

Kisan Credit Card An Instrument For Financial Inclusion

* Ms.Shital Bhatt



ABSTRACT

As 1/3rd of population in India is living in rural areas, there is much necessity for Inclusion of rural people in the financial system. As far as rural credit system is concerned in India, it has many dimensions and informal source of finance was once the only and dominant form of rural credit. The appearance of banks has no doubt reduced the share of informal source but not up to the desired extent. To solve the above problem, NABARD started different programmes to supply adequate credit to farmers, which has made the rural finance system more inclusive and sociable. The present paper deals with the role of Kisan Credit Card as an Instrument for Financial Inclusion and the progress made so far.

Objective: 1) To know the conceptual framework of KCC. 2) To analyze the progress done by banks in the implementation of the Scheme. 3) To study the different issues and constraints related to the scheme 4) To provide some suggestions for its effective implementation.

Methodology: The present study is based on the secondary data collected from NABARD Journal, Publications, Occasional Papers, RBI Reviews etc. The other information have been taken from journals and websites.

Introduction:

Agriculture is an important sector of the economy with 18 % share in GDP. Institutional credit played a very important role in its development. 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 financial reforms also highlighted the need for innovative credit interventions from institutional agencies to support farmers. Against this backdrop, Kisan Credit Card (KCC) emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle free manner.

It was started by the GOI in consultation with the RBI and NABARD in 1998-99. This was implemented throughout the country by public sector commercial banks, RRBs and cooperative banks.

The target groups of beneficiaries for KCCs are all categories of farmers, vulnerable groups like defaulters-farmers, oral lessees, tenant farmers, share croppers and others who have been left outside the fold of KCC Schemes for any reasons etc.

Salient features of KCC Scheme:

- * Provision of a pass book or card-cum-pass book to eligible farmers.
- * Revolving cash credit facility involving any number of drawals and repayments within the limit.

- * Limit to be fixed on the basis of operational land holding, cropping pattern and scale of finance.

- * Card valid for 3 to 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.

- * Repayment within a maximum period of 12 months.

- * Security, margin, rate of interest, etc. as per RBI norms.

- * Operations may be through issuing branch or through other designated branches at the discretion of bank.

- * Crop loans disbursed under KCC Scheme for notified crops are covered under National Crop Insurance Scheme.

Progress of Kisan Credit Card in India:

Only 0.78 million 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 who were left outside the hold of the KCC scheme for any reason so they can be covered under the scheme by March 31, 2007. The following table shows the number of credit cards issued in India from 2005-06 to 2009-10.

See Table 1

The above table shows that 10,367.49 lakhs of credit cards have been issued till 2009. In the span of five years, Commercial Banks have issued more number of cards as compared to other Banks. But in 2009-

Table-1 Number of credit cards issued in India from 2005-06 to 2009-10.

Agency	Cards issued (in Lakhs)					Total
	2005-06	2006-07	2007-08	2008-09	2009-10	
Cooperative Banks.	25.98	22.97	20.91	13.44	12.17	95.47
RRBs	12.49	14.06	17.73	14.15	11.02	69.45
Commercial Banks	41.64	48.08	46.06	58.34	8.45	202.57
Total	80.11	85.11	84.70	85.93	31.64	367.49

Source: NABARD Annual Report, 2010

Table-2 Amount Sanctioned under KCC Scheme (2005-06 to 2009-10)

Agency	Amount sanctioned (In Rs Crore)					Total
	2005-06	2006-07	2007-08	2008-09	2009-10	
Cooperative Banks	20,339	13,141	19,991	8,428	5,241	67,140
RRBs	8,483	7,373	8,783	5,648	5,512	35,799
Commercial Banks	18,779	26,215	59,530	39,009	6,657	1,50,190
Total	47601	46729	88304	53085	17410	2,53129

Source: NABARD Annual Report.2010

10 Commercial Banks proportion has been decreased to 8.45 lakhs. The main reasons for decline in the issue of KCC is the emergence of Micro Finance Sector (MFI) and Self Help Groups. The MFI has evolved from micro savings to micro credit and later they entered the fields of micro insurance, micro remittance and micro pension. The proportion of RRBs in issuing KCCs was less in comparison with Co-operative Banks. This is mainly because of poor infrastructure, inadequate marketing strategies, untrained staff and lack of technological advancement in RRBs.

See Table 2

The amount sanctioned under KCC shows increasing trend, but the number of cards issued by all agencies has been showing a fluctuating trend. The total amount of money sanctioned through KCCs declined from 2008-09 to 2009-10. At that moment they have been given new responsibility called Financial Inclusion as a new mantra and thereby started opening 'No Frill Accounts' This facilitated the farmers to get overdraft facilities and as a result the borrowers under KCC Scheme has declined.

The performance in the implementation of the KCC scheme has been impressive 10 in the states of Andhra Pradesh, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and Uttranchal.

Benefits Of Kisan Credit Card Scheme To the farmers:

- * Access to adequate and timely credit to farmers.
- * Minimum paper work and simplification of documentation.
- * Flexibility to draw cash at any time and buy inputs as per the need of the farmer and also to repay as and when surplus fund is available.
- * Assured availability of credit at any time enabling reduced interest burden for the farmer.
- * Sanction of the facility for 3 years subject to annual review and satisfactory operations and provision for enhancement.
- * Reduction in cost of credit for availing the bank loan,
- * Insurance cover (NAIS/PAIS) at a very low premium rate.

To the Banks:

- * Reduction in work load for branch staff by avoidance of repeat appraisal and processing of loan papers under KCC Scheme
- * Improvement in recycling of funds and better recovery of loans.
- * Reduction in transaction cost to the banks.

*** Better Banker - Client relationships.**

Since launching in 1998, around 10.09 crore KCC were issued upto 31 March 2011 by all Banks together.

Issues and Constraints: In spite of the progress, there are certain operational issues mainly pertaining to the eligibility criteria adopted by the banks, its issue, remittance of crop insurance premium, etc. Some of these issues are enumerated as under:

* It was observed that the KCC was mostly being issued to the farmers only once. However, in a few cases there was drastic upward revision of the limit and a new card was being issued which sometimes counted again resulting in double counting and increasing the number of card issued.

* One of the factors responsible for lower limits was the high stamp duty charged on higher loan amounts This has increased the cost substantially.* The crop insurance scheme continues to pose problems on account of limitations in the crop cutting experiments and non-coverage of certain crops. KCC gives the farmer the flexibility to draw the amount of loan any time whereas only those loans which are drawn strictly within the season gets covered under crop insurance. This could pose many problems in the coverage of insurance scheme.* It is learnt that banks find it difficult to maintain data on crop-wise loan issued. * Cheques facility' in the KCC is not fully evident.* Effective utilization of KCC was not possible because of the cumbersome documentation process required to become a KCC holder and thereafter-availing production credit. * Despite promotional efforts by banks, farmers were not aware of the facilities available under KCC. Similarly bankers were also not very much familiar with various operational aspects of the scheme.

* Although the model guidelines as also the schemes of banks provided for inclusion of leased-in land and exclusion of leased-out land, there were practical difficulties in implementing the same as the banks were not accepting the oral lease. Land leased-in and leased-out orally were not recorded in revenue record. In the absence of this, loans benefits were not properly distributed.

Suggestions

The KCC is a novel tool for rural development. But it is subject to certain shortcomings. In order to tide over such shortcomings the following suggestions could be made.

*** Creating Awareness**

Awareness programmes should be launched in rural areas for the people and farmers also among the bank officials.

*** Eliminating Brokers**

The borrowers of KCC alleged that it is very difficult to obtain loan under KCC schemes without the service of brokers and they collect unauthorized charges for their services. This trend has to be changed, by directing the branches of banks in rural areas to provide loan after the screening of applications by farmers.

*** Identification of Fake Owners.**

Some serious steps should be taken to identify fake farmers. Proper database has to be created of farmers in the concerned area for this purpose.

*** Conducting Survey of Excluded farmers**

Different marginalized groups like sharecroppers, tenants, farmers, oral lessees who are in the bottom of the pyramid of rural society should be included under this scheme through different programmes.

*** Reduction of Rate of Interest.**

This may attract more farmers as it was found that KCC users were less because of high rate of interest.

Conclusion

Kisan Credit Card has emerged as an innovative and indispensable credit delivery mechanism to meet the credit needs of farmers in a timely and hassle free manner. Right from its inception the farmers are enjoying the embedded advantages. However some serious efforts has to be made to include vulnerable groups who are still deprived of such facilities so as to make them financially inclusive and achieve Inclusive Growth.

** Asst.Prof. Dept.of Economics, K.B College of Arts & Commerce for Women, Thane*

REFERENCE

B.B.Barik: Kisan Credit Card-A dynamic Intervention for Reduction in Rural Poverty. Bhaskar Rao: A study on effectiveness of Kisan Credit Cards. Southern Economist, June 2006. Govt.Of India, Economic Survey (2009-10), Ministry of Finance. Samir Samantara: Kisan Credit Card - A Study.NABARD, Mumbai, 2010 Support from the Banking System - A Case study of Kisan Credit Card. www.nabard.org www.google.com.