International Journal
of
Research in Finance and Management

P-ISSN: 2617-5754
E-ISSN: 2617-5762
IJRFM 2021; 4(1): 62-66
Received: 05-01-2021
Accepted: 09-02-2021

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A study of repayment behavior of farmers in India: With special reference to kisan credit card scheme

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DOI: https://doi.org/10.33545/26175754.2021.v4.i1a.131

Abstract
India is an agricultural country. Our farmers are always involved in agricultural activities to produce grain for themselves and also for others. Small farmers take loan for each every small requirement from sahukars and private credit company at higher rate of interest; Due to high rate of interest it becomes very difficult for them to repay the loan amount along with interest. As a result they lose their landholdings as well as their houses also. To solve this problem, Government introduced KCC, which provide loan to farmers at very low or zero rate of interest.

Present study focuses on Repayment Behaviour of Kisan Credit Card holder Borrowers of Obedullaganj Block. The current study attempts to determine the Loan Repayment Pattern of KCC as seen by farmers. The study was conducted using a sample of 200 KCC holders in the Obedullaganj Block of Raisen district (M.P.). collected during the year 2020 to 2021. In the research area it was found that the average loan sanctioned by banks to KCC holders was 155770.37 per KCC holder every financial year. Results shows that 16 (32) percent of the total KCC borowers out of 100 (200) percent have closed their accounts by fully repaying the original amount plus interest. It was discovered that 39% of the respondents had paid their debt on time. Closed and regular accounts together, account for 55% of the total. This demonstrates the sample borrowers' excellent repayment performance. In addition, irregular and default accounts for 34.5 percent and 10.5 percent of the total.

Keywords: Agricultural and rural development, NABARD, kisan credit card (KCC), repayment behavior

Introduction
The rural development scenario is rapidly changing as a result of policy design and large-scale implementation of new initiatives. Various international organizations have emphasized the concept of rural development throughout the previous quarter-century. "The World Bank Rural Development policy sector study of 1975" defines rural development as "a strategy aiming to improve the economic and social life of a specific population." This applies to the poorest of those seeking a living in rural areas. It is the corner stone to all Economic Development, whether industrial or agricultural, urban or rural development.

There are various dimensions to rural development, such as social, economic, and cultural growth. Dr. Girdhari believes that 'Rural Credit' is essentially an agricultural finance, as opposed to the processing and marketing of agricultural produce, when it comes to economic development issues. Initially, rural development was seen as a government-sponsored effort, but in the recent decade, non-governmental organizations (NGOs), or social service groups, self help groups have been found more involved in sustainable rural development. The concept of rural development has undergone significant changes in three crucial areas: resource planning, personnel development, and idea formation.

The Reserve Bank of India has been interested in agricultural loans since its inception. In our country, the apex bank, RBI maintains a distinct section for agriculture credit. Through Cooperative Credit Institutions and banks, this department of the RBI provides short-term seasonal financing as well as medium-term and long-term credit to agriculture.

The Reserve Bank of India also established the Agricultural Refinance Development Corporation to facilitate refinancing to agricultural credit institutions. With the expansion of bank credit's role from 'agricultural development' to 'rural development,' the government proposed establishing a more broad-based organization at the apex level to provide support and guidance to credit institutions on issues relating to the formulation and implementation of rural development programmes.

The Reserve Bank of India and NABARD jointly introduced Kisan Credit Card (KCC) in 1998 with the goal of meeting farmers' credit needs in a hassle-free manner in order to increase agricultural production. All qualifying KCC holders were given a RuPay Kisan Card that allowed them to transact on a digital platform, allowing them to buy agricultural inputs, receive proceeds from crop sales, and meet their daily requirements. The updated Kisan Credit Card guidelines were as follows.

The primary goal of introducing "RuPay Kisan Cards" is to offer farmers with immediate access to credit on a daily basis while also reducing the frequency of trips to branches/PACS. On CBS, cooperative banks can suggest services that are comparable to those offered by commercial banks.

Farmers can withdraw money/complete transactions via uncountable ICT-driven channels such as ATMs, micro-ATMs, POS, etc. with the use of a KCC cum Savings Bank account and a Rupay Kisan card. The issuing of ATM cum debit Cards to members of PACS technique must be adopted. PACS cannot provide such cards to their customers because they are not banks, and their accounts are not insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC).

In the last five years, the number of Kisan Credit Cards issued in rural areas has increased dramatically, with the relevance of KCC in mind, which is a credit distribution system that enables farmers to obtain affordable credit quickly and easily.

Manjula V (2018) in her study on customer relationship management and practices in regional rural banks with special reference to Salem region suggested that Government should encourage and support banks to take suitable actions in rural development, and policy should be developed by the government to encourage banks to open additional branches in the state's weaker and distant areas. The RRBs must make significant changes in their investment decision-making, as well as be extremely cautious and cut operating expenses, as our research has revealed that these expenses have increased the banks' total spending.

Preetam S. Gaikwad (2018) in their study on "Role of NABARD in Rural Development." Found that since its establishment in 2010, NABARD infrastructure Development Assistance has grown at a compound annual growth rate of 0.13. Since its start, NABARD infrastructure Development Assistance has sanctioned 51 projects in various industries. However, Maharashtra has been left off of the list of states eligible for NABARD infrastructure development assistance.

Gagan Deep (2017) mentioned in her work on "Impact of Regional Rural Banks in The Economic Development of Rural Area: A Study of Himachal Pradesh, that HPGB branches have been discovered to be growing its branch network around the state. Its branch count has increased from 133 in 2004-05 to 212 in 2014-15. Its branches, on the other hand, are mostly focused in four districts: Mandi, Kangra, Chamba, and Kullu. With a 14.7 percent ECGR, its total resources, including owned money, deposits, and borrowings, have expanded from Rs 70351.81 lakh in 2002-03 to Rs 373723.30 lakh in 2014-15.

Jagtap (2016) in his study mentioned that financial inclusion fosters thrift and develops a culture of saving, improves access to credit for both business and personal emergencies, and facilitates efficient payment mechanisms, according to an article titled "Role of Banking Industries in Financial Inclusion in India." Banks must assume the position of counselor to the poor and disadvantaged, as sound guidance can go a long way in a tough situation. It was decided that the expansion of bank branches of both public sector and scheduled commercial banks demonstrates the efforts made toward financial inclusion.

Milan & Yadav (2015) conducted a study on Aryavart Gramin Bank in Lucknow and the Kshetriya Kisan Gramin Bank. They used the Spread Ratio (Interest earned/interest paid) and Business per Employee (aggregate deposits + aggregate loans and advances/number of employees) to evaluate both banks' performance. The spread ratio of Aryavart Gramin Bank of Lucknow is (6.999) and Business per Employee is (.009), whereas the spread ratio of Kshetriya Kisan Gramin Bank of Mainpuri is (4.543) and Business per Employee is (.009). (.005).

Singh & Kaur (2014) [16] in their study mentioned that rural cooperative credit structures are an important and vital part of India's banking system, and that they have played a critical role in the country's economic development, particularly in rural areas. The 'two pillars' of India's green revolution, which occurred in the 1970s, are known to be technical support from Punjab Agriculture University and financial backing from cooperative banks.

Vasu & Jayachandra (2014) [17] mentioned in a study that NABARD has been supporting Rural Entrepreneurship Development Programmes (REDP) and Skill Development Programmes (SDP) since the early 1990s, according to their research. On January 1, 2010, there were 9.8 million unemployed people.

Borah (2014) in his research discovered that while agricultural credit flow has increased in recent years, agricultural finance in Assam is insufficient. For example, per hectare agricultural credit availability was determined to be Rs 9120, compared to Rs 15380 per hectare at the national level. Only 25% of the state's farmers were discovered to be taking out loans from financial institutions.

Jayalakshmi & Selvarani (2014) [15] in their study mentioned that NABARD has played an important role in the country's rural economy. To strengthen the impact of loans on rural development, development and promotional measures are required.

Shaik & Reddy (2014) in their study, stated that the Kisan Credit Card Scheme was implemented in 1998-99, and that NABARD formulated a model Kisan Card Scheme. It was distributed to banks in August 1998. Since then, the system, particularly the scheme offered by Scheduled Commercial Banks, has made significant development. Further progress in the initiative is assisting India's agricultural and associated activities, as well as its GDP, to increase. Saini and Sindhu (2014), in a study mentioned that 66 percent of people are still unable to obtain banking services and lower-cost loans due to different issues with agricultural finance. These issues include excessive loan interest rates, a lack of financial education, a lengthy loan application process, uncooperative bank employees, a lack of collateral security, and a dread of the recovery process. Sharma & Sachdeva (2014) in their study conducted on the concerns and constraints of financial inclusion in India noted that financial inclusion is not a new aim for India. Every succeeding government has made the required measures to improve the financial inclusion situation, and the RBI has played a key role in proposing initiatives in this regard. Singla (2014) [13] his study claims us that the majority of the populace in rural areas is illiterate and unaware of microfinance services. As a result, a particular effort to educate the impoverished about microfinance services should be launched. Ahangar *et al*. (2013) [14] in their research mentioned that, scheduled commercial banks issue the most loans, while co-operatives issue the least. The total number of account holders in scheduled commercial banks, on the other hand, went from Rs 5,841 to Rs 30,538 in the reference period, while the amount of funding increased from Rs 14,516 crore to Rs 2,71,670 crore.

The Agricultural Credit Delivery System (ACDS) has grown into a multi-product, multi-agency strategy, according to this periodic article (MPMAA). However, experience over the previous few decades has shown that the multi-credit product approach (MCPA) has a number of systemic and structural rigidities, rendering the majority of credit products inefficient and sub-optimal. In 1998-99, a new credit product called the Kisan Credit Card (KCC) was introduced with three separate sub-limits: production, asset maintenance, and consumption demands. This was a start in the right way to address the problem. NABARD believed it was necessary to critically examine the difficulties and operational problems/bottlenecks faced by farmers and implementing agencies after almost a decade of implementation in order to assess the KCC scheme's implementation elements. A study was undertaken by NABARD, which included 14 states, 178 bank branches, and 1876 KCC holders. The analysis reveals that there is no mechanism in place in the current Management Information System (MIS) to prevent distortions such as multiple cards, invalid cards, and so on when documenting real KCC holders in any of the Rural Financial Institutions (RFIs). The study discovered a number of hopeful findings, including the fact that having easy access to institutional loans through KCC successfully increased rice crop productivity (13.3%) as compared to non-KCC holders. However, credit access through KCC was partially responsible for the entire rise in yield.

KCC farmers' proper application of comparatively higher dosages of inputs such as fertilizer, manure, pesticide, labor, irrigation fluids, and so on are contributing factors to improved yield levels.

According to the findings, all of the sample farmers used the majority of their average loan disbursed to finance their crop-raising expenses. Non-production (consumption) purposes accounted for about 17% of the average loan under KCC. In terms of agencies, sample KCC holders from Co-operative Banks used about 6% of their average credit disbursed for consumption purposes, compared to 18-20% for both commercial banks and RRBs. In comparison to medium/large farmers, small/marginal farmers (29-30%) utilized a greater amount of the average loan given for non-production uses (16-25 per cent).

At this point, more proactive initiatives by commercial banks and state governments are needed to promote JLGs, SHGs, Farmers Clubs, and Innovative Insurance Products, among other things, as well as the adoption of a 'Mission Mode' approach to transform KCC into a farmer-friendly efficient credit delivery system accompanied by appropriate institutional mechanisms.

Repayment Behavior of the KCC Borrowers

Credit is an essential component of any effort aimed at boosting rural prosperity. It is necessary to maintain a smooth and timely credit flow to the targeted locations and activities. NABARD, as the apex agency for rural lending, must consider the credit absorptive capacity of intermediary rural financial institutions, which is based on their ability to collect interest and loan payments. The health of these RFIs that provide such credit must be regularly reviewed and enhanced, as evidenced by their credit absorptive ability and effectiveness in fund recycling. The ability to recycle funds is the foundation stone of development banking.

For banks, timely loan repayment is a critical aspect in financial system planning. When a loan payment is past due, the entire recycling system is disrupted. For any financial firm, recovery is just as crucial as advance. Loan recovery on time not only keeps the business functioning, but it also benefits the borrowers by lowering their debt load and making them eligible for new loans in the future.

As a result, it's important to look into the borrowers' repayment and late status. Loan accounts have been categorized into the following categories for the purpose of assessing borrowers' performance in repaying their loans:

- **Closed Accounts:** This category includes borrowers who have paid off their loans in full, including interest.
- **Regular Accounts:** Regular accounts are made up of borrowers who have been making timely repayments but have not totally paid off their loans.
- **Irregular Accounts:** Irregular accounts are debtors who have been paying their bank obligations late.
- **Defaulters:** Those who are behind on their loan installments and/or interest even after the loan period has ended.

Table 1.1: Repayment Performance of the KCC Borrowers

Agency/Activity	Closed	Regular	Irregular	Default	Total
KCC Borrowers	32 (16)	78 (39)	69 (34.5)	21 (10.5)	200 (100)

Source: On the basis of the Primary Data

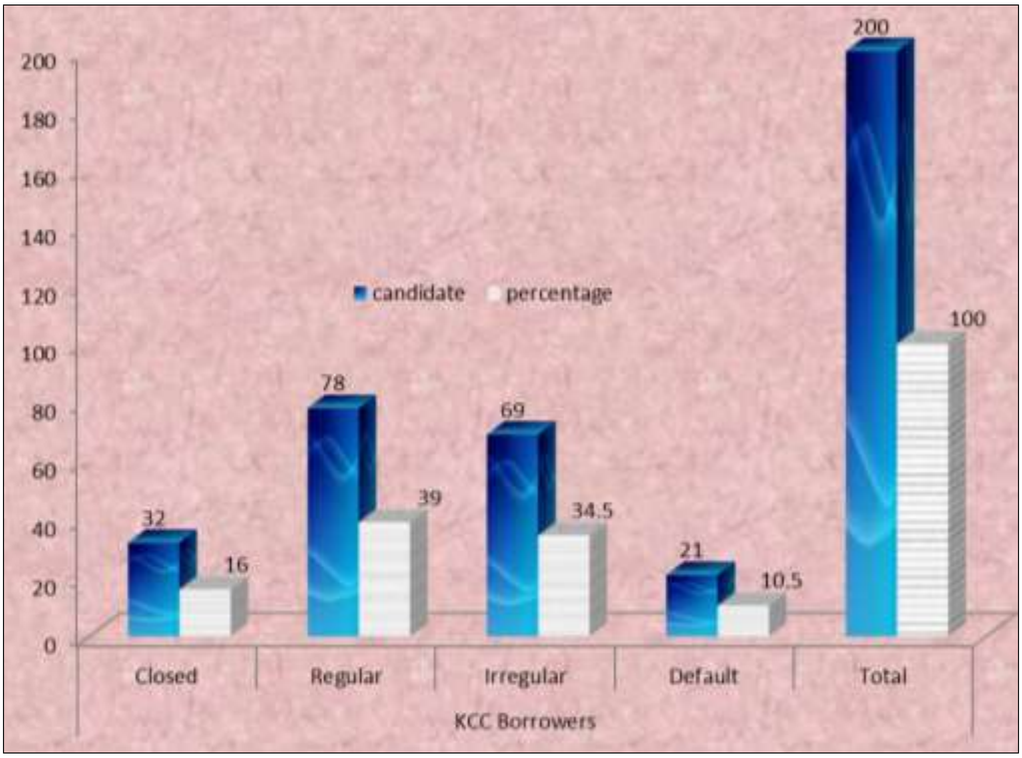

Fig 1: Repayment Performance of the KCC Borrowers

According to Table 1.1, 16 percent of the total KCC borrowers (2000) have closed their accounts by fully repaying the original amount plus interest. It was discovered that 39% of the respondents had paid their debt on time. Closed and regular accounts together account for 55% of the total. This demonstrates the sample borrowers' excellent repayment performance. In addition, irregular and default accounts for 34.5 percent and 10.5 percent of the total.

KCC borrowers, on the other hand, regard co-operatives as their primary source of finance and intend to continue using them in future seasons. Agricultural borrowers must return their existing debts in order to be eligible for new loans, which they do. As a result, KCC outperforms commercial banks and RRBs in agricultural loans, owing to agricultural borrowers' perception of dependency on these institutions.

Conclusion

As per this study, the repayment record of KCC holders shows that 16 percent refund their loan within six months, and 84 percent repay their loan between six and twelve or even more than these months so that the borrowers will also not feel heavy upon the load of loan. So, these easy repayments practices will be performed by the borrowers, moreover the minimum payable amount of the credit installment before the arrival of the last date and avoiding the penalty imposed by the money lenders. To avoid all these economic barriers this researchers' idea of Kisan Credit Card (KCC) scheme will be proven one of the best among all other techniques which is applied in this system for reimbursement from the farmers who had taken the loan for their Agricultural Development. The study concludes that with proper implementation of the schemes, Farmers are being benefitted to a greater extent and significantly proven to be the backbone the Agricultural Development and the Economy as well.

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