AGRICULTURAL FINANCING THROUGH KISAN CREDIT CARD SCHEME IN THRISSUR DISTRICT

By

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THESIS

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DECLARATION

I hereby declare that this thesis entitled **"AGRICULTURAL FINANCING THROUGH KISAN CREDIT CARD SCHEME IN THRISSUR DISTRICT"** is a bonafide record of research work done by me during the course of research and that this thesis has not previously formed the basis for the award to me of any degree, diploma, associateship, fellowship or other similar title of any other University or Society.

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ABBREVIATIONS USED

DLTC	District Level Technical Committee
FKCC	Federal Kisan Credit Card
IMBP	Individual Maximum Borrowing Power
KKC	Kisan Credit Card
KSCB	Kolazhy Service Co-operative Bank
LBR	Lead Bank Returns
MF	Marginal Farmers
NABARD	National Bank for Agriculture and Rural Development
NFS	Non-Farm Sector
OF	Other Farmers
PACS	Primary Agricultural Co-operative Society
RBI	Reserve Bank of India
RKBY	Rashtriya Krishi Bima Yojana
ROI	Rate of Interest
RRB	Regional Rural Bank
SCB	State Co-operative Bank
SF	Small Farmer
SLBC	State Level Bankers' Committee
SLTC	State Level Technical Committee
ST	Short Term

Introduction

CHAPTER I

INTRODUCTION

Agriculture is considered as the backbone of Indian economy, contributing about 26 per cent of GDP and employing more than 64 per cent of the country's work force. Since it is the most important productive activity of the country, no strategy for economic development can succeed, unless it ensures rapid growth of agriculture. Therefore, development of agriculture is an essential factor for economic growth and to create employment opportunity which in turn depend mainly on credit and non credit services provided to the farmers by the institutional agencies.

The multi-agency approach introduced by the Reserve Bank of India (RBI) helped to increase the institutional credit flow to agriculture during the past decade from Rs. 11202 crore in 1990-91 to Rs. 53504 crore by 2000-01. Notwithstanding such an excellent growth in agricultural sector, traditional systems, procedures and documentations adopted by the banking system have made credit delivery to farmers rather cumbersome.

Given the enormity of credit on the one hand and change in farming methods on the other, financing of agriculture has been a formidable task for banks in India. The access to institutional credit for a large number of farmers, particularly small and marginal farmers continues to be a challenge to the Indian banking industry. During the 90's, the financial sector reforms infused a spirit of competition among the banks in India. This competition laid emphasis on the twin aspects of quality of service and customer orientation which are the crucial determinants of the success of any banking institution. The customer has assumed the centre-point of banks, competing one another in finding ways to introduce customer-friendly products and to enhance the level of his satisfaction.

The process of financial sector reforms emphasised the need for innovative credit interventions from institutional agencies to support farmers. Any credit facility to farmers should not only be timely, but also be available in adequate quantum besides ensuring an inbuilt flexibility. National Bank for Agriculture and Rural Development (NABARD) has been playing a proactive and catalystic role in assisting the banks to meet these emerging challenges. It paid special attention on strengthening the rural credit delivery system to support the growing credit needs of the agricultural and rural sectors. One of the important initiatives of NABARD during the year 1998-99 was the introduction of Kisan Credit Cards.

Kisan Credit Card Scheme is a land mark in the history of rural credit in India. The mechanism of credit cards has been one of the key products developed to expand the outreach of banks and simplify credit delivery system. The announcement relating to introduction of a credit card scheme in the sphere of rural credit by the Hon'ble Union Finance Minister in his budget speech for the year 1998-99 aptly summed up these objectives:

> "NABARD would be formulating a Kisan Credit Card Scheme for uniform adoption by the banks so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs".

In accordance with the announcement in the Union Budget the National Bank formulated a model Kisan Credit Card Scheme in consultation with the RBI and major banks as at the end of 31st March 1999. The scheme visualized adequate and timely credit support from banking system to the farmers for their cultivation needs including purchase of inputs in a flexible and cost effective manner.

In August 1998, the model scheme was circulated by the RBI to commercial banks, and the same by NABARD to co-operative banks and Regional Rural Banks (RRBs). As on 30th June 2001, 27 public sector banks, 193 RRBs and 368 District Central Co-operative Banks (DCCBs) had introduced the scheme. The commercial banks have together issued 1.58 crores Kisan Credit Cards upto June 2001 and have sanctioned an aggregate amount of Rs. 30279 crore.

1.1 Significance of the Study

.Financing of agriculture has been a gigantic task for banks in India. The crop loan scheme was the only source which enabled the farmers to purchase seeds, fertilizers, pesticides and to meet expenses of irrigation, agricultural labour, etc. Eventhough the implementation of crop loan scheme was a great relief to the farmers, it was not free from limitations like, inadequacy of amount sanctioned, ignoring recurring credit requirements of farmers, complicated and cumbersome formalities, etc. .Therefore many prospective farmers feel reluctant to avail agricultural credit at the required level. As a pioneering credit delivery innovation KCC Scheme aims at providing of credit in time and in adequate amount which was absent under existing crop loan scheme. Banks were given direction to ensure the coverage of all their eligible agricultural farmers under the KCC Scheme within a time frame.

Since inception, up to November 30, 2001, a total of 20.41 million KCCs were issued by banks. Co-operative banks accounted for the highest share in the cumulative issue of KCCs (66.2 percent), followed by commercial banks (27.0 percent) and RRBs (6.8 percent). During this period co-operative banks and RRBs achieved less than 30 percent of their target. At the national level all banks together issued 86,52,000 KCCs by March 2001 and sanctioned an amount of Rs. 16,427 lakhs. In Kerala banks issued 48,808 KCCs and sanctioned an amount of Rs. 7,243.43 lakhs during the same period. In this context a comprehensive study regarding agricultural financing through Kisan Credit Card is considered to be relevant.

1.2 Statement of the Problem

Kisan Credit Card (KCC) Scheme is a pioneering attempt in the rural credit delivery system in India. The main objective of the scheme is to facilitate the farmers to avail credit on time and in adequate amount. Besides, there is flexibility in the implementation of this scheme as it includes credit to meet expenditure connected with allied and non-farm-activities, provision of various services and guidance by the extension staff of the Department of Agriculture.

As it is a recently introduced customer friendly scheme, it is useful to examine the credit utilisation pattern, repayment behaviour of farmers, recovery management and farmers' perception about the scheme.

The KCC scheme is implemented through all banks including public sector banks, private sector banks and co-operative banks. Within the broad frame work of the scheme, each bank may fix the sub-limits of their own scheme at their discretion. Based on their model scheme the performance of all these banks may differ at various levels. Hence it is relevant to go through the procedural differences among various lending institutions in the implementation of Kisan Credit Card Scheme in terms of eligibility, security, renewal, fixation of credit limit, etc. This will help us to identify the strengths and weaknesses of each scheme prepared by different banks.

1.3 Objectives of the study

The objectives of the study are:

1. To examine the procedural differences among various lending institutions in implementing the scheme of Kisan Credit Card.
2. To study the farmers' behaviour towards the Kisan Credit Card Scheme.

1.4 Scope of the Study

The study is mainly an examination of performance of Kisan Credit Card Scheme under three sectors of banks in Thrissur district. It covers a period of five years from 1998-99 to 2001-02. The pattern of credit utilisation, repayment behaviour of farmers and recovery management under different banks are expected to be disclosed. The study has also attempted to evaluate the customers' perception about the Kisan Credit Card Scheme. Further it may facilitate the banks to formulate a better scheme for the farmers.

1.5 Limitation of the study

The present study formed a part of the Post Graduate programme and hence it has all limitations of time, money and other resources. These limitations restricted selection of the study area and also forced to minimise the sample size. Since the Kisan Credit Card Scheme was implemented only in the year 1998-99, the study period is very limited. Although adequate precautions have been taken to minimize reporting bias on the part of respondents, a certain degree of error or bias is likely to prevail.

1.6 Organisation of the Report

The report is organized in to five chapters. The first chapter contains introduction, statement of the problem; objectives, scope and limitations of the study. The second chapter deals with the review of literature relevant to the topic of research. A description of the materials and methods adopted for the study is the subject matter of the third chapter. The results and discussions are presented in fourth chapter. The last chapter highlights the summary of findings and conclusion of the study.

Review of Literature

CHAPTER II

REVIEW OF LITERATURE

The objective of this chapter is to develop and establish the theoretical framework for the study based on ideas and concepts gathered from review of existing literature of both theoretical and empirical nature. Since it is a quite new scheme, much studies have not been conducted on the Kisan Credit Card Scheme and the most of the available studies are regarding the deficiencies of the crop loan system.

The review of available literature is presented under the following major heads:

2.1 Need for credit in agriculture

2.2 Drawbacks of crop loan scheme

2.3 Performance of Kisan Credit Card Scheme

2.4 Comparison in the performance of different banks.

2.1 NEED FOR CREDIT IN AGRICULTURE

According to Mittal (1975), the credit needs of the farmer are expected to increase further with the change in technology. Therefore, efforts have to be made by lending institutional agencies to extend credit facilities to the farmers based on their crop plan so that the rate of adoption of new technology is not impeded. Further small farmers who are capital starved should be given due attention while advancing credit so that the fruits of improved technology are reaped by nearly all sections of the farming community.

The importance of credit is emphasised by Committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development (1981). The committee opined that capital is considered to be one of the factors constraining development in developing countries. It lubricates the wheel of development in either agriculture or industry. Owing to the inherent character of agriculture, a large number of cultivators can not manage the necessary finance without resorting to borrowing due to the fact that an agriculturist's capital is locked up in his land and stocks. They further stated that agricultural credit is considered as an economic ladder helping in the upliftment of rural peasantry.

Prasad (1983) observed that in traditional agriculture, capital and hence credit play a relatively less role than do land and labour. But modern agriculture requires large infusion of credit to finance the use of purchased inputs.

Binswanger and Khandker (1992) in their study 'The Impact of Formal Finance on the Rural Economy of India', provided empirical evidence on the relationship between credit and output in agricultural sector. They found that rural credit led to modest increase in the use of fertilizers and investments in physical capital like tractors, pumps and animal stock. Further they observed that the expansion of the rural financial system had a positive effect on rural non-farm employment and output.

Deol *et al.* (1997) found that the working capital needs of the farmers, in the Nanded District of Maharashtra state, for meeting the day to day farm expenses at the existing level of technology amounted to Rs. 841 Crores and Rs. 2075 Crores, in the case of rainfed and irrigated holding respectively, indicating an increase of 119 percent and 65 percent over the existing technology. Thus small farmers under both the categories required substantially more credit to reach a viable level.

According to Agriculture and Industry Survey of India, (1997) the crux of the problem to allot farm credit and subsidies for investment in agriculture is not only to produce more food, but also to keep the people in the land and in the villages.

The Committee on Agricultural Credit (1998) reported that the agricultural community placed more importance on timely availability of credit rather than lower interest rates. According to the committee, banks should have self-set targets for lending to agricultural sector, prepare special credit plan aimed at increasing credit flow to it and improve quality of lending as well.

Committee on Banking Sector Reform (1998) recognised the need for small farmers as well as micro entrepreneurs and recommended for appropriate small loans to make them competitive and efficient.

The importance of long term credit was emphasised by Singh and Sharma (1998). They observed that our farmers require investment credit for land and its improvement, purchase of agricultural implements, machines, livestock, irrigation etc. and it played a crucial role in Indian rural economy.

Jahangirdar (1999) revealed that the demand for credit in agriculture had increased two fold after the introduction of recommended level of technology by Gupta Committee. The existing level of credit was inadequate for optimal allocation of limited resources under recommended technology. An important implication of this result was that, to make the best use of it, the supply of credit had to increase almost twice the existing level.

Shajahan (1999) observed that the basic approach followed by RBI regarding priority sector lending during post liberalisation period was to broaden its scope by adding new areas and there by encouraging diversion from direct priority sector lending. Hence banks could fulfill the targets of 40 percent of their total advances to priority sector without lending much more to the previously defined priority sector areas.

Highlighting the importance of agriculture in the economy, Godse (2001) stated that, better growth rates in GDP can be directly related to better performance of the agricultural sector even during the post banking sector reform period, notwithstanding the apparent neglect of the sector.

According to Mishra (2002), the nature of agriculture is being transformed by introduction of improved techniques and it is quite possible for farmers to get an increase in income if they are adequately assisted by credit for purchase of inputs.

It is clear from the above observations that the role of credit and credit institutions in augmenting production and productivity is well recognised.

2.2 DRAW BACKS OF CROP LOAN SYSTEM

Given the enormity of credit requirements, financing for agriculture has been a challenging task for banking sector in India. The access to institutional credit for large number of farmers continues to be a challenge to the Indian bankers. During 90's production credit or crop loan system existed as short term credit to the farmers and they experienced many problems in effective utilisation of it. So these draw backs of crop loan system led its transformation to the Kisan Credit Card Scheme.

Singh and Goswami (1973), in their study at Bihar, elucidated that out of the total crop loan taken by the farmers, about 43 percent was used for domestic consumption.

In his study, 'Commercial Banking Development in India', Chippa (1987) noted that one of the factors affecting agricultural development in a state was bank credit and the share of agricultural credit to the total bank credit increased from a mere 0.60 percent in 1960 to 12.49 percent in 1979. He pointed out that although the share of bank credit going to agriculture has been increasing over the years, it was insignificant when compared to its contribution to Gross National Product (GNP) and concluded that there was a very weak relation between banking and agricultural development in the initial period.

According to Mitra (1990) productivity in rural lending can not be achieved if the government remained a mere spectator giving all the responsibility to banks. Infrastructural supports like marketing, inputs, extension services and proper environment for recovery avoiding petty political interests should be created. He suggested for the reduction of delays in the recovery of bank loans and taking up appropriate action to enable better productivity in rural lending.

Rath (1990) observed in his study titled 'Institutional Credit for Agriculture in India', that the large farmers borrowed more than the smaller ones in all the states; both in the case with crop loans and long term credit. He further pointed out that the larger the farmer, the greater is his dependence on sources other than credit institutions for financing his current farming requirements.

Committee on Banking Sector Reforms (1991) agreed that directed credit programmes have made an impact on the growth of agriculture and small scale industries. They however felt the need for a re-examination of the relevance of these sectors and to redefine priority sector to comprise small and marginal farmers, tiny and cottage industries, rural artisans and other weaker sections. The committee further suggested phasing out of these lendings through a gradual process of redefinition and reduction in the percentage of aggregate credit flowing to these sectors.

Dutta (1991) came to the conclusion that for the satisfaction of customer needs, the bank systems and procedures or even policies may sometimes have to be bent rather than customers being bent to conform to the bank rules.

Agarwal (1992) pointed out that the banks, in a positive response to the call for discharging social obligations had undertaken the financing of the priority and neglected sectors and experienced certain unique and newer problems during the course of managing their lending. These included incompactness of the ideology of priority sector lending with that of sound commercial banking principles, negative external influences from politicians and government officials; poor credit risk and non remunerative interest rates, mounting overdues and lack of adequate and skilled personnel.

A study conducted by Kumar and Gaur (1993) in Himachal Pradesh on the role of financial institutions in agricultural development revealed that commercial banks recorded significant progress in the sphere of agricultural credit while they faced organisational, legal, procedural, environmental, political and social problems. Besides, there were some problems in direct financing to agriculture like difficulties in getting certificates and documents from revenue departments, imbalance in the position of co-operative banks in implementing credit schemes due to government patronage of co-operatives, lack of physical infrastructure and market arrangements in rural areas, lack of trained staff and difficulties in recovery of loans.

Markandeya (1995) stated that the agricultural class in general has the feeling that lending procedures and application forms are cumbersome and taxing. They often complain about the type of documentation, the procedure for executing mortgages, administrative and procedural delays, etc.

Mamoria (1995) while studying on agricultural problems in India pointed out certain weaknesses of crop loan system such as illogical fixing of credit requirement based on repayment capacity, wrong assumption that cultivators are following traditional type of farming, non consideration of consumption needs of farmers etc.

Veerashekharappa (1996) examined the credit delivery system from the borrowers point of view, in the sample districts of Sulthanpur and Raibareli and found that more than 51 percent of borrowers experienced problems due to complicated procedures and attitude of the bank staff. He also pointed out the problem of delay in sanctioning loans. As many as 33 percent of borrowers in Raibareli district and 14 percent of borrowers in Sulthanpur district, received inadequate loan amount.

Sajan (1996) in his study on crop loan system observed that in many cases there is no supervision over the end use of credit and borrowers have not been persistently asked to repay the loans. About 21 percent of the households reported that no one from the bank visited them after the disbursement of the loan. On the other hand the bank officials opined that the above problem was due to inadequate staff strength and so frequent field visits were not possible.

Majumdar (1997) observed that for crop loans there was a substantial unfulfilled demand which was being met by the money-lender or leading to the usage of lower inputs causing a loss of income to the farmers in both the situation.

Rajendrakumar (1997) argued that the lack of organic relationship between the borrower and the lender was the main causes of poor quality of lending. People's participation in rural lending therefore was supposed to ensure proper utilisation of credit and hence adequate increase of income as well as timely repayment for continuing the relationship between borrower and lender.

Shollapur (1997) conducted a study titled 'Analysis of effectiveness of credit societies in Karnataka State', to examine the effectiveness of the credit cycle. It was found that the amount of credit was not adequate enough for the desired purpose. The study also found that, in order to infuse, the operational efficiency in PACSs, the credit management function should be streamlined on scientific lines. Adequate and timely credit, guidance on technical matters, simplicity in procedures etc. go a long way in making the credit cycle more effective.

In a study Shete (1997) has pointed out that the scale of finance fixed for crop loan needed upward revision. The system of fixing the limit of crop loan scheme was outdated. He also argued that the District Level Technical Committee should meet more frequently and take advantage of the studies conducted on cost of cultivation by agricultural research organisations including state agricultural universities.

Jain (1998) examined the credit flows to farm sector and found that a larger section of farmers were beyond the scope of formal credit system. The major impediment in the way of credit flows to farm sector was poor recoveries and he suggested Government Policy initiatives to overcome this situation.

Sinha (1998) argued that commercial banks were not equipped to be efficient micro credit lenders and hence the policy of Government of India to lend 40 percent of their total advances to priority sector was not effective. He suggested that RBI could ask banks to put the entire amount of their micro credit lending requirement into specified bonds of Small Industrial Development Bank of India (SIDBI) and Rural Infrastructure Development Fund (RIDF). The funds so collected could be directed through a refinance agency to organisations better equipped to grant such loans.

RBI study (1998) suggested measures for improving the credit delivery system as well as simplification of procedures for agricultural credit. Among others, the study recommended simplification of agreements and other covenants/documents as they were found complicated. Also, it suggested that the focus of credit appraisal should be on evaluation of income stream of the borrower and a comprehensive assessment of credit need, taking into account track record, credibility, capability, as well as technical viability of the proposal. To ensure quick disposal, at least 90 percent of the loan applications should be decided at the branch level. Further the forms accompanying the main loan applications, especially for investment credit, should be simplified and made more relevant for focusing on the income stream of the farmer. It also recommended a new loan product to be introduced that the farmers should be offered a liquid saving product with an appropriate return. This saving product should be inbuilt in the loan product, which will provide the credit holders a cushion during lean period because farmers have a propensity to incur expenditure of a consumption nature during cash rich periods and as a result, they are vulnerable during lean periods. Further the study recommended doing away with the 'kind component' of agricultural loans (only cash component is required), insistence on 'No Dues Certificate' etc. and to give the banks concerned the freedom to fix their own scale of finance.

Dodke and Kuchhadiya (1998), examined the short term credit gap and credit requirements for different category of farmers in Janagadh District of Gujarat state on the basis of variables such as (1) Gross cropped area and supply of total institutional credit to different categories of farmers (2) Credit availability per farm (3) Credit availability per hectare of cultivated area (4) Per hectare farm expenditure of total institutional borrower farmers and (5) Per hectare average short term credit requirement and credit gap. The important suggestion made by them is that the financial institutions should increase its scale of finance in accordance with the credit requirements of the farmers, so as to minimise the credit gap.

Surajit (1999) pointed out that commercial banks in Assam had to face a lot of problems while providing crop loan like lack of awareness, illiteracy, non-approachability of farmers to bank managers etc. He further noted that whenever any loan is sanctioned to poor farmers the loan amount is generally diverted to meet their family needs, like house building, marriage of their children and repayment of past loan taken from village money-lenders. As a result, hardly any amount is left for utilisation in the fields for which the loans are sanctioned.

Jayasheela (2000) observed that borrowers were not getting timely credit and this has led to misuse of credit. He also found that many needy farmers go to the private money-lender than to the bank for credit, because of too many formalities and procedures followed in sanctioning the bank loans. It is said that even for a single loan, bankers take more than one month to consider the application.

Srinivasa (2000) in his study pointed out that one of the major factor causing default overdue is fear of delay or non-sanction of new crop loans. He further stressed the point that majority of farmers are diverting their loan amounts for other consumption purpose.

The studies reviewed so far bring out the defects of crop loan system such as inordinate delay in sanctioning the credit, cumbersome procedures, inadequate amount of credit and diversion of loans. The Kisan Credit Card Scheme was introduced by NABARD on 1998-99 to eliminate or rather minimize these objects.

2.3 KISAN CREDIT CARD SCHEME

The process of financial reforms also highlighted the need for innovative credit interventions from institutional agencies to support farmers. Any credit facility to the farmers should not only be timely but also be available in adequate quantum besides ensuring an inbuilt flexibility. Against this back drop, Kisan Credit Card (KCC) has emerged as an innovative credit delivery mechanism to meet the production credit requirements of farmers in a timely and hassle free manner. Hence an attempt is made here to analyse the available literature in Kisan Credit Card Scheme.

Gurudev (1995) pointed out that in agriculture it is not merely the quantum of credit which is important, but its timely availability in adequate amount is crucial for the productivity of credit and viability of investment financed. Therefore timely supply may be ensured through simplification of procedures.

Mazumdar and Boruah (1998) in their study entitled 'Utilisation pattern of allied activities loan by the farm borrowers in the Nagaon District of Assam', observed that the success of the credit institutions and the prosperity of the farmers depend upon the productive use of the credit. Credit in association of improved technology, inputs, supervision and proper management has considerable impact on increasing income and employment of the farm borrowers. The constraints faced by the farmers in utilisation of loan should be minimum in order to make credit more effective to them. There should be co-ordination among the various agencies involved in rural development for making the programme of agricultural credit a viable proposition for rapid agricultural growth and development.

Patel (1998) while analyzing the need for bank's initiatives and co-ordination for KCCs, pointed out that KCCs help the farmers to raise their production, income and profit which will reflect in their standard of living and quality of life. He again argued that bank's rural branches can plan in a systematic way for covering all the small and marginal farmers, in particular, and land holders, in general, under KCC scheme in their Service Area.

The Committee on Agricultural Credit (1998)* reported that the agricultural community placed more importance on timely availability of credit rather than lower interest rate. According to the committee banks should have self-set targets for lending to the agricultural sector, prepare special credit plan aimed at increasing credit flow to it and improve quality of lending as well.

Nanjandappa (2000) put forward the negative sides of Kisan Credit Card Scheme (KCC). He pointed out that the KCC has an extremely limited coverage and that card itself will not guarantee repayment although it may expedite getting a loan within the limit.

Rajalakshmi (2000) reported that SBI has issued more than three lakhs Kisan Credit Cards to farmers and other rural borrowers over a period of 18 months and their response were encouraging. According to her, the basic idea of Kisan Credit Card is to provide timely credit and give the borrower the flexibility to shop in a simplified manner.

Jayasheela and Birdan (2000), on their study on 'Rural Finance', suggested that the procedure involved in sanctioning and disbursement of credit should be simplified and every farmer should be provided with the pass book containing all the socio-economic details of the farms. Such pass book to be reviewed periodically, and be the basis for all decisions with regard to the sanctioning of the credit.

Udaykumar (2001) in his study on Kisan Credit Card (KCC) found that 66.66 percent of KCC holders utilised the credit for agricultural purposes, such as for purchasing fertilizers, agricultural implements, livestock and paying labour charges. The rest 33.33 percent of the holders utilised the amount for urgent needs for meeting miscellaneous expenditure and for paying other debts. This is due to the inability to pursue agriculture profitably.

In the article with Kisan Credit Card – Among weaker sections, Mishra (2002) noted that the scales fixed by the bank are low when compared in terms of repaying capacity. The existing scale of finance of short term loan covered only 64 percent to 86 percent of bulk line cost. The optimum scale of finance suggested as Rs. 1850 per acre, because it is less than half of the gross value product i.e. repaying capacity. He also suggested that financing of short-term loan in a compact area will be more effective as compared to unplanned scattered lending over a wide expanse. This would facilitate the follow up task of the bank as also the crucial integration of credit with input/services supplied by Government and other agencies.

Nisha (2002) in her study on evaluation of Kisan Credit Card Scheme (KCCs) revealed that there were some deviations in the implementation procedure of KCCs from RBI guidelines especially with respect to loan disbursement, post sanction visit etc. She also observed lack of awareness among the farmers regarding the scheme, negative perception towards extension service offered, insufficiency of amount sanctioned, unnecessary procedural formalities etc.

Shete (2002) found that minimum credit limit sanctioned on KCC by all the financial institution was Rs. 3000, while there was no ceiling fixed by banks. The criteria adopted by banks in fixing limits varied. He also pointed out that at some common guidelines to be developed and agreed upon by all the institutions in fixing the minimum and the maximum limits for KCC, at least at the district level.

In his study 'Rural Credit – Under New Scheme' Raghunath (2002) noted that the farmers reported reduction in the cost in the form of saving on expenses on visit to banks for sanctioning loans, procuring revenue records, and other incidental expenses under Kisan Credit Card (KCC) Scheme. He suggested that banks, in collaboration with the agriculture/animal husbandry/horticulture departments of state Governments and agricultural universities, should organise farmer's training programmes prior to Kharif and Rabi seasons. This will help in issuing a large number of KCC with lower cost. He also opined that the cost of farmer's training programmes could be met by the development/training funds of State Governments.

The above studies highlighted the need of innovative credit delivery system, progress of the KCCS in rural credit scenario and many deficiencies of the scheme like lack of awareness among farmers, low scale of finance, inadequate coverage of the KCC scheme etc.

2.4 COMPARISON IN THE PERFORMANCE OF DIFFERENT BANKS

Sambasiva (1987) examined the accessibility of institutional credit to different classes of farmers. He noted that about $2/3^{rd}$ of the total borrowings are made by institutional agencies. He further reported about the misutilisation of credit and found that some of the medium and big farmers are re-lending the institutional credit at higher interest rates.

Keval (1987) stated that, the co-operatives had upper hand in comparison to commercial banks. He recommended for effective co-ordination among the different institutions to get better results. He put forward some important aspects to be considered in the future co-operative policy, such as improvement in the overall efficiency of co-operatives and better supervision of the end use of loans.

Kapoor (1997) pointed out that there had been a shrinkage in the flow of credit to the rural sector and he attributed it to the gradual decline of the involvement of public sector banks as a result of financial sector reforms. According to him, there had been mushrooming growth of NBFCs which focused exclusively on the urban sector. Hence funds moving from the rural sector to urban sector were adversely affecting priority sector lending. If funds have been mobilised by the public sector banks, it would have in the normal course, found its way to the rural sector through priority sector lending.

Reddy *et al.* (1997) observed that though co-operative banks have the prime objective of financing agriculture through promoting thrift and self help among the farmers, they were not able to solve the problem of agriculture. The gap could be bridged by introducing new policies and providing new directions to their present co-operative credit system. According to them the hope of rural India lies in providing a stable income to the agriculturist and this could be achieved by revamping the entire credit system in the era of new economic policy.

Rais (1997), in his study on 'Co-operatives and Agricultural Finance', evaluated the trends in disbursement of agricultural credit by financial institutions namely co-operatives, commercial banks, and regional rural banks. The study revealed that credit disbursement by co-operatives for short term period is quite impressive and steadily increasing in each successive year. In

1985-86 the short term credit was disbursed to the turne Rs. 2787 crores which increased to Rs. 9966 crores till 1995-96, registering an increase by 357.58 percent over the year 1985-86, and that of commercial banks increased, from Rs. 3131 crores to Rs. 13684 crores during the corresponding period. But at the same time poor farmers did not get adequate and timely credit from these financial institutions and hence they approached the private money lenders.

Majumdar (1999) in his study on reviving rural credit, found that co-operative financial institutions are an important wing of the rural credit structure contributing 55 percent of total institutional credit to rural sector. He pointed out that other two wings contributing rural credit are commercial banks and Regional Rural Banks (RRBs) accounting for about 40 percent and 5 percent to total credit respectively. During his study he further revealed that the co-operative banks and RRBs are suffering from large loan defaults and vital erosion of repayment efficiency.

Joshi (2000) observed that both the public sector and private sector banks have been consistently falling short of their target of lending to agricultural sector for the past few years. It pointed out that private sector banks were unable to meet their targets because the number of branches in rural areas were few. As far as public sector banks were concerned, their agricultural lending in absolute terms had registered an increase though there was a shortfall in percentage terms.

Reserve Bank of India (1969) in All India Rural Credit Review Committee Report revealed that the non institutional agencies are playing an important role in the India's rural credit scenario.

While evaluating the progress of banking in the light of financial sector reforms with respect to the twin objectives of improved profitability and efficiency, Vaikunthe (2000) pointed out that there had been a change in the scope of private bank operations. He observed that there was a drastic reduction in the proportion of bank credit to priority sector, irrespective of the fact that credit to this sector had increased in absolute terms.

A study conducted by Mohanan and Benson (2002) has thrown light on various institutional problems relating to the rural credit. The major problems identified with the co-operative banks are inadequate amount of credit for economic activity, complicated and cumbersome procedures, etc.

Deepali (2002) in his study titled 'Rural Credit' observed that the growth of financial intermediation through the expansion of banking services has been a powerful catalytic agent for development. Banks are facing difficulties due to declining recoveries and mounting overdues. Good progress has been made in provision of credit through institutional agencies in the rural sector. In order to provide an institutional mechanism in the private sector for promoting rural savings as well as channellising adequate credit for promoting rural viable economic activities, setting up of local Area Banks in the private sector with an area of operation restricted to two or three contiguous districts is suggested.

Materials and Methods

CHAPTER III

MATERIALS AND METHODS

The study entitled 'Agricultural Financing through Kisan Credit Card in Thrissur district' has been carried out with the twin objectives of examining the procedural differences among various banks and the farmers' behaviour towards the scheme. The analysis is done at two levels, at the organizational level and at the customers level.

3.1 CONCEPTUAL CLARIFICATION

Explained here under are the various concepts used in the study.

i) Cropping Pattern

Cropping pattern means the proportion of area under different crops at particular period of time.

ii) Small Farmers

Farmers having a land holding of less than 2.5 acres

iii) Medium Farmers

Farmers having a land holding of 2.5 – 5 acres

iv) Large Farmers

Farmers having a land holding of above 5 acres

v) Agricultural Credit

Agricultural credit refers to the short-term credit provided by institutional agencies for agriculture.

vi) Scheme Loans

Scheme Loans are time bound programmes, which are formulated for earmarked areas and implemented under expert supervision.

vii) Credit Gap

This term refers to that part of demand for short-term agricultural credit, which is not met by the institutional agencies. In this study it refers to the gap between credit limit applied for and limit sanctioned.

vii) Credit Utilisation Behaviour

Credit utilisation behaviour refers to the actual utilisation of the credit for the purpose for which it is drawn.

ix) Loan Diversion

Loan diversion connotes the act of diverting full or a portion of the amount of a loan for a purpose other than the expressed one.

x) Review of Credit Limit

Kisan Credit Card has to be renewed by the cardholders after a specified period of time. Usually the institutional agencies have to review credit limit of farmers every year.

xi) Credit Limit

A Kisan Credit card is a revolving credit granted by the bank to the card holder, and as such it is necessary to specify a limit for the card holder. The credit limit is the maximum amount of withdrawals per year and is fixed on the basis of the credit worthiness and credit requirements of card holders. The cardholders are naturally required to repay the amount to the bank from time to time.

xii) Validity Period

Usually Kisan Credit Cards have a validity of three years. At the end of validity period the old card is automatically cancelled and a new card is issued.

3.2 METHODOLOGY OF THE STUDY

Both primary and secondary data were used for the study. The procedural differences among various lending institutions in implementing the Kisan Credit Card Scheme (KCC Scheme) have been analysed on the basis of information gathered from the respective banks. Inorder to study the farmer's behaviour towards the KCC scheme a survey was conducted among the card holders of three sample banks selected. The main source of secondary data were circulars of RBI among different banks, Banks' Bulletins, Hand book on KCC by NABARD and District Credit Plan (2003 – 04) for Thrissur District (Kerala). Primary data were collected from 150 cardholders of three different banks with the help of a pre-tested structured schedule.

3.2.1 Sampling procedure

The present study was conducted among two commercial banks and one co-operative bank operating in Thrissur district selected on the basis of the highest number of Kisan Credit Cards issued by them in the year 2000-01. Accordingly, Canara Bank, Federal Bank and Thrissur District Co-operative

Bank (TDCB) were selected representing public sector, private sector and co-operative sector respectively.

The branches of these banks were chosen from the Ollukkara block, where the highest amount of crop loan was given during 2001 – 02. Thus the Canara bank branch of Thrissur town, Federal bank branch of Nellikunnu and Kolazhy Service Cooperative Bank (KSCB) of TDCB were selected.

A sample of 50 Kisan Credit Card holders from each bank having minimum three years of transactions with the card were selected randomly for the survey.

3.2.2 Study Period

The study was conducted during the period 1998-99 – 2001-02

3.2.3 Analysis of data

Various methods and techniques were used to analyse the data collected for the study. The first objective was analysed exclusively on the basis of responses of the sample bankers during interactions with them. To study farmers' behaviour towards the scheme, priority index, percentage, averages and scaling techniques were used. The results were again presented mostly through bi-variate and multivariate tables.

i) Priority index

Priority index was worked out to measure the degree of importance of various factors influencing behaviour of farmers. This is based on the ranks assigned by respondents to each of the factors based on the importance they attached to each. The index value was worked out as follows:

Suppose there are 'n' factors to be ranked, say x_1, x_2, x_3, ..., x_n the respondents would assign 1 to 'n' ranks. Since the ranks as such cannot be used for further arithmetical operations these ranks are converted into scores. This is done in such a way that 'n' score is allotted to the factor which the respondents ranked first, n – 1 score to the second rank and thus 1 score to the n^{th} rank. Adding up the individual scores so assigned to a particular factor the aggregate score obtained by that factor is found out. These aggregate scores are sufficient enough to rank the factors in the order of importance. However, such a ranking would not give any idea about the degree of importance of factors. Hence priority index was worked out. This was done by expressing the aggregate scores obtained by each factor as a percentage of the maximum aggregate score obtainable by an individual factor. The maximum aggregate score obtainable will be numerical product of the number of factors to be ranked and the number of respondents applicable in the particular case. Hence the index value was computed by using the following formula:

$$Pxi = \sum_{i=1}^{n} \frac{Esi}{n \times N} \times 100$$

where

Pxi = priority index value for factor xi

Esi = the aggregate score obtained by the factor xi

n = The number of factors

N = The number of respondents applicable in particular case

If respondents assign the same rank to two or more factors, the corresponding scores were divided among such factors equally.

ii) Satisfaction index

To examine the level of satisfaction of respondents towards the Kisan Credit Card with respect to the parameters like rate of interest, repayment schedule, duration of the loan, procedural formalities, documentation, present credit limit, renewal procedures, behaviour of the employees of the bank, timeliness of credit, improvement of yield and interest of farming, a satisfaction index was constructed.

The opinion of farmers were collected on a 5 point scale for each factor and scores were allotted. The total score and maximum score obtained by each factor were also calculated.

The total score of a factor was obtained by multiplying the number of respondents with respective scores.

Satisfaction index was obtained by dividing the sum of scores obtained by 'i' respondents for factor 'j' with maximum possible score for factors.

$$SI = \frac{\sum sji}{\sum \max sj} \times 100$$

SI = Satisfaction Index

i = respondents

j = factor

sj = score

On the basis of the SI, the factors influencing the satisfaction level of the respondents were grouped into three zones viz., highly favourable (SI above 66), moderately favourable (SI between 33 and 66) and least favourable (SI below 33).

Results and Discussion

CHAPTER IV

RESULTS AND DISCUSSION

Kisan Credit Card Scheme is a major landmark in arena of agricultural finance in India. The scheme with its ease, timeliness and flexibility in operations by cardholder is an advantage to the farming community and has got many claims over traditional instruments of finance. The KCC scheme is implementing through the nationalized banks, private sector commercial banks and cooperative banks. As it is an innovative scheme the mode of implementation and customer's response towards this scheme is a matter of interest to policy makers and all concerned.

Hence the present study attempts to:

i) examine the procedural difference among various lending institutions in implementing Kisan Credit Card Scheme, and

ii) study the farmer's behaviour towards the Kisan Credit Card (KCC) scheme.

Inorder to analyse the above objectives the whole chapter is split into Part I and Part II.

Part I

The procedural differences among various lending institutions in implementing the scheme of Kisan Credit Card, were analysed in this part of the report. A comparison of three selected banks viz., Canara bank, Federal bank

Ltd. and Thrissur District Co-operative bank was made with respect to their implementation procedures of the scheme.

4.1 Launching of Kisan Credit Card Scheme

The Canara Bank and the Federal Bank have launched the Kisan Credit Card Scheme based on the model scheme circulated by Reserve Bank of India in August 1998. At the same time Co-operative banks had launched the Kisan Credit Card Scheme based on the model scheme circulated by NABARD. In the light of the instructions of State Cooperative Banks (SCBs), Thrissur District Co-operative Bank introduced this scheme in its area of operation. All these banks prepared their own Kisan Credit Card Scheme before December 1998 and launched the scheme on a pilot basis in their selected branches and primary societies. Later on, the scheme was extended to cover the entire branches and primary societies affiliated to them.

4.2 Objective

According to the model scheme, Kisan Credit Card aims at adequate and timely support from the banking system to the farmers for their cultivation needs in a flexible and cost effective manner.

As regards Canara bank and Federal bank, their scheme aims at providing credit support to the farmers for their cultivation needs and for short term requirements including agriculture, allied activities and non-farm sectors.

In the case of TDCB, there is no change in the objective of model scheme. But TDCB is providing the KCC to the farmers through primary co-operatives affiliated to them.

4.3 Eligibility of farmer for issue of Kisan Card

According to the original circular, issued by most of the commercial banks, branches were advised to issue Kisan Card only to those farmers who were having good track record for about two to three years. However, later on the banks have modified these instructions. The Canara bank's eligibility criteria is the same as that of the model scheme. But in Federal Kisan Credit Card (FKCC) scheme, the agricultural borrowers are eligible for Federal Kisan Credit Card Scheme (FKCC) irrespective of their track record. Here both the sample commercial banks are issuing cards even to those farmers engaged only in allied activities.

Co-operative banks had stipulated that Kisan Credit Card would be issued to members who are not defaulters. In conformity with the scheme of NABARD, the SCBs had insisted that Kisan Credit Card Scheme would be issued to farmers availing credit limit of Rs. 5,000 or above. The eligibility criteria of TDCB for issuing the card is same as in the model scheme and here they are not issuing cards to those farmers who are engaged only in allied agricultural activities.

4.4 Credit limit

The credit limit fixation, as per the guidelines of Reserve Bank of India and NABARD should be on the basis of the operational land holding, cropping pattern and scale of finance recommended by the District Level Technical Committee (DLTC)/ State Level Technical Committee (SLTC) (Appendix V). Whenever the DLTC/SLTC have no recommended scale of finance for any crop or in the opinion of the bank, have recommended lower than the required amount, the bank may fix appropriate scale of finance for the particular crop for fixation of credit limit. Operational land holdings will include leased in and exclude leased out land.

While fixing the limit, the commercial bank may take into account the entire production credit requirement of the farmer for the full year including his credit requirements for the ancillary activities related to crop production. In due course, the credit limit may be extended for allied activities and non-farm credit needs of the borrowers.

Banks may at their discretion fix appropriate sublimits within the overall credit limits sanctioned taking into account the seasonality in credit requirements.

Canara bank fixes credit limit on the basis of the following:

(1) In case of genuine requirements for crop loan, cost of crop cultivation over scale of finance can be exceeded by 15 to 25%.

(2) For non-farm sector, 20 per cent of projected turn over subject to a maximum of 25 percent of the credit limit.

(3) Working capital requirement for agricultural allied activities for one month or till the income is generated.

(4) For working capital requirement for farm machinery – cost of fuel/power, maintenance, repair etc. not exceeding the depreciation value of the machinery.

(5) Loan for working capital and allied activities and farm machinery should not exceed 20% of the limit.

The Federal Bank takes into consideration the following factors while fixing the credit limit under their Kisan Credit Card Scheme (FKCCS),

(1) For crop loan, credit limit is fixed on the basis of scale of finance communicated by DLTC. The regional office and branches can enhance scale of finance for crop loans recommended by DLTC by 25 percent in deserving cases.

(2) Those who are engaged in non-farm activities in addition to crop production, 20 percent of projected turn over not exceeding Rs. 10,000/- may be added to crop loan.

(3) For allied activities and farm machinery costs, an amount not exceeding 20 percent of the limit arrived at as (1) above.

(4) 15 percent of the production credit limit (1 to 3) arrived at as above subject to a maximum of Rs. 10,000/- may be added to fix the total credit limit which is meant for meeting the contingent needs of the farmer like marriage, birth, religious functions and death.

While fixing the limit repaying capacity of the farmers is to be ascertained considering the non farm income also.

As mentioned earlier, the credit limit fixation of TDCB is the same as in the model scheme, but they are not giving adequate provision for non farm credit needs of the borrowers. Perhaps this may be due to the fact that NABARD refinance for seasonal agricultural operations covers only the loans for crops and the remaining portion of the limit has to be met out of the own resources of co-operative banks. But the weak resource position of the co-operative banks does not permit such financing. This is a policy issue deserving consideration by NABARD and RBI. It may be possible for NABARD to provide refinance against non-crop component also, if RBI sanctions additional General Line of credit limit to NABARD while sanctioning credit line for seasonal agricultural operations.

4.4 Minimum and maximum credit limit

Reserve Bank of India and NABARD while circulating their model scheme on Kisan credit among the banks, recommended Kisan Cards for farmers whose requirement of crop loan was Rs. 5,000 and above. However, this ceiling was subsequently amended and all the banks were advised that they could work out their own loan limits/ceiling. Canara Bank and Federal Bank have not stipulated any lower ceiling in monetary terms, whereas TDCB has prescribed the lower ceiling of Rs. 5,000 for each borrower.

The selected commercial banks have not prescribed any maximum limit under Kisan Credit Card Scheme. But Co-operative banks restricted the maximum amount based on the individual maximum borrowing power (IMBP) as per state Acts/Rules and bank's bylaws.

4.5 Validity and renewal

For all the sample banks the validity period of the card is the same as in the model scheme. KCC is issued upto three years but the satisfactory or unsatisfactory operations in the loan account of the farmer-borrower will be closely watched and monitored from time to time and reviewed at the end of each year. If operations are satisfactory, the said credit facilities with sub-limits will be renewed and allowed to be continued for next year. If the farmer-borrower needs higher limits or reduced limits in view of changing circumstances, the same can be properly assessed and then sanctioned in consultation with him/her. In case operations are not observed to be satisfactory, the bank has the right to discontinue the extension of the credit and operation of the KCC account. The bank will impart complete guidance in this respect and the farmer-borrower may seek it as and when he/ she experiences problems/ constraints.

4.6 Security and margin norms

The banks should follow the margin and security norms issued by RBI/NABARD from time to time. Individual banks have issued instructions in their respective circulars on Kisan Card about margin and security norms for different slabs of sanctioned credit limit.

KCC scheme of Canara bank insisted the margin requirement as follows:

Table 4.1: Margin requirement of Canara bank's KCC Scheme

Purpose / Amount	Upto Rs. 10,000	Above Rs. 10,000
Crop cultivation	Nil	Small farmers - 5%
Other requirements	Nil	Other farmers - 15% - 25%

Source: Primary data

Under the Canara bank scheme, it is not required to keep any margin for an amount up to Rs. 10,000. But above Rs. 10,000 their margin requirement will be 5% for small farmers and 15-25% to other farmers. Here credit for crop cultivation is not given any favourable treatment while fixing margin requirement..

Table 4. 2: Margin requirement of FKCC Scheme

Purpose / Amount	Upto Rs. 10,000	Above Rs. 10,000
Crop production and other requirements	Nil	Small farmers – 10% Other farmers – 15%

Source: Primary data

The FKCC Scheme provides a comparatively favourable rate of margin requirement to small farmers. Under the above scheme, separate scale of margin for credit other than crop cultivation is not required.

In the case of KCC scheme under TDCB, it is observed that they are not insisting any margin for the credit under Kisan Credit Card Scheme. Here also PACS are providing a farmer friendly scheme.

Security norms of each bank are determined as per instruction issued by RBI/NABARD from time to time.

Security requirement of Canara bank and Federal bank are alike as given in the following Table:

Table 4.3: Securities to be furnished under KCCS – Canara Bank and Federal Bank

Credit limit	Security
Upto Rs. 25000	Primary security
Above Rs. 25000	Primary and collateral security

Source: Primary data

But TDCB is not insisting on the above securities for issuing Kisan Credit Card to the farmers. It requires two personal securities up to a credit limit of Rs. 10,000. Over and above that they stipulates three personal securities; otherwise the borrower should mortgage the collateral securities.

4.7 Documentation

For the issue of KCC, the farmer has to submit an application form in the prescribed format. Along with the application, the applicant has to produce the documents according to the respective bank's scheme.

Under Canara bank scheme the applicant has to submit the copies of land records regarding land holdings, no due certificate from other financial institutions, latest land tax paid receipt, copy of title deed, and latest agricultural income tax receipt.

For Federal Kisan Credit Card Scheme the farmer has to produce documents like land possession certificate, two photos, no due certificate from other financial institutions, pre sanction-inspection reports along with their application in the bank's specific format.

In case of TDCB, along with the application with photograph one should submit tax paid receipt, income certificate, details about personal sureties, no due certificate from other financial institutions and pre sanction inspection report. Here details of personal surety is an extra document required by the TDCB.

4.8 Issue of cards

The beneficiaries under the Kisan Credit Schemes of different banks are issued a credit card cum pass book incorporating the name, address, particulars of land holding, credit limit and validity period. There are no visible differences in the formalities of issue of card to the farmers among different banks. The farmer is required to produce the card cum pass book whenever he operates the account (Appendix VI).

4.9 Maintenance of account

The issuing bank should maintain a separate ledger called KCC ledger, which contain ledger account in respect of each KCC. All the operations in the account will be made through the issuing branch.

Bank has to make appropriate entries about KCC in the 'monthly flash reports' and send it to the head office (Appendix VII).

In the case of primary societies, the report has to be sent to TDCB. There does not exist any deviation among the sample banks in maintenance of account.

The loan accounts under Kisan Credit Card Scheme are balanced on the last Friday of every quarter.

4.10 Monitoring mechanism

Normally, the bank officers undertake pre-sanction visit to the farmer borrower to assess the necessity of credit by him. If the cash credit is converted to Kisan Credit Card with the same amount, there is no need for fresh field visit.

Post-sanction visit is also as important as pre-sanction visit, for ensuring the proper utilisation of credit which in turn affects the repayment capacity of the farmer. Contrary to RBI and NABARD guidelines none of the sample banks so far were able to conduct any post-sanction visit. This may adversely affect the effective implementation of the scheme.

4.11 Extension services offered

As per RBI and NABARD guidelines, there should be proper guidance to farmers in the use of Kisan Credit Card by the bank staff or extension staff of the department of agriculture. The extension staff of primaries under TDCB will ensure the balanced method of fertilizer application, use of organic manure and bio-fertiliser. That will ultimately help the farmer in utilizing their resource optimally. In practice, all the sample banks were not offering any extension service to Kisan Credit Card holders.

4.12 Rate of interest (ROI)

Interest rate is charged only on the withdrawn amount and it is fixed in tune with the interest rate of short term priority sector agricultural loans. However, the head offices of commercial banks and TDCB have the right to give advice in this respect.

Table 4. 4: Interest Rates under KCC

Banks	Credit limit Upto Rs. 50000 (%)	Credit limit Rs. 50000 – Rs. 2,00,000 (%)	Credit limit Above Rs. 2,00,000 (%)
Canara Bank	8.5	9.5	10
Federal Bank	9.38	10.47 - 11.57	14.37
TDCB	10	10	10

Source: Secondary data

Table 4.4 reveals that Federal bank Scheme is charging the highest interest rate. The scheme under TDCB is charging uniform rate of interest (i.e. 10 percentage) to all card holders. But this rate is not helpful to the card holders with small amount of credit. In Canara bank, the scheme provides lowest interest rate to the small credit card holders (i.e. 8.5 percentage) and their maximum rate of interest is 10 percent to the card holders with a credit limit of more than Rupees two lakhs. Similarly, in Federal bank scheme also there is differential interest rates to card holders based on their limit of borrowing ranging from 9.38 percent to 14.37 percent.

4.13 Repayment Schedule

Although the limit sanctioned under the Kisan Card is in the nature of revolving cash credit and each drawal is repayable within 12 months, all the banks have advised their branches to fix specific repayment norms while sanctioning credit limit under Kisan Card. Federal bank and TDCB have stipulated 12 months period from the date of withdrawal, as repayment period. However Canara bank is providing a special consideration for annual crops such as banana and sugarcane upto 18 months.

4.14 Issue of Cheque Books

One of the basic idea behind introducing Kisan Card was to provide flexibility and convenience to the farmers in borrowing and repayment. Here both the commercial banks have issued cheque books to the card holders. In the case of Canara bank, this facility, however, has been extended to only literate borrowers. Federal bank is giving the cheque book facility based on their volume of operation. But the scheme under the TDCB is not providing the cheque book to the farmers. Here the drawal of cash is allowed only through the debit slip available at the bank.

4.15 Service Charges

For issuing Kisan Cards, most of the banks have been levying fees under different names such as, service charges, folio charges, out-of-pocket expenses, inspection charges, application processing charges, etc. to cover their cost. Canara bank and Federal bank have exempted small borrowers from such charges. In Canara bank, borrowers above Rs. 25,000 have to pay service charges and folio charges as per their norms. Federal bank has been charging inspection as well as application processing charges from the borrowers above Rs. 25,000. But Kisan Credit Card Scheme under TDCB, all borrowers are exempted from the above charges.

4.16 Replacement of Lost Card or Damaged Card

Duplicate card or passbook can be issued only after obtaining a written request from the card holders and collecting a fee. In Canara bank the fee is not specified. But in case of Federal bank and TDCB the fee is a fixed amount. Federal bank charges Rs. 100 for replacing the old or damaged cards whereas TDCB is charging only Rs. 5 for issuing duplicate card.

Table 4.5: Kisan Credit Cards – Features of Schemes launched by the sample banks

Sl. No.	Feature/ Name of Bank	Canara Bank	Federal Bank	TDCB
1	Year of issue of circular by bank	1998-99	1998-99	1998-99
2	Any similar scheme earlier	Farmer's green card	No	No
3	Eligibility of farmer	All parties existing	Not specific	Proven record
4	Minimum credit limit	No floor limit	No floor limit	Rs. 5,000
5	Basis of fixation of credit limit	Land holding, cropping pattern, scale of finance of DLTC	Non farm and allied activities, cropping pattern, scale of finance of DLTC	Land holding, cropping pattern, scale of finance of DLTC
6	Restriction on the maximum amount	No	No	As per IMBP
7	Types of card	Single	Single	Single
8	Range of limit for agriculture and allied activities and NFS	20% of limit	20% of credit limit	No credit for allied activities and NFS
9	Separate limit for NFS	20% of turn over on NFS maximum 25% of limit	20% of turn over not exceeding Rs. 10,000	No
10	Separate limit for other activities	No	15% of crop limit subject to a maximum of Rs. 10,000	No
11	Margins	Upto Rs. 10,000 – Nil Above Rs. 10,000 – 5% SF, 15 – 25% OF	Upto Rs. 10,000 – Nil Above Rs. 10,000 – 10% SF, 15% OF	No margin requirements

Sl. No.	Feature/ Name of Bank	Canara Bank	Federal Bank	TDCB
12	Security	Hypothication (Hyp) Rs. 25,000, Hyp and mortgage. Above Rs. 25,000. For coffee crops amount is double of above.	Hyp. Rs. 25,000, Hyp. and mortgage. Above Rs. 25,000.	Two personal securities upto a credit limit of Rs. 10,000. and above that three.
13	Facility of drawal at other branches	No	No	No
14	Facility for direct purchase of inputs from market	No	No	No
15	Cash disbursement limit, if any	No	No	No
16	Sub limit for input purchase	No	No	No
17	Repayment instructions	12 months, 18 months for annual crops	12 months	12 months
18	Issue of cheque books	Literates only	Depending on the volume of operation	No
19	Annual enhancement	Suitable	Suitable	Suitable
20	Service charges, folio charges out of pocket exp., inspection charges, processing charges, etc.	Above Rs. 25,000 as per norm	Above Rs. 25,000 – 0.20% p.a.	No
21	Savings bank account	No	No	No
22	Replacement of lost card or damaged card	Charges. Amount not specified,	Charges Rs. 100	Charges Rs. 5
23	Payment of interest on SB account	No	No	No

Source: Compiled from Secondary Sources

Part II

Having discussed the procedural aspects of the KCC with respect to sample banks, it is worth to examine the response of the farmers towards the scheme. Therefore, an attempt is made in this part of the study to analyse the views of the farmers. Success of the implementation of any scheme depends much upon the satisfaction of the beneficiaries towards the scheme. The feed back from them will be of great help to authorities to identify the strengths and weaknesses of the scheme. Further it may have a bearing on the future policy decisions and also help in speeding up the progress of implementation by highlighting the operational difficulties. Hence, customer level opinion were collected from 50 KCC holders from each sample bank, selected at random through a pre-tested, structured schedule. Thus the sample size consisted of 150 card holders. Data collected were analysed with the help of arithmetical and statistical tools like percentage, averages, priority index and customer satisfaction index.

4.17 Socio economic profile of KCC holders

The customers under study consists of small, medium and large farmers. A profile of the sample respondents are given in Table 4.6.1 to 4.6.5. A look at the socio economic profile of KCC holders is a prerequisite for examining their behaviour towards the scheme.

Table 4.6.1: Gender-wise classification of sample customers

Sex	Canara bank	Federal bank	TDCB	Total
Male	39 (78)	35 (70)	41 (82)	115 (77)
Female	11 (22)	15 (30)	9 (18)	35 (23)
Total	50 (100)	50 (100)	50 (100)	50 (100)

Source: Primary data

Note: Figures in parentheses indicate percentage to total.

Table 4.6.1 clearly portrays that 77 percent of the total respondents are males while females accounted for the remaining 23 percent. Bank-wise observation shows that the highest percentage of male respondents is found in Thrissur District Co-operative Bank at 82 percent and the lowest in Federal Bank (70 percent). But it has the highest percentage of females (30 percent). In Canara bank, 78 percent of Kisan Credit Card holders are males. The women card holders are not so popular in the state in proportion to their educational and social status.

Table 4.6.2: Age-wise distribution of sample farmers

Age	Canara bank	Federal bank	TDCB	Total
21 to 40	11 (22)	8 (16)	33 (66)	52 (35)
41 to 60	24 (48)	26 (52)	13 (26)	63 (42)
Above 60	15 (30)	16 (32)	4 (8)	35 (23)
Total	50 (100)	50 (100)	50 (100)	150 (100)

Source: Primary data

Note: Figures in parentheses indicate percentage to total.

As per table 4.6.2, it can be seen that 42 percent of the total respondents are belonging to the age class 41 to 60, and their distribution accounted for 52 percent, 48 percent and 26 percent in Federal bank, Canara bank and Co-operative bank respectively. Since the card holders are in the ideal age group of 41 to 60 and it gives much potential for bank to retain them and build up good customer relationship.

Table 4.6.3: Education-wise distribution of sample customers

Educational status	Canara bank	Federal bank	TDCB	Total
Primary	20 (40)	8 (16)	37 (73.3)	65 (43.33)
Secondary	18 (36)	11 (22)	3 (6)	36 (24)
Degree	10 (20)	27 (54)	8 (16)	41 (27.3)
Professionals	2 (4)	4 (8)	2 (4)	8 (5.33)
Total	50 (100)	50 (100)	50 (100)	150 (100)

Source: Primary data

Note: Figures in parentheses indicate percentage to total.

Looking at the overall educational level of sample respondents, it is observed from Table 4.6.3 that 43.33 percent of card holders are having only primary education. 24 percent of them have secondary education and 32.63 percent holds degree and professional qualifications. Thrissur District Co-operative bank has accounted for the highest percentage of respondents with primary education (73.3) followed by Canara bank (40 percent). Federal bank has accounted for the least percentage of farmers having primary education (16 percent). The highest number of respondents having secondary education is reported in Canara bank branch (36 percent) followed by Federal bank. Thrissur District Co-operative bank has reported least percentage of farmers with secondary education (6 percent).

In terms of education above secondary level, respondents of Federal bank topped (62 percent) followed by Canara bank (24 percent) and TDCB at 20 percent. It can be inferred from the above analysis that cent percent of the sample card holders are literates. This is a positive sign that the bank can easily create awareness among the borrowers regarding the scheme details.

Table 4.6.4: Annual income of sample farmers

Annual income	Canara bank	Federal bank	TDCB	Total
< Rs. 18000	6 (12)	7 (14)	10 (20)	23 (15)
Rs. 18000 – Rs. 36000	18 (36)	12 (24)	17 (33.33)	47 (31)
Rs. 36000 – Rs. 60000	10 (20)	7 (14)	18 (36.67)	35 (23)
Rs. 60000 and above	16 (32)	24 (48)	5 (10)	45 (30)
Total	50 (100)	50 (100)	50 (100)	150 (100)

Source: Primary data

Note: Figures in parentheses indicate percentage to total.

Considering the annual family income of sample respondents, (Table 4.6.4) it is observed that 31 percent are having annual family income between Rs. 18000 and Rs. 36000. Only 15 percent have income upto Rs. 18000. Federal bank has the highest number of KCC holders (48 percent) having annual income of Rs. 60,000 and above. Farmers who have income below Rs. 18000 and those between Rs. 36000 and Rs. 60000 constituted a minority group (7 percent each) in Federal Bank. But in the case of Canara bank maximum number of respondents belonged to the income group of Rs. 18000 and Rs. 36000 (36 percent) followed by the category of Rs.60000 and above (32 percent). In TDCB about 37 percent are having family income between Rs. 36000 and Rs. 60000 and only 10 percent of respondents have Rs. 60000 and above.

Table 4.6.5: Size of land holding of sample farmers

Size of land holding	Canara bank	Federal bank	TDCB	Total
Small farmers	30 (60)	18 (36)	38 (76)	86 (57.33)
Marginal farmers	14 (28)	16 (32)	9 (18)	38 (25.33)
Large farmers	6 (12)	16 (32)	3 (6)	25 (14)
Total	50 (100)	50 (100)	50 (100)	150 (100)

Source: Primary data

Note: Figures in parentheses indicate percentage to total.

Table 4.6.5 depicts that the small and marginal farmers accounts for 82.66 percent and remaining 14 percent constitutes the large farmers. Small farmers alone constitutes 57.33 percent of the sample card holders. Considering the land holding pattern of KCC holders of Canara bank branch, it can be seen that the majority of them (60 percent) are having land holding upto 2.5 acres, only 12 percent have land holdings above 5 acres. In the ease of TDCB, 76 percent are having up to 2.5 acres and only 6 percent have above 5 acres. In the case of Federal bank 36 percent respondents belongs to small farmers group and the marginal farmers and big farmers constituted equal in number (32 percent each).

4.18 Cropping Pattern of Kisan Credit Card holders

The loan under KCCs is meant to meet the short term cultivation needs. Generally the amount is utilised for cultivation and maintenance of crops like rice, ginger, pepper, rubber, etc. Table 4.7 gives an overall picture about the crops under Kisan Credit Card Scheme.

Table 4.7: Cropping pattern of sample respondents

Crop	Canara bank	Federal bank	TDCB	Total
Plantation crop	18 (36)	13 (26)	20 (40)	51 (34)
Coconut	33 (66)	35 (70)	35 (70)	103 (68.60)
Paddy	25 (50)	14 (28)	35 (70)	74 (49.33)
Tapioca	7 (14)	4 (8)	12 (24)	23 (15.33)
Rubber	0	2 (4)	0	2 (1.33)
Coffee	30 (60)	6 (12)	20 (4)	56 (37.33)
Arecanut	20 (40)	3 (6)	25 (50)	48 (32)
Vegetables	2 (4)	17 (34)	9 (18)	28 (18.66)

Source: Primary data

Note: Figures in parentheses indicate percentage to total

As per table 4.7 the cropping pattern of farmers clearly reveals that majority of respondents are cultivating coconut (68.66 percent). Paddy farming holds the second position with 49.33 percent. Only an insignificant number of farmers are cultivating crops like Rubber, Coffee, and Vegetables.

4.19 Reason for selecting the branches by the card holders

In the study area, all types of implementing agencies such as public sector banks, private sector banks and co-operative banks are operating. Hence it is important to identify the major reasons for the selection of the branches by the sample respondents.

Table 4.8: Reason for joining the scheme of the bank

Sl. No.	Reason	Canara Bank		Federal Bank		TDCB		Total	
		Score	Priority index	Score	Priority index	Score	Priority index	Score	Priority index
1.	Proximity to your office/ residence	240	80 (I)	192	64 (I)	270	90 (I)	702	78 (I)
2.	Friends/ relatives working in the branch	15	5 (IV)	105	35 (III)	70	23 (III)	190	21.1 (IV)
3.	Recommendation by friends/ relatives	60	20 (III)	96	32 (IV)	44	14 (IV)	200	22.22 (III)
4.	Quality of services	114	38 (II)	114	38 (II)	129	43 (II)	357	39.63 (II)
5.	Personal request of the staff	6	2 (V)	16	5.3 (V)	-	-	22	2.44 (V)
6.	Other bank's poor performance	2	66 (VI)	6	2 (VI)	1	33 (V)	9	1 (VI)
	Maximum obtainable score	300		300		300		900	

Source: Primary data

Note: Figures in parentheses indicate rank obtained.

Table 4.8 illustrates that proximity to farmers residence/office, with highest priority index of 78, is the most important reason for selecting the particular branches of the banks. Quality of service (index of 39.6) and recommendation of friends/relatives (index of 22.22) are the next major reasons ranked by the respondents of the three bank branches.

Bank wise analysis reveals that the card holders in Canara bank, Federal bank and TDCB have ranked proximity to their office or residence (index of 80, 64 and 90 respectively) as the most prominent reason for selecting the bank branches followed by quality of service (index of 38, 38 and 43 respectively). But it is interesting to note that friends and relatives working in the bank is the seemed important reason for Federal Kisan Credit Card holders and card holders of TDCB with an index of 35 and 23 respectively. Respondents from Canara bank have ranked recommendation of friends and relatives as the seemed important reason (index of 20).

The above results reveal that proximity to office or residence had mostly influenced in the selection of branches of the banks. The quality of service provided by them had also acted as a prominent factor in this regard.

4.20 Purpose of joining the scheme

Unlike other short term loans to agriculture, Kisan Credit Card Scheme covers farmers credit needs for crop cultivation, allied activities and even other non farm activities. Therefore, an analysis to identify the purpose of joining the scheme will be fruitful to measure the success of the scheme and this aspect has a direct impact on the repayment capacity of the borrower.

Table 4.9: Reason of joining the scheme

Sl. No.	Reason	Canara Bank		Federal Bank		TDCB		Total	
		Score	Priority index	Score	Priority index	Score	Priority index	Score	Priority index
1.	Expansion of agriculture operation	150	60 (I)	125	50 (II)	210	84 (I)	485	64.66 (I)
2.	Lack of fund	135	54 (II)	192	76.8 (I)	156	62.4 (II)	483	64.4 (II)
3.	Rearing of animals/birds	114	45.6 (III)	60	24 (IV)	0	0	174	23.2 (IV)
4.	Acquisition and maintenance	98	39.2 (IV)	74	29.6 (III)	70	28 (III)	242	32.26 (III)
5.	Consumption purpose	15	6 (V)	35	14 (V)	7	0.9 (IV)	50	6.62 (V)
	Maximum obtainable score	250		250		250		750	

Source: Primary data

Note: Figures in parentheses indicate rank obtained

It is evident from Table 4.9 that expansion of agriculture operation has the highest priority index of 64.66. Lack of funds for day to day farming needs is an equally important reason (index of 64.4). The consumption purpose is ranked as the least important reason for joining the scheme (index of 8.9 out of 100).

Canara bank card holders have ranked expansion of agricultural operation (index of 60) as the most important reason for joining the scheme, followed by lack of funds (index of 54) and rearing of animals/birds (index of 45.6). Acquisition and maintenance of assets is ranked fourth (index of 39.4) and consumption expenditure the fifth (index of 6).

The table 4.9 reveals that the most important reason for farmers to join the scheme under Federal bank (index of 78.8) is lack of funds. They have ranked expansion of agricultural operation as the next important purpose for joining the scheme, with an index of 50. Although consumption purpose is ranked as the least important in absolute figures it is high when compared to the same of other banks (scores 35). This is noteworthy that KCC scheme provides high flexibility in the purpose of the loan. But other two banks are not interested in providing more flexibility towards consumption purposes.

In case of TDCB the first two reasons ranked are similar to that of Canara bank with the index of 84 and 62.4 respectively. Here acquisition and maintenance of assets scored third position as the purpose for joining the scheme. The bank is not providing credit for allied agricultural activities and for other consumption expenditures. Therefore it is observed that the scheme of TDCB is not giving much flexibility as desired in respect of the purpose of the scheme.

4.21 Source of finance before joining the scheme

As it is an innovative scheme to the farmers, it is meaningful to examine which financing source did the farmers depend on before joining the scheme. This will be helpful to understand the strength and weakness of different financial agencies.

Table 4.10: Source of finance before taking KCC

Financial Institution	Canara Bank	Federal Bank	TDCB	Total
Canara bank	40 (80)	0	0	40
Federal bank	0	45 (90)	0	45
PACS	3 (6)	4 (8)	46 (92)	47
Money lender	2 (4)	1 (2)	1 (2)	4
Trader	4 (8)	0	2 (4)	8
Fellow farmers	1 (2)	0	1 (2)	2

Source: Primary data

Note: Figures in parentheses indicate percentage to total

Table 4.10 depicts that of 150 sample KCC holders more than 80 percent depended on the same banks for their agricultural loan requirements before taking KCC. This analysis clearly reveals that all the sample banks have been issuing KCCs, mostly to their existing borrowers. The bank wise data shows that the coverage of new borrowers under KCC is very insignificant which accounts only for 9.88 percent.

The above analysis reveals that the banks are either reluctant or inefficient in broad basing their area of operation in KCC Scheme.

4.22 Usage Pattern of credit availed

It will be fruitful to have a look at the credit usage pattern of the respondents which may be relevant to analyse the farmer's behaviour towards the scheme. The usage pattern of credit availed is analysed through different performance indicators like, credit gap of different banks, credit utilisation behaviour, repayment behaviour and reasons for default by the card holders.

4.22.1 Credit gap of different banks

Credit gap shows the difference between the amount sanctioned and amount applied for. It is an indication of two aspects, one is about the bank's consciousness about the repayment capacity of farmers and the other is about inadequate supply of credit to the farmer's requirements.

Table 4.11: Amount applied and sanctioned by the banks

% of credit sanctioned	Canara bank (No. of respondents)	Federal bank (No. of respondents)	TDCB (No. of respondents)
Below 50%	0 (0)	1 (2)	0 (0)
50% - 60%	1 (2)	0 (0)	0 (0)
60% - 70%	3 (0)	0 (0)	0 (0)
70% - 80%	6 (12)	7 (14)	7 (14)
80% - 90%	13 (26)	10 (20)	9 (18)
90% - 100%	27 (54)	32 (64)	34 (68)

Source: Primary data

Note: Figures in parantheses indicate percentage to total respondents.

Table 4.11 exhibits the number of respondents reported credit gap. In Canara bank 27 respondents were sanctioned the credit limit ranging 90–100 percent of the applied amount and 13 respondents between 80 and 90 percent. The rest of the respondents were sanctioned the amount between 50 percent and 80 percent of the credit they applied. And none of the respondents were sanctioned below 50 percent.

In the case of Federal bank 32 respondents were able to get the credit above 90 percentage of their applied amount and this accounts for 64 percent of the total. Again 10 respondents got the credit sanctioned between 80 to 90 percent and for 7 respondents between 70 to 80 percent. There is only one respondent who obtained the loan amount below 50 percent of the amount applied.

Table 4.11, further depicts that among 50 farmers of TDCB, 34 were sanctioned credit between 90 percent and 100 percent of the amount they applied for. While 9 farmers got between 80 to 90 percent only 7 received between 70 to 80 percent. None of the respondents were sanctioned below 80 percent of credit applied for.

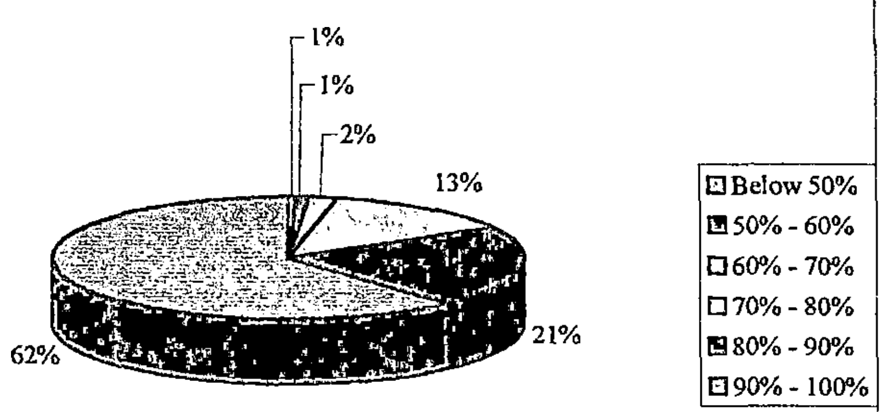

Fig 4.1: Credit Gap - Respondents of All Banks

From the Fig. 4.1, it is evident that about 62 percent of the respondents were sanctioned credit between 90 to 100 percent of the amount they applied for, while 21.33 percent of the respondents got an amount between 80 to 90 percent of the required credit. Again 13.33 percent and 2 percent of the respondents were sanctioned the credit ranging 70 to 80 percent and 60 to 70 percent respectively.

It may be mentioned here that Kisan Credit Card Scheme envisaged coverage of all the short term credit needs of the farmers including crop loan and other items of production credit/working capital/short term requirements for non-farm activities. The idea behind this approach was to ensure that farmers get adequate credit to meet all their short-term needs through the single window of the Kisan Credit Card. The above analysis of credit gap pronounces that majority of the respondents were able to avail adequate amount of credit. This will be helpful for the farmers to meet the day to day requirements of agriculture and allied activities very effectively. Again it is evident that banks are now more liberal to the farmers. But in the case of Federal Bank, it is observed that they sanctioned credit below 50 percent of the applied amount to a few farmers. It shows the bank's concern about the repayment capacity. The banks are sanctioning the credit limit on the basis of scale of finance, fixed by DLTC, while TDCB is strictly following the scale of finance, the commercial banks are revising the scales as and when they feel it inadequate. The borrowers of TDCB were generally getting the advantage of higher credit limit compared to the borrowers of commercial banks. And among the three sample banks, Co-operative bank is showing comparatively liberal attitude in the sanctioning of credit to farmers without much gap from their applied amount.

4.22.2 Credit utilisation behaviour of KCC holders

The credit utilisation behaviour of farmers were analysed based on the pattern of withdrawal out of total sanctioned amount.

Table 4.12: Pattern of credit sanctioned and withdrawn

% of credit withdrawn	Canara Bank				Federal Bank				Thrissur District Cooperative Bank			
	1st year	2nd year	3rd year	Avg	1st year	2nd year	3rd year	Avg	1st year	2nd year	3rd year	Avg
Below 50%	0 (0)	4 (8)	4 (8)	5.33	0 (0)	5 (10)	7 (14)	8	3 (6)	6 (12)	8 (12)	11.33
50% - 60%	0 (0)	0 (0)	0 (0)	0	0 (0)	0 (0)	0 (0)	0	1 (2)	0 (0)	1 (2)	1.33
60% - 70%	1 (2)	1 (2)	4 (8)	4	0 (0)	1 (2)	3 (6)	2.6	0 (0)	1 (2)	1 (2)	1.33
70% - 80%	0 (0)	2 (4)	4 (8)	4	2 (4)	3 (6)	4 (8)	6	0 (0)	2 (4)	5 (10)	4.66
80% - 90%	2 (4)	3 (6)	3 (6)	5.33	7 (14)	2 (4)	8 (16)	11.33	3 (6)	8 (16)	7 (14)	12
90% - 100%	47 (94)	40 (80)	35 (70)	81.33	41 (82)	39 (78)	28 (52)	72	43 (86)	33 (66)	28 (56)	69.33

Source: Primary data

Note: Figures in the parantheses indicate percentage to total respondents

Table 4.12 depicts the pattern of withdrawal by the farmers from their credit limit sanctioned.

In Canara Bank, 81.33 percent of the sample respondents are belonging the class of 90 to 100 percent withdrawal. 5.33 percent of respondents withdrew the credit ranging 80 to 90 percent and below 50 percent. Only 4 percent of the respondents used 60 to 70 percent and 70 to 80 percent of credit limit. In the first year 47 (94 percent) of the total respondents withdrew 90 to 100 percent of total credit. In the subsequent years it declined to 80 percent and 70 percent respectively.

In the first year of the study period nobody has withdrawn below 50 percent of the total credit sanctioned. But in the succeeding years 8 percent of respondents belonged to this category.

In Federal bank 72 percent of total respondents withdrawn 90 to 100 percent of the credit sanctioned in three year period. 11.33 percent withdrew 80 to 90 percent of their credit. Here 8 percent of the respondents withdrew below 50 percent of sanctioned amount.

In the first year of the reference period 41 respondents (82 percent) withdrew 90 to 100 percent of the total credit sanctioned. Nobody withdrew below 70 percent of the sanctioned amount. But in the second year the utilisation pattern has slightly changed i.e. 39 of the respondents (78 percent) withdrew 90 to 100 percent of the credit limit. Five farmers (10 percent) withdrew below 50 percent of credit sanctioned. In the third year the same trend continued. The percentage of withdrawal has declined to 56 from the first category. The major reason of this pattern of behaviour can be attributed to farmer's curiosity to repay the earlier year's defaulted amount.

The credit utilisation behaviour of respondents of the TDCB follows more or less the same pattern of Federal bank. As a whole about 69.33 percent of the respondents withdrew the amount above 90 percent. Only 12 percent of them withdrew 80 to 90 percent and 11.33 percent of below 50 percent.

In the first year 43 respondents of TDCB (86 percent) withdrew 90 to 100 percent of the total credit sanctioned. Only three of them (6 percent) withdrew below 50 percent. In the second year, 33 respondents (i.e. it declined) withdrew 90 to 100 percent of the credit. In the third year withdrawal between 90 and 100 percent declined to 56 percent.

It can be concluded from the above analysis that majority of card holders withdrew almost full amount of their credit limit. Among the sample banks, card holders of Canara bank have shown fairly good performance in credit withdrawal. It may be inferred that Canara bank is giving Kisan Credit Card to genuine and needy farmers than the other two banks.

4.22.3 Repayment behaviour of KCC holders

The success of every agricultural lending scheme depends mainly on the repayment behaviour of the farmers. Here an attempt is made to analyse the repayment behaviour of KCC holders under the sample banks.

Table 4.13: Repayment behaviour of respondents under KCC scheme of sample banks

% of repaid amount	Canara Bank			Federal Bank			Thrissur District Cooperative Bank		
	1st year	2nd year	3rd year	1st year	2nd year	3rd year	1st year	2nd year	3rd year
Below 50%	9 (18)	6 (12)	4 (8)	1 (2)	8 (16)	8 (16)	9 (18)	10 (20)	8 (16)
50% - 60%	0 (0)	6 (12)	0 (0)	0 (0)	2 (4)	0 (0)	0 (10)	0 (0)	0 (0)
60% - 70%	2 (4)	6 (12)	1 (2)	7 (14)	1 (2)	0 (0)	2 (4)	0 (0)	0 (0)
70% - 80%	1 (2)	3 (6)	0 (0)	6 (12)	0	1 (2)	1 (2)	3 (6)	0 (0)
80% - 90%	5 (10)	3 (6)	1 (2)	7 (14)	8 (6)	2 (4)	1 (2)	2 (4)	
90% - 100%	33 (66)	15 (30)	22 (44)	19 (38)	16 (32)	18 (36)	37 (74)	31 (62)	33 (56)
Above 100%	0 (0)	9 (18)	22 (44)		20 (40)	21 (42)		4 (8)	9 (18)

Source: Primary data

Note: Figures in parentheses indicate percentage to total respondents

It is evident from table 4.13 that in Canara bank, 66 percent of respondents repaid 90 to 100 percent of the withdrawn amount and 10 percent between 80 to 90 percent in the first year of the study period. About 18 percent of respondents have repayment below 50 percent.

In the second year it is seen that 18 percent of the card holders repaid more than the withdrawn amount. This excess amount represents the arrears of the previous year. Again 30 percent of respondents repaid 90 to 100 percent of their dues. The number of repayments below 50 percent of the credit declined to 12 percent.

Again in the third year 44 percent of the respondents repaid more than 100 percent. Another 44 percent repaid 90 to 100 percent. Only 8 percent of the respondents repaid below 50 percent of the withdrawn amount.

The above results disclose that Kisan Credit Card holders of Canara bank are somewhat regular in repayment. This may be attributed to the improved income generated from the bank credit.

In case of Federal bank, in the first year of the study 38 percent of the respondents repaid amount ranging from 90 to 100 percent. 14 percent repaid 60 to 90 percent. Only two percent of the respondents repaid below 50 percent of the credit withdrawn.

In the second year 40 percent of the respondents repaid above the credit they withdrew and 32 percent between 90 and 100 percent. Here the number of persons repaid below 50 percent is increasing and it accounts for 16 percent.

In third year 42 percent of the respondents repaid in excess of the amount withdrawn in that year and 36 percent above 90 percent. But here we can see that 16 percent of the respondents repaid below 50 percent of their withdrawn amount and this is reflected in their NPA account.

As per Table 4.13, in the first year of the reference period 74 percent of the respondents of TDCB have repaid the credit over 90 percent. And 18 percent of the farmers repaid below 50 percent of their credit.

In the second year, 8 percent of the respondents repaid more than 100 percent of their credit withdrawn and 67 percent repaid between 90 and 100 percent of the same. In the second year 20 percent of the respondents repaid below 50 percent.

In the third year we can clearly see that majority of the respondents repaid almost all the credit they have withdrawn i.e. 18 percent of the respondents repaid more than they withdrew in that year and 66 percent of them repaid between 90 and 100 percent. The rest of the respondents repaid below 50 percent (i.e. 8 farmers). This default may be attributed to the expectation of possible loan waiver.

The above analysis reveals that KCC holders of TDCB are showing comparatively better performance in the repayment of the credit.

4.22.4 Reasons For Default by The Card Holders

The defaulters were asked about the major reasons for their non-payment. In the survey schedule, five major reasons have been listed out like crop failure, family problems, price fall, diversion of loans and high rate of interest. Priority index was used for ranking the responses of farmers.

Table 4.14: Reasons for default by the cardholders

Sl. No.	Reasons	Canara Bank		Federal Bank		TDCB	
		Score	Priority index	Score	Priority index	Score	Priority index
1.	Crop failure	98	56 (II)	95	50 (IV)	60	60 (II)
2.	Price fall	105	60 (I)	115	60.52 (II)	72	72 (I)
3.	Diversion of loan	105	60 (I)	143	75 (I)	56	56 (III)
4.	High rate of interest	88	50.28 (III)	80	42.10 (V)	36	36 (V)
5.	Family problems	35	20 (IV)	100	52.63 (III)	56	56 (IV)
	Maximum obtainable score	35x5 =175		38x5 =190		20x5 =100	

Source: Primary data

Note: Figures in parentheses indicate rank obtained.

It is evident from Table No. 4.14 that the customers of the Canara Bank have ranked price fall and diversion of loans as the most important reasons for the default with an equal index of 60 out of 100. Crop failure is ranked as the next important reason for default (index of 56), followed by high rate of interest with an index of 50. The least important reason is family problems (index of 20).

The card holders of Federal Bank have ranked diversion of the loan as the most important reason (index of 76) followed by price fall with an index of 60.52. They have ranked family problems as the third important reason (index of 52.63). The other important reasons are crop failure followed by the high rate of interest (with an index of 50 and 42.1 respectively).

The respondents of TDCB reported price fall as the most important reason (index of 72) followed by crop failure (index of 60). They have ranked diversion of loan and family problem as the third important reason with and index of 56 each. And the least importance is given to rate of interest (index of 36).

The above results reveal that price fall is the most important reason in Canara Bank and in TDCB. This may be due to the crash in the prices of important agricultural commodities in 1999-2001 and the steep fall in prices has heavily affected the repayment capacity of the card holders. The farmers also attributed drought as the major reason for the crop failure during the study period. This may also have weakened their repayment performance.

The Kisan Credit Card scheme is considered as a diversified credit scheme even for consumption purpose. This will make poor results, if the farmers utilise the amount for unproductive consumption purpose. The cardholders are least concerned by high rate of interest and family problems. They have expressed the confidence that they can afford the interest rate and repay the loan each year. But some farmers have pointed out the need for reducing the interest rate under the scheme.

4. 23 Utilisation of loan under KCC

Credit plays an important role in increasing agricultural production and is said to be the life blood of agriculture. However, it serves a useful means only when it is used judiciously for productive purpose. So utilisation of the loan amount for the purpose for which it is issued is an important factor in measuring the success of the Kisan Credit Card Scheme and has direct impact on the repayment capacity of the borrower. Hence, an analysis of utilisation of credit is also attempted here.

4.23.1 Credit Utilisation by Card Holders – Canara Bank

Table 4.15 depicts that of the 50 respondents, only a part of them utilised the credit for agricultural and allied purposes. In the initial year 76 percent (i.e. 38 farmers) of the respondents used credit for agricultural purpose. Among them most of the farmers (78.9 percent) utilised below Rs. 25000 for agricultural purpose. 18.4 percent of farmers utilised between Rs. 25000 and Rs. 50000. Only 2.63 percent utilised between Rs. 50000 and Rs. 75000.

In the second year 92 percent (46 farmers) used the amount for agricultural purpose. It is worth noting that majority of the farmers (80.10 percent) used below Rs. 25000. Only 2.1 percent of the farmers utilised above Rs. 1,00,000.

In the third year also it is seen that 84 percent (42 farmers) of the respondents availed the credit for agricultural purpose, of which 85.7 percent utilised below Rs. 25000 and none among them drew above Rs. 75000.

In the first year 42 percent of respondents (21 farmers) utilised the credit for allied activities, of which majority of farmers (i.e. 80.9 percent) withdrew below Rs. 25000. In the subsequent years credit utilisation for allied purpose has decreased and reached 34 percent.

Purpose wise analysis further showed that 22 of total respondents (44 percent) utilised 38.15 percent of the total advance of the initial year under KCC for consumption purpose. Interestingly 22.73 percent among them used above Rs. 50000. In second year 20 of respondents (40 percent) utilised the credit for consumption purpose, showing a fall in the percentage of advance for consumption purpose, which accounts for 15.41 percent. This was attributed to the default made by the respondents who had withdrawn the credit for consumption purpose in the previous year. In the third year 42 percent utilised the KCC for consumption purpose and 85.7 percent of them withdrew below Rs. 25000.

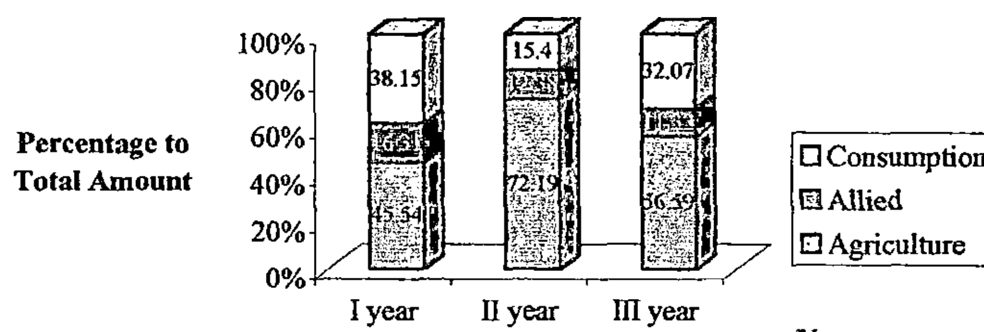

Fig 4.2 Utilisation Pattern of Credit for Different Purposes - Canara Bank

Fig. 4.2 depicts that in the first year the total amount of credit utilised for agricultural purpose constitutes 45.53 percent of total advance and in the second year it increased to 72.19 percent and towards the third year it decreased to 56.69 percent. The withdrawals for allied purpose accounted for 16.31 percent, of the total withdrawal by the card holders in the initial year and decreased to 12.38 and 11.32 percent respectively in the second and third year.

In case of consumption purpose, 44 percent of total respondents utilised 38.15 percent of the total advance of initial year under KCC and it came down to 15.41 percent in the second year and slightly increased in the third year to 32.07 percent.

From the above analysis it can be inferred that majority of respondents of Canara bank are utilising the amount below Rs. 25,000 for agricultural purposes, which indicates the domination of small farmers among Canara bank Kisan Card holders. Amount of credit utilised and number of card holders for allied activities are showing a decreasing trend. Further majority of card holders are utilising the amount for minor consumption purposes.

Table No. 4.15: Utilisation of credit for different purposes by KCC holders of Canara Bank

Amount of withdrawal	1st year			2nd year			3rd year		
	Ag	Al	C	Ag	Al	C	Ag	Al	C
Below 25000	30 (78.9)	17 (80.9)	15 (68)	37 (80.4)	19 (95)	16 (80)	36 (85.71)	17 (100)	18 (85.7)
25000 – 50000	7 (18.4)	4 (19.05)	2 (9.09)	5 (10.8)	1 (5)	4 (20)	3 (7.14)		
50000 – 75000	1 (2.63)		2 (9.09)	2 (4.4)			3 (7.14)		3 (14.28)
75000 – 1,00,000			1 (4.55)						
Above 100000			2 (9.09)	1 (2.1)					
Total number of card holders	38 (76)	21 (42)	22 (44)	46 (92)	20 (40)	20 (40)	42 (84)	17 (34)	21 (42)
Total amount	765527 (45.54%)	27400 (16.31%)	64130 (38.15%)	992262 (72.19)	170165 (12.38)	211813 (15.4)	666347 (56.59)	133293 (11.32)	377679 (32.07)

Source: Primary data

Note: Figures in parentheses indicate percentage to total

Ag – Agricultural purpose

Al – Allied purpose

C – Consumption purpose

4.23.2 Credit Utilisation by Card Holders – Federal Bank

As per table 4.16, in Federal bank, 37 of the respondents (74 percent) utilised their credit for agricultural purpose in the first year. Among them 54.14 percent utilised below Rs. 25000 and 24.32 percent between Rs. 25000 and Rs. 50000. But 10.8 percent of them utilised above Rs. 1,00,000.

In the second year, 32 respondents (64 percent) utilised the amount for agricultural purpose, and 53.12 percent of them withdrew below Rs. 25000. In the third year 34 respondents (68 percent) availed the credit for agricultural and withdrawals below Rs. 25000 is 38.2 percent only.

For allied activities, 21 respondents (42 percent) withdrew in the first year and credit utilisation accounted for 13.35 percent of the total drawings of Kisan Credit Card holders. In second year, only 11 respondents (22 percent) utilised the amount. Towards the third year only 8 respondents (16 percent) utilised their credit for allied activities and 62.5 percent of them utilised an amount below Rs. 25000.

In the first year 34 respondents (68 percent) utilised credit for consumption purpose. Interestingly 11.76 percent of them utilised the credit above Rs. 1,00,00. In second year 23 respondents (46 percent) used the credit for this purpose of which 17 percent utilised above Rs. 75000. But majority of card holders withdrew below Rs. 50000 for this purpose. In the third year the number of respondents who utilised credit for consumption slightly decreased from 23 to 22 (46 to 44 percent).

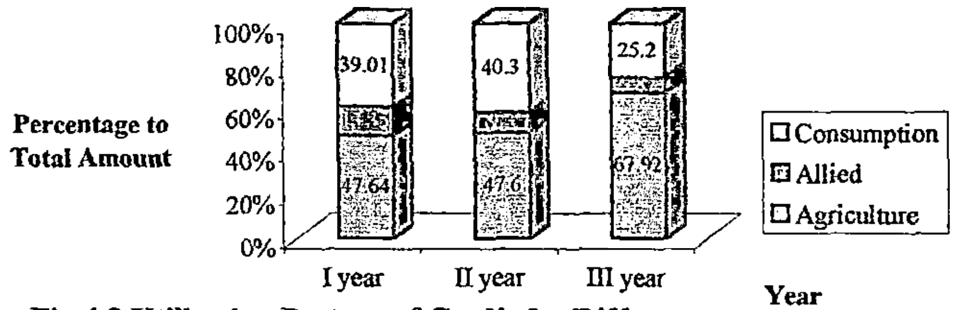

Fig 4.3 Utilisation Pattern of Credit for Different Purposes - Federal Bank

It is evident from Fig 4.3 that credit utilised for agricultural purpose accounted for 47.64 percent of the total Kisan Credit Card withdrawals, in the first two years, of which 47.6 percent is utilised for agricultural purpose. The share of credit for agricultural activity increased, in the next year to 67.92 percent of the total credit under Kisan Credit Card. In the initial year credit utilisation for allied activities accounted for 13.35 percent of the total drawings but it decreased to 9.31 percent and 6.87 percent to the total credit in the subsequent years. In the first year the percentage of credit utilised for consumption to total credit was 39.01. Although a slight increase was noted in the second year it has gone down to 25.2 percent towards the third year.

In case of Federal bank it is important to note that the credit utilised for agricultural purpose below Rs. 25,000 constitutes only 38.2 percent of the total number of beneficiaries. Again it could be noticed that in this bank about 10 percent of farmers utilised above Rs. 1,00,000 for agricultural purpose. This indicates that in Federal bank there are large scale farmers as KCC holders. Credit utilised for allied agricultural purpose and consumption have shown a decreasing trend during the study period.

Table 4.16: Utilisation of credit for different purposes by KCC holders of Federal Bank

Amount of withdrawal	1st year			2nd year			3rd year		
	Ag	Al	C	Ag	Al	C	Ag	Al	C
Below 25000	20 (54.1)	12 (57.14)	15 (44.1)	17 (53.12)	5 (45.45)	9 (39.13)	13 (38.2)	5 (62.5)	14 (63.6)
25000 – 50000	9 (24.32)	6 (28.5)	7 (20.5)	7 (21.8)	4 (36.36)	7 (30.4)	9 (26.47)	1 (12.5)	5 (22.7)
50000 – 75000	1 (2.7)	1 (4.76)	4 (11.76)	3 (9.3)	2 (18.18)	3 (13.04)	5 (14.7)	2 (25)	1 (4.7)
75000 – 1,00,000	3 (8.1)		1 (2.94)	2 (6.25)		2 (8.69)	4 (11.76)		1 (4.7)
Above 100000	4 (10.8)	2 (9.5)	4 (11.76)	3 (9.3)		2 (8.69)	3 (8.82)		1 (4.7)
Total number of card holders	37 (74)	21 (42)	34 (68)	32 (64)	11 (22)	23 (46)	34 (68)	8 (16)	22 (44)
Total amount	7701232 (47.64)	476731 (13.35)	139063 (39.01)	1079522 (47.6)	215496 (9.31)	913198 (40.3)	1433500 (67.92)	145000 (6.87)	532000 (25.2)

Source: Primary data

Note: Figures in parentheses indicate percentage to total

Ag – Agricultural purpose

Al – Allied purpose

C – Consumption purpose

4.23.3 Credit Utilisation by Card Holders - TDCB

TDCB is not giving credit for allied activities and they focus on agricultural purpose and consumption purpose. In the first year 40 respondents (80 percent) utilised the credit for agricultural purpose and 62.5 percent among them used below Rs. 25000. In second year the figure has gone up to 90 percent and majority of farmers utilised above Rs. 25000. In the third year also similar trend was observed.

In the first year about half of the total respondents utilised the amount for consumption activities and 72 percent of them utilised below Rs. 25000. But a declining trend was seen, in the subsequent years to 45 and 38 respectively.

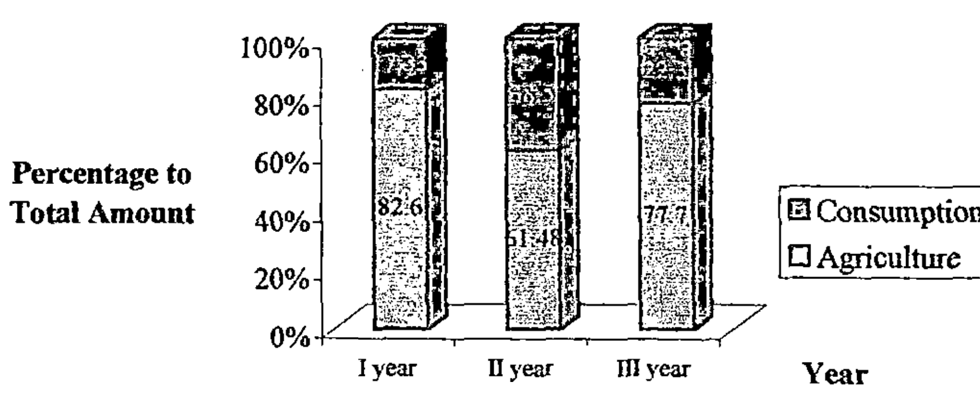

Fig 4.4 Utilisation Pattern of Credit for Different Purposes - TDCB

Fig 4.4 shows that in the first year 82.6 percent of total advance under the scheme was utilised for agricultural purpose and it has decreased to 61.48 percent in the second year and gone up to 77.7 percent of total credit withdrawn in the third year. While 17.33 percent of the first year credit was utilised for consumption activities, it was 38.5 percent and 22.3 percent respectively in subsequent years.

Thus in TDCB, it can be seen that major part of credit is utilised for agricultural purpose and the percentage of credit utilised for consumption purpose was less than other banks.

In Federal bank and in Canara bank, majority of respondents utilised the credit below Rs. 25000 for agricultural and allied activities. But in the case of TDCB except in the first year, majority of the respondents have drawn above Rs. 25,000. It may be safely inferred that most of the card holders of TDCB are genuine farmers.

Table 4.17: Utilisation of credit for different purposes by KCC holders of TDCB

Amount of withdrawal	1st year		2nd year		3rd year	
	Ag	C	Ag	C	Ag	C
Below 25000	25 (62.5)	18 (72)	21 (46.6)	15 (65)	24 (48.9)	12 (63.15)
25000 – 50000	8 (20)	1 (4)	9 (20)	2 (8.6)	12 (24.48)	4 (21.05)
50000 – 75000	3 (7)		12 (26.67)	5 (21.7)	7 (14.28)	1 (5.26)
75000 – 1,00,000	3 (7)	2 (8)	1 (2.22)	1 (4.3)	1 (2.04)	2 (10.52)
Above 100000	1 (2.5)	4 (16)	2 (4.44)		2 (4.08)	
Total number of card holders	40 (80)	25 (50)	45 (90)	23 (46)	46 (92)	19 (38)
Total amount	169500 (82.6)	356500 (17.33)	1020400 (61.48)	639100 (38.5)	1210955 (77.7)	347546 (22.3)

Source: Primary data

Note: Figures in parentheses indicate percentage to total

Ag – Agricultural purpose

Al – Allied purpose

C – Consumption purpose

4.24 Satisfaction With Kisan Credit Card Scheme

The success of any credit scheme depends upon the satisfaction of beneficiaries. Therefore, an attempt is made in this part of study to measure the satisfaction of the respondents regarding the various operational aspects of the scheme. A satisfaction index was constructed based on the parameters such as rate of interest, duration of the loan, procedural formalities, documentation, present credit limit, renewal procedures, timeliness, behaviour of the employees of the bank, improvement of interest in farming and improvement of yield.

The factors, which scored a satisfaction index below 33, were ranked under least favourable zone, between 33 and 66 under moderately favourable zone and above 66 under highly favourable zone.

Adopting the above methodology, the consolidated opinion of card holders were analyzed by constructing separate satisfaction indices for each bank and the results were presented in the following section.

4.24.1 Satisfaction level of KCC holders of Canara Bank

Table 4.18: Satisfaction level of KCC Scheme of Canara Bank

Sl no	Item	Total score	Maximum score	Satisfaction index
1.	Rate of interest of the scheme	151	250	60.4
2.	Repayment schedule	156	250	68.4
3.	Duration of the loan	162	250	64.8
4.	Procedural formalities	207	250	82.8
5.	Documention	163	250	65.2
6.	Present credit limit	122	250	48.8
7.	Renewal procedures	151	250	60.4
8.	Behaviour employees of the bank	161	250	64.4
9.	Performance compared to crop loan system	218	250	87.2
10.	Timeliness of credit	158	250	63.2
11.	Improvement of yield	148	250	59.2
12.	Interest of farming	157	250	62.8

Source: Primary data

Table 4.18 gives the satisfaction level of the Kisan Credit Card holders of the Canara Bank. It is evident that the satisfaction index is the highest for the performance of the scheme to crop loan system (87.2) followed by procedural formalities with an index of 82.8. These two factors are coming under highly favourable zone, while all the other factors obtained an index between 33 and 66 and fall under moderately favourable zone. Present credit limit obtained has the lowest satisfaction index of 48.8.

4.24.2 Satisfaction level of KCC holders of Federal bank

Table 4. 19: Satisfaction level of KCC scheme of Federal Bank

Sl no	Item	Total score	Maximum score	Satisfaction index
1.	Interest rate of the scheme	139	250	55.6
2.	Repayment schedule	150	250	60.0
3.	Duration of the loan	157	250	62.8
4.	Procedural formalities	213	250	85.2
5.	Documentation	224	250	89.6
6.	Present credit limit	141	250	56.4
7.	Renewal procedures	218	250	87.2
8.	Behaviour employees of the bank	174	250	69.6
9.	Performance compared to crop system	236	250	94.4
10	Timeliness of credit	230	250	92.0
11	Improvement of yield	152	250	60.8
12	Interest of farming	153	250	61.2

Source: Primary data

Table 4.19 illustrates the satisfaction index of KCC holders of Federal bank. Here timeliness of credit obtained the highest index of 94.4 and the interest rate the lowest of 55.6. In this scheme the satisfaction index for procedural formalities, documentation, renewal procedure, behaviour of employees and timeliness are coming under highly favourable zone and the rest of the factors are under moderately favourable zone.

4.24.3 Satisfaction level of KCC holders of TDCB

Table 4. 20: Satisfaction level of KCC scheme of TDCB

Sl no	Item	Total score	Maximum score	Satisfaction index
1.	Interest rate of the scheme	142	250	56.2
2.	Repayment schedule	166	250	66.4
3.	Duration of the loan	169	250	67.6
4.	Procedural formalities	236	250	94.4
5.	Documentation	237	250	94.8
6.	Present credit limit	144	250	57.6
7	Renewal procedures	242	250	96.8
8.	Behaviour of employees of the bank	176	250	70.4
9.	Performance compared to crop loan system	212	250	84.8
10	Timeliness of credit	148	250	59.2
11.	Improvement of yield	149	250	59.6
12.	Interest of farming	140	250	56.0

Source: Primary data

Table 4.20 depicts the satisfaction index of cardholders of TDCB. It is clear that the card holders have highly favourable opinion towards majority of factors and they felt renewal procedures as the most favourable factor with an index of 96.8; followed by documentation (index of 94.8) and procedural formalities (index of 94.4). Their satisfaction index towards the improvement of interest in farming holds the last position with an index of 56. This may be due to the general price fall of agricultural products during the study period. The table 4.20 further reveals that majority of parameters analysed are coming under highly favourable zone and only 5 among them fall under moderately favourable zone.

The above results reveal that none of the factors of each scheme falls under least favourable zone. So it can be safely inferred that the performance of the Kisan Credit Card Scheme is satisfactory among the sample respondents. It is also evident form the above analysis that Canara bank's Kisan card holders scored highest satisfaction index for the over all performance of the scheme in comparison with crop loan scheme with and index of 87.2 and this shows the superiority of the KCCS. Among FKCC holders timeliness of the credit is the most favourable factor of the scheme (index of 94.4). In TDCB, card holders rated renewal procedures as the most favourable factor of the scheme with an index of 96.8. The least favourable factors among the Canara Bank, Federal Bank and TDCB are present credit limit (index of 48.8), interest rate (index of 55.6) and improvement of interest in farming (index of 56.0) respectively.

Summary and Findings

CHAPTER V

SUMMARY OF FINDINGS AND CONCLUSION

The failure of India's rural credit delivery system in financing the rural poor may be attributed to a combination of factors. From the farmer borrower's perspective, the existing crop loan system did not provide conveniently accessible, adequate and flexible products and services. It's high transaction costs including cumbersome and costly procedures and lengthy processing time drives him away from credit availment. Further, they could not meet the demand for collateral as stipulated by the lending agencies.

Consequent upon the announcement in the budget speech for the year 1998-99, NABARD, in consultation with major banks, formulated a model scheme for issue of Kisan Credit Card (KCC). The scheme aimed at adequate and timely financial support in a flexible and cost effective manner from the banking system to farmers for their cultivation needs including purchase of inputs. The scheme was circulated to banks by RBI/NABARD. By the end of March 2001 all banks together issued about 86 lakhs KCC and sanctioned an amount of about Rs. 150 crores.

Since, KCC is an innovative financing scheme, it is worthwhile to make an evaluation inorder to find out its usefulness to the farmers. The present study was intended to: -

1. examine the procedural differences among various lending institutions in implementing the scheme of Kisan Credit Card and
2. to study the farmers behaviour towards the Kisan Credit Card Scheme.

The study was conducted in three banks working in Thrissur district. The banks which issued the largest number of cards were selected as samples and thus Canara bank, Federal bank and Thrissur District co-operative bank were selected. Branches of these banks were selected from highest agricultural lending block i.e. Ollukara block.

From the sample branches, 150 Kisan Credit card holders were randomly selected for detailed study.

Methodology

Inorder to examine the procedural differences among the sample banks, the study made use of direct response from the sample bankers and other secondary sources like brochures and guidelines of the scheme.

The farmer's behaviour towards the Kisan Credit Card Scheme were studied through a survey conducted with the help of a pre-tested structured schedule. The data collected were analysed using priority index, averages, percentage and satisfaction index.

The major findings of the study were summarised under the following heads.

5.1 Procedural differences among various banks.

5.1.1 Launching of Kisan Credit Card Scheme.

Canara bank and Federal bank had launched the KCC scheme based on the model scheme circulated by Reserve Bank of India where as TDCB had launched the scheme based on the model scheme circulated by NABARD in 1998.

5.1.2 Objectives

While Canara bank and Federal bank, provided credit support to agriculture allied activities in non-farm sector also, TDCB provided credit for cultivation needs only.

5.1.3 Eligibility of farmer for issue Kisan Card

Canara bank and TDCB were issuing Kisan card only to those farmers who were having good track record for two to three years. But in FKCC scheme, all agricultural borrowers were eligible for Kisan card irrespective of their track record. Again both the commercial banks were issuing cards even to those engaged in allied activities alone.

5.1.4 Credit limit

The sample banks followed the guidelines given in the model scheme and fixed the credit limit on the basis of land holding size, cropping pattern and scale of finance. But they followed different procedures to fix sub limits. Canara bank and Federal bank were giving the credit support for crop cultivation, non-farm activities, allied activities, and contingent activities. But they fix the sub limits in different proportion of their own. TDCB was not providing credit for non-farm activities.

5.1.5 Minimum and maximum credit limit

Both federal bank and Canara bank have not stipulated any lower limit. But TDCB had prescribed the lower ceiling of Rs. 5000 for each borrower and restricted the maximum amount, based on the Individual Maximum Borrowing Power (IMBP). In the case of commercial banks, they have not prescribed any maximum limit.

5.1.6 Security and margin norms

The Canara bank and Federal bank insisted margin requirement from the Kisan credit card holders where as KCC holders of TDCB was not requiring any margin.

As security, both the sample commercial banks were requiring primary and collateral securities But TDCB requires only personal security.

5.1.7 Documentation

The procedure of documentation were more or less similar in all sample banks except TDCB where the details of surety were required as an extra document.

5.18 Issue of cards

The beneficiaries under the Kisan credit card schemes of all the sample banks were issued a credit cum pass book incorporating the names, addresses, particulars of land holding, credit limit, etc in a uniform manner.

5.1.9 Maintenance of accounts

All the issuing banks were maintaining a ledger called KCC ledger. The banks have to send a monthly flash report to head office showing their operations in KCC. The accounting practices were somewhat similar in all sample banks.

5.1.10 Monitoring mechanism

All the sample banks were conducting pre-sanction visit to the farmers field to assess the necessity of credit card to him. But they were not conducting any post – sanction visit.

5.1.11 Extension services offered

Sample banks were not providing proper extension services and guidance to the farmers as suggested in the RBI/NABARD guidelines.

5.1.12 Interest rate

Interest was charged only on the withdrawn amount. The sample banks were charging different interest rates. When the co-operative bank was charging uniform rate of interest to all credit card holders, commercial banks were charging variable interest rate based on the credit limit of borrowing.

5.1.13 Repayment schedule

TDCB and Federal bank have the repayment period of 12 months. In Canara bank the repayment period for annual crops was 18 months.

5.1.14 Issue of cheque books

Canara bank and Federal bank were issuing cheque books to specific types of card holders where as TDCB was not providing this facility to the card holders.

5.1.15 Service charges

Canara bank and federal bank have exempted small borrowers from service charges as applicable to large borrowers. In TDCB no such charge was levied.

5.1.16 Replacement of lost cards

All the sample banks were charging a fee for replacing lost or damaged card.

5.2 Customers behaviour towards to the KCC Scheme

5.2.1 Socio economic profile of KCC holders

The study clearly portrays that 77 percent of total respondents were males while females accounted for the remaining 23 percent. Bank wise comparison showed that the highest percentage of male respondents were found in Thrissur District Co-operative Bank.

42 percent of the total respondents were belonging to the age class of 41 to 60. This gives much potential for banks to retain them and build up good customer relationship for future continued business.

Looking at the overall educational level of sample respondents, 43.33 percent of card holders were having only primary education. TDCB has accounted for the highest percentage of respondents with primary education (73.3) followed by Canara bank (40 percent). It was found from the above observation that all sample card holders were literates. This was a positive sign that the banks can easily create awareness among the borrowers regarding the scheme details.

Considering the annual family income of sample respondents, majority of respondents came under income category between Rs. 18000 and Rs. 36000. Only 15 percent were found below Rs. 18000. In Federal bank 48 percent KCC holders were having annual income of Rs. 60,000 and above, where as, in Canara bank 36 percent respondents belonged to the income group of Rs. 18000 to Rs. 36000. In TDCB 36.67

percent respondents were having annual income between Rs. 36000 and Rs. 60000.

The small and marginal farmers accounted 82.66 percent of the total respondents and remaining 14 percent constituted the big farmers. In Canara bank majority of farmers (60 percent) were having land holdings up to 2.5 acres. But in TDCB it is 76 percent and in Federal bank 36 percent respectively.

5.2.2 Cropping pattern of Kisan Credit Card holders

Cropping pattern revealed that majority of respondents were cultivating coconut (68.66). Paddy cultivators holds the second position with 49.33 percent.

5.2.3 Reason for selecting the branches by the card holders

Proximity to office or residence had mostly influenced in the selection of branches of the banks. The quality of service provided by them had also acted as a contributing factor. Bank wise analysis revealed that the card holders in Canara bank, Federal bank and TDCB have ranked proximity of their office or residence (index of 80, 64 and 90 respectively) as the most prominent reason for selecting the bank braches, followed by quality of service.

5.2.4 Purpose of joining the scheme

While analysing the purpose of joining the scheme, it was evident that the expansion of agricultural operation had the highest priority index of 64.66. Lack of fund for day-to-day operations of the farmer was other important purpose (index of 64.4) and consumption requirement is ranked as the least important reason. Respondents of Canara bank and TDCB have ranked expansion of agricultural operation (with an index of 84 and 60 respectively) as the most important purpose of joining the scheme, in Federal bank it was lack of funds (index of 76.8).

5.2.5 Source of finance before joining the scheme

Analysis revealed that majority of card holders depended on the same banks for agricultural loan before joining KCC as the cards were issued mostly to existing borrowers. The bank wise data showed that the coverage of new borrowers under KCC was very insignificant compared to existing borrowers and accounted for only 9.88 percent. It was observed that the Kisan Credit Card scheme of the banks did not gave much attention to enhance the number of borrowing farmers.

5.2.6 Usage pattern of credit availed

The usage pattern of credit availed was analysed through different performance indicators like, credit gap of different banks, credit utilisation behaviour, repayment behaviour and reasons for default by the card holders.

1. Credit gap of different banks

In sample banks, majority of respondents were sanctioned the credit limit ranging 90-100 percent of the applied amount. In Canara bank, Federal bank & TDCB, it accounted for 54 percent, 64 percent and 68 percent respectively. None of the respondents were sanctioned below 50 percent of the credit they applied for. From this it was clear that majority of respondents were able to avail adequate amount of credit and there was no question of credit gap. Banks were more liberal to the farmers. And among the three sample banks, co-operative bank showed very liberal role in sanctioning of credit with lesser gap from their applied amount.

2. Credit utilisation behaviour of KCC holders

In Canara bank on an average 81.33 percent of the total respondents belonged the class between 90 to 100 percent utilisation. In Federal bank 72 percent of the respondents withdrawn above 90 percent of credit sanctioned in three year period. In TDCB, the credit utilisation behaviour of respondents followed more or less the same pattern of the other banks and about 69.33 percent of respondents withdrawn the amount above 90 percent.

The above analysis revealed that majority of card holders withdrawn almost full amount of credit limit. Among the three sample banks, card holders of Canara bank had shown good performance in credit withdrawal.

3. Repayment bahaviour of KCC holders

It was found that in Canara bank, in the first year 66 percent of respondents repaid above 90 percent of their withdrawn amount. In the second year 48 percent of the card holders repaid above 90 percent of their withdrawal. In the third year the percentage of respondents, repaid above 90 percent of withdrawn amount, has increased to 88 percent.

In the case of Federal bank, 38 percent of respondents repaid the amount above 90 percent and 72 percent respondents repaid above 90 percent in the first and second year respectively. In the third year also this increasing trend was noticed (78 percent). This showed an improvement in repayment capacity of KCC holders.

The respondents of TDCB revealed that in the initial year, 74 percent of them repaid the credit over 90 percent. In the second and third year it showed an increasing trend i.e. 75 percent and 84 percent respectively.

4. Reasons for default by the card holders

The card holders of Federal Bank have ranked diversion of the loan amount as the most important reason (index of 76) followed by price fall with an index of 60.52. Whereas price fall was the most important reason in Canara Bank and in TDCB with an index of 60 and 72 respectively. This might be due to the crash in the prices of important agricultural products in 1999-2001 and the steep fall in prices had heavily affected the repayment capacity of the card holders. The farmers also attributed drought as the major reason for the crop failure during the study period which influenced their repayment capacity.

5.2.7 Utilisation of loan under KCC

The study revealed that majority of respondents of Canara bank were utilizing the amount below Rs. 25,000 for agricultural purposes. This indicated the domination of small farmers among Canara bank Kisan Card holders. Amount of credit utilised and number of card holders utilised the credit for allied activities showed a decreasing trend. Further in Canara bank majority of card holders utilised the amount for small consumption purposes.

In Federal bank it is important to note that the credit utilised for agricultural purpose below Rs. 25,000 was very meager i.e. only 38.2 percent to total credit. Again it was observed that in this bank about 10 percent of farmers utilised above Rs. 1,00,000 for agricultural purpose. This indicated that in Federal bank there were large scale farmers as KCC holders. Credit utilised for allied agricultural purpose and consumption have shown a decreasing trend during the study period.

In TDCB, major part of credit was utilised for agricultural purpose. Again it was found that the percentage of credit utilised for consumption purpose was less than other banks.

In Federal bank and in Canara bank majority of respondents utilised the credit below Rs. 25000 for agricultural and allied activities. But in the case of TDCB a different trend was noticed.

5.2.8 Satisfaction with Kisan Credit Card Sheme

In order to measure the satisfaction of KCC holders with the scheme, a satisfaction index was constructed. The factors, which influence the satisfaction level of respondents such as rate of interest, duration of the loan, procedural formalities, documentation, present credit limit, renewal procedures, timeliness, behaviour of the employees of the banks, improvement of interest in farming and improvement of yield, were selected as important parameters. The above results revealed that none of the factor of each scheme showed a least favourable index. This brought out the acceptance of the Kisan Credit Card Scheme among the farmers. It was also evident form the above analysis that Canara bank's Kisan card holders have highest satisfaction index for over all performance of the scheme with an index of 87.2 and this indicated the scheme's superiority than the former crop loan system. Among FKCC holders timeliness of the credit was the highest favourable factor of the scheme (index of 94.4). In TDCB, card holders gave first ranking to the renewal procedures as the most favourable factor of the scheme with an index of 96.8. The least favourable factors among the Canara Bank, Federal Bank and TDCB were present credit limit (index of 48.8), interest rate (index of 55.6) and improvement of interest in farming (index of 56.0) respectively.

SUGGESTIONS

1. The Bank should provide proper extension services and guidance to the farmers which will ultimately help them to improve their productivity, and ensure proper utilisation of loan amount.
2. The personal bias of the bank officials were reported at field level observation and steps should be taken to give more importance to small and marginal farmers.
3. There should be a proper linkage between Department of Agriculture and lending agency as suggested in the RBI guidelines.
4. Government Corporation and agencies procuring farm products may pass on amount payable by them to the financing banks. If this is introduced, recovery would pose no problem.
5. Banks must be empowered not only to deny fresh credit for willful defaulters, but also proceed against them for recovery of loan amount.
6. Financing of short-term loan in a compact area will be more effective as compared to unplanned scattered lending over a wide expanse. This would facilitate the follow-up task of the bank as also the crucial integration of credit with other input/services supplied by Government and other agencies.
7. Card holders must be given facility to operate from any of branch of the sample banks, in order to make more flexibility to the scheme.

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8. Banks, in collaboration with the agriculture/ animal husbandry/ horticulture departments of State Governments and Agricultural Universities, should organize farmers training programmes prior to kharif and rabi seasons. This will help in issuing a large number of KCCs with lower cost. The cost of farmers training programmes could be met by the development/training funds of State Governments.
9. The existing schemes of NABARD like Training and Visit, Farmers' Clubs, and Self Help Groups, should be made use of for covering larger sections of borrowers (both old and new) under the KCC scheme.
10. A collection agent may also be appointed in each season, which will motivate the farmer for prompt repayment.

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Appendices

APPENDIX - I

AGRICULTURAL FINANCING

THROUGH KISAN CREDIT CARD SCHEME IN THRISSUR DISTRICT

SURVEY SCHEDULE TO CUSTOMER

1. Name of the respondent :

2. Age :

   Below 20 years ☐ 21 to 40 years ☐

   41 to 60 years ☐ Above 60 years ☐

3. Sex :

4. Residential Details :

   Block: Panchayat: Ward:

5. Family particulars :

Family Members	Sex	Age	Educational Status	Occupation		Occupational income (Annual)		Income from other sources including financial assets (Annual)
				Main	Sub	Main	Sub	

6. Size of land holding :

   Below 1 acre ☐ 1 – 2.5 acre ☐

   2.5 – 5 acre ☐ Above 5 acre ☐

7. Type of land holding

Type of land holding	Irrigated (in acre)		Unirrigated (in acre)	
	Cultivated	Uncultivated	Cultivated	Uncultivated
Own Land				
Leased				

8. Cropping Pattern

Crops	Area under cultivation (in Acre)	No. of trees	Gross Income (Annual)	Cost of cultivation	Net Income
Paddy					
Banana					
Coconut					
Arecanut					
Vegetables					
Others					

9. Details of Bovine and Poultry Assets

Types of animal / bird	Number	Net income (Annual)

Customer Relation with the Bank

1. When did you join the KCC scheme :

2. Name of the banker offering KCC to you :

3. Which was the source of information about the scheme of the bank?

   Relatives ☐ Friends ☐ Staff of the bank ☐ Fellow farmers ☐

   Krishi Bhavan ☐ Others (Specify)

4. What was the purpose of joining the scheme of this bank?

   Expansion of agricultural operation ☐ Lack of fund ☐

   Milching of animals/birds ☐ Acquisition and Maintenance of Assets ☐

   Others (specify) ☐

5. What is the motivation for joining the scheme of this bank?

Proximity of your office/residence ☐

Friends/relatives working at the branch ☐

Recommendation by friends/relatives ☐ Quality of the service ☐

Personal request of the staff of the branch ☐ Any other ☐

6. What was your source of finance before joining the scheme?

Commercial Bank ☐ Co-operative Bank ☐ Money lenders ☐ Traders ☐

Fellow farmers ☐ Relatives ☐ Own fund ☐ Others (specify) ☐

7. Date of application of KCC :

8. Date of sanctioning of KCC :

9. What are the renewal procedures of KCC in the bank?

10. Time taken for completing the procedures?

One week ☐ Two week ☐ One month ☐ More than one month ☐

11. a. Have you experienced any difficulty in getting credit on this card? Yes/No

b. If yes, outline the difficulties.

12. How many times did you renew the card?

	1st year	2nd year	3rd year
13. Amount for which KCC applied			
14. Credit limit sanctioned			
15. Amount withdrawn			
16. Amount repaid			

17. Details of withdrawals and repayments

Withdrawals			Repayments		
No. of times	Purpose	Amount (in Rs.)	No. of times	Amount (in Rs.)	Source

18. What is the rate of interest?

19. What are the other charges levied?

    Processing fee ☐ Penal interest ☐

    Inspection charge ☐ Any other ☐

20. What is the frequency of repayment of the scheme proposed?

    Monthly ☐ Quarterly ☐ Half yearly ☐ Annual ☐ Others (Specify) ☐

21. Proposed installment amount (if any)

22. What is the basis of fixing the credit limit by the bank?

    Land ☐ No. of trees ☐ Yield ☐ Purchase value ☐ Others ☐

23. Did you repay the entire amount of credit in the last year? Yes/No

24. a. If no, state the particulars of the default

	Principal	Interest
Amount of default		
The penal interest		

24. b. What was the reason for default

    Crop failure ☐ Family problems ☐ Price fall ☐ Diversion of loans ☐

    Others (specify) ☐

25. Utilisation of amount for past three years

Purpose	Amount		
Agricultural activities	1st Year	2nd Year	3rd Year
1) Working capital			
2) Investment			
Allied Activities			
Consumption Expenses			
Others (Specify)			

26. (a). Have you ever had any damage to crops due to natural calamities during the past 3 years (1999-2002)? Y/N

26. (b). If yes, have you applied for reschedulement / conversion of loan? Y/N

26. (c). If yes, give details:

27. Have you got any incentive for timely repayment of credit? Y/N

Opinion

1. What is your opinion about interest rate of the scheme?

   Very high ☐ High ☐ Moderate ☐ Low ☐ Very low ☐

2. What do you feel about the repayment schedule?

   Very high ☐ High ☐ Moderate ☐ Low ☐ Very low ☐

3. What is your opinion about the duration of loan?

   Very good ☐ Good ☐ Satisfied ☐ Bad ☐ Very bad ☐

4. What is your opinion about the procedural formalities?

   Very simple ☐ Simple ☐ Moderate ☐ Difficult ☐ Cumbersome ☐

5. What do you feel about the documentation?

   Very simple ☐ Simple ☐ Moderate ☐ Difficult ☐ Cumbersome ☐

6. What do you feel about the present credit limit?

   Very high ☐ High ☐ Moderate ☐ Low ☐ Very low ☐

7. How do you feel about the renewal procedure?

Very Simple ☐ Simple ☐ Moderate ☐ Difficult ☐ Extremely Difficult ☐

8. What is your opinion about the behaviour of the employees of the bank?

Very good ☐ Good ☐ Satisfied ☐ Bad ☐ Very bad ☐

9. What is your opinion about the scheme?

Very good ☐ Good ☐ Moderate ☐ Bad ☐ Very bad ☐

10. What is your opinion about timeliness of credit?

Very good ☐ Good ☐ Moderate ☐ Bad ☐ Very bad ☐

11. What is your opinion about improvement of yield on utilisation of the scheme?

Very good ☐ Good ☐ Moderate ☐ Bad ☐ Very bad ☐

12. What is your opinion about improvement of interest in farming?

Very good ☐ Good ☐ Moderate ☐ Bad ☐ Very bad ☐

13. Do you have any complaint about the scheme? Specify

14. What are your suggestions about the Kisan Credit Card Scheme?

APPENDIX – II

RESERVE BANK OF INDIA

Rural Planning & Credit Department

CENTRAL OFFICE

Central Office Building, 13th Floor

Fort, Mumbai-400 001

August 5 1998

All Scheduled Commercial Banks

(excluding RRBs)

Dear Sir

Kisan Credit Cards

1. As you are aware the Union Finance Minister in his Budget Speech for the year 1998-99 had stated that NABARD would be asked to formulate a model scheme for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs.
2. Accordingly NABARD has since formulated a model Kisan Credit card Scheme in consultation with major banks. A copy of the model scheme prepared by NABARD is enclosed.
3. We shall be glad if you will introduce a suitable Kisan Credit Card Scheme on the lines of the Model Scheme at an early date.
4. Action taken by your bank in the matter may be communicated to us in due course.

Please acknowledge receipt.

Sd/-

Yours faithfully

(R.M. Joshi)

General Manager

Encl.: As above

APPENDIX – III

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

Ref. No.NB.PCD(OPR)/ 336 /A.137(Spl.) /2000-2001

Circular No. 03 /2000-2001

03 May 2000

The Managing Director
All State Cooperative Banks

The Chairman
All Regional Rural Banks

Dear Sir,

Kisan Credit Card Scheme - Modifications

1. Please refer to our circular letter No.NB.PCD(OPR)/794/A.137(Spl.)/98-99 dated 14 August 1998 forwarding therewith a Model Kisan Credit Card Scheme with a request to introduce a suitable KCC Scheme in your area of operation. Operational guidelines were issued to SCBs and RRBs vide our circular letter Nos. NB.PCD(OPR)/662 & 662A/A.137(Spl)/1999-2000 respectively both dated 26 May 1999. Since then the Scheme has made rapid strides and has been successfully operationalized in several States. More than 50 lakh cards have been issued by banks till 31 March 2000 by all agencies of which 37.50 lakh and 1.80 lakh cards/cards-cum-passbooks have been issued by cooperative banks and RRBs respectively.

2. Following the Hon'ble Finance Ministers Budget announcement for issue of additional 75 lakh Kisan Credit Cards by banks during the year 2000-2001. We have already communicated state-wise targets both for co-operatives (45 lakh cards) and RRBs (5 lakh cards) to be issued additionally by them and the bank-wise targets would be finalised and communicated by our RO concerned to them shortly. The banks are requested to take necessary steps to ensure that the targets given to them for issue of additional cards are achieved.

3. In some of the form and discussions, certain operational issues have also been raised viz., removal of the minimum floor limit of Rs. 5000/- suggested under the model scheme as eligibility for issue of Kisan Credit Cards and also coverage of medium/long term investment credit under the scheme so as to improve the coverage of rural borrowers and have synergic impact at the level of the farmers. These issues have been examined by us in consultation with RBI and we have to advise as under :-

(i) It has since been decided to dispense with the floor limit for issue of the Kisan Credit Cards and banks at their discretion may issue Kisan Credit Cards for any amount below Rs-5000/- also, keeping in view their operational convenience.

(ii) As regards the feasibility of inclusion of medium and long term investment credit component in the credit limit fixed under the Kisan Credit Cards, we clarify as under:

a. Unlike production credit, disbursement under term loan is by and large, made in one or more instalments depending upon the type of assets purchased and repayment period in these cases is fixed depending upon the surplus generated by the investments and useful life of the assets. Hence there is little scope for frequent transactions justifying the inclusion of term loan component in the credit limit fixed under the Kisan Credit Cards.

b. There are also other aspects such as provision of margin money, variations in repayment period, validity of the credit card, collateral and documentation requirements, etc. in respect of term loans which may be difficult to be dovetailed into the mechanism of cash credit facility which KCC basically seeks to provide. If term loan is to be covered, (the card holder may have to be required to offer mortgage/collateral to the banks, which may be cumbersome and delaying the whole process.

c. Moreover, the quantum involved in the acquisition of agricultural assets through term loans could be quite substantial which may require critical appraisal. It may also not provide any tangible benefit to the borrowers since it is one time sanction and disbursed in instalments.

(iii) In view of the above, both RBI and NABARD are of the view that it may neither be desirable nor feasible to include term (investment) loan component under the KCC Scheme.

4. The contents of this circular letter may please be brought suitably to the notice of DCCBs (by SCBs) and your controlling offices and branches.

5. Kindly acknowledge receipt.

Yours faithfully

Sd/-

(G. K. Agrawal)

Chief General Manager

APPENDIX – IV

Model Scheme for issue of Kisan Credit Card (KCC)

1. Introduction

The Hon'ble Union Minister for Finance in his Budget Speech for the year 1998-99 had desired that the banks should issue Kisan Credit Cards to farmers on the basis of their land holdings so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilizers, pesticides, etc. and draw cash for their production needs and that NABARD should prepare a Model Scheme for uniform adoption by the banks.

2. Applicability of the Scheme

The Model Scheme detailed in the ensuing paragraphs is to be implemented by commercial banks, RRBs and cooperative banks (DCCB/PACS). The scheme provides broad guidelines to the banks for operationalising the KCC scheme, implementing banks will have the discretion to adapt the same to suit location specific requirements.

3. Objectives

Kisan Credit Card Scheme aims at adequate and timely support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible and cost effective manner.

4. Eligibility

The scheme would primarily cater to the short term credit requirements of the farmers. Under the scheme, banks may provide the Kisan Credit Cards to farmers who are eligible for sanction of production credit of Rs. 5000/- and above.

5. Issue of cards

The beneficiaries under the scheme will be issued with a credit card and a pass book or a credit card cum pass book incorporating the name, address, particulars of land holding, borrowing limit, validity period, etc. (as per specimen enclosed) which will serve both as an identity card as well as facilitate recording of the transactions on an on going basis. The card, among others, would provide for a passport size photograph of the holder. The borrower would be required to produce the card cum pass book whenever he operates the account.

6. Fixation of credit limit

(i) The credit extended under the KCC Scheme would be in the nature of a revolving cash credit and provide for any number of drawls and repayments within the limit. Such an approach would provide the much needed flexibility to the, farmer in choosing the appropriate time to repay his loan and reduce the interest burden besides being in a position to draw on the card to meet his urgent credit requirements.

(ii) While fixing the limit, the bank may take into account the entire production credit requirements of the farmer for the full year, including the credit requirements of the farmer for the ancillary activities. related to crop production such as maintenance of agricultural machinery/implements, electricity charges, etc. In due course, the credit limit could provide for allied activities and non-farm credit needs of the borrowers.

(iii) The credit limit under the card may be fixed on the basis of the operational land holding, cropping pattern and scales of finance as recommended by the District Level Technical Committee (DLTC)/State Level Technical Committee (SLTC). Wherever the DLTC/SLTC have not recommended scale of finance for any crops or in the opinion of the bank, has recommended lower than the required amount. the bank may fix appropriate scale of finance for the crop. For fixation of credit card limits, operational land holdings will include the leased in land and exclude leased out land.

(iv) Banks may at their discretion fix appropriate sub-limits within the overall credit limits sanctioned, taking into account the seasonality in credit requirements.

7. Validity/Renewal

(i) The credit card should normally be valid for 3 years subject to an annual review.

(ii) The review may result in continuation of the facility, enhancement of the limit or cancellation of the limit/withdrawal of the facility, depending upon the performance of the borrower.

(iii) The aggregate credits into the account during the 12 month period should at least be equal to the maximum outstanding in the account.

(iv) No drawl in the account should remain outstanding for more than 12 months.

(v) When the bank has granted extension and/or reschedulement of the period of repayment on account of natural calamities affecting the farmer, the period for reckoning the status of operations as satisfactory or otherwise would get extended together with the extended amount of limit. When the proposed extension is beyond one crop season, it would be desirable to transfer the aggregate of debits for which extension is granted to a separate term loan account with stipulation for repayment in installments.

(vi) As a measure of incentive for card holders with good performance the bank may, at the time of review, enhance the credit limit suitably to take care of increase in cost of inputs/labour, change in cropping pattern, etc.

8. Security/margin

Security/margin norms etc. should be in conformity with the instructions, issued by RBI/NABARD from time to time.

9. Maintenance and operations in the account

(i) The issuing branch would maintain the ledger account in respect of each KCC account and all the operations in the account will be generally through the issuing branch. However, banks may, at their discretion permit operations through other designated branches, taking into account the convenience of the clientele.

(ii) Withdrawal in the card account will be through withdrawal slips/cheques accompanied by the Kisan Credit Card and Pass Book. Withdrawal slips/cheques of a different colour could be issued to distinguish the KCC account holders.

(iii) (a) In the case of cooperatives, the primary KCC account will be maintained at the PACS concerned, and the cards will be issued by the DCCB branch/ PACS. Cash withdrawals will be permitted at the DCCB issuing/designated branch/ PACS only. All transactions at the DCCB branch level will have to be reported to the PACS concerned to enable them to make appropriate entries in the ledger account of the card holder.

(b) In cases where the members of PACS are offered the facility of supply of requisite inputs on credit by the PACS the same could continue to be extended to them by debit to the card holders account.

(c) The DCCB branch and the PACS concerned will have to develop appropriate system for proper accounting of entries and reconciliation.

10. Rate of Interest

Banks may apply the same rates of interest as are applicable to crop loans.

11. Application of prudential norms

The KCC facility being in the nature of cash credit accommodation for agricultural purposes, the prudential norms as applicable to such facilities would apply to the KCC accounts. In other words, the credit card account would be deemed to be a Non-Performing Asset (NPA) if it remains out of order for a period of two crop seasons. An account will be treated as out of order in the following circumstances:

(a) There are no credits in the account continuously for two crop seasons as on the date of balance sheet.

or

(b) The outstanding remains continuously in excess of the limit for two crop seasons as on the date of balance sheet

or

(c) The credits in the account are not sufficient even to cover the interest debited in respect of the account for two crop seasons.

12. Reporting of transactions in LBRs

The instructions of the RBI in regard to reporting of transactions under cash credit accounts in LBRs vide their circular No. LBS(SAA).BC. 139/65-90/91 dated 18 June 1991, as modified from time to time, would apply *mutatis mutandis* to the KCC accounts. In this connection, the following aspects may be kept in view :-

(i) The credit limits sanctioned/likely to be sanctioned to the borrowers under the KCC may be included in the Branch Credit Plan and reported in LBR-1.

(ii) All debit entries (excluding those relating to interest charges) may be reported in LBR-2 as and when such transactions take place.

(iii) Renewal of existing limits should not be computed as fresh disbursement.

The amount outstanding in the KCC account may be taken as credit being provided for 'target' purpose.

Source: Hand book on Kisan Credit Card, 2002, NABARD

APPENDIX – V

Scale of finance approved by DLTC of the year 2002-03

Name of crop	Credit limit for the year 2002-03		
	(A)	(B)	Total
1	2	3	4
1) Paddy (one hector)			
(A) Kharif			
1. Traditional varieties	12,900	2,100	15,000
2. Hybrid varieties	16,000	4,000	20,000
B) Rabby			
1. Traditional varieties	12,800	2,200	15,000
2. Hybrid varieties	16,000	4,000	20,000
(C) Said			
1. Traditional varieties	16,000	4,000	20,000
2. Cole lands	16,000	4,000	20,000
2) Tapioca (per hector)	20,000	5,000	25,000
3) Ginger (per hector)			
(A) Main crop	50,000	12,000	62,000
(B) Inter crop	5,000	2,000	7,000
4) Turmeric (per hector)			
(A) Main crop	30,000	10,000	40,000
(B) Inter crop	5,000	2,000	7,000
5) Vegetables (per cent)	450	250	700

6) Other tubber crops (per hector)			
(A) Main crop	30,000	10,000	40,000
(B) Inter crop	9,000	3,000	12,000
7) Pepper (per hector) 1000 wines/hector			
(A) Main crop	15,000	3,000	18,000
(B) Inter crop	5,000	2,000	7,000
8) Ramacham (per hector)	12,000	4,000	16,000
9) Pineapple (per hector) 5000 plants per hector			
(A) Main crop	66,300	6,500	72,800
(B) Inter crop	7,000	2,500	9,500
10) Coconut tree (per hector) 200 plants/hector			
(A) Irrigated	43,000	17,000	60,000
(B) Rainfed	25,000	10,000	35,000
11) Arecanut 1500 plants/hector	40,000	10,000	50,000
12) Coco 500 plants/hector	3,500	2,500	6,000
13) Rubber 450 plants/hector	20,000	5,000	25,000
14) Plantation crop 2000 plants per hector	85,000	25,000	1,10,000
15) Sesame (per hector)	400	600	1,000
16) Nutmeg (per one plant)	100	50	150
15) Cashew 200 plants/hector	10,000	3,500	13,500
16) Mulberry (per hector)	18,000	7,000	25,000

Source: KCC circular NO. 634 Thrissur District Co-operative Bank norms

APPENDIX VI

FORMAT OF KISAN CREDIT CARD CUM PASSBOOK

KISAN CREDIT CARD

Issuing Bank:
Valid upto
Valid for operation at___________Branch/(es)/PACS_______
Name of the Card Holder:
Father's/Husband's Name:
Name of PACS:
(in case of crops)
Address:
Name of Village
Block
P.O.

Paste a passport size photograph

Signature/Left Hand thumb Impression of the Card Holder

Signature of issuing Authority with seal

Page 1

Serial No:
Operational Irrigated Unirrigated
Landholding (in hectares):
Owned:
Leased in:
Total
Less: Leased Out
Net Total
C.C. A/c. No.:
Ledger Folio:
Limits sanctioned:
Sub-limits if any:
Operative period:

Signature of issuing Authority with Seal

Signature of Secretary of PACS (in case of Cooperatives)

Page 2

PASS BOOK

PARTICULARS OF TRANSACTIONS					
Date	Particulars	Debit Rs.	Credit Rs.	Balance Rs.	Signature of Bank/ PACS Official

Source: Hand book on Kisan Credit Card, 2002, NABARD

APPENDIX VII

PROGRESS UNDER KCC SCHEME – MONTHLY REPORTING FORMAT

(Rs. in lakhs)

Name of the Bank	**No. of KCC Cards issued till the month of**	**Aggregate credit limits sanctioned as on**	**Balance outstanding as on————**

Source: Hand book on Kisan Credit Card 2001, NABARD

Note: The monthly progress report must reach concerned head office by 5th of the succeeding month.

AGRICULTURAL FINANCING THROUGH KISAN CREDIT CARD SCHEME IN THRISSUR DISTRICT

By

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ABSTRACT OF THE THESIS

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ABSTRACT

The study on 'The Agricultural Financing through Kisan Credit Card Scheme in Thrissur district' was undertaken with the following objectives.

1. To examine the procedural differences among various lending institutions in implementing the scheme of Kisan Credit Card.
2. To study the farmers' behaviour towards the Kisan Credit Card Scheme.

The study was conducted among three banks of Thrissur district viz., Canara bank, Federal bank and TDCB. The banks were having issued highest number of Kisan Credit cards in the year 2000-01. Branches of these banks were selected from highest amount of crop lending block i.e. Ollukkara block. A sample group of 50 card holders from each banks were selected for survey. Secondary data on procedural formalities of the banks were also used for the study. Statistical tools like percentages, averages, satisfaction index, priority index and bi-variate and multi-variate tables were used for analysis.

The analysis on the first objective revealed that there are both similarities and dissimilarities in their formalities. In launching of Kisan Credit Card Scheme, objective, eligibility criteria of farmers, credit limit fixation, security and margin requirement, interest rate, repayment period, issue of cheque books and levying service charges could see many procedural differences among the banks. But in documentation, issue of cards, maintenance

of accounts, monitoring mechanism and replacement of lost cards, their formalities are more or less similar.

The study revealed that major reasons for selecting the branches were proximity to their residence followed by quality of their service. It was further observed that almost all the respondents agreed that expansion of their agricultural operations and to meet their working capital requirement were the major purpose of joining the scheme. The study again revealed that majority of card holders were the bank's existing borrowers. Here the banks were inefficient to cater more number of farmers under the scheme.

In case of credit utilization pattern of card holders, majority were sanctioned their credit limit above 90 percent of their applied amount. Almost all the farmers were utilizing about full amount of the credit. It was found that most of the farmers have repaid their credit within the time limit. Among the *sample* banks, TDCB showed comparatively better performance in the repayment. Only a small number of respondents were defaulting their repayment, mainly because of price fall and loan diversion.

The study revealed that majority of farmers utilised below Rs. 25000 for agricultural purpose, because the dominance of small and marginal farmers in the scheme. A close observation of the scheme reveals that the respondents are satisfied with the performance of the scheme.

The study emphasized that steps should be taken to provide proper extension service to farmers inorder to improve their productivity. The study again suggested that financing under the scheme in a compact area will be more effective than present unplanned scattered lending.