



A Study on Execution of Kisan Credit Card Scheme In Agricultural Finance With Special Reference to Sbi Mandsaur

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KEYWORDS :

"An Indian Agriculturist is born in debt, lives in debt and dies in debt", this old proverb still stands true up to a certain extent in most of the part of the country. Still after centuries our Indian farmers have to take loans for agriculture, for personal use like marriage, death, medical treatments etc. The position of Indian farmers is not very good and it is miserable that government is also not working to eradicate the poverty of Indian farmers. Being a democratic country we should first of all plan to eradicate poverty of those people who are the lifeline of our country. But government of India has not taken fruitful steps in this matter.

Kisan Credit Card Yojna

Nationalized Banks and RRBs introduced the Kisan Credit Card Scheme of NABARD in their areas of operation in 1998-99. In this scheme eligible farmers are provided with a Kisan Credit Card and a passbook or card-cum-pass book. The revolving cash credit facility allows any number of withdrawals and repayments within the limit. This limit is fixed on the basis of operational land holding, cropping pattern and the scale of finance. Sub-limits may be fixed at the discretion of banks.

In Mandsaur District also this scheme was launched in 1998-99 and State Bank of India started it in its three branches viz. Mandsaur Main, Botalganj and Laduna. This Kisan Credit Card is valid for 3 years subject to annual review. As incentive for good performance, credit limits may be enhanced to take care of increase in costs, change in cropping pattern, etc. Each draw should be repaid within a maximum period of 12 months. Conversion or rescheduling of loans is allowed in case of damage to crops due to natural calamities. Security, margin, rate of interest and other details are fixed according to RBI norms.

In the late 1990's, the government launched the Kisan Credit Card Scheme in consultation with the Reserve Bank of India and NABARD. This scheme is meant to meet agricultural expenses of crop production, cultivation and contingency. It allows unlimited withdrawals and repayments. The adaptation of the Kisan Credit Card Scheme by different banks has led to easy availability of agricultural credit and an increase in agricultural productivity. Other than this scheme, nationalized banks offer a variety of other agricultural loan options.

Important agricultural Finance schemes

State Bank of India in Mandsaur District presents a wide range of financial schemes for agriculturalists. These schemes include crop loans, Produce Marketing Loan Scheme, Loan Against Warehouse Receipts, Kisan Credit Card Scheme, agricultural term loans, Land Development Scheme, Minor Irrigation Scheme, Farm Mechanization Scheme, Financing Of Combine Harvesters, Kisan Gold Card Scheme, Land Purchase Scheme, Krishi Plus Scheme, Arthias Plus Scheme, Dairy Plus Scheme, Broiler Plus Scheme, Finance To Horticulture, Lead Bank Scheme and Agri Business Heads Scheme.

The rural / agriculture banking division of State Bank of India in Mandsaur, Botalganj and Laduna offers various credit schemes. Some of them are as under

Agricultural credit

- Kisan Credit Card (KCC)
- Agricultural gold loans
- Kisan Gold Card Scheme (KGC)
- Produce marketing loan
- Land purchase scheme
- SBI KISAN CREDIT CARD SCHEME AT SBI

OBJECTIVE:

Kisan Credit Card Scheme aims at adequate and timely support from the banking system to the farmers of Mandsaur District for their cultivation needs including purchase of inputs in a flexible and cost effective manner.

ISSUE OF CARDS:

The beneficiaries under the Scheme will be issued a credit card cum passbook having following details: -

- a) Name, b) Address, c) Particulars of land holding
- d) Borrowing limit, e) Validity period, f) Photograph

To give the benefit of modern technology now ATM Kisan Credit Cards are also issued.

FIXATION OF CREDIT LIMIT:

1. The credit extended under the KCC Scheme will be a revolving cash credit and any number of draws and repayments within the limit will be permitted.
2. Contingent needs such as for medical, education, religious functions etc. up to 20% have been included in KCC.
3. The basis of fixation of credit limit is cropping pattern and scale of finance as recommended by the District Level Technical Committee (DLTC). For the fixation of credit card limit operational land holding will include leased in land and exclude leased-out land. For the year 2004-05 loans in excess of 20% of scale of finance may be sanctioned.
4. Within the overall yearly limits sub limits for different seasonal requirement such as Rabi, Kharif, and long duration crop are fixed.

VALIDITY/RENEWAL:

The credit card will be valid for 3 years subject to yearly review.

CROP INSURANCE:

Notified crops are covered for insurance as per Rashtriya Krishi Bima Yojna (RKBY).

PERSONAL ACCIDENT INSURANCE:

The Personal Accident Insurance Scheme (PAIS) has been implemented by the bank. The policy covers the KCC holders up to the age of 70 years. The premium for one year is Rs.15/- while the same for 3 years policy will be Rs.45/-. The premium payable to the insurance company under the scheme is shared between the KCC Issuing bank and the KCC holder in the ratio of 2:1. The bank branches are obtaining policy for three years.

a) Risk Coverage:

The benefits are as under:

- i) Death due to accident/permanent total disability/lose of two limbs or two eyes or one limb and one eye: Rs.50000/-
- ii) Loss of one limb or one eye: Rs.25,000/-

KCC AGAINST THE SECURITY OF SILVER/GOLD ORNAMENTS:

The farmers can avail the facility against the security of silver/gold ornaments. In banks all crop loans are provided by way of KCC scheme.

KCC OFFERED BY SBI Crop Loan with Kisan Credit Card

Credit to Farmers/ Group of farmers for Crop Loan, working capital or investment credit for viable agriculture purpose.

Who is the eligible for the Loan? All Farmers/ Owner cultivators, tenant cultivators and Share croppers / Individual farmer having agreement with institution.

The card would be valid for 5 years, of which crop loan and working capital components have to be renewed annually.

Details of Kisan Credit Card Scheme

Particulars Description Name of the Scheme Kisan Credit Card Scheme Sponsored by State Government Funding Pattern Rs. 50000/-

for Rabi Crops. Rs. 50000/- for Kharif Crops. Ministry/Department State Government PSU Description

- Maximum Limits Rs. 50000/- for Rabi Crops. Rs. 50000/- for Kharif Crops.
- Eligibility Individual / Society.
- Purposes Agriculture.
- Repayment period : Kharif 31 January ; Rabi 31 July.
- Collateral Security Charge on land in case loan is above Rs. 10000/- and two sureties if loan is below Rs. 10000/-.
- Margin Stipulation As per nature of the loan Beneficiaries Individual, Community, Benefits Benefit Type Loan, Eligibility criteria Individual / Society.
- Interest shall be charged at the rate of 7% on loan at KCC. If the loan and interest amount is paid before due date then a relaxation of 2% in interest is given by bank, i.e. only 5% interest is charged on loan amount. But if the farmers fail to pay the loan amount by due date then interest shall be charged at the rate of 11.5% by the bank as a penalty.

TABLE
Information of Kisan Credit Card issued by SBI from 2004-10

S.N	YEAR	CARD APPROVED		CARD DISTRIBUTED		TOTAL CARDS REMAINING TILL 31 ST MARCH	O/S AMOUNT AS ON 31 ST MARCH
		NO.	AMOUNT (In Lacs)	NO.	AMOUNT (In Lacs)	NO.	AMOUNT (In Lacs)
1	2004-05	657	419.19	657	419.19	1963	841.81
2	2005-06	1150	557.5	1150	557.5	4009	1287.55
3	2006-07	600	569.50	600	569.5	7878	
4	2007-08	2130	1875	2130	1875	10008	1971
5	2008-09	1784	2746	1784	2746	11792	2322
6	2009-10	1354		1354		13146	

Source: Annual Credit Plan, Lead Bank, Mandsaur.

LOW RATE OF INTEREST ON AGRICULTURAL LOANS ON KISAN CREDIT CARD : BANK V/S GOVERNMENT

BANK : As per the rules of government the banks have to provide low interest rate loans to farmers on kisan credit card. Under this process a farmer shall be given loan at the rate of 7% per annum only. And if the farmer deposits his loan on due time he shall get a benefit of 2% on interest and he has to pay only 5% interest on his loan amount. But in case he fails to pay the loan amount on due date and becomes a defaulter then the interest is charged at the rate of 11.5% per annum, which is the commercial rate of the bank.

The banks actually give agricultural loans on 7% interest rate and other commercial loans at 11-14%. Then the question arises that how do the banks get benefitted by providing loans at low rate of interest? The banks get deposits at 7-9% rate of interest per year and they provide agricultural loans at just 7% per year or even after discount at 5% per year. How is it possible for bank to manage this big gap? Is it profitable for bank to provide Agricultural loans at low rate of interest?

Actually bank provides agricultural loans as per the instruction of central government and the central government pays the difference amount of interest to the banks and thus the banks do not get the loss due to low rate of interest.

GOVERNMENT: The main motto of central government behind this scheme is to strengthen the economic position of farmers in the country and also to make them able to live a good life. The government pays the difference amount to the banks. But sometimes there decision like waiving off the interest amount or loan amount as was done in 2007 that the previous all interest amount and loan amount of farmers was waived off increases the burden of the government as this waived amount has also to be paid by the government to the bank. If the waiving off the loan or interest amount is done for the real betterment of farmers then it is good but government actually does so for its political reasons. They just want to divert the votes of farmers for them in the upcoming elections. This amount could also be used for other constructive purposes in the country.

MISUSE OF LOANS BY FARMERS

Its human nature to misuse the facilities provided. As we misuse land, water, air, minerals, forests etc every person tries to misuse or exploit the resources. Sometimes it may be their necessity and sometimes they do so unknowingly. Some farmers of Mandsaur District have also misused the finance provided to them by the banks and they are unable to repay the loan.

They have used the loan amount in meeting various expenditures viz. marriages, death rites & rituals, purchasing vehicles, electronic products etc. The farmers of Mandsaur District have misused a huge amount of money in marriages and other rites and rituals. These all has been due to ignorance of farmers. They are not literate and they just follow the other persons who misguide them. They have not grabbed the opportunity provided by the government and now they are again in trouble. The innocent illiterate farmers are forced to spend a huge amount in rites and rituals by the relatives and caste persons, due to which they use the money earned from the agriculture in such useless orthodox beliefs.

The interviews of such farmers of Mandsaur District have strengthened this fact. **Some of the FACT cases studied by researcher are as under:**

A farmer residing in Bolia village of Mandsaur District has spent around 3 Lacs in his daughter's marriage in 2007. He has actually used the amount from the cash received from the farm produce. He has to repay the loan of the bank at that time but under pressure of family and relatives he used that money in his daughters marriage. On his failure of repayment of loan bank has issued him notice and after certain compromise with the bank he has agreed to repay that amount in three years. But due to his failure he could not get loan from any of the banks and again he has to go for sahuakars for the loans for agricultural requirements.

Another case is of a farmer of songiri a very small village in Mandsaur District. He has 15 Acres of land in songiri , on which has taken loan from SBI Mandsaur in 2004. For two years he was performing well and repaying the loans at proper time .But in December 2006 his father died as he was ill and around 76 years old. In their community they have to follow some rites and rituals after the death of any older per-

son in the family. Being the elder son maximum of the expenditures have to be born by him. He has expended around 3.4 Lacs in all rites and rituals. For him this was a big amount and he arranged half of this amount by selling soyabean and some other produce. And other half he borrowed from some sahuks. At the time of repayment of loan to SBI Mandsaur, he was unable to repay the loan back. On getting legal notices from the bank he decided to sell a part of his land and repay the money back to the bank. The bank received the total amount with interest after 20 months of delay by the farmer. But the farmer lost the opportunity provided by the bank for his progress and again he had to turn back to sahuks for the time being.

CONCLUSION:

In this research work the main emphasis is given on agricultural finance, its sources in district and its impact on life of farmers. The researcher has collected primary as well as secondary data for this purpose. The data have been collected from SBI, Lead bank office, Agriculture College, statistical department and agriculture department. Separate questionnaire were prepared for farmers and bank officers. The researcher interviewed 135 farmers and 66 bank personnel and their views were collected. This survey has helped a lot in grabbing the various information regarding agricultural finance and various other activities.

The researcher's study also reveals the main fact that maximum of the farmers now don't have to take loans for agricultural needs from sahuks or moneylenders. Out of 135 farmers interviewed, in year 2000 the farmers taking loans from the sahuks or moneylenders were 116, which reduced to 86 in 2004, 45 in 2007 and further reduced to 11 in 2010. These farmers are now converted to banks for taking loans. In year 2000 only 20 farmers out of surveyed were taking loans from banks but in year 2004 the number of farmers raised to 49 and it further raised to 88 in 2007. In year 2010, 119 farmers have taken loans from the bank.

The research also shows that living standards of the farmers has also increased in last 10 years. Above 80% of them now have television set, refrigerator, LPG connection, motorbikes, telephone connections, mobiles etc. They have started to provide their children quality education. 32 farmers out of 135 interviewed had four wheelers viz. car/ jeep.

The research also reveals that bank officers are sometimes very strict in their loan recovery. A few times due to this the farmers also commits suicide under pressure. The farmers actually get afraid of their names displayed in defaulters list and also in the newspapers for sale of their land or tractors etc.

Government is providing low interest loan facility to farmers, which is utilized by them up to a certain extent. Under this process a farmer is given loan at the rate of 7% per annum only. And if the farmer deposits his loan on due time he shall get a benefit of 2% on interest and he has to pay only 5% interest on his loan amount. But in case he fails to pay the loan amount on due date and becomes a defaulter then the interest is charged at the rate of 11.5% per annum, which is the commercial rate of the bank.

The research also reveals that bank launches various agricultural finance schemes. Among all the schemes Kisan credit card is most popular and successful. Maximum numbers of farmers of district are using this scheme through various banks. Alone SBI in Mandsaur district has provided Rs 3000 lacs through 13146-kisan credit cards.

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