

# AN ANALYSIS OF LOAN OVERDUES OF THE KISAN CREDIT CARD (KCC) HOLDERS OF HAILAKANDI DISTRICT OF ASSAM

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*[The mounting burden of rural overdues is a very serious issue in modern days which affected the prosperity of the Indian economy. It becomes working like a threat to economic and social life of the Kisan Credit Card (KCC) holders in India as well as Hailakandi district of Assam. It influences the rural KCC farmers revolving in the vicious circle of poverty and be in under the fold of chronic agricultural indebtedness stagnant the economic position of the rural agriculturists. The present study is primarily aimed at understanding the loan overdue situation under the Kisan Credit Card scheme of the Kisan Credit Card (KCC) holders of the Hailakandi District of Assam.]*

**KeyWords:** Overdues, Kisan Credit Card, NPA.]

## Introduction

The agricultural sector is a potential source of generation of employment opportunities in India. The Government of India is also encouraging the new entrepreneurs to invest in the agricultural sector. The effectiveness of Indian agriculture is the effectiveness of the Indian economy (Rao, 2006). Thus, fast agricultural growth is important for rural jobs, income and assets and the overall food security.

Modern agriculture is a costly affair and to manage agricultural practices on commercial basis, Kisan Credit Card (KCC) scheme is one of the key products developed in 1998-99 to improve the

farmer's accessibility to bank credit, simplify credit delivery mechanism and provide more flexibility in use of credit.

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<sup>A</sup>).

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).

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Loan recovery is the main factor that determines the quality of loan assets of banks. The mounting overdues lead to high level of non-performing assets (NPA) and thereby deteriorate the asset quality. Thus, improving the quality of loan assets is the true test of improved efficiency of banking system. The importance of efficiency has assumed a critical significance for the viability of commercial banks in the liberalized era particularly in the backward regions of the country. The success of the commercial banks to maintain a healthy profit growth not only depends on the hardening of interest rate, which owes its origin to reduction in operational expenses, but also rests on improvement in their assets quality.

The NPA of banks is an important criterion to assess the financial health of banking sector. It reflects the asset quality, credit risk and efficiency in the allocation of resources to productive sectors (Ahmed, 2010<sup>B</sup>).

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).

Hailakandi district situated at the southern tip of the state is one of the most industrially backward districts in the state of Assam. The district has agriculture based economy and about 75 percent of the population is dependent on agriculture. The contribution of agriculture to the economy is around 80 percent. About 90 percent of rural population are dependent on agriculture sector. The agriculture and allied activities provide employment to 70 to 80 percent of the rural labour force. Growth in agriculture is, therefore, crucial as it reflects the income and correspondingly, the purchasing power of the majority who constitute the market for other goods and services at least in good times.

The present study is primarily aimed at understanding the loan overdue situation under the Kisan Credit Card scheme of the Kisan Credit Card (KCC) holders of the Hailakandi District of Assam.

### **Objective of the Study**

To examine the loan overdue situation under the Kisan Credit Card scheme of the Kisan Credit Card (KCC) holders of the Hailakandi District.

### **Data Source and Methodology**

The universe of the study is the Hailakandi District of Assam. This district

constitutes of five Development Blocks, namely Hailakandi Development Block, Algapur Development Block, Lala Development Block, Katlicherra Development Block and South Hailakandi Development Block. To analysis the loan overdue condition of the KCC holders, 192 Kisan Credit Card holders has been covered in the study who are practising agricultural activities covering four Development Blocks of the district, namely Hailakandi Development Block, Algapur Development Block, Lala Development Block and Katlicherra Development Block. For the purpose of this study, 48 number of Kisan Credit

Card holders of different land holding sizes were selected randomly from each of the four Development Blocks of the Hailakandi district. Thus, a pre-designed schedule is administered among the sample respondents. By the means of direct interview method, the necessary data were collected. The data were analyzed by employing simple percentages and descriptive statistics.

### Result and Discussion

The **Table No. 1** reflects the per defaulter overdues loans are given in the following table which consists of non-institutional and KCC Loan.

**Table No. 1: Block-wise Average overdues Per Borrower**

(In Rs)

Name of the Blocks	Per Defaulter Overdue		
	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 are defaulters taking into consideration both institutional and non-institutional loan. 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. 2: 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.

Note: Figures in the parenthesis indicate percentage.

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

**Table No. 3: 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.

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

**Table No. 4: 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 KCC holders (48.32%) followed by marginal KCC holders (40.42%) where as marginal KCC holders (47.73%) and small category

of KCC holders (26.93%) accrues to non-institutional agencies.

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. 5: Distribution of overdues by holding size categories according to the source of credit**  
(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 large category of farmers is lending credit only from institutional agencies.

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

**Table No. 6: 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.

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. 7: 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.

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

**Table No. 8: 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.

The following table depicts the picture with regard to defaulters as proportion of borrowers:

**Table No. 9: 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.

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.

**Findings of the Study**

1. High growing over dues in the agricultural sector due to poor repaying capacity of the farmers specially small and marginal farmers in the Hailakandi District. Poor quality of physical infrastructure also affects the KCC holders to improve their economic conditions.
2. The aggregate average amount of overdues per defaulter is Rs. 28,985 in four Development Blocks of Hailakandi district. Both institutional and non-institutional amount of overdues are



highest in the Development Block of Katlicherra than other three Development Blocks.

3. 69.0% of KCC holders are defaulters in four development blocks of Hailakandi district taking into consideration both institutional and non-institutional loan. The institutional defaulters are more than the non-institutional defaulters in four Development Blocks.

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

5. Highest percentages of institutional overdues are found in the category of landless KCC holders (48.32%) followed by marginal KCC holders (40.42%). 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. The share of institutional overdues is more than the share of non-institutional overdues in all the category of operational land holding KCC holders.

7. It is found that 50.0% of KCC defaulters are landless farmers followed by marginal farmers (37.0%) taking into consideration both institutional and non-institutional loan.

8. Total overdues form 54.77 per cent of the total outstanding debt consists of 69.71 per cent of institutional sources and 33.03 per cent of non-institutional agencies.

Amongst holding size groups, it is observed that the proportion of total overdues in total outstanding loans is the highest in the small category of KCC farmers (70.39%). 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%) while the share of institutional overdues to institutional outstanding debt is highest in the landless category of KCC farmers (77.11%). This clearly shows that the overdues problem is very serious in amongst all holding size groups.

9. 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%). The share of institutional overdues to institutional outstanding debt is highest in Hailakandi Development Block (79.47%) followed by Algapur Development Block (69.28%). This clearly shows that the overdues problem is very serious issue in all four Development Blocks of Hailakandi district of Assam.

10. The percentage of total defaulters to total borrowers is 71.0 per cent of which 70.0 per cent from institutional and 24.0 per cent from non-institutional agencies respectively. Across the farm size groups, the percentage of total defaulters to total borrowers is highest in landless category of KCC farmers (82.0%) followed by small group of KCC farmers (65.0%). Regarding the percentage of defaulters to borrowers, borrowing from institutional

and non-institutional agencies, landless category (81.0%) and small farmers group (50%) occupy the highest rank respectively.

### Concluding Remarks

The study concludes that a number of factors are responsible for poor recovery and increasing volume of overdues of banks in the district of Hailakandi. The factors are project failure, inadequate income from the activity financed, lack of supervision and follow up by the concerned departments, willful defaulter, hoping for loan writing off, lack of co-operation between banks and their customers. A significant feature of banks lending under Kisan Credit Card scheme in Hailakandi district is that, despite mounting over dues in each year, the agriculture and allied sectors enjoyed relatively major portion of bank credit only to achieve the budgetary targets. The KCC holders 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 lack of proper understanding.

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.

The agriculture sector occupies centre-stage in our resolve to promote inclusive growth, enhance rural incomes and sustain food security. High rate of investment in the primary sector needs to be well structured, timed and well implemented with maximum effectiveness to achieve the desired level of growth. The mounting burden of rural overdues is a very serious issue in modern days which affected the prosperity of the Indian economy. It becomes working like as a threat to economic and social life of the Kisan Credit Card (KCC) holders in India as well as Hailakandi district of Assam. It influences the rural KCC farmers revolving in the vicious circle of poverty and be in under the fold of chronic agricultural indebtedness stagnant the economic position of the rural agriculturists.

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