

A Case
Study

Economic impact of Kisan Credit Card Scheme on profitability of crops

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ABSTRACT

Farm credit is a strategic input. Kisan Credit Card (KCC) aims at providing timely and adequate credit to the farmers in a cost effective and flexible manner. In addition to credit for crop production, the scheme provides credit for ancillary activities. The scheme is being implemented in the country by all the banks from the year 1998-99. The present study was undertaken with an objective to study the impact of credit under KCC on profitability of crops. For evaluating the objectives of the study, primary data relating to production, income, borrowing, repayments, etc. were collected from selected borrowers using a pre-tested and well structured schedule. It was evident that the KCC scheme has contributed for increased net returns from the per unit area.

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Key words : KCC, Kishi Credit Card, MVP, MFC, Resource use efficiency.

Kisan Credit Card scheme is a landmark in the history of rural credit in India (Jamunarani, 2009). The mechanism of credit cards has been one of the key products developed to expand the outreach of banks and simplify the credit delivery system (Loganthan, 2008). The announcement relating to the introduction of Kisan Credit Card scheme was made by the Union Finance Minister during the budget speech for the year 1998-99. NABARD formulated a Kisan Credit Card scheme for uniform adoption by the banks so that the farmers may use the card to readily purchase agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs. The model scheme was circulated to Commercial Banks, Co-operative Banks and Regional Rural Banks in August 1998.

Now about eleven years are over for this innovative scheme. Hence, the present study was conducted with the objective to study the impact of KCC on profitability of crops (Rao, 2002).

The Sangli district of Maharashtra was purposively selected as the number of KCCs issued in this district was high. For selection of sample farmers, one branch from a district which has made a good progress in implementing Kisan Credit Card scheme was selected.

From this branch, 10 small farmers (less than 2 ha), 10 medium farmers (2.01 ha to 4 ha) and 10 large farmers (above 4 ha) were randomly selected. The corresponding numbers of farmer borrowers in each of these categories who were not KCC holders were also selected for comparison purpose. Thus, study was based on the information obtained from 30 KCC and 30 non-KCC borrowers spread across one district in Maharashtra. Primary data relating to borrowing, repayments, interest and cost of borrowing, etc. were collected from selected borrowers using a pre-tested and well structured schedule. The data pertained to the year 2010-11.

The two major crops namely, sorghum and sugarcane were selected for analysis of their cost and returns.

Cost and returns from selected crops:

The total cost incurred on sorghum cultivation (Table 1) was higher under non-KCC category (Rs. 20,003.35/ha) than under KCC category (Rs. 19,794.14/ha), the net return realized by the farmers under KCC was higher (Rs. 11,526.48/ha) than the non KCC farmers (Rs.9,906/ha). The sugarcane crop produced better net return for both the KCC and non KCC farmers (Rs. 1,21,483/ha for KCC and Rs. 1,19,609/ha for non KCC). The cost incurred