



## **Role of Kisancredit card scheme in providing agricultural finance in India: An evaluation**

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### **Abstract**

Agriculture is the main source of earnings for majority of people living in India. Moreover, almost 70 percent of the rural households depend on the agriculture and allied activities. Like other sector of the economy, agriculture sector also requires finance for development. To provide the financial support to the farmers and to meet their comprehensive credit requirement Government of India has introduced Kisan Credit Card Scheme. A Kisan Credit Card (KCC) is a credit delivery mechanism that is aimed at enabling farmers to have quick and timely access to affordable credit. It simplifies the multi-layered credit evaluation process of urban centric credit schemes. The credit limit is based on the land holding, income and credit history of the farmer. The study aims to evaluate the role of Kisan Credit Card scheme in providing agricultural finance in India with the help of secondary data collected from various sources.

**Keywords:** agriculture, agricultural finance, Kisan credit card

### **Introduction**

Agriculture is an important source of earnings for the majority of population living in India. The finance is an important factor that affect the agricultural production as well as the income the rural households in the country. In India, since independence farmers are facing numerous obstacles like provision of short and long term of agricultural credit as relatively low devoted percentage for agriculture sector injected through the agricultural finance institutions. This resulted in to low productivity and inefficiency of farmers. Due to unavailability of adequate formal sources of finance, farmers borrow from informal sources of finance and pays high rate of interest. To meet the comprehensive financial needs of the farmers Government of India in 1998 launched a scheme of Kisan Credit Card to provide financial support to the agriculture sector.

### **About Kisan Credit Card**

The Kisan Credit Card scheme was announced in Union Budget 1998-99 by the Finance Minister Yashwant Sinha. With the recommendation of R.V. Gupta Committee the National Bank for Agriculture and Rural Development (NABARD) developed a comprehensive model with objective to provide financial support to the farmers in the country. Kisan Credit Card is provided by various types of banks like Commercial Banks, Co-operative Banks and Regional Rural Banks at reasonable rate of interest. The distinct feature of the KCC is that farmers do not required to the continuous screening process and documentation

undertaken by the banks providing them term loans. A farmer can take maximum benefit of a Kisan credit card. A passbook is provided to farmers which includes the information like name, credit limit, photograph, validity and details of his land holding. The card is issued on the basis of certain factors like timely payments of the past loans and land holdings one have in his name. The basic idea behind the card is to ensure that farmers in the country are given adequate credit under one single window.

### **Objective of a Kisan Credit Card**

The key objectives of Kisan Credit Card (KCC) includes-

- To meet short term credit needs of farmers for crop cultivation
- Post-harvest expenses
- Produce marketing loan
- Consumption requirements of farmer household
- Working capital requirement maintenance of farm assets and allied activities to agriculture
- Investment credit need for agriculture and allied activities.

### **Eligibility to get Kisan Credit Card**

The following are eligible to apply for a Kisan credit card.

- Farmers-Individuals/Joint borrowers who are owner-cultivators.
- Self Help Groups or Joint Liability Groups of farmers which include tenant farmers, share croppers etc.
- Tenant farmers, Share Croppers and Oral lessees etc.

**Table 1:** Milestone of KCC Scheme

<b>August 1998</b>	<b>KCC Scheme introduced and model circulated to banks</b>
June 2001	Personal Accident Insurance Scheme was introduced to cover all the KCC holders against death or permanent disability resulting from accidents caused by external, violent and visible means and occurring within the geographical jurisdiction of India.
August 2004	Term loans for Agriculture and Allied Activities are covered under the KCC Scheme
August 2004	The Validity of Kisan Credit Card increased from three years to five years
June 2006	Interest on Short term Credit to farmers was fixed at 7 percent up to credit limit of Rs. 3,00,000
October 2006	KCC Scheme is extended to borrowers of Long term co-operative credit structure
March 2012	A Comprehensive revised Kisan Credit Card Scheme was launched
November 2012	All old KCC are converted in to ATM cum Debit/Rupay Cards
July 2015	All KCC holders are covered under Atal Pension Yojana
February 2018	KCC Scheme extended to dairy and fisheries industries

Source: Occasional paper 2017, Department of Economic Analysis and Research (DEAR), NABARD,

**Objectives of the study**

The objective of the study is to evaluate the progress of the Kisan Credit Card Scheme and identify the share of Kisan Credit Card Scheme in providing agricultural finance in India.

**Review of Literature**

The Kisan Credit Card Scheme has availed agricultural credit in time as well as it has also simplified the procedures of getting loan from the banks (Nahatkar *et al.*, 2002) [3]. The flexibility in the operation of the scheme has resulted in increase in the loan repayment ratio of the borrowers. The level of awareness among the farmers regarding the benefits of having Kisan Credit Card is high (Vedini and Durga, 2007) [7]. The various factors i.e. age, gender, size of

household, farm size, level of education, etc., positively influence the decision of farmers to adopt KCC card (Kumar *et al.*, 2007) [6]. The KCC scheme despite its much desired popularity needs simplification of procedure, lesser paper work, lowering of interest rate, flexibility in instalment payment especially in times of hardship/crop failure, and of enhancing the existing credit limits (NABARD, 2009)[5]. Wide gap exists between the amount required and that sanctioned for crop production and other activities leading to diversion of loan amount towards purposes other than for which it is taken (Rao and Sahu, 2005).The major problem faced by the beneficiary farmers from cooperative societies was untimely payment of loan and insufficient credit limit. (Prakash P. and Pramod Kumar, 2016)[4].

**Table 2:** Share of Kisan Credit Card in the Total Credit Flow to agriculture Sector (Rs. in Crore)

Year	Total Flow of Credit to Agri-Sector	Credit flow through KCC							
		CBs (Rs. in Crore)	% of Total CF	RRBs (Rs. in Crore)	% of Total CF	CO-Ops (Rs. in Crore)	% of Total CF	Total Credit flow	% of Total Credit flow
2000-01	52827	5615	34%	1400	9%	9412	57%	16427	31.10%
2001-02	62045	7524	29%	2382	9%	15952	62%	25858	41.68%
2002-03	69560	7481	28%	2955	11%	15841	60%	26277	37.78%
2003-04	86981	9331	43%	2599	12%	9855	45%	21785	25.05%
2004-05	125309	14756	43%	3833	11%	15597	46%	34186	27.28%
2005-06	180486	18780	39%	8583	18%	20339	43%	47702	26.43%
2006-07	229400	19786	49%	7373	18%	13141	33%	40300	17.57%
2007-08	254658	19900	41%	8743	18%	19991	41%	48634	19.10%
2008-09	301908	25865	55%	7632	16%	13172	28%	46669	15.46%
2009-10	384514	39940	69%	10132	18%	7606	13%	57678	15.00%
2010-11	468291	50438	69%	11468	16%	10719	15%	72625	15.51%
2011-12	511029	10640	12%	11520	13%	69510	76%	91670	17.94%
2012-13	607375	NA	-	11174	-	12836	-	NA	-
2013-14	711621	NA	-	20688	-	10825	-	NA	-
2014-15	845328	NA	-	24248	-	7322	-	NA	-
2015-16	915510	333253	94%	87652	4%	109128	2%	530034	57.89%
2016-17	1065755	435000	67%	102420	16%	112200	17%	649620	60.95%
2017-18	1168503	433110	65%	113360	17%	124480	19%	670960	57.42%
CAGR(%)	18.77%	27.31%		27.65%		15.43%		22.89%	

Source: Annual Report of NABARD, Various issues

At the time of inception of the scheme in 1998-99 total 7.84 lakhs kisan credit card were issued. This number continuously increased till date and as on March 2018 total KCC issued was 456.88 lakhs. Table 2 shows the Total credit flow and the share of Kisan Credit Card in the total credit provided to the towards agriculture sector in India. In the year 2000-01 the total credit flow to agriculture sector was Rs. 52827 crore and the credit provided through KCC was Rs. 16427 crore which was 31.10 percent of total credit provided to the agriculture sector. Since 2015-16 KCC has

significantly contributed to the total credit provided to the agriculture sector. In 2015-16 against total credit of Rs. 915510 crore KCC contributed 57.89 percent providing total credit of Rs. 530034 crore. Credit of Rs. 1168503 crore provided to agriculture sector in which KCC contributed 57.42 percent by providing credit Rs. 670960 crore to the sector. Further Commercial Banks have contributed significantly in the providing credit through the KCCs. In 2000-01 the share of CBs in KCC was 34 percent whereas in 2017-18 this has increased to 65 percent having the

CAGR (Compounded Annual Growth Rate) of 27.65 percent. The CAGR for total credit provided to agriculture sector is 18.77 percent and the same for the total credit provided through KCC is 22.89 percent.

### **Conclusion**

For the agriculture development credit is essential requirement. The Kisan Credit Card scheme played an important role in providing credit to the agriculture sector in the country. The unique feature of KCC that provides credit on time without any complex procedure and documentation helped farmers to increase the productivity of the farm production. However the scope of KCC should be expanded further to make more favorable environment for the farmers so more farmers can shift from informal sources to formal sources of agricultural finance. Government should launch awareness campaign to make aware regarding the benefits of the scheme.

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