

# Progress and Performance of Kisan Credit Card (KCC) Scheme in India Since 1998

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## Abstract

*Government of India has taken several steps in the context of agriculture credit. Credit is essential for the development of agriculture in India. Since most of the Indian farmers are marginal farmers, therefore they are not able to invest huge amount of money for the betterment of agriculture. Thus, they remain marginal farmers throughout their life. In order to solve this problem, NABARD launched Kisan Credit Card (KCC) scheme in 1998 for smooth flow of agriculture credit. The scheme was implemented across the country in all the states and union territories by the public sector Commercial Banks, Regional Rural Banks (RRBs) and Cooperative banks. This study mainly pertains to the agency-wise and period-wise progress of KCC Scheme. The study reveals a significant increase in the number of cards issued in each year by different agencies. So it may be concluded that the banking sector promote KCC scheme efficiently and enhance hassle free credit delivery mechanism to agriculture sector.*

**Keywords:** Kisan Credit Card, Regional Rural Banks, Cooperative bank.

**Classification-JEL :** C58, E51, F11.

## 1. INTRODUCTION

Institutional credit has played a very important role in the development of the agricultural sector. It shows signs of resilience towards natural disasters like drought and famine. In fact, finance has acted as a means of providing control over resources to enable farmers to acquire essential capital for agricultural production. It makes the farmers enable to purchase inputs and other services. In this way, finance has played an important role by facilitating technological up gradation and commercialization of agriculture. The biggest

success of the Green Revolution in Indian agriculture is the effect of institutional credit support. The Kisan Credit Card scheme was an admirable step for financial institutions to facilitate access to short-term loans to meet their crop production requirements for farmers, including the purchase of agricultural inputs like seeds, fertilizers, pesticides etc. for the farmers. A credit card and a pass book including the name, address, particulars of land holdings, borrowing limit, validity period, are issued to beneficiaries covered under this scheme. This can perform both works as an identity card and

second by providing the facility of recording the transaction on a continuous basis. This scheme mainly helps the farmers to purchase inputs throughout the crop year. KCC allows farmers to get cash credit facilities. KCC scheme is an important component in the history of rural development in India. The mechanism of credit card has been one of the main objectives for expanding access to banks and simplifying credit delivery system. Therefore, financing for agriculture is an important task because credit is an essential input for farmer's requirement. There is a well-settled institutional credit system to finance agriculture sector especially to farmers. However, one of the major challenges of financial institutions in India has been to provide adequate credit on a timely basis. Therefore, the KCC Scheme was started by the Government of India, in consultation with RBI and NABARD in 1998-99 to help farmer's access timely and adequate credit.

Agriculture is a very huge and important sector of the Indian economy. It plays a major role in the Indian economy and overall development of the country. To face the requirement of the growing population and challenges to occupy rapid developing economy, our agriculture system has to be changed. It must grow faster and get modernized. It requires the high inputs, use of high yielding hybrid seeds, organic fertilizers, insecticides, pesticides, recently developed new technical equipments and machineries, which needs huge investment. Indian rural agricultural sector depends on a large number of laborers, and it is not possible to get real benefits without adequate finance from the banks on reasonable interest rates for agricultural. Farmers get institutional credit to develop farming process and get high yield. Since institutional credit has a catalytic role in development process. Government policy allows adequate, timely, liberal credit to farmers at reasonable interest rate and has become integral part of the agricultural development. At present, agricultural loans in our country is provided by

the private sector banks, the Regional Rural Banks, the Co-operative Banks and through the Commercial Banks. The rise of green revolution in India in the late sixties has completely changed the character of Indian agriculture, scientific and modern methods replaced traditional farming practices, which was a growing trend among farmers to adopt, high yielding variety seeds, fertilizers, pesticides, irrigation, machinery and equipments etc. Heavy financial investment is needed, which the most farmers cannot afford from their savings; hence, they have to rely on borrowed money. This had naturally increased the demand of providing credit to a large number of farmers, agricultural credit. Therefore, assumes greater importance in the transformation in Indian agriculture from the traditional type of farming to the commercial farming. Credit is also essential for non-productive requirements including expenses for marriage, death, serious illness and other social happenings in the family. (Agarwal, 2011)

The introduction of the KCC scheme is a landmark in the rural credit delivery system in India. The credit card concept is not so new in agriculture. In 1964, Syndicate Bank organized a separate Agricultural Finance Department, through this; it carried out various innovative methods to increase the agricultural production and productivity. The more important of these schemes are those for financing the production of hybrid seeds, production of export varieties of banana, purchase of pump sets, power tillers, tractors and other agricultural machinery. An innovation made by the banks is the issuing of Agricards to farmers in order to enable them to get their requirements of seeds, fertilizers, pesticides and spare parts for machinery, on credit from approved dealers. This was perhaps the first "Agricultural Credit Card" in India. After Agricards, the nationalized banks like Canara Bank, Vijaya Bank, Corporation Bank and Dena Bank launched their own 'Agricultural Credit Cards', following the direction of the RBI. The cards for the welfare of the farmers are known

as Farmer's Green Card. This card enables the farmers to obtain credit from the branches of the bank from where the card is issued. The institutional credit should emerge as an instrument of promoting growth with equity and social justice. The major schemes of the agricultural credit disbursement system in general have not produced the desired results in terms of direction, quantum, and quality of credit flow. The performance of rural financial institutions has been far from their expectations, only one third of the credit needs of the farmers were completed, in December 1997, suggestions on the simplification of agricultural finance system along with improvements in the credit distribution system through commercial banks were given. The mechanism of credit card has been one of the prominent plans to expand the reach of banks and make the credit delivery system successful. The union finance minister made the announcement regarding the launch of KCC scheme during the budget speech of 1998-99. NABARD has formulated Kissan Credit Card scheme for adoption of similar behavior by banks, farmers can easily use the card to buy agricultural inputs like seed etc. and can withdrawal their production requirements. The model scheme was broadcast in Commercial Banks, Co-operative Banks, and Regional Rural Banks in August 1998, whose goal was to provide cost effective and hassle free finance on time. Farmers are being supported by all public sector Commercial Banks, RRBs and Co-operative banks, all over India. To cater to the comprehensive credit requirements of the farmers, the scope of KCC was expanded from time to time by NABARD. In addition to short-term credit, requirements and term loan for agriculture and related activities, some other components of the loan through KCC also included keeping in mind the needs of the farmer. The emphasis of the Government of India on continuous increase in the flow of credit in the agricultural sector, NABARD has been continuously trying to cover all the farmers under the KCC. Banks were advised to issue

Kissan Credit Card without interruption and extend the crop loan only through KCC.

The details of the model plan were circulated by the Reserve Bank to Commercial Banks and by NABARD to cooperative banks and RRBs in August 1998, with instructions to introduce the same in their respective area of operation. The KCC Scheme has since been stabilized as a major source of crop loans, but the investment credit requirement of the farmers viz., allied and non-farm activities, remained outside the ambit of the scheme. Keeping this in view, NABARD revised the KCC scheme as the scheme to cover term loans for agriculture and allied activities under Kisan Credit Card scheme on October 4, 2004, Which may serve both work as an identity card and facilitate the recording of transactions on a continuous basis. Along with term credit, working capital credit facilities are provided through KCC, and for the crop loan, three separate records are made in the passbook, (i) Short term credit (ii) Working capital credit for related activities and (iii) Term loan. The short-term credit is in the form of a revolving cash credit facility, involving any number of drawls and repayments within the limit fix based on operational land holding, cropping pattern and scale of finance. The entire production credit needs for full year plus ancillary activities related to crop production are considered while fixing limits. The quantum of limits for term and working capital credit is based on unit cost of asset proposed to be acquired by the farmers, the allied activities already being undertaken on the farm, and the bank's judgment of farmer's repayment capacity. The validity of the KCC has been extended from three years to five years. Sub-limit may be fixed at the discretion of bank, whereas working capital finance can be repaid within a period of 12 months, but according to the current guidelines the terms loan can be repaid within a maximum of five years. If crops are damaged due to natural calamities then conversion of loan in this case will also be acceptable. The KCC scheme is being

implemented in all the states and union territories by all Commercial Banks, RRBs, state Co-operative Banks, Central Co-operative Banks and scheduled primary Co-operative Banks.

## 2. REVIEW OF LITERATURE

Diwas Raj Bista, Pramod Kumar and V.C. Mathur (2012) has examined that the performance of KCC scheme in India has been studied by finding its share in the total amount of loan disbursed to agriculture. The flow of credit through KCCs has been investigated from three types of financial institutions, viz. Cooperative Banks, Regional Rural Banks, and Commercial banks in terms of total loan amount, enrolment of membership and amount per card. Region wise study has revealed a wide disparity in the performance of these institutions. Thakur A. and U. Barman (2013) found that credit has played an eminent role by providing technological up gradation and commercialization of agriculture. Recognizing the problems of multi-agency approach, a stronger view emerged among policy makers on the need for an integrated credit product for accelerating the specific development process. This resulted in the introduction of a new credit product called Kisan Credit Card (KCC). Laxyapati, E. T. (2013) studied that Indian economy addresses the issues of hunger, malnutrition and promotes the rural prosperity by mitigation of rural distress, in order to achieve the higher growth rate in agriculture. The government promotes adoption of new agricultural technology packages and practices for higher productivity. This can be done depending on the agriculture sector, so it can be said that agriculture is the backbone of Indian economy. Growth in agriculture sector improve the income and employment level of farmers and reduce the level of poverty, hence it implemented across the country by public sector Commercial Banks, RRBs and Cooperative Banks. NABARD introduced KCC in 1998 for without any delay cost effectives and hassle free credit support to farmers. Rajni Bansal (2014) illustrated that Indian agriculture has been

depend on monsoons for its survival. Thus, the role of credit in Indian economy is very important and it enhancing productivity and uplifting standard of living of the farmers. Realizing the importance of credit to the rural sector, the KCC scheme was started by the Government in consultation with the RBI and NABARD in August 1998 as an innovative credit delivery mechanism with the objective of providing, timely or without any delay, and hassle free credit support to farmers. S. Gandhimathi (2015) studied that agriculture contributes around 14 percent to the Gross Domestic Product of India. It proves employment to 50 percent of the work force. Farmers are in need of credit due to seasonal income. Putting an emphasis on increasing credit flow to the agricultural sector, NABARD advised the banks to identify and cover all farmers including defaulters, oral lessees, tenant farmers and share croppers, who were left outside the hold of the KCC scheme for any reason so that all farmers are covered under the scheme by March 31, 2007. Further, banks were advised to issue KCCs in a hassle free manner, extend crop loans only through KCCs and renew them so as to ensure quality in operations.

## 3. OBJECTIVES OF THE STUDY

- a) To evaluate the progress of agency wise issued Kisan Credit Cards in India.
- b) To examine the progress of agency wise amount sanctioned to Kisan Credit Card in India.

## 4. METHODOLOGY

This study is based on secondary data. Data has been obtained from NABARD and RBI publications like report on trend and progress of banking in India, 2009-2010 to 2012-13, various publications and journals. The study covers 17 years from 1998-99 to 2014-15. This data has been used to examine progress made under the scheme since its inception.

Agency-wise distribution of total cards issued since 1998-99 till 2014-15, suggests that about 46 percent of cumulative KCCs have been

**Table 1 : Agency wise Kisan Credit Cards issued during the year**

Year	KCC issued (in lakhs)				Percentage share in total no of cards issued		
	co-op. Banks	RRBs	Comm. Banks	Total	co-op. Banks	RRBs	Comm. Banks
1998-1999	1.35	0.06	6.22	7.83	19.80	0.77	79.44
1999-2000	35.95	1.73	13.66	51.34	70.02	3.37	26.61
2000-2001	56.14	6.48	23.9	86.52	64.89	7.49	27.62
2001-2002	54.36	8.34	30.71	93.41	58.20	8.93	32.88
2002-2003	45.79	9.64	27.0	82.43	55.55	11.69	32.76
2003-2004	48.78	12.74	30.94	92.46	52.76	13.78	33.46
2004-2005	35.56	17.29	43.96	96.81	36.73	17.86	45.41
2005-2006	25.98	12.49	41.65	80.12	32.43	15.59	51.98
2006-2007	22.98	14.06	48.08	85.12	27.00	16.52	56.48
2007-2008	20.91	17.72	46.06	84.69	24.69	20.92	54.39
2008-2009	13.44	14.14	58.34	85.92	15.64	16.46	67.90
2009-2010	17.43	19.49	53.13	90.05	19.36	21.64	59.00
2010-2011	28.12	17.74	55.82	101.68	27.66	17.45	54.90
2011-2012	26.61	19.95	68.04	114.6	23.22	17.41	59.37
2012-2013	26.91	20.48	82.43	129.82	20.73	15.78	63.50
2013-2014	26.89	21.35	NA				
2014-2015	17.32	24.96	NA				
<b>Cumulative Percentage</b>	<b>504.72</b>	<b>238.66</b>	<b>629.94</b>	<b>1373.32</b>	<b>36.75</b>	<b>17.38</b>	<b>45.87</b>

**Source:** Report on trend and progress of banking in India. (2009-10) and other.

issued by commercial banks followed by about 37 percent by cooperative banks and 17 percent by Regional Rural Banks. In fact, the share of Cooperative bank in total KCC issued has come down from 70 percent in 1999- 2000 to 20.7 percent during 2012-13 and that of commercial bank has gone up from 26.6 percent to 63.5 percent during the same time period.

Agency-wise flow of credit since 1998-99 till 2014-15, suggests that about 58 percent of cumulative credit have been issued by commercial banks to KCCs, followed by about 25 percent by Cooperative banks and 17.30 percent by Regional Rural Banks. In fact, the share of

Cooperative bank in total credit issued to KCC has come down from as high as 61.93 percent in 2001-2002 to 9.44 percent during 2012-13, and that of commercial bank has gone up from 28.82 percent to 80.06 percent during the same period.

Table depicts that the number of operative KCCs are 74094090 as on 31 March 2015 as cumulative number of KCC issued since inception. The cumulative KCC figure of 13.73 crore (Table-1) cannot be taken as total number of farmers covered under KCC scheme as it includes number of farmers who have got reissued/ renewed their KCCs several times. The



**Table 2 : Agency wise flow of credit to Kisan Credit Card during the year**

Year	Flow of credit to Kisan credit card (Rs. crore)				Percentage share in total flow of credit		
	co-op. Banks	RRBs	Comm. Banks	Total	co-op. Banks	RRBs	Comm. Banks
1998-1999	826	11	1473	2310	35.76	0.48	63.77
1999-2000	3606	405	3537	7548	47.77	5.37	46.86
2000-2001	9412	1400	5615	16427	47.77	8.52	34.18
2001-2002	15952	2382	7424	25758	61.93	9.25	28.82
2002-2003	15841	2955	7481	26277	60.28	11.25	28.47
2003-2004	9855	2599	9331	21785	45.24	11.93	42.83
2004-2005	15597	3833	14756	34186	45.62	11.21	43.16
2005-2006	20339	8483	18779	47601	42.73	17.82	39.45
2006-2007	13141	7373	26215	46729	28.12	15.78	56.10
2007-2008	19991	8743	59530	88264	22.65	9.91	67.45
2008-2009	8428	5648	39009	53085	15.88	10.64	73.48
2009-2010	7606	10132	39940	57678	13.19	17.57	69.25
2010-2011	10719	11468	50438	72625	14.76	15.79	69.45
2011-2012	10640	11520	69510	91670	11.61	12.57	75.83
2012-2013	11920	13260	101090	126270	9.44	10.50	80.06
2013-2014	10825	20689	NA	31514			
2014-2015	7322.00	24248.00	NA	31570			
<b>Cumulative Percentage</b>	<b>192020</b>	<b>135149</b>	<b>454128</b>	<b>781297</b>	<b>24.58</b>	<b>17.30</b>	<b>58.12</b>

Source: Report on trend and progress of banking in India. (2009-10) and other.

figure of live KCC 7.41 crore may be considered little close to the actual number of farmers covered under the KCC scheme, in the absence of any other reliable data on the same. Table also depicts that the analysis of state-wise total number of operative KCC issued by all the agencies indicates that six big states viz., Uttar Pradesh (15.15%), Andhra Pradesh (11.02%), Maharashtra (10.07%), Madhya Pradesh (9.66%) and Rajasthan (8.33%) together account for about 55% of total number of operative KCC cards. The highest share of cooperative banks (52.9%) as compared to RRBs (16.7%) and commercial banks (30.4%) in total number of live KCC on 31 March 2015, indicates that in

spite of the fact that the number of cards issued by cooperative banks is continuously declining, the farmers prefer to keep the KCC with cooperative banks alive, may be due to the advantages like availability of good quality fertilizers and seed, etc.

## 5. CONCLUSION

Agriculture sector is the mainstream of Indian economy and the most important sector of the Indian economy, any change in the agriculture sector positive, or negative has multiple effects on entire economy. Therefore, the sustainable development of agriculture is the most important for acceleration in the

**Table 3 : State wise and agency wise operative KCCs issued as on 31 March 2015**

Sr. No	State	Cooperative Bank (Rs. crore)	Regional Rural Bank (Rs. crore)	Commercial Bank (Rs. crore)	Total (Rs. crore)	Percent of operative KCC
1	Andhra Pradesh	2895397	1582084	3689954	8167435	11.02
2	Assam	27263	456677	590325	1074265	1.45
3	Arunachal Pradesh	450	3294	10448	14192	0.02
4	Bihar	681619	1548625	1423068	3653312	4.93
5	Gujarat	1483841	250508	994490	2728839	3.68
6	Goa	1117	0	4275	5392	0.01
7	Haryana	1320725	208679	571778	2101182	2.84
8	Himachal Pradesh	94718	131769	189050	415537	0.56
9	Jammu & Kashmir	33690	16343	214872	264905	0.36
10	Karnataka	2375383	840059	912001	4127443	5.57
11	Kerala	787724	159671	301964	1249359	1.69
12	Madhya Pradesh	5166011	504079	1488478	7158568	9.66
13	Maharashtra	4869885	353084	2238521	7461490	10.07
14	Meghalaya	25798	16865	59138	101801	0.14
15	Mizoram	790	18069	14627	33486	0.05
16	Manipur	484	5588	19887	25959	0.04
17	Nagaland	2364	1096	32029	35489	0.05
18	Orissa	4440063	573556	703661	5717280	7.72
19	Punjab	996147	116613	747791	1860551	2.51
20	Rajasthan	3926861	528884	1716205	6171950	8.33
21	Sikkim	7617	0	4101	11718	0.02
22	Tamil Nadu	1430790	498399	584878	2514067	3.39
23	Tripura	113154	113313	79381	305848	0.41
24	Uttar Pradesh	4298533	3090630	3832845	11222008	15.15
25	West Bengal	1894295	567591	1032630	3494516	4.72
26	A & N Islands	6033	0	838	6871	0.01
27	Chandigarh	0	0	1501	1501	0.00
28	Daman & Div	0	0	49	49	0.00
29	New Delhi	311	0	4034	4345	0.01
30	D & N Haveli	0	0	608	608	0.00
31	Lakshadweep	0	0	706	706	0.00
32	Pondicherry	5867	1158	18497	25522	0.03
33	Jharkhand	37369	449061	621491	1107921	1.50
34	Chhattisgarh	1935533	257904	198319	2391756	3.23
35	Uttarakhand	367072	49027	222120	638219	0.86
	Total	39226904	12342626	22524560	74094090	100.00
	<b>percent of total card issued</b>	<b>52.94</b>	<b>16.66</b>	<b>30.40</b>	<b>100</b>	

**Source:** Mani Gyanendra. (2016). "Study on implementation of kisan credit card scheme." Department of Economic analysis and research. NABARD, Mumbai.

Indian economy. Agriculture development is influenced by several factors like as irrigation, market, infrastructure, and credit. Out of these factors, credit is crucial input for sustainable development of agriculture. Government of India has been taken several steps in context of agriculture credit; Kisan Credit Card is one of them. In 1998, Kisan Credit Card Scheme was introduced for smoothly flow of agriculture credit. It is a vital tool for the rural development, right from the inception of this scheme; the farmers are enjoying the inherent advantages. It is observed that not only the size of land but also cost of production should be taken in to consideration while fixing the credit limit and there should be a link between Kisan Credit Card and crop insurance. This study gives entire

information about the KCC and the study has brought to light certain operational issues, mainly pertaining to the agency-wise, period-wise and state-wise progress of KCC. The results of this study show that there is a significant increase in the number of cards issued in each fiscal year by different agencies. From the analysis, of comparison between all three institutions i.e. RRBs, commercial banks and cooperatives, it is concluded that there is impressive increase in the KCC scheme till now, but the growth of cooperative banks is much less than that of all institutions. Even though the overall impressive increase in amount sanctioned of KCC by all institutions till now, there has been a wide variation in implementation of the scheme across states. ●

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