

# **THE CONTRIBUTION OF KISAAN CREDIT CARD SCHEME TO THE DEVELOPMENT OF AGRICULTURE: A STUDY**

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**Abstract:** Agriculture is the backbone of Indian economy. Most of the small scale farmers depend on credit facility for their agricultural needs. Since most of them are dependent on monsoon for their cultivation, the failure of monsoon often put them in dire straits as far as their economic condition is concerned. After failure of many schemes which the government had brought out in the post-independence era with a view to free the Indian farmer from unscrupulous individual creditors, in 1998-99 the central government launched *Kisan Credit Card Scheme* which has revolutionized the agricultural credit scenario. Lowest interest rate, further rebate for timely repayment, simplified process of loans and flexibility both in drawing and repaying loans and are only few of the many salient features of the KCC Scheme. With the launch of this scheme the Indian farmer has got new lease of life and opportunity to improve his economic condition. With the advent of KCC, the traditional sources of credit to the farmers at high interest rate have been relegated to the background and more and more farmers have opted for KCC for their credit needs. This paper studies through both primary data collected from 200 farmers and also secondary data published by various agencies, the impact of KCC scheme in the improvement of the agricultural productivity and in turn the economic condition of the Indian farmer and as to how much room for further improvement can be done in this area.

**Keywords:** Kisan Credit Card Scheme, Agricultural Credit, Agricultural Productivity, Interest Rebate, NABARD, Reserve Bank of India.

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**Introduction:** The soul of India lives in her villages. The entire rural economy relies on agriculture. So, rural development is possible only through development of agriculture. Agriculture in India is almost dependent on credit facility offered from various sources to the farmers. Thus credit facility is the *raison d'être* of Indian agriculture. Since a major percent of agriculture in India depends on monsoon for irrigation, the uncertainty of monsoon and its scanty nature mostly makes Indian agriculture a very complex process. The farmers are forced into the burden of capital expenditures such as digging bore-wells/open wells and buying electric pump sets which are solely on the mercy of creditors. Owing to this burden, the helpless farmers have been victims of exploitations by private, unscrupulous creditors. The most affected by these creditors were small scale farmers and those farmers who do cultivations on other's land on basis of lease. These farmers had been eased out to certain extent when the system of co-operative farming was initiated. However, this consolation was short-lived due to political interference which started polluting the field of co-operative sector and the poor farmers soon realized that there is only a change in the agent of exploitation which shifted from the individual creditor to the political agent. Due to this the question of survival again became a biting problem for the Indian farmer. While the nation was still seeking a solution to the crisis of credit facility to farmers the launch of green revolution took place and agriculture attained the top position in the priority list of developmental areas.

In the post-independence era, the first Prime Minister of the country Pt. Jawaharlal Nehru had said that unless and until the farmers will be happy, the nation and the society cannot claim to have developed to its full potential. And the farmer will be happy only when he becomes self-dependent on quality seeds, quality manure and good facility for irrigation resulting in good crops and yield. This will also safeguard his interest in agriculture. Towards attaining this end, the government of India had launched various welfare schemes for farmers in the past. However, the said schemes also failed to realize the dreams of the Indian farmer to be a proud, self-dependent entity contributing to the development of the country. Again the debate continued as to how a plan be brought out in which a farmer can obtain credit facility according to his needs and at the

lowest interest possible, and also a credit he can repay according to his individual capacity. This continuous debate amongst the policy-makers has finally resulted in the launch of a novel scheme in the form of *Kisan Credit Card*. And if we can rely on the facts and figures published by the different committees constituted by the government to assess the status of Indian farmers, then it is clear that there has been a steady improvement in their economic status, and the graph is still going upward. As a matter of fact in spite of the earlier schemes launched by the government, the ordinary Indian farmer could not escape the snare of the traditional, unscrupulous creditors' exploitation since those schemes had not taken care of the flexibility the individual farmer requires both in receiving and paying back his credit as per his own needs and capacity. He was many a time in a situation where the entire crop did not suffice to pay back his debt. We have been hearing the unfortunate events of the debt-trap becoming a death-trap for the Indian farmers. Finally in order to surmount this problem, the government of India launched the *Kisan Credit Card* in 1998-99 through Reserve Bank of India and NABARD.

**Study of Literature:** Markemi K. and Ananthi N. (2014) has said in their paper that the Indian economy can be strengthened further through agricultural development. The development of 67% of Indians depends on Agriculture. The *Kisan Credit Card* scheme has proved to be beneficial to the farmers since easy and timely credit facility to the farmer had a very positive effect on their crop and yield. In an article (2011) Modi K. M. says that in order to eradicate the cases of farmer-suicides due to debt-trap, the farmers would be offered credit at a low interest of 7% per annum, and timely repayment of the credit would attract a concession in the interest to the tune of 3%, instead of 2% which was hitherto available. By this scheme there will be more demand for credit from the farmers' end. Yadav and Shambhunath foresee in their paper (2011) that the low interest rate would help the farmers to take credit for agricultural purposes and repay on time to get the benefit of the interest rebate. As a result the fear of accumulating unused money in the banks will be abated by way of more money-circulation. By repaying the loan on time the farmers will be free from perennial debts. Pant and Navin say (2010) that in India agricultural sector contributes 21 per cent of the GDP. Looking at the importance of agricultural loans, the government has institutionalized the agricultural credit facility and directed the scheduled and commercial banks to reserve 18% of their total credit payment for farmers.

The Objectives of the Paper are:

1. To study the contribution of *Kisan Credit Card* to agricultural credits.
2. To study institution-wise increase in agricultural credit through *Kisan Credit Card*.
3. To study the impact of *Kisan Credit Card* on the non-institutional credit sources.
4. To study the impact of Loan Waiver Scheme on the *Kisan Credit Card* scheme.

**Hypothesis:** The following are the hypotheses of this research study:

*Hypothesis 1:* *Kisan Credit Card* scheme resulted in increase in agricultural productivity.

*Hypothesis 2:* *Kisan Credit Card* scheme has been instrumental in the betterment of the economic status of the farmers.

**Research Methodology:** The proposed study is based on both primary and secondary data. The primary data have been collected from 200 farmers belonging to the Devipattan Division of Uttar Pradesh through direct interview. And the secondary data have been collected from the Annual Reports of NABARD, and other economic assessments, journals and magazines published from 1998-99 to 2014-15.

The Benefits of *Kisan Credit Card*

- Simplified process of credit approval.
- Very easy process for cash disbursement.
- No need to file application for each crop.
- Ensuring loan facility for farmers at any time and least burden of interest.
- Procuring manures and fertilizers according to the needs of the farmers.
- Facility to procure manures and fertilizers directly from the dealers and get the benefit of rebates.
- The maximum loan limit going up based on the income from agriculture.
- Facility to draw loan in instalments as per requirements.
- Provision of repaying after harvest.

**Progress of Kisan Credit Card Scheme:** The Kisan Credit Card was the joint initiative of the Reserve Bank of India and NABARD and was implemented in the year 1998. While initially in 1998-99 an amount of Rs.2310 crores was sanctioned through KSC, it went up to Rs.7548 crores in 2001-02. In the year 2001-02 the amount was Rs.25,858, in 2008-09 Rs.53,085 and in 2014-15 a whopping figure of Rs.1,73,080 crores was sanctioned through KSC, thus making it one of the most beneficial schemes for farmers.

**Table 1: Institution-Wise Sanction of Credit through KSC (In Rs.Crores)**

Year	Cooperative bank	Regional Rural Bank	Commercial bank	Total
1998-99	826(35.75)	11(0.48)	1473(63.77)	2310
1999-2000	3606(47.77)	405(5.37)	3537(46.86)	7548
2000-2001	9412(57.30)	1400(8.52)	5615(34.18)	16427
2001-2002	15952(61.69)	2382(9.21)	7524(29.10)	25858
2002-2003	15841(60.28)	2955(11.25)	7481(28.47)	26277
2003-2004	9855(45.24)	2599(11.93)	9331(42.83)	21785
2004-2005	15597(45.62)	3833(11.93)	14756(43.16)	34186
2005-2006	20339(42.73)	8483(17.82)	18779(39.45)	47601
2006-2007	13141(28.12)	7373(15.78)	26215(56.10)	46729
2007-2008	19991(22.65)	8743(9.90)	59530(67.45)	88264
2008-2009	8428(15.88)	5648(10.64)	39009(73.48)	53085
2009-2010	7606(13.19)	10132(17.57)	39940(69.24)	57678
2010-2011	10719(14.76)	11468(15.79)	50438(69.45)	72625
2011-2012	10642(11.61)	11516(12.56)	69518(75.83)	91676
2012-2013	11174(9.38)	12836(10.78)	95080(79.84)	119090
2013-2014	10825.24(6.96)	20688.55(13.31)	123937.43(79.73)	155451.22
2014-2015	7321.87(4.23)	24248.18(14.01)	141510.6(81.76)	173080.65

**Source:** Nabard annual report 2014-15 pp. xiv and Dr.J.P.Mishra (2014) pp.238

The abovementioned analysis makes it clear that there is a continuous increase in the disbursement of credit. Also there are major differences in the percentage to total loan distributed among various banks. While in 1998-99 out of the total Rs.2310 crores, 63.77% (Rs.1473 crores) was distributed by commercial banks, 35.75% (Rs.3606 crores) by co-operative banks, and 0.48 % (11 crores) was sanctioned by regional banks. However, since then the percentage of loan distributed by co-operative banks has been on the decrease. At present in the distribution of loans through the commercial banks are dominating the scenario. In the year 2014-15 out of the total of Rs.1,73,080.65 crores the commercial banks contributed 81.76 percent (Rs.1,41,510.60 crores), that of the regional banks was 14.01 percent (Rs.20,688.18 cores) and the share of the co-operative banks stood at 4.23 % (Rs.7,32.87 crores). The major reason for the decrease in the percentage of co-operative banks is said to be the fact that they do not have sufficient number of branches in rural areas.

**Table 2: The Percentage of Agricultural Credit Distributed through KCC  
Vis-a-vis the Total Credit distributed in the Country**

Year	Total Agricultural Credit	Withdrawal Amount Through KCC	Percentage of Credit disbursed through KCC
1998-99	36860	2310	6.27
1999-2000	44612	7548	16.92
2000-2001	52827	16427	31.09
2001-2002	62045	25858	41.67
2002-2003	69560	26277	37.77
2003-2004	86981	21785	25.05
2004-2005	125309	34186	27.28
2005-2006	170011	47601	27.99
2006-2007	229400	46729	20.37
2007-2008	254658	88264	34.66
2008-2009	301908	53085	17.58

2009-2010	384514	57678	15.00
2010-2011	468291	72625	15.51
2011-2012	511029	91676	17.94
2012-2013	607325	119090	19.61
2013-2014	711621	155451.22	21.84
2014-2015	840643	173080.65	20.50

The above table substantiates the fact that in 1998-99 a total agricultural credit of Rs.36,680 was sanctioned out of which 6.27% (Rs.2310 crores) was through . The share of KSC in the total distribution of credit facility to farmers has on continuous increase since then, and when we come to 2014-15 KCC's share of the total agricultural credit of Rs.8,40,643 crores in the country stands at 20.59% (Rs.1,73,080.65 crores).

**Table-3: Agricultural Credit from Other Sources after the Launch of Kisan Credit Card**

No.	Description	No. of Respondents	Percentage
1.	Yes	60	30
2.	No	140	70
	Total	200	100

Source: Primary Survey

An analysis of Table No.3 makes clear that 70% farmers have opted out of other sources of agricultural credit after the launch of while 30% have taken credit from other sources than.

**Table 4: Agricultural Credit from Other Sources: A Source-wise Analysis**

No.	Description	No. of Respondents	Percentage
1.	From individual creditors	42	70
2.	From peers	18	30
	Total	60	100

Source: Primary Survey

An analysis of the above table brings out the fact that after the launch of 70 percent of the agricultural credit from other sources was taken from individual creditors and 30 percent of these credits were taken from peers. Evidently loans are still given by individual creditors to farmers in spite of KCC.

**Table 5: Details of Loan-Waiver Scheme in Devipattan Division of U.P.**

No.	Loan-Waiver Scheme	No. of Respondents	Percentage
1.	Yes	8	4
2.	No	192	96
	Total	200	100

Source: Primary Survey

The above analysis indicates that a mere 4 per cent of the 200 people brought under the survey have taken the benefit of the loan-waiver scheme, and the rest could not avail of its benefit. The reason for this is said to be the fact that either they could not make KCC or they had already paid back their loans.

**Table 6: An Analysis of Farmers Who Have Timely Repaid Their Loans and Taken the Benefit of Rebate on Interest Rate**

No.	Description	No. of Respondents	Percentage
1.	Yes (Timely repaid)	26	13
2.	No (Timely not repaid)	174	87
	Total	200	100

Source: Primary Survey

The above study indicates that only 13% of the farmers could avail the benefit of interest-rebate and 87% of them could not avail the same.

**Table 7: Reasons for Non-Payment of Agricultural Credits on Time**

No.	Description	No. of Respondents	Percentage
1.	Due to insufficient savings	64	36-70
2.	Due to bad economic condition.	18	10-34
3.	To avail the benefit of loan-waiver scheme	78	44-83
4.	Failed to repay the loan due to delay in harvesting and selling the crop	14	8-05
	Total	174	100-00

Source: Primary Survey

The above analysis makes it clear that maximum number of farmers (44.83%) have not paid back the loans with a view to avail the benefit of loan-waiver scheme, and 8.05 % failed to repay the loan due to delay in harvesting and selling the crop. Further, while 36.78 percent farmers have failed in timely repayment due to insufficient savings, 10.34 percent could not repay due to bad economic condition.

Hypothesis-1 – KCC Scheme resulted in increase in agricultural productivity.

$H_0$  = There is no relation between KCC scheme and agricultural productivity.

$H_1$  = There is a positive relation between KCC and agricultural productivity.

At the level of five percent mean for 1 degree of freedom (idf)  $X^2$  Tabulation value is 3.841 and  $X^2$  Calculated value is 31.38.

Therefore,

$$X_0^2 > X_1^2 = 31.38 > 3.841$$

Therefore, our null hypothesis ( $H_0$ ) is not acceptable and it is proved that there is a mutual relation between KCC Scheme and agricultural productivity in the country. This means that as a result of the implementation of KCC Scheme there is a visible increase in the agricultural productivity. Thus there is a positive relation between the two.

Hypothesis – 2 :The KCC Scheme has resulted in the improvement of the economic condition of the farmers.

$H_0$  = There is no relation between KCC Scheme and the economic condition of the farmers.

$H_1$  = There is a positive relation between KCC Scheme and the economic condition of the farmers.

At the level of five percent mean for 1 degree of freedom (idf)  $X^2$  Tabulation value is 3.841 and  $X^2$  Calculated value is 1.161

Therefore,

$$X_0^2 < X_1^2 = 1.161 < 3.841$$

Therefore, our null hypothesis ( $H_0$ ) is accepted and it is proved that there is no visible improvement in the economic condition of the farmers in the post KCC Scheme scenario. Therefore, there is no relation between the two. The reason for this negative phenomenon takes one to the fact that the agricultural credit disbursed through KCC Scheme is being channelled to other purposes than agriculture. Corruption in the process of issuing KCC and distribution of loans could be another reason for this.

#### Suggestions:

1. The Central and State governments should mandate to the banks issuance of the KCC within a stipulated time period after the receipt of the application.
2. There should be total transparency in the issuance of KCC.
3. The amount of loan should be directly related to the area of cultivation of the individual farmer and his real needs.
4. There should be a total ban on political interference and election promises of loan-waiver etc.

5. The farmers should be encouraged to repay the loan within time and the benefit of such timely repayment should be made known to them.

The KCC scheme is proved a milestone in agricultural development since it has put an end to the credit problem of the farmer in the villages. Almost every villager has some land to cultivate who can, with the help of the KCC, take credit and do sowing and harvesting on time and improve his economic condition. More savings also help him to diversify his areas through self-employment etc. The central government has also given a direction to the prosperity of the village life by offering loan at an interest rate as low as 4% to those who repay it within the stipulated time. From 1998-99 to 2014, the amount sanctioned through KCC has gone up from Rs.2310 crores to Rs.1,73,080.65 crores. As said earlier, in the region under study (Devipattan region of UP) 70% of the surveyed farmers was able to opt out of other credit sources after the launch of the KCC while the rest have continued with the other sources. Finally, KCC Scheme has provided a lease of life to the small scale farmers of the country and in the coming years, their economic condition must improve through this scheme.

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