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An economic survey report on “Kisan Credit Card and its impact on Bihar’s Agricultural Economy” with special reference to Hajipur, Vaishali

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Abstract : Bihar has a total geographical area of 93.60 lakh hectares on which it houses a population of 103.8 million, thereby generating a population density of 1.102 persons per sq. km (Census 2011). Gross shown area in the State is 79.46 lakh hectares, while net shown area is 56.03 lakh hectares. There are around 1.04 crore landholdings in the State of which around 83 percent are marginal. Hence, there is an urgent need to strengthen financial institutions to serve/cater to the needs of farmer’s financial requirements for their families and farms at low interest with easy finance loaning systems. Realizing the importance of enhancement of flow

of credit to the rural sector and reduction of the dependence of farmers on non-institutional sources of credit KISAN CREDIT CARD Scheme was introduced in August 1998, by the Government of India with the objective of providing adequate, timely or without any delay, cost effective and hassle free credit support to farmers. Thus, growth in agriculture and allied sectors remains an important objective and a necessary condition for inclusive growth. The paper analyses not only the need and importance of KCC but also focuses on analysing the socio-economic condition of marginal farmers in Bihar.

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Introduction :

Agriculture remains the most important sector of the Indian economy whether it be the pre-independence or the post-independence period. This fact is emphatically proved by the large number of people depending on it for their livelihood. Nearly 59-70 percent people of India depend on the agriculture sector.

The average annual growth in agriculture and allied sectors realized during the first four years of the Eleventh Plan period i.e. 2007-08 to 2010-11,

is 3.5 percent against the targeted growth rate of 4 percent. Agriculture and allied sectors recorded slightly lower average growth than targeted in the Eleventh Plan period due to severe drought experienced in most part of the country during 2009-10 and drought or deficient rainfall in some states, namely Bihar, Jharkhand, eastern UP and West Bengal in 2010-11. However, timely and corrective measures taken by the Government helped boost agricultural production and growth in agricultural and allied sectors but agricultural growth is still, to an extent, characterised by fluctuations due to the vagaries of nature. Agricultural credit has a very important role to play in supporting agricultural production and investment activities. The total credit flow to agriculture during the 10th Five Year Plan was expected to grow at a Compound Annual Growth Rate (CAGR) of 18.63% achieved during the 9th Five Year Plan. The poor outreach of the formal institutional credit structure is a serious issue that needs to be corrected expeditiously. The findings of the National Sample Survey Organisation (NSSO) 59th round (2003), reveal that only 27% of the total number of cultivator households received credit from formal sources while 22% received credit from informal sources. The remaining households, comprising mainly small and marginal farmers, had no credit outstanding.

The Government has taken many policy initiatives for strengthening of farm credit delivery system for providing credit at affordable rates of interest to support the resource requirements of agricultural sector. The emphasis of these policies has been on providing timely and adequate credit support to farmers with particular focus on small and marginal farmers and weaker sections of the society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. The policy essentially lays emphasis on augmenting credit flow

at the ground level through proper credit planning, adoption of specific strategies and rationalisation of lending policies and procedures and bringing down the rate of interest.

Status of Agriculture in Bihar :

Agriculture constitutes the backbone of Bihar's economy still contributing around 35% of the GSDP and employing more than 70% of the workforce. The state has the ideal natural resources, fertile flat land, plenty of water, both surface and underground and agro climatic conditions suitable for cultivating a variety of crops. In spite of all these conditions, it has remained one of the poorest state in the economy. Agriculture of Bihar is characterised by feudal relations of production, inadequate credit facilities, outdated farming techniques, heavy dependence on uncertain monsoons, predominance of small farmers, inequalities of land distributions, low levels of productivity and seasonal and disguised unemployment.

Thus, situational analysis of Bihar shows that the poor have historically been marginalised and will further be marginalised, if initiatives are not taken to prevent so. Hence, there is an urgent need to strengthen financial institutions to serve / cater to the needs of farmer's financial requirements for their families and farms at low interest with easy finance loaning systems.

Categorization of farmers

Category of farmers	No. of Holdings	Operational holding (in Ha.)
Small (0-1Ha.)	86,45,932 (82.9%)	27,87,789 (40.8%)
Marginal (1-2Ha.)	10,05,650 (9.6%)	13,00,667 (19.0%)
Semi medium (2-4 Ha.)	5,90,970 (5.7%)	15,82,279 (23.1%)
Medium (4-10 Ha.)	1,78,295 (1.7%)	9,75,355 (14.3%)
Large (10- above Ha.)	11,570 (0.1%)	1,93,760 (2.8%)
TOTAL	1,04,32,417 (100%)	68,39,850 (100%)

Source: Department of Agriculture, Govt. of Bihar.

Realizing the importance of enhancement of flow of credit to the rural sector and reduction of the dependence of farmers on non-institutional sources of credit KISAN CREDIT CARD Scheme was introduced in August 1998, by the Government of India after consultation with Reserve Bank of India (RBI) and National Bank for Agricultural and Rural Development (NABARD).

Banks were advised that the Credit Card should normally be valid for 3 years subject to an annual review. The scheme was revised in October, 2004. The revised scheme aims at providing adequate and timely credit for the comprehensive credit requirements of farmers under single window, with flexible and simplified procedure, adopting whole farm approach including the short-term credit needs, term loan and a reasonable component for consumption needs, through Kisan Credit Card. The banks may extend the validity of KCC from 3 years to 5 years in case of sanctioning of term loan facility under KCC. So far 10.78 crore KCCs had been issued up to October 2011.

Objectives of the Research Project :

The objectives of the research project are as follows:-

- Finding out the success rate of the Kisan Credit Card in Bihar.
- Reasons of success or failure of the card in different regions accordingly.
- Know the multiple effect of the credit availed.
- Distribution of Kisan Credit Card (district wise)
- Comparison of Bihar with other developed states.
- Indian agricultural scenario and GDP.
- Measures to fight the reasons of the failure of the scheme.

Hypothesis :

We suppose that:

- Policies made for the development of agriculture has shown positive results.
- The credibility by Kisan Credit Card is giving a complete helping hand.
- Credit issued is disbursed properly.
- Kisan Credit Card facilitates at the time of flood and famines.

Methodology :

Area of study: Hajipur, Vaishali.

Tools and techniques of data collection:

- Case study of Kisan Credit Card in Hajipur, Vaishali.
- Interviews- Mr. Mangi Lal Meena and farmers of Hajipur.

Data analysis:

- **Primary data-** Collection of primary data by methods like interview and observation.
- **Secondary data-** Collection of secondary data from magazines, journals, newspapers, net surfing, NABARD records.

Method of data analysis:

- Tables
- Pie charts.

Progress of Kisan Credit Card:

Kisan Credit Card (KCC) is the flagship scheme under agricultural financing not only in Bihar but also all over the country. This scheme takes care of the production credit requirements of the farmers including credit requirements for the ancillary activities like maintenance of agricultural machineries / equipments, electricity charges etc. Under the scheme, credit is also extended to farmers for allied agricultural activities such as

fisheries, poultry, piggery, sheep/goat rearing etc. This scheme is truly a scheme for farmers. In Bihar, Kisan Credit Cards are helping most of the farmers to meet their credit requirements in a greater way than any other schemes.

Kisan Credit Card Review of agency wise progress as on 31st March 2009, 2010 & 2011

Banks	TARGET (No.)	ACH. SANCH. (No.)			TOTAL
		2009	2010	2011	
COMM. BANKS	8,61,429	505008 (58.62%)	660997 (76.73%)	474628 (55.10%)	1640633 [54.19%]
RRBs	4,78,571	310257 (64.83%)	397420 (83.04%)	276129 (57.70%)	983806 [32.49%]
CO-OP. BANKS	1,60,000	81725 (51.08%)	281122 (51.08%)	40021 (25.01%)	402868 [13.30%]
TOTAL	15,00,000	896990 (59.80%)	1339539 (89.30%)	790778 (52.72%)	3027307 [100%]

Source: NABARD

(Note: - Figures in parentheses () indicate percentage of achievement of the target.)

(Note: - Figures in brackets [] are the percentage share to the total card issued.)

From the given table it can be seen that the commercial banks have the major share of the total cards issued in last three financial years (2008-09, 2009-10 and 2010-11), followed by RRBs with 32.49% share and co-operative banks having only 13.30% share of the total number of cards issued in Bihar.

Progress of Insurance under KCC:

Insurance plays a vital role in dragging farmers to avail the credit through KCC. Bihar shows following progress in insurance through KCC in the financial year 2009-10.

Insurance of Kisan Credit Card- progress till 31st March 2010

Agency	No. of cards issued since inception	Cumulative limit sanctioned since inception
Cooperatives	919542 (20.48%)	173191.57 (12.55%)
RRBs	1352937 (30.14%)	45956402 (33.31%)
CBs	2216603 (49.38%)	746850 (54.14%)
TOTAL	4489082 (100%)	1379605.59 (100%)

Source: NABARD & SLBC Patna.

Rank of Bihar in issue of Kisan Credit Card:

To calculate the rank of Bihar in issue of Kisan Credit Card, let us take an overview of the state wise progress of Kisan Credit Card.

State wise Kisan Credit Cards issued

Sl. No.	State / Union Territory	Cards issued		Total	Rank
		2009	2010		
1.	Andhra Pradesh	14,432,000	15,582,000	30,014,000	2
2.	Assam	463,000	568,000	1,031,000	17
3.	Arunachal Pradesh	19,000	23,000	42,000	28
4.	Bihar	3,128,000	3,805,000	6,933,000	9
5.	Gujarat	2,801,000	2,997,000	5,798,000	12
6.	Goa	15,000	17,000	32,000	29
7.	Haryana	2,348,000	2,492,000	484,000	19
8.	Himachal Pradesh	325,000	503,000	828,000	18
9.	Jammu & Kashmir	78,000	93,000	171,000	21
10.	Karnataka	5,041,000	5,665,000	10,706,000	6
11.	Kerala	3,124,000	3,466,000	6,590,000	10
12.	Madhya Pradesh	5,151,000	5,777,000	10,928,000	5
13.	Maharashtra	7,919,000	8,697,000	16,616,000	3
14.	Meghalaya	68,000	79,000	147,000	22
15.	Mizoram	23,000	26,000	49,000	25
16.	Manipur	40,000	44,000	84,000	24
17.	Nagaland	22,000	28,000	48,000	26
18.	Orissa	4,934,000	5,553,000	10,487,000	7
19.	Punjab	2,230,000	2,398,000	4,628,000	13
20.	Rajasthan	4,757,000	5,220,000	9,977,000	8
21.	Sikkim	9,000	11,000	20,000	30
22.	Tamil Nadu	5,809,000	6,156,000	11,965,000	4
23.	Tripura	97,000	121,000	218,000	20
24.	Uttar Pradesh	15,423,000	17,113,000	32,536,000	1
25.	West Bengal	3,108,000	3,445,000	6,553,000	11
26.	Andaman & Nicobar Is	6,000	7,000	13,000	31
27.	Chandigarh	3,000	3,000	6,000	32
28.	Daman & Diu	2,000	2,000	4,000	34
29.	New Delhi	22,000	24,000	46,000	27
30.	D & N Haveli	3,000	3,000	6,000	33
31.	Lakshadweep Is	1,000	1,000	2,000	35
32.	Pondicherry	56,000	67,000	123,000	23
33.	Jharkhand	992,000	1,168,000	2,655,000	15
34.	Chattisgarh	1,430,000	1,663,000	3,093,000	14
35.	Uttarakhand	603,000	668,000	1,271,000	16
TOTAL		84,667,000	93,485,000	178,152,000	-

Source: NABARD

From this table it is observed that Bihar ranks at 9th position accounting for 3.87% of the total cards issued in India during the Financial Year 2008-09 & 2009-10.

As can be seen Bihar lags behind Uttar Pradesh, Andhra Pradesh, Maharashtra, Tamil Nadu and Madhya Pradesh which shows a significant share of the target. States like Karnataka, Orissa & Rajasthan are also ahead of Bihar.

Special Campaign for Financing under KCCs in Bihar:

For launching the campaign in eight districts namely **Madhubani, Samastipur, West Champaran, Gaya, Rohtas, Khagaria, Purnia and Bhagalpur** in Bihar, the High Level Meeting on KCCs with the Development Commissioner, Government of Bihar on the 24th April 2008 made a detailed discussion on the matter. The following decisions were taken in the meeting:

- A Task Force on the "Special Campaign" under the Chairmanship of the Development Commissioner, Govt. of Bihar has been constituted and notified by the Department of Institutional Finance, Government of Bihar.
- The District Task Force under the Chairmanship of the District Magistrate will meet every month in the second week to review the progress under the campaign.
- For facilitating financing under KCC to farmers, Land Possession Certificates should be issued to farmers at Block levels.
- The National Agricultural Insurance Scheme should be implemented effectively through the Financial Institutions in the State.

Mega Credit Camps for KCC financing in Bihar:

As desired by the Hon'ble Deputy Chief Minister, Bihar, Banks and the State Government functionaries together organized Mega Credit Camps for KCC financing to farmers in the entire State. The Camps were organized on the 10.01.2011, 10.02.2011 and 10.03.2011

respectively at all Block Headquarters in the State. The Camps succeeded in getting overwhelming response from farmers of the State.

Status of Kisan Credit Card in Vaishali, Bihar

Vaishali in Bihar is one of those districts which has constitute a total population of 27,18,421 out of which most are engaged in agriculture and a major part of those are primarily dependent on agriculture.

According to the census conducted in 2001, majority of the farmers were marginal.

Classification of farmers

Classes	Marginal (below 1.0 ha)	Small (1.1 - 2.0 ha)	Semi-medium (2.0-4.0)	Medium (4.0-10.0)	Large (10.0 ha)	Total
No	406398	22269	10114	1345	53	440179
Area	718893	25098	25991	7027	685	129694

Source: Department of Agriculture, Govt. of Bihar.

Status of Kisan Credit Card in Vaishali as on 31.03.2010

Vaishali achieved an achievement of 88-97%, average financing being 0.36 lakhs, which shows a "GOOD" category result.

KCC Target (No.)	KCC Sanctioned		KCC Disbursed		% of Ach	Average Financing (Rs. in lakhs)
	No	Amt	No	Amt		
43567	38763	14004	36315	12934	88.97	0.36

Source: NABARD

Efficacy of Kisan Card- Observation from the field; Hajipur, Vaishali

As a part of the study as many as 42 farmers who had availed the KCC facility were interviewed to ascertain their view points. These field visits brought out several findings of importance, which could have a bearing on the future policy in this regard and also help in speeding up the progress of implementation by highlighting the operational difficulties. The feedback on the questionnaire which was administered to 42 KCC holders in a

semi-structured interview has been presented in the following paragraphs.

During the interview process it was found that out of 42 farmers 22 were marginal, 11 were small, 6 were semi-medium and 3 were medium farmers.

Coverage of New farmers

Out of the 42 farmers covered in the field study, 48 percent of total were new borrowers. The balance 52 percent were borrowers continuing with same banks. Such a good number of new borrowers demanding Kisan Credit Card was due to many factors such as effective publicity by the banks, utility of Kisan Card and the continuous monitoring of the progress by RBI and NABARD.

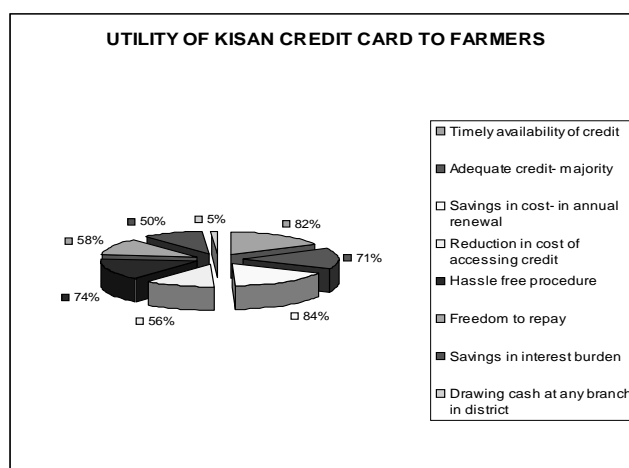
Cheque Book facility for Cash drawals

It was observed that 73 percent of total farmers were issued cheque books and the rest 27 percent had to use the withdrawal slip. However, the farmers were not much concerned about this as the practice of paying through cheques was not much popular among the dealers of inputs owing to various reasons. Moreover, a good number of the farmers were illiterate and they experienced difficulty in using the cheques. Hence they preferred using slips though they had been issued cheques.

Utility of Kisan Credit Card to farmers

All the KCC holders were of the unanimous opinion that the Kisan Credit Card was advantageous to them in more than one way and the most important of them are listed below:

Utility	Percentage of Farmers
(a) Timely availability of credit	82%
(b) Adequate credit- majority	71%
(c) Savings in cost- in annual renewal	84%
(d) Reduction in cost of accessing credit	56%
(e) Hassle free procedure	74%
(f) Freedom to repay	58%
(g) Savings in interest burden	50%
(h) Drawing cash at any branch in district	5%



Problems of farmers with Kisan Credit Card:

During the field study, problems relating to the card were also ascertained and the feedback was taken in general and no specific problem, except delay in issue of the card, was noticed. There was also no specific complaint about selectivity or discrimination among the client group by banks while issuing of the card. There was also no major problem reported in operations of the Kisan Credit Card.

Government of India Initiatives:

- KCC holders have been covered under Personal Accident Insurance Scheme against accidental death or permanent disability, upto maximum amount of Rs. 50,000/- and Rs. 25,000/- respectively. The premium burden will be shared by the card issuing institutions and the borrower in the ratio of 2:1.
- Bankers were also advised to issue KCC to tenant farmers / share croppers / oral lessee / joint liability groups.
- Banks were advised to cover all eligible farmers under KCC scheme.
- With a view to make the scheme more effective the Government of India had constituted a High Level Task Force which shall internally examine and suggest measures for improving efficiency of KCC scheme. The

report from task force has been submitted to Government of India on 30 June 2010.

- As desired by Hon'ble Finance Minister, bankers were advised to increase KCC coverage by 20% in number and also in amount during the financial year 2010-11 over the year 2009-10. Similar increased coverage is expected during 2011-12.
- Under the ambitious scheme of state government to double the income of farmers in the state, 5000 villages in the first phase have been covered and the another 5000 villages identified in the state in the second phase so as to cover the remaining farmers by June 2011.

Major steps taken by NABARD

- Co-operative banks and RRBs were advised to enlarge the scope of the KCC Scheme to cover term loans for agriculture and allied activities.
- A Brochure on KCC Scheme highlighting the salient features, advantages and other relevant information about the Scheme was brought out by Head Office and ROs were asked to circulate the brochure to State govt. departments, Commercial Banks, Co-operative Banks, RRBs and other concerned agencies / officers so as to generate wider awareness about the Scheme.
- Studies on KCC Scheme have been conducted by NABARD periodically to facilitate feedback on the ground level issues / problems so that changes, where necessary, could be considered.
- RRBs were advised to initiate innovative publicity campaign in each area of operation in order to cater to all eligible farmers under KCC.

Problems:

A number of problems were faced by the team in compiling this project work. First of all, data were not available easily. However, whatever data were provided was insufficient.

- Firstly, we weren't able to know how much credit was given in Non Farming Sector through the scheme.
- Secondly, some farmers make fake identities in order to avail the benefits of the Scheme, as a result real estimation was not possible.
- Thirdly, there were no such details as how the Scheme worked during the calamities like flood and droughts which are frequent in Bihar.
- Fourthly, there were no such data available according to the categorization of farmers as marginal, small, medium and big.

□ Apart from this farmers being illiterate were not ready to give their personal details. Lastly due to lack of time and accessibility it was not possible to interview more number of farmers.

Suggestions and Conclusion :

Today's paramount need is to improve agricultural productivity. Crop yield can be increased through the introduction of various rural credit schemes, one such scheme is Kisan Credit Card. Kisan Credit Card has emerged as an innovative credit delivery mechanism to meet the production credit requirement in the timely and hassle free manner. It is a vital tool for rural development. Right from the inception of the scheme the farmers are enjoying the inherent advantage. It is observed that not only the size of land but also the cost of production should be taken into consideration while fixing the credit limit and there should be a link between Kisan Credit Card and crop insurance. In fact, crop instrument is an

instrument that makes marginal and small farmers use the agro-insurance to protect something they have against uncertain drought and flood. Kisan Credit Card is used for consumption credit with production credit. But, for the success of this scheme, education of both the farmers and also the bank officials about the Scheme is required. However, this Scheme is a boon to farmers.

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