

# Growth and performance of Kisan Credit Card Scheme in India with special reference to Karnataka

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## ABSTRACT

The credit is the life blood of agriculture and which was disbursed through KCC Scheme in our country. The number of KCC issued and amount sanctioned in India, Karnataka, North-East Karnataka region and Bellary district was estimated using the compound growth rate analysis. The necessary secondary data about KCC scheme for India were collected from RBI publications since inception of the scheme. The same data for Karnataka, North East Karnataka region and Bellary district were collected for the period 2006-07 to 2011-12. The collected were pertaining to three formal agencies viz., commercial bank, RRBs and co-operatives. At national level, the commercial banks have issued the highest number of KCCs amongst the three formal financial agencies. The commercial banks issued highest KCCs (45.33%) followed by co-operative banks (40.30%) and minimum issued by RRBs (14.37%). The similar pattern was observed for Karnataka state and Bellary district. Whereas in North-East Karnataka region, the highest number of KCCs was issued by RRBs. The highest percent of operational holding covered by KCC was in case of North-East Karnataka region (610.09%) followed by Karnataka (391.82%) and Bellary district (332.87%).

**Keywords:** Growth rate Analysis, KCC, Operational holding, Karnataka, India

The development of agriculture has significant and positive effect on the growth of Indian economy. The agriculture and allied sectors contributes around 14.6% and 58.2% to the GDP and employment, respectively and around 10.6% to national exports in 2009-10 (GOI, 2010-11).

In the sustained growth of agricultural sector, credit plays a crucial role. The introduction of modern technology in agriculture sector has led to intensive use of inputs, resulting in manifold increase in the requirement of production credit. To increase the flow of credit to agricultural and allied sectors from formal sources, Government of India has taken many steps like nationalization of fourteen major banks in 1969 and six more were added to this category in 1980, formation of RRBs in 1975, establishment of NABARD in 1982 and constitution of series of reforms committees since 1991.

In spite of various measures, the flow of credit to agriculture sector remained poor. So, the Reserve Bank of India (RBI) has set up one man high level committee under the chairmanship of Shri R.V. Gupta in December 1997. The committee submitted its report in April 1998. Based on the recommendations of R.V. Gupta committee, NABARD introduced Kisan Credit Card Scheme (KCCS) in August 1998. The KCCS aimed at providing timely and adequate credit to the farmers in a cost effective and flexible manner. In addition to credit for crop production, the scheme provides credit for ancillary activities related to crop production, working capital needs of non-farm activities and allied activities with some provision for consumption needs.

Hence, keeping in the mind of above issue the present study was conducted with the objective to analyse the comparative growth performance of

**Table 1: Institution-wise number of KCCs issued and amount sanctioned in India**

Year	Commercial Banks		Cooperative Banks		Regional Rural Banks		Aggregate	
	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)
1998-99	6.22	1,473	1.55	826	0.06	11	7.84	2,310
1999-00	13.66	3,537	35.95	3,606	1.73	405	51.34	7,548
2000-01	23.90	5,615	56.14	9,412	6.48	1400	86.52	16,427
2001-02	30.71	7,524	54.36	15,952	8.34	2,382	93.41	25,858
2002 -03	27.00	7,481	45.79	15,841	9.64	2,955	82.43	26,277
2003-04	30.94	9,331	48.78	9,855	12.74	2,599	92.47	21,785
2004-05	43.96	14,756	35.56	15,597	17.29	3,833	96.80	34,186
2005-06	41.65	18,779	25.98	20,339	12.49	8,483	80.12	47,601
2006-07	48.08	26,215	22.98	13,141	14.06	7,373	85.11	46,729
2007-08	46.06	59,530	20.91	19,991	17.72	8,743	84.70	88,264
2008 -09	58.34	39,009	13.44	8,428	14.14	5,648	85.92	53,085
2009-10	53.13	39,940	17.43	7,606	19.49	10,132	90.06	57,678
2010-11	42.18	2,32,919	37.88	14,0595	13.42	53,964	93.48	4,27,478
2011-12	47.76	2,83,362	39.79	15,1313	15.20	65,431	102.75	5,00,106
Total	513.59 (45.33)	7,49,471 (55.30)	456.54 (40.30)	43,2502 (31.91)	162.8 (14.37)	1,73,359 (12.79)	1132.95 (100)	13,55,332 (100)
CAGR (%)	12.73*	41.37**	3.57NS	25.66**	27.66**	55.20*	9.07**	35.83*

Note: Figures in parentheses indicate percentage to aggregate

Source: RBI Report on Trend and Progress of Banking in India 2009-11,

\*Significant at 10% level, \*\* Significant at 5% level, NS: Non significant

**Table 2: Institution-wise number of KCCs issued and amount sanctioned in Karnataka**

Year	Commercial Banks		Cooperative Banks		Regional Rural Banks		Aggregate	
	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)
2006-07	27.54	1559.00	12.00	3510.72	10.92	2,837.37	50.50	7,907.00
2007-08	22.78	1636.00	7.56	25.79	8.34	45.52	38.68	1707.00
2008-09	20.17	1572.00	1.83	2.62	15.05	17.21	37.06	1592.00
2009-10	22.66	13,011.00	16.77	6,873.00	10.97	5,376.00	50.40	25,260.00
2010-11	25.43	15,476.00	18.67	7,197.00	12.55	6,135.00	56.65	28,808.00
2011-12	29.14	19,554.00	19.91	7,737.00	14.11	7,132.00	63.16	34,423.00
Total	147.71 (49.83)	52,808.00 (52.97)	76.80 (25.91)	25,346.00 (25.42)	72.00 (24.27)	21,543.00 (21.61)	297.00 (100)	99,697.00 (100)
CAGR (%)	2.10NS	84.83NS	23.75NS	127.16NS	6.46NS	104.64NS	7.62NS	70.12NS

Note: Figures in parentheses indicate percentage to aggregate

Source: RBI Report on Trend and Progress of Banking in India 2009-11,

Source: www.indiastat.com NS: Non significant

**Table 3. Institution-wise number of KCCs issued and amount sanctioned in north-east Karnataka region**

Year	Commercial Banks		Co-operative Banks		RRBs		Aggregate	
	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)
2005-06	0.04	0.72	0.08	1.43	0.16	2.86	0.28	5.01
2006-07	0.97	5.35	1.95	10.71	3.90	21.41	6.82	37.48
2007-08	2.25	5.76	3.66	10.50	7.31	20.99	13.22	37.25
2008-09	2.63	8.28	4.32	14.76	8.63	26.52	15.58	49.56
2009-10	2.70	15.23	4.32	24.74	8.34	55.78	15.36	95.76
2010-11	3.78	16.32	6.21	32.63	13.23	61.24	23.22	110.19
2011-12	3.66	16.72	6.30	33.85	12.31	61.09	22.28	111.66
Total	16.03 (16.57)	68.38 (15.30)	26.84 (27.74)	128.62 (28.78)	53.88 (55.68)	249.89 (55.92)	96.76 (100)	446.89 (100)
CAGR (%)	29.75**	30.93**	23.72**	31.83**	23.87**	30.06**	24.23**	30.70**

Note: Figures in parentheses indicate percentage to aggregate

Source: Lead Bank of respective districts, 2012-13

\*\*Significant at 5% level

**Table 4. Institution-wise number of KCCs issued and amount sanctioned in Bellary district**

Year	Commercial Banks		Co-operative Banks		RRBs		Aggregate	
	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ₹ crores)
2007-08	0.85	1.03	0.47	0.71	0.28	2.13	1.60	3.87
2008-09	0.95	1.79	0.47	0.86	0.29	2.30	1.71	4.95
2009-10	0.98	3.72	0.49	1.45	0.31	2.74	1.78	7.91
2010-11	0.95	2.39	0.48	1.06	0.3	2.47	1.73	5.92
2011-12	1.04	3.01	0.49	1.21	0.33	2.71	1.86	6.93
Total	4.77 (54.95)	11.94 (40.37)	2.40 (27.65)	5.29 (17.88)	1.51 (17.40)	12.35 (41.75)	8.68 (100)	29.58 (100)
CAGR (%)	4.12***	27.56NS	1.05NS	13.60NS	3.69**	5.69**	3.18**	14.39NS

Note: Figures in parentheses indicate percentage to aggregate

Source: Lead Bank of Bellary district, 2012-13

\*\*Significant at 5% level, \*\*\*Significant at 1% level, NS: Non significant

**Table 5. District wise number of KCCs issued and amount sanctioned during the last five years (2008-2012)**

District	Commercial Banks		Co-operative Banks		RRBs		Total	
	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)	KCC Issued (In lakhs)	Amount Sanctioned (In ` crores)
Gulbarga*	1.83	5.04	1.88	5.09	1.79	4.99	5.50	15.12
Bidar	0.35	0.20	0.39	0.25	0.30	0.15	1.04	0.60
Koppal	0.88	0.50	0.92	0.55	0.83	0.45	2.63	1.50
Raichur	1.16	0.58	1.20	0.62	1.11	0.53	3.47	1.73
Bellary	4.77	11.94	2.40	5.29	1.51	12.35	8.68	29.58

\* Yadgiri district data were included

Source: Lead Bank of Bellary district, 2012-13

**Table 6: Growth in number of KCCs issued and amount sanctioned with different financial institutions**

(In %)

Sl. No.	Financial Institutions	Particulars	India	Karnataka	NEK Region	Study district
1	Commercial Banks	KCCs issued	12.73*	2.11NS	29.75**	4.12***
		Amount sanctioned	41.37**	84.83NS	30.93**	27.56NS
2	Cooperative Banks	KCCs issued	3.57NS	12.60NS	23.72**	1.05NS
		Amount sanctioned	25.66**	127.16NS	31.83**	13.60NS
3	Regional Rural Banks	KCCs issued	27.66**	6.47NS	23.87**	3.69**
		Amount sanctioned	55.20*	104.64NS	30.06**	5.69**
4	Total	KCCs issued	9.07**	5.87NS	24.23**	3.18**
		Amount sanctioned	35.83*	70.12NS	30.70**	14.39NS

\*Significant at 10% level

\*\* Significant at 5% level,

\*\*\* Significant at 1% level, NS: Non significant

**Table 7: Distribution of KCCs in relation to operational holding**

(In Lakhs)

Sl. No.	Particulars	Financial Institutions	India	Karnataka	NEK Region	Study district
1	Number of operational Holding		1377.57	75.80	15.86	2.61
2	Number of KCCs issued	Commercial Banks	513.59	147.71	16.03	4.77
		Co-operative Banks	456.54	76.80	26.84	2.40
		RRBs	162.80	72.00	53.88	1.51
		Total	1132.95	297.00	96.76	8.68
3	Percentage of Operational Holding Covered by KCC	Commercial Banks	37.28	194.87	101.07	182.76
		Co-operative Banks	33.14	101.32	169.23	91.95
		RRBs	11.82	94.99	339.72	57.85
		Total	82.24	391.82	610.09	332.57

KCCS in India, Karnataka, North-East Karnataka region and Bellary district. This will help us to know the popularization of the Kisan Credit Card scheme in India and Karnataka.

### Material and Methods

The secondary data related to Kisan Credit Cards across India, Karnataka and North-East Karnataka region were collected from RBI, NABARD and also from different financial agencies like commercial banks, co-operative banks and RRBs. The time series data related to number of KCCs issued, amount sanctioned under KCC scheme for India were collected from RBI publications since inception of the scheme. The same data for Karnataka, North East Karnataka region and Bellary district (study district) were collected for the period 2006-07 to 2011-12 as the data was not available with lead banks of the respective districts in the North-East Karnataka region.

The growth in the number of KCCs issued and amount sanctioned was estimated using the exponential function of the form

$$Y_t = ABt^{ut} \quad (1)$$

Where,  $Y_t$  = Credit disbursed during time  $t$

$A$  =  $Y$  in the base year

$t$  = Time period

$ut$  = Error term

$B = 1+g$ , where  $g$  = growth rate.

By taking the logarithm, equation (1) was reduced to the following form

$$\text{Log } Y_t = \text{Log } A + (\text{Log } B) t + ut \quad (2)$$

Where  $\text{Log } A$  and  $\text{Log } B$  were the parameters of the function obtained by Ordinary Least Square method (OLS).

Defining,  $Q_t = \log Y_t$   
 $t$  = time period.  
 $a = \log A$  &  $b = \log B$

Equation (2) could be written as follows

$$Q_t = a + bt + ut \quad (3)$$

Once the above equation is estimated,  $g$  can be computed as:

$$g = [\text{Antilog}(b)-1] \times 100 \quad (4)$$

For comparison purposes the growth rates arrived at with the help of Equation (4) was multiplied by 100 to obtain the percentage change in the variable concerned.

### Results and Discussion

#### *Institution-wise number of KCCs issued and amount sanctioned in India*

In order to study agency-wise growth of KCC issued in India, the secondary data were collected, analyzed and presented in Table 1. The table reveals the information regarding the agency-wise progress of KCC during the period of 14 years from 1998-99 to 2011-12. When the scheme was initiated (1998-99) there were only 7.84 lakhs of KCCs issued and it progressed consistently in subsequent years. Nearly 1133 lakhs of KCCs have been issued up to the end of 2011-12 by all the three agencies throughout the country and the overall cumulative amount sanctioned was ₹ 13,55,332 crores. In the year 1999-2000 there is drastic increase in issue of KCCs at national level. It may be due NABARD has advised the all banks to identify and cover all farmers (Sirisha and Malpadri, 2011). And again in the year 2000-01, all banks were advised to issue KCCs in a hassle free manner and extend the crop loan only through KCC scheme which results increase in the number of KCCs issued and amount sanctioned (Sirisha and Malpadri, 2011). The government of India introduced the personal accident insurance scheme (PAIS) in the budget 2001-02, which made the scheme to become more popular among the farmers and as well as among the bankers as a result there was an increasing trend in issue of number of KCCs in the country. To cater to the comprehensive credit requirements of farmers under the single window system, NABARD enlarged the scope of KCC by introducing term loan financing in August 2004 and this witnessed further increase in the issue of KCCs. Out of the total number of 1132.95 lakhs, the share of commercial banks was the highest (45.33%) followed by Co-operative banks (40.30%) and minimum issued by RRBs (14.37%). The high significant growth in issue of KCCs was observed in RRBs (27.66%) followed by commercial banks (12.73%) and minimum in the case of co-operative banks at 3.57 per cent. The growth in aggregate number of KCCs issued (9.07%)



and amount sanctioned (35.83%) was found to be significant indicating increased the importance of credit to agricultural sector through KCCS as it cater the production as well as ancillary needs of the farming community.

#### ***Institution-wise number of KCCs issued and amount sanctioned in Karnataka***

The Table 2 indicates the progress of KCC Scheme in Karnataka. Progress of KCC Scheme in Karnataka is assessed for all three types of financial institutions, viz. cooperative banks, RRBs and commercial banks. Since 2006-07, the total number of KCCs issued was 297.00 lakhs and total amount sanctioned was ₹ 99,697.12 crores. The commercial banks issued highest KCCs of 147.71 lakhs (49.83%) followed by co-operative banks with 76.80 lakhs (25.91%) and less in case of RRBs with 72.00 lakhs (24.20%). In tune with the number of KCCs issued by different financial institutions, the amount sanctioned also exhibited the similar pattern. Among all agencies, the commercial bank had issued highest KCC to farmers as the government had made it compulsory to issue short term loan only through KCC. In contrast to highest share, the growth in issue of KCC was lowest in commercial banks (2.10%) followed by RRBs (6.46%) and co-operative banks (23.75%). The high growth in co-operatives and RRBs was because of lower base. The growth in amount sanctioned also exhibited the similar pattern. The aggregate average annual growth rate of KCCs issued in Karnataka was 7.62 per cent.

#### ***Institution-wise number of KCCs issued and amount sanctioned in North-East Karnataka region***

The number of KCCs issued and amount sanctioned in North-East Karnataka region is presented in Table 3. North-East Karnataka region comprises of 6 districts namely Bidar, Gulbarga, Koppal, Raichur, Yadgiri and Bellary. Yadgiri is newly formed district and comparable data was not available separately for this district and hence the data pertaining to Yadgiri was merged in Gulbarga district. In North East Karnataka region, the RRBs had issued highest KCC with 53.88 lakhs (55.68%) followed by co-operative bank with 26.84 lakhs (27.74%) and less in case of commercial bank with 16.03 lakhs (16.57%). It might be due to good performance of

RRBs compared to other institutions with respect to implementation of KCC scheme in North-East Karnataka region. In tune with number of KCCs issued, the total amount sanctioned was highest in case of RRBs (55.92%) followed by co-operative banks (28.78%) and commercial banks (15.30%). The high significant growth in issue of KCCs was noticed in case of commercial banks (29.75%) followed by RRBs (23.87%) and co-operative banks (23.72%). As the noticed earlier for Karnataka the inverse relationship of higher share in issue of KCC and amount sanctioned and lower growth performance was observed in North-East Karnataka region also.

#### ***Institution-wise number of KCCs issued and amount sanctioned in Bellary district***

Table 4 depicts the number of KCCs issued and amount sanctioned for Bellary district from 2007-08 to 2011-12. The total number of KCCs issued was 8.68 lakhs and amount sanctioned was ₹ 29.58 crores in Bellary district. The highest KCCs was issued by commercial banks to the tune of 4.77 lakhs (54.95%) followed by co-operative bank with 2.4 lakhs (27.65%) and less in case of RRBs with 1.51 lakhs (17.40%). But with respect to amount sanctioned, highest share was observed in commercial banks followed by RRBs and co-operative banks. This indicated variation in the amount sanctioned among institutions. The high significant growth in issue of KCCs was observed in case of commercial bank (4.12%) followed by RRBs and co-operative banks. However, the growth in amount sanctioned was highest in commercial bank (27.56%) followed by co-operatives (13.60%) and RRBs (5.69%).

#### ***District wise number of KCCs issued and amount sanctioned***

The data related to district-wise number of KCCs issued and amount sanctioned in North-East Karnataka was collected from the period 2008-09 to 2012-13 and presented in Table 5. Among all the districts of North- East Karnataka, Bellary had highest KCCs (8.68 lakhs) followed by Gulbarga (5.5 lakhs), Raichur (3.47 lakhs), Koppal (2.63 lakhs) and least in case of Bidar (1.04 lakhs) district. In tune with KCCs issued, the amount sanctioned was also highest in Bellary (29.58 crores) followed by Gulbarga (15.12 crores) district.

### ***Growth summary of number of KCCs issued and amount sanctioned***

Table 6 indicates the summary of growth in number of KCCs issued and amount sanctioned with different financial institutions for India, Karnataka, North-East Karnataka region and Bellary district. The table indicates that growth in number of KCCs issued was found to be highest and significant in North-East Karnataka region (24.23%) and lowest in case of Bellary district (3.18%). The growth in amount sanctioned was found to be higher in Karnataka (70.12%) compared to all India level (36.20%), North-East Karnataka region (30.70%) and for the Bellary district (14.39%).

### ***Distribution of KCCs in relation to operational holding***

Table 7 provides information regarding distribution of KCCs in relation to operational holding for India, Karnataka, North-East Karnataka region and Bellary district. The percent of operational holding covered by KCCs at national level is at 82.24 per cent. The highest percent of operational holding covered by KCCs was in case of North-East Karnataka region (610.09%) followed by Karnataka (391.82%) and Bellary District (332.87%). More than 100% coverage in Karnataka state, NEK region and Bellary district indicated that more than one KCC have been issued to the same house hold. This finding is in conformity with Anjani Kumar et al., (2011) who found that among various states, the coverage of KCCs was maximum in Punjab (228%), Haryana (157%) and Andhra Pradesh (127%) as more than one KCC have been issued to the same household.

### **Conclusion**

Agricultural sector is the backbone of our country which contributes around 13.90% to national GDP.

For the sustainable development of the agriculture, credit is utmost important. Hence, to increase the credit availability to farmers government has implemented the Kisan Credit Card in the 1998-99 with aimed at providing timely and adequate credit to the farmers in a cost effective and flexible manner

It can be concluded from above findings that, the growth rates estimated for number of KCCs issued and amount sanctioned in the Bellary district was less as compared to national and state level. And, the percentage of KCCs issued per operational holding is highest in North-East Karnataka region followed by Karnataka and Bellary district. This clearly indicates that more than one KCC issued per household. Hence, care should be taken by the financial institutions especially RRBs and co-operatives while issuing KCC to avoid duplication in distribution of KCCs to same household.

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