

AN ECONOMIC EVALUATION OF KISAN CREDIT CARD**RANVIJAY SINGH¹**

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Shri Yashwant Sinha, the then Union Minister of Finance, in his 1998-99 Budget Speech on 01 June 1998 introduced the 'Kisan Credit Card' (KCC) Scheme as "NABARD is being asked to formulate a model scheme for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs." Accordingly, on the recommendations of R V Gupta Committee, NABARD formulated a Model Kisan Credit Card Scheme in consultation with major banks in the country. The 'Model Scheme' was circulated by RBI to commercial banks vide reference No.RPCD.PLFS.BC.NO 20/05.05.09/98-99 dated August 5, 1998 and by NABARD to Cooperative Banks and Regional Rural Banks vide reference No. NB.PCD (OPR)/794/A-137(Spl.)/98-99 dated 14 August 1998 (Circular No. 15/98-99), with instructions to introduce the same in their respective area of operation. The KCC guidelines have gone through several changes since then. The important developments in KCC implementation are given below.

The Present Study on Kisan Credit Card Scheme

Department of Financial Services, Ministry of Finance, Govt of India vide letter No. F.No. FI-7/1/2016-AC dated 19 Feb 2016 requested NABARD to conduct a comprehensive study on implementation of revised KCC scheme. The specific terms of reference for the proposed study are as under:

1. Is the revised Kisan Credit Card Scheme serving its intended purpose?
2. Reasons for gap between number of agricultural households and number of operative KCCs
3. Government has advised banks to convert all existing KCCs into ATM/ RuPay cards. Whether action plan in this regard has been chalked out at branch level? Also, whether all new KCCs are issued in the form of RuPay/ ATM debit cards? 19
4. Efficacy of debit cards issued under KCC Scheme with regards to their inter-operability and issues related thereto? Whether farmers are using these cards for

payment to different vendors? Back-end issues with NPCI/ other platforms?

5. Overall impact of revised KCC scheme?

The banking reforms during 1990s and the first major debt waiver (the Agricultural Rural Debt Relief Scheme, 1990) were considered to be major factors leading to decline in flow of credit to agriculture sector in 1990s. Therefore, the Reserve Bank of India appointed one man committee of Shri R.V. Gupta in December 1997 with a mandate to suggest measures for the removal of constraints faced by commercial banks in increasing flow of credit to agriculture sector. The committee found that apart from the negative mind set, there were a number of procedural hassles and conceptual issues which caused decline in flow of agricultural credit. The present chapter is devoted to analyze the progress in implementation of Kisan Credit Card Scheme since its inception, i.e., 1998-99

Coverage of Farmers by Kisan Credit Cards What is the Actual Number of KCC Issued?

As already indicated, the figure of operative/ live KCC at 7.41 crore may be considered a little close to the actual number of farmers covered under the KCC Scheme in the absence of any other reliable data on the same. But, it is very difficult to estimate the actual number of agricultural/ rural households covered by the KCC Scheme because of the following factors:

1. Banks provide data on number of KCC issued during a particular year but they cannot segregate those accounts into number of farmers got KCC issued for the first time in their life, the number of farmers got issued fresh KCC from this bank but they had availed KCC earlier from some other bank prior to this, the number of existing KCC farmers who just got renewed their KCC accounts, etc. 27
2. Non-availability of data on number of KCC accounts which were written off by a bank and were not renewed again. It is difficult to estimate as how many of such farmers managed to get KCC from some other banks.

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3. There may be some farmers who had earlier got issued KCC from a some bank and did not renew after expiry of the card as they might not be interested to continue with the KCC loan.
4. Some farmers might have got issued KCC from more than one bank, preferably one KCC from cooperative bank and another from either RRB or commercial bank and therefore, actual number of farmers covered under KCC would come down by the number of multiple KCC.
5. If the land title has not been transferred in the name of sons, the sons may get Land Possession Certificate (LPC) issued in their respective names and can approach different banks to get KCC loan. There is nothing wrong in it if all sons get KCC loan assessed based on their share in the total land in the family. But even then, this would create discrepancy in terms of number of KCC issued against an operational holding.

Impact of KCC Financing on Farm Income of KCC Loaves

The gain in net farm income of KCC farmers over and above the net farm income of non-KCC farmers (Table 3.12 & 3.13) has been used to estimate the macro impact of

KCC financing on income of the farmers in the country. It may be seen from Table 5.1 that the crop loan disbursement of Rs. 6,35,412 crore during 2014-15 has resulted in an increase of net farm income of all the KCC loanee to Rs. 1,32,199 crore. The net farms income net of interest (9% per annum on Rs. 6,35,412) comes down to Rs. 62,670 crore which clearly indicates that availability of credit from institutional sources through KCC mode has made a significant contribution to the farm income of the farmers.

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