

# Impact of Kisan Credit Card Scheme in Hill Area of District Nainital

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## Abstract

Agriculture has always been the backbone of the Indian economy. It still holds a place of pride, because it is the food provider and meets the basic needs of the humans. In terms of employment it is the largest sector in India. In terms of GDP though the share of agriculture sector has been declining over the years, but it is still a major contributor. To revive the condition of Indian farmer from distress, government started many programmes and Kisan Credit Card Scheme is one of them. The present study deals with the impact of the scheme in hill areas of District Nainital. The study aims to find the difference in the status of KCC holders and KCC non-holders and also to find out the extent of utilization of funds granted under KCC. The present study reveals that the scheme has been a success under various fields. But there is also scope for improvement as the problems of farmers in plain areas is different from hill areas. The study in detail discusses the success and the improvements for the scheme.

**Keywords:** Agriculture, Kisan Credit Card Scheme, Farmer.

## Introduction

Agriculture has been an ancient activity in India. Hindu mythology has description of cultivation. India being primarily an agricultural activity. Half of the population is still engaged in agriculture, contributing 17-18 percent of country's GDP. It is the backbone of the Indian economy. In the past century, agriculture has been characterized by enhanced productivity, replacement of human labour by mechanization, use of synthetic fertilizers and pesticides and selective breeding. Conventionally agriculture is seen as a source of food and raw material for the economy and its people.

Agriculture is defined in the Agriculture Act 1947, as including 'horticulture, fruit growing, seed growing, dairy farming and livestock breeding and keeping the use of land as grazing land, meadowland, osier land, market gardens and nursery grounds and the

use of land for woodlands where that use ancillary to the farming of land for Agricultural purposes. It is a biological production process, which depends on the growth and development of selected plants and animals within the local environment<sup>1</sup>.

On independence eve the condition of agriculture was vulnerable, the primary reason being the neglect of the agriculture sector by British officials. Then with the continuous efforts of Indian government and advent of Green revolution the situation changed and India attained self sufficiency in food grain production. But there are many problems related with agriculture in India. One of the main problem being very small size of land holdings, which leads to low level of productivity. Another problems which Indian farmers face is the shortage of capital. Thus, there is need for both public and private investment to improve agriculture condition. Owing to the peculiarities of agriculture, especially, its uncertainties, low returns, high rates of rent and unlimited scope for employment a large number of farmers cannot manage the needed finance without resources to borrowing. Therefore, farmers rely on both formal and informal sources of credit. Government has taken several measures for improving credit flow to farmers. As a result the share of formal credit has increased over the years. The table below shows the share of formal and informal credit.

**Table 1.1**

**Percentage share of various agencies in agricultural finance in India**

Year	1951-52	1961-62	1981-82
<b>Non-Institutional Credit</b>			
Relatives	14.0	8.8	9.0
Landlords	2.0	0.6	4.0
Agricultural Money Lenders	25.0	36.0	9.0
Professional Money Lenders	45.0	13.2	8.0
Traders & Commission Agents	6.0	8.8	3.0
Others	1.0	13.9	6.0
Sub-Total	93.0	81.3	39.0
<b>Institutional Credit</b>			
Government	3.0	2.6	4.0
Co-operatives	3.0	15.5	29.0
Commercial Banks	1.0	6.0	28.0
Sub-Total	7.0	18.7	61.0
Total	100	100	100
<p><b>Source:</b> All India Debt and Investment Survey 1951-52<sup>2</sup>, 1971-72<sup>3</sup> and 1981-82<sup>4</sup>, All India Rural Credit Survey Report 1951-52<sup>5</sup> and 1961-62<sup>6</sup>, RBI Bulletin, June 1965<sup>7</sup> and 1986<sup>8</sup></p>			

The table shows that during 1951-52 the share of non-institutional credit was 93 percent which came down to 39 percent in 1981-82, which is a good sign. Among institutional agencies the share of cooperative banks is highest in credit disbursement.

A large majority of Indian farmers are either small or landless and they are submerged in indebtedness. The government of Indian in this regard took many steps, many committees were formed to look into the problems and their reports recommended certain solutions to these problems. In continuation to these developments a new credit product called Kisan Credit Card Scheme in 1998 by NABARD. The scheme was for short term credit, with three sub-limits for production, asset maintenance and consumption needs. This offered farm entrepreneurs a single line of credit through a single window for multiple purpose.

## Objectives

The objectives of the present study are as follows:

1. To analyze the difference in the status of Kisan Credit Card Holders and Kisan Credit Card non-holders.
2. To review the extent of utilization of Kisan Credit Card scheme.

## Methodology

District Nainital of Kumaon region was purposively selected for the study as agriculture is carried out in small holdings in hill areas. Out of the eight Development Blocks of Nainital Ramgarh was selected as it has the highest percentage of farmers to the total working force. Haldwani and Ramnagar were left out of selection as they are plain areas. Five villages were selected from the block having highest number of farmers. Thereafter a total sample of three hundred households was derived by using simple random sampling, 60 households from each village. Thus, 150 farmers were KCC holders and 150 were non KCC holders. 5 bank branches were also selected from the study area. The data was collected using interview schedule. The farmers were interviewed on various aspect ok KCC and the data was collected for the year 2017-18.

## Status of KCC in the Study Area

### a) Awareness

For any scheme to be successful, it is necessary that its awareness level is high.

Among non KCC holders 20 percent of the farmers were not aware about the scheme. Thus, the awareness level was found to be 80 percent. There is provision of crop insurance scheme under KCC. The level of awareness for crop insurance was found to be 100 percent among KCC holders in the study area. 88 percent farmers have also availed the benefit of the scheme 12 percent could not avail the benefit due to faculty documentation. Although for personal accident insurance scheme under KCC the level of awareness was found to be low at only 33 percent. Bank officers are playing a major role in informing farmers about the scheme.

### b) Economic status of respondent Farmers

The landholding size in the study area is found to be very low 63 percent farmers have land below 1 acre 37 percent farmers between 5 acre and 0 percent above 5 acre among KCC holders category. Similarly among non-KCC holders 72 percent have land below 1 acre, 28 percent between 1-5 acre and again 0 percent above 5 acre.

The small size of land holding leads to low productivity and thus low income. A very less percentage of farmers were found to be in higher income categories. 30 percent farmers have income above Rs. 80,000 among KCC holders and among non-KCC holders only 14 percent have income above Rs. 80,000.

The productivity level of KCC holders was found to be higher for certain crops due to easy availability of credit. But one other major problem that farmers face in the study area is of marketing. The nearest mandi is almost 70 kilometers away from the villages and the availability of warehouses is nil increasing the problem of middle men.

### c) KCC scheme – as success

The scheme has been a success in terms of fulfilling the financial needs of the farmers. 65 percent of KCC holder farmers use only loan amount to fulfill their financial needs of agriculture. The remaining 35 percent use their own resources along with the loan amount.

Also the scheme has made the level of borrowing easy 93 percent of the farmer respondent among KCC holder find it easy to borrow from formal sources rather than informal sources. The reason being the low interest rates and minimal paper work.

The income profile of respondent farmers shows that higher percentage of farmers are in higher income categories among KCC holders rather than KCC-non holders. Therefore, KCC scheme has helped in financial inclusion of farmers. KCC holders also find it easy to buy inputs from cooperative societies at subsidized rates.

In the study area the cooperative societies hold a larger share of credit disbursement through KCC. Almost 86 percent of the respondent farmer are borrowers from cooperative societies. Even for non-KCC holders, other than those who had their own financial resources responded that they are not eligible to borrow from banks due to certain reasons, but if they become eligible they will also borrow under KCC. This shows a positive sign for the scheme to be a success. The table below shows the share of various agencies in KCC scheme in the study area. Only 3 percent of farmer respondents have borrowed from commercial banks. 7 percent and 4 percent have also borrowed from friends/relatives and moneylenders respectively, along with loan from KCC. Among non-KCC holders 68 percent respondent farmers have not taken loans from any source.

**Table 1.2**  
**Share of Loan Agencies in the Study Area**

Sample Category	Loan Agency			
	KCC Holder		KCC Non Holder	
	Number	Percent	Number	Percent
Commercial banks	05	03	00	00
Cooperative Societies /Banks	129	86	00	00
Friends/Relatives	10	07	27	18
Moneylenders	06	04	21	14
Others	00	00	00	00
No loan from any source	00	00	102	68
<b>Total</b>	<b>150</b>	<b>100</b>	<b>150</b>	<b>100</b>
<b>Source:</b> Field Survey				

Regarding the problems in availing the benefit of KCC, 67 percent farmers do not face any problem in availing its benefit. Some of the problems which farmers face are problem in finding guarantor, problem is getting no due certificate, complex documentation and formalities, problem with bank administration and problem in withdrawing the loan amount. Although the share of farmers facing problems was very

low. The less number of problems of KCC holders is justified by the fact that the level of satisfaction came out to be 98 percent after availing the benefit of the scheme.

#### **d) Reasons for Non-adoption of KCC**

A number of reasons were recorded for non-adoption of KCC scheme by non-KCC holders. One of the main reason being the sufficient resources of farmers. Although non-KCC holders were those farmers who do not have agriculture as the main activity. The other reasons for non-adoption of KCC are fear of non-repayment, lack of collateral and non-cooperative bank official. The share of farmers facing these problems is very less. The respondent farmers who lack collateral responded to adopt for KCC when they become eligible.

#### **Scope for Improvement under KCC**

The results of the study area show that the scheme has been a success in terms of financial inclusion, easy availability of loans, low interest rates, increasing productivity of farmers etc. But with technological development, there is always scope for improvement. Even in the existing scheme there are certain problems which farmers face and can be removed easily.

In the study area the main crops grown are potato and some vegetables. The area is dominant for horticulture produce like apple, pear, peach, plum, apricot etc. Credit under KCC is available for crop of potato and apple. But none of the sample respondents have availed the benefit of scheme for apple as the credit limit is very high. The credit limit for horticulture crops should be decreased so that the farmers can benefit from the scheme.

The cash with drawl limit is less at Rs 10,000 per day, which should be increased as farmers have to visit banks again and again to withdraw the full amount. The with drawl limit for farmers should be increased during peak seasons of sowing and harvesting.

As very few KCC holders know about personal accident insurance scheme under KCC, banks and other locals officials like Gram panchayats, block officers, co-operative society heads should take steps to inform farmers about the scheme. Similar to crop insurance scheme which is made compulsory under Fasal Bima Yojana, the scheme of

personal accident insurance scheme should also be made compulsory to those who face such situation.

Often there arises the problem of availability of day to day funds with banks, which creates problems for farmers. As agriculture comes under priority sector lending there should be adequate amount of funds with banks.

KCC credit should also be made available to hire farm machinery. As the cost of machinery is high, there is only resort of hiring. The facility of hiring farm machinery for hill areas is available, the benefit of which should be extended through KCC.

The credit limit should be increased as there remains a large credit gap, most of the farmers who avail the benefits are small and marginal, and it becomes difficult for them to fulfill the needs from the available limit.

A major step should be taken by government for those farmers who do not have any form of collateral. The government should buy agricultural produce from those farmers and this can be used as a form collateral.

The banks suggested that the record keeping under the scheme should be made easy. They have to maintain separate accounts for original rate of interest, subsidized rate of interest and subsidies. Therefore, it becomes huge and tiring task for the banks.

Transparency should be made in calculating the insurance amount by the companies. The government should make it mandatory for these companies to inform farmers about insurance procedure.

The funds under KCC scheme should only be available for agricultural purposes. Arrangement of online payment to all sources should be made from where agricultural items are bought and sold. Only a small portion of funds should be available as cash, to fulfill other needs

## **Conclusion**

To make the access of agricultural credit to farmers easier, Government of India, with RBI and NABARD introduced Kisan Credit Card Scheme. The scheme became very popular and even exceeded the targets during 2000-01. The credit under the scheme is timely and hassle free. Also, there is minimal paper work which is easily handled by the farmers. The present study has revealed that the scheme has been a success in the hill area of district Nainital. There was differences in the status of KCC holders and KCC

non-holders. The KCC holders have better income, better productivity, cheap inputs and easy availability of credit. Although there is need to divert credit amount to more productive uses by farmers. Government can take necessary steps in this direction.

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