



TRENDS AND WORKING OF KISAN CREDIT CARDS IN CHITTOOR DISTRICT OF ANDHRA PRADESH STATE

K*. MUNIKANTH, G.V.CHALAM, I.BHAVANI DEVI AND B.RAVINDRA REDDY

Institute of Agribusiness Management, S.V. Agricultural College, ANGRAU, Tirupati 517 502, Chittoor Dt., Andhra Pradesh

Date of Receipt: 8.5.2018

ABSTRACT

Date of Acceptance: 26.9.2018

Study was carried out in Chittoor district of Andhra Pradesh. Three commercial banks were selected for the study wherein bankers and farmers were surveyed to obtain information about working of Kisan Credit Cards. The study revealed that the bankers had given least priority to safety and security provided to the customers by the product, as in some cases land was kept as security by the farmers. In KCC, credit was allocated mainly to cost of cultivation and post harvest expenses such as marketing expenses that involved moving the produce from farm to market. Processing and premium charges applied were very minimal. Farmers were keeping their land as collateral security to avail loan for more than an acre. Insurance amount claimed by the farmer does not get to the farmers in time to compensate the crop loss. In case of personal accident or sudden death of the beneficiary, the insured amount was not enough to the beneficiary. In the case of KCC, simple interest @ 7% p.a would be charged for one year or up to the repayment due date, whichever is earlier. Due to small land holdings, farmers were not holding proper land documents such as Pattadhar pass book or land title deed. A farmer with small land holdings were not able to repay the loan amount on the specific date mentioned by the banks. In some cases, the bankers expressed the difficulty to verify the documents of more number of small farmers instead they prefer few large farmers for sanctioning the loan. Farmers with small land holdings were getting the informal credit more quickly than the formal credit for their cultivation needs.

KEYWORDS: Kisan credit card, customer satisfaction

INTRODUCTION

In 1998 Kisan Credit Card (KCC) was introduced for issuing credit to farmers on the basis of their farm holdings so that farmers may use the credit to procure farm inputs such as seeds, fertilizers, pesticides *etc.*, and pull out cash for their consumables. This was further extended for the investment credit requirement of farmers *viz.*, allied and non-farm activities in the year 2004. Further revision in 2012 by a working group under the Chairmanship of Shri T. M. Bhasin, CMD, Indian Bank took place with a view to simplify product and to facilitate the issue of electronic Kisan Credit Cards. The scheme provides broad guidelines to the banks for smooth operation of the KCC. Implementing banks will have the discretion to adopt the same to suit institution/location specific requirements.

MATERIALS AND METHODS

The primary data were collected regarding marketing mix of KCC from the bank employees. Different aspects covered under this were features of KCC, sanctioning procedure, insurance coverage, price strategy,

marketing channels chosen, promotional activities adopted and strategies adopted to know the customer needs. Apart from these, primary data from farmers was also collected on satisfaction levels on marketing mix practices adopted by the banks on KCC and factors affecting the adoption of KCC by the farmers in the study area. Secondary data was collected from lead bank in the district regarding the KCC accounts and the amount sanctioned for the year 2016-17. Data was collected from the respondents by using five point Linkert's scale. Collected data was analyzed by using Garrett's ranking technique and Spearman rank correlation.

RESULTS AND DISCUSSION

While sanctioning of KCC, bankers followed different guidelines which were provided by Reserve Bank of India for smooth disbursement and effective functioning of banks like adherence to rules and regulations, use of advanced technology etc.

Table 1 unveils that the mean score for adherence to rules and regulations was highest with (69.00) followed by use of advanced technology with a mean score of

*Corresponding author, E-mail: kasarapumuni@gmail.com

60.66 which were ranked first and second respectively and simplicity in formalities was having least mean score (46.10) which was ranked sixth. This reflects that the banks must simplify the Kisan Credit Card sanctioning procedure, as the employees felt it necessary (Shukla, 2017).

Table 1. Sanctioning procedure of KCC

Product processing activities	Strongly agree		Agree		No opinion		Disagree		Strongly disagree		Total score	Garrett's mean score	Rank
	NR	S	NR	S	NR	S	NR	S	NR	S			
Adherence to rules and regulations	18	1350	12	720	-	-	-	-	-	-	2070	69.00	I
Use of advanced technology	2	150	27	1620	1	50	-	-	-	-	1820	60.66	II
Upgraded delivery system	1	75	15	900	5	250	9	360	-	-	1585	52.83	IV
Simplicity in formalities	1	75	1	60	16	800	10	400	2	48	1383	46.10	VI
Logically arranged operations	-	-	5	300	17	850	8	320	-	-	1470	49.00	V
Convenient business hours	8	600	12	720	2	100	2	80	6	144	1644	54.80	III

NR = Number of respondents and S = Score

The mean score for adhering to rules and regulations was highest with mean score of 69.00. While sanctioning the loan amount through KCC, it is mandatory to the bankers to follow the rules and regulations set by NABARD. Customers should provide all the required documents to avail loan. Simplicity in formalities was ranked least, which showed that while disbursing loan, bankers were facing problems (Thakur and Barman, 2013). There might be hectic work while furnishing details of the beneficiary, or might be in collection of documents for loan sanctioning.

In banking services, bank professionals blend different components of communication such as advertising (television, radio, theatres *etc.*), print media (hoardings,

attractive display, news papers, magazines), publicity (road shows, campus visits, exhibition/camps, sponsorships), sales promotion (gifts, discounts and commission, incentives) and personal selling (personalized service, selling at competitor's place) to communicate with customers regarding offers on new promotions, change in interest rate, festival season offers, opening new branches *etc.*, to mention a few. Effective media used by banks to communicate about its services at right time helps in satisfying its customers (Bista *et al.*, 2012).

In Table 2, r value for all the independent variables was between +0.60 to +0.90 which determines good relationship between the dependent and independent variables. Among the attributes, sales promotion r^2 (0.81), displays at ATM centre r^2 (0.81) and SMS r^2 (0.81) were highest.

Working of Kisan Credit Cards in Chittoor District, A.P.

Table 2 Descriptive statistics of variables in promotion mix

Variables	N	Mean	SD	r	r ²	r ² (%)
Advertising	90	3.77	0.79	0.80 **	0.64	64
Sales promotion	90	2.30	1.13	0.90 **	0.81	81
Public relation	90	3.34	1.05	0.86 **	0.73	73
Personal selling	90	3.75	1.04	0.85 **	0.72	72
Attractive display in the branches	90	4.70	0.46	0.67 **	0.44	44
Displays at ATM centres	90	2.35	1.23	0.90 **	0.81	81
Telemarketing	90	2.36	1.48	0.89 **	0.79	79
SMS	90	3.25	1.21	0.90 **	0.81	81
Direct mail	90	1.15	0.36	0.60 **	0.36	36
overall satisfaction	90	2.62	1.20			

**Significant at 0.01 level (2-tailed)

Table 3 shows the different factors that influence the adoption of KCC by the farmers. Based on the preferences, rankings were given. Land holdings was given first rank with a mean score (70.38) followed by farming experience with a mean of 69.33 and the least rank was given to difficulty in withdrawal with mean score of 35.35 (Prakash and Kumar, 2016).

Out of the thirteen factors that are influencing the KCC adoption, land holdings was preferred most because land is the basic need for cultivating the crop and more over the KCC loans were mainly depended on crop cultivation. Based on the land holdings there were different categories of farmers such as marginal farmers (<1 ha), small farmers (1-2 ha), semi medium farmers (2-4 ha), medium farmers (4-10 ha), large farmers (>10 ha). Some categories of farmers such as marginal and small would not totally rely on KCC for availing loans (Mistry, 2013). Due to small land holdings, few farmers were not having proper land documents like Pattadhar pass book or land title deed to get loans. A farmer with small land holdings was not able to repay the loan amount on the specific date mentioned by the banks. In some cases, it would be difficult to the banker to verify the documents of more number of small farmers and instead they may prefer few large farmers for sanctioning the loan. This attitude of the bankers also influenced the farmers with small land holdings to adopt for KCC.

CONCLUSION

In issuing of KCC the share of commercial banks was high compared to cooperative and regional rural banks. Quality of the product was having highest mean value (64.33) which meant that the banks were mainly marketing the product based on its quality. The mean score for adhering to rules and regulations was highest with (69.00) stating that while sanctioning the loan amount through KCC, it is mandatory to the bankers to follow the rules and regulations set by NABARD. KCC scheme mainly focused on the crop insurance and different aspects related to crop failure than the personal insurance to the beneficiary. In KCC personal insurance of beneficiary was least preferred in credit allocation and cultivation costs were preferred the most. Processing charges were collected @ 2% and no charges were collected for other documents. With plenty of bank branches, marketing channels adopted by the banks were weak and that the products did not reach the customers in time. Banks were not focusing on sending E-MAIL or SMS to create awareness among the farmers about the product. Safety & security feature of the product was not satisfactory to the farmers due to low insurance amount and delay in the insured amount sanctioned. In the case of KCC, simple interest @ 7% p.a was charged for one year on the loan amount disbursed. Many of the bank branches were located in the outskirts of the villages where there may be

Table 3 FACTORS INFLUENCING THE ADOPTION OF KCC

Factors affecting a doption of KCC	Strongly agree		Agree		No opinion		Disagree		Strongly disagree		Total score	Garrett mean score	Rank
	NR	S	NR	S	NR	S	NR	S	NR	S			
Land holdings	67	5025	16	960	7	350	-	-	-	-	6335	70.38	I
Educational background	19	1425	27	1620	11	550	21	840	12	288	4723	52.47	VII
Farming experience	56	4200	34	2040	-	-	-	-	-	-	6240	69.33	II
Lengthy paper work	49	3675	28	1680	13	650	-	-	-	-	6005	66.72	III
Insufficient credit limit	29	2175	41	2460	-	-	13	520	7	168	5323	59.14	VI
High interest rate	19	1425	23	1380	9	450	25	1000	14	336	4591	51.01	VIII
Loan not available on time	32	2400	49	2940	-	-	9	360	-	-	5700	63.33	V
Difficulty in opening bank account	6	450	14	840	9	450	37	1480	24	576	3796	42.17	XI
Inflexibility in use of branch	-	-	-	-	18	900	45	1800	27	648	3348	37.20	XII
Difficulty in withdrawal	-	-	2	120	7	350	48	1920	33	792	3182	35.35	XIII
Insufficient amount for consumables	37	2775	25	1500	9	450	12	480	22	528	5733	63.70	IV
Inaccessibility to bank	15	1125	21	1260	-	-	32	1280	22	528	4193	46.58	X
Lack of motivation from officials	22	1650	14	840	15	750	19	760	20	480	4480	49.77	IX

a problem of security. Bankers did not focus on the sales promotion of the product and sending the information about the product through SMS. Among different factors that were affecting the adoption of KCC by the farmers, land holdings was given first rank with a mean score (70.38) followed by farming experience with a mean score of 69.33 and the least rank was associated with difficulty in withdrawal with a mean score of 35.35.

Working of Kisan Credit Cards in Chittoor District, A.P.

REFERENCES

- Bista, R., Kumar, P and Mathur, V. C. 2012. Progress and performance of kisan credit card scheme with a case study of Bihar. *Agricultural Economics Research Review*. 25 (1): 125-135
- Mistry, S. 2013. Measuring customer satisfaction in banking sector with special reference to banks of Surat city. *Asia Pacific Journal of Marketing & Management*. 2 (7): 132-140
- Prakash, P and Kumar, P. 2016. Performance of kisan credit card scheme in Tamil Nadu. *Indian Journal of Agricultural Economics*. 71 (2): 191-211
- Shukla, V. K. 2017. Effectiveness of kisan credit card - a holistic study. *Kaav International Journal of Economics, Commerce & Business Management* 4 (4): 46-51
- Thakur, A and Barman, U. 2013. Reasons for poor performance of disbursement of kishan credit card and recovery of loan under the scheme in Assam a qualitative study. *Journal of Academia and Industrial Research*. 2 (1): 16-20