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Assessment of Kisan Credit Card (KCC) scheme: a study among small and marginal farmers in Solan district of Himachal Pradesh

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ABSTRACT

This paper aims to examine the credit utilisation pattern of the beneficiaries of Kisan Credit Card (KCC) scheme and also to have an insight into the problems and constraints faced by the users. Results of the study are based on the information collected from 78 small and marginal farmers through a detailed and exhaustive questionnaire prepared to carry out an in-depth exploratory and empirical level research. Results of the data analysis suggested that necessity of KCC in rural credit was vital. The study advocated that educational qualification, age, occupational status, total landholding and type of crop had positive influence on the decision of farmers regarding adoption of KCC while the factors like gender, number of family members and farming experience had a negative relationship. Evidence of the study is relevant to policymakers designing incentives and schemes concerning small and marginal farmers. Further the study has implications for the authorities engaged in sustainable development of backward areas as it would help in reviewing credit utilisation pattern of KCC for better monitoring. The key recommendations of the study are the need to improve the financing structure and to establish linkages between the agricultural and non-agricultural activities in the rural areas.

Keywords: Kisan Credit Card; agricultural credit; utilization pattern; problems; constraints

INTRODUCTION

Capital is the most critical agricultural input and is essential for establishing sustainable and profitable farming systems. Similarly agricultural credit plays a crucial role in improving agricultural production, productivity and mitigating the distress of farmers. Easy access to financial services at affordable cost positively affects the productivity, asset formation, income and food security of the rural poor. This positive and significant impact of institutional credit was confirmed in studies undertaken by Samantara (2010), Bista et al (2012), Parwate et al (2012), Patra and Sahu (2012), Laxyapati (2013), Barani et al (2015) and Mehta et al (2016).

Several policy measures have been initiated from time to time by the government of India for improving the accessibility of farmers to the institutional sources of credit. The policies stress on providing timely and adequate credit support to all farmers especially small and marginal to enable them to adopt improved agricultural practices resulting in increased agricultural productivity. In this backdrop Kisan Credit Card (KCC) was introduced in 1998-99 with three different sub-limits viz production, assets maintenance and consumption needs by the government of India. KCC has emerged as an innovative and indispensable credit delivery mechanism to meet the credit needs of farmers in a timely and hassle-free manner (Bhatt 2012) and is the most widely accepted, highly appreciated and non-discriminatory banking product (Kamble 2009). KCC aims at bringing the poor farmers under the ambit of the mainstream financial institutions by extending credit facility to them at a low rate of interest (Rameshkumar and Alexpandi 2017). KCC-provided credit facilities to the farmers significantly influenced the income through increase in yield (Bista et al 2012, Parwate et al 2012, Patra and Sahu 2012, Laxyapati 2013).

Despite research done by many the question of the effectiveness and impact of KCC on small and marginal farmers still remains unanswered. Moreover so far no studies have been conducted to analyse credit utilisation pattern and the problems of the farmers. KCC is an effective collateral-free credit disbursement tool for small and marginal farmers but misutilisation of credit can be a cause of great distress or annoyance. So the present study has been specifically conducted to find out the credit utilisation pattern of the beneficiaries of KCC scheme and also to have an insight into the problems and constraints faced by the beneficiary and non-beneficiary farmers.

METHODOLOGY

The focus on collection of data under the present study was on the subjectively but relevant segments of the population of Solan, Himachal Pradesh. Sample size comprised 54 KCC beneficiary and 24 non-beneficiary small and marginal farmers living in rural areas of the district. Primary data were analysed with the help of statistical techniques like multiple discriminant analysis, mean, skewness, chi-square and total weightage score. Multiple discriminant analysis technique was used to discriminate between beneficiary and non-beneficiary farmers. In terms of geographical location scope of the study has been restricted to Solan.

RESULTS and DISCUSSION

The data given in Table I show the response of the respondents to the statements pertaining to the KCC. The activities like increase in usage of high yielding seed varieties, purchase of farm equipment and increased consumption of chemical fertilisers secured I, II and III rank respectively implying that beneficiary farmers mainly utilized their credit for purchase of seeds, pesticides and chemical fertilizers. On the other hand the activities like land development, increased consumption of organic fertilisers and long-term assets investment scored lowest weights. It can be concluded that long-term investments can be boosted through other financing schemes.

Table 2 presents the constraints faced by beneficiary and non-benefeciary farmers in adoption of KCC scheme. Most of the KCC beneficiary farmers reported lengthy paper work to be the major problem. The insufficient credit limit, inflexibility in the number of withdrawals and high transaction cost were the other major problems reported by the beneficiary farmers. However unfriendly nature of bank officials, high interest rate and unavailability of loan in time were the constraints least reported by the beneficiary respondents. The non-beneficiary farmers reported fear of being a defaulter as the most pressing problem followed by difficulty in opening a bank account and lack of awareness about the benefits of KCC.

Thus it is necessary to motivate the farmers against the fear of becoming a defaulter and to reduce the legal procedures involving lengthy paper work. Application of computers and capacity enhancing of bank staff could help in this aspect. The existing credit limit under KCC needs to be increased to meet the credit needs of farmers for production process. Similarly reduction in the existing rate of interest, incorporation of consumption loan along with crop loan, provision of ATMs and flexibility in the use of bank branches could attract more farmers towards the scheme. To bring large number of rural farmers under the scheme the process of opening bank accounts should be simplified. This can be facilitated by organizing village campaigns for the issuance of KCCs. Efforts should be made to enhance awareness about the scheme and its benefits. Also regular motivation from the bank officials would develop confidence among the farmers about the scheme.

Table 3 presents the estimated linear discriminate function for adoption of KCC by the farmers and Table 4 presents the function of group centroids (unstandardized canonical discriminant functions evaluated at group means). The critical mean value for two groups was found to be 0.148. The value above the critical mean indicated that a farmer would adopt KCC whereas below the critical mean showed that the farmer would not adopt it. The results of linear discriminate function indicated that the variables like educational qualification, age, occupational status, total landholding and type of crop had positive influence on the decision of farmers regarding adoption of KCC while the factors like gender, number of family members and farming experience had a negative relationship.

Table 1. Change in KCC beneficiary farmers' agricultural activities

Activity	Total weightage score	Rank
Increased usage of high yielding seed varieties	97	I
Increased consumption of chemical fertilisers	92	III
Better irrigation facilities	45	VI
Improved technology	45	VI
Adoption of green house	58	IV
Increased consumption of organic fertilisers	32	VIII
Better land development	33	VII
Purchase of farm equipment	94	II
Long-term assets investment	28	IX
Modern harvesting techniques	52	V

Table 2. Constraints faced by beneficiary and non-beneficiary farmers in adoption of the KCC

Constraint	Mean	Standard deviation
Beneficiary farmers		
Lengthy paper work	3.82	1.585
Unavailability of loan in time	3.04	1.418
Unfriendly nature of bank officials	2.76	1.434
Lack of motivation from bank officials	3.06	1.408
Insufficient credit limit	3.64	1.571
High interest rate	3.04	1.392
Difficulty in opening bank account	3.08	1.412
Fixed credit limit	3.58	1.363
Inflexibility in withdrawal	3.50	1.336
High transaction cost	3.37	1.397
No flexibility in repayment period	3.22	1.402
Non-beneficiary farmers		
Difficulty in opening bank account	3.82	1.585
Easy loan from informal sources like moneylenders	3.12	1.477
Unfriendly nature of bank officials	2.97	1.184
Lack of motivation from bank officials	1.97	1.105
Insufficient credit limit	3.10	1.455
Lack of awareness	3.82	1.585
Fear of being a defaulter	4.12	1.269

Table 3. Estimated linear discriminate function for adoption of KCC

Characteristic	Coefficient
Education	0.718
Age	0.672
Gender	-0.168
Occupational status	0.629
Members in family	-0.591
Total landholding	0.151
Type of crop grown	0.276
Farming experience	-0.155

Table 4. Functions of group centroids

Adoption	Function
Yes/beneficiary	-0.238
No/non-beneficiary	0.535

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