



Study on Usage of *RuPay* Kisan Card by Farmers



**Centre for Research on Financial Inclusion and Microfinance (CRFIM)
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Director's Message



NABARD has always been at the forefront of encouraging innovations in rural and agricultural finance. Kisan Credit Card (KCC) is one such innovative banking product designed by NABARD with an objective to facilitate timely and adequate credit to the farmers to meet their credit requirements, preferably production credit, from banking system. The scheme was introduced in 1998 and has gone through further refinements in order to facilitate the comprehensive requirements of farmers. Many add-on features, viz. introduction of Personal Accidental Insurance Scheme (PAIS) to KCC holders, term loan for allied activities, interest subvention for loan limit up to Rs. 3 lakhs on prompt repayment have been introduced. Further, with an objective to enable farmers to withdraw money through ATMs or micro ATMs as per need without visiting bank branch and also make payment to input dealers through point-of-sale devices, in 2012, the scheme has been reintroduced by RBI which recommended banks to issue Smart Card/Debit Card to KCC holders that is compatible for use in the ATMs or POS machines.



Accordingly, NABARD, in consultation with National Payments Corporation of India, formulated a detailed guideline for on boarding of “RuPay KCC” for Cooperative banks and RRBs. As on March 2019, 470.44 lakh RuPay cards have been issued which provides access to the ATMs and point-of-sale devices of over 1,500 member banks of NPCI.

The present study, “Usage of RuPay Kisan Card by Farmers” has been conducted to ascertain the extent of issuance and usage of RuPay KCC by KCC holders. The study also assessed factors that impacted the issuance and usage of RuPay KCC among farmers. The study is based on a sample size of 900 KCC holders, from 36 bank branches covering public sector banks, private sector banks, RRBs and cooperative banks spread across 12 districts in 6 states, viz. Punjab, Tamil Nadu, Gujarat, Odisha, Uttarakhand and Assam. Both bank branch and farmer level data have been analysed to assess the coverage, usage and constraint faced in using RuPay KCC.

The study has been conducted by Centre for Research on Financial Inclusion and Microfinance (CRFIM) at Bankers Institute of Rural Development (BIRD), Lucknow with the support of Department of Financial Inclusion and Banking Technology (DFIBT), NABARD.

We sincerely hope that the findings and recommendations of this extensive study will be useful for the policy makers, development practitioners and other stakeholders of the sector.

Shankar A. Pande
Director



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The report on “*Usage of RuPay Kisan Card by Farmers*” has been the result of extensive field study by Shri Raj Kumar the then Joint Director, BIRD, Shri M. R. Gopal the then In-charge CRFIM, Shri M.K. De, DGM/Faculty Member, BIRD, Dr. Gyanendra Rout, the then AGM, CRFIM and Dr. Bhawani Singh Rathore, the then Research Officer, BIRD. We acknowledge their efforts and record our appreciation for their inputs. The report has been drafted by Shri Tamanud Ghosh, Research Officer, BIRD and Dr. Bhawani Singh Rathore, the then Research Officer, BIRD who have captured the insights and data from the field and brought them forth in the report with astuteness and accuracy. This work has been guided and supervised Shri Shankar A. Pande, Director, BIRD, Smt. T. S. Raji Gain the then Director, Shri Mukesh Vats, Joint Director without whose painstaking efforts, this work could not have been completed.

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Deepmala Ghosh
CRFIM In-charge

Executive Summary



The Kisan Credit Card (KCC) was launched by Government of India in 1998 on the recommendation of Shri R. V. Gupta Committee. The scheme aimed at augmenting timely and adequate credit to the farmers in a flexible and cost effective manner from the banking system. Over the years, guidelines of KCC have been revised and simplified in order to facilitate the comprehensive requirements of farmers. Many add – on features, viz. introduction of Personal Accidental Insurance Scheme (PAIS) to KCC holders, term loan for allied activities, interest subvention for loan limit up to Rs 3 lakhs, on prompt repayment, were introduced. Further, in order to facilitate the KCC transaction, RBI issued a revised guidelines on KCC in 2012 through which recommended banks to issue Smart Card/Debit Card to KCC holders that is compatible for use in the ATMs or POS machines, to enable farmers to withdraw money through ATMs or micro ATMs as per need without visiting bank branch and also make payment to input dealers through point-of-sale devices. Accordingly, NABARD vide circular No 159/DoR/ 2013 dated 24 July 2013 advised all the banks to accomplish the conversion of KCC to ATM-cum-Debit RuPay cards latest by 31 August 2013. NABARD, in consultation with National Payments Corporation of India, also formulated a detailed guideline for on boarding of “*RuPay* KCC” for Cooperative banks and RRBs. As of March 2019, 470.44 lakh RuPay cards have been issued, which provides access to the ATMs and point-of-sale devices of over 1,500 member banks of the National Payments Corporation of India system.

The present study attempts to examine the issuance of *RuPay* KCC by bank and assess the usage of *RuPay* KCC by farmers. Further, it also examines the reason for not issuance of RuPay cards to KCC holders and challenges faced by farmers in using the cards. The findings of the study is based on the survey of 900 KCC farmers spread across 12 districts in 6 states, viz. Punjab, Tamil Nadu, Gujarat, Odisha, Uttarakhand and Assam. In addition to this, 36 bank branches of different categories, viz. Commercial Banks, RRBs and Cooperative Banks were also covered as a part of the study. Both bank and farmer level data have been analysed to ascertain the progress in issuance, distribution and identify reasons for gap in issuance, distribution and usage of *RuPay* KCC.

1. The study found that out of the 900 sample KCC holders, a few (9%) belonged to SC/ST community and about 8% were women farmers. Few (6%) of farmers were having membership of CBOs like SHGs or JLGs. Farmers having literacy level up to graduation and above accounted for 9% of total sample. Most of the farmers were from higher age group. The average age of the farmers was found to be 49. The income range of farmers has varied among the state. The average annual income stood at Rs. 2,55,614.
2. A significant proportion (42%) of farmers possessed land up to 2.5 acre and 34% possessed land within 2.5 to 5 acre, remaining 24% possessed land more than 5 acre. This indicates that the KCC has reached out to a large extent to marginal and small farmers.
3. In the sample, average credit accessed by the farmers during the last year was Rs. 1,51,285. Among all the sources, KCC loans accounted for the highest share (93%) followed by loans from banks other than KCC (4%). Share of other sources viz., SHGs/JLGs, MFIs and Informal sources was one percent each.
4. Loan utilization pattern revealed that farmers had utilized KCC loans for multiple purposes. Almost all (99%) the farmers’ utilized KCC loan to meet the expenses related to agriculture and allied



activities. This indicates that KCC loan is mostly utilised for income generating activities. However, in addition to this, farmers also utilized some part of the loan to meet their business and personal needs, such as to finance micro-enterprise, to meet emergency medical expenses, education of children, construction or repair of home, marriage of son or daughter, repayment of old debts etc.

5. The study has found that in the sample branches, on an average 76% of the accounts were live or operative, which was higher than the all India level (37%) (Source: RBI). The ratio of operative KCC varied among the agencies. It was highest in RRBs (89%) and lowest in Cooperative banks (72%). Among the states, Utrakhhand had most of operative KCC accounts (94%) followed by Punjab (81%).
6. As reported by sample bank branches, on an average *RuPay* card received at branch from their controlling offices stood at 66% of live/operative KCC. This indicates that inadequate supply of cards at branch level against the actual requirement leads to less coverage of scheme which deprived KCC holders in availing the benefit of *RuPay* cards.
7. As far as issuance of *RuPay* cards to farmers by bank branches is concerned, it is seen that a significant gap exists between card received at branch and cards issued to farmers. Out of 29,122 *RuPay* cards received at branch, only 24,860 (85%) were issued to farmers. Remaining, 4,262 cards (15%) were either not issued to farmers or farmers did not take cards from banks. RRBs and Commercial Banks were found to be more proactive in issuance of cards as compared to Cooperative Banks.
8. The reasons for gap between the number of KCC accounts vis-à-vis number of *RuPay* cards issued to farmers, have been classified into two categories, viz., demand side and supply sides issues. Demand side issues at farmer level such as lack of knowledge of handling smart card, apprehensiveness of using plastic card due to fear and fraud, farmers preference in dealing cash transaction and migration of farmers, has reduced farmers interest in accepting and availing the facility of *RuPay* KCC. Alternatively, supply side issues were mostly operative at bank branch level, these were: insufficient supply of *RuPay* cards at branch level, lack of availability of ATMs and PoS machines in rural areas and bankers' reluctance to issue *RuPay* cards due to NPA and irregularity in accounts of farmers, lack of availability of own ATMs etc.
9. Further, analysis of the data on cards issued vis-à-vis card activation in the branches indicated that only 79% of issued cards were activated till the date of survey. Remaining 21% cards were yet to be activated by farmers. The reason for poor activation was mostly found due to lack of interest and awareness among the farmers to visit the ATMs to activate the cards, as *RuPay* cards requires activation at ATMs only. Due to lack of financial literacy, lack of trust on technology based financial transactions and limited availability of ATMs in remote villages, farmers are not keen to activate their cards by visiting ATMs.
10. Similarly, PIN distribution vis-à-vis card issued indicates that PIN issued to farmers was only 79% of the total cards issued. PIN distribution was found to be timely in Commercial Banks (86%) followed by RRBs (85%) and Cooperative Banks (75%).
11. The study observed that 74% of farmers who got card issued from banks were using *RuPay* KCC. Almost all the farmers (98%) in Punjab but very few (36%) in Gujarat were using the cards. Incidence of usage among the farmers was highest (98%) among those who had been issued cards for more than four years. Further, it is seen that women farmers tend to use it more than their male counterparts.

12. The mode of usage indicated that farmers preferred to operate the RuPay cards by themselves only, as they are afraid of misuse of their cards even by their family members. However, such preferences differed when we analyzed mode of usage among the various age groups. It is observed that the farmers below the age of 35 years were completely independent in using cards in ATMs/PoS. As age of farmers increased, the dependency on family members increased. Farmers with age of more than 66 years accounted for highest dependency on family members. About 43% of such farmers were dependent on their family members to operate the cards. When we analysed mode of usage among the card issuing agencies, it is seen that dependency on family member was higher among the farmers of Cooperative banks and RRBs. This may also be due to the lack of availability of ATMs in nearby areas of such banks.
13. The study also examined the pattern of usage of RuPay KCC among the farmers, which revealed that majority (81%) of RuPay KCC users preferred to withdraw the entire KCC limit at one go and remaining (19%) withdrew the KCC limit twice or more in a year. The reasons for such rare usage of RuPay KCC among the farmers were: farmers need to pay wage labourer in cash, shortages of cash in ATMs, restriction on daily cash withdrawal limit leads to multiple visit of bank branch, poor internet connectivity in rural areas results in hindrance in working of ATMs. In few cases, cash transactions also facilitate farmers to bargain with input dealers who demand spot payment. Further, farmers also invest the low interest carrying money from KCC and invest in other income generating activities.
14. When we analysed scale of usage of RuPay KCC at various delivery channels, it is observed that ATMs emerged as most preferred mode of transaction among the farmers as significant proportion (60%) were dependent on ATMs, 24% used RuPay KCC in PoS machine and remaining 16% were using both the platforms. Such preference of ATMs was due to use of cards mostly for withdrawal of KCC limit.
15. As far as reasons for poor usage of RuPay card are concerned, they can be divided into three categories, viz., bank level and farmer level and external issues. The bank level issues were: insufficient installation of ATMs in rural areas, lack of own ATMs resulted in additional expenditure in case of exceeding maximum free transactions, restriction on per day cash withdrawal limit in ATMs, which results in multiple visits of farmers (especially from remote villages) in case of additional requirement of money, lack of availability of payment acceptance infrastructure among input dealers, delay in activation of card and issuance of PINs, shortage of cash in ATMs and poor ATM services due to poor internet connectivity. At the farmer level, lack of technical knowledge and awareness, fear of fraud of plastic cards and reliance on traditional method of cash transaction were the major reasons for lack of popularity of the scheme among the farmers. Again, some external factors like, engagement of daily agricultural labourers who demand cash payment and utilization of low cost carrying KCC loan in some other income generating activities also encouraged the farmers to use the RuPay KCC once or twice in a year just to withdraw the entire KCC limit.

On the basis of the findings, the study has come up with suggestions for the policymakers. There is a need for sensitisation of farmers on usage of RuPay KCC, through awareness campaign. Therefore the study suggests to sensitise farmers by using posters, animated video, street theatre etc. The study also recommends to utilize the services of various CBOs viz., SHGs, JLGs, FIGs and SHG federations, community resource persons at village level, reputed NGOs for disseminating



knowledge at farmer level. There is an urgent need to create large infrastructure of ATMs/mATMs in the far off rural areas to facilitate the farmers in digital transactions. Further, Business Correspondents (BCs) of RRBs and Commercial Banks should be encouraged to operate the RKCC for withdrawal, by extending additional commission, if feasible.

The activation of cards may be allowed at micro ATMs through BCs. It will resolve the technological hurdles in activation of cards as currently RuPay KCC can be activated only in ATMs not in micro ATMs. Due to the farmers' aversion in visiting ATMs to activate the cards, a significant proportion of cards were not activated. Therefore, by allowing the activation of card at micro ATMs, percentage of activation and therefore usage of RKCC will go up. There is an urgent need of eliminating the restriction on number of free transactions on non-parent ATMs and RuPay KCC users may be allowed to perform maximum number of transactions on other ATMs. In case of Cooperative banks, PACS played a key role in facilitating issuance of RuPay cards to farmers. Therefore, the study recommends to accept withdrawal and deposits of KCC loan by PACS on behalf of Cooperative Banks.

To build a frequent card usage habit among farmers and also to reduce the burden of remembering multiple PINs, farmers may be issued a single multipurpose card which serve the purposes of all cashless transactions, viz., KCC, savings account transactions through ATMs/PoS machines.