AN ASSESSMENT OF KISAN CREDIT CARD (KCC) SCHEME CREDIT LIMIT IN INDIA

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Abstract: Kisan Credit Card (KCC) has now been regarded as the only medium of short-term credit for agriculture. The Kisan Credit Card (KCC) scheme was introduced by the Finance Minister in his budget speech in the year 1998-99. From the year 1998-99, the scheme was implemented by public sector commercial banks, RRBs and cooperative banks in the country. It has emerged as an innovative credit distribution system to meet the production credit requirements of farmers in a timely and easy manner. The card holder gets the facility of insurance which can provide protection to the notified crops as they are covered under the Crop Insurance scheme. Certain types of crops are covered under the same. The current paper is aimed to assessment of Kisan Credit Card credit limit in the rural credit facilitation in India.

Keywords: Crop Insurance, NABARD, Flexible Finance, Rural credit, Crop loan

INTRODUCTION:

The Kisan Credit Card has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. The scheme is under implementation in the entire country by the vast institutional credit framework involving Commercial Banks, RRBs and Co-operatives and has received wide acceptability amongst bankers and farmers. However, during the last 13 years of implementation, many impediments were encountered by policy makers, implementing banks and the farmers in the implementation of the scheme. Recommendations of various Committees appointed by GOI and studies conducted by NABARD also corroborate this fact. It was, therefore, felt necessary to revisit the existing KCC Scheme to make it truly simple and hassle free for both the farmers and bankers. Accordingly, the GOI, Ministry of Finance constituted a Working Group to review the KCC Scheme.

Features of Kisan Credit Cards

Regional Rural Banks, Cooperative Banks and Public Sector Commercial Banks have implemented the Kisan Credit Card scheme. 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 scheme currently offers:

- Credit to meet the financial requirements of agricultural and other allied activities.
- Ancillary credit for crop production and other contingencies.
- Insurance coverage for Kisan Credit Card holders.
- National Crop Insurance scheme is offered to the Kisan credit cardholders, which provides coverage for crop loans given under the KCC scheme for certain crops.
- Protection is provided against loss of crops due to pest attacks, natural calamities, etc.
- In some cases collateral security is to be provided. If the loan amount is above Rs.1, 00,000/-, then the cardholder has to pledge his land as mortgage and hypothecation the crops raised on it.

Top Banks Providing Kisan Credit Cards in India:

- NABARD - NABARD offers term loans and easily accessible credit to farmers to meet their basic agricultural expenses.
- SBI - Short term credit is offered by SBI to farmers, for the purpose of meeting the production credit requirements, expenses related to allied activities, as well as contingency expenses.
- Bank of India - provides flexible financial support to farmers in order to help meet the expenses involved in cultivation and other non-farm activities, at a lower cost.
- IDBI - IDBI offers Kisan Credit Cards to farmers along with additional features like crop loans, investment credit and working capital for meeting agricultural expenses. Farmers, tenant cultivators, owner cultivators, individual farmers and sharecroppers are considered eligible for the Kisan credit card.
- NPCI - RuPay Kisan credit cards are to be offered in the near future by National Payments Corporation of India (NPCI), as a part of its domestic card scheme for multilateral payments - RuPay.

Eligibility to Apply For Kisan Credit Cards
Should be a farmer either individual or joint borrower who owns agricultural land
The agricultural land should be under cultivation and actively generating a crop
Tenant farmers, sharecroppers and oral lessees are also eligible
Joint liability groups or self-help groups (SHGs) of farmers including sharecroppers, tenant farmers and others can also apply
Minimum age of the applicant should be 18 years and maximum age is 75 years at the end of loan tenure
Applicants above 60 years of age should have a co-applicant whose age is less than 60 years and should be a legal heir or immediate family member of the main applicant.

Benefits of a Kisan Credit Card:
There are several benefits which are attached to a Kisan credit card.
- The process to disburse credit to the farmers has become easier and even those who are illiterate have benefited from the same.
- The farmer gets flexibility when it comes to repaying the loan amount.
- There is a provision to increase the credit limit depending upon the agricultural income.
- The card holder gets the facility of insurance which can provide protection to the notified crops as they are covered under the Crop Insurance scheme. Certain types of crops are covered under the same.
- The rates of interest are comparatively lower when compared to other if normal sources of credit.

OBJECTIVES OF THE STUDY:
- To understand the concepts of Kisan Credit Card (KCC)
- To determine the Kisan Credit Card Credit limit through RBI Assessments Guidelines

Kisan Credit Cards offered by Different banks: Comparisons

<table>
<thead>
<tr>
<th>Banks</th>
<th>Credit Limit</th>
<th>Maximum Tenure</th>
<th>Insurance Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis Bank</td>
<td>Credit limit up to Rs. 250 lakhs</td>
<td>5 years</td>
<td>up to Rs. 50,000/-</td>
</tr>
<tr>
<td>Bank of India</td>
<td>25% of the farmer’s gross estimated income, or a maximum of Rs.50,000/</td>
<td>Credit upto Rs.10 lakhs can be offered to a farmer for extended period of 12 months</td>
<td>N/A</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>Short term credit limit is fixed for the first year depending upon the crops cultivated as per proposed cropping pattern &amp; scale of finance</td>
<td>12 months for long term crops</td>
<td>Personal Accident Insurance Scheme (PAIS), Asset insurance and Crop insurance is covered by the scheme.</td>
</tr>
<tr>
<td>Indian Overseas Bank (IOB)</td>
<td>Credit Limit is based on the scale of finance, cropping pattern and the extent of cultivation.</td>
<td>5 years</td>
<td>N/A</td>
</tr>
</tbody>
</table>
## Kisan Credit Card (as on March 31, 2018)
(No. in Actual)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>State</th>
<th>No. Of Operative KCCs</th>
<th>S.No.</th>
<th>State</th>
<th>No. Of Operative KCCs</th>
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</thead>
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<tr>
<td>1</td>
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<td>West Bengal</td>
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</tbody>
</table>

**OVER ALL TOTAL** | **23528133**

Source: RBI

**ASSESSMENTS OF KCC CREDIT LIMIT**

1. **Marginal farmer cultivating single crop in a year**

1. **Assumptions :**

1. Land holding : 1 acre

2. Crops grown : Paddy (Scale of finance plus crop insurance per acre : ₹ 11,000)

3. There is no change in Cropping Pattern for 5 years

4. Allied Activities to be financed - One Non-Descript Milch Animal (Unit Cost Rs : 15,000)
2. **Assessment of Card Limit** :

(i) **Crop loan Component**

(Cost of cultivation for 1 acre of Paddy) : ₹11,000
Add: 10% towards post-harvest / household expense : ₹1,100
Consumption
Add: 20% towards farm maintenance : ₹2,200

**Total Crop Loan limit for 1st year** ....(A1) : ₹14,300

(ii) **Term Loan Component**

Cost of One Milch Animal ....(B) : ₹15,000

**1st Year Composite KCC Limit** : (A1) + (B) : ₹29,300

**2nd Year** :

Crop loan component :
A1 plus 10% of crop loan limit (A1) towards cost escalation / increase in scale of finance [14,300+(10% of 14300 = 1430)] ....(A2)

**2nd Year Composite KCC Limit** : A2+B (15730 + 15000)

**3rd Year** :

Crop loan component :
A2 plus 10% of crop loan limit (A2) towards cost escalation / increase in scale of finance [15,730+(10% of 15730 = 1570)] ....(A3)

**3rd Year Composite KCC Limit** : A3+B (17,300 + 15,000)

**4th Year** :

Crop loan component :
A3 plus 10% of crop loan limit (A3) towards cost escalation / increase in scale of finance [17,300+(10% of 17300 = 1730)] ....(A4)

**4th Year Composite KCC Limit** : A4+B (19,030 + 15,000)

**5th Year** :

Crop loan component :
A4 plus 10% of crop loan limit (A4) towards cost escalation / increase in scale of finance [19,030+(10% of 19,03 0 = 1,900)] ....(A5)

**5th Year Composite KCC Limit** : A5+B (20,930 + 15,000) ₹35,930

**Maximum Permissible Limit** /

**Composite KCC Limit** Say : ₹36,000
Note: All the above costs estimated are illustrative in nature. The recommended scale of finance / unit costs may be taken into account while finalizing the credit limit.

CONCLUSION:

Kisan credit card has established itself as a quite popular credit among the farmers. It would surely help the farmers in easy and timely access to much desired institutional credit. The banks must make easy the process of obtaining loan under KCC schemes so that the role of brokers can be minimized and the efficient allocation of money can be done for the maximum benefit of the farmers. Arrangements for verified database of farmers will help banks in providing loan to the real needy ones. The banks should focus more on poor performing zones in terms of coverage of holdings such as north zone, north eastern zone and eastern zone. Commercial banks and co-operatives banks branches are very high in all states. So the banks can cover more areas and can issue more Kisan credit cards.

REFERENCES: