is no relation between KCC credit and crop productivity.

Ho2 : There is no relation between KCC credit and net benefit of the farmers.

Methodology:

The study is based on both the sources of primary data as well as secondary data. The secondary information has been collected from various published data from Government of India reports, annual reports of RBI & NABARD, and research papers published in various journals. The Primary data were collected from the geographical region of Keesara Mandal of Ranga Reddy District. Nearly 12 villages of Keeara Mandal have been covered under the study which are predominately agrarian. The samples were collected randomly from those villages in the year 2012-2013. The farmers were categorized into marginal, small and big, which is shown in the below table.

Table- 1
Classification of farmers:

Type of Farmers (land in ha)	**Number of farmers**	**Percentage**
Marginal farmers (<1 ha)	45	32%
Small farmers (>1 ha - <2 ha)	57	41%
Big farmers (>2 ha)	38	27%
Total number of farmers	140	100%

Source: primary data

Village-wise distribution of KCC holders and Non-KCC holders

The village-wise distribution of farmers covered in the sample study, based on the provision of farm credit by the banks either through KCC or other-wise is presented in Table below.

Table-2
Village wise KCC and Non KCC holders:-

S.NO	**Villages**	**KCC Holder**	**Non KCC Holder**	**Total**
1	Ankireddypally	4	12	16
2	Bogaram	10	12	22
3	Chiryala	8	9	17
4	Godhumakunta	8	8	16
5	Kareemguda	7	7	14
6	Keesara	10	8	18
7	Keesara Dayara	10	8	18
8	Kundanpally	1	0	1
9	Rampally	9	0	9
10	Rampally Dayara	1	6	7
11	Vannigudam	1	0	1
12	Yadagarpalli	1	0	1
		70	70	140
(source : Primary data)				

The collected data were analyzed by using two sample T-test to measure the significance of relations specified in the study.

Results and Discussion

Statistical analysis on select parameters -KCC vs NON-KCC farmers

To study the relationship between KCC Credit and the Crop productivity an attempt is being made to compare, both KCC holders and non-KCC holders on select parameters, to understand their statistical significance. Details are furnished in Tables 9 and 10 below.

Agricultural Revenue Productivity (Hypothesis-I):

The study revealed that in the research sample area the productivity of KCC and non-KCC holders(Farmer -wise) was compared which is shown in the tables 3and 4

Table 3:
KCC Farmers agricultural revenue productivity.

(Area in hectares , yield in Rs.)

Type of farmer	Kharif Area	Kharif Yield	Average Kharif Yield	Rabi Area	Rabi Yield	Average Rabi Yield	Average Total Yield
Small farmer	80.00	2,680,014	33,500	62	2,438,000	39,323	72,823
Marginal farmers	36.10	1,043,143	28,896	28	635,800	22,691	51,587
Big farmer	91.00	2,595,843	28,526	78	2,207,643	28,303	56,829

Table 4:
NON - KCC Farmers agricultural revenue productivity.

(Area in hectares, yield in Rs.)

Type of farmer	Kharif Area	Kharif Yield	Average Kharif Yield	Rabi Area	Rabi Yield	Average Rabi Yield	Average Total Yield
Small farmer	68.50	2,266,143	33,082	57	1,648,071	29,169	62,252
Marginal farmers	31.15	605,401	19,435	22	339,971	15,245	34,680
Big farmer	100.00	2,712,200	27,122	87	1,900,000	21,839	48,961

Comparison of Agricultural Productivity of KCC & NON KCC farmer wise:-

Marginal farmers

	N	Mean	S.D	S.E Mean
X1	23	72998	33383	6961
Y1	22	42971	49287	10508

**x1 is KCC farmers; y1 Non KCC farmers*

The estimated T value is 2.40 which is greater than table value 1.645 (at 95% of class interval) so there is a significant difference between the KCC & NON Marginal farmers productivity.

Small farmers

	N	Mean	S.D	S.E Mean
X1	29	176483	142793	26516
Y1	28	139793	110175	20821

**x1 is KCC farmers; y1 Non KCC farmers*

The estimated T value is 1.08 which is less than table value 1.645 (at 95% of class interval) so there is a no significant difference between the KCC & Non-KCC small farmers productivity.

Big farmers

	N	Mean	S.D	S.E Mean
X1	18	266860	206241	48611
Y1	20	230610	123671	27654

**x1 is KCC farmers; y1 Non KCC farmers*

The estimated T value is 0.66 which is less than table value 1.645 (at 95% of class interval) so there is a no significant difference between the KCC & Non-KCC big farmers productivity.

Net benefit (Hypothesis-II)

Based on the yields and incomes as reported by the farmers covered under the study, difference is observed in the reported net benefit of farmers under the study, which is tabulated in tables 5 and 6as under:

Table 5
KCC Farmers Net benefit

Type of farmer	Kharif Area	Average Kharif Yield	Rabi Area	Average Rabi Yield	Average Total Yield	Average Total Cost	Net benefit per hectare
Small farmer	80.00	33,500	62	39,323	72,823	30,220.86	42,601.90
Marginal farmers	36.10	28,896	28	22,691	51,587	26,638.93	24,947.93
Big farmer	91.00	28,526	78	28,303	56,829	36,305.85	20,523.01

(Area in hectares, yield in Rs.)

Table 6

NON KCC-Farmers

Type of farmer	Kharif Area	Average Kharif Yield	Rabi Area	Average Rabi Yield	Average Total Yield	Average Total Cost	Net benefit per hectare
Small farmer	68.50	33,082	57	29,169	62,252	38,059.07	24,192.72
Marginal farmers	31.15	19,435	22	15,245	34,680	25,772.00	8,908.39
Big farmer	100.00	27,122	87	21,839	48,961	43,173.44	5,787.64

(Area in hectares, yield in Rs.)

The variance in the net benefit between the KCC and non-KCC holders is on account of the large amount of interest on credit paid by non-KCC farmers to the informal sources of credit.

T test is conducted to the above averages of net benefit to know the significant difference between the net benefit of KCC & NON KCC farmers.

Marginal farmers

	N	Mean	S.D	S.E Mean
X1	23	37308	27376	5708
Y1	22	12310	35611	7592

**x1 is KCC farmers; y1 Non KCC farmers*

Estimated T value is 2.65 where as the table value is 1.645 (at 95% of class interval), so there is a significant difference between the net benefit of KCC & NON KCC marginal farmers.

Small farmers

	N	Mean	S.D	S.E Mean
X1	29	109929	133816	24849
Y1	28	75412	84582	15985

**x1 is KCC farmers; y1 Non KCC farmers*

Estimated T value is 1.16 where as the table value is 1.645, so there is no much significant difference between the net benefit of KCC & NON KCC small farmers.

Big farmers

	N	Mean	S.D	S.E Mean
X1	18	132039	122575	28891
Y1	20	128168	95679	21394

**x1 is KCC farmers; y1 Non KCC farmers*

Estimated T value is 0.11 where as the table value is 1.645 (at 95% of class interval), so there is no much significant difference between the net benefit of KCC & NON KCC big farmers.

Conclusions:

It can be concluded that though timely,hassele free credit was provided , there was no significant impact of KCC credit except on the crop productivity and net benifit of marginal farmers as compared to small & big farmers. It was observed that many farmers were unaware of the benefits of the KCC scheme except the account holders of primary agricultural cooperative society. But PACS was granting loans only up to the maximum limit of Rs.1,00,000, due to the shortage of funds. Commercial banks, R.R.B were failed to educate and sensitize the farmers about the scheme. Many KCC account holders of commercial banks did not know that their accounts were KCC accounts. Neither cards nor pass books were issued by the banks to the KCC holders..

5.0 Suggestions:-

Based on the study findings, the following suggestions are being made for improving the implementation of KCC scheme by banks.

1. As majority of the farmers reported that the credit limits sanctioned are inadequate, despite contradictory results, the banks may review the total limits sanctioned in the scheme area for KCC holders, more particularly, the extension of full limits under Scale of finance and other facilities to their farming clientele.
2. As the KCC farmers are not using the card for revolving cash credit facility under KCC scheme, the banks should educate the farmers about the total benefits under the scheme, more particularly using it like cash in a strong box kept at home, from where we take out only the cash needed on each occasion; and place cash inside the box with every inflow, so as to ensure that there is adequate money, every time to meet their cash requirements.
3. Many KCC holders of Commercial banks do not know that their crop loan accounts have been converted into KCC accounts. They are not utilizing the benefits of KCC on account of this ignorance. Capacity building of farmers is the solution to this issue.

4. As entire loan amount is withdrawn by the farmers at a time, there is greater burden of interest payable on the farmers. The farmers should be educated of the advantages of revolving cash credit; wherever required and genuine to build the confidence in the client about the availability and cost effectiveness of multiple transactions.
5. During the field study, problems relating to operations with Kisan credit card was ascertained and the feedback from the farmers was that in general there are few specific problems except inadequacy credit particularly small and big farmers, those who borrowed loans from PACS. This needs to be specifically looked in to by the DCCB operating in the area.
6. Though many respondents reported that keeping the pattadar pass books to borrow the loans (particularly from cooperative society) was objectionable and that is one of the reasons for not preferring KCC card. Farmers need to be educated on the issue.
7. If many eligible farmers and tenant cultivators are brought under the KCC fold, they could be restrained from approaching non-institutional sources like money lenders for meeting their essential credit needs.
8. As per the scheme, Personal accident insurance scheme and additional loans should also be provided to KCC holders. But as PACS are running short of finances, they are unable to provide such additional loans to their regular clientele. The PACS should be provided with more financial assistance by the DCCB to fund this business opportunity.
9. As it was observed that Tenant cultivators are being excluded from the KCC scheme though mandal revenue office declare them as eligible for KCC. Efforts should be made to bring in all eligible tenant cultivators under the KCC fold.
10. Sensitization of farmers regarding the KCC scheme and its benefits may improve the effective use of KCC.

Limitations:

Despite the best possible efforts by the researcher, the scope and findings of the study are limited by the following factors.

1. Despite making clear the academic nature of the study, it was observed that most of the farmers felt that the data could be used for decisions like debt waiver or any other benefit in future. This has affected their answers in questioner to the extent that they were understating their benefits and enhancing their costs. They were reluctant to provide details like - the break up detail of scale of finance in their unit, the marketing outlet and the price realized for their produce and similar economic data.

2. It was also observed that could be on account of understaffing or increased work load, some of the commercial banks were not enthusiastic to share their information regarding their KCC client data, their credit outreach, their repayment pattern etc. This gap to certain extent could have affected the results of the study.
3. Despite repeated enquiries, most of the bank branches operating in the research area have time and again indicated that they have not made any comparative study of KCC vs NON-KCC farmer credit utilization patterns; particularly with regard to credit limit availment, number of transactions in a season, periodicity and seasonality of repayment patterns, net interest paid in relation to average limit availment, relationship with balance in the savings account, if any. The lack of aggregation of information on the above lines has seriously limited the results of the study.

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