

Comprehensive Study of Kisan Credit Card at Central Bank of India-A Useful Credit Tool for Rural Development

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ABSTRACT

The KCC is pioneering credit delivery innovative products which provide a adequate and timely credit to farmers' thorough single window, with flexible and simplified procedure, adopting whole farm approach, including the short-term credit, medium term and long term credit needs of the borrowers for agriculture and allied activities and a reasonable component for consumption needs. The Government of India introduced KCC scheme by banks during 1998 -1999. It was designed by NABARD. KCC aims at adequate and timely support from the banking system to the farmers for their short-term production credit needs in cultivation of crops, purchase of inputs etc in a flexible and as well as cost effective manner. Under this scheme, the appliers would be issued a credit card-cum pass book incorporating the name, address, particulars of land holding, borrowing limit, validity period etc and it will serve both as an identity card as well as facilitates the financial transactions. Credit limit of the card may be fixed on the basis of operational holding, cropping pattern and scale of finance as recommended by the DLTC & SLTC.As per the recommendations of Sri R.V. Gupta committee in the year 1998, on the flow of credit to agricultural sector, apart from the total credit need, a 20 per cent of total peak level credit requirement (PLCR) there is provision of contingent credit need (with a minimum ceiling of Rs.20,000).Normally The KCC should valid up to 5 years and subject to annual review. The KCC will be considered as a non-performing asset (NPA) if it remains inoperative for a period of two successive crop seasons.

Key words: Crop Loan, Kisan Credit Card, NABARD, Non Performing Assets

Introduction

The majority of Indian population is depending on agriculture and its allies industry. Agriculture is a base root of the Indian economy. If agriculture output increases overall economic indication goes upwards. Before and after freedom it remains the largest economic sector in the country and plays a significant role in the overall primary sectors' socio-economic development of India. In spite of Agriculture being an important factor in economic development, Indian agriculture is characterized by low productivity, poor

marketing methodology and with exploitation of middle man and money lender; our farmer could not be a self-sufficient. The crop also depends on the natural rainfall and other atmospheric factors. Food is the crowning need of the every human being; too much emphasis has been on commercializing agricultural production. Therefore, adequate production and even distribution of food has become a high priority of our country and to the world. In this changing agricultural scenario and global competition, there is a need of exploiting the limited available resources at maximum level with a smoothly, at minimal cost and adequate flow of finance or credit is primary factor for sustainable agriculture development. Hence Government agencies are promoting diversification in production, research, and farm extension. NABARD (National Bank for Agricultural and Rural Development) is also one of the leading banks especially to the farmer. Among those agencies in India. It has been established by Government for supporting and promoting agriculture and rural development. In order to achieve its mission, NABARD is running on many plans and schemes out of them KCC is one of the schemes.

Review of Literature

There are various literature has been published by the different authors and research scholars. In 2001 Danish Faruqui published "Kisan Credit Card" this paper specially mentions about its thought and intentions. In 2010 Samir Samantrara has focus on credit card through "Kisan Credit Card Scheme. In his paper he enlighten with three different sub-limits of credit card i.e. production, assets maintenance and consumption. Out of them some focused on a dynamic intervention for reduction of rural poverty it was in lighten by the BB Barik in 2010 in his study "Kisan credit card scheme a dynamic intervention for reduction in rural poverty.

Objectives

The first objective of the paper is to analyze is this schemes can fulfill the need of the farmer or are they rational to use this cards.

To find out the gaps between scheme, implementation and utilization of this card.

The third objectives are to spread the procedure and utility among the farmers.

The forth objective is to explore difficulties in the implementation.

Source of Data Collection

Primary Data:

The basic information regarding the KCC's collected through in-depth interview from the by the help of Branch Manager and credit manager.

Secondary Data:

NABARD and Central bank's financial reports of last three years & Circulars of CBI./RBI.Details have been included in reference part.

Limitations:-

1. The Project is restricted to only for “Kisan Credit Card” under NABARD Scheme only.
2. The Performance& Progress of KCCs data will be banking Survey on the Report on record basis.

Kisan Credit Card Needs in Agriculture

Kisan Credit Card is one of the most crucial inputs in all agricultural development programmers. For a long time, the major source of agricultural credit was private moneylenders. But this source of credit was inadequate, highly expensive and exploitative. To curtail this, a multi-agency approach consisting of cooperatives, commercial banks and regional rural banks credit has been adopted to provide cheaper, timely and adequate credit to farmers.

The financial requirements of the Indian farmers are for,

1. Buying agricultural inputs like seeds, fertilizers, plant protection chemicals, feed and fodder for cattle etc.
2. Supporting their families in those years when the crops have not been good.
3. Buying additional land, to make improvements on the existing land, to clear old debt and purchase costly agricultural machinery.
4. Increasing the farm efficiency as against limiting resources i.e. hiring of irrigation water lifting devices, labor and machinery.

Principles of KCC:

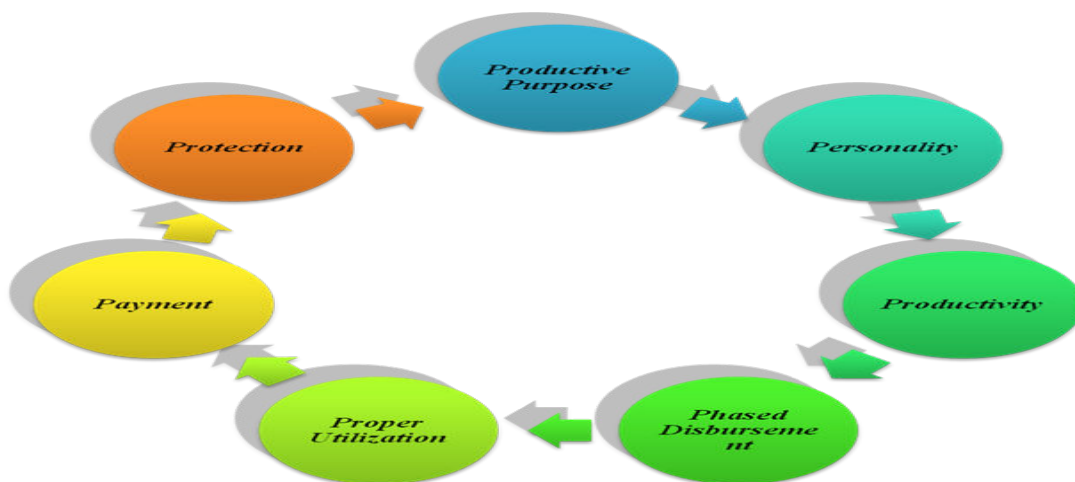


Figure 1: Principles of KCC

Stages of Kisan Credit Card:

1. Interview with the Farmer:
2. Submission of Loan Application by the Farmer:
3. Scrutiny of Records:
4. Visit to the farmer's field before sanction of loan:
5. Criteria for Loan Eligibility:
6. Sanction of Loan:
7. Submission of Requisite Documents:
8. Disbursement of Loan:
9. Post-Credit Follow-up Measures:
10. Recovery of Loan:

Kisan Credit Card Basic Criteria:

Purpose of Loan:

1. To meet short term credit requirements for cultivation of crops.
2. To provide Post-harvest expenses & Produce Marketing loans.
3. To meet consumption requirement of farmers.
4. To meet working capital requirement for maintenance of farm equipments and other assets and activates allied to agriculture like dairy, fisheries etc.

Eligibility of farmer for issue of Kisan Credit Card:

Most of the CBs had issued KCCs only to those farmers who had good track records forth last 2/3 years. Some of the banks stipulated the minimum eligibility for issue KCC at one acre of irrigated land. In order to speed up the progress in issue of Kisan CreditCards, some banks had advised their branches that all tractor borrowers may be issued Kisan Credit Cards. The branches of Commercial Banks have been issuing Cards mostly to existing borrowers only.

Basis for Fixation of Credit Limit:

The banks have followed the RBI guidelines given in the model scheme and fixed the limit on the basis of land holding, cropping pattern and scale of finance. However, some banks have followed different procedures and fixed the limit at 50% of the total income from all sources. Allahabad Bank and Punjab National Bank follow limits/slabs based on land ownership.

Restriction on Maximum Amount:

Except one or two banks, the Commercial Banks have not prescribed any maximum limit

All Farmers - Individuals / Joint borrowers who are owner cultivators, tenant farmers, oral lessees, share croppers and Self Help Groups or Joint Liability Groups of Farmers.

Nature of Facility: Short-term revolving credit.

Loan Amount: For the first year, limit will be fixed on the basis of Scale of finance for the crop, plus 10% of limit towards post harvest expenses, plus 20% of limit towards repairs & maintenance, plus For second and subsequent years the limit will be arrived at by adding 10% towards cost escalation over limit of the preceding year.

Margin: Nil

Interest Rate:

Table 1: Interest Rate

<u>Interest Rates</u> (with effect from 04 /04/2014)	
Base Rate = 10.15% p.a. All rates are floating only	
Loan Amount	Effective Interest Rate
Up to Rs.50,000/-	10.65%
Above Rs.50,000/- to 5 Lac	11.15%
Rs.5,00,000/- to 10 Lac	11.65%
Rs.10,00,000/- to 25 Lac	12.15%
No fixed rate option in any limit bracket.	

Securities:

Primary: Hypothecation of crops and assets created out of bank's finance.

Collateral: No collateral for limit up to Rs. One lac. For limits above Rs. One lac, collateral security is required.

Repayment Period: Limit will be valid for 5 years, subject to annual review. As per the anticipated harvesting and marketing of the crop.

Period of Proposal Sanction: The period of KCC loan proposal sanction is 7 days. (As per the bank manual)

Processing / Documentary Charge: Nil.

List of Document/Papers Required For all Applicant:

1. Completed loan application
2. 3 Passport size photographs

3. Proof of identify (photo copies of Voters ID card/ Passport/ Driving License/ IT PAN card)
4. Proof of residence (photo copies of recent Telephone Bills/ Electricity Bill/Property tax receipt/ Passport/ Voters ID card)
5. Proof of business address for non-salaried individuals
6. Statement of Bank Account/ Pass Book for last six months
7. Signature identification from present bankers
8. Personal Assets and Liabilities statement

Additional Documents Required for Farmers Persons:

1. Original Latest copy Agricultural 7/12 extracts.
2. Additional Documents Required for Guarantor (Wherever Applicable):
 1. Personal Assets and Liabilities Statement
 2. 2 passport size photographs
 3. Proof of identification as above
 4. Proof of residence as above
 5. Proof of business address as above
 6. Signature identification from his/her present bankers
3. Farm Document: Latest Copy of Our Farm 7/12 Extracts.
4. Security Documents:
 1. Application RF 45
 2. Receipts F – 260.
 3. DP Note
 4. Hypothecations agreement of standing crops and moveable property.
 5. Agreement of KCC
 6. Guarantee agreement signed by two grantors acceptable bank
 7. Registered simple mortgage of Agriculture land or change on 7/12 extracts by way of declarations before Sub- Register.
5. Documents Relating to Repayment: Where Check-off is available:
 1. Demand Promissory Note.
 2. Deed of Composite Hypothecation Agreement (CHA-1).
 3. Letter of Authority (AG-15).
 4. Charge on land as per Agricultural Credit Act or Equitable mortgage or Legal Mortgage of land (CHA-4).
 5. Letter of Pledge (OD-159).

6. Pledge of Storage Receipt duly discharged.
7. Undertaking to repay the advance within 12 months or on sale of produce.
8. Bank's lien to be notified to the storage unit.
9. Undertaking from the godown / cold storage owners not to deliver the goods without production of the pledged storage receipt.
10. L-515.

In Case of CBI No Due Certificate:

There is no need for getting No Due certificate from other banks for agricultural loan. Agricultural borrower's data is available in CIBIL; hence no-dues certificate is not required. The Branch Managers to verify the CIBIL data for the above purpose.

Kisan Credit Card Progress & Performance

On 21st December 2012, our first Farmer enabled CENT KCC Card was launched by Hon'ble Finance Minister of India at New Delhi. Till 31st March 2014, CENT KCC Credit Cards have been issued to 484855 eligible CKCC account holders which are 86% of the total eligible KCC account holders. Bank has issued Kisan Credit Cards to 16, 86,900 beneficiaries till 31st March 2014 with total outstanding of Rs. 14,499.39 crore. Primary Data Collected from the borrowers through a multistage stratified sampling design. The survey of the borrowers was carried out in Ahmednagar district of Maharashtra Central Bank of India on the basis of total number of cards issued up to March 2014. Subsequently, banks, branches and types of farmers formed three stages of sample selection within the selected district. Depending upon the size and number of KCC holders, a sample of ten farmers from each bank branch was selected using simple random sampling with due representation to various types of farmers according to their land-holding size. The final sample of KCC holders thus worked out to be 300. The data were collected with the help of pre-tested questionnaires. Primary data and Secondary Data were tabulated and analyzed using statistical tools such as mean, standard deviation, percentage share, weighted average, growth rate, etc., to derive inferences. Economic benefits of KCC have been arrived at by estimating production gain, price gain, actual interest saved on account of enhanced credit limit and reduced average loan outstanding (due to the flexibility in operation). Non-economic benefit of the KCC was assessed in terms of individual perceptions of the borrowers on the Selection of Sample Farmers.

Effectiveness of Kisan Credit Card Scheme in Implementing

Effectiveness of KCC Scheme

The efficacy of KCC as an efficient, timely and hassle free credit delivery mechanism to agriculture. As a part of the study, a total of 50 KCC holders were interviewed to ascertain their viewpoints. These field visits had brought out several important findings, which could have a bearing on the future policy in this regard. These findings also help in speeding up the progress of implementation by highlighting the operational difficulties. The chapter devotes to deliberate on the feedback collected through a semi-structured questionnaire from 50 sample KCC holders.

Table 2: Effectiveness of KCC Scheme

Awareness	No of Farmer	Percentage (%)
Yes	32	64
No	18	36

Interpretation

From the above Table shows that Farmers’awareness about agricultural purpose Cent Kisan Credit Card.

Out of 50 farmers only 64 % farmer knows the Central Bank Credit Cards and remaining 36% farmers does not know about this cards.

Table 3: Land Holding Size-Wise (in Hector)

Land Holding	No. of Farmers	Percentage (%)
Less than 1.00	15	30
1.01 to 2.50	12	24
2.51 to 5.00	8	16
5.0 to 10.00	10	20
More than10.01	5	10

Interpretation

The abovestudy indicatesthat 30% landholding less than one hector could not getcredit cards according to Central Bank Credit Cards criteria. Only 70% farmers are eligible to get the KCC.

Overall Efficacy/ Benefits of KCC

Farmers viewed that KCC was beneficial to them in more than one way. The KCC holders get benefits like,

1. Meeting credit requirements for crop cultivation for the whole year.
2. Availability of credit whenever the credit is needed.
3. Flexibility in drawing cash/ buying inputs from any supplier of choice.
4. Reduction in quantum of interest due to drawl flexibility / repayment.
5. Reduction in cost of credit for availing the bank loan.
6. Insurance cover at a very low premium rate.

The field study revealed that the KCC scheme was meeting the credit requirement of the KCC holder to a great extent but not adequately. However, by fixing the limit for three years the banks were assuring the farmers credit with no extra hassles of documentation other worries. It was giving the farmer the flexibility to draw / deposit as and when necessary. However, in practice the same had not happened in many banks. The KCC holder was not allowed to draw from any other branch and was not encouraged to draw / deposit number of times in the same branch as the same would jack up the workload for the branch and involved loss of interest to the bank. Different farmers have different perception about the credit cards according to their experience & perception.

Table 4: Beneficial Parameter on KCC Scheme

Sr. No.	Beneficial Parameters	No. of Farmers	Percentage (%)
1	Saving in annual renewal cost	44	88
2	Timely availability of credit	41	82
3	Hassle free Card	38	76
4	Reduced cost of accessing credit	36	72
5	Operational flexibility	31	62
6	Savings in interest charged on KCC	24	48

Interpretation

From the above analysis different person have different experience and perception according to cases to cases.

Real Cost Of Credit

The real cost of credit were estimated based on the primary data collected during the study. This cost includes charges on various documents required for sanction of loan, payment of fees for issue of card, seeking legal opinion and opportunity cost of the borrower.

Documents and Charges

The documents collected for sanction of loan by most of the banks were,

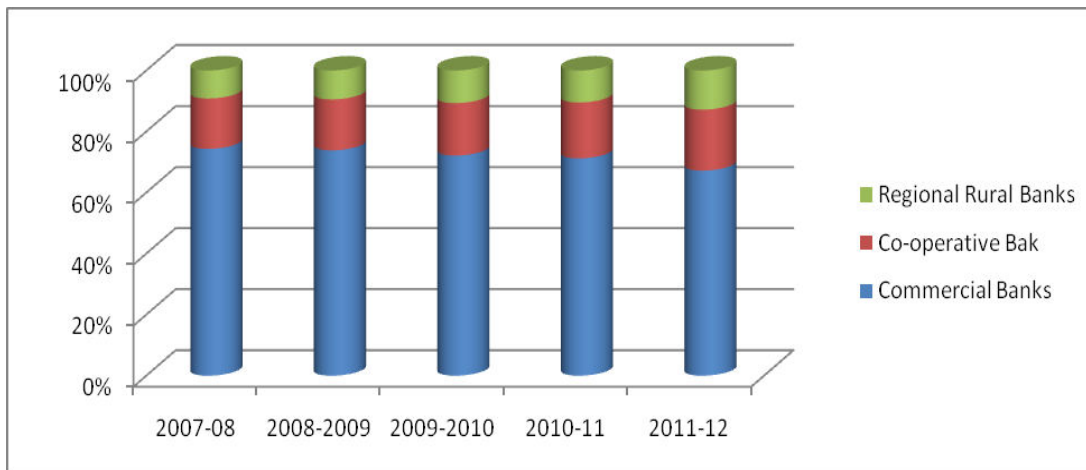
1. Copy of land Patta indicating the ownership of the land and the liabilities, land map, land records, cropping pattern, etc, issued by Revenue department (Rs.200)
2. Non-Encumbrance certificate for loan > Rs 50000 (Rs 200)
3. Although ‘No Dues Certificate’ has been dispensed with, many banks/ PACS asked for it from nearby Bank branches (varied from Rs 10 to Rs 100 per branch) normally Rs. 50-Rs.100 per loan.
4. For loan amount above Rs 50000, which involves mortgage of land, a declaration in a form signed by the borrower and with two witnesses in stamp paper(Rs. 100)
5. Mortgage of land for loan above Rs. 25000 for immovable and Rs 15000 for movables (0.5%).
6. For 10 acre and above and loan amount of > Rs. 500000 registered mortgage(stamp duty @ 3% of loan amount)
7. Affidavit declaring about the ownership of land and utilization of loan amount.
8. Valuation certificate (actually Rs 200), but farmers are paying a minimum of Rs 1000),Other costs involved included processing charges, inspection charges (mostly by commercial banks), share capital (10% of loan in case of PACS), crop insurance (varying depending on crops), Personal Accidental Insurance, etc. various expenditure on documentation / service charges for availing credit limit under KCC from PACS.

Table 5: Documents and Charges under KCC Scheme

Sr. No.	Particulars	Rs
1	Cost of the card	250
2	Service charges	0
3	Legal opinion	300
4	Valuation reports	500
5	Hypothecation (stamp duty) (%)	0.5
6	Mortgage (%)	0.5
7	Registered mortgage (%)	0.3

Historical Progress of Kisan Credit Card.

The Kisan Credit Card (KCC) scheme introduced in August 1998 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. The scheme was revised in 2012 to make room for ATM enabled debit card, operation through wider delivery channels including mobile handsets, in built cost escalation for assessing limits, wider coverage under crop loans, etc. As per the data available, during 2013-14 (upto August 2013), 10.78 lakh KCCs were issued by co-operative banks and the amount outstanding was `3,124.51 crore. During the same period, RRBs had issued 7.83 lakh KCCs with outstanding amount of `6,184.50 crore. The cumulative numbers of operative KCCs issued by co-operative banks and RRBs upto August 2013 were 357.65 lakh and 105.79 lakh, respectively. The amount outstanding was `96,732.14 crore and `55,864.71 crore, respectively, for the above two agencies.



Graph 1: Agency-wise Credit flow for Agriculture

Findings

1. The KCC process starts with interview with the farmer to up to Recovery of Loan amount. There are 10 steps in the KCC process cover in the applicant of farmer and borrowers. The interview will be farmer on find out of actual credit need and fill up Format of KCC on the CBI Form and security will be chalking of 7/12. The actual Filed Serve to the Land owner with Branch Manager, Agricultural Filed officer after value of Crops and market valuation studying after recovery of the Loan.
2. There are various difficulties about the implementation of these schemes; out of them major is difficulty to educate the people about proper utilization of the fund. Rural

people don't have knowledge of marketing and finance. Therefore, this amount used in any non-productive areas and this loan converts into Non Performing Assets.

3. Performance of these banks is not so satisfactory as compared with the other co-operative and commercial bank special in the case of 'Parner' Tahashil.
4. The issuing criteria is minimum 1 hecter is require but in the study of 50 farmers only 36 farmer have more than 1 hecter and remaining have less than its minimum requirement.

Suggestions and Recommendations

1. The Bank should have to publish a book and distributes with minimum cost, organized awareness programme to various farmer for general awareness.
2. The loan sanctioning period should be lower than other banks so customer takes immediately loan & procedure of loan going fast.
3. The minimum criteria should be removed up to the limit of Rs 25000 to 50000/-

Conclusion

KCC is one of the most innovative, widely accepted, highly appreciated and non-discriminatory banking credit products. It should reach each and every farmer for the productive purpose. There is a need for educating the farmer and close supervision also required. Banking employee should be a counselor as well as controller of the finance. There is huge gap between the policy and actual utilization. This gap can be removed through two methods one is minimizing the minimum criteria and another is educating for utilization of this card. This study tries to help farmer as well as banker for better utilization of their loan and its timely recovery. Constant monitoring and thrust given by NABARD has substantially enabled the progress

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