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Title

**KISAN CREDIT CARD (KCC): A VEHICLE
FOR FINANCIAL INCLUSION**

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Abstract:

Farmers heavily depend on non institutional sources of credit due to frequent needs, inadequate availability of institutional credit, unnecessary delays, cumbersome procedure and improper practices adopted by institutional lending agencies. Provision of timely and adequate credit has been one of the major challenges for banks in India in dispensation of agricultural and rural credit to the farmers. Given the enormity of the credit requirements on the one hand and the vagaries of nature on the other, financing for agriculture has always been a gigantic task for banks. The access to institutional credit for a large number of farmers, particularly small/marginal farmers, continued to be a challenge to the banking industry. Realising the importance of enhancement of flow of credit to the rural sector and reduction of the dependence of farmers on non-institutional sources of credit, the KCC(Kisan Credit Card) scheme was started by the Government of India (GOI) in consultation with the RBI (Reserve Bank of India) and NABARD (National Bank for Agricultural and Rural Development) in August 1998 as an innovative credit delivery mechanism (ICDM) with the objective of providing adequate, timely or without any delay, cost effective and hassle free credit support to farmers. The scheme was implemented across the country in all the states and union territories by the public sector commercial banks, Regional Rural Banks (RRBs) and cooperative banks. The study explores about the Kisan Credit Cards (KCC) Issued by different agencies and its achievements in financial inclusion.

Introduction:

India is an agriculture-based country. Agriculture continues to be the mainstay of the Indian economy since it had got freedom, even much before than that. it remains the largest economic sector in the country and plays a significant role in the overall socio-economic development of India. In spite of Agriculture being an important factor in economic development, Indian agriculture is characterized by low productivity, with average crop yields well below world levels. With food being the crowning need of the mankind, much emphasis has been on commercializing agricultural production. Hence, adequate production and even distribution of food has lately become a high priority global concern. With the changing agricultural scenario and global competition, there is a need of exploiting the available resources at maximum level

and a smoothly, at low cost and adequate flow of finance or credit is pre-requisite for sustainable agriculture development. The smoothly and adequate flow of credit is directly related to the cost of production. Hence Government agencies are promoting diversification in production, research, and farm extension. NABARD (National Bank for Agricultural and Rural Development) is also one among those agencies in India, which has been established by Government for supporting and promoting agriculture and rural development. In order to achieve its mission, NABARD is running on many plans and schemes and one of the schemes is KCC

Review of literature:

B.B. Barik (2010) in his study “ kisan credit card scheme – a dynamic intervention for reduction in rural poverty” opined that Realising the importance of enhancement of flow of credit to the rural sector and reduction of the dependence of farmers on non-institutional sources of credit, NABARD introduced Kisan Credit Card (KCC) scheme. Samir Samantara (2010) in the Occasional paper “Kisan Credit Card – A Study” he mentioned that The introduction of a new credit product called Kisan Credit Card (KCC) in 1998-99 with three different sub-limits viz. production, assets maintenance and consumption needs is a step in this direction to address the challenge. Danish faruqui (2001) in his study “Kisan Credit Card” opined that the scheme seems well thought of and full of good intentions. Not only has availability of credit been made easier but has also been made simple to get and operate. Farmers have been given sufficient freedom to decide how to use their credit, while at the same time a set repayment schedule has been provided. However for this scheme to be successful, education of both the farmers and also the bank officials about the scheme is required.

Objective:

The main objective of the paper is to analyse Progress of Kisan Credit Card (KCC) Scheme in India and to study the share of each Agency in the Total issue of KCC and the amount sanctioned the present study is based on secondary data. The secondary information has been collected from the publication of RBI that is, Report on trend and Progress of banking in India, 2009 – 2010.

This data has been used to examine progress made under the scheme since its inception. For the present study analysis we have used Compound Average Growth Rate (CAGR) and percentages

Agency-wise and Period-wise progress of Kisan Credit Card (KCC)

(Number of cards issued in lakhs)

(Amount sanctioned in Rs crores)

Year	Cooperative Banks		Regional Rural Banks		Commercial Banks		Total	
	Cards Issued	Amount Sanctioned	Cards Issued	Amount Sanctioned	Cards Issued	Amount Sanctioned	Cards Issued	Amount Sanctioned
1998 - 1999	1.55	826	0.06	11	6.22	1473	7.84	2310
1999 - 2000	35.95	3606	1.73	405	13.66	3537	51.34	7,548
2000 - 2001	56.14	9412	6.48	1400	23.9	5615	86.52	16,427
2001 - 2002	54.36	15952	8.34	2,382	30.71	7,524	93.41	25,858
2002 - 2003	45.79	15,841	9.64	2,955	27	7,481	82.43	26,277
2003 - 2004	48.78	9855	12.74	2,599	30.94	9331	92.47	21785
2004 - 2005	35.56	15,597	17.29	3,833	43.96	14,756	96.80	34,186
2005 - 2006	25.98	20339	12.49	8483	41.65	18,779	80.12	47,601
2006 - 2007	22.98	13141	14.06	7373	48.08	26215	85.11	46729
2007 - 2008	20.91	19991	17.72	8743	46.06	59530	84.70	88264
2008 - 2009	13.44	8428	14.14	5648	58.34	39009	85.92	53085
2009 - 2010	17.43	7606	19.49	10132	53.13	39940	90.06	57678
<i>Total</i>	<i>378.87</i>	<i>140594</i>	<i>134.21</i>	<i>53964</i>	<i>423.63</i>	<i>233190</i>	<i>936.72</i>	<i>427748</i>
<i>CAGR</i>	<i>22.34</i>	<i>20.32</i>	<i>61.92</i>	<i>76.61</i>	<i>19.57</i>	<i>31.65</i>	<i>22.56</i>	<i>30.75</i>

Source: RBI Report on Trend and Progress of Banking in India 2009-10

The above table provides information regarding the Agency-wise and Period-wise progress of Kisan Credit Card (KCC). from 1999 to 2010. When the Scheme was initiated there were only 7.84 lakhs of KCC could be issued in the initial year and it progressed consistently in subsequent years. Putting an emphasis on increasing credit flow to the agricultural sector, NABARD advised the banks to identify and cover all farmers including defaulters, oral lessees, tenant farmers and share croppers, who were left outside the hold of the KCC scheme for any reason so that all farmers are covered under the scheme. As a result of this there was a drastic increase in the issue of cards in the year 1999-2000. Further, banks were advised to issue KCCs in a hassle free manner, extend crop loans only through KCCs and renew them so as to ensure quality in operations which resulted again in the increase in the number cards issued in the year 2000-2001. In accordance with the announcement in the GOI budget 2001-02, Personal Accident Insurance Scheme (PAIS) has been introduced as a 'add-on benefit' and all the Kisan Credit Card holders would be insured for Rs. 50,000 at a nominal premium of Rs. 15/- per annum as agreed to by General Insurance (Public Sector) Association, so this led the scheme to become popular both amongst farmers and bankers and as a result there was an increasing trend in the issue of cards in 2001 -2002. To cater to the comprehensive credit requirements of farmers under the singlewindow, NABARD enlarged the scope of KCC and was broadened by from time to time. NABARD broadened the scheme by introducing Term loan financing in August 2004 and witnessed further increase in the issue of cards. In addition to short-term credit needs and term loans for agriculture and allied activities, a certain component of loans through KCC also covers consumption needs of the farmers. Keeping in view the Government of India's emphasis on increasing credit flow to the agriculture sector, it has been the constant endeavour of NABARD to cover all the farmers under the KCC. About 936.72 lakhs of Kisan Credit Cards have been issued up to end of 2009-10 by the banks throughout the country and the overall cumulative sanctioned amount was 427748 crores. The Commercial Banks have issued the total highest number of KCCs amongst the three agencies. Maximum KCC issued by Commercial Banks (CBs) are 423.63 lakhs followed by Co-operative Banks 378.87 lakhs, and minimum issued by RRBs 134.21 lakhs. Maximum CAGR of KCCs issued was RRB's 61.92 per cent followed by Cooperative Banks 22.34 per cent and minimum by Commercial Banks (CBs) 19.57 per cent; and the overall ACGR of total KCCs issued was 22.56 per cent.

Agency-wise share of Kisan Credit Card (KCC)

year	Cooperative Banks	Regional Rural Banks	Commercial Banks	Total
1998 - 1999	1.55 (19.77)	0.06 (1.01)	6.22 (79.22)	7.84(100)
1999 - 2000	35.95 (70.02)	1.73 (3.37)	13.66 (26.61)	51.34(100)
2000 - 2001	56.14 (65.90)	6.48 (7.50)	23.9 (26.60)	86.52(100)
2001 - 2002	54.36 (58.20)	8.34 (8.92)	30.71 (32.88)	93.41(100)
2002 - 2003	45.79 (55.56)	9.64 (11.68)	27 (32.76)	82.43(100)
2003 - 2004	48.78 (52.75)	12.74 (13.79)	30.94 (33.46)	92.47(100)
2004 - 2005	35.56 (36.73)	17.29 (17.86)	43.96 (45.41)	96.80(100)
2005 - 2006	25.98 (32.43)	12.49 (15.59)	41.65 (51.98)	80.12(100)
2006 - 2007	22.98 (26.99)	14.06 (16.52)	48.08 (56.49)	85.11(100)
2007 - 2008	20.91 (24.69)	17.72 (20.92)	46.06 (54.39)	84.70(100)
2008 - 2009	13.44 (15.64)	14.14 (16.46)	58.34 (67.90)	85.92(100)
2009 - 2010	17.43 (19.36)	19.49 (21.65)	53.13 (58.99)	90.06(100)
Total	378.87 (40.45)	134.21(14.33)	423.63(45.22)	936.72(100)

Source: RBI Report on Trend and Progress of Banking in India 2009-10

Figures in brackets indicates percentages

The above data clearly shows that, Of the total number of KCCs (936.72 lakhs) issued till end-March 2010, since the inception of the scheme, the largest percentage has been issued by commercial banks. Moreover, there has been a more or less steady increase in the number of cards issued through commercial banks since the scheme was started. As against this, the number of cards issued by cooperative banks from the inception period increased till 2001 but it has

witnessed a declining trend since 2001-02, after peaking in 2000-01. Consequently, there has been a steep fall in the share of cooperatives banks between 2000-01 and 2009-10 from 65.90 per cent to 19.36 per cent. In order to fulfil the investment credit needs of farmers in the year 2001 after the introduction of insurance scheme, co-operative banks constituted 58.2 per cent, followed by commercial banks (32.88 per cent) and RRBs (8.92 per cent) During 2004-05, i.e. after introducing the term loans there was the highest issue of cards if we observe from 1999 to 2010, during this period the commercial banks accounted for the largest share (45.41 per cent), followed by Cooperative banks (36.73 per cent) and RRBs (17.86 per cent). The commercial banking sector has made the most significant progress in expanding the KCCs outreach this statement was witnessed according to the Agency-wise break up out of total KCCs issued under the scheme since its inception, The share of Commercial Banks (CBs) was maximum 45.22 per cent in total KCC issued followed by Co-operative Banks 40.45 per cent and minimum was RRBs 14.33 per cent during the period under study

Findings:

- The Commercial Banks (CBs) have performed relatively better than other agencies in context of issuing KCCs may be because of the maximum utilization of KCC advantages like Flexibility to draw cash, Access to adequate and timely credit and maintenance of better banker client relationship.
- Poor financial position of the cooperative banks and RRBs lack of infrastructure facilities which are a hurdle in the way of augmenting credit facilities, etc.
- In discussion with bankers during the study it emerged that there was a general sense of satisfaction amongst them that the KCC was a useful financial device for their rural clients and that good progress had been made in its distribution.
- The Government of India has been strongly exhorting the need for agriculture credit and as result KCC scheme was implemented with new innovations to further financial inclusion by improving the accessibility of credit by farmers.

Conclusion:

Agriculture sector is the mainstream of Indian economy and the most important sector of the Indian Economy. When any change in the agriculture sector-‘positive or negative’- has multiple effect on the entire economy. Therefore, the sustainable development of agriculture is the most important for acceleration in the Indian economy. Agriculture development is influenced by several factors like as irrigation, market, infrastructure and credit. Out of these factors credit is crucial input for sustainable development of agriculture. Government of India has been taken several steps in context of agriculture credit. Kisan Credit Card is one of them. In 1998 Kisan Credit Card Scheme was introduced for smoothly flow of agriculture credit. This study gives a full fletched analysis on the data related to the KCC and the study has brought to light certain operational issues, mainly pertaining to the Agency-wise and Period-wise progress of KCC and Kisan Credit Card Scheme - State-wise Progress. The results of this study show that there is a significant increase in the number of cards issued in each fiscal year by different agencies. So it may therefore be concluded that the KCC has definitely made dent in the horizontal growth of credit i.e. in terms of coverage by the banking sector and the efficacy of KCC is an efficient, timely and hassle free credit delivery mechanism to agriculture. To expand the coverage of borrowers under KCC, the scheme was extended to borrowers by introducing insurance schemes and by giving term loans. This phenomenal growth and progress in implementation of the Kisan Credit Scheme clearly signifies not only the foresight and capacity of the Indian banking industry to adopt innovative concepts but the easy adaptability of the farming community to new ideas so as achieve financial inclusion.

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