



Role of kisan credit card in fulfilling the agricultural credit requirements of the farmers

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Abstract

Agricultural Sector plays a vital role in the significant growth of Indian economy. It is the primary source of providing livelihood for a large population of India. The agricultural sector contributes around 17-18% to the growth of the country (India economic survey. 2018). Between April 2018-Feb 2019 agricultural exports were US \$34.31 billion. The importance of this sector cannot be underestimated so as to promote the growth of Indian economy. Credit plays a pivotal role in the sustained growth of agriculture sector and also in increasing the standard of living of the rural household. Indian government has taken many steps in this regard and including providing of adequate credit to farmers. For the timely credit delivery and proper support to the farmers to fulfill their requirements. Government of India introduced the Kisan Credit Card scheme in year 1998 with the collaboration of NABARD and RBI. The intention of this paper is to bring the role of KCC in fulfilling credit requirements in agricultural sector.

Keywords: rural finance, agriculture, credit card, economy, rural development

Introduction

The emergence of 'green revolution' in India had led the Indian agricultural system to focus and replace its traditional methods with scientific and modern practices. With the shift of focus of farmers on these practices, the demand for high yielding seeds, pesticides, fertilizers, machinery and equipments was also increased, which requires a heavy financial investment. Most of the farmers are not able to afford this investment from their savings, due to which they have to depend on borrowed funds. This dependence of farmers on borrowed funds had increased the demand of providing agricultural credit to a large number of farmers [Sharma, 1994] ^[15]. For the timely credit delivery and support to the farmers to fulfill their requirements, Govt. of India with the collaboration of NABARD and RBI introduced Kisan Credit Card scheme. This scheme is according to the recommendations of the R V Gupta committee. It was introduced to give the flexible and hassle free credit to the farmers by the banks at the reasonable interest rates. This has simplified the process of availability of credit in time and also the process for taking loan from the banks (Nahatkar *et al.*, 2002) ^[9]. KCC allows farmers to purchase the inputs for farming like pesticides, seeds and fertilizers and allow them withdrawal of cash to meet their agricultural requirements (Samantara, 2010) ^[13]. KCC offers a single line of credit for multiple purposes through a single window (Thakur and Barman 2013) ^[18]. Kisan credit cards are being provided by commercial banks, Regional Rural Banks and cooperative banks in their respective area of operations.

Kisan Credit Card Scheme

Kisan Credit Card is an ingenious scheme designed by NABARD by which farmers can meet their credit requirements for their expenses towards the production of crops and the maintenance of the machineries in a hassle free manner. There have been many changes and

amendments in the credit scheme since its introduction in 1998. Now it incorporates many features other than credit requirements for production of crop. Now it also includes day to day expenditure for household, maintenance of assets like tractors and other machineries, term loan for farming and related activities, scheme holders coverage under Personal Accident Insurance Scheme (PAIS) and Atal Pension Yojana. These are the reasons why KCC is now considered as one of the most important banking product for the agricultural based population.

Important Developments in Kcc Scheme Implementation

14 August 1998 - Introduction to KCC Scheme

14 June 2001- Introduction of Personal Accident Insurance Scheme (PAIS) for Kisan Credit Card holders.

09 August 2004 – (i) Term Loan for agriculture and allied activities

(ii) Validity of the card increased from 3 years to 5 years.

01 June 2006 - Interest rate for short term credit to farmers was fixed at 7% of the upper limit of the card of Rs. 3 lakh on the principle amount.

31 October 2006 – Long term credit structure was introduced for the borrowers, i.e., State Cooperative Agricultural and Rural Development Banks.

29 March 2012 - Many new components were launched in the KCC Scheme like Composite loans, 10% limit for household consumption and post-harvest requirements, 20% of limit towards maintenance expenses and year wise drawing power for further five years.

09 November 2012 - Introduction of Rupay cards in the form of KCC.

15 November 2012 – Union Finance ministry in a meeting with bankers decided to convert all old Kisan Credit cards in ATM cum Debit cards.

01 August 2014 – Support of ICT solutions with POS and micro ATMs under Kisan Credit Card scheme.

08 July 2015 - Kisan Credit Card owners were given coverage under Atal Pension Yojana.

Important Features of Kisan Credit Card Scheme

- Scheme is applicable to all commercial banks, RRBs and DCCBs/PACS.
- Objective of the scheme is to provide short term credit for growing of crops, expenses after harvesting, producing marketing loans, day to day requirements of farmers, capital for maintenance of machineries and investment credit requirement for farming and activities allied.
- Kisan Credit Card scheme provide loan to all farmers including individual or joint borrowers who are tenant farmers, cultivators, share croppers and oral lessees, Joint Liability group or Self-help Groups of farmers including share croppers and tenant farmers.
- Fixation of credit limit for all farmers other than marginal farmers for short term of 1 year has been fixed equal to the extent of area cultivated \times finance for the crop, 10% of the limit towards the household consumption and harvest expenses and 20% of the limit has been fixed for repair and maintenance of assets. It also includes asset insurance, crop insurance and PAIS.
- Beneficiaries can also avail the 10% increase in short term limit towards enlargement in scale of finance for each successive year and can also avail the term loan component for 5 years.
- Estimated long term requirement of loan and the short term limit for the 5th year are taken as maximum permissible limit.
- There is separate bifurcation for the limits for long term loans and short term credit limit (savings account).
- For short term limit, there is fixed annual drawing power but term loans are provided on the basis of the nature of investment and repayment schedule and installments can also be allowed to withdrawn.
- For the marginal farmers, a credit limit of Rs. 10,000 to 50,000 has been provided on the basis of the land holding and the credit needs for various expenses. They can also avail the small term loan investment like purchasing of different equipments for the production, to establish poultry or dairy, etc., without taking into consideration of the land acquired by them. Composite limit of KCC is fixed for a period of 5 years.
- Kisan credit card has a validity of 5 years on the basis of annual review. On the basis of the performance of the card holder and the increase in the cropping area and expenditure pattern, the continuation, increase in the limit and the cancellation of the card depends. In the case of reschedule of the card, the repayment period is again fixed and the outstanding amount is transferred to the term loan.
- Short term credit limit is provided as revolving cash credit limit which is to be repayable within 12 months. There should be no outstanding of withdrawal more than twelve months.
- Term loan can be repaid within the limit of 5 years. Financing bank can also provide longer repayment period based on the type of investment.
- Hypothecation of the crops upto Rs. 1 Lakh and collateral securities for the loan of Rs.1 lakh to Rs. 3 lakh without tie-up is required to sanction the loan amount. If a farmer needs more than Rs. 3 lakh, then

he/she have to give collateral securities with tie-up advances.

- One time documentation is required for taking the loan and thereafter from second year onwards only simple declaration is needed by the farmer.
- Up to a limit of Rs. 3 lakh, there is no processing fee for the card.
- The beneficiaries can also avail the benefit of insurance for crop insurance and asset insurance under PAIS (Personal Accident Insurance Scheme) and Atal Pension Yojana. Farmers are made aware of the available insurance cover and their consent is taken at the time of application stage.

Review of Literature

Dashawant (2007) ^[4] found that in the field of agricultural development, various aspects like annual income, consumption pattern, asset acquisition, cropping patten, employment generation, land productivity for groundnut and cotton had positive and significant on agricultural development. Santhi (2012) ^[14] investigated the impact of KCC on the beneficiaries of Kanyakumari district of Tamilnadu. No relationship was found between the number of cards issued and the volume of the crop loan. It was clearly visible from the findings of the study that most of the beneficiaries of this scheme don't have proper awareness about the uses and benefits of the scheme. Parwate *et al.* (2009) ^[12] described the utilization of KCC Scheme among the farmers of Raipur district of Chhatisgarh. The primary data for the study was collected from a sample of 120 farmers by personal interview. The data was collected by random sampling from 12 villages. The study revealed that 95.66% of the beneficiaries utilized the benefit of crop insurance and 85.33% of the beneficiaries used the full credit limit for the purpose for which they have taken the loan amount. The study further revealed that 40% of the beneficiaries utilized the loan facility for the whole period. It suggested that the efforts should be made for the popularity of the KCC scheme among the farmers so as to make awareness for the proper utilization of the resources. Uppal and Juneja (2012) ^[19] in a comparative performance study of banks while issuing KCCs for the period 2009-11 revealed that the performance of the commercial banks is highest among all KCC issuing agencies preceded by RRBs. This study was based on the total number of issued cards by the banks and the credit limit disbursed and sanctioned by the issuing agencies. To know the state wise and agency wise progress of KCC was the main objective behind the study. Various RRBs and commercial banks were included for the study. Number of KCCs issued and the amount of loan sanctioned were taken into account for the performance evaluation of the banks. The study revealed that the performance of the commercial banks is highest among all KCC issuing agencies followed by RRBs. The overall growth rate of all banks was found 0.323% which represented the good efficiency of Indian Banking System in serving the needs of the agriculture sector of India. The study suggested that more growth in issuing the number of cards and the amount sanctioned to the farmers with the help of KCC Scheme can be achieved by strengthening the cooperative banks. Olekar (2012) ^[10] analyzed the problems faced by the banks in effective implementation of KCC Scheme. The main objective behind the study was to analyze the factors behind quick disbursement of loans, to

analyze the impact of KCC and the cost of credit for availing the loan and to study the various constraints in the implementation of the scheme. The study was conducted in the state of Karnataka on 50 KCC holders and the bank officials. Percentage, ratio and averages were used to analyze the data. The study was not able to find the relationship between the number of cards issued and the poor recovery of loans. The cost effectiveness of KCC was also not fully evident from the study. The field visit revealed the difference between the crop considered under the limit and the actual crop grown in the field. Money lenders were also find hindrance between the implementation of the scheme up to a large extent. The study suggested that flexibility should be given to cooperatives in determining the credit limit. It also suggested the use of Management Information System in the proper maintenance of the data. Shinde (2013) ^[16] analyzed the impact of KCC Scheme on agricultural economy and the factors affecting the adoption of the schemes by the farmers. He also analyzed the major problems faced by the farmers while taking the loan by KCC Scheme. Kisan credit card was found as the one of the essential and popular tool used for credit requirements of farmers. The secondary data was taken to conduct this study and analyzed by using percentages and averages. Kisan credit card was found as the popular tool among the farmers for taking loan for their credit requirements. It was found that there is a great variation in the number of beneficiaries' in different states. Socio economic factor was found as one of the main factors affecting the adoption of the scheme. It was observed that banks as well as farmers can be benefitted by creating the more awareness about the procedure of getting the Kisan Credit Card facility. Thakur and Barman (2013) ^[18] evaluated the reasons behind poor recovery and low disbursement of loans under KCC Scheme in Assam. It was found in the study that weak recovery of loans, lengthy paper work, insufficient credit limit from the part of the bank, unawareness among the farmers, lack of motivation to the farmers from the bank officials to avail the facilities of the loan and procedural difficulties are the major factors for the low disbursement of the KCC. The major factors behind the poor recovery of the loans are the unawareness of the farmers towards utilizing the loan amount, less efforts of bank follow ups, misutilization of loan amount, weak government policy.

Bindage *et al.* (2014) ^[1] analyzed the impact of the KCC scheme for the crop of sugarcane in Kolhapur district of Maharashtra. The study was conducted to know the number of increase in KCC holders and also to review the effectiveness of loan under KCC to that of loan taken from any other source other than KCC. It was found in the study that the KCC users grew over the period since the introduction of the scheme but there is a little decline in last couple of years. The study found the interest on credit without KCC higher than that of with KCC. The availability of credit in both the cases covered under KCC and without KCC was inadequate. The study suggested that relevant steps must be taken by the banks to encourage the farmers to avail the benefits of the scheme as well as to do efforts to reach maximum number of farmers. Patil. (2014) ^[11] studied the function of commercial banks, RRBs and cooperative banks in financial inclusion through Kisan Credit Card scheme. The objective of the study was to analyze the bank-wise disbursement and sanctioning of the cards and credit amount. It was evaluated that all the bank groups have

played a significant role in financing the credit to the farmers through the KCC scheme but the role of commercial banks in cards issued and credit amount sanctioned is much higher than that of the other bank groups. The study also observed the political interference and wrong management in case of cooperative banks. He suggested that cooperative banks can also grow with more pace if political interference can be removed from there. Mehta *et al.* (2016) ^[8] studied the impact of KCC scheme in rural India with an objective to evaluate the role of the scheme and hence providing the solutions for the growth. The study suggested that the process of providing the loan must be easy so that the farmers who are not educated can also take benefit from the scheme. Gyanendra Mani (2016) ^[7] studied the Implementation of KCC scheme on the behalf of Department of Economic analysis, National Bank of Agricultural and Rural Development. The study was aimed to find that whether the features of KCC are able to meet the needs for which the scheme was introduced. The study concluded that the scheme has been proved to be very useful for the farmers and they are able to generate good profits with the help of it. The study also highlighted some concern about the new schemes while considering the revised guidelines but farmers are not able to make best out of these innovative schemes. The study also revealed that there is slow growth in case of Rupay cards as the farmers are not able to use them properly because of the fear of frauds and misuse. It suggested that efforts should be made for the counseling of farmers regarding the proper use of the cards. Shrotriya and Yadav (2017) ^[17] studied the role of Kisan Credit Card in India by comparing the amount of loan disbursed by KCC alone to rest of the available sources for providing loan for agriculture. It was found in the study that the northern and southern regions alone provides 55 percent of the total cards issued in India. Panjab with more than 100% cover of operational holdings scored the topmost rank in the country. East and north-east regions were at the lower ranks in the terms of KCC issued and their part was even lower than operational holdings due to which it was concluded that the KCC scheme has poor performance in these areas. The net margin of KCC holders was higher than farmers with no KCC. The study suggested that the account opening process should be simplified in order to bring more farmers to be covered under the scheme. It was also suggested in the study that bank officials must take some necessary steps for spreading awareness and motivation about the scheme among the farmers to develop confidence and to remove their fear of being defaulter. Some training programmes about advance techniques of farming were also suggested which can further encourage farmers to avail the benefits of the scheme.

Conclusion and Discussion

It is a well-known fact that Indian Economy has always been an agrarian economy. It is very difficult to realize the prosperity of Indian Economy without the agricultural prosperity. To achieve the desired and declared objectives and goals of economic planning, it is very important to have adequate and timely delivery of credit flowing into the farm sector. The review of literature has shown that most of the studies have focused on the basic features and different aspects of the scheme. We have observed that many of the studies have not examined the impact of credit under the scheme on the different issues relating to various aspects of

KCC, the time taken for sanctioning of card by different banks, cost of borrowing credit from different banks, credit diversion and credit utilization, need for credit for nonfarm purpose, frequency of withdrawal and repayment of credit, whether the dependence on non-institutional credit providing agencies has been reduced with the introduction of KCC and the suggestions to incorporate in the scheme in order to establish a good credit delivery system. It can be concluded from the review of literature that many studies have not focused on making the credit delivery of the KCC scheme more people oriented and thus setting up a good credit delivery system. Further, we also not find studies examining the impact of the scheme on cropping pattern, production and yield, mechanization of farm sector, income from farm as well as other sources and the consumption pattern, investment pattern, saving behaviour and unproductive expenditure of KCC holders. Therefore, there are a lot of issues which should be addressed for setting agricultural growth by providing timely credit to the farmers.

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