

Study of Impact and Constraints Experienced in Implementing KCC Scheme in Guntur District of Andhra Pradesh

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ABSTRACT

The paper attempts to know the impact of KCC scheme on farmers and constraints in adoption of KCC scheme. The investigation was carried out during the year 2013-14 in three selected mandals based on the highest priority sector lendings from different banks in Guntur district with 80 KCC holders, 80 non KCC holders and 15 bank managers of commercial banks, Co-operative banks and RRB banks were selected. The results revealed that savings in annual renewal cost and hassel free borrowing were having positive impact on KCCs. The operational flexibility and adequacy of credit showed negative impact on KCCs. Most of the KCC beneficiary farmers have reported that the insufficient credit limit as the major problem. The non-beneficiary farmers reported difficulty in opening a bank account as KCC scheme credit account. The constraints faced by the bankers in adopting KCC scheme was clearly observed that lower recovery percentage is the major problem.

Key words: Andhra Pradesh, Constraints, Impact, KCC, Logit.

Credit plays an accelerator role in the agricultural development, if it is adequate in quantity, cheap and timely provided. (Galbraith, 1952 and Schultz, 1964). Financing for agriculture has been a gigantic task for banks in India. Ensuring timeliness and adequacy of credit to farmers have posed the most serious challenging task for banks while financing to the agricultural sector.

One of the objectives of credit policy is to minimize the role of non-institutional sources mainly money lenders in the flow of agricultural credit. The interest rate charged by the money lenders varied across the states but remained high in all the states as compared to that charged by the institutional agencies. The effective monthly interest rate charged by them was about 5 per cent to more than 100 per cent (Robinson, 2001). About 60 per cent of the credit requirement of farmers is now met by the institutional sources and the remaining 40 per cent by the informal sources like money lenders who charge higher interest rates. (Rao, 2003).

To provide adequate and timely credit support from the banking system to the farmers for their cultivation needs Kisan Credit Card scheme (KCCs) is being introduced for crop loans. KCC scheme is a landmark in the history of rural credit in India (Udaykumar and Thattil, 2001). This scheme has facilitated the availability of credit in time and has simplified the procedure for availing the loan from banks to a large extent (Nahatkar *et al.* 2002). Hence the study has undertaken to study the impact of KCC on farmers and constraints faced by the KCC holders and banks in Guntur district of the Andhra Pradesh.

MATERIAL AND METHODS

Logit Model:

The impact of KCCS would be studied by comparing various beneficial parameters between KCC holders and non KCC holders (control group). The impact can estimate by fitting, binary logistic regression, it is a type of regression analysis where the dependent variable is a dummy variable (coded 0, 1). The logistic regression model

$$\ln[p/(1-p)] = a + BX + e$$

or

$$[p/(1-p)] = \exp(a + BX + e)$$

Where,

ln is the natural logarithm, \log_{\exp} ,
where $\exp=2.71828$

a is the coefficient on the constant term,

B is the coefficient(s) on the independent variable(s),

X is the independent variable(s)

X1 = Savings in annual renewal cost

X2 = Timely availability of credit

X3 = Hassel free borrowing

X4 = Reduced cost of accessing credit

X5 = Operational flexibility

X6 = Adequacy of credit

e is the error term.

p is the probability that the event *Y* (dependent variable) occurs, *p* (*Y*=1, KCC holder, 0 other wise)

p/*(1-p)* is the "odds ratio"

$\ln[p/(1-p)]$ is the log odds ratio, or "logit"

Garret ranking:

To capture comprehensively the constraints faced by loany, non loany farmers and bankers 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 farmer

N_j = Number of items ranked by j th farmer

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 factors were ranked, following the decision criterion that higher the value the more important in order of livelihood. Bista *et al.* (2012), Sandya, (2011), Kathirvela and Vimalagracy, (2012) used this technique for their research work.

RESULTS AND DISCUSSIONS**IMPACT OF KCCS ON SAMPLE RESPONDENTS**

The Binary Logistic Model was used to determine the effect of the explanatory variables on sample farmers which are having KCC. The dependent variable was a binary variable representing the KCC holder (1) and Otherwise (0). The explanatory variables include savings in annual renewal cost, timely availability of credit, hassle free borrowing, and reduction cost of accessing credit, operational flexibility and adequacy of credit.

Table 1 shows that savings in annual renewal cost and hassel free borrowing were having positive impact on KCCs. This implies that in KCC scheme the card is valid for five years so that it minimizes the documentation and processing charges and there is no cumbersome in case of lending process. The KCC scheme has played significant role in the institutional credit scenario by providing credit facilities to the farmers in a hassel free manner Sarkar and Barman (2014). It has reduced the dependency of farmers on professional money lenders who charged very exorbitant rate of interest. The operational flexibility and adequacy of credit showed negative impact on KCCs. This implied that the credit provided under KCC scheme

was insufficient mainly in case of commercial crops like chilli and turmeric in the study area Harpreet (2004) opined about 73 per cent KCC beneficiaries have been found exploring other sources of credit in Ludhiana region of Punjab due to inadequacy of credit. Regarding operational flexibility the bank provide credit at issuing branch only. In case of illiterate farmers they not allowed to access the credit at other branches of issuing bank in the study area.

Thus the banks should reconsider the cropping pattern and cultivation expenses to enhance the credit limit to particular crops and to allow the flexibility to the farmers for with drawal of cash at various branches of the issuing bank particularly those located in semi urban or urban areas to facilitate easy availability of cash for purchase of agri-inputs like fertilizers and pesticides.

CONSTRAINTS IN ADOPTION OF KCC SCHEME

The constraints faced by farmers and bankers in the adoption of KCC scheme have been ranked using Garrett's ranking technique and the analytical findings are presented in tables 2 to 4.

In the table 2, it was clearly observed that the sample farmers under KCC identified various constraints like insufficient credit limit, awareness about use KCC as a cash credit, inflexible use of withdrawals, loan not available on time, lengthy paper work, high interest rate, difficulty in opening bank account, inflexible use of branch, lack of consumption loan, location difficulty. Most of the KCC beneficiary sample farmers have reported that the insufficient credit limit as the major problem followed by awareness about use KCC as a cash credit, inflexible use of withdrawals, loan not available on time, lengthy paper work, and high interest rate were the major problems reported by the respondents in the study area.

In the table 3, it was clearly observed that the sample farmers under Non- KCC category identified various constraints like difficulty in opening bank account, easy access to non institutional loan, insufficient credit limit, fear of being a defaulter, lack of awareness about KCC, lack of motivation from officials, bad experience of peer groups, no need of institutional sources. The non-beneficiary farmers reported difficulty in opening a bank account as KCC scheme credit account due to lack of proper documents and pattadhar pass books issued by the government departments as the most pressing problem, followed by easy access to non-institutional loan, insufficient credit limit, fear of being a defaulter, lack of awareness about the benefits of and lack of motivation by the officials. Similar findings were observed by Bista *et al.* (2012).

Table 1: Parameter estimates of logistic regression

Explanatory variables	Co-efficient	Standard error
Savings in annual renewal cost	4.386**	1.633
Timely availability of credit	1.227	1.496
Hassel free borrowing	3.751*	1.647
Reduced cost of accessing credit	0.793	0.919
Operational flexibility	-3.536*	1.412
Adequacy of credit	-1.549	1.068
Constant	-11.076	6.672
Chi- squared	203.872	
Log- likely hood	17.935	
R ²	0.720	

*Significant at 5 % level, ** Significant at 1 % level.

Table 2: Constraints in adoption of KCC scheme as perceived by beneficiary farmers in Guntur district

S. No	Particulars	Total	Mean	Rank
		Score	Score	
1	Insufficient credit limit	1090	13.62	I
2	Awareness about use KCC as a cash credit	1850	23.12	II
3	Inflexible use of withdrawals	2620	32.75	III
4	Loan not available on time	3320	41.5	IV
5	Lengthy paper work	3340	41.75	V
6	High interest rate	4400	55.00	VI
7	Difficulty in opening bank account	4900	61.25	VII
8	Inflexible use of branch	5290	66.12	VIII
9	Lack of consumption loan	5620	70.25	IX
10	Location difficulty	7540	94.25	X

Table 3: Constraints in adoption of KCC scheme as perceived by Non- beneficiary farmers

S. No.	Particulars	Total score	Mean Score	Rank
1	Difficulty in opening bank account	2675.0	33.430	I
2	Easy access to non institutional loan	2950.0	36.875	II
3	Insufficient credit limit	3037.5	37.960	III
4	Fear of being a defaulter	3650.0	45.625	IV
5	Lack of awareness about KCC	3737.5	46.710	V
6	Lack of motivation from officials	4637.5	57.960	VI
7	Bad experience of peer groups	5450.0	68.120	VII
8	No need of institutional sources	5787.5	72.340	VIII

Table 4: Constraints in adoption of KCC scheme as perceived by Bankers

S. No.	Particulars	Total	Mean	Rank
		score	Score	
1	Recovery percentage	270	45.0	I
2	Time taken to sanction the loan	330	55.0	II
3	Attitude of the borrower	530	88.3	III
4	Procedure followed for issuing KCC	650	108.3	IV
5	Accessibility to the branch	910	151.6	V

Source: Field Survey data

The constraints faced by the bankers in adopting KCC scheme are presented in the table 4. It was clearly observed that the bankers identified the recovery percentage is the major problem (reducing it from 80%-90% to 20%) because of the debt waiver announced by the political parties followed by time taken to sanction the loan (especially in co-operative banks, the Secretary of PACS after receiving an application along with the certificate from VRO containing the survey number etc, in respect of the land of the farmers awaits for other farmers to prepare a Normal Credit Limit Application to be submitted to the DCCB. Once he prepares the same for all the eligible farmers in the village/s he submits the same to the DCCB. The DCCB sanctions the same in the light of the resource available with them and the eligibility of the PACS), attitude of the borrower, procedure followed for issuing KCC and accessibility to the branch.

CONCLUSION

Thus it is necessary to increase the existing credit limit under KCC to meet the credit needs of farmers for production process. Similarly incorporation of consumption loan along with crop loan, provision of ATM facility and flexibility in the use of bank branches could attract more farmers towards the scheme. To bring large number of rural farmers under the scheme reduction in the existing rate of interest, the process of opening bank accounts should be simplified. This can be facilitated by organizing village campaigns for the issuance of KCCs. Efforts should be made to enhance awareness about the scheme and its benefits. Also regular motivation from the bank officials would develop confidence among the farmers about the scheme. Application of computers and capacity enhancing of bank staff could help in this aspect.

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