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KISAN CREDIT CARD SCHEME : AN ECONOMIC EVALUATION

By

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THESIS

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2007

DECLARATION

I hereby declare that the thesis entitled **Kisan Credit Card Scheme An Economic Evaluation'** is a bonafide record of research work done by me during the course of research and the 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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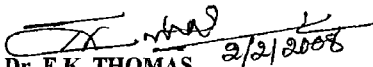


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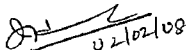
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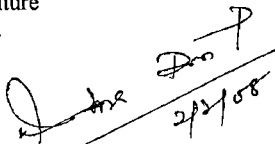

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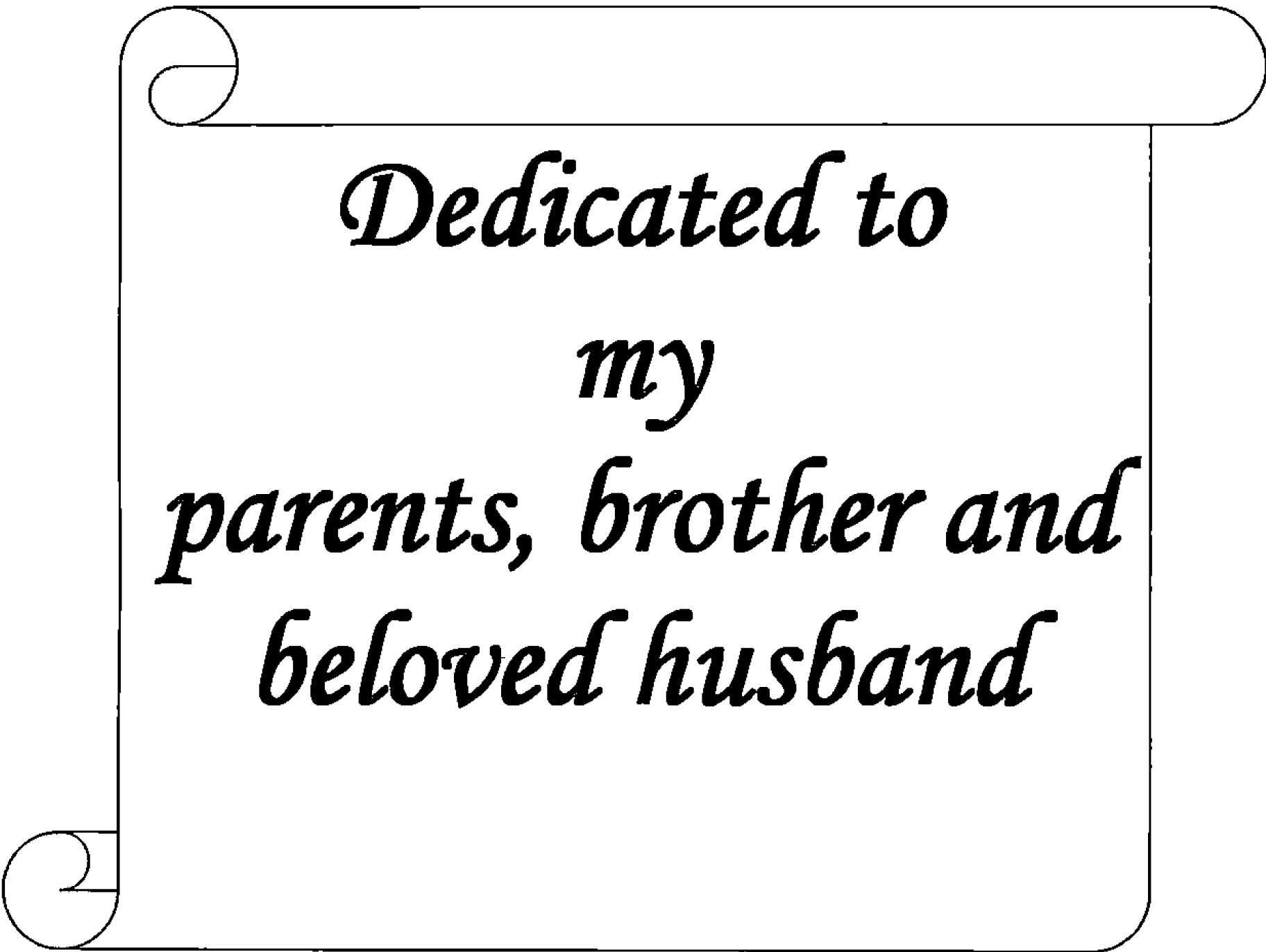

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*Dedicated to
my
parents, brother and
beloved husband*

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CONTENTS

Chapter	Title	Page No
1	INTRODUCTION	1 6
2	REVIEW OF LITERATURE	7 28
3	MATERIALS AND METHODS	30 47
4	RESULTS AND DISCUSSION	48 103
5	SUMMARY	104 109
	REFERENCES	1 vii
	APPENDICES	
	ABSTRACT	

LIST OF TABLES

Table No	Title	Page No
1 1	Flow of credit to Agriculture (Rs in crores)	4
3 1	Taluk wise land distribution in Kannur District	33
3 2	Monthly mean temperature and average rainfall in Kannur district	33
3 3	Land utilization pattern of Kannur district during 2005	35
3 4	Cropping pattern of Kannur district during 2005	36
3 5	Co operative sector banking profile of Kannur district during 2005	38
3 6	Commercial banking profile of Kannur district during 2005	38
3 7	Sector wise achievements under district credit plan during 2005 06	39
3 8	General nformation of Vengad panchayath	40
3 9	Land utilization pattern of Vengad panchayath	43
3 10	Size of land holding of Vengad panchayath	43
3 11	Area and productivity of major crops in Vengad panchayath	44
3 12	Samples selected from different branches	46
4 1	Number of Kisan Credit Cards issued through PACS in Kerala state	53
4 2	Loan amount disbursed through PACS in Kerala state	53
4 3	Implementation of KCC Scheme through RRB since mception of the scheme	54
4 4	Number of cards and amount disbursed through Commercial Banks as on September 2006	57

4 5	Bank wise distribution of card holders based on family size	59
4 6	Distribution of card holders according to age of head of household	61
4 7	Distribution of card holders according to gender	61
4 8	Distribution of card holders according to educational status of head of household	63
4 9	Distribution of sample farmers according to size of holding	65
4 10	Average size of holding of the respondents	65
4 11	Distribution of households according to their occupational status	67
4 12	Cropping pattern of the card holders	69
4 13	Average annual income of the card holders	70
4 14	Institution wise loan amount availed by card holders since 2004 to May 2007	72
4 15	Frequency distribution showing institution wise loan amount availed by card holders	73
4 16	Use pattern of credit disbursed under the scheme	76
4 17	Withdrawal pattern of credit under KCC scheme	78
4 18	Card holders opinion on adequacy of credit limit under the KCC scheme	78
4 19	Adequacy of credit based on the credit eligibility	80
4 20	Adequacy of credit under KCCS for Commercial Bank	82
4 21	Adequacy of credit under KCCS for Regional Rural Bank	83
4 22	Adequacy of credit under KCCS for Co operative Bank	84
4 23	Card holders response on timeliness in sanction of	86

	credit under the KCC scheme	
4 24	Repayment and overdue pattern of the scheme by card holders since 2004	88
4 25	Mode of repayment of loan amount	90
4 26	Repayment behavior of card holders based on level of education	92
4 27	Repayment behavior of card holders based on occupation	95
4 28	Repayment behavior of card holders based on size of holding of the farmer	99

LIST OF FIGURES

Figure No	Title	Page No
3 1	Map of Kannur district	32
3 2	Map of Vengad Panchayat	41
4 1	Cumulative cards disbursed through Kisan Credit Card Scheme as on September 2006	55
4 2	Repayment behaviour of card holders of Commercial Bank based on education level	93
4 3	Repayment behaviour of card holders of RRB based on education level	93
4 4	Repayment behaviour of card holders of Co operative Bank based on education level	93
4 5	Repayment behaviour of card holders of Commercial Bank based on occupation	96
4 6	Repayment behaviour of card holders of RRB based on occupation	96
4 7	Repayment behaviour of card holders of Co operative Bank based on occupation	96
4 8	Repayment behaviour of card holders of Commercial Bank based on size of holding	100
4 9	Repayment behaviour of card holders of RRB based on size of holding	100
4 10	Repayment behaviour of card holders of Co operative Bank based on size of holding	100

INTRODUCTION

1 INTRODUCTION

Indian agriculture employs about 75 per cent of rural population directly or indirectly. Since majority of the rural population is associated with agriculture in one way or other it becomes obvious that the onus of sustainable rural development is on agricultural sector. Agriculturists require short term, medium term and long term credit to meet their requirements. In order to increase the productivity of agricultural sector there is an urgent need for making loans and advances by different sources of finances for different periods.

The rural credit system in India has evolved through different phases. The rural credit in India is provided through a multi agency system comprising Co-operatives, Commercial Banks and Regional Rural Banks (RRBs). The major policy in the sphere of credit has been its progressive institutionalization so as to ensure timely and increased flow of credit to the farm sector, reduce regional imbalances and to provide increased credit support to the special programme. National Bank for Agriculture and Rural Development (NABARD) has been envisaged as the leader of the entire rural credit system. It prepares for each district annually a potential linked credit plan which forms the basis for District Credit Plan. In order to ensure flow of credit to agriculture sector a share of 18 per cent of the net bank credit is targeted for lending to agriculture by Commercial Banks.

However, the financing institutions face problems of recovery or overdue. Recycling of funds is not possible on account of mounting of overdues. The recovery of loans requires cooperative and collective responsibility of the administrative machinery, public and borrowers. The repaying capacities of the borrowers should be taken into consideration and there should be constant watch on the end use of credit by the supervisory staff of the different institutions. The central government as well as the state government should discourage loan waiving.

According to National Sample Survey estimates as of 2002 a little over a quarter of the rural house holds reported having outstanding cash debts highest being 42 per cent in Andhra Pradesh The quantum of debt held by an average rural household is less than three per cent of the total values of its assets held The debt asset ratio ranges from 0.2 per cent to a maximum of seven per cent the major portion varying from less than 35 per cent in three or four states to upward of seven per cent in eight states (Vaidyanathan 2006)

The introduction of modern technology to agriculture had led to intensive use of inputs which in turn led to manifold increase in the requirement of production credit In spite of various measures to rejuvenate farm credit the flow of credit to agriculture sector remained quantitatively and qualitatively poor The institutional credit meets 51 per cent of the credit requirement of farm credit

With a view to inquire into the reasons for the tailbacks of the farm credit the Reserve Bank of India (RBI) set up a high level committee under Sri R V Gupta in December 1997 and it submitted its report in April 1998 It was against the background of this committee's report that RBI in 1998 directed all Public Sector Banks Regional Rural Banks (RRBs) and Co-operative Banks to introduce Kisan Credit Card Scheme (KCCS) on the lines of the model scheme formulated by NABARD and in due course of time Kisan Credit Card Scheme was adopted by all the directed agencies The announcement relating to the introduction of Kisan Credit Card Scheme in the sphere of rural credit by Hon'ble Union Finance Minister during the budget speech of the year 1998-99 aptly summed up the objectives of the scheme 'NABARD would be formulating Kisan Credit Card Scheme for uniform adoption by the banks so that the farmers may use them to readily purchase agricultural inputs like seeds fertilizers pesticides etc and draw cash for the production needs

As a pioneering credit delivery innovation Kisan Credit Card Scheme aims at provision of adequate and timely credit support from the banking system

to the farmers for their cultivation needs including purchase of inputs in a flexible and cost effective manner. The nature of credit extended under the Kisan Credit Card Scheme is revolving cash credit i.e. it provides for any number of withdrawals and repayment within the limit. This feature would provide flexibility and reduce the burden upon the Kisan Credit Card beneficiary. Banks are also required to provide personal insurance package to the Kisan Credit Card Scheme holders as it is done often with other credit cards to cover them against accidental death or permanent disability up to maximum amount of Rs. 50,000 and Rs. 25,000 respectively.

With a view to meet credit needs of farmers through a single window NABARD has enlarged the scope of Kisan Credit Card Scheme beyond the existing facility for providing crop loan limit to cover loans for agriculture and allied activities including a reasonable component of consumption needs.

With the enlarged coverage of fifty lakh new farmers under Kisan Credit Card Scheme by Public Sector Banks during 2005-06 NABARD had advised the Co-operative Banks and Regional Rural Banks also to arrive at realistic targets. For issue of Kisan Credit Cards to new farmers banks have been advised to identify and enlarge the coverage by bringing in the defaulters and tenant farmers who may be outside the fold of Kisan Credit Card Scheme as also new farmers. Co-operatives and Regional Rural Banks (RRBs) have accordingly set the targets of issuing thirty-four lakh and sixteen lakh Kisan Credit Cards respectively for the year 2005-06 (Government of India 2006).

Further banks have been advised to ensure that Kisan Credit Cards continue to be renewed in a hassle-free manner and to direct efforts towards ensuring quality in operations of the Kisan Credit Card and more importantly that crop loans are routed only through Kisan Credit Cards.

Table 1 1 Flow of credit to Agriculture (Rs in crores)

SI No	Banks	2002 03	2003 04	2004 05	2005 06
1	Co operatives	23 716	26 959	30 639	28 947
2	RRBs	6 070	7 581	11 718	11 146
3	Commercial Banks	39 774	52 441	72 886	77 806
Total		69,560	86 981	1 15 243	1 17 899

(Government of India 2005)

The flow of credit to agricultural sector is given in Table 1 1 It is evident from the figures that credit flow to agriculture is increasing with the passage of time Since the inception of the scheme in 1998 there was a tremendous increase in the amount of loan disbursed through Kisan Credit Cards Scheme In 1998 99 Rs 6 07 lakh was issued in India under the Kisan Credit Cards Scheme which reached upto 313 45 lakh rupees in 2002 03 (Government of India 2005)

As on March 31^s 2006 the total amount outstanding under the Kisan Credit Cards Scheme in Kerala through Co operatives was Rs 102579 37 lakhs The total number of Kisan Credit Cards issued through PACS in Kerala as on August 2006 was 43 72 556 The total number of Kisan Credit Cards disbursed through North Malabar Gramin Bank and South Malabar Gramin Bank as on September 2006 was 1 80 024 and 1 37 166 respectively Through Commercial Banks the total number of Kisan Credit Cards issued as on September 2006 was 7 60 231 and the loan amount accounted to 2 83 405 thousand rupees

Crop loans are production oriented short term credit provided by the institutional agencies for meeting working capital expenses of various crop enterprises The benefits under the crop loan scheme accrue to all classes of agriculturists as the eligibility of loan is determined on the basis of area cultivated and crop grown by them In spite of the availability as a result of multi agency approach the agricultural production in Kerala has not been showing any

commendable growth Availability and utilization of the agricultural credit in time and in adequate quantity tend to become a prerequisite for a sustained agricultural growth Prompt repayment of the loan is of crucial importance for the recycling of loan as well as to build up confidence amongst the depositors Recovery performance is a measure of operational efficiency and managerial competence of the financial institution The factors responsible for the default should be traced out so that necessary measures can be taken to lessen the burden In this backdrop the present study entitled *Kisan Credit Card Scheme An Economic Evaluation* is undertaken with the following main objectives

- a To study the growth of Kisan Credit Card Scheme in Kerala
- b To examine the pattern and adequacy of credit supply
- c To study the timeliness repayment and overdue pattern of the scheme
- d To identify operational problems in order to suggest measures for improvement

Limitations of the study

The thesis is prepared as a part of post graduate programme and hence it has got all the limitations of time money and other resources These limitations restricted the selection of the study area and the sample size The primary data were collected from the sample farmers who availed credit cards from 2004 onwards As the farmers do not maintain daily records for their farm activities income and expenditure particulars collected pertain to the memory of the farmers As human beings people are reluctant to say the correct data or information especially if the data is of financial concern Care was taken to reduce the bias as far as possible Since the Kisan Credit Card Scheme was introduced recently the study period is limited While collecting secondary data to study the growth pattern of the Kisan Credit Cards Scheme there were many difficulties in getting continuous data over the period since inception

Organization of the thesis

Besides the introductory chapter the study is organized into five chapters and chapter two is the review of literature relevant to the study Chapter three describes the profile of study area, methodological framework and analytical tools The results of the study and discussions of the findings are presented in chapter four The fifth chapter summarizes the main findings and conclusions drawn from the analysis

REVIEW OF LITERATURE

2 REVIEW OF LITERATURE

The objective of this chapter is to develop and establish the theoretical framework for the study based on the ideas and concepts gathered from the review of existing literature of both theoretical and empirical nature. Since Kisan Credit Card is a newly introduced scheme, only few studies have been conducted. Thus, the review about the Kisan Credit Card Scheme is limited.

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

- 2.1 Kisan Credit Card Scheme
- 2.2 Pattern and adequacy of credit supply
- 2.3 Timeliness of credit
- 2.4 Repayment and overdue pattern

2.1 KISAN CREDIT CARD SCHEME

Rajalakshmi (2000) reported that State Bank of India (SBI) had issued more than three lakh Kisan Credit Cards (KCCs) to farmers and other rural borrowers over a period of 18 months and the response from the farmers was encouraging. According to her, the basic idea of Kisan Credit Card is to provide timely credit and give borrower the flexibility to shop in a simplified manner.

Udayakumar (2001) in his study on Kisan Credit Card in India found that 66.66 per cent of the cardholders utilized credit card for agricultural purposes like purchasing fertilizers, agricultural implements and other farm inputs. The rest 33.33 per cent of the cardholders utilized the amount for urgent needs for meeting miscellaneous expenditure and for repaying other debts. This was mainly due to the inability to pursue agriculture profitably.

Raghunath (2002) studied the rural credit under new scheme and it was revealed that there was a reduction on expense of visit to the banks for sanctioning loans procuring revenue records and other incidental expenses under Kisan Credit Card Scheme. He suggested that banks in collaboration with agriculture animal husbandry horticulture departments of the state government and state agricultural universities should organize training programmes for farmers prior to kharif and rabi season which would help in issuing a large number of Kisan Credit Cards at a lower expense. He also suggested that the cost of farmers training programmes could be met by the development or training fund of the state government.

Shete (2002) reported that the minimum credit limit sanctioned on Kisan Credit Card by all financial institutions was Rs 3000 while there was no ceiling fixed by the banks. The criteria adopted in fixing credit limit by banks varied and he suggested that some common guidelines should be developed and agreed upon by all the institutions in fixing the minimum and maximum limits for Kisan Credit Cards at least at the district level.

Aravind (2005) analyzed the changes in banking practices in India and reported that the credit to agriculture almost doubled in the last three years (from end of March 2002 to end March 2005). On an incremental basis the flow of credit to the priority sector was Rs 81 793 crores in 2005 against Rs 52 225 crores in 2004. He opined that the innovations like Kissan Credit Card emerged as the major policy tools in addressing the problems associated with the distributional aspects of rural credit in recent years and cumulatively the number of Kisan Credit Cards issued by Public Sector Banks increased to 1 83 and 55 173 until June 2005.

Harpreet and Sekhon (2005) in their study on the procedures and adequacy for advancing credit under the Kisan Credit Card Scheme in Punjab concluded that most of the banks sanctioned the limit amount as per the recommendations of the scale of finance decided by the State Level Bankers Committee. The study

also showed a close association between limit sanctioned and class of farmers and limit sanctioned per hectare was inversely proportional to the farm size category. They also examined the constraints while advancing credit under Kisan Credit Card Scheme found that too many intermediaries while fixing the fresh Kisan Credit Card limit remained as major constraint. Other problems as noticed by him include obtaining securities for the beneficiaries. Also finding a guarantor remained a cumbersome job for small farmers (53.85%) as compared to medium (26.31%) and large (0%) Kisan Credit Card beneficiaries.

Khallur (2005) found that the amount of finance of Kisan Credit Card holders varied depending on crops raised by them and size of land holdings. He also observed that though the amount of loan was sanctioned to every farmer immediately no prompt repayment were involved and bank officials reported the extend of repayment was only 35 per cent. Also Kisan Credit Card was found to be a better scheme compared to traditional crop loans.

Kharinta *et al* (2005) in his study on the role of Kisan Credit Cards in rural financing in Haryana found that the transaction cost for the loan financed for production and consumption purpose through KCC scheme was Rs 25 and service charge was Rs 50. Apart from this the farmer has to bear 2 per cent stamp duty for mortgaging loan if amount is greater than two lakhs and for insuring crop he has to pay a nominal amount of Rs 5 per annum as premium. Also the recovery percentage varied between 90-99 per cent which showed a very healthy sign for the bankers.

Sangwan (2005) while examining the macro impact of Kisan Credit Card Scheme in Maharashtra found that during 1998-99 to 2004-05 commercial banks were the major agencies involved in issue of Kisan Credit Cards. In the case of percentage land holdings covered under the scheme Punjab ranked the highest.

with more than 100 per cent coverage followed by Haryana Andhra Pradesh Orissa and Rajasthan. Also he found that while fixing the limit under the scheme one or two main crops were considered rather than total operational holdings. With regard to mode of operation of Kisan Credit Card holders about 50 per cent in CBs and 16.25 per cent in RRBs were repeatedly using the limit as cash credit.

Hatai and Sen (2006) did a SWOT analysis of the Kisan Credit Card Scheme. The major strengths noted by them were the increasing availability, flexibility and security in the flow of credit to farmers while the scheme facilitating access only to short term credit needs of the farmer was the main weakness noticed by him. Personal insurance package extended to Kisan Credit Card holders and the amount which can be disbursed as cash and kind remained as opportunities. The threat included the problems of Non Performing assets (NPAs) which can handicap the scheme.

Namboothiri (2006) suggested that present Kisan Credit Card (KCC) should be renamed as Cash Credit Card (CCC) as it fails to take care the associated needs of the farming households. Under the Kisan Credit Card Scheme though the credit limit sanctioned to small and marginal farmers appears to be better but security oriented lending policies appear to be the major hurdle and in most parts of the country a significant amount is diverted for non agricultural activities which is a main cause for non repayment of credit availed through Kisan Credit Card Scheme.

Reddy *et al* (1997) observed that though co operative banks have the primary objective of financing agriculture through promoting thrift and self help among farmers they are unable to solve the problems relating to agricultural sector. Introducing new policies and providing new directions to the present Co operative credit system could bridge the gap. Thus the hope of rural India lies in

providing a stable income to the farmers which can be achieved by revamping the entire credit system in the era of new economic policy

A study by Gopakumar (2006) on the changes in banking practices revealed that the credit to agricultural sector almost doubled from the end of March 2002 to the end of March 2005. On an incremental basis, the flow of credit to the priority sector was Rs. 81793 crores in 2005 as against Rs. 52225 crores in 2004. He reported that innovations like Kisan Credit Cards emerged as the major policy tools in addressing the problems associated with the distributional aspects of rural credit in recent years.

Rao (2006) studied the effectiveness of Kisan Credit Card Scheme (KCCS) in Adilabad district of Andhra Pradesh. The findings showed that all the claims of KCCS like timely credit, simplified loan procedure, elimination of repeated processing of loan proposals, assured availability of credit had been endorsed by majority of the sample units while a small percentage of the farmers endorsed the claim of high frequency of withdrawals and repayment. Also 90 per cent of the farmers felt that not only size of holdings but also the cost of production should be taken into consideration while fixing the credit limit while 80 per cent of the farmers expected a thorough link between KCC and crop insurance through Kisan Credit Card Scheme.

Vasudevulu and Rukmini (2007) pointed out that the Kisan Credit Card Scheme (KCCS) aimed at providing adequate and timely support to farmers from the banking system in a flexible and cost-effective manner did not seem to be a success in its avowed purpose due to various stipulations and restrictions. They also noticed that the operation seemed to be limited to only fertilizers from fixed shops and hence a more farmer-friendly credit card system need to be operated to realize the objectives of the scheme.

2 2 PATTERN AND ADEQUACY OF CREDIT

Hanuman (1992) in his study on the analysis of credit utilization pattern analysed costs involved in getting agricultural credit its impact on farm income and employment and the problems faced by the beneficiaries in acquiring credit from organized financial institutions found that the misutilization of credit was higher in Co operative societies than commercial banks While the impact of credit on farm income and employment was found positive on all schemes or purposes financed by the institutions Among the major problems faced by the beneficiaries higher rate of interests and low pace of cash income flow from credit were the major ones

Sajan (1996) studied the crop loan system for farmers in India and concluded that in many cases after the disbursal of loans to farmers there was no supervision over the end use of loan and the borrowers had not been persistently asked to repay loans The study also showed that 21 per cent of the farm household reported that after loan disbursal no officials/ staffs from the bank visited them On the other hand bank officials had an opinion that the above problem were due to inadequate staff strength and due to this frequent field visits were not possible

Deol *et al* (1997) studied capital and credit requirements of small farmers of Nanded district in Maharashtra Their study revealed that working capital need for meeting day to day expenses at the existing level of technology amounted to Rs 841 crores and RS 2075 crores for rain fed and irrigated holdings respectively which indicated an increase of 119 per cent and 65 per cent over the existing technology

Kapoor (1997) reported that there was shrinkage in flow of credit to rural sector due to gradual decline in the involvement of Public Sector Banks due to financial sector reforms. There had been a mushrooming growth of Non Banking Financial Corporations (NBFCs) which focused on urban sector exclusively. Thus funds moving from rural to urban sector were adversely affecting priority sector lending. On the other hand if Public Sector Banks mobilized the funds it would have been in the normal case found by its way to the rural sector through priority sector lending.

Shete (1997) conducted a study in West Bengal on rural credit which revealed that the scale of finance fixed for crop loan system was outdated for crop loan and needed upward revision. He suggested that the District Level Technical Committee should meet more frequently and should take the advantage of various studies conducted by State agricultural universities on the cost of cultivation of major crops.

Kumar (1998) in his investigation on the crop loan system pattern in Samastipur district in Bihar revealed that the Central Co operative bank played a key role in financing crop loans in the area. The co operative banks achieved much lower targets assigned to them during the period under the study and the highest being Commercial Banks. Also it was found that only a small number of farmers (5.04%) approached institutional financing agencies for crop loan where as larger number of farmers approached Commercial banks.

Mazumdar and Boruah (1998) studied the utilization pattern of loan disbursed to allied activities by the farm borrowers of Nagaon district of Assam and opined that the success of credit institutions and prosperity of the farmers depended on the productive use of loan. They suggested that credit in association with improved technology inputs supervision and proper management had considerable impact on increasing income and employment of farm borrowers. The constraints faced by the farmers in utilization of loans should be minimum to

make credit more effective to them and there should be coordination among various agencies involved in rural development for making the programme of agricultural credit a viable proposition for rapid agricultural growth and development

Joshi (2000) reported that both public sector banks and private sector banks had been consistently falling short of their targets of lending to agricultural sector for the past few years. Private sector banks were unable to meet the targets because the number of branches in rural areas was few. In the case of Public Sector Banks their lending in absolute terms had registered an increase though there was a shortfall in percentage terms.

Aravind (2005) made an attempt to analyze All India and State level the extent of institutional credit availability to farmers owning land in different size classes up to two hectare and their degree of incidence of their indebtedness. From the study it was found that the economic reforms initiated by government of India since 1991 for improving profitability and viability of banking institutions through restructuring of RRBs, modernization of Commercial Banks and enhancement of efficiency of PACs had adversely affected the flow of institutional credit to the farmers of India.

Hatai *et al* (2005) in their analysis of agricultural credit in different regions of Uttar Pradesh found that the share of Commercial Banks in total availability of credit per hectare was highest followed by RRBs, PACs and Land Development Banks for all categories of farmers in both east and west zones. Out of the total borrowings on marginal farmers, crop loan shared 61 and 74 per cent in west and east zone respectively and crop loan had inverse relationship between term loans and size of holdings. More than 80 per cent of the loans were utilized for productive purpose and the rest for unproductive purposes.

Kareemulla (2005) reported that the flow of credit to agriculture was Rs 2741 per hectare in Uttar Pradesh compared to Rs 3650 on all over all India basis during 2001-02. Capital expenditure and crop loans accounted for 60-90 per cent of the indebted amount by the farmers and the major reasons for indebtedness and default - vagaries of weather and diversion of fund for unproductive uses were prominent. It was also felt that measures to widen crop insurance coverage and post finance guidance would probably help to ensure proper use of credit and prompt repayment which will pave way for smooth credit flow to agriculture.

Ramesh (2005) studied the impact of short term credit on production of crops in Morang district of Nepal and concluded the fact that marginal farmers were using only 59.65 per cent of the total credit borrowed while small farmers were using 76.56 per cent. The remaining amount was used for family expenditure.

Sate *et al* (2005) on their study about the gaps in requirement and availability of credit in western Maharashtra realized that the average per hectare crop loan requirement estimated on the basis of working capital i.e. Cost A was much higher than scale of finance fixed by banks. Per hectare requirement of loan was found increasing with the size of holdings while the misutilization of loan was up to 30 per cent among small and medium group farmers.

Satish (2005) in his study to isolate and identify the characteristics that distinguish Commercial Banks and Co-operative sector borrowers found that there were two distinct class of borrowers - one class which has small holdings, lesser capital equipments and at the lowest end of economic prosperity which comprises co-operative borrowers. The other class included the capitalistic farmers who took up farming on a commercial basis and having higher amount of capital that mainly comprises borrowers of commercial banks.

Singh and Singh (2005) in their study on the sources pattern and utilization of agricultural credit in Varanasi district of Uttar Pradesh found that major financing to the farmers were contributed by commercial banks followed by Uttar Pradesh Rural Development Bank and PACS. The extent of productive credit was found to be maximum for marginal farmers followed by medium small and marginal farmers and the extent of unproductive credit showed significant amount diverted for other purposes. He also suggested that banks policy makers and Government should take appropriate actions to check diversion of credit so that the rational use of credit can be ensured to increase crop production.

Sinha *et al* (2005) analyzed the flow of credit to different categories of farmers in Nalanda district in Bihar. The results showed that the marginal farmers constituted 49.33 per cent of the total sample households and owned 22.95 per cent of the total land. The loan advanced by institutional and non institutional agencies accounted for about 77 per cent and 23 per cent of total loans respectively and Commercial Banks provided highest loan comprising 50.60 per cent followed by RRBs and Co operatives. They suggested the need for effective measures like providing proper technical and financial guidance to farmers to increase their income for prompt repayment of loans.

Chatterjee (2006) studied the performance of rural institutional credit agencies in the pre and post reform periods in 15 major states in India based on the secondary data. It was revealed that with regard to priority sector lending the percentage of total Commercial Banks credit flow to priority sector was 19.91 per cent in 1970-71 which rose to 35.2 per cent in 1985-86. While in 1995-96 it stood at 25.59 per cent indicating the declining trend in percentage of Commercial Banks credit to priority sector.

Sindhu and Sucha (2006) using National Sample Survey Organization (NSSO) data found that if the farmers engaged in allied agricultural activities were added to cultivators the proportion of indebted farmers at All India level

could reach 48.6 per cent which was higher than that estimated in 1971. Also the deceleration of agricultural growth caused increasing indebtedness. Andhra Pradesh showed the highest rate of indebtedness (82%) followed by Tamil Nadu (74.5%), Punjab (65.4%), Kerala (61.6%) and Maharashtra (54.8%).

Naidu and Sivasanker (2007) examined the factors influencing agricultural credit in Chittoor district in Andhra Pradesh and the results indicated that the extent and level of borrowing among farmers was a function of variables like size of holdings, level of current farm expenditure, capital expenditure and owned liquid resources. They also found that the major portion of the total credit came from institutional agencies, accounting for about 70 per cent and the role of commercial banks were quite credible followed by co-operative banks and RRBs. There was much less involvement of institutional agencies in meeting credit requirement of farmers and the role of moneylenders as a financing agency was comparatively reduced.

Vasudevulu and Reddy (2007) analyzed agricultural credit in India and pointed out that 60 per cent of the credit requirement of the farmers was met by institutional sources and the remaining 40 per cent by non-institutional sources like money lenders who charge very high interest rates. They also reported that small and marginal farmers, including tenants, who accounted nearly 80 per cent of holdings and one third of the area operated, depended more heavily on informal sources. Among the formal credit institutions, Commercial Banks emerged as a major player in agricultural credit (50%) followed by co-operatives (43%) and RRBs (7%).

2 3 TIMELINESS OF CREDIT

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

Veerashekarappa (1996) studied the credit delivery system from the borrowers' point of view in Sultanpur and Raibareh district in Uttar Pradesh and found that more than 51 per cent of the borrowers experienced problems due to complicated procedures and attitude of the bank staffs. About 33 per cent and 14 per cent of the borrowers in Raibareh and Sultanpur respectively were accruing inadequate loans.

Shollapur (1997) analyzed the effectiveness of credit societies in Karnataka. He noticed that the amount of credit was not enough for the desired purpose by the farmers. He suggested that in order to infuse the operational efficiency in PACs the credit management function should be streamlined on scientific lines and adequate and timely credit guidance on technical matters, simplicity in procedures regarding sanctioning of loans should go a long way in making credit cycle more effective.

Kumar (1998) in his study on the timeliness of credit found that crop loanees could get loans after twenty eight days from the date of submission of application and unavailability of inputs and guarantors emerged as a major problem for this. Also on an average per acre crop loan disbursement was Rs 79 during the study period.

Shahjahan (1999) in his analysis of the performance of public sector banks showed that the basic approach followed by the Reserve Bank of India (RBI) regarding the priority sector lending during the post liberalization period was to broaden its scope by adding new areas and thereby encouraging diversion from desired priority sector lending. Banks could fulfill the target of 40 per cent of their total advances to priority sector without lending much more to the previously defined priority sector.

Surajit (1999) in his study of financing of rural credit by commercial banks in Assam revealed that the banks faced a lot of problems while providing crop loans like lack of awareness of farmers, illiteracy, non approachability of farmers to banks managers etc. He also noticed that the loan amounts sanctioned to poor farmers were generally diverted to meet their family needs like housing, marriage of their children and repaying the amount borrowed from the village moneylenders. These resulted in non utilization of loan amount in the field for which the amount was sanctioned.

Jayasheela and Birdan (2000) in their study on Rural Finance suggested that the procedures involved in sanctioning and disbursement of credit should be simplified and every farmer should be provided with pass book containing all details of the farmers which should be reviewed periodically and should be the basis for all decisions regarding the sanctioning of credit.

Based on the data for the period of pre and post liberalization period Aminud (2002) found that the credit gap had widened over time from Rs 93690 crores to Rs 66198 crores in nominal terms and three times from Rs 10319 crores to Rs 32245 crores in real terms. The analysis also revealed that Tamil Nadu experienced highest rate of growth (18.5%) followed by Kerala (17%) in per hectare flow of institutional credit to farmers. In addition to these only Andhra Pradesh and Gujarat realized a growth rate above all India growth rate of 12% per annum.

Atteri *et al* (2005) in their study on indebtedness in farm business in India found that principal source of income of above 50 per cent of farmers in most of the regions in the country was from cultivation of field crops and above 45 per cent of the farmers pursuing cultivation activity were indebted. The average amount of loan per farm in India was Rs 12 585 while it was highest at Rs 17 000 and Rs 25 000 in southern and western India respectively. The average amount of loan taken by the farms increased by Rs 7 100 with the increase in farm size by one hectare.

Joshi *et al* (2005) while estimating the loan position and magnitude of various categories of farmers in Punjab revealed that the major component of the total loan comprised crop loans covering about three fourth of the total loans taken in Punjab. Agriculture Commercial Banks played a major role in financing loan followed by Co operative Banks and moneylenders. Also the gap between requirement and loan availability about 29 per cent of the amount falls short of loan requirements and there was a direct relationship between loans required and farm size. They suggested that there is an immediate need to redirect the Commercial Banks to extend loan facilities liberally to small farmers.

Satish (2005) on his study on the trends in credit flow to agriculture by SCBs during the period 1981-2000 brought out that the share of credit to agriculture in total net bank credit had significantly declined especially after the introduction of banking sector reforms. The share of those farmers borrowing less than Rs 25 000 declined in both total number of loan accounts and total loan amount during the reform period.

Jadav *et al* (2006) studied the regional inequalities in short term credit flow by District Central Co operative Banks in Maharashtra and concluded that there were moderate inequalities in the disbursement of short term credit flow by

the District Central Co operative Banks and the average inter regional inequality showed minimum in Vidharbha region and maximum in western Maharashtra

Rakesh (2006) found that agricultural credit clearly started to grow after nationalization of banks and it has been growing continuously since then. At the time of nationalization in June 1969 the total number of rural offices of scheduled commercial banks (SCBs) was 1 833 which then increased significantly to 32 115 by March 2005 and the number of co operatives catering to agricultural sector went up from 95 871 in 1980 to over 1 10 000 in 2003. In the case of RRBs the share sharply increased from 22 per cent in 1969 to 46 per cent by 2005.

Sathyanarayana *et al* (2006) analyzed the role of Sree Anantha Gramena Bank (SAGB) in meeting credit needs in the most backward and drought prone district of Anathapur in Andhra Pradesh. It was revealed from the study that RRBs like SAGBs had been accelerating the pace of rural development through their credit provision especially small and marginal farmers, rural non farm sectors etc. He suggested that the policy making body keeping in view of the importance of the rural credit needs to accord more powers to provide liberal finances in rural areas and thus free the farming community from the clutches of private money lenders who exploit them.

2.4 REPAYMENT AND OVERDUE PATTERN

Patil (1967) in his study on repayment of crop loans and causes for their non repayment in Maharashtra found that defaulters constituted only 27 per cent in large holdings as against 63 per cent in small holdings. The study revealed that small holding size, adverse crop season, total income earned per family, low income earned from agriculture, high domestic expenditure and big family size were the main causes for the non repayment of loan.

Muthaiah (1970) in his study on the causes for heavy overdue in Raipur district of Madhya Pradesh revealed that the percentage of defaulting members were higher among tenants and small farmers as compared to the over all average. Successive crop failure, social ceremonies and family consumption were the reasons attributed for the default. The study further revealed that the intention of most of the farmers were either not to borrow or to borrow only towards the cost of fertilizers.

A study by Patel and Thakur (1973) to examine the extent of repayment of crop loan in Gujarat pointed out that the number of farmers with overdue were comparatively more in medium farms when compared to small farms. The amount of overdue as well as money borrowed per farmer increased with increase in the size of holding. The overdue per acre was found to be higher in the case of small farmers as compared to large farmers.

Reddy (1976) conducted a study in Vishakapatnam district of Andhra Pradesh for identifying the important characteristics that discriminated the borrowers into non defaulters and defaulters. The study revealed that the defaulting were more likely to be illiterate in productive region and illiterate in the case of less productive regions.

Singh *et al* (1982) in a study on financing rural development project in Karnal Haryana concluded that the magnitude of overdue was lowest in the case of landless labourers (14.27 per cent) followed by lower medium farmers (19.7 per cent) whereas small farmers registered the highest percentage of overdue followed by large and upper medium farmers in that order (31.0 and 26.4 per cent). The poor recovery and high overdue in case of small and marginal farmers could be ascribed to the diversion of funds for consumption purpose since their crop was damaged due to adverse climatic conditions and they could not get sufficient income from the crop to repay the loan.

Mohan *et al* (1984) in their study to classify the defaulters to willful and non willful defaulters and to analyze the socio economic characteristics associated with in the two selected blocks in Tamil Nadu using Bayer Theorem observed that high probability of non willful defaulters is associated essentially with small size holding having low educational and caste status

Singh *et al* (1985) conducted a study in Ludhiana district of Punjab and observed that the extent of relative loan default was higher in case of large farmers as compared to other categories of borrowers. It was inferred that in Punjab by and large willful default is a problem in general and particularly in case of medium and large farmers

Balishter and Singh (1987) in their study in Bichpuri block of Agra with a view to estimate the extent of willful default in different farm size groups and to examine the reasons of non repayment by willful defaulters pointed out that none of the marginal farmers seven per cent of the small farmers 80 per cent of the medium farmers and all the large farmers were willful defaulters. Forty three per cent of total defaulters were willful defaulters and they were mainly confined to medium and large farmers the former to the extent of over 80 per cent and latter to the extent of cent per cent

Sai *et al* (1987) conducted a study in West Godavari to examine the overdue pattern and to isolate the reasons for irregular repayment and/or non repayment of loans found that 59 per cent of the sample farmers were non defaulters. Out of them 38.75 per cent were medium farmers followed by marginal and small farmers. The main reason for the default in all the size groups was late accrual of income from the sale of the produce crop failure etc

Gupta (1988) while examining the problems of loan recoveries in Jabalpur district in Madhya Pradesh pointed out that 41.69 per cent of the loan was repaid by the sample farmers and the overdue accounted for 58.31 per cent of the total

loan advanced. The recovery performance of the crop loans was found comparatively less than term loans. The recovery of overdue was associated with the size of holding, percentage of irrigated area, cropping intensity and per capita income.

Palanisamy (1989) conducted a study in Salem district of Tamil Nadu to find out the extent of crop loan repayment to analyze the problems associated with it. It was observed that a relatively large overdue on the part of small farmers and a relatively small overdue on the part of both medium and big farmers. The common problems associated with repayment of loan were crop failure due to drought, low production and increasing family expense.

Rambabu *et al* (1991) examined the repayment behavior of farmers in Guntur district of Andhra Pradesh which may have contributed to the high rate of default of farm credit. Eighty six per cent of the borrowers repaid the borrowed amount in time, 12 per cent repaid partly and two per cent did not repay. Desire for getting future loan, wish to be honest and prompt and good market price for the produce were some important reasons for regular repayment.

Sharma (1992) analysed the role of commercial banks in Kasikota block of Vishakapatnam in Andhra Pradesh. The recovery performance of crop loan for sugar cane indicated that 50 per cent of the respondents could not repay the due amount owing to the low yield. For the 35 per cent, increasing family consumption was the significant factor and the remaining 15 per cent complained that they did not receive the loan amount at the hour of need.

Srinivasa (2000) while examining the default pattern in Agricultural sector pointed out that one of the major factors causing the default overdue was the fear of delay or non sanction of new loans. He further stressed that majority of the farmers were diversifying their loan amount for consumption purpose, building house, marriages etc.

Madhusudhan (2002) in his study on micro level analysis of the status and problems of Co operative Agricultural Credit with respect to distributional pattern cost of credit borrowing intensity and overdue which was conducted in two taluks of Tumkur district indicated that the number of borrowers of agricultural credit had declined in PACS while it has increased in PCARDBs. It was also found that a percentage to the loan taken was higher for marginal farmers compared to that of large farmers in all three types of loan. Also the borrowing intensity measured using financial ratio indicated that small and marginal farmers had borrowed higher amount of short term loans for every hundred rupees of land asset owned by them than big farmers and overdue were higher among large farmers.

Bonde (2005) in his study on the overdue pattern in agriculture in Amaravathi district of Maharashtra found that the percentage of defaulters in the total borrowers was 85.77 per cent in Co operatives and 79.04 per cent in Commercial Banks. The amount of overdue per defaulter had been observed to be Rs. 19201.71 in Co operatives and Rs. 22606.15 in Commercial Banks. It was also concluded that the amount of overdue increased with the size of holding in both financial institutions and overdue showed direct relationship with total amount borrowed.

Hatai *et al* (2005) found from their study on the overdue pattern in different parts of Uttar Pradesh that the major reasons for willful defaulters was slackness in timely recovery by banks followed by diversion of income and uncertainty about fresh loans while in the case of non willful defaulters it was low crop yield, crop failure due to natural calamities and inadequate finance.

Jagannath (2005) studied the indebtedness of rural farmhouse holds based on secondary data and found that nearly half of the rural farm house holds in the country were indebted in various degrees and agriculturally prosperous states were found having more indebted farmer households than in less prosperous

states Most of the indebted farmers belonged to the category of marginal and small farmers were found to be concentrated in the disadvantageous social groups such as scheduled castes scheduled tribes and other backward classes Of the 60 percent of the indebted farmers who have borrowed for agricultural pursuits as high as 40 per cent of them had availed loans for unproductive purposes

Ramesh (2005) reported that the level of indebtedness depended on the level of development of the area in which the farmers reside and the proportion of indebted farmers decreased from low developed area to developed area Another reason he found for indebtedness was due to the inability of farmers to use all the borrowed credit in production to realize the potential level of output as measure to reduce the indebtedness farmers should diversify their production and engage in non farm income generating activities to earn extra income to reduce the burden of debt

Sanjay (2005) in his study on the problems of overdue in tribal areas of Jharkand indicated that characters like literacy percentage of income from other sources percentage of cash expenditure for production purpose to total expense number of visits to officials percentage of borrowing from different institutions to the total production credit percentage of productive utilization of credit irrigation potential and cropping intensity helped in differentiating the borrowers into defaulters and non defaulters Similarly the defaulters could be classified to willful and non willful defaulters on the basis of factors like literacy percentage of income from other sources size of holdings etc

Sate *et al* (2005) examined repayment pattern of borrowers in western Maharashtra and found that average repayment of crop loan was to the extent of 63 per cent while the proportion repaid was highest in medium size holdings followed by small and large groups The main reasons for the non repayment of loan were low income non remunerative prices and crop failure They suggested

proper appraisal of loan proposal follow up and supervision after disbursal and legal action to be taken against willful defaulters

Satish (2005) concluded that credit subsidies adversely affected agricultural credit supply and he suggested that reduction in cost of lending in terms of either financial or transaction cost or risk cost or by any combinations of that three should be the prime objective of any financial institutions to reduce the burden of credit subsidy

Narsaiah (2006) conducted a study to analyze the size overdue in Co operative Banks factors influencing overdue and its pattern with reference to different sizes of farm It was revealed that all of the sample units except 31.7 per cent of farmers enjoy the fruits of both farm and non farm income and the amount of credit gap was estimated to be 58.3 per cent for 80 per cent of the farmers For most of the farmers (48.3%) loan default size was estimated to be Rs 10,000 to Rs 20,000 He also found that the source of income and default size of loan amount were statistically independent while the extend of credit gap and loan default were related statistically

Rakesh (2006) using the most recent survey of farmers indebtedness in 2002 conducted by National Sample Survey Organization (NSSO) found that there were some reversion to informal demands of credit in 1990s which was reflected in the increasing concern in recent years over the effectiveness governance and financial health of rural Co operative Banks and the attention being given to rural lending by Commercial Banks

Rao (2006) examined the differences in the estimates of incidence of debt and extend of indebtedness emanating from Situation Assessment Survey (SAS) 2003 and All India Debt and Investment survey (AIDIS) 2003 The results

showed that the percentage of farm households under indebtedness were 49 per cent and 30 per cent respectively in SAS and AIDIS. Also the incidence of debt was more than 50 per cent in most of the states for SAS as against less than 25 per cent for AIDIS. The average debt per reporting household for the country as a whole was Rs 31 182 as per AIDIS and Rs 25 895 in SAS. While the share of debt of cultivators owed to institutional agencies was 61 per cent in both surveys.

Sandhu and Sucha (2006) found that the loan recovery rate was comparatively higher in developed states like Punjab, Kerala, Haryana and Tamil Nadu where it was greater than 80 per cent while in Rajasthan, Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Madhya Pradesh and Uttar Pradesh it was of the range of 60-80 per cent. It was still poor in Eastern and North Eastern states except West Bengal. It was also found that wherever the use of institutional credit was higher the recovery performance was also better.

MATERIALS AND METHODS

3 MATERIALS AND METHODS

The chapter gives a brief description about the study area and methodology used for the study

3 1 Area of study

The study area is Kannur district in Kerala which was selected based on the secondary data collected from Regional office of NABARD Lead Bank office (Canara Bank) Trivandrum and Registrar of Co operative Society Trivandrum According to the available data the maximum number of Kisan Credit Cards was supplied in Kannur district

3 1 1 Kannur

The former Kannur district was carved out of portions of Malabar district and the Kasaragod taluk of the Madras state linked to Kerala as per the State reorganization act Thereafter on 1st January 1957 it was bifurcated for the administrative convenience into three districts namely Kannur Kozhikode and Palakkad Then Kannur district had six taluks namely Kasaragod Hosdurg Kannur Thaliparamba Thalassery and North Wayanad On 1st January 1979 North Wayanad was linked to Wayanad district On the formation of Kasaragod district the taluks namely Hosdurg and Kasaragod were de linked from Kannur district and the present Kannur district was formed with remaining taluks namely Thaliparamba Kannur and Thalassery

3 1 1 1 Location

The district is bound by the Western Ghats in the east (Kodagu district of Karnataka) Kozhikode and Wayanad districts in south Lakshadweep Sea in the west and Kasaragod district in the north It is located between altitudes $11^{\circ}40'$ and $12^{\circ}8'$ towards north and between longitudes $75^{\circ}10'$ and $75^{\circ}57'$ towards east Kannur district is comprised of three taluks namely Kannur Thalassery and Thaliparamba The district has nine blocks 81 panchayats 127 revenue villages

and six municipalities. The total geographical area is 2967.97 sq kms that is about 7.6 per cent of the area of the State. The map of Kannur district is given in Figure 3.1.

3.1.1.2 Geographical features

Based on the geographical features the district may be classified into three regions. Coastal region of about 157.20 sq kms touching the Arabian Sea, midland comprised of small hills, sloped area and plain surface of about 1216.80 sq kms and hilly forest area of about 1593.97 sq kms. The details are given in Table 3.1. Out of the 44 rivers in Kerala, seven are in Kannur and the longest being Valapattanam river which is 110 kms long.

3.1.1.3 Demographic features

Population in Kannur as per the 2001 census is 24,12,365 out of this 11,54,144 are males and 12,58,221 are females. The sex ratio is 1090 against the state sex ratio of 929. Density of population in the district is 813 (population per square kilometer). The growth rate of population is 7.13 per cent. The literacy rate is 96.38 per cent in the case of males and 89.57 per cent in females. The general average comes to about 92.8 per cent.

3.1.1.4 Climate and rainfall

When the past ten years data is examined the maximum temperature noticed in the district is found to be 38.8 degree Celsius (in March 1996 and in April 1997) and a minimum of 18.2 degree Celsius (in January 1992). The details of monthly mean temperature and rainfall of the district for the year 2005 is given in Table 3.2. The rainy season in the district is from June to August due to Southwest monsoon and from September to November due to Northeast monsoon. From December to February it is cold season and from March to the end of May the weather is hot. The annual rainfall recorded is 3422.6 mm.

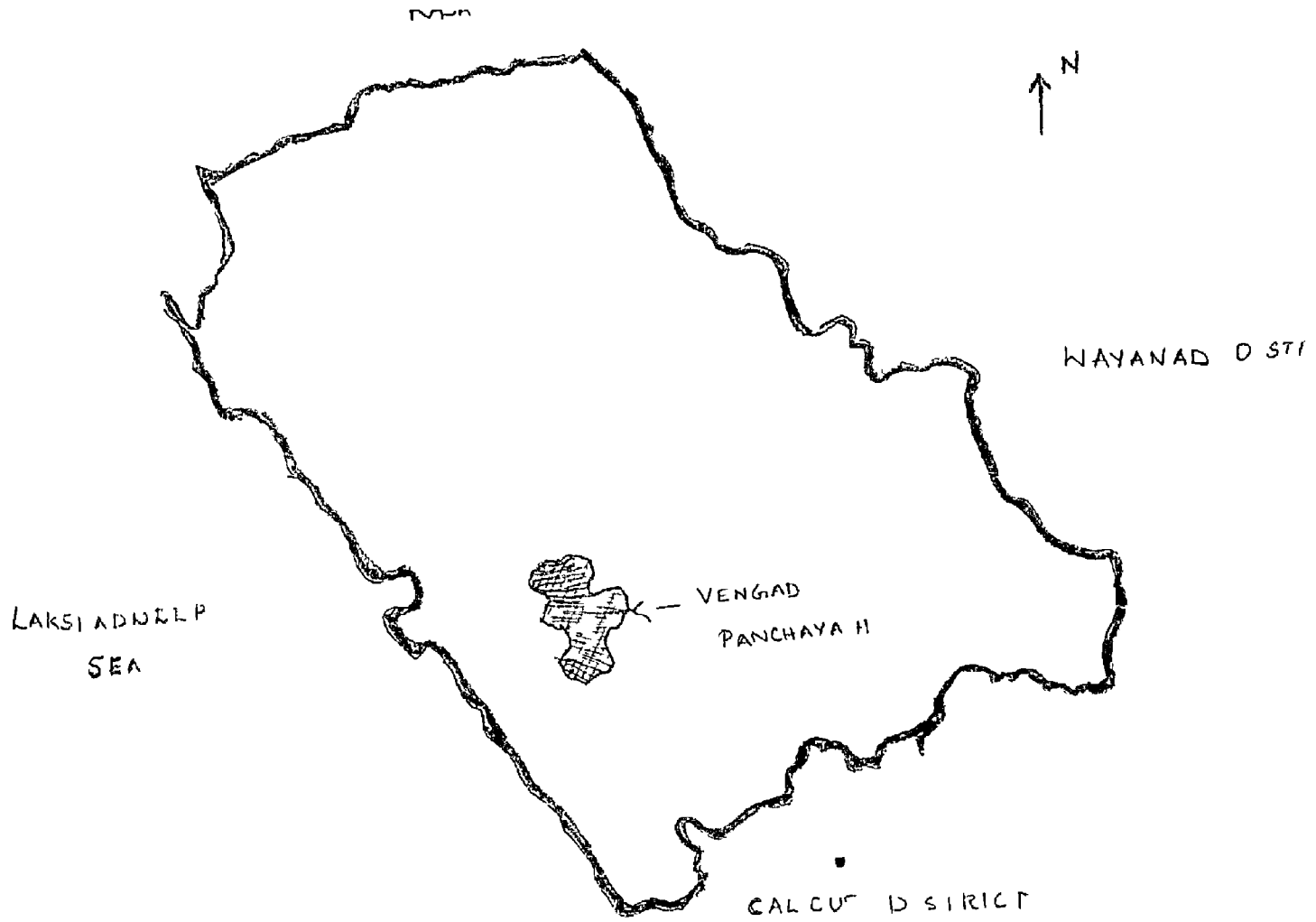


Figure 31 Map of Kannur District

Table 3 1 Taluk wise land distribution in Kannur District**(Area in Sq km)**

Taluk	Coastal Plan	Highland	Midland	Total
Thaliparamba	30 00	667 86	632 70	1330 56
Kannur	127 20	303 60		430 80
Thalassery		622 51	584 10	1206 61
Total	157 20	1593 97	1216 80	2967 97

(District Credit Plan 2006 07)

Table 3 2 Monthly mean temperature and average rainfall in Kannur district

Month	Temperature (° C)		Rainfall (mm)	Average for Kerala (mm)
	Maximum	Minimum		
January	34 5	21 8	0 0	2 2
February	35 0	23 2	0 0	7 3
March	34 2	24 8	20 9	35 7
April	31 2	25 3	48 8	109 5
May	30 7	24 2	772 3	619 5
June	30 2	23 5	1033 6	693 4
July	30 0	23 3	463 1	398 2
August	31 2	22 9	565 8	439 3
September	31 9	23 5	129 4	191 9
October	33 1	23 5	260 6	317 7
November	33 1	23 1	128 1	118 5
December	33 6	23 0	0 0	1 4

(Farm Guide 2006)

3 1 1 5 Land utilization pattern

The total geographical area of the district is 2 96 797 hectare out of which the total cropped area is 2 57 543 hectares Area under forest comes to about 48 734 hectare which is 16 4 per cent of the total geographical area The net sown area is 1 99 414 hectare which accounted to 67 2 per cent of the total geographical area Land put to non agricultural use is 33 700 hectares which accounts to 11 4 per cent of total geographical area The details of land utilization pattern are given in Table 3 3

3 1 1 6 Cropping pattern

The major crops cultivated in the district are paddy coconut rubber arecanut fruit trees pepper etc Paddy is cultivated in 9102 hectares coconut in 94518 hectares rubber in 35133 hectares cashew in 25681 hectares and pepper in 22727 hectares The details of cropping pattern are given in Table 3 4

Table 3 3 Land utilization pattern of Kannur district during 2005

(area in hectares)

Sl No	Items	Area
1	Forest	48734 (16 4)
2	Land put to non agricultural use	33700 (11 4)
3	Barren and non cultivable land	3076 (1 0)
4	Permanent pastures and other grazing land	10 (0)
5	Land under tree miscellaneous crops	1121 (0 4)
6	Cultivable wasteland	4524 (1 5)
7	Fallow other than current fallow	2680 (0 9)
8	Current fallow	3538 (1 2)
9	Net sown area	199414 (67 20)
10	Total Geographic Area	296797 (100)
11	Area sown more than once	58129
12	Total cropped area	257543

(Farm Guide 2007)

Table 3 4 Cropping pattern of Kannur district during 2005**(area in hectares)**

Sl No	Crops	Area
1	Paddy	9102
a	Autumn	4877
b	Winter	4107
c	Summer	118
2	Pulses	685
3	Sugar crops	87
4	Pepper	22727
5	Ginger	149
6	Turmeric	146
7	Cardamom	128
8	Arecanut	13776
9	Other spices and condiments	1166
10	Banana	2493
11	Other plantains	3504
12	Other fruits	29214
13	Cashew	25681
14	Tapioca	2607
15	Tubers and sweet potato	721
16	Vegetables	3591
17	Coconut	94518
18	Other oilseeds	126
19	Fibre drugs and narcotics	80
20	Rubber	35133
21	Cocoa	187
22	Other non food crops	11722
23	Total cropped area	257543

(Farm Guide 2007)

3 1 1 7 Banking profile of Kannur district

Kannur district has 48 branches of District Co operative Banks (DCBs) and 141 branches of Service Co operative banks The district has nine Co operative rural banks three Primary Co operative Agricultural Development Banks (PCARDB) one Kerala State Co operative Banks and nine Urban Co operative Banks The details of banking profile under Co operative sector during 2005 are given in Table 3 5

The district has 231 branches of Commercial Banks 31 SBI and associates 84 Nationalized Banks and 41 other Scheduled Commercial Banks The Lead Bank of the district is Syndicate Bank with 36 branches Agricultural advances were Rs 688 57 crores with CD ratio at 67 per cent The details of Commercial Banking profile of Kannur district during 2005 is given in Table 3 6

The details of sector wise achievement under district credit plan are given in Table 3 7 The target under annual plan for agriculture and allied sector small scale industries and other priority sectors is Rs 508 43 crores Rs 83 39 crores and Rs 990 48 crores respectively and percentage achievement of the respective sectors are 93 per cent 62 per cent and 123 per cent

Table 3 5 Co operative sector banking profile of Kannur district during 2005

Sl No	Banks	No of branches
1	District Co operative Banks	48
2	Service co operative Banks	141
3	Co operative Rural Banks	9
4	Primary Co operative Agricultural Development Banks	3
5	Kerala State Co operative Banks	1
6	Urban/Town Co operative Banks	9

(District Credit Plan 2006 07)

Table 3 6 Commercial banking profile of Kannur district during 2005

No of Branches	231
SBI and Associates	31
Nationalised Banks	84
Other Scheduled Commercial Banks	41
RRBs (NMGB)	75
No of branches of Syndicate Bank (Lead Bank)	36
Population per Branch	16442
CD Ratio (%)	67
Agricultural Advances (Rs in crores)	688 57
Percentage of Agricultural advances to total advances (%)	22
Advances to weaker section (Rs in crores)	442 34
Percentage of weaker section advances to total advances (%)	14

(District Credit Plan 2006 07)

Table 3 7 Sector wise achievements under district credit plan during 2005 06
(Rs in crores)

Particulars	Annual Plan	Achievement
Agriculture and allied sectors	508 43	472 06 (93)
Small Scale Industries	83 39	51 98 (62)
Other Priority Sectors	990 48	1214 24 (123)
Total	1582 30	1738 28 (110)

(Figures in parenthesis are percentage of achievement)

(Source District Credit Plan 2006 07)

3 1 1 8 Vengad Panchayath

Vengad Panchayat was selected for the survey From the Lead Bank of Kannur (Syndicate Bank) the details of Kisan Credit Cards supplied in Kannur district was collected and Vengad panchayath was selected for the survey Two stage random sampling technique was used for selection of block and panchayath In the first stage Koothuparamba block was selected randomly and in second stage Vengad panchyath was selected randomly The general information about the panchayath is detailed in Table 3 8 The total geographical area of the Panchayat is 2 809 hectares with two villages and 16 wards

Table 3 8 General information of Vengad panchayat

a	Name of the Panchayath	Vengad
b	Villages	Paduvilaayi Pathiriyad
c	Block Panchatyath	Koothuparamba
d	Block Panchayath Division	Paduvilaayi Pathiriyad
e	District Panchayath	Kannur
f	District Panchayath Division	Ancharakkandy
g	Wards	16
h	Total Geographical Area	2809 hectares

(Panchayth Office Vengad)

3 1 1 8 1 Boundaries of Vengad panchayath

North Keezhallur Grama Panchyath

East Mangaattidam Grama Panchyath

South – Pinarayi Grama Panchyath

South east Kottayam Grama Panchyath

North east – Mattannur Municipality

West – Peralassery Grama Panchyath

The map of Vengad Panchayath is given in Figure 3 2

VENGAD GRAMA PANCHAYAT



PERLA E /
LINGAYA

MANGALDOM
PANCHAYATH

PUNARAYI PANCHAYATH

Figure 3.2 Map of Vengad Panchayath

3 1 1 8 2 Demographic features of Vengad panchayath

The total population of the panchayath is 35775 out of which the males constitutes 7213 and females 18562 The density of population of the panchayath is 1274 per square kilometer

3 1 1 8 3 Geographical features of Vengad panchayath

The total geographical area of the panchayath is 2809 hectares The details regarding the land utilization pattern of the panchayath are given in Table 3 9 The area put under agricultural purpose accounts to 88 5 per cent of the total area Current fallow compnses 2 9 per cent cultivable wasteland 1 4 per cent and uncultivable wasteland constitutes 7 2 per cent

The details regarding the size of land holding in the two villages of the panchayath is furnished in Table 3 10 The table reveals that most of the farmers were having land holding of size 25 50 cents followed by 10 25 cents and 50 100 cents

3 1 1 8 4 Cropping pattern of Vengad panchayath

The cropping pattern of the Vengad panchayath is given in Table 3 11 The main crop is coconut followed by rice cashew banana arecanut etc A major share of the area is constituted by coconut (2215 ha) followed by cashew (95 ha) and rice (182 ha)

Table 3 9 Land utilization pattern of Vengad panchayath**(area in hectares)**

Particulars	Area
Agricultural Land	2485 (88 5)
Current fallow	82 (2 9)
Cultivable wasteland	40 (1 4)
Uncultivable wasteland	202 (7 2)
Total	2809 (100)

(Panchayth Office Vengad)

Table 3 10 Size of land holding of Vengad panchayath**(No of farmers)**

Village	Size of holding						
	1 10 cents	10 25 cents	25 50 cents	50 100 cents	1 2 Acres	2 5 Acres	More than 5 Acres
Paduvilaayi	562	927	2241	887	496	142	73
Pathriyaad	324	914	1912	945	549	162	92
Total	886	1841	4153	1832	1045	304	165

(Panchayth Office Vengad)

Table 3 11 Area and productivity of major crops in Vengad panchayath

Crops	Area (ha)	Productivity (t/ha)
Rice		
1 st Season	62	2 76
2 nd Season	68	2 74
3 rd Season	52	2 17
Coconut(Nuts/ha)	2215	4100
Pepper	42	0 55
Cashew	95	0 72
Vegetables	15	26
Banana	58	20 30
Tapioca	24	12 7
Arecanut(Numbers)	36	310000
Rubber	5	

(Krishu Bhavan Vengad)

3 2 METHODOLOGY

The procedure used in selection of the study area selection of sample collection of data and analytical techniques employed are briefly described below

3 2 1 Selection of study area

The study area was selected based on the secondary data collected from Regional office of NABARD Lead Bank office (Canara Bank) Trivandrum and Kerala State Co operative Society Trivandrum According to the available data the maximum number of Kisan Credit Cards was supplied in Kannur district Hence Kannur district was selected for the study The details of Kisan Credit Cards supplied in Kannur district were collected from the Lead Bank of Kannur (Syndicate Bank) Two stage random sampling technique was used for selection of block and panchayat In the first stage Koothuparamba block was selected randomly from Kannur district and Vengad panchyath was selected randomly from Koothuparamba block in the second stage In Vengad panchayath distribution of Kisan Credit Cards was uniform From this panchayat three banks namely Syndicate Bank (Mambaram) North Malabar Gramin Bank (Pala) and Pathiriyad Service Co operative bank was selected for the study

3 2 2 Selection of sample farmers

The list of farmers who had availed Kisan Credit Cards from 2004 onwards was collected as the scheme was widely implemented after 2004 From the list 30 farmers were selected randomly from each of the three banks making the sample size 90 as given in Table 3 12

3 2 3 Collection of data

The primary data were collected using a well structured interview schedule after conducting a pilot survey. The reference period for the study was the year 2007. The pilot survey was conducted in April 2007. Since the farmers did not maintain the proper record they provided the information from their memory. Efforts were made to collect the data as accurate as possible. The final survey was carried out during May June 2007.

Table 3 12 Samples selected from different branches

Banks	Sample Size
Commercial Bank	30
RRB	30
Co operative Bank	30
Total sample size	90

3 2 4 Analysis of data

Percentage analysis was carried out for analyzing the socio economic characters of the respondents like family size, age, gender, education status, size of holding, occupational status, cropping pattern etc. It was also used for the analysis of timeliness, adequacy and repayment pattern of the credit under Kisan Credit Card Scheme. The data were cross tabulated for different parameters like adequacy, timeliness and repayment pattern of credit under Kisan Credit Card.

scheme In order to study the adequacy of loan under Kisan Credit Cards Scheme adequacy measure was computed using the formula

Adequacy measure $(\text{Credit limit} / \text{Credit eligibility}) * 100$

The credit eligibility was worked out based on the scale of finance A value equal to or exceeding 100 percentage indicates adequacy of credit under the scheme while a value less than 100 percentage indicated that the credit disburse under the scheme was inadequate for the borrowers The advantage of the adequacy measure is that even when the inverse of the ratio is taken the same readings hold well with the adequacy or inadequacy terminologies complementing each other The condition of inadequacy is denoted by zero (0) and that of adequacy by one (1)

RESULTS AND DISCUSSION

4 RESULTS AND DISCUSSIONS

The present study entitled Kisan Credit Card Scheme An Economic Evaluation was conducted during the year 2006 07 with the main objectives of studying the growth of Kisan Credit Card Scheme in Kerala examine the pattern and adequacy of credit supply study the timeliness repayment and overdue pattern of the scheme and to identify operational problems in order to suggest measures for improvement

The results and discussions of the study are presented in this chapter It is divided into different sections as given below

- 4 1 General features of the of Kisan Credit Card Scheme
- 4 2 Growth pattern of the of Kisan Credit Card Scheme in Kerala
- 4 3 Socio economic conditions of the sample farmers
- 4 4 Adequacy of credit under of Kisan Credit Card Scheme
- 4 5 Timeliness of credit under of Kisan Credit Card Scheme
- 4 6 Repayment and overdue pattern of Kisan Credit Card Scheme
- 4 7 Operational problems and suggestions for improvement

4 1 GENERAL FEATURES OF KISAN CREDIT CARD SCHEME

With a view to inquire into the reasons for the drawbacks of the farm credit the Reserve Bank of India (RBI) has set up one man High Level Committee headed by Sri R V Gupta in December 1997 The committee submitted its report in April 1998 It was against the background of this committee s report that RBI in 1998 directed all Public Sector Banks Regional Rural Banks and Co operative Banks to introduce Kisan Credit Card Scheme (KCCS) on the line of model scheme formulated by NABARD and the credit scheme was launched in the year 1998 99 The Kisan Credit Card Scheme ensures adequate and timely credit to the agricultural sector It is a flexible loan scheme

like an overdraft facility. Initially only short term loans were given through the scheme. But from 2004 onwards working capital, fixed capital and consumption components are given through the scheme.

4.1.1 Eligibility

Owner cultivators or those engaged in allied activities having a good track record for the previous two years are eligible for Kisan Credit Cards. Farmers cultivating authorized leased lands are also eligible. The farmer should start an account prior to the issue of card in the concerned bank.

4.1.2 Credit limits

The credit extended under the Kisan Credit Card Scheme is in the nature of a revolving cash credit and provide for any number of drawals and repayments within the limits. Generally the credit limit is fixed based on the area under cultivation, crops grown and scale of finance.

4.1.3 Validity

The Kisan Credit Card is valid for a period of three years subject to annual review. The crop loan taken should be repaid after the harvest of the crop.

4.1.4 Issuance of cards

Beneficiaries under the scheme will be issued with a credit card and passbook. The borrowers would be required to produce this over the counter for operating the account.

4 1 5 Rate of interest and security

The rate of interest varies across different banks. Usually a rate is fixed which is 3-4 per cent greater than the benchmark prime lending rate. Usually land is mortgaged as security. The property deed is to be submitted. If there is a failure in submitting property deed there should be two personal securities.

4 1 6 Repayment

Repayment is done after the harvest of crop for which the amount is withdrawn. Limit is normally valid for a period of three years. At the end of the third year the card can be renewed.

4 1 7 Main features of the scheme

- a Eligible farmers are provided with a Kisan Credit Card and a passbook or card cum pass book
- b Revolving cash credit facility involving any number of withdrawals and repayments within the limit
- c Limit to be fixed on the basis of operational land holding, cropping pattern and scale of finance. Entire production credit needs for full year plus ancillary activities related to crop production are considered while fixing limit
- d Sub limits are fixed at the discretion of banks
- e Card is valid for three years subject to annual review. As incentive for good performance, credit limits can be enhanced to take care of increase in costs, change in cropping pattern, etc.
- f Each drawal to be repaid within a maximum period of 12 months
- g Conversion/rescheduling of loans is also permissible in case of damage to crops due to natural calamities
- h Security margin, rate of interest, etc. are as per RBI norms

- 1 Operations may be through issuing branch or through other designated branches at the discretion of bank

4 1 8 Advantages to the farmers

- a Access to adequate and timely credit
- b Full year s cred t requirement of the borrower taken care of
- c Minimum paper work and simplification of documentation for drawal of funds from the bank
- d Flexibil ty to draw cash and buy inputs
- e Assured availability of credit at any time enabling reduced interest burden for the farmer
- f Sanction of the facility for 3 years subject to annual review and satisfactory operations and provision for enhancement
- g Flexibility of drawals from a branch other than the issuing branch at the discretion of the bank

4 2 GROWTH PATTERN OF KISAN CREDIT CARD SCHEME IN KERALA

The Kisan Credit Card Scheme was introduced with effect from June 1998 The Scheme was in its dormancy up to 2003 The growth of Kisan Credit Card Scheme can be realistically assessed only from 2003 The growth pattern with respect to Co operative banks Regional Rural Banks and Commercial Banks are discussed in the following sections



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4 2 1 Co operative Banks

The number of Kisan Credit Cards issued in Kerala through Primary Agricultural Credit Societies (PACS) is given in Table 4 1 The number of cards issued through Primary Agricultural Credit Societies (PACS) from March 2003 to August 2006 showed that the number of cards issued increased except during June 2005 As on August 2006 the number of KCC issued through PACS was 1041830 The average number of cards issued per month through PACS is also given in Table 4 1

The loan amount disbursed through Primary Agricultural Credit Societies as on March 2006 is given in Table 4 2 The amount of loan disbursed was the lowest during August 2005 (Rs 58969 2 lakhs) and was highest in March 2006 (Rs 102579 4 lakhs) The figure 4 1 shows the graphs of the number of cards disbursed through PACS

Table 4 1 Number of Kisan Credit Cards issued through PACS in Kerala State

Period	Duration (in months)	No of Cards issued	No of cards issued per month
As on 30 03 2003		386466	
30 06 2003	3	421872	140624
30 12 2004	6	645592	107599
30 06 2005	6	588895	98149
30 09 2005	3	594108	198036
31 03 2006	6	693793	115632
31 09 2006	6	1041830	173638

(Registrar of Co operative Society Government of Kerala)

Table 4 2 Loan amount disbursed through PACS Kerala State

Period	Duration (in months)	Amount (Rs Lakhs)
As on 31 12 2004		75130 49
30 06 2005	6	85372 22
30 09 2005	3	58969 2
31 03 2006	6	102579 4

(Registrar of Co operative society Government of Kerala)

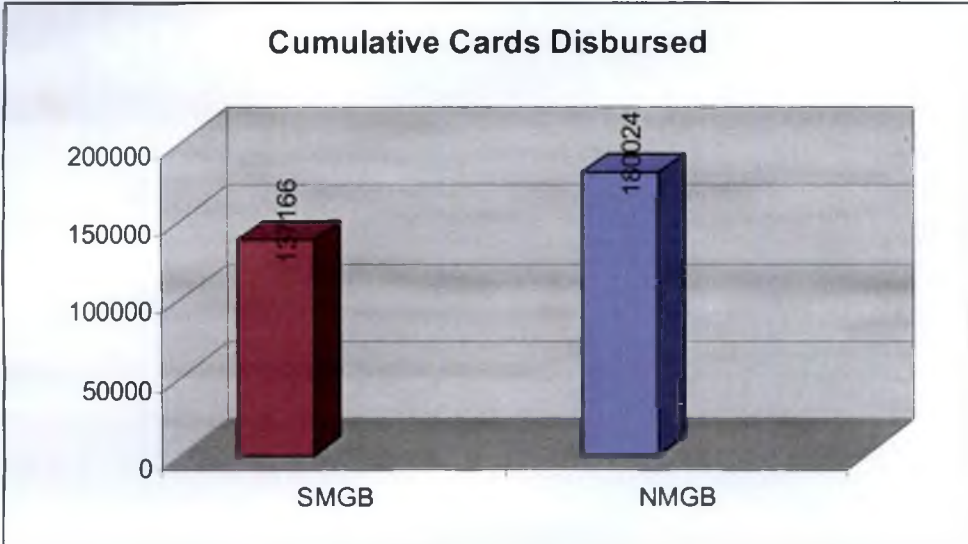
4 2 2 Regional Rural Banks(RRBs)

Regional Rural Banks in Kerala are working in two regions namely Northern Zone and Southern Zone Unlike the other banks RRBs have their area offices hav ng their area of operation in more than one district In Kerala there is South Malabar Gramin Bank and North Malabar Gramin Bank The cumulative Kissan Credit Cards disbursed are given in Table 4 3 More number of cards was issued through North Malabar Gramin Bank than South Malabar Gramin Bank The number of Kisan Credit Cards issued since inception of the scheme was 137166 and 180024 respectively for South Malabar Gramin Bank and North Malabar Gramin Bank as on September 2006 Out of the total number of 317190 Kisan Credit Cards disbursed 56 8 per cent was from North Malabar Gramin Bank and 43 2 per cent from South Malabar Gramm Bank

Table 4 3 Implementation of KCC Scheme through RRB since inception of the scheme (No of Cards issued as on September 2006)

Name of the Bank	No of Cards
South Malabar Gramin Bank	137166 (43 2)
North Malabar Gramin Bank	180024 (56 8)
Total	317190 (100)

Figure 4.1 Cumulative cards disbursed through Kisan Credit Card Scheme as on September 2006



4 2 3 Commercial Banks

Commercial banks are actively involved in the distribution of Kisan Credit Cards in Kerala. As on September 2006 among the State Bank group maximum number of cards was disbursed through State Bank of India (SBI) which was 89616 and the amount of loan disbursed was Rs 307 lakhs. The data also showed that among the other nationalized banks Union Bank of India (UBI) supplied maximum number of cards (48844) followed by Canara Bank (46086) and Indian Overseas Bank (32416). The total number of Kisan Credit Cards issued till the end of September 2006 through State Bank group was 273281 and by other nationalized banks were 164886 (State Level Bankers Committee).

Out of the total Kisan Credit Cards issued through Commercial Banks 48.3 per cent was supplied by State Bank group, 45.5 per cent by nationalized banks and 6.2 per cent by Private Sector Banks. Other Nationalized Banks had disbursed maximum amount of loan through Kisan Credit Cards (45.7 per cent) followed by State Bank (36.4 per cent) and private banks (14.9 per cent). The details are given in Table 4.4.

Table 4 4 Number of cards and amount disbursed through Commercial Banks as on September 2006

Commercial Bank	No of cards issued since inception (1998)	Amount (Rs in lakhs)
State Bank Group	366806 (48 3)	1115 24 (39 4)
Nationalized Banks	346087 (45 5)	1294 24 (45 7)
Private sector Banks	47338 (6 2)	424 57 (14 9)
Total	760231 (100)	2834 05 (100)

(State Level Bankers Committee)

4 3 SOCIO ECONOMIC CONDITIONS OF SAMPLE FARMERS

Socio economic conditions of the sample farmers are of great importance to carry out analysis and generalization. In this section an attempt was made to study the relevant social and economic conditions of the sample farmers. The economic variables under the study include family size, age, gender, level of education, size of farm and cropping pattern.

4 3 1 Family size

Classification of cardholders based on the family size is shown in Table 4.5. Respondents from the three categories of banks were classified according to their family size. The results showed that majority of the respondent families were having 5-7 members (64.4 per cent) irrespective of the institution from which they borrowed. Among the respondents from Commercial Banks, 63.3 per cent came under the medium family of 5-7 members. It was followed by 26.7 per cent belonging to family size of 1-4 members and 10 per cent belonging to the family size of 8-10 members. In the case of respondents from RRB, 63.3 per cent were having medium family size of 5-7, 26.7 per cent belonged to family size of 8-10 and 10 per cent came under nuclear family of 1-4 members. Among the respondents from Co-operatives, maximum number of the card holders (64.4 per cent) came under the family size of 5-7 and 26.8 per cent belonged to family size of 1-4 members and the rest 17.8 per cent had family size of 8-10 members.

Table 4 5 Bank wise distribution of card holders based on family size

Name of the bank	Family size			
	1 4	5 7	8 10	Total
Commercial Bank	8 (26 7)	19 (63 3)	3 (10 0)	30 (100)
Regional Rural Bank	3 (10 0)	19 (63 3)	8 (26 7)	30 (100)
Co operatives	5 (16 7)	20 (66 7)	5 (16 7)	30 (100)
Total	16 (17 8)	58 (64 4)	16 (17 8)	90 (100)

(Figures in parentheses show percentage to total)

4.3.2 Age

The distribution of card holders in different age groups is given in Table 4.6. The highest proportion of respondents falling under the age limit of 40-60 were found in commercial bank (66.7 per cent) followed by Co-operatives (50 per cent) and RRB (46.7 per cent). Respondents having age of more than 60 were highest in RRB (46.7 per cent) followed by commercial banks (23.3 per cent) and Co-operatives (16.7 per cent). The results also showed that highest number of respondents having age less than 40 came under Co-operatives (33.3 per cent) followed by commercial bank (10 per cent) and RRB (6.7 per cent).

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The results showed that majority of the respondents belonged to age group of 40-60 years (54.4 per cent) and 28.9 per cent belonged to the group of more than 60 years of age. The respondents below 40 years constituted only 16.7 per cent of the total respondents.

4.3.3 Gender

The sample card holders were classified according to gender as detailed in Table 4.7. Out of the total respondents 60 per cent were male and 40 per cent were female. Maximum number of male respondents were from RRB (66.7 per cent) followed by commercial banks (60 per cent) and Co-operatives (53.3 per cent). The highest number of female respondents were from Co-operatives (46.7 per cent) followed by commercial banks (40 per cent) and RRB (33.3 per cent).

Table 4 6 Distribution of card holders according to age of head of household

Name of the bank	Age			Total
	< 40	40 60	> 60	
Commercial Bank	3 (10 0)	20 (66 7)	7 (23 3)	30 (100)
Regional Rural Bank	2 (6 7)	14 (46 7)	14 (46 7)	30 (100)
Co operatives	10 (33 3)	15 (50 0)	5 (16 7)	30 (100)
Total	15 (16 7)	49 (54 4)	26 (28 9)	90 (100)

(Figures in parentheses show percentage to total)

Table 4 7 Distribution of card holders according to gender

Name of the bank	Gender		
	Male	Female	Total
Commercial Bank	18 (60 0)	12 (40 0)	30 (100)
Regional Rural Bank	20 (66 7)	10 (33 3)	30 (100)
Co operatives	16 (53 3)	14 (46 7)	30 (100)
Total	54 (60 0)	36 (40 0)	90 (100)

(Figures in parentheses show percentage to total)

4 3 4 Education

The distribution of card holders based on the level of education is given in the Table 4 8 The results showed that most of the sample card holders had education level up to SSLC (44 4 per cent) Card holders with education up to primary level were found to be 38 9 per cent followed by pre degree (8 9 per cent) and degree (7 8 per cent)

Majority of the card holders from commercial bank had education level up to SSLC (46 7 per cent) followed by primary education level (23 3 per cent) pre degree (16 7 per cent) and degree (13 3 per cent) Similar was the case with Co operatives where majority of the respondents having education up to SSLC (56 7 per cent) It was then followed by card holders with primary education (36 7 per cent) and those with pre degree (6 6 per cent) Among the card holders from Co operatives none had a degree The results also showed that 56 7 per cent of the respondents from RRB had primary level education which is then followed by those having SSLC (30 per cent) and those with a degree (10 per cent) A very few number had education up to pre degree (3 3 per cent) Unlike Co operative Bank and commercial bank less educated farmers borrowed more from RRB (56 7 per cent had education up to primary level)

Table 4 8 Distribution of card holders according to educational status of the head of household

Name of the bank	Education Status				
	Primary	SSLC	Pre degree	Degree	Total
Commercial Bank	7 (23 3)	14 (46 7)	5 (16 7)	4 (13 3)	30 (100)
Regional Rural Bank	17 (56 7)	9 (30 0)	1 (3 3)	3 (10 0)	30 (100)
Co operatives	11 (36 7)	17 (56 7)	2 (6 6)	0 (0)	30 (100)
Total	35 (38 9)	40 (44 4)	8 (8 9)	7 (7 8)	90 (100)

(Figures in parentheses show percentage to total)

4.3.5 Size of holding

The distribution of card holders according to the size of holdings is given in Table 4.9. The results showed that majority of the respondents (44.4 per cent) had holdings of 0.4 to 0.8 hectares and a considerable proportion of farmers (38.9 per cent) had holdings of size below 0.4 hectares. The percentage of card holders with size of holding ranging from 0.8 to 1.2 hectares and more than 1.2 hectares were respectively 8.9 per cent and 7.8 per cent.

In the case of respondents from commercial bank, an equal number of respondents (36.7 per cent) had size of holding below 0.4 hectares and 0.4-0.8 hectares. Proportion of respondents with area between 0.8 to 1.2 hectares were 16.7 per cent and the rest (10 per cent) had area of cultivation more than 1.2 hectares. Almost similar results were found among the respondents from RRB. The highest proportion of respondents (70 per cent) had holding size ranging from 0.4 to 0.8 hectares. Respondents with more than 1.2 hectares were 13.3 per cent and those with holding size ranging from 0.8 to 1.2 hectares were 10 per cent. Only 6.7 per cent of the card holders had size of holding below 0.4 hectares.

The average size of holding of the respondents is detailed in Table 4.10. The results showed that the average holding size of card holders were 0.52 hectares. When the respondents from individual banks are taken, the average size of holding was 0.6 hectares, 0.7 hectares and 0.3 hectares respectively for commercial bank, RRB and Co-operative.

Table 4 9 Distribution of sample farmers according to size of holding

Name of the bank	Size of Holdings (ha)				
	<0 4	0 4 0 8	0 8 1 2	>1 2	Total
Commercial Bank	11 (36 7)	11 (36 7)	5 (16 7)	3 (10)	30 (100)
Regional Rural Bank	2 (6 7)	21 (70 0)	3 (10 0)	4 (13 3)	30 (100)
Co operatives	22 (73 3)	8 (26 7)	0 (0)	0 (0)	30 (100)
Total	35 (38 9)	40 (44 4)	8 (8 9)	7 (7 8)	90 (100)

(Figures in parentheses show percentage to total)

Table 4 10 Average size of holding of the respondents (area in ha)

Name of the bank	Total area	No of Farmers	Average size of holding
Commercial Bank	18	30	0 6
Regional Rural Bank	20 8	30	0 7
Co operatives	8 2	30	0 3
Total	47	90	0 52

4 3 6 Classification of card holders based on occupation

Card holders classified according to their occupation are given in Table 4 11 The major occupation of 37 8 per cent of the card holders was agriculture The unemployed housewives and people of occasional job were grouped under the category others Other occupations of beneficiary households were labourers (8 9 per cent) Government service (7 8 per cent) private service sector (6 7 per cent) and businessmen (5 6 per cent)

On examining the results considering individual banks it was found that among the 30 card holders from commercial banks 43 3 per cent were agriculturists 13 3 per cent were Government servants 10 per cent were employed in service sector 63 7 per cent businessmen and 29 6 7 per cent came under the group others RRB had the maximum number of card holders in agriculture (53 4 per cent) compared to other banks Remaining respondents from RRB were Government servants who constituted 6 7 per cent 3 3 per cent businessmen, and 3 3 per cent employed in service sector Also 33 3 per cent of the respondents constituted the group of others Unlike commercial bank and RRB where the majority of the respondents performed agriculture in Co-operatives the majority of the card holders were labourers Of the respondents from Co-operatives 16 6 per cent were performing agriculture 26 7 per cent labourers 6 7 per cent doing business 6 7 per cent in service sector and 40 per cent of the respondents belonged to other occupational categories

Table 4 11 Distribution of households according to their occupational status

Occupation	Commercial Banks	Regional Rural Bank	Co operatives	Total
Agriculture	13 (43 3)	16 (53 4)	5 (16 6)	34 (37 8)
Government service	4 (13 3)	2 (6 7)	1 (3 3)	7 (7 8)
Business	2 (6 7)	1 (3 3)	2 (6 7)	5 (5 6)
Service	3 (10)	1 (3 3)	2 (6 7)	6 (6 7)
Labour wage	0 (0 0)	0 (0 0)	8 (26 7)	8 (8 9)
Others	8 (26 7)	10 (33 3)	12 (40)	30 (33 3)
Total	30 (100)	30 (100)	30 (100)	90 (100)

(Figures in parentheses show percentage to total)

4 3 7 Cropping Pattern

The cropping pattern of card holders as on 2007 is given in Table 4 12 indicated that the major area was under coconut cultivation which is 0 76 hectares (49 per cent) In all the sample groups the cropping pattern was dominated by coconut (49 per cent) 14 5 per cent of the gross cropped area was occupied by paddy among the card holders of commercial bank followed by arecanut (12 8 per cent) and banana (11 1 per cent) Among the card holders of RRB arecanut and banana occupied 19 7 per cent each of the gross cropped area followed by paddy (6 1 per cent) 59 3 per cent of the gross cropped area was under coconut among the card holders of Co operative Bank followed by 14 8 per cent under arecanut 11 1 per cent under paddy and 7 4 per cent under banana

4 3 8 Income

The income pattern of the respondents as on 2007 is given in Table 4 13 The results clearly showed that only a meager amount accounts for farm income (4 9 per cent) compared to non farm income (95 1 per cent) It also showed that the total income is highest among the respondents from RRB (Rs 184832) followed by commercial bank (Rs 129487) and Co operatives (Rs 72535) For RRB total non farm incomes constituted Rs 168800 (91 3 per cent) and farm income came to Rs 16032 (8 7 per cent) Out of the total income of the respondents from commercial bank non farm income constituted 91 7 per cent (Rs 118800) and farm income constituted 8 3 percent (Rs 10687) A similar trend was observed among the respondents from Co operative Banks where 95 1 per cent (Rs 69000) of the total income constituted non farm income and the remaining 4 9 per cent by farm income (Rs 3535)

Table 4 12 Cropping pattern of the card holders (area in ha)

Crops	Commercial Bank	Regional Rural Bank	Co operatives	Total
Paddy	0 09 (14 5)	0 04 (6 1)	0 03 (11 1)	0 16 (10 4)
Coconut	0 30 (48 7)	0 3 (45 5)	0 16 (59 3)	0 76 (49)
Arecanut	0 08 (12 8)	0 13 (19 7)	0 04 (14 8)	0 25 (16 1)
Banana	0 07 (11 1)	0 13 (19 7)	0 02 (7 4)	0 22 (14 2)
Vegetables	0 007 (1 1)	0 02 (3)	0 0 (0)	0 03 (1 9)
Others	0 08 (12 8)	0 04 (6)	0 02 (7 4)	0 14 (8 4)
Gross cropped area	0 63 (100)	0 66 (100)	0 27 (100)	1 56 (100)

(Figures in parentheses show percentage to total)

Table 4 13 Average annual income of the card holders (in rupees)

	Commercial Banks	Regional Rural Bank	Co operatives
Farm Income	10687 (8 3)	16032 (8 7)	3535 (4 9)
Non Farm Income	118800 0 (91 7)	168800 0 (91 3)	69000 (95 1)
Total	129487 (100)	184832 (100)	72535 (100)

(Figures in parentheses show percentage to total)

4.4 ADEQUACY OF CREDIT UNDER KISAN CREDIT CARD SCHEME

The availability of adequate timely and cheap credit to agriculturists and its proper use is an essential condition for agricultural development. KCC are mainly for financing current expense in connection with raising of crops. The adequacy of credit has been examined based on the pattern of credit disbursement, scale of finance, relationship between loan amount and scale of finance and adequacy measure.

4.4.1 Institution wise loan amount availed by card holders

The institution wise loan availed by the card holders under the scheme for various institutions are given in the Table 4.14. The total loan amount disbursed by commercial bank was found to be Rs 15.8 lakhs, which is the highest compared to other two banks. In the case of RRB, the amount of loan disbursed was Rs 9.125 lakhs. Considerably small amount of loan was disbursed by Co-operative Banks, which was Rs 1.8 lakhs. The average loan amount disbursed per card was Rs 52667, Rs 30417 and Rs 6000 for Commercial Bank, RRB and Co-operative bank respectively.

Similar results were reported in the study conducted by Sinha *et al* (2005) in Bihar that commercial banks provided the highest amount of loan comprising 50-60 per cent followed by RRBs and Co-operatives and Naidu and Sivasanker (2007) in their study in Chittoor district of Andhra Pradesh reported that the major portion of the total credit came from institutional agencies accounting for about 70 per cent and the role of commercial banks were quite credible followed by Co-operative banks and RRBs.

The frequency distribution showing loan availed by the card holders are given in Table 4.15. In the case of commercial banks, maximum number of borrowers availed loan ranging between Rs 30,000 and Rs 50,000 while in

RRB 17 farmers (56.7 per cent) availed loan ranging between Rs 20 000 and Rs 30 000. In both banks none had availed loan between Rs 70 000 and Rs 90 000. Seven borrowers from RRB and one card holder from Commercial Bank took loan ranging from Rs 10 000 to Rs 20 000. Three card holders each from both banks had availed loan within the range of Rs 30 000 and Rs 40 000. Only two card holders from RRB and one card holder from Commercial Bank took loan within the range of Rs 40 000 and Rs 50 000. Five cardholders from commercial bank had availed loan amount above Rs 50 000 while one from RRB had taken loan amount more than Rs 50 000. None from Co operative Bank had taken loan amount more than Rs 50 000.

Table 4.14 Institution wise loan amount availed by card holders since 2004 to May 2007

(in Rs)

Institution	Sample Size	Loan Amount(Rs)	Average amount per card holder
Commercial Bank	30	15 80 000	52 667
Regional Rural Bank	30	9 12 500	30 417
Co operative Bank	30	1 80 000	6 000

Table 4 15 Frequency distribution showing institution wise loan amount availed by card holders

Class (Rupees)	Number of card holders		
	Commercial Bank	Regional Rural Bank (RRB)	Co operative Bank
5000 10000	0	0	24
10000 20000	0	7	6
20000 30000	1	17	0
30000 40000	3	3	0
40000 50000	21	2	0
> 50000	5	1	0
Total	30	30	30

4.4.2 Use pattern of credit disbursed under the scheme

Initially only short term loans were given through the KCC scheme. But from 2004 onwards working capital, fixed capital and consumption components are given through the scheme. The purpose wise utilization of the scheme as given in Table 4.16 indicates the average amount of loan used up for various purposes by the card holders. The results showed that loan amount was utilized for agricultural and non agricultural activities.

The average amount of loan amount disbursed from Commercial Bank through Kisan Credit Card Scheme was Rs 52,667 out of which Rs 28,000 (53.2 per cent) was utilized for agricultural purpose and Rs 24,667 (46.8 per cent) was diverted for non agricultural purposes. Out of the 53.2 per cent (Rs 28,000) of the amount used for agricultural purpose, Rs 24,033 (45.6 per cent) was used up for crop production, Rs 2,600 (4.9 per cent) for irrigation purpose, Rs 1,234 (2.4 per cent) for land improvement and Rs 133 (0.3 per cent) for poultry unit. The results showed that the average amount of loan used for purposes other than agriculture in the case of commercial bank was Rs 24,667 (46.8 per cent) out of which Rs 13,667 (26 per cent) was used for housing purpose, Rs 8,000 (15.2 per cent) for marriages, Rs 3,000 (5.6 per cent) for business.

In RRB out of the average amount of loan disbursed (Rs 30,417) Rs 27,917 (91.8 per cent) was used for agricultural purpose and Rs 2,500 (8.2 per cent) for non agricultural purposes. Out of the 91.8 per cent of loan amount utilized for agricultural purpose, 76.5 per cent (Rs 23,283) was used for crop production, 2.9 per cent (Rs 867) for land improvement and 12.4 per cent (Rs 3,767) for irrigation purpose. While Rs 2,500 (8.2 per cent) was used for purposes other than agriculture out of which 4.9 per cent (Rs 1,500) was used for housing purpose and 3.3 per cent (Rs 1,000) social functions like marriages.

The average loan amount disbursed from Co operative Bank was Rs 6000 out of which Rs 3167 (52.8 per cent) was utilized for agricultural purpose and Rs 2833 (47.2 per cent) for non agricultural purposes. Of the average amount of loan used for non agricultural purposes Rs 1667 (27.7 per cent) was used for housing purpose Rs 917 (15.3 per cent) for business and Rs 250 (4.2 per cent) for other purposes like purchase of new vehicles educational purpose etc.

Similar results were reported by Surajit (1999) in his study of financing of rural credit by Commercial Banks in Assam in which he noticed that the loan amounts sanctioned to poor farmers were generally diverted to meet their family needs like housing marriage of their children and repaying the amount borrowed from the village moneylenders. These resulted in non utilization of loan amount in the field for which the amount was sanctioned. Srinivasa (2000) also observed the same condition in agricultural sector that majority of the farmers were diverting their loan amount for consumption purpose building house marriages etc. A study conducted by Hanuman (1992) found that the misutilization of credit was higher in Co operative societies than commercial banks. The study by Udayakumar (2001) about Kisan Credit Card in India also found that 66.67 per cent of the cardholders utilized credit card for agricultural purposes like purchasing fertilizers agricultural implements and other farm inputs. The rest 33.33 per cent of the cardholders utilized the amount for urgent needs for meeting miscellaneous expenditure and for repaying other debts.

Table 4 16 Use pattern of credit disbursed under the scheme

Purpose	Institution		
	Commercial Bank	RRB	Co operative
Agricultural Purpose			
Crops	24 033 (45 6)	23 283 (76 5)	3 167 (52 8)
Poultry	133 (0 3)	0 (0)	0 (0)
Land Improvement	1 234 (2 4)	867 (2 9)	0 (0)
Irrigation	2 600 (4 9)	3 767 (12 4)	0 (0)
A Sub Total	28,000 (53 2)	27 917 (91 8)	3,167 (52 8)
Non Agricultural Purpose			
House Repair	13 667 (26)	1 500 (4 9)	1 667 (27 7)
Marriages	8 000 (15 2)	1 000 (3 3)	0 (0)
Business	3000 (5 6)	0 (0)	917 (15 3)
Others	0 (0)	0 (0)	250 (4 2)
B Sub Total	24 667 (46 8)	2 500 (8 2)	2 833 (47 2)
Grand Total (A+B)	52 667 (100)	30 417 (100)	6,000 (100)

4 4 3 Withdrawal pattern of credit under KCC scheme

KCC scheme allows the borrowers any number of withdrawals and repayment as long as the card is valid. The validity of the card is three years. The details of withdrawal pattern of the KCC Scheme are given in Table 4 17. The results showed that out of the 90 respondents, 86.7 per cent of the farmers had withdrawn the loan amount as lump sum while only 13.3 per cent had taken it in installments. The results also showed that none of the borrowers from Co-operative Banks had taken the loan in installments. Correlation was done to analyse whether the lump sum withdrawal had any effect on the use pattern of credit. The coefficient was found to be insignificant showing that the withdrawal pattern had no relationship with use pattern of credit under the scheme.

4 4 4 Adequacy of loan

The availability of adequate, timely and cheap credit to agriculturists and its proper use is an essential condition for agricultural development. The adequacy of loan from the card holders' point of view is given in Table 4 18. Out of the total of 90 respondents, 33 card holders (36.7 per cent) opined that the loan amount disbursed to them by the bank was adequate and the rest (63.3 per cent) had stated that it was not adequate. When individual banks were examined, 12 card holders (40 per cent) from Commercial Bank, 10 card holders (33.3 per cent) from RRB and 11 card holders (36.7 per cent) from Co-operative bank had opined that loan amount sanctioned by the bank was adequate to meet the requirements of the farmers. The inadequacy of credit was more in RRB (66.7) followed by Co-operative Bank (63.3 per cent) and Commercial Bank (60 per cent).

Similar findings were reported by Shollapur (1997) in his study on the effectiveness of credit societies in Karnataka and noticed that the amount of credit supplied through Primary Agricultural Credit Societies was not enough for the desired purpose by the farmers.

Table 4 17 Withdrawal pattern of credit under KCC scheme**(No of card holders)**

Institution	Lump sum	Installment	Total
Commercial Bank	23 (76.7)	7 (23.3)	30 (100)
Regional Rural Bank	25 (83.3)	5 (16.7)	30 (100)
Co operative	30 (100.0)	0 (0.0)	30 (100)
Total	78 (86.7)	12 (13.3)	90 (100)

(Figures in parentheses show percentage to total)

Table 4 18 Card holder's opinion on adequacy of credit limit under the KCC scheme

Institution	Adequate	Inadequate	Total
Commercial Bank	12 (40.0)	18 (60.0)	30 (100)
Regional Rural Bank	10 (33.3)	20 (66.7)	30 (100)
Co operative	11 (36.7)	19 (63.3)	30 (100)
Total	33 (36.7)	57 (63.3)	90 (100)

(Figures in parentheses show percentage to total)

4 4 5 Adequacy measure of Kisan Credit Card

In the previous section adequacy of loan under KCC scheme was examined based on the opinion survey. The adequacy measure for Kisan Credit Card was worked out taking into account the credit eligibility worked out based on scale of finance. Scale of finance is the per unit working capital requirement for a crop unit or it is the per hectare credit availability to a farmer for raising a crop. It is fixed by District Level Technical Committee for each district. Scale of finance fixed for the crop loan is disbursed as two components. The cash component (A) which is disbursed in cash which helps the farmers to meet the miscellaneous cash outlays of cultivation during production and kind component (B) which includes the improved seeds, fertilizers, pesticides etc. The main objective of fixation of scale of finance is to assure farmers get a loan sufficient to sustain agriculture so as to realize a profit from the same. The scale of finance for major crops in the study area is given in Appendix I. Banks must strictly stick to the scale of finance while sanctioning agricultural loan to the farmers. The adequacy of credit worked out for the card holders of Commercial Bank, Regional Rural Bank and Co-operative Bank are given in Appendices II, III and IV.

The adequacy of credit based on credit eligibility is given in Table 4.20. The adequacy of credit for KCC from commercial bank indicated that 73.3 per cent of the card holders obtained adequate credit under KCC scheme while only 20 per cent from RRB and 16.6 per cent of the card holders from Co-operative Bank got adequate credit through the KCC scheme. This indicated that Commercial Bank was sticking on to the credit eligibility of the farmers compared to the other two institutions while issuing loan. Of the total respondents, 36.7 per cent obtained adequate credit through the scheme.

**Table 4 19 Adequacy of credit based on the credit eligibility
(No of card holders)**

Institution	Adequate (>100%)	Inadequate (<100%)	Total
Commercial Bank	22 (73 3)	8 (26 7)	30 (100)
Regional Rural Bank	6 (20)	24 (80)	30 (100)
Co operative Bank	5 (16 6)	25 (83 4)	30 (100)
Total	33 (36 7)	57 (63 3)	90 (100)

(Figures in parentheses show percentage to total)

4 4 6 Assessment of adequacy of loan

It was seen in the previous section that the adequacy of loan under the scheme varied between the opinion survey and credit eligibility. Hence the data pertaining to the adequacy of loan based on credit eligibility and the opinion survey was cross tabulated on individual bank basis. It was done taking the adequacy/inadequacy of loan as per the opinion survey and adequacy measure simultaneously for Commercial Bank and Regional Rural Bank separately and on pooled basis.

4 4 7 Cross tabulation of adequacy of credit under KCCS for Commercial Bank

Adequacy of loan as per opinion survey and adequacy measure for commercial bank is given in Table 4.21. According to the opinion survey though 12 card holders got adequate credit, only nine had received adequate amount of credit when credit eligibility was also taken into account. Similarly as per the opinion survey 18 card holders received inadequate credit. But when credit eligibility was considered, four card holders out of nine had received adequate credit while the rest five got inadequate credit. When credit eligibility alone was considered, 22 card holders out of 30 received adequate credit, but when the opinion of card holders was also taken into account, nine out of 22 card holders got adequate credit. The results showed that out of the 30 card holders who took loan under the scheme from Commercial Bank, only nine had received adequate amount of credit under the scheme (30 per cent) when opinion survey and credit eligibility were considered together.

Table 4 20 Adequacy of credit under KCCS for Commercial Bank
(No of farmers)

Opinion survey \ Adequacy measure	Adequate	Inadequate	Total
Adequate	9	3	12
Inadequate	13	5	18
Total	22	8	30

4 4 8 Adequacy of credit under KCCS for Regional Rural Bank

Adequacy of loan as per opinion survey and adequacy measure for Regional Rural Bank is given in Table 4 22. According to the opinion survey though 10 card holders got adequate credit only one had received adequate quantity of credit when credit eligibility was also taken into account. Similarly as per the opinion survey 20 received inadequate credit. But when credit eligibility was considered five card holders out of 20 had received adequate credit while the rest 15 got inadequate credit. When credit eligibility alone was considered six card holders out of 30 received adequate credit but when the opinion of card holders was also taken into account one out of six card holders got adequate credit. The results showed that out of the 30 card holders only one had received adequate amount of credit under the scheme (3.3 per cent) when opinion survey and credit eligibility were considered together.

Table 4 21 Adequacy of credit under KCCS for Regional Rural Bank
(No of card holders)

Opinion survey \ Adequacy measure	Adequacy measure		Total
	Adequate	Inadequate	
Adequate	1	9	10
Inadequate	5	15	20
Total	6	24	30

4 4 9 Adequacy of credit under KCCS for Co operative Bank

Adequacy of loan as per opinion survey and adequacy measure for Co operative Bank is given in Table 4 23. According to the opinion survey though 11 card holders got adequate credit only two had received adequate quantity of credit when credit eligibility was also taken into account. Similarly as per the opinion survey 19 received inadequate credit. But when credit eligibility was considered three card holders out of 19 had received adequate credit while the rest 16 got inadequate credit. When credit eligibility alone was considered five card holders out of 30 received adequate credits but when the opinion of card holders was also taken into account two out of five card holders got adequate credit. The results showed that out of the 30 card holders who took loan under the scheme only two had received adequate amount of credit under the scheme (6.7 per cent) when opinion survey and credit eligibility were considered together.

Table 4 22 Adequacy of credit under KCCS for Co operative Bank

(No of card holders)

Opinion survey \ Adequacy measure	Adequacy measure	Adequate	Inadequate	Total
	Adequate	2	9	11
Inadequate	3	16	19	
Total	5	25	30	

From the results obtained it was seen that 30 per cent of the card holders of Commercial Bank received adequate credit. While in Co operative Bank and RRB only 6.7 per cent and 3.3 per cent of the cardholders got adequate credit respectively.

4.5 TIMELINESS OF CREDIT UNDER KISAN CREDIT CARD SCHEME

The phrase *Credit Delayed is Credit Denied* gives the importance of timely availability of credit. There is little doubt about the fact that unless credit is available to the farmers almost at their doorsteps at a reasonable cost and at suitable terms and conditions the tempo of agricultural revolution cannot be stepped up. As such the availability and utilization of agricultural credit in time and in adequate quantity tends to become a pre requisite for a sustained agricultural growth.

The section gives the details of how far the credit is timely available to the borrowers. The details of timely availability of credit are presented in Table 4.24. Card holders generally had opined that credit was available at the proper time without any delay under the scheme. Only 23 card holders (25.6 per cent) out of the total respondents had stated that credit was not available on time. The rest 74.4 per cent (67 farmers) opined that credit was available at the proper time without any delay.

While examining the individual banks the results showed that 70 per cent of the card holders who availed loan from Commercial Bank got credit at proper time while the remaining 30 per cent had stated that credit was not available for them at the proper time. In RRB 86.7 per cent of the card holders got timely credit while 13.3 per cent of the card holders had delay in getting the loan sanctioned. But while examining Co operative Bank the results showed that 66.7 per cent of the card holders were obtaining timely credit which was less compared to the other two banks. This may be due to the reason that procedural formalities

were high in Co operative Bank compared to Commercial Bank and RRB Among the three banks RRB was issuing timely credit compared to other two banks

Table 4 23 Card holders response on timeliness in sanction of credit under the KCC scheme

Institutions	Timely Available	Not Timely Available	Total
Commercial Bank	21 (70 0)	9 (30 0)	30 (100)
Regional Rural Bank	26 (86 7)	4 (13 3)	30 (100)
Co operative	20 (66 7)	10 (33 3)	30 (100)
Total	67 (74 4)	23 (25 6)	90 (100)

(Figures in parentheses show percentage to total)

The timeliness of credit was studied by Shollapur (1997) to increase the operational efficiency of crop loans He suggested that the credit management function should be streamlined on scientific lines and adequate and timely credit guidance on technical matters simplicity in procedures regarding sanctioning of loans should go a long way in making credit cycle more effective Kumar (1998) also studied the timeliness of credit and found that crop loanees could get loans after twenty eight days from the date of submission of application and unavailability of inputs and guarantors emerged as a major problem for this It was similar to the problems stated by sample farmers where they found that the procedural formalities were higher in Co operative Bank compared to Commercial Bank and Regional Rural Bank

4 6 REPAYMENT AND OVERDUE PATTERN OF THE SCHEME

Timely repayment of loan is of crucial importance to all credit institutions. For commercial institutions, repayment not only ensures recycling of money for development but also builds up people's confidence in the credit institutions. People's attitude towards production credit generally influences the repayment position.

The recovery of the loans is materialized after a certain period. Earlier the crop loans were realized soon after the produce is marketed because it has given the financial strength of the farmers to enable him to repay the loan. Under this scheme, revolving cash credit facility involving any number of drawals and repayments can be done within the limit. The Kisan Credit Card is valid for three years subject to annual review. Farmers usually repay the loan amount based on the duration of crop for which they had taken the loan.

This section examines and discusses the repayment pattern of the scheme, mode of repayment of loan as on May 2007 as the survey was conducted during this time. The repayment behavior of farmers based on variables like education, status, occupation and size of holding is discussed in this section.

4 6 1 Repayment and overdue pattern of the scheme

Repayment under the scheme is done after the harvest of crop for which the amount is withdrawn. At the end of the third year he can renew the card without any difficulty as applying for a new loan. The repayment pattern of the scheme is given in Table 4.25. Farmers who had availed credit from 2004 onwards were selected for the survey. Thus most of them are still repaying the loan amount. The results showed that out of the total sample of 90 respondents, 34 (37.8 per cent) had completely repaid the loan amount and 56 (62.2 per cent) had partially repaid the loan amount. Among the card holders from Commercial Bank

26.7 per cent (8 respondents) had repaid the loan completely and 73.3 per cent (22 respondents) had repaid it partially while in RRB 53.3 per cent (16 respondents) repaid completely and 46.3 per cent (14 respondents) repaid partially. In Co-operative banks 34 card holders (37.8 per cent) had repaid the loan completely while 56 card holders (62.2 per cent) had partially repaid the loan.

Table 4.24 Repayment and overdue pattern of the scheme by card holders since 2004

Institution	Completely repaid	Partially repaid	Total
Commercial Bank	8 (26.7)	22 (73.3)	30 (100)
Regional Rural Bank	16 (53.3)	14 (46.7)	30 (100)
Co-operative Bank	10 (33.3)	20 (66.7)	30 (100)
Total	34 (37.8)	56 (62.2)	90 (100)

(Figures in parentheses show percentage to total)

4.6.2 Mode of repayment of loan amount

The details of mode of repayment of the loan amount as on May 2007 are given in Table 4.26. The loan amount can be repaid as lump sum or as any number of installments. The results showed that out of the total 90 respondents 46.7 per cent (42 respondents) had repaid the loan in three installments, 32.2 per cent (29 respondents) had repaid in two installments, and 20 per cent (18 respondents) in more than three installments. Only one card holder had repaid the loan as lump sum. Most of the card holders were repaying the amount in three installments. Repayment of loan is based on the duration of crops and hence annual repayment of loan is allowed for crops such as banana.

While examining the mode of repayment of the loan separately for three banks, it showed that in commercial banks 53.3 per cent (16 respondents) had repaid the amount in three installments, 26.6 per cent (8 respondents) had repaid in more than three installments, 16.8 per cent (5 respondents) in two installments, and one card holder had repaid the amount as lump sum. In RRB, 50 per cent (15 respondents) had repaid the amount in three installments, 43.3 per cent (13 respondents) in two installments, and 6.7 per cent (2 respondents) in two installments. In the case of Co-operative Bank, 36.7 per cent (11 respondents) repaid the amount in two installments, 36.7 per cent (11 respondents) in three installments, and the rest 26.6 per cent (8 respondents) in more than three installments. In RRB and Co-operative Bank, none had repaid the amount as lump sum.

Similar results on repayment pattern were obtained in the study by Khallur (2005) who reported that though loan was sanctioned to all farmers, there was no prompt repayment and the extent of repayment was only 35 per cent.

Table 4 25 Mode of repayment of loan

Institution	No of installments				Total
	1	2	3	>3	
Commercial Bank	1 (3 3)	5 (16 8)	16 (53 3)	8 (26 6)	30 (100)
Regional Rural Bank	0 (0)	13 (43 3)	15 (50 0)	2 (6 7)	30 (100)
Co operative Bank	0 (0)	11 (36 7)	11 (36 7)	8 (26 6)	30 (100)
Total	1 (1 1)	29 (32 2)	42 (46 7)	18 (20 0)	90 (100)

(Figures in parentheses show percentage to total)

4.6.3 Repayment behaviour of card holders based on level of education

Education is considered to be an important determinant of the progressive nature of the farmer. It affects the borrowing habit, intelligent use of credit and repayment of loan taken. It is often hypothesized that a well educated farmer is likely to be a non defaulter. Table 4.27 gives the details of the education level of the farmer and repayment of loan.

In Commercial Bank, out of the 22 card holders who were educated below SSLC, 77.3 per cent had completely repaid the loan amount. Out of the eight card holders who were educated SSLC and above, 25 per cent had completely repaid the loan while 75 per cent had repaid the loan partially. While in RRB, out of the 30 card holders, 25 had education status below SSLC of which 48 per cent had completely repaid the loan and 52 per cent had partially repaid the loan amount. Out of the five card holders who were educated SSLC and above, 80 per cent had completely repaid the loan amount while the rest 20 repaid the loan amount partially. Out of the 30 card holders from Co-operative Bank, 28 were educated below SSLC in which 32.1 per cent had completely repaid the loan amount and out of the 2 card holders who had education status SSLC and above, 50 per cent each had completely and partially repaid the loan amount. Only in RRB, there was 80 per cent complete repayment among the card holders who were educated above SSLC. The repayment behaviour of card holders from three banks based on level of education is depicted in Figure 4.2, 4.3 and 4.4.

The pooled data showed that out of the 90 card holders, 75 were educated below SSLC of which 36 per cent had repaid the loan amount completely while 64 per cent had repaid it partially. Out of the 15 card holders who were educated SSLC and above, 46.7 per cent had repaid the loan completely while 53.3 per cent are still repaying the loan.

Table 4 26 Repayment behavior of card holders based on level of education

Institution	Education level	Completely repaid	Partially repaid	Total
Commercial Bank	Below SSLC	6 (27.3)	16 (72.7)	22 (100)
	Above SSLC	2 (25)	6 (75)	8 (100)
	Total	8 (36.4)	22 (63.6)	30 (100)
Regional Rural Bank	Below SSLC	12 (48)	13 (52)	25 (100)
	Above SSLC	4 (80)	1 (20)	5 (100)
	Total	16 (53.3)	14 (46.7)	30 (100)
Co operative Bank	Below SSLC	9 (32.1)	19 (67.9)	28 (100)
	Above SSLC	1 (50)	1 (50)	2 (100)
	Total	10 (33.3)	20 (66.7)	30 (100)
Pooled	Below SSLC	27 (36)	48 (64)	75 (100)
	Above SSLC	7 (46.7)	8 (53.3)	15 (100)
	Total	34 (37.8)	56 (62.2)	90 (100)

(Figures in parentheses show percentage to total)

Figure 4 2 Repayment behaviour of card holders of Commercial Bank based on education level

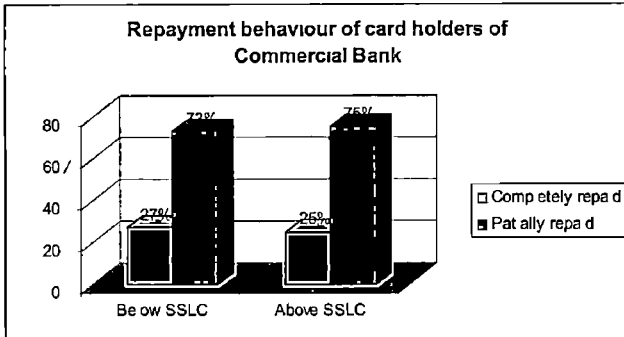


Figure 4 3 Repayment behaviour of card holders of RRB based on education level

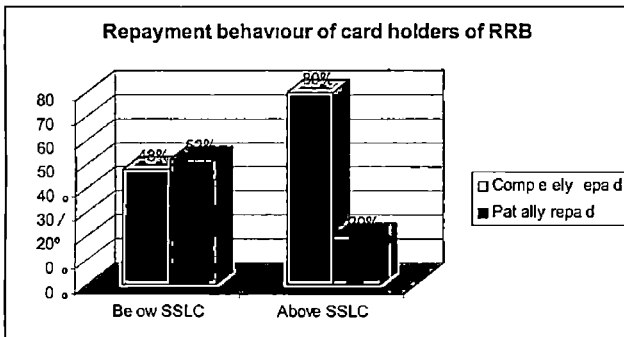
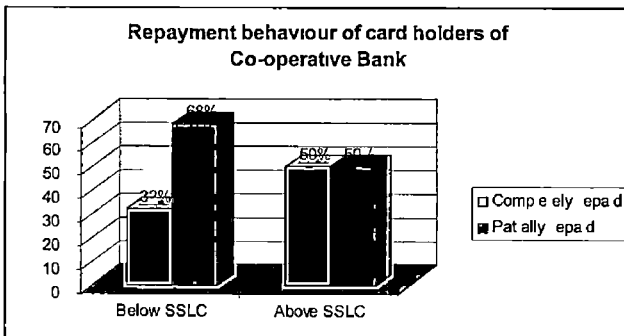


Figure 4 4 Repayment behaviour of card holders of Co operative Bank based on education level



4 6 4 Repayment behaviour of card holders based on occupation

The total annual income of the farmer depends on the main occupation. The relationship between occupation of the farmer and repayment pattern is given in Table 4 28.

In Commercial Bank out of the 13 card holders who were engaged in agriculture 38.5 per cent had completely repaid the loan amount. Out of the 17 card holders who were non agriculturists 17.6 per cent had completely repaid the loan while 82.4 per cent had repaid the loan partially. While in RRB out of the 30 card holders 16 card holders were agriculturist of which 56.3 per cent had completely repaid the loan and 43.7 per cent had partially repaid the loan amount. Out of the five card holders who having occupation other than agriculture 50 per cent each had completely and partially repaid the loan amount. Out of the 30 card holders from Co-operative Bank five were agriculturist in which 40 per cent had completely repaid the loan amount and 32 per cent of the card holders who were non agriculturist had completely repaid the loan amount. The repayment behaviour of card holders from three banks based on occupation is depicted in Figure 4 5, 4 6 and 4 7.

The pooled data showed that out of the 90 card holders 34 who were agriculturists took loan under the KCC scheme out of which 47.1 per cent had repaid the loan amount completely while 52.9 per cent had repaid it partially. Out of the 56 card holders who were non agriculturist 32.1 per cent had repaid the loan completely while 67.9 per cent are still in the repaying process.

Table 4 27 Repayment behavior of card holders based on occupation

Institution	Occupation	Completely repaid	Partially repaid	Total
Commercial Bank	Agriculture	5 (38.5)	8 (61.5)	13 (100)
	Non agriculture	3 (17.6)	14 (82.4)	17 (100)
	Total	8 (36.4)	22 (63.6)	30 (100)
Regional Rural Bank	Agriculture	9 (56.3)	7 (43.7)	16 (100)
	Non agriculture	7 (50)	7 (50)	14 (100)
	Total	16 (53.3)	14 (46.7)	30 (100)
Co operative Bank	Agriculture	2 (40)	3 (60)	5 (100)
	Non agriculture	8 (32)	17 (68)	25 (100)
	Total	10 (33.3)	20 (66.7)	30 (100)
Pooled	Agriculture	16 (47.1)	18 (52.9)	34 (100)
	Non agriculture	18 (32.1)	38 (67.9)	56 (100)
	Total	34 (37.8)	56 (62.2)	90 (100)

(Figures in parentheses show percentage to total)

Figure 4 5 Repayment behaviour of card holders of Commercial Bank based on occupation

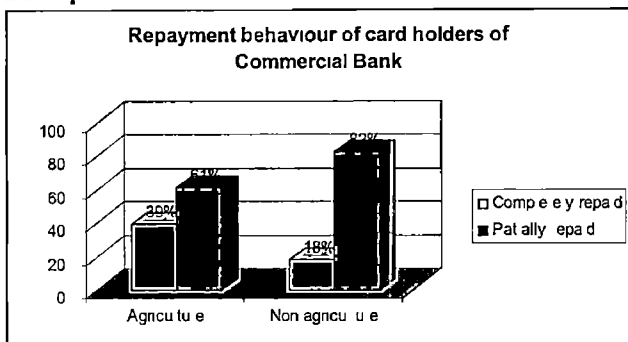


Figure 4 6 Repayment behaviour of card holders of RRB based on occupation

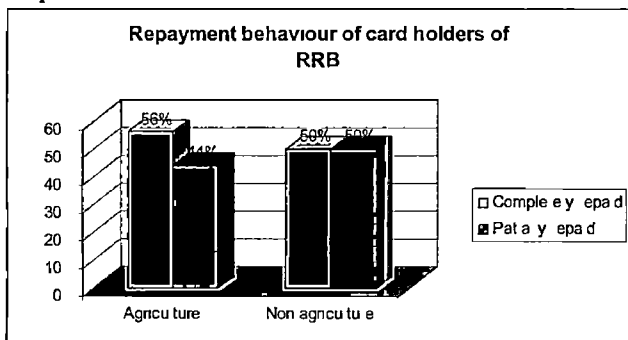
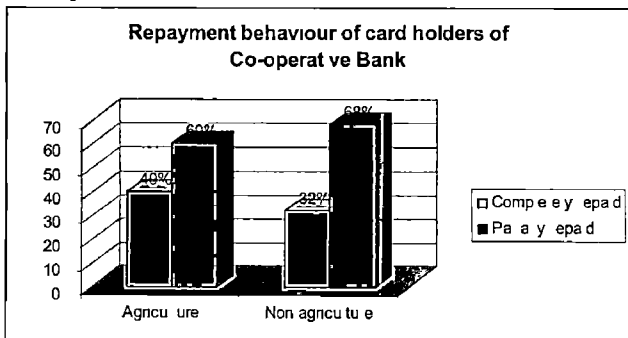


Figure 4 7 Repayment behaviour of card holders of Co operative Bank based on occupation



4 6 5 Repayment behavior of card holders based on size of holding

Farm size has an important bearing on the net income generated in a farm. Net income influences the borrowing and repaying capacity of the borrower. The relationship between size of holding and repayment pattern of loan is given in Table 4 29. Card holders were classified into two groups based on size of holding. The average size of holding of Kerala is 0 27 hectare, thus card holders were classified to those having size of holding less than 0 27 hectare and those having above 0 27 hectare.

In Commercial Bank, out of the 5 card holders who were having size of holding less than 0 27 ha, 20 per cent had completely repaid the loan amount while 80 per cent are still repaying the loan. Out of the 25 card holders who were having area more than 0 27 ha, 28 per cent had completely repaid the loan while 72 per cent had repaid the loan partially. Out of the 30 card holders from RRB, only one had size of holding less than 0 27 ha and he had partially repaid the loan amount. Out of the 29 card holders who were having operational holding above 0 27 ha, 55 2 per cent each had completely repaid the loan amount. In Co-operative Bank, out of the 30 card holders, 13 had size of holding less than 0 27 ha, in which 23 1 per cent had completely repaid the loan amount and 76 9 per cent had partially repaid the loan amount. Among the 17 card holders who were having operational holding above 0 27 ha, 41 2 per cent had completely repaid their loan amount. The repayment behaviour of card holders from three banks based on level of education is depicted in Figure 4 8, 4 9 and 4 10.

It was seen that majority of the card holders had size of holding more than 0.27 ha the highest being in RRB (97 per cent) followed by Commercial Bank (83.3 per cent) and Co-operative Bank (56.7 per cent). In Commercial Bank and Co-operative Bank 72 per cent of the card holders with size of holding greater than 0.27 had partially repaid the loan amount and in Co-operative Bank 59 per cent had partially repaid the loan amount. But in RRB 55.2 per cent of the card holders with size of holding more than 0.27 per cent had completely repaid the loan amount.

The pooled data showed that out of the 90 card holders 19 (21.2 per cent) who were having size of holding below 0.27 ha had repaid the loan amount completely while 78.9 per cent had repaid it partially. Out of the 71 card holders who were having operational area of more than 0.27 ha 42.3 per cent had repaid the loan completely while 57.7 per cent were still repaying the loan.

Table 4 28 Repayment behavior of card holders based on size of holding of the farmer

Institution	Size of holding	Completely repaid	Partially repaid	Total
Commercial Bank	<0 27 ha	1 (20)	4 (80)	5 (100)
	> 0 27 ha	7 (28)	18 (72)	25 (100)
	Total	8 (36 4)	22 (63 6)	30 (100)
Regional Rural Bank	<0 27 ha	0(0)	1(100)	1 (100)
	> 0 27 ha	16 (55 2)	13 (44 8)	29 (100)
	Total	16 (53 3)	14 (46 7)	30 (100)
Co operative Bank	<0 27 ha	3 (23 1)	10 (76 9)	13 (100)
	> 0 27 ha	7 (41 2)	10 (58 8)	17 (100)
	Total	10 (33 3)	20 (66 7)	30 (100)
Pooled	<0 27 ha	4 (21 1)	15 (78 9)	19 (100)
	> 0 27 ha	30 (42 3)	41 (57 7)	71 (100)
	Total	34 (37 8)	56 (62 2)	90 (100)

(Figures in parentheses show percentage to total)

Figure 4 8 Repayment behaviour of card holders of Commercial Bank based on size of holding

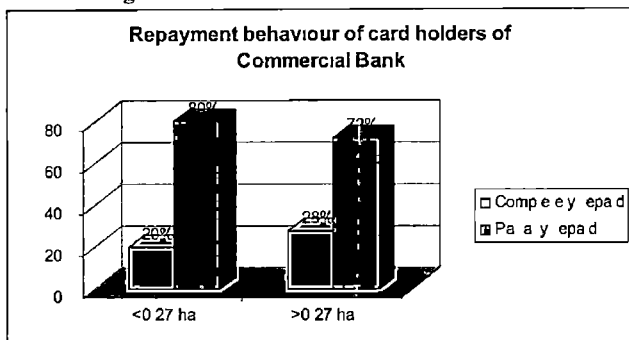


Figure 4 9 Repayment behaviour of card holders of RRB based on size of holding

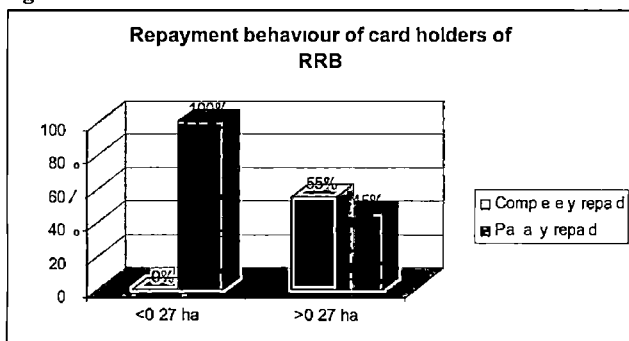
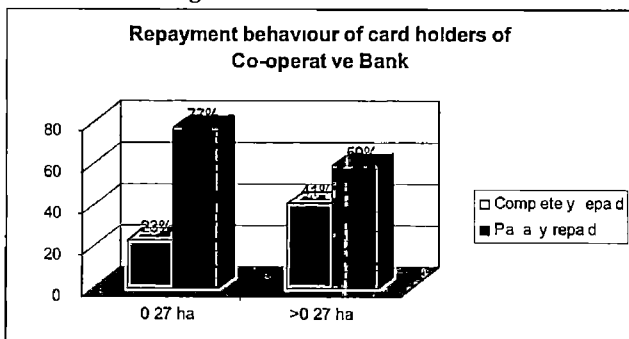


Figure 4 10 Repayment behaviour of card holders of Co operative Bank based on size of holding



4.7 OPERATIONAL PROBLEMS AND SUGGESTIONS FOR IMPROVEMENT

Kisan Credit Card is one of the most innovative widely accepted highly appreciated and non discriminatory banking products which is beneficial to farmers. Constant monitoring and thrust given by NABARD has substantially enabled the progress. NABARD may be empowered to monitor the commercial banks also. Kisan Credit Card besides providing flexibility and adequate credit to meet all of the needs was also intended to reduce the cost of credit. Card holder was expected to draw and repay as and when needed depending upon his cash flow. Frequent transactions would effectively reduce the outstanding loans thereby lowering the interest paid.

Based on the study a few operational problems and appropriate suggestions for improvement of scheme on a realistic basis for the benefit of the farmers were identified. It was seen that in Co operative Bank most of the card holders were sanctioned a loan amount of Rs 5000 as a blanket amount with few exceptional cases where the loan amount disbursed was Rs 10000. Thus in most cases the loan amount sanctioned to the card holders were inadequate under the scheme. As per the opinion survey more than 50 per cent of the card holders received inadequate credit through the scheme.

It was noticed from the survey that many farmers had used the loan amount for non agricultural purposes such as business house constructions and social functions like marriages. With respect to timeliness of credit under the scheme 74 per cent of the total respondents opined that they received credit at proper time without delay. Compared to Commercial Bank and Co operative Bank more number of card holders from RRB had completely repaid the loan irrespective of the size of holding or occupation. There was also no specific complaint about selectivity or discrimination among the client group by banks while issuing the card. The scheme allows any number of withdrawals and

repayment of the loan. Also the scheme provides overdraft facility so that it reduces the cost for taking a new loan. Except for RRB the rate of interest was found to be affordable by the borrowers.

The Kisan Credit Card Scheme is in its infant stage and hence a study of the exact operational problems will be immature. The scheme was found to be very flexible for the farmers as it was in parallel with a savings bank account which allows any number of withdrawals not to exceed an upper limit. In case of exigencies the scheme even allowed an extra facility to draw over and above the loan limit sanctioned as overdraft. This helps a lot in saving time and reducing the hidden costs even for an upward revision of loan limit.

For the loan from RRB the rate of interest was found to be higher in comparison with the Commercial Bank. The credit provided by the Co-operative Banks to their clients under Kisan Credit Card had not been adequate as reported by their clients covered under the study. Many farmers felt that the scale of finance for different crops fixed by District Level Technical Committee were on lower side.

It was also noticed that many farmers were diverting the loan amount given to them through the scheme. Since the KCC is in the nature of a revolving cash credit system the due date concept need to be re-examined to make it more user friendly and simple to align with overall spirit of Kisan Credit Card Scheme. It is suggested that simple procedure of each drawal repayable within a maximum period of 12 months may be followed. Though money lenders were not involved in the study area in many situations they continue to play a crucial role in financing the farmer. It is necessary that the scope of Kisan Credit Card is expanded further to facilitate faster turnover of credit.

The following suggestions were given from the part of card holders for the improvement of the scheme

- a The validity of card to be extended to a period exceeding five years
- b A pass book is to be provided to the farmers with transactions clearly recorded
- c Periodical review is to be made after every year regarding the repayment of loan
- d The credit limit fixed based on the scale of finance need to be revised
- e The crop insurance be made mandatory and should be a part of credit card itself
- f The credit card is to be linked with ATM facility

SUMMARY

SUMMARY

The present study entitled 'Kisan Credit Card Scheme An Economic Evaluation' was carried out based on the data obtained through a well structured interview schedule. The main objectives of the study were to examine the growth of Kisan Credit Card Scheme in Kerala, to study the pattern and adequacy of credit supply, to study the timeliness, repayment and overdue pattern of the scheme and to identify operational problems in order to suggest measures for improvement.

As a pioneering credit delivery innovation, Kisan Credit Card Scheme aims at the provision of adequate and timely support from the banking system to the farmers for their cultivation needs, including purchase of inputs in a flexible and innovative manner. It provides revolving cash credit facility involving any number of draws and repayments within the limit.

The study was conducted in Vengad Panchayat of Koothuparamba block in Kannur district. The details of district wise details of Kisan Credit Cards supplied was collected from Lead Bank Office Trivandrum, NABARD regional Office Trivandrum and Registrar of Co-operative Society Trivandrum. From the collected data, it was found that the maximum number of cards were disbursed in Kannur district. The details of Kisan Credit Cards disbursed in Kannur district were collected from Lead Bank (Syndicate Bank) of Kannur District.

Two stage random sampling technique was used for selection of block and panchayat. In the first stage, Koothuparamba block was selected randomly from Kannur district and Vengad panchayat was selected randomly from Koothuparamba block in the second stage. In Vengad panchayat, distribution of Kisan Credit Cards was uniform. From this panchayat, three banks, namely Syndicate Bank (Mambaram), North Malabar Gram Bank (Pala) and Pathriyad Service Co-operative bank, were selected for the study. The list of farmers was collected from the above three banks in Vengad panchayat. From the three banks

the list of farmers who had availed Kisan Credit Cards from 2004 onwards was collected as the scheme was widely implemented after 2004. From the list of farmers 30 farmers were selected randomly from each of the bank making the sample size 90.

The primary data was collected using a structured pre tested interview schedule. After a pilot study the interview schedule was finalized and the survey was done during May-June 2007. The collected data was then tabulated. Percentage analysis was done to study the socio-economic conditions of the farmers, adequacy, timeliness and repayment pattern of the loan under the scheme.

The study of the status of Kisan Credit Cards in Kerala revealed that for Primary Agricultural Credit Societies there was considerable increase in the number of cards and loan amount disbursed through the scheme. The cumulative number of cards issued through Primary Agricultural Credit Societies (PACS) from March 2003 to August 2006 showed that the number of cards issued increased except during June 2005. The amount of loan disbursed was lowest during August 2005 (Rs. 58969.2 lakhs) and was highest in March 2006 (Rs. 102579.4 lakhs).

In RRBs more number of cards was disbursed through North Malabar Gramin (NMGB) than South Malabar Gramin Bank (SMGB). The number of Kisan Credit Cards issued since inception of the scheme was 137166 and 180024 respectively for South Malabar Gramin Bank and North Malabar Gramin Bank as on September 2006.

Whereas in Commercial Banks the total number of cards disbursed was 164806 as on September 2006 and the loan amount outstanding was 164886 thousand Rupees. As on September 2006 among the State Bank group maximum number of cards was disbursed through State Bank of India (SBI) which was

89616 and the amount of loan disbursed was Rs 307 lakhs. The data also showed that among the other nationalized banks Union Bank of India (UBI) supplied maximum number of cards (48844) followed by Canara Bank (46086) and Indian Overseas Bank (32416).

Based on the survey the total loan amount disbursed from Commercial Bank was found to be Rs 15.8 lakhs which is the highest compared to other two banks. In the case of RRB the amount of loan disbursed was Rs 9.125 lakhs. Considerably small amount of loan was disbursed by Co-operative Banks which came to Rs 1.8 lakhs. In Commercial Bank RRB and Co-operative Bank 53.2 per cent, 91.8 per cent and 52.8 per cent of the total loan amount was used up for agricultural purpose respectively.

Out of the 90 respondents 86.7 per cent of the farmers had withdrawn the loan amount as lump sum while only 13.3 per cent had taken it in installments. In the case of adequacy of loan under the scheme out of the total respondents (90 farmers) 36.7 per cent opined that the loan amount disbursed to them by the bank was adequate and the rest 63.3 per cent had stated that the loan amount was not adequate.

Adequacy measure for Kisan Credit Card was worked taking into account the scale of finance. Adequacy measure was computed using the formula: Adequacy measure = $(\text{Credit limit} / \text{Credit eligibility}) \times 100$. A measure exceeding 100 percentage indicates adequacy of credit under the scheme while a value less than 100 percentage indicated that the credit disbursed under the scheme was inadequate for the borrowers. The adequacy of credit for KCC from Commercial Bank indicated that 73.3 per cent of the card holders obtained adequate credit under KCC scheme while only 20 per cent from RRB and 16.6 per cent of the card holders from Co-operative Bank got adequate credit through the KCC scheme.

Assessment of adequacy of loan under the scheme was studied by cross tabulating the data pertaining to the adequacy of loan based on adequacy measure and the opinion survey on individual bank basis. The results showed that out of the 30 farmers who took loan under the scheme from Commercial Bank only nine had received adequate amount of credit under the scheme (30 per cent) when opinion survey and adequacy measure were considered together. In RRB 33 per cent and in Co operative Bank 67 per cent of the card holders got adequate credit when adequacy measure and opinion survey was considered simultaneously.

With respect to the timely availability of credit under the scheme only 25.6 per cent of the total respondents had stated that credit was not available on time while the rest 74.4 per cent had opined that credit was available at the proper time without any delay. On individual bank basis in Commercial Bank 70 per cent in RRB 86.7 per cent and in Co operative Bank 66.7 per cent of the card holders obtained timely credit.

Though many borrowers used loan for purposes other than agriculture prompt repayment was noticed in all the three banks. Out of the total sample of 90 respondents 37.8 per cent had completely repaid the loan amount and 62.2 per cent had partially repaid the loan amount. Among the card holders from Commercial Bank 26.7 per cent had repaid the loan completely and 73.3 per cent had repaid it partially while in RRB 53.3 per cent repaid completely and 46.3 per cent repaid partially. In Co operative banks 37.8 per cent had repaid the loan completely while 62.2 per cent had partially repaid the loan.

The loan amount can be repaid as lump sum or as any number of installments. It was seen that out of the total 90 respondents 46.7 per cent had repaid the loan in three installments, 32.2 per cent had repaid in two installments and 20 per cent in more than three installments. Only one farmer had repaid the loan as lump sum. Most of the borrowers were repaying the amount in three installments.

The repayment behavior of the borrowers based in variables like education status occupation and size of holding was also studied In Commercial Bank out of the 22 card holders who were educated below SSLC 27.3 per cent had completely repaid the loan amount While in RRB out of the 30 card holders 25 had education status below SSLC of which 48 per cent had completely repaid the loan and 52 per cent had partially repaid the loan amount Out of the 30 card holders from Co operative Bank 28 were educated below SSLC in which 32.1 per cent had completely repaid the loan amount Out of the 90 card holders 75 were educated below SSLC of which 36 per cent had repaid the loan amount completely while 64 per cent had repaid it partially Out of the 15 farmers who were educated SSLC and above 46.7 per cent had repaid the loan completely while 53.3 per cent are still repaying the loan

With respect to occupation in Commercial Bank out of the 13 card holders who were engaged in agriculture 38.5 per cent had completely repaid the loan amount While in RRB out of the 30 card holders 16 card holders were agriculturist of which 56.3 per cent had completely repaid the loan Out of the 30 card holders from Co operative Bank five were agriculturist in which 40 per cent had completely repaid the loan amount Out of the 90 card holders 34 who were agriculturists took loan under the KCC scheme out of which 47.1 per cent had repaid the loan amount completely while 52.9 per cent had repaid it partially

The repayment and overdue pattern of the scheme with respect to size of holding showed that in Commercial Bank out of the 5 card holders who were having size of holding less than 0.27 ha 20 per cent had completely repaid the loan Where as in RRB out of the 29 card holders who having operational holding above 0.27 ha 55.2 per cent each had completely repaid the loan amount In Co operative Bank out of the 30 card holders 13 had size of holding less than 0.27 ha in which 23.1 per cent had completely repaid the loan amount Out of the 90 card holders 19 who were having size of holding below 0.27 ha 21.1 per cent had

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Appendices

Appendix I Scale of finance for the major crops for the year 2007

Sl No	Crops	Scale of finance (per ha)	Amount per plant/cent	Plants/ha
1	Rice			
	Local	Rs 30000 35000	Rs 140/cent	
	HYV	Rs 37000	Rs 148/cent	
	2 nd crop	Rs 27000 30000	Rs 128 149/cent	
	3 ^d crop	Rs 27000 32000	Rs 108 128/cent	
	Kole	Rs 45000 45500	Rs 160 180/cent	
2	Banana			
	Nendran	Rs 140000 150000	Rs 56 60/plant	2500
	Others	Rs 90000 100000	Rs 36 40/plant	2500
3	Coconut			
	Irrigated	Rs 40000 50000	Rs 200 250/palm	180
	Unirrigated	Rs 38000 45000	Rs 190 225/palm	180
4	Arecanut			
	Irrigated	Rs 40000 50000	Rs 32-40/palm	1250
	Unirrigated	Rs 25000 30000	Rs 20 24/palm	1250
5	Vegetables			
	With pandal	Rs 135000 150000	Rs 54 60/plant	2500
	Without pandal	Rs 85000 100000	Rs 340 400/cent	
6	Pepper	Rs 55000 60000	Rs 50 54/plant	1100
7	Tapioca	Rs 23000 30000	Rs 1 95 2 5/plant	12000
			Rs 92 120/cent	

(District Level Technical Committee)

Appendix I1 Adequacy measure of KCC from Commercial Bank

No	Credit Limit	Credit eligibility	Adequacy measure
1	50000	40100	124 7
2	50000	80500	62 1
3	100000	29600	337 8
4	50000	103300	48 4
5	60000	44200	135 7
6	50000	42200	118 5
7	50000	38500	129 9
8	60000	27900	215 1
9	25000	27300	91 6
10	50000	24900	200 8
11	40000	18800	212 8
12	50000	64800	77 2
13	50000	11500	434 8
14	50000	22400	223 2
15	50000	45200	110 6
16	50000	40000	125 0
17	50000	11200	446 4
18	50000	32300	154 8
19	70000	72000	97 2
20	50000	21500	232 6
21	35000	43500	80 5
22	50000	83500	59 9
23	100000	12900	775 2
24	40000	9300	430 1
25	50000	61300	81 6
26	50000	12900	387 6
27	50000	31600	158 2
28	50000	17100	292 4
29	50000	10600	471 7
30	50000	11100	450 5

Appendix III Adequacy measure of KCC from Regional Rural Bank

No	Credit Limit	Credit eligibility	Adequacy measure
1	40000	52300	76.5
2	40000	51200	78.1
3	25000	37700	66.3
4	45000	72900	196.5
5	30000	27900	107.5
6	20000	20100	99.5
7	20000	102200	19.6
8	100000	64000	156.3
9	25000	35900	69.6
10	30000	37200	80.6
11	30000	146500	20.5
12	25000	52300	47.8
13	30000	75500	39.7
14	25000	129500	19.3
15	25000	49000	51.0
16	35000	29400	119.0
17	25000	29100	85.9
18	22500	32500	69.2
19	20000	36300	55.1
20	20000	35800	55.9
21	30000	57500	52.2
22	30000	8500	352.9
23	20000	61800	32.4
24	30000	172500	17.4
25	50000	192100	26.0
26	20000	91400	21.9
27	30000	59500	50.4
28	30000	24500	122.4
29	15000	20000	75.0
30	25000	71000	35.2

Appendix IV Adequacy measure of Co operative Bank

No	Cred t Limit	Credit eligibility	Adequacy measure
1	5000	11700	42.7
2	5000	7600	65.8
3	5000	15200	32.9
4	5000	12700	39.4
5	5000	4400	113.6
6	5000	4500	111.1
7	5000	14800	33.8
8	5000	26100	19.2
9	5000	16700	29.9
10	5000	11700	42.7
11	5000	11000	45.5
12	5000	1800	277.8
13	5000	14000	35.7
14	5000	1800	277.8
15	5000	13800	36.2
16	5000	7200	69.4
17	5000	9300	53.8
18	5000	1800	277.8
19	10000	17000	58.8
20	5000	10500	47.6
21	10000	16300	61.3
22	5000	13100	38.2
23	10000	21800	45.9
24	10000	49000	20.4
25	10000	53700	18.6
26	5000	8500	58.8
27	10000	13100	76.3
28	5000	8500	58.8
29	5000	12300	40.7
30	5000	8900	56.2

**DEPARTMENT OF AGRICULTURAL ECONOMICS
COLLEGE OF HORTICULTURE
VELLANIKKARA, TRICHUR
SURVEY SCHEDULE**

1) Name of the respondent

2) Age

Less than 40 41 60 Above 60

3) Sex

4) Residential details

Block

Panchayath

Ward

5) Family details

Family members	Sex	Age	Education status	Occupation	
				Main	Subsidiary

6) Income from other sources

Items	From the respondent	From family members
a Wages		
b Services		
c Business		
d Others if any (specify)		
e Leased out land		

7) Size of land holding

8) Type of land holding

Type of land holding	Irrigated (Acres)		Unirrigated (Acres)	
	Cultivated	Uncultivated	Cultivated	Uncultivated
Own land				
Leased				

9) Cropping pattern

A (Main land)

Crops	Area under cultivation	No of plants	Gross income	Crop expenditure	Net income
Paddy					
a Virippu					
b Mundakan					
c Punja					
Banana					
a Plantain					
b Nendran					
Coconut					
Arecanut					
Rubber					
Cashew					
Jack					
Mango					
Vegetables					
a Cucurbits					
b Amaranthus					
c Chilly					

d	Cow pea					
a	Others					
b						
c						
d						
	Total					

B Leased in land

Crops	Area under cultivation	No of plants	Gross income	Crop expenditure	Net income
a					
b					
c					
d					
e					
Total					

9) Details of Bovine/poultry assets

Type of bird or animal	Number	Annual income	Expenditure	Net Income
a				
b				
c				

KCC Scheme

- 1 Time of joining KCC scheme
- 2 Name of the Bank offering KCC to you
- 3 The source of information about the scheme (Give tick mark)
 - a) Relatives
 - b) From the Bank
 - c) Fellow farmers

- d) Krishī Bhavan
- e) Media
- f) Others (Specify)

4 Loan amount utilized from the KCC Scheme

- a Agricultural purpose
- b Non agricultural purpose
- c If for agricultural purpose specify

First Instalment

Purpose	1 st instalment	
	Amount	Purpose
Crop production (Specify the crops)		
Land improvement <ul style="list-style-type: none"> a Bunding b Leveling c Contour bunding d Rain pits e Others 		
Dairying <ul style="list-style-type: none"> a Cow b Goat c Buffalo 		
Poultry		
Apiculture		
Pisciculture		
Irrigation <ul style="list-style-type: none"> a Digging well/tank b Renovation of old well/tank c Motor pump & accessories d Pump house e Others 		

Development of perennials/plantation/orchards		
<ul style="list-style-type: none"> a Planting trees (initial investment) b Rubber rollers c Shed d Smoke shed e Copra drier f Plant protection implements g Others 		
Others please specify		
Total		

Second Instalment

Purpose	2 nd instalment	
	Amount	Purpose
Crop production		
Land improvement <ul style="list-style-type: none"> a Bunding b Leveling c Contour bunding d Ram pits e Others 		
Dairying <ul style="list-style-type: none"> a Cow b Goat c Buffalo 		
Poultry		
Apiculture		
Pisciculture		

Irrigation a Digging well/tank b Renovation of old well/tank c Motor pump & accessories d Pump house e Others		
Development of perennials/plantation/orchards a Establishment of existing plantation b Rubber rollers c Shed d Smoke shed e Copra drier f Plant Protection implements g Others		
Others please specify		
Total		

Third Instalment

Purpose	3 rd instalment	
	Amount	Purpose
Crop production		
Land improvement a Bunding b Leveling c Contour bunding d Rain pits e Others		
Dairying a Cow b Goat c Buffalo		

Poultry		
Apiculture		
Pisciculture		
Irrigation a Digging well/tank b Renovation of old well/tank c Motor pump & accessories d Pump house e Others		
Development of perennials/plantation/orchards a Establishment of existing plantation b Rubber rollers c Shed d Smoke shed e Copra drier f Plant protection implements g Others		
Others please specify		
Total		

d If for non agricultural purpose specify the purpose and amount

5 Do you have dual membership? If yes please specify

6 Have you converted previous loan to the KCC Scheme?

a If yes specify the amount

b What was the reason for conversion?

7 Whether you have availed loan to meet the above purposes (item 4 c) before joining the scheme?

Yes/ No

8 If yes please specify with amount from the following sources

- a Commercial Banks
- b Co operatives
- c RRBs
- d Money lenders
- e Traders
- f Fellow farmers
- g Relatives
- h Own fund
- i Others (specify)

9 Motivation for joining the scheme of this bank

- a Friends/relatives working in the branch
- b Quality conditions of the bank
- c Previous relations with the Bank
- d Approach of Bank officers towards the borrowers
- e Others specify

10 Date of application for KCC

11 Date of sanction of KCC

12 Amount loan applied for

13 Credit limit sanctioned

14 What is the rate of interest?

15 What are the procedures for taking Kisan Credit Card

16 Time taken for completing the procedures?

One week Two weeks one month > a month

17 Are there any difficulties in taking KCC?

If yes outline the difficulties

18 How many times did you renew the card?

19 Date of renewal of KCC

No of times of renewal	1		2		3	
	Date of application	Date of sanction	Date of application	Date of sanction	Date of application	Date of sanction

20 What were the renewal procedures of KCC in the bank?

21 Time taken for completing the procedures?

One week Two weeks one month > a month

22 a) Have you ever experienced any difficulty in getting credit in this card?
Yes/No

b) If yes outline the difficulties

23 Amount withdrawn

24 Mode of withdrawal

a Lump sum

b Installments

c If installments how many installments

25 Amount repaid

a Completely repaid

b Partially repaid

c No repayment

26 Mode of repayment

a Lump sum

b Instalments

c If instalments how many instalments

23 What is the frequency of repayment of the scheme proposed?

a Monthly

b Quarterly

c Half yearly

d Annual

- e On the basis of crop duration

24 Source of repayment

- a From the purpose for which loan was taken
- b From loan taken for other purposes
- c Money lenders
- d Friends/relatives

25 Whether the borrower is able to repay the loan for the purpose for which it is taken?

Yes/No

26 Did you repay the entire amount of credit in last year?

Yes/No

27 a If no state the particulars of default

	Principal	Interest
Amount of default		
The penal interest		

b What was the reason for default?

- a Crop failure
- b Family problems
- c Price fall
- d Diversion of loans
- e Others

28 What is the basis of fixing credit limit by the bank?

- a Incremental income
- b Land/Livestock value
- c Standing crops
- d Others Specify

29 Utilisation of the Scheme

Activities	ST& MT			LT		
	Utilized	Partially utilized	Not utilized	Utilized	Partially utilized	Not utilized
1 Crop production						
2 Land development						
3 Allied activities						
4 Others (Specify)						

30 a Have you ever had any damage to crops due to natural calamities during past three years?

b If yes have you applied for re schedulement/ conversion of loans?

Yes/No

c If yes give details

31 Have you got any incentives for timely repayment of credit?

Yes/No

Opinions

a Opinion about interest rat

Very high High Moderate Low Very low

b Opinion about the repayment schedule?

Very high High Moderate Low Very low

c Opinion about duration of loan

Very high High Moderate Low Very low

d Opinion about procedural formalities

Very high High Moderate Low Very low

e Opinion about present credit limit

Adequate/Inadequate

f Opinion about behavior of employees in the bank

Good/ Bad

g Opinion about the scheme

Very good Good Not good

h Opinion about renewal procedure

Very good Good Not good

i Opinion about timeliness of credit

Timely available/Not timely available

j Opinion about viability of the scheme

Viable/Non viable

k Opinion about improvement of agricultural development with the scheme

Yes/No

l Any complaints about the scheme? Specify

m Suggestions about KCC Scheme

I Credit limit to be increased considering the family expenses

II Extent the validity of the card up to 5 years

III Lower the interest rate up to 4 or 5 percentage

KISAN CREDIT CARD SCHEME : AN ECONOMIC EVALUATION

By

SANGITHA. K. VISWANATH

ABSTRACT OF THE THESIS

Submitted in partial fulfilment of the
requirement for the degree of

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(AGRICULTURAL ECONOMICS)

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COLLEGE OF HORTICULTURE

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KERALA, INDIA

2007

ABSTRACT

The main objectives of the study entitled Kisan Credit Card Scheme An Economic Evaluation are to study the growth of Kisan Credit Card Scheme in Kerala to examine the pattern and adequacy of credit supply to study the timeliness repayment and overdue pattern of the scheme and to identify operational problems in order to suggest measures for improvement

The study was conducted in Kannur district From the secondary data collected it was found that maximum number of cards were disbursed in Kannur district Multistage random sampling technique was used for selection of samples Thirty farmers each were selected from three banks namely Syndicate Bank (Mambaram) North Malabar Gramin Bank (Pala) and Pathiryaad Service Co operative Bank making the sample size to 90 The survey was conducted in May 2007 using a well structured interview schedule

The study of the status of Kisan Credit Cards revealed that for Primary Agricultural Credit Societies there was considerable increase in the number of cards and loan amount disbursed through the scheme In RRBs more number of cards was disbursed through North Malabar Gramin Bank (NMGB) than South Malabar Gramin Bank (SMGB) Out of the total Kisan Credit Cards issued through Commercial Banks 48.3 per cent was supplied by State Bank group 45.5 per cent by nationalized banks and 6.2 per cent by Private Sector Banks Nationalized Banks had disbursed maximum amount of loan through Kisan Credit Cards (45.7 per cent) followed by State Bank (36.4 per cent) and Private Banks (14.9 per cent)

Assessment of adequacy of loan under the scheme was studied by cross tabulating the data pertaining to the adequacy of loan based on adequacy measure and the opinion survey on individual bank basis The results showed that out of the 30 farmers who took loan under the scheme from Commercial Bank only nine

had received adequate amount of credit under the scheme (30 per cent) when opinion survey and adequacy measure were considered together In RRB 33 per cent and in Co operative Bank 67 per cent of the card holders got adequate credit when adequacy measure and opinion survey was considered simultaneously

With respect to the timely availability of credit under the scheme only 25.6 per cent of the total respondents had stated that credit was not available on time while the rest 74.4 per cent had opined that credit was available at the proper time without any delay Out of the total sample of 90 respondents 37.8 per cent had completely repaid the loan amount and 62.2 per cent had partially repaid the loan amount Among the card holders from Commercial Bank 26.7 per cent had repaid the loan completely and 73.3 per cent had repaid it partially while in RRB 53.3 per cent repaid completely and 46.3 per cent repaid partially In Co operative banks 37.8 per cent had repaid the loan completely while 62.2 per cent had partially repaid the loan

A few operational problems like high rate of interest in RRB inadequacy of credit from RRB and Co operative bank were noticed during the study The credit limit fixed based on the scale of finance was need to be revised Suggestion was made for provision of a pass book to the borrowers and the credit card is to be linked with ATM facility

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