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# Kisan Credit Card System: A Blessing to Small Farmers in India

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*Abstract: Agriculture is the spine of the Indian economy, with approximately 70% of the population of the country continuing to depend on it either directly or indirectly for their living. One of the major challenges confronting Indian banks has been the development of an all-encompassing system for timely and sufficient agricultural-rural credit disbursement. Agriculturalists extensively rely on non-institutional or unorganized sources of credit as a result of regular needs, insufficient availability of institutional credit, unnecessary delays, incommensurate procedures, red-tapism, and inappropriate practices adopted by the lending agencies. Realizing the dominant role of the agriculture sector, rural credit requirements, and for reducing the dependence of farmers on unorganized sources of credit, the Kisan Credit Card (KCC) scheme was started by the Government of India in consultation with the NABARD and RBI in 1998 as a path-breaking credit distribution mechanism to provide adequate, timely, cost-effective and hassle-free credit support to farmers. In this conceptual paper, an attempt has been made to briefly explore the implications of the Kisan Credit Card system among small farmers in India.*

**Keywords:** Kisan Credit Card, KCC schemes, NABARD, RBI

## I. INTRODUCTION

The Kisan Credit Card (KCC) is a credit distribution scheme introduced in August 1998 by the banks in India. The scheme was enunciated by the Government of India in consultation with the National Bank for Agricultural and Rural Development (NABARD) and Reserve Bank of India (RBI) based on the recommendations of the RV Gupta committee to deliver term loans for the agrarian needs. Its basic objective is to meet the comprehensive credit needs of the farmers by giving adequate and timely credit support in a flexible and hassle-free manner. Participating institutions comprise all Indian banks, regional rural banks, and cooperative banks. Under this KCC scheme, farmers can avail of collateral-free loans up to ₹ 1 lakh. The quantum of the loan for the first year under this scheme is evaluated based on the cost of cultivation, post-harvest expenses, and farm maintenance. For the subsequent five years, the loan will be sanctioned based on the increase in the scale of finance. The premium under this scheme is borne by both the bank and the borrower at a ratio of 2:1 respectively. The interest levied on the loan under the KCC scheme is around 7% simple interest per annum. In the case of non-repayment within the due dates, interest is applied at the card rate, and beyond the due date, interest will be compounded half-yearly. Moreover, with the help of KCC, farmers can escape from undue dependence on the high-interest rates of the regular loans offered by banks and non-institutional or unorganized sources of credit, as the interest rate for KCC is very nominal. With the help of this scheme, farmers can repay their loans depending on the harvesting period of their crop for which the loan was provided.

The KCC scheme has evolved over time, and it now includes several new features in addition to crop production financing, such as consumption expenditure, farm asset maintenance, term loans for agriculture & allied activities, the provision of debit cards, a one-time documentation facility, built-in cost escalation, unlimited withdrawals, and so on. Today, KCC is considered to be one of the best banking products for farmers. The implementation of the KCC scheme has benefited farmers to a greater extent, and farmers can generate more profit, in spite of varying degrees. A special drive to cover farmers under the Kisan Credit Card (KCC) has been going on since February 2020. As per the information furnished by Public Sector Banks and NABARD, 187.03 lakh KCC with a credit limit of Rs 1.76 lakh crore has been sanctioned to farmers across the country during this initiative up to 29th January 2021.

## II. OBJECTIVE OF THE STUDY

This conceptual paper was written with the sole objective of briefly outlining the implications of the Kisan Credit Card system among small farmers in India.

## III. DATABASE AND METHODOLOGY

This article is exclusively based on secondary data. The secondary data required for the study is obtained from newspapers, journals, websites, books, RBI bulletins, annual reports of NABARD, RBI and the Ministry of Finance, etc.

#### IV. HIGHLIGHTS OF KISAN CREDIT CARD SCHEME

- A. Every farmer, comprising small and marginal farmers, share croppers and tenants, is all eligible for the Kisan Credit Card.
- B. It rationalizes the multi-layered credit evaluation process of urban centric credit schemes.
- C. The credit limit is based on the land holding, income and credit history of the farmer.
- D. It requires one-time documentation, and all ensuing documentation is based on the farmer's declaration of crops to be raised, etc.
- E. It streamlines the screening and credit delivery process for farmers who may not be well aware of banking practices.
- F. It offers a flexible repayment schedule after the harvest season and enables rescheduling of payments in the case of a bad crop season.
- G. As a result of the simplified documentation and screening process, the Kisan Credit Card offers fast and timely credit disbursement.
- H. Provides insurance coverage.
- I. It provides revolving cash credit to farmer by allowing any number of withdrawals and repayment within the limit.
- J. Farmers can use it to make cash withdrawals or to take loans.
- K. It serves as a single credit facility for farmers to meet all of their agricultural needs.
- L. The Credit card is linked to a Savings bank account and any credit balance in the account earns interest.

#### V. KISAN CREDIT CARD ELIGIBILITY AND OTHER DETAILS

The farmer applying for a Kisan Credit Card must be at least 18 years older and not more than 75 years old. Applicants over the age of 60 would also need a co-applicant. A farmer can get a loan of up to Rs 3 lakh for farming with the Kisan Credit Card. This money would be paid to the farmer with a 7% interest rate. One can apply for a Kisan credit card if they are any one among the following:

- Owner-cultivators who are farmers-individuals/joint creditors.
- Tenant farmers, sharecroppers, and other farmers form Self Help Groups or Joint Liability Groups.
- Tenant farmers, Share Croppers, and Oral Lessees are only a few examples.

Farmers need to apply for the KCC with some mandatory documents to avail of the benefit. A farmer who wishes to apply needs to visit the nearest commercial bank, regional rural bank or the cooperative bank and ask for the KCC form from the official. After properly filling the pieces of information sought into the form, the applicant needs to attach officially validated documents that verify their identity proof and their address proof. The officially validated documents include the Aadhar Card, Voter ID, Driving License, PAN Card, passport etc. However, farmers no longer need to complete KYC because the PM Kisan Yojana has been linked to the Kisan Credit Card. To obtain a Kisan Credit Card, farmers now only need to complete a one page form. The [pmkisan.gov.in](http://pmkisan.gov.in) website has this form available for download. However, in order to use the Kisan Credit Card, a farmer must first open an account under the PM Kisan Samman Nidhi Yojana.

The KCC allows cash credit for farmers to take care of crop related expenses like seeds, fertilizers, pesticides, electricity and diesel charges etc. It also offers term credit for allied activities like buying equipment, land development and drip irrigation. Loans under the KCC are offered at 7% for amounts under ₹ 3 lakh. Furthermore, the central government offers interest subsidies that can go up to 3% depending on the credit history of the farmer. The amount and interest rate on loans above Rs. 3 lakhs is decided by the bank. The KCC is like a plastic credit card and can be used as such at banks, ATMs and points of sale (POS). Farmers participating in the scheme will receive a credit card/passbook containing their name, address, landholding details, borrowing limit, validity duration, and other information to help them keep track of their purchases on a continuous basis. A passport-size photograph of the beneficiary will be included in the passbook, among other things.

#### VI. CONCLUSION

The agriculture sector is the backbone of the Indian economy and the share of agriculture in gross domestic product (GDP) has reached almost 20% for the first time in the last 17 years, making it the sole bright spot in GDP performance during 2020-21, according to the Economic Survey 2020-2021. The flexibility of the farming community in facing adversities made agriculture the only sector to have clocked a positive growth of 3.4%, when other sectors slipped in the Covid pandemic period. Agricultural development is influenced by several factors, like irrigation, marketing, infrastructure and credit. Among all of these factors, credit is a key input in agriculture's long-term development. In the context of agricultural credit, the Indian government has taken a number of measures; the Kisan Credit Card is one of them. Kisan Credit Card has emerged as an innovative and indispensable credit delivery mechanism to meet the credit needs of farmers in a timely and hassle-free manner. Farmers have benefited from the embedded advantages since its inception. However, some insightful efforts have to be made to



embrace socially vulnerable groups who are still underprivileged of such facilities, so as to make them financially inclusive and achieve inclusive growth.

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