INTRODUCTION

The introduction of modern technology’s into the agricultural sector have led to intensive use of input and the package of practices manifold increase in the requirement of production credits. Credit from informal sources is available but with string attached to it, thus realizing this fact government of India in 1969 added fourteen major nationalized banks and six other to this category in 1980 (Singh and Sekhon 2005).

The Kisan Credit Card scheme was introduced in 1998-99 to facilitate farmer access to short term credit from the formal financial institutions. The KCCs has made a rapid progress, and the number of card increased from 6.1 Lakh at the end of March 1999 to 413.8 Lakh at the end of March 2004. Since then from 31st October 2006, 64.5 million KCCs were issued by co-operatives bank, commercial bank and Regional Rural Bank RRBs. (Hand book of Kisan Credit Card Scheme year 2004-05).

With a view to inquire in to the reason for the tailbacks of the credit and suggest measures for improving the delivery system as well as simplification of the procedures for farm credit, the Reserve Bank of India (RBI) has set up one man High Level Committee of Shri R.V. Gupta in December 1997. The committee submitted it report in April 1998, It was against the background of this committee’s report that RBI in 1998 directed all Public Sector Banks (PSBs), (RRBs) and co-operative banks to introduce KCCs on the lines of the model scheme formulated by National Bank for Agriculture and Rural Development (NABARD) and in due course of time the KCCs was adopted by all the directed agencies.

The KCCs aims to extending adequate and timely support from banking system to the farmer, to meet the crop production and ancillary activities. Most of the banks are adhering to the Scales of Finance (SOF) decided by the State Level Bankers Committee (SLBC) but some banks have fixed their own SOF which is in all cases higher than those recommended by SLBC. The nature of credit extended under KCCs is revolving and cash credit provided for any number
of withdrawals and repayments within the limits. This feature would provide form flexibility and reduce the interest burden upon KCCs beneficiaries, security and margins norms would be in conformity with the guidelines issued by RBI and NABARD from time to time. With effect from 2001-02 it was made obligatory for the implementing agencies to operate the KCCs within built component of life Insurance for KCCs beneficiaries. The KCCs as envisaged has substituted all other existing Institutional modes of short–term credit delivery. Credit facilities were extended by several public sector bank and co-operative bank to farmers with the view to improving their access to credit. Again this scheme was used only selectively. The KCCs was started by Government of India (GOI) in consultation with the RBI and NABARD to join the feature of both these scheme and to overcome their shortcoming.

The scheme aimed to adequate the timely financial support in a flexible and cost effective manner. The Government of India set a time frame of March 2004 for covering all eligible farmers under this scheme for meeting this frame banks and they have been advised to work out a simple action plan. NABARD advised banks to organize campaigns and banker borrower meet to ensure coverage of all eligible farmers by March 31st, 2004 in addition to the NABARD has been taken the following initiatives:

a. Provision of finical assistance under cooperative development fund to cooperative bank’s for publicity campaigns.

b. Finical support to Regional Rural Bank (RRBs) under the R&D fund to take up publicity campaigns in north eastern states. This scheme has also been extended to other parts of the country.

The scheme is being implemented in all the states and union territories by RRBs beneficiaries covered under the KCCs are issued with a credit card and a passbook or a credit card cum pass book incorporating the name address and particulars of land borrowing limit and the validity period. Production credit limits are fixed taking into account the entire production credit needs for a full year plus ancillary activates relating to production sub limits are also fixed at the discretions of lending banks. Crop loan/short term credit is in the form of a revolving cash
credit facility involving any number of drawls and repayments within the limit fixed on the basis of operational land holding cropping investment credit requirement of farmers remained outside the preview of KCCs causing additional cost and procedural inconvenience to farmers. To address these deficiencies in the KCCs NABARD reversed the scheme in August 2004 to cover term loans for agriculture and allied activities. Under KCCs while the short term as well as working capital credit is repayable in 12 months the term loan is to be repaid within maximum period of five year. Conversions of loan are permitted in case of damage to the crops due to natural calamities. With an overwhelming response from the farmers as well as the banker to the KCCs November 30, 2005 was 555.85 Lakh the growing popularity of the KCCs reflects its effectiveness of in ensuring hassle free and timely operations as also availability of credit with minimum transaction cost and documentation. In order to safeguard the interests of the KCCs holder for coverage under Personal accident insurance cover of Rs 50,000 for accidental death and Rs 25,000 for permanent disability on an ongoing basis on competitive term NABARD has allowed discretions to the banks to opt for “any insurance company of their choice”. This facilitates personal accident insurance coverage are ongoing basis at competitive rate/terms. With a view to meet credit needs of the farmer through a single window. NABARD has enlarged the scope of the KCCs beyond the existing facilities of providing crop loan limit to cover term loan for agriculture and allied activates including a reasonable component of consumption needs.

With the enlarged coverage of 50 Lakh new farmers under KCCs by the 2005-06 NABARD has advised the co-operative bank and RRBs also to arrive at realistic targets for issue of KCCs to new farmers during the year. Banks have been advised to identify and enlarge the coverage by bringing in the farmer including defaulters oral lessens tenant farmers who may be outside the fold of the KCCs as also new farmers. RRBs have accordingly set targets of issuing 16 Lakh KCCs respectively during the year further banks have been advised to ensure that KCCs continue to be renewed in a hassle –free manner and to direct their efforts towards ensuring quality in operations of the KCCs and more importantly that crop loan are routed only through KCCs keeping in view the Government of India for doubling
the flow of credit to agriculture sector. NABARD advised the RRBs to identify and bring in to their fold such farmers including defaulter oral lessees tenant farmers share croppers who may have been outside the fold of the scheme for any reasons as also new farmers.

The scheme was circulated to banks by RBI/NABARD. At the end of December 2000 about 1 crores KCCs have been issued surpassing the target of 75 Lakh fixed in the budget for the year 2000-01. The present study was conducted by Bankers Institute of Rural Development (BIRD), Lucknow at the instance of Planning Commission of India with the objectives of:

(a) Review the progress of the scheme particularly from the angle of its geographical spread, bank wise progress, coverage of different categories of farmers.

(b) Assess the overall impact on flow of ground level credit. The Study also aimed at examining the difficulties and operational problems in the smooth implementation of the scheme.

The detailed TOR of the study has been given at of the main report.

Credit facilities were being extended by several public sector bank and cooperative banks to farmers with the view to improving their access to credit again this scheme was too used only selectively given the enormity of the credit requirement on one hand and the vagaries of the nature on the other, financing agricultural has been a gigantic task for banks in India. Ensuring timeliness and adequacy of credit to farmers have passed the most serious challenges to banks engaged in financing agriculture. Financial sector reforms ushered in as a part of the liberalization of the India economy in the beginning of nineties has in fusel a spirit of competitivensness and enterprise among the banks in their endeavor for serving their customers in the best possible manner. NABARD has been playing a proactive and catalytic role in guiding the banks to meet the emerging challenges.

As a pioneering credit delivery innovation of KCCs aims at providing adequate and timely credit support from the bonding system to the farmers for their cultivation needs including purchase of input in a flexible hassle free hand cost effective manner. KCCs aims at providing adequate and timely support from the
banking system at the farther for their short term credit needs for cultivation of crops. This mainly the cropping season KCCs proposed to introduce flexibility to the system and improve their cost efficiency. The scheme aimed at adequate and timely support from the banking system to the farmers for implement in all the states and union territories their cultivation needs including purchase of their input in a flexible and cost effective manner.

**Kalinga Kisan Gold Card Scheme:**

The scheme was introduced in 2001 about three years from launching of KCCs by Odisha State Co-operative Bank. The scheme aimed to provide additional and attractive benefits to borrowing KCCs holders with a good track record. Eligibility criteria for issue of Gold Cards were as follows: Membership of society for last three years, Availing agricultural loans from the society for last two years, No default in repayment in last two years, The benefits as outlined in the scheme were, 1% less rate of interest on all kinds of loans, Accidental insurance coverage of Rs. 25000/-. Premium to be borne by bank, Eligible for consumption loan, Selected Gold Card holders will be given exposure visits once in a year, Eligible to participate in the lottery to be held once every year with attractive prize money, Card holders were free to purchase fertilizer from any retail dealer for the ‘B’ component, Card holders to get priority in any loan scheme up to Rs. 25000/-.

**BINIFITES OF KISAN CREADIT CARD SCHEME:**

1) Remove rigidity regarding cash and kind.

2) No needs to apply for a loan for every crop.

3) Assured availability of credit at any time enabling reduced inters burden for the farmer.

4) Helps buy seeds fertilizer at farmer’s convenience and choice.

5) Helps by on cash evil discount from dealers

6) Credit facility for 3 years no need for seasonal appraisal.

7) Maximum credit limit based on agricultural to income.

8) Repayment only after harvest.
9) Rate of interest as applicable to agriculture advance.

10) Sincerity margin and documentation norms as applicable to agriculture.

**How to get Kisan Credit Card scheme:**

Approach your nearest public sector bank and get the details Eligible farmers will get a Kisan Credit Card scheme (KCCs) and a passbook it has the name, address, particular of land, holding, borrowing limit validity period a passport size photograph of holder which may serve both as an identity card and facilitate recording of transaction on ongoing basis. Borrower is required to produce the card cum passbook whenever he/she operates the account.

**SWOT FOR THE KISAN CREDIT CARED SCHEME:**

**STRENGTHS**

Credit sanctioned per acre to small farmer was observed to be more than the other size classes. There is no evidence as per the information that the KCCs. But while looking out for non Kisan Credit Card farmers only small and medium farmers were located and these farmers need to be the KCCs. Farmer is helping them to save on the interest component on the dept.

**WEAKNESS**

Kisan Credit Card scheme was not able to flush out the double financing [73%] owing to lack of co-ordination between institutional sources of credit, Kisan Credit Card borrows [25%] was still found to be in the grip of the money lenders. The amount diverted as percent of as high as 35.56%.

**Opportunities**

Farmers can be issued a passbook with an authentic record of land and the borrowing capacity. The bank should accept the same as valid little for the purpose of mortgages. This will save the farmer from cumbersome process of registering the mortgage deed in the name of the bank. This types of system for getting the loans is already been followed by the financial institution for the loans against urban property. Hence there should not be any legal complication in implementing
this suggestion. As such there is no direct threat of the KCCs beneficiaries but as far as the rural banking system is concerned the problem of non-performing assets can paralyse the KCCs. No doubt the present recovery was stated by the bank officials in the case of KCCs is quite satisfactory but this is a result of the dept management. How far the banks can pull up clearly depends upon the support from the non institutional source of credit as it is the conduct for the dept management.

Kisan Credit Card scheme has been a huge success with India farmer. This is especially true for farmer from Andhra Pradesh, Maharashtra, Rajasthan, Utter Pradesh and Tamil Nadu. The maximum number of KCCs holder are in Andhra Pradesh where the total number 37,20,075 Maharashtra follow at 17,61,888 and in third place Utter Pradesh with 15,15,200 cards NABARD expects the total number of KCCs to touch 5 crores by the year 2004. Since its launch in August 1998, 1.43 crores cards have been issued till May 2001. The Finance Minister had also recently passed and the union budget had issued a statement to the effect that all eligible farmers be furnished with KCCs. Bank are pretty choose with respect to the KCCs issuance. Although there is no collateral required to qualify for a KCCs banks have very stringent qualification norms for farmers. An applicant is judged on the basis of his previous track record land holding and cropping pattern. Only then a decision is reached on issuance of the KCCs. Even the credit limit extended to a beneficiary, is based on his track record operational land holding. Cropping pattern also the scale of finance recommended by the district/state level technical committee, which is based on a per crop-basis is taken into account the ending production credit requirement of the farmer for the full year including the credit requirement of the farmer for ancillary related to crop production such as maintenance of agriculture machinery implements and electricity charges while fixing the credit limit. The local banking system has been highly supportive and encouraging KCCs and it won’t come as a surprise if the scheme is further expanded to cover more areas such as the easy and flexible financing of weavers rural artisans and handicraftsmen. The farmer would be evaluated by the bank on financial grounds by looking at his past record with the bank, and on personal grounds by looking at his reputation in the village.
Kisan Credit card Scheme – Major features:

1. Eligible farmers to be provided with a Kisan Credit Card scheme and a pass-book or a card-cum-pass book. Card to be valid for 3 years subject to annual review. Personal Accident Insurance up to Rs.50,000 to the card holder under Personal Accident Insurance Scheme (PAIS).

2. Revolving Cash Credit Facility (RCCF) involving any number of drawls and repayments within the limit. Limit to be fixed on the basis of operational land holding, cropping pattern and scales of finance. Each drawls to be repaid within 12 months.

3. Entire production credit needs for full year plus ancillary activities related to crop production to be considered while fixing limit. In due course, allied activities and non-farm credit needs may also be covered. Sub-limits may be fixed at the discretion of the bank. As incentive for good performance, credit limits could be enhanced to take care of increase in costs, change in cropping pattern, etc.

4. Conversion/ re-schedule of the loans also permissible in case of damage to crops due to natural calamities.

5. Operations may be through issuing branch or at the discretion of bank, through other designated branches. Security, margin, rate of interest as per RBI norms. Interest to be charged on the credit balance in the account. Withdrawals through slips/ cheques accompanied by card and passbook

Personal Accident Insurance Scheme in Kisan Credit Card scheme:

A Personal Accident Insurance Scheme (PAIS) is attached with KCCs, which covers risk of KCCs holders against accidental death or permanent disability up to a maximum amount of Rs.50,000 and Rs.25,000, respectively, resulting from accidents caused by external, violent and visible means. The insurance premium payable on personal accident insurance coverage to KCCs holders will be Rs.15 for a one year policy and Rs.45 for three years. The premium payable to the insurance company is shared between the KCCs issuing bank and the KCCs holder in the ratio of 2:1. Coverage of KCCs under Personal Accident Insurance Scheme
(PAIS) and National Agriculture Insures Scheme (NAIS) 4.26 in the model scheme circulated by RBI/NABARD, insurance of the card holder by the issuing banks was not recommended. Since the introduction of Personal Accident Insurance Scheme (PAIS) in 2001-02, KCCs loans are invariably are covered under or Personal Accident Insurance Scheme (PAIS). The banker and the farmer share the premium in a ratio of 2:1 and a premium of Rs.15 is paid for the purpose by the farmer. 4.27 The crop loan disbursed under KCCs issued by the District Central Cooperative Bank (DCCB) are covered National Agriculture Insurance Scheme (NAIS). For insurance of paddy a premium of 2.5 per cent is collected for farmers with land holding up to 1 Hectare and @ 4.3 per cent is collected from farmers with more than 1 Hectare of land. The farmers are not inclined to pay premium under National Agriculture Insurance Scheme (NAIS) as according to them the drought comes once in 5 years. Moreover, according to them the risk factor in Rabi is quite minimal. In fact some of the farmers are loading the premium into the effective cost of fund. They are not convinced of the growing menace of climatic change.

PROGRESS OF THE KISAN CREDIT CARD SCHEME KCCs:

Progress of Kisan Credit Card Scheme in India 3.4 crores the Scheme was initiated in the year 1998-99. Only 0.78 million Kisan Credit Card Scheme could be issued in the initial year and it progressed consistently in subsequent years. Putting an emphasis on increasing credit flow to the agricultural sector, National Bank For Agricultural And Rural Development 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 KCCs 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. About 8.46 crores KCCs have been issued up to end of 2008-09 by the banks throughout the country.
### Period-wise progress of Kisan Credit Card Scheme by RRBs (Rs in crores):

<table>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No of card issued</td>
<td>0.06</td>
<td>1.73</td>
<td>6.48</td>
<td>8.34</td>
<td>9.64</td>
<td>12.73</td>
<td>17.29</td>
<td>12.49</td>
<td>14.06</td>
<td>17.73</td>
<td>14.14</td>
<td>114.69</td>
</tr>
<tr>
<td>Amount sanctioned Rs</td>
<td>11</td>
<td>405</td>
<td>1400</td>
<td>2382</td>
<td>2955</td>
<td>2599</td>
<td>3833</td>
<td>8483</td>
<td>7373</td>
<td>9074</td>
<td>7632</td>
<td>46147</td>
</tr>
</tbody>
</table>

**Source- NABARD & SLBC documents year 1998-99 page no 32-35**

The State-wise progress in implementation of KCCs revealed that Uttar Pradesh, accounted for 18 per cent of the total cards issued followed by A.P. (17 per cent), Maharashtra (10 per cent), Tamil Nadu (10 per cent), and Karnataka, Madhya Pradesh, Orissa and Rajasthan, (6 per cent) each. The progress was, however, target in Goa, Himachal Pradesh, Jammu and Kashmir, Sikkim and the States in North-Eastern Region. Against the above background the present study was conducted by NABARD. 3.7 crores however, there were quite a number of findings reflecting few areas of concern. The study revealed that 717.51 lakh KCCs were issued at the end of March 2009, which constituted around 76.85 per cent of the total operational holdings of the 14 states. The study observed that there was something seriously wrong with the MIS of KCCs. The study could detect four types of shortcomings in the MIS on KCCs: (a) more than one family member having the same operational holding have been issued the KCCs, (b) the same person has been issued multiple KCCs by various banks, (c) in certain cases, KCCs lapsed after a period of three years, but were still counted as valid ones in the MIS and finally, (d) in certain cases, KCCs were renewed after a period of three years, but such cards were shown to be freshly issued. When these distortions are taken into account and the number of genuine KCCs is re-estimated, it was found to be 472.68 lakh, which constituted around 50.63 per cent of the operational holding of the states. Among various states, the maximum coverage of KCCs (ratio of number of cards to operational holdings) was Punjab (77.53 per cent), Haryana (74.21 per cent), Andhra Pradesh (64.39 per cent) and Karnataka (63.07 per cent). 3.8 crores. Agency-wise breakup of the total KCCs issued showed that commercial
banks issued maximum number of KCCs at 43.2 per cent of total followed by cooperative banks and Regional Rural Banks at 42.7 per cent and 13.6 per cent respectively. In terms of total loan disbursed to cardholders, the share of commercial banks was 57.5 per cent, followed by 29.5 per cent for cooperative banks and 13 per cent for Regional Rural Banks.

Table 1.1: Coverage of Kisan Credit Card scheme -State-wise (in lakhs):

<table>
<thead>
<tr>
<th>States</th>
<th>No of operational holding (in lakhs)</th>
<th>No of card issued (in lakhs)</th>
<th>Percentage</th>
<th>Estimated KCCs in lakhs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orissa</td>
<td>40.67</td>
<td>49.34</td>
<td>121.32</td>
<td>24.87</td>
<td>61.15</td>
</tr>
<tr>
<td>West Bengal</td>
<td>67.90</td>
<td>31.08</td>
<td>45.77</td>
<td>27.09</td>
<td>39.90</td>
</tr>
<tr>
<td>Eastern Region</td>
<td>108.57</td>
<td>80.42</td>
<td>74.07</td>
<td>51.96</td>
<td>47.86</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>121.04</td>
<td>78.12</td>
<td>64.54</td>
<td>70.34</td>
<td>58.11</td>
</tr>
<tr>
<td>Gujarat</td>
<td>42.39</td>
<td>28.01</td>
<td>66.08</td>
<td>20.54</td>
<td>48.45</td>
</tr>
<tr>
<td>Western Region</td>
<td>163.43</td>
<td>106.13</td>
<td>64.94</td>
<td>90.88</td>
<td>55.61</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>58.19</td>
<td>47.57</td>
<td>81.75</td>
<td>37.77</td>
<td>64.91</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>73.56</td>
<td>50.68</td>
<td>68.90</td>
<td>42.57</td>
<td>57.87</td>
</tr>
<tr>
<td>Central Region</td>
<td>131.75</td>
<td>98.25</td>
<td>74.57</td>
<td>80.34</td>
<td>60.98</td>
</tr>
<tr>
<td>Punjab</td>
<td>9.97</td>
<td>22.30</td>
<td>223.67</td>
<td>7.73</td>
<td>77.53</td>
</tr>
<tr>
<td>State</td>
<td>SF 1</td>
<td>SF 2</td>
<td>MF 1</td>
<td>MF 2</td>
<td>MF 3</td>
</tr>
<tr>
<td>------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Haryana</td>
<td>15.28</td>
<td>23.48</td>
<td>153.66</td>
<td>11.34</td>
<td>74.21</td>
</tr>
<tr>
<td>UP</td>
<td>216.68</td>
<td>154.23</td>
<td>71.18</td>
<td>76.89</td>
<td>35.49</td>
</tr>
<tr>
<td>HP</td>
<td>9.14</td>
<td>3.25</td>
<td>35.56</td>
<td>2.64</td>
<td>28.88</td>
</tr>
<tr>
<td><strong>Northern Region</strong></td>
<td><strong>251.07</strong></td>
<td><strong>203.26</strong></td>
<td><strong>80.96</strong></td>
<td><strong>98.60</strong></td>
<td><strong>39.27</strong></td>
</tr>
<tr>
<td>AP</td>
<td>115.32</td>
<td>144.32</td>
<td>125.15</td>
<td>74.28</td>
<td>64.39</td>
</tr>
<tr>
<td>Karnataka</td>
<td>70.65</td>
<td>49.78</td>
<td>70.46</td>
<td>44.56</td>
<td>63.07</td>
</tr>
<tr>
<td>Kerala</td>
<td>65.75</td>
<td>30.54</td>
<td>46.45</td>
<td>28.44</td>
<td>43.25</td>
</tr>
<tr>
<td><strong>Southern Region</strong></td>
<td><strong>251.72</strong></td>
<td><strong>224.64</strong></td>
<td><strong>89.24</strong></td>
<td><strong>147.26</strong></td>
<td><strong>58.50</strong></td>
</tr>
<tr>
<td>Assam</td>
<td>27.12</td>
<td>4.81</td>
<td>17.74</td>
<td>3.64</td>
<td>13.42</td>
</tr>
<tr>
<td><strong>North-east Region</strong></td>
<td><strong>27.12</strong></td>
<td><strong>4.81</strong></td>
<td><strong>17.74</strong></td>
<td><strong>3.64</strong></td>
<td><strong>13.42</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>933.66</strong></td>
<td><strong>717.51</strong></td>
<td><strong>76.85</strong></td>
<td><strong>472.68</strong></td>
<td><strong>50.63</strong></td>
</tr>
</tbody>
</table>

Source- NABARD documents year 2004-05 page no 100-104

**Coverage of small and marginal farmers under Kisan Credit Card scheme:**

Based on the data compiled by some banks at the request of BIRD and information obtained during the field visit, the coverage of Small farmers (SFs) and Marginal farmers (MFs) under Kisan Credit Cards scheme was as under
Table 1.2: Coverage of small and marginal farmers under Kisan Credit Card scheme:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Bank/Agency</th>
<th>Percentage coverage of SF/MF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cooperative</td>
<td>63-68</td>
</tr>
<tr>
<td>2.</td>
<td>RRBs</td>
<td>58-61</td>
</tr>
<tr>
<td>3.</td>
<td>CBs</td>
<td>59-64</td>
</tr>
</tbody>
</table>

Source- NABARD document year 2004-045 page no 85

Initially five Regional Rural Banks were set up on October 2, 1975 at Moradabad and Gorakhpur in Uttar Pradesh, Britani in Haryana, Jaipur in Rajasthan and Malda in West Bengal. The share capital of the Regional Rural Banks is subscribed by the Central Government (50%), the State government concerned (15%) and the sponsoring Commercial bank (35%). The Regional Rural Banks though basically scheduled commercial banks differ from the latter in certain rasped. Agriculture credit is one of the most crucial in all the agricultural development programmes’ For a long time the major source of agricultural credit were private money lenders. This source of credit was inadequate and highly expensive and exploitative. Since independence, a multi-agency approach consisting of the cooperative, the commercial bank and the RRBs know for institutional credit, has been adapted to prove cheaper, adequate and timely credit to the farmer. Rural linking, adopted in the mid 1970’s, is an important weapon of transforming the socio-economic structure of rural India. The main objective of setting up of RRBs is to provide credit and other facilities especially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas. It is stated that the RRBs are familiar with the rural problems. These rural bank intended to be locally based rurally oriented and commercially organized. The RRBs have started a new era in the credit structure of the economy and act as catalytic agents for ensuring the development of rural economy by providing credit as well as other facilities. These rural bank thus came to form the third component of the multi agency credit system for agricultural.
The area of RRBs is limited to a specified region comprising one or more districts of a state. The RRBs grant direct loans and advances only to small and marginal farmers’ rural artisans and agricultural labourers and others of small means for productive purposes. The lending rates of the RRBs should not be higher than the prevailing lending rates of co-operative societies in any particular state. The sponsoring banks and Reserve Banks of India provide many subsidies and concessions to enable the latter to function effectively.

**PROGRESS OF REGIONAL RURAL BANK:**

Among many essential factors of production, agriculture credit is one of the most decisive factors responsible for high adoption and leads towards sustainable agricultural development (Kushwaha *et al*, 2008). For a long time the most common source of agricultural credit were private money lenders which use to be managed by village level crop traders. Though process to get the credit was easy but the quantum of credit was inadequate coupled with exorbitantly high interest rate and exploitative (Kushwaha, *et al*, 2000; Kushwaha and Sani, 1998). Since independence, a multi-agency approach consisting of the cooperative, the commercial bank and the Regional Rural Bank know for institutional credit, has been adapted to prove cheaper, adequate and timely credit to the farmer. Rural linking, adopted in the mid 1970’s, is an important weapon of transforming the socio-economic structure of rural India. The main objective of setting up of RRBs is to provide credit and other facilities especially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas. It is stated that the RRBs are familiar with the rural problems. These rural banks intended to be locally based rurally oriented and commercially organized. The RRBs have started a new era in the credit structure of the economy and act as catalytic agents for ensuring the development of rural economy by providing credit as well as other facilities. This rural bank thus came to form the third component of the multi agency credit system for agriculture.

There are now 196 RRBs in states with 14,500 branches. The RRBs had raised aggregate deposits of Rs 43,220 crores and had advanced Rs 18,370 crores during 2001-02 by way of short term crop loans term loans for agricultural activities for rural artisans’ village and cottage industries retail trade and self employed consumption loans act. Over 95% of the loans of the loan of RRBs were provided
to the weaker sections. State wise the largest number of offices in a single State is to be found in Uttar Pradesh RRBs have an important role to play in our rural economy as they have to act as alternative agencies to proved institutional credit in rural areas. In course of time they are intended to eliminate money lenders altogether. However they were not set up to replace co-operative credit societies but to supplement them. In the last 28 years RRBs have been active participants in programmer’s designed to provide credit assistance to identified beneficiaries under the new 20 point program Integrated Rural Development Program (IRDP) and other special programmers for schedule castes and tribes. They are also implementing Differential Rate of Interest (DRI) scheme for the weaker section physically handicapped persons who are gainfully employed can secure finance frame RRBs for purchase of artificial limbs hearing aids wheel chairs etc. Subject to a maximum of Rs 2,500 per borrower

A) Regional Rural Banks had followed instruction given by Reserve Banks of India (RBI) and the Government of India regarding loan policies procedures.

B) The basic aim of setting up RRBs viz, developing the rural economic by providing credit for the development of agriculture trade commerce industry and other productive activates.

C) The recovery position was not satisfactory.

FINANCIAL PERFORMANCE OF REGIONAL RURAL BANK:

The above policy measures have brought about a significant improvement in the performance of Regional Rural Banks in recent years. In as money as 170 Regional Rural Banks (out of a total of 196) made operating provisions and contingencies made during the net profit of the 196 profit making RRBs stood at Rs 608 crores during the years. The Regional Rural Banks had launched the Kisan Credit Card Scheme with effect from the year 1998-99.

Credit Limit:

Initially, while circulating the model scheme on Kisan Credit Card scheme among the banks, RBI and NABARD had recommended Kisan Credit Card scheme for the
farmers where requirement of crop loan was Rs.5,000 and more. However, this ceiling was subsequently waived and all the banks were advised that they could work out their own loan limits/ceiling.

**Fixation of Credit Limit:**

The model scheme had stipulated that credit limit under Kisan Credit Card scheme may be fixed on the basis of operational land-holding, cropping pattern and scales of finance (SOF) as recommended by District Level Technical Committee (DLTC)/State Level Technical Committee (SLTC). Wherever the DLTC/SLTC have not recommended scale of finance for crops or in the opinion of the bank, recommended lower scales than the required amount, banks were allowed to fix appropriate scales of finance of the crop. However, study revealed that Primary Agricultural Credit Society (PACS)/bank branch did not adhere to the scale of finance scrupulously. As a result the entire credit need of the farmers is not met and they approach other banks, moneylenders in which their wives are members.

There is no component of consumer loan in the limit sanctioned by the District Central Cooperative Bank (DCCB). Due to lack of adequate resources at Primary Agricultural Credit Society (PACS) and District Central Cooperative Bank (DCCB) level the term loan for allied activities have not been factored in as originally envisaged in the KCCs. The Regional Rural Banks branches take into account the acreage, cropping pattern and the scale of finance but also the capacity of the borrower while sanctioning credit limit under KCCs. But they restrict the loan to the extent of Rs.50,000 beyond that the issue of collateral security crops up. The commercial banks broadly work out the eligibility as per the Kisan Credit Card scheme. However, they focus on big farmers for financing taking the original title deed as security. Study revealed that commercial banks prescribed per acre limit for irrigated and unirrigated land for calculating overall limit under KCCs.

**Types of Kisan Credit Card scheme Issued:**

There is only one type of card in the form of KCCs cum Pass Book by all banks. In case of some commercial bank there is no issuance of card as such. However, there was disbursement of crop loan under the scheme for reporting purpose. RRBs have either issued Card-cum-Pass books or a card and a Passbook as KCCs. Co-
operative banks had devised a Pass Book, which served the purpose of a card-cum-passbook containing all the details about the farmer and his borrowings. The cardholder is also covered with Accident Insurance Benefit of Rs.1,00,000 governed by the Bank’s Insured Current Deposit Scheme. Insurance is optional to the borrower. However, farmers are compulsorily covered under Personal Accident Insurance Scheme (PAIS).

**Margin and Security Norms:**

There is no margin as such to be provided under Kisan Credit Card scheme of production-orientated system of lending. As regard security it may be observed that under production orientated system of lending a charge is created on the standing crop. However, a mere declaration in favor of the Primary Agricultural Credit Society (PACS) creates a charge on the land. There is a simple mortgage of the land being cultivated by the farmers. In practice Primary Agricultural Credit Society (PACS) keeps the Patadar Pass Book (PPB) and sometimes even the Title deed (TD) in the loan document as security. In case the Primary Agricultural Credit Society (PACS)/Bank sanctions a special limit and the same exceeds Rs.50,000 then the Primary Agricultural Credit Society (PACS) insist on title deed, Patadar Pass Book and Encumbrance certificate (EC) and also certificate from Mandal Revenue Officer (MRO) are other documents, which are insisted upon by the Primary Agricultural Credit Society (PACS). The documentation of the RRBs normally for crop loan up to Rs.50,000 includes among others an Agreement for hypothecation of the standing crops and the Patadar Pass Book. In case of loan beyond Rs.50,000 calls for mortgage of registered title deed, Encumbrance certificate, legal opinion, Mandal Revenue Officer certificate. The hypothecation is required to be stamped @ of 0.5 per cent which is not applicable to farmers having land up to 5 acres. The Commercial Bank branches sometimes lend to farmers with established credibility by just retaining the original title deed of the land owned by the farmers. The documentation pertaining to the security in case of loan up to Rs.50,000 cost the farmer Rs.200 to Rs.500. The Village Revenue Officer (VRO) certificate itself cost Rs.120 to Rs.200 and the balance amount is spent on miscellaneous expenditure. The cost goes up once the limit/loan amount
exceeds Rs.50,000. The cost of EC works out to Rs.120 to Rs.200, legal opinion is obtained paying Rs.500 (more if the amount of loan is more) and the MRO report cost Rs.100 to Rs.200. The cost as indicated above as per the opinion of the farmers and bankers during the course of the study; the official cost may be less. Withdrawal Facilities one of the objectives of KCCs was to allow flexibility to the farmer for withdrawal of cash at various branches of the issuing bank particularly those located in semi urban or urban areas to facilitate easy availability of cash for purchase of agric-inputs like fertilizer and pesticides. However, it was found that all the banks have restricted the operations in KCCs to the issuing branches only. In case of Cooperative banks, withdrawals were allowed at the branch of District Central Cooperative Bank (DCCB) only. The Kisan Credit Card scheme was being issued by the District Central Cooperative Banks (DCCB) through Primary Agricultural Credit Society (PACS) but the loan was issued at the branch level. Because of the practice of allowing withdrawals at the branch, the District Central Cooperative Bank (DCCB) had maintained an account registrar as “Shadow Accounts” at the Primary Agricultural Credit Society (PACS) level. This was a replica of the loan ledger at the branch. Even though the cash transaction was not being handed over to the Primary Agricultural Credit Society (PACS), District Central Cooperative Bank (DCCB) branches had put in place a system of regular exchange of information between the branch and the Primary Agricultural Credit Society (PACS). There was no practice of issuing Chequebook by the bank branches. The withdrawals of cash were allowed only through the debit slip at the card-issuing branch only. Discussions with Regional Rural Banks and commercial bank branch managers/officials revealed that branch has not been issuing Chequebook as almost all farmers withdrew the limit in one go. However, if any farmer insists branch was inclined to issue Chequebook.

Service Charges:

For issuing Kisan Credit Card scheme, most of the banks have been levying fees, which aimed at cost coverage under different names such as service charges, follow-up charges, out-of-pocket expenses/inspection charges, etc. Some of the banks have also been charging inspection charges as well as application processing charges from the borrower. Co-operative banks have been collecting Rs.10 from
Kisan Credit Card scheme holders as cost of the Card. However, RRBs had followed the system of charging a service charge/ processing charge flat @ Rs.250 for loan above Rs. 25,000. The commercial banker claimed that they did not charge service charge but it was reported that they charged inspection charge in case of big farmers. Regional Rural Bank issued by KCCs.

**Table no1.3: KCCs issued by RRBs:**

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<tbody>
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<td>Value</td>
<td>0.06</td>
<td>1.73</td>
<td>6.48</td>
<td>8.34</td>
<td>9.64</td>
<td>12.75</td>
<td>17.29</td>
<td>12.49</td>
<td>14.06</td>
<td>10.29</td>
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*Source: NABARD and RBI as on November 30, 2007 up to June 30, 2007.*

To give further fillip to the KCCs NABARD advised all RRBs achieve the targets of issuing at list 150 Kisan credit cards scheme by each branch of RRBs during 2007-08. Since inception of KCCs the banking system has issued 7007.55 Lakh KCCs and renew so as to ensure KCCs up to November 30,2007 during 2006-07 the total number of KCCs issued were 85.11 Lakh and the amount sanctioned was Rs 46,729 core’s per the available information for 2007-08 (as on November 30,2007) the amount sanctioned was Rs 25,263 crores. With the renewed emphases by the Government on increasing credit flow to the agriculture sector National Bank for Agricultural and Rural Development advised cooperative and Regional Rural Banks to identify and cover all farmers including defaulter oral leases tenant farmers sharecroppers and other who might have been left outside the fold of the KCCs for any reason as also new farmers so that all farmers are covered under the scheme by March 31.2007. Further the banks were advised to issue KCCs in hassle free manner and extend crop loan only through KCCs.

**Minimum credit limit:**

Most of the banks have brought down the initial ceiling from Rs. 5,000/- to Rs. 3,000/-. Some of the banks did not stipulate any lower monetary ceiling.

**Basis for fixation of credit limit:**

Banks have followed the guidelines issued by Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) in this regard.
However a few banks had fixed the limit on the basis of the total income of the farmer and his family from all sources.

**Restriction on maximum amount:**

Regional Rural Bank not generally stipulated any maximum ceiling on the limit under Kisan Credit Cards scheme.

**Facilities of withdrawal at other branches:**

It was observed that all the banks have restricted their operations in KCCs to the issuing branch.

**Repayment instructions:**

Although the limit sanctioned under the Kisan Credit Card scheme is in the nature of revolving cash credit and each withdrawal is repayable within 12 months, the banks have decided to fix specific repayment norms keeping in view the seasonality while sanctioning credit limit under KCCs.

**Issue of Chequebook:**

In order to facilitate the withdrawal of cash at the issuing branches, some of the banks have issued cheque book to the card KCCs holders.

**Impact of Kisan Credit Cards scheme on ground level credit flow:**

Due to non-availability of sufficient data and due to the fact that the flow of ground level credit (particularly crop loan) is dependent on the vagaries of monsoon, it was difficult to establish any relationship between the issue of KCCs and volumes of production credit at ground level. However at this stage it may not be concluded that KCCs may not lead to increased flow of production credit. Nonetheless it is clear that KCCs would certainly facilitate stabilization of flow of production credit. The co 1998-99 to 56.8% in 2000-01 and for commercial banks it went up to from 13% to 71% during the same period. The study findings have thus shown that at present no definite conclusions can be drawn about co-relation between numbers of KCCs issued and ground level flow of production credit.
Efficacy of Kisan Credit Card scheme:

New farmers are being issued Kisan credit cards scheme by the banks as they are getting attracted due to many factors such as effective publicity by the banks, utility of KCCs and the continuous monitoring of the progress by Reserve Bank India (RBI) and National Bank for Agriculture and Rural Development.

Adequacy of credit:

While the majority of the farmers believe that the limit is adequate some of the farmers particularly members of the cooperative banks felt that the limit was not adequate. This could be attributed to the following.

• Constraint of IMBP.
• Lower Scale of finance fixed by District Level Technical Committee (DLTC) (CBs sanctioned more than the Scale of Finance)
• Non inclusion of contingency /other consumption loan in the Kisan credit cards scheme limit by co-operative.

Fixation of credit limit:

The credit limit under the card may be fixed on the basis of the operational land holding, cropping pattern and the scale of finance by the District Level Technical Committee (DLTC) and State Level Technical Committee (SLTC). If the limit has not been fixed by the DLTC/SLTC or the limit in the opinion of the bank is low, appropriate scale of finance for the crop may be fixed by the bank.

Validity and repayment schedule:

A card once issued would be valid for a period of 3 years. The facility may be extended, the amount enhanced or cancelled, depending on the performance of the farmer. Repayments are to be made within 12 months of taking the credit.

Margin:

For loan amount up to Rs, 10, 000: NIL For amount over Rs, 25,000: 15% to 25%.
Collateral:

- Loan Amount security to be furnished.
- Up to Rs. 10,000 DPN (demand promissory note) / loan agreement is needed only.
- Rs. 10,000 and up to Rs. 25,000 Hypothecation of crops is required.
- Above Rs. 25,000 Hypothecation of crops and mortgage of land (or) third party guarantee are needed.

Facility of withdrawals from other branches:

Almost all cooperative banks and most of the Regional Rural Banks had not extended this facility to their card holders owing to operational considerations. However, where banks are offering this facility under KCCs there is reportedly low demand for this facility by farmers due to upfront commission at the rate of 2 to 3 per cent of the amount of cash drawn, charged by the banks.

Operations on the Kisan credit cards scheme:

Most of the farmers did not operate the Kisan credit cards scheme as envisaged under the scheme due to the following:

A. Farmers’ apprehension the once they repay the loan they may not get a repeat loan.

B. Complicated procedure of drawl based on seasonal sub-limits under the total limit.

C. The balance in the Kisan credit cards scheme accounts was not brought to “credit” as there were apprehensions that interest will not be paid on the credit balance.

End use of credit:

Though there was no systematic monitoring of the end use of the credit, the credit under KCCs were mostly used for agricultural operation purposes. A portion of the limit was also being utilized for consumption purposes. Branch managers felt that the amount under KCCs was not misutilised.
Purchase of fertilizer and other inputs:

The perceptions of Kisan Credit Card scheme holders on the utility of the KCCs credit limit in inputs purchase was ascertained from the respondents. Majority of respondents (76%) were of the opinion that the KCCs was extremely useful in regards to reduced cost of accessing credit as compared to the earlier system of crop delivery system.

1 Firstly, they had the freedom to utilise the limit sanctioned under KCCs as banks did not insist to lift a portion of limit on kind.

2 Secondly, they buy the inputs like fertilizers and chemicals as and when they wish.

3 Thirdly, farmers had the more bargaining power as they were paying the prices in cash. They also had a wider choice in selecting shops /dealers.

4 Fourthly, they were not required to obtain bills /receipts as a documentary proof against buying inputs which were necessary in the earlier system.

Repayment Dates:

It was satisfying to know that almost all the farmers covered in the sample were aware of the repayment dates. The role of banks in educating the farmer in use of KCCs had been quite effective. Banks were giving special treatment to perennial crops wherever necessary. Branch Managers were effectively exercising their discretion to fix the due dates for repayment according to the harvesting/ marketing season.

Chequebook facility for cash withdrawals:

In tune with the model scheme the banks have allowed withdrawal under KCCs either by withdrawal slips or by chequebook. While the Co-operative banks have by and large issued chequebooks to all the borrowers, the Commercial Bank (CBs) have issued the same only to the literate borrowers.

Overall rating of the Kisan Credit Card scheme:

Farmers viewed that Kisan Credit Card scheme was beneficial to them in more than one way. The Kisan Credit Card scheme holders get benefits like, (i) meeting
credit requirements for crop cultivation for the whole year, (ii) availability of credit whenever the credit is needed, (iii) flexibility in drawing cash/ buying inputs from any supplier of choice, (iv) reduction in quantum of interest due to withdrawals’ flexibility/ repayment, (v) reduction in cost of credit for availing the bank loan, (vi) insurance cover (NAIS/PAIS) at a very low premium rate. The field study revealed that the Kisan Credit Card scheme was meeting the credit requirement of the Kisan Credit Card scheme 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 withdraw/deposit as and when necessary. However, in practice the same had not happened in many banks. The Kisan Credit Card scheme holder will not allowed to withdraw from any other branch and was not encouraged to withdraw/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. The farmers were, however, mostly covered under NAIS and PAIS. However, notwithstanding these negative aspects, out of the 1876 farmers interviewed, 1463 accounting for 78 per cent of total sample felt that the Kisan Credit Card scheme was very much farmer friendly. Most important efficiency parameters as viewed by Kisan Credit Card scheme holders in order were as mentioned in the.

STATEMENT OF THE PROBLEM:

The problem under study will be selected with the basic purpose of existing procedure of advancing credit adequacy of credit extended and Kisan Credit Cards scheme and impact upon the efficiency of rural credit delivery system and evaluate the performances of KCCs to see its impact profitability of the farmer covered by the bank. The small and marginal agriculturists of villages are not getting sufficient and timely credit from the existing sources of institution finances. Thus, there is a vital necessity of institutional credit in the area to meet the credit requirement of cultivators. This regional KCCs is helping needy farmer of these blocks from seven years KCCs will not able to flush out the double financing [73%] owing to lake of co-ordination between institutional sources of credit, KCCs borrows [25%] will still found to be in the grip of the money lenders. The amount diverted as percent of
as high as 35.56%. A lot of paper work will be required on account of filling separate applications in each season as the facility was largely available as loan but not as cash credit, the system did not allow the borrowers to credit funds into their accounts, in case they received funds in advance and there will no scope to withdraw money from the account as and when required payments were effected directly to the input suppliers of the bank's choice. Thus leaving a scope for affecting the quality of inputs etc.

**JUSTIFICATION:**

The study will help the bank to lend the actual needs of farmers in the area context to the increased expense to adoption of the improved technology. The farmer will get benefit in the decision making process for the best utilization of the KCCs. This study will be helpful to the government to make general policy and simplicity in use of KCCs. The card can be used like an ordinary credit card, thus giving a feeling to the farmers that there is an underlying guarantee of getting loan from the bank as long as the earlier loan is repaid the facility is given for three to five years instead of one year, thus reducing the procedural delays there is flexibility in operation of the facility in terms of number of withdrawals and in repayment of loan the system on its own allows the borrowers to get their loans rescheduled in case of natural calamities, etc and certain new features, such as, personal insurance for all the card holders ranging from Rs 25,000 to Rs 50,000 against permanent disability or accidental death, an effective measure for risk mitigation, were also incorporated in the scheme. Credit sanctioned per acre to small farmer was observed to be more than the other size classes. There is no evidence as per the information that the KCCs but while looking out for non KCCs farmers only small and medium farmers were located and these farmers need to be the KCCs. Farmer is helping them to save on the interest component on the dept. After this study will check the bottlenecks in the role of KCCs in agricultural development and will suggest suitable measures.
OBJECTIVES:

1. To study the cropping pattern and enterprise structure of the sample farmers.

2. To study the repayment performance and procedure of advancing Kisan Credit Card scheme.

3. To estimate the cost and returns from farming by Kisan Credit Card scheme beneficiary and non-beneficiary farms.

4. To evaluated the efficiency of rural credit delivery system through Kisan Credit Card scheme.

5. To identify the major constraints faced by Kisan Credit Card holder and Regional rural banks officials and suggest policy implication.

HYPOTHESIS:

1. The impacts of Kisan Credit Card scheme through Regional rural banks have positive increasing farm profitability.

2. Repayment capacity of the farmer increases with increase in the size of farm holding.