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Title of the research project: **A STUDY OF EFFICACY OF KISAN CREDIT CARD SCHEME
AND IT'S IMPACT ON FARMERS IN SOLAPUR DISTRICT OF MAHARASHTRA**

SUMMARY OF THE FINDINGS

The role of commercial banks and cooperative societies has been remarkably significant, due to the availability of refinance from NABARD. The agency-wise share of credit flow reveals that agricultural credit disbursement is dominated by commercial banks, followed by cooperative banks and RRBs. However, the multi-credit product and multi-agency approach has some limitations. Hence policy makers felt, especially since the early nineties, an urgent need for integrated credit product for accelerating the growth process. The government announced during the budget speech for 1998-99 that NABARD would formulate a model scheme for issue of Kisan Credit Cards to farmers. The government pointed out that this scheme would facilitate the farmers with credit for purchasing agricultural inputs like quality seeds, chemical fertilizers, insecticides etc. The farmers could meet out their cash needs also with the help of Kisan Credit Card. This scheme intends to provide adequate and timely financial support from banks to the farmers. This scheme also aims at facilitating farmers for purchasing agricultural inputs in a flexible and effective manner.

The Kisan Credit Card Scheme, a new credit product, was introduced in August, 1998. There are three different sub-limits i) production, ii) assets maintenance and iii) consumption

needs. This has integrated into the multi-credit product system as it offers farmers a single line of credit through a single window for multiple purposes. This scheme facilitates the access to short-term credit for the borrowers from various banks. The scheme also ensures adequate and timely supply of short-term credit to the farmers to meet their crop production needs. The Kisan Credit Card Scheme allow farmers to purchase agricultural inputs like fertilizers, seeds, insecticides etc. and also allow them to withdraw cash to meet out other expenses.

The old system availed the short-term credit through demand loan or crop loan. Under the demand loan system, loans were sanctioned on crop specific basis. Farmers had to submit fresh documents each season. The sub limit of credit was generally used fully by the farmers. However, withdrawal facility was not made available. Under these limits withdrawals were permitted only through debit slips or banker's cheques. Due to this, withdrawals were bunched at the initial stage of crop season. The repayments were made at the end of the season after harvesting and marketing agricultural produce, when farmers were able to earn income. The Kisan Credit Card Scheme allowed farmers to receive credit when it is absolutely required. The scheme provided financial liquidity to the farmers. Moreover, flexibility in loan process, timeliness, cost effectiveness and more importantly hassle free services to the farmers are other significant factors of this scheme.

The Kisan Credit Card (KCC) Scheme is being implemented in the entire country by vast institutional credit network. Commercial banks, Regional Rural Banks (RRBs) and cooperative credit societies have been lending farmers through this scheme. The scheme has got wide acceptability amongst bankers and farmers.

There are 11 tehsils in Solapur district. However, the investigator has selected only two tehsils on the basis of irrigation. The study area covers only Akkalkot and Pandharpur tehsils. Among the low irrigated tehsils Akkalkot tehsil has been selected and from the irrigated tehsils Pandharpur tehsil has been selected for the study. The researcher has randomly selected 50 farmers from each tehsils. The Bank of India is the lead bank of Solapur district. Hence, 50 borrowers of Bank of India (25 borrowers from each tehsil) have been selected. 50 borrowers of

cooperative credit societies (25 borrowers from each tehsil) have been selected. In all 50 respondents are borrowers of Bank of India and 50 respondents are borrowers of Solapur DCC bank, Solapur.

The study found that though the farmers are offered credit limit considering the scale of finance for the crop, most of the farmers have borrowed the loan amount below Rs. 1 lakh. It is accounted for 32 per cent and 38 per cent in Akkalkot and Pandharpur tehsils respectively. Taking together both the tehsils only 16 per cent respondents have borrowed the loan amount above Rs. 1 lakh. The impact of KCC on cost of borrowing remained quite positive. Moreover, the KCC Scheme has freed the farmers from money lender's debt trap. The scheme has also reduced the cost of renewal of loan account. As the banks provide credit at low rate of interest and subsidy/subvention from the government the cost of borrowing under KCC Scheme is substantially reduced. The scheme has also effected on cropping pattern in the study area. 69 per cent farmers responded that there is an impact of KCC on cropping pattern. 31 per cent respondents in study area reported that they continued the earlier crops even after taking benefit under the scheme. The farmers also responded that they are availed timely credit. Such respondents accounted for 95 per cent.

Farmers consider KCC Scheme to be beneficial for them. The cardholders expressed their opinions in this regard. Farmers are availed credit whenever they require the same. The scheme is very useful in meeting the credit needs for crop cultivation for entire year. The flexible services involving drawing cash and repayment proved to be helpful to the farmers. The easy availability of credit enabled the farmers to purchase the inputs from dealer of their choice and that too at competitive price. Moreover, the KCC has lowered the cost of credit for availing the loan from bank. It has also reduced the interest amount due to flexibility in drawal and repayment. Farmers are also given the benefit of *Rashtriya Krushi Bima Yojna*, i.e., National Agricultural Insurance Scheme.

It is evident from the study that this scheme has immensely helped the respondents to meet out the credit needs for farming activities. But it must be noted here that the credit extended under KCC Scheme by the banks is not adequate. However, the KCC assures the farmers by

fixing the credit limit for three years without hassles of documentation procedures. It is also observed that farmers have not used the flexibility in operation properly, in spite of offer to draw or deposit the amount. The cardholders are not permitted even to draw the amount from any other branch. The banks have also not encouraged to the farmers to draw or deposit the amount frequently as per their needs. It is attributed to the fear of addition to the workload of the branch, loss of the interest to the bank etc.

In order to make the KCC Scheme more effective the study suggests that the condition of mortgage should be waived. This would facilitate the farmers for getting maximum loan within the loan limit under the KCC Scheme. The condition of stamp duty required for seeking loan should be removed. Moreover, the scope of KCC Scheme needs to be expanded so as to keep low space for the informal credit sources like moneylenders or landlords. The farmers should be habituated with the operation of cards as the e-banking and e-transactions system has already entered in banking and financial sector. The farmers should be promoted to use the credit cards. Farmers should make aware with the elements of KCC Scheme and its nature as evolving cash-credit. Farmers must be oriented to draw the amount as and when they feel it necessary and make the repayment of the same soon after getting enough cash with them.

The farmers should be sensitized on this scheme. Still some farmers are not included in the purview of this scheme. An attempt should be made to include the farmers, especially small and marginal farmers. The study also suggests that all the short term credit requirements should meet out under KCC Scheme. The crop loan and other production credit needs for non-farm activities should be covered under this scheme.

The benefit of interest subsidy and subvention is offered to the borrowers who make prompt repayment of the loan. But the borrowers, who are poor and belong to vulnerable section, cannot repay the loan due to financial constraints. Hence, it may be suggested that banks should allow such farmers to make the repayment of loan during extended period of 3 to 4 months. This will offer relief to the poor borrowers as they would not need to make the payment of interest at higher rate.

The scheme should be made more transparent. The farmers should be made aware of details of the scheme, i.e., loan amount, loan limit, periodicity of fees and charges, repayment schedule etc. It may also be suggested that farmers should be provided with a statement of various facilities available to the farmers under the KCC Scheme. The study also concludes that the KCC should be given a status of multipurpose card. The banks may offer add on features to this scheme. The loans like consumption loan, term lending etc. may be advanced through the KCC Scheme. The benefits under different government schemes may also be given to the farmers through the scheme. This scheme may also envisage the benefits of insurance to the borrowers.