

Summer Internship Report

**Coverage, Issues & Strategy to improve
lending through Kisan Credit Card (KCC)**

A case study of East Champaran and West
Champaran districts of Bihar

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Abbreviations

DDM District Development Manager	7
DEAR Department of Economic Analysis and Research	1
DLTC District Level Technical Committee	xiv
FPO Farmer Producer Organisation	xii
ISS Interest Subvention Scheme	xiii
KCC Kisan Credit Card	xiii
LDM Lead District Manager	7
LPC Land Possession Certificate	xiv
MISS Modified Interest Subvention Scheme	xiii
NABARD National Bank for Agriculture and Rural Development	1
PACS Primary Agricultural Credit Society	7
PAIS Personal Accidental Insurance Scheme	xii
PLP Potential Linked Credit Plan	7
PMFBY Prime Minister Fasal Bima Yojana	xii
PM-KISAN Prime Minister Kisan Samman Nidhi Yojana	xiv

PRI Prompt Repayment Incentive	xiii
SFP State Focus Paper	7
SOF Scale of Finance	xiv

Executive Summary

Introduction

- The Kisan Credit Card scheme was launched in August 1998. It was introduced to provide farmers with a hassle-free credit channel to meet their credit requirements for agriculture and allied activities. Over the years, many new features were added to the scheme. Some notable ones include the introduction of Personal Accidental Insurance Scheme (PAIS), provision of crop insurance coverage such Prime Minister Fasal Bima Yojana (PMFBY), and increase in its scope to cover farmers engaged in allied activities.
- The total number of operative KCC accounts as of 30 June 2023 is 7.36 crores with a total outstanding amount of Rs. 8.86 lakh crores. Of the 7.36 crore accounts, 23.67 lakhs accounts pertain to the allied sector.[10]

Objective

The study was conducted to achieve the following objectives:

- i. To analyze the progress of the KCC Scheme since its inception with a focus on bottlenecks/constraints in its implementation.
- ii. To assess how the KCC scheme has helped accelerate the institutional credit flow and brought out a change in productivity and efficiency at the field level.
- iii. To assess the coverage of the KCC scheme for small/marginal farmers, tenant farmers, etc., and assess the utilization of the scheme.
- iv. To suggest measures towards a modification of the scheme to ensure the inclusion of excluded farmers and improve the overall efficacy of the scheme.

Methodology

The research is descriptive and analytical in nature. The nature of the data used for the analysis has both primary and secondary origins. Primary data is based on the field visits to 2 districts namely East Champaran and West Champaran of state Bihar. A sample of 50 farmers selected randomly was chosen and interviewed to gather information on the topic. In addition to that focus group discussions with members of 4 Farmer Producer Organisation (FPO) were conducted to understand the general problems of the region and to gather viable solutions to these problems. To know

the issues about the supply side, 17 banks in total were visited and interviews of bank officials based on structured questionnaires were conducted. The data collected from the field visit was analyzed using descriptive statistics and graphs.

Major Findings

- i. Out of 50 farmers, 35 farmers were aware of the KCC scheme in its most basic form. Out of the 35 farmers aware of the scheme, 25 farmers had operational KCC.
- ii. Out of 35 farmers who were aware of the scheme, 25 were aware of the prompt repayment incentive provided to the farmers and the interest subvention scheme for KCC loans. Among 25 farmers having Kisan Credit Card (KCC), 3 were not aware of Prompt Repayment Incentive (PRI) and Interest Subvention Scheme (ISS). Awareness of KCC for Animal Husbandry and Fisheries is very low. In addition to that the process involving the need to make investments before availing credit discourages farmers from going for it.
- iii. Those farmers who had operational KCC were paying their dues on time and have been prompt repayment incentives directly in their bank account. The KCC farmers in the sample were benefiting from 1.5% per year interest subvention under Modified Interest Subvention Scheme (MISS) and 3% per year under PRI. The effective rate of interest to the farmers on KCC loans was at 4%.
- iv. Out of sample discussion with FPOs and officials revealed that many farmers were not making timely repayments in anticipation of loan waiver schemes. Such schemes in past were seen as penalizing those who were paying their dues on time.
- v. Of all the available sources of withdrawal, operations through the branch were the most frequent and in some cases only one delivery channel. All of the 17 banks visited as part of the study had this facility. 9 out of 17 banks had ATM facilities under KCC but its use is quite limited. None of the sample KCC farmers were using ATMs for withdrawals. Major reasons cited were the inability to operate ATMs and fear of fraud. Other withdrawal sources such as cheques, PoS facility, and mobile banking were not available.
- vi. None of the farmers in the sample had KCC for Animal Husbandry and Fisheries. Reasons for it have been lack of awareness, complex application process, and requirement of documents such as receipt of purchase which is not available in case of informal trades.
- vii. Farmers faced difficulty in managing their accounts due to the unavailability of online inquiry service. Some of the farmers did not get proper information on their account operations due to a lack of support from the bank officials. Banks cited a lack of staff as the reason for not being able to provide such service.
- viii. The decision of the Bihar government to pull out of PMFBY in 2018 owing to financial constraints has led to a reduction in the demand for KCC. This has been seen directly in the non-renewal of cards by certain farmers. Other

reasons for non-repayment of loans are the absence of a market for produce and a shortage of warehousing capacities, flood, and other climatic problems which have resulted in the loss of crops making it difficult for the farmers to manage their finances. Farmers are forced to repay their KCC dues by taking loans from informal sources.

- ix. The farmers reported having a sanctioned limit, less than the Scale of Finance (SOF). This has reduced their ability to fully utilize the benefits of the credit card. The scale of finance decided by District Level Technical Committee (DLTC) for both the districts was at par with the actual cost of production incurred by farmers.
- x. Most of the farmers were forced to approach the bank through a middleman for processing their applications. Lack of financial knowledge and structural constraints such as tedious application process, multiple bank visits, etc. were some of the reasons for such arrangements. The middleman charges fees from farmers which is generally a percentage of the loan amount sanctioned. It leads to a reduction of credit available to the farmers.
- xi. Lack of withdrawal options, other than from the cash window at Bank Branch offices, reduces the flexibility of KCC uses.
- xii. For KCC loans Land Possession Certificate (LPC) of current FY is mandatory. However, the online process for obtaining LPC from the Government of Bihar is time-consuming and lengthy, which discourages farmers. Small farmers find it harder to receive LPC. In addition to that, those willing to avail of the facility but do not have land registration on their names found it difficult and in some instances impossible to obtain LPC.
- xiii. Recommendation of PACS chair for KCC through cooperative banks are driven by political considerations. Small farmers having less political power find it impossible to get such recommendations. It was also found that PACS was not actively spreading awareness about the scheme.
- xiv. The issue of rejection of applications without giving any reason was very prevalent. Those farmers who had the awareness to use RTI could easily challenge the rejection others just accepted their fate. Giving reasons for rejection could have helped farmers rectify their errors and get it approved.
- xv. The opportunity cost involved in traveling to prepare documents and apply for KCC was found to be more than compensating the benefit of a lower interest rate. In addition to that the probability of the application being accepted is quite low which disincentivizes efforts in applying for it.
- xvi. Having a bank account in more than one bank can lead to rejection. Banks prefer customers who receive their Prime Minister Kisan Samman Nidhi Yojana (PM-KISAN) amount in their account with the bank.
- xvii. The absence of crop insurance under PMFBY demotivates farmers. The decision of the Bihar government to pull out of PMFBY in 2018 owing to financial constraints has led to a reduction in the demand for KCC. This has been seen directly in the non-renewal of cards by certain farmers.

- xviii. Farmers do not get proper support and advice and find it difficult to apply for loans due to their limited financial knowledge. In addition to that they face issues during the process of withdrawal and repayment due to lack of advisory support from the banks. Banks face acute shortages of manpower to run their daily business. Because of this, they find it hard to provide exclusive services related to KCC.
- xix. Due to the high percentage of loans turning NPA Banks are taking extreme caution in receiving applications and granting loans.

Policy Recommendations/Suggestions

- i. Emphasis should be on increasing the coverage of KCC Animal Husbandry (Dairy, Poultry, and Fisheries) by running special mobilization programs. For fisheries in the sample districts, new cooperative societies can be formed and existing ones can be strengthened. The Government of Bihar can provide ponds on lease for interested people to help them avoid the cost of initial investment.
- ii. The trade in animal husbandry can be organized and registration of animals and birds should be made compulsory. This step will help farmers in providing the necessary proof of ownership for securing loans under KCC-AH.
- iii. The Government of Bihar can provide crop insurance under KCC for the farmers through the ongoing state government's crop assistance scheme (i.e. Bihar Rajya Fasal Sahayata Scheme) or by re-joining the PMFBY. This step will not only boost the number of KCCs in the state but also provide relief from overdue in case of non-repayments due to crop loss.
- iv. A centralized tool such as a web application can be developed for the farmers to check their eligibility before applying for the loan. The use of the Land Encumbrance Portal (LEP) of the Government of Bihar, the Public Tech Platform for Frictionless Credit (PTPFC) of the Reserve Bank of India, and the Jan Samarth Portal for application under KCC can be encouraged. Training in this regard can be provided by relevant agencies. The common service centers (CSC) can provide necessary support to farmers in the process of application
- v. The Financial literacy of the farmers can be improved through conducting weekly camps in coordination with local government. The government can also provide comprehensive financial advisory to farmers by setting up financial training and advisory centers in every village panchayat.
- vi. Involvement of local governing bodies, PACS, FPOs, and SHGs can be increased for facilitating services to farmers and helping them prepare documents for the application.
- vii. Improvement of agri-infrastructure such as flood management structures, construction of warehouses, and cold storage is urgently required in this region to reduce crop loss for the farmers. The marketing system has to be improved and fair prices can be provided to the farmers, enabling them to fulfill their repayment responsibility.

- viii. Digitisation of land records and consolidation of fragmented land holdings can make the verification process quick and error-free. In addition to that the online approval of LPC can be provided within a fixed time frame to help farmers apply for loans or get renewals in time
- ix. A centralized portal for processing applications under KCC can be developed to make it easier for the farmers to apply and for banks to review applications.
- x. Credit for the initial investment in setting up the poultry farms or fishing ponds can be provided under KCC - AH and Fisheries. Fishery cooperative societies need to be strengthened.
- xi. Recruitment of new staff and training of the existing ones is recommended for effective management of the daily business of the banks and provide them the additional resources required for catering to the special needs of the customers.
- xii. Policy for disbursement of term loans by cooperative banks is required. The cooperative banks can be provided additional funds so that they can increase the limit set on KCC issued. Their application process needs to be reviewed.

Chapter 1

Introduction

1.1 About Kisan Credit Card

As per RBI's Master Circular on KCC[7], the Kisan Credit Card (KCC) scheme was introduced for the issue of Kisan Credit Card to farmers based on their holdings for uniform adoption by the banks so that farmers may use them to readily purchase agriculture inputs such as seeds, fertilizers, pesticides, etc. and draw cash for their production needs. In The scheme was further extended for the investment credit requirement of farmers viz. allied and non-farm activities. The scheme guides the banks in disbursement of loans to farmers as per the regional suitability.

The RBI circular[7] mentions six objectives under the KCC scheme:

- a. To meet the short-term credit requirements for the cultivation of crops
- b. Post-harvest expenses
- c. Produce marketing loan
- d. Consumption requirements of farmer household
- e. Working capital for maintenance of farm assets and activities allied to agriculture
- f. Investment credit requirement for agriculture and allied activities.

The master circular provides all the related information about the determination of limit, channels of withdrawal securities, etc.

1.2 Background of the topic

Access to credit plays a pivotal role in the economic development of rural areas, especially in agrarian economies like India. The Government of India introduced the Kisan Credit Card (KCC) scheme in 1998 to provide timely and adequate credit to farmers for their agricultural and allied activities. The scheme aims to simplify the credit delivery process, ensure the availability of credit at lower interest rates, and enable flexible repayment options for farmers. With effect from 2001-02, it was made obligatory for the implementing agencies to operate the KCCS with an in-built component of life insurance for KCCS beneficiaries. The scheme also provides

long-term credit for investment activities depending on the cropping pattern and scale of finance effective from 2004. The Government of India extended the KCC facility to fisheries and animal husbandry farmers in 2018-19.

As of 30 June 2023, the number of operational/live KCC stands at 7.36 crores with a total outstanding amount of ₹8.86 lakh crores which corresponds to an average of ₹1,14,175.25 per operational account. Out of the total operational KCC, 23.67 lakhs are given for animal husbandry and fisheries.[10]

1.3 Statement of the problem

The study deals with three different aspects of the KCC scheme. It checks the coverage of different types of farmers, tenants, sharecroppers, etc. under the Kisan Credit Card scheme. It identifies issues affecting its coverage and effectiveness with a special focus on small and marginal farmers. The study looks for the impact of KCC on the productivity and efficiency of farmers. At last, it provides suggestions to improve the coverage and effectiveness of the scheme.

1.4 Need of the study

The total number of operational KCCs under the scheme is much less compared to the number of operational landholdings. Despite various steps taken to encourage farmers to adopt KCC, the speed of adoption is very slow. The government has been increasing its scope and providing various incentives such as interest subvention in addition to providing different insurance schemes related to crops as well as farmers. The scheme was meant to improve the quality of life for the farmers through an increase in income by increasing productivity of the land by providing timely assistance. In light of these prospects, it is extremely necessary to study the ground-level reach of the steps being taken by the government. The study tries to provide an assessment of the situation of the KCC scheme at the ground level.

1.5 Scope of the study

The study covers a small sample area of two districts of Bihar state and cannot be considered as a general assessment of the scheme. At its best, it explains the problems in the north-west Bihar and adjoining areas. The types of banks and their functioning is different from region to region, keeping it in mind the study does not generalise the working of banks in the country as a whole.

1.6 Objective of the study

The study has been conducted keeping in mind following objectives:

1. To analyse the progress of the KCC Scheme since its inception with focus on bottlenecks/constraints in its implementation.
2. To assess how KCC scheme has helped in accelerating the institutional credit flow and brought out change in productivity and efficiency at the field level.

3. To assess the coverage of KCC scheme for small/marginal farmers, tenant farmers etc. and assess the utilization of scheme.
4. To suggest measures towards modification of the scheme to ensure inclusion of excluded farmers and improve overall efficacy of the scheme.

1.7 Review of Literature

- Gyanendra Mani[9] uses both primary as well as secondary data to check the implementation of the revised KCC scheme with a focus on the use of RuPay/Debit cards. He identified various reasons for the gap between the number of smart cards issued and operative accounts. Some of the reasons were the non-issuance of cards to NPA and other irregular accounts, the perception of farmers about the utility of RuPay cards due to less frequent transactions made by them and chances of misuse, etc.
- Hardarshan Kaur & Navkiranjit Kaur Dhaliwal[5] examined the period-wise and agency-wise progress of Kisan credit card scheme in the country from 1998-99 to 2012-13. They found growth of the scheme in terms of number of cards issued and amount sanctioned during the study period. It was also found that commercial banks were ahead of cooperative banks and regional rural banks for cards issued and amount sanctioned under KCC scheme.
- Amalendu Kumar, Nihar Amar Rath and RS Singh[4] accessed the extent of KCC fund utilized by farmers and evaluated the socio-economic impacts of KCC scheme in Odisha. They found that KCC beneficiaries were more advantageous position in way of leaving, use of modernize agriculture, avail good education, health, service in tertiary sector with compared to non KCC beneficiaries.
- DD Nigade and PR Deshmukh[11] attempted to develop and standardize the scale to measure impact of KCC scheme among the beneficiary farmers was conducted in Marathwada region during the year 2019 and 2020. The final scale consisted 34 statements to measure the impact of KCC Scheme on five-point continuum i.e. ‘strongly agree’, ‘agree’, ‘undecided’, ‘disagree’ and ‘strongly disagree’ by giving score 5, 4, 3, 2 and 1 for positive statements and 1, 2, 3, 4 and 5 for negative statements.
- Other important sources of information that has been referred to gain insights on the Kisan Credit Card Scheme are Master Circular on KCC by RBI[7], Various reports of NABARD[3][2][1]

Chapter 2

Research Methodology

2.1 Research Design

The research is descriptive as well as analytical in nature. The nature of data is mostly primary in nature. Secondary data has also been used at certain points where no primary data could be collected. The analysis of the data was both qualitative and quantitative in nature.

The qualitative research approach involved in-depth interviews with a diverse group of farmers. This provides a deeper understanding of their experiences, challenges, and perceptions of the program. The interviews explored factors such as accessibility, application process, utilization of funds, and overall satisfaction with the KCC. The qualitative data collected was analyzed using thematic analysis to identify recurring patterns and key themes.

The quantitative research approach for this primary study on Kisan Credit Card (KCC) involved collecting and analyzing numerical data. This will include gathering information on the demographics of KCC users, their loan amounts, repayment rates and overall satisfaction with the program. The quantitative responses were used to identify statistically significant trends and relationships with respect to KCC program and farmers livelihood. It provided valuable insights into the factors that contribute to the success or challenges of the initiative. The findings from the quantitative component complemented the qualitative insights gained from interviews offering a well-rounded understanding of the KCC program.

2.2 Sampling Methodology

Convenience sampling is done to decide sample districts and sample states based on the availability of resources for the collection of primary data. For the collection of primary responses, two districts, namely East Champaran and West Champaran, of Bihar were selected. A total of 50 farmers (both KCC members and non-KCC members) and 17 banks were part of the study.

2.3 Location and Time

The study was conducted in June and July month of the year 2024.

Table 2.1: Study Area

State:	Bihar
Districts:	East Champaran, West Champaran

2.4 Primary Data

Primary data has been collected from the sample districts through interviews and focus group discussions using structured questionnaires. A meeting with Lead District Manager (LDM) and District Development Manager (DDM) of both the sample districts was conducted to get their perspective on coverage of and issues related to their respective districts.

2.5 Secondary Data

Secondary data has been taken from various reports published by the Government of India, the Government of Bihar, and organizations such as RBI, NABARD, etc. District-level data has been taken from the Potential Linked Credit Plan (PLP) published by NABARD's Regional Office at Patna. State-level data is from the State Focus Paper (SFP)[3] published by NABARD's Regional Office at Patna. National level data is sourced from the Annual Report of NABARD, REPORT ON TREND AND PROGRESS OF BANKING IN INDIA of RBI, etc.

2.6 Method of data collection

Various tools and techniques were used for the purpose of data collection. Some of them are as follows:

- In-depth interviews were conducted with farmers to gain a deeper understanding of their experiences, perspectives, and challenges in accessing and utilizing the KCC. The interviews were semi-structured to allow for open-ended discussions.
- Focus group discussions with various stakeholders such as FPOs, Primary Agricultural Credit Society (PACS), etc. Focus group discussions with groups of KCC holders facilitated discussions on the benefits, limitations, and potential improvements to the KCC program. These group interactions provided valuable insights into the collective experiences and perceptions of the target population.
- Field visits and interaction with district-level officials engaged in the management and accounting of credit such as LDM, etc.

2.7 Drafting of questionnaire

The questionnaire was the primary tool for the field interviews. A separate questionnaire was prepared for both the banks and the farmers. Within the questionnaire for farmers, separate sections were devoted to understanding the issues of KCC and non-KCC farmers. The final questionnaire used for the study can be found in the appendix.

2.8 Pilot survey

Keeping in mind the importance of a pilot survey for fine-tuning the questionnaire and deciding on the approach to be adopted, the survey was conducted on the farmers of Ratwal village of Chandarpur-Ratwal Panchayat of Bagaha-1 Block. The experience from the pilot was used to improve the nature of the questions. It was quite helpful for the conduct of smooth interviews.

2.9 Limitation

- The size of the sample may not be sufficient enough for the results to be considered significant.
- The sample selected for the study is subject to time and resource constraints and may not reflect the prevailing situation of KCC in the country as a whole.

Chapter 3

Sample Profile and Analysis

3.1 Profile of sample state

Bihar is a landlocked state located in the eastern part of country. Situated in the Indo-Gangetic Plains, it has fertile soil and abundant sources of water supply. Bihar with 8.6% of the total population of India with only 2.86% of the country's total geographical area has high population density as a major limitation. The rural population of the state is around 88% and they are directly/ indirectly dependent on agriculture and allied activities for their livelihood.

Table 3.1: Physical and Administrative Features of Bihar[3]

Sl.No.	Particulars	Values
1.	Total Geographical Area (Sq. Km)	94163
2.	No. of Districts	38
3.	No. of Sub Divisions	101
4.	No. of Blocks	534
5.	No. of Gram Panchayats	8406
6.	No. of Revenue Villages	45103
7.	No. of Inhabited Village	39073

3.1.1 Agriculture

Agriculture Sector provides almost 20% of Gross State Value Addition (GSVA). In terms of sub sectors, the share of crop sector was highest, followed by livestock, fishing and aquaculture and forestry and logging. Gross Irrigated area has marginally increased from 53.41 lakh ha in 2016-17 to 54.96 lakh ha in 2021-22. Among different sources, tube-wells/wells are major source (63.4%), followed by Canal water (30.9%) and tank irrigation constitutes only 2% of gross irrigated area. Bihar is the fourth-largest producer of vegetables and the eighth-largest producer of fruits in India. Bihar is the largest producer of Makhana in the world and the largest producer of Mushroom in India.

About 59.9% of land in Bihar was under cultivation during 2020-21. During 2020-21, districts with highest share of Net Sown Area were- Bhojpur, Buxar and Siwan. Gaya, Jamui and Sitamarhi together constituted about 33.5% of Bihar total area under permanent pastures and grazing land. 19 districts recorded cropping

intensity higher than that of state average of 1.44. The cropping intensity was highest in Sheohar (1.90) and the lowest in Purnea (1.02).

As per state focus paper released by NABARD for the year 2023-24, 91.06% of the operational land holding in the state belongs to marginal farmers and 5.86% to small farmers. Average size of land holding in the state is 0.96 acres and for marginal farmers it is 0.62 acres. Sharecropping / tenant farming is one of the dominant features in the state. It has increased from 22.67% to 25.1% during 2012-13 to 2018-19. At all India level, the leased-in area as percentage to operated area of agricultural land was 13.0% in 2018-19 as compared to 10.88% in 2012-13.[12]

Table 3.2: Land (in Lakh Ha) and Workers (in '000) Profile of Bihar[3]

Sl.No.	Particulars	Values
1.	Net Sown Area	50.45
2.	Total or Gross Cropped Area	72.65
3.	Area Cultivated more than once	22.19
4.	Cultivators	27975
	of the above, Small/Marginal Farmers	7196
	Agricultural Labourers	18346

3.1.2 Banking Profile

The State is presently served by 27 Commercial Banks (12 PSU Banks and 15 Pvt. Sector Banks), five Small Finance Banks, two Regional Rural Banks, one State Cooperative Bank and 23 Central Cooperative Banks. Besides 7883 brick and mortar branches, 7124 ATMs and 47083 CBS enabled banking outlets (CSP/ Banking Outlets) also provided banking services in the state. The state has a network of 8463 PACS. The average population served per branch is about 13,238 as compared to national average of 8600.

Table 3.3: Banking Network in Bihar[3]

Banks	Branches	ATMs	CSP/BOs	POS Terminals
58	7883	7124	47083	82002

Table 3.4: Financial Situation of Banks in Bihar[3]

Year	Total Advances (Rs. Lakh Crores)	NPA Amount (Rs. Lakh Crore)	CD Ratio
2020-21	0.86	0.18	43.52
2021-22	1.10	0.23	48.94
2022-23	1.45	0.22	53.01

3.1.3 Credit Flow to agriculture sector in Bihar

During last 05 years (2018-19 to 2022-23), the GLC increased by 50.30% from Rs.1,09,582 crore in 2018-19 to Rs.2,20,520 crore in 2022-23. Within this, priority

sector advances increased by 47.64% from Rs.75,894 crore in 2017-18 to Rs.1,44,961 crore in 2022-23. Further, during the same period GLC flow to agriculture and allied activities has registered a growth of 62.77%. However, a declining trend is observed in the Crop Loan disbursement from Rs.19,446 crore during 2018-19 to Rs.15,395 crore during 2022-23.

During 2022-23, agency-wise credit flow to agriculture shows that the commercial bank had the major share of the agriculture credit flow with around 54%, followed by Regional Rural Banks at 27.06%, Cooperatives at 12.65% and Small Finance Banks at 6.22%. In the last 05 years (2018-19 to 2022-23), the annual percentage of Commercial banks, Cooperative banks and Small Finance banks has increased, but in the case of RRB banks, it has decreased from 39.6% to 27.06%.

3.2 Status of KCC in Bihar

As against 1.64 crore operational land holdings, around 76 lakh PM KISAN beneficiaries in the state and 1.99 crore farmers registered on the site of the state's Agriculture Department, the Operational KCC accounts (the accounts in which disbursements were made during a year) are hovering between 14 to 20 lakhs for last 4-5 years. And the number of KCC accounts outstanding (i.e., Operational accounts + NPA accounts + Non-operational but yet to become NPAs) are around 40 lakhs. The number of operational KCC accounts in the state during 2022-23 was 14.27 lakh which was only 8.69% of the total landholding. Adding the number of KCC which have turned NPA or about to be NPA, the number increases to 40.45 lakh which is still less than 1/4th of the landholdings (24.65%). . Of the total no. of KCCs disbursed during 2022-23, percentage share of Commercial Banks, RRBs and Cooperative Banks were 48.62%, 49.65% and 1.73% respectively.

There has been increase in per account average KCC disbursement from Rs.90,043 during 2021-22 to Rs.1,07,876 during 2022-23. The average disbursement of loans per KCC by the Cooperative Bank stood at Rs.29874 only.

The progress under KCC under Animal Husbandry and Fisheries is very low in the state. Only 48122 farmers availed loan under KCC - AH & 1162 farmers availed loan under KCC - Fisheries up to 31.03.2023.

Table 3.5: Credit Flow to Agriculture Sector in Bihar[3]

Year	Total Agri GLC (Rs. Crores)	KCC Credit (Rs. Crore)	KCC - AH Credit (Rs. Crore)	KCC - Fisheries Credit (Rs. Crore)
2020-21	48620.79	17093.70	212.27	9.57
2021-22	63870.08	14094.45	136.07	9.16
2022-23	71001.61	15394.96	291.27	12.92

Indebtness in Bihar: As per the NSS report no. 587 based on NSSO 77th round data, the percentage of indebted agricultural household (2019) in Bihar was 39.7% which was lower the national value of 50.2% for all India. Despite having a lower share of indebtedness the share of institutional credit in loan outstanding for bihar was 59.1% which was poorer than that of India at 69.6%.

3.3 Profile of sample districts

3.3.1 East Champaran

East Champaran district is the 3rd largest in terms of area and 2nd in terms of population in Bihar. According to the 2011 census, the total population of the district is 50.99 lakhs. Out of which, rural population is 46.98 Lakh (92.13%) and urban population is 4.01 Lakh (7.87%). The district literacy rate is 54.39%. The total area of the district is 3968 sq. km. The district has 6 Sub-divisions, 27 CD Blocks and 396 Gram Panchayats.

Agriculture and Banking

The major soil in the district is of the old alluvial type and is spread over about 40% of the area of the district. Rice, sugarcane, wheat, maize and pulses are the main crops of the district. Major vegetables grown in the districts are potato, onion, tomato, cauliflower and brinjal. East Champaran ranks second in sugarcane and mango production in Bihar. Production of sugarcane and mango in 2021-22 was 12.13 lakh tonnes and 1.29 lakh tonnes respectively[1]. The population living in the village is engaged in sheep and goat rearing besides dairy business. Poultry farming and Fisheries are also done in large quantities in the state. The district ranks third in Bihar in fisheries (0.71 lakh tonnes in 2021-22).

As per data of 31st March 2023, there are 86 branches of North Bihar Gramin Bank, 158 branches of commercial banks, 9 branches of Motihari Cooperative Bank and Small Finance Banks has 10 branches in the district. Out of a total of 263 branches, 108 are rural, 113 are semi-urban and 42 branches are in urban areas. Center Bank of India is the leading bank of the district.

Status of KCC

The cumulative figure of coverage of KCC in the district is given in the table 3.6.

Table 3.6: Progress under KCC as on 31.12.2023 in East Champaran[1]

Type of Banks	NEW KCC		RENEWED KCC		TOTAL KCC	
	No.	Amount	No.	Amount	No.	Amount
PSB	937	1581.6	19246	18271	20183	19852.6
Private Bank	143	451	45	100	188	551
RRB	730	379	47262	69137	47992	69516
DCCB	122	60	7233	1941	7355	2001
Grand Total	1932	2471.6	73786	89449	75718	91920.6

3.3.2 West Champaran

The gross domestic product of the district for 2020-21 was Rs. 18015 crore out of which 45% was from primary sector, 15% from manufacturing and rest 40% from services.

Agriculture and Banking

West Champaran is the largest district in terms of area in Bihar with 5,228 sq. km. which is 5.55% of the total area of Bihar. The district is the largest producer of sugarcane in Bihar which was 68.24 lakh tonnes in 2021-22 or 57% of the total sugarcane produced in Bihar. Sugarcane covers 63% of the net sown area of the district. The district is third in terms of the production of wheat in Bihar after Rohtas and Kaimur. The district holds 2nd place in the production of onion in Bihar. River Gandak and its canals provide round the year irrigation facility.

The district has 21 operating banks with 208 branches. There are 111 rural, 58 semi-urban and 39 urban branches.

Table 3.7: Agency-wise loan disbursement to agriculture sector in West Champaran[2]

Year	2022-23	2023-24 (As on 31.12.2023)
	Amount Disbursed (Rs. Lakh)	Amount Disbursed (Rs. Lakh)
Commercial Banks	88687	80328
RRBs	72753	76675
Cooperative Banks	28423	3871
Total	189863	160874

Table 3.8: Ground Level Credit Flow in Agriculture Sector[2]

West Champaran			Bihar	
GLC (in Rs. Lakh)	Percentage of Total Loan to Primary Sector (2022-23)		GLC (in Rs. Lakh)	Percentage of Total Loan to Primary Sector(2022-23)
<i>2021-22</i>	<i>2022-23</i>			
152647	189863	53.22%	7100161	48.97%

Status of KCC

The details of the loan disbursement under KCC for the last two years are given in table 3.9. The share of different banks in KCC disbursement is given in figure 3.1¹. The share of loan amount under KCC was 36.71% of total loan disbursement to the agriculture sector in 2022 which decreased to 31.15% for the year 2023-24². The reasons for the low share of cooperative banks are the low number of branches, lack of funds and complex application process, etc.

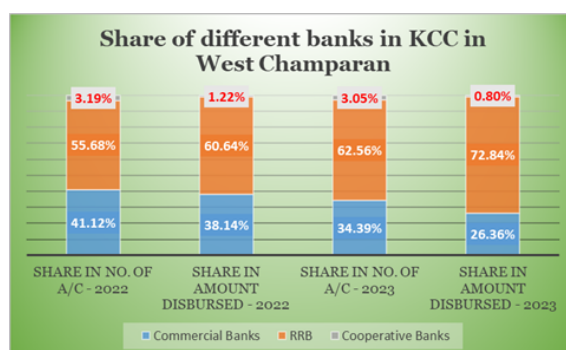
¹The data for 2023-24 is as of 31.12.2024

²The data for 2023-24 is as of 31.12.2024

Table 3.9: Agency-wise Loan disbursed under KCC in West Champaran[2]

Year	2022-23			2023-24 (As on 31.12.2023)		
	No of A/c	Amount disbursed (Rs. Lakh)	Dis- (Rs. Lakh)	No of A/c	Amount disbursed (Rs. Lakh)	Dis- (Rs. Lakh)
Commercial Banks	26929		26581	12880		13207
RRBs	36459		42266	23431		36501
Cooperative Banks	2092		853	1142		403
Total	65480		69700	37453		50111

Figure 3.1: Share of different banks in KCC disbursement in West Champaran[2]

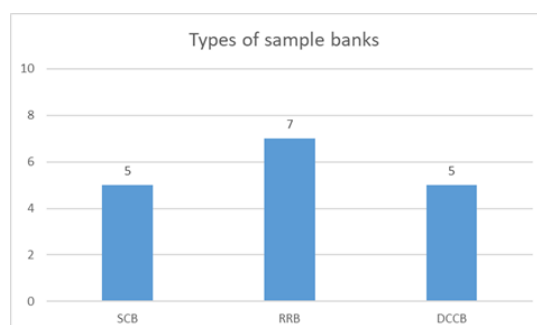


3.4 Analysis of Sample Farmers and Banks

3.4.1 Profile of Sample Banks

All three implementing agencies in both districts were surveyed to get an overview of the bank's perspective on the KCC scheme. The sample had 5 branches of scheduled commercial banks (mainly Central Bank of India and State Bank of India), 7 branches of RRB (i.e. Uttar Bihar Gramin Bank), and 5 branches of cooperative banks. Central Bank of India was the lead bank for both the districts.

Figure 3.2: Types of sample banks



3.4.2 Profile of Sample Farmers

A total of 50 farmers covering 10 villages of 2 districts of Bihar were covered in the study. The sample distribution in different educational attainment levels is given in figure 3.3b. The average size of land holding of the total sample was estimated at 2.94 acres of which about 95 percent of the area was irrigated. Cultivation was reported as the major source of income for the farmers selected for the study. Livestock farming accounted for a small share of the farmers' income. Other sources of income were retail stores, different types of services, etc. 11 farmers had pump sets, 6 had tractors and 3 had both tractors and pump sets. 21 farmers had neither tractors nor pump sets. Those who did not have any machines used to rent from others. They could not spend the large sum required to purchase these types of equipment. Tube wells/Wells and canals form the majority of the irrigation sources used by sample farmers.

Figure 3.3: Profile of Sample Farmers

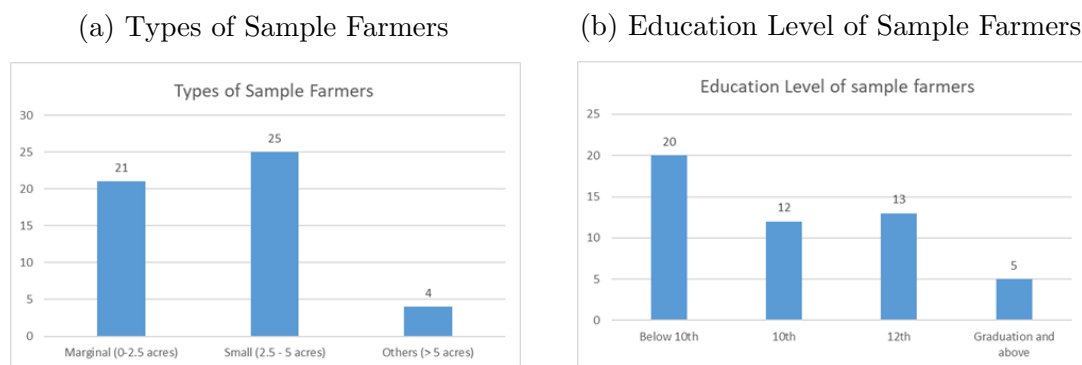
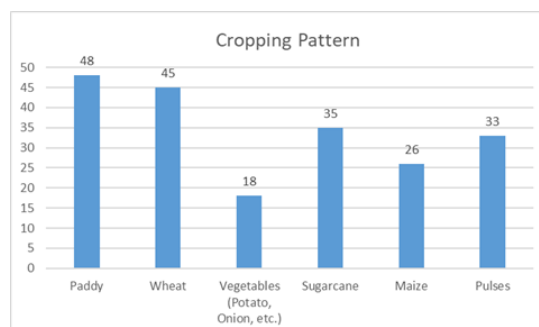


Figure 3.4: Facilities available to Sample Farmers



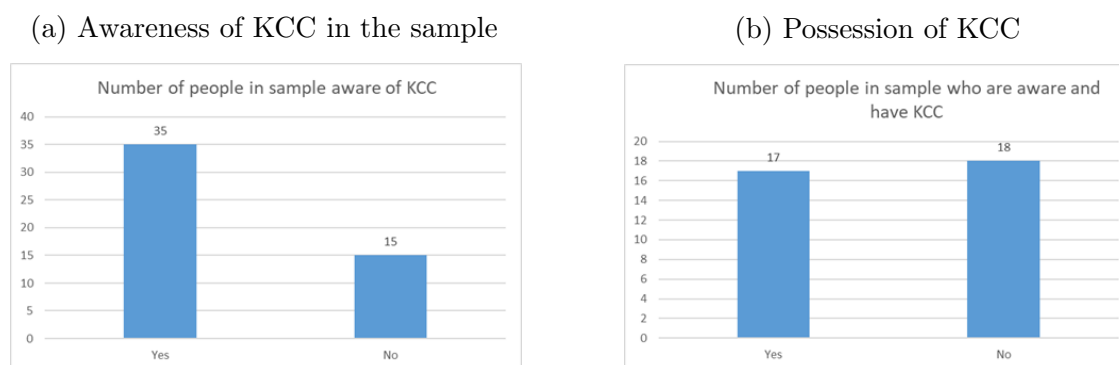
Figure 3.5: Cropping Pattern of Sample Farmers



3.4.3 Coverage and awareness of KCC in sample farmers

The level of basic awareness about the KCC scheme such as its existence and eligibility for the loans provided under it is given in figure 3.6a. Although 70% of the farmers were aware of the KCC scheme, only 34% of them had KCC. about 53% of the KCC holders had availed the service through commercial banks and the rest of the KCC holders had taken a loan from Uttar Bihar Gramin Bank(Fig.3.6. None of the farmers in the sample were found to have taken loans from cooperative banks. Cooperative banks were found to be less attractive for farmers due to the low ticket size and additional requirement of recommendation of PACS.

Figure 3.6: Coverage of KCC in Sample



Despite good efforts by banks, Most of the non-KCC farmers were not willing to avail of crop loan through KCC as they could not generate enough income from agriculture or had other income source. In other cases, banks were not willing to extend KCC loans, primarily on account of farmers not having land titles, Very small & non-viable land holdings, and rejection on some other grounds like incomplete applications, experience with the farmers, etc.

3.4.4 Awareness of Benefits under KCC

The farmers were aware of the various types of interest subvention provided under the scheme. The farmers were receiving prompt repayment in the bank accounts without going through additional paperwork. It motivates them to continue making prompt repayments. The level of satisfaction from the initiative is very high. The

Figure 3.7: Bank preference of sample farmers

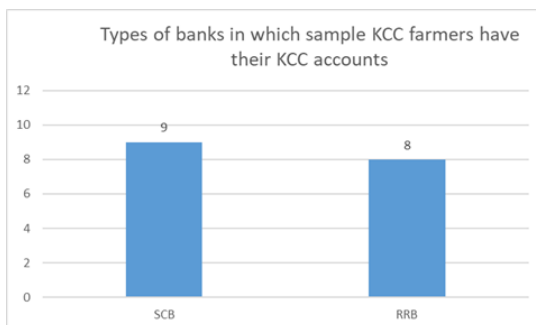
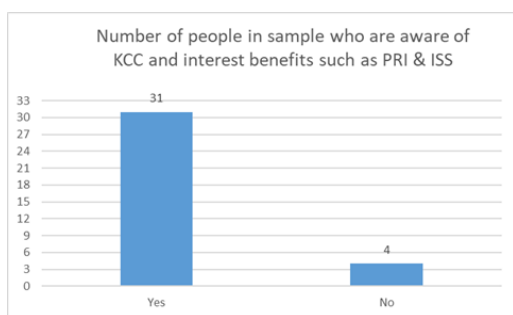
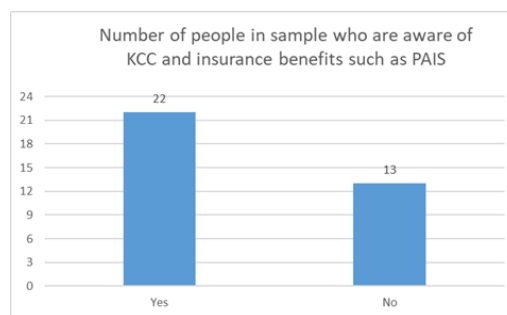


Figure 3.8: Awareness of benefits under KCC in sample farmers

(a) PRI & ISS



(b) PAIS & other insurances



relief provided to the farmers through interest subvention and prompt repayment incentives has improved their level of income from agriculture.

The awareness of insurance benefits under PAIS was lacking. Bihar is not part of PMFBY which was found to be the primary reason for various farmers opting out of the scheme. Such crop insurance schemes were helpful for farmers to make adjustments to their KCC dues during crop loss.

3.4.5 Application and Verification Process

Every bank has different procedures for accepting applications and verifying the eligibility of the farmers.

Branches of Cooperative banks receive the recommendation list from the PACS based on which they do field surveys and sanction the loans as per the limit decided by respective DCCB. It was found that the political nature of the PACS leads to politically motivated recommendations.

In the case of 2 of the RRBs, it was observed that the regional office plays an important role in deciding which farmers are to be given KCC. Branches of the RRB are involved in the verification of the documents and sanctioning of the loan.

CIBIL scores are one of the most important criteria used for checking the eligibility of farmers which is being implemented by all types of agencies.

3.4.6 Rejection of applications

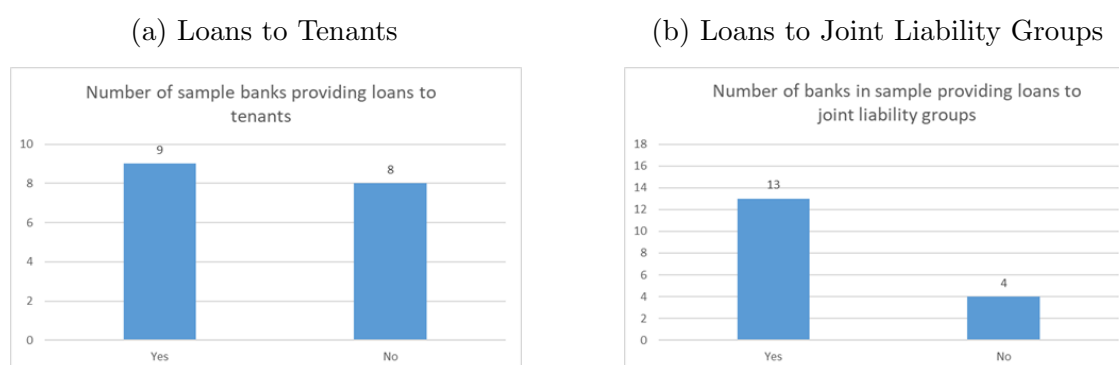
The rate of rejection has increased over the year due to rising cases of non-repayments in time. Banks are being extra-cautious in their actions. The most frequent reasons

based on which the applications were rejected are multiple KCC, poor CIBIL, lack of land records in the name of the applicant, and incomplete applications submitted.

3.4.7 Coverage of Tenants/Sharecroppers/Oral Lessees

Less than half of the banks in the sample were providing loans to tenants based on the affidavit provided by them. The affidavit required for such loans mentions the boundary of land under cultivation. About 70% of the banks in the sample regions were providing loans to joint liability groups.

Figure 3.9: Loans to different sub-groups



3.4.8 Channels of withdrawal & Use of RuPay/Debit Card

Most of the withdrawals were done through operations by branches. 5 of the banks provided cheque facilities to the farmers. 9 out of 17 banks provided debit facilities by ATM/RuPay cards. Few of the banks could not provide ATMs due to the unavailability of chips. None of the banks provide a mobile banking facility for KCC transactions.

Farmers were found to be hesitant in using other methods of withdrawals than the one they are most familiar with (i.e. operation through branch). They fear fraud and have little or no trust in the new and innovative measures available for transactions. Many of the farmers still don't know how to use ATM cards for transactions.

3.4.9 Quantum of Loans sanctioned

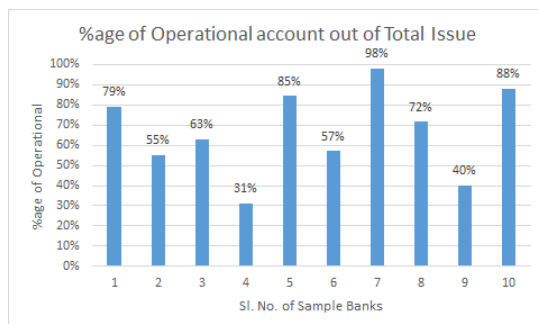
The average amount of loan sanctioned per borrower was Rs. 1.39 lakhs. The minimum amount of the KCC loan was Rs. 50,000 and the maximum amount sanctioned was Rs. 2.5 lakh. It was found that all the banks were using a scale of finance to decide the credit limit on each card except for the cooperative banks which had an upper limit of Rs.50,000 due to lack of funds.

3.4.10 NPA issues related to KCC

Out of the 10 banks which shared the data on KCC issued, only 1 had more than 90% of the KCC issued in an operational state and 2 others had more than 80% of the KCC issued as operational. 4 banks had about half of the KCC issued which

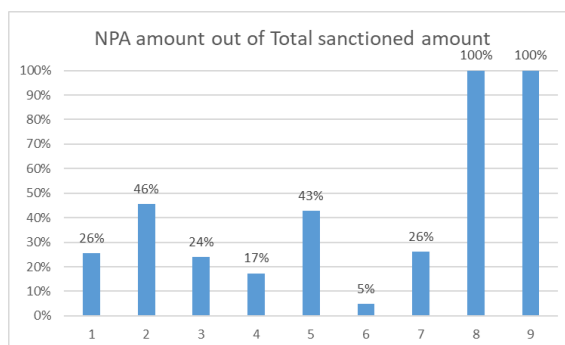
were either turned into NPA or were closed down. Figure 3.10 shows the percentage share of operational accounts in total accounts on which KCC was sanctioned.

Figure 3.10: %age of Operational KCC out of Total Issued KCC



Out of the 9 banks for which data on amount sanctioned and amount under NPA was made available, 2 banks had 100% amount under NPA while others had a significant portion of their loans under NPA. Figure 3.11 shows the share of NPA in total sanctioned amount for various banks.

Figure 3.11: Share of NPA amount out of total sanctioned amount for sample bank



There are many reasons for increase in NPA in case of KCC. The expectation of future loan waiver schemes being the biggest one.

Chapter 4

Macroeconomic Analysis

The agricultural credit disbursement has increased almost 2.5 times from Rs. 8.45 lakh crore in FY 2014-15 to Rs. 21.55 lakh crore in FY 2022-23. In those 9 years, the average annual growth rate of agricultural credit is about 13%. The amount of agricultural credit disbursement during 2022-23 was Rs.21.55 lakh crore against the target of Rs.18.50 lakh crore. The total achievement concerning allied activities was Rs.2.62 lakh crore, which was against the target of Rs. 1.26 lakh crore. The percentage of achieved disbursement to target disbursement has been more than 100% for all the years between 2014-15 to 2022-23.

4.1 Coverage of KCC in India

The number of operative/ live KCC as of 30 June 2023 stands at 7.36 crores with a total outstanding amount of Rs. 8.86 lakh crores. Of the 7.36 crore accounts, 23.67 lakh accounts pertain to agri-allied activities. This achievement is against the total operational land holdings estimated at 14.64 crores by the Agricultural Census (2015-16)[6]. The National Statistical Office’s Situation Assessment of Agricultural Households (SAAH) report for 2018-19 pegs the country’s “agricultural households” at 9.31 crores. The Pradhan Mantri-Kisan Samman Nidhi (PM-Kisan) scheme has 11.09 crore beneficiaries who got their Rs 2,000 income support installment for April 2021.

4.2 Agency-wise analysis of the status of KCC in India

The number of KCC operational has not changed much for the last 5 years but the amount sanctioned under KCC has increased from Rs. 7.10 crore in 2018-19 to 8.85 lakh crore in 2022-23.

Figure 4.1: Agency-wise Kisan Credit Cards Issued during the year[10]

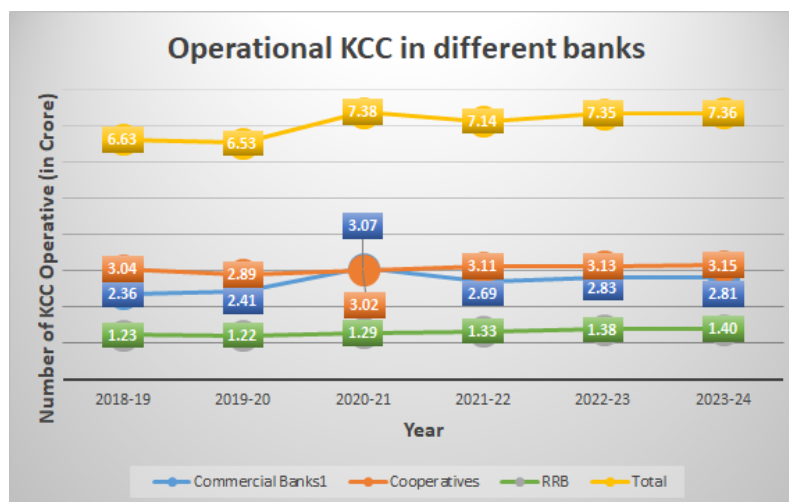
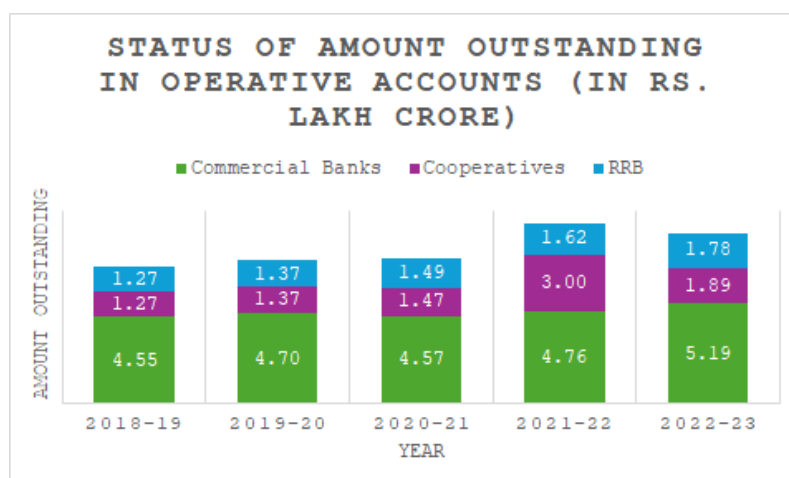


Table 4.1: Outstanding amount of loans (in Rs. Crore) under KCC in last 5 years[10]

Year	Commercial Banks	Cooperative Banks	RRB	Total
2018-19	4.55	1.27	1.27	7.10
2019-20	4.70	1.37	1.37	7.44
2020-21	4.57	1.47	1.49	7.53
2021-22	4.76	3.00	1.62	9.39
2022-23	5.19	1.89	1.78	8.85

Figure 4.2: Agency-wise Amount Operative during the year[10]

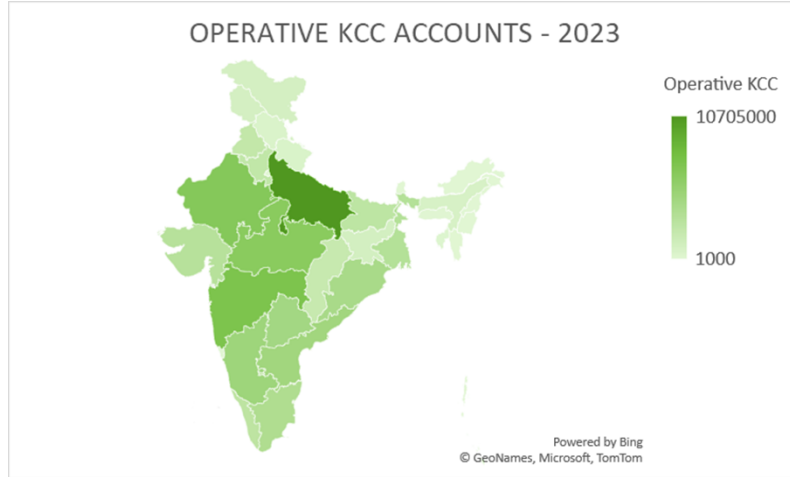


4.3 State-wise analysis of status of KCC in India

The analysis of state-wise total number of operative/ live KCCs issued by all the agencies indicates that the top 5 states in terms of Operative KCC (in '000) in

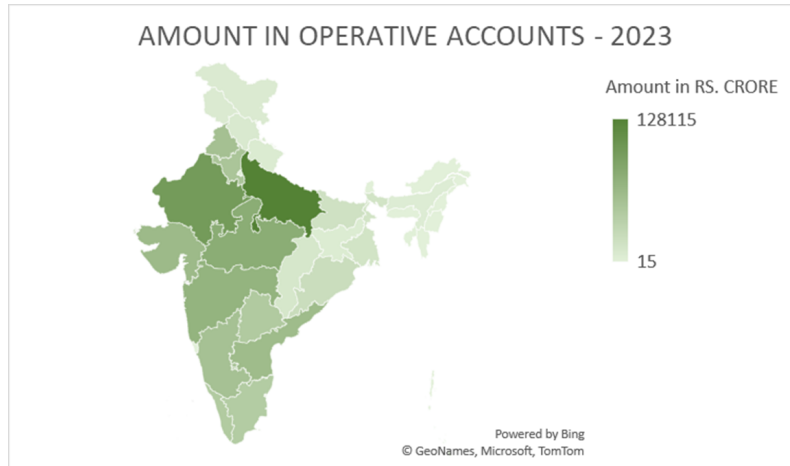
the year 2023 are Uttar Pradesh(10,705), Maharashtra(7,175), Rajasthan(6,540), Madhya Pradesh(6,267) and Karnataka(4,720). The state-wise number of operational KCC is represented in figure 4.3 for 2023.

Figure 4.3: Number of operational KCC accounts in different states (2023)[8]



In terms of amount outstanding under Operative KCC (Rs. Crores) in 2023, the top five states are Uttar Pradesh(1,28,115), Rajasthan(99,543), Madhya Pradesh(78,092), Maharashtra(70,329) and Gujarat(62,373). The amount of loans sanctioned under operational KCC accounts for different states in the year 2023 is presented in figure 4.4

Figure 4.4: Amount in operational KCC accounts in different states (2023)[8]



4.4 Impact analysis of KCC on productivity

The correlation between the number of operational KCC (OPE_TOT) and yield of land for food grains (YPH_FGN), as well as major commercial crops (YPH_MCC), are found to be insignificant. While the yield of land for the production of food grains as well as major commercial crops has increased, the number of operational KCCs has not changed for the last 10 years. Other factors such as access to irrigation facilities, availability of fertilizer, and mechanization of farming techniques may have

played their role in improving the land yield. The credit provided under KCC may indirectly affect yield through these channels.

Figure 4.5: Yield Per Hectare - Food-grain vs Number of Operative KCC for last 10 years

```
. reg YPH_FGN OPE_TOT
```

Source	SS	df	MS	Number of obs	=	9
Model	1595.68622	1	1595.68622	F(1, 7)	=	0.35
Residual	31924.5498	7	4560.64997	Prob > F	=	0.5728
				R-squared	=	0.0476
				Adj R-squared	=	-0.0885
Total	33520.236	8	4190.0295	Root MSE	=	67.533

YPH_FGN	Coefficient	Std. err.	t	P> t	[95% conf. interval]	
OPE_TOT	-4.05e-06	6.85e-06	-0.59	0.573	-.0000203	.0000122
_cons	1207.141	487.6796	2.48	0.043	53.96215	2360.32

Figure 4.6: Yield Per Hectare - Major Commercial Crops vs Number of Operative KCC for last 10 years

```
. reg YPH_MCC OPE_TOT
```

Source	SS	df	MS	Number of obs	=	9
Model	10190.9164	1	10190.9164	F(1, 7)	=	0.03
Residual	2129911.83	7	304273.118	Prob > F	=	0.8600
				R-squared	=	0.0048
				Adj R-squared	=	-0.1374
Total	2140102.75	8	267512.843	Root MSE	=	551.61

YPH_MCC	Coefficient	Std. err.	t	P> t	[95% conf. interval]	
OPE_TOT	-.0000102	.000056	-0.18	0.860	-.0001426	.0001221
_cons	5865.595	3983.392	1.47	0.184	-3553.63	15284.82

Chapter 5

Findings and Recommendations

5.1 Study findings related to KCC lending

5.1.1 Demand Side (Farmers having KCC)

- **On awareness of KCC:** Among those farmers who have been using KCC for agriculture for many years, the awareness of KCC for Animal Husbandry and Fisheries is very low. In addition to that the requirement to make investments before availing credit for animal husbandry discourages farmers from going for it. The awareness about the provision of accidental insurance under KCC is very low.
- **On customer service:** Farmers faced difficulty in managing their accounts due to the unavailability of online inquiry service and poor responses at the branches. Farmers do not get timely updates on their loan accounts and the repayment schedule which leads to non-repayment and an increase in the burden on farmers.
- **On application process:** Most of the farmers were forced to approach the bank through a middleman (someone with knowledge of finance) to process their applications on their behalf. Lack of financial knowledge and structural constraints such as tedious application process, multiple bank visits, etc. were some of the reasons for such arrangements. The middleman charges fees from farmers which is generally a percentage of the loan amount sanctioned. It leads to a reduction of credit available to the farmers.
- **On approval of application:** Farmers did not face any problem in approval of the application for renewal of KCC.
- **On quantum of loan sanctioned:** The farmers reported of having sanctioned limit less than the SOF. The limit remains constant for five years and does not reflect the changes in input prices which happen every year.
- **On channels of withdrawal:** Lack of withdrawal options, other than from the cash window at Bank Branch offices, and ATMs (for a few banks) reduces the flexibility of KCC uses. Farmers withdraw the whole amount sanctioned for one crop season at a time. The lack of knowledge among farmers of using

ATMs and the fear of fraud associated with it discourages them from using ATM cards for withdrawals.

- **On utilization of loan amount:** The use of KCC loans is mainly for cultivation purposes including pre-harvest and post-harvest expenses. In some instances, loans were being used for making repayments for the loans from non-institutional sources.
- **On repayment of loans:** Most of the farmers were not making timely repayments in anticipation of loan waiver schemes. Such schemes have in the past been seen as penalizing those who were paying their dues on time. The farmers are facing difficulty in timely repayment due to the absence of a market for produce and a shortage of warehousing capacities. Incessant rain, flood, and other climatic problems have resulted in the loss of crops making it difficult for the farmers to manage their finances. Farmers are forced to repay their KCC dues by taking loans from informal sources.
- **On coverage of tenants:** The tenant farmers are provided loans under KCC based on an affidavit submitted by them stating the location of land they are working on and the crops they are planning to produce.
- **On services provided under KCC:** The farmers reported of having sanctioned limit less than the SOF. This has resulted in the loss of productivity of the field and less production, reducing the income for the farmers. The decision of the Bihar government to pull out of PMFBY in 2018 owing to financial constraints has led to a reduction in the demand for KCC. This has been seen directly in the non-renewal of cards by certain farmers.

5.1.2 Demand Side (Farmers not having KCC)

- **On awareness of KCC:** Awareness of the scheme and its benefits was found to be very low, especially among small farmers, tenants, sharecroppers, and oral lessees. Farmers were unaware of the interest benefit given on KCC loans.
- **On need for KCC:** Many farmers who are aware of the scheme, do not have the requirement for additional funds. 15 farmers suggested that the availability of credit and ease of withdrawal from non-institutional far outplayed the benefit of low interest rates on KCC. The opportunity cost involved in traveling to prepare the document and applying for KCC was found to be more than compensating for the benefit of a lower interest rate. In addition to that the probability of the application being accepted is quite low which reduces the incentive for efforts in applying for it. The absence of crop insurance under PMFBY demotivates farmers. The decision of the Bihar government to pull out of PMFBY in 2018 owing to financial constraints has led to a reduction in the demand for KCC. This has been seen directly in the non-renewal of cards by certain farmers.
- **On customer service:** Farmers do not get proper support and time at the bank branches to understand the requirements for application. They also do not receive proper and timely communication related to their application approval.

- **On application process:** Farmers were willing to apply online but could not due either due to technical illiteracy or unavailability of service. For KCC loans LPC of current FY is mandatory. However the online process for obtaining LPC from Government of Bihar is time consuming and lengthy, which discourage farmers. Small farmers find it harder to receive LPC. In addition to that, those willing to avail the facility but do not have land registration on their own names found it difficult and in some instances impossible to obtain LPC. Recommendation of PACS chair for KCC through cooperative banks are driven by political considerations. Small farmers having less political power find it impossible to get such recommendation. It was also found that PACS was not actively spreading awareness about the scheme.
- **On documents required:** The number of documents required is very large and the complexity of understanding the documents adds on to the problem.
- **On approval of application:** The issue of application rejection without giving any reason was very prevalent. Those farmers who had the awareness to use RTI could easily challenge the rejection others just accepted their fate. Giving reasons for rejection could have helped farmers rectify their errors and get it approved. Some of the reasons for rejection were having a savings account in more than one bank, absence of record of rights, current revenue receipts and LPC can lead to rejection. Banks prefer customers who receive their PM-KISAN amount in their account with the bank.
- **On coverage of tenants:** The application process was found to be very complex for tenant farmers. In addition to that they can not apply to many banks that do not provide loans to tenants. Their rejection rate is very high and the limit up to which they can get the loan is very low.
- **Other issues:** Farmers lack the courage to use credit from institutional sources because of the fear of harassment by government officials.

5.1.3 Supply Side

- **On awareness of KCC:** Banks take many steps to increase awareness of the scheme. Some of them are financial literacy camps, posters in the branch offices, customer service points, etc. The frequency of financial literacy camps and participation of small farmers in such camps has been very poor. There are many villages located in the Diyara region (09 blocks) and forest areas (04 blocks) of West Champaran, wherein awareness level as well as reach of banks are limited.
- **On customer service:** Banks face an acute shortage of manpower to run their daily business. Because of this, they find it hard to provide exclusive services related to KCC. Only 2 of the 18 banks in the sample had separate windows for KCC and other agricultural inquiries.
- **On application process:** The process of application differs significantly from bank to bank. Farmers can apply directly to the commercial banks and RRBs but for cooperative banks, the applications are routed through PACS.

- **On approval of application:** Due to the high percentage of loans turning NPA Banks are taking extreme caution in receiving applications and granting loans.
- **On the quantum of loan sanctioned:** Cooperative banks lack funds to provide farmers loans based on scale of finance. For most farmers, the 5-year limit is set at Rs.50,000, which is just not enough for the farmers. The scale of finance decided by DLTC for both districts was at par with the actual cost of production incurred by farmers. The amount sanctioned per acre was not as per the scale of finance.
- **On channels of withdrawal:** 2 of the 17 banks could not issue ATM/Debit cards due to a shortage of cards and/or 10 banks flagged the inability of beneficiaries to use the cards as the reason for less number of ATM withdrawals.
- **On repayment of loans:** The repayment of loans under KCC or any other agriculture loans is very poor. It reduces the ability of banks to issue new loans. The rising cases of defaults on loans and lack of support from state machinery in loan recovery lead to the high percentage of loans remaining in the NPA category.
- **On coverage of tenants:** Only 9 banks provide loans to tenant farmers directly. 4 banks that do not provide loans to tenants on an individual basis do so through joint liability groups. The number of banks including those who provide loans to both joint liability groups as well tenants stands at 13. The average amount sanctioned to tenant farmers was at ₹50,000 which is much less for their needs.

5.2 Suggestions to improve KCC lending

5.2.1 Demand Side Measures

- The Government of Bihar can provide crop insurance under KCC for the farmers through ongoing state government's crop assistance scheme (i.e. Bihar Rajya Fasal Sahayata Scheme) or by re-joining the PMFBY. This step will not only boost the number of KCCs in the state but also provide relief from overdue in case of non-repayments due to crop loss.
- Emphasis should be on increasing the coverage of KCC Animal Husbandry (Dairy, Poultry, and Fisheries) by running special mobilization programs. For fisheries in the sample districts, new cooperative societies can be formed and existing ones can be strengthened. The Government of Bihar can provide ponds on lease for interested people to help them avoid the cost of initial investment.
- The trade in animal husbandry can be organized and registration of animals and birds should be made compulsory. This step will help farmers in providing the necessary proof of ownership for securing loans under KCC-AH.
- The Financial literacy of the farmers can be improved through conducting weekly camps in coordination with local government. The government can also

provide comprehensive financial advisory to farmers by setting up financial training and advisory centers in every village panchayat.

- Both the districts in the sample had a large number of FPOs who had anywhere between 300-1500 members attached to them. These FPOs can be asked to motivate their members to make use of the KCC. Similarly, PACS can also be used to increase the awareness of KCC.
- A centralized tool such as a web application can be developed for the farmers to check their eligibility before applying for the loan. The use of the Land Encumbrance Portal (LEP) of the Government of Bihar, the Public Tech Platform for Frictionless Credit (PTPFC) of the Reserve Bank of India, and the Jan Samarth Portal for application under KCC can be encouraged. Training in this regard can be provided by relevant agencies. The common service centers (CSC) can provide necessary support to farmers in the process of application.
- Involvement of local governing bodies, PACS, FPOs, and SHGs can be increased for facilitating services to farmers and helping them prepare documents for the application.

5.2.2 Supply Side Measures

- Improvement of agri-infrastructure such as flood management structures, construction of warehouses, and cold storage is urgently required in this region to reduce crop loss for the farmers. The marketing system has to be improved and fair prices can be provided to the farmers, enabling them to fulfill their repayment responsibility.
- Digitisation of land records and consolidation of fragmented land holdings can make the verification process quick and error-free. In addition to that the online approval of LPC can be provided within a fixed time frame to help farmers apply for loans or get renewals in time.
- A centralized portal for processing applications under KCC can be developed to make it easier for the banks to accept applications.
- The loans provided under KCC can be dispersed as coupons for agricultural inputs only reducing the leakage of such loans away from the agricultural uses.
- Credit for the initial investment in setting up the poultry farms or fishing ponds can be provided under KCC-AH & Fisheries.
- Training of the bank staff to deal with different types of issues related to credit disbursement and management of accounts can be provided. Banks should be provided state government's support in the collection of loan dues.
- Policy for disbursement of term loans by cooperative banks is required. The cooperative banks can be provided additional funds so that they can increase the limit set on KCC issued. Their application process needs to be reviewed.

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Questionnaire for Farmers

Personal Information

Name	
Contact No.	
Village	
Age	
Gender	
Education Level	<input type="checkbox"/> Illiterate <input type="checkbox"/> Primary <input type="checkbox"/> SSC <input type="checkbox"/> HSC <input type="checkbox"/> UG <input type="checkbox"/> PG
Main Occupation	
Source of credit	<input type="checkbox"/> Institutional <input type="checkbox"/> Non-institutional

Agricultural Background

Experience (in years)			
Type of Farmer	<input type="checkbox"/> Small (0-1 Ha) <input type="checkbox"/> Marginal (1-2 Ha) <input type="checkbox"/> Medium (2-5 Ha) <input type="checkbox"/> Large (5+ Ha)		
Income from Agriculture			
Types of Crop			
	Type of crop	Kharif	Rabi
	Name of the crops		
	Area cultivated		
	Average Yield (per acre)		

Type of land holding	Irrigated (in acre)	Non-irrigated (in acre)
Owned		
Tenant/Sharecropping		
Total		

1. Do you own any farm assets? Yes / No

If yes, please specify _____

KCC Specific Questions

2. Are you currently a KCC beneficiary? Yes / No

If yes,

Channel of awareness	<input type="radio"/> Friends or Relatives <input type="radio"/> Govt. agencies <input type="radio"/> Newspaper <input type="radio"/> Internet <input type="radio"/> TV or Radio <input type="radio"/> Other: ...
Experience (in years) of using KCC	
Number of KCC in family	
Do you have smart card?	<input type="radio"/> Yes <input type="radio"/> No
Primary reason for applying	<input type="radio"/> Limited access to formal credit <input type="radio"/> Lack of Collateral <input type="radio"/> High Interest Rates <input type="radio"/> Insufficient Documentation <input type="radio"/> Distance to Bank Branches <input type="radio"/> Others: ...
Amount of credit sanctioned	
Amount of credit availed	
Reason for not availing full credit limit	
Duration to get KCC(days)	
Use of credit	<input type="radio"/> Cultivation Expenses <input type="radio"/> Post-harvest Expenses <input type="radio"/> Consumption Expenditure <input type="radio"/> Working Capital <input type="radio"/> Marketing Expenses <input type="radio"/> Investment <input type="radio"/> Other: ...

Investment in long-term agricultural asset	
Increase in agriculture productivity	
Reduced dependency on informal credit	<input type="radio"/> Yes <input type="radio"/> No
Difficulties in obtaining KCC	<input type="radio"/> Yes <input type="radio"/> No
Need increase in KCC Limit	<input type="radio"/> Yes <input type="radio"/> No
Any training or guidance on the proper utilization of KCC	<input type="radio"/> Yes <input type="radio"/> No
Channels used for withdrawals	<input type="radio"/> Cash from Branch window <input type="radio"/> Cheque <input type="radio"/> ATM or Debit cards <input type="radio"/> PoS <input type="radio"/> Others: ...
Experience with repayment process	
Awareness of the interest subvention and Prompt Repayment Incentive	

If no,

Aware about KCC	<input type="radio"/> Yes <input type="radio"/> No
Ever applied for KCC	<input type="radio"/> Yes <input type="radio"/> No
Reasons for not applying	
Primary sources of credit	
Difficulties in obtaining credit	

Instances of under-utilisation or misuse of the KCC scheme in your community	
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Allied Activities

Type of activities	Dairy Poultry Fishery Beekeeping Others: ...
Use of KCC in allied activities	<input type="radio"/> Yes <input type="radio"/> No
Amount of loan	
Time taken for repayment	
Effect on productivity	<input type="radio"/> No change <input type="radio"/> Slight change <input type="radio"/> Drastic change
Effect on income	<input type="radio"/> No change <input type="radio"/> Slight change <input type="radio"/> Drastic change
Training and guidance for use in allied activities	<input type="radio"/> Yes <input type="radio"/> No
Challenges faced in utilizing	

Questionnaire for Banks

Bank and Branch Information

Branch Name	
Name of Contact Person	
Designation	
Contact No.	
Village/City	

KCC Scheme Implementation

KCC issued	
Operative/live KCC	
NPA accounts	
Amount Sanctioned(In Rs. crores)	
Credit Transferred	
Outstanding credit	
Applications received	
Applications approved	
Reasons for rejection	<ul style="list-style-type: none">○ Lack of valid licences○ Past defaults○ Incomplete or wrong information○ Multiple applications on same asset○ Others: _____
Factors contributing to determination of creditworthiness	
Duration to issue of KCC(days)	
Percentage of loans recovered	

KCC for Small and Marginal Farmers

KCC issued	
Operative/live KCC	

NPA accounts			
Amount Sanctioned(In Rs. crores)			
Flexi KCC	Total no. of cards issued (Operational)	Amounts Sanctioned (in Rs.)	Outstanding Loan (in Rs.)
Credit Transferred			
Outstanding credit			
Applications received	Offline	Online	
Applications approved	Offline	Online	
Reasons for rejection	<div><div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div>		

KCC for allied activities

KCC issued		
Operative/live KCC		
NPA accounts		
Amount Sanctioned(In Rs. crores)		
Credit Transferred		
Outstanding credit		
Applications received	Offline	Online
Applications approved	Offline	Online
Reasons for rejection	<div><div>○ Lack of valid licences</div><div>○ Past defaults</div></div>	

	<ul style="list-style-type: none"> ○ Incomplete or wrong information ○ Multiple applications on same asset ○ Others: _____
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Awareness, Challenges and Solutions

Training provided to staff regarding the KCC scheme	
Awareness programmes for farmers	
Major challenges faced in implementation	
Collaboration with local bodies	<ul style="list-style-type: none"> ○ Yes ○ No
Do you consider sustainable agriculture practice for granting loans?	<ul style="list-style-type: none"> ○ Yes ○ No
Separate window in branch for KCC loan	<ul style="list-style-type: none"> ○ Yes ○ No
Is there an online portal or mobile app available for KCC holders to manage their accounts?	<ul style="list-style-type: none"> ○ Yes ○ No
Do you consider scale of finance in setting KCC limit?	<ul style="list-style-type: none"> ○ Yes ○ No