CHAPTER-1

INTRODUCTION

1.1 Introduction

Agriculture is the backbone of the Indian economy. More than 60 per cent of the population of the country continuing to depend on it either directly or indirectly for their livelihood even though contribution of agriculture to our gross domestic product (GDP) is less than 18 per cent. Nonetheless, the importance of agriculture cannot be underestimated for years to come. The National Agriculture Policy waxes eloquent on the value of agriculture. “Agriculture is a way of life, a tradition, which for centuries” thus runs the opening sentence of the agricultural policy “has shaped the thought, the outlook, the culture and the economic life of the people.” Agriculture will continue to be central to all the strategies for socio-economic development of the country. Rapid growth of agriculture will not only ensure continued food security but also aid in growth in industry and the GDP.

To sustain the growth in agriculture, credit plays a vital role and also key factor in agriculture development. Agriculture development and growth are possible only if adequate capital and proper technology are used. The change in the technology of agriculture enhanced the need for credit. Credit also acts as a catalyst, to move the farmers from traditional agriculture to modern agriculture.

The quantum of agricultural credit provided by the banking system (co-operative banks, commercial banks and regional rural banks) increased from Rs.31, 956 crores in 1997-98 to Rs.36897 crores in 1998-99. It has further increased to Rs.41, 764 crores in 1999-2000. While this is quite impressive considering the overall bank credit for priority sector, credit for farm sector is not without its share of problems: viz. problems in accessing credit for the agriculturist and problems in dispensing credit by the bank.¹

The non-institutional sources were mainly approached by the farmers due to lack of security assets with them, frequent needs, inadequate supply of institutional credit, undue delays, sophisticated procedure and malpractices
adopted by institutional lending agencies. But non-institutional sources were also inadequate and highly expensive and exploited.

With a view to inquire into the reasons for the tailbacks of the farm credit and suggest measures for improving the delivery system as well as simplification of the procedures for farm credit, the Reserve Bank of India (RBI) had set up a one man High Level Committee of Shri R. V. Gupta in December 1997. The committee submitted its report in April 1998.

Some of the recommendations of the Committee relating to agricultural credit in general and short-term credit needs of the farmers in particular were as follows:

- The Committee had recommended that for ensuring quick disposal of loan applications, at least 90% of loan applications should be decided at the branch level.
- Short-term credit needs of the farmer should include all requirements directly or indirectly related to production; post harvest and household expenses. Repayment capacity should be assessed on the basis of aggregate household income from all sources including crop production and ancillary activities. The credit facility should be extended through a composite cash credit facility. The limit may initially be provided for one year but over time extended for a longer period and brought to credit at least once in a year. On credit balances banks would pay interest and charge interest on outstanding. Advances under such limits may be reckoned as advances for agriculture.
- While some minor investments of a medium term nature can be taken into account in the composite cash credit limit, investments of a major nature would still need a separate loan.
- The system of disbursing agricultural loans partly in cash and partly in kind has restricted borrower’s choice and given rise to undesirable practices. In order to foster an environment of trust, banks may disburse loans for agricultural activities on a cash basis only and discontinue the practice of obtaining bills/receipts for inputs/assets purchased.
Insistence on “No Dues Certificate” as a precondition for sanctioning a loan is unnecessary and time consuming. Where banks are conversant with the track record of the borrowers, obtaining such certificates should be left to the discretion of the lending banker.

Apart from improving recoveries, the Committee had recommended for incentives for farmers who were prompt in repayment. Banks should design appropriate incentive systems including interest benefit or rebate to borrowers who repay their dues promptly. Besides incentives for prompt repayment, farmers who opt for savings module linked to the loan product may be given a finer fete both on the loan as well as on the savings product.

Taking into account the procedural difficulties and the high cost of stamp duty connected with registering a mortgage in favour of a bank, State Governments may initiate steps to abolish stamp duty on mortgage of agricultural land for obtaining loans from banks.

Unlike in urban areas most of the land in rural areas is inherited and there are no title deeds. The original land records in the tehsil office are similar to a share depository and if a farmer has a passbook with an authenticated record of his land holding the bank should accept the same as valid title for purposes of an equitable mortgage.

In states where the Agricultural Credit Operations and Miscellaneous Provisions (Banks) Acts have been passed bank loans should be secured through the mechanism of declarations prescribed there under. States, which have not passed the above legislation, may consider doing so. In the interim, such states may issue administrative orders that declarations made by borrowers on the Talwar committee model for charging their lands may be noted in the revenue records so that banks can lend against them.

The value of security taken should be commensurate with the size of the loan and the tendency to ask for additional collateral by way of guarantors where the land has already been mortgaged should be discouraged.
In order to inform farmers transparently of the amount and the various fees and charges levied by the banks, farmers should be given a statement indicating the facilities availed, fees, charges etc. levied.

R. V. Gupta Committee sought to simplify the procedure in commercial banks for smooth and adequate credit flow to the agriculture sector. Recommendations of the Committee are also equally valid for RRBs and to some extent for co-operative banks in so far as they relate to loans for agriculture.

Crop loans constitute a major portion of disbursements for agriculture. Despite the great resilience of Indian agriculture to vagaries of weather, a bad monsoon definitely affects agriculture and in turn the credit for crop loans is influenced. Besides, due to the existence of a number of financial institutions extending crop loans and their varied ways of purveying the same, the subject of crop loan had become very complex. But the fact remains that the farmer needs adequate and timely credit in a cost effective and flexible manner to raise a crop. To take care of his consumption needs, some provision is required to be made. Besides crop cultivation, the farmer may be undertaking some activities allied to agriculture and even some non-farm sector activities. Working capital needs of these activities are required to be met from the banking system failing which the farmer may be constrained to borrow from the informal sector the consequences of which are well known. Against the background of this committee’s report that RBI in 1998 directed all Public Sector Banks (PSBs), Regional Rural Banks (RRBs) and Co-operative Banks to introduce Kissan Credit Card (KCCS) on the line of the model scheme formulated by National Bank of Agriculture and Rural Development (NABARD) and in course of time the KCCS was adopted by all the directed agencies.\(^3\)

The instrument of Kissan Credit Card is one of the key products developed to improve the farmer’s accessibility to bank credit, simplify credit delivery mechanism and provide more flexibility in the use of credit.

As a pioneering credit delivery innovation, Kissan Credit Card Scheme aims at provision of adequate and timely credit support from the banking system.
to the farmers for their cultivation needs including purchase of inputs in flexible, hassle free and cost effective manner.

Under the earlier system, disbursal of short-term credit to agriculture was mostly through demand loan, but some banks had adopted system similar to that of cash credit, the facilities were, however, given for the period of one year or less, which necessitated execution of fresh documents each season. The withdrawals under both the systems were permitted largely through debit vouchers or through withdrawals from the saving accounts where the cash components were credited. As far as the ‘kind component’ is concerned, payments were made through banker’s cheques. As a result the withdrawals were usually bunched at the beginning of the crop season and the repayments at the end of season, when the farmers were able to generate cash after harvesting and marketing their produce.

Thus, the main weaknesses of the erstwhile system of short-term credit delivery were following. Firstly, for each crop farmers were required to file separate application and complete all formalities for obtaining loans, which obviously involved a lot of paper work in completing the paperwork for getting crop loan. Secondly, there were restrictions in terms of withdrawals and repayments. The system did not allow farmers to use credit limits as a regular cash credit for meeting their production requirements as and when they wanted. Thirdly, the approach did not make any allowance for income from other ancillary activities, repayment capacity, post harvest and other household requirements in determining the loan amount. Fourth, the credit was disbursed partially in cash and partially in kind and payment in kind was made directly to the suppliers of inputs. The direct payments to input suppliers had led to distortions such as limited choice of input suppliers or dealers. Fifth, the farmers were also required to submit a no dues certificate each time while taking fresh loans.

As against the old system, which was evidently restrictive the KCC scheme has several advantages over the traditional mode of providing access to short-term credit. Firstly, the cards as envisaged under the scheme can be used like ordinary credit cards and have provisions such as revolving cash credit facility involving any number of withdrawals and repayments within the prescribed limit. Secondly,
the limit of credit is fixed on the basis of operational land holding, cropping pattern and scale of production credit requirement. Thirdly, there is flexibility for repayment of loan, and repayment is made through slips/cheques accompanied by card-cum-passbook. Fourth, in case of crop failure or damage to the crops due to natural calamities, the system allows borrowers to get their loans rescheduled. Fifth, the card is valid for three years and is subject to only an annual review, which means fewer formalities in completing the paperwork. Six, a new feature that has been introduced recently provides for a personal insurance cover ranging from Rs.25,000 to Rs.50,000 to all cardholders, against permanent disability or accidental death.⁵

Keeping in the view of above facts the present study has been undertaken with specific objectives to analyze the impact of Kissan Credit Card Scheme on agricultural income and productivity. It was also tried to analyze the role of the scheme to reduce the agricultural indebtedness and to suggest policy measures for better implementation of the scheme.

1.2 Statement of Problem

Ashoknagar is one of the most agriculturally less developed and distressed districts of the Madhya Pradesh. Most of the people of this district live in rural areas and depend on agriculture and its ancillary activities for their livelihoods. They are required credit for their agricultural inputs and other credit requirements. Due to dependency on agriculture and its ancillaries activities and no other sufficient employment opportunities for them, their condition become miserable and large number of people faces terrible hardships due to unemployment and inadequate income opportunities. The farmers are dependent economically on the money lenders for their credit requirements of their area. They give credit at high interest rate and push them under the vicious circle of indebtedness and poverty. Their deteriorating socio-economic condition makes them unable to oppose the atrocities committed on them by money lenders. Keeping the above factors in view, how can Kissan Credit Card Scheme be useful for raise their income level, agricultural productivity and minimizing the problem of indebtedness in the study area, there for, it needs an empirical research.
1.3 Significance of the study

The study shows the impact of Kissan Credit Card Scheme on agricultural income, productivity and indebtedness. This study also identifies the major constraints of the scheme and suggests the better way to implementation of the scheme. The study will be more beneficial for the RBI & NABARD, for the bankers and policy makers to make some important decisions and to make policy measures to improve their performance. The study will be helpful to the academicians and researchers for further study in this respect.

1.4 Objectives of the Study

The present study has the following objectives:

1. To examine the adequacy of credit extended under Kissan Credit Card Scheme.

2. To examine credit utilization pattern and its repayment performance of the borrowers.

3. To study the impact of Kissan Credit Card Scheme on agricultural income and productivity of sample farmers.

4. To analyse the role of Kissan Credit Card Scheme to reduce the agricultural indebtedness among sample farmers.

5. To evaluate the impact upon the efficiency of rural credit delivery system and identify the major constraints, if any of Kissan Credit Card Scheme.

6. To suggest measures for better implementation of the KCCS.

1.5 Hypotheses

The above mentioned objectives would suggest the following hypotheses:

1. Kissan Credit Card Scheme is providing adequate and timely support to the farmers.

2. KCCS helps to increase the agricultural income and productivity of farmers.

3. KCCS helps to reduce the agricultural indebtedness among farmers.
1.6 Limitations of the Study

Constraints on time and finance forced the researcher to select limited area for the study. Hence, results are largely applicable to those areas where similar conditions prevail. Since data was collected by survey method, the inherent lacunas associated with this type of enquiry have crept into the study. Even though, the estimates were provided by the recall memory because of the non-maintenance of the farm records, sincere efforts have been bestowed to elicit accurate and reliable information as far as possible by cross questioning. However, the degree of discrepancy, if any, would be negligible as the estimates presented are in averages.

The non-availability of secondary data on number of KCC issued, amount sanctioned over the period of time (from 1998-99) led to analyze recent few years (only 2007 to 2010) data for calculating the growth rates.

1.7 Presentation of the Study

The entire study is presented in six chapters. The Chapter 1 gives an introductory note highlighting the rationale of the study, specific objectives, hypotheses and represents the reviews of the studies made in the past that are relevant to the objectives of the present investigation. Chapter 2 explains the methodology adopted in the study, including the study area, nature and sources of data, analytical tools and techniques used. The chapter 3 details the description of the study area. Chapter 4 details the description of Kissan Credit Card (KCC) scheme and other basic concepts. Objective wise data analysis and interpretations are given in Chapter 5. Finally, sixth chapter is all about findings, suggestions and conclusions.
1.8 Review of Literature

A review of literature gives the investigator an excellent idea at the done in the field of one’s study and helps in the keeping in touch with recent developments in the field. The researcher is also to interpret the significance of his own results with the help of the related literature. Review of related literature is an important part of any research work. Review of literature ascertains:

- Whether someone has done some concrete work on the topic on which he/she intends to conduct research.
- Up to what extent development had been made on the topic.

This exercise eliminates the possibility of parallel research or research on a topic on which similar work had earlier been done or is in progress.

Keeping this purpose in mind, the relevant literature has been studied under following heads.

1. Growth of credit and KCC
2. Adequacy and timely support of Credit
3. Credit utilization pattern and repayment performance
4. Impact on agricultural income and productivity
5. Role to reduce the agricultural indebtedness
6. Impact upon the efficiency of rural credit delivery system
7. Constraints faced

1. Growth of credit and KCC

Patel (1999) elaborated features and need for KCC in India and recommended that bankers committees both at the block level and state level should monitor not only the number of KCC holders on quarterly basis but also examine the amount sanctioned, disbursed and utilized which have direct impact on crop production in the country. Besides feedback, utility and effectiveness of KCC scheme might be looked into in order to modify it to fit the needs of users than introducing uniform scheme in the country.
Udaykumar and Thattil (2001)\textsuperscript{7} examined the status of KCC in India and Kerala. They reported that a total of 28, 16,437 KCCs amounting to Rs. 3,108 crores were issued by 293 banks of which 152 were Central Co-operative Banks (51.88 \%) and 141 were RRBs (48.12 \%). The Central Co-operative Banks issued 27,69,000 KCC against which Rs.2,973 crores were sanctioned (95.66 \%). The RRBs issued 47,437 cards amounting Rs. 135 crores (4.34\%). The study also revealed that 86 per cent of KCC holders withdrew the amount as ready cash and remaining by means of cheques and utilized it mainly for agriculture purpose particularly for purchasing fertilizers and for paying labour charges.

Sinha, Sanjay and Patole, Meenal (2002)\textsuperscript{8} in their paper entitled “micro finance and the poverty of financial services: How the poor in India could be better served” said that the distribution of KCC accounts across the country was fairly even and all the major banks were participating in the programme. In discussion with bankers during the study it emerged them that the KCC was a useful financial device for their rural clients and that good progress had been made in its distribution.

Sriram, M.S. (2003)\textsuperscript{9} in this paper entitled “Micro finance and the state: Exploring arias and structure of collaboration” said that the Kisan Credit Card Scheme introduced in 1998-99 continued to grow and provide access to financial services to the rural areas. RRBs and the Co-operatives issued a significant proportion of the Kisan Credit Cards. To ensure that smaller farmers are also provided this facility. The floor limit of Rs.5000 for the card was also removed.

Shandilya, Tapan Kumar and Umesh Prasad (2003)\textsuperscript{10} stated in his book “Agricultural Credit and NABARD” that NABARD has acted as an apexes refinance and development institution in the field of agriculture and rural development of the country. In all the fairness, it can be said that NABARD’S performance is satisfactory and it can be made more functional if some improvements are brought about in the matter of it’s functioning, policy disposal of and business activities actually what is needed making available more resources at the disposal of NABARD and active co-operation of state government and agencies disbursing credit directly to the needy farmers.
Nagpure, S.C. and Thakare, A.B. (2005) in their paper “A view of Kisan Credit Card Scheme” Analyzed that tremendous in increasing rate of issue the number of Kisan Credit Cards to the farmers, it may due to Indian farmer’s more awareness about Kisan Credit Cards which they benefited, that’s why farmers gave more response for adopting the Kisan Credit Cards, similarly banks also play the important role to popularize the scheme at grass root level in the country.

Radhakrishna, R. & Panda, Manoj (2005) in their study “Macro Economics of Poverty Reduction: India Case Study” revealed that issuance of Kisan Credit Cards (KCCs) has been yet another step in the direction of expending farm credit. An average of about 90 lakh KCCs has been issued during the past five years 2001-01 to 2004-05, taking the aggregate to 511 lakh. Hitherto, KCCs were only for crop loans but in 2004-05, their scope was expanded to cover term loans. Hence, Commercial banks have replaced Cooperatives as the maximum issuers of KCCs.

Loganathan, P. and Ashokan, R. (2005) in their paper “Kisan Credit Cards Boon for Small Farmers” Analysed the progress of Kisan Credit Cards issued by various banks. That the banks Co-operatives hold the first position and issued 2.08 crores cards. Rs.48982.51 crores loan was disbursed to the farmers and per capita credit per kisan calculated to Rs.23049.28 in RRBs, 0.29 crores of Kisan Card loans issued to the farmers and Rs.8440.07 crores of loan amount disbursed. The per capita credit per kisan card calculated as Rs.29103.69 which is the highest per capita loan per kisan card among the banks. In case of Commercial banks 0.99 crores of Kisan Credit Cards issued and Rs.25309.99 crores of loan amounts disbursed. The per capita credit per kisan card calculated as Rs.25565.66 which holds the second position, so far the banks issued 3.36 crores loan disbursed Rs.82731.57 crores. The average per capita credit kisan card calculated as Rs.24622.49.

Dubey (2006) focused on the adoption of KCC in Uttar Pradesh among different regions and social classes. He found that since there was uneven development of different regions and social classes, the access to one of the most important innovation (KCC) was not even throughout the state. Only land and
household size had positive relationship with probability of a person of being a KCC holder. He suggested that, if the waste land was made cultivable to weaker section of society then there might be considerable improvement with respect to even distribution of KCC in the state.

Trivedi (2006) reviewed the status of KCC in Madhya Pradesh and concluded that only 40 per cent of total 65 lakh farmers have been distributed KCCs in the state against target of covering all the farmers by March 31, 2004. Except bank of Rajasthan no private bank had issued any KCC to the farmers. Out of 4, 17,314 cards issued, commercial banks issued 1, 80,745 cards, RRBs issued 63,002 cards and co-operative banks issued 1, 73,567 cards.

Anjanikumar et al. (2007) assessed the performance of rural credit flow in India, and identified the factors that influenced the choice of credit outlet and the possession of Kisan Credit Cards by rural households. Using NSS data for the years 1991-92 and 2002-03, it was revealed that access and distribution of rural credit, in general, increased but was skewed in favour of more developed states and within these towards better-off households. The poorer households were more dependent on non-institutional sources of finance. The use of Kisan Credit Card was encouraging and its distribution was less skewed. Age, male-headed households, household size, farm size, level of education, and self-employment in agriculture appeared as significant variables positively determining the choice of institutional sources of credit and possession of Kisan Credit Cards.

Kainth, Gursharan Singh (2007) in this paper entitled "Innovation in Rural financial system" said that scheme has been extended to cover tenant farmer, oral lessees, farmers to redeem debt from informal sources, besides providing long term as well as consumption credit during the period from 2001-02 to 2005-06 banks provided 59,093,000 Kisan Credit Cards to farmers to facilitate them to purchase farm inputs and other requirements. Share of commercial banks was 37% as against co-operatives and RRBs at 5 percent and 12 percent respectively.

Pandey, B.K. (2007) in his book "Rural Development" said that the coverage of small and marginal farmers has been satisfactory. The range of coverage is from 33% to cent percent. Thus if this sample is taken as a
representative of national scene, it is quite satisfying to note that small and marginal farmers have been adequately covered under Kisan Credit card scheme by banks.

**Kumar, Ankit (2007)** in the article “Kishan Credit Cards becoming increasingly popular with farmer” stated that The RBI report also stated that Andhra Pradesh, Karnataka, Maharashtra, Madhya Pradesh, Rajasthan, Orissa, Uttar Pradesh and Tamil Nadu showed better implementation of the scheme and accounted for more than 75 percent of the total credit cards issued by the banks. Goa, Jammu and Kashmir, Himachal Pradesh, Sikkim and other North Eastern states showed a relatively sluggish growth.

**Karmakar, K.G. (2008)** “Agriculture and Rural Development in North-Eastern India: The role of NABARD” he studied that the scheme made tardy progress during the initial period of its implementation in the NER. The compound annual growth rate of number of cards issued in the region during the period 2002-03 to 2006-07 was 54.3 per cent as against the national average of 20.1 per cent. The amount sanctioned during this period for the NER (North-Eastern Region) grew at 64.5 per cent per annum as against 29.9 per cent for the country as a whole. Testimony to the increasing popularity of this credit product innovation in the region.

**Swati Raju, (2010)** “Financial Inclusion: Enabling Inclusive GROWTH” said his paper that There has been a multifold increase in the number of KCCs issued since its inception in the late 1990s and the percentage share of both co-operative banks and commercial banks in the issuance of KCCs is above forty percent respectively with RRBs having a share of just about 13.5 percent.

**Anjani Kumar, K.M. Singh and Sinha, Shradhajali (2010)** “Institutional Credit to Agriculture Sector in India: Status, Performance and Determinants” said in his paper that the highest intensity in distribution of KCCs was observed in Punjab (2.02). The distribution of KCCs was more than two-times the number of operating households in Punjab. Some other states which have distributed more number of KCCs than the number of farming households are: Haryana (1.44), Andhra Pradesh (1.06) and Orissa (1.04). The performance of states like Assam,
Bihar, Himachal Pradesh and Jammu & Kashmir in distribution of KCCs has been dismal. For instance, only 5 per cent of the farming households in Jammu & Kashmir and 13 per cent in Assam have obtained KCCs. In Bihar and Himachal Pradesh, only about one-fourth of the farming households have received KCCs. The density of KCCs in terms of operational area varied from 0.07 / ha in Jammu & Kashmir to 1.76 / ha in Kerala.

Roy, A.K. and Jena, N. (2010) in their study on “Kisan Credit Card a Bailout from Hassle of Agricultural Credit: An Evaluation of working of KCC Scheme in Orissa through Cooperatives” said that since the inception of the KCC Scheme the Cooperative banks in Orissa have issued a total number of 29,17,307 KCCs to farmer members up to march 2008. The share of Cooperative banks in case of issue of KCCs is 78.90% which is much higher in comparison to commercial banks (11.61%) and RRBs (9.49%).

2. Adequacy and timely support of Credit

Gumaste et al. (1998) worked out cost of credit while studying the extent of borrowing, repayment and over dues of agricultural loans of farm families in Thane district of Maharashtra state. The items included were travelling, lodging and boarding, documents and interest paid on loan. The overall total cost of credit per borrower was Rs.3053.76. The overall travelling expense per borrower was Rs.13.98, expenditure incurred on documents was Rs.11.99, lodging and boarding expenses amounted to Rs. 50.00.

Singh and Sharma (1999) while studying the agricultural finance and management opined that the cost of loan was one of the important basic characteristic of a good loan and should be at a reasonable cost which involved not only interest rate but also fees for documents and services associated with grant of loan.

Rao (2003) felt that the Kisan Credit Card Scheme aimed at providing adequate and timely support to the farmers in a flexible and cost effective manner had not succeeded in its true spirit because of various stipulations and restrictions. Its operations seemed to be limited to only purchase of fertilizers from fixed
shops. A more farmer friendly credit card system needs to be operated so as to realize the objectives of the scheme.

Subbiah, A. and Selvakumar, M. (2005) in article "Regional Rural Bank and agricultural Credit" Economic development of our country can be achieved only through uplift of the village folk consisting of farmers, agricultural labours, artisans etc. Finance being the lifeblood of every commercial venture, availability of adequate funds at reasonable term is a must to insure speedily economic development of a village. Among the various institutional agencies engaged in rural finance, regional rural bank plays a significant role in financial the target groups in rural sector.

Goswami, Kumud Chandra (2010) “Role Of Farmers’ Club As A Model Micro Finance Institution For Rural Areas: A Case Study Of Some Selected Farmers’ Club Operating In Assam, India” he studied that The clubs are taking credit from the bankers mainly in the form of KCC (Kishan Credit Card) scheme followed by GCC (General Cash Credit) and the KCC is more popular for its simplicity in getting the card by them. The small entrepreneurs started taking loan by using KCC to finance their short term requirement and for the purpose of simplicity and incentives attached to it.

3. Credit utilization pattern and repayment performance

Jaya Sheela & Bindar (2000) in their study “Rural Finance” examined the problems of over dues and the reason for non-repayment of loan disbursed under different schemes from the RRBs in Karnataka. The study revealed that about 65 per cent of the beneficiaries had deliberately postponed the repayment of loans with the expectation that the Government would waive their loans in future. They observed that borrowers did not get credit in time and this led to misuse of credit. Owing to cumbersome procedures followed by the RRBs in sanctioning loans needy borrowers were forced to go to the private moneylenders than to the bank. Further, the borrowers had not been persistently asked to repay the loans.

Gulati, Ashok and Bathla, Seema (2002) in their paper “Institutional Credit to Indian Agriculture: Defaults and Policy Options” said that the RBI introduced
technological innovations in the rural financial system through mobilization of 'Kisan Credit Cards' to the farmers by the public sector banks. This is done basically to make easy and timely availability of short term credit to the rural households as well as to give them freedom to utilize loans for various purposes.

Kallur, M.S. (2005)\textsuperscript{31} Conducted a study on “Impact of Kisan Credit Card on flow of credit and Repayment Rate in a Backward Region” the study showed that the actual loan amount varied from minimum amount of Rs.5000/- to maximum of 3 lakhs. Consumption needs, to the extent of 20 percent, are also considered in the scheme it was observed that though the amount of loan was sanctioned to every farmer immediately there was no prompt repayment involved.

Rao and Sahu (2005)\textsuperscript{32} there is a gap between the amount required and sanctioned for crop production and other activities. A number of farmers have diverted loan amount towards purposes other than for which it was taken.

Yosisha, G.M. and Karjagi, Rajashekhar (2007)\textsuperscript{33} “Status of Kisan Credit Card: A case of KVGB, Dharwad” he studied that the small farmers/Marginal farmers conducted very few transaction using these cards. This was due to the low intensity of cropping of the farmers. Who cultivated under dry land cropping, since most of the farmers observed mono cropping, these transactions were of low frequency and amounts.

Mehrotra, Nripum et al., (2009)\textsuperscript{34} in their paper entitled “Financial Inclusion-An Overview” said that the joint studies conducted by NABARD and the financing banks on implementation of the KCC Scheme have confirmed that the Scheme was well received both by farmers and bankers and the flexibility in operations has resulted in improved loan recoveries.

Jamuna Rani, N. (2010)\textsuperscript{35} in her study on “User Expectation about Kisan Credit Card Scheme in PACBs” found that the simplified loan procedures and assured availability of credit has been endorsed only 3% of the sample respondents. As many as 41% of sample farmers have felt that absence/inadequate non-farm income as an important reason for the non repayment through Kisan Credit Card followed by low crop intensity and a majority of sample farmers 44
percentage have felt that not only the size of land but also cost of production should be taken into consideration while fixing the credit limit. 28 per cent of the sample farmers expect that there must be a close link between Kisan Credit Card and crop insurance.

4. Impact on agricultural income and productivity

Kunjukunju (2000)\textsuperscript{36} assessed the impact of bank loans on the income of the 495 respondents in Kerala. A multi-stage sampling technique was designed to draw sample borrowers of bank. Primary data were collected from sample respondents through personal interview with the help of a schedule specifically designed for the purpose. The impact of loan on income, region-wise distribution of the mean income of the beneficiaries in the pre-loan and post-loan period was analyzed. It was concluded that the borrowers who obtained credit have improved their income in the post-loan period compared to that in the pre-loan period.

Kamath, R.J. (2000)\textsuperscript{37} in his paper said that the Kisan Credit card Scheme requires lot of publicity to bring required awareness among the farmers so that all farmers in the services area villages are covered under the scheme. Besides reducing the transaction cost, the scheme emphasizes on timely and adequate credit which will directly help in improving the production levels and productivity.

Bhattacharya, Kalimohan (2002)\textsuperscript{38} in his book “Role of Banks for Poverty Alleviation” said that the progress of the scheme in the state showing satisfactory trend, banks are taking active interest in introducing Kisan Credit Card in the state of Rajasthan. The data revealed that Commercial Banks & RRBs operating in the state have issued KCC to cover sizeable number of farmers in the state. The spontaneous spurt observed in the scheme as compared to the progress of last year indicates the utility and popularity of the cards amongst the farmers to facilitate increased agricultural production.

Hosamani S.B. (2002)\textsuperscript{39} in his book “Performance of Regional Rural Banks” said that the farmers were capable of generating a higher level of income due to the shift towards commercial crops in their cropping pattern and the use of more inputs in their production pattern which had increased the productivity.
Fayaz, Mohammad et al. (2006)\textsuperscript{40} concludes that ZTBL credit scheme had positive effect on crop production and income of growers and it is likely to be an effective tool for development of agriculture provided the distribution of credit is made with justice and the procedures are made easy.

Subodhkumar et al., (2008)\textsuperscript{41} conducted study on income and employment status among the self-help group members in dairy in Bareily district of Uttar Pradesh. The study revealed that majority of self-help group members (44\%) were in medium income category (Rs. 22000-28000/year) and employment status between 400-500 man equivalent days per year. The employment status of SHG members was found to be positively and significantly correlated with land size.

Suresh (2008)\textsuperscript{42} analyzed the impact of micro finance on the empowerment of rural women in tank management project area of North Karnataka. He found that nearly 50 per cent of the respondents were from middle age group, 50 per cent illiterate and only 3.33 per cent had completed their college. Nearly 93.33 per cent of them were married, 43.3 per cent of the respondents were found from general category. Majority of the beneficiaries were practicing agriculture as main occupation. The percentage change in income of the beneficiaries from before and after dairying in the study area was 41.12 per cent and 94.90 per cent.

Subbiah, A. and Jeyakumar, S. (2009)\textsuperscript{43} in their paper “Kisan Credit Card Scheme-Benefit to Agriculturist” suggested that KCC Scheme helps for the betterment of the farming community of our country. It helps to improve the standard of living of the farmers in rural arias and paves the way for the rural and economic development of our country.

Thamilsaran, S. (2009)\textsuperscript{44} studied the impact of institutional credit on employment, income, occupation and assets of the borrowers. He found that the employment generation increased by 44.61 per cent over a pre loan period, average income increased by Rs. 577.84 per house. He recommended that there should be a mechanism to monitor proper utilization of credit in order to increase employment generation. Also retail trade in consumer durables might be encouraged in rural areas to improve their living conditions.
5. Role to reduce the agricultural indebtedness

Mukherjee, Arindam (2003)\textsuperscript{45} in his article “Have Card, Will Farm” said that some farmers have turned into moneylenders themselves. They take low-cost credit through the scheme and lend it to others at a higher interest rate. In addition, Co-operative Banks (which account for nearly two-thirds of the disbursements) have been known to be lax in their operations. Other banks too are not obliged to ask for proof (in the form of receipts or anything) in case the loan amount is less than 3 lakh. The farmers have to show funds equivalent to the loan in their bank accounts at the end of 12 months; but the smart ones put in the money for a day and take it out the next.

Singh and Sekhon (2005)\textsuperscript{46} made a study on cash in benefits of the Kisan Credit Card scheme. The results revealed that major sources of the farm credit in the case of all the farm classes, was co-operative credit almost all these respondents were in the practice of availing of credit in kind in the form of fertilizer and also in pesticides. The average amount availed by per borrower showed increasing trend with increase in the farm size. But the number of medium farm KCC beneficiaries was comparatively lower at 65.75 per cent. Besides accessing co-operative credit 30.77 per cent of the small and 28.95 per cent of the medium KCC beneficiaries were observed to be still in the grip of money lenders.

Deepak Kumar (2005)\textsuperscript{47} in the paper “Roles of the Banking Sector in Indian Agriculture: A Paradigm Shift” said that it was expected that with the introduction of the Kisan Credit Card, the farmer’s condition will improve and they will be less dependent on moneylenders, but in reality farmers now are more dependent on moneylenders because of the lack of proper implementation of the policies laid down for the benefit of farmers and bureaucratic hurdles in getting credit from banks.

Veduriswar, A.V. (2005)\textsuperscript{48} in his paper “A New Currency for Change” said that lack of access to formal credit, is particularly felt when meeting unforeseen expenditures. Over 90 per cent of households report financing unusual expenses from cash at home, while the second most important source of financing such expenses is informal loan from family, friends, or moneylenders. Newer
sources, such as the recently introduced Kisan Credit Cards, are still playing an insignificant role as far as the rural poor are concerned.

Radhakrishana, R. (2007)\textsuperscript{49} “Report of the Expert Group on Agricultural Indebtedness” said his report that the share of agriculture in total bank credit of the scheduled commercial banks fell below the 18 per cent target. In recent years, in response to the agrarian crisis, there have been a number of initiatives to expand credit to agriculture such as the doubling of credit within three years, the issue of Kisan Credit Cards (KCCs), the introduction of institutional agencies such as agency banking and extension of the model of Self-Help Groups (SHGs) to farmers, the revitalization of the cooperative credit structure and the Government’s acceptance of the principle of inclusive banking.

Singh, S.P., Gangwar, B. & Singh, M.P. (2008)\textsuperscript{50} in their paper entitled “Economics of Sugarcane-based farming system in Western Utter Pradesh” said that the marginal and small farmers were more dependent on non-institutional agencies for credit. It can be interpreted that large farmers were more sound financially than other farm categories. It was also observed that about 79 per cent farmers were not having Kisan Credit Cards (KCC), i.e. only about 21 per cent farmers were holders of KCC.

B.B. Barik (2010)\textsuperscript{51} in his study “kisan credit card scheme – a dynamic intervention for reduction in rural poverty” opined that realising the importance of enhancement of flow of credit to the rural sector and reduction of the dependence of farmers on non-institutional sources of credit.

6. Impact upon the efficiency of rural credit delivery system

Singh and Sharma (1999)\textsuperscript{52} while studying the agricultural finance and management opined that the cost of loan was one of the important basic characteristic of a good loan and should be at a reasonable cost which involved not only interest rate but also fees for documents and services associated with grant of loan.

Ganai et al. (2004)\textsuperscript{53} from a survey of three districts in Kashmir valley noticed that either the cost of credit was too high or there were difficult procedures for obtaining the credit in the case of livestock.
Rana Prasad, Siva P. (2005) in the paper "Kisan Credit Card: value addition through Automatic Teller Machine" said that Kisan Credit was introduced by all commercial banks to provide hassle free and revolving credit to Agriculturist. The scheme also provides for consumption needs of agriculturists, apart from agricultural production needs in time. It is an innovative product designed by the government in consultation with RBI/NABARD. This product has been suitably improved from time to time based on the feedback received from the ultimate users. The facility of issue books to KCC borrowers is one of the important improvement this is in recognition of the growing needs and expectations of agriculturists who are keeping pace with the changing time. Infect KCC has helped in empowering farmers and instilling in them a sense of self-confidence and self-esteem.

Basu, Priya (2006) in her book “Improving access to finance for India’s rural poor” said that the borrowers appear to have found this scheme quite useful because of the ease with they can access credit and renew loans on a yearly basis, once the initial screening has been alone, the reduction in number of visits required to branches, the choice/freedom of purchase inputs and operation of accounts at the designated branches. KCCs have substantially reduced the paperwork and delays associated with renewal of crop loan.

Golait, Ramesh (2007) “Current Issues in Agriculture Credit in India: An Assessment” said in his paper that The KCCS has emerged as the most effective mode of credit delivery to agriculture in terms of the timeliness, hassle-free operations as also adequacy of credit with minimum of transaction costs and documentation.

7. Constraints faced

Danish faruqui (2001) in his study “Kisan Credit Card” opined that the scheme seems well thought of and full of good intentions. Not only has availability of credit been made easier but has also been made simple to get and operate. Farmers have been given sufficient freedom to decide how to use their credit, while at the same time a set repayment schedule has been provided.
However for this scheme to be successful, education of both the farmers and also the bank officials about the scheme is required.

Sidhu and Gill (2006)\textsuperscript{58} analyzed issues of agricultural credit and indebtedness in India. They concluded that farmer suicides were reported from those states which are relatively more advanced forerunners in commercial agriculture like Andhra Pradesh, Karnataka, Kerala, Maharashtra and Punjab. In Karnataka, farmer’s dependence on informal sources of credit was quite high (31.10 %). In majority of the cases, the suicide victim farmers had used loan for investment in agriculture and belonged to the category of small and marginal farmers. This indicated breakdown of community sense and social support mechanism in the area of highly commercialized and competitive agriculture.

Mohan (2006)\textsuperscript{59} reviewed status and issues of agricultural credit in India and concluded that though overall flow of agricultural credit in India had increased over the years there were several gaps in the system like inadequate provision of the credit to small and marginal farmers, paucity of medium and long term lending and limited deposit mobilization and heavy dependence on borrowed funds by major agricultural credit borrowers.

Satyasai, K.J.S. (2008)\textsuperscript{60} in the paper “Rural Credit Delivery in India: Structural Constraints and Some Corrective Measures” said that the Kisan Credit Card improved the farmer’s accessibility to bank credit, simplified credit delivery procedures and provided more flexibility in use of credit. However, some areas of concern remain to be addressed like low level of awareness among farmers which reference to the right use of KCC, inoperative accounts, etc.

Mechler, R. et al., (2008)\textsuperscript{61} in their paper said that only a few big farmers have access to financial services such as Kisan Credit Cards (KCC) and historically only some of them have taken loans for agriculture. According to responses in the survey conducted for this project, none of them are aware of the crop insurance that KCC holders have access to. They are only aware of the built-in life insurance benefit of the KCC. This is surprising considering that in some villages, for instance Satguru, farmers are growing high investment, high risk banana crops. In the canal irrigated villages, e.g. Koharwal, about 100 households
have KCC. They all consider that it is a good scheme as the loans are provided at low interest rates (7-9%). But even here none of the KCC holders, including the village pradhan (the elected village leader), are aware of the crop insurance aspect of the KCC. Obviously banks and extension agencies of the government have not done enough for raising awareness on this issue.

Karmakar, K.G. and Mohapatra, N.P. (2009) in their paper entitled “Emerging Issues in Rural Credit” said that the joint studies conducted by NABARD and the financing banks on implementation of the KCC Scheme have confirmed that the Scheme was well received both by farmers and bankers and the flexibility in operations has resulted in improved loan recoveries. For many banks, some ground level constraints like adoption of selective approach in identifying beneficiaries, reluctance to extend KCC facility in mono-crop areas, levy of costly service charges and levy of stamp duty by some of the State Governments for issuing loans under KCCs, were observed.

Sarangi, Umesh Chandra (2010) “Report of the Task Force on Credit Related Issues of Farmers” in his report said that Internal district reports of NABARD also bring out the weaknesses in the implementation of the scheme in terms of not providing cheque book withdrawal facility to KCC-holders, restrictions on number of transactions, fixing low credit limit by some bank branches and significant differences in service as well as inspection charges levied by banks. Such weaknesses in implementation arise from a lack of understanding of the spirit of the scheme by the bank branch officials.
REFERENCES


