

## Status of Kisan Credit Card and Agriculture Credit in India

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### Introduction

Institutional credit, which played a very important role in the development of agricultural sector, was instrumental in development of Indian agriculture. It showed all signs of resilience to natural shocks like droughts and famines. In fact, credit acted as a means to provide control over resources to enable the farmers to acquire the required capital for increasing agricultural production. It enabled the farmer to go for short-term credit for purchase of inputs and other services and the long-term credit for investment purposes. Thus, credit played an important role by facilitating technological up gradation and commercialization of agriculture. The success of Green Revolution in Indian Agriculture to a large extent laid on institutional credit support to agricultural sector in terms of expansion in inputs like fertilizers, irrigation, private capital formation, etc.

### Kisan Credit Card Scheme

Recognizing the limitations of multi-credit product and multiagency approach, a stronger view emerged among policy makers, particularly since the early nineties, on the need for an 'integrated credit' product for accelerating sector/area/activity specific development process. 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. This brings integration into the multi-credit product system by offering farm entrepreneurs a single line of credit through a single window for multiple purposes. These include acquisition of farm assets, maintenance thereof and meeting families intervening consumption

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needs. The Kisan Credit Card Scheme was a step towards facilitating the access to short-term credit for the borrowers from the formal financial institutions. The scheme was conceived as a uniform credit delivery mechanism, which aimed at provision of adequate and timely supply of short-term credit to the farmers to meet their crop production requirements. The KCC instrument would allow farmers to purchase agriculture inputs such as seeds, fertilizers, pesticides and also allow them to withdraw some cash for meeting their other crop production related requirements.

#### **Objectives of the Kisan Credit Card**

- To provide insurance coverage and financial support to the farmers in the event of failure of crops as a result of natural calamities, pests and diseases.
- To encourage farmers to adopt progressive farming practices, high value inputs and higher technology in agriculture.
- To help stabilize farm incomes, particularly in disaster years.
- To support and stimulate primarily production of food crops and oilseeds.
- To bring about flexibility and operational freedom in credit utilization.
- KCC can also be issued for meeting the short term production need/ working capital needs in respect of the allied activities like poultry, dairy, pisciculture, floriculture horticulture etc.

#### **Objectives of the Paper**

- To study the trend in ground level credit flow in agriculture, number loan accounts, coverage of new farmers etc.
- Data analysis of Agricultural Credit Flow through Kisan Credit Cards.
- To review implementation of Kisan Credit Card as a product, its effectiveness in ensuring hassle free credit to farmers as well as to obtain feed-back from farmers regarding the reasons for dormancy of Kisan Credit Cards, wherever such a situation occurred.

#### **Research Methodology**

The present paper is based on secondary data. Secondary data have been collected from published data of Government of India, Annual Report of NABARD, SBI and group of SBI's Banks, Nationalized Banks, Commercial Banks, Private Banks, Regional Rural Banks, Cooperative Banks, and Economic Survey of India. The secondary data also have been collected from Annual Report of Ministry of Agriculture (GOR), Ministry of Cooperatives (GOR), Journals and Magazines, Periodicals and Newspapers etc.

#### **Status of Kisan Credit Cards and Agricultural Credit in India**

The Kisan Credit Cards Scheme has launched in India in 1998-99. This scheme has been conducting by the Cooperative Banks, Regional Rural Banks and Commercial Banks in India. The status of Kisan Credit Cards issued and Agricultural Credit given by above institutions may be explained through the following description:

**Kisan Credit Cards Scheme and Cooperative Banks, Regional Rural Banks and Commercial Banks: State-wise progress of Kisan Credit Cards Scheme of the Cooperative Banks, Regional Rural Banks and Commercial Banks in India may be seen through the following table 1**

**Table 1: Progress of State wise Kisan Credit Cards Issued and Total Amount Sanctioned in India (Amount in Rs. crore and Number of cards issued in '000)**

S. No.	States	2009*		2010		2011		2012		2013	
		Card issued	Amount sanctioned	Card issued	Amount sanctioned	Card issued	Amount sanctioned	Card issued	Amount sanctioned	Card issued	Amount sanctioned
1	Andhra Pradesh**	14432	38476.8	15582	44036	1898	8685	1414	8890	2325	15250
2	Assam	463	1008.0	568	1326	117	451	251	780	221	960
3	Arunachal Pradesh#	19	34.0	23	48	2	10	7	20	4	20
4	Bihar	3128	10058.8	3805	13256	567	3292	584	3710	615	3710
5	Gujarat	2801	41679.8	2997	43723	243	2329	363	3430	422	5580
6	Goa\$	15	148.2	17	158	2	12	2	20	4	70
7	Haryana	2348	18358.8	2492	20516	148	2456	191	3370	200	4850
8	Himachal Pradesh	325	1638.7	503	2247	57	621	63	720	57	920
9	Jammu & Kashmir	78	271.7	93	353	16	109	14	90	225	1070
10	Karnataka	5041	25260.8	5665	28808	650	5615	629	5980	560	8260
11	Kerala	3124	9831.3	3466	11241	301	2647	342	3540	366	4490
12	Madhya Pradesh	5151	27769.9	5777	32209	627	5740	841	8440	725	9210
13	Maharashtra	7919	42852.3	8697	47197	726	4362	946	7280	1072	12140
14	Meghalaya#	68	144.9	79	174	4	22	25	70	22	100
15	Mizoram#	23	68.9	26	92	4	15	6	30	7	40
16	Manipur#	40	97.6	44	113	2	11	3	10	6	40
17	Nagaland#	22	37.1	28	49	3	9	11	40	9	40
18	Orissa	4934	14011.2	5553	15649	571	1497	1008	1790	488	2120
19	Punjab	2230	21004.4	2398	25068	213	5727	214	6720	282	11070
20	Rajasthan	4757	28556.1	5220	34298	843	8176	633	7770	749	11500
21	Sikkim#\$	9	29.1	11	40	1	11	2	10	3	20
22	Tamil nadu	5809	17594.2	6156	20748	828	6573	881	9290	1008	10690
23	Tripura#	97	174.3	121	248	32	80	92	140	53	120
24	Uttar Pradesh	15423	50153.3	17113	61629	1348	9694	1943	14040	2027	15400
25	West Bengal	3108	10816.7	3445	12352	449	1940	611	2220	719	3930
26	Andman and Nicobar Island#\$	6	16.3	7	20	0	3	2	4	1	10
27	Chandigarh\$	3	15.3	3	20	4	22	2	60	2	150
28	Daman and Diu@\$	2	13.9	2	14	0	2	-	3	-	-
29	New Delhi\$	22	181.8	24	304	2	28	5	130	70	380
30	D and N Haveli@\$	3	28.4	3	29	0	5	-	1	-	-
31	Lakshadweep@\$	1	2.6	1	03	0	0	1	2	-	-
32	Pondicherry#	56	206.5	67	267	10	87	13	110	18	270
33	Jharkhand	992	1952.7	1168	2596	155	621	222	630	331	960
34	Chhattisgarh	1430	4105.0	1663	4910	272	1033	303	1250	282	1530
35	Uttarakhand	603	3204.8	668	3744	73	741	136	1060	106	1370
36	Other States	0.05	0.1	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>84667.05</b>	<b>3770070.08</b>	<b>93485</b>	<b>427481</b>	<b>10169</b>	<b>72625</b>	<b>11760</b>	<b>92080</b>	<b>12982</b>	<b>126280</b>

\* includes 188 cards issued by commercial banks and Rs. 266 crores of credit sanctioned at the all India level for which state wise break up is not available.

-: Nil/Negligible

# StCB functions as Central Financing Agency

@ No co-operative banks in these states

\$ No RRB in these states

\*\* Data under reconciliation

Source NABARD and Report on Trend and Progress of Banking in India 2009-10, 2010-11, 2011-12, 2012-13, 2013-14. Reserve Bank of India, Website(<http://rbidocs.rbi.org.in/rdocs/publications/PDFs/OTPB021112FLS.pdf>)

The above table 1 presents about state wise progress of Kisan Credit Cards Scheme of the Cooperative Banks, Regional Rural Banks and Commercial Banks in

India. The total Kisan Credit Cards issued by these banks in all states, in 2009, were 84667.05 thousands. The total credit cards increased slightly and become 11760 thousands in 2012 and 12982 thousands in 2013. The total amount sanctioned by these banks in all states, in 2009, was Rs. 370070.08 crores. It was Rs. 92080 crores in 2012 which was increased in 2013. It was Rs. 126280 crores in 2013. Maximum cards issued by these banks in Uttar Pradesh, in 2009, which were 15423 thousands. In Rajasthan, cards issued were 4757 thousands and Rajasthan was on eighth position among all states. Maximum cards issued in Andhra Pradesh in 2013, with 2325 thousands and in Rajasthan 749 thousands. Rajasthan was on fifth position among all states in 2013. Maximum amount sanctioned by these banks in Uttar Pradesh, in 2009, which was Rs. 50153.3 crores. In Rajasthan, it was Rs. 28556.1 crores and Rajasthan was on fifth position among all states in 2009. Maximum amount sanctioned in Uttar Pradesh, in 2013. Which was Rs. 15400 crores and in Rajasthan, it was Rs. 11500 crores. Rajasthan was on fourth position among all states in 2013.

### Progress of Issued Agency wise Kisan Credit Cards

Further progress of issued agency wise Kisan Credit Card issued by Cooperative Banks, RRBs, Commercial Banks in India since inception may be seen through the following table 2:

**Table 2: Agency wise KCCs Issued up to 31 March, 2013 since Inception  
(Cards in '000')**

Year	Cooperative Banks	RRBs	Commercial Banks	Total
1998-99	155	6	445	607
1999-00	3594	173	1365	5134
2000-01	5614	648	2389	8652
2001-02	5435	833	3071	9340
2002-03	4578	963	2067	7610
2003-04	4878	1274	3094	9246
2004-05	3556	1729	4395	9680
2005-06	2598	1249	4165	8012
2006-07	2297	1406	4808	8511
2007-08	2091	1773	4606	8470
2008-09	1344	1414	4037	6795
March 2009	36145	11471	37051	84667
March 2010	37888	13421	42364	93673
March 2011	2812	1774	5582	10169
March 2012	2961	1995	6804	11760
March 2013	2691	2048	8243	12982
<b>Total</b>	<b>118637</b>	<b>42177</b>	<b>134486</b>	<b>295308</b>

Source: NABARD and Report on Trend and Progress of Banking in India 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, Reserve Bank of India, Website (<http://rbidocs.rbi.org.in/rdocs/publications/PDFs/OTPB021112FLS.pdf>)

The above table 2 presents that total Kisan Credit Cards issued by Cooperative Banks, Regional Rural Banks and Commercial Banks, were 607 thousands in 1998-99. In these banks commercial banks issued maximum cards,

which were 445 thousands and it was 73.7 per cent of the total cards issued in 1998-99. The total Kisan Credit Cards issued by these banks, were 12982 thousands in March 2013. Commercial banks issued maximum cards, which were 8243 thousands and it was 63.5 per cent of the total cards issued in March 2013.

### **Problems and Suggestions to improve Kisan Credit Card**

The Kisan Credit Card Scheme has played a significant role in farm operation and income of farmers in India. The availability of crop loan has helped in realizing higher per hectare gross return for the Kisan Credit Card beneficiaries for all the crops studied. Kisan Credit Card within short span of time has established itself as a fairly popular credit product among the farming community. It is expected that this would help the farmers in easy and timely access to much desired institutional credit. The study findings explained that Kisan Credit Card has been appreciated and accepted both by the bankers as well as farmers. Despite all this, Kisan Credit Card Scheme is not free of problems. Based on the discussion held in the field with farmers and bankers, the researcher has brought out certain issues relating to policy as well as operational aspects of Kisan Credit Card which may require attention of the agencies concerned. These have been discussed in the following points:

- It was observed that some of the banks had stipulated minimum land holding criteria for issue of Kisan Credit Card. As a result, the small and marginal farmers were finding it difficult to obtain the Kisan Credit Card.
- Although about two third of the farmers had expressed satisfaction over the adequacy of credit sanctioned under Kisan Credit Card by the banks, the position in respect of the Co-operative Banks had not been that satisfactory.
- While the progress of the Kisan Credit Card Scheme had been satisfactory throughout the country, there had been certain hurdles which blocked the progress of the scheme. The average amount sanctioned under Kisan Credit Card by all the agencies has been relatively low.
- One of the objectives of Kisan Credit Card Scheme was to provide cost effective credit services to the farmers. Kisan Credit Card had been successful to certain extent in achieving this objective. There had been reduction in the cost to the farmer in the form of savings on expenses on visits to the banks for sanction of loan, procuring revenue records and other incidental expenses. Most of the farmers expressed similar views. It may be mentioned here that under Kisan Credit Card limit was sanctioned for a period of 3-5 years subject to its renewal each year. However, there had been discontent among the farmers about the comparatively high interest rate charged by the Co-operative Banks on the crop loans under Kisan Credit Card. The rate charged by Co-operatives was in the range of 15 to 17 per cent whereas Commercial Banks were charging about 12 per cent. Thus the difference was 3 to 5 per

cent which was quite high. The interest rates in Co-operative Banks were higher because of 3-tier organizational structure i.e. State Co-operative Banks, District Central Cooperative Banks and finally Primary Agriculture Co-operative Credit Societies.

- Since the Kisan Credit Card is in the nature of a revolving cash credit system, the "due date" concept need to be re-examined to make it more user friendly and simple to align with overall spirit of Kisan Credit Card Scheme. It is suggested that simple procedure of each drawal repayable within a maximum period of 12 months may be followed. Any outstanding beyond 12 months may be treated as overdues.
- Government of India had introduced Rashtriya Krishi Bima Yojana (RKBY) for insurance of crops. This yojana is in force in 18 states and Rajasthan state is one of them. It may be mentioned that RKBY does not cover all crops. RKBY appeared to have certain problems as reported by the farmers from the field. The premium charged from "other farmers", which include bigger farmers was at the rate of 3.5 per cent of the sanctioned amount of loan for the crops which was reported to be very high.
- Despite considerable promotional efforts by banks, farmers were not aware of the facilities available under the scheme. Similarly bankers in the field were also not very much familiar and at times not convinced about the utility and various operational aspects of the scheme. Thus there is need to augment the efforts to publicize the virtues of the Kisan Credit Card and educate the farmers on its operational aspects. Mass media support may be used for publicity of the scheme.
- There is a need to adopt measures to reduce paper work and time in sanctioning a loan under Kisan Credit Card Scheme.
- To reduce inter-district disparities in the performance in the Kisan Credit Card Scheme, the Government should launch awareness generation programmes about the benefits of this scheme.
- The limit of the loan amount per account should be raised to attract more farmers.
- The process of opening a bank account should be simplified to bring more farmers under the scheme.
- There is a need to strengthen the cooperative banking system in the rural areas by infusing more resources.
- The Government should ensure the timely availability of good quality inputs like seed, manure, plant protection materials by improving marketing infrastructure so that farmers could properly utilize the loan taken under Kisan Credit Card Scheme.

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