

## KISAN CREDIT CARD: UNDERSTANDING PROGRESS AS AN AGRICULTURAL FINANCING TOOLS

---

Dr. Ezhar Ahmad\*

### ABSTRACT

*The Kisan Credit Card (KCC) is a credit delivery mechanism to meet the credit requirement of the farmers during various production stages in a timely and easy manner. It has been implemented in the entire economy by using a vast network involving Commercial banks (both public and private), Regional Rural Banks (RRBs) and Cooperative banks, which has received acceptability by both banks and farmers. KCC can be seen as a simple Card- cum- Passbook. Paper looked at the number of the KCC operators region-wise and the distribution of the states in the region. It was clear from the available data that Central region has most number of KCC operators and North-eastern Region has the least number.*

**KEYWORDS:** KCC, Regions, Agricultural Finance, RRBs.

### Introduction

In Indian economy, agriculture remains the backbone to provide the majority of the rural population of the country their employment directly or via some auxiliary industries associated with agriculture. Though in the last couple of decades, the growth seen by other two sectors i.e manufacturing and service, has outperformed the agricultural sector but still there is significant contribution of agriculture in the Gross Domestic Product (GDP) of the economy. Over the period, the need for shift to the formal credit procurement from the informal lenders in the agricultural sector has increased. With reforms in the banking sector and Nationalisation of various banks, there was a great deal of push for agricultural financing. For the purpose of Agricultural financing there were many schemes that were introduced by the government and the RBI with the motive to channelize the funds to the farmers in rural and backward parts of the economy. The distribution and credit structure for agricultural financing in India follows multi-agency system that comprises Commercial banks (both public and private), Regional Rural Banks (RRBs) and Cooperative banks. For streamlining the formal credit system in the country and improving credit delivery system, the Government of India, Reserve Bank of India and NABARD are trying to simplify the mechanism, deduce documentation required upfront, and improve disbursement of credit for agricultural finance to the farmers.

The Kisan Credit Card (KCC) is a credit delivery mechanism to meet the credit requirement of the farmers during various production stages in a timely and easy manner. It has been implemented in the entire economy by using a vast network involving Commercial banks (both public and private), Regional Rural Banks (RRBs) and Cooperative banks, which has received acceptability by both banks and farmers. KCC can be seen as a simple Card- cum- Passbook. The beneficiaries of the schemes are issued credit card and passbook (the includes details such as incorporating the name, address, particulars of land holding, borrowing limit, validity period, etc.) to facilitate the recording of the transaction. The scheme Kisan credit card was started in August 1998 in order to provide timely and hassle free credit for the production requirements of the farmers. The main purpose of the scheme was to meet the 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.

---

\* Ph.D, Department of Commerce, Jai Prakash University, Chapra, Bihar, India.

The need for the credit can be for a varied range of reasons that could arise to the farmers. The need could be the cultivation of lands to prepare for the sowing of seeds, or for the purchase of bags of the seeds, buying fertilizers and pesticides etc. till the harvesting of crops. There is a limit set upto which farmers can withdraw the money. Within that limit there is no limit on the number of transactions that farmers carry out. The limit of KCC is set with certain calculations based on different aspects of production and cost occurred in that production. In order to assess and fix the limit of a farmer, the annual total production credit needs include other auxiliary activities in relation to crop production. The limit of a farmer is set on the base of his productive land holding, crop pattern and financial scales and the discretion in fixing these sub- limits lies with the banks. The limit carries a validity period of three years and it is also a subject to periodic review. After a certain time frame, allied activities of the farming and non- farming credit needs can also be covered. Farmers are given the option to reschedule the credit in case of natural disaster like flood, hail-storm, destroying the crop. On the other hand, the promotional and progressive benefits i.e. incentive for good performance or enhancement of credit limit due to inflation or changes in cropping pattern etc. are also given.

### **History**

Until the 1980s, a large proportion of the short term loans or credit for production to farmers for covering the cultivation cost of crops was only via cooperatives. Though there was an increase in the lending pattern of Scheduled Commercial Banks (SCB) between 1969- 1980 but it was the introduction of the Regional Rural Banks (RRB) in 1975 which provided the much needed boost. The focus of the RRBs were on credit for investment purposes such as installation/purchase of tube-wells, tractors and dairy, poultry or horticulture-related infrastructure. Even as late as 1998-99, 52 per cent of production credit to agriculture was accounted for by cooperatives, with the corresponding shares of SCBs and RRBs at 37.5 per cent and 10.5 per cent, respectively. The R. V. Gupta Committee and the Crop Loan Committee set up by RBI and NABARD respectively had brought out the constraints in the flow of agricultural and rural credit besides the various aspects of crop loan system of lending and had come out with useful recommendations for improving the existing systems and procedures for effective credit delivery. NABARD in consultation with RBI and banks formulated a scheme to issue Kisan Credit Card (KCC). Banks throughout the nation circulated these cards in 1998. For the Agricultural financing of the farmers who earlier were facing problems of inadequate, untimed, uneconomic and short term credit needs, KCC provided much needed credit to rely on. The scheme provides credit for crop production, ancillary and non-farm activities as well as consumption needs. In the 1998-99 union budget, issuance of Kisan Credit Cards (KCC) to farmers was announced. KCC not only proved to be a credit lending scheme but it significantly changed the lending pattern and composition of the agencies.

### **Review of Literature**

**Mehta et al. (2016)** "analysed the role of the kisan credit card (KCC) scheme in rural parts of the country. The primary rationale of the study was to analyse the role of Kisan credit card scheme and provide suggestions thereof. It was noted that the KCC was a very constructive and popular tool of rural credit to finance the requirements of farmers in a prudent manner. It was suggested that banks must make the process easy so that the farmers in poor performing zones can also get benefit from the scheme as well."

**Gandhimathi and Sumaiya (2015)** evaluated "the role of the kisan credit card (KCC) system in the distribution of agricultural credit in the country. It was found that among the selected variables, rural branches of commercial banks, aggregate deposits, agriculture production, borrowing of SCBs from RRBs and the introduction of the KCC scheme were notable to establish financial inclusion. Further, it was found that the regression analysis and logit analysis proved that KCC improved the financial inclusion in the agriculture sector."

**Maurya (2015)** studied "the role of co-operative banks in agriculture in district Mohali (Punjab) with the purpose to assess the impact of agriculture credit provided by co-operative banks in the study area. The study was based on a primary sample survey conducted on 120 beneficiary farmers. The parameters used were utilization of land, amount of irrigation, cropping strength, output model, cultural practices, input arrangement, farm incomes, employment model, saving guide. It was found that almost all the parameters under the study had a significant impact on co-operative banks lending in one way or the other. But banks failed to go a long way to fulfill the credit requirements of the rural farmers. Further, it was also found that there was increase and decrease in the rural farm credit by institutional and non institutional agencies during the last five decades but the lending institutions faced many problems such as over dues and defaults. It was recommended that instead of giving cheaper credit, banks should also try to inculcate saving habits and monitoring arrangements and controls should be tightened."

**Godara et al. (2014)** analysed "the KCC scheme in the state of Haryana. The banks so selected were state RRBs and state cooperative banks. The main objective was to study the KCC issued, sanctioned and disbursed by RRBs and state co-operative banks. The compound annual growth rate was calculated to examine the performance. It was found that the performance of regional rural banks was satisfactory as compared to co-operative banks. Further, it was suggested to educate farmers about the scheme, banks should open more branches and attention should be given to low performing regions and effective steps should be taken by government to improve the performance of KCC scheme."

**Patil (2014)** evaluated "the function of commercial banks in financial inclusion through KCC scheme in India with the objective to analyse the bank group wise disbursement of kisan credit cards and credit to holders. It was observed that all the bank groups had made good contributions in financing poor farmers through the Kisan credit card scheme. However, the role of commercial banks was more significant than other two groups. It was observed that co-operative banks were facing problems due to political interference and wrong management. It was suggested that the cooperative banks should be taken care of by reducing political interference in order to motivate the cooperative sector."

**Sharma et al. (2013)** analysed "the kisan credit card scheme among the beneficiary farmers and also studied the impact of the same in Sehore (Madhya Pradesh). The main objective of the study was to review the adoption behavior of beneficiary farmers. 120 respondents were selected randomly and data was collected through a survey method. The adoption behavior was measured in terms of borrowed amount, repayment pattern, income generation, gross income from crops and utilization of credit etc. It was revealed that the attitude of the beneficiaries was satisfactory towards the Kisan credit card scheme. The short term loan had a positive impact on the income generation, gross income from crops and productivity of crops. Further, the borrowers were regular in repayment of the loan except few defaulters and all were utilizing the credit for the production purpose only."

#### **KCC Offers**

- Provide credit for the agricultural financing needs including allied activities.
- Provides additional credit for other contingencies that may arise in crop production.
- Insurance coverage for Kisan Credit Card holders.
- National Crop Insurance scheme is offered to the Kisan credit cardholders, which provides coverage for crop loans given under the KCC scheme for certain crops.
- Additional support in terms of protection for any loss that happens due to natural disasters or due to other reasons.
- Collateral security is also given in a few cases.

#### **Top Banks Providing Kisan Credit Cards in India**

- **NABARD** - organization offers term loans which are easy in form of accessible credit to farmers for meeting the basic agricultural expense arising in cultivation.
- **SBI** - as a largest bank with maximum presence in rural parts of the country, SBI does have a presence as a KCC provider. Short term credit is offered by SBI to farmers, for the purpose of meeting the production credit requirements, expenses related to allied activities, as well as contingency expenses.
- **Bank of India** - BOI provides flexible agricultural finance to farmers to meet the cost involved in cultivation and other non-farm activities at a lower cost.
- **IDBI** - IDBI offers KCC to farmers along with features like crop loans, investment credit and working capital for meeting agricultural cost. Farmers, tenant cultivators, owner cultivators, individual farmers and sharecroppers are considered eligible for the Kisan credit card.

#### **Eligibility Criteria for Availing Kisan Credit Cards (For Farmers)**

- beneficiaries should be a farmer can be an individual or joint borrower with agricultural land
- The agricultural land should be under cultivation and producing.
- Tenant farmers, sharecroppers and oral lessees are also eligible
- Joint liability groups or self-help groups (SHGs) of farmers can also apply
- Minimum age of the applicant should be 18 years and maximum age is 75 years at the end of loan tenure
- Applicants above 60 years of age should have a co-applicant whose age is less than 60 years and should be a legal heir or immediate family member of the main applicant.

### Methodology

Data has been collected using the secondary sources. Various reports of NABARD and RBI are used for data analysis purposes. There are various journals and published sources used for the purpose of research and analysing objectives in this paper. The states are divided to form regions. In this we should take into account that when dividing regions, certain care has been taken to try and provide balanced weightage in terms of number of states but the criteria followed for distribution of states into region is based on NABARD's region distribution.

### Objectives of the Study

- To understand the concepts of Kisan Credit Card (KCC)
- To Understand the progress (Region Wise) of the KCC

### Discussion

For the purpose of the analysis to see where the KCC has reached we will focus on the two different factors and try and analyse the data region wise to see which parts of the country has done well and which of the region is lagging behind.

The factors that would be considered is agency wise analysis of KCC operatives and state wise KCC operatives.

### No. of KCC Operatives (Regional Distribution)

S.No.	States	No. of KCC Operatives
1	Central region	63,32,969
2	Eastern region	35,81,325
3	North eastern region	7,84,732
4	Northern region	41,07,720
5	Southern region	51,43,742
6	Western region	32,97,638
	<b>Total</b>	<b>23528133</b>

Source: RBI

In the above table, distribution of KCC operatives is shown region-wise. This distribution indicates in which region, there is how much representation of KCC operatives, which in return indicates the progress and success of the KCC scheme in different regions of the country. In this we should take into account that when dividing regions, certain care has been taken to try and provide balanced weightage in terms of number of states but the criteria followed for distribution of states into region is based on NABARD's region distribution.

Now, as the above table clearly shows, that country is divided into six regions. Central region which includes states of Madhya Pradesh, Uttar Pradesh, Chattisgarh, and Uttrakhand. These states are densely populated and highly dependent on agricultural and allied activities. Uttar Pradesh has the largest number of KCC providers (42,25,532) not only in the Central Region but also in the country as well, followed by Madhya pradesh and then other two states. In Eastern Region, there are four states including Bihar, Jharkhand, Odisha, West Bengal, and one UT- Andman and Nicobar Islands. This region is led by Bihar (13,21,843) followed by West Bengal and Odisha and Admans has least operator (288). The North Eastern Region has the least population base among the region and thus has less number of KCC operators. This region includes the states of Seven sisters and Sikkim. Being the largest states in the region, Assam has the most number of KCC operatives (5,83,215) and Sikkim (4809) has the least. In the Northern Region there are 5 states and 2 UTs. Among the states Haryana and Punjab are agro-based states where and have the highest yield in the country per hectare and Rajasthan is there with both agriculture and allied activities. Rajasthan (20,39,917) has the highest number of operators in the region followed by Punjab (8,71,631) and Haryana (6,76,683) and then followed by Jammu & Kashmir and Himachal Pradesh. UTs include Delhi (3,277) and Chandigarh (3536). In the Southern Region of the country, which includes five regions and 2 UTs, Andra Pradesh (18,74,715) leads the count followed by Telangana (17,96,333) and then by Tamil Nadu, Kerala, and Karnataka. UTs in the region are Lakshadweep (488) and Puducherry (4,394). The region to study is Western Region which includes 3 States and 2 UTs. Among the States, Maharashtra (22,03,906) has by far the most number of KCC providers followed by Gujrat (10,85,847) and Goa. The UTs are Dadra and Nagar Haveli (535) and Daman and Diu (391).

### Conclusion

In Indian economy, agriculture remains the backbone to provide the majority of the rural population of the country their employment directly or via some auxiliary industries associated with agriculture. The paper has discussed the number of KCC operators in different regions. It was clear from the available data that Central region has most number of KCC operators and North-eastern Region has the least number. In terms of state Uttar Pradesh leads by far due to sheer population and nature of farming in the state which shows that most of the farmers are marginal Farmers. Sikkim has the least number of KCC providers as it is a small state with very low population. It could be concluded that there is a need to improve the disparity among the regions and also within the region among the states.

### References

- ✓ An Assessment of Kisan Credit Card (KCC) Scheme Credit Limit in India", International Journal of Science & Engineering Development Research (www.ijrti.org), ISSN:2455-2631, Vol.4, Issue 2, page no.14 - 18, February-2019,
- ✓ Gandhimathi, S., Sumaiya, M. (2015). Role of Kisan Credit Card System in the Distribution of Agricultural Credit in India. International Journal in Management and Social Science, 3(2), 464-472.
- ✓ Godara, A. Singh, Sihag, Sukuntla, Dhanju, K. (2014). Performance of Kisan Credit Card Scheme in Haryana Through Regional Rural and Cooperative Banks. Abhinav International Monthly Refereed Journal of Research in Management and Technology, 3(9), 47-54.
- ✓ Khatkar, R.K., Singh, V.K., Luhacs, V.P. and Kharinta, S.K. 2005. Role of Kisan Credit Cards and self-help groups in rural financing in Haryana. Ind. J. of Agri. Econ. 60 (3), July-Sept. 2005.
- ✓ Mahavir, S. A. (2010). An Economic Evaluation of Kisan Credit Card Scheme in Belgaum District of Karnataka and in Sangli District of Maharashtra (Thesis, University of Agriculture Sciences, Dharwad). Retrieved from [www.etd.uasd.edu/abst/th9995.pdf](http://www.etd.uasd.edu/abst/th9995.pdf).
- ✓ Maurya, H. (2015). Role of Co-Operative Bank in Agriculture: A Case Study of District Mohali, Punjab. International Journal of Scientific Research and management, 3(1), 1922-1930.
- ✓ Mehta, D., Trivedi, H., Mehta, N.K. (2016). Indian Kisan Credit Card Scheme: An Analytical Study .Brand, Broad research in Accounting, Negotiation and Distribution, 6(1), 23-27.
- ✓ Patil, R. D. (2014). Role of Commercial Banks in Financial Inclusion through Kisan Credit Card Scheme in India. International Journal of Multidisciplinary Educational Research, 3(5)(4), 31-46.
- ✓ Sharma, A., Choudhary, S., Swarnakar, V.K. (2013). A Study on Impact of Kisan Credit Card Scheme among the Beneficiary Farmers in Sehore District of Madhya Pradesh. International Journal of Science and Research, 2(1), 154-157.
- ✓ Vedini, K.H. and Durga, P. 2007. Evaluation of Kisan Credit Card scheme in the state of Andhra Pradesh. Ind. J. of Agri. Econ. 62(3), July-Sept. 2007.

