



## KISAN CREDIT CARD - A TOOL IN AGRICULTURAL FINANCE

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### Abstract

*Agriculture is an important activity in rural India with the dependence of large number of households. The development of agriculture depends on various factors like inputs, mechanization and timely availability of credit. RBI, Union government and NABARD have taken several steps to provide financial support for farmers in India. Kisan Credit Card (KCC) Scheme is one such scheme introduced from 1998-99 with an aim at providing adequate and timely support from the banking system to the farmers for meeting their cultivation needs including purchase of inputs in a flexible and cost effective manner. It is proved as a timely tool in the hands of farmers to avail the financial requirements.*

*Keywords: Agriculture, Banks and Kisan Credit Card*

### Introduction

Agriculture plays an important role in economic development, such as provision of food to the nation, enlarging exports, transfer of manpower to non-agricultural sectors, contribution to capital formation, and securing markets for industrialization. Agriculture contributes significantly to export earnings and is an important source of raw materials as well as of demand for many industries. The performance of Indian economy is dependent upon the growth of agricultural sector (Kumbhar V M, 2011). The adequate and timely availability of credit at reasonable rates are crucial for agricultural development. In order to improve the flow of credit to the agricultural sector, the Reserve Bank had advised public sector banks to prepare Special Agricultural Credit Plans (SACP) in 1994-95 (Golait, R., 2007). Agriculture finance is essential for the small and medium scale farmers. There is requirement of increase of credit to these rural folks in order to improve their agricultural productivity. But along with the increase in agriculture credit, there is possibility of defaults

due to dependence of farmers on natural factors like monsoon, climate etc. Introduction of Kisan Credit Cards is an effective step towards speedy loan delivery and avoidance of defaults.

### Objective

The main purpose of the paper is to understand the scenario and performance of Kisan Credit Card in India

### Methodology

The present study is descriptive in nature. The paper is prepared based on the secondary data collected from various print and on line journals. The publications of NABARD are also used for the study.

### Kisan Credit Card Scheme

Kisan Credit Card (KCC) Scheme was introduced from 1998-99 with an aim at providing adequate and timely support from the banking system to the farmers for meeting their cultivation needs including purchase of inputs in a flexible and cost effective manner. The limit under the this Scheme is fixed, on the basis of the full agricultural credit

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requirement of a farmer for the full year including the need arising out of ancillary activities associated with crop production such as maintenance of agricultural machinery/implements and payment of electricity charges, etc.

The KCC scheme has emerged as an innovative credit providing system to meet the production credit requirements of the farmers in a timely and hassle-free manner. The scheme is introduced in India with the institutional credit framework involving Commercial Banks, RRBs and Cooperatives and has received wide acceptability amongst bankers and farmers. The co-operative banks and RRBs taken together had issued 453.10 lakh KCCs as on 31 March 2013 (Annual Report-NABARD-2012-13).

### Revised Kisan Credit Card Scheme

With a view to simplifying and attuning the Scheme to suit current requirements and to facilitate the issue of Electronic Kisan Credit Cards, a Working Group (Chairman: Shri T.M. Bhasin), was constituted. According to the suggestions given by the committee, a revised KCC scheme was put in place in May 2012. The characteristics of the revised scheme include KCC limit to comprise crop loan portion, post-harvest expenses, consumption requirements, working capital and investment credit for agriculture and allied activities; all farmers/ owner cultivators, tenant farmers, oral lessees and share croppers to be eligible for finance under KCC; limit to be drawn through any delivery channel, such as ATMs, Business Correspondents (BCs), point of sale (PoS) and mobile-based transactions with agricultural input dealers.

### Recent Guidelines on KCCs

Improvements in the guidelines over the earlier KCC scheme were introduced to make KCC effective. They are,

- KCC in the form of ATM enabled debit card;
- Operations through branch/cheque facility/BCs/ATM (debit card)/POS/Mobile handsets;
- More clarity in assessing credit needs (inclusion

of post harvest/ household/ consumption needs upto 10 per cent + maintenance expenses upto 20 per cent);

- More activities covered under term loan;
- One time documentation at first availment and thereafter simple declaration from second year
- Moving towards accessing online land record and creation of charge.
- The limit of collateral free farm loan has been increased from Rs.50,000 to Rs.1,00,000.

### Performance of KCC Scheme in India

The Kisan Credit Card (KCC) scheme is implemented through co-operatives, Scheduled Commercial Banks and Regional Rural Banks to provide easy access to adequate, timely and cost-effective credit for farmers. The performance of various financial institutions in KCCs is presented in table below;

Number of Kisan Credit Cards Issued by agencies  
(KCCs in lakhs) (Amount in crores) (end of March)

Year	Coop. Banks		RRBs		Commercial Banks		Overall	
	No. of KCC Issued	Amt Sanctioned						
2000-01	56.14	9412	6.48	1400	23.9	5615	86.52	16425
2001-02	54.36	15952	8.34	2382	30.71	7424	93.41	25858
2002-03	45.79	15841	9.64	2955	27	7481	82.43	26277
2003-04	48.78	9855	12.74	2599	30.94	9331	92.47	21785
2004-05	35.56	15597	17.29	3833	43.96	14756	96.8	34186
2005-06	25.98	20339	12.49	8483	41.65	18779	80.12	49601
2006-07	22.98	13141	14.06	7373	48.08	26215	85.11	46729
2007-08	20.91	19991	17.72	8743	46.06	59530	84.7	88264
2008-09	13.44	8428	14.14	5648	58.34	39009	85.92	53085
2009-10	17.43	7606	19.49	10132	53.13	39940	90.06	57678
2010-11	28.12	10719	17.74	11468	55.82	50438	101.69	72625
2011-12	26.61	10640	19.95	11520	68.04	69510	117.6	91680
2012-13	26.91	11922	20.48	13263	82.43	101095	129.8	126280

Source: Annual reports of NABARD and various issues of report on trend and progress of banking

The above table shows the Kisan credit cards issued by the various institutional agencies from 2000-01 to 2012-13 in India. The commercial banks have a major share in the distribution of KCCs and are accounted for 58 per cent of the total cards issued at the end of March 2013. The cooperatives had a share of about 25 per cent in the total cards issued



and the regional rural banks accounted for 17 per cent. The commercial banks have shown a constant growth in the issue of KCCs which is comparatively better than other agencies. The KCC has recorded a steady growth rate since its introduction and it is also considered as supportive scheme for the small and medium farmers.

### **Discussion**

The KCC scheme has been in operation now for around thirteen years. Over this period it has become one of the primary vehicle of short term credit to agriculture and also a source of investment and consumption needs of farmers. The Central Government, RBI and NABARD are promoting the rural development of farmers by issuing KCCs to farmers. This has proved useful for farmers especially small and medium farmers to meet their financial requirements.

### **Conclusion**

Agriculture provides the principal means of livelihood for over 60% of India's population. Finance is required to farmers to focus on the development of their agriculture activities. In this regard, Reserve Bank of India, Government of India and National Agricultural Bank of India have taken several initiatives to provide timely finance to farmers. The Kisan Credit Card (KCC) is one of such kind of initiative to finance farmers especially small and medium scale farmers. KCC brings integration into the multi-credit product system by offering farm entrepreneurs a single line of credit through a single window for multiple purposes. The Kisan Credit Card Scheme was a step towards facilitating the access to short-term credit for the borrowers from the formal financial institutions. There are several improvements made in KCC to facilitate smooth and easy flow benefits to small and medium scale farmers. The data on KCCs shows the usage of KCC by the farmers in India.

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