

**A STUDY ON UTILISATION PATTERN AND REPAYMENT
BEHAVIOUR OF KISAN CREDIT CARD USERS WITH SPECIAL
REFERENCE TO SBI PATTIKKAD BRANCH.**

by

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COLEGE OF CO-OPERATION BANKING AND MANAGEMENT

VELLANIKKARA, THRISSUR- 680656

KERALA, INDIA.

2018

DECLARATION

DECLARATION

I, hereby declare that this project report entitled “**A STUDY ON UTILISATION PATTERN AND REPAYMENT BEHAVIOUR OF KISAN CREDIT CARD USERS WITH SPECIAL REFERENCE TO SBI PATTIKKAD BRANCH**” is a bonafide record of research work done by me during the course of project work and that it has not previously formed the basis for the award to me for any degree, diploma, associateship, fellowship or other similar title, of any other University or society.

Vellanikkara,

Date:



Sanyo Sunny

(2016-31-019)

CERTIFICATE

CERTIFICATE

Certified that this project report entitled “A STUDY ON UTILISATION PATTERN AND REPAYMENT BEHAVIOUR OF KISAN CREDIT CARD USERS WITH SPECIAL REFERENCE TO SBI PATTIKKAD BRANCH” is a record of project work done independently by Ms. Sanyo Sunny under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship or associateship or other similar title to him.

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Chapter I
DESIGN OF THE STUDY

CHAPTER-I

DESIGN OF THE STUDY

1.1 INTRODUCTION

Credit is one of the critical inputs for agricultural development. It capitalizes farmers to undertake new investments and/or adopt new technologies. The importance of agricultural credit is further reinforced by the unique role of Indian agriculture in the macroeconomic framework along with its significant role in poverty alleviation. Realizing the importance of agricultural credit in fostering agricultural growth and development, the emphasis on the institutional framework for agricultural credit is being emphasized since the beginning of planned development era in India. And now agricultural credit plays a major role in the credit availability for agrarian sector.

In the agricultural credit of the country, the emphasis has remained on adequate availability of credit at lower rates of interest and at a time when it is required. Since the recommendations of Rural Credit Survey of 1954, institutional agricultural credit policy has undergone many changes to meet this objective. The cooperative credit institutions catering to the farming community were reorganized and strengthened commercial banks after their nationalization in 1969 were directed to lend to the agriculture sector, by fixing the norms for priority sector lending. Even some credit linked programmes were initiated for this target group, like Integrated Rural Development Programme, Small Farmers Development Programme, Marginal Farmers and Agricultural Labour Development Programme etc. Special credit institutions i.e. Regional Rural Banks were also created to cater to the needs of weaker sections of the rural areas. At the apex level, National Bank for Agricultural and Rural Development was established by merging the Agricultural Credit Department of RBI and Agricultural Refinance and Development Corporation to streamline and strengthen the institutional credit flow to the rural sector. New initiatives like Kisan Credit Cards (KCC) and micro-finance are the recent developments in this field.

In nutshell, it is found that agriculture credit plays an important role in maintaining agricultural production by allowing producers to meet their credit need during the entire cycle of crop production and at the same time provides funds for investment purposes. With increased commercialization of agriculture and increase in the use of modern inputs, the amount and share of purchased inputs in the total production is increasing rapidly. Farmers have to avail credit either from institutional sources or from non-institutional sources like private money lenders. Loans from non-institutional sources though very common, are often exploitative, with very high interest rate, and from such sources the borrowers often fall into debt trap. Realizing these difficulties, the government has initiated several measures to galvanize the institutional credit system to make it more responsive to the needs of farmers.

The objective of the Agricultural Credit Policy in India since Independence has been gradual replacement of money lenders by institutional sources and a lowering of interest rates. Until banks were nationalized, cooperative institutions were the only source of institutional credit in rural areas. Since nationalization, Scheduled Commercial Banks and Regional Rural Banks (RRBs) have also been part of the formal credit system.

One of the major challenges in the sector has been ensuring the provision of timely and adequate credit to the farmers. An innovative strategy conceived in 1999 by the Government of India created the Kisan Credit Cards (KCC) through which farmers could avail short-term loans for crops from banks. The scheme was initiated in consultation with the Reserve Bank of India and National Bank for Agricultural and Rural Development (NABARD) and by the end of 2012, about 12 crore Kisan Credit Cards (KCC) were issued to eligible farmers all over India. All cooperative banks, scheduled commercial banks and regional rural banks were given annual targets and their progress was monitored at every step by NABARD.

1.2 STATEMENT OF THE PROBLEM

The Kisan Credit Cards (KCC) is essentially a type of revolving cash credit facility with withdrawals and repayments to meet the production credit needs, cultivation expenses and the contingency expenses of the farmers. The implementation of the scheme has

resulted in an increase in the flow of credit to the agriculture sector and a substantial reduction in borrowing from the informal sector for short-term needs. The programme has benefited both farmers and bankers as there has been a significant saving in time and cost of credit delivery, reduction in transaction costs, better recoveries and reduction in the workload of bank branches. However, the sanctioning of lower credit limits, low awareness levels about insurance features and the tendency to treat the card as a term loan facility rather than as a cash credit facility still remain areas of concern. With near-universal coverage, the Kisan credit card has met all its objectives and is on its way to becoming a powerful tool in consolidating the banker-farmer relationship.

However, on the other hand one of the major problems faced by the commercial banks and other similar institutions in financing agriculture is that of amounting overdue. Over dues are caused by poor recovery and also the underutilisation of the credit by the Kisan credit card users, which ultimately restricts the smooth flow of credit. For the smooth flow of credit, repayment of credit is essential. Repayment of credit is of crucial importance for any public sector. Commercial credit institution, as repayment not only ensures recycling of public money but also builds up confidence amongst the credit institutions in their clientele and amongst the credit users in their own ability to development. In context of low recovery to demand, the study was taken up to analyse the utilization pattern of the credit by the Kisan credit card users and also the characteristics, which are likely to be associated with the repayment behaviour of beneficiaries of Kisan Credit Card with the following objectives.

1.3 OBJECTIVES OF THE STUDY

- To examine credit utilisation pattern of KCC users of SBI Pattikkad branch.
- To study the repayment behaviour of KCC users of SBI Pattikkad branch.
- To examine the constraints encountered by the KCC users of SBI Pattikkad branch.

1.4 METHODOLOGY OF THE STUDY

1.4.1 Data Source

For evaluating the specific objective designed for the study primary data was collected. The primary data was collected from KCC users. And the secondary data was collected from various reports and publications of RBI, handbook on KCC by NABARD and various website sources.

1.4.2 Period of study

The total duration of the study was 3 months.

1.4.3 Sampling Design

The study was confined to KCC users of SBI Pattikkad branch. 60 KCC users were selected using simple random sampling method.

1.4.4 Variables of study

- Socio-economic profile
- Fund utilisation
- Purpose of credit
- Repayment option
- Frequency of payment
- Timely repayment
- Fulfilment of intended purpose
- Constrains faced by farmers in repayment of loan.
- Constrains faced by farmers availing credit.

1.4.5 Data collection method

Structured pre-tested interview schedule was used to collect primary data from KCC users.

1.4.6 Statistical tools for the study

The data were classified, tabulated and analysed using appropriate tools such as percentage, index method and Garret ranking technique and Chi-square statistics.

- **Percentage Analysis**

For analyzing socio economic variables percentage analysis was used.

- **Index Method**

The major constraints faced by the KCC holders are analysed using the index method

Responses	Score
Strongly Agree	5
Agree	4
Neutral	3
Disagree	2
Strongly Disagree	1

Based on these scores index of each statements were calculated. The formula for calculating index is:

$$\text{Index for the Statement} = \frac{\text{Total score obtained for the statement}}{\text{Maximum obtainable score for the statement}} \times 100$$

Maximum obtainable score for a Statement

= (Maximum score obtained for the opinion x Total number of the respondents)

Base on the index obtained it is ranked and the major constraints are obtained in the ranking order

- **Garret's ranking technique**

To capture comprehensively the constraints faced by KCC holders in availing loan Garret's ranking technique was used. Some major prevailing constraints were highlighted during preliminary survey and the order of the merit given in ascending order was converted into ranks by using the formula. Accordingly these ranks were converted to scores by referring to Garrets table. Garrett's formula for converting ranks into per cent was given by

$$\text{Per cent position} = \frac{100*(R_{ij}-0.50)}{N_j}$$

Where R_{ij} = Rank given for i th item by j th KCC holder

N_j = Number of items ranked by j th KCC holder

The per cent position of each rank was converted to scores by referring to tables given by Garret and Woodworth (1969). Then for each factor, the scores of individual respondents were summed up and divided by the total number of respondents for whom scores were gathered. The mean scores for all the statements were ranked, and the statements having highest means score were considered as major constraint for KCC holders in availing the credit.

- **Chi-square test**

Chi-square is one of the very popular methods for testing hypothesis on data. Generally, Chi-square test has three application, viz., Chi-square test for goodness of fit, Chi-square test for homogeneity and Chi-square test of independence is used. The Chi-square test for goodness of fit determines if the sample under investigation has

been drawn from a population, which follows some specified distribution, while the test for homogeneity investigates the issue whether several populations are homogeneous with respect to a particular characteristics.

Chi-square test of independence is used to test the hypothesis that two categorical variables are independent of each other. A small chi-square statistic indicates that null hypothesis is correct and that the two variables are of independent of each other. At a time the independence of relationship between two variables only be tested

The study employed Chi-square test to identify the extent of utilization with the demographic variables. The test is calculated between extent of utilization and the variables like age, gender, income etc. To identify the determinants, the value are presented in a 2x2 matrix table. The Chi square value in calculation is

$$\chi^2 = \sum_{i=1}^R \sum_{j=1}^C \frac{(o_{ij} - e_{ij})^2}{e_{ij}}$$

where

o_{ij} is the observed cell count in the i^{th} row and j^{th} column of the table

e_{ij} is the expected cell count in the i^{th} row and j^{th} column of the table, computed as

$$e_{ij} = \frac{\text{row } i \text{ total} * \text{col } j \text{ total}}{\text{grand total}}$$

The calculated X^2 value is then compared to the critical value from the X^2 distribution table with degrees of freedom $df = (R - 1)(C - 1)$ and chosen confidence level. If the calculated X^2 value > critical X^2 value, then we reject the null hypothesis.

Null Hypothesis (H₀)

- There is no significant relationship between age and extent of utilisation

- There is no significant relationship between gender and extent of utilisation
- There is no significant relationship between occupation and extent of utilisation
- There is no significant relationship between education and extent of utilisation
- There is no significant relationship between annual income and extent of utilisation
- There is no significant relationship between family size and extent of utilisation
- There is no significant relationship between size of landholdings and extent of utilisation
- There is no significant relationship between farming experience and extent of utilisation
- There is no significant relationship between joining of KCC and extent of utilisation

Alternate Hypothesis (H₁)

- There is significant relationship between age and extent of utilisation
- There is significant relationship between gender and extent of utilisation
- There is significant relationship between occupation and extent of utilisation
- There is significant relationship between education and extent of utilisation
- There is significant relationship between annual income and extent of utilisation
- There is significant relationship between family size and extent of utilisation
- There is significant relationship between size of landholdings and extent of utilisation
- There is significant relationship between farming experience and extent of utilisation
- There is significant relationship between joining of KCC and extent of utilisation

1.5 SCOPE OF THE STUDY

The Kisan Credit Card has play an important role in credit delivery system. Productivity will increase if improved credit system provides timely support, and awareness is increased. But, Credit facility is one way of development which is unable to fulfil credit needs of farmers without proper utilisation of credit as well as the proper repayment of borrowed money.Hence, the present study will help farmers for improved utilisation of loan amount and also helps the banking/financing institutions for making future strategies and also explore the weakness of the present implementations.

1.6 LIMITATIONS OF THE STUDY

- The study is limited to KCC users of SBI. So the results cannot be generalised.
- Respondents may show personal bias and prejudices.

1.7 CHAPTERIZATION

Chapter I: Design of the Study

Chapter II: Review of Literature

Chapter III: Kisan Credit Card Scheme- An Overview

Chapter IV: Analysis and Interpretation

Chapter V: Summary of findings and conclusion

Chapter II
REVIEW OF LITERATURE

Chapter-II

REVIEW OF LITERATURE

2.1 INTRODUCTION

Review of literature is an inevitable part of any scientific investigation. It helps to identify the research gaps and refine the methodology. The process of financial reforms also highlighted the need for innovative credit interventions from institutional agencies to support farmers. Any credit facility to the farmers should not only be timely but also be available in adequate quantum besides ensuring an inbuilt flexibility. Against this backdrop, KCC has emerged as an innovative credit delivery mechanism to meet the production credit requirement of farmers in a timely and hassle free manner. Here an attempt is made to review the concepts used and past studies related to Kisan Credit Card Scheme.

Sharma (1964) concluded that the size of land holding and the financial status of the cultivators reflected towards the mode of utilization of agricultural credit and repayment behaviour of respondents.

Rao and Rastogi (1972) stated that the repayment to the land development bank were fail as regular because it gives term loans for 5 to 7 years duration. The study also suggested some strategy of long term financing so that repayment can be made easily by borrowers.

Rai (1977) that commercial banks had to face real problems while effecting recoveries of loans in accordance with the repayment schedule from the farmer borrowers and dealing with willful defaulters amongst them.

Singh et.al. (1985) have reported a problem of repayment especially the 'willful default'. It was found that small farmers had the capacity to discharge their short term loan obligations but not of medium and long term loans. However, in case of medium and large farmers they had the repayment capacity, but did not repay willfully.

Naidu et.al. (1986) concluded that credit users belonging with higher farm and non-farm incomes had greater probability to become defaulter.

Borthakur and Nilotpal (1986) made an attempt to assess the impact of short term loan on farm productivity, study was based on a sample of 120 farmers selected through systematic sampling from Jorhat district of Assam. A high growth of area under HYV of crops was noticed due to large-scale supply of HYV seeds. The short-term loan programme resulted in increase in the use of fertilizers and crop yield. The marginal farmers required the lowest amount of short-term loan during, both kharif and rabi season in comparison to their large counter part. It was also observed that an increase in the proportion of family labour use to total labour use. The ratio of net returns to short-term loan indicated a higher productivity of short-term loan on marginal farms than small and medium farmers in the study area.

Shanware (1987) noted that defaulters were of two types i.e. genuine defaulters and wilful defaulters. Defaulters whose repaying capacity were negligible and reason for default was genuine were classified as genuine defaulters. While, defaulters whose repaying capacity was high than the average repaying capacity and who could have easily repaid, were classified as wilful defaulters.

Bhosale and Dangat (1988) studied the repayment position of the loans borrowed from Co-operative societies and ascertained the factors responsible for overdues of loans. Their study was based on a sample of 120 farmers selected from Chandgarh Tahsil of Kolhapur District, Maharashtra State. Important causes for non-repayment of loan revealed from the study were low income of the farmers, non-remunerative output prices and crop failure due to natural calamities. The amount of over dues was related with the net income from crop production, amount borrowed and expenditure on family consumption. This called for appropriate policy with regard to supervision of credit used at the farm level.

Beohar and Khare (1988) concluded that farmers, who obtained credit for the purchase of pump sets, repaid the loan in beginning but those who obtained credit for the purchase of fertilizer and digging of wells did not repay the loan in proper time. A large proportion of loans advanced for the purchase of bullocks and for land improvement remained overdue as compared to other purposes. Farmers who obtained loan for pump-set had the maximum capacity as compared to other.

Singh et.al. (1988) concluded that the large farmers accounted for only about 27 per cent of total defaulters but for about 42 per cent of total defaulters but only for about 27 per cent of the total

overdues. The proportion of small farmers was almost equal in total defaulters and in total overdues. Thus, large farmers were responsible for a large proportion of overdues.

Jhawar (1995) observed that the application received in branches had no relevance with the target allotted to the branch. Most of the banks are not satisfied with the scrutiny of application. The application rejection took place on the ground of viability, scope of activity, exceeding target in the branch. The repayment in the district was 70 per cent and in some cases the advance recovery was observed. Working capital included the repayment schedule right from the beginning.

Ramadass (1989) attempted to empirically investigate the nature of flow of institutional credit in the union Territory of Pondicherry and to study the extent to which the equity and efficiency objectives of credit policy have been achieved. The study revealed that the short-term credit advanced by the lending institutions has grown enormously while the long-term credit remained behind. The performance of Co-operative in distribution of credit to farming community as a whole and to the small farmers. It was also observed that the actual per holding credit received by the small farmers is much lesser than what the big farmers get. The empirical results show that the credit use has brought sufficient increase in productivity, which enable the farmers to pay back their loan with interest. Mahal (1990) revealed that the recovery of the branch in case of short term loan was very impressive. The percentage of recovery to discount varies between 79.98 per cent to 95.26 per cent. During the drought year 1985-86, there recovery percentage was up to 79.98. The cases of surcharge and coercive action were very less hence the cost of recovery cannot be compared with amount of surcharge.

Singh et al. (1990) analyzed the factors affecting overdues in agricultural loans by conducting study of Bichpuri block of Agra district. A study was conducted by selecting 120 farmers, stratified into small, medium and large farmers. Regression analysis concluded that amount, of loans borrowed, amount of loans put under nonproductive use, size of holding and repayment capacity were found to be most important factors affecting overdues.

Balishter and Chauhan (1991) studied factors affecting overdues of loan in agriculture in Uttar Pradesh and observed that depending ratio, amount of loan put under productive purpose, non-productive uses and intensity of cropping were the major factors influencing overdues at farmers level. More specifically the accumulation of overdues on small farmers was due to size of

holding, ratio of dependents and amounts of loan put under non-productive use. In case of large farmers the ratio of dependence was most significant factor affecting overdue.

Kahlon (1991) while studying the institutional credit over dues from borrowers angle opined that the incremental incomes in many cases are not what are estimated to be generated. There is a need to strengthen the credit delivery system to ensure timely and adequate supply of credit with the objective of qualitative improvement in lending. The imperatives of the situation also demand that considerable flexibility is introduced by financial institutions in the application of unit cost concept, projected levels of income from investments and fixation of maturity periods for the repayment of loan.

Lakanadhan (1991) carried out a study on recovery of crop loans in Primary Co-operative Banks of north Ariol district by selecting 100 farmers near about 10 per cent farmers reported that old repayment of loan debts was reason for default, 13 per cent reported diversion of farm investment and 12 per cent reported crop failure was reason for default.

Verma (1992) studied utilization and overdues of co-operative loans in Andhra Pradesh by making stratified cum purposive sample of 150 borrower members of agricultural Co-operative in Nagari block. The study revealed that majority borrowers have not repaid their loan due to drought condition prevailing in that area. Low returns and low surplus from agriculture were some of the causes of non-repayment of loan.

Pathak (1993) worked on whether illegal measures help in agriculture loan recovery. He stated that CALCOB (Committee on Agricultural Lending by Commercial Banks) analysis of overdues in agriculture revealed that a major portion (53 %) of funds blocked up in the form of overdues was due to borrowers' behaviour like wilful default, misutilization (41 %) and diversification of funds (81 %), other reasons for overdues including environmental factor.

De (1993) conducted a study with an objective to investigate the impact of institutional credit on farm production, investment and income. For the study, twenty five member cultivators and an equal number of non member cultivators were selected from one Co-operative society from Jalpaiguri district of West Bengal. It was revealed from the study that farm production, investment and income of the members of the Cooperative society are higher than the non-

members indicating society that there is an institutional positive impact on farm production, investment and income.

Prasad and Parthsarth (1993) made an attempt to assess the productivity of credit and the need of different sizes of farms in Medak district of A.P. The study revealed that Commercial bank and Co-operatives are catering to the needs of large farmers while the small farmers' credit requirements are still being met by private sources. This indicates that the institutional agencies have not gone in a big way catering to the credit needs of small farmers. The estimation of credit gap indicated that the same was highest in case of small farms when compared to medium and large farm. This situation warrants the need to safeguard the interest of small farmers who are more often capital starved, by allowing still more flow of institutional credit for meeting their consumption requirements.

Balishter and Singh (1994) conducted a study of overdues of loans in agriculture and concluded that large and medium farmers account for 37 per cent of total default and small and marginal farmers for 57 per cent of default. Out of 175 defaulters about 67 (37 %) were wilful defaulter. Wilful defaulter mainly confined to medium and large farms.

Kathale (1995) studied the loan repayment pattern and found that the repayment was regular in 66 per cent of the cases while in 15.6 per cent cases the loan was not being repaid with the reason that subsidy was fixed with installment and working capital being treated as term loan.

Veerakumaran (1995) conducted the study with the objective to find out the extent of utilization of loan by the borrowers and to find out whether there is any significant relationship between borrowing from Land Development Bank and Agricultural production. For the study, field inquiry was conducted by selecting 40 borrowers randomly. The responses received from 760 borrowers and 19 branches of Land Development Bank were analyzed and interpreted. It revealed that there is certain amount of misutilization of loan. With reference to minor irrigation loans, only 2 per cent of the amount was misutilised. Regarding diversified credit 20 per cent of the loan amount has been misutilised. Analysis pertaining to borrowings for minor irrigation indicated clearly that the area under cultivation has increased by 18 per cent. Small and medium farmers are the big beneficiaries of the minor irrigation facility. The net farm income of the respondents has considerably increased. The average farm net income increased from Rs 8,269.00 to Rs 13,025.00. Cultivation expenditure also increased from Rs 4,811.00 to 7,979.00.

The return on investment in all categories varied between 33 per cent to 48 per cent. The big farmers followed by medium farmers are the big beneficiaries.

Dhopie et al. (1996) stated that the utilization of crop loan amount sanctioned to cotton growers indicated that the cotton growers have utilized the amount only to moderate extent. For enhancing the utilization of the sanctioned amount, the credit institution should try to disburse the amount of loan in time and ensure the availability of required inputs. Further the characteristics like size of holding, unusual income, cropping intensity and socio-economic status were faced to influencing the regularity of repayment of crop loan by the cotton growers.

Yadav and Singh (1996) concluded that the borrower farmers adopted intensive cultivation with improved inputs, which in terms increased the investment, income and employment as compared to non-borrowers farm. It was due to availability of credit from various credit institutions working in the study area.

Singh (1996) studied emerging problems of agricultural credit overdues in Himachal Pradesh. The study revealed that the problem of overdues was due to higher risk and uncertainty in hill agriculture, misutilization of borrowed money for other than agricultural purposes.

Biswas and Das (1997) focused on recovery phenomenon of rural bank credit in Orissa. The analysis was carried out of 130 households who availed credit facilities from commercial banks. Out of them 55 households were defaulters, and their overdues percentage to total outstanding was 48.26 per cent. Out of those 55 defaulters 34 could not repay loan due to misutilisation of loan, and 17 because of inadequacy of income and four households were wilful defaulters. The study concluded that more rural borrowers belonging to higher asset holding and higher income were found to be regular in repayment as compared to borrowers of lower asset holding and lower income. Non sanctions of consumption credit and inadequate sanction of production credit was responsible for the diversion.

Sharma and Zeller (1998) the studies concluded that if basic principles of prudential banking are adhered to, repayment rates can be good even in poor and remote communities. The important thing for financial institutions is to tailor services such that it becomes worthwhile for the poor to establish a profitable long-term association. In addition, more freedom to members in the process of group formation is recommended.

Udaykumar and Gabriel (2000) revealed that farmers with small land holdings and generally low income were utilizing the KCC funds for nonagricultural purposes. The major reason, which may threaten the successful growth of KCC scheme, is the misutilization of credit sanctioned. Utilization of credit for nonproductive purposes and domestic requirements would often create problem in repayment.

Devdasan (2000) while studying the appraisal of Primary Services Cooperative Banks in Calicut found that, poverty is the main reason for irregular repayment.

Jayasheela (2000) studied rural finance of a village Polenahalli of Tumkur district, Karnataka. Out of 86 beneficiaries, 44 were selected randomly for intensive study. Out of 44 selected beneficiaries, 18 belong to the upper caste, 14 beneficiaries were from SC/ ST Communities and 12 from backward castes. The study revealed that 85.8 per cent of the SC/STs under the IRDP, about 96.3 per cent of SC/STs under the SC/STs scheme and 90.91 per cent of upper castes under the general scheme were the defaulters. The reason for the defaults by the borrowers were for the past several years the area was experiencing severe drought, thereby many of the households now are fully dependent on agricultural labour. The money earned by rendering labour is insufficient to feed the family members and as such they could not repay their loans. It was also observed that borrowers did not get credit in time. This has led to misuse or inefficient use of the credit. The study revealed that about 65 per cent of the beneficiaries have deliberately postponed their payment of loans with the expectation that the government would waive their loans in future.

Janie et al. (2001) found significant pre and post test differences on consumer based knowledge questions. On the post-test, 72 per cent of the beneficiaries indicated that they knew the interest rate for the credit card they used most frequently. At post-test, 37 per cent of beneficiaries, compared to 14 per cent at pre-test, indicated they know the amount an individual is legally responsible for if a credit card is lost or stolen. At present, 48 per cent of beneficiaries did not know how long poor payment habits would remain on a credit report. At post-test, 65 per cent answered the question correctly. Also at post-test, 94 per cent of the beneficiaries correctly answered a question correctly regarding factors that are most important to lenders when deciding to approve a loan, and 88 per cent answered correctly questions regarding reasons under federal law for denying credit.

Kumar and Simon (2001) focused on strengthening of rural credit delivery system through kisan credit cards. The small farmers with low income were getting benefited through the scheme, however, repayment was slow and misutilization of credit was emerging as a major problem.

Joshi et al. (2002) found that all the farmers had used the credit limit firstly to finance their expenses on raising the crops. And thereafter a substantial number of farmers (107 farmers out of 177) had used the credit under Kisan Credit Card for meeting their working capital and other short term needs for farm and nonfarm activities also. Another significant observation was that about 28 per cent of total sample had used a certain amount sanctioned credit under Kisan Credit Card for consumption purposes also, as Kisan Credit Card had the provision of sanction of certain amount to meet the cash outflows on consumption expenses.

Nahatkar et al. (2002) revealed that farmers have not reported any problem in borrowing loan through KCC scheme, but they reported other problems such as poor electricity supply, input supply and poor quality of inputs which have restricted them to utilized borrowed amount efficiently. No major constraints were reported in the implementation of the KCC scheme by the bankers, but some of the constraints are related to user's attitude with respect to fixing credit limits, and non submission of bills of purchased inputs and details of credit utilization which has lead to the problem of auditing of bank accounts.

Nalawade (2003) enquired by focusing on the study of overdues in agriculture in Akola tahsil of Akola district in Vidarbha. The study concluded that amount of overdues increased with increase in size of holding in both financial institutions i.e. PACS, Commercial banks. Further amount of overdues had direct relationship with total amount borrowed. This necessitates a very careful presanction of loan by financing institutions.

Pradeep (2003) suggested that greater efforts are needed to encourage farmers to withdraw the amounts in installments, as per their requirement. This will help them to reduce interest rate on borrowed amount and increase the repayment capacity of borrowers.

Das (2003) studied repayment behaviour of 200 sample borrowers of Arunachal Pradesh (India) State Co-operative Apex Bank limited was examined using data from a questionnaire survey. The period of study was 1994-95 to 1998- 99. Results indicated the defaulters were mostly those, who were issued a loan for livestock production, who were issued a lower amount of loan (up to

Rs.10, 000) and who had lowest educational attainment. Reasons for non-repayment included failure of livestock scheme, lower earning from scheme, difficulty of joining to the bank, diversion of loan and wilful defaulter.

Udaykumar and Thattiks (2003) conducted a survey of 300 borrowers to examine the utilization and repayment of agricultural societies in Kerala, India. Members utilized credit mainly for operational purposes such as purchasing of seeds, fertilizers, etc. The rate of misutilization of agricultural loan was generally low and majority of the members enjoyed flexibility in repayment. The default rate in repayment was as high as 80 per cent. Only members who have alternative sources of income were prompt in making repayment. The main reason for default in repayment was inability to generate adequate income from agriculture.

Singh et.al. (2003-04) have studied the utilization of crop loans in Chhattisgarh state. The non-defaulter group was found to be having twice as better worth of assets than defaulters. Total income of non-defaulters was found to be higher by 83 per cent than that of defaulters.

Singh and Sekhon (2005) found that in all 15.38, 28.95 and 9.09 per cent of small, medium and large KCC beneficiaries, respectively, were observed to divert their limit to on-farm investments. The corresponding figures for the off-farm diversions were 73.07, 44.74 and 27.27 per cent, respectively. Overall the number of diversions on and off-farm was as high as 73.33 per cent of the total KCC beneficiaries. The amount diverted of the limit sanctioned was estimated at Rs. 37,413.33 i.e., 35.56 per cent on the overall KCC beneficiary farm.

Rao and Sahu (2005) found that about 60 per cent of the farmers utilized the funds for the purpose for which loans were sanctioned, about 40 per cent of the sample group diverted the same for other purposes.

Kallur (2005) showed that the amounts of finance of KCC holders vary depending upon the crops raised by them and their size of land holdings. Further, as size of land holding of a farmer increased, his eligibility to borrow higher amount of loan was enhanced. It was also observed that though the amount of loan was sanctioned to every farmer immediately there was no prompt repayment involved. The bank officials reported that the extent of repayment is up to 35 per cent only. They attributed the non-remunerative price for their produce as the main cause for non-repayment of the entire loan amount. In all, KCC was found to be better scheme compared to the

traditional ones. The scheme needs to be supported by the measures, which are oriented to the reforms in market structure so that the intermediaries have less chances of manipulating prices against the interest of the farming community. This in turn would enhance the percentage of repayment.

Surve et al. (2006) observed that half of the respondents (50.67%) appeared in irregular category of credit repayment. However, 35.33 per cent of them were defaulters, while only 14.00 per cent of them were regular in case of repayment of the credits. The independent variables viz, Education (0.264), Annual income (0.396), Land holding (0.378), Socio-economic status (0.401), Family size (0.129), Repayment potential (0.370), Economic motivation (0.250), Extension contact (0.289) and Risk orientation (0.193) were positive and significantly related with credit repayment. While, Age (0.070), Occupation (0.076) and period of membership (0.100) were not related with repayment. The t value indicated that, age, education, land holding, occupation, repayment potential, economic motivation and risk orientation had significantly contributed to the repayment of credit. The regression coefficient indicated that one unit change in age, education, land holding, occupation, repayment potential, economic motivation, and risk orientation would affect 0.437, 0.256, 0.054, -0.413, 0.038, 0.055 and 0.010 unit changes, respectively in credit repayment by members of PACS.

Rajkumar (2007) suggested that organizing awareness programmes for staff of Banks, training staff of DCCBs/ PACS and RRBs in the mechanics of KCC scheme, use farmers clubs for creating awareness by participating in their meetings for dissemination and publicity about the advantages of KCC scheme, printing and circulation of pamphlets/ leaflets in local language for generating awareness among rural clientele, talks on T.V./Radio and interview of successful KCC farmers in audio/ visual media.

Shacheendran (2007) suggested that the survey can be conducted, area wise, as a preliminary step for implementing the KCC scheme. The survey can be conducted with the help of government machineries like panchayat level authorities, and NGOs. The study should cover the matters such as identifying the number of eligible farmers, and their basic characteristics such as education level, awareness etc., credit requirements, period of finance etc. such as initial survey will help the bankers to prepare a detailed plan of action for the future lending.

Singh et al. (2008) shows that maximum 89.39 per cent beneficiaries utilized the money in the same enterprise, which they have demanded for whereas, 10.61 per cent beneficiaries diverged the money in to other enterprises.

Parmar (2008) a higher percentage of the beneficiaries (40.83%) had irregular repayment behaviour regarding crop loan of Kisan credit card scheme.

Bododiya et.al. (2009) revealed that the crop loan was provided for short term generally, the crop loan is recovered immediately after the harvesting and processing of crop. This study concluded that the majority of crop loan beneficiaries were repaid their loan after scheduled date of repayment independent characteristics.

Jamunarani (2009) reported that the KCC system plays a vital role in rural credit and large numbers of farmers are benefited by this novel and innovative credit system. Though they are issued by commercial banks, regional rural banks and primary agricultural cooperative banks have more access to farmers due to their situation, purpose etc.

Pramod Parwate and M. L. Sharma (2009,) conducted a study to find out the constraints faced by the farmers in the utilization of Kisan Credit Card this study was conducted in two purposively selected block of Raipur district of Chhattisgarh state with 120 Kisan Credit Card (KCC) holders. The study was confined within one district covering only two blocks and two village co-operative branches. The small size of an area is a major limitation of the study. The results revealed that Majority of the respondents (87.60%) reported that the quality of fertilizer provided as kind loan under KCC is not up to the mark, is one of the major constraints in the utilization of KCC. More than two-third of the respondents reported that loan limit is inadequate (81.66%), lack of knowledge about the claim of crop insurance (79.16%) and paper quality of KCC is not durable (72.50%) were some other major constraints in the utilization of KCC. More than 75 percent of the respondents suggested that the good quality of fertilizer should be provided on time by banks through KCC as kind loan and loan limit should be increased for better utilization of KCC loan. Majority of the respondents were of the opinion that KCC should be plastic coated (68.33%), 100% loan should be provided as cash (67.50%), requirement of no-dues certificate from the other banks for released of loan under KCC should be relaxed (59.17%), crop insurance premium and security amount should be waved off or deposited by government (56.67%) and KCC should be made for multipurpose use (55%).

Yonas Abrha Asnake(2015),was conducted study to assess loan utilization and repayment behavior of rural microfinance clients. It particularly provides a descriptive assessment on five themes: socio-economic characteristics, loan utilization behavior, sources of financial for loan repayment and perceived delinquency/default reasons of clients as well as capacity of the lending institution. To this end, a survey questionnaire was administered to a sample of 200 rural microfinance clients. For data triangulation, the study incorporated focus group discussion and in-depth interview methods. The study finds that clients are composed of adult working age and less educated individuals largely dependent on vulnerable smallholding agriculture. In addition, the loan packages are somewhat 'directed type' and supply-driven. Clients' borrowing purpose vis-à-vis actual loan utilization deviates to a certain extent, suggesting loan diversions. Clients have also undiversified and risky financial sources to repay MFI loan. Perceived reasons for loan delinquency/default are also linked to seasonal income variability, ACSI funded project failure, loan diversions and the lending institution's defects. The group lending modality tends to screen out the poorest of the poor. Peer pressure is effective to ensure timely 'loan repayment', but it is weak to guarantee proper 'loan utilization' per se. The loan product design is homogeneous and inflexible to meet target market needs. Further, the lending institution's 'loan utilization monitoring' incurs higher institutional transaction cost and information asymmetry than 'loan repayment monitoring' does. On top of that, clients bear transaction costs in terms of absenteeism penalty fee, frequent long-distance travel and regular group meeting. Last, the lending institution inclines to financial intermediation (minimalist) rather than both financial intermediation and social intermediation (integrationist). Therefore, the lending institution and policy makers should pay attention to demand-driven loan packages, rural micro banking service, intra-group micro insurance, reforming client-screening policy and integrating financial intermediation with social intermediation.

Y. L. Meghana, J. J. Makadia and N. A. Kalola(2016) has conducted study to determine credit utilization pattern of Kisan Credit Cards in South Gujarat during 2016-17. The study was based on the information obtained from 80 KCC holders and 80 Non-KCC holders selected from two districts Navsari and Surat of South Gujarat. The results revealed that the majority of KCC holders fully utilized the credit (46.25%) followed by not utilized (17.50%) and fully misutilized (17.50%) for the productive purpose. About 85.13 per cent amount of total loan disbursed was properly utilized by sample KCC holders. Major reason misutilization of credit by

KCC holder was found to salting of old debts and other reasons (33.33 %). Major constraints in availing and use of KCC as perceived by farmer lengthy paper work followed by insufficient credit limit, high interest rate etc.

Patel, M.K., C.R. Patel and Patel, J.R. (2017) conducted a study in four randomly selected cooperative branches of District Central Cooperative Bank (DCCB) of Raipur district. Majority of respondents were regular in repayment of their loan. Correlation analysis between independent and dependent variables also reveals that socio-economic status and extension contact shows positively and highly significant and remaining variables exhibited non-significant relationship with loan repayment performance of respondents. Regarding the major constraints faced by them in loan repayment were low outcome of produce, non-reasonable price of agricultural produce, crop failure due to natural calamities etc.

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Chapter III
OVERVIEW OF KISAN CREDIT CARD

Chapter-III

Overview of Kisan Credit Card

3.1 Kisan Credit Card in India

The Kisan Credit Card (KCC) programme was launched by the NDA government in 1998. With this scheme, the government aimed to fulfil timely and short-term credit needs of the farmers of India during the planting and harvesting season. It was also introduced to reduce the dependence of Indian farmers on the informal banking sector like moneylenders. It was initially proposed in the budget session in the year 1998-99 by the then Finance Minister, Yashwant Sinha. As a result, NABARD (National Bank for Agriculture & Rural Development) had come up with a Model Kisan Credit Card Scheme after a long discussion with some major banks in the country.

Kisan Credit Cards are offered by cooperative banks, public sector banks, and regional rural banks. They can be availed by any farmer in India. Tenants and sharecroppers can also use this card. This scheme not only simplifies the credit delivery and screening process for farmers who may not know about banking practices and procedures but also provides flexible payment schedule after the harvest season using which the borrower can push his payments in case they suffer a bad crop season. Kisan Credit Card scheme also works as a single credit facility that farmers can use to fulfil all their agricultural needs.

Kisan credit card (KCC) emerged as an innovative credit delivery mechanism (ICDM) to meet the production credit requirements of the farmers in a timely and hassle free manner. Realizing its potential in terms of simplification of loan procedures and reducing the drudgery of cumbersome documentation, Honorable Union Finance Minister in his Union Budget Speech for the year 1998-1999 announced that NABARD would formulate a model scheme for issue of Kisan Credit Cards to farmers may use it to readily purchase agricultural 'inputs such as seeds, fertilizers, pesticides, etc., and draw cash for their production needs.

The scope of KCC scheme was extended to term loans for agriculture and allied activities and reasonable components for consumption loan. As a sequel to this, NABARD, in consultation with RBI and major banks, formulated a model scheme for issue of Kisan Credit Card. The credit card mechanism was not altogether new to the sphere of agricultural banking in India. In fact,

some leading public sector banks as well as DCCBs in some states had introduced agricultural credit cards even earlier. However, such schemes were not much access to small and marginal farmers.

Further, there was also no uniformity in respect of such schemes implemented by different banks. Similarly, several commercial banks and cooperative Banks have already been extending cash credit facilities to farmers with a view to improving their access to credit. The highlighting features of KCC include meeting, farmer's contingency needs along with production credit, three years validity of the card subject to annual renewals, mode of repayment either in installments or in lump sum, enhancement of credit limit based on performance and withdrawals of slip etc.

At the National Level, NABARD is reviewing the progress in the implementation of the KCC Scheme in respect of Cooperative Banks and RRBs at various National / State level for a like the meeting of CEOs of SCBs, Chairmen of RRBs, Board Meetings of NAFSCOB etc. The RBI does monitoring of progress in respect of Commercial Banks. Government of India (GOI) and RBI are regularly kept apprised of the progress achieved and steps taken to ensure success of the KCC Scheme.

In order to facilitate close monitoring of the scheme at the ground level, banks are required to report the progress at monthly / quarterly intervals to NABARD. Banks are also required to report progress of coverage of KCC holders under the Personal Accident Insurance Scheme along with the monthly progress reports under KCC Scheme.

KCC scheme were a paradigm shift from the purpose oriented loaning through a credit product. It had enabled to accelerate production credit compared to investment credit. What is disturbing is the fact that in spite of timely sanctions of credit, the beneficiaries were least bothered in making prompt repayment, which eventually threatens the very sustainability of KCC scheme. Apparently, there seems to be large-scale diversion of credit both for on and off farm investments. However, off farm diversion dominated the scenario. KCC was not able to flush out multiple financing due to lack of co-ordination between various sources of institutional credit. Many of the KCC borrowers are still in the grip of moneylenders. Another major constraint in the working of KCC scheme was too many intermediaries in obtaining suitable securities and finding guarantor.

3.2 Objective

The scheme aims at providing adequate and timely credit for the comprehensive credit requirements of farmers under single window for their cultivation and other needs as indicated below:

- To meet the short term credit requirements for cultivation of crops
- Post harvest expenses
- Produce Marketing loan
- Consumption requirements of farmer household
- Working capital for maintenance of farm assets, activities allied to agriculture, like dairy animals, inland fishery and also working capital required for floriculture, horticulture etc.
- Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals, floriculture, horticulture etc

3.3 Eligibility and credit limit

3.3.1 Eligibility

- All farmers-individuals/Joint borrowers who are owner cultivators.
- Tenant farmers, Oral lessees and Share Croppers etc.
- SHGs or Joint Liability Groups of farmers including tenant farmers, share croppers etc.,

3.3.2 Loan amount

3.3.2.1 All farmers other than marginal farmers

3.3.2.1.1 For farmers raising single crop in a year

- Short term credit limit is fixed for the first year depending upon the crops cultivated as per proposed cropping pattern & scale of finance
- post-harvest/ household / consumption requirements
- Maintenance expenses of farm assets, crop insurance, Personal Accident Insurance Scheme (PAIS) and Asset insurance.
- Scale of finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated + 10% of limit towards post-harvest / household / consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance, PAIS & asset insurance.

- For every successive years (2nd, 3rd, 4th, and 5th year), the limit will be stepped up @10%.

3.3.2.1.2 For farmers raising more than one crop

For farmers raising more than one crop in a year, the limit is to be fixed as above depending upon the crops cultivated as per proposed cropping pattern for the first year and an additional 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year). It is assumed that the farmer adopts the same cropping pattern for the remaining four years also. In case the cropping pattern adopted by the farmer is changed in the subsequent year, the limit may be reworked.

3.3.2.1.3 Term loans

Term loans for investments towards land development, minor irrigation, purchase of farm equipments and allied agricultural activities. The banks may fix the quantum of credit for term and working capital limit for agricultural and allied activities, etc., based on the unit cost of the asset/s proposed to be acquired by the farmer, the allied activities already being undertaken on the farm, the bank's judgment on repayment capacity vis-a-vis total loan burden devolving on the farmer, including existing loan obligations.

The long term loan limit is based on the proposed investments during the five year period and the bank's perception on the repaying capacity of the farmer.

3.3.2.1.4 Maximum Permissible Limit: The short term loan limit arrived for the 5th year plus the estimated long term loan requirement will be the Maximum Permissible Limit (MPL) and treated as the Kisan Credit Card Limit.

3.3.2.2 For Marginal Farmers

A flexible limit of Rs.10,000 to Rs.50,000 be provided (as Flexi KCC) based on the land holding and crops grown including post harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc., plus small term loan investments like purchase of farm equipments, establishing mini dairy/backyard poultry as per assessment of Branch Manager without relating it to the value of land. The composite KCC limit is to be fixed for a period of

five years on this basis. Wherever higher limit is required due to change in cropping pattern and/or scale of finance, the limit may be arrived at as per the estimation.

3.4 Disbursement

The short term component of the KCC limit is in the nature of revolving cash credit facility. There should be no restriction in number of debits and credits. The drawing limit for the current season/year could be allowed to be drawn using any of the following delivery channels.

- Operations through branch
- Operations using Cheque facility
- Withdrawal through ATM / Debit cards
- Operations through Business Correspondents and ultra thin branches
- Operation through PoS available in Sugar Mills/ Contract farming companies, etc., especially for tie- up advances
- Operations through PoS available with input dealers
- Mobile based transfer transactions at agricultural input dealers and mandies.

The long term loan for investment purposes may be drawn as per installment fixed.

3.5 Rate of Interest (ROI)

Rate of Interest will be linked to Base Rate and is left to the discretion of the banks.

3.6 Repayment Period

- The repayment period for short terms loans may be fixed by banks as per the anticipated harvesting and marketing period for the crops for which a loan has been granted.
- The term loan component will be normally repayable within a period of 5 years depending on the type of activity / investment as per the existing guidelines applicable for investment credit.
- Financing banks at their discretion may provide longer repayment period for term loan depending on the type of investment.

3.7 Security

Security will be applicable as per RBI guidelines prescribed from time to time. Security requirement may be as under:

- Hypothecation of crops up to card limit of Rs. 1.00 lakh as per the extant RBI guidelines.
- With tie-up for recovery: Banks may consider sanctioning loans on hypothecation of crops upto card limit of Rs.3.00 lakh without insisting on collateral security.
- Collateral security may be obtained at the discretion of Bank for loan limits above Rs.1.00 lakh in case of non tie-up and above Rs.3.00 lakh in case of tie-up advances.
- In States where banks have the facility of on -line creation of charge on the land records, the same shall be ensured.

3.8 Other features

Besides the mandatory crop insurance, the KCC holder should have the option to take benefit of any type of Assets Insurance, Accident Insurance (including PAIS), and Health Insurance (wherever product is available) and have premium paid through his KCC account. Premium has to be borne by farmers/bank according to the terms of the Scheme. Farmer beneficiaries should be made aware of the insurance cover available and their consent (except in case of crop insurance, it being mandatory) is to be obtained, at the application stage itself.

Interest Subvention/Incentive for prompt repayment as advised by Government of India and / or State Governments. The bankers will make the farmer s aware of this facility.

One time documentation at the time of first availment and thereafter simple declaration (about crops raised / proposed) by farmer from the second year onwards.

3.9 Salient features Scheme

- Eligible farmers to be provided with a Kisan Credit Card and a pass book or card-cum-pass book.
- Revolving cash credit facility involving any number of drawals and repayments within the limit.
- 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 to be considered while fixing limit.
- Sub-limits to cover short term, medium term as well as term credit are fixed at the discretion of banks.

- Card valid for 5 years subject to annual review. As incentive for good performance, credit limits could be enhanced to take care of increase in costs, change in cropping pattern, etc.
- Conversion/rescheduling of loans also permissible in case of damage to crops due to natural calamities.
- Security, margin, rate of interest, etc. as per RBI norms.
- Operations may be through issuing branch (and also PACS in the case of Cooperative Banks) through other designated branches at the discretion of bank.
- Withdrawals through slips/cheques accompanied by card and passbook.
- Crop loans disbursed under KCC Scheme for notified crops are covered under Crop Insurance Scheme, to protect the interest of the farmer against loss of crop yield caused by natural calamities, pest attacks etc

3.10 Advantages of the KCC Scheme to the farmers

- Simplifies disbursement procedures
- Removes rigidity regarding cash and kind
- No need to apply for a loan for every crop
- Assured availability of credit at any time enabling reduced interest burden for the farmer.
- Helps buy seeds, fertilizers at farmer's convenience and choice
- Helps buy on cash-avail discount from dealers
- Credit facility for 3 years – no need for seasonal appraisal
- Maximum credit limit based on agriculture income
- Any number of withdrawals subject to credit limit
- Repayment only after harvest
- Rate of interest as applicable to agriculture advance
- Security, margin and documentation norms as applicable to agricultural advance
- Access to adequate and timely credit to farmers
- Full year's credit requirement of the borrower taken care of. Minimum paper work and simplification of documentation for withdraw of funds from the bank.
- Flexibility to draw cash and buy inputs.
- Assured availability of credit at any time enabling reduced interest burden for the farmer.
- Flexibility of drawals from a branch other than the issuing branch at the discretion of the bank.

3.11 Contents of Credit Card

The beneficiaries under the scheme will be issued with a Smart card/ Debit card (Biometric smart card compatible for use in the ATMs/Hand held Swipe Machines and capable of storing adequate information on farmers identity, assets, land holdings and credit profile etc).

3.12 Documents required to get KCC

- Duly filled in application form
- Identity proof- Voter ID card/PAN card/Passport/ Aadhaar card,/Driving License etc
- Address proof: Voter ID card/Passport/Aadhaar card/Driving license etc

3.13 Personal Accident Insurance Scheme -Salient features

Scheme covers risk of KCC holders against death or permanent disability resulting from accidents caused by external, violent and visible means, as under: Death due to accident (within 12 months of the accident) caused by outward, violent and visible means -- Rs.50,000/- Permanent total disability -- Rs.50,000/- Loss of two limbs or two eyes or one limb and one eye - - Rs.50,000/- Loss of one limb or one eye -- Rs.25,000/-

- Nominated office of insurance company to issue a Master Insurance Policy to each DCCB/RRB covering all its KCC holders.
- Premium payable Rs.15/- for a one year policy while Rs.45/- for a 3-year policy.
- Designated insurance company will nominate one office at district level to function as nodal office for co-ordinating implementation of personal accident insurance scheme for KCC holders in the district.
- Insurance coverage available under Policy only from date of receipt of premium at insurance company
- Banks to ensure to incorporate name of Nominee in Kisan Credit Card-cum-Pass Book.
- Simplified claim settlement procedure evolved under Scheme whereby an Enquiry-cum-Verification Committee comprising Branch Manager of implementing bank, Lead Bank Officer and representative of insurance company to certify nature of accident causing disability/death and recommend settlement of insurance claims.

3.14 RuPay Kisan Credit Cards

RuPay is an Indian domestic card scheme conceived and launched by the National Payments Corporation of India (NPCI). It was created to fulfill the Reserve Bank of India's desire to have a domestic, open loop, and multilateral system of payments in India. RuPay facilitates electronic payment at all Indian banks and financial institutions, and competes with MasterCard and Visa in India.

NABARD, in January, 2013 set up Special Project Unit- Kisan Credit Card (SPU-KCC) with a mandate for encouraging cooperative banks and Regional Rural Banks across the country to issue Rupay KCC debit cards. The overarching goal is to develop cash-less eco system by enabling the farming community to avail all new banking facilities at par with urban area of the country.

Chapter IV
ANALYSIS AND INTERPRETATION

CHAPTER IV

ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

The Kisan Credit Card (KCC) scheme is a landmark in the history of rural credit in India. The mechanism of credit cards has been one of the key products developed to expand the outreach of banks and simplify the credit delivery system. The response of the beneficiaries towards the scheme could speak out how far the credit card holders utilized KCC and the repayment behavior of KCC holders and the constraints they faced so far. Hence the present study has the objective mentioned in chapter 1 and a systematic analysis is done to reveal the underlying feature of data in order to arrive at a valid generalization. For the purpose, the opinions were collected from 60 KCC holders through a structured interview schedule.

The results of the study have been discussed under the following heads:

1. Socio- economic profile of the KCC holders
2. Utilisation pattern of KCC holders
3. Repayment behavior of KCC holders
4. Constraints faced by the KCC holders in the scheme
5. Suggestions by the KCC holders
6. Relationship between demographic factors and extent of utilisation

4.2. SOCIO-ECONOMIC PROFILE OF THE KCC HOLDERS

4.2.1 Classification based on Age of the KCC holders

The age wise classification of the sample is exhibited in the table 4.2.1. The respondents classified into three age groups viz. young age, middle age and old age

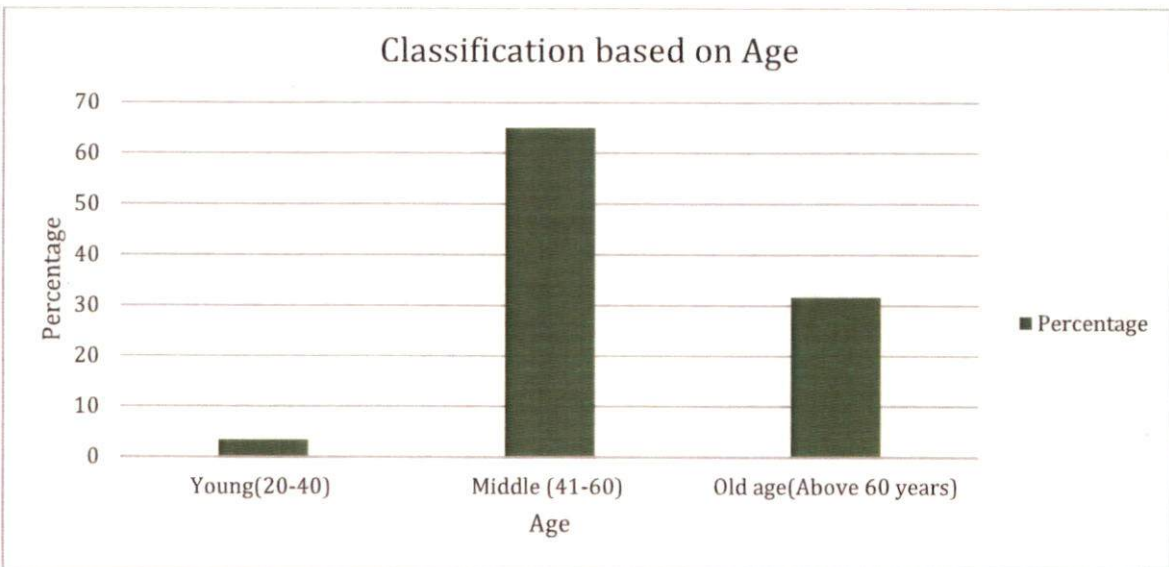
Table 4.2.1 Age wise classification of KCC holders

n=60

Age Group(Years)	No. of respondents	Percentage
Young (20-40)	2	3
Middle (40-60)	39	65
Old age (Above 60 years)	19	32
Total	60	100

Source: Primary data

Figure 4.2.1 Age wise classification of KCC holders



The figure 4.2.1, reveals that majority (65 per cent) of the farmers who are under KCC scheme are comes under the middle age group (40-60). Only 32 percent farmers were old aged (Above 60 years). And only 3 percent were age between 20 and 40 i.e.; young age group. This can be inferred that aged people are more interested in doing agriculture. And the youth were not that much interested in farming. This may be also due to ownership of the land is mainly with the oldest member of family and hence, naturally they will holding the KCC.

4.2.2 Classification based on the Gender of the KCC holders

Gender wise classification of farmer respondents were given in the below table.

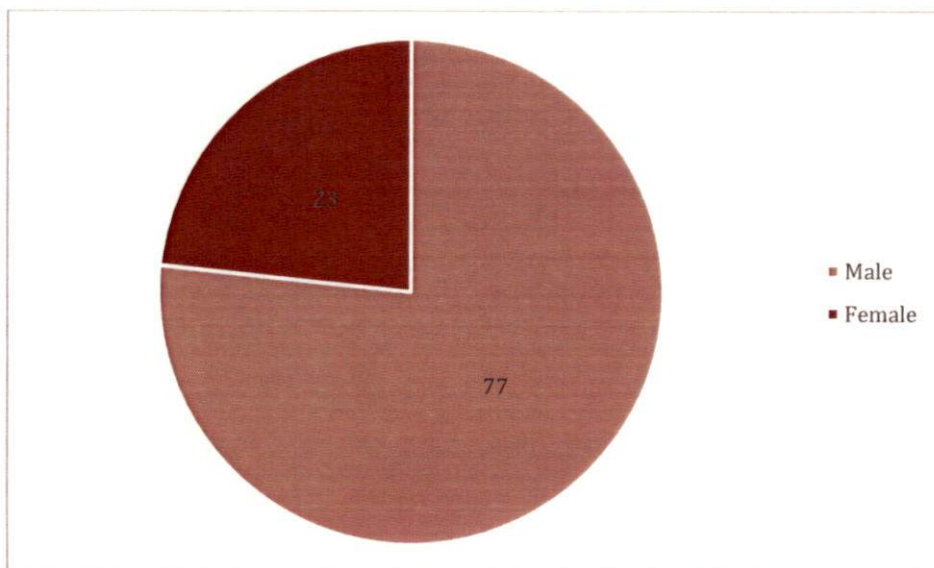
Table 4.2.2 Gender of the KCC holders

n=60

GENDER	No. of respondents	Percentage
Male	46	77
Female	14	23
Total	60	100

Source: Primary data

Figure 4.2.2 Gender wise classification of the KCC holders



From the figure 4.2.2 it could be understood that majority of Kisan Credit Card users in SBI pattikkad branch are male (77 per cent) whereas women credit card holders are only 23 per cent. It may be understood that women are not so popular in the state in proportion to their educational and social status.

4.2.3 Classification based on the Educational Qualification of KCC holder

Educational qualification of respondents is shown in the table given below. For this purpose, the educational status of the respondents was classified into seven groups viz. Illiterate ,primary ,secondary ,graduate ,post graduate

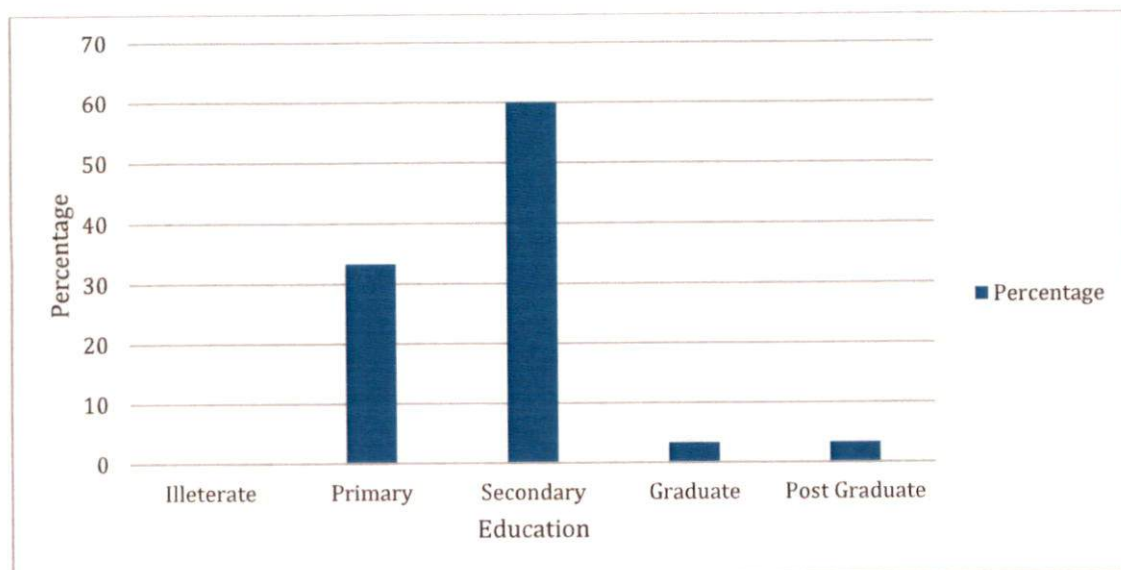
Table 4.2.3 Educational Qualification of KCC holder

n=60

Educational Qualification	No. of respondents	Percentage
Illiterate	0	0
Primary	20	33
Secondary	36	60
Graduate	2	3
Post Graduate	2	3
Total	60	100

Source: Primary data

Figure 4.2.3 Educational Qualification of the KCC holders



From the table 4.2.3 of education wise segmentation of the borrowers revealed that the maximum number (60 per cent) of respondents have secondary level educational qualification. The rest were, primary level (33 per cent), graduate (3 per cent), and post graduate (3 per cent) .And there were no illiterates, but the educational status of respondents is very low because most of the KCC holders are belongs to secondary level education and primary occupation of all the respondents is agriculture.

4.2.4 Classification based on the Occupation of the KCC holders

Occupation of the respondents were classified as under the table. And it is classified in to agriculture as main and subsidiary activity.

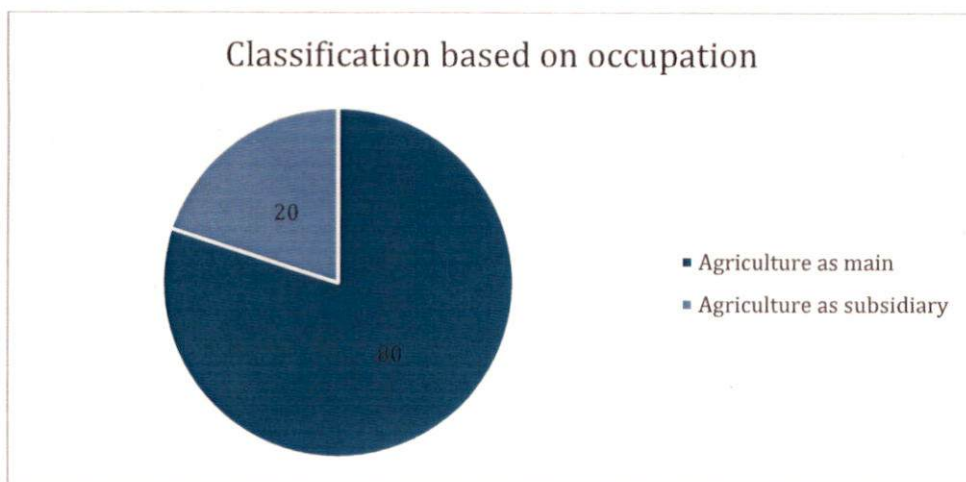
Table 4.2.4 Occupation of the KCC holders

n=60

Occupation	No. of respondents	Percentage
Agriculture as main	48	80
Agriculture as subsidiary	12	20
Total	60	100

Source: Primary data

Figure 4.2.4 Occupation of the KCC holders



From the above figure 4.2.4 major occupation of 80 per cent of the card holders were agriculture. Rest (20 per cent) undertake agriculture as subsidiary source of income. The 20 per cent of KCC holders constitute either business men or working person or retired employees.

4.2.5 Annual income of the KCC holders

Income wise classification of the respondents were given in the table 4.5. Income is an important economic variable which determines the economic status of the respondents as well as the standard of living of the respondents.

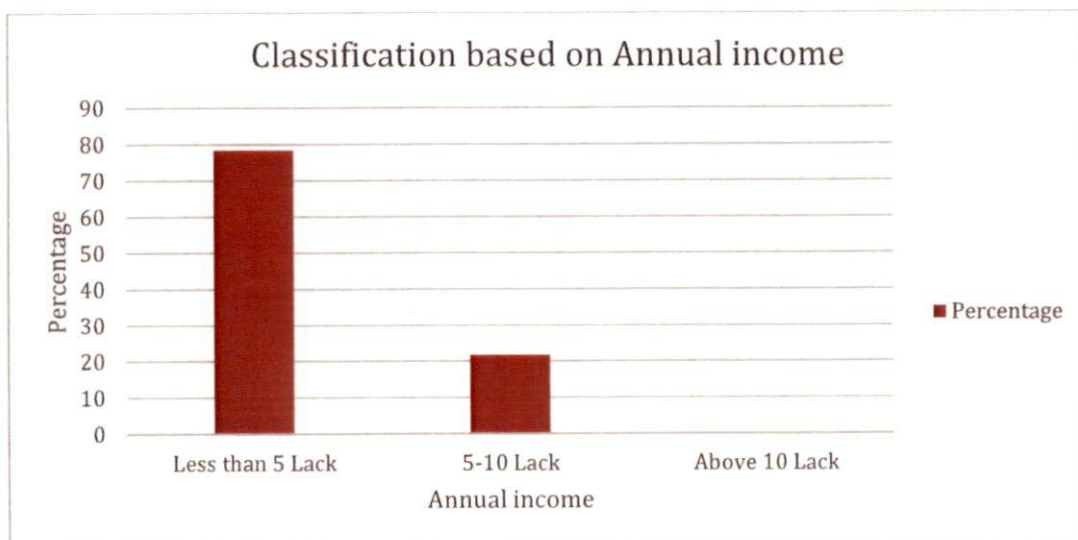
Table 4.5 Annual income of the KCC holders

n=60

Annual Income	No. of respondents	Percentage
Less than 5 Lack	47	78
5-10 Lack	13	22
Above 10 Lack	0	0
Total	60	100

Source: Primary data

Figure 4.5 Annual income of the KCC holders



From Figure 4.2.5 it reveals that 78 per cent of the respondents were earning monthly income less than 5 lakh, 22 per cent of the KCC holders were earning monthly income in the range of 5 to 10 lacks and there were no KCC holders who have income more than 10 lack.

4.2.6 Classification based on the Family size of the KCC holders

The family size of the respondents were classified as under;

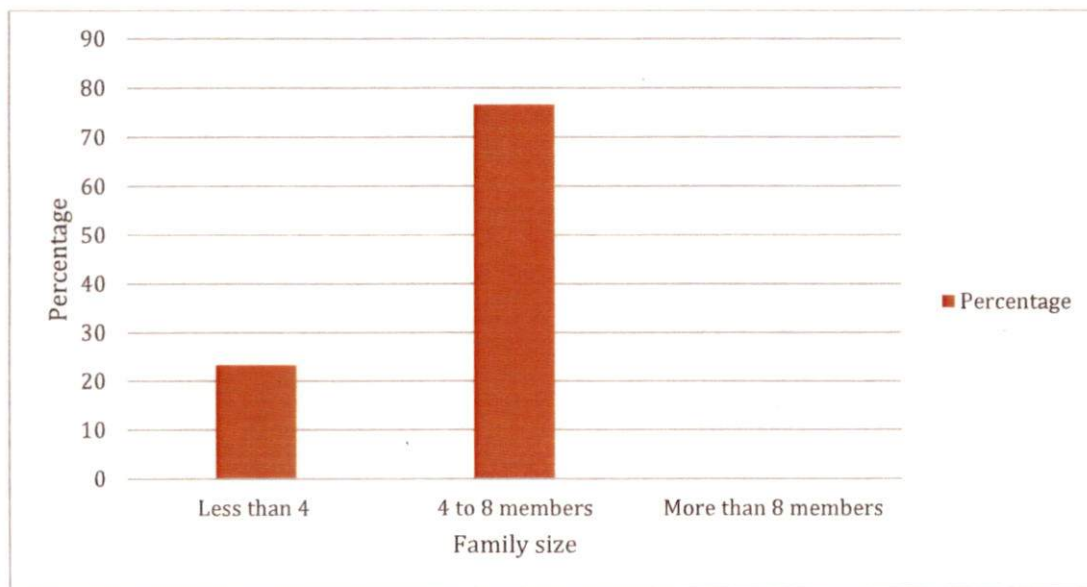
Table 4.2.6 Family size of the KCC holders

n=60

Family Size	No. of respondents	Percentage
Less than 4	14	23
4 to 8 members	46	77
More than 8 members	0	0
Total	60	100

Source: Primary data

Figure 4.2.6 Family size of the KCC holders



From the above figure 4.2.6 it is revealed that most (77 per cent) of the KCC holders are belongs to the family size of 4 to 8 members. And there were 23 per cent of credit card holders having below 4 members in their family. And no KCC holders having more than 8 members in their family.

4.2.7 Classification based on the Size of landholdings of KCC holders

A study regarding the size of landholdings of KCC holders is a relevant variable to understand type of farmers availing the credit under the KCC scheme in SBI Pattikkad branch.

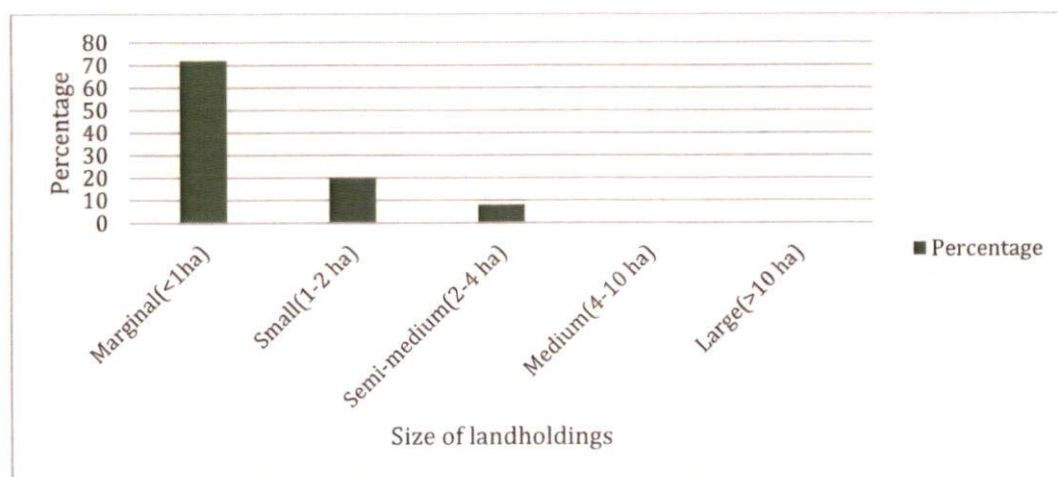
Table 4.2.7 Size of landholdings of KCC holders

n=60

Size of landholdings	No. of respondents	Percentage
Marginal(<1ha)	43	72
Small(1-2 ha)	12	20
Semi-medium(2-4 ha)	5	8
Medium(4-10 ha)	0	0
Large(>10 ha)	0	0
Total	60	100

Source: Primary data

Figure 4.2.7 Size of landholdings of KCC holders



Regarding the Land size , it could be seen from the figure 4.2.7 that 72 per cent of the KCC holders are marginal farmers having land size less than 1 hectare , and 20 per cent are small farmers .Only 8 per cent of the KCC holders are found to be semi-medium farmers. Most of the KCC holders were belongs to the category of marginal farmers as a result, based on size of land holdings, scale of finance, cropping pattern, the farmers are getting only small amounts of loan through KCC. Hence majority of farmers moves from KCC scheme to Agricultural Gold Loan Scheme and draw maximum amount of money as per their requirement by pledging gold at 7 per cent of interest rate.

4.2.8 Classification based on the Cropping pattern of KCC holders

The major crops cultivated by the farmers in the study area were Banana, Coconut, Rubber, Vegetables, Arecanut, and Nutmeg. Table 4.6 shows the details of major crops cultivated by the farmers.

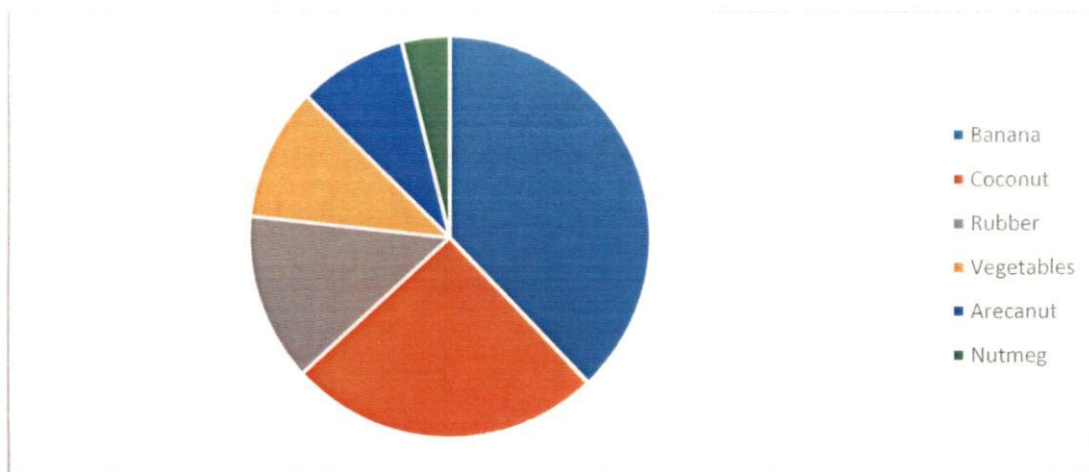
Table 4.2.8 Cropping pattern of KCC holders

n=60

Cropping pattern	No. of respondents	Percentage
Banana	39	65
Coconut	26	43.33
Rubber	14	23.33
Vegetables	11	18.33
Arecanut	9	15
Nutmeg	4	6.67

Source: Primary data

Figure 4.8 Cropping pattern of KCC holders



From the figure 4.2.8 it could be understood that most of the KCC holders are farming Banana (65 per cent) and Coconut (43 per cent) followed by rubber (23 per cent) and Vegetables (18 per cent). Besides they are also cultivating Arecanut and nutmeg.

4.2.9 Classification based on the Farming Experience of KCC holders

Table 4.2.9 Farming Experience of KCC holders

n=60

Farming Experience	No. of respondents	Percentage
Less than 5 years	4	7
6-10 Years	4	7
11-15 Years	12	20
16-20 Years	26	43
Above 20 Years	14	23
Total	60	100

Source: Primary data

Figure 4.2.9 Farming Experience of KCC holders



From the sample of respondents, majority (43 per cent) of respondents have farming experience 16 to 20 years, and 23 per cent of respondents having farming experience more than 20 years. 20 per cent of respondents have farming experience between 11 and 15 years, and only 7 per cent have the experience between the 6 and 10 and less than 5 years. So the above results reveals that majority of KCC holders have farming experience between 16 to 20 years.

4.3 UTILISATION PATTERN OF KCC HOLDERS

4.3.10 Classification of respondents based on joining of KCC scheme

Respondents were classified on the basis of joining period of KCC scheme

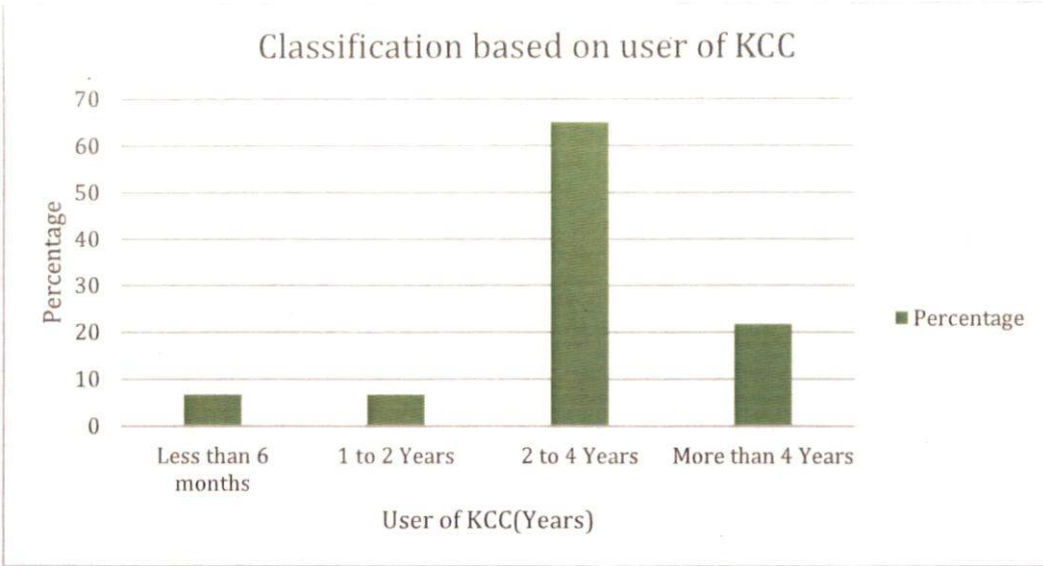
Table 4.3.10 Respondents based on joining of KCC scheme

n=60

User of credit card(Years)	No. of respondents	Percentage
Less than 6 months	4	7
1 to 2 Years	4	7
2 to 4 Years	39	65
More than 4 Years	13	22
Total	60	100

Source: Primary data

Figure 4.3.10 Respondents based on joining of KCC scheme



The figure 4.3.10 reveals that majority(65 per cent) of KCC holders are having credit card between 2 to 4 years following 22 per cent of KCC holders are credit card users more than 4 years. And only 7 per cent were between 1 to 2 years and less than 6 months.

4.3.11 Classification based on Utilisation of loan amount by KCC holders

Utilisation of credit is another important aspect, in order to analyse the utilization of the credit allowed by the bank to the cardholders were classified according to the different purpose and it is shown in the below table.

Table 4.3.11 Utilisation of loan amount by KCC holders n=60

Purpose	No. of respondents	Percentage
Agriculture Expansion	47	78
Allied Activity	9	15
Agriculture and business	16	27
Other Activities	4	7

Multiple response

Source: Primary data

From figure 4.3.11 it could be seen that 78 percent of KCC holders have utilized the KCC scheme for agricultural purpose and 27 per cent of KCC holders have used this scheme for both agriculture and business purpose following 15 per cent were used the loan amount for allied activities. It is to be noted here that, only 7 per cent of farmers have utilized the scheme for other purposes like education, marriages and personal use. This is against the norms of KCC scheme. This might have happened because of easy availability of loan through this KCC scheme. So the bank should take stringent measures against the utilization of the loan amount for unproductive purposes that may leads to non-repayment of the loan and consequent to increase in NPA.

However, more than 70 per cent of KCC holders utilized the amount for the purpose as envisaged under the scheme, which is a good sign or the scheme, especially when things happen otherwise in many of the agricultural loans.

4.3.12 Classification based on the Credit Withdrawal of KCC holders

In order to analyze the usage of credit card by KCC holders, the respondents were classified on the basis of credit withdrawal.

Table 4.3.12 Credit withdrawal by KCC holders

n=60

Credit availed	No. of respondents	Percent
Lump sum	60	100
Installments	0	0
Total	60	100

Source: Primary data

From the table 4.3.12 it could be understand that all the KCC holders availed their credit in lump sum. Respondents prefer to be withdraw their credit amount in one go.

4.3.13 Classification of respondents based on the Sufficiency of loan amount

Table 4.3.13 Sufficiency of loan amount

n=60

Sufficiency of loan amount	No. of respondents	Percent
Yes	0	0
No	60	100
Total	60	100

Source: Primary data

From the table 4.3.13 it is observed that all the respondents have opinion that they not getting sufficient loan amount for their purpose. The amount allowed from the bank is based on the land-holdings, cropping pattern etc. and the entire credit needs of farmers is not met and they approach other banks and moneylenders.

4.3.14 Classification of respondents based on the Fulfillment of intended purpose

Table 4.3.14 Fulfillment of intended purpose of KCC holders

n=60

Fulfillment of intended purpose	No. of respondents	Percent
Yes	13	21.7
No	47	78.3
Total	60	100.0

Source: Primary data

From the table 4.3.14 it could be understood that respondents have the opinion that their purpose is not fulfilled with the sanctioned amount from the bank. So the respondents have to meet their needs through other sources in order to meet their agriculture expenses. The KCC scheme was introduced with the main objective to reduce the dependence of farmers on the informal banking systems like moneylenders. But from the results we can understand that majority of the farmers are not able to fulfill their credit needs and they are in the clutches of moneylenders.

4.3.15 Classification based on Extent of utilization of KCC scheme

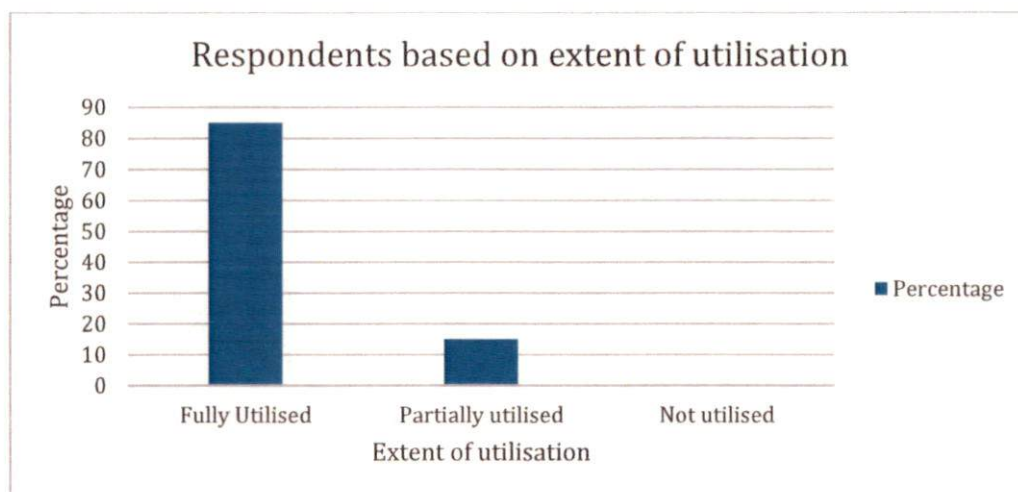
Table 4.3.15 Extent of utilization of KCC scheme

n=60

Extent of utilisation	No. of respondents	Percentage
Fully Utilised	51	85
Partially utilised	9	15
Not utilised	0	0
Total	60	100

Source: Primary data

Figure 4.3.11 Extent of utilization of KCC scheme



From the figure 4.3.11 it is evident that majority (85 per cent) of KCC holders fully utilised the loan amount under the KCC scheme. Only 15 per cent were partially utilised or diverted the loan amount. And it is against the norms of Kisan Credit Card Scheme. From the results it could be understood that bank had followed a liberal approach regarding the monitoring the end use, like not insisting on documentary proofs of purchase of inputs etc. But from the observation from the field indicated that all the farmers had used the major portion of their average loan disbursed for financing their expenses on raising the crops. From the study Udaykumar and Gabriel (2000) revealed that farmers with small land holdings and generally low income were utilizing the KCC funds for nonagricultural purposes. The major reason, which may threaten the successful growth

of KCC scheme, is the misutilization of credit sanctioned. Utilization of credit for nonproductive purposes and domestic requirements would often create problem in repayment.

4.3.16 Reason for full utilization of loan amount

Table 4.3.16 Reason for full utilization of loan amount

n=51

Statements	Yes		No	
	No.	Frequency	No.	Frequency
Availability of loan amount on time	42	82	9	18
Expectation of good yield	51	100	0	0
Strict monitoring mechanism	13	25	38	75
Less unexpected expenses	8	16	43	84
High agricultural expenses	51	100	0	0

Multiple response

Source: Primary data

From the table 4.3.16, it could be seen that almost all the farmers states the reason for their fully utilization of loan amount is due to the high agricultural expenses and their expectation for good yield. KCC holders are expecting good yields and due to increasing agriculture expenses like labour cost, transportation cost etc. they have to utilize the whole amount for their agriculture purpose. And most of the KCC holders (82 per cent) also agrees that they are getting the loan amount on time so that they can utilize the loan amount for agriculture purpose. About 84 per cent of the sample of KCC holders states that there are more unexpected expenses in agriculture and only 25 per cent agrees that strict monitoring mechanism is there from the part of bank regarding the utilization of loan amount.



4.3.17 Reason for diversion or misutilisation of loan amount

Table 4.3.17 Reason for diversion or misutilisation of loan amount

n=9

Statements	Yes		No	
	No.	Frequency	No.	Frequency
drought or monsoon failure	4	44	5	56
Delay in getting loans	0	0	9	100
clearance of old debts	9	100	0	0
unexpected family expenses	0	0	9	100
social ceremonies	0	0	9	100

Multiple response

Source: Primary data

From the sample of 60 KCC holders only 9 KCC holders (15 per cent) were misutilised the loan amount. From that sample, all of the respondents states the reason for diversion is clearance of old debts .As a part of agriculture, they have more expenses, to meet those expenses scale of finance is not sufficient and they have to depend upon other sources for finance .Drought and monsoon failure is another reason that is stated by KCC holders for the diversion of loan amount.

4.4 REPAYMENT BEHAVIOUR OF KCC HOLDERS

4.4.18 Classification of respondents based on Schedule of repayment of loan

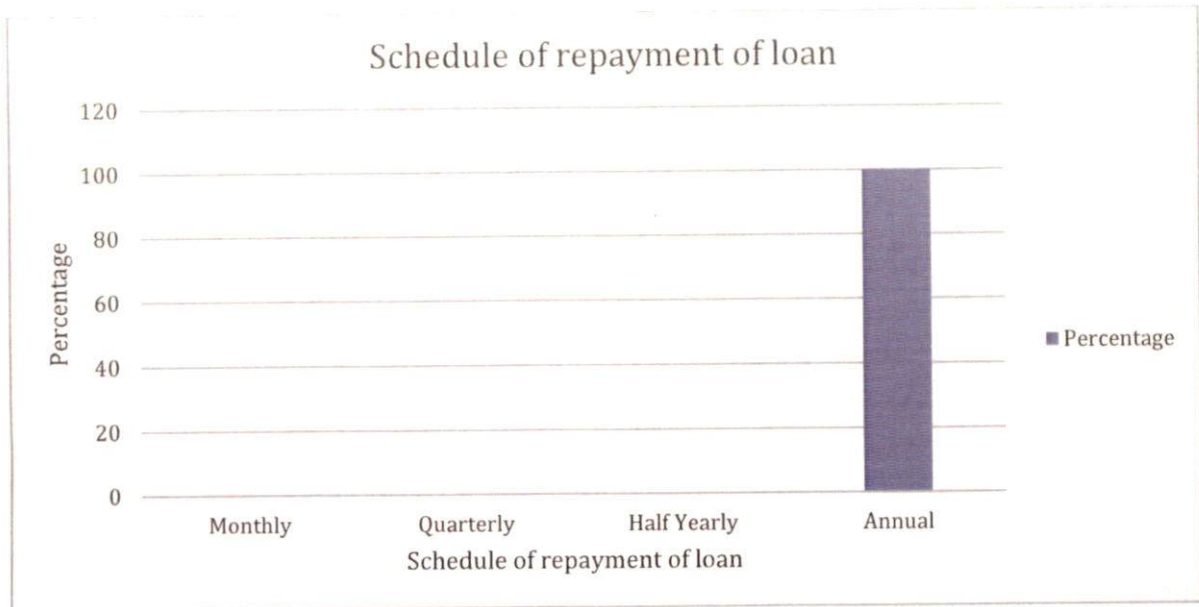
Table 4.4.18 Schedule of repayment of loan

n=60

Schedule of repayment of loan	No. of respondents	Percentage
Monthly	0	0
Quarterly	0	0
Half Yearly	0	0
Annual	60	100
Total	60	100

Source: Primary data

Figure 4.4.12 Schedule of repayment of loan



From the figure 4.4.12 it is clear that all the farmers repay the loan amount annually under KCC scheme. Almost all KCC holders find easy to repay the loan amount annually.

4.4.19 Classification of respondents based on Extent of repayment

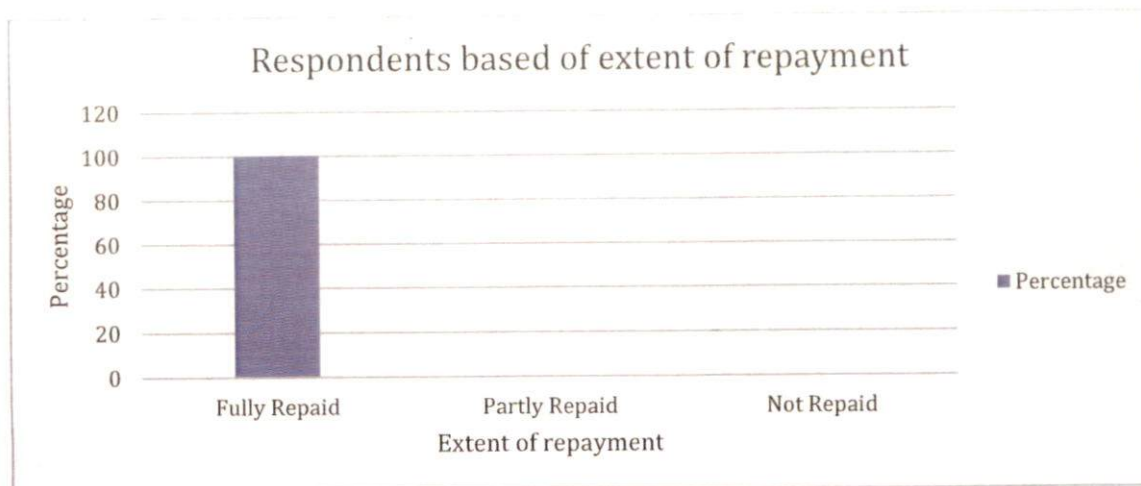
Table 4.4.19 Extent of repayment

n=60

Extent of repayment	No. of respondents	Percentage
Fully Repaid	60	100
Partly Repaid	0	0
Not Repaid	0	0
Total	60	100

Source: Primary data

Figure 4.4.12 Extent of repayment



From the table 4.4.19 it is evident that all the respondents have fully repaid the loan amount under KCC scheme.

4.4.20 Reason for full repayment

Table 4.2.20 Reason for full repayment

n=60

Reason for full repayment	Yes		No	
	No. of respondents	Percent	No. of respondents	Percent
To take another loan	60	100	0	0
To maintain credibility	60	100	0	0
Income from agriculture	48	80	12	20
Proper supervision by bank	42	70	18	30
Sufficient income from other source	12	20	48	80
Smaller installments	0	0	60	100
Attracted by incentives for prompt payment	60	100	0	0

Multiple response

Source: Primary data

From the table 4.4.20 it could be seen that all the farmers states that the reason for full repayment of loan is to take another loan and also to maintain credibility and to avail the incentives for prompt payment .Under KCC scheme, for prompt payment interest subvention is also provided under the scheme. So in order to get the interest subvention farmers always repay the loan amount on time. 70 per cent of respondents agree for proper supervision by bank .And only 20 per cent of farmers agrees to the reason for prompt payment is due to the availability of sufficient income from agriculture. Only 20 per cent agrees for the reason that sufficient income from other sources and there were no respondents agree for the reason of smaller installments.

4.4.21 Source of repayment

Table 4.4.21 Source of repayment

n=60

Source of repayment	Yes		No	
	No. of respondents	Percent	No. of respondents	Percent
personal savings	42	70	18	30
farm income	48	80	12	20
loan from institutional sources	41	68	19	32
sale of assets	17	28	43	72
loan from informal sources	60	100	0	0

Source: Primary data

In the study conducted, it was observed that all the respondents agree that their main source of repayment is loan from informal sources. And it could be understood that farm income, personal savings and loan from institutional sources are also other source of repayment. Only 28 per cent agrees that their source of repayment is from sale of asset. From the results it could be understood that farmers major source of income is not from agriculture they are also depending upon the informal sources for their repayment and it is against the objective of the scheme

4.5 CONSTRAINTS FACED BY KCC HOLDERS IN THE SCHEME

4.5.22 Constraints faced by farmers in repayment of loan

Table 4.5.22 Constraints faced by farmers in repayment of loan

n=60

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Score	Index	Rank
Crop failure	209	36	26	0	0	271	90.33	V
Low price for agriculture produce	225	44	12	0	0	281	93.67	II
High cost of inputs	212	42	19	0	0	273	91.00	IV
Heavy farm expenses	70	128	52	0	0	250	83.33	VII
Less agriculture income	209	68	0	0	0	277	92.33	III
High family expense	90	164	0	0	0	254	84.67	VI
Low scale of finance	235	52	0	0	0	287	95.67	I
High interest rate	0	0	36	58	10	104	34.67	X
Belated disbursement of loans	0	0	42	78	6	126	42.00	IX
Heavy burden of loans of the informal sources	0	172	69	0	0	241	80.33	VIII
Lack of corporation by bank staffs	0	0	0	74	23	97	32.33	XI

Source: Primary data

The major constraints which is experienced or faced by farmers in repayment of loan is low price for agriculture produce, low scale of finance and also heavy farm expenses. For the repayment it is very important to have sufficient income, but for the sample of respondents they are not getting enough price for agricultural produce and also due low scale of finance which is allowed from bank they are not able to afford the increasing farm expenses. Crop failure is another main constraint faced by farmers. Due to flood, drought etc., the farmers lost their crop and they face a difficulty in repayment of loan. Another reason such as increasing family expenses and heavy

burden of loans from the informal sources is also contributing to constraints for repayment of loan. And respondents have favourable opinion towards interest rate which is fixed by bank authorities and they have positive opinion regarding the disbursement of loan and corporation by bank staffs.

4.5.23 Constraints faced by farmers in availing loan

Table 4.5.23 Constraints faced by farmers in availing loan

n=60

Constraints	Ranking from 1-7 based on severity of the problem						
	1	2	3	4	5	6	7
Cumbersome process of getting loan	0	10	19	31	0	0	0
non availability of sufficient loan	37	13	10	0	0	0	0
Difficulties in obtaining record from Government offices	0	0	0	0	36	0	24
lack of knowledge of regulations	13	17	0	29	0	0	1
lack of awareness regarding the loan details	10	19	31	0	0	0	0
low subsidy	0	0	0	0	0	23	37
high rate of interest	0	0	0	0	24	36	0

Table 4.5.24 Percent position and Garret score of constraints

Rank	Formula	Percent position	Garret value
1	$100*(1-0.5)/7$	7.142857143	79
2	$100*(2-0.5)/7$	21.42857143	66
3	$100*(3-0.5)/7$	35.71428571	57
4	$100*(4-0.5)/7$	50	50
5	$100*(5-0.5)/7$	64.28571429	43
6	$100*(6-0.5)/7$	78.57142857	38
7	$100*(7-0.5)/7$	92.85714286	22

Table 4.5.25 Ranking according to the score obtained by multiplying with Garret value.

N=60 R=7	1*79	2*66	3*57	4*50	5*43	6*38	7*22	Sum	Average score	Rank
Cumbersome process of getting loan	0	660	1083	1550	0	0	0	3293	54.88333	IV
non availability of sufficient loan	2923	858	570	0	0	0	0	4351	72.51667	I
Difficulties in obtaining record from Government offices	0	0	0	0	1548	0	528	2076	34.6	VI
lack of knowledge of regulations	1027	1122	0	1450	0	0	22	3621	60.35	III
lack of awareness regarding the loan details	790	1254	1767	0	0	0	0	3811	63.51667	II
low subsidy	0	0	0	0	0	874	814	1688	28.13333	VII
high rate of interest	0	0	0	0	1032	1368	0	2400	40	V

Source: Primary data

In order to understand the actual problems that are facing by farmers in availing the credit under the Kisan Credit Card scheme, the respondents were enquired on the real problems faced by them, and they were asked to rank the problems according to the severity. The non-availability of sufficient loan amount and lack of awareness regarding the loan details and knowledge towards the regulations as per the scheme are the major constraints experienced by the KCC holders in availing the credit. Majority of respondents are not highly educated so they are not having enough knowledge about loan details and regarding the procedures of availing loan. High rate of interest, difficulties in obtaining records from Government offices and low subsidies are other problems which are reported by the respondents in the study area.

4.6 SUGGESTIONS FOR THE IMPROVEMENT OF SCHEME

4.6.26 Suggestions from the KCC holders

Table 4.6.26 Suggestions from the KCC holders

n=60

Suggestions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Score	Index	Rank
The loan should be available at low rate of interest in time by easy process	45	84	60	20	0	209	69.7	IV
The training should be organized regarding knowledge of KCC scheme at farmers field	0	76	123	0	0	199	66.3	V
Proper guidance	45	44	75	30	0	194	64.7	VI
Recovery process should be easy	0	80	75	30	0	185	61.7	VII
Motivation to adopt KCC	50	128	54	0	0	232	77.3	II
Loan should be provided as per need	190	88	0	0	0	278	92.7	I
Feedback of farmers	0	160	60	0	0	220	73.3	III

Source: Primary data

From the table 4.6.24 it is evident that majority of respondents have suggestion regarding scheme is to provide loan as per the needs of farmers. So they can easily cop up with the increasing agriculture expenses and to adopt new technologies in farming. And respondents also suggestion that farmers have to be more motivated in order to adopt KCC scheme and banks have to collect feedback of farmers regarding the scheme in order to understand the needs of farmers. Other suggestions such as training for farmers regarding knowledge of KCC scheme at farmers' fields,

providing proper guidance for farmers and also easy recovery process are other suggestions which are put forward by the respondents under the study.

4.7 RELATIONSHIP BETWEEN DEMOGRAPHIC FACTORS AND EXTENT OF UTILIZATION

In the study in order to identify the factors which are related to the extent of utilization by taking into account the relationship between extent of utilization and variables such as age, gender, education etc. To identify the determinants, Chi-square tool was used and the values are presented in a 2x2 table. If any variables found to be determinant of utilization pattern of KCC holders. The variables considered for determinants along with their table values and level of significance is presented in table.

Null Hypothesis (H₀)

- There is no significant relationship between age and extent of utilisation
- There is no significant relationship between gender and extent of utilisation
- There is no significant relationship between occupation and extent of utilisation
- There is no significant relationship between education and extent of utilisation
- There is no significant relationship between annual income and extent of utilisation
- There is no significant relationship between family size and extent of utilisation
- There is no significant relationship between size of landholdings and extent of utilisation
- There is no significant relationship between farming experience and extent of utilisation
- There is no significant relationship between joining of KCC and extent of utilisation

Alternate Hypothesis (H₁)

- There is significant relationship between age and extent of utilisation

- There is significant relationship between gender and extent of utilisation
- There is significant relationship between occupation and extent of utilisation
- There is significant relationship between education and extent of utilisation
- There is significant relationship between annual income and extent of utilisation
- There is significant relationship between family size and extent of utilisation
- There is significant relationship between size of landholdings and extent of utilisation
- There is significant relationship between farming experience and extent of utilisation
- There is significant relationship between joining of KCC and extent of utilisation

Table 4.7.27 Relationship between demographic factors and Extent of utilization

n=60

SI.NO	Variables	Extent of utilisation		χ^2	p-value
		Fully utilised	Partially utilised		
1	Age				
	21-40 years (Young)	1	1	2.076	0.354
	41-60 years(Middle Age)	34	5		
	Above 60 Years(Old Age)	16	3		
2	Gender				
	Male	39	7	0.007	0.932
	Female	12	2		
3	Occupation				
	Agriculture as main	39	9	2.647	0.104
	Agriculture as subsidiary	12	0		
4	Education				
	Primary	17	3	2.309	0.511
	Secondary	31	5		
	Graduate	1	1		
	Post Graduate	2	0		
5	Annual income				
	Less than 5 Lacks	39	8	0.695	0.404
	5-10 Lacks	12	1		

6	Family Size				
	Less than 4	12	2	0.007	0.932
	4 to 8 members	39	7		
7	Size of landholdings				
	Marginal(<1ha)	39	4	4.487	0.106
	Small(1-2ha)	9	3		
	Semi-medium(2-4 ha)	3	2		
8	Farming Experience				
	Less than 5 years	4	0	3.705	0.447
	6-10 years	4	0		
	11-15 years	10	2		
	16-20 years	23	3		
	Above 20 years	10	4		
9	Joining of KCC				
	Less than 6 months	4	0	1.83	0.608
	1 to 2 years	3	1		
	2 to 4 years	32	7		
	More than 4 years	12	1		

Source: Primary data

From the table 4.7.27, the Chi-square value calculated for various demographic factors at $P \leq 0.05$ level. From the table, for all the demographic factors P value is greater than 0.05 and null hypothesis (H_0) for all the factors should be accepted. Hence, it could be inferred that there is no significant relationship between age, gender, education, annual income, size of landholdings, occupation, family size, joining of KCC with the utilisation of credit by KCC holders.

Chapter V
***SUMMARY OF FINDINGS, SUGGETIONS AND
CONCLUSION***

Chapter-V

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 Introduction

Given the enormity of credit requirements on the one hand and vagaries of nature on the other hand, financing for agriculture has always been a gigantic task for banks. The access to institutional credit for a large number of farmers continued to be a challenge to the banking industry. Kisan credit card within short span of time has established itself as fairly popular credit product among the farming community. It is expected that this would help the farmers have easy and timely access to much desired institutional credit. In this backdrop, the present study is taken with the following objectives:

- To examine credit utilisation pattern of KCC users of SBI Pattikkad branch.
- To study the repayment behaviour of KCC users of SBI Pattikkad branch.
- To examine the constraints encountered by the KCC users of SBI Pattikkad branch.

A survey has been conducted using a structured interview schedule among 60 KCC holders of SBI Pattikkad branch. And the analysis has been done using the statistical tools such as percentage, index method and garret ranking

5.2 MAJOR FINDINGS

1. Socio-economic profile

- Majority of the Kisan Credit Card users in SBI Pattikkad branch are comes under the age group of 40 to 60(65 percent) were in the age group of above 50 and only 3.33 percent belongs to the age group of less than 30. This shows that aged people are more interested in doing agriculture. This may be also due to ownership of the land is mainly with the oldest member of family and hence, naturally they will holding the KCC

- Majority of the respondents are male i.e.77 percent whereas women credit holders are only 23 per cent. It may be understood that women are not so popular in the state in proportion to their educational and social status.
- Majority of the respondents have only secondary level education. And there were no illiterates but the educational status of respondents is very low.
- Majority of cardholders are doing agriculture as their main occupation. The rest 20 per cent undertake agriculture as subsidiary source of income.
- It is observed that the 78 per cent of KCC holders of SBI Pattikkad branch are found to have an annual income slab of less than 5 Lakhs, 22 per cent of the KCC holders were earning monthly income in the range of 5 to 10 lacks and there were no KCC holders who have income more than 10 lack.
- Seventy seven percent of the KCC holders have family members between 4 to 8 members. Rest 23 per cent have family members less than 4. And there were no KCC holders who have more than 8 members in their family.
- Most of the KCC holders were belongs to the category of marginal farmers as a result, based on size of land holdings, scale of finance, cropping pattern, the farmers are getting only small amounts of loan through KCC. Hence majority of farmers moves from KCC scheme to Agricultural Gold Loan Scheme and draw maximum amount of money as per their requirement by pledging gold at 7 per cent of interest rate.
- It is observed that most of the farmers who are having KCC are banana cultivators.
- Majority of the farmers have farming experience between 16 to 20 years.
- It is found that 65 per cent of card holders have Kisan credit card between 2 to 4 years.

2. Utilisation Pattern of KCC users

- Regarding utilization of loan amount by KCC holders majority i.e.78 percent of KCC holders utilised the scheme for agriculture purpose. It is found that most of the majority of farmers utilised the loan amount for the purpose envisaged under the scheme.
- It is found that all the KCC holders availed their credit in lump sum. Respondents prefer to be withdraw their credit in one go.

- All the respondents shown negative attitude towards loan amount sanctioned from the bank. It is observed that all the respondents have opinion that loan amount is not sufficient and to meet their credit needs they have to approach other banks and money lenders.
- Majority of the KCC holders have the opinion that their purpose is not fulfilled with the sanctioned amount from the bank.
- Regarding the extent of utilization of the credit amount sanctioned from the bank majority (85 per cent) of the respondents fully utilised the loan amount and only 15 per cent were partially utilised or diverted the loan amount.
- It is found that majority of KCC holders states their reason for fully utilization of loan amount is due to the high agriculture expenses and their expectation of good yield.
- Regarding the misutilisation or diversion of loan amount majority of KCC holders states the reason that the reason for diversion is clearance of old debts of farmers.

3. Repayment Behaviour of KCC users

- It is found that all the farmers repay the loan amount annually under KCC scheme. Almost all the KCC holders find easy to repay the loan amount annually.
- Regarding the repayment of loan amount under KCC scheme all the sample of respondents repaid the loan on time.
- It is found that major reason behind the fully repayment of loan amount on time is due to maintain credibility with the bank and to avail the incentives for the prompt payment. So interest subvention plays a major role in the prompt repayment of loan amount.
- Most of the farmers opinioned that their main source of income for the repayment is loan from informal sources. And other sources such as farm income, personal savings and loan from institutional sources are also other source of repayment.

4. Constraints faced by KCC users

- Regarding the constraints faced by farmers in repayment of loan is low price for agriculture produce, low scale of finance and heavy farm expenses. For the repayment it is very important to have sufficient income, but for the sample of respondents they are not getting enough price for agricultural produce and also due low scale of finance which is allowed from bank they are not able to afford the increasing farm expenses. Crop failure is another main constraint faced by farmers. Due to flood, drought etc., the farmers lost their crop and they face a difficulty in repayment of loan. Another reason

such as increasing family expenses and heavy burden of loans from the informal sources is also contributing to constraints for repayment of loan.

- It is observed that most of the KCC holders experienced the constraints such non-availability of sufficient loan amount and lack of awareness regarding the loan details and also the lack of knowledge towards the regulations as per the scheme. Majority of respondents are not highly educated so they are not having enough knowledge about loan details and regarding the procedures of availing loan. High rate of interest, difficulties in obtaining records from Government offices and low subsidies are other problems which are reported by the respondents in the study area.
- It is found that majority of the KCC holders put up their suggestion to provide loan as per the needs of the farmers, and farmers have to be more motivated and necessary training should be provided for the farmers regarding the utilization of the KCC scheme.
- It is found that there is no relationship between the demographic factors and utilization of the credit amount.

5.3 SUGGESTIONS

- Close supervision and continuous follow up before and after credit disbursement brings its own positive impact. Therefore, the banks should play key role in follow up procedures in order to know whether the KCC holders are utilizing the loan amount as per the norms of KCC scheme.
- Misutilization of loan affects the repayment performance of borrowers. This might arise due to social, personal and cultural problems to use the loan totally or partially for unintended purpose. Therefore, the trend should be changed by employing different awareness raising activities such as trainings and experience sharing. So that they can able to use the loan properly and they repay the loan in time.
- The moneylenders/commission agents plays a crucial role in financing the farmer. The scope of KCC needs to be expanded further to create more farmers friendly environment so as to shift more farmers from informal to formal sources.
- From the study it was revealed that most of the farmers major source of repayment is loan from the informal sources and they have the opinion that they are not getting enough loan

amount in order meet their credit needs. So the bank have to increase the sanctioning limit in order to cover the meet the needs of the farmers.

- The branches could organize Kisan card camps to educate the farmers about the scheme by conducting series of financial literacy classes, credit counselling classes so as to enforce financial discipline to the KCC holders.

5.4 CONCLUSION

Sustainable development of agriculture is very important for acceleration of the Indian economy. Agriculture development is influenced by several factors like irrigation, market, infrastructure and credit. Out of these factors, credit is a crucial input for sustainable agriculture development. Government of India have initiated several steps to address this, Kisan Credit Card Scheme is one among them.

From the the study it is revealed that the most of the farmers utilization of the loan amount is for productive purpose but some of them are also diverted for unproductive purpose which is against the norms of Kisan Credit Card. But in the case of the repayment status of the farmers, it shows a positive results, because most of them depend upon the other source of repayment such as moneylenders and it is against the main objective of the KCC scheme. So the banks have to take necessary remedies in order to enhance the sanctioning limit under the scheme. And it will help the banks to enhance the satisfaction of credit holders and the objectives of the scheme can be satisfied and the farmers can also be avoid the dependence on the cutthroat moneylenders.



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APPENDIX

**THE STUDY ON UTILISATION PATTERN AND REPAYMENT BEHAVIOUR OF
KISAN CREDIT CARD USERS WITH SPECIAL REFERENCE TO SBI PATTIKKAD
BRANCH**

INTERVIEW SCHEDULE FOR FARMERS

(Academic purpose only)

1. Age:

20-40 years	40-60 years	Above 60 years

2. Gender

Male	Female

3. Educational Qualification:

Illiterate	Primary	Secondary	Graduate	Post graduate

4. Occupation:

Agriculture as main	Agriculture as subsidiary

5. Annual income:

Less than 5 Lacks	5-10 Lacks	Above 10 Lacks

6. Family Size

Less than 4	4 to 8 members	More than 8 members

7. Family details

Sl. No.	Family Members	Age	Gender	Educational Qualification	Occupation	Monthly income

8. Size of landholdings:

Marginal(<1 ha)	Small(1-2ha)	Semi-Medium(2-4ha)	Medium(4-10ha)	Large(>10ha)

9. Cropping pattern:

Crops	Area under cultivation

10. Farming Experience:

Less than 5 years	6-10 years	11-15 years	16-20 years	Above 20 years

11. How long have been you using the credit card?

Less than 6 months	1 to 2 Years	2 to 4 Years	More than 4 Years

12. Purpose for which the credit is utilized:

a)Agricultural expansion	
b)Allied activity	
c)Agriculture and Business	
d) Other activities(if any)	

13. Aare you provided any security for the credit availed under KCC scheme?

Yes	No

14. If yes, what is the security for credit?

15. What is the interest rate imposed by the bank for the credit?

16. How you availed the credit?

Lump sum	Installments

17. Whether the total loan amount received was sufficient?

Yes	No

18. How did you manage your total project outlay?

Credit acquisition sources	Amt.
a) KCC	
b) Personal Savings	
c) Borrowed funds from friends/relatives	
d) Loans from other agencies	
e) Local money lenders	
f) Other(Please specify) _____	
Total	

19. Whether intended purpose of loan is fulfilled?

Yes	No

20. Extent of utilization

Fully Utilised	Partially utilized	Not utilised

a. Reason for full utilization of credit amount

Sl.No.	Statements	Yes	No
1	Availability of loan amount on time		
2	Expectation of good yield		
3	Strict monitoring mechanism		
4	Less unexpected expenses		
5	Other reasons		

b. Reason for diversion or misutilization of credit

Sl.No.	Statements	Yes	No
1	Drought or monsoon failure		
2	Delay in getting loans		
3	Clearance of old debts		
4	Unexpected family expenses		
5	Social ceremonies		
6	Other reasons		

21. Schedule of repayment of loan

Monthly	Quarterly	Half Yearly	Annual

22. Extent of repayment

Fully Repaid	Partly Repaid	Not Repaid

a. Reason For full repayment

Sl.No.	Statements	Yes	No
1	To take another loan		
2	To maintain credibility		
3	Income from agriculture		
4	Proper supervision by bank		
5	Sufficient income from other source		
6	Smaller installments		
7	Attracted by incentives for prompt payment		
8	Others		

b. Reasons for partial/non repayment of loan

Sl.No.	Statements	Yes	No
1	Insufficient income		
2	Non remunerative price for agricultural produces		
3	Heavy consumption expenses		
4	Unexpected expenses		
5	Expecting debt waiver and debt relief		
6	Others		

c. Source for repayment

Sl.No.	Statements	Yes	No
1	Personal Savings		
2	Farm income		
3	Loan from institutional sources		

4	Sale of assets		
5	Loans from informal sources		
6	Others		

d. What are the constraints faced by you to pay back the loan amount?

Sl.no	Difficulties of farmer to payback loan amount	SA	A	N	DA	SDA
1	Crop failure					
2	Low price for agriculture produce					
3	High cost of inputs					
4	Heavy farm expense					
5	Less agricultural income					
6	High family expenses					
7	Low scale of finance					
8	High interest rate					
9	Belated disbursement of loans					
10	Heavy burden of loans of the informal sources					
11	Lack of corporation by bank staffs					

(SA- Strongly Agree, A-Agree, N-Neutral ,DA- Disagree, SDA-Strongly disagree)

23. What are the Constraints faced by you in availing credit under this scheme?

Sl.no.	Constraints	Rank
1	Cumbersome process of getting loan	
2	Non availability of sufficient loan	
3	Difficulties in obtaining record from Government offices	
4	Lack of knowledge of regulations	
5	Lack of awareness regarding the loan details	
6	Low subsidy	
7	High rates of interest	
8	Others	

24. Suggestions for improving KCC Schemes

Sl.no.	Suggestions	SA	A	N	DA	SDA
1	The loan should be available at low rate of interest in time by easy process					
2	The training should be organized regarding knowledge of KCC scheme at farmers field					

3	The proper guidance should be given through organization personnel regarding KCC on time					
4	The recovery process should be easy.					
5	The motivation should be given to adopt KCC scheme to other farmers					
6	There should be easy process for banking					
7	The loan should be provide as per the need of farmers in KCC scheme at particular time					
8	Feedback of farmers					

(SA- Strongly Agree, A-Agree, N-Neutral, DA- Disagree, SDA-Strongly disagree)

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