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Kisan Credit Card

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Agriculture is the backbone of Indian economy. Majority of farming communities earn their livelihood from agriculture and allied activities. The **Kisan Credit Card (KCC)** scheme is a credit scheme introduced in August 1998 by Indian public sector banks to issue kisan credit card to the farmers of India. It is a flexible and simplified procedure, adopting whole farm approach, including short-term, medium-term and long-term credit needs of borrowers for agriculture and allied activities and a reasonable component for consumption need. To ensure availability of agricultural credit at a reasonable cost of 7% per annum to farmers. As part of the **Atmanirbhar Bharat** Package, the Government has announced to cover 2.5 crore farmers under the Kisan Credit Card (KCC) scheme with a credit boost of Rs. 2 lakh crores through a special saturation drive.

Introduction

Agriculture is the backbone of Indian economy. Majority of farming communities earn their livelihood from agriculture and allied activities. They have small and marginal land holding resulting less saving and follow traditional practices. Generally, they used to invest money, borrowed from money lenders for meeting the cost of agricultural activities.

The **Kisan Credit Card (KCC)** scheme is a credit scheme introduced in August 1998 by Indian public sector banks to issue kisan credit card to the farmers of India. This model scheme was prepared by the National Bank for Agriculture and Rural Development (NABARD) on the recommendations of the R. V. Gupta Committee to provide advances for agricultural needs.

Its objective was to meet the comprehensive credit requirements of the agriculture sector and by 2019 for fisheries and animal husbandry by giving financial support to farmers. Participating institutions include all commercial banks, Regional Rural Banks, and state co-operative banks. The scheme entails short-term credit for crops and term loans. KCC credit holders are also covered under personal accident insurance up to ₹50,000 for death and permanent disability, and up to ₹25,000 for other risks. The premium is borne by both the bank and the borrower in a 2:1 ratio. The validity period is five years, with an option to extend it up to three more years. Kisaan Credit Card (KCC) credit to the farmers is of two types, viz., 1. Cash Credit (for working capital) and 2. Term Credit (for capital expenditure such as the purchase of cattle, pump sets, land development, plantation, drip irrigations, etc.

The implementing banks have the discretion to adopt the scheme to suit institution/location specific requirements. The State governments have been advised to launch an intensive branch/village level campaign to provide KCC to all the eligible and willing farmers in a time bound manner.

It is a flexible and simplified procedure, adopting whole farm approach, including short-term (cultivation of crops, post harvest expenses, produce marketing loan, consumption requirements of farmer household), medium-term (working capital for

maintenance of farm assets and activities allied to agriculture like dairy animals, inland fishery) and long-term (purchase of tractor, land development/improvement) credit needs of borrowers for agriculture and allied activities and a reasonable component for consumption need. Under the scheme, beneficiaries are issued with a credit card and a pass book or a credit card cum pass book incorporating the name, address, particulars of land holding, borrowing limit, validity period, a passport size photograph of holder etc. It serves both as an identity card and facilitate recording of transactions on an ongoing basis.

Presently RuPay Card is also issued to all KCC holders which have enabled them to withdraw money from any ATM or Bank Mitra Locations situated in the country. This RuPay Card may also be used at Point of Sale (POS) machine to purchase commodities as per requirement of the farmer.

All the KCC loans are compulsorily covered under Pradhan Mantri Fasal Bima Yojna (PMFBY) where premium are shared by the Central Government/State Government and the borrowers on the basis of agreement between Government and the insurance companies. Besides the mandatory crop insurance, the KCC holder has the option to take benefit of Assets Insurance, Personal Accident Insurance Scheme (PAIS) and Health Insurance (wherever product is available). They can pay the premium through their KCC account. Compulsory premiums are paid on the basis of agreed ratio between bank and borrowers to the insurance companies from KCC accounts.

Thus, KCC scheme has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers involving commercial banks, RRBs and Co-operatives. However, during the last 15 years of implementation, many impediments were encountered by policy makers, implementing banks and the farmers.

The scheme has following features

- The scheme comes with an **ATM-enabled RuPay debit card** with facilities for one-time documentation, built-in cost escalation in the limit, and any number of drawals within the limit.
- Similarly, KCC helps the banking system in several ways like, work load of rural branches is considerably reduced, simplification of documentation and disbursement procedure, improvement in recycling of funds and better recovery of loans, reduction in transaction cost to the banks, better banker - client relationships.
- It is advantageous to a KCC holder due to simplified procedure for credit, no need to apply for loan every year, allowing him to buy seeds, fertilizers and other inputs as per his/her needs, repayment is allowed after harvest period, flexibility of drawl of funds from any branch etc.
- Besides ensuring saturation, banks will also be taking steps to link Aadhaar immediately as **no interest subvention will be given** if the Aadhaar numbers are not seeded to KCC accounts.
- Also, the government has taken several initiatives for KCC saturation which include adding farmers engaged in **animal husbandry** and **fisheries**, no processing fee of loan under KCC and raising the limit of collateral free **agriculture loan** from Rs. 1 lakh to Rs.1.6 lakh.

Objectives

- To meet the short term credit requirements for cultivation of crops and Post-harvest expenses and Produce marketing loan.
- Consumption requirements of farmer households and Working capital for maintenance of farm assets and activities allied to agriculture.
- Investment credit requirement for agriculture and allied activities.

Financial Provisions

- To ensure availability of agricultural credit at a reasonable cost of 7% per annum to farmers:
- Government of India implements an **interest subvention** scheme of 2% for short term crop loans up to Rs. 3 lakh.
- In addition, the GOI provides interest subvention of 2% and prompt repayment incentive of 3% to the farmers.

What are the Achievements of KCC?

- Annual growth rate of KCC in India from 1998-99 to 2012-13 showed that there was 22.20 % and 33.08 % increase in number of credit cards issued and amount sanctioned as credit. A strong relationship between credit given through KCCs scheme and agricultural and allied activities Gross Domestic Product, total agricultural credit by scheduled commercial banks and Total Gross Domestic.
- As of June 2020, around 25 lakh applications have been sanctioned for Nationwide Fishery KCC.
- As part of the **Atmanirbhar Bharat** Package, the Government has announced to cover 2.5 crore farmers under the Kisan Credit Card (KCC) scheme with a credit boost of Rs. 2 lakh crores through a special saturation drive.
- As a result of concerted efforts, a major milestone target of covering more than 1.5 crore farmers under KCC, with a sanctioned credit limit of Rs. 1.35 lakh crore has been achieved.

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