

KISAN CREDIT CARD SCHEME

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1	Dr. Hardarshan Kaur	Former Research Fellow, Department of Commerce, Punjabi University Patiala, Punjab
2	Dr. Navkiranjit Kaur Dhaliwal	Professor, Department of Commerce, Punjabi University Patiala, Punjab

Abstract

Kisan credit card scheme is a credit tool to acquire easy credit for the production and consumption purpose of the farmers. The present paper attempted to study the various features and benefits of the scheme. Further, it also analyse the banks providing Kisan credit card scheme and progress of the same by various agencies. The period of the study was from the year 1998-99 to 2012-13. Various statistical tools have been used to study the growth of scheme by various agencies.

1. INTRODUCTION

The one man high level committee of Shri. R.V. Gupta submitted its report in April 1998. On the recommendations of the committee, Kisan credit card scheme was introduced in August 1998 in order to provide timely credit in a hassle free manner for the production requirements of the farmers. The main objective of the scheme was to meet the production as well as consumption needs of the farmers. The scheme was widely accepted by bankers as well as farmers, and was implemented by commercial banks, co-operative banks and regional rural banks throughout the country. The kisan credit card scheme is a short term credit facility in order to provide agriculture credit in hassle free manner for production as well as consumption needs of the farmers. It facilitates in providing financial assistance to the farmers to meet their credit needs in relation to production, consumption as well as other allied activities throughout the year as and when required. Credit assistance is required by a farmer for several purposes. This can be for the purpose of cultivation of the crops beginning from making the land cultivable, followed by

cultivating the land, sowing, nourishing the crops, using fertilizers and pesticides etc. till the harvest of crops. Credit is also required to meet the post harvest expenses such as storage, packaging, transportation, preservation etc. Marketing of the produced crops costs to get the best price for the harvest. For these purposes, credit facility can be availed using the kisan credit card. In the meantime, before the farmer gets paid for his produce, farmer requires monetary assistance to meet his day do day household as well as other ancillary running expenses. Maintenance of the farm assets so as to keep them usable and up to date such as mechanical equipments, irrigation machines, barbed wires, minor maintenance etc also incurs expenditure, which can be met using the KCC facility.

Besides, the farmers also engage in various allied activities to raise their outputs namely dairy farming, fish farming, poultry farming etc, which can be run along with their crop cultivation. Initializing these activities and raising infrastructure for these activities such as sheds, ponds, dairy machinery, cattle, cattle feed etc can be attained using the kisan credit card facility. There are numerous other expenditures which have to be incurred by the farmers to carry on farming in a convenient way by implanting basic infrastructure as well as adopting new technology and in order to achieve all this a farmer requires timely, hassle free as well as sufficient monetary assistance, which can be derived using the KCC scheme. Earlier, the farmers were either not able to acquire financial assistance for various above mentioned needs, or they had to rely upon various informal sources for assistance at unreasonable, compromising conditions. However, the revolutionary evolution of kisan credit card scheme comprehensively covers almost all the incidental and ancillary factors of agriculture credit, whereby timely and fair assistance is provided to the deserving farmers at their doorsteps and at reasonable interest rates with very convenient repayment options. This has led to bring tremendous changes and has boosted up the agriculture reforms in India, which is predominantly an agrarian economy. Simplified terms and conditions, low interest rates as well as easy repayment options in accordance to the harvest of crops keeping in view the flora and fauna of respective regions as well as the area specific requisitions of the farmers has not only made the farmers financially stable, progressive, but also has led to make the country self sufficient to meet their food requirement.

2. OBJECTIVES OF THE STUDY

The main objective of the paper is (i) to study the Kisan credit card scheme (ii) to study the features and advantages of Kisan credit card scheme

3. RESEARCH METOHODOLGY

For the purpose of the study, data has been taken for the year 1998-99 to 2012-13. The sources of data were report on Trends and progress of banking in India by RBI and report of Nabard. The data has been analysed by using various statistical tools like mean, exponential growth rate and coefficient of variation.

4. FEATURES OF KISAN CREDIT CARD SCHEME

The kisan credit card is bagged with numerous vital features. The main aspects of the scheme are as under:

- The most important feature is that all the farmers are eligible to avail this facility. The term farmer can be sub-categorized as owner cultivator whether individual or joint, self help groups, joint liability groups, tenant farmer, share croppers and oral lessee etc.
- Revolving cash credit facility which means that the card holder can utilize the limit amount by withdrawal and deposits as and when required. This facility can be utilized numerous times during its validity period.
- The kisan credit card is valid for the period of five years, subject to annual review by the concerned bank. During the review, the credit limit of the card can be enhanced, reduced or even discontinued depending upon the cropping pattern, scales of finance, change in assets, schedule of repayment etc. and other relevant factors.
- The short-term limit of the card shall be fixed on the basis of cropping pattern, scales of finance as prescribed by DLTC from time to time, consumption needs of the farmer, household and maintenance needs of farm assets. The long-term credit needs will be assessed on the basis of borrower's perceived investment.
- The facility of passbook, ATM cum debit card can be availed by the KCC users.
- Cheque book facility can be availed by the literate farmers. However, the provision of this service varies from bank to bank.
- Delivery channels through which this facility can be availed are bank branch, cheque book, ATM cum debit card, mobile based transaction, business correspondents and POS available with input dealers etc.
- Repayment in respect to all the withdrawals shall be made within the period of 12 months. Any delay in payment shall call for penalty, which may again vary from bank to bank. However, the term credit will be paid within a period of 5 years depending upon the kind of activity as per existing guidelines.
- Interest subvention facility will be provided to the users in order to ensure timely repayment.

5. ADVANTAGES OF KISAN CREDIT CARD SCHEME

Following are the various advantages of kisan credit card scheme to the farmers:

- The major advantage of the scheme is that there is no need to apply for loan for every crop again and again.
- The credit under the scheme can be availed as and when required, which reduces the burden of interest on the farmers.
- The adequate and timely credit is accessible to the farmers at the rate of interest as applicable on regular agriculture loan.

- The credit under the scheme is available to meet the credit requirements of the borrower for whole year.
- The credit under the scheme can be used to buy inputs, seeds, fertilizers as per the farmer's need and convenience.
- There is no need to go through detailed documentation procedure every year.
- Flexible repayment period wherein the borrower can pay at any time within stipulated period and after the harvesting of crops.
- The credit under the scheme can be withdrawn from any branch and by using any of prescribed and available modes.

6. DATA ANALYSIS

6.1 Banks providing Kisan credit card scheme in India.

Table 1: Banks Providing Kisan Credit Card Scheme in India as on March, 2017

Particulars	Total Banks	Total Banks providing KCC Scheme
Public Sector Banks	27	21
Private Sector Banks	21	18
Foreign Banks	43	0
Regional Rural Banks	56	56
State Co-operative Banks	32	32

Source: Report of NABARD, March 2017

The table 1 shows that all the 27 public sector banks, 56 regional rural banks and 32 state co-operative banks were providing loans under kisan credit card scheme in the country. In case of private banks, all the banks except Dhanlaxmi bank, Jammu and Kashmir bank and Tamilnad Mercantile bank were providing kisan credit card limits in the country as on March, 2017. However, no foreign bank was providing loans under the kisan credit card scheme.

6.2 Agency-wise Progress of Kisan Credit Card Scheme

The KCC scheme has been carried out by all the commercial banks, RRBs and co-operative banks throughout the country. The position of progress made by these agencies in regard to KCC scheme in terms of number of cards issued for the year 1998-99 to 2012-13 is presented in table 2.

Table 2: Agency-wise Progress of Kisan Credit Card Scheme in India

Year	Number of Kisan Credit Card Issued (In Lac)			
	Commercial Banks	RRBs	Co-operative Banks	Total
1998-99	6.22	0.06	1.55	7.84
1999-00	13.66	1.73	35.95	51.34
2000-01	23.90	6.48	56.14	86.52
2001-02	30.71	8.34	54.36	93.41
2002-03	27	9.64	45.79	82.43

2003-04	30.94	12.73	48.78	92.47
2004-05	43.96	17.29	35.56	96.80
2005-06	41.65	12.49	25.98	80.12
2006-07	48.08	14.09	22.98	85.11
2007-08	46.06	17.73	20.91	84.70
2008-09	58.34	14.14	13.44	85.92
2009-10	53.13	19.49	17.43	90.05
2010-11	55.83	17.74	28.12	101.69
2011-12	68.04	19.95	29.61	117.60
2012-13	82.43	20.48	26.91	129.82
MEAN	42	12.73	35.96	84.79
C.V. (%)	48.62	52.47	36.10	36.66
EGR (%)	14.27	22.84	-2.67	26.37

Table 2 explains that during the period 1998-99 to 2012-13, the mean value of number of cards issued under KCC scheme in India was the highest in commercial banks (42 lac) followed by co-operative banks (35.96 lac) and RRBs (12.73 lac). The growth rate of number of kisan credit cards issued was found the highest in RRBs (22.84%) followed by commercial banks (14.27%), while the co-operative banks showed a negative growth rate (-2.67%). The number of cards issued by the commercial banks was 6.22 lac in the year 1998-99 which increased to 82.43 lac in the year 2012-13. The number of cards issued by RRBs was 0.06 lac in the year 1998-99 which increased to 20.48 lac in the year 2012-13. The number of cards issued by co-operative banks was 1.55 lac in the year 1998-99 which increased to 26.91 lac in the year 2012-13. The variation was the highest in RRBs (52.47) followed by commercial banks (48.62) and co-operative banks (36.10) during the period of study.

6.3 Kisan Credit Card Scheme: Recent Developments

Reserve Bank of India has issued various guidelines from time to time in order to widen the scope of the scheme as well to bring practical changes in the original scheme to deal with the implementing constraints. RBI revised the model scheme in the year 2003-04, 2011-12, 2012-13 and 2014-15. The kisan credit card scheme which was introduced in August 1998 was designed to cover investment requirements of farmers, allied and non-farm activities, but it remained outside the ambit of the scheme since 2004 and resultantly, the farmers had to separately approach the banks to avail credit for their additional requirements which consumed extra time, cost and procedural formalities. RBI revised its model scheme and referred it as 'Scheme to cover term loans for agriculture and allied activities under the Kisan Credit Card Scheme'. It was provided that term loan will also be covered as working capital for agriculture and allied activities. The quantum of loan will be fixed by banks on the basis of unit cost of the asset, allied activities already taken up by

the farmer, the bank's judgment on his repayment capacity and loan burden developing by the farmer. The short-term credit and working capital credit could be provided by single card and the current pass book would be divided in to three separate portions i.e. short-term credit/crop loans, working capital for activities allied to agriculture and term credit. The borrowers will have the flexibility of using credit as per their requirement. The term credit limit can be used to acquire one or more assets and in one or more installments as per the credit need and the end use will be monitored by the bank. The banks will follow security, margin, rate of interest and prudential norms as per RBI/NABARD stipulations. The repayment period for short term credit/crop loan and working capital credit will be 12 months and term credit will be payable within 5 years depending upon the nature of activity as per existing guidelines. The validity of the term loan facility under the KCC scheme has been extended from 3 years to 5 years.

Reserve Bank of India issued revised guidelines in the year 2011-12 for the kisan credit card scheme. The short term credit limit will be in the form of revolving cash credit and the same can be withdrawn without any restriction on number of debits and credits. Kisan credit card can be now operated through branch, cheque facility, ATM/debit cards, business correspondents and ultra thin branches, PoS available in sugar mills/contract farming companies, input dealers and mobile based transactions. The KCC holders can avail the option of crop insurance, health insurance and personal accident insurance. The premium will be paid through the KCC account in the agreed ratio between the bank and the insurance company. The guidelines were again revised with minor changes by Reserve bank of India in the year 2012-13 to make KCC scheme more farmers friendly. It was provided that the crop insurance will be mandatory and no prior consent of the farmer is required for the same. But the farmer will be made aware at the application stage.

Further, Reserve Bank of India extended the interest subvention scheme to KCC holders in a different manner in the year 2014-15. The prompt paying farmers would get interest subvention @4 per cent per annum, whereas this benefit will not be available to farmers who repay after one year of availing such loans. The benefit of interest subvention will be provided to small and marginal farmers under KCC scheme upto further six months post harvest of crops in order to encourage the farmers to store their produce in the warehouse against warehouse receipts.

7. CONCLUSION

Thus, agriculture has been the mainstay of Indian economy where majority of the population of the country either depends upon agriculture for their livelihood or are engaged in agriculture occupation. Agriculture has been outpaced by the increasing technical and service sector development in the country although it is still a major contributor to the GDP of the country. Over the period of time, the need of agriculture credit has also increased which gave rise to formal and informal sectors of lending. The banking sector reforms and nationalization of various banks gave rise to formal lending of credit to agriculture. The government along with RBI has introduced various schemes and

programs in order to channelize the funds to rural areas of the country so that sufficient credit can be provided to farmers. The structure of agriculture credit in India comprises of commercial banks, regional rural banks and co-operative banks. Kisan credit card scheme provides timely and easy credit whenever needed to the farmers for their production as well as consumption needs. The model scheme of KCC has been designed by NABARD which was adopted by all the major banks of the country either with little or no variation. To make the scheme more viable and easy going, RBI modified the guidelines at regular intervals which shall be mandatory to be adopted by implementing agencies.

8. REFERENCES

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