



सामयिक निबन्ध - 64
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किसान क्रेडिट कार्ड योजना के क्रियान्वयन पर अध्ययन Study on Implementation of Kisan Credit Card Scheme

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National Bank for Agriculture and Rural Development
मुंबई, Mumbai
2016

Title : Study on Implementation of Kisan Credit Card Scheme

Published by : Department of Economic Analysis and Research (DEAR)
NABARD, Head Office Mumbai

Date of Publishing : December 2016

Design & Printing : M/s Alco Corporation

Place of Printing : Mumbai

Number of copies : 1000

Contact : Plot No. C-24, G-Block, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051
India. Tel: +91 22 26523617
Website : www.nabard.org,
[www.youtube.com / nabardonline](http://www.youtube.com/nabardonline)

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मुंबई
Mumbai

2016

पेपर में दिए गए तथ्यों और व्यक्त किए विचारों के लिए राष्ट्रीय बैंक उत्तरदायी नहीं है।

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राष्ट्रीय कृषि और ग्रामीण विकास बैंक, आर्थिक विश्लेषण और अनुसंधान विभाग, चौथी मंजिल, 'सी' विंग, प्लॉट नं. सी-24, 'जी' ब्लॉक पो. बॉक्स नं. 8121, बान्द्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051 द्वारा प्रकाशित.

Published by National Bank for Agriculture and Rural Development, Department of Economic Analysis and Research, 4th Floor, 'C' Wing, Plot No. C-24, G-Block, PB No. 8121, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051

अल्को कार्पोरेशन, मुंबई द्वारा मुद्रित
Printed by Alco Corporation, Mumbai
Tel.: 022 4097676

Contents

Foreword.....	i
Acknowledgement	iii
Abbreviations	iv
Summary and Recommendations	01
1. Introduction.....	12
2. Progress in KCC Financing.....	22
3. Implementation of Revised KCC Scheme.....	32
4. Issuance of ATM/ RuPay Debit Cards	52
5. Kisan Credit Card Scheme: Macro Impact	73
Annexures	76

FOREWORD



Kisan Credit Card (KCC) is one of the many innovative banking products designed by NABARD with an objective to enable farmers to meet their credit requirements, preferably production credit, from financial institutions in a timely and hassle-free manner. The KCC scheme which was introduced in 1998, has gone through several changes since then and now incorporates many new features over & above the financing of crop production requirement, viz., consumption expenditure, maintenance of farm assets, term loan for agriculture & allied activities, coverage of KCC holders under Personal Accident Insurance Scheme (PAIS) and very recently the coverage of KCC holders under Atal Pension Yojna, etc. Today KCC is considered to be one of the most convenient banking products for the farmers.

The present study aimed at finding out as to whether the present features of Kisan Credit Card Scheme are serving its intended purpose or not. The report has come out with many interesting findings and concludes that the implementation of KCC scheme has benefitted the farmers to a great extent and the farmers are able to generate profit, albeit in varying quantities. The study has also highlighted some concerns relating to the implementation of the scheme in light of the revised guidelines but these do not seem to be affecting the prospects of farmers getting the KCC loans from the bank and making the best use of it for crop cultivation. The study has also indicated that Interest Subvention as well as incentives for prompt repayment have positive impacts on the agricultural income of farmers covered under KCC scheme.

The slow progress on use of RuPay Cards by farmers on account of their not being comfortable with use of ATM cards and also their apprehension/ fear of frauds and trust issues i.e., likely misuse by their family members suggests need for enhanced efforts on financial counselling, particularly of illiterate farmers. I hope, the banks will now actively promote use of RuPay cards by farmers in the wake of government thrust on digital payment.

I hope the findings of the study as well as the recommendations suggested by the author would be very useful for the policy makers and bankers. NABARD, on its part has already reviewed the report and is now working on various models so as to find out if any further improvement can be made in the existing guidelines to make it more farmer friendly.

H R Dave
Deputy Managing Director

ACKNOWLEDGEMENT

Supporting the efforts of Government of India in helping farmers to pursue a decent & sustainable livelihood as well as the institutions engaged in facilitating such efforts has been one of the major objectives NABARD is mandated to address to. Review of various policy guidelines framed and issued by it and making suitable amendments from time to time is an ongoing process at NABARD so that the policies/guidelines remain relevant and useful to the users.

The author is extremely grateful to Dr Harsh Kumar Bhanwala, Chairman and Shri H R Dave & Shri R Amalorpavanathan, Deputy Managing Directors, NABARD for their support, guidance and encouragement during the course of the study. The author is also thankful to Shri M V Ashok, Chief General Manager, Deptt of Economic Analysis & Research (DEAR) Shri Subrata Gupta, CGM, DFIBT and Shri B V S Prasad, General Manager, DEAR, NABARD for their support & guidance during conduct of the study. The author is also thankful to the CGMs & other officers of Assam, Bihar, Karnataka, Maharashtra, Punjab and Uttar Pradesh Regional Offices of NABARD for facilitating the study team for smooth conduct of the field visits in their respective states.

The author sincerely thanks & appreciates the hard work done by all the officers involved in collection & compilation of field data in the sample states viz., Assam (Shri Greville N Kharlukhi, Manager, DEAR, HO & Ms. Anannya Das, Manager, Assam RO), Bihar (Shri Gautam K Singh, AGM, DFIBT, HO along with the undersigned), Karnataka (Shri M Gopalkrishna Bhat & Shri J M Dhananjaya, Independent Consultants and Shri Srinivasan Ramesh, AGM-DD, Dakshina Kannada & Shri S K Bharadwajam Manager-DD, Bellary), Maharashtra (Shri S D Nalawade, AGM, Maharashtra RO; Shri Pankaj Kumar Tripathi, Manager, & Smt Samidha S Shinde, Asstt Manager, DFIBT, HO); Punjab (Shri Om Pal, Manager, Haryana RO & Shri Rasheed Lekhi, Asstt Manager, Punjab RO) and Uttar Pradesh (Smt Suparna Tandon, DGM, RMD, HO & Ms. J R Blah, AGM, DFIBT, HO). The author extends thanks to the District Development Managers of NABARD of all the 12 sample districts for providing input and helping the study team during the field visits.

The author would like to make special mention and thank the help and support received from Shri Pushpinder Singh (Head-Financial Inclusion & New Business), Shri V Ratnakar (Associate Vice President – Cooperative Banks) and Shri Rajeev Aggarwal (Manager – Financial Inclusion and New Business) of National Payment Corporation of India, Mumbai who provided good amount of data/information pertaining to issuance of RuPay Cards.

The author also take this opportunity to thank all the officers and staff of controlling offices, branches of commercial banks, RRBs, Cooperative Banks & PACS covered in the study for providing necessary data/ information & help in collection of field data from the identified farmers. The author is truly indebted to all the sample farmers who spent their precious time and provided useful information to the study team which helped the undersigned to come out with this meaningful report.

Gyanendra Mani
Author

ABBREVIATIONS

Atal Pension Yojna.....	(APY)
Application Service Provider	(ASP)
Bank Identification Numbers.....	(BINs)
Business Correspondent	(BC)
Core Banking Solution	(CBS)
Department of Financial Inclusion and Banking Technology	(DFIBT)
District Central Cooperative Bank.....	(DCCB)
Farmers Training Centres	(FTCs)
Financial Inclusion Gateway.....	(FIG/ FI Gateway)
Financial Inclusion Technology Fund	(FITF)
<i>Gesellschaft für Internationale Zusammenarbeit</i>	(GIZ)
Hardware Security Module	(HSM)
Indian Banks' Association	(IBA)
Institute for Development & Research in Banking Technology.....	(IDRBT)
Issuer Identification Number	(IINs)
Interbank Mobile Payment Service	(IMPS)
Kisan Credit Card (KCC)	scheme
Land Possession Certificate.....	(LPC)
Mahatma Gandhi National Rural Employment Guarantee Act.....	(MNREGA)
National Financial Switch.....	(NFS)
National Payments Corporation of India.....	(NPCI)
Personal Accident Insurance Scheme	(PAIS)
Point of Sale	(POS)
Pradhan Mantri Fasal Bima Yojana	(PMFBY)
Real Time Gross Settlement.....	(RTGS)
Regional Rural Bank	(RRB)
State Cooperative Banks	(St CBs)
Unique Identification Authority of India.....	(UIDAI)
Weather Based Crop Insurance Scheme	(WBCIS)

Summary & Recommendations

Revised Kisan Credit Card Scheme

1. Government of India introduced the Kisan Credit Card scheme (KCC) scheme in 1998 as an innovative credit delivery mechanism to enable the farmers to meet their production credit requirements in a timely and hassle-free manner. The KCC guidelines have gone through several changes since then. The guidelines revised in 2012 has incorporated many new features over & above the financing of crop production requirement, viz., consumption expenditure, maintenance of farm assets, term loan for agriculture & allied activities, coverage of KCC holders under PAIS and recently the coverage of KCC holders under Atal Pension Yojna, etc.
2. Govt of India suggested NABARD to conduct a study on the implementation of the revised KCC with a view to understand
 - (i) Is the revised Kisan Credit Card Scheme serving its intended purpose?
 - (ii) Reasons for gap between number of agricultural households and number of operative KCCs
 - (iii) Government had advised banks to convert all existing KCCs into ATM/RuPay cards. Whether action plan in this regard has been chalked out at branch level? Also, whether all new KCCs are issued in the form of RuPay/ATM debit cards?
 - (iv) Efficacy of debit cards issued under KCC Scheme with regards to their inter-operability and issues related thereto? Whether farmers are using these cards for payment to different vendors? Back-end issues with NPCI/other platforms?
 - (v) Overall impact of revised KCC scheme?
3. Keeping in view the requirement of the study, two districts from each of the six states falling in different geographical regions of the country namely, Assam (NE Region), Bihar (East Region), U. P. (Central Region), Punjab (North Region), Maharashtra (Western Region) and Karnataka (southern Region) were selected for the study. A total of 71 branches of 32 banks covering all the three agencies i.e., Commercial Bank, RRB and DCCB were selected for the study. Finally, a total of 980 farmers covering 714 KCC holders and 255 other non-KCC farmers were selected for the study.

Kisan Credit Cards issued

4. The cumulative number of KCC cards issued since inception (1988-89) till March 2015 had reached to 14.64 crore. However, this number of KCC accounts (14.64 crore) cannot be considered as coverage of number of farmers under KCC scheme, as many farmers have got reissued/ renewed their KCC several times.

The number of operative/ live KCC as on 31 March 2015 stood at 7.41 crore. This achievement is against the total operational land holdings estimated at 13.83 crore by Agricultural Census (2010-11) or number of agricultural households estimated at 9.02 by National Sample Survey Organization (70th Round). The overall progress in issuance of KCC is summarized below:

Agency-wise Kisan Credit Card Issued since inception								
Year	Cumulative Cards issued (lakhs)				% share in total no of cards issued by agency			
	Coop	RRBs	Comm Banks	Total	Coop	RRBs	Comm Banks	Total
Cumulative KCCs issued	507.99	238.47	717.52	1463.98	34.70	16.29	49.01	100.0
Operative/live KCCs (as % of total KCC issued)	392.27 (77.2%)	123.43 (51.8%)	225.25 (26.9%)	740.94 (50.6%)	52.94	16.66	30.40	100.0
Cumulative Smart Cards (as % of Operative KCC)	0.24 (0.06%)	13.79 (11.2%)	76.15 (33.8%)	90.18 (12.2%)	0.26	15.29	84.45	100.0

- The analysis of state-wise total number of operative/ live KCCs issued by all the agencies indicates that 6 big states viz., Uttar Pradesh (15.15%), Andhra Pradesh (11.02%), Maharashtra (10.07%), Madhya Pradesh (9.66%) and Rajasthan (8.33%) together account for about 55% of total number of operative/ live KCCs.

Gap between number of agricultural households and number of operative KCCs

- Branch Managers & Non-KCC farmers (255) were interviewed to ascertain the reasons for the gap between the number of agricultural holdings and the number of operative KCCs. Despite good efforts by banks, about 43.5% non-KCC farmers were not willing to avail crop loan through KCC as they were either fully engaged in other occupation, absentee landlords, etc. In other cases, banks were not willing to extend KCC loan, primarily on account of farmer not having land title (23%), Very small & non-viable land holding (25.5%) and rejection on some other grounds (8%) like incomplete applications, past experience with the farmers, etc.

Profile of Sample Farmers

- A total of 714 farmers covering 12 districts of 6 states were covered in the present study. The farmers belonging to SC/ST community accounted for 8 percent of the total KCC farmers selected for the study. Farmers having educational qualification of graduation and above accounted for 13.4 percent of the total sample. The average family size of the sample farmers was found to be 5.66 and the average of number of family members engaged in farming came to about 1.56 members. As many as 58 families out of total 714 (8 percent) reported to be

going for MNREGA work. Also, as many as 52 KCC farmers reported that at least one of their family members was a member of a SHG or JLG or Farmers Club.

8. The average size of land holding of total sample was estimated at 5.21 acres of which about 64 percent area was irrigated. About 4.5 percent of sample farmers had leased out some portion of their land holdings on account of their engagement in other occupation/ service/ business or absenteeism from the location. As many as 80 farmers (11.2% of the sample) were reported to have leased-in some additional land either to make optimum use of resources available with them or to meet out their consumption needs. Quite a good number of sample farmers (25%) owned tractors. Pump set is another important farm asset which was owned by about 51 per cent of the farmers.
9. The average income per farmer per annum across the total sample was estimated to Rs. 213687 and was varying between Rs. 68180 (Darrang, Assam) to Rs. 585671 (Kapurthala, Punjab). Cultivation (66.7% of total income) was reported as the major source of income of the farmers selected for the study. Income from livestock farming accounted for 9.9 per cent of total income of the farmer. Other sources (other than farming, livestock, wage employment, service & Business) accounted for about 11.3 per cent of total income of the farmers. Other sources include self-employment activities viz., remittances from foreign, *Aadatia*, tailoring, etc.

Awareness of Branch Managers about the Revised KCC Scheme

10. A total of 71 bank branches covering 24 branches of 10 commercial banks, 25 branches of 11 RRBs and 22 branches of 11 DCCBs/ Apex Coop banks were covered in the present study. As far as awareness about revised guidelines on KCC (March/ May 2012) is concerned, it was observed that all the 71 Branch Managers were aware about 5 year validity of Kisan Credit cards and adding up of 10% and 20% over and above the crop loan requirement while fixing the KCC limit. Though most of the managers were clear that 10% is towards consumption purpose, but, majority of them were not clear about the exact use of 20% of limit which is to be extended towards repair and maintenance of farm assets, crop insurance, PAIS and asset insurance. Some of them were of the view that unless receipt is produced, 'asset maintenance' component cannot be given.

Fixation of Scale of Finance:

11. The general approach of fixation of crop-wise Scale of Finance (SOF) in five states (Assam, Bihar, UP, Maharashtra, Karnataka) was almost the same and was limited to accounting for the expenditure incurred on cultivation of field crops. However, a single SOF was being prescribed for each crop for the entire state in Punjab (not district-wise). Further, the SOF in Punjab also includes (unlike in other 5 states) additional 10 per cent of it towards post-harvest/ household/ consumption requirement and additional 20 per cent towards repair and maintenance of farm assets and insurance.

12. In majority of the districts, SOF is prescribed as a fixed amount for various crops. In some districts (e.g. Gaya & Begusarai in Bihar, Moradabad in UP), SOF is prescribed as a range of values instead of a fixed amount.

Application for KCC loan & Appraisal by Branch Managers

13. All the 32 banks covered in the study had their unique application cum appraisal forms but only some of those had re-designed it keeping in view the revised KCC guidelines (Mar/ May 2012) incorporating provisions for year-wise/ component-wise sub-limits of the KCC limits. There were few banks (e.g. Bihar Gramin Bank) which had also printed the 'scale of finance' in its KCC application form.

Fixation of Kisan Credit Card Limit

Use of Cropping Pattern & Scale of Finance

14. As observed from the application cum appraisal form of the sample farmers, in 434 cases (61% of the sample), KCC limits were fixed taking into account both Kharif as well as Rabi crops. In rest of the cases, either only kharif crop (35% of the sample) or only Rabi crop (4% of sample) were considered for fixing of KCC limit. It was observed that almost similar type of cropping pattern was shown for majority of the farmers in a particular bank branch which speaks about the non-seriousness in filling up the appraisal form.
15. 'Scale of Finance' (SOF) is another important parameter for the fixation of KCC limit. The SOF was found to have been applied in the majority of the cases of sample farmers, however, the place for the same was found blank in the appraisal form in a few cases irrespective of the type of the agency (commercial banks, RRBs or cooperative banks). In fact hardly any appraisal form of any bank was found complete in all respect.
16. Most of the branch managers opined that due to very high work load in the branch, they hardly got any time to pay a visit to farmer's field to verify the cropping pattern being followed by them. Further, change in cropping pattern was neither reported by the farmer nor ascertained by the bank in most of the cases while considering the enhancement in the KCC limit next year onwards.

Annual Enhancement in KCC Limit

17. Of total sample of 714 farmers the KCC limit was found to have been enhanced every year only in 79 cases (11% of sample). The irregular repayment performance of the borrower was the major reason for not enhancing the KCC limit of the said borrowers. Non-willingness of both the bankers as well as the farmers to go beyond the KCC limit of Rs. 1.0 lakh to avoid 'mortgage of land' in some cases and not going beyond Rs. 3.0 lakh in some other cases due to non-availability of interest subvention (available for loan up to Rs. 3.0 lakh) were other very important reasons for non-enhancement of KCC limits.
18. The practice of adding 10% & 20% towards consumption & farm maintenance was being followed by commercial banks and RRBs but it was an academic

exercise only in quite a good number of cases as actual KCC limit fixed used to differ (normally less) from the value arrived at after taking into account the above components.

Season-wise sub limit

19. Season-wise crop loan limit was found to be practiced by cooperative banks in all the states selected for the study. This is normally done because of resource crunch at the DCCB level as well as to ensure better recovery by the farmers.

Personal Accident Insurance Scheme (PAIS)

20. It was reported by the bank branches visited in Assam, Bihar, UP and Punjab states that they had covered almost all the loanee borrowers under PAIS, but in Maharashtra, extent of coverage under PAIS was varying from bank to bank.

Crop Insurance Scheme

21. The crop insurance scheme is being implemented in all the states covered in the present study except Punjab. It was observed that many illiterate farmers did not have much knowledge about the PAIS and crop insurance scheme. In fact, most of the time bankers debit the premium amount towards PAIS and crop insurance without the knowledge of the farmers.

Quantum of KCC loan

22. A huge difference was observed in the quantum of KCC limit sanctioned to farmers across the sample states. The average amount of loan sanctioned per borrower was varying from Rs 38,618 in case of Assam to Rs. 483,406 in case of Punjab. The minimum amount of KCC loan was varying from Rs. 5,000 in Bihar to Rs. 25,000 in Karnataka and the maximum amount sanctioned was ranging between Rs. 82,600 in Assam to Rs. 25.0 lakh in Punjab in case of sample borrowers.

Collateral Security

23. As reported by the sample farmers, no collateral security was being forced by the banks for KCC limit up to Rs. 1.0 lakh. However, the banks were insisting on land mortgage for KCC limits above Rs. 1.0 lakh in all the states. Banks were mortgaging entire land which were recorded in the Land Possession Certificate (LPC) or offered by the farmer for KCC loan and value of these lands were found to be very high as compared to the quantum of loan.

Rate of Interest

24. The rate of interest on KCC loans charged by banks was 7% up to Rs. 3.0 lakh but it was varying to some extent from bank to bank in case of crop loans above Rs. 3.0 lakh. Not much difference was observed in the interest rate between KCC loan above Rs. 3.0 lakh and other term loans for agriculture & allied activities.

Charges levied by Banks on KCC accounts

25. NABARD vide circular dated 13 Sept 2012 had suggested that the processing fee may be decided by the respective bank. The most common type of charges levied by the banks were annual charges, inspection charges, processing charges, ledger folio charges, cash handling charges, ATM issue charges, Miscellaneous charges, SMS charges, etc. These charges were found to be varying from bank to bank, even branch to branch of the same bank. However, these charges are not very high and account for less than one percent of total loan disbursed during the year.

Number of Kisan Credit Cards with a Farmer

26. Some of the farmers had taken KCC from more than one bank, normally one from cooperative bank and the other from either a commercial bank or a regional rural bank. Such farmers, despite average loan sanctioned by cooperative banks being quite less, still preferred to have KCC from cooperative bank just to get good quality fertilizer and seed, etc.

Impact of KCC on Farm Income

27. The average farm income per farmer as well as per acre of KCC holders was compared with that of Non-KCC farmers in order to arrive at the gain from KCC financing. The farm income per household and per acre in case of KCC farmers was estimated at Rs. 1,49,060 per farmer which translated into Rs. 26,809 per acre (avg land holding 5.21 acre) on the KCC sample farms. The farm income per household and per acre in case of non-KCC farmers was estimated at Rs. 69,850 per farmer which translated into Rs. 21,346 per acre on the KCC sample farms (avg land holding 3.04 acre). The average gain per acre on account of KCC loan comes to Rs. 5,463 with minimum gain of Rs. 858 in Akola district of Maharashtra and maximum of Rs. 13,657 in Moradabad district of Uttar Pradesh.
28. While the income net of interest burden was as high as Rs. 13188 per acre in Moradabad district, the farmers of Akola (net income was (-) Rs. 366/ acre) and Bellary (net income was (-) Rs. 359/ acre) were not able to liquidate interest burden of KCC. However, with the support of 2% interest subvention to banks and 3% incentive on prompt repayment, all the farmers including those of Akola and Bellary were able to generate some gain over non-KCC farmers. The average gain in net income of KCC farmers over non-KCC farmers was estimated at Rs. 2974/ acre when 2% interest subvention was taken into account and a gain of Rs. 3548/ acre when calculation was made assuming all farmers would be repaying their dues within the stipulated time period.
29. The overall impression is that the implementation of KCC scheme has certainly benefitted to agriculturists albeit in varying magnitude to different farmers depending upon the availability and quality of land resources and their capacity to manage various resources. There may be some issues relating to

the implementation of the scheme in line with the revised guidelines but the deviations do not seem to be affecting the farmers getting loans from the bank and making use of it for crop cultivation.

Issuance of RuPay/ Debit Cards by Banks to KCC Borrowers

30. To achieve the objectives of financial inclusion, NPCI has facilitated a sub membership model for smaller cooperatives (State Cooperative, District Cooperative, Regional Rural Banks) where they can use National Financial Switch (NFS) infrastructure under sub membership with a direct member bank with NPCI. As on March 2016, NPCI had 96 banks as Direct Members by paying fees of Rs. 3.0 lakh (with 204904 ATMs on NFS), 461 banks as a sub member bank (with a certification charge of Rs. 75000) and 56 RRBS and 7 banks with white label ATMs.

Progress made so far in Issuance of RuPay Cards: Macro Picture

31. As per the data provided by the NPCI (March 2016), 146 BINS have gone live out of total 172 Issuer Identification Number-IINs/ Bank Identification Number-BINs issued to 154 banks. The transactions were yet to be started in case of 08 BINS. The bank-wise progress indicated that 56 out of 59 BINS to 56 RRBs, 46 out of 56 BINS to 56 DCCBs, 21 out of 23 BINS to 21 Public Sector Banks, 6 out of 10 BINS to 10 Private Sector Banks, 5 out of 10 BINS to 5 Associate banks of SBI and 4 out of 6 BINS to 6 State cooperative banks had gone live as on 15 July 2016. The progress of cooperatives banks is quite slow as only 56 banks out of 371 DCCBs & 6 out of 33 St CBs have been issued BINS because of their inherent weaknesses relating to ICT.
32. The bank-wise analysis of KCC transactions for the period Sept 15 - Feb 2016 indicated that 23 Public Sector Banks together account for 55.4% of total RuPay KCC transactions followed by RRBs (53 functional) which together accounted for another about 39 per cent. Ten functional DCCB out of total 56 DCCBs which have been issued IIN/ BIN together account for just 2.2 per cent of the total RuPay KCC transactions.
33. An analysis of scale of uses & market share (as on 15 July 2016) of three card payment systems indicated that National Financial Switch (NFS)/ATMs dominated the KCC transactions accounting for as high as 99.10 per cent followed by Point of Sale (POS) devices at 0.85 percent and the RuPay PaySecure (E-Commerce operations), which was launched on 21 June 2013, has a very negligible share of 0.05 per cent.

Issue Relating to Interoperability

34. The RuPay Kisan Cards are acceptable at all the 220912 ATMs of all the banks across the country. Any ATM proposed to be installed by banks and connected to the National Financial Switch operated by National Payments Corporation of India accepts the RuPay Kisan Cards issued by any Bank. The KCC will function smoothly as long as the issuing bank is certified by NPCI to use the card.

35. As far as interoperability of RuPay Cards/Kisan cards on Micro-ATMs are concerned, it has gone live for 8 banks and the work is in progress in case of other 11 banks. Except these 19 banks, all other banks are yet to approach to NPCI for making their RuPay cards interoperable on Micro-ATMs/POS.

Extent of Coverage under RuPay Cards

36. At the All India level, the progress of issuance of RuPay Cards is quite slow as only 12.2 per cent of live KCC accounts have been issued the RuPay cards. The agency-wise analysis of coverage of operative KCC accounts by smart cards is highest in case of Commercial banks (33.8%) followed by RRBS (11.2%). This percentage is very negligible in case of cooperative banks at 0.06 per cent of the total Kisan cards operative with cooperative banks.
37. As reported by sample bank branches, on an average, the number of RuPay Card received at branch from their controlling offices as per cent of number of KCC A/c outstanding stood at 32 per cent which was ranging from 10% (UP) to 69% (Maharashtra).
38. As far as issuance of RuPay cards to sample farmers is concerned, it was observed that only 193 out of 714 sample farmers (27%) had got/ taken RuPay cards and the rest 521 farmers were either not issued or had not taken the RuPay cards from the bank.
39. Only one third of the farmers who were issued RuPay cards were using the RuPay cards on ATMs. Further, about 57 per cent of farmers using RuPay Card used to take the help of their family members, mostly the son or daughter, to operate on ATM machine.
40. The reasons for gap between the number of KCC accounts with the bank branches vis-à-vis number of KCCs issued to farmers and number of RuPay cards handed over, as opined by the branch managers, were mainly (i) controlling offices not making available the RuPay Cards in sufficient numbers or delay in supplying the cards to branches (ii) bankers were averse of issuing RuPay cards to NPA and other irregular accounts (iii) bankers were of the view that both the bankers as well as farmers don't see much utility of RuPay Kisan Debit Card as a banking product because once the KCC loan is approved by the bank and credited to the farmers account, the farmers prefer to withdraw the entire amount from the bank in just one or two withdrawals (iv) given the choice, the bankers willingly don't extend KCC loans to unviable holding, but the pressure from the government makes them cover the agricultural farmers under KCC loan (v) the illiterate farmers don't feel comfortable in doing transactions at ATM machines and they were also afraid of misuse of their cards even by their family members (vi) as of now, neither ATMs nor POS machine are available in sufficient number and also, vendors are finding it difficult to supply the cards in time and they normally take 6 to 8 months to supply the chip based cards. (vii) absentee landlords/ farmers not residing in the villages were not very keen in getting RuPay Card issued (viii) the bank/ branches not having ATMs of their own bank were of the view that

extending RuPay cards to every farmers would add an extra expenditure to them if the farmers go beyond the minimum number of free transactions (five) allowed on ATMs of other banks.

Macro Estimates of benefits from KCC financing

41. The total crop loan issued through KCC during the 2014-15 was Rs. 6,35,412 crore which translated into a crop loan of Rs. 85,757 per live KCC account. The average crop loan disbursed per account came to Rs. 31,923. The agricultural cropped area covered by KCC (arrived at by multiplying 7.41 crore operative KCC accounts with the average size of holding 1.15 ha) has been estimated at 85.208 mill ha (241.99 mill acre). The net farm income net of interest (9% per annum on Rs. 6,35,412 crore) has been estimated at Rs. 62,670 crore which clearly indicates that availability of credit from institutional sources through KCC mode has made significant contribution to the farm income of the farmers.
42. Gross increase in net farm income per annum (net of interest burden) of all the KCC holders in the country due to interest Subvention (i.e. KCC loan at 7% per annum) to eligible farmers had been estimated at Rs 71,968 crore. And if all the farmers repay their loan in time, the gross increase in net farm income (net of interest burden) will go up to Rs 85,858 crore.

Recommendations

1. Present CBS system of most of the banks don't have provision to bifurcate the Kisan card limit into separate sub limits of crop loan component, consumption credit and asset maintenance component. Although, making suitable amendments in CBS system of banks to facilitate fixation of sub-limits under KCC is a good option, it is felt that creating multiple accounts for small amounts will not only increase the number of accounts to unmanageable level but it will also put pressure on human resources and CBS. It is recommended that the Government should consider the entire amount of KCC limit (including consumption & asset maintenance) for interest subvention and incentive for prompt repayment within the prescribed limits.
2. Most of the banks have not revised their 'application cum appraisal form' of KCC loan in line with the provisions under revised KCC guidelines, 2012. The banks may consider revising their KCC 'application cum appraisal form' to suit with the requirements of the revised KCC Scheme.
3. The fixation of KCC limit should be viewed seriously by the bankers and it should be arrived at by taking into account the cropping pattern and the scale of finance for the latest year. The role of 'Scale of Finance' is sometimes undermined, particularly in case of cooperative banks when the KCC limits arrived at by using the scale of finance & cropping pattern are capped by certain amounts.
4. Since the accurate information on coverage of actual number of farmers, as well as, area covered under KCC is very difficult to estimate, it is suggested that the

bankers should also capture information on total land with the farmer, irrigated land, land offered for KCC loan, land offered for land mortgage, etc., in their CBS.

5. Digitization of land records must be completed at the earliest possible time.
6. The farmers' reluctance to avail higher amount of KCC limits (above Rs. 1.0 lakh) is also on account of bank's insistence of land mortgage of entire land offered for KCC loan. Banks should mortgage only required quantity of land, sufficient to cover the bank loan.
7. Farmers were found less enthusiastic about the crop insurance scheme due to delay in settlement/ no compensation of claims by the insurance companies. Further, since crop insurance is available only for notified crops, bankers also prefer to show only notified crops in the appraisal form while calculating the KCC limit. But farmers do not get claim when they grow different crops and loss is occurred during that year. It is suggested that bankers may be little extra careful while considering the crops being suggested by the farmers for fixation of the KCC limit, particularly in areas which are prone to natural calamities.
8. The present campaign of covering 3 crore farmers under RuPay cards by 31 March 2017 has been taken in a positive spirit by all the banks. All the commercial banks and RRBs are already issuing RuPay cards to farmers. Due to proactive support by NABARD and NPCI, the number of cooperative banks issuing RuPay is also expected to go up to 150 by March 2017. However, creating card acceptance infrastructure in rural areas in the required quantity is still a challenge which needs to be addressed to at the earliest possible time in order to increase the transactions through RuPay cards.
9. As of now, the National Financial Switch (NFS)/ ATMs dominates the KCC transactions accounting for as high as 98.14 per cent with a negligible share of Point of Sale (POS) devices and RuPay Pay Secure (E-Commerce operations). Interoperability of Micro-ATMs and POS devices are major hurdles in up scaling the use of the devices. This is one area where both the bankers as well as NPCI have to work in close coordination with each other as only 8 banks have gone live till date.
10. The availability of RuPay card at the branch level has been found to be one of the major reasons for slow progress in issuance of RuPay cards by the branch manager. The controlling offices of various banks need to expedite their efforts in supplying the cards in sufficient quantity at the branches in a planned manner keeping in view of government's thrust on cashless transactions.
11. Some hesitation on the part of the farmers to avail RuPay cards on account of their fear of misuse of their RuPay cards could be addressed by adopting one of the following strategies:

- (i) Banks need to adopt financial counselling of their KCC clients to build up their confidence to use the newer technologies like use of RuPay cards, etc., and also as how to avoid misuse/ frauds of RuPay cards.
 - (ii) Deploying more number of BCs and providing them with POS devices/ Micro-ATMs so that they can interact with the clients of the banks on a regular basis.
 - (iii) Expediting installation of more number of ATMs in the rural areas so that farmers are encouraged to use the ATMs on their own.
12. Both the interest subvention scheme and rebate for prompt repayment have helped the farmers to increase their net farm income from farming operations. These measures have not only been found to be beneficial for the farmers in general but have been found to be necessary in areas of ecological distress like drought prone and other natural calamities affected areas. Therefore, the financing under KCC should be upscaled and interest subvention as well as the rebate for prompt repayment may continue with a view to keep the interest burden on farmers low and their total paid-outs remain manageable, particularly during poor crop season.
13. The implementation of KCC scheme has benefitted the farmers to a great extent and the farmers are able to generate profit, although in varying amounts. However, to reap the maximum benefits from KCC financing, the following strategies may be adopted:
- (i) The banks may consider establishing 'Farmers Training Centres' in line with 'Punjab National Bank Farmers Training Centres (PNB FTCs) which is running 10 FTCs across the country. Such centres will not only help banks to guide the farmers about the advanced agricultural practices but will also provide a platform to banks to achieve the objective of financial inclusion in a more effective way.
 - (ii) There exist yield gaps at three levels (a) between genetic potential of the crop variety and that obtained at research farms (b) between research farm and on the farm of progressive farmers and (iii) between progressive farmers' field and average farmer's field. Agricultural universities/ KVKs have to intensify their efforts to reduce the gap in yield between progressive farmers' field and average farmer's field so that the increase in farm income of average farmers can be easily achieved by facilitation of KCC financing.
 - (iii) Banks may consider promoting and extending financial support to Joint Liability Groups of tenants and share-croppers so that their farm credit needs are met adequately.

Introduction

Kisan Credit Card Scheme: Introduction

1.1 Shri Yashwant Sinha, the then Union Minister of Finance, in his 1998-99 Budget Speech on 01 June 1998 introduced the 'Kisan Credit Card' (KCC) Scheme as "NABARD is being asked to formulate a model scheme for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs." Accordingly, on the recommendations of R V Gupta Committee, NABARD formulated a Model Kisan Credit Card Scheme in consultation with major banks in the country. The 'Model Scheme' was circulated by RBI to commercial banks vide reference No.RPCD.PLFS.BC.NO 20/05.05.09/98-99 dated August 5, 1998 and by NABARD to Cooperative Banks and Regional Rural Banks vide reference No. NB.PCD (OPR)/794/A-137(Spl.)/98-99 dated 14 August 1998 (Circular No. 15/98-99), with instructions to introduce the same in their respective area of operation. The KCC guidelines have gone through several changes since then. The important developments in KCC implementation are given below.

Table 1.1: Important developments in KCC Scheme implementation

Circular Date	Particulars
14 Aug 1998	Introduction of KCC Scheme and circulation of Model KCC scheme to banks
14 Jun 2001	Personal Accident Insurance Scheme (PAIS) for KCC holders introduced
09 Aug 2004	(i) Scheme to cover term loan for agriculture & allied activities under KCC introduced (ii) Validity of Kisan Credit Card increased from 3 years to 5 years
01 Jun 2006	In response to Union Finance Minister's budget announcement (2006-07), interest on short term credit to farmer was fixed at 7% up to KCC upper limit of Rs. 3.0 lakh on principal amount.
31 Oct 2006	KCC scheme for the borrowers of Long Term Cooperative Credit Structure i.e., State Coop Agri & Rural Dev Banks introduced
29 Mar 2012	Kisan Credit Card – a comprehensively revised KCC scheme incorporating many new components (composite loan, 10% & 20% provisions for consumption & asset maintenance, year-wise drawing power for five years, etc.) was launched
09 Nov 2012	Scheme for issue of KCC in the form of interoperable RuPay Cards
15 Nov 2012	In a meeting of Union Finance Minister with Banker, it was decided to convert all old KCCs into ATM-cum-Debit/RuPay Cards
01 Aug 2014	Support for ICT solutions through POS/ micro-ATMs and RuPay Kisan Cards under KCC scheme
08 Jul 2015	Coverage of KCC holders under Atal Pension Yojna (APY)

Table 1.2: Important features of 3 major KCC Guidelines

	Particulars	Circulars on KCC implementation		
		Cir. No. 15/98-99 dtd. 14.08.1998	Cir. No. NB.214/PCD.30/2004 dtd 09.08.2004	Circular No 71/PCD 04/2011-12 dtd 29.03.2012 & No. 97/PCD 10/2012 dated 20 April 2012
1	Applicability of Scheme	Commercial Banks, RRBs & DCCBs/ PACS	No change	No change
2	Objective/ purpose of loan	Cultivation needs incl purchase of inputs	Term Loan component has been added to KCC	(i) Short term credit for cultivation of crops (ii) Post harvest expenses (iii) Produce Marketing loan (iv) Consumption requirements of farmer (v) Working capital for maintenance of farm assets and activities allied to agriculture (vi) Investment credit requirement for agriculture and allied activities
3	Eligibility	S.T. Production credit of Rs. 5000/- & above to all farmers	Term Loan + S.T. Production credit of Rs. 5000/- & above	(i) All Farmers– individuals / Joint borrowers who are owner cultivators (ii) Tenant Farmers, Oral Lessees & Share Croppers (iii) SHGs or Joint Liability Groups of Farmers incl. tenant farmers, share croppers etc.
4	Fixation of Credit Limit	(i) As revolving cash credit taking production credit requirement for full one year (ii) Any number of drawal & repayments (iii) Operational land holding (incl leased-in land & excl leased-out), cropping pattern & scale of finance to be taken into account.	(i) Short Term credit/ crop loan keeping in view land holding, cropping pattern & scale of finance (ii) working capital credit for activities allied to agriculture in term of revolving cash credit (iii) Term loan	A. All farmers (other than marginal farmers): (a) Sort term limit for 1 year: For farmers raising crop: Scale of finance for the crop x Extent of area cultivated + 10% of limit towards post-harvest / household / consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance, PAIS & asset insurance. (b) S.T. limit for 1 year: 10% increase in ST limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year) and Term loan component for the tenure of Kisan Credit Card, i.e., 5 years

	Particulars	Circulars on KCC implementation		
		Cir. No. 15/98-99 dtd. 14.08.1998	Cir. No. NB.214/PCD.30/2004 dtd 09.08.2004	Circular No 71/PCD 04/2011-12 dtd 29.03.2012 & No. 97/PCD 10/2012 dated 20 April 2012
		(iv) Bank's discretion to fix appropriate seasonal sub-limit within overall limit		<p>(c) Maximum Permissible Limit/ KCC limit: ST loan limit arrived for the 5th year + estimated long term loan requirement</p> <p>(d) Card limit to be bifurcated into separate sub limits for ST credit limit cum savings account and term loans.</p> <p>(e) Annual drawing power to be fixed for ST limit. For term loans, instalments may be allowed to be withdrawn based on the nature of investment and repayment schedule to be drawn as per the economic life.</p> <p>B. For Marginal Farmers:</p> <p>A flexible limit of Rs.10,000 to Rs.50,000 be provided (as Flexi KCC) based on the land holding and cropping pattern incl. post-harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc., plus small term loan investments like purchase of farm equipment, establishing mini dairy/ backyard poultry, etc., without relating it to the value of land. Composite KCC limit is to be fixed for a period of five years.</p>
5	Validity/ Renewal of KCC	<p>(i) Credit Card -3 years</p> <p>(ii) Aggregate credit in the account during 12 months should at least be equal to max outstanding in account</p>	<p>(i) Credit Card validity increased to 5 years</p> <p>(ii) No other change in case of crop loan component</p>	<p>i. The Kisan Credit Card should be valid for 5 years subject to an annual review.</p> <p>ii. The review may result in continuation of the facility, enhancement or cancellation of the limit / withdrawal of the facility, depending upon increase in cropping area / pattern and performance of the borrower.</p> <p>iii. In case of reschedulement of loan, outstanding amount may be transferred to term loan account and repayment period may be re-fixed.</p>

	Particulars	Circulars on KCC implementation		
		Cir. No. 15/98-99 dtd. 14.08.1998	Cir. No. NB.214/ PCD.30/2004 dtd 09.08.2004	Circular No 71/PCD 04/2011-12 dtd 29.03.2012 & No. 97/PCD 10/2012 dated 20 April 2012
		(iii) In case of reschedulement of loan, outstanding amount may be transferred to term loan account and repayment period may be refixed. (iv) Credit limits may be enhanced to take care of increase in cost of inputs in case of good accounts		
6	Rate of Interest	Same as applicable to crop loan	Same as applicable to crop loan & term loans	7% interest on short term credit with an upper limit of Rs. 3.0 lakh on principal amount
7	Repayment Period	No drawal in A/c should remain outstanding for > 12 months	(i) Short Term credit/crop loans as well as working capital for agric & allied to be provided as revolving cash credit limit, repayable within 12 months (ii) Term Loan component will be repayable within 5 years, depending upon the type of activity.	(i) Short Term credit/crop loans as well as working capital for agric & allied activities to be provided as revolving cash credit limit, repayable within 12 months (ii) Term Loan component will be repayable within 5 years, depending upon the type of activity. (iii) In case of ST loan, no withdrawal in the account should remain outstanding for more than 12 months. (iv) Financing banks at their discretion, may provide longer repayment period (5 years) for term loan depending on the type of investment.

	Particulars	Circulars on KCC implementation		
		Cir. No. 15/98-99 dtd. 14.08.1998	Cir. No. NB.214/PCD.30/2004 dtd 09.08.2004	Circular No 71/PCD 04/2011-12 dtd 29.03.2012 & No. 97/PCD 10/2012 dated 20 April 2012
				RBI vide circular RBI/2012-13/162 dated 07 Aug 2012 modified the instruction under para 10 of May 11, 2012 circular and indicated that “the repayment period may be fixed by banks as per the anticipated harvesting and marketing period for the crops for which a loan has been granted” (earlier “each withdrawal be allowed to be liquidated in 12 months without the need to bring the debit balance to zero at any point of time”.)
8	Margin	In conformity with instructions issued by RBI/ NABARD	No Change	For crop loans, no separate margin need be insisted upon as the Margin is in-built while fixing the Scales of Finance. For term loan component, it will be in conformity with the guidelines of RBI from time to time.
9	Security	In conformity with instructions issued by RBI/ NABARD	No Change	(i) Hypothecation of crops up to card limit of Rs. 1.00 lakh. With tie-up for recovery, banks may consider sanctioning loans on hypothecation of crops upto card limit of Rs.3.00 lakh without insisting on collateral security. iii. Collateral security at the discretion of Bank for loan limits above Rs.1.00 lakh in case of non-tie-up and above Rs.3.00 lakh in case of tie-up advances. iv. In States where banks have the facility of on-line creation of charge on the land records, the same shall be ensured.
10	Maintenance & operation in the account	(i) Withdrawal slips/ cheques accompanied by the card & pass book (ii) In case of Coop, KCC account will be maintained at the PACS concerned & card will be issued by the	No Change	i. One time documentation at the time of first availment and thereafter simple declaration (about crops raised) by farmer from the second year onwards. ii No Processing fee up to a card limit of Rs.3.00 lakh. iii. Farmers to be provided with KCC Short Term sub-limit cum SB account so as to allow credit balance in KCC-cum-SB accounts to fetch interest at savings bank

	Particulars	Circulars on KCC implementation		
		Cir. No. 15/98-99 dtd. 14.08.1998	Cir. No. NB.214/ PCD.30/2004 dtd 09.08.2004	Circular No 71/PCD 04/2011-12 dtd 29.03.2012 & No. 97/PCD 10/2012 dated 20 April 2012
		DCCB branch/ PACS. Cash withdrawal at DCCB/ PACS only. All transactions at DCCB to be reported to PACS concerned as ledger is maintained at PACS.		rate. Separate folio for the long term sub-limit.
11	Coverage under Personal Accident Insurance Scheme (PAIS) for KCC holders	PAIS for KCC holders was introduced vide circular No. NB.PCD (KCC)/H.182/ KCC.11 (A)/2001-02 dated 14 June 2001 for uniform adoption by cooperatives & RRBs. Master Policy was valid for 3 years with annual renewal.	No Change	The KCC holder should have the option to take benefit of Crop Insurance, Assets Insurance, Personal Accident Insurance Scheme (PAIS), and Health Insurance (wherever product is available and have premium paid through his KCC account). Farmer beneficiaries should be made aware of the insurance cover available and their consent is to be obtained, at the application stage itself.

- 1.2 It may be seen from Table 1.1 & 1.2 that over the period, the guidelines on KCC scheme have been modified to facilitate the farmers to fulfil their production needs in a hassle-free and cost effective manner. Many add-on features were incorporated in the original KCC guidelines (1998) during 2004 and 2012 to take care of other needs of the farmers, viz., consumption expenditure, maintenance of farm assets, term loan for agriculture & allied activities, coverage of KCC holders under PAIS and recently the coverage of KCC holders under Atal Pension Yojna (in 2015), etc. However, the interest subvention is limited to 'crop production' of the KCC limit and bankers are required to make two separate accounts.
- 1.3 The circular on revised KCC scheme issued by NABARD (No 71 dated 29 March 2012) and also by RBI (RBI/2011-12/553; RPCD.FSD.BC.No.77/05.05.09/2011-12 dated 11 May 2012) to scheduled commercial banks (excluding RRBs) have clearly spelt out that the short term loans and term loans are governed by different interest rates. Besides, at present, short term crop loan is covered under Interest Subvention Scheme/ Prompt Repayment Incentive scheme. Further, repayment schedule and other norms are different for short term and term loans. Hence, in order to have operational and accounting convenience, the card limit is to be bifurcated into separate sub limits for short term cash credit limit cum savings account and term loan.

- 1.4 The RBI circular (No. 553 dated 11.05.2012) has added an additional feature by highlighting the other conditions suggested by Government of India while implementing the revised guidelines of KCC Scheme –“In case the farmer applies for loan against the warehouse receipt of his produce; the banks would consider such requests as per the established procedure and guidelines. However, when such loans are sanctioned, these should be linked with the crop loan account, if any, and the crop loan outstanding in the account could be settled at the stage of disbursement of the pledge loan, if the farmer desires”.
- 1.5. Further, in contrast to NABARD circular (point no 13 (iv) of No. 71 dated 29 March 12) to RRBs and cooperative banks which says that ‘no processing fee should be charged up to Rs. 3.0 lakh’, the RBI circular no 553 dated 11 May 2012 says that ‘processing fee may be decided by banks’. Later, NABARD too modified the instruction on this issue vide circular No. NB 228/PCD-25/2012 dated 13 Sept 2012 and suggested that the processing fee may be decided by the respective bank.
- 1.6. These circulars also spelt out about the nature of delivery channels which are to be in place to start with so that the Kisan Credit Card is used by the farmers to effectively transact their operations in their KCC account. They can be:
1. Withdrawal through ATMs / Micro ATM
 2. Withdrawal through BCs using smart cards.
 3. PoS machine through input dealers
 4. Mobile Banking with IMPS capabilities/ IVR
 5. Aadhaar enabled Cards.

For other details, the circulars by NABARD (No. 71 dated 29 March 2012) and RBI (No. 553 dated 11 May 2012) can be referred to.

The Present Study on Kisan Credit Card Scheme

- 1.7. Department of Financial Services, Ministry of Finance, Govt of India vide letter No. F.No. FI-7/1/2016-AC dated 19 Feb 2016 requested NABARD to conduct a comprehensive study on implementation of revised KCC scheme.

The specific terms of reference for the proposed study are as under:

- (i) Is the revised Kisan Credit Card Scheme serving its intended purpose?
- (ii) Reasons for gap between number of agricultural households and number of operative KCCs
- (iii) Government has advised banks to convert all existing KCCs into ATM/ RuPay cards. Whether action plan in this regard has been chalked out at branch level? Also, whether all new KCCs are issued in the form of RuPay/ ATM debit cards?

- (iv) Efficacy of debit cards issued under KCC Scheme with regards to their inter-operability and issues related thereto? Whether farmers are using these cards for payment to different vendors? Back-end issues with NPCI/ other platforms?
- (v) Overall impact of revised KCC scheme?

Selection of State/ District for the Study

1.8 Keeping in view the requirement of the study, the number of KCC issued, progress in issuance of ATM/RuPay cards, etc., one state each from all the six geographical regions of the country were identified in consultation with Department of Refinance (DOR) and Department of Financial Inclusion and Banking Technology (DFIBT). A minimum of two districts from each of the identified states were also selected in consultation with DFIBT, again keeping in view the geographical diversity as well as the progress in issuance of ATM/RuPay, etc. A minimum of two branches from each of three agencies i.e., Commercial Bank, RRB and DCCB were selected in consultation with the LDM, DDM and the controlling offices of the banks of the identified district. The state-wise/ District-wise/agency-wise branches selected for the study is given in Table 1.3.

Table 1.3: Banks/ Bank Branches Selected for the Study

Sl	States	Districts	Comm Banks/ Branches	RRBs/ Branches	Cooperative Bank/ Branches
1	Assam (NE Region)	Jorhat	SBI RRL, Jorhat & Union Bank Baligaon	Assam Gramin Vikas Bank –Charaibahi & AGVB -Jorhat	Assam Coop Apex Bank -Jorhat
		Darrang	SBI Mangaldai, PNB, Mangaldai	AGVB, Mangaldai & Sipajhar College Chawk	Assam Coop Apex Bank -Mangaldai
2	Bihar (East Region)	Gaya	Punjab National Bank: Itwa & Tikari	Madhya Bihar Gramin Bank: Bodhgaya & Diwan	Magadh DCCB: Sherghati & Head Office
		Begusarai	UCO Bank: Sadanandpur & PNB Bank: Rahatpur	Bihar Gramin Bank:Samsa, Phulwaria & Charia Badiarpur	Begusarai DCCB: Manjhaul & Head Office
3	U. P. (Central Region)	Varanasi / Bijnaur	Union Bank : Harhua & Baragaon	KGS Gramin Bank: Karanadadi Mohan Sarai & Shahanshapur	Bijnaur DCCB: Raipur Saadat & Haldaur
		Moradabad	Syndicate Bank: Sirswan Gaur & Kanth	Prathma Bank: Dilari & Lodhipur Rajpoot	Moradabad DCCB: Surjan Nagar & Thakurdwara

Sl	States	Districts	Comm Banks/ Branches	RRBs/ Branches	Cooperative Bank/ Branches
4	Punjab (North Region)	Kapurthala	Punjab National Bank: PNB Tibba & Sultanpur lodhi	Punjab Gramin Bank: Khiranwali & Sultanpur lodhi	Kaputhala DCCB: Ibrahimwal & Nadala
		Bathinda	State Bank of Patiala: Bhucho Kalan & Jalal	Sutlej Gramin Bank: Kararwala & Jethuke	Bathinda DCCB: Malooka & Jalal
5	Maharashtra (Western Region)	Akola	Bank of Maharashtra: Boargaon Manju Central Babk: Gandhigram	VKGB: Kahneri Saraf & Rajanda	Akola DCCB: Boargaon & Kapad Bazar
		Sindhudurg	Bank of India: Pat & Oras	VKGB: Pawashi & Osargaon	Sindhudurg DCCB: Malvan & Hindale
6	Karnataka (Southern Region)	Dakshin Kannada	Syndicate Bank: Venur & Kakkinje	KVGB: Puttur & Uppinamgady	SCDCCB: Kabaka & Puttur
		Bellary	Syndicate Bank: Itagi branch & Gudekote	Pragathi KGB: Kottur & Kogli	Bellary DCCB: Handihal & Kudthini PACS

State-wise/ District-wise Sample Size

1.9 It was planned that from each of the selected branches, 10 farmers having availed crop loan through KCC would be selected and interviewed to understand the level of implementation of the revised KCC Scheme. In addition, 4-5 other farmers residing in the same area who had not been covered under KCC Scheme would also be interviewed to understand the reasons for their exclusion from KCC Scheme. Finally, a total of 969 farmers covering 714 KCC holders and 255 other non-KCC farmers were interviewed for the present study. The district-wise/ agency-wise sample size is given in Table 1.4.

Table 1.4: Sample Size

Sl	States	Districts	KCC holders				Control Sample (Non-KCC)
			Comm Banks/ Branches	RRBs/ Branches	Coopera- tive Bank/ Branches	Total KCC holders	
1	Assam	Jorhat	20	20	14	54	20
		Darrang	20	20	10	50	25
2	Bihar	Gaya	17	20	20	57	17
		Begusarai	21	26	16	63	22
3	U. P.	Varanasi / Bijnaur	20	21	19	60	23
		Moradabad	22	22	20	64	30

SI	States	Districts	KCC holders				Control Sample (Non-KCC)
			Comm Banks/ Branches	RRBs/ Branches	Cooperative Bank/ Branches	Total KCC holders	
4	Punjab	Kapurthala	20	20	20	60	23
		Bathinda	20	20	20	60	17
5	Maharashtra	Akola	20	20	20	60	13
		Sindhudurg	19	20	20	59	10
6	Karnataka	Dakshin Kannada	20	20	20	60	30
		Bellary	20	22	25	67	25
Total			239	251	224	714	255

Primary and Secondary Data Collection

- 1.10 In addition to basic information pertaining to bank branch business, secondary data on loan extended by banks to farmers through KCCs in terms of quantum of loan sanctioned, mode of disbursement, frequency of loan withdrawal, recovery performance, etc. were collected pertaining to the selected farmers.
- 1.11 During the course of study, responses/opinions of Lead District Managers, District Development Managers of NABARD, officials of controlling offices and the branch managers of the selected banks/ branches were also collected in order to understand the implementation of KCC scheme in the selected districts.
- 1.12 Primary data was collected with the help of a structured schedule. The information from selected farmers were collected keeping the various features of the revised KCC guidelines issued by NABARD (No. 71 dated 29 Mar 2012) and RBI (No. 553 dated 11 May 2012) in view. The reference year of study was 2015-16.

Progress in KCC Financing

2.1 The banking reforms during 1990s and the first major debt waiver (the Agricultural Rural Debt Relief Scheme, 1990) were considered to be major factors leading to decline in flow of credit to agriculture sector in 1990s. Therefore, the Reserve Bank of India appointed one man committee of Shri R V Gupta in December 1997 with a mandate to suggest measures for the removal of constraints faced by commercial banks in increasing flow of credit to agriculture sector. The committee found that apart from the negative mind set, there were a number of procedural hassles and conceptual issues which caused decline in flow of agricultural credit. The present chapter is devoted to analyze the progress in implementation of Kisan Credit Card Scheme since its inception, i.e., 1998-99.

Progress under Kisan Credit Cards issued

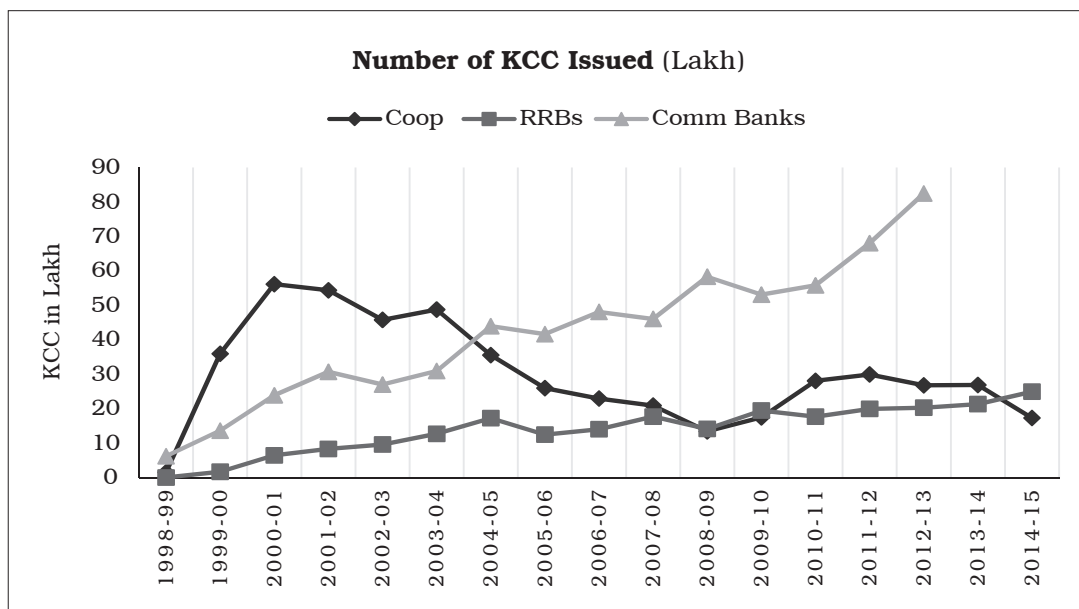
2.2 The agency-wise number of KCC cards issued since inception of the scheme is given in Table 2.1 and Chart 2.1 below.

Year	KCC Cards issued (lakhs)				% share in total no of cards issued		
	Coop	RRBs	Comm Banks	Total	Coop	RRBs	Comm Banks
1998-99	01.56	0.06	6.22	7.84	19.90	0.77	79.34
1999-00	35.95	1.73	13.66	51.34	70.02	3.37	26.61
2000-01	56.14	6.48	23.90	86.52	64.89	7.49	27.62
2001-02	54.36	8.34	30.71	93.41	58.20	8.93	32.88
2002-03	45.79	9.64	27.00	82.43	55.55	11.69	32.76
2003-04	48.78	12.74	30.94	92.46	52.76	13.78	33.46
2004-05	35.56	17.29	43.95	96.8	36.74	17.86	45.40
2005-06	25.98	12.49	41.65	80.12	32.43	15.59	51.98
2006-07	22.97	14.06	48.08	85.11	26.99	16.52	56.49
2007-08	20.91	17.73	46.06	84.7	24.69	20.93	54.38
2008-09	13.44	14.14	58.30	85.88	15.65	16.46	67.89
2009-10	17.50	19.50	53.10	90.1	19.42	21.64	58.93
2010-11	28.10	17.70	55.80	101.6	27.66	17.42	54.92
2011-12	29.95	19.96	68.04	117.54	25.18	16.93	57.89
2012-13	26.79	20.30	82.43	129.52	20.68	15.67	63.65
2013-14	26.89	21.35	NA				
2014-15	17.32	24.96	NA				
Cumulative since inception	507.99	238.47	717.52*	1463.98	34.70	16.29	49.01

Source: (i) EPWRF (2014). *Agric Credit in India: Trends, Regional Spreads & Database issues*, NABARD Occasional Paper No 59 for data from 1998-99 to 2011-12.

(ii) *(cumulative Comm Bank) *State-wise Progress of Kisan credit Cards issued by commercial banks in India (as on 31.03.2015)*; www.indiastat.com (accessed on 07 Apr 2016).

Chart 2.1: Agency-wise Kisan Credit Cards Issued during the year



- 2.3 Agency-wise distribution of total cards issued since inception till date suggests that about 49 per cent of cumulative KCCs have been issued by commercial banks followed by about 35 per cent by cooperative banks and 16 per cent by Regional Rural Banks. In fact, the share of cooperative bank in total KCC issued has come down from as high as 70% in 1999-2000 to 20.7% during 2012-13 and that of commercial bank has gone up from 26.6% to 63.7% during the same period. The high share of Cooperative Banks (52.9%) as compared to RRBs (16.7%) and Commercial Banks (30.4%) in total number of operative/ live KCC (as on 31 March 2015) indicates that despite the fact that the number of cards issued by cooperative bank is continuously declining, the farmers prefer to keep the KCC with cooperative banks alive, may be due to the advantages like availability of good quality fertilizers, seed, etc.
- 2.4 The number of operative / live KCC at 7.41 crore as on 31 March 2015 as per cent of cumulative number of KCC issued since inception comes to 50.6% (of 14.64 crore). The cumulative KCC figure of 14.64 crore cannot be taken as total number of farmers covered under KCC Scheme as it includes number of farmers who have got reissued/ renewed their Kisan cards several times. The figure of operative/ live KCC at 7.41 crore (Table 2.2) may be considered little close to the actual number of farmers covered under the KCC Scheme, in the absence of any other reliable data on the same.
- 2.5 The analysis of state-wise total number of operative/ live KCC issued by all the agencies indicates that 6 big states viz., Uttar Pradesh (15.15%), Andhra Pradesh (11.02%), Maharashtra (10.07%), Madhya Pradesh (9.66%) and Rajasthan (8.33%) together account for about 55% of total number of operative/ live KCC cards.

Table 2.2: State-wise and Agency-wise Operative / Live KCCs - Issued Progress as on 31 March 2015 (Cumulative)

Sr. No.	State / UT	Cooperative Banks		Regional Rural Banks		Commercial Banks		Total		
		No of Operative KCC	Out of which no. of smart cards	No of Operative KCC	Out of which no. of smart cards	No of Operative KCC	Out of which no. of smart cards	No of Operative KCC	Out of which no. of smart cards	Smart Card as % of live KCC
1	Andhra Pradesh	28,95,397	0	15,82,084	181337	36,89,954	6,91,506	81,67,435	8,72,843	10.69
2	Assam	27,263	0	4,56,677	0	5,90,325	1,50,854	10,74,265	1,50,854	14.04
3	Arunachal Pradesh #	450	0	3,294	0	10,448	834	14,192	834	5.88
4	Bihar	6,81,619	0	15,48,625	178503	14,23,068	3,94,240	36,53,312	5,72,743	15.68
5	Gujarat	14,83,841	0	2,50,508	77827	9,94,490	5,89,572	27,28,839	6,67,399	24.46
6	Goa \$	1,117	0	0	0	4,275	2,669	5,392	2,669	49.50
7	Haryana	13,20,725	0	2,08,679	23529	5,71,778	2,73,209	21,01,182	2,96,738	14.12
8	Himachal Pradesh	94,718	2,028	1,31,769	7151	1,89,050	82,721	4,15,537	91,900	22.12
9	Jammu & Kashmir	33,690	50	16,343	0	2,14,872	2,77,459	2,64,905	2,77,509	104.76
10	Karnataka	23,75,383	9,890	8,40,059	156364	9,12,001	4,55,683	41,27,443	6,21,937	15.07
11	Kerala	7,87,724	0	1,59,671	110209	3,01,964	1,00,530	12,49,359	2,10,739	16.87
12	Madhya Pradesh	51,66,011	0	5,04,079	142418	14,88,478	5,38,017	71,58,568	6,80,435	9.51
13	Maharashtra	48,69,885	11,706	3,53,084	81104	22,38,521	6,61,163	74,61,490	7,53,973	10.10
14	Meghalaya #	25,798	285	16,865	16592	59,138	7,801	1,01,801	24,678	24.24
15	Mizoram #	790	0	18,069	0	14,627	1,680	33,486	1,680	5.02
16	Manipur #	484	0	5,588	0	19,887	4,643	25,959	4,643	17.89
17	Nagaland #	2,364	0	1,096	12	32,029	6,872	35,489	6,884	19.40
18	Odisha	44,40,063	0	5,73,556	6215	7,03,661	1,27,034	57,17,280	1,33,249	2.33
19	Punjab	9,96,147	0	1,16,613	28702	7,47,791	4,33,582	18,60,551	4,62,284	24.85
20	Rajasthan	39,26,861	0	5,28,884	2736	17,16,205	4,94,662	61,71,950	4,97,398	8.06
21	Sikkim #S	7,617	0	0	0	4,101	1,500	11,718	1,500	12.80
22	Tamil Nadu	14,30,790	0	4,98,399	10011	5,84,878	2,83,576	25,14,067	2,93,587	11.68

**Table 2.2: State-wise and Agency-wise Operative / Live KCCs - Issued
Progress as on 31 March 2015 (Cumulative)**

Sr. No.	State / UT	Cooperative Banks			Regional Rural Banks			Commercial Banks			Total		
		No of Operative KCC	Out of which no. of smart cards	No of Operative KCC	Out of which no. of smart cards	No of Operative KCC	Out of which no. of smart cards	No of Operative KCC	Out of which no. of smart cards	No of Operative KCC	Out of which no. of smart cards	Smart Card as % of live KCC	
23	Tripura #	1,13,154	0	1,13,313	0	79,381	16,918	3,05,848	16,918	5.53			
24	Uttar Pradesh	42,98,533	0	30,90,630	22,11,35	38,32,845	12,43,868	1,12,22,008	14,65,003	13.05			
25	West Bengal	18,94,295	0	5,67,591	1,55,40	10,32,630	4,22,126	34,94,516	4,37,666	12.52			
26	A & N Islands # \$	6,033	0	0	0	838	84	6,871	84	1.22			
27	Chandigarh \$	0	0	0	0	1,501	975	1,501	975	64.96			
28	Daman & Diu # \$	0	0	0	0	49	114	49	114	232.65			
29	New Delhi # \$	311	0	0	0	4,034	2,579	4,345	2,579	59.36			
30	D & N Haveli @ \$	0	0	0	0	608	508	608	508	83.55			
31	Lakshadweep @ \$	0	0	0	0	706	58	706	58	8.22			
32	Puducherry #	5,867	0	1,158	0	18,497	7,952	25,522	7,952	31.16			
33	Jharkhand ^	37,369	0	4,49,061	94,575	6,21,491	1,64,676	11,07,921	2,59,251	23.40			
34	Chhattisgarh	19,35,533	0	2,57,904	0	1,98,319	87,564	23,91,756	87,564	3.66			
35	Uttarakhand	3,67,072	0	49,027	24,817	2,22,120	87,727	6,38,219	1,12,544	17.63			
	TOTAL	3,92,26,904	23,959	1,23,42,626	137,877	2,25,24,560	76,14,956	7,40,94,090	90,17,692	12.17			
	Operative Cards as % of total card issued	77.22		51.76		26.91&		50.61					
	Smart Cards as % of Operative cards	0.06	11.17				33.81		12.17				

Source: RBI

Note: # SCB functions as CFA

@ No Cooperative Banks in these UTs

\$ No RRB in these States/UTs

^ Out of the total smart cards issued by RRBs in Jharkhand, Jharkhand Gramin Bank had issued 159 cards operated by hand held devices

& Figure pertains to March 2013

2.6 As for the amount of credit flow under KCC is concerned (Table 2.3), it appears that despite a growing share of crop loan (vis-à-vis agricultural term loan) in total agricultural credit, the share of credit flow under KCC in total agricultural credit flow has tended to continuously fall until 2009-10. It had declined from 41.68% in 2001-02 to 15% in 2009-10 but only fractionally edged up to approx. 18% in 2011-12.

Table 2.3: Total Flow of Credit to Agriculture and KCC share during the year
(Amt in Rs. Crore)

Year	Flow of Credit to Agriculture					Credit Flow under KCC				KCC as % of total Agri Credit
	Coop	RRBs	Comm Banks	Other Agencies	Total	Coop	RRBs	Comm Banks	Total	
2000-01	20712	4220	27807	82	52821	9412	1400	5615	16427	31.10
2001-02	23524	4854	33587	80	62045	15952	2382	7524	25858	41.68
2002-03	23636	6070	39774	80	69560	15841	2955	7481	26277	37.78
2003-04	26875	7581	52441	84	86981	9855	2599	9331	21785	25.05
2004-05	31231	12404	81481	193	125309	15597	3833	14756	34186	27.28
2005-06	39404	15223	125477	382	180486	20339	8583	18780	47702	26.43
2006-07	42480	20435	166485	-	229400	13141	7373	19786	40300	17.57
2007-08	48258	25312	181088	-	254658	19991	8743	19900	48634	19.10
2008-09	45966	26765	228951	226	301908	13172	7632	25865	46669	15.46
2009-10	63497	35217	285800	-	384514	7606	10132	39940	57678	15.00
2010-11	78007	44293	345877	114	468291	10719	11468	50438	72625	15.51
2011-12	87963	54450	368616	-	511029	10640	11520	69510	91670	17.94
2012-13	111203	63681	432491	-	607375	11174	12836	NA	-	-
2013-14	119964	82652	509005	-	711621	10825	20689	NA	-	-
2014-15	138469	102483	599691	-	840643	7322	24248	NA	-	-

Source: (i) EPWRF (2014). Agric Credit in India: Trends, Regional Spreads & Database issues, NABARD Occasional Paper No 59 for data from 1998-99 to 2011-12.

Coverage of Farmers by Kisan Credit Cards

What is the actual number of KCC issued?

2.7 As already indicated, the figure of operative/ live KCC at 7.41 crore (Table 2.2/ 2.4) may be considered a little close to the actual number of farmers covered under the KCC Scheme in the absence of any other reliable data on the same. But, it is very difficult to estimate the actual number of agricultural/ rural households covered by the KCC Scheme because of the following factors:

- (i) Banks provide data on number of KCC issued during a particular year but they cannot segregate those accounts into number of farmers got KCC issued for the first time in their life, the number of farmers got issued fresh KCC from this bank but they had availed KCC earlier from some other bank prior to this, the number of existing KCC farmers who just got renewed their KCC accounts, etc.

- (ii) Non-availability of data on number of KCC accounts which were written off by a bank and were not renewed again. It is difficult to estimate as how many of such farmers managed to get KCC from some other banks.
- (iii) There may be some farmers who had earlier got issued KCC from a some bank and did not renew after expiry of the card as they might not be interested to continue with the KCC loan.
- (iv) Some farmers might have got issued KCC from more than one bank, preferably one KCC from cooperative bank and another from either RRB or commercial bank and therefore, actual number of farmers covered under KCC would come down by the number of multiple KCC.
- (v) If the land title has not been transferred in the name of sons, the sons may get Land Possession Certificate (LPC) issued in their respective names and can approach different banks to get KCC loan. There is nothing wrong in it if all sons get KCC loan assessed based on their share in the total land in the family. But even then, this would create discrepancy in terms of number of KCC issued against an operational holding.

Gap between number of agricultural households and number of operative KCC

2.8 The KCC in operation/live as percentage of total number of rural households/land owners as given in Agricultural Census as well as estimated by NSSO is given in Table 2.4.

Table 2.4: Share of operative/ live KCC as % of total Households/ Agric Households

Particulars	Total No operative KCC	Total No of Operational Land Holding*	Est. No of Agril. Households@	Est. No of Agril. Households reporting cultivation of crops @	HH self-employed in agriculture#
	7.41 crore	13.83 crore	9.02 crore	7.80 crore	6.70 crore
Share of operative KCC in no of HH		53.58%	82.15%	95.00%	110.60%

Source: * *Agricultural Census, 2010-11*

NSS KI (70/18.1): Key Indicators of Land and Livestock Holdings in India, December 2014

@ *NSS KI (70/33): Key Indicators of Situation of Agricultural Households in India, December 2014*

2.9 The KCC in operation/live at 7.41 crore as on 31 March 2015 against 13.83 crore operational land holdings (*Agricultural Census 2010-11*) clearly show that a large number of farmers are yet to be covered under KCC scheme.

2.10 However, the KCC in operation at 7.41 crore against the estimated number of agricultural households of 9.02 crore (*Key Indicators of Situation of Agricultural Households in India, NSSO 70th round*) gives a better picture of coverage of farmers under KCC Scheme. Further, NSSO report (para 3.3.2.1, p.16) indicates that about 93 percent of agricultural households in the country possessed some

type of land other than 'homestead land only' and little less than 7 percent possessed only homestead land. Further, NSSO report has also estimated the number of Agricultural Households reporting cultivation of crops at 7.80 crore which means these many agricultural households need KCC loan for crop cultivation. In other words, 95% of the deserving agricultural households have already been issued KCC.

2.11 In this connection, it would be interesting to mention here that the possession of land was an essential condition for defining a person as farmer (farmer household) in 59th round of NSSO Survey. However, an agricultural household as defined in NSS 70th round (*Key Indicators of Situation of Agricultural Households in India*), he may or may not possess agricultural land. In 70th round, households with at least one member self-employed in agriculture either in principal status or subsidiary status and having total value of produce more than Rs. 3000 during last 365 days were only considered as agricultural household.

Reasons for gap between number of agricultural holding and number of operative KCC

Reasons for gap: Banker's perspective

2.12 Interaction with bankers during the field visit in the selected states suggests the following reasons for the gap between the number of agricultural holding and number of operative KCC:

- (i) Despite efforts by banks, there were some farmers who were not willing to avail crop loan through KCC. These farmers either had some source of income other than the farm income (e.g. service, business, etc.) or they were absentee lords.
- (ii) Bankers were found not very keen to finance the farmers who had very small piece of land and depended much on wage labour and didn't have any other source of income. Since most of the small farms were not viable and such farmer also didn't have any other important source of income, bankers avoided extending KCC to such farmers.
- (iii) There were cases where the land was still in the name of father and the sons had divided the land and were operating on it separately. Although farmers were producing the Land Possession Certificates (LPC) as well as the 'Family Tree' certified by the Gram Panchayat/ Revenue Dept., sometimes these certificates were found fake or reported to had been used simultaneously in two banks to get KCC account opened in more than one banks.
- (iv) Sometimes, some small farmers were not able to produce LPC or any other type of document certifying the possession of land by them. Under such circumstances, it became difficult for the banks to extend loan to such farmers.
- (v) Land records/revenue records were not available online, which created problem for banks to verify these records and also there was no facility for on-line creation of charge on the land records.

- (vi) The notion among the farmers was that the debt relief may be announced today or tomorrow. This was resulting in default in repayments. Bankers were of the view that there were no clear cut guidelines on financing to farmers whose accounts became NPA and were settled under OTS Scheme. They felt that the position had deteriorated a little bit as some of the farmers had been reported to have gone to money lenders for their crop cultivation needs also.
- (vii) Farmers having good financial liquidity were not interested in availing KCC loan.
- (viii) Some bankers opined that many farmers were not fully aware about the Scheme and its features and also the pitfalls were not known to them.

Reasons for gap: Farmers' perspective

- 2.13 As many as 255 farmers who had not availed KCC loan from any bank were interviewed to understand the reasons for their exclusion from KCC coverage. The general profile of non-KCC farmers and the reasons for not availing the KCC loan are given in Table 2.5 & 2.6 respectively.
- 2.14 The analysis of profile of the control sample farmers indicated that 17.25 per cent of the farmers not covered under KCC belonged to SC/ST category and this suggests that the banks did not discriminate farmers on social grounds while deciding upon extending the KCC loan. It can also be said that exclusion of farmers from KCC coverage was not specific to any particular community.
- 2.15 It may be observed from table 2.5 that average land holding across total sample was 3.04 acre varying from 0.76 acre in Varanasi district of UP to 8.59 acre in Bathinda district in Punjab. As many as 39 farmers out of 255 non-KCC farmers were found to be owning tractors also.
- 2.16 Quite a good number of non-KCC farmers (127 out of 255) also owned some type of livestock covering cow, buffalo, goat, etc., although in many cases, the income from it was not sufficient to take care of credit requirement for crop production of the farmers.
- 2.17 About 10 per cent of the non-KCC farmers (25) had availed term loan from banks for the purposes like two wheeler, tempo, pump-set, etc. It suggests that they were well aware about the advantages of banking with formal financial institutions, but somehow were averse of availing KCC or were not getting it for some reasons.
- 2.18 It is interesting to note that 111 out of 255 (43.5%) non-KCC farmers showed their unwillingness to avail KCC loan. Major reasons for their unwillingness included, the family head was not staying in the village (20 farmers), some were fully engaged with other family business & had full time job (29 farmers), some were able to manage crop cultivation without loan and were of the view that why to create debt burden, etc.

2.19 The analysis of number of KCC issued/ outstanding vis-à-vis number of agricultural households indicates that the KCC Scheme has made a good progress as far as coverage of farmers is concerned, although it is difficult to estimate the actual gap between the number of households and the number of KCC issued on account of reliable data on both the parameters. Further, quite a good proportion of non-KCC farmers were not very keen to avail KCC on account of various factors viz., their engagement in other income generating activities, their staying away from the native village, etc.

Table 2.5: General Profile of Non-KCC Farmers

	States	Districts	Sample Size	SC/ ST Farmers	Average size of land holding (Ac)	No of families own tractor	Average Family Size	Family go for MNRE-GA/ Wage work	No of Families have income from livestock	No of Families have income from Service / business
1	Assam	Jorhat	20	1	1.06	0	3.9	9	15	4
		Darrang	25	5	2.44	4	4.9	10	13	5
2	Bihar	Gaya	17	6	1.67	0	5.2	4	7	2
		Begusarai	22	5	3.23	2	5.7	2	15	4
3	U. P.	Varanasi / Bijnaur	23	2	0.76	0	8.1	2	12	9
		Moradabad	30	5	1.28	8	6.7	4	21	11
4	Punjab	Kapurthala	23	5	5.41	11	5.9	1	15	7
		Bathinda	17	6	8.59	4	5.8	1	6	8
5	Maha-rashtra	Akola	13	1	6.68	6	6.9	0	2	2
		Sindhudurg	10	1	2.22	0	5.3	1	0	2
6	Karna-taka	Dakshin Kannada	30	2	2.31	2	4.9	3	6	10
		Bellary	25	5	3.70	2	5.1	2	15	3
Total sample/ Average			255	44	3.04	39	5.69	39	127	67
As % of total sample				17.25	-	15.29		15.29	49.80	6.20

Note: 'Bank officials demanded undue favour' was also given as one of choices to the farmers. But none of the farmers had told as the reason for their exclusion from KCC loan.

Table 2.6: Reasons for not availing KCC loan by Control Farmers

Sl	States	Districts	Control Sample	Whether Term loan from Banks	Reasons for Not availing KCC loan						Whether member of SHG/ JLG
					Farmer does not have land title	Very small land holding	Bank re-jected application on some plea	Not interested in KCC loan			
								Ab-sen-tee	Fully engaged with Service/ Business	Misc. other rea-sons	
1	Assam	Jorhat	20	0	4	3	1	3	3	6	4
		Darrang	25	0	5	2	2	6	3	7	5
2	Bihar	Gaya	17	0	7	7	1	1	0	1	1
		Begusarai	22	0	13	4	0	1	2	2	3
3	U. P.	Varanasi / Bijnaur	23	0	4	6	1	2	3	8	0
		Moradabad	30	11	8	7	1	2	5	17	6
4	Punjab	Kapurthala	23	3	1	6	4	1	3	5	0
		Bathinda	17	1	4	5	0	0	2	6	0
5	Maha-rashtra	Akola	13	2	2	2	2	0	2	4	0
		Sindhudurg	10	1	3	4	2	0	1	0	0
6	Karna-taka	Dakshin Kannada	30	5	5	11	4	2	1	7	0
		Bellary	25	2	3	8	2	2	4	6	0
Total			255	25	59	65	20	20	29	62	255
As % of total sample				9.80	23.14	25.49	7.84	7.81	11.37	24.31	100.0

Implementation of Revised KCC Scheme

A. SOCIO-ECONOMIC PROFILE OF FARMERS

3.1 Some important socio-economic features of farm business of the sample farmers (714) are discussed in this chapter. The features covered in this chapter pertain to occupational pattern, literacy level, size of holding, size of family and farm family labour available therein, cropping pattern, cropping intensity, average yield rates & prices of different crops, average per acre gross value of production, cost of cultivation and average per acre net return, etc. All these data relate to the reference year of the study i.e. 2015-16.

3.2 The general profile of KCC farmers is presented in Table - 3.1.

Table- 3.1: General profile of KCC farmers

Sl	States	Districts	Sample HHs	SC/ST farmer/HHs	Avg Age -yrs.	Graduate & Above	Avg No of family members	Avg no of family mem work as farm lbr	No of families work for MN-REGA	HHs as member of SHG/ JLG
1	Assam	Jorhat	54	16	36	3	4.0	1.22	4	8
		Darrang	50	0	41	1	4.7	1.38	15	6
2	Bihar	Gaya	57	8	45	11	6.9	2.6	2	1
		Begusarai	63	3	47	18	6.4	2.2	2	9#
3	U. P.	Var/ Bij	60	0	52	13	6.6	1.08	0	10
		Moradabad	64	6	45	4	6.4	1.14	2	7
4	Punjab	Kapurthala	60	2	55	10	5.5	1.85	2	0
		Bathinda	60	0	53	4	6.3	1.63	0	0
5	Maha	Akola	60	15	45	16	5.5	1.57	18	10
		Sindhudurg	59	1	46	2	5.3	1.29	0	1
6	Kar	Dakshin Kannada	60	0	52	9	4.9	1.60	7	0
		Bellary	67	7	53	5	5.1	1.22	6	0
Total sample			714	58	-	96	-	-	58	52
% of total sample				8.12	48	13.44	5.66	1.56	8.13	7.28

Note: # includes 6 Farmers Club members

1.3 It can be seen from Table 3.1 that farmers belonging to SC/ST community accounted for 8 percent of the total KCC farmers selected for the study. Farmers having education of graduation and above accounted for 13.4 percent of the total sample. The average family size of the sample farmers was 5.66 and the average number of family members engaged in farming came to about 1.56 members. As many as 58 families out of total 714 (8 percent) reported to be going for MNREGA works. Also, 52 KCC farmers reported that at least one of their family members was a member of a SHG or JLG or Farmers Club.

Land Ownership by Sample Farmers

1.4 The land ownership pattern of KCC farmers is presented in Table - 3.2 below.

Table- 3.2: Ownership of Agricultural Land

Sl	States	Districts	Sam- ple size	Avg land holding-Ac		Farmers leased out		Farmers leased in		Farmers owning farm asset	
				Total hold	Irri- gated land	No	Avg area- Ac	No	Avg area- Ac	Tractor	Pump set
1	Assam	Jorhat	54	2.82	0.96	0	0.00	0	0.00	2	19
		Darrang	50	2.32	1.28	0	0.00	1	2.25	5	7
2	Bihar	Gaya	57	3.91	3.04	3	0.67	8	1.36	7	17
		Begusarai	63	5.14	4.15	9	1.23	9	2.2	10	46
3	U. P.	Var/ Bij	60	3.53	3.04	1	3.00	4	1.25	15	38
		Moradabad	64	3.28	2.3	2	1.71	3	1.53	27	50
4	Punjab	Kapurthala	60	10.42	9.23	6	9.75	27	12.5	49	57
		Bathinda	60	8.78	8.25	7	8.36	26	12.98	30	39
5	Maha	Akola	60	6.05	0.5	2	9.00	0	0.00	11	10
		Sindhudurg	59	4.90	1.32	0	0	1	1.0	1	3
6	Kar	Dakshin Kannada	60	4.37	1.58	0	0.00	1	1.72	5	52
		Bellary	67	6.27	4.11	2	4.37	0	0.00	15	28
Total sample/Average (% of total sample)			714	5.21	3.37	32 (4.5%)	3.26	80 (11.2%)	3.07	177 (24.8%)	366 (51.3%)

3.5 The average size of holding across the sample came to 5.21 acres of which about 64 percent was irrigated. About 4.5 percent of sample farmers had leased out some portion or their entire holding on account of their engagement in other occupation service/ business or their absenteeism from the location. As many as 80 farmers (11.2% of the sample) were reported to have leased-in some additional land either to make optimum use of resources available with him or to meet out their consumption needs. Quite a good number of sample farmers (25%) owned tractors. Pump set is another important farm asset which was owned by about 51 per cent of the sample farmers.

Sources of Income: Sample Farmers

3.6 The average income per farmer per annum (Table 3.3) across the total sample came to Rs. 213687 and was varying between Rs. 68180 (Darrang, Assam) to Rs. 585671 (Kapurthala, Punjab). Cultivation (66.7% of total income) was reported as the major source of income of farmers selected for the study. Income from livestock farming accounted for 9.9 per cent of total income of the farmers. Other sources (other than farming, livestock, wage employment, service & Business) accounted for about 11.3 per cent of family income of the farmers. Other sources included self-employment activities viz., remittances from foreign, *Aadatia*, tailoring, etc.

Table- 3.3: Sources of Income of Sample KCC Farmers

Sl	States	Districts	Sample size	Avg In-come per Household	Share of various sources in total income (%)						
					Culti- vation	Live- stock	MN- RE- GA	Oth Wage Income	Sal- ary	Busi- ness	Other Sources
1	Assam	Jorhat	54	80412	70.1	16.8	1.3	0.3	0.0	6.3	5.2
		Darrang	50	68180	58.8	9.6	1.2	0.5	7.5	13.9	8.5
2	Bihar	Gaya	57	148304	62.8	7.5	0.2	2.3	2.1	12.1	13.0
		Begusarai	63	193161	64.6	11.0	0.1	1.2	3.4	5.5	14.2
3	U. P.	Var/ Bij	60	152056	68.2	5.4	0	2.6	2.2	4.1	17.5
		Moradabad	64	201995	68.2	15.4	0	2.4	2	3.6	8.4
4	Punjab	Kapurthala	60	585671	71.4	12.5	0.2	0.2	3.0	3.2	9.5
		Bathinda	60	456388	79.8	11.8	0.0	0.0	3.7	0.4	4.3
5	Maha	Akola	60	138666	66.6	5.1	3.9	5.9	8.7	1.7	8.1
		Sindhudurg	59	150750	69.0	9.4	0	6.9	3.3	5.2	6.2
6	Kar	Dakshin Kannada	60	169628	67.5	5.9	2.0	1.9	6.5	2.4	13.8
		Bellary	67	181627	63.3	8.9	0.7	0.3	5.7	5.6	15.5
Total sample (% of total sample)			714	213687	69.8	9.9	0.8	2.0	4.0	5.2	8.2

B. IMPLEMENTATION ASPECTS OF KISAN CREDIT CARD (KCC) SCHEME

3.7 In the present section, an attempt is made to assess whether the revised Kisan Credit Card Scheme is serving its intended purpose or not. Although the progress in issuance of Kisan Cards has already been discussed in chapter-2 highlighting the year-wise growth as well as agency-wise & state-wise distribution of KCC issued. The overall impression is that a good progress has been made by the banks in the issuance of Kisan cards to the needy farmers. However, some gap between number of agricultural households and number of farmers covered under KCC still exists on account of the reasons as explained in para 2.12 to para 2.19 of chapter-2.

3.8 The revised guidelines on implementation of KCC Scheme was circulated to RRBs and Cooperative Banks by NABARD vide Circular No 71/PCD 04/2011-12 dated 29.03.2012 and to commercial banks by RBI vide circular number RBI/2011-12/553; RPCD.FSD.BC.No.77/05.05.09/2011-12 dated 11 May 2012. The field observations on implementation of various provisions of the revised KCC circular are presented in the following sections.

Awareness of Branch Managers about the Revised KCC Scheme

3.9 A total of 71 bank branches covering 24 branches of 10 commercial banks, 25 branches of 11 RRBs and 22 branches of 11 DCCBs/ Apex Coop banks were covered in the present study. All the Branch Managers were interviewed to get their feedback on implementation of the KCC scheme.

Table- 3.4: Coverage of Bank Branches

Particulars/ Parameter		Assam	Bihar	UP	Punjab	Maha	Kar	Overall
No of Branches (Banks) covered	CBs	4 (3)	4 (2)	4 (2)	4 (2)	4 (3)	4 (1)	24 (10)
	RRBs	4 (1)	5 (2)	4 (2)	4 (2)	4 (2)	4 (2)	25 (11)
	Coop	2 (1)	4 (2)	4 (2)	4 (2)	4 (2)	4 (2)	22 (11)
	Total	10 (5)	13 (6)	12 (6)	12 (6)	12 (7)	12 (5)	71 (32)

3.10 As far as awareness about revised guidelines on KCC (March/ May 2012) is concerned, the following observations are made in this regard:

- (i) All the 71 Branch Managers were aware that validity of KCC is for five years.
- (ii) All the Branch Managers were aware that they had to add 10% and 20% in the KCC limit over and above the crop loan requirement. It was also clear to them that 10% was towards consumption purpose. However, quite a good number of Branch Managers were not clear about the exact use of 20% of limit which had to be extended towards repair and maintenance of farm assets, crop insurance, PAIS and asset insurance. A few of them were found arguing that unless receipt of work done in case of repair was shown to the Branch Manager, amount would not be paid to the farmers. Branch managers were also of the view that most of the small farmers did not own assets like tractor and pump sets which require regular maintenance and therefore extending loan to them towards farm maintenance was of no use and it would not be used for the intended purpose.
- (iii) All the Branch Managers were aware that they had to increase the KCC limit every year by 10 per cent. Although revised guideline had clearly indicated that this 10% increase in KCC limit every year was towards cost escalation/ scale of finance, however, majority of them were not clear whether this 10 per cent increase was to be effected even if there was no upward revision in the scale of finance next year.
- (iv) Majority of Branch Managers (>70%) were also not aware that the KCC limit fixed for a farmer was on the assumption that the farmer would not change his cropping pattern. In case farmer had changed his cropping pattern, his KCC limit had to be re-worked out. In fact, not even a single instance of enhancement of KCC limit on account of change in cropping pattern was observed in the selected branches during the course of the study.

Fixation of Scale of Finance:

3.11 The general approach of fixing the crop-wise Scale of Finance (SOF) in five (Assam, Bihar, UP, Maharashtra, Karnataka) states was found to be the same and was limited to expenditure on cultivation of crops only. Further, SOF in these five states were being prepared for all the districts by District Level Technical Committee (DLTC) convened by District Central Cooperative Bank of the district once in a year.

- 3.12 In Punjab, a single SOF was being prepared for each crop for the entire state and notification was issued by the Registrar, Cooperative Societies (RCS). Further, the SOF included expenditure on the cultivation of crops (Cash & Kind separately), additional 10 per cent of it towards post-harvest/ household/ consumption requirement and additional 20 per cent towards repair and maintenance of farm assets and insurance.
- 3.13 In majority of the districts, SOF was given as a fixed amount for various crops. In some districts (e.g. Gaya & Begusarai in Bihar, Moradabad in UP), SOF was prescribed as a range instead of a fixed amount.

Application for KCC loan & Appraisal by Branch Managers

- 3.14 A total of 32 banks (Comm -10, RRBs -11 & Coop -11) were covered in the present study. All the banks have developed a unique 'application cum appraisal form' for appraisal of KCC loan application keeping in view the specific requirement of the banks. Although some of the features viz., family and land detail of the farmer, were common in the formats of all the banks, most of the other features viz., appraisal format, credit scoring sheets, calculation of farm income & expenditure, guarantor's consent form, mortgage format, sanction note, etc., were varying to a great extent from bank to bank.
- 3.15 Some banks had already re-designed their application cum appraisal format keeping in view the revised KCC guidelines (March/ May 2012) clearly indicating year-wise/ component-wise sub-limits of the KCC limits. However, majority of banks were yet to include calculation sheet for arriving at the KCC limit and year-wise/ component-wise sub-limits. There were few banks (e.g. Bihar Gramin Bank) which had also printed the 'scale of finance' in its KCC application form.

Fixation of Kisan Credit Card Limit

Use of Cropping Pattern & Scale of Finance

- 3.16 'Cropping Pattern' is one of the important determinants for arriving at the KCC limit of the farmer. As observed from the application cum appraisal form of the sample farmers, in 434 cases (61% of the sample), KCC limits were fixed taking into account both Kharif as well as Rabi crops. In rest of the cases, either only kharif crop (35% of the sample) or only Rabi crop (4% of sample) were considered for fixing of KCC limit. It was observed that almost similar type of cropping pattern was shown for majority of the farmers in a particular bank branch which speaks about the non-seriousness in filling up the appraisal form.
- 3.17 Further, the fixation of KCC limit assumes that the cropping pattern adopted by the farmer during the first year would remain unchanged during the next four years. Although KCC guideline allows for change in KCC limit on account of change in cropping pattern, it was observed that no change in KCC limit was effected on account of change in cropping pattern of anyone of the sample farmers.

3.18 'Scale of Finance' (SOF) is another important parameter for the fixation of KCC limit. The SOF was found to have been applied in the majority of the cases of sample farmers, however, the space for the same was found blank in the appraisal form in a few cases irrespective of the type of the agency (commercial banks, RRBs or cooperative banks). In fact hardly any appraisal form of any bank was found complete in all respect. Many farmers interviewed were not aware of the benefits of KCC, such as composite loan facility, annual enhancement, etc., and therefore, farmers were having liberty of fixing the KCC limit as per their choice.

Table- 3.5: Cropping pattern as observed in the application cum appraisal form

Sl	Particulars/ Parameter	Assam	Bihar	UP	Punjab	Maha	Kar	Overall	
	No of Sample Farmers	104	120	124	120	119	127	714	
1	No of farmers whose Cropping pattern in appraisal form shows	Kh+Rb crops	34	120	124	120	36	0	434 (60.8%)
		Only Kh crops	42	0	0	0	83	127	252 (35.3%)
		Only Rb crops	28	0	0	0	0	0	28 (3.9%)
2	Major crops shown in appraisal form	Kh+Rb crops	Kh-Paddy/sali & Rb-Veg	Kh Paddy/tur/ veg & Rb-Wheat/gram/pea/ veg	Kh Paddy/Sugarcane/ mentha & Rb-Wheat/ sugarcane/ potato/ veg	Kh-Paddy/ fodder/ veg & Rb-wheat/ potato	Kh-coconut/ mango/ bamboo/ veg & Rb-Chili /water melon	-	
		Only Kh crops	Paddy/Sali paddy	-	-	-	Soybean / cotton	Chili/ onion/ arecanut / coconut/ pepper	
		Only Rb crops	Potato/tomato/ other veg	-	-	-	-	-	

3.19 In Uttar Pradesh, although DCCBs were preparing the KCC loan limit for five years including crop loan, consumption and maintenance components; the actual disbursement was restricted to multiple times of the share capital deposits of respective PACS with the DCCB (maximum Rs. 1.0 lakh). Further, 75% of the KCC sanctioned were being disbursed as cash component as the remaining 25% as kind component and the farmers were issued two separate cheque books for withdrawing the cash and kind components, separately. The cheque for kind component was required to be deposited with the PACS in lieu of seeds or fertilizers purchased. This practice was defended by the DCCB officials who informed that unless this was ensured the PACS would lose crucial business as around 2.5% of the fertilizer sales proceeds was being credited to the salary

account of PACS Secretaries and conveyance expenses of PACS, in the ratio of 85:15. Further, the Government of UP had issued instructions that all KCC loans for sugarcane cultivation would be disbursed only from Cane Societies and not through DCCBs/PACS. Since number of Cane Societies in certain areas were at distant places, the farmers had to travel a long distance to avail crop loan for sugarcane cultivation. These instructions also facilitated multiple financing of crop loan on the same piece of land.

Verification of Cropping Pattern by Branch Managers

3.20. The Branch Managers (BMs) of financing banks are supposed to visit the farmers' field to ascertain/verify the cropping pattern being followed by them in order to arrive at a reasonable KCC limit. Most of the branch managers opined that due to very high work load in the branches, they hardly get any time to pay a visit to farmers' field to verify the cropping pattern being followed by them. Since they (BMs) had fairly good idea about their area of operation, they normally come to know the genuineness of the claim of the farmers. BMs also try to cross verify the information from other farmers/ account holders of the same village. Some Branch Managers told that they did not make special effort to visit the farmers' field, but whenever they got a chance to visit a village they discussed with the villagers and tried to ascertain the required information. Further, change in cropping pattern was neither reported by the farmer nor ascertained by the bank branches while considering the enhancement in the KCC limit from next year onwards.

Annual Enhancement in KCC Limit

3.21 The revised guidelines on KCC indicates that there has to be annual enhancement of KCC limit by 10 percent to take care of cost escalation/ increase in scale of finance. An attempt was made to see whether the guideline was actually followed at the ground level or not.

Table- 3.6: Pattern in Annual Enhancement of KCC limits of Sample Borrowers

Particulars/ Parameter		Assam	Bihar	UP	Punjab	Maha	Kar	Overall
No of Sample Farmers		104	120	124	120	119	127	714
No of cases where renewal of KCC was done one or two years before or KCC was sanctioned for the first time to the farmer by this branch		76*	49	67	24	41	10	267 (37%)
Number of annual enhancements in KCC limit during last three years	No enhancement	99* (76)	88 (49)	76 (67)	94 (24)	89 (41)	75 (10)	521 (73%)
	Only once	0	26	31	20	11	26	114 (15%)
	Every-year	5	6	17	6	19	26	79 (11%)

Note: (i) In Assam, bank statement of 76 sample farmers was made available for only one year

- 3.22 In as many as 267 (37% of sample), the KCC limit was either renewed during the last two years (so record was not available for earlier years) or the KCC loan was sanctioned to the farmer for the first time by this bank branch. In all these cases, no enhancement in KCC limit was observed even though the KCC was sanctioned two years back. The analysis of bank statement of all the sample farmers (714) indicated that the KCC limit was found to have been enhanced every year only in 79 cases (11% sample) and the limit was enhanced only once in another 114 cases (15% of the sample). In all other 521 cases (73% of sample), no enhancement in credit limit was effected during the last three years.
- 3.23 The reasons for no enhancement of KCC limit of sample farmers as reported by the Branch Managers as well as ascertained from the sample farmers and also visible from the operations of their KCC loan accounts, the irregular repayment performance of the borrower was the major reason for not enhancing the KCC limit of the said borrowers. Non-willingness of both the bankers as well as the farmers to go beyond the KCC limit of Rs. 1.0 lakh if it was close to this amount as both the parties preferred to avoid 'mortgage of land' which is applicable for loan above Rs. 1.0 lakh. Similarly, if loan amount contemplated was close to Rs. 3.0 lakh, both the farmers as well as bankers preferred to restrict it at Rs. 3.0 lakh since interest subvention is available for loan up to Rs. 3.0 lakh.

Provision of 10% of crop loan limit towards post-harvest / household / consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance, PAIS & asset insurance.

- 3.24 The revised guidelines on KCC has suggested to include the above two components in the maximum permissible KCC limit. The practice was observed to be followed by commercial banks and RRBs, to some extent but as an academic exercise only, since in majority of the cases, the exercise of fixation of KCC limit was done just to satisfy the norms laid down in the guidelines. For example, a comparison of KCC limit arrived at by following the usual approach as mentioned in the guidelines (the desired limit) and the actual KCC limit fixed in case of sample farmers in Punjab indicated that there were only 5 out of 120 cases where both the figures were almost same (difference of within Rs. 5000). In other 76 cases, the actual KCC limit fixed was less than the desired limit and in the rest 39 cases, the actual limit fixed was higher than desired KCC limit. In other states too, the observations were on the similar lines. The reasons for the same as gathered from bankers and the borrowers are as under:
- (i) In quite a good number of cases, there was already a consensus between the Branch Manager and the farmer on the amount of KCC limit to be fixed for the said farmer and normally the same amount was being specified by the farmer on the KCC application form. Sometimes the farmers themselves did not want a higher limit than the amount specified by him and in other cases, it was the branch managers who informally conveyed to the borrower about their unwillingness to fix the KCC limit beyond a certain amount. The same was observed from the application cum appraisal forms where it

was clearly visible that the quantum of land offered for KCC, the cropping pattern indicated therein, and the scale of finance for the crops specified were written in a very causal manner or some of the items were not even recorded/ missing in the appraisal form.

- (ii) As already indicated in para 3.22, sometimes the exercise of calculating the KCC limits turns out to be futile when a cap of Rs. 1.0 lakh is put to avoid land mortgage or a cap of Rs. 3.0 lakh is imposed by the farmers themselves due to non-availability of interest subvention beyond this amount. Another issue with the land mortgage was that banks were mortgaging the entire land offered by the farmer for KCC loan irrespective of the value of the mortgaged land. Banks should take into the account the value of land vis-à-vis the quantum of security/ collateral required to secure the loan (over and above Rs. 1.0 lakh). Therefore, some farmers were hesitant to avail KCC loan beyond Rs. 1.0 lakh.
- (iii) Since the components of consumption & asset maintenance were not eligible for interest subvention and were fetching higher rate of interest as compared to crop loan component, these components were required to be shown by the banks either in a separate account or as a sub-limit of KCC limit. However, the same was not being practiced by the bankers. The bankers opined that since the CBS platform used by various banks (banks visited by the study team) did not have the option of sub-limit within the overall KCC limit, it was not possible for them to keep separate records online for crop loan component and consumption cum asset maintenance component. Therefore, the KCC limit sanctioned to the farmers was either exclusive crop loan limits (if other two components were not considered/ sanctioned) or a cumulative of crop loan plus consumption plus asset maintenance and the entire amount was shown as 'crop loan component'.
- (iv) Non-satisfactory recovery of loans was also observed to be one of the major reasons for not sanctioning KCC beyond a limit. In UP, State Government had issued a notification that if land was required to be sold by the banks for recovery of dues, the farmer should be left with a minimum land parcel of 3.15 acre. However, since majority of farmers in the state were marginal and small farmers, banks could not get the required permission from the *Tehsildar* to sell the land of the farmers to recover their dues.

Season-wise sub limit

3.25 Season-wise crop loan limit was being fixed by the cooperative banks (Table 3.6) in all the states selected for the study. This was normally done because of resource crunch at the DCCB level as also to ensure better recovery of dues from the farmers. Although some commercial banks & RRBs in UP and Assam had also indicated the season-wise crop loan limits in the KCC loan application cum appraisal forms, the same was not being practiced in operations. In fact, the DCCBs in Bihar were not allowing farmers to withdraw entire limit at a time.

Personal Accident Insurance Scheme (PAIS)

3.26 It was reported by the bank branches visited in Assam, Bihar, UP and Punjab states that they had covered almost all the loanee borrowers under PAIS, but sometimes they forgot to debit the premium in case of non-regular borrowers who didn't visit banks for long. In Maharashtra, farmers were being covered under PAIS by Vidharbha Konkan Gramin Bank (VKGB) and Bank of India but the Central Bank of India (CBI) the DCCBs were not covering their farmers under the PAIS. In case of Karnataka also, all the banks were implementing PAIS Scheme except the DCCBs. Although Branch Managers of DCCB in Karnataka state told the study team that it was being implemented by them but the study team could not ascertain the same from the loan ledgers of the farmers as whether premium towards PAIS was debited or not. In fact, the practice of debiting the premium towards PAIS varies from bank to bank and most of the time from branch manager to branch manager also. Although, instructions/ circulars were there from the controlling offices, all the Branch Managers didn't act in a similar fashion due to their ignorance or some other reason.

Table 3.7: Observations on Seasonality, PAIS and Crop Insurance

Sl	Particulars/ Parameter	Assam	Bihar	UP	Punjab	Maha	Kar
1	Season-wise KCC limit	ACAB in both distt; SBI Darrang & UBI Jorhat	Only DCCBs	DCCBs, Syndicate Bank, Union Bank &KGSGB	Only DCCBs	Only DCCBs	Only DCCBs
2	Coverage of farmers under PAIS	All farmers	In majority of the cases	In majority of the cases	All farmers	Except Central Bank & DCCBs	Not in DCCBs
3	Coverage of farmers under Crop Insurance (CI) scheme	Except PNB, Mangldoi & ACAB in Darrang Br	All farmers except few	All farmers except a Prathama & Syndicate bank in Moradabad	No crop insurance	CI in a few cases by VKGB & CBI but not by BOI in Akola	No CI in D. Kannada distt & most of the banks in Bellary

Crop Insurance Scheme

3.27 The crop insurance scheme is being implemented in all the states covered in the present study except Punjab. Since Crop Insurance is a matter of solicitation, therefore, bankers cannot insist too much to farmers to avail the crop loan. However, it was observed that many illiterate farmers didn't have knowledge about the PAIS and crop insurance scheme. In fact, most of the time, the bankers debit the premium amount towards PAIS and crop insurance without the knowledge of the farmers.

3.28 In Assam, most of the farmers were not covered under the crop insurance scheme by the Mangaldoi branch of PNB and Darrang branch of Assam Coop Apex Bank (except in a few cases). In Jorhat district, WBCIS was issued in cases where the bank was allowing crop insurance, although no indication of crop insurance could be

noticed from the loan ledgers of the selected farmers. According to the bankers, the premium was debited from their savings accounts. The other banks are doing it but not in all cases.

- 3.29 In Bihar too, although all banks were implanting the crop insurance scheme, but the bank statements indicated that many a times premium was not debited to the farmers' account. In UP, the crop insurance scheme was in operation except in case of Prathama Bank (RRB) & Syndicate bank in Moradabad district. The banks indicated that farmers were not very keen to go for crop insurance since claim settlement was very tardy. As reported, Reliance was the Insurance provider for Sambhal & Amroha in Moradabad district, which used to return the insurance premium if the same does not reach to it by 30 June (Kharif) & 31 Dec (Rabi), despite the issue having been taken up by DLRC.
- 3.30 Punjab and Arunachal Pradesh are the two states who are not implementing the crop insurance scheme. It is learnt from the newspapers that Punjab is also not very happy with the recently announced 'Pradhan Mantri Fasal Bima Yojana' (PMFBY) which is hailed as one of the most farmer-friendly crop insurance scheme. The PMFBY provides an indemnity level of 90 per cent whereas the average loss of major crops, wheat and paddy in Punjab is estimated between two per cent and three per cent and therefore, the farmers of Punjab would not benefit from this scheme. As per a report (Business Standard, 06 Feb 2016), in a written submission to the Union ministry of agriculture, the state has sought the indemnity level to be raised to 95 per cent and the insurance premium to be scaled down to one per cent from the present level of 2% (kharif) and 1.5% (Rabi). The state demands that the insurance scheme should cover the produce lying in market yards, waiting to be bought by agencies.
- 3.31 In the state of Maharashtra, the crop insurance is being implemented by different banks in different magnitude. For example, Vidharbha Konkan Gramin Bank (VKGB) & Central Bank of India were doing crop insurance in Akola and Sidhudurg but in a varying magnitude. The scrutiny of bank statement of farmers financed by Bank of India indicated that they had not debited the KCC loan towards crop insurance premium.
- 3.32 In Bellary district of Karnataka state, Branch Managers informed that they had collected the premium from farmers in respect of notified crops and forwarded the same to the concerned Insurance Company. However, the farmers visited/ interacted had not grown the notified crop and hence had not paid insurance premium. However, the DCCBs (PACS) visited had neither collected the premium nor sent any amount to the Insurance Company, as farmers had not shown any interest towards the same and opposed the collection of premium. In Dakshin Kannada district, none of the banks visited were reported to be implementing the crop insurance scheme.
- 3.33. Many bankers indicated that it became very difficult as which crop was to be insured since only a few crops were notified for crop insurance. So there was a conflict of interest between the bankers and the borrowers. The borrowers

wanted to show high value crops in their cropping pattern to get sanctioned a higher KCC loan limit irrespective of the crops being grown by them and the bankers too oblige some farmers keeping in view the credit worthiness of those farmers. However, when it came to the claiming the crop insurance, the same had a problem.

Quantum of KCC loan

3.34 A huge difference in the quantum of KCC limit sanctioned to farmers across the sample states was observed. The minimum amount of KCC loan was varying from Rs. 5,000 in Bihar to Rs. 25,000 in Karnataka and the maximum amount sanctioned was ranging between Rs. 82,600 in Assam to Rs. 25.0 lakh in Punjab in case of sample borrowers.

Table- 3.8: Pattern in Sanctioned Amount under KCC to Sample Borrowers

Particulars/ Parameter		Assam	Bihar	UP	Punjab	Maha	Kar	Overall
No of Sample Farmers		104	120	124	120	119	127	714
Avg loan sanctioned per farmer (Rs.)		38,618	78,681	1,14,887	4,83,406	1,08,008	1,58,491	1,66,320
Minimum sanctioned amount (Rs.)		13,000	5,000	15,000	20,000	15,000	25,000	-
Maximum sanctioned amount (Rs.)		82,600	3,00,000	3,00,000	25,00,000	17,00,000	7,30,000	-
No of cas- es having sanctioned amount during 2015-16	Up to Rs. 1.0 lakh	104	88	81	14	110	58	455 (63.7%)
	Rs. 1.0 -3.0 lakh	0	32	43	48	7	63	193 (27.1%)
	More than Rs. 3.0 lakh	0	0	0	58	2	6	66 (9.2%)
Avg amt of loan & avg size of holding of the Farmers who were sanctioned KCC > Rs. 3.0 lakh					Rs. 9,11,038 (13.67 acre)	Rs. 10,05,000 (27.4 acre)	Rs. 5,74,167 (6.99 acre)	Rs. 8,83,864 (13.4 acre)

3.35 The maximum KCC limit sanctioned to a borrower by a cooperative bank was found to be quite high in Punjab, Maharashtra and Karnataka states. The highest loan limit in case of sample farmers was Rs. 17,00,000 by Malvan branch of DCCB, Sindhudurg followed by Rs. 4,71,900 by Jalal branch of DCCB, Bathinda, Punjab; Rs. 3,51,000 by DCCB, Kapoorthala, Punjab; Rs. 3,10,000 by DCCB, Akola, Maharashtra, Rs. 3,58,000 by DCCB, Dakshin Kannada and Rs. 2,90,000 by DCCB, Bellary.

3.36 In Assam, Bihar and Uttar Pradesh, the story was just opposite to that observed in other three states. The maximum KCC limit fixed to any farmer was Rs. 3.0 lakh (Uttar Pradesh). The comparison of loan amount assessed during the appraisal and the actual loan disbursed to the farmer indicated a huge difference between the two. For example, the KCC loan assessed in case of (A/c No 001671000000461)

was Rs. 3.89 lakh but the loan outstanding never went beyond Rs. 70,244. Similarly, KCC loan assessed in case of (A/c No 001621000001599) was Rs. 5.84 lakh but the loan outstanding never went beyond Rs. 99,900. In Uttar Pradesh, cooperative banks disbursed 75% of credit limit as cash and the remaining 25% as kind towards fertilizer, seed, etc. In Bihar, Begusarai DCCB provided the KCC loan maximum of Rs. 50,000 per farmer (circular No 198 dated 18.03.2016). Similarly, Magadh DCCB was providing maximum KCC loan of Rs. 82,500 to a farmer having 5.0 acre of land. In Assam, the maximum loan amount to a farmer was found to be Rs. 82,600.

3.37 In fact, it was reported by the officials of some banks as well as the farmers interviewed that HDFC Bank was providing KCC as per the valuation of land ignoring the Scale of Finance. The HDFC Bank has Agri Business Centre/branch at Rudrapur, Uttarakhand and Bareilly, UP. Since the land value is very high in Moradabad and Bijnore, the KCC sanctioned is much higher than what they would get from Public Sector CBs, RRBs or DCCBs, who apply SOF for calculation of KCC, and also the repayment capacity of farmers.

Collateral Security

3.38 As suggested in the revised KCC guidelines, no collateral security was being forced by the banks for KCC limit up to Rs. 1.0 lakh as reported by the sample farmers. However, the banks were insisting land mortgage for KCC limits above Rs. 1.0 lakh in all the states. There were a few cases where land mortgage or other types of collateral were not taken for KCC loans above Rs. 1.0 lakh (but not in cases where loan amount was quite high). It was observed that banks were mortgaging entire land which were recorded in the Land Possession Certificate (LPC) or offered by the farmer for KCC loan and these were found to be very high as compared to the quantum of loan. This practice was very common in almost all the banks. Banks should mortgage only that much quantity of land value of which should be able to cover the loan amount.

3.39 There were some other issues pertaining to the land records too. In the state of Bihar, Maharashtra and Uttar Pradesh, delay was observed in updating the *Khatauni* (the register of all households cultivating or otherwise occupying land in a village as prescribed according to the State Land Revenue Rules). It is a document prepared as part of record-of-rights but not always done on real time basis on '*Bhulekh*' (the online Land Record system for Uttar Pradesh, being implemented under the National Land Records Modernization Programme). Accordingly, there are instances of mismatch between the physical records and online records, since the mutation on transfer of property, which should officially be done within 35 days, normally takes two to three months. The manual *khatauni* is maintained by the *lekhpal* and land registration is done by the tehsil office, which takes about two months. Then the details are forwarded to the Revenue Department, once in 15 days, which undertakes online registration. Therefore, if a farmer sells a parcel of land immediately prior to applying for KCC, it becomes difficult for the bank to ascertain the accurate record of rights. Therefore, in all

cases, banks in the district/State, appoint advocates to do a thorough search. The charges of Rs. 600/- to Rs. 700/- (at the time of loan renewal, the charges are Rs. 200/-), are loaded on to the farmers, who protest the additional charges levied by the bank. Similarly, the same is also true with the availability of 'Khasra' (detail of all the fields with its measurement, name of owners, crops being cultivated on it) which should normally be provided by the *Lekhpal* free of cost.

Composite Loan

3.40 The KGSGB indicated that they were not in a position to provide composite loan under KCC since there were instructions to the contrary. The Karnadandi branch of KGSGB indicated that they were required to open separate accounts for crop loan, tractor financing, dairy, etc., as the Finnacle CBS software does not allow interest calculation separately for crop loan and ATL, i.e., at different rates of interest. These observations were made by UBI, Prathama Bank and Syndicate Bank also.

Rate of Interest

3.41 The ultimate rate of interest charged by banks to KCC farmers for loan up to Rs. 3.0 lakh was governed by government policy of interest subvention and incentives for prompt repayment. As of now, Government of India is providing 2 per cent interest subvention to banks to enable them to provide KCC loan to farmers at 7 per cent. In addition to subvention, GOI also provides an incentive of 3% to farmers who repay their loan promptly i.e. within the due date. Some State Governments provide an additional subvention to banks and incentive to farmers in addition to what GOI is providing. The additional interest subvention and additional incentives given by state governments, if any, is presented in Table 3.9.

Table- 3.9: The present rate of Interest Subvention and Incentives being offered by GOI & State Governments

Sr. No.	State	Loan Amt	Interest Subvention (%)			Incentive for prompt repayment (%)			Total subvention and incentives (6 + 9)	Rate of interest to prompt payee farmer
			State Govt	GoI	Total	State Govt	GoI	Total		
1	2	3	4	5	6	7	8	9	10	11
1	Assam \$	Upto Rs.1 lakh	-	2	2	-	3	3	5	4
		1-3 Lakhs	-	2	2	-	3	3	5	4
2	Bihar	Upto Rs.1 lakh	-	2	2	-	3	3	5	4
		1-3 Lakhs	-	2	2	-	3	3	5	4
3	Karnataka Cooperative	Upto Rs.1 lakh	-	2	2	4	3	7	9	0
		1-3 Lakhs	-	2	2	4	3	7	9	0
	Karnataka RRB & Comm Banks	Upto Rs.1 lakh	-	2	2	1	3	4	6	3
		1-3 Lakhs		2	2	-	3	3	5	4

Sr. No.	State	Loan Amt	Interest Subvention (%)			Incentive for prompt repayment (%)			Total subvention and incentives (6 + 9)	Rate of interest to prompt payee farmer
			State Govt	GoI	Total	State Govt	GoI	Total		
1	2	3	4	5	6	7	8	9	10	11
4	Maharashtra Cooperative	Upto Rs.1 lakh	2.5	2	4.5	3	3	6	10.5	0
		1-3 Lakhs	2.5	2	4.5	2	3	5	9.5	0
	Maharashtra RRB & Comm Bank	Upto Rs.1 lakh	1	2	3	3	3	6	9	0
		1-3 Lakhs	1	2	3	2	3	5	8	1
5	Punjab	Upto Rs.1 lakh	-	2	2	-	3	3	5	4
		1-3 Lakhs	-	2	2	-	3	3	5	4
6	Uttar Pradesh	Upto Rs.1 lakh	1	2	3	-	3	3	6	3
		1-3 Lakhs	1	2	3	-	3	3	6	3

Source: Department of Refinance, NABARD

Note: \$ Govt of Assam provides interest subvention upto crop loan of Rs.35000.

3.42 The rate of interest on KCC loans above Rs. 3.0 lakh and agricultural term loan by the banks covered in the present study is presented in Table 3.10. It is observed from the Table that there was not much difference in the interest rate between KCC loan above Rs. 3.0 lakh and term loan for agriculture & allied activities. However, the comparison of interest rates presented in table 3.9 & 3.10 indicates that there was a very large gap in the interest rate being charged on KCC loan up to Rs. 3.0 lakh and all other loan components. Therefore, the farmer's choice of restricting KCC loan to Rs. 3.0 lakh even if a slightly higher amount was required, can be understood.

Charges Levied by Banks on KCC Accounts

3.43 The revised KCC circulars by NABARD (Circular No. 71/PCD 04/2011-12 dated 29 March 2012 to RRBs & Cooperative Banks Commercial Banks and Circular No. 97/PCD 10/2012 dated 20 April 2012 to Commercial Banks) suggested that no processing fee should be charged for loan upto Rs. 3.0 lakh. However, NABARD again modified the instruction on this issue vide circular No. NB 228/PCD-25/2012 dated 13 Sept 2012 and suggested that the processing fee may be decided by the respective bank. The most common types of charges levied by the banks were annual charges, inspection charges, processing charges, ledger folio charges, cash handling charges, ATM issue charges, Miscellaneous charges, SMS charges, etc. These charges were found to be varying from bank to bank, even branch to branch of the same bank. However, these charges are not very high and account for less than one percent of total loan disbursed during the year.

Table- 3.10: The rate of Interest on KCC loans above Rs. 3.0 lakh and agricultural term loan

Particulars/ Parameter		Assam	Bihar	UP	Punjab	Maha	Kar
Int rate (%) on KCC loan above Rs 3.0 lakh	Commercial Banks	7	11.6	9.0	11.15-12.1	12	10.7
	RRBs	7	11.0-13.0	13.5	12.5-13.5	12.0-13.5	12.5
	Coop Banks	7	NA	10.7	10.5	9.5	12.0
Agricultural Term Loan (%) up to Rs.3.0 lakh	Commercial Banks	11.0-13.0	11.0-12.1	10.7	11.15-12.1	12	10.7
	RRBs	9.65-9.9	11.2-13.0	12.5-13.0	12.75-13.5	13.0-14.0	12.5
	Coop Banks	12.5	NA	10.7	11.5-13.5	13-13.5	NA
Agricultural Term Loan (%) above Rs.3.0 lakh	Commercial Banks	11.4-13.1		10.45-12.4	11.15-12.1	12	10.7
	RRBs	11.0	12.5-13.0	13.0	12.75-13.5	13.0-14.0	12.5
	Coop Banks	12.5	NA	10.7	11.5-13.5	13-13.5	NA

Number of Kisan Credit Cards with a Farmer

3.44 During the field visit, it was gathered that some of the farmers had taken KCC from more than one banks, normally one from cooperative banks and the other from either a commercial bank or a regional rural bank. As such there is nothing wrong in it since these farmers have offered a portion of their total land to one bank and the other portion to the other bank. Such farmers, despite average loan sanctioned by cooperative banks being quite less, still preferred to have KCC from cooperative Bank just to get good quality fertilizer and seed, etc. However, the farmers were reluctant in revealing their availment of KCC loan from multiple sources. For example, 4 farmers having KCC with Sherghati branch of Magadha DCCB, Bihar indicated that they had KCC from some other banks too -Mr. Manoj Kumar (A/C 00515008000599) with MBGM, Karanauli branch; Mr. Shailesh Kr Sinha (A/c 000515008000997) with Bank of Baroda; Mr. Dilip Kumar (A/c 000515008100277) with Bank of Baroda; Mr. Khairat Ahmad also with Bank of Baroda.

3.45 Some farmers in Moradabad and Bijnore districts of UP who had large farm holdings, were also having more than one KCC. For example, Ashok Kumar, (DCCB, Surjannagar) who had 9 acres was eligible for loan of Rs. 4.5 lakh, but since there was no interest subvention beyond Rs. 3 lakh, he had availed two KCCs, one from HDFC Bank, Kashipur branch and another KCC from DCCB Moradabad. In fact, the farmer indicated that the private bank disbursed the loan in less than a fortnight whereas the DCCB took about six months, and imposed additional conditionality of cash and kind component, and fixed the repayment date as 30 June. Similarly, Naubhar Singh also had two KCCs, for his 9 acre landholding, Rs. 3.00 lakh from Prathama Bank & Rs. 0.50 lakh from DCCB Moradabad.

Ever Greening of accounts

3.46 In some of the KCC accounts, the repayment of earlier loan by the farmer and the disbursement of the new loan was found to had been done either on the same day or within a gap of one or two days and both the amounts were almost same in majority of the cases, clearly indicating the case of book adjustments. Although such cases were noticed in almost all the banks in all the states, but the number of such cases were not many. A few examples of repayment and withdrawal of KCC loan on the same day is given below:

Table- 3.11: Ever greening of Accounts

Name of Farmer/ Bank	Date of repayment by farmer/ disbursement of loan	Amount transferred (Rs.)
Bihar Gramin Bank, Cheria Bazar, Begusarai, A/C No. 3808050000360	27.03.2015 By Cash	1,07,000
	27.03.2015 To Cash	1,00,000
PNB, Rahatpur, Begusarai, Bihar	14.12.2015 By Cash	54,000
	14.12.2015 To Cash	50,000
State Bank of Patiala, Kapurthala, Punjab A/c no: 65224659218	28.05.2015 By Cash	3,10,000
	28.05.2015 Cash Withdrawal	3,00,000
Assam Gramin Vikas Bank, Assam A/C No. 7071250004312	07.03.2015 By Cash	48,000
	07.03.2015 Cash Withdrawal	25040
Central Bank of India, Gandhigram, Akola, A/c No. 2381458111	27.03.2014 By Cash	68,208
	27.03.2014 To TRF	1,49,000
	07.03.2015 By Cash	1,58,000
	07.03.2015 To TRF	1,64,000
Syndicate Bank, Kanth, Moradabad A/C No. 85922200064341	11.10.2014 By Cash	70,000
	11.10.2014 To Self	70,000

Impact of KCC on Farm Income

3.47. A comparison of farm income between KCC holders and Non-KCC farmers was made to assess the impact of KCC financing on the income of loanee farmers (Table 3.12). The assessment of farm income was made for the agricultural year 2015-16. The agricultural years 2014-15 and 2015-16 were not a normal year due to deficient rainfall for two years back to back. The monsoon rainfall, between June and September, was 14% below normal in 2015-16 and 12% deficient in 2014-15. As far as growth of agriculture sector is concerned, the agriculture sector was estimated to grow 1.2% in 2015-16, better than the (-) 0.25% seen in the previous fiscal (NITI Aayog in Economics times 31 Mar 2016).

3.48 It may be observed from Table 3.12 that agricultural income was higher on KCC holder's farm as compared to that on non-KCC holders, in varying amount. It may be concluded that the KCC scheme has certainly benefitted to agriculturists albeit in varying magnitude to different people depending upon the availability and quality of land resources and the capacity of the farmer to manage these

resources. The average gain per acre on KCC loanee' farm over non-loanee' farm on account of financing through KCC comes to Rs. 5463 with minimum gain of Rs. 858 in Akola district of Maharashtra and maximum of Rs. 13657 in Moradabad district of Uttar Pradesh.

Table- 3.12: Contribution of KCC loan in Increasing Net Farm Income

(Amount in Rs.)

Sl	States	Districts	KCC Holders					Non-KCC holders				In-crease in net farm in-come per acre due to KCC
			Sam-ple (No.)	Avg loan per farmer	Avg net farm In-come per House-hold	Avg size of hold-ing (acre)	Avg net farm Income per acre	Sam-ple (No.)	Avg size of hold-ing (acre)	Avg net farm Income per House-hold	Avg net farm Income per acre	
1	Assam	Jorhat	54	34994	56369	2.82	19989	20	1.06	15387	14516	5473
		Darrang	50	42532	40090	2.32	17280	25	2.44	37976	15564	1716
2	Bihar	Gaya	57	68900	93135	3.91	23820	17	1.67	36059	21592	2228
		Begusarai	63	87530	124782	5.14	24277	22	3.23	64203	19877	4400
3	U. P.	Var/ Bij	60	102234	103702	3.53	29377	23	0.76	16988	22353	7024
		Moradabad	64	126750	137661	3.28	41970	30	1.28	32389	25264	13657
4	Pun-jab	Kapurthala	60	512518	418185	10.42	40133	23	5.41	168782	32396	5319
		Bathinda	60	454293	364198	8.78	41480	17	8.59	270118	29871	11609
5	Maha	Akola	60	82236	92352	6.05	15265	13	6.68	96239	14407	858
		Sindhudurg	59	134668	104018	4.9	21228	10	2.22	36803	16578	4650
6	Kar	Dakshin Kannada	60	169980	114329	4.37	26162	30	2.31	51411	22256	3906
		Bellary	67	148202	114880	6.27	18322	25	3.70	61250	16554	1609
Total sample (of total sample)			714	166275	149060	5.21	26809	255	3.04	69850	21346	5463

3.49 The net gain to KCC holders (over non-KCC holders) after paying the interest amount accrued on the loan availed from banks is analyzed and presented in Table 3.13. The financing of crop loan through KCC mode even without interest subvention (i.e. 9%t interest) had contributed to the farm income of KCC farmers (net of interest burden) over non-KCC farmers to the extent of Rs 2591 over total sample. Although income net of interest burden was as high as Rs. 13188 per acre in Moradabad district, the farmers of Akola (net income minus 366/ acre) and Bellary (net income minus 359/ acre) were not able to liquidate interest burden of KCC. However, with the support of 2% interest subvention to banks and 3% rebate on prompt repayment, all the farmers including those of Akola and Bellary were able to generate some gain over non-KCC farmers. The average gain on KCC farms over non-KCC farms was estimated at Rs. 2974/ acre when 2% interest subvention was taken into account and a gain of Rs. 3548/ acre when calculation was made assuming all farmers will be repaying their dues within the stipulated time period (prompt repayment).

Table- 3.13: Benefit from KCC Loan net of Interest Burden to the Farmers

Sl	State	District	Average loan per acre	Annual interest burden per acre per annum			In-crease in farm income per acre due to KCC	Gain per acre per annum net of interest		
				9% #	7% on portion eligible for IS & 9% on rest amt	4% on portion eligible for IS & 9% on rest amt		9% #	7% on portion eligible for IS & 9% on rest amt	4% on portion eligible for IS & 9% on rest amt
1	Assam	Jorhat	12409	1117	869	496	5473	4356	4604	4977
		Darrang	18333	1650	1283	733	1716	66	433	983
2	Bihar	Gaya	17621	1586	1233	705	2228	642	994	1523
		Begusarai	17029	1533	1192	681	4400	2867	3208	3718
3	U. P.	Var/ Bij	28961	2606	2027	1158	7024	4418	4997	5866
		Moradabad	38643	3478	2705	1546	13657	13188	13961	15120
4	Punjab	Kapurthala	49186	4427	4222	3916	5319	4508	4712	5019
		Bathinda	51742	4657	4293	3747	11609	5378	5742	6287
5	Maha	Akola	13593	1223	952	544	858	-366	-94	314
		Sindhudurg	27483	2473	2063	1447	4650	2177	2587	3203
6	Kar	Dakshin Kannada	38897	3501	2917	2041	3906	406	989	1865
		Bellary	23637	2127	1697	1053	1609	-359	71	716
Total sample			31923	2872	2489	1915	5463	2591	2974	3548

Note: # since 2% subvention is given to banks so that they lend at 7% to the farmers, it is assumed that banks would be lending to farmers at 9% in absence of interest subvention scheme.

Table- 3.14: Apportionment of KCC loans towards amount not eligible for Interest subvention

Sl	State	District	No of Sample HHs			Avg land holding (acre)			Average amount of loan per Farmer (Rs.)		
			Dis-trict total	HHs issued loan less than Rs. 3.0 lakh	HHs issued loan more than Rs. 3.0 lakh	Dis-trict total	HHs issued loan less than Rs. 3.0 lakh	HHs issued loan more than Rs. 3.0 lakh	District total	HHs issued loan < Rs. 3.0 lakh	HHs issued loan > Rs. 3.0 lakh
1	Punjab	Ka-purthala	60	24	36	10.42	5.38	13.78	512518	266162	676756
2		Bathinda	60	38	22	8.78	6.05	13.49	454293	252121	803500
3	Maha	Sindhu-durg	59	57	2	4.9	4.11	27.4	134668	104130	1005000
4	Kar	D. Kan-nada	60	55	5	4.37	4.33	4.86	169980	139160	509000
5		Bellary	67	66	1	6.27	6.11	17.66	148202	136811	900000

- 3.50 It can also be concluded that Interest Subvention as well as incentives for prompt repayment have positive impact on the agricultural income of farmers covered under KCC scheme.
- 3.51 A total of 66 sample farmers in five districts viz., Kapurthala and Bathinda in Punjab, Sindhudurg in Maharashtra & Dakshin Kannada & Bellary in Karnataka were issued KCC loan of more than Rs. 3.0 lakh. The KCC limit sanctioned to these farmers was divided in to the amount eligible for interest subvention (Rs. 3.0 lakh attracting 7% interest rate) and amount excess of Rs. 3.0 lakh attracting 9% interest amount. The weighted average annual interest burden on farmers in case of these districts was arrived at by applying suitable interest rates on the proportionate amount falling under various interest slabs.
- 3.52 It is evident from the table (3.10) that if farmers avail the KCC loan and repay in time, they would not be incurring any loss from cultivation of agricultural land although the conditions may vary from farmer to farmer. However, the farmers in Akola and Bellary districts appeared not to even have covered their interest burden this year (2015-16), probably, on account of drought conditions in these two districts.
- 3.53 The overall impression from the analysis of implementation of KCC scheme is that the KCC scheme has benefitted the farmers and they are able to generate profit, although in varying quantities. There may be some issues relating to the implementation of the scheme in light of the revised guidelines but those deviations (not being adhered to either by the banks or by the farmers), do not seem to be affecting the prospects of farmers getting the KCC loans from the bank and making the best use of it for crop cultivation. Similarly, the Interest Subvention as well as incentives for prompt repayment too have positive impacts on the agricultural income of farmers covered under KCC scheme.

Issuance of ATM/ RuPay Debit cards

- 4.1 The revised guideline of KCC dtd 29 March 2012 suggested the withdrawal through ATM/ debit cards & operations through PoS available with sugar mills/ input dealers as some of the options for withdrawal of KCC loan sanctioned to a farmer. Further, in a meeting of Union Finance Minister with Bankers on 15 November 2012, it was decided to convert all old KCCs into ATM-cum-Debit/ RuPay Cards by June 2013 and thereafter, number of initiatives were made to expedite the process of issuance of ATM/ debit cards by the banks. While reviewing the progress of the KCC scheme on 15 Nov 2015, the Ministry of Finance, Department of Financial Services, GOI had observed that the implementation of the scheme among cooperative banks and RRBs was not very satisfactory.
- 4.2 NABARD vide circular No 115/ DoR-35/2013 dated 16 May 2013 had advised the controlling offices of the banks to issue the instructions to all the branches for converting all KCCs into ATM-cum-Debit/RuPay Cards immediately. It was also suggested that the implementation of the scheme may also be monitored at Senior Management level at Head office of the banks on Weekly basis and also the progress in this regard may be placed before the respective boards regularly. NABARD once again vide circular No 159/ DoR /2013 dated 24 July 2013 reiterated that all the branches to convert their KCCs into ATM-cum-Debit/RuPay Cards latest by 31 August 2013. It may be mentioned here that GIZ – NABARD Rural Financial Institutions Programme in Cooperation with NPCI had prepared a 'Reference Guide for On-boarding 'RuPay Kisan Card' and 'RuPay Debit Cards' for the benefit of the banks, which is readily available with all the banks.

I. Role of NPCI in Promoting RuPay Cards:

- 4.3 National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments system in India. It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA). During the last five years, the transactions have grown multi-fold from 2 million a day to 20 million now. From a single service of switching of inter-bank ATM transactions, the range of services have grown to Cheque Clearing, Immediate Payments Service (24 x 365), Automated Clearing House, Electronic Benefit Transfer and a domestic card payment network named RuPay to provide an alternative to international card schemes. As on end-October 2015 over 220 Million Indians own RuPay cards.
- 4.4 RuPay, a new card payment scheme launched by the National Payments Corporation of India (NPCI), has been conceived to offer a domestic, open-loop, multilateral system which allows all Indian banks and financial institutions in India to participate in electronic payments. The RuPay debit card is conceived to have the following benefits:
- (i) Since the transaction processing happens domestically, it leads to lower cost of clearing and settlement for each transaction. This makes the transaction cost affordable and drives usage of cards in the industry.

- (ii) RuPay, being a domestic initiatives, it offers development of customized product and service for Indian consumers.
- (iii) Transaction and customer data related to RuPay card transactions will reside in India.
- (iv) There are under-penetrated/untapped consumers segments in rural areas that do not have access to banking and financial services. Right pricing of RuPay products makes the RuPay cards more economically feasible for banks to offer to their customers.
- (v) RuPay card is uniquely positioned to offer complete inter-operability between various payments channels and products. NPCI currently offers varied solutions across platforms including ATMs, mobile technology, cheques, etc. and is extremely well placed in nurturing RuPay cards across these platforms.

I(a) National Financial Switch (NFS) Membership:

- 4.5 NPCI has developed a hassle free and transparent process for NFS membership for all banks. Irrespective of the bank type and size, the process remains the same along with the membership fee. For banks willing to become direct members with NPCI NFS switch, there is one time fee of Rs. 300,000. Largely direct membership is required by public sector, private sector, foreign banks or banks which have or plan to have a large network of branches or ATMs in near future.
- 4.6 To achieve the objectives of financial inclusion, NPCI has facilitated a sub membership model for smaller cooperatives (State Cooperative, District Cooperative, Regional Rural Banks) where they can use NFS infrastructure under sub membership with a direct member bank with NPCI. The direct member bank acts as a sponsor bank for the smaller bank, and the latter is identified as a sub member bank in NPCI's system. There is no sub-membership fee which is charged by NPCI. There is only a certification charge of Rs. 75000 for sub member bank and all other banks (direct members, RRBS, white label ATMs, SBI Associates) as and when they approach NPCI to get certified on various products like ATM, POS, Ecom, EMV. The number of members/ sub-members is given in Table 4.1.

Table 4.1: The number of members/ sub-members as of March 2016

Membership Type	No of Banks	ATM Branches on NFS
Direct Member	96	204904
Sub Member Banks	461	2122
RRBs	56	924
White Label ATMs	7	12962

I(b) Cost Per Transaction:

4.7 The cost per transaction for RuPay usage is the lowest in the country offered by NPCI as compared to other cards (Master card/ Visa). The ATM/ Micro-ATM charges are as under:

Ib(i) ATM Usage Charges (to banks)

4.7.1 Switching fee is charged to the issuing bank only. The fee is charged only on approved and successful transactions. No fee is charged to the acquiring bank. The fee is charged towards the service provided by NPCI to route the transaction from acquiring bank switch to the issuing bank switch. It's the same fee charged on RuPay Debit Card and KCC Cards issued by banks, i.e. the switching fee remains the same. The switching fee is charged for financial, non-financial and value added services. The Switching fee charged by NPCI is 45 paise + Service Tax.

Ib(ii) Micro ATM (to banks)

Adhaar Based Transactions:

4.7.2 The switching fee for Adhaar based transaction is given in Table 4.2.

Table 4.2: The switching fee for Adhaar based transactions

Transaction Type	Description	Switching Fee (Excl. Taxes)
AEPS 'On us'/Authentication	Onus/Authentication	10 Paise
AEPS Off us	Balance Enquiry	25 Paise
	Cash Deposit	25 Paise
	Cash Withdrawal	25 Paise
	Fund Transfer	25 Paise
eKYC	eKYC	25 Paise
Demographic Authentication	Demographic Authentication	10 Paise

4.7.3 The above mentioned switching fee is charged only for the successful financial or non-financial transactions routed through NPCI. 'On us' transactions are such where only Adhaar authentication is being processed by NPCI. In case of 'Off us' transactions, in addition to Adhaar authentication, the transactions take place between the issuing and the acquiring banks.

Card + Pin Transactions

4.7.4 The switching fee will be as per NFS rule which is Rs 0.45 + Service Tax for all approved and successful transactions.

Ib(iii) POS Transactions

4.7.5 In case of POS transactions, the switching fee is charged both to the issuing and the acquiring bank. Rest of the rules remain same for the applicability of the switching fee as in case of NFS. The Switching Fee for POS transactions is as under:

- i. Issuing Banks: 60 Paise + Service Tax
- ii. Acquiring Banks: 30 Paise + Service Tax

Support being provided by NPCI to banks for on-boarding the payment system including issuance of cards:

4.8 NPCI is observed to be ensuring complete handholding for the banks during the entire process of certification and membership. It provides the consultation to all the banks willing to get on the NFS network, and it is also helping them to take a decision in respect of the following:

- a) **Model type:** What type of model should the bank go with – direct membership or sub membership model?
- b) **Application Service Provider:** There are about 15 ASPs listed in NPCI's list. It helps bank to choose the best as per their geography and scope of operations.
- c) **Documentation with NPCI:** There are 24 set of documents on which the banks need to be guided before they come on the NPCI network.
- d) **Card designing and art work:** The product team helps the bank design the card and provide proper art work as per the customer base of the bank.
- e) **User Acceptance Testing:** The NPCI team located in Mumbai, Chennai, Hyderabad, Delhi and Kolkata ensure timely and adequate help so that the testing is performed with the ASPs, CBSs and the recon agent of the bank before the banks go live and start issuing NPCI products to the customers for usage on the field.
- f) **Certification Report:** After the testing is over, NPCI provides certification report to the bank.

4.9 All above mentioned points require regular interaction with the banks on mails, phones and in person to help them understand which products they should go with and what will be the certification process for each process type. During the entire testing and certification process, NPCI guides and hand holds the ASP and the Bank to go over the process.

4.10 NPCI is reported to have developed a solid dispute management system to manage disputes within the banks or between a customer and the bank/s. Here NPCI maintain the recon reports, adjustment files, MIS reports, circulars, etc. All categories of disputes are managed like chargeback, representment, pre arbitration, arbitration, good faith etc.

Advantages of RuPay cards over Master/Visa card:

4.11 The RuPay CARD has been found to have the following advantages:

- a) The switching fee is charged to banks only in case of approved transactions unlike other card schemes
- b) For every RuPay comes with an in-built insurance cover for the users. Earlier, cardholders had to use the card within 45 days prior to insurance

claim. This has now been extended to 90 days to ensure that the benefit reaches the user and due time is given to the user to understand the process of using the cards. The insurance covers are (i) Rs. 1 Lakh to the classic card holders and (ii) Rs. 2 Lakh to the premium RuPay card holders.

- c) The cost of transaction for the banks is lowest in the country @ 0.45 paisa + service tax as the switching fee. The economic feasibility of the RuPay card scheme motivates the banks to offer cards to even untapped/under penetrated consumer segments in the rural areas.
- d) RuPay is the only one which issues KCC cards to the farmers
- e) Transaction and customer data related to RuPay card transactions will stay within India unlike in case of Visa/Master cards.
- f) The RuPay scheme is a domestic scheme where the products e.g., Kisan credit card, PMJDY RuPay Cards etc., can be customized in no time to reach out to ensure that the benefit goes to all section of society.

II. Support from NABARD to RRBs & Cooperatives for Issuance of RuPay Cards

4.12 NABARD vide circular No 137/SPU-KCC-05/2014 dated 01 August 2014 has issued a Master Circular for RRBs and cooperatives pertaining to the scheme on providing technology support through POS/Micro ATM and ICT cards (RuPay Kisan cards) to enable the RRBs & cooperatives to provide doorstep banking facilities. This has also an objective to enable the clients of RRBs & cooperatives to connect to National Payment system and avail all types of financial services. The Banks have to ensure the certification standards as per specifications of NPCI, IBA-IDRBT and UIDAI for RuPay Cards and POS/micro ATMs are adhered to.

4.13 The Support from NABARD to RRBs and Cooperatives is of the following types:

A. Support for ICT Solutions –under Financial Inclusion Technology Fund (FITF)

- (i) Cost of Micro ATM/POS terminals upto Rs. 25,000/- per terminal. The Micro ATM (POS) devices should adhere to the technical specifications approved by IBAIDRBT and UIDAI 1.5 Standard.
- (ii) Cost of printing and issuing of RuPay Kisan cards upto Rs. 25/- per card (should be owned by the Bank and confirm to standards specified by NPCI). The Card can be a non-personalised card, which can be given as a part of the 'Welcome Kit' to the Customer.
- (iii) The support to RRBs in these cases is 100% (i. e Rs. 25,000/- for POS/ Micro ATMs and Rs. 25/- for RuPay Kisan Cards-) in NE regions, Sikkim, Chhattisgarh, Jammu & Kashmir, Uttarakhand, and Jharkhand, Himachal Pradesh and Andaman & Nicobar Islands and 80% of Rs. 25,000/- for POS/ Micro ATMs and 80% of Rs.25/ for RuPay Kisan Cards or 80% of the actual cost whichever is lower in the rest of the country.

B.1. Operational support for ATM under FITF: RRBs

- (i) The scheme covers only operational cost, No capital expenditure is covered.
- (ii) The scheme will cover transaction cost/Interchange charges upto Rs.15/- per KCC transaction arising out of the use of RuPay Kisan Cards on an ATM other than the parent Banks ATM of the customer including that of the white label ATMs as and when these ATMs will be deployed in the field.
- (iii) Two types of transactions can be performed at ATMs using RuPay Kisan Card i.e., Financial and Non-Financial transactions. Our interchange fee support scheme, for ATM usage is applicable to both Financial and Non-Financial (e.g. Balance enquiry, mini statement etc.) RuPay Kisan card transactions.
- (iv) Upon stabilization of the system, the bank may forward a letter to NABARD informing about the number of ATM cum debit cards proposed to be issued to KCC customers.
- (v) The reimbursement will be 100%(i. e Rs.15 inclusive of service charges) for North Eastern Region, Sikkim, Chhattisgarh, J& K, Uttarakhand, Jharkhand, Himachal Pradesh and Andaman & Nicobar Islands and 80% of Rs. 15/-(inclusive of service charges) in case of RRBs for the rest of the country.

B.2. Operational support for ATM under FITF: Cooperatives

- (i) ASP model of CBS: For Banks running its CBS on ASP model (irrespective of whether or not they have adopted CBS under NABARD model) the ATM Add- On for CBS will be recurring cost/ fee based on periodicity. The ATM Add- On fee has been fixed at Rs. 580/- per branch per month for three years.
- (ii) Ownership Model of CBS: If the Bank runs its CBS on ownership model, ATM add-on will be a onetime cost for banks. An amount of Rs. 20,000/- (imputed ATM Add-On cost for 3 years) per branch will be reimbursed as ATM Add-On fee for banks who adopt ownership model.
- (iii) Switching Fee- for the Banks which adopt the sponsorship model to join NFS, involve Switching Fee: This fee is required to be paid to the Switch provider who owns and maintains the ATM switch. An amount of up to Rs.3/- per transaction for all transactions will be reimbursed towards switching fee charge.
- (iv) Interchange/Transaction Charges: The scheme will cover transactional cost/ Interchange charges upto Rs.15/- per KCC transaction arising out of the use of RuPay Kisan Cards on an ATM other than the parent Banks ATM of the customer including that of the white label ATMs as and when these ATMs will be deployed in the field.

- (v) The reimbursement will be 100% for North Eastern Region, Sikkim, Chhattisgarh, J& K, Uttarakhand, Jharkhand, Himachal Pradesh and Andaman & Nicobar Islands and 90% for the rest of the country.

C. Support for demonstrating banking technology under FIF

- (i) Under this scheme, a mobile van fitted with ATM and POS machines/ micro ATMs will visit villages in the area of operation of the RRBs and will work primarily as a literacy tool by demonstrating the use of ATMs/ POS machines/ micro ATMs. The Banks will also provide financial literacy material about the KCC debit cards, ATM services and POS terminals/ micro ATMs which is to be provided in vernacular languages in the mobile van.
- (ii) The assistance will be utilised for a Mobile Van, ATM, GPRS Router, UPS, POS terminal/ Micro ATM etc. (and any other incidental expenditures linked to the project) and financial education material in vernacular language.
- (iii) The assistance will be upto Rs. 10 lakh and one Mobile Van per RRB.
- (iv) The proposal for the mobile van is to be supported by relevant documents (quotations, board approval etc.) while submitting the same to NABARD.
- (v) The proposal should mandatorily include an ATM, as the mobile van only for the demonstration of smaller gadgets like micro ATM/POS is not justified.
- (vi) ATMs in the mobile van are to be used for demonstration purpose only.

D. Data migration/feeding of PACS data to CBS-Support for Cooperatives under FIF

- (i) The issuance of RuPay KCC to PACS members will involve migration / feeding of member account details into the CBS of DCCB. All Cooperatives which are fully CBS enabled (branch & HO module) will be eligible for support under this scheme.
- (ii). Assistance upto Rs. 10 per account under FIF for data migration.
- (iii) Banks may engage the services of suitable agency or appoint individual data entry operators. In case the bank had used the services of any agency / individual data entry operators for data migration during the course of CBS implementation then bank may consider negotiating and engaging the services of the same entity.

III. Progress Made so far in Issuance of RuPay Cards: Macro Picture

4.14 The present section proposes to highlight the macro picture of the issuance of Kisan Credit Cards. The category-wise number of banks which have been issued Issuer Identification Number-IINs/ Bank Identification Number-BINs and are live and making transactions is presented below in Table 4.1. As per the data

provided by the NPCI (till February 2016), 146 BINS have gone live out against 172 IINs/ BINS issued to 154 banks. The transactions are yet to be started in just 08 BINS which indicates of good efforts on the part of NPCI. The progress of cooperatives banks is quite slow as only 56 banks have been issued the BINS because of their inherent weaknesses relating to ICT. The process of their slow moving to CBS is one issue but having complete learning of the operations is another one.

Table 4.1: Total No of Banks with KCC till 15 July 2016

Bank Type	Number of Banks	Number of BINS	BINS gone Live	Remarks
Regional Rural Banks	56	67 (actually only 59 BINS exist)	56	(i) 8 BINS are now not operational. Those were allotted to 8 RRBs which were merged to other banks and don't exist anymore. (ii) The BINS which have gone live have made transactions using KCC issued to customers. Rests of the 3 BINS are yet to be made operational/ go live. (iii) 3 RRBs viz., Jharkhand Gramin Bank, Narmada Jhabua Gramin Bank & Vidharbha Konkan Gramin Bank have 2 BINS each.
District Central Coop Banks	56	56	54	Rest 02 BINS are yet to be made operational/ go live.
Public Sector Banks	21	23	21	SBI & Central Bank of India have two BINS each
Private Sector Banks	10	10	6	Rests 4 BINS are yet to be made operational/ go live.
Associate Banks of SBI	5	10	5	All five Associate Banks of SBI have 2 BINS each.
State Cooperative Banks	6	6	4	Rest 2 BINS are yet to be made operational/ go live.
Grand Total	154	172	146	Only 164 BINS exist against the 172 allocated to 154 banks. 8 BINS allocated to 8 RRBs do not exist anymore

Source: NPCI, Mumbai

4.15 The bank-wise analysis of RuPay KCC transactions indicated that 23 Public Sector Banks together accounted for 55.4% of total KCC transactions followed by RRBs (53 functional) which together accounted for another 39 per cent. The functional DCCBs which have been issued IIN/ BIN together accounted for just 2.2 per cent of the total KCC transactions made by all the banks.

Table 4.2: Bank-Wise RuPay KCC Transactions (Apr 2015-Mar 2016)

Bank Type	Channels			Total Transactions	
	NFS	POS	E-com	Total (No.)	% in total
SBI Associates	₹ 13,95,39,800	₹ 71,62,405	₹ 5,11,630	₹ 14,72,13,835	2.03
Private Sector Banks	₹ 7,26,46,750	₹ 20,48,207		₹ 7,46,94,957	1.03
Public Sector Banks	₹ 4,27,56,21,950	₹ 4,71,34,025	₹ 27,47,250	₹ 4,32,55,03,225	59.70
DCCB	₹ 27,13,22,300	₹ 1,04,421		₹ 27,14,26,721	3.75
RRB	₹ 2,37,55,20,200	₹ 52,97,173	₹ 10,680	₹ 2,38,08,28,053	32.86
SCB	₹ 4,62,38,400			₹ 4,62,38,400	0.64
Grand Total	₹ 7,18,08,89,400	₹ 6,17,46,231	₹ 32,69,560	₹ 7,24,59,05,190	100.00
Channel share	99.10%	0.85%	0.05%	100.00%	

Source: NPCI, Mumbai

- 4.16 An analysis of scale of uses & market share of three card payment systems indicated that National Financial Switch (NFS)/ ATMs dominated the KCC transactions accounting for as high as 99.1 per cent followed by Point of Sale (POS) devices at 0.85 per cent and the RuPay PaySecure (E-Commerce operations launched on 21 June 2013) was having a very negligible share of 0.05 per cent. With RuPay PaySecure, anyone having RuPay cards can make online payments to fulfill various need-based services such as reservations, booking, ticketing, shopping, utility bill payments in a secured manner.
- 4.17 The pattern of KCC transactions across various banks on NFS and POS channels was compared over two periods (Apr 14-Sept 14 and Sept 15 –Feb 16) to see whether any definite trend is there in transactions made through these two channels. It may be observed from Table 4.3 & 4.4 that there was not much difference in average ticket size per transaction through NFS or POS device, as no definite trend in average amount transacted across various banks was observed. The average amount transacted in case of RRBs and cooperatives was less as compared to that in case of other banks. However, these amounts were under-estimated since the denominator (number of transactions) included both financial and non-financial transactions. As compared to transactions through NFS and POS channels, the transactions through E-Com (Table 4.5) channel was observed to be very less.

Table 4.3: Change in NFS Transactions from Apr 14-Sept 14 to Sep 15-Feb 2016

Banks	KCC Transactions on NFS (Fin & Non-Fin)		KCC Amount on NFS (Rs.)		Avg Ticket Size on NFS (Rs.)	
	Apr 14-Sept 14	Sept 15-Feb 16	Apr 14-Sept 14	Sept 15 – Feb 16	Apr 14-Sept 15	Sept 15-Feb 16
RRBs & Coops	138515	354732	53,36,38,050	80,66,27,750	3,853	2,274
SBI Associates	14936	8347	5,04,04,400	3,52,95,100	3375	4228
Private Sector Banks	755	8642	39,37,000	1,89,90,650	5215	2197
Public Sector Banks	485183	268158	1,96,13,96,500	1,05,41,21,331	4043	3931

Source: NPCI, Mumbai

Table 4.4: Change in POS Transactions from Apr 14-Sept 14 to Sep 15-Feb 2016

Banks	KCC Transactions on POS (Fin & Non-Fin)		KCC Amount on POS (Rs.)		Avg Ticket Size on POS (Rs.)	
	Apr 14-Sept 14	Sept 15 – Feb 16	Apr 14-Sept 14	Sept 15 – Feb 16	Apr 14-Sept 15	Sept 15-Feb 16
RRBs & Coops	115	1508	4,59,514	33,86,944	3,996	2,246
SBI Associates	304	834	18,79,496	40,24,874	6183	4826
Private Sector Banks	2	196	144	10,39,831	72	5305
Public Sector Banks	3070	6530	1,38,60,589	2,58,89,129	4515	3965

Source: NPCI, Mumbai

Table 4.5: Change in E-Com Transactions from Apr 14-Sept 14 to Sep 15-Feb 2016

Banks	KCC Transactions on Ecom		KCC Amount on Ecom (Rs.)		Avg Ticket Size on Ecom (Rs.)	
	Apr 14-Sept 14	Sept 15 – Feb 16	Apr 14-Sept 14	Sept 15 – Feb 16	Apr 14-Sept 15	Sept 15 – Feb 16
SBI Associates	1	231	460	3,86,807	460	1674
Private Sector Banks	0	0	0	0	0	0
Public Sector Banks	102	1834	1,82,216	14,82,809	1786	809

Source: NPCI, Mumbai

States Leading in KCC RuPay Transactions by RRBs & Coops

4.18 The comparison about the number and amount transacted by KCC RuPay cards issued by RRBs & Coop on NFS and POS devices is made in Table 4.6 (also Annexure 4.1). It may be observed that the number of transactions, total amount transacted as well as average amount withdrawn per transaction is varying a lot across the banks. Similarly, the average amount transacted through NFS and POS devices too varying a lot and no definite trend is observed in it.

Table 4.6: Leading States for Transactions on NFS & POS during Sept 15-Feb 16: RRBs & Coops

Channels	Particulars	Leading States				
		Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
National Financial Switch (NFS) RRB & Coop	States	U. P.	Punjab	Telangana	Bihar	H. P.
	No of Transactions	79083	26668	80069	18322	12858
	Amount Transacted Rs.	21,04,17,500	13,01,04,200	7,20,97,500	7,19,15,100	5,78,85,050
	Ticket size Rs.	2661	4879	900	3925	4502
Point of Sale (POS) RRBs & Coop	States	U.P.	Bihar	Maharashtra	Assam	Karnataka
	No of Transactions	1075	341	265	68	31
	Amount Transacted Rs.	27,21,597	8,01,167	3,08,310	2,00,615	1,60,049
	Ticket size Rs.	2349	1163	2950	5163	2349

Source: NPCI, Mumbai

Banks Leading in KCC RuPay Transactions on NFS Channel

4.19 It is observed from the comparison about the number and amount transacted by KCC RuPay cards issued by various banks under 'RRB& Coop' & 'Public Sector Banks' (Table 4.7 & Annexure 4.2), that KCC RuPay transactions through NFS channel is highest by Punjab Gramin Bank in case of 'RRBs & Cooperatives' and Union Bank of India in case of Public Sector Bank.

Table 4.7: Leading Banks for Transactions on NFS during Sept 15- Feb 16

Channels	Particulars	Leading Banks				
		Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
RRB & Coop	Banks	Punjab Gramin Bank	Kashi Gomti Samyut Gramin Bank	Telangana Grameena Bank	Assam Gramin Vikash Bank	Purvanchal Bank
	No of Transactions	24151	18782	80069	15126	21930
	Amount Transacted Rs.	12,01,98,500	7,96,69,800	7,20,97,500	5,75,89,700	5,38,41,700
	Ticket size Rs.	4977	4242	900	3807	2455
Public Sector Banks	Banks	Union Bank of India	Punjab National Bank	State Bank of India	UCO Bank	Punjab and Sind Bank
	No of Transactions	55295	36037	31215	25042	20599
	Amount Transacted Rs.	22,10,28,731	14,26,61,000	11,99,19,100	10,39,28,900	10,35,17,500
	Ticket size Rs.	3997	3959	3842	4150	5025

Source: NPCI, Mumbai

IV. Issue Relating to Interoperability

4.20 The formalities to be done by banks for required interoperability of Micro ATMs is presented below:

- A) If transactions are routed from Banks ATM switch to NPCI NFS switch.
- Bank to confirm development of populating MCC code as 6012 to identify Micro ATM transactions.
 - Bank to confirm the readiness to perform testing of cash withdrawal, approved & declined transaction (full certification not required).
 - NPCI will not be providing any sign off for the testing. However, if required it can provide settlement files to bank for recon testing purpose.
 - Bank can move into production directly.
- B) If transactions are routed from Banks FI gateway to NPCI NFS switch.
- Bank to go for full certification like NPCI does for ATM.
 - Bank to install HSM at FI gateway for PIN encryption.
 - New IP and Port need to enable at both ends (Bank & NPCI).
 - New public keys provided by NPCI to be injected at Bank FI gateway switch.
 - Before going to production NPCI certification team and bank will give signoff on 2 rounds of testing performed
 - Post formal signoff and Go ahead, bank to move into production in coordination with NPCI.

4.21 The status of interoperability of micro ATMs is given in Table 4.8.

Table 4.8: Status of Interoperability

Testing Tracker for Micro ATMs							
Sr No	Bank	Approach (FIG or ATM Switch)	ON US Live	IP and Port Status	Interoperable Acquiring Testing Status	Start Date	End Date
1	Allahabad Bank		Live		Work in Progress	31/03/16	
2	Andhra Bank		Live		Work in Progress	29/03/16	
3	Axis Bank	ATM Switch	Live		Live		12/02/2016
4	Bank of Baroda	ATM Switch	Live		Work in Progress	30/12/15	
5	Bank of India		Live				
6	Bank of Maharashtra		Live		Work in progress	18/03/16	
7	Bhartiya Mahila Bank						
8	Canara Bank		Live		Work in progress	03/03/16	

Testing Tracker for Micro ATMs							
Sr No	Bank	Approach (FIG or ATM Switch)	ON US Live	IP and Port Status	Interoperable Acquiring Testing Status	Start Date	End Date
9	Central Bank of India	ATM Switch	Live		Live		
10	City Union Bank Ltd		Live				
11	Corporation Bank		Live				
12	Dena Bank	FIG	Live		Work in Progress	22/03/16	
13	Federal Bank		Live				
14	HDFC Bank	FIG	Live				
15	ICICI Bank		Live		Work in Progress	07/01/16	
16	IDBI Bank		Live				
17	IDFC Bank	ATM Switch	Live		Live		24/02/2016
18	INDIAN BANK		Live				
19	Indian Overseas Bank		Live				
20	IndusInd Bank		Live		Work in Progress	08/02/16	
21	Karur Vysya Bank		Live		Work in Progress	16/03/16	
22	Kotak Mahindra Bank		Live				
23	Lakshmi Vilas Bank		Live				
24	Oriental Bank of Commerce		Live				
25	Punjab and Sind Bank		Live		Live		
26	Punjab National Bank	ATM Switch	Live		Live		
27	Ratnakar Bank						
28	State Bank of Bikaner and Jaipur		Live				
29	State Bank of Hyderabad		Live				
30	State Bank of India		Live		Live		
31	State Bank of Mysore		Live				
32	State Bank of Patiala		Live				

Testing Tracker for Micro ATMs							
Sr No	Bank	Approach (FIG or ATM Switch)	ON US Live	IP and Port Status	Interoperable Acquiring Testing Status	Start Date	End Date
33	State Bank of Travancore		Live				
34	Syndicate Bank		Live		Work in Progress	05/03/16	
35	The Jammu And Kashmir Bank Ltd	FIG	Live	Open	Live		
36	The South Indian Bank		Live				
37	UCO Bank		Live				
38	Union Bank of India	ATM Switch	Live	Open	Work In Progress	06/02/16	
39	United Bank of India		Live				
40	Vijaya Bank		Live		Live		
41	Yes Bank	ATM Switch	Live				

Source: NPCI, Mumbai

4.22 The RuPay Kisan Cards are acceptable at all the 220912 ATMs across the country of all banks. Any ATM proposed to be installed by banks and connected to the National Financial Switch operated by National Payments Corporation of India accepts the RuPay Kisan Cards issued by any Bank. The RuPay KCC would function smoothly as long as the issuing bank is certified by NPCI to use the card.

4.23 As far as interoperability of RuPay Cards/Kisan cards on Micro-ATMs are concerned, it has gone live for 8 banks and the work is in progress in case of other 11 banks. Except these 19 banks, all other banks are yet to approach to NPCI for making their RuPay cards inoperable on Micro-ATMs/POS.

V. Observations from Field of Implementation of RuPay Card

4.24 The following sections propose to present the observations on implantation of RuPay Cards by the selected bank branches in the study area.

Time frame set by Banks/ Branches to Convert all KCC to RuPay Cards

4.25 Except 12 branches of cooperative banks in Assam, Bihar & Punjab, all other 59 branches had opined that they all had been instructed by their controlling offices to convert the existing as well as new KCC accounts to RuPay Cards, although majority of them were not able to show the instructions in written form. But certainly they all were aware about the RuPay Cards. However, no definite plan for issuance of RuPay card was found to have been prepared by the majority of bank branches (69%).

Table 4.1: Time frame set by Branches to Convert all KCC to RuPay Cards

Particulars/ Parameter		No of Branches	Assam	Bihar	UP	Punjab	Maha	Kar
No of Branches (banks) covered	Comm. Banks	24 (10)	4 (3)	4 (2)	4 (2)	4 (2)	4 (3)	4 (1)
	RRBs	25 (11)	4 (1)	5 (2)	4 (2)	4 (2)	4 (2)	4 (2)
	Coop Banks	22 (11)	2 (1)	4 (2)	4 (2)	4 (2)	4 (2)	4 (2)
	Total	71 (32)	10 (5)	13 (6)	12 (6)	12 (6)	12 (7)	12 (5)
No of branches received instructions to issue RuPay Cards	Comm. Banks	24	4	4	4	4	4	4
	RRBs	25	4	5	4	4	4	4
	Coop Banks	22	0	0	4	0	4	4
	Total	59	8	9	12	8	12	12
No of branches have fixed a time frame to convert all KCC to RuPay Card	Comm. Banks	10	2	2	4	0	0	2
	RRBs	10	2	2	4	1	1	2
	Coop Banks	2	0	0	2	0	0	0
	Total	22	4	0	10	1	1	4

Note: (i) Figures in parenthesis indicate the number of banks visited

4.26 Some branches (22) were optimistic to complete the task of issuing the RuPay card by March 2017 depending upon the availability of cards at their end. Prathama Bank (RRB) had set a target of issuing the card to all by June 2016. Two branches (Harhua Branch -90% and Baragaon -100%) of Union Bank of India in Varanasi district were the only branches out of total 71 visited in six states which were near completion in issuance of KCC cards to the existing KCC accounts. Further, two branches (Raipur Saadat & Haldaur) of Bijnore DCCB in UP were the only cooperative branches out of the total 22 selected for the study which had fixed a time frame of 30 June 2016 to convert all the existing/ old KCC into RuPay cards. All other branches told that they would by completing the issuance of RuPay card at the earliest possible subject to availability of cards at their end.

Extent of Coverage under RuPay Cards

Bankers' Perspective

4.27 The status of issuance of KCC RuPay cards as reported by sample bank branches has been analyzed and presented in Table 4.2.

Table 4.2: Status of Issuance of KCC RuPay Cards by Sample Branches

Particulars/ Parameter		Total	Assam	Bihar	UP	Punjab	Maha	Kar
No of Branches (banks) covered	Total	71 (32)	10 (5)	13 (6)	12 (6)	12 (6)	12 (7)	12 (5)
No of branches having issued RuPay Card	Comm. Banks	19	4	4	4	3	2	2
	RRBs	20	4	5	3	4	1	3
	Coop Banks	7	0	0	1	0	2	4
	Total	46	8	9	8	7	5	9
No of KCC Accounts –A/c outstanding	Comm. Banks	13158	908	5421	1528	2218	2285	798
	RRBs	14843	2454	4580	2583	1053	2080	2093
	Coop Banks	27013	822	1665	12113	6800	3398	2215
	Total	55014	4184	11666	16224	10071	7763	5106
No of RuPay Card received at branch	Comm. Banks	7689	1632	2336	668	268	2363	422
	RRBs	4459	1026	1469	1109	654	140	61
	Coop Banks	3421	0	0	4	0	2680	737
	Total	15569	2658	3805	1781	922	5183	1220
No of RuPay Card Issued	Comm. Banks	4037	530	1832	493	268	492	422
	RRBs	3523	849	1469	508	496	140	61
	Coop Banks	3312	0	0	4	0	2571	737
	Total	10872	1379	3301	1005	764	3203	1220
No of RuPay Card handed over to farmers	Comm. Banks	4037	530	1832	493	268	492	422
	RRBs	3523	849	1469	508	496	140	61
	Coop Banks	3312	0	0	4	0	2571	737
	Total	10872	1379	3301	1005	764	3203	1220
Percentage Share in No of KCC Accounts outstanding								
No of RuPay Card received at branch as % No of KCC A/c Outstanding	Comm. Banks	58.4	179.7	43.1	43.7	12.1	103.4	52.9
	RRBs	30.0	41.8	32.1	42.9	62.1	6.7	2.9
	Coop Banks	12.7	0.0	0.0	0.0	0.0	78.9	33.3
	Total –ALL@	28.3	63.5	32.6	11.0	9.2	66.8	23.9
	Total-CB+RRB#	43.4	79.1	38.0	43.2	28.2	57.3	16.7
No of RuPay Card Issued as % No of KCC A/c Outstanding	Comm. Banks	30.7	58.4	33.8	32.3	12.1	21.5	52.9
	RRBs	23.7	34.6	32.1	19.7	47.1	6.7	2.9
	Coop Banks	12.3	0.0	0.0	0.0	0.0	75.7	33.3
	Total	19.8	33.0	28.3	6.2	7.6	41.3	23.9
Total-CB+RRB	Total-CB+RRB	27.0	41.0	33.0	24.3	23.4	14.5	16.7

Note: (i) @ Total –ALL is the share calculated over all the three agencies

(ii) # Total-CB+RRB excludes 'Cooperative banks' and share is calculated only for Commercial Banks and RRBs

- 4.28 It may be observed that, on an average, the number of RuPay Cards received at branch as per cent of number of KCC A/c outstanding stood at 28.3 per cent which was ranging from 9.2% (Punjab) to 69% (Maharashtra). However, this percentage went up to 43.4 percent when 'Cooperative Banks' was excluded and analysis was made using data on Commercial Banks and RRBs.
- 4.29 The number of RuPay cards issued to the farmers as per cent of KCC accounts outstanding stood at 19.8 per cent (average of all three agencies) and this percentage went up to 27 percent when analysis was made for commercial and RRBs together ignoring coop banks. The major difference was on account of negligible number of RuPay cards issued by cooperative banks against a very high number of KCC accounts outstanding with them (just 4 cards issued against 12113 KCC accounts with cooperative banks).
- 4.30 The reasons for gap between the number of KCC accounts with the bank branches vis-à-vis number of RuPay cards issued by bank branches and/or between the number of Kisan cards issued by bank branches vis-à-vis the number of RuPay cards handed over by controlling offices to the sample branches, as opined by the branch managers, are as under:
- (i) Controlling offices not making available the RuPay Cards in sufficient numbers or delay in supply of cards is one of the important reasons for not issuing the RuPay cards to the farmers, particularly to the new farmers. It may be observed from Table 4.2 that only 46 branches out of total 71 covered in the study had issued some cards by end of February 2016. The Cooperative banks in Assam, Bihar and Punjab had not started issuing the RuPay Cards.
 - (ii) Bankers were averse of issuing RuPay cards to NPA and other irregular accounts. There were many KCC accounts which were opened during the last three four years but many of the farmers had not turned up to banks for renewal of their accounts and these accounts had become overdue. For example, The Madhya Bihar Gramin Bank (MBGB) had 57033 KCC accounts outstanding with it as on 31 March 2015 in the Gaya District of Bihar. However, only 24352 KCC accounts were renewed during 2015-16. Bodhgaya branch, MBGB has issued just 450 RuPay card (382 operative –at least activated on ATM) against 1400 KCC accounts outstanding as on 31 March 2015. PNB, Deewan Branch, Bihar had as many as 800 accounts irregular out of total 1100 KCC accounts with it. PNB, Etwan, Gaya district had issued 300 RuPay Cards to 300 regular accounts out of total 900 KCC accounts with it out of which just 30 cards are being used by the farmers.
 - (iii) Both the bankers as well as farmers don't see much utility in RuPay Kisan Debit Cards because once the KCC loan was approved by the bank and credited to the farmers' account, the farmers preferred to withdraw the entire amount from the bank in just one or two withdrawals. The farmers, particularly small farmers, didn't do the need based or expense based withdrawal, probably to take care of their other household/family needs.

Because of this practice of withdrawal or even repayment in just one or two installments, they don't feel the need of having the KCC RuPay Cards.

- (iv) Many of the small agricultural holdings in India are not viable. Given the choice, the bankers willingly don't extend KCC loans to unviable holding, but the pressure from the government makes them to cover the agricultural farmers under KCC loan. Bankers though sanction the loan to such farmers but try to have control over the withdrawal of amount credited to their accounts. Bankers feel that issuing RuPay card to such farmers would deny the bankers the control over the amount in farmers' account.
- (v) The illiterate KCC holders didn't feel comfortable in doing transactions at ATM machines. These farmers were also afraid of misuse of their cards even by their family members. Bankers were of the opinion that biometric ATMs would be quite useful in rural areas but biometric ATMs were not available in villages and therefore, there was lukewarm response from bankers as well as the farmers towards issuance/availment of RuPay cards.
- (vi) Further, as per latest guidelines of RBI, chip based cards should be issued to the farmers. As of now, neither ATMs nor POS are available in sufficient number. Also, vendors are finding it difficult to supply the cards in time. Sometimes, it takes vendors 6 to 8 months to supply the chip based cards after indenting it.
- (vii) There were some absentee landlords/ farmers not residing in the villages. These farmers were not cultivating their lands on their own and therefore, were not very keen in getting RuPay Card issued.
- (viii) It was also learnt that the bank/ branches which were not having ATMs of their own bank were of the view that extending RuPay cards to every farmers will add an extra expenditure to them if the farmers go beyond the minimum number of free transactions (five) allowed on ATMs of other banks.

4.31 The information/data provided by the sample bank branches indicated that all the farmers who were issued RuPay card had already been handed over the RuPay cards. Although bankers were preferring the handing over of the RuPay cards to farmers in branch premises only in order to avoid the delivery of cards in wrong hands. Some branches (particularly commercial banks branches) had also sent the RuPay cards by Post or through Banking Correspondents. Normally, bank branches send a message to the farmers to collect the cards from the branches itself. In case a village is far away, bank branch holds a camp and distribute the RuPay KCC and PIN to the farmers.

4.32 In response to the question 'whether branches were issuing the cards to all the new borrowers?', all the branch managers (except cooperative banks in Assam, Bihar & Punjab) told that although their first priority was issuing the RuPay cards to the new customers, they were also issuing RuPay cards to existing/old customers who were regular in repayment.

Extent of Coverage under RuPay Cards

Farmers' Perspective

4.33 The status of issuance of RuPay card to sample farmers by selected bank branches is presented in Table 4.3. The number of farmers who got issued the RuPay Cards accounted for 27 per cent of the total sample KCC farmers. It is observed from Table that the 98 sample farmers (39%) out of 251 in case of RRBs, 71 sample farmers (30%) of 239 in case of commercial banks and just 24 sample farmers (11%) out of 224 had got issued RuPay cards, although commercial banks (59%) were ahead in issuing the RuPay card followed by RRBs (30%) and the cooperatives (12%) if we take the figures for the entire branch into account in case of sample branches.

Table 4.3: Status of KCC RuPay Cards issued to Sample farmers

PARTICULARS/ PARAMETER		Total	Assam	Bihar	UP	Punjab	Maha	Kar
NO OF BRANCHES (BANKS) COVERED	Total	71 (32)	10 (5)	13 (6)	12 (6)	12 (6)	12 (7)	12 (5)
NO OF SAMPLE FARMERS	Comm. Banks	239	40	38	42	40	39	40
	RRBs	251	40	46	43	40	40	42
	Coop Banks	224	24	36	39	40	40	45
	Total	714	104	120	124	120	119	127
NO OF SAMPLE FARMERS GOT ISSUED THE RUPAY CARD	Comm. Banks	71	12	7	25	5	11	11
	RRBs	98	31	17	26	8	10	6
	Coop Banks	24	0	0	4	0	10	10
	Total	193	43	24	55	13	31	27
NO OF SAMPLE FARMERS USING THEIR CARDS ON ATM	Comm. Banks	38	5	2	13	1	0	10
	RRBs	50	11	4	12	4	0	0
	Coop Banks	10	0	0	0	0	8	0
	Total	98	14	6	25	5	8	0
NO OF SAMPLE FARMERS TAKING HELP OF OTHERS FOR OPERATING ON ATMS	Comm. Banks	31	5	2	7	1	0	1
	RRBs	31	9	3	9	2	0	0
	Coop Banks	8	0	0	0	0	1	0
	Total	70	14	5	16	3	1	1
PERCENTAGE SHARE								
NO OF SAMPLE FARMERS GOT ISSUED THE RUPAY CARD AS % OF KCC ACCOUNTS	Comm. Banks	29.7	30.0	18.4	59.5	12.5	28.2	27.5
	RRBs	39.0	77.5	37.0	60.5	20.0	25.0	14.3
	Coop Banks	10.7	0.0	0.0	10.3	0.0	25.0	22.2
	Total	27.0	41.3	20.0	44.4	10.8	26.1	21.3

PARTICULARS/ PARAMETER		Total	Assam	Bihar	UP	Punjab	Maha	Kar
SAMPLE FARMERS USING THEIR CARDS ON ATM AS % OF SAMPLE FARMERS GOT ISSUED RUPAY CARDS	Comm. Banks	43.7	41.7	28.6	52.0	20.0	0.0	90.9
	RRBs	31.6	35.5	23.5	46.2	50.0	0.0	0.0
	Coop Banks	33.3	0.0	0.0	0.0	0.0	80.0	0.0
	Total	36.3	37.2	25.0	45.5	38.5	25.8	37.0
PER CENT OF FARMERS WHO WERE USING RUPAY CARDS ON ATMS, TAKING HELP OF OTHERS FOR OPERATING ON ATMS	Comm. Banks	51.6	100.0	100.0	53.8	100.0	0.0	10.0
	RRBs	74.2	81.8	75.0	75.0	50.0	0.0	0.0
	Coop Banks	12.5	0.0	0.0	0.0	0.0	0.0	0.0
	Total	57.1	87.5	83.3	64.0	60.0	0.0	0.0

4.34 Only one third of the farmers who were issued RuPay cards were reported to be using their RuPay cards on ATMs. Further, about 57 per cent of farmers using the RuPay Card were taking the help of their family members, mostly the son or daughter, to operate on ATM machines.

4.35 Further, only 193 out of 714 sample farmers had got/ taken RuPay cards and the rest 521 farmers were either not issued or had not taken the RuPay cards from the bank.

4.36 An enquiry into the reasons for non-issuance of RuPay cards indicated that about 55 per cent of the sample farmers were having their KCC accounts with those banks/ branches which were yet to start the issuing of KCC RuPay cards. This percentage was very high in case of Assam (88.5%) and Maharashtra (78.4%) states. In addition to this, another 56 farmers (10.7% of the non-RuPay category) were such that where their branches were issuing the RuPay cards but they were not extended the facility of RuPay cards. Non-availability of sufficient number of RuPay cards with the branches, non-willingness of the branch managers to issue RuPay cards to the farmers who were either irregular in repayment or due to some other reasons, very small KCC limits say less than Rs. 15,000/-, etc., were the major reasons for non-issuance of RuPay cards to the farmers.

Table 4.3: Reasons for non-issuance of RuPay Cards to Sample farmers

Particulars/ Parameter	Total	Assam	Bihar	UP	Punjab	Maha	Kar
No of Branches (banks) covered	71 (32)	10 (5)	13 (6)	12 (6)	12 (6)	12 (7)	12 (5)
Total No of sample farmers	714	104	120	124	120	119	127
No of sample farmers have not got issued the RuPay Card	521	61	96	69	107	88	100
Reasons for non-issuance of RuPay Cards to Sample farmers							
Banks/ Branches have not started issuing RuPay Card	282	54	36	41	50	69	32

Particulars/ Parameter	Total	Assam	Bihar	UP	Punjab	Maha	Kar
Branch has not issued/ not asked the farmer to take the RuPay	39	3	8	6	5	4	13
Not interested due to fear of Fraud/ Safety considerations	56	2	11	8	10	7	18
Not required as just one or two withdrawal in a year	97	0	27	8	34	5	23
Not interested – no knowledge of machine handling as illiterate	38	2	12	5	8	3	8
Not of any use since no machine nearby and branch is more ap-proachable	9	0	2	1	0	0	6
Reason for non-issuance of RuPay cards: Percentage share in total no of farmers not issued RuPay							
Banks/ Branches have not started issuing RuPay Card	54.1	88.5	37.5	59.4	46.7	78.4	32.0
Branch has not issued/ not asked the farmer to take the RuPay	7.5	4.9	8.3	8.7	4.7	4.5	13.0
Not interested due to fear of Fraud/ Safety considerations	10.7	3.3	11.5	11.6	9.3	8.0	18.0
Not required as just one or two withdrawal in a year	18.6	0.0	28.1	11.6	31.8	5.7	23.0
Not interested – no knowledge of machine handling as illiterate	7.3	3.3	12.5	7.2	7.5	3.4	8.0
Not of any use since no machine nearby and branch is more ap-proachable	1.7	0.0	2.1	1.4	0.0	0.0	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

4.37 About 11% of non-RuPay sample farmers were apprehensive of using any type of plastic card due to fear of frauds and trust issues i.e. likely misuse by their family members. Further, non-availability of ATMs machines in rural areas was also cited by a few (9 farmers) as a reason for not availing RuPay card facility. Therefore, the non-availability of an ATM in the near vicinity had also acted as a deterrent to farmers opting for RuPay KCC. It was reported that some ATMs in rural areas were not working for a long period. Also, the banks were ensuring, for security sake, to close the ATMs after 5 - 6 p.m. Clients found it better to come to branches to transact instead of withdrawing the money from ATMs. A very few farmers were not interested in using any type of plastic cards as they were not comfortable with using ATM cards.

4.38 Some of the farmers had declined the offer of availing RuPay Kisan cards as they did not find it very useful since they were withdrawing the money just once or twice in a year.

Kisan Credit Card Scheme: Macro Impact

5.1 As already indicated in para 2.4, the cumulative number of KCC issued since inception till 31 March 2015 comes to 14.64 crore of which operative / live KCC stands at 7.41 crore. The total crop loan issued during the 2014-15 was Rs. 6,35,412 crore which translates into a crop loan of Rs. 85,757 per live KCC account. Since total crop area covered by KCC loan is not reported by the banks, although the same is recorded in the application cum appraisal form of KCC loan by the banks, it is difficult to estimate the actual area for which KCC loan is extended. However, the following estimates are made in order to arrive at the total benefits accrued to the farmers on account of KCC financing.

Table 5.1: Macro Estimates of benefits from KCC financing

Sl	Particulars	Estimates
1	Number of Operative/ Live KCC accounts as on 31.03.2015	7,40,94,090
2	Crop loan disbursed through KCC during 2014-15	Rs. 6,35,412 crore
3	Average crop loan disbursed per farmer during 2014-15	Rs. 85,757
4	Average crop loan disbursed per acre during 2014-15# (Considering average size of holding in India =2.84 acres i.e. 1.15 ha)	Rs. 31923
5	Average increase in farm income per acre due to KCC	Rs. 5,463
6	Gain per acre per annum net of interest due to KCC financing (Excess of farm income of KCC farmers over non-KCC farmers) (Pl see Table 3.10)	
6 (i)	Gain net of interest burden per acre per annum- No Subvention (i.e. 9% per annum)	Rs. 2591
6 (ii)	Gain net of interest burden per acre per annum- with interest Subvention (i.e. 7% per annum on loan up to Rs. 3.0 lakh & 9% on above Rs 3.0 lakh)	Rs. 2974
6 (iii)	Gain net of interest burden per acre per annum- Prompt Repayment (i.e. 4% per annum on loan up to Rs. 3.0 lakh & 9% on above Rs 3.0 lakh)	Rs. 3548
	Macro Estimates:	
7	Estimated agricultural cropped area covered by KCC (7.41 crore operative KCC accounts multiplied by average size of holding 1.15 ha)	85.208 mill ha (241.99 mill acre)
8	Estimated area eligible for Interest Subvention (@ 84.3%- Sample data indicates that 9.2% sample farmers with 15.7% share in land holding were sanctioned loan above Rs. 3.0 lakh.	71.83 million ha (204 mill acre)
9	Total increase in farm income of farmers on account of KCC financing \$	Rs. 1,32,199 crore
10	Total increase in farm income 'net of interest cost' on account of KCC financing	
10 (i)	Total increase in farm income per annum net of interest -No Subvention (i.e. 9% per annum) on total land covered under KCC	Rs. 62,670 crore
10 (ii)	Total increase in farm income per annum net of interest - with interest Subvention (i.e. 7% per annum on loan < Rs. 3.0 lakh & 9% on above Rs 3.0 lakh)	Rs. 71,968 crore
10 (iii)	Total increase in farm income per annum net of interest - Prompt Repayment (i.e. 4% per annum on loan up to Rs. 3.0 lakh & 9% on above Rs 3.0 lakh)	Rs. 85,858 crore

Note: (i) ** Since 2% subvention is given to banks so that they lend at 7% to the farmers, it is assumed that banks would be lending to farmers at 9% in absence of interest subvention scheme.

(ii) # Average loan per acre disbursed to sample farmers in the study area is Rs. 31,923 per acre per annum.

(iv) \$ The contribution of KCC financing is calculated by taking the increase in farm income of KCC farmers over non-KCC farmers

- 5.2 The net sown area and the grossed cropped area in India as per the latest figure available (Pocket Book on Agricultural Statistics, 2014, Min of Agriculture, Govt of India) are 140.80 million ha and 195.25 million ha, respectively, with cropping intensity of 138.67 per cent. The agricultural cropped area covered by KCC financing during 2014-15 has been estimated at 85.21 million ha (7.41 crore operative KCC accounts multiplied by average size of holding 1.15 ha) which implies that 60.5 per cent of the net sown area has been brought under KCC fold. The actual coverage may be a little high or low than this estimate (60.5%) as this figure is based on number of operative/ live KCC accounts and may have ignored the number of accounts which were closed during the year. Although, an analysis based on the cumulative number of KCC accounts opened during last five years would have helped to cross verify the estimated figure of area (60.5% of net sown area) covered by KCC financing.
- 5.3 The above estimate of coverage of net sown area under KCC financing (60.5%) appears to be quite comparable if we compare the same with the 'Agricultural Census 2010-11' figure of total number of operational holdings (13.83 crore) covered by KCC financing (53.6%).
- 5.4 The sample data indicates that 66 farmers (58 in Punjab, 2 in Maharashtra & 6 in Karnataka) out of total 714 sample farmers (9.2%) were sanctioned KCC loan more than Rs. 3.0 lakh. The average size of holding and average KCC loan sanctioned to these 66 farmers were 13.4 acres and Rs. 8,83,864, respectively. The average area not covered under interest subvention and the average loan sanctioned in case of these 66 farmers were 8.85 acres and Rs. 5,83,864, respectively. The area not covered under interest subvention comes 15.7 per cent of the total area (3720 acres) of entire 714 sample farmers.

Impact of KCC financing on Farm Income of KCC loanees

- 5.5 The gain in net farm income of KCC farmers over and above the net farm income of non-KCC farmers (Table 3.12 & 3.13) has been used to estimate the macro impact of KCC financing on income of the farmers in the country. It may be seen from Table 5.1 that the crop loan disbursement of Rs. 6,35,412 crore during 2014-15 has resulted in an increase of net farm income of all the KCC loanee to **Rs. 1,32,199** crore. The net farms income net of interest (9% per annum on Rs. 6,35,412) comes down to Rs. 62,670 crore which clearly indicates that availability of credit from institutional sources through KCC mode has made a significant contribution to the farm income of the farmers.

Overall Picture of Issuance of Smart Cards against KCC live accounts

- 5.6 As may be seen from Table 5.2, at the All India level, the progress of issuance of Smart Cards is quite slow as only 12.2 per cent live KCC accounts have been issued the smart cards. The agency-wise break up of coverage of operative KCC accounts by smart cards is highest in case of Commercial banks (33.8%) followed by RRBS (11.2%). This percentage is very negligible in case of cooperative banks at 0.06 per cent.

Table 5.2: Smart card issued as percentage of total operative/ live cards

Particulars	Coop Banks	RRBs	Comm Bank	Total
Cumulative KCC Accounts (Lakh)	507.99	238.47	717.52	1463.98
No of Operative/ Live KCC (Lakh)	392.27	123.43	225.25	740.94
Operative Cards as % of total KCC Accounts	77.22	51.76	26.91	50.61
No of Smart Cards issued (No)	23959	1378777	7614956	9017692
Smart card issued as % of total live cards	0.06	11.17	33.81	12.17

5.7 As already explained in para 4.29, the bankers' perception about the major reasons for gap between the number of smart cards issued vis-à-vis number of operative KCC accounts with the banks includes the factors like procurement of sufficient number of RuPay cards by controlling offices and forwarding the same to the issuing branches, non-issuance of cards to NPA and other irregular accounts, perception of banks as well as farmers about the utility of RuPay cards keeping in view just one or two transactions in a year, chances of misuse and fraud restricting the farmers to accept the RuPay cards, large time being taken by controlling offices in supplying Chip based cards, extra expenditure on the banks who don't own an ATM and their customer will be operating on ATMs of other banks. The farmers' view about the utility of RuPay has been eclipsed by their fear of frauds and trust issues i.e. misused of cards by their family members. Non-availability of ATMs machines in rural areas, has also been cited as a reason for not availing RuPay card facility by the farmers. Some of the farmers had declined the offer of availing RuPay Kisan cards as they did not find it very useful since they were withdrawing the money just once or twice in year a year.

Annexure 4.1: State Ranking for KCC Transactions for RRBs & Cooperatives through NFS during Apr 14 to Sep 14 & Sept 15 –Feb 16

(Amount in Rs.)

NFS Transactions Apr 14 - Sep 14				NFS Transactions Sep 15 to Feb 16			
Sl	States	Transactions	Amount	Sl	States	Transactions	Amount
1	Uttar Pradesh	48141	20,65,76,800	1	Uttar Pradesh	79083	21,04,17,500
2	Punjab	25149	11,98,50,650	2	Punjab	26668	13,01,04,200
3	Haryana	9216	4,11,96,400	3	Telangana	80069	7,20,97,500
4	Assam	10359	4,11,87,000	4	Bihar	18322	7,19,15,100
5	Maharashtra	11778	3,62,88,150	5	Himachal Pradesh	12858	5,78,85,050
6	Bihar	10118	3,08,67,200	6	Assam	15129	5,75,89,700
7	Himachal Pradesh	2896	1,20,80,800	7	Maharashtra	31715	4,97,46,250
8	Uttarakhand	4107	1,05,45,000	8	Haryana	7669	3,26,74,900
9	Karnataka	3524	70,26,350	9	West Bengal	5613	1,61,61,400
10	Jharkhand	2526	51,29,200	10	Karnataka	8859	1,58,74,950
11	Madhya Pradesh	1909	43,13,000	11	Madhya Pradesh	17880	1,55,55,200
12	West Bengal	940	31,81,700	12	J&K	4692	1,40,68,000
13	Orissa	1731	28,01,900	13	Andhra Pradesh	19768	1,17,59,650
14	Tripura	1027	27,77,400	14	Uttarakhand	3272	1,15,27,800
15	Gujarat	1921	27,72,600	15	Jharkhand	7503	90,68,600
16	J&K	942	27,49,700	16	Gujarat	5521	79,24,100
17	Chhattisgarh	823	21,96,900	17	Manipur	2077	70,82,100
18	Mizoram	484	11,37,600	18	Orissa	4256	56,20,750
19	Kerala	98	4,35,800	19	Tripura	1507	33,39,100
20	Arunanchal Pradesh	105	2,67,700	20	Chhattisgarh	756	23,28,300
21	Andhra Pradesh	384	2,07,300	21	Rajasthan	735	20,74,100
22	Telangana	337	48,900	22	Mizoram	272	5,87,000
23	Goa	0	0	23	Tamil Nadu	247	4,90,900
24	Meghalaya	0	0	24	Goa	91	4,32,600
25	Nagaland	0	0	25	Kerala	62	1,38,900
26	Pondicherry	0	0	26	Arunanchal Pradesh	68	1,07,000
27	Rajasthan	0	0	27	Pondicherry	30	40,100
28	Tamil Nadu	0	0	28	Nagaland	10	17,000
29	Andaman and Nicobar	0	0	29	Andaman and Nicobar	0	0
30	Manipur	0	0	30	Meghalaya	0	0
31	Uttarakhand	0	0	31	Uttarakhand	0	0
	Total	138515	53,36,38,050		Total	354732	80,66,27,750

Source: NPCI, Mumbai

Annexure 4.2: Bank Ranking for KCC Transactions on NFS during Sept 15-Feb 16

(Amount in Rs.)

Sl	Banks	Trans- actions	Amount	Sl	Banks	Trans- actions	Amount
A. RRB & Coop Banks							
1	Punjab GB	24151	12,01,98,500	32	Madhyanchal GB	6071	60,01,800
2	Kashi Gomti Samyut GB	18782	7,96,69,800	33	Baroda Rajasthan Kshetriya GB	4474	54,64,000
3	Telangana GB	80069	7,20,97,500	34	Odisha GB	3626	52,90,050
4	Assam Gramin Vikash Bank	15126	5,75,89,700	35	Ellaquai Dehati Bank	1989	50,14,400
5	Purvanchal Bank	21930	5,38,41,700	36	The Patliputra CCB, Patna	981	42,59,600
6	Bihar GB	10486	4,78,64,000	37	Sutlej GB	798	37,59,000
7	Himachal Pradesh GB	8061	3,62,74,650	38	Tripura GB	1507	33,39,100
8	Sarva Haryana GB	7669	3,26,74,900	39	Vananchal GB	1665	29,97,400
9	Gramin Bank of Aryavart	23692	2,80,08,100	40	Chhattisgarh Rajya GB	756	23,28,300
10	Vidharbha Konkan GB	20106	1,94,05,700	41	Rajasthan Marudhara GB	735	20,74,100
11	Sarva UP GB	4778	1,77,77,500	42	Saurashtra GB	652	14,93,400
12	Kaveri Grameen Bank	7609	1,35,20,250	43	Pragathi Krishna GB	571	13,25,400
13	Maharashtra GB	6888	1,29,56,150	44	Andhra Pragathi GB	5131	9,83,400
14	Allahabad UP GB	2809	1,20,74,700	45	South Canara DCCB	518	9,57,000
15	Uttarakhand GB	3272	1,15,27,800	46	Central Madhya Pradesh GB	266	8,15,600
16	The Kangra CCB	2657	1,15,11,000	47	Mizoram Rural Bank	272	5,87,000
17	Madhya Bihar GB	3729	1,10,51,300	48	Pallavan GB	247	4,90,900
18	A P. Grameena Vikas Bank	14495	1,04,35,750	49	The DCCB, Lakhimpur-Kheri	108	4,35,000
19	Baroda Uttar Pradesh GB	4240	1,02,94,300	50	The Goa State Coop Bank	91	4,32,600
20	The Hima Pradesh State Coop Bank	2140	1,00,99,400	51	Dena Gujarat GB	176	3,89,500
21	Raigad Dist. CCB, Alibag	1632	93,84,200	52	Chaitanya Godavari GB	142	3,40,500
22	Uttar Banga Kshetriya GB	4017	93,11,000	53	Utkal GB	630	3,30,700
23	J & K GB	2703	90,53,600	54	Baroda Gujarat GB	143	3,17,100
24	Uttar Bihar GB	3124	87,40,200	55	Prathama Bank	174	3,11,500
25	Narmada Jhabua GB	11543	87,37,800	56	The Surat DCCB	76	2,60,100
26	Zila Sahakari Bank Ltd, Rampur	2569	80,04,900	57	Kerala GB	62	1,38,900

(Amount in Rs.)

Sl	Banks	Trans- actions	Amount	Sl	Banks	Trans- actions	Amount
27	Akola DCCB, Akola	3089	80,00,200	58	Bangiya Gramin Vikash Bank	27	1,25,800
28	Manipur Rural Bank	2077	70,82,100	59	Arunanchal Pradesh Rural Bank	68	1,07,000
29	Paschim Banga GB	1569	67,24,600	60	Karnataka Vikas GB	161	72,300
30	Malwa GB	1719	61,46,700	61	Puduvai Bharathiar GB	30	40,100
31	Jharkhand GB	5838	60,71,200	62	Nagaland Rural Bank	10	17,000
B. Public Sector Banks							
1	Union Bank of India	55295	22,10,28,731	19	Canara Bank	1901	93,40,700
2	Punjab National Bank	36037	14,26,61,000	20	Vijaya Bank	1739	57,91,000
3	State Bank of India	31215	11,99,19,100	21	Axis Bank Ltd.	1559	1,03,51,500
4	UCO Bank	25042	10,39,28,900	22	State Bank of Mysore	1544	59,78,100
5	Punjab and Sind Bank	20599	10,35,17,500	23	State Bank of Hyderabad	1254	11,21,500
6	Central Bank of India	18037	7,18,80,700	24	Indian Bank	1179	35,63,500
7	Oriental Bank Of Commerce	14507	7,66,26,000	25	The Federal Bank Limited	1046	60,70,750
8	Bank Of Maharashtra	13809	2,86,78,350	26	State Bank of Bikaner and Jaipur	1005	42,11,400
9	Bank of Baroda	10046	3,07,35,450	27	Syndicate Bank	534	24,77,400
10	Corporation Bank	9743	2,74,01,650	28	State Bank of Travancore	443	17,29,900
11	Allahabad Bank	7610	3,17,73,400	29	Andhra Bank	112	3,88,500
12	Bank Of India	6580	2,51,86,600	30	The Karur Vysya Bank Ltd.	62	88,100
13	ICICI Bank Ltd.	5865	19,98,000	31	The Ratnakar Bank Limited	59	3,06,300
14	United Bank Of India	5076	1,88,94,250	32	The Lakshmi Vilas Bank Ltd	51	1,76,000
15	State Bank of Patiala	4101	2,22,54,200	33	HDFC Bank Ltd.	0	0
16	Indian Overseas Bank	3881	1,34,84,800	34	Karnataka Bank Ltd.	0	0
17	Dena Bank	3122	54,90,800	35	South Indian Bank Ltd.	0	0
18	IDBI Bank Ltd.	2094	1,13,53,000				

Source: NPCI, Mumbai

Annexure 4.3: Bank-wise Count of Micro ATMs

Sl	Bank Name	No. of Bank Mitras		Sl	Bank Name	No. of Bank Mitras	
		Required	Deployed			Required	Deployed
A. Public Sector Banks							
1	Allahabad Bank	4,355	4,355	15	Punjab & Sind Bank	351	351
2	Andhra Bank	1,811	1,811	16	Punjab National Bank	5,964	5,964
3	Bank of Baroda	4,931	4,931	17	State B of Bik & Jaipur	1,625	1,419
4	Bank Of India	5,853	4,328	18	State Bank of Hyd	1,343	1,343
5	Bank of Maharashtra	2,974	2,237	19	State Bank of India	23,383	20,329
6	Bhartiya Mahila B	-	-	20	State Bank of Mysore	529	443
7	Canara Bank	2,459	2,382	21	State Bank of Patiala	752	528
8	Central Bank of India	6,387	5,520	22	State B of Travancore	332	332
9	Corporation Bank	637	540	23	Syndicate Bank	2,615	2,515
10	Dena Bank	1,424	1,385	24	UCo Bank	4,317	4,317
11	IDBI Bank	341	190	25	Union Bank of India	5,407	5,407
12	Indian Bank	2,517	2,325	26	United Bank of India	2,958	2,958
13	Indian Overseas B	2,655	2,589	27	Vijaya Bank	862	844
14	Oriental Bank of Commerce	1,240	1,240				
Total Public Sector Banks						88022	80583
B. Private Sector Banks							
1	Axis Bank	208	208	8	Karur Vyasa Bank	117	95
2	City Union Bank	139	139	9	Kotak Mahindra Bank	249	84
3	Federal Bank	169	109	10	Lakshmi Vilas Bank	82	82
4	HDFC Bank	406	406	11	Ratnakar Bank	34	-
5	ICICI Bank	1,231	670	12	South Indian Bank	120	51
6	Indusind Bank	64	64	13	Yes Bank	5	-
7	J & K Bank	615	249				
Total Private Sector Banks						3439	2157
B. Regional Rural Banks							
1	Allahabad Bank	1,173	1,173	12	Punjab & Sind Bank	26	26
2	Andhra Bank	189	189	13	Punjab National Bank	1,863	1,806
3	Bank of Baroda	3,342	3,342	14	State B of Bikaner & Jaipur	1,131	927
4	Bank Of India	3,188	2,762	15	State Bank of Hyd	410	410
5	Bank of Maharashtra	898	485	16	State Bank of India	7,632	4,794
6	Canara Bank	1,041	707	17	State Bank of Mysore	458	194
7	Central Bank of India	4,713	4,710	18	State Bank of Patiala	43	43
8	Dena Bank	466	230	19	Syndicate Bank	2,071	2,032
9	Indian Bank	400	279	20	UCo Bank	997	997
10	Indian Overseas B	1,400	1,104	21	Union Bank of India	1,335	873
11	J & K Bank	72	21	22	United Bank of India	2,410	2,410
Total RRBs						35258	29514
Grand Total						1,26,719	1,12,254

Source: NPCI, Mumbai

Annexure 4.4: Bank-wise Count of POS Devices as on 31 Dec 2015

Sl	Bank Name	No. of PoS		Sl	Bank Name	No. of PoS	
		On-line	Off-line			On-line	Off-line
1	Allahabad Bank	10	0	15	Catholic Syrian Bank Ltd	0	0
2	Andhra Bank	0	0	16	City Union Bank	2727	0
3	Bank Of Baroda	27498	0	17	Development Credit Bank	714	0
4	Bank Of India	5119	337	18	Dhanalakshmi Bank Ltd	700	0
5	Bank Of Maharashtra	0	0	19	Federal Bank Ltd	8965	0
6	Canara Bank	4397	0	20	HDFC Bank Ltd	280262	0
7	Central Bank Of India	1265	0	21	ICICI Bank Ltd	201000	0
8	Corporation Bank	70257	0	22	IDFC Bank Ltd	0	0
9	Dena Bank	0	0	23	Indusind Bank Ltd	838	0
10	Indian Bank	10	0	24	Jammu And Kashmir Bank	5445	0
11	Indian Overseas Bank	398	0	25	Karnataka Bank Ltd	2868	0
12	Oriental Bank Of Commerce	2392	0	26	Karur Vysya Bank Ltd	10433	0
13	Punjab And Sind Bank	0	0	27	Kotak Mahindra Bank Ltd	0	0
14	Punjab National Bank	13026	0		Ratnakar Bank Limited	479	0
15	Syndicate Bank	2259	0	8	South Indian Bank	3268	0
16	Uco Bank	0	0	9	Tamilnadu Mercantile Bank Ltd	1861	0
17	Union Bank Of India	23719	0	10	The Laxmi Vilas Bank Ltd	2849	0
18	United Bank Of India	0	0	11	Yes Bank Ltd	16228	0
19	Vijaya Bank	1225	0	12	American Express	13523	0
20	IDBI Ltd	15724	0	13	Bank Of America	0	0
21	State Bank Of Bikaner And Jaipur	2184	0		Barclays Bank Plc	0	0
22	State Bank Of Hyderabad	4352	0	12	Citi Bank	22892	0
23	State Bank Of India	270307	0	13	DBS Bank	0	0
24	State Bank Of Mysore	5505	0	14	Deutsche Bank Ltd	0	0
25	State Bank Of Patiala	4641	0	15	Firststrand Bank	0	0
26	State Bank Of Travancore	3323	0	16	Hongkong And Shanghai BKG Corpn	13465	0
27	Axis Bank Ltd	198982	0	17	Royal Bank Of Scotland N V	0	0
28	Bandhan Bank	0	0	18	Standard Chartered Bank Ltd	0	0
	Grand Total					1245110	337

Source: NPCI, Mumbai

