

# A STUDY ON KISAN CREDIT CARD SCHEME WITH SPECIAL REFERENCE TO JHARKHAND STATE

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## ABSTRACT

Agriculture is a vital part of our economy, and access to credit plays a big role in increasing crop yields. Access to adequate, timely, and reasonably priced loans from institutional sources is particularly important for small and marginal farmers. Income, asset accumulation, and food security are all boosted for the rural poor when they have access to affordable financial services. Financing agriculture in India has been a huge difficulty for the country's banks and government because of the sheer enormity of the credit needs on the one hand and the unpredictability of the natural world on the other. Several initiatives have been launched by both the Reserve Bank of India (RBI) and the National Bank of Agriculture and Rural Development (NABARD) to improve the efficiency of the country's agricultural credit disbursal system by replacing antiquated infrastructure and procedures with more cutting-edge technological and organizational approaches. The Kisan Credit Card (KCC) is a new initiative that was established in 1998–1999 to facilitate farmers' access to short-term bank loans. The innovative loan distribution system was created to help farmers get the money they need to expand their farms. The goal was to make it possible for them to access bank funds and use those funds to invest in farm startup necessities like seed, fertilizer, and pest control. The purpose of this research is to assess the good outcomes of the program for subsistence farmers in rural regions.

**Keywords:-** Kisan Credit Card Scheme, Agricultural Credit, RBI, NABARD, RRBs.

## INTRODUCTION

With the goal of expanding access to agricultural financing, the Reserve Bank of India launched the Kisan lending Card (KCC) initiative in 1998–1999. Farmers will be able to borrow money on an as-needed basis via this initiative, allowing them the flexibility and efficiency they need to carry out their regular agricultural tasks without worrying about money. Across all of the States and Union Territories, commercial banks, RRBs, state co-operative banks, central co-operative banks, and PACS are all taking part in this initiative. In most cases, KCC credit lines must be extended every three years.

Agriculture in India is crucial to the growth of the country's economy. The agricultural sector employed 58.2% of the labour force in 2009-2010, contributed 14.6% to GDP (at constant prices), and accounted for 10.6% of exports. The expansion of the agricultural sector depends critically on the availability of credit. Since the Indian government realized that farmers had a hard time getting access to credit, they implemented the Kisan Credit Card (KCC) scheme in 1998–1999. This strategy has dramatically simplified the bank loan application procedure, making it much simpler to get funds when you need them (Nahatkar et al., 2002). When farmers are able to get their hands on crop loans at the proper time, it boosts their revenue across the board (Singh and Sekhon, 2005). Most Indian farmers, regardless of their level of education, recognize the merits of the KCC strategy (Vedini and Durga, 2007). Parameters like age, gender, family size, farm size, education level, etc., all have a positive effect on KCC adoption (Kumar et al., 2007). Farmers offer some recommendations for how the program should be enhanced, despite its success. increased credit limits, reduced interest rates, the option to make payments over time or get a refund in the case of financial difficulty or crop failure, and less requirements for documentation. Additionally, procedures should be simplified (NABARD, 2009). The amount permitted for farming and other efforts falls short of the amount that is required. Several farmers' use of loan money for inappropriate things has been documented (Rao and Sahu, 2005).

## REVIEW OF LITERATURE

**Sahu (2004)**, examined the pre- and post-reform trends in institutional lending to agriculture on both a national and regional scale. The population and gross domestic product of each state were considered while selecting the final 14. It was decided to look closely at Kalahandi district in Orissa. As interest rates have risen over the past decade, it has become increasingly difficult for agricultural businesses to obtain financing. Credit availability in agriculture was inversely linked to the percentage of credit extended by co-ops, the proportion of credit subsidized by the government, and the investment in government securities. In most states, the rate of growth in agricultural loans was higher before the reforms were imposed than it has been afterwards. The study's findings at the district level were in line with the state wide findings. Credit in the Kalahandi area was mostly used for non-agricultural purposes, according to lenders. It was shown that a combination of factors, including a poor economic recovery and inadequate infrastructure help, contributed to the low loan absorption capabilities of agricultural borrowers. It was proposed that efforts be taken to reduce the cost of loans and develop a more streamlined method for distributing credit.

**Rao et al. (2005)**, investigated the Kisan Credit Card Program and other programs offered by the Orissa State Co-Operative Bank. Data was collected from a representative sample of borrowers as well as co-operative bank managers and staff in Bhubaneswar, Akhandeswar, and Sishupalgarh. It is known that the Orissa state co-operative bank was the first to issue Kisan credit cards when the Indian government introduced the program. Orissa Co-operative Bank is credited for popularizing the Kisan credit card among farmers by making access to urban amenities more accessible to those living in rural areas. All co-operative banks in

Orissa have been computerized, committees have been formed at the district level to oversee the scheme's implementation, and cardholders are invited to an annual conference to address any issues that may have occurred. The co-operative bank could improve the scheme by increasing the number of accounts, providing incentives for honest borrowers, providing adequate credit, providing a post-harvest credit scheme, financing leased farmers, providing term loans, providing loans for allied activities, reducing transactional costs, and making use of wider network connectivity.

**Mahavir (2010)**, evaluated the Kisan credit scheme in Belgaum and Sangli, two cities in the Indian states of Karnataka and Maharashtra. The purpose of this article was to examine the growth in KCC membership, the scheme's effect on crop yields, the scheme's cost- and time-effectiveness, and its potential drawbacks. The data was analyzed using a number of different methods, including percentages, means, averages, the arithmetic mean, growth rate, and the Cobb-Douglas production function. Farmers and bank managers made up the sample group who were interviewed. The annual compound growth rate for the number of KCCs issued was 28.69% in Karnataka and 24.96% in Maharashtra. In Belgaum, both the number of accounts authorized and the amount sanctioned fell, whereas in Sangli, the former was up and the latter was down. Because of issues such as farm size and resource distribution, the KCC plan did not have a substantial impact on agricultural production. Non-Kisan cards have an annual percentage rate (APR) higher than the Kisan card. High interest rates, a dearth of available capital for uses other than manufacturing, and limited credit were cited as the most significant challenges. It was suggested that training farmers on the technique might boost growth rates. It is important that the KCC plan extend to include both agricultural loans and term loans.

### **OBJECTIVES OF THE STUDY**

- To review the period-wise progress of Kisan credit card scheme in Jharkhand.
- To study the agency-wise progress of Kisan credit card scheme in Jharkhand.
- To know the overview of Kisan Credit Card.
- To know the role of Kisan Credit Card in total flow of credit to agriculture sector in Jharkhand.

### **RESEARCH METHODOLOGY**

This study relied entirely on available secondary sources. The secondary sources were taken directly from the Jharkhand economic survey report related websites. Various print and online sources, including academic journals, newspapers, magazines, books, and websites, are excellent places to look for secondary data.

**DATA ANALYSIS AND INTERPRETATION****Table 1:** Progress in KCC Scheme in Jharkhand:

(Number of Cards in thousands)

| Agency                            | Jharkhand           |                             |                              | All India           |                             |                              |
|-----------------------------------|---------------------|-----------------------------|------------------------------|---------------------|-----------------------------|------------------------------|
|                                   | No. of Cards Issued | Amt. Sanctioned (₹ billion) | Amt. Sanctioned per Card (₹) | No. of Cards Issued | Amt. Sanctioned (₹ billion) | Amt. Sanctioned per Card (₹) |
| <b>Commercial Banks</b>           | 226                 | 7.4                         | 32743.4                      | 8243                | 1010.9                      | <b>122637.4</b>              |
| <b>Regional Rural Banks(RRBs)</b> | 88                  | 1.9                         | 21590.9                      | 2048                | 132.6                       | <b>64746.1</b>               |
| <b>Co-operative Banks</b>         | 17                  | 0.2                         | 11764.7                      | 2691                | 119.2                       | <b>44295.8</b>               |
| <b>Total</b>                      | <b>331</b>          | <b>9.5</b>                  | <b>-</b>                     | <b>12982</b>        | <b>1262.7</b>               | <b>-</b>                     |

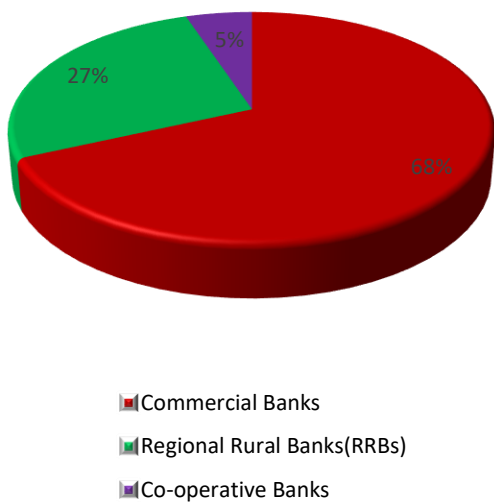
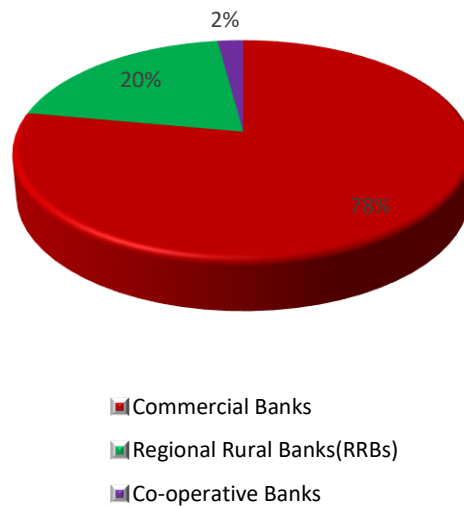
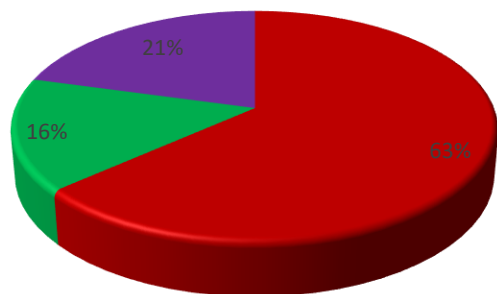
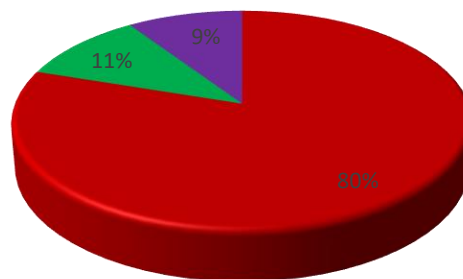
*Source:*Jharkhand Economic survey Report 2013-14**Fig 1:-Agencies-wise share i(n %) in number of KCC issued: Jharkhand****Fig 2:-Agencies-wise share i(n %) in amount sanctioned in KCC: Jharkhand**

Fig 3:-Agencies-wise share i(n %) in number of KCC issued:India



■ Commercial Banks  
 ■ Regional Rural Banks (RRBs)  
 ■ Co-operative Banks

Fig 4:-Agencies-wise share i(n %) in amount sanctioned in KCC:India



■ Commercial Banks  
 ■ Regional Rural Banks (RRBs)  
 ■ Co-operative Banks

Commercial banks were the primary providers of KCC loans to farmers in the State, mirroring the pattern seen throughout the country and in the eastern area. In Jharkhand, efforts to combat KCC have made slow and insufficient headway. The amount sanctioned each kisan credit card is very low when compared to the Eastern region and to all of India as a whole. The smaller size of land-holdings, greater frequency of mono-cropping throughout the State, and inadequate land records may all contribute to Jharkhand's lower sanctioned amount per KCC. The amount approved for each borrower under KCC has to be increased.

Table 2:-Share of KCC in the total flow of credit to agricultural sector: 2000-01 to 2010-11

Note: The figures within the parentheses indicate percentage to the total flow of credit

(Amount in crore `)

| Year      | Flow of credit to agriculture |                      |                  |                |        | Credit flow under KCC |                      |                  |               |
|-----------|-------------------------------|----------------------|------------------|----------------|--------|-----------------------|----------------------|------------------|---------------|
|           | Co-operative banks            | Regional rural banks | Commercial banks | Other agencies | Total  | Co-operative banks    | Regional rural banks | Commercial banks | Total         |
| 2000-2001 | 20712                         | 4220                 | 27807            | 82             | 52827  | 9412                  | 1400                 | 5615             | <b>16427</b>  |
|           |                               |                      |                  |                |        | (45.4)                | (33.2)               | (20.2)           | <b>(31.1)</b> |
| 2001-2002 | 23524                         | 4854                 | 33587            | 80             | 62045  | 15952                 | 2382                 | 7524             | <b>25858</b>  |
|           |                               |                      |                  |                |        | (67.8)                | (49.1)               | (22.4)           | <b>(41.7)</b> |
| 2002-2003 | 23636                         | 6070                 | 39774            | 80             | 69560  | 15841                 | 2955                 | 7481             | <b>26277</b>  |
|           |                               |                      |                  |                |        | (67.0)                | (48.7)               | (18.8)           | <b>(37.8)</b> |
| 2003-2004 | 26875                         | 7581                 | 52441            | 84             | 86981  | 9855                  | 2599                 | 9331             | <b>21785</b>  |
|           |                               |                      |                  |                |        | (36.7)                | (34.3)               | (17.8)           | <b>(25.1)</b> |
| 2004-2005 | 31231                         | 12404                | 81481            | 193            | 125309 | 15597                 | 3833                 | 14756            | <b>34186</b>  |
|           |                               |                      |                  |                |        | (49.9)                | (30.9)               | (18.1)           | <b>(27.3)</b> |
| 2005-2006 | 39404                         | 15223                | 125477           | 382            | 180486 | 20339                 | 8583                 | 18780            | <b>47702</b>  |
|           |                               |                      |                  |                |        | (51.6)                | (56.4)               | (14.9)           | <b>(26.4)</b> |
| 2006-2007 | 42480                         | 20435                | 166485           | 0              | 229400 | 13141                 | 7373                 | 19786            | <b>40300</b>  |
|           |                               |                      |                  |                |        | (30.9)                | (36.1)               | (11.9)           | <b>(17.6)</b> |
| 2007-2008 | 48258                         | 25312                | 181088           | 0              | 254658 | 19991                 | 8743                 | 19900            | <b>48634</b>  |
|           |                               |                      |                  |                |        | (41.4)                | (34.5)               | (10.9)           | <b>(19.1)</b> |

|                  |             |             |             |     |             |                  |                   |                   |                               |
|------------------|-------------|-------------|-------------|-----|-------------|------------------|-------------------|-------------------|-------------------------------|
| <b>2008-2009</b> | 45966       | 26765       | 228951      | 226 | 301908      | 13172<br>(28.7)  | 7632<br>(28.5)    | 25865<br>(11.3)   | <b>46669</b><br><b>(15.5)</b> |
| <b>2009-2010</b> | 63497       | 35217       | 285800      | -   | 384514      | 7605.8<br>(11.9) | 10131.7<br>(28.8) | 39940.5<br>(13.9) | <b>57678</b><br><b>(15.0)</b> |
| <b>2010-2011</b> | 70105       | 43968       | 332706      | -   | 446779      | 10719<br>(15.3)  | 11468<br>(26.1)   | 50438<br>(15.2)   | <b>72625</b><br><b>(16.3)</b> |
| <b>CAGR (%)</b>  | <b>13.1</b> | <b>27.8</b> | <b>30.7</b> |     | <b>25.7</b> | <b>-1.5</b>      | <b>22.4</b>       | <b>23.5</b>       | <b>13.7</b>                   |

Source: RBI (various issues); Samantara (2010); and NABARD (various issues)

## CONCLUSION

The Kisan financing Card Scheme was developed as a cutting-edge approach to provide farmers' families with access to financing. The KCC is one of the most innovative and well-liked Indian government programs since it makes credit available to everyone. When it came to solving issues with rural funding, the KCC Scheme proved to be quite effective. To further reduce the need for intermediaries and make the most efficient use of available resources, the Government of India and the Banks must make it simple for farmers to apply for and receive loans via the KCC Scheme. The Indian province of Jharkhand is the only subject of this study. The results of this study will also be useful in fixing existing issues and expanding the KCC plan.

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