
A RESEARCH PAPER ON KISAN CREDIT CARD: PROGRESS AND CONSTRAINTS

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Abstract:

After independence, the economy of India was mainly based on agriculture and it was the backbone of the country at that time as more than 70% of the people were engaged in agriculture and they earned their livelihood from it. But they have always had to face problems related to financial needs. KCC has been a successful joint effort of the RBI and NABARD to make finance available to the farmers at the prior time. KCC is a marked improvement over the previous system in many ways. This study has been conducted to analyze the progress of KCC and its constraints in terms of issuance and loan recovery. This study concludes that KCC progress, in terms of its issuance by Commercial Banks and Regional Rural Banks, is well but Cooperative banks are lagging behind, and barriers to issuance of credit and its recovery, may be overcome by training and education to both the issuer and the beneficiaries.

Keywords:

Performance; Constraints; Credit; Agriculture.

Introduction:

In the year 1947, India became independent from the British rule, but the condition of Indian farmers remained unchanged. Earlier they used to give half of their produce to the British as tax and after independence they started paying taxes in the hands of the landlords. It was a matter of great concern that the rural people of that time were dependent on local moneylenders to meet their financial needs.

For farming, the farmers used to borrow the required money from the local moneylender, for which they had to pay the interest fixed by the them which was very high. Although banking facility was present at that time but it was not for the benefit of the farmers as almost all the banks of that time were private which only looked to maximize their profit.

To address this issue Banking Regulation Act, 1949 was passed by the Indian Government to nationalise the banks. Many banks were nationalized from time to time, with one of the objectives of focusing on the primary sector, mainly agriculture.

But the objectives of the government related with providing financial assistant to the farmers for agricultural activities was not accomplished.

The main reason behind this was the literacy among the farmers. They were unaware about the process and procedure of getting advances from institutional source of credit. They did not understand the banking system and its documenting process and they had to go to the local moneylender for their agricultural financial needs even if they did not want to.

When the government saw that the purpose for which the banks were being nationalized was not being fulfilled, they constituted several committees and followed their recommendation. In 1978, the Reserve Bank of India (RBI) set up a committee to review the arrangements for institutional credit for agriculture and rural development (CRAFICARD) under the chairmanship of Mr. Sivaraman.

The committee submitted its final report to the RBI in March 1981. The major outcome of CRAFTICARD's recommendations was the separation of Agricultural Credit Development (ACD) from the Reserve Bank of India (RBI), which refinanced the cooperative credit system, and its merger with the Agricultural Refinance and Development Corporation (ARDC).

It was earlier set up by the RBI to exclusively handle investment finance for agriculture. Following the recommendations of the committee, the National Bank for Agriculture and Rural Development (NABARD) Act (1981) was passed by the Government of India and NABARD started functioning from July 1982.

On August 1, 1986, the Reserve Bank of India constituted a committee under the chairmanship of Prof. A. M. Khusro to undertake a comprehensive review of the 'Agriculture Credit Review Committee' (ACRC) which was related to the country's agricultural credit system.

The committee submitted its report to the RBI in August 1989 with a large number of recommendations. The suggestions and recommendations of the committee had broadly two objectives. First, the financial viability of the lending agencies in rural areas should be maintained so as to improve and expand the flow of credit to rural areas. Second, the rural credit system should be strengthened.

Even after following the suggestions of all the committees, the desired results in respect of agriculture credit were not being achieved. In this sequence, in December 1997, an one man committee was formed by the Reserve Bank of India, headed by the then Deputy Governor of the Reserve Bank of India, Shri R V Gupta. He submitted the report of the committee to the Reserve Bank of India on April 21, 1998.

The suggestions in his report were mainly to ease the documentation process, give more power to the branch manager to deal with agriculture loan applications, abolish the stamp duty for mortgage of agricultural land for agricultural loan purpose, present no dues certificate by the borrower, etc.

To provide financial support to the farmers for farm activity Government of India with the help of their dedicated organization NABARD, a new scheme namely, Kisan Credit Card (KCC) had approved for implementation in all states and Union Territories from 1998.

Prior to 1998 this type of scheme had already been introduced in number of public sector banks in some states of India. But these schemes were preserved for the privileged class of farmers and other small and marginal farmers were unaware or they did not have much access to them.

In order to accomplish the aim of providing credit for rural development a constant innovation is necessary. Since its inception the KCC guidelines have gone through several changes. The guidelines were revised in 2012 and introduce many new features over & above the financing of crop production requirements like consumption expenditure, maintenance of farm assets, term loan for agriculture and allied activities, etc.

Features of Kisan Credit Card:

Earlier KCC beneficiaries get a credit-cum-passbook but from 15 November 2012, it was converted into ATM-cum-Debit/ RuPay cards. It comes with crop insurance but the premium of insurance has to bear by the beneficiary. Beside the crop insurance which is mandatory the beneficiary has the option to take advantage of any type of assets insurance, health insurance and many more and they can pay their premium through KCC account. There is incentive in form of Interest Subvention for prompt payment. Up to Rs. 3 lakhs of disbursed amount, there is no any collateral security required by the bank.

Objective of the Study:

To analyze the progress and constraints of Kisan Credit Card Scheme.

Review of Literature:

There are various writings has been published by the various authors and research scholars in relation with KCC. Sharma (2016) stated in his study that KCC is non-discriminatory credit product provided by bank to cope the credit crunch of the farmers. Godra, Sihag and Dhanuja (2014) said by their paper that issuing of KCC and sanctioning the loan amount by RRBs is much faster than other banks. They also pointed out that Government should open more RRBs in remote villages to facilitate more farmers. Sekhon, Choudhary, and Choudhary (2014) pointed towards the repayment behavior of KCC beneficiaries. They stated that beneficiary's repayment behavior about KCC loan depends upon their annual earnings from farm activities and other income and their social participation. Saxena (2021) found in her research that KCC uplift the farmers standard of living by increasing their farm income.

Method and Methodology:

Source of Data:

This research work purely based on secondary data. The sources of secondary data are published report on KCC by NABARD, RBI and related departments, published articles and research papers etc.

Analysis:

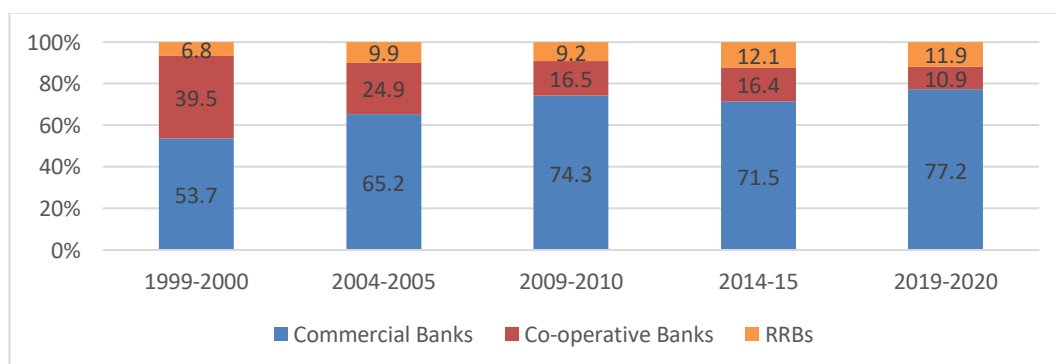
Table 1: Agency-wise Kisan Credit Card Issued since inception

Head	Cumulative Cards issued (in lakhs)				% Share in total no of cards issued by agency			
	Commercial Banks	Cooperative Bank	RRBs	Total	Commercial Banks	Cooperative Bank	RRBs	Total
Cumulative KCCs issued	717.52	507.99	238.47	1463.98	49.01	34.70	16.29	100.0
Operative/live KCCs (as % of total KCC issued)	225.25 (26.9%)	392.27 (77.2%)	123.43 (51.8%)	740.94 (50.6%)	30.40	52.94	16.66	100.0
Cumulative Smart Cards (as % of Operative KCC)	76.15 (33.8%)	0.24 (0.06%)	13.79 (11.2%)	76.15 (33.8%)	84.45	0.26	15.29	100.0

Source- NABARD; Annual report 2019-20

The above data shows that the cumulative number of KCC issued since its inception (1998-99) till March 2015 had crossed the threshold of 14 crore and reached to 14.64 crore. In this data there are not only new issue of KCC but also the reissued/renewed of KCC. As on 31st March, 2015 the number of operative/live KCC stood at 7.41 crore. Above data also shows that Commercial banks issued 717.52 lakh KCC which make them leader in term of issue of KCC. KCCs issued by Cooperative banks are mostly in operative/live mode which was 392.27 lakhs. The conversion of old KCC into smart card or new issue of smart card for KCC are largely converted/issued by Commercial Banks.

Figure 1. Agency-wise Share of Agriculture Credit (in %)



Source: NABARD; Annual report 2019-20

To make the agriculture sector prosper the Union Budget 2020-21 allocate Rs. 1,54,775 crore to this sector and it is about 9.2% more than the budget allocates in the year 2019-20. As per NABARD annual report 2019-20 Rs. 15 lakh crore targets set for agriculture credit for the year 2020-21. The institutional credit to agriculture has been rising due to various initiatives taken by government, RBI, NABARD and financial institutions.

Report of NABARD stated that during 2019-20, banks have disbursed RS. 13.68 lakh crore to agriculture and allied sectors and it was about 8.8% more than 2018-19. Commercial banks were the leader in this respect because about three fourth of the total institutional credit disbursed by them.

Their share in total agriculture credit flow increased from 53.7% in 1999-2000 to 77.2% in 2019-20, while Co-operative banks poorly perform and its share in total agriculture credit flow declined from 39.5% to 10.9% during the same period. But RRBs expended their share in agriculture credit flow over two decades to nearly twice for the same period.

Conclusion:

Reasons for poor performance of KCC (in terms of issuing/availing)

Bankers' perspective

- a. Farmers are not willing to avail agriculture loan through KCC, they may have some other source of income or some other source of finance.
- b. Banks are not interested to finance the farmers who have very small piece of land.
- c. The possession of land is still on their father or Grandfather and sons or grandsons are separately does farming, in that case bankers are not interested to provide KCC to this type of farmers.
- d. Land records or land revenue records are not available online in some states to verify. Due to this bank faces problems while issuing KCC.
- e. Farmers are defaulting in repayment because they think the government may announce debt relief today or tomorrow. In this regard bankers are afraid of blockage of their funds and become NPA.

Farmer's perspective

- a. The process of getting KCC is not handy.
- b. Banks does not show keen interest towards issuing it.
- c. Demand of paper of possession of land in original, which is hard to present in front of bank due to unavailability of paper or it in the possession of father or grandfather and they do farm activity separately.
- d. Although other source of finance charge more interest than KCC but it is easily available.

The progress of KCC in term of issuing it has risen with the passage of time but not in a desired pace. There are many reasons for this, but the two major reasons are-

Fragmentation of land: - Many farmers are come under group of marginal farmers in terms of land holdings. Bankers does not show their knee interest to issue KCC to this type of farmers because they have very less land holdings and their production are not surplus one. So, how can they repay the loan amount?

Use of sanctioned amount in to personal purpose: - To boost the agriculture activity is the main purpose of this scheme but many of farmers are using it to satisfy their personal and social needs. If the issuer or government educate them to how to use it in to increase production of agriculture than it will work accordingly.

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