

Study of the repayment behavior of beneficiaries of Kisan Credit Card scheme

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Abstract:- Agriculture has been and continues to be the chief source of livelihood/employment for millions of Indians living in villages and the only sector that till today forms the backbone of Indian economy and provides a platform to Indian economy in adopting a 'leap-frog strategy' of development. Agriculture, therefore, is and will continue to be central to all strategies for planned socio-economic development of the country. Therefore, it is important to examine the profile of farmers as well as the reasons or factors which are likely to be associated with repayment behavior of the beneficiaries. The present study is taken up under the particular scheme of Kisan (Farmer's) Credit Card (KCC).

Former Prime Minister of India, Pt. Jawaharlal Nehru, stated before independence, "Everything else can wait, but not agriculture". In India, agriculture is not a profession or a source of livelihood; it is rather a way of life: a tradition, which for centuries has shaped the thought, outlook, culture and economic life of people. Agriculture has been and continues to be the chief source of livelihood (employment) for millions of Indians living in villages. It is the only sector that to this day forms the backbone of the Indian economy and provides a platform to the Indian economy in adopting a 'leap-frog strategy' of development. Agriculture, therefore, continues to be central to all strategies for planned socio-economic development of the country.

In spite of the impressive performance by most of the modern-day banks in financing agriculture, the problem of non-repayment of the loans by the farmers is a serious concern to the bankers and policy makers. This has resulted in blockage of funds ultimately depriving others to take advantages of credit. Repayment of credit is of crucial importance for a better functioning of commercial banks as repayment not only ensures the recycle of public money for development but also supports the farming community. The standing loans & over dues are responsible to degenerate the entire credit institution. Increasing defaults in the repayment of loans may lead to very serious implications. Therefore, it is essential to examine the profile of farmers as well as the reasons or factors which are likely to be associated with repayment behavior of the beneficiaries. The present study is taken up under a particular scheme named Kisan (Farmer's) Credit Card (KCC).

I. KISAN CREDIT CARD SCHEME

To provide adequate and timely support from the banking system to the farmers for their cultivation needs including purchase of all inputs in a flexible and cost-effective manner, a Kisan Credit Card (KCC) Scheme was introduced in August, 1988 for short-and medium-term loans. Further, from January 31, 2006, the scheme has been extended to all types of loan requirements of borrowers. KCC is a simple card cum passbook. Farmers may approach the nearest branch of any bank or PACS (Primary Agricultural Cooperative Credit Societies) for it.

II. OBJECTIVES AND BENEFITS OF KCC

- Adequate and timely credit support to farmers.
- Credit needs of the farmers should be fulfilled to support the cultivation expenses including ancillary activities to get optimum production.
- Disbursement of credit to farmers in a hassle free & smooth manner by the administration.

Benefits of KCC Scheme:

- Simplifies disbursement procedures.
 - Removes rigidity regarding cash and kind.
 - No need to apply to a loan for every crop.
 - Assured availability of credit at any time enabling reduced interest burden for the farmer.
 - Helps buy seeds, fertilizers at farmer's convenience and choice.
 - Helps buy on cash-avail discount from dealers.
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- Credit facility for 3 years – no need for seasonal appraisal.
- Maximum credit limit based on agriculture income.
- Any number of withdrawals subject to credit limit.
- Repayment only after harvest.
- Rate of interest as applicable to agriculture advance.
- Security, margin and documentation norms as applicable to agricultural advance.

Objective of the study:

The objective is to determine the repayment behavior of beneficiaries of Kisan Credit Card scheme.

Dependent Variable:

Repayment behavior: It refers to the behavior of an individual towards repayment of loan borrowed from any nationalized commercial bank under the scheme of Kisan Credit Card. The categorization was made according to the information received from the bank.

As per bank records, a list of KCC beneficiaries was prepared from 8 selected villages and 15 respondents were selected from each village by using random method. Thus, a total 120 respondents were selected for the study. Further those 120 beneficiaries were categorized according to their repayment behavior as follows

[1] *Regular:* - Who repaid their loan in time.

[2] *Irregular:* - Who repaid their loan after scheduled date of repayment.

[3] *Defaulter:* - Who failed to repay their loan.

The data was collected with the help of self-made, pre tested, well-structured (standardized) interview schedule. For the accuracy and convenience of data collection, the interview schedule was prepared in the local language. The interview schedule was designed on the basis of objectives and variables of the study. Repayment behavior of KCC beneficiaries was determined on the basis of the time during which they repaid their loan.

Table: Repayment behaviors of KCC beneficiaries.

S.no.	Repayment behavior	No. Of respondents	Percent
1	Regulars	38	31.67
2	Irregulars	29	24.16
3	Defaulters	53	44.17
	Total	120	

From the table, it is clear that the maximum number of KCC beneficiaries is defaulters (44.17%), only 31.67 percent respondents repaid their loan in time and 24.16 percent repaid their loan after scheduled date of repayment.

Relationship between characteristics and repayment behavior of the Kisan Credit Card (KCC) beneficiaries:

Characteristics	Value of X ²	Significant/ Non Significant
Age	3.98	NS
Education	9.25	NS
Family Type	3.77	NS
Size of land holding	2.10	NS
Annual Income	29.39*	S
Social Participation	24.07*	S
Extension Participation	2.31	NS
Economic Motivation	18.99*	S

*Significant at .05 levels of significance.

The analysis of data revealed that out of eight variables annual income, social participation, and economic motivation were found to be significantly associated with repayment behavior of the respondents. Other variables did not show any substantial association with the repayment behavior of KCC beneficiaries.

III. DISCUSSION OF THE SIGNIFICANT CHARACTERISTICS:

The three major characteristics that affect the repayment behavior of the beneficiaries under the KCC scheme are:

- Annual Income
- Social Participation
- Economic Motivation

Annual Income

The annual income corresponds to the yearly income of the beneficiaries who were the subject of study. The beneficiaries below the annual income of Rs. 10,000 approx. (INR) formed the majority of the defaulters in the list. This shows that annual income plays a very significant role in the repayment behavior of the payee. This is logical in itself, as a person who faces difficulty in making his end meet, is hardly able to repay the looming burden of loan.

Social Participation

This might seem a rather unusual factor, when studying the repayment behavior of a payee. But, the fact that humans are a social animal supersedes a lot of other factors. Social participation is the backbone of every community in the world. Therefore, it is not surprising that social participation is one of the significant factors that determine the repayment behavior

By social participation, we mean that the active involvement of the farmers in community-level meetings, festivals, occasions, and government holidays. The farmers who actively meet are the ones who show a positive repayment behavior. The reason for this is that people who meet often and are a part of the community are able to understand the importance of repayment of credit and of functioning of society in a better way.

Similarly, the people who show a high level of social participation are aware of recent developments and technologies that otherwise they might not be able to get. We can deduce that this impacts their repayment behavior in a positive manner. On the other hand, people who don't participate socially, are the ones to miss out of such developments.

Economic Motivation

Economic motivation is also one of the significant factors that determine the repayment behavior of the beneficiaries. The people who are economically motivated appear to be in a superior situation to repay their loans. Economically motivated beneficiaries understand the importance of credit, repayment, and incentives out of their production. Therefore, they exhibit a higher repayment behavior.

On the other hand, farmers with little or no economic motivation are the ones who show negative repayment behavior. It can be deduced that without economic motivation, they miss out on the benefits of repayment their loan on time. Their loan might also seem a burden to them, such a situation is clear indicator of low economic motivation.

Thus, it can be positively concluded that the repayment behavior of KCC beneficiaries depends most significantly on their annual income, social participation, and economic motivation.

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