

Easy and Timely Access to Credit through Kisan Credit Cards

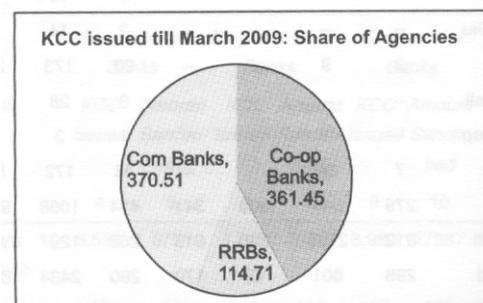
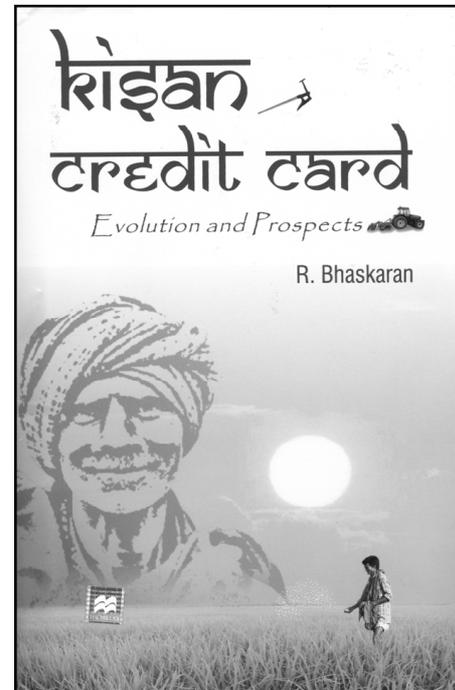
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KISAN CREDIT CARD: Evolution and Prospects:
R. Bhaskaran: Publisher: Macmillan Publishers India, Ltd: New Delhi: 2012: Pages; xxii+ 338: Price Rs.750.

Strongly argued, vividly illustrated and fluently written, the book under review successfully attempts to show that the objective of Kisan Credit Card (KCC) is to enable the farmer in India to have access to credit limit for a longer period and need not go through the repeated, time-consuming credit screening processes. It was not for nothing that the Committee on the Financial System under the Chairmanship of M. Narasimham (1991) observed that "Easy and timely access to credit is far more important than its cost". This is well substantiated by the book being reviewed here which is based on clear objectives and sound methodology.

That the KCC scheme is still undergoing the process of evolution is made evident in the Economic Survey for 2012-13. After stating that the scheme has been effective for extending agriculture credit, the Survey reports that a revised KCC was introduced in March 2012 replacing the KCC passbook by ATM-cum-debit card to all eligible and willing farmers in a time-bound manner. From the statistics founded in the Survey, it can be readily seen that the commercial banks could outshine both the cooperatives and RRBs in issuing KCCs. The present book also informs in an impressive manner that the cooperatives and RRBs lagged behind the commercial banks in providing crop loans to eligible farmers. However, it is persuasively argued in the book that the KCC should satisfy the credit needs of the small and marginal farmers whose vulnerability to exploitative informal agencies is a proven fact.

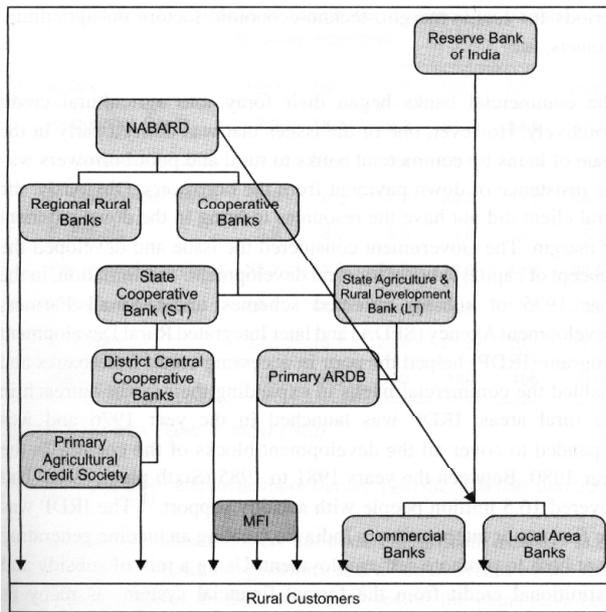
The outcome of a well written Ph.D thesis accepted by the famous University of Pune, the book carries Foreword by Dr. K.C.Chakrabarty, Deputy Governor of RBI. The theme of the book is summed up in the Foreword: "What is important is to improve the credit delivery system process and increase the outreach of



credit particularly among the small and marginal farmers. The contents of the book are practically an example of applied research in this regard. It is in this context, the contribution made by Dr. Bhaskaran is laudable.' The impact of applied research can be easily noticed in all the chapters of the book.

Chapter 1, though brief, specifies the two main and interrelated objectives: 1. To enquire if the intended hassle-free credit under KCC is hindered on account of procedural constraints, product limitations and cash

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flow vulnerabilities of the farmer, and 2. To study whether along with making credit access faster and easier if KCC has made the cost of credit lower. When subsequent chapters are read, it becomes abundantly clear that if KCC scheme is made free from all procedural wrangles and constraints, its utility would tremendously increase.

Both the significance of agriculture in the development of the Indian economy and the role of KCC in the development of agriculture are discussed in Chapter 2. The foray of commercial banks into the area of rural credit did not start in the First Five Year Plan when agriculture received top priority. It started in the late 1960s and 70s. It is rightly observed that the commercial banks have even now been skeptical about the agricultural sector and have not been able to get out of "risk mindset" about this sector. This has inhibited the growth of agricultural credit (p.6). Making institutional credit available to a large number of farmers cultivating small and marginal holdings continues to pose a challenge to the Indian banking industry. The benefits of KCC to farmers as well as to banks are listed. Though the KCC scheme was introduced as a crop loan product, it was subsequently expanded to include term loans also (p.15}.

Chapter 3 discusses the basic issues in Indian agriculture. After Green Revolution there has been no

major thrust for development in agriculture . Information technology which has benefited the industrial and tertiary sectors has missed agriculture. In the recent years, the growth rates of agriculture and allied activities are lower as compared to other sectors. In rediscovering growth of agriculture credit has a very important role to play and credit products must be innovative enough to meet the requirements of challenging circumstances (p.30).

An overview of agriculture credit is provided in Chapter 4. Credit must have certain qualities viz., adequacy, availability in time, flexibility in terms of usage and reasonable cost (p.35). All these qualities are examined in the light of evolution of the institutional setting of agricultural credit. Based on authentic data provided by NSSO (59th Round) the Chapter drives home a disturbing reality that while there was an increase in the number of small holdings, the number of small accounts with bank credit was declining. This reviewer is of the view that the relation between the non-viability of the bulk of landholdings and the continued dominance of informal sources of credit could indeed be an area for research. The results of this research would help to build a strong case for reorganization of agriculture for increasing its rate of growth with which the rate of growth of the entire economy is inextricably linked.

Chapter 4 draws the attention of its readers to the fact that while RBI and the NABARD have taken several initiatives for simplification of system and procedures in order to reduce the time and efforts of the farmers in accessing credit and ensuring smooth dispensation of agricultural credit, the traditional systems and procedures adopted by the banking system pose many challenges (p.79). The conclusion that cooperatives remain weak indicates the inevitability of commercial banks and RRBs in the continuation and spread of KCC scheme.

The 5th and the 6th Chapters are instrumental in revealing the far reaching improvements in farm credit delivery system intended through KCCs. The state of Maharashtra was chosen as the study area . Field study was conducted in Sangli district. In Maharashtra as a

whole as on March 31, 2009, the co-operatives, the public sector banks and RRBs accounted for a large share of the KCCs issued. The number of KCCs issued by private sector banks, given their resource base, was very small (p.146)

Data analysis and the interpretation of field study findings are in Chapter 7. The procedural hassles reduced the actual use of KCCs. The high cost of credit coupled with procedural constraints kept the small farmers away in practice.

Chapter 8, contains summary and recommendations that relate to small farmer coverage, appropriate use of collateral, updating land records, easy and relatively cheap mortgage or KCC purposes, measures to be taken when farmers are hit by droughts, special role of Lead

Banks, need for annual review of KCCs and proper display of terms and conditions of KCCs. Most of these recommendations are implementable by individual banks without any supervisory interventions (see Foreword).

Lucidity of presentation, careful use of secondary data, visual aids like charts and diagrams and additional information furnished in Appendices add to the significance of the book. As Chakrabarty remarks, " Any serious researcher, academician and banker with a rural bias should find this book very useful for its depth, analysis and coverage."

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