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# Indian Streams Research Journal

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## EFFECTIVENESS OF KCC SCHEME: A CASE STUDY OF PALAMU DISTRICT IN JHARKHAND



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### ABSTRACT:

Credit is a vital data for farming generation. Kisan Credit Card (KCC) goes for giving auspicious and sufficient credit to the ranchers in a practical and adaptable way. Kisan Credit Card plan is a point of interest in the historical backdrop of farming credit in India Kisan Credit Card (KCC) in 1998-99, it encourages ranchers in buying farming inputs, for example, seeds, composts, pesticides and also, allow them to withdraw some cash for meeting their other crop production related requirements. The Kisan Credit Card Scheme was a step towards facilitating the access to short-term credit for the borrowers from the formal financial institutions.

Objective of the study (a) To study about the awareness of the Kisan credit card holders and their attitude towards Kisan credit card (b) To review the extend of utilization of Kisan credit card in Palamu district and its effectiveness.

**KEYWORDS:** *Farmers, Kisan Credit Card, Agricultural credit*

### INTRODUCTION:

Agriculture has been the mainstay of our economy and according to 2011 census, around 53% of working population are engaged in agribusiness for their work despite the fact that the commitment of agribusiness to our Gross Domestic Product (GDP) is under 27%.

Credit is a key info for farming generation. Kisan Credit Card (KCC) goes for giving convenient and satisfactory credit to the agriculturists in a financially savvy and adaptable way. Kisan Credit Card plan is a point of interest in the historical backdrop of agrarian credit in India, it encourages ranchers in acquiring farming inputs, for example, seeds, composts, pesticides and also allow them to withdraw some cash for meeting their other crop production related requirements. The Kisan Credit Card Scheme was a step towards facilitating the access to short-term credit for the borrowers from the



formal financial institutions.

**OBJECTIVE:**

Objective of the study is:

- (I) To study about the awareness of the Kisan credit card holders and their attitude towards Kisan credit card
- (ii) To study the effectiveness and utilization of Kisan credit card in Palamu district

**DATA COLLECTION:**

The sampling unit is confined to the Palamu district. The primary data were collected directly from the farmers and interview schedule was conducted to elicit information from farmers regarding Kisan credit card. The secondary data is used as reference for comparative analysis and interpretation.

**SAMPLE UNIVERSE:**

Farmers (people/household) of Palamu District in Jharkhand is taken as sample universe. Thus, the target population covered under this project is the household members of Palamu District. Sample is collected based on probability sampling techniques. 500 respondents participated in the study including KCC and Non-KCC holders. The current study is conducted on the basis of responses of KCC holders only and responses of Non-KCC holders are out of scope of this paper.

**KISAN CREDIT CARD AND ITS IMPORTANCE:**

Credit plays an important role in rural development and poverty alleviation. In India the majority of operational holdings are small and marginal, which are not economically viable. The condition of rural poor, who largely depend on non-farm activities, is also troublesome as their resource and income status is even below that of tiny landholders. Perpetual poverty and lack of adequate credit have remained the major constraints in the economic upliftment of rural households. Credit promotes capital investment and mechanization and modernization of agriculture sector by adopting new technology which ultimately results into better standards of life due to increased production and incomes.

The introduction of a new credit product called 'Kisan Credit Card' (KCC) in 1998-99 with three different sub-limits viz. production, asset maintenance and consumption needs are a step in this direction. This brings integrated into the multi-credit product system by offering farm entrepreneurs a single line of credit through a single window for multiple purposes. The Kisan Credit Card scheme was a step towards facilitating the access to short-term credit for the borrowers from the formal financial institutions.

The Kisan Credit Card has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. The scheme is still under implementation in the entire country by the vast institutional credit framework involving Commercial Banks, RRBs, Private and Cooperatives banks and has received wide acceptability amongst bankers and farmers.

**Key features:**

- It provides revolving cash credit to farmer by allowing any number of withdrawals and repayment within the limit.
- The limit is fixed on the basis of land holding for the production, cropping pattern and scale of finance,

#### EFFECTIVENESS OF KCC SCHEME: A CASE STUDY OF PALAMU DISTRICT IN JHARKHAND

the limit valid for three years and is subject to review annually.

- Conversion of loans also permitted in case of damage to crops due to natural disaster.
- Withdrawals are allowed through the slips or cheques accompanied by card and pass book.
- Eligible farmer will be given a KCC and Pass book or a card cum pass book.
- The production credit needs for full year and ancillary activities related to crop production are to be considered.
- Seasonal sub limit also be fixed at the discretion of banks.

#### DESCRIPTION OF STUDY AREA:

The Palamau district is one of the twenty four districts of Jharkhand. The Geographical area of Palamau District is 5043.8 square Kms. The administrative head quarter is Doltonganj situated on Koel River in 24 degree 3` north and 84 degree 4` east. Palamu district is primarily rural with the large population still residing in the villages. Agriculture is the main source of economy for the rural people of the district. However, agriculture is mainly for subsistence and is yet to be taken up on commercial basis due to lack of adequate assured irrigation facility and other infrastructure bottlenecks. The total population of the district as per the 1991 Census has been recorded as 11,92,801. The total population of the district has increased to 15,33,173 as per 2001 census of which 794880 are male and 738293 are female. Of this, the rural population was recorded at 1434504 and the urban population of 98669. The urban population is mainly concentrated in the two blocks of Daltonganj and Hussainabad and has recorded a population of 94490 and 30013 respectively. The percentage of decadal growth (1991-2001) of the district is 28.52 %. Out of total population of the district, Scheduled Caste consist 27.31% and Scheduled Tribe consist 9.28%.

#### EFFECTIVENESS OF KCC:

The study reveals that the progress of Kisan Credit Card in India is good, the annual growth rate of 22.20 per cent for number of cards issued and 33.08 in case of amount sanctioned as credit under the scheme from 1998-99 to 2012-13. However, the below table demonstrates the progress of KCC in Jharkhand is far from satisfactory. Not only are the number of cards issued to farmers very few, amount sanctioned per Kisan Credit Card is very little as compared to all India level. Smaller sanctioned amount per KCC in Jharkhand may be attributable, inter alia, to the smaller size of land- holding, higher incidence of mono-cropping across the State, and poor land records. Efforts need to be made to scale up the amount sanctioned under KCC per borrower.

**Table 1:** Progress in Kisan Credit Card Scheme in Jharkhand: Position as at end-March 2013 (Number of Cards in thousands)

Agency	Jharkhand			All India		
	Number of Cards Issued	Amount Sanctioned (Rs billion)	Amount Sanctioned per Card (Rs)	Number of Cards Issued	Amount Sanctioned (Rs billion)	Amount Sanctioned per Card (Rs)
Commercial Banks	226	7.4	32743.4	8243	1010.9	122637.4
Regional Rural Banks	88	1.9	21590.9	2048	132.6	64746.1
Cooperative Banks	17	0.2	11764.7	2691	119.2	44295.8
Total	331	9.5	-	12982	1262.7	-

#### EFFECTIVENESS OF KCC SCHEME: A CASE STUDY OF PALAMU DISTRICT IN JHARKHAND

Source: RBI.

The below table represent the bank wise progress of KCC allocation in Palamu district and figures illustrate the status KCC upto Sept 2014 with respect to operating banking agencies in the study area. Primarily there are 18 banks operating in the district, however, only 12 banks are currently facilitating KCC scheme. Below data reveals that SBI & Vananchal Gramin Bank has major stake in scheme. Other banks are also actively promoting the scheme in the area, whilst, private bank has poor performance in allocation of KCC.

**Table 2:** Progress of KCC scheme in Palamu District: Bank-wise status upto September 2014

Agency	Period - FY 2013-14		Period – April 2014- Sept 2014	
	Number of cards issued (in thousand)	Amount sanctioned (in lacs)	Number of cards issued (in thousand)	Amount sanctioned (in lacs)
State Bank of India	10429	4420	3373	1374
Punjab National Bank	2905	1387	1221	535
Central Bank of India	283	162	73	50
Allahabad Bank	110	34	68	20
United Bank of India	15	7	116	23
Bank of India	182	49	227	93
Union Bank of India	72	23	2	1
Panjab & Sindh Bank	29	23	3	3
Bank of Baroda	86	28	18	5
Industrial Development Bank of India	-	-	56	13
Vananchal Gramin Bank	18921	5364	8724	2717
Canara Bank	1	1	-	-
<b>Total</b>	<b>33033</b>	<b>11498</b>	<b>13881</b>	<b>4834</b>

Source: SBI, Lead Bank in Palamu District

The survey resultsshow the age wise male & female percentage distribution of farmers in Palamu district. It is shown in the below table that majority, 40 % of farmers community belong to age group of 30 -40 year, 28% of them are between 40-50 years and 26 % of farmers falls into age group 20-30 years and very less, 5 % of them having age 50 years and above.

**Table 3:** KCC holders profileage wise distribution of Male and Female farmers

Sample Farmers	Age							
	20-30 Years		30-40 Years		40-50 Years		50 and above Years	
	Number	% age	Number	% age	Number	% age	Number	% age
<b>Male</b>	64	26%	96	38%	68	27%	12	5%
<b>Female</b>	2	1%	5	2%	3	1%	0	0%
<b>Total farmers</b>	66	26%	101	40%	71	28%	12	5%



Source: Primary Data

From the below table 3, it has been observed that 96% of respondents farmer are literate i: eand only4 % of them are illiterate. The results show that awareness about KCC scheme among the literate famers is more as compared to illiterate farmers, due to which accessibility & usage of KCC by literate farmers is comparatively much higher than the illiterate farmers. It also demonstrates that literacy rate has positive impact on the usages of KCC scheme and it is further benefits them by increasing agricultural productivity, reducing poverty and hence, improving life style of farmers.

**Table 4: KCC holder's Education**

Sample Farmers	Literacy status			
	Literate		Illiterate	
	Number	%age	Number	%age
Male	232	93%	8	3%
Female	8	3%	2	1%
Total	240	96%	10	4%

Source: Primary Data

The KCC scheme envisaged that all the short term credit needs of the farmers including crop loan and other production credit, working capital and short-term requirements for non-farm activities need to be covered under KCC.

From the below table 4, it has been observed that almost 88% of the farmers (220 out of 250 KCC holders) informed that they are satisfied with scheme and KCC has made very positive impact on their life. Due to easy accessibility of funds, KCC scheme has supported famers in managing farm related expenses.

Further, majority of the farmers revealed that amount sanctioned under KCC scheme is adequate and KCC scheme has helped in meeting the credit requirement of farmers.The study revealed that, as many as 79% of the total covered during field visit, felt that the credit limits sanctioned to them under KCC are adequate to fulfill their credit need.

**Table 5: Impact KCC scheme and credit need.**

Respondents Farmers	Is KCC amount fulfill your credit need		KCC has positive impact on life	
	Yes (Number and %age)	No ( Number and %age)	Yes (Number and %age)	No ( Number and %age)
Male	191 (76%)	49(20%)	210 (84%)	30 (12%)
Female	7 (3%)	3 (1%)	10 (4%)	0 (0%)
Total	198 (79%)	51 (21%)	220 (88%)	30 (12%)

Source: Primary Data

In order to understand the perception and experience of KCC holders, research scholar collated responses of farmers against the key features of KCC scheme and presented the finding in below table.

**Table 6: Perception and Experience of KCC holders about KCC scheme**

Utility	No. of respondents			
	Yes	% age	No	% age
Timely availability of credit	171	68%	79	32%
Adequate credit	198	79%	52	21%
Simple in borrowing	67	27%	183	73%
Simple in repayment procedure	220	88%	30	12%
Simplicity in annual renewing of KCC limit	222	89%	28	11%
Full years credit requirement of the borrower	193	77%	57	23%
Flexibility of withdrawals from a branch other than the issuing branch	4	2%	246	98%
Attitude of the bank officers/staff (Administrative bureaucracy)	142	57%	108	43%
Assured availability of credit at any time enabling reduced interest burden for the farmer	198	79%	52	21%
Flexibility to draw cash at any time and buy inputs as per the need of the farmer and also to repay as and when surplus fund is available	193	77%	57	23%
Helps buy on cash-avail discount from dealer	238	95%	12	5%

Source: Primary Data

Key findings are illustrated below regarding the experience and perception of farmers.

- 68% of the farmers agree with the timely availability of credit under KCC scheme.
- 79 % of the farmers are satisfied with the adequacy and assured availability of the fund sanctioned as per the eligibility criteria which lessen interest burden of the famers
- 77% of the famers like the flexibility of the scheme which enable them to draw cash and replay at any time for purchasingof agricultural inputs. Due to this features, they can get the benefit of cash-avail discount from dealer.
- However, majority of the respondents are not happy with the borrowing procedure of KCC scheme due to several reasons. Almost, 73 % are not satisfied with cumbersome procedure and complex documentation, whilst 43 % have experienced administrative bureaucracy, however, 57% respondents have positive view.
- Last but not least, only 2 % of the respondent farmers have suffered due to poor execution of withdrawals facility from a branch other than the issuing branch.

#### CONCLUSION:

Kisan Credit Card has emerged as an innovative, widely accepted and essential credit delivery



mechanism to meet the credit needs of farmers in a timely and hassle free manner, since, its inception the farmers are enjoying the embedded advantages. The purpose behind launching this innovative product is to provide hassle free credit to farmers in their need. It would further strengthen the institutional mechanism of rural credit delivery system.

The study has observed that Kisan Credit Card (KCC) as a financial product is very popular among the farmers. Most of the farmers interviewed have stated the importance and appreciated the benefits of scheme due to timely access to agricultural credit, easy purchase of agricultural inputs, development of agricultural land, and development of irrigational facilities in the fields. Majority of the farmers like the flexibility of the scheme which enable them to draw cash and repay at any time for purchasing of agricultural inputs. Due to these features, they can get the benefit of cash-avail discount from dealer.

There are also few problems faced by Kisan credit card holders while operating it. There are many respondents who feel that borrowing procedure of KCC scheme is cumbersome due to complex procedure and documentation, while fifty percent of them faced problem due to experienced administrative bureaucracy. Some of the respondent farmers have suffered due to poor execution of withdrawals facility from a branch other than the issuing branch.

These findings are very useful to the financial institution to take future decisions and improve the product. The research would also be useful to anyone who will be interested in studying about Kisan credit card.

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