

AN OVERVIEW OF KISAN CREDIT CARDS IN INDIA

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Abstract: The Kisan Credit Card would help the farmers economically in purchasing inputs like seeds, fertilizers, pesticides, etc by enabling them to withdraw money when needed. For this, Government of India has linked with many public sector banks and they offer loans to the farmers. The paper gives an overview of the KCC, how it works and what will be the benefits to the farmers.

In the growth of agriculture, credit plays a crucial role. Considering the problems, being faced by the farmers in having access to credit, the government of India introduced the Kisan Credit Card (KCC) Scheme to provide timely and adequate credit support to the farmers.

The Kisan Credit Card Scheme is a credit Scheme introduced in August 1998 by Indian banks. This scheme was launched by NABARD on the recommendations of R.V.Gupta under Single Window with flexible and simplified procedure adopting whole farm approach, including the short, medium and long term credit needs of the borrowers for agriculture and allied activities. It was also introduced to reduce the dependence of Indian farmers on the informal banking sector like money lenders.

Kisan Credit Cards are offered by Cooperative banks, Public Sector Banks and Regional Rural Banks. They can be availed by any farmer in India. Tenants and sharecroppers can also use this card. This scheme not only simplifies the credit delivery and screening process for farmers who may not know about banking practices and procedures but also provides flexible payment schedule after the harvest season. Kisan Credit Card Scheme also works as a single Credit facility that farmers can use to fulfil all their agricultural needs.

Brief History of Kisan Credit Cards in India

Kisan Credit Card facility was initially proposed by the Finance Minister Yashwant Sinha in the financial year 1998-99 Budget, with the objective of providing easily accessible short term credit to farmers to meet their immediate credit needs during the crop season. Reserve Bank of India (RBI), along with National Bank for Agriculture and Rural Development (NABARD) took up the cause and initiated the introduction of Kisan Credit Cards in India.

Rational behind the Kisan Credit Card Scheme

There are several problems faced by farmers in the process of acquiring finance from banks, such as long drawn-out documentation and processing complicated practices followed by banks and other financial institutions, time delay in processing loan and also lack of awareness among farmers regarding banking practiced and benefits. Many farmers depend on Non-institutional means of credit for their immediate needs such as purchase of seeds, fertilizers, pesticides. Etc. which in turn gives negative impact since non-institutional credit is costly and Counter-productive.

The KCC Scheme intends to remove such complications by offering cost effective credit to farmers for agricultural and allied purposes in a timely manner, from reliable banking systems. Now agriculturists can purchase related items to their farming needs using their Kisan Credit Cards and also withdraw required amount for related expenses.

Objectives of the Scheme

- i. To provide insurance coverage and financial support to the farmers in the event of failure of crops as a result of natural calamities, pests and diseases.
- ii. To encourage farmers to adopt progressive farming practices, high value inputs and higher technology in agriculture.
- iii. Help to stabilize farm incomes, particularly during disasters.
- iv. To support & stimulate production of food crops and oil seeds.

Working of Kisan Credit Cards

The operation of this facility is simple. Based on the land holdings and the income earned from it, banks issue farmers Kisan Credit Cards. The farmers should have a good credit history in order to be eligible for the same. Eligible farmers are provided with KCC and a pass book with the name, particulars of land holding, address, validity period, credit limit, etc. which serve as the customers' unique identification as well as a system for tracking their transaction. This credit card can be used at outlets, as well as to withdraw cash from credit card to make the necessary purchases.

Under the Kisan Credit Card Scheme, farmers can withdraw the loan amount in form of cash using withdrawal slips and the Kisan Credit card-cum-pass book. Kisan Credit Card holders who have a credit limit of Rs.25,000 can also avail cheque books.

Features of Kisan Credit Cards

Regional Rural Banks, Co-operative Banks and Public Sector Commercial Banks have implemented the Kisan Credit Card Scheme. Its primary objective is to provide easily attainable short term loans to farmers. The scope of this unique facility includes term loans for agriculture and other allied activities.

- i. Credit to meet the financial requirements of agricultural and other allied activities.
- ii. Limit is fixed on the basis of operational land holding, cropping pattern and scale of finance.
- iii. Entire production credit needs for full year is considering while fixing limit and also ancillary activities related to crop production.
- iv. Sub-limits to cover short-term, medium-term as well as long-term credit are fixed at the discretion of banks.
- v. Validity of the card is 3-5 years subject to annual review. As incentive for good performance, credit limits can be enhanced to take care of increase in costs, changes in cropping pattern, etc.
- vi. Each withdrawal is to be repaid within a period of 12 months.
- vii. In case of damage to crops due to natural calamities conversion or re-schedulement of loans is permissible.
- viii. As per Reserve Bank of India norms-security, margin and rate of interest is fixed.
- ix. Operations are undertaken by issuing branch (also PACS in case of Co-operative banks) through other designated branches at the discretion of banks.
- x. Crop loans disbursed under KCC Scheme for notified crops are covered under Rashtriya Krishi Bima Yojna (National Crop Insurance Scheme)- a crop insurance scheme introduced at the behest of Govt. of India to protect the interest of the farmers against loss of crop yield caused by natural calamities, pest attacks, etc.
- xi. All farmers (both loanee and non-loanee irrespective of their size of holdings) including sharecroppers, tenant farmers growing insurable crops are covered under the scheme.
- xii. The sum insured extends up to the value of threshold yield of the crop with an option to cover upto 150 per cent of average yield of the crop on payment of extra premium.
- xiii. 50 per cent subsidy in premium allowed to small & marginal farmers to be equally shared by the Govt. of India and state Government/Union Territory. Premium subsidy to be phased out over a period of 5 years.

Top Banks that offer Kisan Credit Card

- i. NPCI- Rupay Kisan Credit Cards are expected to be offered by National Payments Corporation of India (NCPI) as a part of its Domestic Card Scheme for Multilateral Payments- Rupay.
- ii. NABARD- NABARD provides term loans and easily accessible credit to farmers.
- iii. SBI- Short term credit is offered by SBI to farmers.
- iv. Bank of India- provides flexible financial support to farmers.
- v. IDBI- The bank offers KCC to farmers with additional perks, such as investment credit crop loans and working capital for meeting agricultural expenses.

Comparison of Kisan Credit Cards offered by different banks

Bank Name	Credit Limit	Maximum Tenure	Insurance Coverage
Axis Bank	Up to Rs. 250 lakhs	From 1 year to 7 year	Free accidental insurance coverage to farmers upto Rs. 50,000
Bank of India	25 percent of the farmers gross estimated income or maximum of Rs. 50,000	Upto Rs. 10 lakhs can be extended for a period of 12 months	Invalid
State Bank of India	Short term credit limit fixed for the first year depending on the crops cultivators as per proposed cropping pattern & scale of finance	12 months in case of long term crops	Personal Accident Insurance Scheme (PAIS), Asset insurance & Crop insurance are covered
Indian Overseas Bank	It is based on the scale of Finance, cropping patterns' & the extent of cultivation	5 years	Invalid

KCC Scheme – An assessment

This scheme was introduced in 1998-99 aims at providing crop loans to farmers in a flexible and cost-effective manner. The Scheme is being implemented in all the states and Union territories by all Commercial Banks, RRBs, State Co-operative banks, Central Co-operative Banks and Primary Agricultural Co-operative Societies.

Agency-wise Kisan Credit Cards (KCCs) issued and amount Sanctioned

Agency	Cards issued (lakhs)			
	2008-09	2009-10	2010-11	2011-12
Co-operative Banks	13.44	17.43	28.12	29.59
RRBs	14.15	19.50	17.74	19.96
Commercial Banks	58.92	53.13	55.83	68.03
Total	85.92	90.06	101.69	117.58
Agency	Amount Sanctioned (Crore)			
Co-operative Banks	8,428	7606	10,719	10,642
RRBs	5,648	10,132	11,468	11,516
Commercial Banks	39,009	39,940	50,438	69,518
Total	53,085	57,678	72,625	91,676

Source: Govt. of India, Economic Survey

Survey conducted by National Council of Applied Economic Research (NCAER) assessed the impact of KCC Scheme. The survey came out with several advantages of the KCC Scheme in terms of increase in the flow of credit to the agricultural sector, reduction in borrowings from the informal sector, reduction in time taken to obtain credit and reduction in cost of credit delivery. The Survey also identified areas requiring policy initiatives to make the scheme more effective. These include restrictions imposed on the issuance of KCCs by banks, usage of KCCs only at card issuing branches, non-availability of incentives for timely repayments, low credit limit and low awareness regarding the provision of personal accident insurance scheme.

The introduction of KCCs was a significant innovation in the rural credit delivery mechanism. However, the outreach of the KCCs to cover all eligible farmers under the Scheme has been hampered by the lack of updated land records, small landholdings and illiteracy of borrowers'. The growing popularity of the scheme reflects its effectiveness in ensuring timely operations and availability of credit with minimum transaction cost.

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