



## Kisan Credit Card

**For Prelims:** Kisan Credit Card, NABARD, Banking System, Agriculture, Government Schemes

**For Mains:** Kisan Credit Card, Government Policies for Agriculture, Role of Agriculture in Indian Economy, Challenges to Inclusive Growth

### Why in News?

Recently, the Union Minister of Fisheries, Animal Husbandry and Dairying reviewed the progress in issuance of [Kisan Credit Cards](#) to poor farmers from the Animal Husbandry, Dairying & Fisheries Sector with Banks & [Regional Rural Banks](#).

### What do we Need to Know about Kisan Credit Cards?

#### ▪ About:

- The scheme was **introduced in 1998 for providing adequate and timely credit support from the banking system**, under a single window with flexible and simplified procedure to the farmers for their cultivation and other needs like purchase of agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs.
- The scheme was further extended for the investment credit requirement of farmers viz. allied and non-farm activities in the year 2004.
- In the Budget-2018-19, government **announced the extension of the facility of Kisan Credit Card (KCC) to fisheries and animal husbandry farmers** to help them to meet their working capital needs.
- **Implementing Agencies:**
  - Commercial Banks
  - Regional Rural Banks (RRBs)
  - [Small Finance Banks](#)
  - [Cooperatives](#)

#### ▪ Features:

- The scheme comes with an **ATM-enabled RuPay debit card** with facilities for one-time documentation, built-in cost escalation in the limit, and any number of drawals within the limit.
- Besides ensuring saturation, banks will also be taking steps to link Aadhaar immediately as **no interest subvention will be given** if the Aadhaar numbers are not seeded to KCC accounts.
- Also, the government has taken several initiatives for KCC saturation which include adding farmers engaged in [animal husbandry](#) and [fisheries](#), no processing fee of loan under KCC and raising the limit of collateral free [agriculture loan](#) from Rs. 1 lakh to Rs.1.6 lakh.
- The KCC facility will **help fisheries and animal husbandry farmers to meet their short-term credit requirements** of rearing of animals, poultry birds, fish, shrimp, other aquatic organisms and capture of fish.

#### ▪ Objectives:

- To meet the short term credit requirements for cultivation of crops.

- Post-harvest expenses.
- Produce marketing loan.
- Consumption requirements of farmer households.
- Working capital for maintenance of farm assets and activities allied to agriculture.
- Investment credit requirement for agriculture and allied activities.
- **Financial Provisions:**
  - To ensure availability of agricultural credit at a reasonable cost of 7% per annum to farmers:
    - Government of India implements an [interest subvention](#) scheme of 2% for short term crop loans up to Rs. 3 lakh.
    - In addition, the GOI provides interest subvention of 2% and prompt repayment incentive of 3% to the farmers.

## What are the Achievements of KCC?

- As of June 2020, around 25 lakh applications have been sanctioned for Nationwide Fishery KCC.
- As part of the [Atmanirbhar Bharat](#) Package, the Government has announced to cover 2.5 crore farmers under the Kisan Credit Card (KCC) scheme with a credit boost of Rs. 2 lakh crores through a special saturation drive.
- As a result of concerted efforts, a major milestone target of covering more than 1.5 crore farmers under KCC, with a sanctioned credit limit of Rs. 1.35 lakh crore has been achieved.

## How is KCC Misused?

- Credit is often being transferred towards financially well-off people.
- Funds are diverted to non-agricultural use:
  - Investment in Real Estate
  - Purchase of Vehicles
  - Higher Education of children in foreign countries
- Quantum of land is inflated to avail higher credit.
- KCC route is used for [money laundering](#).

## What are the Recommendations?

- All Banks **must follow the Guidelines of KCC properly**, the due acknowledgment for KCC application should be given to the applicants and a timeline decision on the application should be fixed.
  - The reasons for rejection **should be clearly indicated so that field officers could rectify and re-submit the forms.**
- KCC should be **given to people from Maldhari (Ghumantu) Community**, who do not stay in one place and have no collateral security to offer.
  - Maldharis are a tribal herdsmen community in Gujarat, India. Originally nomads, they came to be known as Maldharis after settling in Junagadh district (mainly Gir Forest).
- KCC should be **given to poor fishermen** who are unable to give any collateral.

## UPSC Civil Services Exam, Previous Year Questions (PYQ)

**Q. Under the Kisan Credit Card scheme, short-term credit support is given to farmers for which of the following purposes?**

1. Working capital for maintenance of farm assets
2. Purchase of combine harvesters, tractors and mini trucks
3. Consumption requirements of farm households
4. Post-harvest expenses
5. Construction of family house and setting up of village cold storage facility

**Select the correct answer using the code given below:**

- (a) 1, 2 and 5 only
- (b) 1, 3 and 4 only
- (c) 2, 3, 4 and 5 only
- (d) 1, 2, 3, 4 and 5

**Ans: (b)**

**Explanation:**

- The Kisan Credit Card (KCC) scheme was introduced in 1998 for providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers for their cultivation and other needs like purchase of agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs.
- The scheme was further extended in the year 2004 for the investment credit requirement of farmers viz allied and non-farm activities.
- Kisan Credit Card is provided with the following objectives:
  - The short term credit requirements for cultivation of crops,
  - Post harvest expenses, **hence 4 is correct.**
  - Produce marketing loan,
  - Consumption requirements of farmer household, **hence 3 is correct.**
  - Working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery, etc., **hence, 1 is correct.**
  - Investment credit requirement for agriculture and allied activities like pumpsets, sprayers, dairy animals, etc. However, this segment forms the long term credit limit portion.
- The Kisan Credit Card Scheme is implemented by Commercial Banks, RRBs, Small Finance Banks and Cooperatives.
- The short term credit support is not given to farmers for Purchase of combine harvesters, tractors and mini trucks and Construction of family house and setting up of village cold storage facility. **Hence, 2 and 4 is not correct.**
- **Therefore, option (b) is the correct answer.**

**Source: PIB**

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