

## **Kisan Credit Card Scheme in India**

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### **Introduction**

Agriculture is the backbone of the Indian economy, with nearly 67 per cent of the population of the country continuing to depend on it either directly or indirectly for their livelihood (RBI, 2005)<sup>1</sup>. Agriculture continues to be an important sector of the economy with 18 per cent share in the Gross Domestic Product (NABARD 2010)<sup>2</sup>. Keeping in view the significance of the primary sector in its export earnings, in providing food security and in supplying adequate inputs to the feeder industries of agriculture such as the textiles, sugar, rice and flour mills, the milk industries and the like, any policy change in this sector, positive or negative, would cause a multiplier effect in the entire economy (Tripathi and Jain 2007)<sup>3</sup>.

Considering the dominant role of the sector and the importance of credit as an input, a multi-agency approach has been adopted by the Reserve Bank of India (RBI) for ensuring credit flow to the sector. In spite of several improvements in the delivery systems that have been undertaken over time, making institutional credit available to a large number of farmers, particularly small and marginal farmers, continues to be a challenge to the banking industry. Financing for agriculture has been a gigantic task for banks, given the enormity of the credit requirements on the one hand and vagaries of nature on the other. Provision of timely, adequate and hassle-free credit to farmers continues to be one of the major tasks for banks in India.

Both RBI and National Bank for Agriculture and Rural Development (NABARD) have taken several initiatives for simplification of systems and procedures and designing of innovative credit delivery products in dispensation of agricultural credit. In this context, the Kisan Credit Card (KCC) scheme introduced in 1998-99 was a step towards facilitating the access to Short Term (ST) credit for the borrowers from the financial institutions. The scheme was conceived as a unique credit delivery mechanism, which aimed at provision of adequate and timely supply of ST credit to the farmers to meet their crop production requirements.

**Kisan Credit Card Scheme – Major Features:** KCC Scheme was a step towards facilitating the access to short term credit for the farmers from the financial institutions to meet their crop

production requirements which includes purchase of agriculture inputs like seeds, fertilizers, pesticides etc. A credit card and a pass book or a credit card cum pass book incorporating the name, address, particulars of land holdings, borrowing limit, validity period, are issued to beneficiaries covered under this scheme. It may serve both as an identity card and facilitate recording of transactions on an ongoing basis. This scheme mainly helps farmers for the purchase of inputs during the cropping season. The farmer to be covered under this scheme is evaluated by the bank on financial basis by looking at his past record with the bank, and on personal grounds by assuming at his reputation in the village or town. Operational land holdings may also be the bases for fixing the credit limit under the card. To cover the KCC holders against any accidental death or permanent disability or partial disability up to Rs.50,000 and Rs.25,000, respectively, an insurance scheme had been formulated by the General Insurers' (Public Sector) Association of India (GIPSA) in close co-ordination with the NABARD. In this connection, the present study is concerned with exploration of Kisan Credit Card Scheme and analyses the progress made by banks under this scheme.

**Progress of Kisan Credit Card Scheme in India** Table 1 shows the progress made in the issue of KCC in India, according to the various agencies over a period from 1998-1999 to 2010-2011.

**Table 1**

**Kisan Credit Cards (KCC) Issued and the Amounts Sanctioned by the Various Credit Agencies**

**(Amount Sanctioned in Crores and No. of Cards Issued in Million)**

Year	Cooperative Banks		RRBs		Commercial Banks		Total	
	No. of Cards	Amounts Sanctioned	No. of Cards	Amounts Sanctioned	No. of Cards	Amounts Sanctioned	No. of Cards	Amounts Sanctioned
1998-	1.55	826	0.06	11	6.22	1473	7.84	2310
1999-	35.95	3606	1.73	405	13.66	3537	51.34	7548
2000-	56.14	9412	6.48	1400	23.90	5615	86.52	16427
2001 -	54.36	15952	8.34	2382	30.71	7524	93.41	25858
2002-	45.79	15841	9.64	2955	27.00	7481	82.43	26277
2003-	48.78	9855	12.73	2599	30.94	9331	92.47	21785
2004-	35.56	15597	17.29	3833	43.96	14756	96.80	34186
2005-	25.98	20339	12.49	8483	41.65	18779	80.12	47601
2006-	22.98	13141	14.06	7373	48.08	26215	85.11	46729
2007-	20.91	20492	17.73	9074	46.06	20421	84.70	49987
2008-	13.44	13172	14.14	7632	58.34	25865	85.92	46669
2009-	17.50	7606	19.50	10132	53.10	39945	90.10	42774
2010-	28.10	10719	17.70	11468	55.80	50438	101.60	72625
<b>Total</b>	<b>407.04</b> <b>(39.20)</b>	<b>156558</b> <b>(35.52)</b>	<b>151.89</b> <b>(14.63)</b>	<b>67747</b> <b>(15.37)</b>	<b>479.42</b> <b>(46.17)</b>	<b>231380</b> <b>(52.49)</b>	<b>1038.36</b> <b>(100.00)</b>	<b>440776</b> <b>(100.00)</b>

Note: Figures in brackets are percentages to total cards issued and to total amounts sanctioned.

Source: *NABARD Annual Report, Various Issues.*

Table 1 had shown that the total number of Kisan Cards issued by all the various agencies put together had amounted to 1038.36 lakhs during the period 1998-1999 to 2010-2011. Of the total number of cards issued, the cooperative banks alone had issued a number of 407.04 lakhs of cards (39.20 per cent). The commercial banks had issued 479.42 lakhs of cards (46.17 per cent) and the remaining 151.89 lakhs of the cards had been issued by the RRBs (14.40 per cent).

The share of the commercial banks in the total amounts sanctioned had accounted for 52.49 per cent and the share of the cooperative banks and the RRBs had accounted for 35.52 per cent and 15.37 per cent respectively. Further, it could be understood that the commercial banks had dominated among the various agencies, both in terms of the total number of cards issued and in respect of the total amounts sanctioned during the ten year period of 1998-1999 to 2010-2011.

### **Region-wise Progress of Kisan Credit Card Issued**

The following Table 2 had shown that the Region-wise analysis of total number of KCC issued by various financial agencies during the year 2011-2012, revealed that Southern Region accounted for 27.89 per cent of the total cards issued followed by, Central Region (27.41 per cent), Eastern Region (20.63 Per cent). The share of North Eastern Region in terms of KCC issued only 3.38 per cent.

Further, it could be understood that the commercial banks had dominated among the various agencies in various regions, both in terms of the total number of cards issued and in respect of the total amounts sanctioned during the year 2011-2012.

**Table 2**  
**Region-wise Progress of Kisan Credit Card Issued during 2011-2012**  
**(Amount in Rs in Billion and No. of Cards Issued in '000)**

Sl. No.	Name of the Region	Cooperative Banks		RRBs		Commercial Banks		Total	
		Cards Issued	Amount Sanctioned	Cards Issued	Amount Sanctioned	Cards Issued	Amount Sanctioned	Cards Issued	Amount Sanctioned
1	Northern Region	189	9.8	188	26.1	745	152.7	1122 (9.54)	188.6 (20.58)
2	North-Eastern Region	31	0.3	130	2.8	236	7.8	397 (3.38)	10.9 (1.19)
3	Western Region	333	10.2	83	4.1	895	93.0	1311 (11.15)	107.3 (11.71)
4	Central Region	1192	57.9	682	42.8	1349	147.4	3223 (27.41)	247.9 (27.05)
5	Southern Region	419	17.3	352	17.7	2509	243.2	3280 (27.89)	278.1 (30.35)
6	Eastern Region	797	11.0	560	21.6	1070	50.9	2427 (20.63)	83.5 (9.11)
	<b>Total</b>	<b>2916</b>	<b>106.4</b>	<b>1995</b>	<b>115.2</b>	<b>6804</b>	<b>695.1</b>	<b>11760 (100.00)</b>	<b>916.3 (100.00)</b>

**Source:** NABARD.

Note:

Northern Region : Haryana, Himachal Pradesh, Jammu and Kashmir, New Delhi, Punjab, Rajasthan, Chandigarh.

North-Eastern Region : Assam, Arunachal Pradesh, Meghalaya, Mizoram, Manipur, Nagaland, Tripura, Sikkim.

Western Region : Gujarat, Maharashtra, Goa, Daman and Diu, Dadra and Nagar Haveli.

Central Region : Uttar Pradesh, Uttarkhand, Madhya Pradesh, Chhattisgarh.

Southern Region : Karnataka, Kerala, Tamilnadu, Lakshadweep, Pondicherry.

Eastern Region : Odisha, West Bengal, Andaman and Nicobar Islands, Bihar, Jharkhand.

## Conclusion

Kisan credit card has emerged as an innovative credit delivery mechanism to meet the production credit requirements in a timely and hassle free manner. Realizing its potential for simplifications of loan procedures and in reducing the drudgery of cumbersome documentations to issue the Kisan Credit Cards to farmers on the basis of their holding for uniform adoption by the banks so that the farmers may use them to readily purchase agricultural inputs and draw cash for their production needs.

The performance of the KCC scheme has been found to vary across different regions of the country and across financial institutions. The North and North-Eastern regions continue to be underperformers with respect to KCC during the year 2011-2012. Further, it could be understood that the commercial banks had dominated among the various agencies, both in terms of the total number of cards issued and the total amounts sanctioned during the study period.

## References:

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