

**STUDY OF THE  
KISAN CREDIT CARD SCHEME  
AND IT INITIATIVES  
OF ORISSA STATE COOPERATIVE BANK**



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**A STUDY OF THE  
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**PART- A : BACKGROUND OF THE STUDY**

***Introduction***

1. Agriculture is the backbone of the Indian economy, with nearly 67 per cent of the population of the country continuing to depend on it either directly or indirectly for their livelihood. Considering the dominant role of the sector and the importance of credit as an input, a multi-agency approach has been adopted by the Reserve Bank of India (RBI) for ensuring credit flow to the sector. In spite of several improvements in the delivery systems that have been undertaken over time, making institutional credit available to a large number of farmers, particularly small and marginal farmers, continues to be a challenge to the banking industry. Financing for agriculture has been a gigantic task for banks, given the enormity of the credit requirements on the one hand and vagaries of nature on the other. Both RBI and National Bank for Agriculture and Rural Development (NABARD) have taken several initiatives for simplification of systems and procedures and designing of innovative credit delivery products in dispensation of agricultural credit. However, the traditional system of procedures, documentation etc. adopted by the banking system had rendered availment of credit by the farmers rather cumbersome. Provision of timely, adequate and hassle-free credit to farmers continues to be one of the major tasks for banks in India.

2. In this context, the **Kisan Credit Card (KCC)** scheme introduced in 1998-99 was a step towards facilitating the access to Short Term (ST) credit for the borrowers from the financial institutions. The scheme was conceived as a unique credit delivery mechanism, which aimed at provision of adequate and timely supply of ST credit to the farmers to meet their crop production requirements. The objective was to provide an instrument, which would allow farmers to purchase agricultural inputs such as seeds, fertilizers pesticides and also withdraw some cash for meeting their production related requirements.

3. Under the earlier system, disbursement of short-term credit to agriculture was mostly through demand loans, but some banks had adopted system similar to that of cash credit, the facilities were, however, given for the period of one year or less, which necessitated execution of fresh documents each season. The withdrawals under both the systems were permitted largely through debit vouchers or through withdrawals from the saving accounts where the cash components were credited. As far as the 'kind component' is concerned, payments were made through bankers' cheques. As a result the withdrawals were usually bunched at the beginning of the crop season and the repayments at the end of season, when the farmers were able to generate cash after harvesting and marketing their produce.

4. The main **weakness** of such short term credit delivery system were :

- i. a lot of paper work was required on account of filling separate applications in each season;
- ii. as the facility was largely available as loan but not as cash credit, the system did not allow the borrowers to credit funds into their accounts, in case they received funds in advance and there was no scope to withdraw money from the account as and when required;
- iii. payments were effected directly to the input suppliers of the bank's choice, thus leaving a scope for affecting the quality of inputs; etc.

5. Given the above circumstance, the introduction of KCC has brought in several advantages over the traditional system of loan disbursement. Some of the **advantages** are as under:

- i. the card can be used like an ordinary credit card, thus giving a feeling to the farmers that there is an underlying guarantee of getting loan from the bank as long as the earlier loan is repaid
- ii. the facility is given for three to five years instead of one year, thus reducing the procedural delays
- iii. there is flexibility in operation of the facility in terms of number of withdrawals and in repayment of loan

- iv. the system on its own allows the borrowers to get their loans rescheduled in case of natural calamities, etc. and
- v. certain new features, such as, personal insurance for all the card holders ranging from Rs 25,000 to Rs 50,000 against permanent disability or accidental death, an effective measure for risk mitigation, were also incorporated in the scheme.

### ***Background of the study***

6. In February 2004, the Orissa State Cooperative Bank (OSCB) had forwarded a copy of press report on '**anywhere banking**' service provided by the bank to the Reserve Bank of India, Rural Planning and Credit Department (RPCD), Central Office, Mumbai. While examining the issue, it was pointed out by the Chief General Manager-in-Charge, RPCD that the OSCB had been taking a lot of innovative measures and initiatives in the administration of KCC scheme apart from computerization of its operations. The College Agricultural Banking (CAB) was advised to include such innovative measures in its programmes for the benefit of managerial staff and Directors of Co-op. banks. The matter was examined at the College and it was decided to conduct a study implementation of the Kisan Credit Card scheme by the OSCB and the steps taken by the bank for computerization of its activities. Accordingly, a study was carried out in October 2004 by Shri K.R.Padmanabha Rao, Member of Faculty and Shri S. Sahu, AGM (Information Technology).

### ***Methodology of the study***

7. The study was conducted through visits to the Head Office of OSCB at Bhubaneswar and to one District Central Cooperative Bank (Banki DCCB) and two PACS (Akhandeswar and Sishupalgarh). It involved interaction with the managers and staff of these organizations and a few borrowers. The findings of the study are presented in the following sections.

### ***OSCB - A Brief Profile***

8. The Orissa State Cooperative Bank has 13 branches in the State. On account of the computerization, the bank customers can do business through any of the branches located in Bhubaneswar, Katak, Paradip, Angul, Sambalpur and Berhampur districts. In

the state of Orissa, about 2740 PACS are extending credit to support to farmers for crop production and other allied agricultural activities. Although 39.72 lakh agriculture families have enrolled as members of the societies, hardly 8-9 lakh families were availing of credit facilities regularly. It is observed that loan business of only 400 societies is about Rs 25 lakhs and the remaining societies are non-viable due to low level of business. It is understood that many farmers were reluctant to avail of credit facility from PACS on account of several factors such as;

- i. non-availability credit in time;
- ii. cumbersome systems and procedures for sanction and disbursement of loans;
- iii. non-sanction of adequate loan amount for the crop production; and
- iv. compulsory purchase of fertilizers from the society itself.

9. The DCCBs too were facing problems on account of renewal and sanction of production loan to farmers every year.

## **PART- B: KCC SCHEME OF THE OSCB**

### ***The KCC scheme of the OSCB***

10. Given the benefits accrued to the farmers on account of introduction of KCC, the initiatives of Orissa State Cooperative Bank (OSCB) is noteworthy. Incidentally, the Orissa State Cooperative Bank was the **first bank in the country** to introduce the Kisan Credit Card scheme immediately after its announcement and ensured dispensation of entire crop loan in the State of Orissa through the KCC from the Rabi season in 1998 itself. The OSCB has introduced the KCC scheme incorporating features similar to that of the KCC schemes of other banks. Following a strict time schedule is distinct features of the KCC scheme of the OSCB.

### ***Timely disbursal of loans***

11. The time schedule in the areas where 'Kharif' is the major crop is as follows

- ❖ for fixation of the scale of finance for different types of crops by the Technical Committee and communication to all concerned (before December)
- ❖ Preparation of credit limit statement/ sanction by the Managing Committee of PACS/ forwarding the applications to DCCBs (January-February)
- ❖ Sanction of credit limit by the DCCB branches (before March)

In the areas where 'Rabi' crops are predominately grown, the process is expected to start in June and get completed by the end of September.

### ***Issue of Pass Book/ Card/ Cheque Book***

12. A passbook containing details of credit limit sanctioned, land particulars, rate of interest and due dates etc. is issued to the members. Each member is issued a card duly attested by the Supervisor of the DCCB. The cheque books for operation of KCC accounts are printed and supplied to societies by the DCCBs. It is observed that the operation of the KCC account through the cheque facility is the distinctive feature and not being implemented even by the large scale commercial banks in the area, which still allow debits through withdrawal slips. The cheques issued to the traders for the purchase of inputs are generally encashed through the clearing system or by presenting across the counter.

### ***Release of Cash and Kind Component***

13. A Member is expected to present the cheque along with pass book at the counter of the branch for drawal of cash component. The authorized official of the branch would make cash payment within the sanctioned limit to the non-defaulting members. Though the members are paid cash on visit to a branch, in case of sickness and inability to attend the branch, the Branch Manager may arrange to disburse cash component of the loan **at the doorstep** of the farmer. The cardholders present the cheques for drawal of kind component too, at the society. Interest on the loans is computed from the date of disbursement of cash by the branch. The DCCB branch would advise the society entries made in the books of account for their record.

### ***Sanction of Term Loan for Agriculture & Allied Activities***

14. Besides crop loan, the Society may also sanction loans under KCC to individuals for undertaking activities such as minor irrigation, land development, bio-gas, plantation,

horticulture, animal husbandry, pisci-culture and forestry, etc. taking into account the availability of infrastructure in the area and inclusion in the **Annual Credit Plan**, for meeting the medium / long term loan requirements of the members.

***Prompt Reconciliation of Accounts***

15. The loan accounts of the members maintained at society level are reconciled with that of the '**Shadow Register**' of DCCB Branch at the end of each crop season i.e. 30th September and 31st March. The supervisor and secretary of society would cross check the transactions originated at the DCCB level or PACS level and reconcile the same. It is understood that generally there are no long pending un-reconciled items.

***Recovery of Crop Loans***

16. Member of the society is allowed to repay the loan at branch or society as per his/her convenience. The society secretary would enter all repayments made by the borrower in the passbook and forward to DCCB branch. The branch makes entry of the amount in the loan register of the respective member (**Shadow Register**). The KCC holder can also repay their loan directly in the branch of DCCB. On receipt of payment, the branch appropriates the amount towards principal and interest and make necessary entries in the Shadow Register.

***Remittance of Recoveries Effected at PACS***

17. The societies located within a radius of 8 kms. from the branch deposit their cash as and when the balance exceeds Rs.5,000/- and the societies located beyond 8 kms. remit cash to the branch when it exceeds Rs.20,000/-, in addition to the weekly remittance on every Saturday. In case of any deviation from above instruction, the secretary concerned is held liable for payment of interest @2% over and above the interest rate applicable to ST (SAO) loan borrowed from DCCB, and it is observed that such clause is **servicing as a deterrent** to the secretaries of the erring PACS.

***Issue of cards to the legal heirs of the deceased card holders***

18. In case legal heirs of deceased KCC holder are more than one, either one or more of such legal heirs are allowed to avail of credit facilities from PACS by sharing the loan liabilities of the deceased member. The PACS may issue fresh Kisan Credit Card(s) by canceling the KCC issued in favour of deceased member after assessing the loan

eligibility of the legal heirs on the basis of proportionate land holding owned or inherited by the heirs. This process has enabled the new members to continue with the PACS instead of **shifting the loyalties** or depend on out side source/money lender.

### ***Popularizing KCC Scheme***

19. To educate the farmers regarding the benefits available under the scheme and acquaint them with the system of operation of Kisan Credit Cards, DCCBs have been advised to organize **KCC Holders' Meet** once in a year. All the important officials of the DCCBs and societies are advised to attend the meet. From the records it is understood that the following issues are generally deliberated upon:

- i. the benefits available under KCC and how frequent operations can help reduce the interest burden;
- ii. motivating the defaulting members to clear their overdues and avail a fresh loans; and
- iii. issue of cards to the new members.

A lottery is also conducted among the holders of the meet awarding cash prizes of Rs 500, 300, 200 to encourage higher participation in the meet. This is serving as **additional incentive** for the members. The society is expected to bear the expenditure incurred in arranging the meet.

### ***Crop Insurance***

20. In case of loanee farmers insurance of crops is compulsory under the National Agriculture Insurance Scheme (NAIS). The society pays the premium amount for identified crops by debiting the loan accounts of members on the strength of the agreement entered into by the borrower with the society. Additional coverage of insurance is permissible up to 150 per cent under the scheme.

### ***Personal Accident Insurance package to KCC holders***

21. As per the existing scheme, the KCC holders are covered under the Personal Accident Insurance Scheme (PAIS) up to Rs.50,000/- . In such cases, the premium expenses are shared by the KCC holders, PACS and the CCB in the ratio 50:25:25 respectively.

***Increase in Number of Accounts:***

22. On account of efforts made at various levels viz. OSCB, DCCB and PACS and the introduction of Kalinga Kisan Silver Card and Kalinga Kisan Gold Card, the KCC Scheme has gained popularity. During the period from 2000-01 to 2003-04 the number of KCCs issued increased from 07.04 lakh to 18.21 lakhs.

***Satisfaction Survey of the KCC Scheme***

23. While OSCB was taking a lot of initiatives to popularise the KCC Scheme, it had noticed that the scheme was not becoming popular among the farmers in the State. Hence, in order to identify the gap between the expectations of farmers and the facilities offered under the scheme, a survey was conducted by the **Staff of Training Institute** of the bank in about 1,950 Societies in the State during the year 2000 through direct interface with the customers. Some **critical gaps** identified by the survey are mentioned below:

- i) the incentive schemes formulated by the Government in the past were directed only at the chronic defaulters, while willful and recalcitrant borrowers have been regularly rewarded by waiver of loans and/or interest. The farmers having track record of regular repayment have not been benefited by any schemes;
- ii) the prevailing KCC scheme has not envisaged any reward for regular repayment;
- iii) the KCC scheme has ensured timely availability of institutional credit but it has not taken care of the security needs of the members;
- iv) credit requirements of the farmers for consumption purpose were not addressed by the bank;
- v) restrictive clauses in respect of purchase of fertilizer and pesticide through the Society have discouraged many farmers to avail of crop loans from PACS;
- vi) borrowers are dissatisfied with the time consuming and elaborate procedures being followed by the PACS to sanction schematic loans like tractors, pump sets, etc.; and
- vii) many good borrowers have switched over to the commercial banks and the regional rural banks because of high interest charged on the loan and various tiers

involved in the process of sanction of loans.

***Kalinga Kisan Gold Card Scheme***

24. The findings of the survey lead to the introduction of Kalinga Kisan Gold Card (KKGC) scheme.

Some of the important eligibility criteria of the KKGC are as follows:

- i) the applicant should be the member of the PACS for past two years;
- ii) s/he should have availed of SAO loans from the PACS at least for a period of two years; and
- iii) s/he should not be a defaulter for the last two years.

At the time of launching of the KKGC scheme, it was widely expected that at least 1,00,000 KCC holders would be opting for the Gold Card within two years to avail of the attractive facilities envisaged in the scheme but the actual progress has not been to the level of the expectations.

***Kalinga Kisan Silver Card Scheme***

25. On analysis, it was observed that large number of farmer members committed default in the second year although they were default free for a period of one year. Hence, it was decided to launch the Kalinga Kisan Silver Card (KKSC) scheme with the objective of grooming the farmer members (KCC holders) having default free record for one year or more to become KKGC holders in future, by continuing the same default free status during the second year too which is a prerequisite for issue of KKGC.

A farmer member of the PACS satisfying the following criteria would be eligible to get a Kalinga Kisan Silver Card.

- i) s/he should be a member of the PACS for past two years;
- ii) s/he should have availed of short term loan from the PACS at least for a period of two years;
- iii) s/he should have default-free status of one year or more; and
- iv) s/he should have repaid at least the dues of Kharif or Rabi in cash, even if the dues of one season is adjusted by way of conversion or crop insurance.

### ***Facilities for the KKSC holders***

Main facilities extended to KVSC holders are:

- i. the KKSC holders would be entitled to **back-ended interest incentive @ 2%** if the member remain default free for the second year. The interest incentive would be available to all KKSC holders on their aggregate loan outstanding to the PACS;
- ii. the facility is available to all kinds of loans availed from the Society whether it is farm or non-farm sector loans. Interest incentive is also allowed on the existing loan outstanding from the date of issue of the Silver Card;
- iii. share linkage in respect of all loans availed by KKSC holders will be 5% instead of 10% as applicable to all other borrowers;
- iv. Similarly, the share linkage of loans availed of by the PACS from the DCCBs in respect of KKSC holders is only 3% instead of 5% and thus only 3% of the loan amount is retained with the DCCB for issuance of shares.

### ***Obligations of OSCB, DCCBs & PACS under the scheme***

Certain specific obligations, as under, have been put in place for the success of the KKSC scheme

- (i) the interest incentive is borne by OSCB, DCCBs and PACS in the ratio of 60:30:10.
- (ii) the DCCBs identify the eligible beneficiaries Society-wise and send the list from time to time for issue of KKSC, and
- (iii) the OSCB bears the cost of the cards to be issued under the scheme.

### ***Disincentives for defaults***

26. As per the rules of the scheme, if a KKSC holder fails to repay his/ her loans on due dates, the silver card and the facilities envisaged in the scheme would stand withdrawn. Hence, the demand notice specifying the due dates of the loans and installments due

from the KKSC holder are issued much before the due dates. Besides, the Secretaries of the PACS are expected to persuade the KKSC holders to remain default-free for a further period of one year to become eligible under Kalinga Kisan Gold Card Scheme to enable them to avail of additional facilities.

27. While the package of measures, such as, reduced interest rate, sanction of consumption loans, free accident insurance cover, freedom to purchase 'kind components', reduction in share linkage pattern etc. were offered to Kalinga Kisan Gold Card holders, the Silver Card holders were offered only two types of benefits, namely reduction in share linkage pattern, and entitlement to back-ended interest incentive of two percent.

***Other initiated by OSCB for popularizing of KCC***

28. A **State Level Committee** has been constituted by the bank to monitor the progress and review the performance under this scheme. The meeting of the Committee is expected to be convened once in a quarter to coordinate the activities for successful implementation of the scheme and make such changes in the scheme as felt necessary. Similarly, **District Level Committees** have also been constituted to review implementation of the scheme at the district level.

***Study of the bank's KCC scheme by AFCL, Kolkata***

29. A Sample Study of KCC Scheme conducted by the Agricultural Finance Corporation Limited (AFCL), Kolkata has revealed certain following deficiencies as under:-

1. About 54 per cent of the farmers continue to borrow from the money lenders even after enjoying KCC facility in the bank, thus showing the gap between the amounts required and the sanctioned for crop production and other activities.
2. Though about 60 per cent of the farmers utilized the funds for the purpose for which loans were sanctioned, about 40 per cent of the sample group diverted the same for other purposes. This shows that the bank is not able to address the total financial needs of the farmers.

## **PART- C : IT INITIATIVES TAKEN BY THE OSCB**

### ***Computerization of District Central Cooperative Banks and PACS***

30. For strengthening the Management Information System (MIS), common software is felt essential as the back offices of the DCCBs are expected to be connected with OSCB during 2004-05. OSCB has not only borne the entire cost for the software but also customized it from time to time since the year 2000, to cope with the requirements of the DCCBs in the State. The OSCB, as part of its developmental initiatives, has introduced a software titled "**SAMABAYA**" for total bank automation of the DCCBs engaging the **CMC Ltd., Kolkata**. The software had been tested and customized in the Banki DCCB on a pilot basis and subsequently implemented in other DCCBs. OSCB has borne the entire cost of the software and acquired unlimited licence, which is available to the DCCBs **free of cost**.

### ***Initial steps to be taken by DCCBs for Computerization***

31. The DCCBs intending to initiate the computerization process for total bank automation, have to go for computerization of their Main Branch and the Head Office in the first phase and other branches in the second and subsequent phases according to convenience. Term loan at a subsidized rate of interest is made available from OSCB to the intending DCCBs.

32. To facilitate availability of branded and quality hardware and peripherals at competitive prices, OSCB has been floating national tenders after receiving specific request from the DCCBs for the purpose. Floating of national tenders has helped OSCB in getting competitive offers directly from the manufacturers of branded hardware, peripherals, application software, other accessories, etc. and on negotiation, the quoted prices were further reduced by the successful bidders.

### ***Software for Computerization by DCCBs***

33. The software has since stabilized and it addresses all the essential requirements of the DCCBs. OSCB has entered into an annual maintenance contract with the CMC Ltd. Kolkata, the cost of which is borne by it. The DCCBs have also been given the liberty to go in for independent software with suitable interface, if they so desire.

***Professional support by hired engineers of CMC Ltd.***

34. As the DCCBs do not have computer professionals to implement the computerization programme, it has been decided to hire engineers from the CMC Ltd. to provide technical support to the implementing DCCBs. The management of OSCB has decided to subsidize the cost of engineers to be utilized by the DCCBs at the initial stage of computerization to the extent of 75% for a period of four months, which is felt as a reasonable period for completing the computerization process of the Main Branch and the Head Office of a DCCB. The implementing DCCBs are required to complete the computerization process within this stipulated period failing which, the entire cost of the CMC engineers deployed by them after four months have to be borne by them without any assistance from the OSCB.

***Creation of master data***

35. All the accounts maintained at branch level and Head Office level respectively are expected to be entered in to the system with the historical details. The "Samabaya" software does not allow modification of data after its validation by the passing officer and, thus, foolproof system is put in place.

***Development of a core team***

36. The implementing DCCB appoints a Nodal Officer and a core team comprising at least three officers to implement the package. These officers are expected to learn the day to day operations of the software and regularly update their knowledge and skills so as to effectively remain in-charge of computerized operations of the bank. The DCCBs are expected to take advantage of the presence of the CMC engineer in the headquarters and ensure that the core team officials are trained by him within the stipulated period of four months. DCCBs were also advised that the core team members should not be transferred and allowed to continue till the computerization process is complete and the operations are stabilized.

37. The particulars of the members are filled in the prescribed proforma by incorporating in the 12 digit codification system as under:-

- (i) District code – 2 digits
- (ii) DCCB code – 2 digits

- (iii) PACS code – 4 digits
- (iv) Membership code – 4 digits

The data is mentioned in Oriya language by using Shree Lipi software and printed on plastic card incorporating the name of the beneficiary and the code number. The allotted code number is also recorded in the specified space in the pass book. The identity card also bears the common seal of the society.

#### **PART- D: MAIN OBSERVATIONS OF THE PRESENT STUDY**

38. As may be observed that the OSCB has done commendable work in the implementation of Kisan Credit Card scheme and popularizing it among its customers. Further, it has initiated many steps in computerization of its activities and bringing technology close to the ruralites. The main achievements observed during the study are summarised below :-

- i. The OSCB was the **first bank in the country to take initiative and introduce** Kisan Credit Card scheme immediately after announcement by the Govt.;
- ii. Following a strict time schedule for **timely disbursement of loans** for production credit is the distinct features of the KCC scheme introduced by the OSCB;
- iii. **Offering the cheque facility** to the farmers for withdrawing cash and kind component has been very successful and needs to be emulated by other banks;
- iv. Most of the PACS become defunct on account of delay and non remittance of recoveries effected from the members by the secretaries. To curb such tendencies the secretary concerned is held liable for payment of interest @2% over and above the interest rate applicable to ST loan and it is observed that such clause is **servicing as a deterrent** to the secretaries of the erring PACS;
- v. To popularizing KCC Scheme, **KCC Holders' Meet** is held once in a year. All the important officials of the DCCBs and societies attend the meet and deliberate on important issues;

- vi. Not resting on its laurels the OSCB has conducted **Satisfaction Survey** of the KCC Scheme through its Staff Training Institute and AFC, Kolkata and taken remedial action as follow up measures;
- vii. Introduction of **upgraded versions** of KCC Schemes viz; Kalinga Kisan Gold Card Scheme (KKGC) and Kalinga Kisan Silver Card scheme (KKSC) has been the hallmark of the endeavours to bring in required changes quickly;
- viii. For strengthening the **Management Information System (MIS)**, common software connecting OSCB and DCCBs has been introduced;
- ix. To hasten up the computerization programme and establishing connectivity with DCCBs, the OSCB has been **bearing the costs** in the initial stage of computerization and providing suitable support .

**OSCB has thus demonstrated that in the post liberalization era, the new mantra for banks is to adapt to the changing circumstances by transforming themselves as customer-friendly organizations. Sustainability of the organizations will depend upon innovating new products and repositioning the existing ones to suit the emerging needs of the customers.**

40. They are however a few areas of concern / weaknesses which OSCB should address effectively so that the operations of the cooperative banking network in general and the KCC scheme in particular become more efficient and client friendly. A few suggestions in this regard are mentioned below:

**(i) Positive Interventions:** The OSCB has been making certain positive interventions from time to time to remove the bottlenecks at the field level in the KCC scheme. Introduction of Kalinga Kisan Silver Card (KKSC) and Kalinga Kisan Gold Card (KKGC) and offering IT connectivity to its branches, DCCBs and PACS were the offshoots of such interventions.

**The bank should continue to undertake positive interventions by further improving the existing schemes for sustainable development & continuing its IT efforts**

**(ii) Increase in no. of accounts:** During the period from 2000-01 to 2003-04 the number of KCCs issued increased from 07.04 lakh cards to 18.21 lakh due to the efforts made at various levels viz. OSCB, DCCB and PACS,

**Though the number of KCC accounts have more than doubled, given the need to cover more and more un-reached farmers, further efforts in mobilizing more no. of accounts is imperative**

**(iii) Incentives for sincere borrowers:** The OSCB has been making efforts to popularize the scheme by modifying the existing scheme and by incorporating new incentives to the sincere borrowers and disincentives to the defaulters. It has been trying out various measures like interest incentives, conduct of lottery and organizing farmers' meet, etc. In spite of the incentive schemes of the OSCB, there has been switchover of its members to other commercial banks and RRBs. This call for pragmatic approach in loaning policy in terms of quantum, cost and adequacy of credit.

**(iv) Frequency of account operations in the account :** One of the main ingredient of KCC is revolving cash credit. It is observed through the pass books of some farmers, books maintained in the society and the shadow register maintained in the DCCBs that the frequency of withdrawal was higher only in some cases and most of the times the withdrawals have been made only on few occasions. Hence, further spread of the awareness about benefits of the KCC scheme among farmers is essential so that farmers reap the benefits of the scheme.

**(v) Adequacy of credit:** Withdrawal of the sanctioned limit at one or few instances also indicate that the amount sanctioned by the society is not adequate to meet the full requirement of the farmers and they may be borrowing from the outside sources. Sanction of inadequate loans may be also due to lack of adequate resources or the financial status of the Society which also need to be addressed independently. OSCB therefore needs to address the issue of under financing to the farmers and ensure that all the needs of the farmers are met to reduce dependency on the outside borrowing sources.

**(vi) Scheme for post harvest credit :** OSCB has introduced KCC, Kalinga Kisan Silver Card and Kalinga Kisan Gold Card with all the features of KCC and with additional features like reduction in rate of interest, sanction of consumption loans, loans to the wards of farmers for pursuing higher education, etc. However, no scheme has been introduced to finance against warehouse receipts issued by rural godowns which would take care of the interest of the farmers to meet the post harvest financial needs and sale of the produce during the regime of remunerative prices. There is thus a need for introducing scheme to finance against warehouse receipts to reduce dependence of the farmers on money lenders and for ensuring remunerative prices.

**(vii) Honouring of Cheques:** At present there is no system of issuing and accepting, the cheques issued by one DCCB by another. OSCB needs to come out with an IT solution to ensure that the cheques issued by the branches of DCCBs are acceptable to all DCCBs/ branches of OSCB so that the farmers can utilize the facility for the purpose of purchase of required inputs in the places of their choice or wherever it is cheaper.

**(viii) Financing leased farmers:** The OSCB/DCCB/PACS have not yet taken steps to identify tenant farmers and oral lessees to finance either directly or through formation of SHGs. Such schemes are appropriate since PACS have better access than their counterparts, viz., Commercial Banks and RRBs in the rural areas. Bank needs to come out with policy to finance oral lessee and leased farmers either directly or through SHG model.

**(ix) Term loans and loans for allied activities:** It is understood that loans for agricultural term loans and loans for allied activities are sanctioned only if they are incorporated in the Annual Credit Plan (ACP) of the PACS. This may be due to lack of financial soundness of the society. Such practice may result in lack of interest in developmental activity by the members if there is delay in sanction.

**(x) Reduction in transactional cost:** The ultimate aim of any banker is to reduce the transaction cost to have better margins. It is understood that this particular aspect has not been studied closely by the OSCB after computerization. The bank should

undertake a study to find out transaction cost and ways to reduce it in the light of the large scale computerization.

**(xi) Wider use of network connectivity :** Although the OSCB has been taking a lot of technological initiatives, connectivity for use of ATM cards is yet to be put in place. If this connectivity can be established, use of KCCs can be put to wider use. For wider use of ATM cards and KCCs there need to be interconnectivity among OSCB and DCCBs which may be taken up on a priority basis.

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