

# **KISAN CREDIT CARD- AN INNOVATIVE TOOL FOR FINANCIAL INCLUSION IN HARYANA**

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## **ABSTRACT**

*Inclusive development is the foremost need to achieve the aim of 'Super India'. For this Financial Inclusion is very necessary. Financial Inclusion is the delivery of financial services at the affordable costs to vast sections of disadvantaged and low income groups. Government has taken several initiatives for this. The present paper aims to critically evaluate the scheme of Kisan Credit Card Scheme through SWOT analyses in Haryana. The scheme is being implemented in the country by all types of banks from 1998-99. The study is descriptive in nature and is based on secondary data and data have been collected pertaining for the years 1999-00 to 2013-14. Various statistical tools such as percentage growth, Frequency, tables etc. have been used to analyze the result. As per as the comparative study of various banks is concerned, Commercial banks are far ahead then Cooperative and Regional rural banks. The present study has been conducted to analyse performance of the Kisan credit card scheme through Co-operative banks in Haryana in context of KCCs issuing, amount sanctioning and disbursing. The study concludes that performance of Co-operative banks has not been satisfactory in issuing cards and amount sanctioning. Lastly, SWOT analysis has been done of KCC scheme which came out with several new dimensions.*

**KEYWORDS:** *Cooperative banks, Financial Inclusion, Kisan Credit Cards, SWOT analysis*

## **I. INTRODUCTION**

Financial Inclusion is the delivery of financial services at the affordable costs to vast sections of disadvantaged and low income groups. India scores very low in the position of financial inclusion. In April 2012, a World Bank study had shown that India scores very low at the global stage in respect of financial inclusion as only 35 percent Indians have formal account versus an average of 41 percent in developing economies. India also scored very poor in terms of credit cards, health insurance, adult origination of new loans, outstanding mortgages and mobile banking. RBI also accepted it and said that there is a need for mainstreaming the inclusion. Although it's a tough task and need patience to enhance financial inclusion yet several steps have been taken by banks for it. One such innovation is Kisan Credit Card (KCC) which has emerged to address the anomalies in distributional aspect of credit. Credit is an important channel to pave the way for rural development. It has been evaluated that

in Haryana the scheme of Kisan Credit cards have been expanded at faster pace through cooperative and regional rural banks (Godara, 2014). It is provided by both the formal and informal sources such as Cooperative Banks, Commercial banks and Regional Rural banks. Among Financial Institutions, Co-operative banks are playing vital role in providing credit at affordable rate of interest (Goyal, 1975) Kisan Credit Cards have been proved an indispensable tool to speed up the financial reforms by providing support to its Agricultural Credit Market.

## II. METHODOLOGY

The main objective of the present study is to analyze the growth of Kisan Credit Cards through cooperative banks in Haryana as a tool of financial inclusion in India. The study is descriptive in nature. It is primarily based on the secondary data collected from journals, industry report, company websites, new articles and reports. This paper analyzes the growth of KCC through descriptive statistics such as percentage change, table, frequency percentage, average etc. For the analysis of data, percentage change has been calculated by using the following formula:

$$\text{Percentage change} = \frac{\text{Current year value} - \text{Base year value}}{\text{Base year value}} * 100$$

## III. RESULTS AND DISCUSSION

### 3.1 Kisan Credit Card Scheme – An Overview

KCC Scheme has been implemented to facilitate the access of short term credit for the farmers from the financial institutions to meet their crop requirements. KCC has been proved to be much beneficial than any other tool of financial inclusion for small farmers (Kamble, 2009). It was first proposed in the budget 1998-99 by then Finance Minister Sh. Yashwant Sinha. Consequent to this, NABARD prepared a Model Kisan Credit Card Scheme in consultation with the major banks on the basis of R.V. Gupta committee. The factors like age, gender, household size, farm size, education level, etc. positively influence the decision of adoption of KCCs (Kumar et al., 2007). Under this scheme a credit card and a pass book or a card-cum-pass book is issued to the beneficiaries. This card has name, address, other particulars as operational land holding, limitations of borrowing amount, validity period of the credit etc. Some of its features are as discussed below:-

- It provides revolving cash credit facility which allows any number of draws and repayment within the limit.
- Entire production credit needs for the full year to be considered while fixing limit.
- Validity period of card is 3 years and subject to annual review.
- Each drawl has to be repaid within maximum period of 12 months.
- Rescheduling of loans is allowed in case of damage due to natural calamities.
- Sub limits may be fixed at the discretion of banks.

- Security, margin, rate of interest etc. as per RBI norms.
- Crop loans disbursed under KCC Scheme for notified crops covers under RashtriyaKrishiBimaYojana (National Crop Insurance Scheme).

## 3.2 Eligibility And Loan Amount Of KCC

### Eligibility

- All farmers-individuals/joint borrowers who are owner cultivators.
- Tenant farmers, oral lessees & share croppers etc.
- SHGs or Joint Liability Groups of farmers including tenant farmers, share croppers etc.

### Loan Amount

- Short term credit limit is fixed for the first year depending upon
  - The crops cultivated as per proposed cropping pattern & scale of finance.
  - Post-harvest / household / consumption requirement.
  - Maintenance expenses of form assets, crop insurance, Personal Accident Insurance Scheme (PAIS) and Asset Insurance.
- For every successive years (2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> year), the limit will be stepped up @ 10% (Short term credit limit sanctioned for 5<sup>th</sup> year will be about 150% of the first year limit allowed to farmers.
- Investment Credit requirement of small value in the nature of form implement / equipment etc. (like sprayer, plough etc.) and repayable within a period of one year will be included while fixing KCC limit (This portion of the credit will not be included for automatic step up during 2<sup>nd</sup> year to 5<sup>th</sup> year but credit requirement for this position in each year will be reckoned for arriving at the maximum drawl limit for the respective year).
- The short term loan limit arrived for the 5<sup>th</sup> year, plus estimated investment loan requirement (highest among the five years) above will be the maximum permissible limit (MPL) and sanctioned as the Kisan credit Card Limit.
- Short term loan limit assessed for the first year or for the 2<sup>nd</sup> to 5<sup>th</sup> year plus the estimated investment credit limit required, will be the maximum drawl limit (MDL) allowed in the account, for the particular year.
- KCC will be in the nature of revolving accounts credit balance in the account, if any, to fetch interest at savings bank rate.
- Processing charges waived for KCC limit up to Rs. 3 lacs.
- Collateral security is waived for
  - Limit of upto Rs. 1 lac
  - Limit upto Rs. 3 lacs for loans with tie-up arrangement for recovery

- KCC accounts should be renewed annually well before the above due dates, every year to continue the limit during the KCC validity period of 5 year.
- Eligible crops shall be covered under Crop Insurance Scheme – National Agricultural Insurance Scheme (NAIS)

#### IV. PATH OF KCC IN INDIA THROUGH DIFFERENT AGENCIES: -

Kisan Credit Card (KCC) Scheme has facilitated the flow of credit to farmers. During 2011-12, 10.07 million KCC were issued by banks with sanctioned credit limit of 54,269 crore of the cumulative 113.91 million Kisan Credit Cards issued as at the end of December 2011, CBs issued 53.06 million cards (46.58%), fall-over by Co-operative bank, 43.66 million cards (38.33%) and by RRB 17.19 million cards (15.09%)

**Table 1 Path of KCC through different agencies**

Year	Co-operative banks	RRBs	Commercial banks	Total
2006-07	2.29	1.41	4.81	8.51
2007-08	2.09	1.77	4.61	8.47
2008-09	1.34	1.42	5.83	8.59
2009-10	1.75	1.95	5.31	9.0
2010-11	2.81	1.77	5.58	10.16
2011-12	2.96	1.99	5.12	10.07
Cumulative	43.66	17.19	53.06	113.91

#### V. PERFORMANCE OF KISAN CREDIT CARD SCHEME IN HARYANA

Kisancredit card scheme was formulated by NABARD in 1998-99 in consultation with major banks. Since 1998-99, this scheme has been operationalized by the Co-operative banks, Regional rural banks and Commercial banks since launching in August 1998, around 11.56 croreKisan credit card issued up to 31<sup>st</sup> march 2012 by Co-operative banks, Regional Rural Banks and commercial banks. It was first introduced in Andhra Pradesh. Haryana is well developed state and agricultural plays a prominent role in its economy. The KCC Scheme has a good track record in Haryana. The progress and performance can be visualized by following tables.

**Table 2. Year- wise Performance of Kisan Credit Card Scheme in Respect of Issued KCCs through Co-operative banks in Haryana (Amount in Lacs)**

Year	No. of KCC Issued	Percentage change
1999-00	1215	-
2000-01	350159	28719.67
2001-02	331405	-5.35
2002-03	338435	2.12
2003-04	122540	-63.79
2004-05	45353	-62.99
2005-06	60144	32.61
2006-07	25027	-58.39
2007-08	40370	61.30
2008-09	15467	-61.69
2009-10	14492	-6.30
2010-11	16883	16.50
2011-12	25745	52.49
2012-13	15782	-38.70
2013-14	2700	-82.89

**Source:** Agenda and Minutes of State level Bankers Committee Haryana

Table 2 shows performance of co-operative banks w.r.t. Kisan Credit Cards issued in Haryana state during the study years. From the analysis of the table, It is clear that co-operative Banks performance is not satisfactory in issuing Kisan Credit Cards as in most of the years studied the growth performance is declining.

**Table 3. Year- wise Performance of Kisan Credit Card Scheme in Respect of amount sanctioning through Co-operative banks in Haryana (Amount in Lacs)**

Year	Amount Sanctioned	Percentage change
1999-00	243	-
2000-01	96975	39807.40
2001-02	239678	147.15
2002-03	408450	70.42
2003-04	43355	-89.38
2004-05	19726	-54.50

2005-06	34706	75.94
2006-07	11834	-65.90
2007-08	18011	52.20
2008-09	11698	-35.05
2009-10	9735	-16.78
2010-11	9286	-4.61
2011-12	14257	53.53
2012-13	8128	-42.99
2013-14	2276	-71.998

**Source:** Agenda and Minutes of State level Bankers Committee Haryana

A perusal of table 3 shows performance of co-operative banks in respect of amount sanctioned through Kisan Credit Card Scheme in Haryana. It has been observed from the table that about half of the study years, percentage change from the previous years has been negative which shows that co-operative banks performance is not found satisfactory in sanctioning amount through KCCs .

**Table 4: Year- wise Performance of Kisan Credit Card Scheme in Respect of Amount Disbursed through Co-operative Banks in Haryana (Amount in Laacs)**

<b>Year</b>	<b>Amount Disbursed</b>	<b>Percentage change</b>	<b>Diversions</b>
1999-00	243	-	-
2000-01	84063	39807.40	12912
2001-02	126343	147.15	113335
2002-03	262995	70.42	145455
2003-04	283852	-89.38	-240497
2004-05	347592	-54.50	-327866
2005-06	34706	75.94	-
2006-07	224314	-65.90	-212480
2007-08	468349	52.20	-447338
2008-09	292195	-35.05	-280497
2009-10	4162902	-16.78	-407167
2010-11	510133	-4.61	-500847
2011-12	565646	53.53	-551389
2012-13	686028	-42.99	-677900
2013-14	759937	-71.998	-757661

**Source:** Agenda and Minutes of State level Bankers Committee Haryana

The results related to the amount disbursed through co-operative banks in Haryana under the Kisan Credit Card scheme and growth behaviour of the same during the years starting from 1999-2000 to 2013 -14 are presented in the table 4. It has been evaluated from the above table that number of KCC disbursed is greater than sanctioned in most of the years which shows that KCC Scheme is going in positive direction.

## VI. SWOT ANALYSIS OF KCC IN INDIA

KCC Scheme is beneficial for both farmers and banks. These are helpful to the farmers as it is a good mechanism to provide adequate and timely however along with the advantages it has same weakness and threats also.

### 6.1 Strengths

- There is less paper work and simple procedure to avail credit.
- There is also flexibility of draws from a branch other issuing branch at the discretion of the bank.
- There is no need to apply for a loan for every crop. It helps farmers to buy seeds, fertilizers at farmer's convenience and choice.
- It reduces the interest burden on the farmer by assuring credit availability at any time.
- Beneficial to banks as it has reduced the workload of branch staff because there is minimum paper work.
- Also reduced transaction cost and has made better cordial relationship between banks and clients.
- Table 4 shows that there is an increasing trend in most of the years of no. of KCC disbursed.

### 6.2 Opportunities

- Need to upscale its outreach to cover all the eligible farmers by creating more awareness to the scheme.
- Need to up gradation of land records.
- Proper training to staff which will further add to the spread of scheme.
- Need to supervise keenly.
- Need to organize KCC camps by the bank branches to educate farmers.
- As per the cultivation requirement of the crop, the loan amount is disbursed in cash as well as kind (for fertilizers, pesticides etc).

### 6.3 Weakness

The scheme is facilitating access to only short term credit need of the farmers. There is requirement of land records to ascertain cultivation rights. Lack up gradation of land records, small land holding and illiteracy of borrowers are some of the other problems hindering the progress. Table 2 evaluated that the performance of KCC is not satisfactory. Farmers were unaware of the personal accident insurance cover available under the KCC. There are too many intermediaries in obtaining the suitable securities in this KCC Scheme.

## 6.4 Threats

So far as rural banking system is concerned, at present there is no such direct threat to the KCC holders. Though the problems of NPAs (Non-performing assets) may handicap the KCC scheme.

## VII. CONCLUSION

Kisan credit card scheme has emerged as an indispensable tool to fulfill credit requirement of farmers without obstacles. Since its inception, it has grown by leaps and bounds. Honorable union minister in his budget speech for the year 2001-02 said that “The innovation of KCC is proved to be very successful” and it has happened. As each coin has two sides, there is also some hindrance which needs to be tackled timely. Such as more efforts are needed to make it more popular, long term loans should be channelized through KCC, inter-state variations should be checked etc. Despite some short coming it has been proved as a shining star for farmers. The KCC scheme has played a significant role in farm operation and income of farmers in Haryana. To bring more farmers under the scheme, the process of opening bank accounts should be simplified. This can be done by organizing village campaigns for issuance of KCCs. Similarly, farmers have the fear of being a defaulter. For this awareness generation and regular motivation from the bank officials about the scheme and its benefits should be done to develop confidence among the farmers. Similarly, expanding educational opportunities and organizing training about improved techniques of farming could be helpful in encouraging the farmers to adopt KCC scheme.

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