

**FARMERS' ATTITUDE TOWARDS KISAN CREDIT CARD
SCHEME IN TAMILNADU – A STUDY WITH REFERENCE
TO MADURAI DISTRICT**

*Synopsis submitted to Madurai Kamaraj University in partial fulfilment of the
requirements for the Award of the Degree of*

DOCTOR OF PHILOSOPHY IN COMMERCE

Researcher

R.MANGALAM

(Regn.No.P4214)

Supervisor

Lt.Cdr.Dr.I.NAGARAJAN, M.Com., M.Phil., M.B.A., Ph.D.,

Associate Professor and Head,

PG and Research Department of Commerce,

Thiagarajar College

Madurai



MADURAI KAMARAJ UNIVERSITY

MADURAI-625 021

TAMILNADU

INDIA

MAY - 2019

Synopsis

Farmers' Attitude towards Kisan Credit Card Scheme in Tamilnadu – A Study with reference to Madurai District

Introduction

India remains predominantly an agrarian economy despite tremendous progress made in the field of Industry and services. Agriculture continues to play a pivotal role in Indian economy. Besides being the main source of livelihood and food security for a large majority of Indian population, agriculture remains a key contributor to India's economic development not only by its share of the Gross Domestic Product (GDP), but also a driver of industrial growth by producing critical raw materials and by funneling savings and consumption behaviour on which the sale of many industrial product depends. Rapid growth of agriculture will not only ensure continued food security but also will promote growth in industry and thus boost the GDP.

Agriculture Credit in India

Agriculture Credit is also an integral part of providing a sustainable livelihood for millions of farmers living in rural India. The Government of India has introduced several policy measures to improve the accessibility of farmers to the institutional sources of credit. The impetus of these policies has been on progressive institutionalization for providing timely and ample credit support to all types of farmers with special focus on small and marginal farmers and weaker sections of the society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. The policy emphasizes on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies and rationalization of lending Policies and Procedures. Agricultural credit flow has shown consistent progress every year. Agriculture credit of Rs. 711,621 crore was provided to the farmers exceeding the target of Rs.7,00,000 crore in 2013-14 and in 2014-15, the same trend continued as the agriculture credit flow was Rs. 8,45,328.23 crore against the target of Rs.8,00,000crore. Target for the year 2015-16 was fixed at Rs. 8,50,000 crore and achievement is Rs. 8,77,224 crore. The target for the year 2016-17 has been fixed at Rs. 9,00,000crore and a sum of Rs. 7,55,995.17 crore has been disbursed as agriculture credit during April-September, 2016. ¹

But there has been a continuous decline in the share of agriculture and allied sector in the Gross Value Added (GVA) from 18.2 per cent in 2012-13 to 17.0 per cent in 2015-16 at the then prices. Agricultural economy is the backbone of India where majority of agricultural population lives in villages. Further, a healthy agricultural economy depends on various factors the chief of which is accessibility to institutional credit. Despite considerable efforts taken by the GOI and RBI for supporting agriculture and farmers, India has witnessed an increased rate of farmers' suicide.

Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has released the New Series of National Accounts, which estimates the contribution of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) as 17.4 percent of the GVA during 2014-15 at 2011-12 prices. It was 17 per cent to the country's GVA during 2015-16 at 2011-12 prices. During the financial year 2016-2017, agriculture and allied sectors contributed 14.2 percent of GVA.²

Financing for agriculture has always been a huge task for banks. Over the years, National Bank for Agriculture and Rural Development (NABARD) has taken initiatives to supply adequate credit to farmers, with a view to making the rural finance system more sociable. The financial reforms also highlighted the need for innovative credit interventions from institutional agencies to facilitate farmers. Since controlling the Monsoon which is a natural phenomenon monitored by technological advancements, but efforts are made to improve credit distribution.

In order to meet pressing need for inclusion of rural people in the financial framework, the policy makers introduced and implemented innovative welfare measures to achieve inclusive growth through the development of new financial products such as, Kisan Credit Card, General Purpose Credit Card, No Frills Accounts and the like.

¹ Annual Report 2016-17-Department of Agriculture , Cooperation & Farmers Welfare Ministry of Agriculture & Farmers Welfare Government of India Krishi Bhawan, New Delhi-110 001 p.5.

² Annual Report 2016-17-Department of Agriculture , Cooperation & Farmers Welfare Ministry of Agriculture & Farmers Welfare Government of India Krishi Bhawan, New Delhi-110 001 p1.

The KCC Scheme was started by the Government of India (GOI) in consultation with the RBI and NABARD in August 1998 which provides agricultural credit to farmers at a lower rate of interest. Further, it is needless to state that the successful implementation of any scheme or service depends upon the awareness, knowledge and its effective utilization by the beneficiaries. Low policy implications, lack of awareness, unsatisfactory performance of the implementing agencies are the reasons for the failure of any service or scheme. The present study is a follow-up work to analyze the feedback drawn from farmers who are living in and around Madurai city regarding Kisan Credit Card Scheme.

Under these circumstances an attempt to study and measure the farmers' level of awareness about the scheme is absolutely essential. Further, it is equally important to know the opinion and attitude of farmers towards Kisan Credit Card scheme. The findings of this study will be able to provide a systematic feedback to the financing institutions for boosting up their operational network with respect to KCC and to understand the needs of the farmers. Further, it will help the financing agencies find solutions to maximize the utilization of KCC by the beneficiaries and also enable them to overcome the constraints faced by them.

Statement of the Problem

The access to institutional credit for a large number of farmers—particularly small/marginal farmers continues to be a challenge to the banking industry. The inadequate/non-availability of credit, unnecessary delays, cumbersome procedure and improper practices adopted by institutional lending agencies force the farmers to prefer non-institutional sources of credit for their frequent and pressing needs on higher rate of interest. Provision of timely and adequate credit has been one of the major challenges for banks in India in dispensation of agricultural and rural credit to the farmers. In view of the importance of flow of credit to the rural sector and reduction of the dependence of farmers on non-institutional sources of credit, the KCC Scheme was started by the Government of India (GOI) in consultation with the RBI and NABARD in August 1998 with the objective of providing adequate, timely cost effective and hassle free credit support to farmers. The scheme was implemented across the country in all the states and union territories by the public sector commercial banks, Regional Rural Banks (RRBs) and Co-operative banks. The present study is a follow-up work to analyze the feedback

drawn from farmers who are living in and around Madurai city regarding Kisan Credit Card Scheme. It is hoped that the findings will help to bring necessary changes to make system more successful Thus, to see the importance of agricultural credit to sustainability of farming activities, the present study has been made in the context of Madurai District, Tamilnadu to find out whether or not the present features of Kisan Credit Card Scheme are serving its intended purpose.

Objectives of the Study

The major objective of the study is to investigate the attitude of farmers towards Kisan Credit Card scheme to cope up with the agricultural expenditure.

1. To assess the level of awareness among farmers regarding Kisan Credit Card scheme.
2. To examine the utility pattern of farmers towards Kisan Credit Card
3. To analyze the problems faced by the farmers in obtaining agricultural credit.
4. To measure the level of satisfaction of farmers towards Kisan Credit Card
5. To study the opinion of authorities of cooperative societies in implementing KCC Scheme.
6. To offer the suggestions to policy makers for the up gradation of the KCC Scheme.

Hypotheses of the Study

Based on the objectives framed following hypotheses are constructed:

- Socio-economic factors do not influence default of KCC loan by the sample farmers.
- There is no significant association between socio-personal and economic factors of the respondents and their sources of awareness of KCC Scheme.
- There is no association between the socio-personal and economic factors and their level of awareness on KCC scheme among farmers.
- There is no significant association between socio-personal factors of the respondents and the utilization of KCC loan
- There is no significant relationship between the socio- economic factors and the level of utilization pattern of KCCS.

- There is no significant association between level of awareness and the utility pattern of KCC by the sample farmers.
- There is no significant association between level of satisfaction and the utility pattern of KCC by the sample farmers.
- There is no significant difference between reasons for selecting cooperative society and their level of satisfaction of KCC loan

Significance of the Study

There is a great need for inclusion of rural people in the financial framework to ensure inclusive growth. The rural credit system to fulfil various financial needs of the rural folks or farmers is multi-dimensional. Today KCC is emerged as one of the most convenient banking products for the farmers. Despite the tremendous efforts of the financial institutions and Government of India, it is true and evident that farmers in India whose only livelihood is agriculture suffer a lot chiefly because of uncontrollable factors such as monsoon, environmental challenges, crop failure, price and non-price challenges , which lead to the premature termination of their precious life. Even the controllable factors like debt, private money lenders, high value production, and lack of marketing resources and poor land water management add fuel to fire. The possibility of eliminating at least the man-made uncontrollable factors works at the catalyst to carry out this study “Farmers’ Attitude towards Kisan Credit Card Scheme in Tamilnadu – A Study with reference to Madurai District” to probe whether or not the farmers are backed with strengthened credit policy of the organized financial institutions under the direction of GOI.

Selection of the study area

Madurai District has been chosen purposively as the locale for this study. Madurai is the second most important district in the state of Tamilnadu . Madurai traditionally was an agrarian society where there has been significant progress in Agriculture development. The present study is confined to the selected KCC holders in Madurai District of Tamilnadu.

Research Design

The present study is based on both the primary and secondary data. A well-structured interview schedule was prepared to collect primary data from sample farmers

and Authorities of Cooperative Societies in Madurai District. The secondary data were collected and compiled from both the published and unpublished sources which include Annual credit plan of Canara Bank, the Lead Bank of Madurai District, Statistical Hand book of Madurai District, books and registers available with the Regional Rural Development Bank at Virudhu Nagar and Co-operative Banks in the study area. The other sources include Annual report of NABARD, Books, Journals, Newspapers, Magazines, Periodicals, Research reports, related websites and the like.

Sampling Design

The sampling is carried through multi stage random sampling technique. Madurai District is selected for this study in Tamil Nadu. In the selection of blocks out of 13 blocks in Madurai District which have the farmers who availed KCC were chosen. Out of 13 blocks, 6 blocks were selected for this study on the basis of maximum numbers of KCC issue. Finally 520 KCC holders were selected from each selected Villages by adopting convenient sampling method. Out of selected 6 blocks in PACSsat Madurai District, 50 per cent of the authorities were selected for the study accounting for 105 by proportionate random sampling method.

Construction of tools and pre-test

A pilot study was carried out with 40 respondents. After the pilot study, the interview schedule was updated with suitable modifications, and then the final survey was carried out. The data thus collected was analyzed and interpreted with relevant statistical tools according to the objectives. For analyzing the data, SPSS (statistical package for social sciences) was used. Relevant tools such as percentage analysis, Cross tabulation, chi-square test, Kruskal-Wallis Test, Analysis of Variance, Garrett's Ranking Technique Rotated Factor analysis, Multiple Regression Analysis and Structural Equation Modeling (SEM) were applied.

Period of the Study

The secondary data for the present study were collected for a period of five years that is from 2012-13 to 2016-17. The primary data were collected from the sample farmers by administering interview schedule during December 2017– July 2018.

Chapter Scheme

Chapter 1: Introduction

This chapter deals with introduction of research, agriculture in India, Agriculture credit in India, Kisan Credit Card Scheme, objectives, hypothesis, significance of the study, statement of the problem, scope of the study, research design, conceptual model of study and limitations of the study and the chapter ends with the note on chapterisation.

Chapter 2: Review of Literature

This chapter deals with various related studies conducted in the past which focus on the research problem according to the objectives of the study.

Chapter 3: Theoretical Perspective of Kisan Credit Card Scheme

This chapter explains the theoretical perspective of Kisan Credit Cards in India.

Chapter 4: Analysis of Socio-Economic Profile of the Respondents

This chapter deals with the Socio-economic profile of the sample farmers in the study area.

Chapter 5:

This chapter shows the specific inference drawn from the results on level of awareness, utility pattern, problems and satisfaction of farmers about KCC Scheme and authorities' opinion towards KCC scheme to find out the attitude of farmers towards KCC scheme.

Chapter 6: Summary and Conclusion

This chapter deals with summary of findings, conclusion and offers useful suggestions.

1.12 Summary of findings

Level of Awareness of farmers about Kisan Credit Card

- ✚ Awareness about benefits of the KCC Scheme is ranked first with the highest mean score of 13.446 closely followed by its mode of operation (12.065), awareness of purpose of using KCC loan ranks third with the mean score of 9.931 and awareness on basic knowledge about KCC is given fourth rank with the mean score of 8.650.

- ✚ Out of 520 sample farmers, 338(65 per cent) had moderate level of awareness about the scheme.
- ✚ Age, gender, marital status, community and education were found to be significant with the level of awareness. But the family type, size, experience and members engaged in the agriculture field did not significantly influence the awareness of KCC scheme. Size of land holding of sample farmers, the type of crop planted and occupation other than agriculture was found to be significant, while the ownership of land, income from agriculture, did not significantly influence the awareness of KCC scheme.

Utility pattern of farmers about Kisan Credit Card

- ✚ Majority of the sample farmers (95.40 per cent) come under the group of farmers who possess less than 2.5 acres of land, who have taken short-term crop loan and who utilize it exclusively for crop cultivation.
- ✚ Under the dimension Extent of Credit Utilization, Crop loan or Jewel crop loan is ranked first with the highest mean score of 3.75. Loan taken for Short-term crop ranked second with the mean score of 3.63. Revolving Credit facility gets the third rank with the mean score of 2.81; Loans taken under Joint Liability Group take the fourth rank with a mean score of 2.19. Crop insurance claim is ranked fifth with a mean score of 1.74, indicating that majority of the sample farmers in the study area did not avail crop insurance.
- ✚ In the second dimension, withdrawal through debit slip or cheque facility is ranked first with the mean score of 3.88. Carrying out transaction through the issuing branch or designated branch gets the second rank with the mean score of 3.72, KCC for identification purpose, Mobile based transfer, Transaction through ATM /Debit card are scoring third, fourth and fifth rank respectively.
- ✚ 317(61 per cent) have a medium level of utilization.
- ✚ Socio-personal factors do not significantly influence the utilization pattern of KCC loan of sample farmers, while the economic factors such as land size and cost of agriculture significantly influence the utilization pattern of KCC loan of sample farmers. The independent variables such as knowledge, operation and

benefits have positive effect on utilization of loan but the purpose for using KCC is negatively influence the utility pattern.

Satisfaction of farmers using Kisan Credit Card

- ✚ The sample farmers are more satisfied towards the simple procedure for obtaining KCC loan which is ranked first with the highest mean score of 4.55. It is closely followed by the cost of acquiring KCC loan (4.46). Relationships with lending institutions gets the third rank with mean score of 3.43 and extent of credit gets the fourth rank with mean score of 2.29.
- ✚ 347 (66.7 per cent) of the sample farmers have a medium level of satisfaction.
- ✚ The dimensions of utility pattern of KCC are positively correlated to the satisfaction of KCC loan. The independent variables such as Crop loan /Jewel Crop loan, Short-term Crop, Joint Liability Group (JLG), Revolving Credit facility, Transaction can be carried either through issuing branch or designated branch and Withdrawal through Debit slip/Cheque facility have positive effect on level of satisfaction in using KCC loan.
- ✚ The various dimensions of utility pattern namely crop loan /jewel Crop loan, short-term Crop, loan under JLG, revolving credit facility, using KCC for identification purpose, facility to transact through issuing branch or designated branch, withdrawal through debit slip/ cheque facility, mobile based transfer and agriculture information have a statistically significant difference in relation to the level of satisfaction. Crop insurance claim and transaction through ATM/ Debit card do not have a significant difference in the mean value of variables.

Problems faced by the farmers in obtaining agricultural credit

- ✚ The sample farmers expressed the factor 'low ceiling limit' as the first and foremost problem with the mean score of 66.07. The factor 'High interest rate' charged by the Cooperative Society was stated as the second troublesome problem with mean score of 65.36. The factors 'Part of loan is given in the form of fertilizer' get the third rank with mean score of 63.89. KCC loan is 'not available in time' ranked fourth with mean score of 59.86. 'Compulsory crop insurance' ranked fifth with the mean score of 58.43 per cent.

Factors to study the opinion of authorities of cooperative societies

- ❖ Out of the 105 sample officers, 74 (70.5 per cent) have medium-level of opinion.
- ❖ Eigen value is more than one for first seven factors. Factor one has explained 23.169 percentage of variance which is the highest variance and named as **‘simple procedure** with an Eigen value of 3.832. The second Factor is **‘cost effective credit facility’** which explained 13.209 per cent of variance with an Eigen value of 2.510. Factor three, named as **‘benefits to the bank’**, and Factor 4 named as **‘technical facility’** secured percentages of variances 8.921 and 6.954 respectively. The fifth Factor named as **‘awareness and proper usage’** had a variance of 6.771 per cent. The sixth factor which was named **‘fund management’** had the variance of 5.995 per cent and the last factor named as **‘recovery of KCC loan’** consists of statements with a variance of 5.686 per cent.

Suggestions

- ✚ On the basis of the major findings of the study, the suggestions were given by farmers and Authorities. The Government should provide tractor, tiller and other implements at a reasonable charge to reduce cost of agriculture activities. The credit period would be increased from 6 months to 12 months to get good price for their produce. Purchasing fertilizer should be left to the choice of the farmers like other financial institutions. The Government should fix a reasonable price for the farm products through procurement center. The scope of Kisan Credit Card should be enlarged to take care of the associated needs of the farmers. The limit of the crop loan should be increased. Efforts should be made to increase the field officers to help the farmers in providing technical and financial guidance for crop production. The farmers suggest that in the case of default, the rate of interest should be charged after the due date and not to be charged from the date of loan disbursement. The implementing agencies should consider the default of farmers who have a good track record and grant further loan on the ground of genuine reason.
- ✚ The authorities suggest that the Government should appoint more staff for supporting the Cooperative Society for effective implementation of the KCC Scheme. Introducing technology through Kisan Credit Card as ATM Card would instill in the farmers an interest in other technology products like Internet. Hence the authorities

advocate that instead of waiving farm loan (KCC), the Government should ensure better price for farm products and provide subsidized seed, fertilizers, pesticides, free electricity, subsidized solar energy plant and the like. They suggest that the Government should look into the matter and ensure timely refinance to the cooperative societies.

Conclusion

Hence the researcher concludes that in addition to the farmers' the Government should increase the credit period from 6 months to 12 months irrespective of the crop and extend the scope of Kisan Credit Card to other associated needs of the farmers. Further the Government should secure good price for the farm product, provide subsidized farm inputs and implements like tractor, tiller etc., at a reasonable charge to reduce the cost of agriculture. Moreover it should streamline the administration of crop insurance in case of crop loss and failure and redress the farmers' grievances promptly. Hence the KCC Scheme would be fruitful to the farmers if the suggestions given by the farmers' community are put forth to the Government authorities and implemented at the earliest.