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# A study on digital credit disbursement and repayment mechanisms for farmers: An analysis of Kisan Credit Card in Saoner, Nagpur

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**Abstract**
The Kisan Credit Card is a simple card-cum-passbook system. Beneficiaries under the scheme receive a credit card along with a passbook or a credit card cum passbook. This document incorporates essential details such as name, address, particulars of land holding, borrowing limit, validity period, etc. The card serves both as an identity card and facilitates the recording of transactions on an ongoing basis. Farmers can obtain the Kisan Credit Card by approaching the nearest branch of any bank or Primary Agricultural Co-operative Societies (PACS). The purpose of the present work was to assess the performance of the Kisan Credit Card Scheme at Union Bank of India, Saoner Nagpur. Union Bank of India plays a pivotal role in economic development by providing loans that facilitate the functioning of the agriculture sector.
A field study was conducted during the fiscal year 2022-23 at the Union Bank of India Saoner branch in the Nagpur district. The study aimed to determine the utilization pattern of the Kisan Credit Card by farmers, analyze the constraints faced by farmers during the issuance of KCC and loan repayment, and develop strategies to overcome these constraints. Additionally, the study sought to analyze the performance of KCC in agricultural production, considering different classifications such as age group, landholding, level of literacy, etc. Information from agricultural practices in the villages served as a valuable source within the selected bank customers for this study.

**Keywords:** Kisan credit card, agricultural finance, credit utilization, rural banking, financial inclusion

## Introduction
“Agriculture is a way of life, a tradition for centuries." Thus, runs the opening sentence of the agricultural policy, which has shaped the thoughts, outlook, culture, and economic life of the people. Agriculture will continue to be central to all strategies for the socio-economic development of the country. Rapid growth in agriculture will not only ensure continued food security but also contribute to the growth of industry and the GDP.
Agriculture plays a crucial role in the development of the Indian economy, constituting approximately 19 per cent of the GDP, with about 58 per cent of the population dependent on agriculture and the allied sector. The significance of farm loans as a critical input to agriculture is underscored by their unique role in the Indian agricultural macroeconomic framework and their contribution to poverty alleviation.
The word 'Credit' is derived from the Latin word 'Credo.' Credit supports the farmer, much like the hangman's rope supports the hanged. The agriculturist cannot carry on his business without outside finance; this is a fact proven by history and evidenced by the poverty and indebtedness of those engaged in the agricultural business. The crop loan is a major financial support taken by the farmer for various purposes. It has been beneficial to farmers by providing loans at a low rate of interest for different agricultural operations.
Agricultural finance plays a crucial role in supporting various facets of the agricultural value chain, encompassing activities such as input supply, production, distribution, wholesale, processing, and marketing. This specialized branch of rural finance addresses the unique financial needs and challenges associated with agriculture.
The Kisan Credit Card is a simple card-cum-passbook system. Beneficiaries under the scheme receive a credit card along with a passbook or a credit card cum passbook. This document incorporates essential details such as name, address, particulars of land holding, borrowing

limit, validity period, etc. The card serves both as an identity card and facilitates the recording of transactions on an ongoing basis. Farmers can obtain the Kisan Credit Card by approaching the nearest branch of any bank or Primary Agricultural Co-operative Societies (PACS).

The purpose of the present work was taken to assess the performance of the Kisan Credit Card Scheme at Union Bank of India, Saoner Nagpur.

## Objectives

- To complete the study following objectives are taken
- To study socio-economic characteristics of selected Kisan Credit Card farmers.
- To study utilization of loan by selected farmers.
- To estimate the pattern of repayment and overdue.

## Methodology

Agricultural finance in Vidarbha was notably consumed by the Nagpur district. Consequently, the district had been purposively selected for the study, and within Nagpur district, Saoner tahsil was chosen randomly.

Saoner tehsil of Nagpur district hosts Union Bank of India as one of the leading banks, and it was purposely selected for the study.

The survey method of investigation was employed, and the collected data pertained to the financial year 2022-2023. Information regarding crop loans granted and overdue was gathered from the records of the Union Bank of India Saoner branch in Nagpur district. The remaining details concerning the utilization of the loan, etc., were collected from the selected respondent farmers.

Primary data was collected from Kisan Credit Card borrowers through personal interviews using a pre-tested schedule.

A simple tabular analysis was worked out to accomplish objectives of the study.

Data on economic characteristics i.e. land holding, fixed capital assets, employment, income, etc. were analyzed.

The information on utilization of loan by the selected borrowers was worked out.

Farm business analysis of the selected farmers in different groups was worked out from the collected data and for this purpose cost concept was used.

## Results and Discussion

### Socio-economic characteristics of selected borrowers:

Socio-economic characteristics of sample borrowers were studied by analyzing factors such as landholding, age, education, monthly family income, and family size.

### Land holding of borrowers

It is noticeable from Table 1 which provides a clear insight into the average land holdings among selected borrowers categorized as Marginal, Small, Medium, and Large. Notably, the data illustrates a decline in the average percentage of land ownership as we move from Marginal to Large groups, with percentages standing at 37.50 per cent 30.00 per cent, 27.50 per cent, and 5.00 per cent, respectively. This trend signifies a concentration of land among smaller borrowers, indicating potential imbalances in land distribution. Recognizing these patterns is crucial for policymakers and stakeholders in devising targeted strategies to address the specific challenges faced by diverse borrower groups. This understanding is pivotal for promoting more equitable and sustainable agricultural practices in the Indian context. Land holdings status of the selected borrowers are provided in Table 1.

**Table 1:** Land holding status of selected borrower farmers

| Sr. No. | Total Land Holding (ha) | No. of Farmers | Percentage |
|---|---|---|---|
| 1 | Marginal (<1.0) | 15 | 37.5 |
| 2 | Small (>1.0 - <2.0) | 12 | 30 |
| 3 | Medium (>2.1 - <4.0) | 11 | 27.5 |
| 4 | Large (>4.1) | 2 | 5 |
| | Total | 40 | 100 |

### Educational status of borrowers

Table 2 illustrates the educational status of the borrowers. Among the total 40 borrowers, 10per cent (04) held postgraduate degrees, followed by17.50per cent (07) who were graduates. Additionally, 45per cent (18) had completed education at the high school level, while 5per cent (02) and 12.50per cent (05) were educated at the secondary and primary school levels, respectively. The remaining 10per cent (04) borrowers were reported as illiterate. Notably, the majority of borrowers, accounting for 45per cent, had completed education up to the high school level. Educational status of selected borrower farmers are provided in Table 2.

**Table 2:** Educational status of selected borrower farmers

| Sr. No. | Education Level | No. of Borrower Farmers | Percentage |
|---|---|---|---|
| 1 | Illiterate | 04 | 10.00 |
| 2 | Primary | 05 | 12.50 |
| 3 | Secondary | 02 | 5.00 |
| 4 | High School | 18 | 45.00 |
| 5 | Graduate | 07 | 17.50 |
| 6 | Post Graduate | 04 | 10.00 |
| | Total | 40 | 100.00 |

In conclusion, Table 2 outlines the educational distribution of the 40 borrowers, showcasing diversity from postgraduate to primary school levels. Significantly, 45% of borrowers completed education up to high school, emphasizing the need for tailored financial inclusion strategies for a more inclusive lending approach.

### Age group classification of selected borrower farmers:

Table 3 displays the age distribution of the selected borrowers. Among the total 40 borrowers, 87.50per cent (35) fell within the young age range of 25 to 45 years, while the remaining 12.50per cent (05) were classified as old senior citizens aged 45 years and above. It is noteworthy that the majority of borrowers, accounting for 87.50per cent, belonged to the young age group.

**Table 3:** Age group classification of selected borrower farmers

| Sr. No. | Age Group (years) | No. of Borrower Farmers | Percentage |
|---|---|---|---|
| 1 | Young (25-45) | 35 | 87.50 |
| 2 | Old (>45) | 05 | 12.50 |
| | Total | 40 | 100.00 |

Overall, Table 3 depicts the age distribution of the 40 borrowers, with a significant majority (87.50 per cent) falling within the 25 to 45 age range. Notably, the remaining 12.50 per cent were classified as senior citizens aged 45 years and above. This underscores that the predominant borrower demographic is within the young age group.

### Income wise classification of selected borrower farmers:

Table 4 outlines the classification of selected borrowers based on their annual income. Among the total 40 KCC holders, 12.50per cent (05) had an income below Rs. 70,000, followed by30per cent (12) falling within the Rs. 70,000 to Rs. 140,000 range. Additionally, 20per cent (08) had an income between Rs. 140,000 and Rs. 210,000, while the majority, 37.50per cent (15), had an income above Rs. 210,000.

The status of income classification of selected borrowers are provided in Table 4.

**Table 4:** Income classification of selected borrower farmers

| Sr. No. | Income Range (Rs) | No. of Farmers | Percentage |
|---|---|---|---|
| 1 | less than 70000 | 05 | 12.50 |
| 2 | 70000-140000 | 12 | 30.00 |
| 3 | 140000-210000 | 08 | 20.00 |
| 4 | >210000 | 15 | 37.50 |
| | Total | 40 | 100.00 |

Overall, Table 4 details the income distribution of the 40 selected KCC holders. Notably, 37.50% had an income exceeding Rs. 210,000, making it the majority category. The remaining percentages were distributed among income ranges below Rs. 70,000, Rs. 70,000 to Rs. 140,000, and Rs. 140,000 to Rs. 210,000.

**Assets held by selected borrower farmers:** The table 5 below, displays the total value of assets held by KCC borrower farmers. Out of the 40 selected KCC borrowers, 82.05 percent, 4.34 per cent, 13.43 percent, and 1.19 percent represent the values of buildings, irrigation infrastructure, machinery, and implements, respectively, compared to the total value of assets. On average, each borrower held assets worth Rs.716,400 (2.50per cent).

**Table 5:** Assets status held by selected borrower farmers

| Sr. No. | Particular | Value (Rs) | Percentage | Average fixed asset value per farmer (Rs) |
|---|---|---|---|---|
| 1 | Buildings | 23515000 | 82.05 | 587875 |
| 2 | Irrigation Infrastructure | 1246000 | 4.34 | 31150 |
| 3 | Machinery | 3850000 | 13.43 | 96250 |
| 4 | Implements | 55000 | 1.19 | 1375 |
| | Total | 28656000 | 100.00 | 716400 |

In summary, Table 5 presents the distribution of total assets among the 40 selected KCC borrower farmers. Notably, buildings constitute the majority at 82.05 per cent, followed by irrigation infrastructure at 4.34 per cent, machinery at 13.43 per cent, and implements at 1.19 per cent. On average, each borrower possesses assets valued at Rs. 716,400, representing 2.50 per cent of the total asset value.

### 4.2. Loan availed and Repayment by selected borrower farmers

The loans obtained through KCC by the selected borrower farmers were utilized for crop production, and information on this aspect forms a crucial foundation for further analysis. The details of the loans availed by the selected borrower farmers is presented in Table 6.

**Table 6:** Status of loan availed by selected borrower farmers

| Sr. No. | Group of Borrower Farmers | Particulars | Amount (Rs) |
|---|---|---|---|
| 1 | Marginal | Disbursed | 2324642.00 |
| | | Repaid | 1123031.00 |
| | | Outstanding | 1367213.00 |
| 2 | Small | Disbursed | 3136399.00 |
| | | Repaid | 955948.00 |
| | | Outstanding | 2409608.00 |
| 3 | Medium | Disbursed | 1747176.00 |
| | | Repaid | 629618.00 |
| | | Outstanding | 1250951.00 |
| 4 | Large | Disbursed | 949327.00 |
| | | Repaid | 412599.49 |
| | | Outstanding | 606151.00 |
| 5 | Overall | Disbursed | 8157544.00 |
| | | Repaid | 3121196.49 |
| | | Outstanding | 5633923.00 |

The loans disbursed to various groups of borrower farmers are as follows: For marginal farmers, an amount of Rs 2,324,642 has been disbursed, with Rs 1,123,031 repaid at an interest rate of 7 per cent, leaving an outstanding balance of Rs 1,367,213 with an interest rate of 7 per cent. Small farmers have received a disbursal of Rs 3,136,399, of which Rs 955,948 has been repaid at a rate of 7 per cent, resulting in an outstanding amount of Rs 2,409,608 with an interest rate of 7 per cent. Medium farmers were disbursed Rs 1,747,176, with Rs 629,618 repaid at the rate of interest of 7 per cent, and an outstanding balance of Rs 1,250,951 with an interest rate of 7 per cent. Large farmers received a loan of Rs 949,327, with Rs 412,599.49 repaid at an interest rate of 7 per cent, and an outstanding amount of Rs 606,151 with an interest rate of 7 per cent. In summary, the overall disbursed amount is Rs 8,157,544, with Rs 3,121,196.49 repaid at a 7 per cent interest rate, leaving an outstanding balance of Rs 5,633,923 with the rate of interest of 7 per cent for all groups combined. Various groups of farmers received loans with distinct disbursal amounts, repayment figures, and outstanding balances. Marginal farmers were granted Rs 2,324,642, repaying Rs 1,123,031 at a 7% interest rate, leaving an outstanding balance of Rs 1,367,213. Small farmers received Rs 3,136,399, repaying Rs 955,948 at a 7% interest rate, resulting in an outstanding amount of Rs 2,409,608. Medium farmers were disbursed Rs 1,747,176, with Rs 629,618 repaid at a 7% interest rate, and an outstanding balance of Rs 1,250,951. Large farmers obtained a loan of Rs 949,327, repaying Rs 412,599.49 at a 7% interest rate, and an outstanding amount of Rs 606,151. In summary, the total disbursed amount across all groups is Rs 8,157,544, with Rs 3,121,196.49 repaid at a

7% interest rate, resulting in an overall outstanding balance of Rs 5,633,923.

**Average of loan availed and Repayment by selected borrower farmers:** Table 7 provides a comprehensive overview of the average loan status among selected borrower farmers, categorized by different groups. Examining the disbursement, repayment, and outstanding balances, the data sheds light on the financial dynamics within each group.

**Table 7:** Status of Repayment of Loan availed by selected borrower farmers

| Sr. No. | Group of Borrower Farmers | Particulars | Amount (Rs) |
|---|---|---|---|
| 1 | Marginal | Disbursed | 154976.13 |
| | | Repaid | 74868.73 |
| | | Outstanding | 91147.53 |
| 2 | Small | Disbursed | 261366.58 |
| | | Repaid | 79662.33 |
| | | Outstanding | 200800.66 |
| 3 | Medium | Disbursed | 158834.18 |
| | | Repaid | 57238.00 |
| | | Outstanding | 113722.82 |
| | | Disbursed | 474663.50 |
| 4 | Large | Repaid | 206299.75 |
| | | Outstanding | 303075.50 |
| 5 | Overall | Disbursed | 203938.60 |
| | | Repaid | 78029.91 |
| | | Outstanding | 140848.08 |

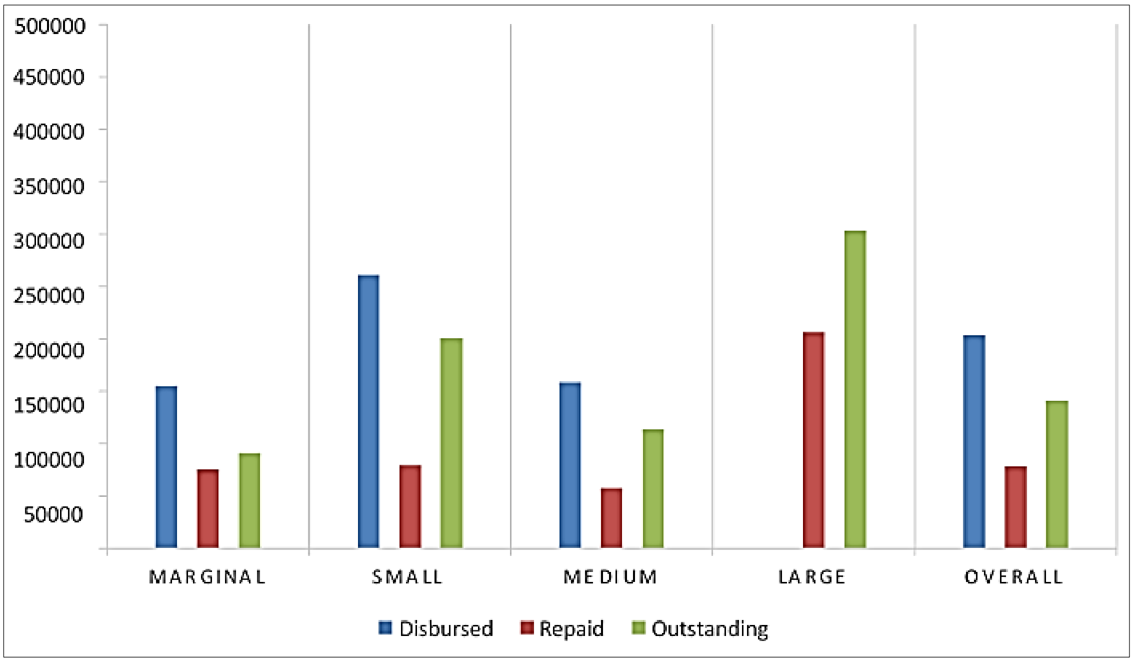


**Fig 1:** Status of repayment and loan availed by selected borrower farmers

In the "Marginal," "Small," "Medium," and "Large" categories, the average disbursed loan amounts, repayment figures, and outstanding balances are detailed, offering valuable insights into the distribution and repayment status of loans across diverse groups of borrower farmers.

In the "Marginal" category, the average disbursed loan amounted to Rs. 154,976.13, with Rs. 74,868.73 repaid at a 7% interest rate, resulting in an outstanding balance of Rs. 91,147.53 at a 7% interest rate. Moving to the "Small" category, the average disbursed loan was Rs. 261,366.58, with Rs. 79,662.33 repaid at a 7% interest rate, and an outstanding balance of Rs. 200,800.66 at a 7% interest rate. In the "Medium" category, the average disbursed loan was Rs. 158,834.18, with Rs. 57,238.00 repaid at a 7% interest rate, and an outstanding balance of Rs. 113,722.82 at a 7% interest rate. The "Large" category received an average loan of Rs. 474,663.50, with a substantial repayment of Rs. 206,299.75 at a 7% interest rate, resulting in an outstanding balance of Rs. 303,075.50 at a 7% interest rate. Overall, the statistics across all categories reveal a total average disbursed loan amount of Rs. 203,938.60. Of this, Rs. 78,029.91 has been repaid at a 7% interest rate, leaving an outstanding balance of Rs. 140,848.08 at a 7% interest rate. These figures offer insights into the distribution and repayment status of loans among different groups of borrower farmers.

## Conclusion

This concluding chapter encapsulates the key conclusions drawn from the study titled "Performance of Kisan Credit Card Scheme in Saoner Nagpur."

- The KCC scheme has played a significant role in the farm operations and income of farmers.
- Market infrastructure needs to be improved so that access to good-quality inputs like seeds, fertilizers, pesticides,

and the use of machines would enhance the end use of the KCC scheme.

Improved market infrastructure would enable them to dispose of their produce efficiently and effectively. The realization of a better price for their produce would be beneficial for repaying the outstanding to farmers.

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