

Kisan Credit Card Scheme in India: a Facet of Financial Inclusion



Management

KEYWORDS: Financial inclusion ,Kisan Credit Card , RRB

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ABSTRACT

The kisan Credit Card Scheme is a step towards facilitating the access to short term credit for the borrowers from the financial institutions. The scheme was conceived as a uniform credit delivery mechanism, aimed at provision of adequate and timely supply of 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 requirement. 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. Hencethis research paper mainly focused on "Kisan Credit Card Scheme: A Facet of Financial Inclusion"

INTRODUCTION

The Kisan Credit Card (KCC) Scheme was introduced in 1998-99 to provide adequate and timely credit support to the farmers from the banking system in a flexible, hassle-free and the farmers to purchase agriculture inputs and draw cash for their production needs. Each farmer is provided with a kisan credit card and a pass book for providing revolving cash credit facilities. Rural credit system is one of the development of rural economy, particularly financing of agriculture activity by the banks involve an economic task. KCC is product created by the NABARD as a credit delivery system to the farmers to meet their cultivation needs in March 2012. The total number of KCCs issued has been reported as 30 million with a total amount outstanding to the tune of Rs.2, 068 billion on March 2011. The financial reforms also highlighted the need for innovative credit interventions from institutional agencies to support farmers. It is emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle free manner.

OBJECTIVES

- Kisan Credit Card scheme aims at providing need based on timely credit support to the farmers for their cultivation needs as well as nonfarm activities and cost effective manner.
- To bring about flexibility and operational freedom in credit utilization.
- To encourage farmers to adopt progressive farming practices, high value inputs and higher technology in agriculture.

SOCURE OF DATA

The data used for the study is secondary in nature and has been collected from RBI bulletin, annual reports of RBI and Ministry of Finance, GoI, Report on trend and progress of banking in India, various reputed journals, newspapers and websites of RBI, NABARD (National Bank for Agricultural and Rural Development) and Ministry of Finance, Government of India (GoI).

SINGNIFICANCE OF THE KISAN CREDIT CARD SCHEME

- ❖ Access to adequate and timely credit to farmers.
- ❖ Full year's credit requirement of the borrower.
- ❖ Minimum paper work and simplification of documentation for drawal of funds from the bank.
- ❖ Flexibility to draw cash at any time and buy inputs as per the need of the farmer and also to repay as and when surplus fund is available.
- ❖ Assured availability of credit at any time enabling reduced interest burden for the farmer.
- ❖ Sanction of the facility for 3 years subject to annual review

and satisfactory operations and provision for enhancement.

- ❖ Flexibility of withdrawals from a branch other than the issuing branch at the discretion of the bank.

FEATURES OF KCC

- ❖ It provides 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 are allowed through the slips or cheques accompanied by card and pass book.
- ❖ Eligible farmer will be given a KCC and Pass book or a card cum pass book.
- ❖ The production credit needs for full year and ancillary activities related to crop production are to be considered.
- ❖ Seasonal sub limit also be fixed at the discretion of banks.

TABLE:1

BANK WISE STATEMENT OF K.C.C.

Sl. No.	Name of Bank	Nos. of K.C.C. Sponsored & Issued					
		up-to 2009-10	Dur- ing 2010-11	During 2011-12		up-to 2011-12	From 01-04-12 to 28-02-2013
		Is- sued	Is- sued	Spon- sored	Is- sued	Issued	Spon- sored
1	Alla- habad Bank	1536	1111	1384	274	2921	1052
2	Axis Bank	0	114	0	18	132	0
3	B.D.C.C. Bank	70022	70005	964	73309	213336	82152
4	B.G.V.B.	14186	11639	8946	4830	30655	7059
5	Bank of Baroda	0	0	1	0	0	15
6	Bank of India	1588	879	470	292	2759	462
7	Central Bank of India	1732	808	958	328	2868	681
8	Canara Bank	0	0	327	0	0	120
9	Indian Bank	0	0	26	0	0	51
10	Indian Overceas Bank	0	0	27	17	17	48

11	Punjab National Bank	2987	1454	2934	1186	5627	1355	4487
12	State Bank of India	2528	558	3650	793	3879	1988	1391
13	Syndicate Bank	0	0	66	0	0	510	88
14	United Bank of India	2963	767	4710	1361	5091	2100	1491
15	U.C.O. Bank	1472	565	1509	486	2523	777	381
16	Union Bank of India	178	61	69	143	382	35	50
	Total :-	99192	87961	26041	83037	270190	98405	100526

Source: NABARD

The above table provides information regarding the bank wise statement of Kisan Credit Cards in sponsored and issued from 2009 to 2013. In the initial stage, when the scheme was initiated there were 99192 number of KCC are only issued. But it would be progressed consistently in subsequent year in 2009 to 2010. NABARD advised the banks to identify all type of farmers including defaulters, oral lessees, tenant farmers are covered under the scheme. During the study period 2012-2013, the number of card issued are increased with number of 100526 due to the development of sponsor system of the bank. During the year 2009 to 2010 and 2011-2012 Indian Bank, Caner Bank, Indian overseas Bank are not involved in KCC activities. But in 2013 these banks are involved in KCC activities, it shows the growth and financial inclusion of KCC schemes of Bank. Currently most of the banks are liberalizing various steps involved in issuing the KCC. This scheme is an important root for the development of Indian economy because this scheme was focused for the agricultural sector of the country.

Table – 2
AGENCY-WISE KCC.

Agency	Target for 2013-14[KCCs to be issued]		During the Year Upto DEC 13		Outstanding balance-Dec 13	
	Number	Percentage	No. of cards Issued	Limit sanctioned	No. of cards	Amount
Comm. Banks	522440	52.24	383258	7057	1136029	14730
RRBs	294560	29.45	346726	2842	784933	5696
Cooperatives	183000	18.31	139944	562	2086688	6832
Total	1000000	100	869928	10461	4007650	27258

Sources: Regional Rural Bank as on 31st March

The Banks (including RRBs and Co-ops.) have issued 869928 KCC Cards during 2013-14 with credit limit of Rs.10461 Crore. NABARD has suggested that a detailed review of the available eligible farmers as also new farmers in the State who are yet to be covered under KCC Scheme and fix realistic targets for the year 2010-11 in consultation with implementing agencies in respect of Cooperatives / CBs and RRBs. Banks may identify and bring into KCC fold such farmers including defaulters. Banks may ensure that KCCs are renewed in a hassle free manner and direct their efforts towards ensuring 'quality in operations' on the KCC. Banks may also ensure that all eligible KCC holders are covered under Personal Accident Insurance Scheme (PAIS).

INITIATIVES OF KCC

- KCC holders have been covered under Personal Accident Insurance Scheme against accidental death or permanent disability, up to maximum amount of Rs. 50000/- and Rs.

25000/- respectively. The premium burden will be shared by the card issuing institutions and the borrower in the ratio of 2:1.

Bankers advised to issue KCC to tenant farmers/ share cropers/oral lessee/joint liability groups.

- Banks to cover all eligible farmers under KCC scheme.
- With a view to make the scheme more effective at ground level and serve the farmers in the way in which it was expected to do, GoI had constituted a High Level Task Force which shall inter alia examine and suggest measures for improving efficiency of KCC scheme. The report from task force has been submitted to GoI on 30 June 2010.
- As desired by Hon'ble Finance Minister, bankers were advised to increase KCC coverage by 20% in number and also in amount during the financial year 2010-11 over the year 2009-10. Similar increased coverage is expected during 2011-12.

MAJOR STEPS TAKEN BY NABARD:

Co-op Banks and RRBs advised to enlarge the scope of the KCC Scheme to cover term loans for agriculture and allied activities, including a reasonable component to meet the consumption needs, besides the existing facility of providing crop loan limit. The coverage of KCC was extended to landless labourers, oral lessees, tenant farmers including defaulters. The concept of KCC has been extended to the borrowers of the long term cooperative structure. A Brochure on KCC Scheme highlighting the salient features, advantages and other relevant information about the Scheme was brought out by Head Office and ROs were asked to circulate the brochure to State govt. departments, Commercial Banks, Cooperative Banks, RRBs and other concerned agencies/officers so as to generate wider awareness about the Scheme. Minimum Floor limit of Rs.5000/- for issue of KCC stands withdrawn. Studies on KCC Scheme have been conducted by NABARD periodically to facilitate feedback on the ground level issues/problems so that changes, where necessary, could be considered. On the lines of instructions of RBI to Commercial Banks, Cooperative Banks and RRBs have been advised that they may, at their discretion, pay interest at a rate based on their perception and other relevant factors on the minimum credit balances in the cash credit accounts under the Kisan Credit Cards of farmers during the period from 10th to the last day of each calendar month. RRBs were advised to initiate innovative publicity campaign in each area of operation in order to cater all eligible farmers under KCC.

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. Government of India has been taken several steps in context of agriculture credit. Kisan Credit Card is one of them. This study gives an analysis on the data related to the KCC and the study has brought to light certain operational issues, mainly pertaining to the Agency-wise and Period-wise progress of KCC and Kisan Credit Card Scheme - State-wise Progress. The results of this study show that there is a significant increase in the number of cards issued in each fiscal year by different agencies. To expand the coverage of borrowers under KCC, the scheme was extended to borrowers by introducing insurance schemes and by giving term loans. This phenomenal growth and progress in implementation of the Kisan Credit Scheme clearly signifies not only the foresight and capacity of the Indian banking industry to adopt innovative concepts but the easy adaptability of the farming community to new ideas so as to achieve financial inclusion.

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