



Constraints in Access and Utilization of Kisan Credit Card: A Study on Indian Agricultural Financing

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Abstract

An essential financial tool created to help farmers obtain loans on time is the Kisan Credit Card (KCC) program, which was launched in India in 1998. NABARD started this initiative to meet the financial requirements of the agriculture industry, which introduced by the R.V. Gupta Committee's recommendations. By offering both short- and long-term loans that are customized to farmers' production and allied activities needs based on variables including landholding and crop trends, the KCC seeks to empower farmers. Still, in spite of its admirable goals, KCC's adoption rate has not been the best. Significant obstacles that many farmers must overcome include a lack of knowledge, difficult application processes, a lack of institutional assistance, and a weak rural banking infrastructure. Further obstacles that prevent the system from being used effectively include financial illiteracy and technical limitations. Other obstacles like financial illiteracy and technology limitations make the system much harder to use effectively. This study looks closely at these barriers, showing problems that both beneficiaries and non-beneficiaries in the Kalahandi region have to deal with. To optimize the KCC's influence on rural development, improvements are suggested, such as streamlining the application procedure, improving awareness campaigns, providing flexible repayment choices, and guaranteeing strong support from financial institutions.

Keywords-KCC, Credit, Constraints, Repayment

I. Introduction

Credit is an essential element as the continued expansion of agricultural sector. In India growth and development of agricultural sector heavily depend on farm finance. KCC was initiated

in 1998 to provide timely and adequate credit facilities. The Kisan Credit Card (KCC) scheme is a crucial financial tool for farmers in India, offering easy access to credit for agricultural purposes. This guide delves into the functioning of KCC in Odisha, providing insights into its eligibility criteria, application process, benefits, and challenges. In the budget KCC was 1st proposed by former finance minister Yashwant Sinha, recommendation by R.V. Gupta committee. Indian banks introduced the Kisan Credit Card credit card scheme in August 1998. Based on recommendations by the R.V. Gupta Committee, the National Bank for Agriculture and Rural Development (NABARD) created this model program for offering short term and term loans for agricultural purpose. The Kisan credit Card Scheme was launched in August 1998 with the aim of meeting the production and consumption needs of farmers by providing them with convenient and timely finance for their agricultural requirements. A significant turning point in India's history of rural finance is the Kisan Credit Card (KCC) programme. Its objective is to support farmers economically in order to meet the whole credit demands of the agricultural industry. A farmer's limit is determined by his or her productive land holding, crop pattern, and financial scales; the banks have the last say in determining these sub limits.

Despite the scheme's ambitious objectives, the adoption of the Kisan Credit Card by farmers has been far from optimum. Farmers are unable to fully profit from the plan due to a number of obstacles, including poor awareness, difficult application processes, a lack of institutional assistance, and a restricted banking infrastructure in rural regions. Moreover, impediments including technological hurdles, inadequate financial knowledge, and protracted procedures frequently worsen the challenges farmers encounter in utilizing the KCC



efficiently. This research aims to investigate these issues in further detail by looking at the main obstacles farmers have when trying to apply for and use the Kisan Credit Card.

II. Literature Review:

KRISHNA KUMAR GAUTAM (2018) The study evaluates the Kisan Credit Card (KCC) program's effectiveness in the Bihar district of Madhubani's Ghoghardhia and Phulparas blocks. Primary data were gathered from four villages: Ratoli, Sudai, Murli, and Navtol, from 50 KCC and 50 non-KCC farmers. The majority of KCC and non-KCC farmers were between the ages of 41 and 55, with respective average ages of 48.76 and 45.33. The majority of both groups were made up of medium-sized households (5–10 members). While non-KCC holders favoured goat farming or agriculture with business, KCC holders were primarily involved in dairy or agriculture combined with business. For KCC holders, the biggest obstacles were paperwork, late loans, and exorbitant interest rates. The difficulties in creating bank accounts and the need to rely on non-institutional credit sources were among the difficulties faced by non-KCC holders.

Laxmi Bagh and MR Chandrakar, (2019) the research showed that 50.61% of Chhattisgarh had KCC coverage. The average family size in the KCC group was 5.1, and in the non-KCC group, it was 4.8. About 43.82% of KCC farmers and 42.30% of non-KCC farmers reported farming as their main occupation. The input-output ratios were 1:1.66 for KCC and 1:1.56 for non-KCC groups. Major obstacles included complex documentation, area-based strategy, lack of awareness, procedural issues, financial institution pass books, credit amounts, and lack of nearby financial institutions. The study recommended faster procedures, simpler paperwork, more scheme extensions, a smaller area approach, increased credit amounts, and the ability to use credit for various purposes. Additionally, farmers should have access to facilities provided by banking institutions.

Promela Bhattacharjee and Amod Sharma (2021) In this study comprising two blocks—Medziphema and Chumukdima—was carried out in 2017–2018. 85 people in all were questioned; 80 were chosen from two groups (40 KCC beneficiaries, 40 non-beneficiaries), and 5 banking staff members were asked for their opinions on KCC loans. The study looks at how certain factors—like time, savings, and operational effectiveness—affect future profitability. Additionally, it lists the obstacles that KCC beneficiaries must overcome, like locating

guarantors, obtaining appropriate collateral, and navigating marketing middlemen. The largest problem faced by bankers was loan recovery. The KCC method employed Garrett's Ranking Technique for analysis and policy recommendations.

III. METHODOLOGY:

The present study is Conducted in Kalahandi district of Odisha was purposively based on the its in KBK region of Odisha. The questionnaires were made with the help of pre-tested and pre-designed structure schedules. Kalahandi district comprises of thirteen blocks. Because there is a large concentration of KCC farmers in two of the thirteen blocks—Dharamgarh and Junagarh— were selected purposively. Two villages were selected randomly from each of the selected block. In this way four villages, Kebdi, Bagaad, Pilkia, Kelia from Dharamgarh and Junagarh blocks were selected. The respondents were chosen as per the required categorical consideration that is KCC holder and non-KCC holder. The respondent categorized into 3 categories Small, Medium and Large. On the basis of probability proportion of their population 120 respondents i.e. 60 KCC holder, 60 non-KCC holder were selected for the collection of required information.

IV. Result Discussion:

4.1 To identify constraints and suggest measures to enhance the performance of KCC scheme

4.2 CONSTRAINTS IN ADOPTION OF KISAN CREDIT CARD SCHEME

4.3 Constraint in adoption of KCC Scheme as perceived by beneficiary farmers

The KCC plan was very helpful to the beneficiaries in that it provided credit for various agricultural activities in a timely manner. The KCC holder sample respondents were asked to identify any difficulties they encountered in obtaining the advantages of the KCC Scheme, which was introduced by several financial institutions for the benefit of the farming population. However, based on the comments of the KCC farmers, there were still quite a few faults in the system. The limitations, viewpoints, and recommendations made by KCC recipients for enhancing the KCC program are shown in the table 1. The farmers were asked to rank their given set of limitations according to the severity of the constraints they felt in order to personalize the constraints experienced by borrowers-farmers with regard to socio-economic, institutional, and infrastructure elements. Garrett and Woods' table (1969) was used to convert the rank provided by the borrowers—farmers—into the average percent



position, and the percent position into mean scores. Ultimately, the limitations were prioritized based on the mean Garrett's ratings. Garrett's limitations were

graded higher and were deemed more severe than others with a lower score.

Table 1 Constraints in adoption of KCC Scheme as Perceived by KCC holders (Rank in Order of preference)

SL.No.	Constraints	Garrett 's mean score	Rank
1	Lack of awareness about the benefits of institutional agriculture credit	75.74	I
2	Illiteracy	73.12	II
3	Fear of being defaulter	71.92	III
4	Difficulty in opening bank account	71.28	IV
5	Lengthy paper work	69.74	V
6	Inadequate credit limit	69.1	VI
7	Lack of consumption loan	67.38	VII
8	Inflexibility in use of credit	66.1	VIII
9	Non-cooperating behaviour of bank employees	65.68	IX
10	Untimeliness of loan disbursement	65.46	X
11	High interest rate and cost of credit	64.74	XI
12	Demand/involvement of bribe	62.86	XII
13	Bad experience of peer group	62.6	XIII
14	Distant location of bank/cooperative	62.26	XIV
15	Inflexibility in withdrawal	62.12	XV
16	Poor capacity to collateral security	62.02	XVI

It is believed that the biggest obstacle to the scheme's acceptance is a lack of understanding, with many KCC holders being unaware of the advantages offered by institutional agricultural finance. Farmers find it challenging to comprehend and utilize the program efficiently when they lack literacy, which is another important barrier. Many farmers fear that they might not make their loan payments, which might have serious financial repercussions like losing their collateral or facing legal action. Opening bank accounts, which are necessary in order to participate in the KCC scheme, is frequently difficult for farmers. This includes problems like the need for paperwork and not being conversant with banking procedures. Many farmers are prevented from participating in the KCC system by the lengthy and complex paperwork involved, especially those with low levels of education. For farmers, especially those with larger or more intense farming operations, the loan offered under the KCC system might not be sufficient. The KCC system usually excludes provisions for consumption loans and instead concentrates on lending for agricultural needs. For farmers who want financial assistance for crises or family bills, this can be a major barrier, making the program less all-encompassing in meeting their whole financial needs. Farmers that need quick access to credit find it difficult to work with the KCC scheme's rigid rules about when and how cash can be

taken. Farmers that need quick access to credit find it difficult to work with the KCC scheme's rigid rules about when and how cash can be taken. Unfavourable experiences with bank staff, such as a lack of assistance or cooperation, can deter farmers from registering for or making effective use of the KCC program. Farmers' potential to buy supplies and run their enterprises effectively is hampered by loan disbursement delays, especially during pivotal times in the agricultural cycle. Farmers, especially smallholders with limited financial means, find the KCC program less appealing and accessible due to high interest rates and the overall cost of loan. One further obstacle to enrolling in the KCC scheme is the system's demand for bribes and other forms of corruption, especially for marginal farmers. Peer-reported negative experiences, like trouble making payments or subpar bank service, can deter people from signing up for the KCC plan. For many farmers, especially those in remote regions, the physical distance to the closest bank or cooperative branch presents a practical problem, making it challenging to apply for or maintain their KCC accounts. Farmers frequently find it difficult to offer the collateral required to obtain loans, which restricts their access to enough credit via the KCC system.

According to the analysis above, the farmers had a lot of difficulties obtaining institutional agriculture production financing. The main



communication gap between farmers and the institutional agriculture credit delivery system was the research area's main restriction.

Despite the fact that employing institutional agriculture finance is beneficial, there are many gaps in the knowledge about agricultural credit and how farmers can apply for it. Thus, setting up the institutional agriculture credit delivery system in the research region is imperative.

4.4 Barriers to the KCC Scheme's Adoption as perceived by non-KCC holders

The constraints faced by non-KCC holders in the adoption of KCC Scheme have been ranked

using Garrett 's ranking technique and the results are presented in Table2

It appears that many farmers prefer informal credit sources over institutionalized schemes like KCC, as indicated by the sample responses, which indicated that easy availability to non-institutional loans was the biggest barrier preventing farmers from following the method. One of the main obstacles is the deficiency in knowledge transmission, as evidenced by the lack of understanding or awareness of the potential advantages of the KCC plan. Crucial issues that can deter farmers from embracing the KCC program include the worry about going into default on a loan and the impression that the credit ceiling is too low.

Table 2 Barriers to the KCC Scheme's Adoption as perceived by non-KCC holders (Rank in Order of preference)

SL.No.	Constraints	Garrett 's mean score	Rank
1	Easy access to non-institutional loan	78.00	I
2	Lack of insight on the scheme's potential	66.00	II
3	Fear of being a defaulter	57.00	III
4	Insufficient credit limit	50.00	IV
5	Difficulty in opening bank account	43.00	V
6	Bad experience of peer groups	34.00	VI
7	Lack of motivation from officials	21.00	VII

Other obstacles include the inability to open bank accounts, which is probably due to complicated procedures, or not having access to financial infrastructure. The program's low acceptance is also attributed to unfavourable experiences from peer groups and a lack of inspiration or support from officials. These results highlight the necessity of focused interventions to boost the adoption of the KCC scheme among non-participating farmers. These interventions might include bettering awareness efforts, streamlining scheme access, and strengthening assistance from banking authorities.

V. Conclusion

The study concludes that there are notable obstacles that both Kisan Credit Card (KCC) scheme participants and non-beneficiaries in the Kalahandi area must overcome. Benefit recipients face obstacles that prevent the program from being used effectively, including illiteracy, fear of being default, and lack of knowledge. Conversely, the primary factors discouraging non-beneficiaries are the prompt availability of non-institutional loans and their lack of knowledge regarding the scheme's potential advantages. The program's acceptance is also impacted by peer pressure and insufficient support

from banking officials. Simplifying the application process, improving awareness campaigns, providing more flexible repayment choices, and guaranteeing sufficient assistance from financial institutions are just a few of the many strategies needed to address these obstacles.

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