

INDIAN KISAN CREDIT CARD SCHEME: AN ANALYTICAL STUDY

Dharmendra Mehta

Reader, Faculty of Management Studies, Pt.JNIBM, Vikram University, Ujjain, India (MP)

Hitendra Trivedi

Research Scholar, Faculty of Management Studies, Pt.JNIBM, Vikram University, Ujjain, India (MP)

Naveen K Mehta

Associate Professor, SUBIS, Bhopal, India (MP)
drnknmehta73@gmail.com

Abstract

Kisan Credit Card (KCC) has now been regarded as the only medium of short-term credit for agriculture. The Kisan Credit Card (KCC) scheme was introduced by the Finance Minister in his budget speech in the year 1998-99. From the year 1998-99, the scheme was implemented by public sector commercial banks, RRBs (Regional Rural Banks) and cooperative banks in the country. It has emerged as an innovative credit distribution system to meet the production credit requirements of the farmers in a timely and easy manner. The present paper is aimed to study role of Kisan Credit Card in the rural credit facilitation in India.

Keywords: Kisan credit cards, Farmers, Agriculture, Finance, Bank.

JEL Classification: Q1, Q14, O23, M21.

1. Introduction

India lives in villages. The majority of our country's population depends upon agriculture. Hence, there is a great need for inclusion of rural people in the financial framework. When it is considered rural credit system to facilitate various financial needs of the rural folks or farmers, it has many dimensions. Over the years, National Bank for Agriculture and Rural Development (NABARD) has taken initiatives to supply adequate credit to farmers, which has made the rural finance system more sociable.

India as agricultural economy dependents on two factors: one is Monsoon (Indian rainy season) and the other is credit. Since controlling the Monsoon is restricted to our technological advancements but efforts can be made to improvise our credit distribution. Financing for agriculture has always been a huge task for banks. The financial reforms also highlighted the need for innovative credit interventions from institutional agencies to facilitate farmers. With the implementation of bills like food security indicates that agriculture will continue to be central to all the strategies for socio-economic development of India. Rapid growth of agriculture will not only ensure continued food security but also help in the growth in industry and the GDP (Gross Domestic Products).

2. Objectives of the Study

- To study and understand the key features of Kisan credit card scheme.
- To assess the role and contribution of Kisan credit card scheme.
- To provide some suggestions for effective implementation of the Kisan credit cards scheme.

3. Research Methodology

The present study is based on the secondary data collected from NABARD Journal, Publications, Occasional Papers, and RBI Reviews etc. The other information has been taken from journals and websites focusing Kisan credit card scheme.

4. Literature Review

Werner (2000) remarked that the liberalisation processes have created another problem: under the prudential and capital adequacy norms, banks are required to mark the investments to market, which have made banks more risk-averse. Anjanikumar et al. (2007) assessed the performance of rural credit flow in India, and identified the factors that influenced the choice of credit outlet and the possession of Kisan Credit Cards by rural households. Jamunarani (2009) reported that over 14 million KCCs have been issued across India. The scheme has been implemented in all the states and union territories by 27 public sector banks (PSBs), 373 district central co-operative banks (DCCBs) and 196 Regional Rural Banks (RRBs). Amir Samantara (2010) mentioned that the introduction of a new credit product called Kisan Credit Card (KCC) in 1998-99 with three different sub-limits viz. production, assets maintenance and consumption needs is a step in this direction to address the challenge.

Barik (2010) stated that realizing the importance of enhancement of flow of credit to the rural sector and reduction of the dependence of farmers on non-institutional sources of credit, NABARD introduced Kisan Credit Card (KCC) scheme. Uppal and Juneja (2012) found that commercial banks are most successful in fulfilling the objectives of NABARD followed by regional rural banks. Rajamohan and Subha (2014) highlighted certain operational issues, mainly pertaining to the Agency-wise and Period-wise progress of KCC and Kisan Credit Card Scheme.

5. Agricultural Credit Policy

The Government of India has introduced several policy measures to improve the accessibility of farmers to the institutional sources of credit. The impetus of these policies has been on progressive institutionalization for providing timely and ample credit support to all types of farmers with special focus on small and marginal farmers and weaker sections of society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. The policy emphasizes on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies and rationalization of lending Policies and Procedures.

Table No:1 Flow of Agricultural Credit (Rupees in Crores)

Year	Target	Achievement
2004-05	105000	125309
2005-06	141000	180486
2006-07	175000	229400
2007-08	225000	254658
2008-09	280000	287149
2009-10	325000	384514
2010-11	375000	468291
2011-12	475000	511029
2012-13	575000	308025*
2013-14	700000	*As on 31 October, 2012

Source: NABARD

6. Kisan Credit Card Scheme: An Overview

Kisan Credit Card Scheme was introduced in 1998-99 to enable the farmers to purchase agricultural inputs such as seeds, fertilizers, pesticides, etc. The Kisan Credit Card Scheme is in operation throughout the country and is implemented by Commercial Banks, Coop. Banks and RRBs. The scope of the KCC has been broad-based to include term credit and consumption needs. All farmers including small farmers, marginal farmers, share croppers, oral lessee and tenant farmers are eligible to be covered under the scheme. The card holders are covered under Personal Accident Insurance Scheme (PAIS) against accidental death/permanent disability.

Further, Government of India has recently accepted suggestions made by a Working Group (Bhasin Working Group) on Kisan Credit Card Scheme to convert it into a Smart Card cum Debit Card and revised guidelines have been issued by NABARD. The State Governments have been advised to launch an intensive branch/village level campaign to provide Kisan Credit Card to all the eligible and willing farmers in a time bound manner. Since launching in August 1998, around 11.56 crore Kisan Credit Cards issued upto 31 March 2012 by Cooperative Banks, Regional Rural Banks and Commercial Banks put together.

7. Revision in Kisan Credit Card Scheme

The recommendations of Working Group constituted by Government of India, under the Chairmanship of Shri T M Bhasin, Chairman & Managing Director, Indian Bank on redesigning of KCC scheme to make it Smart Card-cum-Debit Card were accepted and a revised KCC scheme was introduced in April 2012.

The salient features of the revised KCC scheme are as follows:-

- Flexi KCC with simple assessment prescribed for marginal farmers.
- Validity of KCC for 5 years.
- For crop loans, no separate margin need to be insisted as the margin is in-built in scale of finance.
- No withdrawal in the account to remain outstanding for more than 12 months; no need to bring the debit balance in the account to zero at any point of time.
- Interest subvention /incentive for prompt repayment to be available as per the Government of India and / or State Government norms.
- No processing fee up to a limit of Rs. 3.00 lakh.
- One time documentation at the time of first allotment and thereafter simple declaration (about crops raised/ proposed) by farmer.
- Assessment of crop loan component based on the scale of finance for the crop plus insurance premium x Extent of area cultivated + 10% of the limit towards post-harvest / household/consumption requirements + 20% of limit towards maintenance expenses of farm assets.
- KCC cum SB account instead of farmers having two separate accounts. The credit balance in KCC cum SB accounts to be allowed to fetch interest at saving bank rate.
- Disbursement through various delivery channels, including ICT driven channels like ATM/ PoS/ Mobile handsets.

8. Benefits of Kisan Credit Card Scheme to the farmers:

- Access to sufficient and timely credit to farmers.
- Less paper work and simplification of documentation.
- Flexibility to draw cash at any point of time and buy inputs as per the requirements of the farmers and also to repay as and when surplus fund is available.
- Assured availability of credit at any time as to reduce interest burden on the farmer.
- Sanction of the facility for 3 years subject to annual review and satisfactory operations and provision for enhancement.
- Reduction in cost of credit for availing the bank loan, Insurance cover (NAIS/PAIS) at a very low premium rate.

9. Benefits of Kisan Credit Card Scheme to the Banks:

- To lessen work load for branch staff by avoidance of repeat appraisal and processing of loan papers under KCC Scheme
- Improvement in recycling of funds and better recovery of loans.
- Downsize transaction cost to the banks.
- Improving Banker - Client relationships.

10. Growing Concerns

In spite of the progress, there are certain operational challenges due to the eligibility criteria adopted by the banks, its issue, remittance of crop insurance premium, etc. KCC was mostly being issued to the farmers only once. However, in a few cases there was drastic upward revision of the limit and a new card was being issued which sometimes counted again resulting in double counting and increasing the number of card issued.

One of the factors responsible for lower limits was the high stamp duty charged on higher loan amounts. The crop insurance scheme continues to pose problems on account of limitations in the crop cutting experiments and non-coverage of certain crops. KCC offers the farmer the flexibility to draw the amount of loan any time whereas only those loans which are drawn strictly within the season gets covered under crop insurance. The banks find it difficult to maintain data on crop-wise loan issued. Moreover, cheques facility in the KCC is not fully evident. There are also issues related to cumbersome documentation process required to become a KCC holder and thereafter-availing production credit.

In spite of continuous promotional efforts by banks, farmers were not aware of the facilities available under KCC. Similarly, bankers were also not very much acquainted with various operational aspects of the scheme. Although the model guidelines as also the schemes of banks provided for inclusion of leased-in land and exclusion of leased-out land, there were practical problems in implementing the same as the banks were not accepting the oral lease. Land leased-in and leased out orally was not recorded in revenue record.

11. Conclusions and Suggestions

Kisan Credit Card has emerged as a new and vital credit delivery mechanism to meet the credit requirements of farmers in a suitable and hassle free manner. Kisan credit cards is one of the most innovative, widely accepted scheme of Indian Government as it is highly appreciated and non-discriminatory banking products. So far RRBs had issued 4.05 lakh cards and achieving 81.2 per cent of the annual target. Commercial banks and co-operatives target was very stiff as compared to

RRBs but these banks achieved 56.0 per cent and 46.1 per cent respectively. Commercial banks had issued 35.7 lakhs cards involving sanction of Rs 9148.4 crores to different categories of farmers. Kisan credit card has established itself as a quite popular credit among the farmers. It would surely help the farmers in easy and timely access to much desired institutional credit.

The banks must make easy the process of obtaining loan under KCC schemes so that the role of brokers can be minimized and the efficient allocation of money can be done for the maximum benefit of the farmers. Arrangements for verified database of farmers will help banks in providing loan to the real needy ones. The banks should focus more on poor performing zones in terms of coverage of holdings such as north zone, north eastern zone and eastern zone. Commercial banks and co-operatives banks branches are very high in all states. So the banks can cover more areas and can issue more Kisan credit cards.

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