

Impact of Kisan Credit Card Scheme on Ground Level Agriculture Production Credit Flow in Punjab: A Model

¹Dr. Hardarshan Kaur Former Research Fellow, Dept. of Commerce, Punjabi University Patiala, (147001) Punjab.
Assistant Professor, Dept. of BBA (Hospital Administration), University College, Chaudhary Devi Lal University,
Sirsa.

(Abstract): The paper attempts to study the relationship between amount sanctioned under Kisan credit card scheme and ground level production credit for agriculture in Punjab in order study the impact of former on later. The relationship model has been obtained by regression analysis. The analysis has been done for the data collected for the years 2003-04 to 2014-15. It was revealed that Kisan credit card scheme had a significant impact upon ground level production credit.

Key Words: Production, Impact, Credit, Amount, Agriculture.

Introduction

The govt. of India as well as Reserve Bank of India has set up a broad based institutional framework for the increasing credit needs of agriculture sector. Agriculture credit requirements of the farmers can be broadly bifurcated into time based requirement and purpose based requirement. Time based credit requirements of the farmers can be classified into short term, medium and long term. Further, on the basis of purpose loans can be required for productive, non-productive purposes and even for consumption needs. All kinds of agriculture and allied activities come under the preview of production loans which can be taken to buy inputs, seeds, fertilizers, manures, livestock, agricultural implements, marketing of agriculture produce, permanent improvements on land etc. The financial institutions do not provide credit for consumption and non productive purposes to farmers and it is for this reason that they have to rely upon money lenders as well as informal sources. Kisan credit card scheme was introduced in 1998 in order to provide financial assistance to the farmers to meet their credit needs in relation to production, consumption as well as other allied activities throughout the year. The main objective of the scheme was meeting the production as well as consumption needs of the farmers. The scheme was widely accepted by bankers and farmers and implemented by commercial banks, cooperative bank and regional rural banks throughout the country.

Review of Literature

Ahangar et al. (2013) evaluated the institutional agriculture credit in India with objective to review the quantum of loans issued and outstanding by various institutions and to examine the progress of schedule commercial banks in agriculture credit. For the purpose time series data on institutional credit has been collected and analyzed by using compound growth rate and exponential function. It was found that the quantum of loans had been increased during the study period and schedule commercial banks issued the highest number of loans and loans issued was the lowest in case of co-operative banks. Further, the direct and indirect advances to agriculture by schedule commercial banks were on higher side. Further, it was recommended that banks should make efforts to reduce the outstandings in order to recover the due loans and drive the same back to agriculture credit system to boost growth.

Kumar and Gambhir (2012) attempted to study the financing of agriculture by commercial banks with the objective to find the problems faced by farmers. Data has been collected using questionnaire from 60 sample farmers. It was revealed that high interest rates and complicated procedure of getting loans were the main problems faced by farmers. It was suggested that farmers should be made aware of financial inclusion by NGO's and educational institutions. Further, banks were suggested to lower interest rates, simplify the process and rural oriented training should be given to staff.

Mishra and Mishra (2007) examined institutional finance and farmers' indebtedness in Orissa. The main objective of the study was to find out the sources of borrowers among different categories of farmers; nature of utilization of borrowed funds and to study the impact of institutional finance on agricultural productivity of sample farmers. The two stage random sampling was used to select primary and secondary samples. For the purpose of the study, the villages were considered as primary unit and the households as secondary units. A sample of 80 borrowers and non borrowers were selected on basis of operational holdings. The multiple regression analysis was carried out to examine the impact of institutional credit for increasing the output at farmers level. Further, simple correlation matrices were worked out for all independent variables for examining the presence of multicollinearity. It was found that the principal source of credit for farmers were institutional and non-institutional agencies. The study revealed that 66.27 per cent of the total credit was provided by institutional agencies and among it the share of co-operative was 39.53 per cent. However, the extent of

misutilisation of credit was more in case of long term credit than short term credit. The correlation coefficient showed that there was a positive relationship among credit financed inputs, self-financed variable inputs, self-financed fixed inputs and percentage of area and their increase add to the increase in yield as well as to the income. It was found that the increase in yield of borrowing farms was due to use of credit financed inputs.

Dashawant (2007) analyzed the impact of Karnataka Vikas Grameena Bank on agriculture development of beneficiaries and study the awareness and adoption of improved agriculture practices regarding selected crops by beneficiaries' farmers. The study was conducted on 144 respondents from Dharwad district in state of Karnataka through pre tested interview and data was analyzed by using arithmetic mean, standard deviation, frequency and percentage and Paired't' test. The study revealed that the KVG Bank had highly significant impact on agriculture development of beneficiaries. Majority of the respondents belonged to medium level knowledge category in respect of recommended cultivation practices of cotton and other crops like groundnut, paddy and green gram. It was observed that majority of the farmers had limited awareness about the scheme and adopted practices like choosing recommended varieties, sowing time, seed rate, seed treatment, spacing and application of fertilizer, use of plant protection chemicals. It was found that dimensions like annual income, asset acquisition, consumption pattern, crop pattern had positive impact on agriculture development of beneficiaries. In view of success of KVG Bank, it was recommended to set branches at village level to cater more farmers in rural areas. The state department of agriculture should make more efforts to render awareness about improved practices to farmers and persuade them for acceptance for sustainable technologies.

Objectives of the Study: The main objective of the study was to assess the impact of Kisan credit card scheme on ground level agriculture production credit in Punjab.

Research Methodology

For the purpose of the study, a relationship model has been obtained through regression analysis in order to study the impact of Kisan credit card scheme on the ground level agriculture production credit in Punjab. The analysis has also been done for selected commercial banks. The analysis has been done for the years 2003-04 to 2014-15. The data has been taken from the agenda meetings of State Level Bankers Committee Punjab.

Relationship Model of the Amount Sanctioned under Kisan Credit Card Scheme and Ground Level Production Credit

To study the impact of KCC scheme on the ground level agriculture production credit flow, a relationship model obtained through regression analysis has been used. The relationship has been studied between the amount sanctioned under kisan credit card scheme and the ground level production credit by all the agencies collectively and individually. Here, the amount sanctioned under KCC scheme has been taken as independent variable and ground level production credit as dependent variable. The relationship model is presented in table 1.

Table 1

Relationship Model of the Amount Sanctioned under Kisan Credit Card Scheme and Ground Level Production Credit

Agencies	Intercept	Amount Sanctioned	R ²	Adjusted R ²	F-value
Commercial Banks	391990.06 (2.751)	2.105* (12.596)	0.941	0.935	158.651*
RRBs	-17763.65 (-0.435)	4.030* (6.333)	0.800	0.780	40.105*
Co-operative Banks	891202.18 (4.869)	-1.263 (-0.254)	0.006	-0.093	0.065
Total	1194744.32 (3.777)	2.275* (6.832)	0.824	0.806	46.671*

Note: The figures in parenthesis represent the t-values

*Refers to 5 per cent significance level

The table 1 reveals that the amount sanctioned under the scheme and production credit by all the agencies explains 80.6 per cent variation. The variation was found to be high but significant at 5 per cent level which means that the production credit was influenced by the amount sanctioned under kisan credit card scheme. Thus, one unit of increase in amount sanctioned under KCC scheme leads to 2.275 units increase in the ground level production credit. The F-test for the model is also significant. The equation is as under:

$$Y = 1194744.32 + 2.275 X + e \text{ ----- (1)}$$

In case of commercial banks, there was 93.5 per cent variation in the amount sanctioned under the KCC scheme and the production credit. The variation was found to be high and significant at 5 per cent level which means that the production credit of commercial banks was influenced by the amount sanctioned under the KCC scheme. Thus, one unit of increase in amount sanctioned under KCC scheme leads to 2.105 units increase in the ground level production credit. The F-test for the model is also significant. The equation is as under:

$$Y = 391990.06 + 2.105 X + e \text{ ----- (2)}$$

In case of RRBs, the analysis revealed 78 per cent variation in the amount sanctioned under the KCC scheme and the production credit. The variation was found to be very high and significant at 5 per cent level which means that the production credit of regional rural banks was influenced by the amount sanctioned under the KCC scheme. Thus, one unit of increase in amount sanctioned under KCC scheme leads to 4.030 units increase in the ground level production credit. The F-test for the model is also significant. The equation is as under:

$$Y = -17763.65 + 4.030 X + e \text{ ----- (3)}$$

In case of co-operative banks the variation was low as well non significant at 5 per cent level and it showed no influence of the credit under KCC scheme upon production credit by the co-operative banks. The equation is as under:

$$Y = 891202.18 - 1.263 X + e \text{ ----- (4)}$$

However in co-operative banks, the credit under KCC scheme has not revealed positive significant impact on the production credit. Rather, the analysis revealed a negative impact on the production credit. The variation was insignificant at 5 per cent level. It shows that in the co-operative banks, KCC scheme has not been instrumental to enhance the agriculture production credit flow in the state. However, in RRBs, the KCC scheme has made higher significant impact upon production credit. Further, the KCC scheme of commercial banks has also significantly influenced the production credit flow.

The flow of production credit relies upon various factors. The flow of production credit primarily depends upon demand of credit by the farmers. Weather, rainfall and uncertain calamities have a major impact on requisition of credit. Pertaining to these conditions, it is difficult to accurately establish any direct relationship between KCC scheme and flow of credit. However, the study above shows that kisan credit card scheme aims to facilitate stabilization in flow of credit. The comparative analysis of amount sanctioned under KCC scheme and production credit by regional rural banks has shown significant relationship between the two. Similar was the outcome with respect to commercial banks which have shown the amount sanctioned under KCC comprised one fourth of the production credit. However the co-operative banks have not shown impact as the amount sanctioned under the KCC scheme by the co-operative banks is declining throughout the study period. The KCC scheme of the selected commercial banks also significantly impacts the production credit flow by the same. Further, the total agriculture credit as well as production credit by various agencies respectively has shown growth throughout the study period. Therefore, it can be concluded that kisan credit card has a significant impact on flow of credit in the state of Punjab.

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Biography:



Dr. Hardarshan Kaur did her MBA (Finance from Chitkara Institute of Engineering and Tecchnology, Rajpura) in 2009, M.Phil (Commerce) in 2012 and Ph.D in 2017 from Department of Commerce, Punjabi University, Patiala. She has number of research papers and a book in her credit. She has presented papers in various national and international seminars and conferences.