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EFFECTIVENESS OF KISAN CREDIT CARD SCHEME IN KARNATAK STATE

DR. RAMESH.O.OLEKAR ASST. PROFESSOR PG DEPARTMENT OF COMMERCE KARNATAK UNIVERSITY POST GRADUATE CENTER KARWAR

ABSTRACT

Agriculture has been the mainstay of our economy. More than 60% of our people depend upon agriculture for their livelihood. Agriculture is a way of life, a tradition; agriculture will continue to be central to all the strategies for socio-economic development of the country. Rapid growth of agriculture will not only ensure continued food security but also aid in growth in industry and the GDP. To sustain the growth in agriculture credit plays a crucial role. The quantum of agriculture credit provided by the banking system increased from year to year. While this is quite impressive considering the overall bank credit for priority sector, credit for farm sector is not without its share of problems viz. problems in accessing credit for the agriculturist and problems in dispensing credit by the bank. In order to address the problems in purveying credit for agriculture, the RBI had set up a one man High level committee of sri. R V Gupta in 1997 to suggest measures for improving the delivery systems as well as simplification of procedures for agricultural credit. The committee had submitted its report in April 1998. KCC is one of the most innovative, widely accepted, highly appreciated and non-discriminatory banking products. It is beneficial to farmers. Though relative share of the institutions in the issue of agricultural crop loans remain the same the progress under KCC is highly satisfactory. Constant monitoring and thrust given by NABARD has substantially enabled the progress

KEYWORDS

Agricultural Credit, DCCB, Kisan credit card, NABARD, PACS.

INTRODUCTION

griculture has been the mainstay of our economy. More than 60% of our people depend upon agriculture for their livelihood. Agriculture is a way of life, a tradition; agriculture will continue to be central to all the strategies for socio-economic development of the country. Rapid growth of agriculture will not only ensure continued food security but also aid in growth in industry and the GDP. To sustain the growth in agriculture credit plays a crucial role. The quantum of agriculture credit provided by the banking system increased from year to year. While this is quite impressive considering the overall bank credit for priority sector, credit for farm sector is not without its share of problems viz. problems in accessing credit for the agriculturist and problems in dispensing credit by the bank. In order to address the problems in purveying credit for agriculture, the RBI had set up a one man High level committee of Sri. R V Gupta in 1997 to suggest measures for improving the delivery systems as well as simplification of procedures for agricultural credit. The committee had submitted its report in April 1998.

The Kisan Credit Card Scheme was launched in 1998-99 to provide timely and adequate credit support to the farmers for their production needs in a flexible and cost effective manner. Implemented by commercial banks, co-operative banks, and RRB's throughout the country. This innovative scheme has gained immense popularity among the farmers; however, still many farmers use the card as a production loan and are unaware of the flexibility provided in the utilization of limits. Efforts should be made to popularize this scheme and the procedure of farm credit under the Kisan Credit Card Scheme needs to be simplified.

BENIFITS

TO FARMERS

- Flexibility to draw cash and buy inputs
- Access to adequate & timely credit to farmers
- Full years credit requirement of the borrower taken care of
- Minimum paper work & simplification of documentation for withdrawal of funds from banks
- Assured availability of credit any time enabling reduced interest burden for the farmers
- Sanction of the facility for 3 years subject to annual review and satisfactory operations and provision for enhancement

TO THE BANKS

- Reduction in work load for branch staff by avoidance of repeat appraisal and processing of loan papers
- Minimum paper work and simplification of documentation for withdrawal of funds from the bank
- Improvement in recycling of funds and better recovery of loans
- Reduction in transaction cost to the banks
- Better banker-customer relationship possible

The KCC scheme is an innovative mechanism for facility access to short term credit facility to farmers. It has gained popularity by commercial banks, cooperative banks and RRB's across the country.

STATEMENT OF THE PROBLEM

The introduction of a new credit product called Kisan Credit Card (KCC) in 1998-99 with three different sub-limits Viz. production, assets maintenance and consumption needs is a step in this direction. This brings integration into the multi-credit product system by offering farm entrepreneurs a single line of credit through a single window for multiple purposes. These include acquisition of consumption needs. The Kisan Credit Card Scheme was a step from the formal financial institutions. The scheme was conceived as adequate and timely supply of short-term credit delivery mechanism, which aimed at provision of adequate and timely supply of short-term credit to the farmers to meet their crop production requirements. The KCC instrument would allow farmers to purchase agriculture inputs such as seeds, fertilizers, pesticides and also allow them withdraw some cash for meeting their other crop production related requirements. Under the old system short-term credit was disbursed either through a demand loan or through a system of loans known as crop cash credit mechanism. In the demand-based system, loans were granted on crop specific basis against execution of fresh documents each season. The sub limit was fully used up only credits were permitted, but withdrawals were not allowed. Withdrawals under these limits were permitted either in cash through debit slips or withdrawals were usually bunched at the beginning of crop season and repayments at the end of the season when farmers were able to generate cash after harvesting and marketing their produce.

Since then, the scheme of KCC is under implementation by state cooperative banks, through DCCB's and PACS as also the Regional Rural banks and Commercial Banks under the aegis of NABARD by various banks. Co-operative banks have the largest share (62%), followed by commercial banks (30%) and RRB's (8%). The performance in the implementation of the KCC scheme has been impressive in the states of Andra Pradesh, Gujarat, Haryana, Karnataka, Maharastra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and Uttaranchal. A personal accident insurance scheme has also been introduced from the year 2001-02 for all KCC holders against accidental death/permanent disability. The scheme has become popular both amongst farmers and bankers.

The present study was carried out in Karwar Taluka to assess the impact of Kisan Credit Card Scheme on Agriculture income. Hence the research problem is stated as below "Impact of Kisan Credit Card Scheme on Agriculture Income-Assessment"

OBJECTIVES OF THE STUDY

The major objective of the study is to address the problems/ constraints and suggest remedial measures for effective implementation and quick coverage of KCC's. The specific objectives are

- To Analyze & study disbursement of loans & volume of turnover under the scheme
- To assess the impact of KCC and Cost of credit
- To examine the constraints in implementation of the scheme
- To suggest measures towards modification of the scheme

METHODOLOGY

It is purely Field Survey. The study was purely depending on both primary as well as secondary data.

Secondary data was collected from RBI, NABARD and DCC Karwar sources viz, books, journals, daily newspapers, agriculture department & Banking committee reports, websites etc. In addition to secondary data, information from primary sources has been collected from officers of DCC with the help of interview, also from 50 KCC holders.

DATA COLLECTION AND TABULATION

The data have been collected as per the well-prepared questionnaires; the researcher has been prepared two types of questionnaire, one for farmers and another for DCC bank officers. The collected data was properly processed and tabulated in well structured statistical tables.

DATA ANALYSIS AND INTERPRETATION

The data was analyzed with usual simple statistical tools like percentages, averages, ratio etc. The analysis of the data was done with a view to draw appropriate inferences and conclusions. The whole paper is subdivided into Part: A, Part: B and Part: C for study purposes.

PART-A: EFFECTIVENESS OF KCC SCHEME

The Part: A addresses the efficacy of KCC as an efficient, timely and hassle free credit delivery mechanism to agriculture. As a part of the study, a total of 50 KCC holders were interviewed to ascertain their viewpoints. These field visits had brought out several important findings, which could have a bearing on the future policy in this regard. These findings also help in speeding up the progress of implementation by highlighting the operational difficulties. The chapter devotes to deliberate on the feedback collected through a semi-structured questionnaire from 50 sample KCC holders.

TABLE 1: AWARENESS ON KCC

Awareness	No. of Farmers	Percentage (%)
Yes	32	64
No	18	36
Total	50	100

Source: Field survey

About 36% of the sample KCC holders were not aware of the modalities, usefulness/ benefits of KCC scheme. Farmers have been issued KCC and sanctioned limits under KCC, but they were not aware of its positive aspects like, revolving cash credit facility involving a number of drawals and repayments, credit limits for full year including ancillary activities related to crop production and other NFS activities, sub limit for consumption purpose etc.

TABLE 2: LAND HOLDING SIZE-WISE (in Ha)

Land holding	No. of Farmers	Percentage (%)
< 1.00	15	30
1.01-2.50	12	24
2.51-5.00	08	16
5.01-10.00	10	20
>10.01	05	10
Total	50	100

Source: Field survey

Above table indicates that land holding size-wise, 30% of marginal farmers and 24% of small farmers were not aware of the utilities of KCC. All these emphasized that there was hardly any effort from the bank branch to create awareness at the ground level so as to reap the benefits of KCC to its maximum extent. Particularly small/small farmers who are mostly not were versed with banking practices need to be educated on the usages of KCC.

COVERAGE OF NEW FARMERS

Categorizing sample KCC holders in terms of extent of period of holding of KCC revealed that majority of KCC holders (31%) were availing the facilities of KCC since last Eight years. Similarly about 17%, 13%, 11%, 8% were using KCC since last five, four, three, two years respectively, which implied that every year certain % of new farmers were being brought to the KCC fold. Effective publicity and continuous monitoring at DLCC/BLCC level as also at the level of controlling/Regional offices.

ADEQUACY OF CREDIT

The KCC scheme envisaged that all the ST credit needs of the farmers including crop loan and other production credit/ working capital / short-term requirements for non-farm activities need to be covered under KCC. As per guidelines, the KCC holder need to be ensured that he gets adequate credit to meet all of his short term needs trough the singly window of KCC. However, the study revealed that, as many as 46% of the total covered during field visit, felt that the credit limits sanctioned to them under KCC were not adequate.

OPERATIONAL FLEXIBILITY

One of the objectives of KCC was to provide flexibility in operation of the credit limit sanctioned to the farmer. Flexibility could be in terms of issuing cheque books, ATM cards especially for KCC limit, permitting KCC holders to draw cash from branches other than the card issuing branch. With allowing such facilities, the farmer could purchase inputs from the talukas, block or district head quarters and take the advantage of competitive prices of inputs. However, no bank branches/ cooperatives had extended this facility.

Further, it was expected that KCC would provide adequate credit to meet all of the needs as also provide flexibility to draw and repay as and when needed depending upon his cash flow. Frequent transactions would effectively reduce the outstanding loans thereby lowering the interest paid. The data collected and the interaction held with the bankers/ KCC holders during the study indicated that the sanctioning of limit, more numbers of withdrawals/ deposits as and most of the KCC holders are deprived of the benefit of interest rate for them. Majority of farmers (70%) had not gone for frequent operations on the limit sanctioned

to them under the card and withdrew the sanctioned KCC limit at one go. Further, 12% and 18% KCC holders had operated the KCC limit twice and more than twice, respectively.

This has been mostly attributed to lack of awareness at the farmer's level. Farmers opined that they got this loan sanctioned with much complicated documentations and do not want to come again to the bank to face the same procedure to withdraw the loan. Secondly, some of the farmers who had surplus amount but did not deposit it in KCC account were under the impression that they would not get any interest on credit balance.

Thirdly, it was observed that bankers also knowingly did not create the awareness among the farmers as credit balance in the account means frequent withdrawal by the farmer resulting in additional transaction cost to the bankers in terms of devoting time and money. Further, bank would lose interest income in the credit balance in the KCC account.

CREDIT USAGE

The study reveled that the average loan disbursed was utilized both for consumption and for buying inputs for application in agriculture. As per KCC guidelines, banks had followed a flexible / liberal approach regarding the monitoring the end uses like not insisting on documentary proofs of purchase of inputs etc. The observations from the field indicated that all the farmers had used the major portion of their average loan disbursed for financing their expenses on raising the crops. About 20% of the credit limit sanctioned under KCC was being used for non-production purposes. Land holding-wise, small and marginal farmers used (26-30%) larger portion of average loan disbursed for non-production purposes as against medium/ large farmers (16-24%). This finding calls for an immediate policy action, KDCC need to enhance their KCC limit at least 25% so that to accommodate partially the consumption expenditure by the KCC holders.

DOCUMENTATION PROCESSES

The farmers expressed some relief in terms of sanctioning credit limit once in 3 years and drawing the limit once in a year. But, they had some concern relating to sanctioning of credit limit particularly by the cooperatives. The documentation required has to be simplified in such a manner that they should make limited number of visits to the revenue officials, secretary of PACS. The secretary of PACS after receiving an application along with the certificate from VRO containing the survey number etc. in respect of the land of the farmers awaits for other farmers to prepare a normal credit limit application to be submitted to the DCCB. The Secretary prepares the NCLA for all the eligible farmers in the village and then submits to the DCCB. The DCCB sanctions the same in the light of the resource available with them and the eligibility of the PACS. The process takes about a month. However, to meet his requirement the farmers avails loan from moneylender or other private source with high rate of interest. If the loan exceeds Rs. 50000 or the farmer is sanctioned a special loan then the PACS insists on

the title deed, EC and mortgage to be registered at the sub register office resulting in loss of man days and consequent high transaction cost for the borrower.

FARMERS PERCEPTIONS

Hassle Free Card

Sample KCC holders were asked about their perceptions on KCC as a hassle free card. 32 respondents constituting 64% of the total sample respondents responded that KCC was truly a hassle free card. During the interaction with the farmers it was gathered that KCC holders got some relief in terms of sanctioning credit limit once in three years and drawing the limit once in a year. However, if observed closely, the view was quite paradoxical, if compared to their response regarding awareness on KCC as also on adequacy of KCC limit. Respondents viewed that as compared to the pre KCC situation, tow reasons were responsible for making KCC a hassle free credit delivery system. The had experienced flexibility and simplicity in availing credit, utilizing the same in their own way they liked and repaying the KCC limit sanctioned under KCC.

Purchase of Inputs

The perceptions of KCC holders on the utility of the KCC credit limit in inputs purchase was ascertained from the respondents. Majority of respondents (71%) were of the opinion that the KCC was extremely useful in regards to reduced cost of accessing credit as compared to the earlier system of crop delivery system.

- They had the freedom to utilize the limit sanctioned under KCC as banks did not insist to lift a portion of limit on kind.
- They buy the inputs like fertilizers and chemicals as and when they wish.
- Farmers had the more bargaining power as they were paying the prices in cash. They also had a wider choice in selecting shops/ dealers.
- They were not required to obtain bills / receipts as documentary proof against buying inputs which were necessary in the earlier system.

TENURE OF KCC

Presently, the KCC is valid for three years. The credit limit sanctioned in the current year, was renewed next year with a 10% increase in the limit sanctioned. There was no requirement of approaching the bank with fresh application along with documentation. Farmers ware asked about their opinion on increasing the validity of KCC to five years. Increasing the tenure into 5 years would save the man-days and cost as well. About 75% of the total responded positively to the proposal of increasing the validity of KCC to five years. Rests 25% were apprehensive of the proposal of raising the validity to five years. They were hesitant as they were doubtful on the role of a long tenure KCC on annual renewals, costs involved, and role of new KCC in increased cost of cultivation/ scales of finance, changes in cropping pattern, etc.

OVERALL EFFICACY/ BENEFITS OF KCC

Farmers viewed that KCC was beneficial to them in more than one way. The KCC holders got benefits like

- Meeting credit requirements for crop cultivation for the whole year
- Availability of credit whenever the credit is needed
- Flexibility in drawing cash/ buying inputs from any supplier of choice
- Reduction in quantum of interest due to drawal flexibility / repayment
- Reduction in cost of credit for availing the bank loan
- Insurance cover at a very low premium rate

The field study revealed that the KCC scheme was meeting the credit requirement of the KCC holder to a great extent but not adequately. However, by fixing the limit for three years the banks were assuring the farmers credit with no extra hassles of documentation other worries. It was giving the farmer the flexibility to draw / deposit as and when necessary. However, in practice the same had not happened in many banks. The KCC holder was not allowed to draw from any other branch and was not encouraged to draw / deposit number of times in the same branch as the same would jack up the workload for the branch and involved loss of interest to the bank. However, notwithstanding these negative aspects, out of the 50 farmers interviewed, 34 accounting 68% of total sample felt that the KCC was very much farmer friendly. Most important efficiency parameters as viewed by KCC holders in order were as mentioned in the table.

TABLE 3: BENEFITS OF KCC

No.	Beneficial Parameters	No. of farmers	Percent	Rank
1	Saving in annual renewal cost	44	88	1
2	Timely availability of credit	41	82	2
3	Hassle free Card	38	76	3
4	Reduced cost of accessing credit	36	72	4
5	Operational flexibility	31	62	5
6	Savings in interest charged on KCC	24	48	7
7	Adequate Credit	26	52	6
8	Hassle free repayments procedure	14	28	8

Source: Field survey

PART: B IMPACT OF KCC SCHEME

The Part: B assesses the impact of KCC on the farmers and yield of crops. Accordingly, the cost of credit to the KCC holders has been computed.

PRODUCTIVITY OF CROPS

Sample KCC holders across the Karwar Taulka of Uttara Kannada District had cultivated one major crop (paddy) by availing crop credit from different agencies. Average productivity per hectare of this crop taken up by KCC holders was compared with the average yield level of 'control' farmers. Control farmers were non KCC holders and tenant farmers who had availed loan from informal sources but not under KCC scheme. The overall productivity of paddy grown by KCC holders was higher by 13.3 % as against the yield level by control farmers. The whole of the yield increase was partly attributed to the credit access through KCC. The adequate application of comparatively higher doses of inputs like fertilizer, manure, pesticide, labour, irrigation waters etc. by KCC farmers are contributing factors for improvement of yield level.

COST OF CULTIVATION AND GROSS VALUE OF PRODUCTION

The cost of cultivation and gross value of output for sample KCC holders per hectare are also presented in table. It may be observed from the table that gross value of output per hectare was higher for paddy (13.3%) cultivated by KCC holders as compared to the control farmers. For paddy it was Rs. 17500-Rs 31500 for KCC farmers, as against Rs 13500-Rs 25500 for control farmers. The corresponding cost of cultivation for paddy Rs 11100-Rs 14500 (KCC farmers) and Rs 10500-Rs 13000 (control farmers), respectively. The cost of cultivation per acre was higher by 7.6% for paddy. The cost of cultivation was higher for KCC farmers on account of comparatively higher doses of application of various inputs resulting in higher yield by KCC farmers as compared to the control farmers under paddy crop.

TABLE 4: COST OF CULTIVATION AND GROSS VALUE OF PRODUCTION

Crop	KCC holders	Control Group	Difference	Percent
Paddy (yield of crops(18-34	14-26	4-8	13.3
Qntl./ha)				
Paddy (cost of	11100-14500	10500-13000	600-500	7.6
cultivation of crops (
Rs/Ha)				
Paddy (Value of output	17500-31500	13500-25500	4000-6000	13.6
of crops (Rs/ha)				

Source: Field survey

REAL COST OF CREDIT

The real cost of credit were estimated based on the primary data collected during the study. This cost includes charges on various documents required for sanction of loan, payment of fees for issue of card, seeking legal opinion and opportunity cost of the borrower.

DOCUMENTS AND CHARGES

The documents collected for sanction of loan by most of the banks were:

- Copy of land Patta indicating the ownership of the land and the liabilities, land map, land records, cropping pattern, etc, issued by Revenue department (Rs.200)
- Non-Encumbrance certificate for loan > Rs 50000 (Rs 200)
- Although 'No Dues Certificate" has been dispensed with, many banks/ PACS asked for it from nearby Bank branches (varied from Rs 10 to Rs 100 per branch) normally Rs. 50-Rs.100 per loan.
- For loan amount above Rs 50000, which involves mortgage of land, a declaration in a form signed by the borrower and with two witnesses in stamp paper (Rs. 100)
- Mortgage of land for loan above Rs. 25000 for immovable and Rs 15000 for movables (0.5%).
- For 10 ha. and above and loan amount of > Rs. 500000 registered mortgage(stamp duty @ 3% of loan amount)
- Affidavit declaring about the ownership of land and utilization of loan amount.
- Valuation certificate (actually Rs 200), but farmers are paying a minimum of Rs 1000),
- Other costs involved included processing charges, inspection charges (mostly by commercial banks), share capital (10% of loan in case of PACS), crop
 insurance (varying depending on crops), Personal Accidental Insurance, etc. various expenditure on documentation / service charges for availing credit
 limit under KCC from PACS.

TABLE 5: DOCUMENTS AND CHARGES UNDER KCC SCHEME

S No	Particulars	Coop/PACS
1.	Cost of the card	10
2.	Service charges	-
3.	VRO certificate	100
4.	Encumbrance certificate	200
5.	Legal opinion	500
6.	Valuation reports	1000
7.	Hypothecation (stamp duty) (%)	0.5
8.	Mortgage (%)	0.5
9	Registered mortgage(%)	3.0

Source: Field survey

RATE OF INTEREST

Rate of interest charged for loans varied from 7.0% to 12.5 in case of both commercial banks and RRBs depending upon the loan amounts/ slabs. Commercial banks charged 7.0 % for loan up to Rs 3 lakh and for > 3.00 to 5.00 it was BPLR+0.50 % and for > 5.00, it was BPLR+1.00%. However, it varies from bank to bank. PACS charged interest rate @ (7.0+) % as mentioned in the register. However, if loan is repaid in time and is not overdue they charged @ 7.0%.

COST OF THE TIME SPENT

An attempt was made to calculate the opportunity cost for the time spent by the borrowers in the formalities associated with sanctioning of loan for quantification, time spent by the borrowers was valued at par with the wage rate for agricultural labors in the study area. Time taken in sanctioning of loan after submitting loan application ranged between 20-25 days in PACS averaged to 22.5 days for the total.

TABLE 6: COST OF THE TIME SPENT BY THE BORROWERS

1. Delay in sanctioning loan (days)	22.5
2. No. of visit to bank for sanction	3
3. Time taken per visit (hrs)	0.7
4. Time spent in the process (hrs)	2.5
5. cost of time spent* (Rs)	31
6. Cost of traveling/ visit (Rs)	11
7. Total cost for travel (Rs)	42
8. Total cost (Rs)	84

Source: Field survey

Simple formalities involved in sanction and renewal of KCC contributed to most delay in PACS. The results indicated that borrowers in PACS spent most time but minimum money for completing sanctions formalities-Rs 84.

TABLE 6: EFFECTIVE RATE OF INTEREST FOR AVAILING LOANS

Rs.25000	8.25(7.0)
Rs, 25001-50000	8.75(7.0)
> Rs. 50000	9.50(7.0)

Source: Field survey

As regard charging of interest rate the procedure being followed by the cooperatives leaves lot of scope for improvement. In case of first time member / borrower, a 10% share capital was being deducted which means the PACS were charging the rate of interest of 75 upfront. Further, the interest subvention benefit was being extended to farmers only if the loan is not due for repayment. If it is overdue, interest was charged at (7 plus) % from the date of disbursement. If the repayment is not received on the due date, a penal interest of 0.75% was being charged.

PART: C FINDINGS AND CONCLUSIONS FOR POLICY MAKING

- KCC is one of the most innovative, widely accepted, highly appreciated and non-discriminatory banking products. It is beneficial to farmers. Though
 relative share of the institutions in the issue of agricultural crop loans remain the same the progress under KCC is highly satisfactory. Constant monitoring
 and thrust given by NABARD has substantially enabled the progress.
- 2. As of now there appears no correlation between issue of KCC and increase in crop loan volumes. The study finding could not establish any relationship. It is however seen that nearly 72% of the crop loan is issued in the form of KCC. Banks have however reported that defaulters have comer forward to clear the debt to get KCC. Financing of new borrowers has been reported.
- 3. Though there is evidence of the KCC being more flexible and used as a cash credit facility, it appears that will be some time before the KCC is used fully as a credit card. One of the factors that inhibited velocity of transactions in the account is the repayment stipulations that (i) sub-limits should be repaid before the next drawal, (ii) each drawal should be repaid within a year from the date of drawl, (iii) the account should be in credit at least once a year, and (iv) specific due dates irrespective of the crop marketing are causing procedural difficulties and need to be reconsidered.
- 4. It has also been reported that the farmers are apprehensive to repay lest they may not be allowed to draw for the next crop. That the scheme allows frequent drawals and that the sanction will not cease on the repayment of annual limit/ sub limit needs to be popularized. Presently, the KCC holder is apprehensive that if he repays he will not be able to draw further credit as and when he wants. In view of this the improvement in velocity of credit and recycling is not evident in KCC accounts.
- 5. It is also seen that the term 'any branch withdrawal' is subject to payment of fee and is not conducive for frequent operation in the account. At the same time it needs to be popularized that the credit balance in the accounts will earn savings bank rate of interest.
- 6. Cost reduction is not fully evident. That the KCC mode is cost effective needs to be firmly established. Savings in expenditure in the form of stamp duty and saving in expenses incurred in connection with the number of visits to the bank at pre-sanction stage are evident. As against this the levy of service and other charges.
- 7. Since the KCC covers all the crops and the entire year's requirement, it is issued for a higher amount than the previous crop loan, stamp duty on account of registered mortgage increases the cost substantially. It has been observed that the stamp duty could hinder larger size loans under KCC. Though the number of farmers who would be eligible for larger limits could be small, it is a fact that stamp duty is a deterrent for larger limits.
- 8. The crop insurance scheme continues to pose problems on account of limitations in the crop cutting experiments and non coverage of certain crops. KCC gives the farmer the flexibility to draw the amount of loan any time whereas only those loans which are drawn strictly within the season gets covered under crop insurance. Similarly if a farmer were to use his money initially and draw the bank loan later he could be deprived of the insurance due to seasonality stipulations. This could pose many problems in the coverage of insurance scheme.
- 9. Banks have reported that they find it difficult to maintain data on crop wise loan issue and outstanding. Similarly the banks find it difficult to collect the details of non borrowers. The field visit has shown that the actual crop grown and crop which is reckoned for the limit could be at variance. Here again the insurance coverage could pose difficulties.
- 10. Some of the banks were operating, prior to the launch of KCC equally good cash credit schemes.
- 11. The interest rate at which the individual gets the loan is decided by the policies of the agency that gives the loan. Herein it is seen that the cooperatives continue to charge a higher rate of interest.
- 12. The per card limit is the highest with the commercial banks followed RRBs and Co-operatives.
- 13. The commercial banks and RRBs were found to have fixed realistic crop limits whereas the co-operatives adhered to scale of finance fixed by DLTC strictly. As the DLTC does not meet regularly, is voiced that the scale of finance is not being fixed at reasonable levels. It is suggested that the co-operative banks may be given certain flexibility to vary the DLTC fix scale of finance by certain percentages and decide the same by themselves as in the case of investment credit
- 14. NABARD is not able to refinance the co-operatives for 'consumption sub-limits', the cooperatives are therefore, not granting a limit for consumption. It is suggested that fund support to NABARD by RBI may be increased so as to enable it to finance this portion also.
- 15. The moneylender continues to play a crucial role in financing the farmer. It is necessary that the scope of KCC is expanded further to facilitate faster turn over of credit. It is expected that, in the long run due to better performance of KCC the role of the money lender will be marginalized.
- 16. The scheme uses an expression 'need based withdrawal'. This has necessitated close monitoring by bank and some times lack of faith. This could inhibit the flexibility in the system. The possibility of farmers applying for credit limit for crops with the highest scale of finance while actually growing some other crops is apprehended.
- 17. Management Information System by controlling authorities on production credit, filling up LBRs, and claims/ premium on crop insurance require crop-wise data, on disbursement and outstanding. This necessitates generation of large volume of data on sub-limits and various crops covered by KCC. This also calls for exclusive back up data. As the banks have to reduce cost of operations they feed that the data requirement is large and there is redundancy.
- 18. Computerization of District Central Cooperative Banks and PACS

^{*}valued @ Rs. 100 per standard man day (8hrs)

^{*}Figures in parenthesis refer to nominal interest rates

For strengthening the Management Information System, common software is felt essential as the back offices of the with State Cooperative Bank.

DCCBs are expected to be connected

- The DCCBs intending to initiate the computerization process for total bank automation have to go for computerization of their main branch and head office in the first phase and other branches in the second and subsequent phases according to convenience. Term loan at a subsidized rate of interest is made available from State Cooperative Bank to intending DCCBs.
- Software for computerization by DCCBs
- The software has since stabilized and it addresses all the essential requirements of the DCCBs.
- The DCCBs have also been given the liberty to go in for independent software with suitable interface, if they so desire.
- Creation of Master Data
- All the accounts maintained at branch level and Head office level respectively are expected to be entered in to system with the historical details.
- Development of a Core team
- The implementing DCCB appoints a Nodal Officer and a core team comprising at least three officers to implement the package. These officers are expected to learn the day to day operations of the software and regularly update their knowledge and skills so as to effectively remain in-charge of computerized operations of the bank. DCCBs were also advised that the core team members should not be transferred and allowed to continue till the computerization process is complete and the operations are stabilized.

CONCLUSION

KCC is one of the most innovative, widely accepted, highly appreciated and non-discriminatory banking products. It is beneficial to farmers. Though relative share of the institutions in the issue of agricultural crop loans remain the same the progress under KCC is highly satisfactory. Constant monitoring and thrust given by NABARD has substantially enabled the progress

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