



A Study on the Utilization Pattern and Adequacy of Kisan Credit Card among the Farmers of Sirsa District

Abhey Singh¹, Shakuntla Sihag² and Kiran³

¹ Professor, Department of Economics, Chaudhary Devi Lal University, Sirsa-125055

¹ Assistant Professor, Department of Economics, I.G.P.G. Govt. College Tohana, Fatehabad.

¹ PH.D Research Scholar, Department of Economics, Chaudhary Devi Lal University, Sirsa-125055

ABSTRACT

The present study is based on a random sample of 180 farmers consisting of 90 KCC beneficiary and 90 non-KCC beneficiary farmers by selecting three bank branches of Punjab national bank, Regional rural bank and Co-operative bank one from each have been selected from Sirsa, Dabwali and Rania blocks of Sirsa district, respectively. The primary data were collected for the year 2014-15. This study aims to analyse the utilization pattern and adequacy of credit provided through KCC by the beneficiary farmers in Sirsa district. For examining the utilization pattern Simple percentage method was used while to examine adequacy of credit amount sanctioned under KCC scheme both method average and percentage were computed to draw meaningful inferences. The study showed that most of the part of credit provided through KCC scheme to the farmers was misutilized by them in the study area. The study also revealed that the credit provided through KCC scheme for the selected crops i.e. wheat and paddy was inadequate in the district as well as across the various categories of farmers i.e. small, medium and large. The credit gap was found positive for both of the selected crops i.e. wheat and rice. It was found higher for paddy crop as compared to wheat crop in the study area. This study also suggests that more extension staff should be deployed by authorities to the bank branches to monitor the farmers for proper utilization of the credit availed under the KCC scheme.

Key Words: Kisan Credit Card, Utilization Pattern, Credit Gap and Adequacy of Credit

¹ Professor, Department of Economics, Chaudhary Devi Lal University, Sirsa-125055

² Assistant Professor, Department of Economics, I.G.P.G. Govt. College Tohana, Fatehabad.

³ PH.D Research Scholar, Department of Economics, Chaudhary Devi Lal University, Sirsa-125055

Introduction

Kisan Credit Card scheme was introduced in 1998-99 as a credit delivery mechanism to full fill the farmer's needs related to crop production. As a pioneering credit delivery mechanism, KCC scheme was developed to improve the farmer's accessibility to bank credit and provide more flexibility in use of card. To complete short term needs for cultivation of crops, the scheme aims at providing adequate and timely credit in a hassle free manner. The guidelines of the scheme have revised in the year 2012 by the NABARD and RBI incorporating many new features over and above the financing of short term credit requirements for cultivation of crops and investment credit requirements. In the earlier KCC scheme, eligible farmers were provided with a Kisan Credit Card and a pass book or card-cum-pass book. Now the KCC scheme has been simplified and KCCs converted into smart card-cum-debit/RuPay cards to facilitate its operations through ATMs. From the year 2015, the KCC holders also covered under Atal Pension Yojana. The revised scheme provides broad guidelines to banks for operationalizing the KCC scheme. The KCC scheme from its time of launch is being run in Haryana and the farmers are having benefit by availing credit through this scheme to fulfil their crop production needs and allied activities. Thus, by carried out a primary data based study in Sirsa district of Haryana an attempt has been made to analyse the utilization pattern and adequacy of credit provided through this scheme which will be helpful in providing a real scenario of credit utilization and requirements of the farmers in study area. This study has been carried out with the following specific objectives:

Objectives of the study

1. To analyse the utilization pattern of credit availed through KCC by the beneficiary farmers in Sirsa district.
2. To analyse the adequacy of credit provided through KCC scheme in Sirsa district.

Methodology

In order to achieve stipulated objectives of the study, the present primary data based study has been carried out in Sirsa district of Haryana by selecting the Sirsa, Dabwali and Rania on the basis of maximum area covered under two major crops wheat and paddy in Sirsa District. In Sirsa district, PNB bank, Regional Rural bank and co-operative bank agencies were chosen for the blocks Sirsa, Dabwali and Rania, respectively. One branch from each of the three banks has been chosen randomly in the district. Thus, a total no. of three bank branches has been selected in the study area. Further, the proportionate sampling method, 71:21:8 per cent of total sample has been used in order to select sample size as during the year 2012-13 total no. of cards in Haryana were issued accordingly. from the selected bank branch, 30 KCC beneficiary farmers for the each category of farmers as small, medium and large who had availed loan under KCC scheme were randomly selected according to this proportion in the study area. Additionally, from the same study area, the corresponding numbers of farmer borrowers in each of these categories who had not availed credit under the KCC scheme were also selected randomly to have a comparative analysis. Thus, a total of 180 farmers, consisting 90 KCC beneficiary and 90 non-KCC beneficiary farmers had been taken

and interviewed with well structured and pre-tested questionnaire (Schedule method) for the present study. The primary data were collected for the year 2014-15. Simple percentage method was used for examining the utilization pattern while to examine adequacy of credit amount sanctioned under KCC scheme both average and percentage method were computed to draw meaningful inferences.

Results and Discussion

The results related to the stipulated objectives of the present study have been presented in the following tables as given below:

Table 1 reveals the finding of the study on utilization pattern of credit availed through the KCC scheme (by amount of credit) in Sirsa district. It has been observed that most of the availed credit (61.12 per cent of the total amount) was utilized for such activities for it was not drawn.

Table 1
Utilization Pattern of Credit Availed through KCC in Sirsa District
(By Amount of Credit Utilized)

(in rupees)

| Utilization of Credit | Categories of Beneficiary farmers | | | |
|-----------------------|-----------------------------------|-------------------------|-------------------------|-------------------------|
| | Small | Medium | Large | Total |
| Fully utilized | 2526298.00 (40.50) | 7459419.60 (61.11) | 6266305.00 (26.83) | 16252022.60 (38.88) |
| Totally misutilized | 3711293.72 (59.50) | 4747155.96 (38.89) | 17087076.96 (73.17) | 25545526.64 (61.12) |
| Total | 6237591.72 (100.00) | 12206575.56 (100.00) | 23353381.96 (100.00) | 41797549.24 (100.00) |

Source: Field Survey

Note: Figures within the parentheses are percentages to the total.

Only 38.88 per cent was utilized for the purpose it was taken under KCC scheme i. e. for purchasing the agricultural inputs such as seeds, fertilizers, human labour etc. Among the various groups of farmers, maximum proper utilization was noticed in the case of medium KCC beneficiaries (61.11 per cent), followed by small beneficiary farmers (40.50 per cent) and the large beneficiary farmers (26.83 per cent). In other words misutilization was the highest in the case of large farmers with 73.17 per cent and the minimum in case of medium farmers with 38.89 per cent. The above discussion indicates that the major part of the total amount borrowed under KCC scheme was not utilized for the cultivation of crops and other requirements related to farming for which loan was taken.

Table 2 and 3 shows the findings on misutilization pattern of credit availed through KCC scheme in Sirsa district.

Table 2
Misutilization Pattern of Credit Availed through KCC in Sirsa District
(By Number of Beneficiary Farmers)

| Reasons for Misutilization | Categories of Beneficiary farmers | | | Total |
|----------------------------|-----------------------------------|--------------|--------------|---------------|
| | Small | Medium | Large | |
| Social ceremonies | 8 (26.67) | 4 (13.33) | 7 (23.33) | 19 (21.11) |
| House construction | 5 (16.67) | 5 (16.67) | 7 (23.33) | 17 (18.89) |
| Settling old debt | 6 (20.00) | 4 (13.33) | 4 (13.33) | 14 (15.56) |
| Capital expenditure | 2 (6.67) | 1 (3.33) | 6 (20.00) | 9 (10.00) |
| Non-farm business | 2 (6.67) | 3 (10.00) | 3 (10.00) | 8 (8.89) |
| Plot purchasing | 0 (0.00) | 0 (0.00) | 4 (13.33) | 4 (4.44) |
| Other expenditures* | 4 (13.33) | 4 (13.33) | 5 (16.67) | 13 (14.44) |

Source: Field Survey

Note: Figures within the parentheses are percentages to the total.

*The main component of other expenditures is sub-lending.

The tables reveal that social ceremonies were found to be the main reason for misutilization of credit with 21.11 per cent (in terms of the number of farmers) and 25.68 per cent share (in terms of credit amount). The other important reasons for misutilization of credit were house construction and settling of old debts with 18.89 and 15.56 per cent (in terms of the number of farmers) and 21.13 and 9.57 per cent (in terms of credit amount) share respectively. As the figures in table 6.3 reveal that 14.44 per cent farmers in the district misutilized the loan amount for sub-lending and meeting various types of expenditure. Plot purchasing as a reason for misuse was reported by 4.44 per cent farmers. Across the various categories of farmers, in case of small farmers, social ceremonies were the main reason for misutilization of credit while house construction was the main reason in case of medium farmers. Both types of reasons were also found in large farmers as 23.33 per cent farmers admitted that they misutilized the loan amount in social ceremonies.

Table 3
Misutilization Pattern of Credit Availed through KCC in Sirsa District
(By Amount of Credit Utilized)

(in rupees)

| Reasons for Misutilization | Categories of Beneficiary farmers | | | Total |
|-------------------------------|-----------------------------------|------------------------|-------------------------|-------------------------|
| | Small | Medium | Large | |
| Social ceremonies | 1120507.26 (30.19) | 1508064.00 (31.77) | 3931007.36 (23.01) | 6559578.62 (25.68) |
| House construction | 897552.30 (24.19) | 1174082.26 (24.73) | 3327514.80 (19.47) | 5399149.36 (21.13) |
| Capital expenditure | 243203.00 (6.55) | 447046.60 (9.42) | 2874847.34 (16.83) | 3565096.94 (13.96) |
| Plot purchasing | 0.00 (0.00) | 0.00 (0.00) | 3360034.90 (19.66) | 3360034.90 (13.15) |
| Settling old debts | 1103091.74 (29.72) | 260218.46 (5.48) | 1080870.00 (6.33) | 2444180.20 (9.57) |
| Non-farm business | 191967.42 (5.17) | 545343.50 (11.49) | 858184.90 (5.02) | 1595495.82 (6.25) |
| Other expenditures* | 154972.00 (4.18) | 812399.70 (17.11) | 1654617.66 (9.68) | 2621989.36 (10.26) |
| Total loan amount misutilized | 3711293.72 (100.00) | 4747155.96 (100.00) | 17087076.96 (100.00) | 25545526.64 (100.00) |

Source: Field Survey

Note: Figures within the parentheses are percentages to the total.

*The main component of other expenditures is sub-lending.

Table 3 reveals the misutilization pattern (in terms of credit amount) by beneficiary farmers in Sirsa district. The total misutilized amount on social ceremonies in Sirsa district was reported to be Rs. 25545526.64 followed by house construction and capital expenditure activities with rupees 5399149.36 and 3565096.94 respectively. The loan amount used for non-farm business was reported to be Rs. 1595495.82. Across the different categories of farmers, social ceremonies were found the main reason for misutilization of the loan in case of medium and large farmers while in case of small farmers, settling of old debts was the main reason for misutilization as the largest chunk of farmers utilized the credit (29.72 per cent) for settling old debt. In case of small and medium categories of farmers, no part of misutilized amount was used in plot purchasing, while, in large beneficiary farmers, out of the total misutilized amount, 19.66 per cent was utilized for purchasing the plot.

The details of the findings related to adequacy of wheat crop for the district Sirsa have been presented in table 4.

To estimate the adequacy of credit, the average cost of cultivation as a credit requirement of the beneficiary farmers was taken into consideration and compared with the average amount sanctioned under the KCC scheme by banks for the selected crops. The difference of the two has been considered to be the credit gap. If the credit gap was positive it indicated that the credit limit provided under KCC scheme was inadequate and if it was zero or negative in that case it implied it was sufficient or adequate, respectively. In addition to it, the credit gap was also estimated over the variable cost for particular crops to know that the credit limit sanctioned under the scheme covers the variable cost or not. But it was not taken into consideration to estimate the adequacy of credit on the farm.

Table 4 shows the findings of the study on adequacy of credit for wheat crop in Sirsa district. It revealed that the credit provided through the scheme for this crop was inadequate in the district as well as across the various categories of farmers. The average amount sanctioned to the beneficiary farmers in the district was Rs. 27164.55 and credit requirement was Rs. 43937.60. Among the various categories of farmers, the amount sanctioned per acre was the highest in the case of small farmers (Rs. 27380.76) followed by medium (Rs.27177.72) and the small farmers (Rs.27099.96). The credit requirement per acre for wheat crop was Rs. 42578.66 in case of small, Rs. 44006.94 in case of medium, and Rs.44263.52 for large farmer category. It has been observed from the table that the credit gap was positive and high (38.17 per cent of the total cost of cultivation of wheat crop).

Table 4
Adequacy of Credit under KCC Scheme for Wheat Crop in Sirsa District

(in rupees per acre)

| Particulars | Categories of Beneficiary Farmers | | | Average |
|--|-----------------------------------|-----------|----------|-----------|
| | Small | Medium | Large | |
| Average variable cost of cultivation | 15697.11 | 16904.75 | 17142.69 | 16857.84 |
| Average total cost of cultivation | 42578.66 | 44006.94 | 44263.52 | 43937.60 |
| Average amount sanctioned | 27380.76 | 27177.72 | 27099.96 | 27164.55 |
| Credit gap from average variable cost | -11683.65 | -10272.97 | -9957.27 | -10306.71 |
| Credit gap from average total cost* | 15197.90 | 16829.22 | 17163.56 | 16773.05 |
| Credit gap as per cent of variable cost of cultivation | -74.43 | -60.77 | -58.08 | -61.14 |
| Credit gap as per cent of total cost of cultivation | 35.69 | 38.24 | 38.78 | 38.17 |

Source: Field Survey

Note: Adequacy of the credit was examined in this study by taking the credit gap estimated over total cost.

Across the various categories of farmers, the credit gap was found to be the highest in large farmer's category (38.78 per cent of the total cost of cultivation), while it was minimum in the case of small farmer's category (35.69 per cent of the total cost of cultivation). The table also highlights that credit gap per acre for the crop increased as the farm size increased in district Sirsa. Further, for the wheat crop credit gap was also estimated over the average variable cost. It was found that overall estimated credit gap was negative as Rs. 10306, which shows that the credit under KCC scheme covers all variable cost incurred on the farm. Thus, it is suggested that the credit limit provided through the KCC scheme should be extended to cover the cost other than variable cost.

The findings of adequacy of credit for paddy crop under KCC scheme in Sirsa district have been given in table 5. Table 5 exhibits the results of adequacy of credit for paddy crop in Sirsa district. The table shows that the credit limit sanctioned and required (average cost of cultivation) per acre for paddy crop on the farms of beneficiary farmers. The total cost of paddy crop per acre was estimated to be Rs. 54480.60 for small, Rs. 55410 for medium, Rs. 55589.89 for large and Rs. 55375.48 for all the farmers. The credit limit provided per acre for small farmers was estimated to be as Rs. 32479.90, Rs. 31614.39 for medium farmers, Rs. 31901.80 for large farmers and Rs. 31901.86 for all the farmers.

Table 5
Adequacy of Credit under KCC Scheme for Paddy Crop in Sirsa District

(in rupees per acre)

| Particulars | Categories of Beneficiary Farmers | | | Average |
|--|-----------------------------------|----------|----------|----------|
| | Small | Medium | Large | |
| Average variable cost of cultivation | 26092.34 | 26937.66 | 27132.79 | 26923.69 |
| Average total cost of cultivation | 54480.60 | 55410.92 | 55589.89 | 55375.48 |
| Average amount sanctioned | 32479.90 | 31614.39 | 31901.80 | 31901.86 |
| Credit gap from average variable cost | -6387.56 | -4676.73 | -4769.01 | -4978.17 |
| Credit gap from average total cost* | 22000.70 | 23796.53 | 23688.09 | 23473.62 |
| Credit gap as per cent of variable cost of cultivation | -24.48 | -17.36 | -17.58 | -18.49 |
| Credit gap as per cent of total cost of cultivation | 40.38 | 42.95 | 42.61 | 42.39 |

Source: Field Survey

Note: Adequacy of the credit was examined in this study by taking the credit gap estimated over total cost.

The credit gap estimated over average total cost was found to be positive and high for the paddy in all the categories of farmers. At the overall level, on an average, it accounted to 42.39 per cent of the total cost of cultivation. Across various categories of farmers, credit gap was higher in the medium category of farmers as compared to other categories selected for the study. It was also observed that when the credit gap was estimated over the variable costs, it was found to be negative in all types of farmer categories.

Conclusions and Suggestions

In order to accelerate the growth of agriculture sector in Indian economy, Kisan Credit Card Scheme as emerged as a national innovative policy of the central government. In this paper an attempt has been made to assess the utilization and adequacy of credit provided through KCC scheme in Sirsa district. The results of the study shows that most of the part of credit provided through this scheme to the farmers were misutilized by them in the study area. The activities for which maximum part of loan was misutilized were noted as social ceremonies, house construction, old debt setting, capital expenditure, non-farm business, plot purchasing etc. Out of these activities social ceremonies were found as main reason for which 25.68 per cent of the total loan amount has been used. The study revealed that the credit provided through KCC scheme for the selected crops i.e. wheat and paddy was inadequate in the district as well as across the various categories of farmers. The credit gap was found positive for both of the selected crops i.e. wheat and rice. Because a large chunk of farmers have been found in the present study to misuse of credit loans this study also suggested that more extension staff should be deployed by authorities to the bank branches to monitor the farmers for proper utilization of the credit availed under the KCC scheme. There is a need to extend the limit of the loan amount per acre to bring the more farmers under the scheme.

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