

## Significance and Benefits of Kisan Credit Card In the Field of Agricultural Development in Northern Karnataka

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**Abstract:** Kisan Credit Card or KCC is a scheme specifically designed by NABARD to provide farmers with financial support. The short-term loan is intended to help farmers receive timely financial aid and support from the banking system. The money can be used for multiple purposes.

The quantum of financial assistance to agriculture in India has improved manifold since the financial reforms. The government along with RBI has introduced various schemes and programs in order to channelize funds to rural areas of the country so that sufficient credit can be provided to farmers. It also emphasized on the need for creative credit instruments to support farmers and that gave birth to Kisan Credit Card Scheme. The scheme has been started in the year 1998 on the recommendations of Shri R.V. Gupta committee. The Kisan credit card scheme is a short term credit facility in order to provide agriculture credit in hassle free manner for production as well as consumption needs of the farmers. It facilitates in providing financial assistance to the farmers to meet their credit needs in relation to production, consumption as well as other allied activities throughout the year as and when required. The current paper reviews the significance and use of Kisan credit card in the field of agricultural developments in the Northern Karnataka since inception.

**Key Words:** System, Credit, Use, Reforms,

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### I. Introduction

The history of Agriculture in India dates back to Indus Valley Civilization and even before that in some places of southern India. India obtains second rank in worldwide farm outputs. As per 2018, agriculture contributed 17-18 percent to country's GDP and agriculture employed 50 percent of Indian work force. Indian Agriculture is composed of many crops, with the prominent food staples being wheat and rice. Indian farmers also grow pulses, sugarcane, oilseeds, potatoes and non- food items such as tea, coffee, rubber, jute and cotton. India is fisheries giant as well.

In order to meet the comprehensive credit requirement of farmers and agriculture sector, Indian banks introduced a unique scheme known as Kisan Credit Card Scheme in August 1988. This model scheme was prepared by National Bank for Agriculture and Rural Development (NABARD) on the recommendations of R.V.Gupta committee to provide term loans and agricultural needs. In addition to this by 2019 the scheme extends facility for fisheries and animal husbandry by giving financial support to farmers. The main purpose of this study is to know the significance and use of Kisan Credit Card in the field of agriculture for its developments. So, in this regard the researcher has chosen the title significance and use of Kisan Credit Card in the field of agricultural development in Northern Karnataka.

### Review of major features of KCC scheme launched by various banks

**Commercial bank** - All the 27 public sector commercial banks had launched KCC Scheme based on the model scheme circulated by RBI in August 1998. Most of the commercial banks had issued KCCs only to those farmers who had good track records for the last 2/3 years. Some of the banks stipulated the minimum eligibility for issue KCC at one acre of irrigated land. In order to speed up the progress in issue of KCC, some banks had advised their branches that all tractor borrowers may be issued KCC. The branches of commercial banks have been issuing cards mostly to existing borrowers only.

**Regional rural bank** - The RRBs had launched a KCC scheme with effects from the year 1998-99. Initially KCC were issued to only those farmers who had good track records for the 2-3 years. However, later on, the banks have modified these instructions to allow the issue of cards to even new borrowers who are considered creditworthy. Most of the banks have brought down the initial ceiling from Rs.5000 to Rs.3000. Some of the banks did not stipulate any lower monetary ceiling. Banks have followed the guidelines issued by RBI and

NABARD in this regard. However a few banks had fixed the limit on the basis of the total income of the farmer and his family from all sources.

**Co-operative bank** - The cooperative banks had launched the KCC scheme based on the model scheme circulated by NABARD. The cooperative banks make eligibility for issue KCC to members who were not defaulters. The cooperative banks have reduced the lower limit from Rs.5000 to Rs.3000. some banks did not fix any minimum credit limit but. Cooperative banks stipulated/ fixed the limit based on scale of finance, cropping pattern and land holding. On the other hand the maximum amount under KCC was subject to the individual maximum borrowing power (IMBP) set by cooperative bank.

### **Objectives and Rationale behind Kisan Credit Card Scheme**

Due to lack of awareness among farmers and unnecessary delays, complex procedures and improper practices adopted by institutional lending agencies; a large number of farmers heavily depend on non-institutional sources of credit for their frequent needs to purchase agriculture inputs such as seeds, fertilizers, pesticides etc. The non-institutional credit is not only expensive but also counterproductive. This scheme was launched to provide adequate, timely and cost effective institutional credit from the banking system to the farmers for their cultivation needs. Farmers can not only purchase inputs but also can withdraw cash from this credit card for their input needs.

Some of the recommendations of the committee relating to agricultural credit in general and short term credit needs of the farmers in particular were as follows:

- The committee had recommended that for ensuring quick disposal of loan applications, at least 90 percent of loan applications should be decided at the branch level.
- Short-term credit needs of the farmers should include all requirements directly or indirectly related to production, post-harvest and house hold expenses. Repayment capacity should be assessed on the basis of aggregate house hold income from all sources including crop production and ancillary activities. The credit facility should be extended through a composite cash credit facility. The limit may initially be provided for one year but over time extended for a longer period and brought to credit at least once in a year. On credit balances, banks would pay interest and charge interest on outstanding. Advances under such limits may be reckoned as advances for agriculture.
- While some minor investments of a medium term nature can be taken into account in the composite cash credit limit, investments of a major nature would still need a separate loan.
- The system of disbursing agricultural loans partly in cash and partly in kind has restricted borrower's choice and given rise to undesirable practices. In order foster an environment of trust, banks may disburse loans for agricultural activities on a cash basis only and discontinue the practice of obtaining bills receipts for inputs assets purchased.
- Insistence on "NO-Due certificate" as a precondition for sanctioning a loan is unnecessary and time consuming. Where banks are conversant with the track record of the borrowers, obtaining such certificates should be left to the discretion of the lending banker.
- Apart from improving recoveries, the committee had recommended for incentives for farmers who were prompt in repayment. Bank should design appropriate incentive systems including interest benefit or rebate to borrowers who repay their dues promptly. Besides incentive for prompt repayment, farmers who opt for savings module linked to the loan product may be given a fingerspell fete both on the loan as well as on the savings product.
- Taking into account the procedural difficulties and the high cost of stamp duty connected with registering a mortgage in favor of a bank, state governments may initiate steps to abolish stamp duty on mortgage of agricultural land for obtaining loans from banks.
- Unlike in urban areas most of the land in rural areas is inherited and there are no title deeds. The original land records in the Tehsil office are similar to a share depository and if a former has a passbook with an authenticated record of his land holding the bank should accept the same as valid title for purpose of an equitable mortgage.
- In states where the Agricultural Credit Operations and Miscellaneous Provisions (Banks) Acts have been passed bank loans should be secured through the mechanism of declaration prescribed there under. States, which have not passed the above legislation, may consider doing so. In the interim, such states may issue administrative orders that declarations made by borrowers on the Talwar committee model for charging their lands may be noted in the revenue records so that banks can lead against them.
- The value of security taken should be commensurate with the size of the loan and tendency to ask for additional collateral by way of guarantors where the land has already been mortgaged should be discouraged.
- In order to inform farmers transparently of the amount and the various fees and charges levied by the banks farmers should be given a statement indicating the facilities availed, fees, charges etc. levied.

### **Key features of Kisan Credit Card**

Regional Rural banks, Cooperative Banks and Public Sector Commercial Banks have implemented the Kisan Credit Card Scheme in India. Its primary objective is to provide easily attainable short term loans to farmers. The scope of this unique facility also includes term loans for agriculture and other allied activities and is a determining factor for consumption loan.

### **The basic features associated with the Kisan Credit card**

- Credit to meet the financial requirements of agricultural and other allied activities
- Ancillary credit for crop production and other contingencies
- Investment credit for agricultural requirements such as dairy animals, pump sets etc.
- Produce marketing loans
- Post-harvest expenses
- Insurance coverage for Kisan Credit Card holders, including asset insurance and personal accident insurance scheme (PAIS)

### **Salient features of Kisan credit card loan scheme**

Given below are some of the ancillary features available under the Kisan Credit Card scheme as mandated by RBI.

- All farmers who are eligible for the Kisan Credit Card will be issued a smart card cum debit card in addition to the Kisan Credit Card.
- The facility of revolving credit is available for any amount of withdrawals and repayments made within the credit limit. However, installments of the amount withdrawn have to be repaid within 12 months.
- Based on the annual review, banks will determine the validity of the existing credit card.
- Credit limits can be increased at the issuing bank's discretion to accommodate for changes in cropping pattern, increase in operating costs, etc. as an incentive for good record on credit card usage.
- Conversion/rescheduling of loans also permissible in case of damage to crops due to natural calamities.

### **Benefits of Kisan Credit Cards**

- Flexible repayment options and hassle-free disbursement procedure.
- Single credit facility/ term loan for all agricultural and ancillary requirements.
- Assistance in the purchase of fertilizers, seeds, etc. as well as in availing cash discounts from merchants/dealers.
- Credit is available for a period of up to 3 years and repayment can be made once the harvest season is over.
- Minimal documentation and maximum flexibility offered for withdrawal of the required funds from the issuing bank.
- Funds can be withdrawn from any of the bank's branches across the country.

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