



The Role of Kissan Credit Card: Agriculture in India

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ABSTRACT

Agriculture development is influenced by several factors like as irrigation, market, infrastructure and credit. Out of these factors credit is crucial input for sustainable development of agriculture. 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. The Kisan Credit Card Scheme was a step towards facilitating the access to short-term credit for the borrowers from the formal financial institutions. This paper examines the role of Kisan Credit Card and its benefits for Indian agriculture sectors.

KEYWORDS : KCC, Agriculture, Banks, NABARD.

INTRODUCTION:

India is an agriculture-based country. Agriculture continues to be the mainstay of the Indian economy since it had got freedom, even much before than that. It remains the largest economic sector in the country and plays a significant role in the overall socio-economic development of India. In spite of Agriculture being an important factor in economic development, Indian agriculture is characterized by low productivity, with average crop yields well below world levels. With food being the crowning need of the mankind, much emphasis has been on commercializing agricultural production. Hence, adequate production and even distribution of food has lately become a high priority global concern. With the changing agricultural scenario and global competition, there is a need of exploiting the available resources at maximum level and a smoothly, at low cost and adequate flow of finance or credit is pre-requisite for sustainable agriculture development.

The National Agriculture Policy waxes eloquent on the value of agriculture. "Agriculture is a way of life, a tradition, which for centuries" thus runs the opening sentence of the agricultural policy "has shaped the thought, the outlook, the culture and the economic life of the people." Agriculture will continue to be central to all the strategies for socio-economic development of the country. Rapid growth of agriculture will not only ensure continued food security but also aid in growth in industry and the GDP.

FEATURES OF THE KISAN CREDIT CARD (KCC) SCHEME

Eligible farmers are to be provided with a Kisan Credit Card and a pass book or card-cum-pass book. Revolving cash credit facility involving any number of draws and repayments within the limits. Limit to be fixed on the basis of operational land holding, cropping pattern and scale of finance. Entire production credit needs for full year plus ancillary activities related to crop production to be considered while fixing limit. Sub-limits may be fixed at the discretion of banks. Card valid for 3 years subject to annual review. As incentive for good performance, credit limits could be enhanced to take care of increase in costs, change in cropping pattern, etc. Each draw to be repaid within a maximum period of 12 months. Conversion/rescheduling of loans also permissible in case of damage to crops due to natural calamities. Security, margin, rate of interest, etc. as per RBI norms. Operations may be through issuing branch (and also PACS in the case of Cooperative Banks) through other designated branches at the discretion of bank. Withdrawals through slips/cheque accompanied by card and Passbook.

The credit is the life blood of agriculture and which was disbursed through KCC Scheme in our country. The number of KCC issued and amount sanctioned in India, Karnataka, North-East Karnataka region and Bellary district was estimated using the compound growth rate analysis. The necessary secondary data about KCC scheme for India were collected from RBI publications since inception of the scheme. The same data for Karnataka, North East Karnataka region and Bellary district were collected for the period 2006-07 to 2011-12. The collected were pertaining to three formal agencies viz., commercial bank, RRBs and co-operatives. At national level, the commercial banks have

issued the highest number of KCCs amongst the three formal financial agencies. The commercial banks issued highest KCCs (45.33%) followed by co-operative banks (40.30%) and minimum issued by RRBs (14.37%). The similar pattern was observed for Karnataka state and Bellary district. Whereas in North-East Karnataka region, the highest number of KCCs was issued by RRBs. The highest percent of operational holding covered by KCC was in case of North-East Karnataka region (610.09%) followed by Karnataka (391.82%) and Bellary district (332.87%).

The major objective behind setting up of the scheme was to allow for adequate and timely support to farmers in agricultural activities by banks in a cost effective manner.

1. The card has been designed with the aim to provide benefits to farmers in meeting production and cultivation expenses as well as act as a cushion in case of contingencies.
2. A credit cum passbook is also provided with KCC to the farmer.
3. It offers revolving credit facility thereby allowing unlimited withdrawal as well as repayment within the pre designated limit.
4. The card has a repayment period of 12 months. This means every withdrawal made has to be repaid in 12 months' time.
5. The validity of the card lies for 3 years subject to annual review.
6. Credit limit has the option to be enhanced on need and performance basis.
7. Rescheduling/conversion of loans are possible in case of genuine situations like natural calamities.
8. Personal Accident Insurance up to Rs.50, 000 is offered to the card holder under Personal Accident Insurance Scheme (PAIS).

KISAN CREDIT CARD: ALLOWING EASY CREDIT ACCESS TO FARMERS

Non availability of timely credit has been a major drawback for the agricultural sector of India. In a country which relies mostly on agriculture, constant endeavors are needed to see that rural and agricultural credit facilities are enhanced with time. As a part of these efforts, agricultural credit cards got introduced in the agricultural lending system. Similarly cash credit facility was also being offered by many banks.

The KCC scheme was formulated by Government of India (GOI) after consultation with Reserve Bank of India (RBI) and National Bank for Agricultural and Rural Development (NABARD). The Union Budget of 1998-99 announced the idea to develop a model scheme for issuing Kisan Credit Cards to farmers. The scheme was circulated to commercial banks by RBI and cooperative banks by NABARD.

AGRICULTURAL CREDIT POLICY:

The Government of India has initiated several policy measures to improve the accessibility of farmers to the institutional sources of credit. The emphasis of these policies has been on progressive institutionalization for providing timely and adequate credit support to all farmers with particular 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 lays emphasis on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies and rationalization of lending Policies and Procedures.

Table 1. Number of Kisan Credit Cards Issued Agency Wise (Number in Lakhs)

Year	Co-Operative Banks		Regional Rural Banks		Commercial Banks		Total Banks	
	No.	%age	No.	%age	No.	%age	No.	%age
1998-99	1.55	19.88	0.06	0.78	6.22	79.74	7.8	100
1999-00	35.95	70.02	1.73	3.37	13.66	26.61	51.34	100
2000-01	56.14	64.89	6.48	7.49	23.9	27.62	86.52	100
2001-02	54.36	58.20	8.34	8.92	30.71	32.88	93.41	100
2002-03	45.79	55.55	9.64	11.69	27	32.75	82.43	100
2003-04	48.78	52.75	12.74	13.78	30.94	33.46	92.47	100
2004-05	35.56	36.74	17.29	17.86	43.96	45.40	96.8	100
2005-06	25.98	32.43	12.49	15.59	41.65	51.98	80.12	100
2006-07	22.98	27.00	14.06	16.52	48.08	56.49	85.11	100
2007-08	20.91	24.69	17.72	20.92	46.06	54.38	84.7	100
2008-09	13.44	15.64	14.14	16.46	58.34	67.90	85.92	100
2009-10	17.43	19.35	19.49	21.64	53.13	58.99	90.06	100
2010-11	28.12	27.65	17.74	17.45	55.82	54.89	101.69	100
2011-12	26.61	22.63	19.95	16.96	68.04	57.86	117.6	100
2012-13	26.91	20.73	20.48	15.78	82.43	63.49	129.82	100
TOTAL	460.51	35.82	192.35	14.96	629.94	48.99	1285.79	100
EGR	1.57%		26.37%		14.27%		9.30%	

Source: Trend and progress banking in India from 2003-04 to 2012-13

ROLE OF KISAN CREDIT CARD SYSTEM IN THE DISTRIBUTION OF AGRICULTURAL CREDIT IN INDIA:

Agriculture contributes around 14 percent to the Gross Domestic Product of India. It provides employment to 50 percent of the work force. Farmers are in need of credit due to seasonal income. Various policy measures such as the nationalization of commercial banks, lead bank scheme, service area approach, administered interest rate etc. But the above policy measures did not bring equal distribution of credit among all categories of farmers. Hence Kisan Credit card scheme was introduced in 1998. Only 0.78 million KCC could be issued in the initial year and it progressed consistently in subsequent years. Putting an emphasis on increasing credit flow to the agricultural sector, NABARD advised the banks to identify and cover all farmers including defaulters, oral lessees, tenant farmers and share croppers, who were left outside the hold of the KCC scheme for any reason so that all farmers are covered under the scheme by March 31, 2007. Further, banks were advised to issue KCCs in a hassle free manner, extend crop loans only through KCCs and renew them so as to ensure quality in operations. About 8.46 crore Kisan Credit Cards have been issued up to end of 2008-09 by the banks throughout the country. In this backdrop, an attempt was made to assess the impact of kisan credit card system on the distribution of credit in agriculture in India.

FINDINGS AND FOR POLICY MAKING

1. KCC is one of the most innovative, widely accepted, highly appreciated and non-discriminatory banking products. It is beneficial to farmers. Though relative share of the institutions in the issue of agricultural crop loans remain the same the progress under KCC is highly satisfactory. Constant monitoring and thrust given by NABARD has substantially enabled the progress.
2. As of now there appears no correlation between issue of KCC and increase in crop loan volumes. The study finding could not establish any relationship. It is however seen that nearly 72% of the crop loan is issued in the form of KCC. Banks have however reported that defaulters have come forward to clear the debt to get KCC. Financing of new borrowers has been reported.

4. It has also been reported that the farmers are apprehensive to repay lest they may not be allowed to draw for the next crop. That the scheme allows frequent draws and that the sanction will not cease on the repayment of annual limit/ sub limit needs to be popularized. Presently, the KCC holder is apprehensive that if he repays he will not be able to draw further credit as and when he wants. In view of this the improvement in velocity of credit and recycling is not evident in KCC accounts.
5. It is also seen that the term 'any branch withdrawal' is subject to payment of fee and is not conducive for frequent operation in the account. At the same time it needs to be popularized that the credit balance in the accounts will earn savings bank rate of interest.
7. Since the KCC covers all the crops and the entire year's requirement, it is issued for a higher amount than the previous crop loan; stamp duty on account of registered mortgage increases the cost substantially. It has been observed that the stamp duty could hinder larger size loans under KCC. Though the number of farmers who would be eligible for larger limits could be small, it is a fact that stamp duty is a deterrent for larger limits.
8. The crop insurance scheme continues to pose problems on account of limitations in the crop cutting experiments and non-coverage of certain crops. KCC gives 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. Similarly if a farmer were to use his money initially and draw the bank loan later he could be deprived of the insurance due to seasonality stipulations. This could pose many problems in the coverage of insurance scheme.
9. Banks have reported that they find it difficult to maintain data on crop wise loan issue and outstanding. Similarly the banks find it difficult to collect the details of non-borrowers. The field visit has shown that the actual crop grown and crop which is reckoned for the limit could be at variance. Here again the insurance coverage could pose difficulties.
11. The interest rate at which the individual gets the loan is decided by the policies of the agency that gives the loan. Herein it is seen that the cooperatives continue to charge a higher rate of interest.

CONCLUSION:

Agriculture sector is the mainstream of Indian economy and the most important sector of the Indian Economy. When any change in the agriculture sector—'positive or negative'—has multiple effect on the entire economy. Therefore, the sustainable development of agriculture is the most important for acceleration in the Indian economy. Agriculture development is influenced by several factors like as irrigation, market, infrastructure and credit. Out of these factors credit is crucial input for sustainable development of agriculture.

KCC scheme has played a significant role in farm operation and income of farmers in. The availability of crop loan has helped in realizing higher per hectare gross return for the KCC beneficiaries for all the crops studied. To bring more farmers under the scheme, the process of opening bank accounts should be simplified. This can be done by organizing village campaigns for issuance of KCCs. Similarly,

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