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## **Institutional Credit to Agriculture Sector Across Different Regions of India**

**Arti Gaur and Shilpa Khatkar\***

The study has analysed the potential for growth of institutional credit for agriculture sector across different regions of India. The evolution of institutional credit to agriculture could be broadly classified into four distinct phases – 1904 – 1969 (predominance of co-operatives and setting up of Reserve Bank of India), 1969-75 (nationalisation of commercial banks and setting up of Regional Rural Banks), 1975-1990 (setting up of NABARD) and from 1991 onwards (financial sector reforms). The study is based mainly on secondary data. To test the significance of difference in credit flow and investment on market infrastructure development across different regions of the country the non-parametric ‘Friedman Test’ was applied. Cobb-Douglas production function was used in the analysis to ascertain the amount of loan disbursement and market infrastructure development. There is wide variation in the flow of agricultural credit across the states and regions of the country. The agriculturally well developed states and regions are dominating the scene as lesser developed states are having low access to institutional credit. The per capita agriculture net domestic product was found to be the major determinant influencing the flow of agriculture credit in almost all regions of the country. Thus a balanced credit flow in agriculture sector both for production and capital formation need to be emphasised with suitable policy interventions for sustainable agricultural growth and enhancement of productivity on equity basis across different regions.

## **Innovations in Rural Finance in India**

**Gouradevi Katnalli†**

An attempt is made in the paper to examine the nature, progress, issues and concerns relating to micro finance and kisan credit cards in India. The microfinance under SHG approach and kisan credit card are a move towards inclusive growth. The SHG bank linkage programme has come a long way from the pilot stage of financing 500 SHGs across the country. The programme has outreached to 69.5 lakh saving linked SHGs and thus about 9.7 crore households are covered under the programme, envisaging synthesis of formal financial system and informal sector. Kisan credit

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card scheme is a landmark in the history of rural credit in India. Out of the total KCC issued at all India level, the co-operative banks have issued 361.44 lakh constituting 42.69 per cent whereas the commercial banks and RRBs have issued 370.52 lakh and 115.23 lakh KCCs which constituted 43.76 per cent and 13.61 per cent, respectively. The total amount sanctioned under the KCC scheme is Rs. 3,25,377 crores out of which about Rs. 138,233 crore was sanctioned by co-operative banks whereas Rs.46147 crores was sanctioned by regional rural banks and Rs. 140997 crores by commercial banks. There is considerable unmet demand for rural credit. The coverage of microfinance scheme though has expanded but still around 70 per cent of the poor are out of this network. The microfinance sub-sector of institutional credit has not explicitly targeted the agricultural sector. The tenants and share croppers have been bypassed. More than 60 per cent of the farmers are yet to receive the kisan credit cards. Thus innovation in rural financial products and services are a continuous process and have been steadily picking up, particularly in the last two decades. Kisan credit cards and micro finance under SHG approach have been a step forward and they definitely act as a catalyst in the social and economic development of our country.

### **Impact of Kisan Credit Card Innovation on Improving Uttar Pradesh Cane Growers' Access to Institutional Credit**

**A.K. Sharma, Brahm Prakash and Rakesh K. Singh\***

An effort has been made in the paper to assess the impact of Kisan Credit Card (KCC) scheme on sugarcane crop in Uttar Pradesh, the largest cane growing state of India which accounts for 45 per cent of the cane area in the country. Based on primary data compiled from 52 cane growers from cane intensive areas of western and central Uttar Pradesh, it was found that the credit needs as per cent of cash requirement as well as the per hectare credit requirements of cane growers were having a positive relationship with the size of their land holdings as the extent of credit requirement as percentage of cash requirement was much lower on small holders compared to large holders. The small farmers met out only 30 per cent of their requirements of cash expenses through credit while the large farmers used around 60 per cent of their cash needs through credit. While most of the large cane growers/land holders have benefited with the KCC scheme, only 8 per cent of marginal and 26 per cent of the small holders have been covered under which the short-term credit requirements of these farmers for fertiliser, seed and other input purchases are met by the cane co-operative marketing societies. The other factors responsible for low coverage are the very small size of holding, lack of encouragement by the bank branch, and the lack of awareness and confidence on the

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part of not so well-educated farmers on matters pertaining to property. The significant impact of KCC has been observed in terms of easy access of medium and large cane growers who are now diversifying their activities in the non-farm sector. There has been no significant improvement in the cane productivity level. The study also highlights some malpractices in the use of KCC and points out that the higher extent of KCC coverage in branches need not be an indicator of good performance, rather, it may be an indicator of a strong nexus of 'not-a-true-farmer', agent, bank staff and the administrative staff at tehsil headquarters providing shelter to defaulters. The study suggests that for bringing the marginal farmers in the KCC ambit which have been left outside so far, the cane development councils may be encouraged to constitute a corpus fund out of the commission these societies get from sugar mills so that this fund may act as a security to guarantee the repayment of loan of tiny growers and also help in providing strength to the banks in extending the KCC coverage. The sugar mills which have the responsibility for carrying out the development of the cane command area may also be roped in to contribute for the welfare of small sized cane growers.

### **Microfinance and Rural Credit Access for the Poor: An Innovative Approach**

**R. Ramakrishna, M. Subbaiah and B. Kannarao<sup>†</sup>**

An attempt is made in this paper to examine the income levels, incidence of poverty and borrowing and repayment practices adopted by the sample households towards different sources of finance. Using multistage sampling technique 300 households were selected of which 200 households were members of newly formed SHGs (NMFB) and 100 households were members of old SHGs (OMFB). The reference year for the old SHGs is 2003-04 and for the new SHGs in 2006-07. Micro finance is expected to play an important role in promoting financial inclusion and inclusive growth. The study reveals that the micro finance experiment has increased their employment pattern, income levels and borrowing pattern towards formal source of finance but it is marginal. The effect of micro credit mechanism has led to a reduction in transaction costs of borrowing and benefited the lenders also by improving the loan repayment rate. Further, the SHG experiment has reduced the intensity of poverty. It is also observed that as compared to NMFB households, those who were covered under OMFB fared better in the socio-economic empowerment and nutritional development. However, there are limits to micro finance as a tool for poverty reduction. However effective the role of micro finance organisations in providing financial services to the poor may be, still they cannot substitute for broader policies to promote pro-poor economic growth, equitable social development

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and democratic participation in collective forums of decision-making. In the absence of such policies, micro finance may at most provide safety net for the poor rather than a ladder out of poverty. Then how is the SHG-Bank linkage helpful in this direction? Delivering micro credit to the poor and the poorest still is primarily an NGO activity. They proved to be the best vehicles for the quick expansion of the outreach of micro credit and they have matured in their management skills. But at the same time they have started facing new problems because they are not part of the formal financial structure. The most critical problem faced by NGOs today is finding money to lend out to the poor. Then what is the best way of promoting SHG-NGO activity on a wider scale?

### **Innovative Loan Products and Agricultural Credit: A Case Study of KCC Scheme with Special Reference to Alwar District of Rajasthan**

**Vinod Kumar\***

The Kisan Credit Card (KCC) scheme aims at providing adequate and timely credit support from the bank to farmers to meet their credit needs for crop production, consumption and ancillary activities. The study examines the impact of KCC scheme in terms of increasing participation of rural financial institutions, access of formal credit to small and marginal farmers, transaction cost of institutional credit, awareness about bank credit amongst farmers and its efficiency in terms of sanction and operation. A total of 165 including 135 KCC holders and 30 farmers who were neither issued KCC nor have taken any loan from institutional sources were also selected and used a 'control' sample farmers in Alwar district during 2009-10. The study revealed that the small and marginal farmers accounted for 62 per cent of the total loan accounts in aggregate, 53 per cent in commercial banks, 40 per cent in regional rural banks (RRBs) and 64 per cent in District Central Co-operative Banks (DCCB). The average loan per borrower disbursed by sample branches to marginal, small and other farmers was Rs. 37,446, Rs. 64012 and Rs. 1,42,173, respectively. However the average loan disbursed per farmer by all agencies was Rs. 81211. Of this 70.88 per cent was utilised for productive purposes and 29.12 per cent for unproductive (consumption) purposes. The average loan amount disbursed by sample branch of commercial banks, RRB and DCCB to the farmer amounted to Rs.88,021, Rs. 11,7002 and Rs. 8,944, respectively as against the average disbursement of Rs. 71,322. The average loan amount of the sample farmer was Rs.1,03,411, Rs. 11,5831 and Rs. 24,390 in respect of commercial banks, RRB and DCCB, respectively. The loan intensification per acre of land was higher at Rs.16,984 in respect of RRB while it was at Rs.16,519 in case of commercial banks and much lower at Rs.5167 in case of co-operative bank. The operational efficiency

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of the KCC scheme as per the feedback given by the sample KCC farmers revealed that KCC limits were not fixed on the basis of total operational holdings and only two or three major crops were considered while sanctioning the limit. There was a wide credit gap between scales of finance accepted for crop loan limit and actual cost of cultivation. As regards mode of operation of KCC holders, only 23 per cent were repeatedly using the limit as cash credit while others have made a one time withdrawal and repayment only. There is a need to educate the farmers about the proper use of limit as cash credit to get the benefit of quantum of interest. On comparison between KCC and non-KCC holders farmers, it was observed that the overall production, productivity and profitability of the non-KCC holders was less than the KCC holders due to non-availability of credit in time, costly credit, low investment, etc. During interaction with the farmers it was gathered that after implementation of KCC scheme the dependency on non-institutional credit has reduced drastically. The tenants lacked access to institutional credit because tenancy agreement was informal. If the land-lease market is made free, it can help tenants/share croppers to meet their credit requirements from institutional sources. The contract farming with backing of formal credit should be encouraged to meet the credit needs of the small and marginal farmers. Bankers should also extend other loans like term loan and consumption loan and evolve KCC into a truly multipurpose card.

### **An Innovation in Agricultural Credit Market – Self Help Group-Bank Linkage Programme: A Case Study in Andhra Pradesh**

**S. Lavanya and R. Vijaya Kumari<sup>†</sup>**

A study was undertaken mainly to assess the socio-economic impact of micro finance through SHG-Bank linkage programme in Nalgonda district of Andhra Pradesh. The study covered two mandals, 8 SHGs and 80 member households. The data pertain to the years 1998-99 (pre-SHG period) and 2008-09 (post-SHG period), which were collected through personal interview method, with the help of specially designed schedule. The analytical tools employed in the study were simple tabular analysis, mean, standard deviation, Gini concentration ratio and coefficient of variation. The regression estimates of income due to SHG indicated significant impact of microfinance on SHG member households in terms of contributing a major share to the gross income of the member households. The maximum number of households borrowed for taking up various income generation activities. Among different income generating activities undertaken by the SHG members, about 36 per cent of the incremental income generated was from non-farm activities followed by farm sector activities and off-farm activities. On an average, the loan amount

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received by the members during post-SHG situation worked out to Rs. 43,250, which was about 789 per cent more than the pre-SHG situation. Moreover it also indicated that the net income in the post-SHG period was more equitably distributed than that in the pre-SHG period. Thus, an innovation in agricultural credit market, i.e., SHG-Bank linkage programme has brought out a significant improvement on the social conditions of the members. Though the performance of SHGs was outstanding, there were certain areas which needs to be improved. There was lack of initiative in sharing the responsibilities of the leaders, when required. Therefore, it has to be ensured that leadership rotation or election of leaders is strictly to be practiced for future sustainability of the group. The study observed that a large number of SHGs have already been promoted. Therefore, presently all efforts should be concentrated on nurturing and strengthening the existing groups. There is a need for documentation, an effective Management Information System (MIS) and building up of database on SHGs at the district level.

### **Impact of Micro Credit Institutions on the Economic Status of Rural Households – An Empirical Evidence**

**Deepak Shah and Sangram Panigrahi\***

The study examines the impact of micro credit on rural households to extricate them from poverty trap in India. Although earlier studies have measured poverty based on income, expenditure and consumption related data of micro finance borrowers, this investigation is focused on measuring poverty through an alternative approach, which encompasses creating a standardised index of socio-economic status of micro-finance clients, including variables relating to assets, food and shelters. The socio-economic status (SES) index is constructed with the help of principal component analysis, which assigns a single score to each household. The study is based on analysis of data collected in 2009 from various micro finance organisations operating in Ganjam district of Orissa. The logistic regression is used with standardised SES index, which showed that the clients of SHGs were better placed in terms of enjoying higher economic status as the variables included in the logistic regression analysis like education, caste, amount of loan received, status of clients, interaction between amount of loan and status of clients and migration favoured them to enjoy higher economic status vis-à-vis non-clients. Further, within clients, the old clients were more likely to be placed in the higher economic status as compared to new clients. Since new clients had lack of exposure in terms of utilisation of loan for productive purpose, they enjoyed relatively lower economic status as compared to old clients of SHGs. In general, the micro credit institutions were found to have positive impact in raising the economic status of rural households, and they were able to

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alleviate them from poverty, if achieving higher economic status is viewed as one of the indicators of prosperity in the rural settings. The study emphasises upon the need to train the clients with respect to market forces and create marketing facilities for the product of micro enterprises for their long term existence.

### **Impact of Primary Agricultural Credit Societies in Karnataka: An Analysis**

**B. Sheshagiri and L.D. Vaikunthe<sup>†</sup>**

The study attempts to examine the impact of primary agricultural credit societies in Karnataka. It analyses the factors for success or otherwise of primary agricultural credit societies in India and Karnataka. The study relied on secondary sources of information such as the published and unpublished documents during pre- (1950-1991) and post- reform (199-2002) period and appropriate statistical tools like the compound annual growth rate, average etc; are used to analyse the data. The results of the study indicate a declining trend in the share of medium and long term credit to agriculture from 7.95 per cent in 2004-05 to 3.61 per cent in 2009-10 in Karnataka from co-operative banks. It is concluded that the financing of agricultural development as apart development through the concerned central co-operative bank has been practically effective. However PACs must see that the objectives of rural development including agricultural development are carried out satisfactorily. The linking of co-operative credit with marketing, besides enabling members of credit societies to reap the benefits of organised marketing, helps in the recovery of loans out of the sale proceeds of the produce and thus, reduces if not completely eliminate the possibility of overdues.

### **Scope for Warehouse Receipts Financing of Commodity Markets in India**

**S.R. Asokan and Anita Arya\***

The paper examines the scope for warehouse receipts financing on commodity markets in India. Four crops wheat, soybean, potato and castor seed are selected to understand whether the warehouse receipt financing system are beneficial to the farmers. These crops were chosen as they are traded in the futures market such as NCDEX and MCX. The variations in price in the inter cropping season and the cost of carry that is interest on the loan and the storage cost are calculated to arrive at the potential net benefit. It was found that the net benefit to the farmer through warehouse financing is negligible in the case of wheat, soybean while it was found to

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be substantial for potato. Further, the system would be more beneficial for larger farmers who have higher marketable surplus. To sum up the scope for warehouse receipt financing is limited in the case of foodgrains such as wheat as the variation in price is small. However there are substantial benefits to the farmers in other crops hence the scope for warehouse receipt financing is good in these crops.

### **Financing of Producer Oriented Groups – An Approach**

**S.L. Kumbhare, D.V. Tembhurne and Rajat Mohanty<sup>†</sup>**

Need for credit widening, deepening and increased farm productivity and production can be addressed through various strategies and one of them could be financing producer oriented groups. With a view to reducing the transaction cost while dealing with small value accounts, the group mode of financing including SHGs have been focused by NABARD with policy support of the Reserve Bank of India. The scheme of financing the small and marginal farmers, share croppers, tenant farmers and micro entrepreneurs through Joint Liability Groups (JLGs) was launched by NABARD in 2006. The group financing is viewed to be a good business proposition considering the simplified documentation, group dynamics, timely repayments and prospects of credit widening and deepening with quality clients. Studies on matured SHGs in select states have revealed that 57 per cent of the members could undertake income generating activities. Besides SHGs and JLGs, Producers' Groups with legal forms can also be promoted. But the basic criterion for selection of members could be the economic activities pursued and not the similarity of socio-economic strata. Matured enterprising members of SHGs of JLGs, pursuing similar activities can also form into producers' groups. At present, major success with regard to JLG promotion and financing has been achieved in a few states due to initiatives and strategies adopted by various agencies. In Tamil Nadu, the State Government has supported the promotion of the JLGs by providing grant to group which is being used by the group for purchase of agricultural machinery. In Kerala, the NGOs adopted credit plus approach for supporting the JLGs of paddy growers and milk producers. The co-operatives have taken lead in Orissa for promotion and financing of the JLGs of the farmers as well as micro entrepreneurs in rural areas. Similar initiatives for promotion and capacity building for managing the enterprises has to be pursued rigorously for members of matured SHGs/JLGs engaged in similar activities. Such innovations and initiatives will go a long way in widening and deepening credit besides reducing transaction costs both from the banks and borrowers.

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## **Current Scenario and Constraints of Crop Financing – A Case Study of Regional Rural Bank in Uttar Pradesh**

**Kavita Pal and S.K. Srivastava\***

The paper aims to examine the adequacy, timeliness, cost of borrowing, repayment patterns and overdues on small and marginal farmers in Moradabad district of Uttar Pradesh. The Prathama bank engaged in financing agriculture was selected purposively for the study being the first Regional Rural Bank of India. Moradabad district was selected purposively to carry out this study as there are maximum numbers of this bank branches operating in the district. Out of 13 blocks in the district, Thakurdwara block was selected randomly for the study. Four villages, where branches of Prathama bank were operating, had been selected randomly. Finally 20 small and 20 marginal farmers in probability proportion to their number in the four sample villages were selected randomly to carry out this study. The data pertained to the agricultural year 2007-08. The results of the study revealed that the average operational size of marginal farms was 0.58 hectare against the 1.27 hectares of small farms. There was adequacy of the loan for all the borrower farmers across both size groups. Almost 50 per cent farmers and majority of small (95 per cent) farmers received loan within the prescribed time. Delay in loan disbursement was also observed in the case of about 50 per cent of marginal farmer borrowers mainly on account of non-furnishing the required documents within the prescribed time period. The average amount of borrowing under crop financing was Rs. 16600 on marginal farms, whereas, the same was Rs. 44200 on small farms. The total cost of borrowing incurred in proportionate terms was almost similar (about 11 per cent) by the farmers borrowers of both the categories. On an average the non-interest cost incurred was Rs. 370 by marginal farmers against about Rs. 900 incurred by small farmers to obtain the loan from the same branch of Prathama bank, implied that amount of non-interest cost is directly associated with the amount of borrowing. The recovery of loan amount was higher in case of marginal farmers (79.51 per cent) compared to the small farmers (77.38 per cent). However, the number of defaulters was higher among marginal farmers. Among the constraints operating in repayment of loan the most important constraint was higher family consumption expenditure which was reported by about half of the sample farmers. The expenditure for non-productive purposes such as marriages of children, social ceremonies, functions etc. were the other causes of overdues for 22.22 per cent of sample farmer borrowers. Poor yield of crop due to damages caused by insect, pests and diseases resulting into low returns also adversely affected the timely repayment of due amount to 22.22 per cent farmers. Wilful defaulters were found to the extent of 11.11 per cent who did not repay the due amount on time without any valid reason. The policy suggestions

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emerged from the study are that technological, institutional and infrastructural interventions will have to be geared up to enhance the credit absorption capacity of the farmers through hassle-free lending process. At the same time the bank will have to make their credit delivery system more accessible to farmers. Efforts are also required to provide low cost financing not only by pricing the loan at below market interest rate but also through reduction in the unit transaction cost by simplifying the loan delivery system.

### **Crop Insurance – A Key Instrument in Agricultural Development**

**A.S. Shashi Kiran<sup>†</sup>, K.B. Umesh<sup>‡</sup> and Basavaraj R. Jamakhandi<sup>†</sup>**

Agricultural risk is associated with negative outcomes that stem from imperfectly predictable biological, climatic and price variables. The farmers are not assured of good quality and disease free crop which is essential for obtaining reasonable yield sufficient to recover expenses. Crop insurance is a more efficient risk management tool than the traditional risk reducing strategies, such as crop diversification, inter-cropping, mixed farming, integration of farm etc., available to the farmers. Insurance of crops is regarded as an essential part of well formed agricultural programme designed to provide protection to the farmers against physical failure of crops due to weather and other unavoidable natural hazards. Therefore, insurance is considered to be one of the major management strategies to overcome risk to a greater extent. If a farmer is assured of financial compensation when his income is considerably low for reasons beyond his control, he would more likely allocate his resources in a manner that would maximise his return. A farmer would grow more of the most profitable crops even if they are more risky and also he is more likely to adopt advanced technologies despite involvement of high risk. It is important for government and crop insurance implementing agencies to take up more studies to evaluate the performance of crop insurance scheme in each and every region so that, farmers are encouraged to get into the crop insurance scheme and the problems/constraints in the scheme can be identified and appropriate actions can be initiated to make the scheme more effective and efficient.

### **Performance of PACS: A Case Study of Chhattisgarh**

**K.N.S. Banafar, Omi Verma, M.R. Chandrakar and A.K. Gauraha\***

The study was undertaken with the following objectives: (i) to assess out the performance of Primary Agricultural Cooperative Societies (PACS); (ii) to find out

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the impact of short-term loan on the socio-economic conditions of the beneficiaries, (iii) to find out the constraints in financing of loans through PACS and (iv) to suggest policy interventions for better functioning of PACS. The study was confined to Arang block of Raipur district of Chhattisgarh state. Secondary data was collected from the office records and published source of DCCB, Raipur for the year 2002-03 to 2008-09 and primary data was collected for the year 2008-09 from the farmers by personal interview method using pre-tested questionnaires. On the basis of secondary data available regarding major parameters of Primary Agricultural Co-operative Societies (PACSs) it has been observed that the working performance of PACS is satisfactory in Arang block. The major findings of the study revealed that the overall holding size was 2.17 ha for beneficiaries and 3.2 ha for non-beneficiaries whereas the cropping intensity for beneficiaries was found to be 165.40 per cent and for non-beneficiaries the cropping intensity was found to be 124.97 per cent. It has been observed that agricultural credit play a great role in increasing production and productivity of crops. In major crops the cost incurred for cultivation was the highest for beneficiaries as compared to non-beneficiaries, this was due to financial assistance provided to them through PACSs. The financial assistance provided to the farmers helped in technological adoption which leads to increase in productivity and net income earned per hectare through different crops was the highest for beneficiary groups. The study suggests that recovery of loan and limited area of operation are the major constraints in the working performance of PACS followed by illiteracy of the farmers, lack of modern tools and techniques like e-banking etc. in the study area. Therefore a clear cut plan has to be made in order to provide financial inclusion to every rural person and in this case PACSs can play a significant role in facilitating inclusion. Proper inspection should be done to monitor the utilisation of loan so that loan could be utilised properly and recovery percentage can be increased.

### **Implementation of Kisan Credit Card (KCC) – NABARD’s Experiences**

**Samir Samantara and K.C. Badatya<sup>†</sup>**

The study is based on the evaluation made by National Bank for Agriculture and Rural Development on the impact of the implementation of Kisan Credit Card (KCC) after almost a decade of its implementation. Specifically (i) it examines critically the difficulties and operational problems/bottlenecks encountered by the farmers as well as the implementation agencies; (ii) critically reviews the progress of the schemes, particularly from the angle of its geographical spread, bank-wise progress, coverage of different categories of farmers and its overall impact on the flow of ground level credit. The empirical data analysis indicates that the mean yield level of the KCC holders and non-KCC holders is significantly different thereby rejecting the hypothesis that the productivity of short-term credit from formal credit institution is a

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zero-sum game. The increase in the crop yield was partly attributed to the credit access through KCC. Further, generalised least square analysis indicates that the proportion of credit components (crop loan, capital required for asset maintenance and consumption loan) by assigning suitable weightage should be in the ratio of 4:2:1. Further, the reporting system under the Management Information System (MIS) is fraught with shortcomings, i.e., no mechanism to eliminate distortions in the form of multiplicity of cards, invalid cards, etc. It is suggested that the introduction of biometric cards, deployment of banking correspondence (BCs), simplification of procedure, financing through Joint Liability Groups (JLGs) mode, weather-based Crop Insurance Scheme with cyclical credit and adoption of “Mission Mode” approach to make KCC into efficient credit delivery instrument accompanied by appropriate institutional mechanism.

### **Rationalisation of Farm Credit: Role of Kisan Credit Card Scheme**

**H. Basavaraja, S.B. Mahajanshetty, Vilas Kulkarni and A.M. Sajane\***

The present study was undertaken with the specific objectives of analysing the growth and the changing shares of institutional agencies in issuing cards and disbursing loan, and estimating cost of credit and credit gap for Kisan Credit Card (KCC) and non-KCC borrowers. The study used secondary data on kisan credit cards issued and loan disbursed for 12 years published by different sources. The study also utilised primary data relating to borrowing, interest and cost of borrowing, etc., from randomly selected 180 kisan credit card holders and 180 non-kisan credit card holders. The primary data pertained to the crop year 2009-10. The findings of the study revealed a phenomenal increase in the number of cards issued and the amount disbursed through KCC over the years. The co-operatives and commercial banks played a major role in the implementation of the scheme. The interest paid on borrowings was much less for the kisan credit card holders. Credit gap was less for card holders as compared to their counterparts. It is clear that there is a scope for reducing the non-interest cost component of borrowing through this scheme. Hence, a wider coverage of the scheme would go a long way in reducing the cost of credit.

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## **A Comparative Study of Women SHG and Co-operative Society for Micro Finance**

**Bhag Chandra Jain<sup>†</sup> and Shashi Bhushan Singh<sup>‡</sup>**

Keeping in view the impact of women self-help groups (SHGs) in empowering women and improving their socio-economic conditions, the present study was undertaken to fulfil the role of micro-finance on the beneficiaries, income, employment pattern of SHG and identify the constraints responsible for success/failure of SHG. Out of 18 districts of Chhattisgarh state, Raipur district were selected purposively, because maximum number of SHGs were found in the Raipur district. In Abhanpur block, 27 fisheries self-help groups were formed, out of which 5 fisheries SHG are functioning, and only one SHG is registered in the name of Suryodaya Women Fisheries SHG is running successfully in Uparwara village for the last 10 years. The Jai Shitla Maa Co-operative Society which is functioning for the last 7 years was also taken under investigation. The findings indicate that a member of SHG belongs to similar economic class, thus it helps them in better co-operation, previously the majority of members income came from the sector but with adoption of fisheries sector their income increased. Income Generating Activity(IGA) taken by sampled SHG is also a major source of income (41.70 per cent). The fisheries sector also provides ample employment opportunities of 191.69 man days per year to members of SHG, even when they were deprived of farm employment. The study suggested that the executive member should be changed on a regular basis, loaning procedure should be made easier so that the illiterate members may also easily avail the facility for their produce, so that they can get remunerative price for their produce, which help them in increasing their income level. The study concluded that the women SHGs help in the economic upliftment of rural women and inspire their saving attitude. The SHG has helped women to become economically independent and they gain greater social standing both in the house and village. The forced sale of fishes in village and lack of market facilities are the major problems faced by the members.

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## **Linking Credit with Agricultural Production: A Comparative Study of Beneficiary and Non-Beneficiary Farmers of North Bank Plains Zone of Assam**

**R.N. Barman and R. Das\***

The study makes an attempt to analyse the impact of institutional credit on technology adoption and uplifting the farm net returns of small, medium and large farmers and also the various constraints in linking credit with production of important crops and livestock in the North Bank Plains(NBP) zone of Assam along with exploring the scope for innovations in harnessing the increasing credit demand potential. The study covered in total 110 households (55 beneficiary and 55 non beneficiary) of Sonitpur and Lakhimpur districts of the zone to assess the impact of institutional credit on technology adoption and production constraints of important crops. The average gap index are computed for various technology components in growing major crops like *sali* rice, *ahu* rice, wheat, rapeseed and mustard, jute and sugarcane and it was found that in all the selected crops adoption gaps in terms of various technology components are higher with maximum in terms of irrigation application in case of non beneficiary farmers as compared to the beneficiary farmers. To increase cropping intensity and crop diversification there is need to bring more areas under irrigation. To minimise the higher adoption gaps in terms of irrigation there is need for increasing credit flow as well as subsidy component to the farmers for various irrigation equipments and structures. Deterministic linear programming model is used to develop optimum feasible plans for both credit beneficiary and non-beneficiary farms. Considering the need in the study area capital flexibility constraint is incorporated to develop optimal plans by hiking the capital availability by 20 per cent for the beneficiary farmers. It is observed that a 20 per cent hike in the capital led to 22.50 per cent increase in the net return in case of small beneficiary, 24.30 per cent in case of medium and 23.42 per cent increase in net return in the case of large farmers. The study indicates that in case of beneficiary farmers net return generated per rupee of working capital is higher as compared to the non-beneficiary farmers. Besides lack of sufficient number of rural bank branches and lack of training on fund management and record keeping are the constraints that severely restrain the outreach of institutional agricultural finance. About 85 per cent of the beneficiary farmers were in favour of providing credit for infrastructure build up. Another important observation is the need for marketing credit in the study area which is essential for establishing the proper market linkages for the farmers. Inefficient credit delivery system and insufficient amount of credit are the constraints identified by 60 per cent of the beneficiary farmers. The banks and the government agencies providing credit and subsidies considered high credit risks because of low literacy rates of the farmers and as majority of the farmers generally do not have proper documents of productive

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assets in their names to be offered as security. Further, on account of mandatory targets and insufficient numbers of staff, the banks could not fulfill 100 per cent credit needs of the farmers. Efforts should be made to establish more rural bank branches with sufficient staff to cater to the needs of the rural farming community. Farmer's orientation and training regarding the proper utilisation of credit should also be taken up by the institutional lending agencies as mandatory programmes or with the help of NGO-bank linkage programmes. Credit documentation should be made simplified and be made farmer friendly. Loans for development of farm infrastructures should also be made available separately without clubbing it with seasonal agricultural loans.

### **Inclusive Finance through Kisan Credit Card Scheme in Bihar: Performance and Prospects**

**Diwas Raj Bista, Pramod Kumar and V.C. Mathur<sup>†</sup>**

The study was undertaken to assess the impact of Kisan Credit Card (KCC) scheme on farm economy and factors influencing adoption of scheme and constraints faced by the farmers. For the purpose data were collected from 120 farmers by personal interview method from Samastipur district of Bihar. Various cost and return concepts were used to study the impact of KCC scheme on farm economy. Cobb Douglas production function was used to assess the resource use efficiency. The factors influencing adoption of KCC scheme were identified by using a binary logit model and constraints faced by the farmers were ranked using Garrett's ranking technique. It was found that the cost of borrowing credit was higher for non-beneficiary farmers compared to beneficiaries of KCC scheme. The cost and return analysis showed that cost of cultivation and gross returns per hectare for major crops i.e., paddy, maize, wheat, potato, were higher for the beneficiary farmers. Lengthy paper work, insufficient credit limit, high interest rate and non-availability of loan on time were some of the most important constraints identified. Among several hypothesised factors influencing the decision of adoption of the scheme, land size of farmers, farming experience and education were found to influence positively. To attract more farmers towards the scheme farmers should be made aware of the benefits of the scheme. The existing cost of borrowing also needs to be brought down.

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