

Economic evaluation of Kisan Credit Card scheme for sugarcane crop in Kolhapur district of Maharashtra*

The announcement relating to the introduction of Kisan Credit Card scheme was made by the Union Finance Minister during the budget speech for the year 1998-99. NABARD formulated a Kisan Credit Card scheme for uniform adoption by the banks so that the farmers may use the card to readily purchase agriculture inputs and to draw cash for their production needs. The model scheme was circulated to Commercial Banks, Co-operative Banks and Regional Rural Banks in August 1998. Now about ten years (since-1998-99) are over since the introduction of this innovative scheme. Hence, the present study was conducted with the objectives to study the growth in the number of Kisan Credit Card (KCC) users and analyse the cost of credit and the adequacy of credit provided under KCC in comparison with credit without KCC.

Kolhapur district of Maharashtra was purposively selected as the number of KCCs issued in this district was high. The year

wise secondary data on the number of KCC issued and the amount disbursed through KCC in the district was obtained from the district lead banks "Bank of India" and used to analyse the growth in the number of KCCs in the study area. From each branch, 10 small farmers (less than 2 ha), 10 medium farmers (2.01 ha to 4 ha) and 10 large farmers (above 4 ha), who were KCC holders were randomly selected. The corresponding numbers of farmer borrowers in each of these categories who were not KCC holders were also selected for comparison purpose. Thus, the study was based on the information obtained from 60 KCC and 60 non-KCC borrowers spread in one district in Maharashtra. Primary data relating to borrowing, repayments, interest and cost of borrowing, etc. were collected from selected borrowers using a pre-tested and well structured schedule. The data pertained to the crop year 2010-11. Growth rate analysis was used to study the growth in the number of KCC users. Tabular analysis was employed to analyse the cost of credit and the adequacy of credit provided under KCC in comparison with credit without KCC.

The agency-wise status of KCCs issued in India is presented in Table 1. It reveals that out of the total KCCs issued at all India level, the commercial banks have issued 461.99 lakh KCCs (44.50%) where as the cooperative banks and regional rural banks have issued 418.83 and 157.32 lakh KCCs (40.34 and 15.15%), respectively. In the year 1999-2000, the share of co-operative banks in total KCC issued was 70 per cent as they had more branches at the village level. In contrast to this, commercial banks had a share of only 26.61 per cent as they had more urban based borrowers. In the year 2008-09, the share of co-operative banks in the total number of KCCs issued decreased to 22.49 per cent as increased expansion of commercial bank branches was seen at rural areas, which increased

Table 1. Agency-wise status of KCC issued in India (in lakhs)

Year	Cooperative banks	RRBs	Commercial banks	Total
1998-99	1.56 (19.90)	0.06 (0.77)	6.22 (79.34)	7.84 (100.00)
1999-00	35.95 (70.02)	1.73 (3.37)	13.66 (26.61)	51.34 (100.00)
2000-01	56.14 (64.89)	6.48 (7.49)	23.90 (27.62)	86.52 (100.00)
2001-02	54.36 (58.20)	8.34 (8.93)	30.71 (32.88)	93.41 (100.00)
2002-03	45.79 (55.55)	9.64 (11.69)	27.00 (32.76)	82.43 (100.00)
2003-04	48.78 (52.76)	12.74 (13.78)	30.94 (33.46)	92.46 (100.00)
2004-05	35.56 (36.74)	17.29 (17.86)	43.95 (45.40)	96.80 (100.00)
2005-06	25.98 (32.43)	12.49 (15.59)	41.65 (51.98)	80.12 (100.00)
2006-07	22.97 (26.99)	14.06 (16.52)	48.08 (56.49)	85.11 (100.00)
2007-08	20.91 (24.69)	17.73 (20.93)	46.06 (54.38)	84.70 (100.00)
2008-09	10.63 (22.49)	12.06 (25.52)	24.57 (51.99)	47.26 (100.00)
2009-10	17.70 (28.57)	13.50 (21.79)	30.75 (49.64)	61.95 (100.00)
2010-11	20.00 (22.99)	18.50 (21.26)	48.50 (55.75)	87.00 (100.00)
2011-12#	22.50 (27.71)	12.70 (15.64)	46.00 (56.65)	81.20 (100.00)
Total	418.83 (40.34)	157.32 (15.15)	461.99 (44.50)	1038.14 (100.00)
CGR(%) pa	3.6120	26.7583**	10.2699**	6.3883

Source: *Economic Survey*, GOI.2011-2012. p.102

Up to Feb. 28, 2012

*Significant at 5 per cent **Significant at 1 per cent

Note: Figures in parentheses are percentages to annual total

Table 2. Status of KCC in Maharashtra state (in lakhs)

Year	Maharashtra
1999-2000	4.09
2000-01	16.87
2001-02	9.15
2002-03	8.43
2003-04	3.00
2004-05	5.90
2005-06	7.78
2006-07	11.31
2007-08	64.24
2008-09	72.87
2009-10	77.78
2010-11	38.00
Total	215.27
CGR (%) pa	7.7403*

*Significant at 5 per cent

**Significant at 1 per cent

Source: www.indiastat.com

Table 3. Status of Kisan Credit Cards (KCC) in the study area

District	2010-11		2011-12		Per cent change	
	KCC issued	Amount sanctioned (in lakhs `)	KCC issued	Amount sanctioned (in lakhs `)	KCC issued	Amount sanctioned (in lakhs `)
Kolhapur	56712	9312	327118	86947	82.66	89.29

competition between co-operative banks and commercial banks and led to increased share of commercial banks in KCC issued (51.98 %). The growth in KCCs issued by the Regional Rural Banks was phenomenal (3.37% in 1999-2000 to 15.64% in 2011-12), which led to high compound growth rate of 26.75 per cent per annum while it was 3.61 per cent in the case of co-operative banks and 10.26 per cent in commercial banks. The compound growth rate of KCC issued in Maharashtra (Table 2) was 7.74 per cent per annum as there was a consistent growth in KCC issued. In the year 1999-2000, the number of KCCs issued in Maharashtra was 4.09 lakh. In 2010-11, the KCC issued in the states increased to 38 lakh, as the Government made it compulsory to provide crop loan through KCC but still many of the banks did not follow this.

As far as the study area was concerned (Table 3), in the Kolhapur district there was positive growth in the number of KCC issued and the amount sanctioned was found to be positive. Loganathan (2008) analysed KCC scheme and came out with similar results.

The percentage of the total non-interest cost (NIC) of credit to loan amount borrowed (Table 4) was slightly higher in the case of small farmers as compared to that in the case of medium in case of KCC and in non-KCC large farmer have higher NIC than small and medium farmer categories. This implied that for getting a loan of ` 100, small farmer had incurred ` 6 as non-interest cost which was higher than that for medium farmers (` 5)

under KCC category. This was because the number of documents required to get a loan remains same irrespective of the amount borrowed. The average of non-interest cost as percentage of amount borrowed was found to be higher in non-KCC category (0.63 %) as compared to that for KCC (0.05 %) This implied that farmers from non-KCC category incurred more non interest cost than that by KCC farmers. It may be recalled that KCC once issued is valid for three years and the document produced once will be valid for next three years. Whereas in the non-KCC for every borrowing, the farmers needs to resubmit the documents which involves cost in procuring them. Poddar (1990) found that borrower spend as much as 4 per cent of the loan as non interest cost of borrowing which was high as compared to present study. It was clear that average interest cost for the non-KCC category (` 24072.68) was higher than that under KCC (` 7533.64). The total cost of credit as percentage of amount borrowed was higher in the non-KCC category (12.14 %) as compared to that for KCC borrowers (4.07 %). This implied that for getting hundred rupees loan under non-KCC, the borrower has to incur ` 12 as of credit cost as compared to ` 4 under KCC scheme. The main reason behind high cost under non-KCC was not only high cost of procuring documents repeatedly but also due to the fact that interest is paid by the farmers at the end of year. As against this, in the case of KCC there was revolving cash credit facility by which farmer could draw the money at the time when required (within the limit) and repay whenever

Table 4. Non interest cost of credit for sample respondents

Category of Farmers	Size of Farmers	Average amount borrowed (`)	Cost of trips (`)	Cost of records (`)	Total NIC cost (`)	NIC as Per cent of amount borrowed
Kissan Credit Card	Small	164170.00	55.00	50.00	105.00	0.06
	Medium	196123.00	60.00	40.00	100.00	0.05
	Large	204730.00	75.00	62.50	137.50	0.06
	Average	178340.67	63.33	50.83	114.16	0.05
Non Kissan Credit Card	Small	170768.00	105.00	100.00	205.00	0.12
	Medium	202089.00	180.00	145.00	325.00	0.16
	Large	228960.00	175.00	200.00	375.00	1.63
	Average	2000605.60	153.00	148.30	301.66	0.63

Note: NIC = Non interest cost

Table 5. Credit gap for sugarcane in the study area

Particulars	Size of Farmers	Average cost of cultivation (`)	Average amount sanctioned (`)	Credit gap (`)	Credit gap as per cent of cost of cultivation
Kissan Credit Card	Small	164170	164000	170	0.10
	Medium	196123	196000	123	0.06
	Large	204730	204000	730	0.35
	Average	178341	178000	341	0.19
Non Kissan Credit Card	Small	170768	170000	768	0.45
	Medium	202089	202000	89	0.04
	Large	228960	228000	960	0.42
	Average	200606	200000	606	0.30

he had money which minimized the interest cost of credit. The average amount of total credit cost was ₹ 7647.80 under KCC as against ₹ 24374.35 under non-KCC category. As the size of farm increased the percentage of total credit cost to amount borrowed decreased. Thus, the cost of credit for medium farmers was higher in both KCC and non-KCC. Gumaste *et al.* (1998) worked out the total cost of credit per borrower and it was ₹ 3,054.

To estimate the credit gap under the KCC scheme and without KCC, the average cost of cultivation was taken into consideration and compared with average amount sanctioned by the banks for particular crop. The credit gap under both the KCC and non-KCC was positive for sugarcane which indicated that the credit sanctioned was inadequate in both KCC and non-KCC for sugarcane cultivation. The average credit gap in the non-KCC category was higher (₹ 606.00) as against KCC (₹ 341.00). The average percentage of credit gap to the amount sanctioned was 0.19 per cent in the KCC which was as against

0.30 per cent under non-KCC. The result is similar to Sajane (2011).

The results of the study indicated that the slow growth in number of KCC issued and amount sanctioned in the study area in the last few years might be due to the lack of interest either on the part of farmers or on the part of bankers. More efforts should be made by the banks to reach maximum farmers. The farmers need to be educated and encouraged about this innovative credit delivery system. It is also evident that, the interest paid per every hundred rupee borrowed was much less for KCC borrowers than that for other borrowers. The non-interest cost component of borrowing can be substantially reduced through the KCC scheme since there is no need to resubmit the loan documents for each borrowing as in the case of non-KCC borrowing. The loan documents once submitted will be valid for three years. Hence, the scheme of Kisan Credit Card should be extended to cover all the farmers which will help in reducing interest cost of credit.

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