

# Impact of Kisan Credit Card Scheme on Production Credit in Selected Commercial Banks in Punjab

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## Abstract

*The revolutionary evolution of Kisan credit card scheme comprehensively covers almost all the incidental and ancillary factors of agriculture credit, whereby timely and fairly assistance is provided to the deserving farmers at doorsteps and at reasonable interest rates with very convenient repayment options. The main objective of the paper was to study the impact of Kisan credit card scheme on the production credit of selected commercial banks. The data has been taken for the years 2003-04 to 2014-15. It was found that the KCC scheme of the selected commercial banks significantly impacts the production credit flow by the same.*

## I. INTRODUCTION

Agriculture credit can be accrued through institutional and non institutional sources. Institutions through which agriculture credit can be availed include banks as well as some other financial institutions whereas non institutional sources include commission agents, money lenders, relatives, traders and land lords etc. The financial institutions do not provide credit for consumption and non productive purposes to farmers and it is for this reason that they have to rely upon money lenders as well as informal sources. Kisan credit card scheme is a short term credit facility in order to provide agriculture credit in hassle free manner for production as well as consumption needs of the farmers. It facilitates in

providing financial assistance to the farmers to meet their credit needs in relation to production, consumption as well as other allied activities.

## **II. REVIEW OF LITERATURE**

Rao and Bhalerao (1981) analyzed the impact of commercial finance on agriculture in Parkasam District of Andhra Pradesh. A multi stage random sampling was used for selecting samples. The impact of commercial bank credit in agriculture had been reviewed in context to cropping pattern, adoption of advanced technology as well as yield of major crops. It was found that the agriculture credit by commercial banks had a significant impact on gross yield, technology and cropping pattern of the borrowers. It was concluded that commercial banks can lay a significant impact on agriculture development in backward areas through their credit policies. It was further suggested that rural branch network should be strengthened to provide approach to all classes of farmers and the staff shall be trained in accordance to the tendency of the rural farmers.

Kamble (2009) studied the performance of kisan credit card scheme launched by various commercial banks and co-operative banks in India. Further, the performance was studied at agency, zone and state level. It was found that although Kisan credit card was highly appreciated product in all zones and states of the country but it did not performed that well in southern states. It was observed that this product got popular in farming community in short span by providing easy and timely institutional credit. It was suggested that RBI and NABARD should design policy to facilitate the lending institutions providing finance against non-crop components also.

Gandhimathi and Sumaiya (2015) evaluated the role of kisan credit card system in the distribution of agriculture credit in India. It was found that among the selected variables, rural branches of commercial banks, aggregate deposits, agriculture production, borrowing of commercial banks from Reserve Bank of India and the introduction of KCC scheme were significant to determine financial inclusion. Further, it was observed that the regression analysis and logit analysis proved that KCC improved the financial inclusion in the agriculture sector.

## **III. OBJECTIVES OF THE STUDY**

The aim objective of the study was to assess the role of Kisan Credit card scheme on the production credit of selected commercial banks in Punjab.

## **IV. RESEARCH METHODOLOGY**

For the purpose of the study, Kisan credit card and production credit of the selected commercial banks has been compared. The banks so selected were State bank of Patiala, Punjab national bank and HDFC ltd. It also studied the growth of production credit as well as Kisan credit card scheme of the selected banks. The data has been taken for the years 2003-04 to 2014-15. The data has been collected from the agenda meetings

of State level bankers committee Punjab. In order to study the impact of Kisan credit card scheme on production credit of selected banks, a regression model has been used.

**V. IMPACT OF KISAN CREDIT CARD SCHEME ON PRODUCTION CREDIT IN SELECTED COMMERCIAL BANKS**

The comparison of the amount sanctioned under kisan credit card scheme and production credit has been made for the selected banks under the study and presented in table 1.

**Table 1:Kisan Credit Card Scheme and Production Credit of Selected Commercial Banks (Amount Rs. in lac)**

Year	SBOP			PNB			HDFC		
	Amount Sanctioned	Production Credit	Amount Sanctioned under KCC Scheme as % to Production Credit	Amount Sanctioned	Production Credit	Amount Sanctioned under KCC Scheme as % to Production Credit	Amount Sanctioned	Production Credit	Amount Sanctioned under KCC Scheme as % to Production Credit
2003-04	8900	75875	11.73	18160	63152	28.76	0	0	0
2004-05	12597 (41.54) <sup>a</sup>	90130 (18.79) <sup>a</sup>	13.97	24441 (34.59) <sup>a</sup>	110687 (75.27) <sup>a</sup>	22.08	0	0	0
2005-06	13886 (10.23) <sup>a</sup>	126969 (40.87) <sup>a</sup>	10.94	28472 (16.49) <sup>a</sup>	138026 (24.70) <sup>a</sup>	20.63	0	500	0
2006-07	20301 (46.20) <sup>a</sup>	132966 (4.72) <sup>a</sup>	15.27	30293 (6.39) <sup>a</sup>	156573 (13.44) <sup>a</sup>	19.35	1495	1493 (198.6) <sup>a</sup>	100.13
2007-08	22662 (11.63) <sup>a</sup>	155494 (16.94) <sup>a</sup>	14.57	30493 (0.66) <sup>a</sup>	182618 (16.63) <sup>a</sup>	16.70	4182 (179.73) <sup>a</sup>	7073 (373.74) <sup>a</sup>	59.13
2008-09	40875 (80.37) <sup>a</sup>	185234 (19.13) <sup>a</sup>	22.06	57998 (90.20) <sup>a</sup>	231010 (26.50) <sup>a</sup>	25.10	8448 (102) <sup>a</sup>	13583 (92.04) <sup>a</sup>	62.20
2009-10	38846 (-4.96) <sup>a</sup>	240735 (29.96) <sup>a</sup>	16.14	43394 (-25.18) <sup>a</sup>	316893 (37.18) <sup>a</sup>	13.69	4982 (-41.03) <sup>a</sup>	13800 (1.60) <sup>a</sup>	36.10
2010-	39994	244653	16.35	68174	360454	18.91	38293	32735	116.98

11	(2.96) <sup>a</sup>	(1.63) <sup>a</sup>		(57.10) <sup>a</sup>	(13.75) <sup>a</sup>		(668.63) <sup>a</sup>	(137.21) <sup>a</sup>	
2011-12	41210 (3.04) <sup>a</sup>	331690 (35.58) <sup>a</sup>	12.42	130043 (90.75) <sup>a</sup>	463308 (28.53) <sup>a</sup>	28.07	110128 (187.59) <sup>a</sup>	109130 (233.37) <sup>a</sup>	100.91
2012-13	80447 (95.21) <sup>a</sup>	422375 (27.34) <sup>a</sup>	19.05	111234 (-14.46) <sup>a</sup>	488539 (5.45) <sup>a</sup>	22.77	170589 (54.90) <sup>a</sup>	113034 (3.58) <sup>a</sup>	150.92
2013-14	209104 (159.93) <sup>a</sup>	415741 (-1.57) <sup>a</sup>	50.30	189955 (70.77) <sup>a</sup>	546829 (11.93) <sup>a</sup>	34.74	565118 (231.27) <sup>a</sup>	258740 (128.90) <sup>a</sup>	218.41
2014-15	257086 (22.95) <sup>a</sup>	724041 (74.16) <sup>a</sup>	35.51	181488 (-4.46) <sup>a</sup>	738315 (35.02) <sup>a</sup>	24.58	889829 (57.46) <sup>a</sup>	530262 (104.94) <sup>a</sup>	167.81
EGR%	32.17	20.43		24.52	22.50		127.74	106.64	

**Note:** Figures given in the parenthesis <sup>a</sup> show the annual growth rate.

Correlation for SBOP (0.904), PNB (0.942) and HDFC (0.988) is significant at 0.01 level (2-tailed).

The table 1 explains that the growth rate of amount sanctioned under the kisan credit card scheme was the highest in HDFC bank (127.74%) followed by SBOP bank (32.17%) and PNB (24.52%). The amount sanctioned under KCC scheme in SBOP increased from Rs. 8900 lac in the year 2003-04 to Rs. 257086 lac in the year 2014-15. The annual growth rate of SBOP was the highest in the year 2013-14 (159.93%). The amount sanctioned under the scheme in PNB increased from Rs. 18160 lac in the year 2003-04 to Rs. 181488 lac in the year 2014-15. The annual growth rate was the highest (90.75%) in the year 2011-12. The amount sanctioned under the KCC scheme increased in HDFC bank from Rs. 1495 lac in the year 2006-07 to Rs. 889829 lac in the year 2014-15. The annual growth was the highest (231.27%) in the year 2013-14. The growth rate of production credit was the highest in HDFC bank (106.64%) followed by PNB (22.50%) and SBOP (20.43%). The production credit of SBOP increased from Rs. 75875 lac in the year 2003-04 to Rs. 724041 lac in the year 2014-15 and growth rate was the highest in the year 2014-15 (74.16%). The production credit of PNB increased from Rs. 63152 lac in the year 2003-04 to Rs. 738315 lac in the year 2014-15 and annual growth rate was the highest in the year 2004-05 (75.27%). While, the production credit of the HDFC bank increased from Rs. 500 lac in the year 2005-06 to Rs. 530262 lac in the year 2014-15 and growth rate was the highest in the year 2007-08 (373.74%). The proportion of amount sanctioned under the kisan credit card scheme in the production credit increased in SBOP (from 11.73% in the year 2003-04 to 35.51% in the year 2014-15) and in HDFC bank (from 100.13% in the year 2006-07 to 167.81% in the year 2014-15). The proportion of KCC scheme in production credit of PNB increased from 28.76 per cent in the year 2003-04 to 34.74 percent in the year 2013-14 and it decreased to 24.58 per cent in the year 2014-15. Further, there exists a positive correlation between amount sanctioned under

KCC scheme and production credit by all the selected commercial banks which shows that the KCC scheme has a significant impact upon the flow of production credit.

The relationship model of the amount sanctioned under KCC scheme and ground level production credit in the selected commercial banks is presented in table 2.

**Table 2: Relationship Model of the Amount Sanctioned under Kisan Credit Card Scheme and Ground Level Production Credit**

Agencies	Intercept	Amount Sanctioned	R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value
<b>SBOP</b>	125865.448 (3.984)	2.081* (6.669)	0.818	0.800	44.880*
<b>PNB</b>	75842.485 (2.214)	3.157* (8.894)	0.888	0.877	79.108*
<b>HDFC</b>	7496.376 (0.877)	0.552* (20.047)	0.976	0.973	401.890*

**Note:** The figures in represent the t-values

\*Refers to 5 per cent significance level

Table 2 reveals that the amount sanctioned under the scheme and production credit by SBOP explains 80 per cent variation. The variation was found to be high but significant at 5 per cent level which means that the production credit was influenced by the amount sanctioned under kisan credit card scheme. Thus, one unit of increase in amount sanctioned under KCC scheme leads to 2.081 units increase in the ground level production credit. The F-test for the model is also significant. The equation is as under:

$$Y = 125865.448 + 2.081 X + e \text{ ----- (1)}$$

In case of PNB, the amount sanctioned under the scheme and production credit explains 87.7 per cent variation. The variation was found to be high but significant at 5 per cent level which means that the production credit was influenced by the amount sanctioned under kisan credit card scheme. Thus, one unit of increase in amount sanctioned under KCC scheme leads to 3.157 units increase in the ground level production credit. The F-test for the model is also significant. The equation is as under:

$$Y = 75842.485 + 3.157 X + e \text{ ----- (2)}$$

In case of HDFC bank, the analysis revealed 97.3 per cent variation in the amount sanctioned under the scheme and production credit. The variation was found to be high but significant at 5 per cent level which means that the production credit was influenced by the amount sanctioned under kisan credit card scheme. Thus, one unit of increase in amount sanctioned under KCC scheme leads to 3.175 units increase in the ground level production credit. The F-test for the model is also significant. The equation is as under:

$$Y = 7469.376 + 0.552 X + e \text{ ----- (3)}$$

So, the amount sanctioned under the kisan credit card scheme by PNB has made higher significant impact upon the ground level production credit. Further, the KCC scheme of SBOP and HDFC bank has effect on the ground level production credit.

The KCC scheme of the selected commercial banks significantly impacts the production credit flow by the same. Further, the total agriculture credit as well as production credit by various agencies respectively has shown growth throughout the study period. Therefore, it can be concluded that kisan credit card has a significant impact on flow of credit in the state of Punjab.

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## PAPER CITATION

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