CHAPTER -2

A Profile of Kisan Credit Card Scheme

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A PROFILE OF KISAN CREDIT CARD SCHEME

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2.1 Introduction:

Provision of timely and adequate credit has been one of the major challenges for banks in India in dispensation of agricultural and rural credit to the farmers. Constant innovation is required in order to achieve the aim. Agricultural credit cards are not a new concept in the field of agricultural banking in India. The scheme had already been introduced in a number public sector banks in a few states much earlier¹.

Yashwant Sinha former finance Minister in his own words a sapling called the KCC planted in August-1998 has grown in to a huge tree. In fact, it is growing massively by the days to come. During the first seven months, over 6,00,000 KCCs were introduced and the numbers galloped to 15.3 million in March 1999, with the total amount sanctioned crossing Rs. 29,000 crores².

Sinha first suggested a Kisan Credit Card in 1998, and it finally emerged as a result of prolonged and painstaking deliberations at various panels like the R.V.Gupta Committee and the Crop Loan Committee set up by the RBI. There were some so called Green Cards introduced by some banks like Canara Bank and SBI a decade ago but their reach was limited to rich farmers and the culture did not go down the line. Against this backdrop, the much simpler KCC caught the imagination of farmer and banker both³.

As an add-on benefit to Kisan Credit Card holders NABARD has worked out an accident insurance scheme with GIPSA (the General Insurance Public Sector Association). The benefits range from Rs. 25,000 in the case of loss of one limb or eye to Rs. 50,000 in case of death. The annual premium worked out just to Rs. 15 per card holder and, what's even more interesting is the issuing bank pays Rs.10 of this amount⁴.

http://www.ccsindia.org/ccsindia/policy/live/studies/wp0011.PDF p.1

² Rao Katuri Nageswara, (2002) "Bank Credit-Emerging Trend", ICFAI, Hydrabad. p.65

³ lbid. p.66.

⁴ Ibid. p.67.

Playing the role of catalyst in the entire KCC operation, NABARD facilitates communication among the various agencies involved and refinances up to 30 per cent of the credit short fall by co-operative banks. NABARD raises its funds from RBI under general line of credit at 5.5 to 8.5 per cent and charges less than 6 per cent to co-operative banks through the state level Apex Banks, which in turn passes to their DCBS (District Co-operative Banks). At the farmer's end the interest rate works out from 12.5 to 16 per cent depending on the loan amount. Thus, NABARD takes care of Co-operative Banks, while RBI monitors the work by Commercial banks. NABARD, which has been carrying out studies to gauge the impact of the card scheme, is quite happy at the rate of recovery. In fact, repaying of credit under KCC is as high as 75 per cent as compared to less than 45 per cent in other crop loans. Rao (2002)⁵ says, but the scheme, like any well intentioned project, is not without its inherent limitations for instance, some banks still go by proven track record. Rao further says, that "we are trying to convince such banks that a credit card culture helps improve recovery and not only that some banks are able to sell their other products to farmers".

2.2 Status of Kisan Credit Card Scheme in India⁶:

It has been five years since the inception of the Kisan Credit Card Scheme and at present its implementation has been taken up by 27 PSBs, 378 Cooperative Banks and 196 RRBs throughout the country. The Co-operative Banks account for 65 per cent of Kisan Credit Cards issued and 63 per cent of the amount sanctioned. The Commercial Banks (PSBs and RRBs) accounted for 35 per cent of Kisan Credit Cards issued and 37 per cent of the loan sanctioned. Among all the states of India, Punjab leads the highest Kisan Credit Cards penetration ratio of 118.17 per cent, followed by Haryana and Andhra Pradesh. The all India average stood at 32.44 per cent for the same period. The

⁵ Rao Katuri Nageswara, (2002) "Bank Credit-Emerging Trend", ICFAI, Hydrabad. p.67

⁶ Singh Harpreet and Sekhon M. K., (2005). "Cash in Benefits of Kisan Credit Card Scheme: Onus is Upon the Farmers", 'Indian Journal of Agricultural Economics', Vol-60, No.3 July-Sep-2005.p.319

penetration ratio exceeding 100 in the case of Punjab indicates that for some operational holdings, there is more than one Kisan Credit Card.

2.3 Role of KCCs in the Development of Farmers⁷:

Since the scheme is well accepted both by the banks and the farming community and significant progress has been made under the scheme, it is necessary to look in to each aspect of the scheme critically so as to certain that the benefits have actually reached to the farmers as envisaged or not. Simultaneously, efforts have been made to explore the possibilities of adding new features to the scheme.

2.3.1 Revolving Limit:

The limit is sanctioned as revolving cash credit limit and released every year to the farmer who operates the account as per terms of sanction. However, it is expected that the branch managers have to make upward or downward revision by reviewing the limit every year taking into account the increase in the input cost, change in the cropping pattern, increase in area under irrigation etc. The experience shows that this is not done religiously for various reasons. As a result the farmer is deprived of additional credit, which is necessary, and which farmer is eligible for the possible solution could be to increase the limit by 15 to 20 per cent every year for the borrowers whose accounts are conducted satisfactorily. As it is, the scale of finance is not rigid and the branch manager has discretion to vary it by 10 to 15 per cent.

2.3.2 Disbursement in Cash:

The bankers had initially reservation about disbursement of entire amount in cash for various reasons, mainly the apprehension about proper utilization of loan by the borrowers. The bankers had therefore, decided conservatively to have ceiling limit up to which, the farmers can draw cash. With the experience of last 6/7 years coupled with improved recovery performance and the relationship

⁷ Kulkarni J.B. Bank of India Chair, in Rural Banking "Kisan Credit Card: A Review" Seminar on Recent Trends in Banking & Finance, 26th APR.2006.

with the borrower, we can think of increasing the limit for drawl of cash or doing away entirely with the ceiling limit so that the farmers have full freedom in utilizing the limit.

2.3.3 Interest on Credit Balance:

This incentive of getting interest at saving bank rate was given to the farmers who keep surplus cash in their accounts during the period of excess liquidity. It appears that the banks have not given adequate publicity to this aspect. The farmers have still the impression that the banks may adjust the amount deposited in the account against recovery of loan. Further, the credit balance in the account gets interest at saving bank rate. Why not treat it as short deposit and give interest even for 7 days or treat it as flexi deposit and pay interest accordingly.

2.3.4 Insurance Cover:

The Kisan Credit Card holders are covered under Personal Accident Insurance scheme. As per the scheme, the Kisan Credit Card holder is covered against accidental death or permanent disability and partial disability up to Rs.50,000/- and 25,000/- respectively. As at the end of 31st March 2002, about 7.87 lakh Kisan Credit Card holders were covered and the efforts were on to cover all the beneficiaries under the scheme. This is a very wel-come feature of the scheme and it will certainly give relief to the affected farmers.

However, while implementing the scheme, attention is not given on this particular aspect of the scheme. It is not known weather all the KCC holders are covered under the scheme. Similarly' there is no proper mechanism in place to review the progress on coverage, settlement of claims etc.

Further the procedure for settlement of claims needs to be known to all concerned. Unless proper machinery is set up, for collecting the certificates/documents regarding the death, it is very difficult for the branch manager to get the information. Although the scheme is in operation for more than 4 years no data regarding settlement of claims is available to ensure that the scheme is working satisfactorily and the farmers are actually getting the

benefit of the provision. This area needs to be looked in to more carefully for further improvement.

2.3.5 Composite Cash Credit Limit:

Most of the banks, after the Gupta Committee recommendations, have started fixing the limit based on total needs of the borrowers for short-term purposes. The composite limit is the sum of scale of finance + part of consumption needs + part of working capital requirement for short term purposes. This is really a vary good approach which makes the scheme borrower friendly. However, different banks adopt different system for computing the limit. How to calculate consumption needs and working capital needs is not known to majority of the field level machinery. There is a need to devise uniform system common for all the banks to work out composite cash credit limit.

2.3.6 Line of Credit:

Inclusion of medium term loans is that the recent directives to include MT loans under Kisan Credit Card are a very good value addition. However, mere inclusion of medium term loan or issuing credit card for medium term purposes is not the value addition. In fact the limit under Kisan Credit Card should be in the form of line of credit covering short term as well as medium term requirements along with consumption needs and working capital requirement, personal loans etc. Once the total limit is fixed, the farmer should have freedom to avail the same as per his convenience at appropriate time.

The maximum limit can be worked out on the basis of the cropping pattern, scale of finance; short term consumption and working capital needs and the medium term requirement can be worked out on the basis of future plans for acquiring assets, his repaying capacity, value of land and the worth of the borrower. Once the limit is calculated as above with security as per RBI norms, the borrower should be given freedom to use the limit for any purpose at appropriate time and as per his convenience. The reduction in the limit can also be stipulated as mutually agreed or at flat rate of 15% p.a. This in fact, is not a new idea many banks have already introduced this concept with good success.

What we are doing is giving line of credit to the farmer based on his worth and repayment capacity why not pool the collective wisdom of those bank implementing the concept and draw a common scheme for the benefit of all the Kisan Credit Card holders.

2.3.7 Issuance of Card:

The Kisan Credit Card Scheme gives an impression that borrower is issued as a card similar to credit card/debit card issued by banks to their customers in urban areas. This is not correct. In fact, as per the scheme, a passbook is issued to the borrower with relevant details some of the banks have issued plastic/laminated card to their Kisan Credit Card holders with the photograph affixed. This is a good system and should be followed by all the banks a card with the photograph and a code number (branch code number suffixed by account number) issued under the signature of the authorized official of the branch can serve as identity card for all the purposes.

Once we achieve uniformity in fixing the limit and issuing the laminated card the next step would be to issue real debit card to be used by the Kisan Credit Card holder at common ATMs installed at strategic locations in rural and semi-urban areas.

2.4 Covering all the Farmers under Kisan Credit Cards⁸:

This is a very formidable task and unless concerted efforts are being made by all those involved in implementation of the scheme. The objectives of covering all the farmers appear to be difficult. The reasons for not covering all the farmers under the scheme as brought out by various studies/findings are given below:

⁸ Kulkarni J.B. Bank of India Chair, in Rural Banking "Kisan Credit Card: A Review" Seminar on Recent Trends in Banking & Finance, 26th APR.2006.

- 1) Some of the farmers do not need credit as they are self sufficient.
- 2) Defaulter farmers are not eligible under the scheme.
- The farmers who are cultivating land on contract basis or oral lease are not covered.
- 4) The farmers who do not have land certificates are not covered. Similarly absentee landlords are not covered.
- 5) In case the land mutation is not done the farmer is deprived of KCC.
- 6) Some of the village in service area are more than 15 to 20 Kms from the bank branch both the farmers and the bank are not keen to take/issue Kisan Credit Card.
- Some of the banks stipulate minimum land holding criteria for issuing cards.
- 8) Lack of awareness on the part of the borrowers, inadequate publicity of the scheme, lack of initiative by bank branches etc.

2.5 Coverage of Crop Loans Disbursed under KCC of the Rashtriya Krishi Bima Yojana (RKBY)⁹:

GIC has agreed that the crop loans disbursed for eligible crops under the crop insurance scheme is being covered under the CCIS, now under Rashtriya Krishi Bima Yojana. However, the banks are expected to maintain all back up records relating to compliance with 'RKBY' and its seasonality discipline, cut-off date for submitting declarations and end use, etc. as in the case of normal crop loans.

 $^{^{9}}$ http://www.nabard.org/development&promotional/Kisancreditcardmore.asp

2.5.1 Objectives of the RKBY Scheme:

- To provide insurance coverage and financial support to the farmers in the event of failure of crops as a result of natural calamities, pests and diseases.
- To encourage farmers to adopt progressive farming practices, high value inputs and higher technology in agriculture.
- 3) To help stabilise farm incomes, particularly in disaster years.
- 4) To support and stimulate primarily production of food crops and oilseeds.
- 5) All farmers (both loanee and non loanee irrespective of their size of holdings) including share-croppers, tenant farmers growing insurable crops are covered.
- 6) The sum insured extends up to the value of threshold yield of the crop, with an option to cover up to 150% of average yield of the crop on payment of extra premium.
- 7) The 50% subsidy in premium is allowed to small and marginal farmers, to be shared equally by the Government of India and state Government. Premium subsidy is to be phased out over a period of 5 years.

2.6 Personal Accident Insurance Scheme¹⁰:

Salient Features -

- Designated insurance company will nominate one office at district level to function as nodal office for coordinating implementation of personal accident insurance scheme for KCC holders in the district.
- 2) Nominated office of insurance company to issue a master insurance policy to each DCCB/RRB covering all its KCC holders.
- 3) Premium payable Rs.15/- for a one year policy while Rs. 45/- for a three year policy.
- Insurance coverage available under policy only from date of receipt of premium at insurance company.
- 5) Banks to ensure to incorporate name of nominee in Kisan Credit Card cum pass book.
- 6) Simplified claim settlement procedure evolved under scheme where by an enquiry-cum-verification committee comprising Branch Manager of implementing bank, lead Bank Officer and representative of insurance company to certify nature of accident causing disability/death and recommend settlement of insurance claims.
- 7) Scheme covers risk of KCC holders against death or permanent disability resulting from accidents caused by external violent and visible means, as under.

http://www.nabard.org/development&promotional/Kisancreditcardmore.asp

8) Death due to accident (within 12 months of the accident) caused by outward, violent and visible means-Rs.50, 000/- permanent total disability-Rs.50, 000/-. Loss of two limbs or two eyes or one limb and one eye-Rs.50, 000/-. Loss of one limb or one eye-Rs.25, 000/-.

2.7 Major Steps taken by NABARD of KCCS¹¹:

- 1) A Brochure on KCC scheme the salient features, advantages and other relevant information about the scheme was brought out by Head Office and Ros were asked to circulate the brochure to state govt. department's Commercial Banks, Co-operative Banks, Regional Rural Banks and other concerned agencies/officers so as to generate wider awareness about the scheme.
- 2) Floor limit of Rs.5, 000/- for issue of KCC stands withdrawn.
- 3) Studies on KCC scheme have been entrusted to BIRD and NABARD Staff College to facilitate feed back on the ground level issues/problems so that changes, where necessary, could be considered.
- 4) Studies on the implementation of the scheme undertaken by NABARD periodically.
- 5) On the lines of instructions of RBI to Commercial Banks, Co-operative Banks and Regional Rural Banks have been advised that they may, at their discretion, 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 KCCs of farmers during the period from 10th to the last day of each calendar month.

¹¹ http://www.nabard.org/development&promotional/Kisancreditcardmore.asp

6) Regional Rural Banks were advised to initiate innovative publicity campaign in each area of operation in order to cater all eligible farmers under KCC.

2.8 Coverage of Small and Marginal Farmers under KCC Scheme¹²:

Since most of the banks have not been monitoring the data in respect of cards issued to the farmers' category-wise (small and Marginal Farmers). It has not been possible to present a national picture in this regard. However, based on the data compiled by some banks at the request of BIRD in this regard, the coverage of small and marginal farmers is sizeable in RRBs which may be quite obvious as majority of cards so far had been issued by the banks to their existing clients and most of the clients of RRBs had been in the target group i.e., small and marginal farmers and poorer strata of the society.

Regional Rural Banks are being followed by Co-operative Banks. Since co-operate through Primary Agriculture Co-operatives (PACS) where most of the farmers are also small and marginal, it was expected that their coverage of small and marginal farmers would be quite high.

In view of instructions from GOI and state Government and continuous monitoring by RBI, Commercial Banks are under compulsion to issue as many Kisan Credit Cards as possible. It would be difficult for them to achieve their target without covering small and marginal farmers, which are in substantial number in rural areas.

Another way to assess the coverage of small and marginal farmers by various agencies under Kisan Credit Card Scheme, in absence of availability of complete data on coverage of small and marginal farmers, may be to examine the average amount sanctioned per card.

¹² http://planningcommission.nic.in/report/sereport/ser/study_KCC.PDF p.29, 31, 32.

Table No. 2.1

Average Amount Sanctioned per Kisan Credit Card.

(Up to 31.12.2000)

	Average amount sanctioned per card (Rs.)				
Period	Co-operative Banks	Commercial Banks	Regional Rural Banks	Total	
1998-1999	53,716	27,986	16,633	34,310	
1999-2000	10,030	27,986	23,393	14,702	
2000-2001	23,690	25,744	23,488	24,171	
Overall Average	17,281	26,151	23,385	20,127	

Source: http://planningcommission.nic.in/report/sereport/ser/study_KCC.PDF

If we examine the trend of average amount sanctioned per Kisan Credit Card issued by all the agencies, it would be interesting to note that in the first year i.e., 19**3**8-99 of introduction of Kisan Credit Card Scheme, the average amount sanctioned per card was Rs.34, 310. This would in turn imply that banks were focusing more on big farmers in this year.

It is very surprising to note that average amount of loan under Kisan Credit Card Scheme of co-operative was highest followed by Commercial Banks and thereafter Regional Rural Banks. In the next year i.e. 1999-2000, when Kisan Credit Card Scheme gained considerable momentum the amount sanctioned per card came down substantially to Rs.14,702/- less than half of that of previous year. This meant that during this year, all agencies would have covered a substantial number of small and marginal farmers, which had brought down the average another reason for more coverage of small and marginal farmers by banks, could be the removal of minimum ceiling of Rs.5, 000/- for issue of Kisan Credit Card. Further, as the staff of banks found the scheme useful, their good experience led to removal of some apprehensions and inhibitions, which were harboring in their minds earlier. Good demand from farming community for Kisan Credit Card would have also encouraged the banks to cover more of small and marginal farmers.

2.9 Impact of Kisan Credit Card Scheme on Ground Level Credit Flow¹³:

The amount of ground level credit flow in the country during the 1996-97 to 2000-01 has been presented in the table below.

Table No. 2.2

Ground Level Credit Flow for Agriculture Sector

(Rs.In. Crores)

Year	Production Credit /Crop Loan	Agriculture Term Loan	Total Agriculture
1996-97	17058	9353	26411 (20%)
1997-98	20640 (21%)	11316 (21%)	31956 (21%)
1998-99	23903 (16%)	12994 (15%)	36897 (15%)
1999-2000	27239 (21%)	14525 (12%)	41764 (13%)
2000-2001*	30983 (14%)	20477 (41%)	51460 (23%)

^{*} Estimated.

Source: http://planningcommission.nic.in/report/sereport/ser/study_KCC.PDF

Total credit to agriculture sector during the year has been estimated to touch Rs.51, 460 crores, recording an annual growth rate of 23 per cent over the previous year. Production credit/crop has been estimated at Rs. 30,983 crores with a growth rate of 14 per cent over 1999-2000. The estimated growth rate in flow of production credit in 200**0**-01 at 14 per cent is much less than that was achieved during 1999-2000 (21%). In contrast, the growth rate in flow of term loan to agriculture is expected to touch 41 per cent i.e. about 3.5 times higher than that of 1999-2000 (12%). The picture was almost reverse during 1999-2000 where growth rate in production credit/crop loan recorded a significant rise but growth in term credit to agric later came down by 3%. It may be mentioned here that 1999-2000 was the year in which sizeable number of Kisan Credit Cards were issued. However, the positive correlation between Kisan Credit Card and flow of production credit may be difficult to establish as during the very next year i.e. 2000-01, the growth rate fell down significantly. Further, to explore and

¹³ http://planningcommission.nic.in/report/sereport/ser/study_KCC.PDF p. 33,34

correlation between Kisan Credit Card and flow of production credit ground level using statistical method, the number of records available is only three, which is too small to derive any meaningful conclusion or correlation. The flow of ground level credit particularly crop loan is dependent on many factors and weather is one of the very important variable affecting crops and thereby demand for production credit. The significant rise in the flow of production credit in 1999-2000 could be partially due to the good mansoon during the year 1999. During 1999, out of 35 meteorological sub-divisions, in many as 28 sub-division, rainfall was excess to normal. Similarly, 81 per cent of the gross cropped area in the country received normal to excess rainfall during the year 1999. On the whole country received 96 per cent of the normal rainfall (852mm) during south-west mansoon period during the year 1999.

2.10 Kisan Credit Card Scheme Launched by Various Banks¹⁴:

Three types of Banks have launched the Kisan Credit Card Scheme.

- 1. Commercial Banks.
- 2. Regional Rural Banks.
- 3. Co-operative Banks.

2.10.1 Commercial Banks:

Major features of the schemes launched by various commercial banks, however, descriptive reviews of salient points are given below.

1. Launching of Kisan Credit Card Scheme:

All the 27 public sector Commercial Banks had launched the Kisan Credit Card Scheme based on the model circulated by Reserve Bank of India in August 1998. Barring one or two banks all public sector Commercial Banks had prepared their own Kisan Credit Card Scheme before December 1998 and launched the scheme on pilot basis in their selected branches. Later on, the scheme was extended to cover the entire country.

¹⁴ http://planningcommission.nic.in/report/sereport/ser/study_KCC.PDF p. 42, 43,50,51,54, 55.

2. Eligibility of Farmer for Issue of Kisan Credit Card:

By the original circular issued by most of the commercial Banks, branches were advised to issue Kisan Credit Cards to only those farmers who were having good track record for the last 2-3 years. However, some of the banks have issued guidelines for inclusion of even new farmers, but in reality, the branches of Commercial Banks have been issuing cards mostly to existing borrowers only.

3. Minimum Credit Limit:

Reserve Bank of India and NABARD while circulating their model scheme on Kisan Credit among the banks, had recommended Kisan Credit Cards for farmers whose requirement of crop loan was Rs. 5,000/- and above. However this ceiling was subsequently amended and all the banks were advised that they could work out their own loan limits.

2.10.2 Regional Rural Banks:

1. Launching of Kisan Credit Card Scheme:

The RRBs had launched the Kisan Credit Card Scheme with effect from the year 1998-99 and had formulated their guidelines on the basis of the model scheme circulated by NABARD in August 1998. Prior to the launching of Kisan Credit Card, some of the RRBs had adopted a cash credit system for crop loans, which got rechristened as KCC scheme by the respective banks incorporating suitable modification.

2. Eligibility of Farmer for Issue of Kisan Credit Card:

By the original circular, issued by most of the RRBs, branches were advised to issue Kisan Credit Card to only that farmer who were having good track record for the last 2-3 years. However, later on the banks have modified these instructions to allow the issue of cards to even new borrowers who were considered creditworthy. The banks had advised all their branches to issue cards. Bank-wise target fixed by NABARD were disaggregated branch-wise by the banks and communicated to branches.

3. Minimum Credit Limit:

Reserve Bank of India and NABARD while circulating their model scheme on Kisan Credit Card among the banks, had recommended Kisan Credit Card for the farmers where requirement of crop loan was Rs.5,000/- and more. However, the ceiling was subsequently amended and the banks were advised that they could work out their own limits. On a review of the scheme of Regional Rural Banks, it is observed that most of the banks have brought down the ceiling from Rs.5, 000/- to Rs.3, 000/- some of the banks did not stipulate any lower ceiling in monetary terms.

2.10.3 Co-operative Banks:

1. Launching of Kisan Credit Card Scheme:

Co-operative Banks had launched the Kisan Credit Card Scheme based on the model scheme circulated by NABARD in August 1998. While some state co-operative Banks launched the scheme in 1998-99, state co-operative banks in UP and Punjab introduced the scheme only in 2000-01. Based on the instructions of SCBs, District Central Co-operative Banks introduced the scheme in their area of operation.

2. Eligibility of Farmer for Issue of Kisan Credit Card:

The co-operative banks had stipulated that Kisan Credit Cards would be issued to members who were not defaulters. In conformity with the scheme of NABARD the SCBs has stipulated that Kisan Credit Cards would be issued to farmers availing limit of Rs.5,000/- or above.

3. Minimum Credit Limit:

The model scheme on KCC had recommended Kisan Credit Cards for the farmers where requirement crop loan was Rs.5, 000/- and above. However, this ceiling was subsequently waived and all the banks were advised that they could work out their own loan limits/ceiling. On a review of the schemes of cooperative, it is observed that most of the banks have brought down the ceiling from

Rs.5,000 to Rs.3, 000/- some of banks did not stipulate any lower ceiling in monetary terms.

2.11 Objectives of the Kisan Credit Card Scheme¹⁵:

As a pioneering credit delivery innovation, Kisan Credit Card Scheme aims at provision of adequate and timely support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible and cost effective manner.

2.12 Contents of Credit Card¹⁶:

- 1) Beneficiaries covered under the scheme 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. which may serve both as an identity card and facilitate recording of transactions on an on going basis.
- 2) Borrower is required to produce the card cum pass book whenever he/she operates the account.

2.13 Salient Features of the Kisan Credit Card Scheme¹⁷:

- Eligible farmer will be provided a Kisan Credit Card and a pass book or a card-cum-passbook.
- 2) Revolving cash credit facility allowing any number of drawls and repayment within the limit.

¹⁵ http://www.indg.in/agriculture/credit/agri-credit-kisan

 $^{^{16} \ \ \}text{http://www.nabard.org/development\&promotional/Kisancreditcardmore.asp}$

¹⁷ Ibid-16

- 3) Limit to be fixed on the basis of operational land holding, cropping pattern and scales of finance.
- 4) Seasonal sub-limits may be fixed at the discretion of banks.
- 5) Limit of valid for 3 years subject to annual review.
- 6) Conversion/reschedulement of loans also permissible in case of damage to crops due to natural calamities.
- 7) Security, margin and rate of interest as per RBI norms.
- 8) Withdrawals through slips/cheques accompanies by card and passbook.

2.14 Advantages of the Kisan Credit Card Scheme¹⁸:

- 1) Full year's credit requirement of the borrower taken care of.
- 2) Minimum paper work and simplification of documentation for drawl of funds from the bank.
- 3) Access to adequate and timely credit to farmer.
- 4) Assured availability of credit for 3 years and avoidance of uncertainly involved in accessing credit on a year to year basis.
- 5) Annual review of limit and provision for enhancement subject to satisfactory operations.

¹⁸ http://www.indg.in/agriculture/credit/agri-credit-kisan

- 6) Flexibility in use of credit and saving in interest burden.
- 7) Availability of the life cover/disability insurance at very low premium in case the farmers meets with accident.
- 8) Flexibility of drawing cash from a branch other than the issuing branch at the discretion of the bank.

2.15 Weakness of Kisan Credit Card Scheme 19:

- 1) A lot of paper work was required on account of filling separate applications in each season.
- 2) As the facility was largely available as loan but not as cash credit, the system did not allow the borrowers to credit funds in to their accounts, in case they received funds in advance and there was no scope to withdraw money from the account as and when required.
- 3) Payments were effected directly to the input suppliers of the banks choice, thus leaving a scope for affecting the quality of input.etc.

 $^{^{19} \ \}text{http://cab.org.in/control/know_file/KCC\%20report\sim11\sim13\sim2007\sim6\sim59\sim31\sim\text{PM.PDF}}$

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