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## **Constraints Faced by the Farmers in the Utilization of Kisan Credit Card**

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### **Authors' contributions**

*This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.*

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### **ABSTRACT**

The present investigation was carried out during the year 2009, 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

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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 waived off or deposited by government (56.67%) and KCC should be made for multipurpose use (55%).

**Keywords:** *Kisan credit card; utilization; constraints; suggestions.*

## 1. INTRODUCTION

In the past, farming was carried out in a traditional way. It was subsistence farming and was more or less self-sufficient. Credit needs of the farmers were limited and were met with mostly by the money lenders, relatives, friends and to some extent by taccavi loans from the government. Money lenders used to exploit the farmers in various ways like exorbitant rates of interest, false documents etc. After independence and particularly after the Green Revolution, agriculture entered the era of modernization and the credit needs of the farming community started increasing. In the present day market-oriented farming, the credit has become one of the crucial inputs [1].

The Government of India, Reserve Bank of India (RBI) and National Bank For Agricultural and Rural Development (NABARD) have been focusing on the need to streamline the credit delivery mechanism and to simplify the existing systems, procedures, documentation relating to sanction and disbursement of credit to the farmers at large. The R. V. Gupta Committee and the Crop Loan Committee set up by RBI and NABARD respectively had brought out the constraints in the flow of agricultural and rural credit besides the various aspects of crop loan system of lending and had come out with useful recommendations for improving the existing systems and procedures for effective credit delivery. As a sequel to this, NABARD, in consultation with RBI and select Banks, formulated a model scheme for issue of Kisan Credit Card by banks across the country, which was circulated in August 1998. The Kisan Credit Card is to be issued to the existing crop loan borrowers who have no over dues in their borrowed accounts and to new borrowers who have not yet borrowed. Loan for any activity coming under the purview of production credit of agriculture, working capital requirement of allied activities and non-farm sectors may be considered under the scheme. The farmers/borrower has to give application for the issue of KCC. The necessary documents that have to be produced by the applicant are the

copies of the land record, no dues certificate from other financial institutions, latest land tax paid receipt, original or certified copies of title deed and latest agricultural income tax paid receipt.

To find out the constraints faced by the farmers in the utilization of Kisan Credit Card this study was conducted in Raipur district of Chhattisgarh state. The objectives of the study were 1) To study the socio-personal and socio-economic characteristics of selected Kisan Credit Card holder farmers. 2. To find out the constraints in the utilization of KCC by the respondents, and 3. To seek the suggestions from the KCC holders, to overcome the constraints faced by them.

### 1.1 Review of Relevant Literature

Pradeep [2] 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 the interest rate on borrowed amount and increase the repayment capacity of borrowers. Rajkumar [3] 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 [4] 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.

## 1.2 Significance and Scope of the Study

The findings of this study will be able to provide a systematic feedback to the financing institutions for boosting up their operational network about KCC. This investigation, which was carried out in the Raipur district, shall enable the policy makers, economist and the extension workers to develop sound rural development programmes and policies based on the local conditions. These may also have wider applicability in the areas within and outside the district/state or both having similar conditions. Further, it will help to the financing agencies to find solution to maximize utilization of KCC by the beneficiaries and highlight the problems faced by the beneficiaries at the time of KCC utilization.

## 2. METHODOLOGY

The study was carried out in Raipur district of Chhattisgarh state, because maximum numbers of Kisan Credit Cards have been issued in this district. There are 16 blocks in Raipur district, out of which two blocks i.e. Arang and Palari were selected purposively for this study. In each selected block, Arang Cooperative branch from Arang block and Kodwa Cooperative branch from Palari block were selected purposively. Thereafter, Dewri branch from Arang and Vatgan branch from Kodwa were selected. Out of total 23 Villages of both the selected Village Cooperative branches, 50 percent Villages were selected purposively on the basis of maximum availability of KCC holders in the Villages. In this way, a total of 12 Villages were selected for this study. Out of total Kisan Credit Card holders of the Village, 10 KCC holders were selected randomly from each selected Villages. In this way, a total of 120 KCC holders were considered as respondents for collection of data in this study. The data were collected through personal interview with the help of a structured interview schedule and analyzed with appropriate statistical methods.

### 2.1 Operationalization of Variables and Their Measurement

Simple ranking technique was applied to measure the constraints faced by the respondents in utilization of KCC. Each farmer was asked to mention his constraints in utilization of KCC in order of degree of difficulties. It was calculated and presented on the basis of frequency and percentage.

Farmers were asked to give their valuable suggestions to overcome the constraints faced by them in utilization of KCC. The suggestions offered were enlisted and ranked on the basis of number and percent of farmers who reported for the respective suggestions. The reliability of the interview schedule was ensured.

## 3. RESULTS AND DISCUSSION

### 3.1 Socio-personal Characteristics of Respondents

#### 3.1.1 Age

The study reveals that the majority of the respondents (75.00%) belonged to middle age group (40-55 years) as shown in Table 1. While, 15.00 percent of the respondents belonged to old age (above 55 years) and only 10.00 percent respondents were found under young age group (up to 40 years).

Thus, it may be concluded that the majority of KCC holders belonged to middle age group (40 to 55 years). Yadav et al. [5] and Patel [6] also reported similar findings.

#### 3.1.2 Education

41.67 percent of the KCC respondents were educated up to primary school level, followed by 35.83 percent of the respondents up to middle school level. Whereas, 15.83 percent respondents had education up to higher secondary school level. Only 2.50 percent of the respondents had education above higher secondary, while, about 4.17 percent of the respondents were found in illiterate categories. Yadav et al. [5] and Das [7] also reported similar findings.

It indicated that majority of the respondents were educated and this reflected a good sign of spreading the knowledge among farming community about utilization of KCC.

#### 3.1.3 Caste

The caste of the respondents from the data indicates that, the majority of the respondents (86.66%) belonged to other backward castes, followed by 10.00 percent of the respondents under schedule caste. Only 1.67 percent respondents belonged to general caste and scheduled tribe caste.

**Table 1. Distribution of respondents according to socio-personal characteristics (n=120)**

<b>Socio-personal characteristics</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Age</b>		
Young ( up to 40 years)	12	10.00
Middle ( 40 to 55 years)	90	75.00
Old ( above 55 years)	18	15.00
<b>Education</b>		
Illiterate	5	4.17
Up to primary ( 1 <sup>st</sup> to 5 <sup>th</sup> )	50	41.67
Up to middle ( 6 <sup>th</sup> to 8 <sup>th</sup> )	43	35.83
Up to higher secondary ( 9 <sup>th</sup> to 12 <sup>th</sup> )	19	15.83
Above higher secondary	3	2.50
<b>Caste</b>		
Scheduled Caste (SC)	12	10.00
Scheduled Tribe (ST)	2	1.67
Other Backward Caste (OBC)	104	86.66
General Caste	2	1.67
<b>Size of family</b>		
Small (< 6 members )	33	27.50
Medium ( 6 to 10 members )	70	58.33
Big (> 10 members)	27	22.50
<b>Type of family</b>		
Nuclear	45	37.50
Joint	75	62.50
<b>Social participation</b>		
Not member in any organization	96	80.00
Member of one organization	19	15.83
Member of more than one organization	3	2.50
Office bearer in any organization	2	1.67

It can be concluded from the data that the other backward caste respondents were holding maximum numbers of Kisan Credit Card than the other caste respondents. Yadav et al. [5] and Das [7] also reported similar findings.

#### **3.1.4 Size of family**

The majority of the respondents (58.33%) had medium size of the family (6 to 10 members), followed by small size of family (27.50%) i.e., less than 6 members. However, rest of 22.50 percent respondents had large size of family (>10 members). Das [7] also reported similar findings.

#### **3.1.5 Type of family**

Both nuclear and joint families were found in the study area but the majority of the respondents

(62.50%) belonged to the joint family, while, 37.50 percent of the respondents had nuclear family. This states that the joint family system is still dominating in rural area. Yadav et al. [5] also reported similar findings.

#### **3.1.6 Social participation**

In the social participation, maximum numbers of respondents (80.00%) did not have membership in any organization. About 15.83 percent of respondents had membership in one organizations, while 2.50 percent respondents having membership in more than one organization and only 1.67 percent of the respondents were working as office bearer in the organization. Patel [6] also reported similar findings.

### **3.2 Socio-Economic Characteristics of the Respondents**

#### **3.2.1 Land holding**

The data in Table 2 reveal that the maximum number of the respondents (37.50%) had medium size of land holding, followed by (26.67%) having small size (1-2 ha.) of land holding, whereas, 18.33 % of the respondents were under the category of large size of land holding. Only 17.50 percent of the respondents reported that they had less than 1 hectare of agricultural land. The average operational holding of the small and marginal farmers was 1.29 ha and the corresponding figures for the medium and large farmers were 3.20 and 7.08 ha, respectively. The overall average land holding of the farmers was recorded 3.13 ha only.

#### **3.2.2 Occupations**

The results indicated that all the respondents were involved in farming occupation. But with increasing awareness and their farming needs, the respondents were also practicing other occupations which were available in their reach. About 36.67 percent respondents were engaged in farming plus labour work, followed by 20 percent in animal husbandry along with agriculture. Whereas, 1.66 percent respondents were also involved in farming + service and other occupations for survival of their family.

The majority of the respondents (50.84%) were engaged in two occupations, whereas, 43.83 percent of the respondents were involved in one occupation and only 3.33 percent of the KCC holders were engaged in more than two occupations (Table 3).

#### **3.2.3 Annual income**

Annual income of family indicates the economic position and it is an indicator of the economic stability of the family. It is very difficult to assess the average annual income of each individual, as they are still not maintaining any records. The attempt was made to collect the data regarding annual income of the respondents through discussion and interpretation from various angles and presented in Table 4.

The results show that the maximum number of the respondents (38.33%) reported their annual income between Rs. 25001 to 50,000 followed by 27.50 percent respondents belonging to very

high annual income group (>Rs. 75000). While, 20.84 percent respondents were found under high-income group. Only 13.33 percent respondents were observed under low annual income group (up to Rs. 25,000). It is concluded from the table that majority of KCC holders (59.17%) were surviving their family with Rs. 25000 to 75000 annual income from various sources. Yadav et al. [5] also reported similar findings.

#### **3.2.4 Constraints faced by the respondents in the utilization of kisan credit card**

The data were collected to find out the constraints faced by the respondents which affect the utilization of Kisan Credit Card. Multiple responses were taken to ascertain the constraints faced by the KCC holders and summarized data are presented in the Table 5.

Majority of the respondents (87.50%) reported that the quality of fertilizer provided as kind loan under KCC is not up to the mark, is one of the major constraint in utilization of KCC. Almost similar finding was reported by Nahatkar et al. [8].

More than two third of the respondents were reported that loan limit is inadequate (81.66%), lack of knowledge about claim of crop insurance (79.16%) and paper quality of KCC is not durable (72.50%) were found some other major constraints in utilization of KCC. Problem in obtaining no-dues certificates from other bank for release of loan under KCC (58.33%), fertilizer is not provided as per requirement under KCC (54.16%) and KCC is not used for multipurpose (49.16%) were found some serious constraints among the KCC users.

Some other constraints like security deposit amount for obtaining the credit are very high, changes for opening the account of KCC is high and non availability of bank branches at village were also reported by 16.66, 14.16 and 7.50 percent of the respondents, respectively about effective utilization of KCC. Almost similar constraints were also observed Singh and Sekhon [9] in obtaining the loan of KCC in Punjab.

#### **3.2.5 Suggestions given by the respondents for increasing the utilization of kisan credit card**

The data presented in Table 6 shows that more than 75 percent of the respondents were

suggested that the good quality of fertilizer should be provided 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

**Table 2. Distribution of respondents according to their land holding (n=120)**

Categories	Frequency	Percentage
Marginal (<-1 ha.)	21	17.50
Small (1-2 ha)	32	26.67
Medium (2.1-4.0 ha.)	45	37.50
Large (> 4 ha.)	22	18.33

**Table 3. Distribution of respondents according to their involvement in various occupations (n=120)**

Particulars	Frequency	Percentage
<b>Kinds of occupation*</b>		
Farming only	120	100.00
Farming + Animal Husbandary	24	20.00
Farming + Labour	44	36.67
Farming + Service	2	1.66
Farming + Other	2	1.66
<b>No. of occupation</b>		
One occupation	55	43.83
Two occupation	61	50.84
More than two occupation	4	3.33

\* Frequency is based on multiple response

**Table 4. Distribution of respondents according to their annual income (n=120)**

Annual income (Rs.)	Frequency	Per cent
Low (up to Rs. 25,000)	16	13.33
Medium (Rs.25,001 to Rs.50,000)	46	38.33
High (Rs. 50,001 to Rs.75,000)	25	20.84
Very high (above Rs. 75,000)	33	27.50
Total	120	100.00

**Table 5. Constraints faced by the respondents in the utilization of kisan credit card (n=120)**

Constraints	Frequency*	Percentage
Quality of fertilizer provided as kind loan under KCC is not up to the mark	105	87.50
Loan limit is inadequate	98	81.66
Lack of knowledge about claim of crop insurance	95	79.16
Paper quality of KCC is not durable	87	72.50
Problems in obtaining no-dues certificate from the other bank for released of loan under KCC	70	58.33
Fertilizer is not provided as per requirement under KCC loan	65	54.16
KCC is not used for multipurpose	59	49.16
Security deposit for obtaining the credit in KCC is very high	20	16.66
Charges for opening the account of KCC is high	17	14.16
Non availability of Bank branches at village	09	7.50

Note: \*Frequency based on Multiple Responses

**Table 6. Suggestions given by the respondents for increasing the utilization of Kisan Credit Card (n=120)**

<b>Suggestions</b>	<b>Frequency*</b>	<b>Percentage</b>	<b>Rank</b>
Good quality of fertilizer should be provided on time by banks through KCC as kind loan	96	80.00	I
Loan limit should be increased	90	75.00	II
Kisan Credit Card should be plastic coated	82	68.33	III
Crop insurance claims should be provided at the earliest	30	25.00	IX
Requirement of no-dues certificate from other banks for release of loan under KCC should be relaxed	71	59.17	V
KCC should be made for multipurpose use	66	55.00	VII
Loan should be provided 100% in cash	81	67.50	IV
Account opening charges should be minimize	28	23.33	VIII
Security deposit for obtaining the loan should be minimize	24	20.00	X
Crop insurance premium and security amount should wave off or be deposited by government	68	56.67	VI

Note: \*Frequency based on Multiple Responses

provided as cash (67.50%), requirement of no dues certificate from the other banks for release of loan under KCC should be relaxed (59.17%), crop insurance premium and security amount should be deposited by government wave off as and KCC should be made for multipurpose use (55%).

Some KCC holders also suggested that account opening charges and security deposit for obtaining loan should be minimized.

#### 4. CONCLUSION

As far as major constraints in utilization of KCC was concerned, the quality of fertilizer provided as kind loan in the KCC is not up to the mark, loan limit is inadequate, lack of knowledge about claim of crop insurance, paper quality of KCC is not durable etc., were responsible constraints for in utilization of KCC. The majority of the respondents suggested that good quality of fertilizer should be provided on time by banks through KCC as kind loan, loan limit should be increased, KCC should be plastic coated, crop insurance premium and security amount should be wave off or deposited by government etc, for effective utilization of KCC by the farmers. Hence in the light of findings it is recommended that efforts should be made to popularize the KCC among various categories of the farmers for judicious use of low interest credit in agriculture for increasing the productivity for sustainable development.

#### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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