



Role Of Kisan Credit Card In Agricultural Credit In India

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Abstract: The KCC scheme, introduced with the objective of providing farmers with flexible, affordable, and timely credit, has not only streamlined the credit disbursement process but has also significantly reduced the dependency of farmers on informal credit sources with exorbitant interest rates. This introduction sets the stage for understanding the crucial link between agricultural credit and rural development, emphasizing the pivotal role played by the Kisan Credit Card scheme in empowering farmers and catalyzing agricultural progress. This paper aims to evolution of agricultural credit, assess the trends in credit disbursement, and critically evaluate the impact of KCC on farmers' lives and agricultural productivity. Through an amalgamation of data analysis and a comprehensive literature review, this paper aims to provide valuable insights into the evolution of agricultural credit schemes and the transformative contribution of the Kisan Credit Card, ultimately shedding light on its significance in bolstering rural prosperity and agricultural sustainability in India.

Key Words: KCC, Scheme, Agricultural, Credit and Farmers.

INTRODUCTION :

Agriculture, being the backbone of India's economy, sustains the livelihoods of millions of farmers and contributes significantly to the nation's GDP. Access to timely and adequate credit is pivotal for agricultural growth, enabling farmers to invest in seeds, fertilizers, machinery, and other inputs necessary for crop cultivation and productivity enhancement. The provision of institutional credit to farmers has undergone a transformative journey over the years, marked by various government initiatives aimed at improving credit accessibility and affordability. Among these initiatives, the Kisan Credit Card (KCC) scheme has emerged as a game-changer, revolutionizing the landscape of agricultural credit in India.¹ The KCC scheme, introduced with the objective of providing farmers with flexible, affordable, and timely credit, has not only streamlined the credit disbursement process but has also significantly reduced the dependency of farmers on informal credit sources with exorbitant interest rates. This introduction sets the stage for understanding the crucial link between agricultural credit and rural development, emphasizing the pivotal role played by the Kisan Credit Card scheme in empowering farmers and catalyzing agricultural progress. The emergence of 'green revolution' in India had led the Indian agricultural system to focus and replace its traditional methods with scientific and modern practices. With the shift of focus of farmers on these practices, the demand for high yielding seeds, pesticides, fertilizers, machinery and equipments was also increased, which requires a heavy financial investment.

Most of the farmers are not able to afford this investment from their savings, due to which they have to depend on borrowed funds.² This dependence of farmers on borrowed funds had increased the demand of providing agricultural credit to a large number of farmers. For the timely credit delivery and support to the farmers to fulfill their requirements, Govt. of India with the collaboration of NABARD and RBI introduced

Kisan Credit Card scheme.³ This scheme is according to the recommendations of the R V Gupta committee. It was introduced to give the flexible and hassle free credit to the farmers by the banks at the reasonable interest rates. This has simplified the process of availability of credit in time and also the process for taking loan from the banks. KCC allows farmers to purchase the inputs for farming like pesticides, seeds and fertilizers and allow them withdrawal of cash to meet their agricultural requirements. KCC offers a single line of credit for multiple purposes through a single window . Kisan credit cards are being provided by commercial banks, Regional Rural Banks and cooperative banks in their respective area of operations⁴.

Kisan Credit Card is an ingenious scheme designed by NABARD by which farmers can meet their credit requirements for their expenses towards the production of crops and the maintenance of the machineries in a hassle free manner. There have been many changes and amendments in the credit scheme since its introduction in 1998. Now it incorporates many features other than credit requirements for production of crop. Now it also includes day to day expenditure for household, maintenance of assets like tractors and other machineries, term loan for farming and related activities, scheme holders coverage under Personal Accident Insurance Scheme (PAIS) and Atal Pension Yojana. These are the reasons why KCC is now considered as one of the most important banking product for the agricultural based population.⁵

Features of Kisan Credit Card Scheme :

- Scheme is applicable to all commercial banks, RRBs and DCCBs/PACS.
- Objective of the scheme is to provide short term credit for growing of crops, expenses after harvesting, producing marketing loans, day to day requirements of farmers, capital for maintenance of machineries and investment credit requirement for farming and activities allied.
- Kisan Credit Card scheme provide loan to all farmers including individual or joint borrowers who are tenant farmers, cultivators, share croppers and oral lessees, Joint Liability group or Self-help Groups of farmers including share croppers and tenant farmers.
- Fixation of credit limit for all farmers other than marginal farmers for short term of 1 year has been fixed equal to the extent of area cultivated \times finance for the crop, 10% of the limit towards the household consumption and harvest expenses and 20% of the limit has been fixed for repair and maintenance of assets. It also includes asset insurance, crop insurance and PAIS.
- Beneficiaries can also avail the 10% increase in short term limit towards enlargement in scale of finance for each successive year and can also avail the term loan component for 5 years.
- Estimated long term requirement of loan and the short term limit for the 5th year are taken as maximum permissible limit.
- There is separate bifurcation for the limits for long term loans and short term credit limit (savings account).
- For short term limit, there is fixed annual drawing power but term loans are provided on the basis of the nature of investment and repayment schedule and installments can also be allowed to withdrawn.
- For the marginal farmers, a credit limit of Rs. 10,000 to 50,000 has been provided on the basis of the land holding and the credit needs for various expenses. They can also avail the small term loan investment like purchasing of different equipments for the production, to establish poultry or dairy, etc., without taking into consideration of the land acquired by them. Composite limit of KCC is fixed for a period of 5 years.
- Kisan credit card has a validity of 5 years on the basis of annual review. On the basis of the performance of the card holder and the increase in the cropping area and expenditure pattern, the continuation, increase in the limit and the cancellation of the card depends. In the case of reschedule of the card, the repayment period is again fixed and the outstanding amount is transferred to the term loan.
- Short term credit limit is provided as revolving cash credit limit which is to be repayable within 12 months. There should be no outstanding of withdrawal more than twelve months.
- Term loan can be repaid within the limit of 5 years. Financing bank can also provide longer repayment period based on the type of investment.
- Hypothecation of the crops upto Rs. 1 Lakh and collateral securities for the loan of Rs.1 lakh to Rs. 3 lakh without tie-up is required to sanction the loan amount. If a farmer needs more than Rs. 3 lakh, then he/she have to give collateral securities with tie-up advances.

- One time documentation is required for taking the loan and thereafter from second year onwards only simple declaration is needed by the farmer.
- Up to a limit of Rs. 3 lakh, there is no processing fee for the card.
- The beneficiaries can also avail the benefit of insurance for crop insurance and asset insurance under PAIS (Personal Accident Insurance Scheme) and Atal Pension Yojana. Farmers are made aware of the available insurance cover and their consent is taken at the time of application stage

REVIEW OF LITERATURE:

Uppal and Juneja (2012)⁶ In a comparative performance study of banks while issuing KCCs for the period 2009-11 revealed that the performance of the commercial banks is highest among all KCC issuing agencies preceded by RRBs. This study was based on the total number of issued cards by the banks and the credit limit disbursed and sanctioned by the issuing agencies. To know the state wise and agency wise progress of KCC was the main objective behind the study. Various RRBs and commercial banks were included for the study. Number of KCCs issued and the amount of loan sanctioned were taken into account for the performance evaluation of the banks. The study revealed that the performance of the commercial banks is highest among all KCC issuing agencies followed by RRBs. The overall growth rate of all banks was found 0.323% which represented the good efficiency of Indian Banking System in serving the needs of the agriculture sector of India. The study suggested that more growth in issuing the number of cards and the amount sanctioned to the farmers with the help of KCC Scheme can be achieved by strengthening the cooperative banks

Shinde (2013)⁷ Analyzed the impact of KCC Scheme on agricultural economy and the factors affecting the adoption of the schemes by the farmers. He also analyzed the major problems faced by the farmers while taking the loan by KCC Scheme. Kisan credit card was found as the one of the essential and popular tool used for credit requirements of farmers. The secondary data was taken to conduct this study and analyzed by using percentages and averages. Kisan credit card was found as the popular tool among the farmers for taking loan for their credit requirements. It was found that there is a great variation in the number of beneficiaries' in different states. Socio economic factor was found as one of the main factors affecting the adoption of the scheme. It was observed that banks as well as farmers can be benefitted by creating the more awareness about the procedure of getting the Kisan Credit Card facility.

Patil. (2014)⁸ Studied the function of commercial banks, RRBs and cooperative banks in financial inclusion through Kisan Credit Card scheme. The objective of the study was to analyze the bankwise disbursement and sanctioning of the cards and credit amount. It was evaluated that all the bank groups have played a significant role in financing the credit to the farmers through the KCC scheme but the role of commercial banks in cards issued and credit amount sanctioned is much higher than that of the other bank groups. The study also observed the political interference and wrong management in case of cooperative banks. He suggested that cooperative banks can also grow with more pace if political interference can be removed from there.

Mehta et al. (2016)⁹ Studied the impact of KCC scheme in rural India with an objective to evaluate the role of the scheme and hence providing the solutions for the growth. The study suggested that the process of providing the loan must be easy so that the farmers who are not educated can also take benefit from the scheme.

Shrotriya and Yadav (2017)¹⁰ Studied the role of Kisan Credit Card in India by comparing the amount of loan disbursed by KCC alone to rest of the available sources for providing loan for agriculture. It was found in the study that the northern and southern regions alone provides 55 percent of the total cards issued in India. Punjab with more than 100% cover of operational holdings scored the topmost rank in the country. East and north-east regions were at the lower ranks in the terms of KCC issued and their part was even lower than operational holdings due to which it was concluded that the KCC scheme has poor performance in these areas. The net margin of KCC holders was higher than farmers with no KCC. The study suggested that the account opening process should be simplified in order to bring more farmers to be covered under the scheme. It was also suggested in the study that bank officials must take some necessary steps for spreading awareness and motivation about the scheme among the farmers to develop confidence and to remove their fear of being defaulter. Some training programmes about advance techniques of farming were also suggested which can further encourage farmers to avail the benefits of the scheme.

AGRICULTURAL CREDIT TRENDS:

Agricultural credit is a fundamental driver of rural development and agricultural growth in India. The trends in agricultural credit disbursement, comparing annual targets with actual achievements over a span of ten years (2014-2023) based on the provided data. The data reveals a consistent trend of exceeding annual targets

for agricultural credit disbursement. Over the years. In 2014-15, the annual target was set at 8,00,000 (in Rs. crores), and the achievement surpassed the target by 106% with 8,45,328 disbursed. Subsequent years consistently exhibited higher achievement percentages, reaching a peak in 2022-23, where the achievement stood at 116% against the set target of 18,50,000 (in Rs. crores).¹¹ However, an anomaly is observed in 2023-24, where the achievement drastically dropped to 52% against the targeted disbursement of 20,00,000 (in Rs. crores), marking a significant deviation from the upward trend. The data underscores a generally positive trend in agricultural credit disbursement, indicative of the government's commitment to supporting farmers' financial needs. The consistent surpassing of targets until 2022-23 reflects the concerted efforts to enhance credit accessibility in the agricultural sector. The notable decline in disbursement in 2023-24 raises concerns and warrants further investigation into potential factors contributing to this substantial deviation from the trend.

AGRICULTURE CREDIT TARGETS AND ACHIEVEMENTS:

Table No. 1
Agriculture Credit Flow- Trends- 2014-15 to 2023-24

Year	Annual Target	Achievement	% Achievement
2014-15	8,00,000	8,45,328	106
2015-16	8,50,000	9,15,510	108
2016-17	9,00,000	10,65,756	118
2017-18	10,00,000	11,62,617	116
2018-19	11,00,000	12,56,830	114
2019-20	13,50,000	13,92,729	103
2020-21	15,00,000	15,75,398	105
2021-22	16,50,000	18,63,363	113
2022-23	18,50,000	21,55,163	116
2023-24	20,00,000	10,40,931*	52

*Data for FY 2023-24 .Source: Press Information Bureau(pib.gov.in)

The table exhibits a consistent increase in the annual targets for agriculture credit from 8,00,000 crore in 2014-15 to 20,00,000 crore in 2023-24, reflecting the government's endeavor to enhance credit availability to the agricultural sector over the years. However, while there was continuous progress in achieving these targets from 2014-15 to 2022-23, a substantial decline is evident in 2023-24, with the achievement dropping significantly to 52% against the set target of 20,00,000 crore. For the initial years (2014-15 to 2017-18), the percentage achievements consistently ranged from 106% to 118%, indicating that the credit disbursal surpassed the set targets, showcasing efficient credit allocation.¹² The percentage achievement dipped in 2019-20 to 103% but remained relatively close to the set target. However, a noticeable downturn occurred in the year 2023-24, where the achievement plummeted to a mere 52%, which is significantly lower compared to the previous years and not ably below these target. Until 2022-23, there was a commendable trend of surpassing or closely achieving the set annual targets, reflecting a robust credit flow into the agricultural sector, potentially supporting farm operations, investments, and productivity enhancement. The sharp decline in credit achievement in 2023-24 raises concerns about the possible challenges or constraints in credit allocation during that specific period. Possible factors contributing to this decline could involve economic fluctuations, policy changes, or external factors impacting credit distribution to farmers.¹³ The substantial deviation from the annual credit target in 2023-24 necessitates a thorough investigation into the underlying causes to ensure sustained credit support to farmers. The data illustrates a positive trajectory in agriculture credit allocation until 2022-23, signifying substantial efforts to meet or exceed annual targets. However, the considerable deviation from the target in 2023-24 warrants immediate attention and strategic interventions to ensure consistent and adequate credit flow to the agricultural sector, vital for the prosperity and growth of the farming community and the overall rural economy. The data reveals a consistent effort to increase credit availability to farmers, with notable achievements

surpassing set targets in most years. From 2014-15 to 2022-23, there is a positive trend in credit achievement, reaching its peak at 116% in 2022-23. However, a significant drop to 52% achievement is observed in 2023-24, necessitating closer examination.¹⁴

CONTRIBUTION OF KISAN CREDIT CARD:

The progress of the KCC scheme across different types of financial institutions from 2018-19 to 2023-24. The data showcases the number of operative accounts, the amount outstanding in operative accounts, and the distribution across commercial banks, cooperatives, and regional rural banks (RRBs). Over the mentioned years, the number of operative accounts under the KCC scheme has seen steady growth across all types of financial institutions. Notably, cooperative banks and RRBs have demonstrated consistent progress in the number of accounts and the amount outstanding in operative accounts.

Table No. 2
KCC Progress

Year	Commercial Banks ¹		Cooperatives		RRB		Total	
	No. of Operative Accounts (in '000)	Amount Outstanding in Operative Accounts (in Rs cr)	No. of Operative Accounts (in Rs cr)	Amount Outstanding in Operative Accounts (in Rs cr)	No. of Operative Accounts (in Rs cr)	Amount Outstanding in Operative Accounts (in Rs cr)	No. of Operative Accounts (in '000)	Amount Outstanding in Operative Accounts (in Rs cr)
2018-19	23,632	4,55,079	30,414	1,27,436	12,253	1,27,072	66,300	7,09,587
2019-20	24,145	4,70,144	28,938	1,36,735	12,197	1,36,695	65,280	7,43,573
2020-21	30,696	4,56,736	30,183	1,46,981	12,891	1,49,416	73,770	7,53,133
2021-22	26,871	4,76,283	31,131	3,00,350	13,348	1,62,060	71,350	9,38,693
2022-23	28,296	5,18,636	31,344	1,89,235	13,829	1,77,604	73,469	8,85,475
2023-24	28,144	5,11,005	31,506	1,93,951	13,952	1,81,140	73,602	8,86,095

Data for FY2023-24 as on 30 June 2023

Source: Press Information Bureau (pib.gov.in).

Major Steps taken by NABARD :

- The Co-operative Banks and RRBs were 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 crop loan limit. The coverage of KCC was extended to landless labourers, oral lessees, tenant farmers, including defaulters.
- A Brochure on KCC Scheme, highlighting the salient features, advantages and other relevant information about the Scheme, was brought out by the Head Office. The Regional Offices were asked to circulate the Brochure to State Governments, their Departments, Commercial Banks, Cooperative Banks, RRBs and other agencies/officers concerned so as to generate wider awareness about the Scheme. Or
- NABARD conducts studies on KCC Scheme 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, the Cooperative Banks and RRBs have been advised, at their discretion, to 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 to all eligible farmers under KCC.

The Initiatives of Government of India

In order to protect the interests of agriculturalists, the Government of India took various initiatives. The following are the benefits derived from the initiatives taken by Government of India.

- 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.
- The Bankers were also advised to issue KCC to tenant farmers/ share croppers/oral lessee/joint liability groups.
- Banks were advised to cover all eligible farmers under KCC Scheme. With a view to making the Scheme more effective at ground level and serving the farmers in the way in which it was expected to do, Government of India had constituted a High Level Task Force to examine and suggest measures for improving the efficiency of KCC Scheme. The Report from Task Force has been submitted to Government of India on 30 June 2010.

Future Directions:

The KCC scheme has emerged as a crucial instrument in providing financial support to farmers across various financial institutions. The steady growth in the number of KCC accounts signifies the scheme's acceptance and utility among farmers. However, the decline in the achievement of agriculture credit targets in 2023-24 demands attention and a thorough evaluation of underlying factors. Possible reasons for the dip in credit achievement could include economic fluctuations, policy changes, or external factors affecting agricultural production and credit distribution. Further investigation into the reasons behind this decline is warranted to ensure sustained progress in providing credit to farmers. Moving forward, policymakers and financial institutions should focus on bolstering the KCC scheme's reach, particularly in regions where credit penetration remains low. Moreover, efforts should be directed towards improving the accessibility and efficiency of credit disbursement, ensuring timely availability to farmers during critical periods.

CONCLUSION:

Kisan Credit Card is one of the most innovative, widely accepted, highly appreciated and nondiscriminatory banking product, with the aim to finance the agricultural sector. The paper observed that Kisan Credit Card within a short span of time has established itself as a fairly popular credit facility among the farming community. It is expected that this would help the farmers to gain easy and timely access to much desired institutional credit and the KC Card has been appreciated and accepted both by the bankers as well as the farmers. The Government of India may overview the implementation of KCC in India and take all possible steps to help the growth of the agricultural sector in India. KCC, the time taken for sanctioning of card by different banks, cost of borrowing credit from different banks, credit diversion and credit utilization, need for credit for nonfarm purpose, frequency of withdrawal and repayment of credit, whether the dependence on non-institutional credit providing agencies has been reduced with the introduction of KCC and the suggestions to incorporate in the scheme in order to establish a good credit delivery system. Agriculture credit, facilitated by schemes like the Kisan Credit Card, remains pivotal for agricultural growth and rural development in India. While there have been commendable achievements in expanding credit access to farmers, challenges persist. The government, financial institutions, and policymakers must collaborate to address these challenges, ensuring sustained credit flow to farmers and enhancing the effectiveness of schemes like the KCC in fostering agricultural prosperity.

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