

CHAPTER - VI

**PROBLEMS OF OVERDUES OF
KISAN CREDIT CARD SCHEME**

- ✓ ***Introduction***
- ✓ ***Reasons of Low Frequency of Withdrawals and Repayment***
- ✓ ***Outstanding Loans of KCC Holders***
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- ✓ ***Percentages of Defaulter : Size of Operational Land Holding***
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6.1 INTRODUCTION

The supply of credit by institutional and non-institutional agencies depends upon the creditworthiness of the borrower. In a way it is a bridge between the supplier of credit and the person in need of credit. The creditworthiness is not a subjective condition, although the assessment of creditworthiness of a person may be subjective. Actually, creditworthiness of a person depends upon numerous factors such as the ownership of wealth, scale of production, behaviour of the person regarding credit business (payment and repayment of loans), and so on. When credit is supplied by any agency, a major consideration is the repaying capacity of the person getting loan. Repaying capacity may be taken as one of the parameters (indicators) of creditworthiness. Firstly, the repaying capacity depends upon the returns from work or business in which the debtor is engaged. If credit facilitates the increase in the production, then the repayment capacity of the debtor will increase and his creditworthiness will be enhanced. In case credit fails to stimulate the returns, the repayment of credit will depend on the existing levels of production. If the returns from production are not sufficient then the repayment of credit will depend upon the ownership of assets because the credit may be repaid back by way of disposal of assets. In this way, creditworthiness ultimately depends upon the ownership of assets of the borrower. The creditworthiness of a person is likely to vary, having different meaning for different agencies. Whereas the moneylender assesses the repayment capacity of a person on the basis of some selective factors, the assessment by a commercial bank or co-operative society is generally based on an entirely different set of factors. This issue gets more importance when the operational land holdings are considered as production units in agriculture. If the operational land holding of the farmer is equal to the land owned by that farmer, then there is only marginal difference in the assessment of credit worthiness by a moneylender and a financial institution (Singh, 2000, Pp. 222 -223)¹.

Regular and timely recovery of bank loan is considered to be an important parameter to test the degree of success of a social banking programme. Recovery of

loan is very closely related to generation of adequate income (Sivachithappa and Thimmaiya, 2010, Pp. 147)².

The liquidity of banks largely depends on the recovery of advances. The lower recovery indicates erosion of banks profitability and blocking up bank credit from developmental project of the area (Ahmed, 2010, Pp. 104-105)³.

6.2 REASONS OF LOW FREQUENCY OF WITHDRAWALS AND REPAYMENT:

Absence/ inadequate non-farm income, Non-realization of agricultural income, Low crop intensity, inadequate agricultural income and No perceptible advantage of frequent withdrawal and repayment are the important reasons which influenced the KCC holders to make low frequency of withdrawals and repayment through KCC Scheme in Hailakandi district of Assam.

The following table indicates that out of total 192 KCC respondents, nearly 69.0 per cent of KCC holders identified that absence or inadequate non-farm income do not encouraged them for high frequency of withdrawals and repayment from the KCC scheme. Low crop intensity is another important reason identified by the 64.0 per cent of KCC respondents of four Development Blocks for low frequency of withdrawals and repayment whereas 58.0 per cent of KCC respondents evoked that there is no perceptible advantage of frequent withdrawal and repayment. 50.0 per cent and 31.0 per cent of KCC holders of four Development Blocks established the reasons of inadequate agricultural income and non-realization of agricultural income respectively influenced them for low frequency of withdrawals and repayment.

Table No. 6.1: Reasons of low frequency of withdrawals and repayment*(In Figure)*

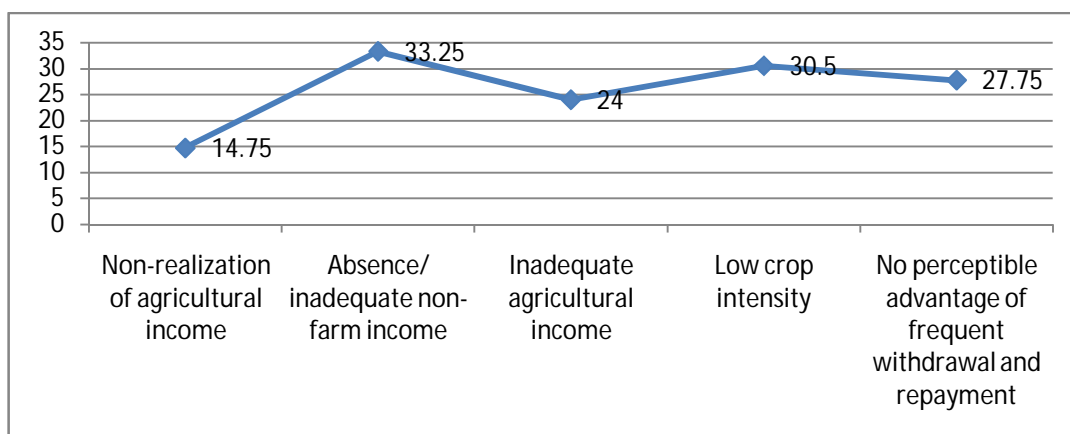
Reasons of low frequency of withdrawals and repayment	Non-realization of agricultural income	Absence/ inadequate non-farm income	Inadequate agricultural income	Low crop intensity	No perceptible advantage of frequent withdrawal and repayment
Name of the Blocks Total KCC Respondents= 192 Per Block 48 KCC Respondents	Validity by % of sample farmers	Validity by % of sample farmers	Validity by % of sample farmers	Validity by % of sample farmers	Validity by % of sample farmers
Hailakandi Block	15 (31.0)	25 (52.0)	19 (40.0)	32 (67.0)	31 (65.0)
Algapur Block	18 (38.0)	35 (73.0)	19 (40.0)	34 (71.0)	28 (58.0)
Lala Block	16 (33.0)	36 (75.0)	24 (50.0)	21 (44.0)	34 (71.0)
Katlicherra Block	10 (21.0)	37 (77.0)	34 (71.0)	35 (73.0)	18 (38.0)
Total no. of respondents	59 (31.0)	133 (69.0)	96 (50.0)	122 (64.0)	111 (58.0)
Mean	14.75	33.25	24	30.5	27.75
Std. Deviation	3.40343	5.560276	7.071068	6.454972	6.946222
Minimum	10	25	19	21	18
Maximum	18	37	34	35	34

Source: Compiled from primary data records.
 Figures in the parenthesis indicate percentage.

In Hailakandi Development Block, out of total 48 KCC respondents, nearly 67.0 per cent of KCC respondents identified that low crop intensity influenced them for low frequency of withdrawals and repayment followed by another important reason is that there is no perceptible advantage of frequent withdrawal and repayment responded by 65.0 per cent of KCC respondents. In Algapur Development Block, nearly 73.0 per cent of KCC respondents responded that absence or inadequate non-farm income hindered them for high frequency of withdrawals and repayment from the KCC scheme followed by low crop intensity (71.0%) as a another important reason. 75.0 per cent and 71.0 percent of KCC holders identified the reasons that absence or inadequate non-farm income and no perceptible advantage of frequent withdrawal and repayment respectively led the propensity for low frequency of withdrawals and repayment in Lala Development Block. 77.0 per cent of KCC respondents argued absence or inadequate non-farm income as a main reason for low frequency of withdrawals and repayment whereas 73.0 per cent and 71.0 per cent of KCC holders enrolled low crop intensity and inadequate agricultural income as a main reasons respectively in Katlicherra Development Block.

The following chart represents the mean value of KCC holders’ response about the reasons of low frequency of withdrawal and repayment from the KCC agricultural scheme.

Chart 6.1: Mean value of KCC holder’s response about the reasons of low frequency of withdrawals repayment



Source: Compiled from primary data records.

6.3 OUTSTANDING LOANS AND OVERDUES OF KCC HOLDERS:

Repayment of loans is an essential condition for the proper functioning of credit system. To look into repayment aspect, the outstanding loans and overdues of the KCC holders are examined (Singh, 2000, Pp. 233)⁴.

Outstanding loans of KCC holders are given in the following table:

Table No. 6.2: Outstanding loans, per KCC holders, mean values

(in Rs.)

Name of the Blocks	Outstanding loans of KCC holders		
	Non-institutional	Institutional (KCC Loan)	All/ Average
Hailakandi Block	11,735.42	20,946.00	32,681.00
Algapur Block	6020.83	19,666.67	25,687.50
Lala Block	19,146.00	13,248.00	32,394.00
Katlicherra Block	22,833.33	33,052.00	55,885.67
Total	14933.85	21728.11	36661.96

Source: Compiled from primary data records.

The above table shows that the aggregate average amounts of institutional and non-institutional outstanding debt of KCC holders are Rs. 36661.96 in Hailakandi district. It consists of institutional outstanding loan of Rs. 21728.11 and non-institutional outstanding loan of Rs. 14933.85. The total average institutional outstanding debt is more than the total average non-institutional outstanding debt. The total average outstanding debt is higher in Katlicherra Development Block of Rs. 55,885.67 followed by Hailakandi Development Block of Rs. 32,681.00. The estimate of institutional outstanding loans is higher in Katlicherra Development Block of Rs. 33,052.00 than other three Development Blocks followed by Hailakandi Development Block of Rs. 20,946.00. While the non-institutional outstanding debt is also more in Katlicherra Development Block of Rs. 22,833.33 than other three Development Blocks followed by Lala Development Block of Rs. 19,146.

6.3.1 OUTSTANDING LOANS OF KCC HOLDERS: SIZE OF OPERATIONAL LAND HOLDING

Outstanding loans of KCC holders on the basis of their size of operational land holding are given in the following table:

Table No. 6.3: Outstanding loans, per KCC holders, mean values
(in Rs.)

Size Of Operational Land Holding	Outstanding loans of KCC holders		
	Non-institutional	Institutional (KCC Loan)	All/ Average
Landless 0 to <3 Bigha (or 0 to <0.5 hactre)	12289.29	21693.77	33983.06
Marginal 3 Bigha to <7.5 Bigha (or 0.5 to < 1 hactre)	19050.63	22298.99	41349.62
Small 7.5 Bigha to <15 Bigha (or 1 to < 2 hactre)	13260.87	20734.78	33996.00
Large Above 15 Bigha (or >2 hactre)	4166.67	18500.00	22666.67
Total	14933.85	21728.11	36661.96

Source: Compiled from primary data records.

The estimates of outstanding loans by farm size reveals that the highest magnitude of total average outstanding loans is present within the group of marginal size of operational land holding KCC farmers of Rs. 41,349.62 followed by Small KCC farmers of Rs. 33,996.00 and landless KCC farmers of Rs. 33,983.06. The institutional outstanding debt is more than the non-institutional outstanding debt in all types of operational land holding KCC farmers. The highest magnitude of institutional and the non-institutional outstanding debts are also present in marginal size of operational land holding KCC farmers.

6.3.2 OUTSTANDING LOANS OF DIFFERENT SIZE OF OPERATIONAL LAND HOLDING KCC HOLDERS: BLOCK-WISE:

Outstanding loans of KCC holders on the basis of their size of operational land holding of four Development Blocks are given in the following table:

Table No. 6.4: Outstanding loans, per KCC holders, mean values
(In Rs.)

Name of the Blocks	Landless 0 to <3 Bigha (or 0 to <0.5 hactre)		Marginal 3 Bigha to <7.5 Bigha (or 0.5 to < 1 hactre)		Small 7.5 Bigha to <15 Bigha (or 1 to < 2 hactre)		Large Above 15 Bigha (or >2 hactre)		Total	
	Non-institutional	Institutional (KCC Loan)	Non-institutional	Institutional (KCC Loan)	Non-institutional	Institutional (KCC Loan)	Non-institutional	Institutional (KCC Loan)	Non-institutional	Institutional (KCC Loan)
Hailakandi Block	8650.0	18485.6	10470.5	23100.0	24375.0	22375.0	0.0	27000.0	11,735.4	20,946.0
Algapur Block	2058.8	17352.9	5791.6	19333.3	18,000.0	27000.0	12500.0	25000.0	6020.8	19,666.6
Lala Block	15818.1	11909.0	31166.6	16133.3	1666.6	12416.6	0.0	4500.0	19,146.0	13,248.0
Katlicherra Block	19956.5	37330.0	31350.0	30726.0	2500.0	22100.0	0.0	25000.0	22,833.3	33,052.0
Total	12289.2	21693.7	19050.6	22298.9	13260.8	20734.7	4166.6	18500.0	14933.8	21728.1

Source: Compiled from primary data records.

The above table reveals that in Hailakandi Development Block, the non-institutional outstanding debt is highest in the group of small size of land holding KCC holders where the institutional outstanding debt is more in the group of large followed by marginal and small size of land holding KCC holders respectively. In Algapur Development Block, both types of institutional and non-institutional outstanding debt are highest in the group of small size of land holding KCC holders. Highest non-institutional outstanding debt and institutional outstanding found in the group of marginal size of land holding KCC holders in Lala Development Block. In Katlicherra Development Block, the non-institutional outstanding debt is highest in the group of marginal size of land holding KCC holders where the institutional outstanding debt is more in the group of landless followed by marginal size of land holding KCC holders.

6.3.3 DISTRIBUTION OF OUTSTANDING LOANS: SOURCE OF CREDIT:

Distribution of outstanding loans of KCC holders on the basis of their source of credit in percentages are given in the following table:

Table No. 6.5: Distribution of outstanding loans according to source of credit
(Per cent)

Size Of Operational Land Holding	Outstanding loans of KCC holders		
	Non-institutional	Institutional (KCC Loan)	All
Landless 0 to <3 Bigha (or 0 to <0.5 hactre)	36.16	63.84	40.55
Marginal 3 Bigha to <7.5 Bigha (or 0.5 to < 1 hactre)	46.07	53.93	46.41
Small 7.5 Bigha to <15 Bigha (or 1 to < 2 hactre)	39.00	61.00	11.11
Large Above 15 Bigha (or >2 hactre)	18.38	81.62	1.93
Total	40.73	59.27	100.0

Source: Compiled from primary data records.

Nearly 59.27 per cent of total outstanding loans are institutional while 40.73 per cent of total outstanding loans are non-institutional. The major proportion of non-institutional outstanding debt is found in the categories of marginal, small and landless farmers respectively although KCC holders of all different land holding possess highest proportion of institutional outstanding debt than non-institutional outstanding debt in Hailakandi district. Large farmers are highly dependent on financial institutions loan.

6.4 LOAN OVERDUE OF KCC HOLDERS

Loan overdue refers to the amount of loan not paid before or on due date. After due date that amount becomes loan overdue. However, when the farmer obtains loan from one source to pay off the loan of other agency before or on due date, then that loan does not fall under the category of loan overdue. It is very difficult to estimate how much increase in debt is on account of default phenomenon. The increase in debt to avoid default is actually loan overdue. In some cases, the farmer obtains loan from one source of credit to avoid default of other source. After paying back the loan to later source, he again gets loan from that very agency and pay back some amount of the former source of credit immediately. To estimate the actual amount of loan overdue we have assumed that the amount of loan that remained unpaid after due date is loan overdue (Singh, 2000, Pp. 235 -236)⁵.

6.4.1 PER DEFAULTER OVERDUES

Overdues loans of KCC holders are given in the following table which consists of non-institutional and KCC Loan:

Table No. 6.6: Per defaulter overdues, mean values: Block-wise

(In Rs.)

Name of the Blocks	Per Defaulter Overdues		
	Non-institutional	Institutional (KCC Loan)	All/ Average
Hailakandi Block	49,286	24,212	32,685
Algapur Block	77,500	19,818	24,515
Lala Block	31,750	12,409	15,882
Katlicherra Block	80,000	34,125	43,059
Total	55,706	22,542	28,985

Source: Compiled from primary data records.

Note: Average amount of overdues per defaulter is computed by dividing total amount of overdues with total number of defaulters. Average amount of institutional overdues is calculated by dividing total amount of institutional overdues with total number of defaulters' owed loans overdues to financial institutions. Similar is the case of average non-institutional overdues.

The aggregate average amount of overdues per defaulter is Rs. 28,985 in four Development Blocks of Hailakandi district. The amount of institutional overdues per defaulter comes to Rs. 22,542 and it is Rs. 55,706 in the case of non-institutional overdues. Both institutional and non-institutional amount of overdues is highest in the Development Block of Katlicherra than other three Development Blocks.

The following table depicts the percentages of defaulter of four Development Blocks where it is found that the out of 192 sample KCC holders, 133 (69.0%) KCC holders are defaulters in four development blocks of Hailakandi district taking into consideration both institutional and non-institutional loan. Total percent of institutional and non-institutional defaulters is 69.0 per cent consists of 9.0 per cent from non-institutional and 67.0 per cent from institutional. In Hailakandi Development Block, out of 48 KCC holders, 35 KCC holders are defaulters depicting the highest aggregate percentage (26.0%) of defaulter followed by 25.0% of Algapur and Lala Development Blocks respectively. In Katlicherra

Development Block, 32 (24.0%) KCC holders are defaulters as well as the percentages of institutional defaulter is lowest than other three Development Blocks.

Table No. 6.7: Percentage of defaulter overdues: Block-wise

Name of the Blocks	Percentage of Defaulter Overdues		
	Non-institutional	Institutional (KCC Loan)	All
Hailakandi Block	7(41.0)	33 (26.0)	35(26.0)
Algapur Block	2(11.0)	33 (25.0)	33(25.0)
Lala Block	4(24.0)	32 (25.0)	33(25.0)
Katlicherra Block	4(24.0)	31 (24.0)	32(24.0)
Total	17 (100.0)	129 (100.0)	133(100.0)

Source: Compiled from primary data records.

Figures in the parenthesis indicate percentage.

6.4.2 PER DEFAULTER OVERDUES LOANS: SIZE OF OPERATIONAL LAND HOLDING

Overdues loans of per defaulters on the basis of their size of operational land holding are given in the following table:

Table No. 6.8: Per defaulter overdues

(Mean Values, in Rs.)

Size of Operational Land Holding	Per defaulter overdues		
	Non-institutional	Institutional (KCC Loan)	All / Average
Landless 0 to <3 Bigha (or 0 to <0.5 hactre)	30,000	21,617	24,553
Marginal 3 Bigha to <7.5 Bigha (or 0.5 to < 1 hactre)	90,400	24,489	33,214
Small 7.5 Bigha to <15 Bigha (or 1 to < 2 hactre)	63,750	21,100	36,693
Large Above 15 Bigha (or >2 hactre)	0	16,000	16,000
Total	55,706	22,542	28,985

Source: Compiled from primary data records.

Per defaulter overdues in the categories of landless, marginal and small operational land holding are more in non-institutional than institutional but in the category of large farm size, the institutional overdue is more than non-institutional. The

average amount of non-institutional overdue per defaulter is higher than the average amount of institutional overdue per defaulter because total number of defaulter of non-institutional agencies is less than total number of defaulter of institutional agencies of Hailakandi district.

6.4.3 DISTRIBUTION OF OVERDUES: SIZE OF OPERATIONAL LAND HOLDING

Percentage distribution of overdues across the size of operational land holding of KCC holders are given in the following table:

Table No. 6.9: Distribution of overdues by holding size categories

(Per cent)

Size of Operational Land Holding	Overdues		
	Non-institutional	Institutional (KCC Loan)	All
Landless 0 to <3 Bigha (or 0 to <0.5 hactre)	25.34	48.32	42.67
Marginal 3 Bigha to <7.5 Bigha (or 0.5 to < 1 hactre)	47.73	40.42	42.22
Small 7.5 Bigha to <15 Bigha (or 1 to < 2 hactre)	26.93	10.16	14.28
Large Above 15 Bigha (or >2 hactre)	0	1.10	0.83
Total	100.0	100.0	100.0

Source: Compiled from primary data records.

The above table reflects that highest percentages of institutional overdues are found in the category of landless (48.32%) and marginal (40.42%) KCC holders where as marginal (47.73%) and small (26.93%) category of KCC holders accrues to non-institutional agencies. The aggregate percentage of institutional and non-institutional overdue is highest in the group of landless (42.67%) and marginal (42.22%) farm households.

6.4.4 DISTRIBUTION OF OVERDUES: SOURCE OF CREDIT

Percentage distribution of overdues according to the source of credit across the size of operational land holding of KCC holders are given in the following table:

Table No. 6.10: Distribution of overdues by holding size categories

(Per cent)

Size of Operational Land Holding	Loans Overdues		
	Non-institutional	Institutional (KCC Loan)	All
Landless 0 to <3 Bigha (or 0 to <0.5 hactre)	14.59	85.41	100.0
Marginal 3 Bigha to <7.5 Bigha (or 0.5 to < 1 hactre)	27.77	72.23	100.0
Small 7.5 Bigha to <15 Bigha (or 1 to < 2 hactre)	46.33	53.67	100.0
Large Above 15 Bigha (or >2 hactre)	0.00	100.0	100.0
Total	24.57	75.43	100.0

Source: Compiled from primary data records.

Table shows that the KCC holders of all size of operational land holding owe nearly 75 percent of total overdues to institutional agencies except small operational land holding KCC farmers. The share of institutional overdues is more than the share of non-institutional overdues in all the category of operational land holding KCC holders. The large category of farmers is lending credit only from institutional agencies.

6.5 PERCENTAGES OF DEFAULTER: SIZE OF OPERATIONAL LAND HOLDING

Percentages of defaulters on the basis of their size of operational land holding are given in the following table:

Table No. 6.11: Percentages of defaulter

Size Of Operational Land Holding	Percentages of Defaulter		
	Non-institutional	Institutional (KCC Loan)	All
Landless 0 to <3 Bigha (or 0 to <0.5 hactre)	8 (47.0)	65 (50.0)	67 (50.0)
Marginal 3 Bigha to <7.5 Bigha (or 0.5 to < 1 hactre)	5 (29.0)	48 (37.0)	49 (37.0)
Small 7.5 Bigha to <15 Bigha (or 1 to < 2 hactre)	4 (24.0)	14 (11.0)	15 (11.0)
Large Above 15 Bigha (or >2 hactre)	0 (0.00)	2 (2.0)	2 (2.0)
Total	17 (100.0)	129 (100.0)	133 (100.0)

Source: Compiled from primary data records.
Figures in the parenthesis indicate percentage.

In the above table, it is found that in aggregate 67 (50.0%) KCC holders are defaulters who are possessing less than 3 bigha operational land followed by 49 (37.0%) marginal farmers. Maximum numbers of defaulters are found in the case of institutional loan.

6.6 OVERDUES AS PROPORTION OF OUTSTANDING DEBT:

The following table is presented the information regarding the overdues as proportion of outstanding debt according to the size of operational land holding.

Table No. 6.12: Overdues as proportion of outstanding debt: size of operational land holding

Size Of Operational Land Holding	Total Overdues as per cent of Total Outstanding Loans	Institutional Overdues as per cent of Institutional Outstanding Loans	Non-institutional Overdues as per cent of Non-institutional Outstanding Loans
Landless 0 to <3 Bigha (or 0 to <0.5 hactre)	57.63	77.11	23.25
Marginal 3 Bigha to <7.5 Bigha (or 0.5 to < 1 hactre)	49.82	66.73	30.03
Small 7.5 Bigha to <15 Bigha (or 1 to < 2 hactre)	70.39	61.94	83.61
Large Above 15 Bigha (or >2 hactre)	23.53	28.83	0.00
Total	54.77	69.71	33.03

Source: Compiled from primary data records.

Total overdues form 54.77 per cent of the total outstanding debt. The percentage of overdues to outstanding loans is 69.71 per cent in the case of institutional sources while it is lower in the case of non-institutional agencies (33.03%). Amongst holding size groups, it is observed that the proportion of total overdues in total outstanding loans is highest in the small category of KCC farmers (70.39%) followed by the landless category of KCC farmers (57.63%). This proportion is lowest in the large category of KCC farm households (23.53%). The proportion of non-institutional overdues to non-institutional outstanding loans turned out to be the highest in the small category of KCC farmers (83.61%) and it is zero in the large category. The share of institutional overdues to institutional outstanding debt

is highest in the landless category of KCC farmers (77.11%) and lowest in the fourth holding size group of farmers (28.83%). This clearly shows that the overdues problem is very serious in amongst all holding size groups.

6.6.1 OVERDUES AS PROPORTION OF OUTSTANDING DEBT: BLOCK-WISE:

The following table is presents the information regarding the overdues as proportion of outstanding debt among the four Development Blocks of Hailakandi district.

Table No. 6.13: Overdues as proportion of outstanding debt: Block-wise

Name of the Blocks	Total Overdues as per cent of Total Outstanding Loans	Institutional Overdues as per cent of Institutional Outstanding Loans	Non-institutional Overdues as per cent of Non-institutional Outstanding Loans
Hailakandi Block	72.93	79.47	61.25
Algapur Block	65.61	69.28	53.63
Lala Block	33.71	62.45	13.82
Katlicherra Block	51.37	66.68	29.20
Total	54.77	69.71	33.03

Source: Compiled from primary data records.

Amongst all four Development Blocks, it is observed that the proportion of total overdues in total outstanding loans is highest in Hailakandi Development Block (72.93%) followed by Algapur Development Block (65.61%). This proportion is lowest in Lala Development Block (33.71%). The proportion of non-institutional overdues to non-institutional outstanding loans turned out to be the highest in Hailakandi Development Block (61.25%) followed by Algapur Development Block (53.63%) and lowest in Lala Development Block (13.82%). The share of institutional overdues to institutional outstanding debt is highest in Hailakandi Development Block (79.47%) followed by Algapur Development Block (69.28%) and lowest in Lala Development Block (62.45%). This clearly shows that the overdues problem is very serious issue in all four Development Blocks of Hailakandi district of Assam.

6.7 DEFAULTERS AS PROPORTION OF BORROWERS:

The following table depicts the picture with regard to defaulters as proportion of borrowers. The percentage of total defaulters to total borrowers is 71.0 per cent of which 70.0 from institutional and 24.0 from non-institutional agencies respectively. Across the farm size groups, the percentage of total defaulters to total borrowers is the highest in landless category of KCC farmers (82.0%) followed by small KCC farmers (65.0%). The farmers belonging to landless category (81.0%) occupy the highest rank with regard to proportion of defaulters to borrowers from institutional agencies followed by marginal group of KCC farmers (63.0%). Small farmers group (50%) possess the highest position with regard to proportion of defaulters to borrowers from non-institutional agencies followed by landless category (24.0%). Regarding the percentage of defaulters to borrowers, borrowing from institutional and non-institutional agencies, the large farmers group occupy the lowest rank.

**Table No. 6.14: Defaulters as proportion of borrowers:
Size of operational land holding**

Size Of Operational Land Holding	Total Defaulters as per cent of Total Borrowers	Defaulters owed overdues to Institutional Agencies as per cent of Borrowers from Institutional Agencies	Defaulters owed overdues to Non-institutional Agencies as per cent of Borrowers from Non-institutional Agencies
Landless 0 to <3 Bigha (or 0 to <0.5 hactre)	82.0	81.0	24.0
Marginal 3 Bigha to <7.5 Bigha (or 0.5 to < 1 hactre)	64.0	63.0	17.0
Small 7.5 Bigha to <15 Bigha (or 1 to < 2 hactre)	65.0	61.0	50.0
Large Above 15 Bigha (or >2 hactre)	33.0	40.0	0
Total	71.0	70.0	24.0

Source: Compiled from primary data records.

6.8 REPAYMENT SCHEDULE OF THE KCC HOLDERS

The following table shows whether KCC holder repaying the KCC loan instalment at regular interval or not. According to the following table, out of 192 sample KCC respondents, 34.0 per cent did not make any default and the remaining 66.0 per cent made default in repayment of loan at regular interval for different reasons. The

most significant point to note is that, in the maximum cases of default, the loaners are in the group of landless farmers (47.0%) followed by small farmers (37.0%) where repaying the KCC loan instalment at regular interval by marginal farmers (45.0%) followed by landless farmers (32.0%). The table depicts that, there are not so much variation in the percentages of defaulters among the four Development Blocks of Hailakandi district. The highest number of defaulters are in Katlicherra Development Block (27.0%) followed by Algapur Development Block (25.0%) and Lala Development Block (25.0%) where in Hailakandi Development Block, it is 23.0 per cent. Mean value of total number of farmers who are not defaulters of four Development Blocks is 16.25, of which a minimum of 14 in Katlicherra Development Block and a maximum of 19 in Hailakandi Development Block with the standard deviation of 2.061553. Mean value of total number of farmers who are defaulters of four Development Blocks is 31.75, of which a minimum of 29 in Hailakandi Development Block and a maximum of 34 in Katlicherra Development Block with the standard deviation of 2.061553.

Table No. 6.15: Repayment schedule maintained by the KCC holders under KCC scheme

Size of the farmers	Landless farmers		Marginal farmers		Small farmers		Large farmers		Total farmers	
	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
Hailakandi Block	8 (38.0)	14 (23.0)	6 (21.0)	10 (21.0)	4 (45.0)	4 (24.0)	1 (17.0)	1 (33.0)	19 (29.0)	29 (23.0)
Algapur Block	5 (24.0)	12 (20.0)	9 (31.0)	14 (30.0)	0 (0.00)	5 (29.0)	2 (33.0)	1 (33.0)	16 (25.0)	32 (25.0)
Lala Block	3 (14.0)	18 (30.0)	8 (27.0)	8 (17.0)	3 (33.0)	5 (29.0)	2 (33.0)	1 (34.0)	16 (25.0)	32 (25.0)
Katlicherra Block	5 (24.0)	16 (27.0)	6 (21.0)	15 (32.0)	2 (22.0)	3 (18.0)	1 (17.0)	0 (0.00)	14 (21.0)	34 (27.0)
Total no. of respondents	21 (32.0)	60 (47.0)	29 (45.0)	47 (37.0)	9 (14.0)	17 (14.0)	6 (9.0)	3 (2.0)	65 (100.0)	127 (100.0)
Mean	5.25	15	7.25	11.75	2.25	4.25	1.5	0.75	16.25	31.75
Std. Deviation	2.0615 53	2.5819 89	1.5	3.3040 38	1.7078 25	0.9574 27	0.5773 5	0.5	2.0615 53	2.0615 53
Minimum	3	12	6	8	0	3	1	0	14	29
Maximum	8	18	9	15	4	5	2	1	19	34

Source: Compiled from primary data records.
Figures in the parenthesis indicate percentage.

Mean value of defaulters who are in landless farmers category of four Development Blocks is 15, of which a minimum of 12 in Algapur Development Block and a maximum of 18 in Lala Development Block with the standard deviation of 2.581989. Mean value of defaulters who are in marginal farmers category is 11.75, of which a minimum of 8 in Lala Development Block and a maximum of 15 in Katlicherra Development Block with the standard deviation of 3.304038. Mean value of defaulters who are in small farmers category is 4.25, of which a minimum of 3 in Katlicherra Development Block and a maximum of 5 in Lala and Algapur Development Block with the standard deviation of 0.957427.

6.8.1 REPAYMENT SCHEDULE MAINTAINED BY THE NON-KCC HOLDERS

The following table depicts the repayment schedule of the Non-KCC holders who have taken informal loan for productive or non-productive purposes. Out of 192 Non-KCC holders, 103 (54.0%) Non-KCC holders have taken informal loan from different sources for productive or non-productive purposes and remaining 89 (46.0%) Non-KCC holders did not take any formal or informal loan.

Table No. 6.16: Repayment schedule maintained by the Non-KCC holders

Size of the farmers	Landless farmers		Marginal farmers		Small farmers		Large farmers		Total farmers	
	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
Hailakandi Block	8 (24.0)	2 (22.0)	12 (40.0)	1 (12.0)	4 (33.0)	2 (40.0)	1 (25.0)	0 (0.00)	25 (31.0)	5 (22.0)
Algapur Block	8 (24.0)	2 (22.0)	10 (33.0)	0 (0.00)	0 (0.00)	0 (0.00)	2 (50.0)	0 (0.00)	20 (25.0)	2 (9.0)
Lala Block	9 (26.0)	0 (0.00)	6 (20.0)	2 (25.0)	5 (42.0)	0 (0.00)	0 (0.00)	1 (100.0)	20 (25.0)	3 (13.0)
Katlicherra Block	9 (26.0)	5 (56.0)	2 (7.0)	5 (63.0)	3 (25.0)	3 (60.0)	1 (25.0)	0 (0.00)	15 (19.0)	13 (56.0)
Total no. of respondents	34 (43.0)	9 (39.0)	30 (37.0)	8 (35.0)	12 (15.0)	5 (22.0)	4 (5.00)	1 (4.0)	80 (100.0)	23 (100.0)
Mean	8.5	2.25	7.5	2	3	1.25	1	0.25	20	5.75
Std. Deviation	0.5773 5	2.0615 53	5.3774 22	2.16024 7	2.16024 7	1.5	0.8164 97	0.5	4.0824 83	4.9916 6
Minimum	8	2	2	1	3	2	1	0	15	2
Maximum	9	5	12	5	5	3	2	1	25	13

Source: Compiled from primary data records.
Figures in the parenthesis indicate percentage.

The following table depicts the repayment schedule of the KCC holders and Non-KCC holders who have taken KCC loan and informal loan respectively for productive or non-productive purposes.

Table No. 6.17: Repayment schedule maintained by the KCC holders and Non-KCC holders

Name of the Blocks	Total no. of KCC holders		Total no. of Non-KCC holders	
	YES	NO	YES	NO
Hailakandi Block	19 (29.0)	29 (23.0)	25 (31.0)	5 (22.0)
Algapur Block	16 (25.0)	32 (25.0)	20 (25.0)	2 (9.0)
Lala Block	16 (25.0)	32 (25.0)	20 (25.0)	3 (13.0)
Katlicherra Block	14 (21.0)	34 (27.0)	15 (19.0)	13 (56.0)
Total no. of respondents	65 (100.0)	127 (100.0)	80 (100.0)	23 (100.0)

Source: Compiled from primary data records.
Figures in the parenthesis indicate percentage.

6.9 REASONS FOR DEFAULT

There are multiple of causes for loan default. The classification of causes is also quite varied. The data collected from the sample investigation regarding defaulters have been summarized into six categories following the model of Nirmal Sande Rathne. These are: a) Defects in farm production: Poor productive conditions of farming sector. This implication reveals that farmers are unable but willing to repay; b) Variability in incomes: Farmer may be unable to repay his loan in particular season owing to crop failure, due to natural calamities or destruction of crop by fire or other hazard. His inability to repay may also be caused by a sudden fall in prices or unmarketability of his produce. Farmers in this category are normally able and willing to repay. c) Defects in the credit organization: Farmer in this category is able to repay and willing to do so, but since the organization giving credit does not pressure him to repay, he does not. Farmer may believe that he will neither suffer penal interest rates nor endanger his subsequent borrowing by his default, loopholes which enable a defaulter to borrow subsequently and abandoning attempts to collect earlier defaulter would support this belief, sometimes the staff of the credit agency itself might even encourage borrowers not to repay. d) Attitudinal

conditions: Farmers who do not want to repay loans despite of their ability to repay fall into this category. They often consider government funds as grants rather than loans. This cause is generally closely linked with defects in the credit organization's policies such as abandoning efforts to collect unpaid debts under earlier schemes and the lack or weakness of any sections on borrowers who do not return loans. e) Misallocation: The use of funds for purposes other than those for which the loan was intended can interfere with repayment. Some persons may have invested loan proceeds in other activities which have resulted a failure or even if successful, there may be a lack of liquid funds to repay on time. Other misallocation includes the use of borrowed funds for ceremonial needs, a sudden illness or death or repayment of loans from other sources. f) Miscellaneous: They did not indicate any specific reason which compelled them to default in repayment of dues to the credit agencies. This is in fact a "don't know" category. Some of this could be cases of "willful default", political interferences is also included in this category. Further, the small and marginal farmers are the victims of the first two causes, while the medium and large farmers are the beneficiaries of the remaining four cause that contribute to default (Siva Ramakrishna and Bhagavan Reddy, 2014)⁶.

A significant feature of banks lending is that, despite mounting over dues in each year, the agriculture and allied sectors enjoyed relatively major portion of bank credit. The agriculturists and poor people of the area could not repay the loans because they spend their loan on consumption purposes rather than productive purposes without bothering the liability of making repayment because of illiteracy. Further, in the perspective of economic development, there have been many disparities in the area in the distribution of resources. The flow of institutional loans has particularly benefited the richer section. In that content, the priority sector lending provides privileges to the poor people in order to lift their economic structure and condition. They are provided loans for buying buffaloes, cows, pigs, to buy auto-rickshaw, to rear hen, and different machines for small scale industries. Indeed, they get subsidy by government on this loan. But they do not use the loan in the proper way for productive use. So, the loanee cannot return loan. Constant

failure of monsoon, natural calamities as famine flood etc, willful default, deficiencies in lending policies are the chief reasons for non-recovery of loans. The reasons for poor recovery may also be attributed to various other factors such as lack of supervision of end use of fund owing to lack of vehicle and paucity of staffs, defective processing of loan applications, political interference's, communication gap between banker and customer etc. The loans sanctioning authority begins to take undue advantage from such people. No effort is made for recovery of such loan. The local leaders do not encourage them to pay it back. They assure them that govt. will exempt it. Consequently the loan is never recovered in future; it becomes difficult to pay it back due to heavy amount. As a result the mounting over-dues restricted the banks lending capacity (Ahmed, 2010, Pp. 105-106)7.

Table No. 6.18: Reasons for default by the KCC respondents

Sl. No.	Name of the Blocks	Hailakandi Block	Algapur Block	Lala Block	Katlicherra Block	Total no. of respondents
1.	Project failure	2 (4.0)	4 (8.0)	0 (0.00)	1 (2.0)	7 (4.0)
2.	Inadequate income from the activity financed	3 (6.0)	4 (8.0)	4 (8.0)	6 (13.0)	17 (9.0)
3.	Lack of supervision and follow up by the concerned departments	4 (8.0)	3 (6.0)	6 (13.0)	2 (4.0)	15 (8.0)
4.	Willful defaulter	8 (17.0)	10 (21.0)	12 (25.0)	18 (38.0)	48 (25.0)
5.	Hoping for loan writing off	9 (19.0)	9 (19.0)	7 (15.0)	5 (10.0)	30 (15.0)
6.	Adverse family circumstances	3 (6.0)	2 (4.0)	3 (6.0)	2 (4.0)	10 (5.0)
7.	No default	19 (40.0)	16 (34.0)	16 (33.0)	14 (29.0)	65 (34.0)
8.	Total	48 (100.0)	48 (100.0)	48 (100.0)	48 (100.0)	192 (100.0)

Source: Compiled from primary data records.
Figures in the parenthesis indicate percentage.

The most significant point to note is that, in the maximum cases of default, the loaners are wilful defaulters. Nearly 25.0 per cent of KCC respondents are wilful defaulters, 9.0 per cent having insufficient income from the activity financed; and due to adverse family circumstances (5.0%) of KCC holder could not paid timely.

Another important reason for default is the hope for loan moratorium. It was found during field study that loaners did not pay loan because 15.0 per cent of KCC holders were hopeful that their loans were going to be written off while 8.0 per cent of KCC holders strike the reason that lack of supervision and follow up by the concerned departments influence them to not pay timely.

The scheme of debt relief was found to have adverse effect on repayment performance of the loaners. Under this scheme, no benefit was given to the loaners who were regularly paying the instalments due, but the loaners who never visited bank office after obtaining bank loan and were chronic defaulters were lucky enough to get their dues written off. The analysis of the reasons for default by sample respondents makes it clear that, leaving aside the cases where loaners could not get sufficient income from activity financed and adverse family circumstances, the loaners, by and large, were able to repay the bank loan out of the incremental income from activity financed. The wilful default is most striking reason for non-repayment of bank credit (Sivachithappa and Thimmaiya, 2010, Pp. 148-149)⁸.

6.10 EXPECTATIONS OF KCC HOLDERS ABOUT KISAN CREDIT CARD SCHEME

The rapid changing of technology now-a-days have made the average Indian farmers receptive to the use of high yielding varieties of crops, chemical fertilizers, insecticides, pesticides and increased use of irrigation on their farms with a view to maximise agricultural production. The nature of agriculture is being transformed by introduction of improved techniques and it is quite possible for the farmers to get an increase in income if they are adequately assisted by credit for purchase of inputs (Mishra, 2002, Pp. 22)⁹. In this aspect, their level of expectations about KCC Scheme also raised and some natures of expectations which are mentioned in the following table should be improvised within the KCC scheme.

Table No. 6.19: Expectations of farmers about KCC scheme

Sl. No.	Name of the Blocks	Hailakandi Block	Algapur Block	Lala Block	Katlicherra Block	Total no. of respondents
	Nature of Expectations of farmers about KCC	% of sample farmers	% of sample farmers	% of sample farmers	% of sample farmers	% of sample farmers
1.	Credit limits be fixed on the basis of cost of production	100	100	100	100	100
2.	Provision of consumption credit with production credit	81.25	66.67	89.58	91.67	82.29
3.	Provision of KCC for non-farm activities too	100	93.75	100	100	98.44
4.	A thorough link between KCC and Crop insurance	100	100	100	100	100

Source: Compiled from primary data records.
 Figures in the parenthesis indicate percentage.

6.10.1 CONVERSION FACILITIES AND INSURANCE FACILITIES OF KISAN CREDIT CARD SCHEME

In case of damage of crops due to natural calamities, the bank provides the loan conversions facilities under the Kisan Credit Card Scheme. The following table shows the response of KCC holders of four Development Blocks of Hailakandi district about the getting loan conversions facilities under the Kisan Credit Card Scheme through bank.

Table No. 6.20: Whether getting loan conversions facilities under the Kisan Credit Card scheme through bank

Name of the Blocks	Hailakandi Block	Algapur Block	Lala Block	Katlicherra Block
YES	0 (0.0)	1 (2.0)	1 (2.0)	0 (0.0)
NO	13 (27.0)	17 (35.0)	2 (4.0)	14 (29.0)
Nil	35 (73.0)	30 (63.0)	45 (94.0)	34 (71.0)
TOTAL	48 (100.0)	48 (100.0)	48 (100.0)	48 (100.0)

Source: Compiled from primary data records.
 Figures in the parenthesis indicate percentage.

In case of damage of crops due to natural calamities, the bank provides the insurance facilities under the Kisan Credit Card Scheme. The following table shows that whether sample KCC holders of four Development Blocks of

Hailakandi district getting insurance facilities under the Kisan Credit Card Scheme from bank in case of damage of crops due to natural calamities.

Table No. 6.21: Whether getting insurance facilities under the Kisan Credit Card scheme through bank

Name of the Blocks	Hailakandi Block	Algapur Block	Lala Block	Katlicherra Block
YES	0 (0.0)	1 (2.0)	0 (0.0)	0 (0.0)
NO	12 (25.0)	18 (38.0)	3 (6.0)	13 (27.0)
Nil	36 (75.0)	29 (60.0)	45 (94.0)	35 (73.0)
TOTAL	48 (100.0)	48 (100.0)	48 (100.0)	48 (100.0)

Source: Compiled from primary data records.
Figures in the parenthesis indicate percentage.

With the introduction of advanced technology, banking transaction has become more hassle-free and time saving. The following table shows that whether sample KCC holders of four Development Blocks of Hailakandi district considered that banking transaction has become more hassle-free and time saving due to introduction of advanced technology and use of it.

Table No. 6.22: Response of KCC holders about the introduction of advanced technology and use of it

Name of the Blocks	Hailakandi Block	Algapur Block	Lala Block	Katlicherra Block
YES	24 (50.0)	29 (60.42)	23 (47.92)	14 (29.17)
NO	24 (50.0)	19 (39.58)	25 (52.08)	34 (70.83)
TOTAL	48(100.0)	48 (100.0)	48 (100.0)	48 (100.0)

Source: Compiled from primary data records.
Figures in the parenthesis indicate percentage.

6.10.2 PERSONAL ACCIDENT INSURANCE SCHEME (PAIS):

In case of accident of KCC holders, the bank provides the personal accident insurance facilities under the Kisan Credit Card Scheme. The following table shows that whether sample KCC holders of four Development Blocks of Hailakandi district claimed the compensation through the Personal Accident Insurance Scheme under the Kisan Credit Card Scheme and got the benefit of this

accident insurance scheme from bank. In Katlicherra Development Block, one KCC holder claimed but did not get the benefit under the PAIS.

Table No. 6.23: Response of KCC holders about the personal accident insurance scheme under the Kisan Credit Card scheme

Name of the Blocks	No. of claimed by KCC holders	Got benefit under the PAIS	
		Yes	No
Hailakandi Block	Nil	Nil	Nil
Algapur Block	Nil	Nil	Nil
Lala Block	Nil	Nil	Nil
Katlicherra Block	1	0	1

Source: Compiled from primary data records.

6.10.3 SATISFACTION OF KCC HOLDERS ABOUT THE FINANCING AND SERVICE PROVIDED BY THE BANKS

Regarding the satisfaction of KCC holders about the financing and service provided by the banks, the following table shows the responses given by the KCC holders in five degree of agreement and disagreement viz., (I) Strongly Agree, (II) Agree, (III) Neutral, (IV) Disagree and (V) Strongly Disagree. Each of these degrees carries a score. Responses indicating the least favourable attitude towards the impressions of KCC holders about the financing and service provided by the banks are given the least score (i.e., 1) and the most favourable attitude towards the impressions of KCC holders about the financing and service provided by the banks are given the highest score (i.e., 5). The responses on the above mentioned statements that were considered in order to assess the overall attitude of the KCC

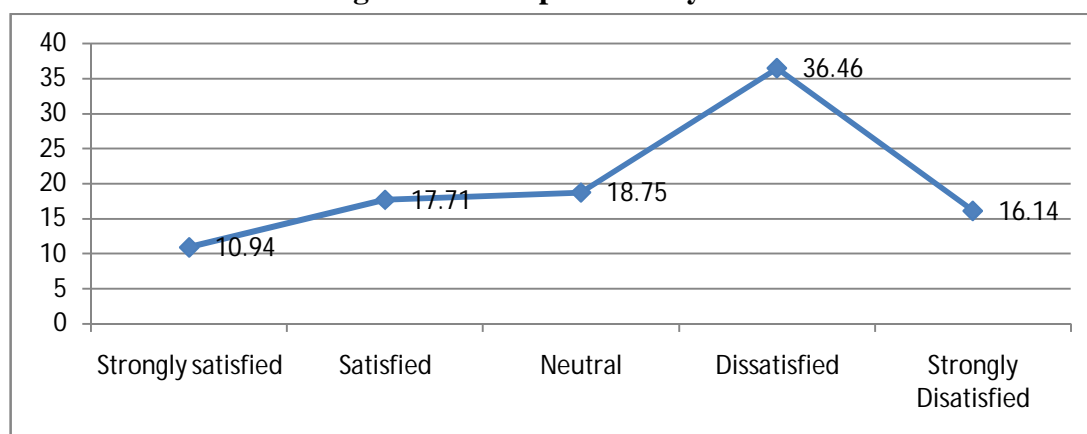
Respondents towards the impressions about the financing and service provided by the banks have been highlighted in the following table with their respective frequencies and percentages.

Table No. 6.24: Level of satisfaction of KCC holders about the financing and service provided by the banks

Name of the Blocks	Hailakandi Block		Algapur Block		Lala Block		Katlicherra Block		Total	
	Freq- uency	Per- cent	Freq- uency	Pe- rcent	Fre- quency	Pe- rcent	Freq- uency	Per- cent	Freq- uency	Per- cent
Strongly satisfied	5	10.42	7	14.58	4	8.33	5	10.42	21	10.94
Satisfied	8	16.67	10	20.83	9	18.75	7	14.58	34	17.71
Neutral	9	18.75	4	8.33	15	31.25	8	16.67	36	18.75
Dissati- sified	15	31.25	18	37.5	14	29.17	23		70	36.46
Strongly Disati- sified	11	22.92	9	18.75	6	12.5	5	10.42	31	16.14
Total	48	100.0	48	100.0	48	100.0	48	100.0	192	100.0

Source: Compiled from primary data records.

Chart 6.2: The percentages of KCC holders towards the impressions about the financing and service provided by the banks



From the above chart it is shown that 36.46 per cent of KCC respondents are dissatisfied with the financing and service provided by the banking agencies of the Hailakandi district where 18.75 percent are neutral. 16.14 per cent of KCC respondents are strongly dissatisfied while 10.94 per cent of KCC respondents are strongly satisfied with the financing and service provided by the banking agencies. Therefore, service quality should be emphasized on a new framework of relationship with clients is needed for banks to really solve the problems of clients with their vast pool of resources and advantages (Chen and Huang, 2004, Pp. 95)¹⁰.

HYPOTHESIS NUMBER FOUR:

- H_0 = There is no significant difference in the recovery position between the KCC holders and Non-KCC holders.

	RECOVERY POSITION		TOTAL
	Repayment holders	Non-Repayment holders	
KCC	65	127	192
NON-KCC	80	23	103
TOTAL	145	150	295

Source: compiled from primary data records.

On the basis of this hypothesis, the expected frequency corresponding to the number of KCC holders and number of repayment holders would be

$$\text{Expectation of (AB)} = (A)X(B)/N = 192 \times 145 / 295 = 94.37$$

Now using the expectation of (AB), we can write the table of expected values as follows:

	Repayment holders: B	Non-Repayment holders: b	TOTAL
KCC:A	AB= 94.37	Ab: 97.63	192
NON-KCC:a	aB= 50.63	ab: 52.37	103
TOTAL	145	150	295

Calculation of Chi-Square

Groups	Observed frequency	Expected frequency	$(O_{ij}-E_{ij})$	$(O_{ij}-E_{ij})^2$	$(O_{ij}-E_{ij})^2/E_{ij}$
AB	65	94.37	-29.37	862.60	9.141
Ab	127	97.63	29.37	862.60	8.835
aB	80	50.63	29.37	862.60	17.037
ab	23	52.37	-29.37	862.60	16.471

$$\chi^2 = \sum (O_{ij}-E_{ij})^2/E_{ij} = 51.484$$

Therefore, Degrees of freedom in this case= $(r-1) (c-1) = (2-1) (2-1) = 1$.

The table value of χ^2 for 1 degree of freedom at 5 percent level of significance is 3.841. The calculated value is much higher than this table value and hence the result of the experiment does not support the hypothesis. It is significant. This means that there is significant difference in the recovery position between KCC holders and Non-KCC holders.