



## Trends and Progress of Kisan Credit Card Scheme in India

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## ABSTRACT

*Indian Economy is largely dependent upon agriculture as majority of its population is engaged in it. Farmers heavily depend on non institutional sources of credit due to frequent needs, inadequate availability of institutional credit, unnecessary delays, cumbersome procedure and improper practices adopted by institutional lending agencies.*

*Provision of timely and adequate credit has been one of the major challenges for banks in India in dispensation of agricultural and rural credit to the farmers. Farm credit is a strategic input. Realising the importance of enhancement of flow of credit to the rural sector and reduction of the dependence of farmers on non-institutional sources of credit, the KCC (Kisan Credit Card) scheme was introduced in August 1998 with the objective of to provide timely and adequate credit to the farmers in a cost effective and flexible manner. The study explores about the Kisan Credit Cards (KCC) Issued, amount sanction for these by different agencies and proportionate share of different agencies of Kisan Credit Cards and amount from 1998-99 to 2012-13. From the analysis of KCC issued and total amount of KCCs sanctioned by the all the three institutions i.e. RRBs, Commercial Banks and Co-operatives, it is concluded that growth of Co-operative Banks is much less than that of all institutions and variability in Co-operatives is more, But overall there is impressive increase in KCC scheme till now.*

KEYWORDS : Trends &amp; progress, KCCs, India

## Introduction

Agriculture sector is the mainstream of Indian economy and the Indian economy and the most important sector of 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. Kisan Credit Card (KCC) scheme is a landmark in the history of rural credit in India. The mechanism of credit cards has been one of the key products developed to expand the outreach of banks and simplify the credit delivery system. The announcement relating to the introduction of Kisan Credit Card scheme was made by the Union Finance Minister during the budget speech for the year 1998-99. NABARD formulated a Kisan Credit Card scheme for uniform adoption by the banks so that the farmers may use the card to readily purchase agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs. The model scheme was circulated to Commercial Banks, Co-operative Banks and Regional Rural Banks in August 1998 with aims at providing adequate, timely, cost effective and hassle free credit support to the farmers and is being implemented across India by all public sector commercial banks, RRBs and co operative banks.

## Objectives and Methodology

The main objective of the paper is to analyse Progress of Kisan Credit Card (KCC) Scheme in India and to study the share of each Agency in the Total issue of KCC and the amount sanctioned. The present study is based on secondary data. The secondary information has been collected from the publication of NABARD and RBI that is, Report on trend and Progress of banking in India, 2000-01 to 2012-2013. The data has been collected for fifteen years from 1998-99 to 2012-13. For the present study, analysis has been done on the basis of Compound Annual Growth Rate (GAGR) and percentages.

## Significance of Kisan Credit Card Scheme:-

- ❖ Access to adequate and timely credit to farmers.
- ❖ Full year's credit requirement of the borrower.
- ❖ Flexibility to draw cash at any time and buy inputs.
- ❖ Repayment only after harvest.
- ❖ Credit facility for 3 years -no need for seasonal appraisal.
- ❖ Minimum paper work and simplification of documentation for drawal of funds from the bank.
- ❖ Assured availability of credit at any time enabling reduced interest burden for the farmer.
- ❖ Flexibility of withdrawals from a branch other than the issuing branch at the discretion of the bank.

## Features of Kisan Credit Card:-

- ❖ Accidental insurance of KCC borrowers.
- ❖ Crop loans disbursed under KCC scheme for notified crops are covered under National Crop Insurance scheme. The purpose of the scheme is protect the interest of farmers against crop loss

caused by natural calamities, pest attacks etc.

- ❖ Farmers eligible for production credit of Rs. 5,000 or more are eligible for issue of Kisan Credit Card.
- ❖ Conversion/re-scheduling of loans also permissible in case damage to crops due to natural calamities.
- ❖ Revolving cash credit to farmer by allowing any number of withdrawals and repayment within the limit.
- ❖ The limit is fixed on the basis of land holding for the production, cropping pattern and scale of finance, the limit valid for three years and is subject to review annually.
- ❖ Conversion of loans also permitted in case of damage to crops due to natural disaster.
- ❖ Withdrawals through slips/cheques accompanied by card and passbook.
- ❖ Eligible farmers to be provided with a Kisan Credit Card and a pass book or card-cum-pass book.
- ❖ Entire production credit needs for full year plus ancillary activities related to crop production to be considered while fixing limit.
- ❖ Sub limit may be fixed at the discretion of banks.

## Number of Kisan Credit Cards Issued:-

The table-1 shows the comparison of the three institutions providing agricultural credit i.e. Co-operatives Banks, Commercial Banks and RRBs, in terms of their share in the total number of KCCs issue from 1998 to till end-March 2013. The largest percentage has been issued by Commercial Banks i.e. 48.99 per cent followed by Co-operative Banks i.e. 35.82 per cent and then by Regional Rural Banks i.e. 14.96 per cent. Moreover, there has been a more or less steady increase in the number of cards issued through Commercial Banks since the scheme was started. As against this, the number of cards issued by Co-operative Banks after peaking in 2000-01, has been on steady fall. Consequently, there has been a steep fall in the share of Co-operatives Banks between 2000-01 and 2012-13 from 64.2 per cent to 20.73 per cent.

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

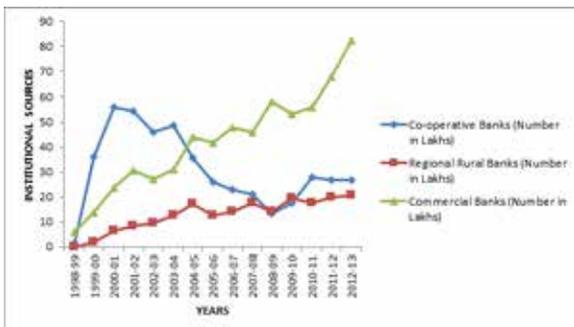
Year	Co-Operative Banks		Regional Rural Banks		Commercial Banks		Total Banks	
	No.	%age	No.	%age	No.	%age	No.	%age
1998-99	1.55	19.88	0.06	0.78	6.22	79.74	7.8	100
1999-00	35.95	70.02	1.73	3.37	13.66	26.61	51.34	100
2000-01	56.14	64.89	6.48	7.49	23.9	27.62	86.52	100
2001-02	54.36	58.20	8.34	8.92	30.71	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
CAGR	20.96%		47.53%		18.80%		20.62%	

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

The State-wise progress in implementation of KCC scheme shows wide variations. Eight States i.e. Uttar Pradesh, Andhra Pradesh, Maharashtra, Karnataka, Madhya Pradesh, Orissa, Rajasthan and Tamil Nadu have performed comparatively well, accounting for 75 per cent of the total cards issued by banks throughout the country. The compound annual growth rate of KCC in RRBs is 47.53 per cent followed by Commercial Banks i.e. 18.80 per cent and then followed by Co-operative Banks i.e. 20.96 per cent. Compound Annual Growth Rate of KCC during these fifteen years i.e. from 1998-99 to 2012-2013 is 20.62 per cent. Notwithstanding the overall impressive increase in the number of cards issued till now, there has been a wide variation in implementation of the scheme across States.

Fig-1 Number of Kisan Credit Cards Issued Agency Wise



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

**Amount of Kisan Credit Cards Sanctioned:-**

The table-2 shows that out of table amount of KCCs sanctioned from 1998 to till end-March 2013, the largest percentage has been sanctioned by Commercial Banks i.e. 63.05 per cent followed by Co-operatives Banks i.e. 24.14 per cent and then by Regional Rural Banks i.e. 12.52. Moreover, there has been a more or less steady increase in the amount of cards sanctioned through Commercial Banks since the scheme was started. As against this, the amount of cards sanctioned by Co-operatives Banks after peaking in 2001-02, has been on steady fall. Consequently, there has been a steep fall in the share of Co-operatives Banks between 2001-02 and 2012-13 from 61.09 per cent to 9.44 per cent in the total number of KCCs issued. During 2012-13, Co-operative Banks, RRBs and public sector banks sanctioned Rs. 11,922 crore, Rs. 13,263 crore and Rs. 101,095 crore amount respectively.

Table – 2 Amount of Kisan Credit Cards Sanctioned Agency Wise (Amount in Rs. crore)

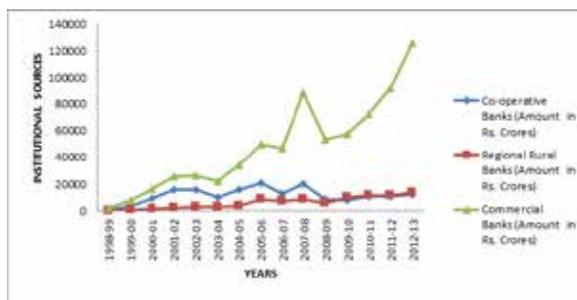
Year	Co-Operative Banks		Regional Rural Banks		Commercial Banks		Total Banks	
	Rs.	%age	Rs.	%age	Rs.	%age	Rs.	%age
1998-99	826	35.76	11	0.48	1,473	63.77	2,310	100
1999-00	3,606	47.77	405	5.366	3,537	46.56	7,548	100
2000-01	9,412	57.30	1,400	8.52	5,615	34.19	16,425	100
2001-02	15,952	61.69	2,382	9.21	7,524	28.71	25,858	100
2002-03	15,841	60.28	2,955	11.25	7,481	28.47	26,277	100
2003-04	9,855	45.24	2,590	11.93	9,331	42.83	21,785	100
2004-05	15,597	45.62	3,833	11.21	14,756	43.16	34,186	100
2005-06	20,339	45.01	4,483	17.10	18,779	37.86	46,601	100
2006-07	13,141	28.12	7,373	15.78	26,215	56.10	46,729	100
2007-08	19,991	22.65	8,743	9.91	56,530	67.45	85,264	100
2008-09	8,428	15.88	5,648	10.64	39,009	73.48	53,085	100
2009-10	76,06	13.19	10,332	17.57	39,940	69.25	57,678	100
2010-11	10,719	14.76	11,468	15.79	50,438	69.45	72,625	100
2011-12	10,640	11.61	11,520	12.57	66,510	75.82	91,680	100
2012-13	11,922	9.44	13,263	10.50	1,01,095	80.06	1,26,280	100
TOTAL	1,78,875	24.14	90,215	12.52	4,54,133	63.05	7,20,331	100
CAGR	19.48%		60.48%		32.57%		30.57%	

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

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

Total amount sanctioned by all institutions is Rs. 1,26,280 crore in 2012-13. Total amount sanctioned by all institutions is Rs. 7,20,331 crore out of which Rs. 4,54,133 crore sanctioned by Commercial Banks, followed by Cooperative Banks Rs. 1,73,875 crore and then Regional Rural Banks Rs. 90,215 crore. The compound annual growth rate of amount sanctioned in KCC in RRBs is 60.48 per cent followed by Commercial Banks i.e. 32.57 per cent and then followed by Co-operative Banks which is least i.e. 19.48 per cent. Compound Annual Growth Rate of KCC during these fifteen years i.e. from 1998-99 to 2012-2013 is 30.57 per cent. Notwithstanding the overall impressive increase in amount sanctioned of KCC by all institutions till now, there has been a wide variation in implementation of the scheme across States.

Fig-2 Amount of Kisan Credit Cards Sanctioned Agency Wise



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

**Conclusion**

From the analysis, of comparison between co-operatives in terms of its share in the total amount of KCCs sanctioned by the all the three institutions i.e. RRBs, Commercial Banks and Co-operatives, it is concluded that there is impressive increase in KCC scheme till now, but the growth of Co-operative Banks is much less than that of all institutions and there is maximum increase in number and amount of KCC is in RRBs. Notwithstanding the overall impressive increase in amount sanctioned of KCC by all institutions till now, there has been a wide variation in implementation of the scheme across States. More efforts should be made by the banks to reach maximum farmers. The farmers need to be educated and encouraged about this innovative credit delivery system. Hence, the scheme of KCC should be extended to cover all the farmers which will help in reducing interest cost of credit.

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