

Role of Kisan Credit Card in Agriculture: An Overview

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Abstract

The Kisan Credit Scheme (KCC) was launched jointly by the Government of India, RBI (Reserve Bank of India) and NABARD (National Bank for Agricultural and Rural Development) in 1998-99 to help the farmers to access timely and adequate credit. This scheme aims toward providing advances for agricultural needs of farmers. The scheme helps in meeting the comprehensive credit requirements of the agriculture sector by giving financial support to farmers. It is available at all Indian banks, regional rural banks and the co-operative banks. This scheme has short-term credit limits for crops and term loans. It offers cash credit to farmers which can be utilized for crop related expenses, post-harvest costs, marketing loan, consumption requirements of farmer households, working capital for maintaining the farm and its assets, activities allied to agriculture, investment credit requirement for agriculture and allied activities.

Keywords: RBI, NABARD, Rural Development

Introduction

Kisan Credit Card (KCC) Scheme aims at providing adequate and timely support from the banking system to the farmers for their short-term credit needs for cultivation of crops. This mainly helps the farmer to purchase inputs required for the cropping season. The credit card scheme proposed to introduce flexibility to the system and improve cost efficiency. The Scheme of Kisan Credit Card was launched jointly by the Government of India, RBI (Reserve Bank of India), and NABARD (National Bank for Agricultural and Rural Development) in 1998-99 to help the farmers to access timely and adequate credit. The KCC allows farmers to have cash credit facilities without going through the credit screening processes repeatedly. The repayment of credit can be rescheduled if there is a bad crop season, and extensions are offered for up to 4 years. The card is valid for 3 years and subject to annual renewals. The Banks in India that lend loan for agricultural purposes usually offer the KCC. The withdrawals are made using slips, cards and a passbook.

Objectives of the Scheme

The following are the main objectives of KCC Scheme

- i. To provide insurance coverage and financial support to the farmers.
- ii. To encourage farmers to adopt progressive farming practices, high value inputs and higher technology in agriculture.

- iii. To provide institutional credit to the farmers at the cheap rate of interest
- iv. To provide credit at the time of requirement
- v. To support Post-harvest expenses
- vi. Investment credit requirement for agriculture and allied activities such as dairy animals, inland fishery, land development, pump sets, plantation, drip irrigation etc.
- vii. Offering protection against loss of crops due to pest attacks, natural calamities, etc.

Benefits of KCC Scheme

The following are the benefits of KCC Scheme

- i. Farmers will meet their financial requirements along with any expenses incurred during the post-harvest season
- ii. A loan of Rs.3 lakh can be sanctioned and produce marketing loans can be obtained
- iii. There is no need to apply for a loan for every crop under KCC
- iv. There is assured availability of credit at any time, enabling reduced interest burden for the farmers
- v. KCC helps to buy seeds, fertilizers at farmer's convenience and choice
- vi. Any number of withdrawals is allowed subject to credit limit
- vii. The repayment of credit starts only after harvest
- viii. The rate of interest is as applicable to agriculture advance
- ix. The security, margin and documentation norms are the same as for agricultural advance.
- x. The Card has a validity of 5 years post which it will be subject to an annual review. In case of a good credit score, the card limit would be further extended to include rising costs, incidental expenses or change in cropping pattern etc.
- xi. Rescheduling of loans and conversions will be permitted in case of any damage to crops due to an unforeseen event like natural calamity etc.

Types of KCC

There is only one type of card in the form of KCC cum Pass Book by all banks. In case of some commercial bank, there is no issuance of card as such. However, there was disbursement of crop loan under the scheme for reporting purpose. The Regional Rural Banks (RRBs) have either issued Card-cum-Pass Books or a Card and a Passbook as 'KCC'. The Co-Operative Banks had devised a Pass Book, which served the purpose of a Card cum - Passbook, containing all the details about the farmer and his borrowings. The cardholder is also covered by Accident Insurance, with benefit of Rs. 1, 00,000, governed by the Bank's Insured Current Deposit Scheme. The Insurance is optional to the borrower. However, farmers are compulsorily covered under Personal Accident Insurance Scheme (PAIS)

How to get KCC

The followings are the steps to obtain KCC

- i. The farmers may approach the nearest public sector bank and get the details about KCC.
- ii. Visit the preferred bank's website and their Kisan Credit Card Section
- iii. Download & print the Application form
- iv. Duly fill out the Application form
- v. Submit the application and necessary documents at the nearest bank's branch.

- vi. The loan officer will share the necessary information with the applicant
- vii. Once the loan amount is sanctioned the card will be dispatched
- viii. The eligible farmers will get a Kisan Credit Card and a Pass Book. The card has the name, address, particulars of land holding, borrowing limit, validity period, a passport size photograph of holder which may serve both as an identity card and facilitate recording of transactions on an ongoing basis.
- ix. The borrower is required to produce the Card cum Pass Book whenever he/she operates the account.

Salient Features of the KCC

The salient features of KCC are given below

- i. Eligible farmers to be provided with a Kisan Credit Card and a pass book or card-cum-pass book.
- ii. Revolving cash credit facility involving any number of drawls and repayments within the limit.
- iii. Limit to be fixed on the basis of operational land holding, cropping pattern and scale of finance.
- iv. Entire production credit needs for full year plus ancillary activities related to crop production to be considered while fixing limit.
- v. Sub-limits to cover short term, medium term as well as term credit are fixed at the discretion of banks.
- vi. Card valid for 5 years subject to annual review. As incentive for good performance, credit limits could be enhanced to take care of increase in costs, change in cropping pattern, etc.
- vii. Security, margin, rate of interest, etc. as per RBI norms.
- viii. Operations may be through issuing branch (and also PACS in the case of Cooperative Banks) through other designated branches at the discretion of bank.
- ix. Withdrawals through slips/ cheques accompanied by card and passbook.
- x. Crop loans disbursed under KCC Scheme for notified crops are covered under Crop Insurance Scheme, to protect the interest of the farmer against loss of crop yield caused by natural calamities, pest attacks etc.
- xi. This Scheme covers all the Kisan Credit Card Holders against death or permanent disability within the country.
- xii. . All card holders up to the age of 70 years are covered by KCC.
- xiii. Death due to accident caused by outward, violent and visible means up to Rs.50,000/-
- xiv. Permanent total disability up to Rs.50,000/-
- xv. Loss of two limbs or two eyes or one limb and one eye up to Rs.50,000/-
- xvi. Loss of one limb or one eye up to Rs.25,000/-

Major Steps taken by NABARD

- i. 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.
- ii. 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
- iii. NABARD conducts studies on KCC Scheme periodically to facilitate feedback on the ground level issues/problems so that changes, where necessary, could be considered.
 - iv. 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.
 - v. 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.

- i) 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.
- ii) The Bankers were also advised to issue KCC to tenant farmers/ share croppers/oral lessee/joint liability groups.
- iii) 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. As desired by the Hon'ble Finance Minister of India, the bankers were advised to increase KCC coverage by 20% in number and also in amount during the financial year 2010-11 over the year 2009-10. Similar increased coverage is expected during 2011-12.

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.

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