



An analysis of kisan credit card of Uttar Pradesh farmers and its impact on their lives

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Abstract

The agriculture sector in India employs nearly half of the workforce, however contributes around 17.5% of the GDP of the country. Over the past few years, production and services sector had increasingly participated to the development of the economy, whereas the agriculture sector contribution declining year by year from 50% of the GDP to 15.4% in 2015-16. So that same situation persists in Uttar Pradesh where around 17% population of India resides and 68% population dependent on agriculture. This declining trend of contribution hugely impacts on the economy of UP and farmers itself. To rejuvenate the agriculture and farmers Indian government launched KCC scheme so that in UP is also applicable. To study the applicability of the KCC scheme this paper will enlighten some points regarding agricultural framework and will do a complete analysis on the working of UP government.

Keywords- Kisan Credit Card, Gross State Domestic Product (GSDP), National Agricultural Bank for Rural Development (NABARD), Personal Accident Insurance Scheme (PAIS)

Introduction-

The kisan credit card was launched in August 1998 by Indian Government to compensate the needs of the farmers. It is the scheme that was prepared by R.V Gupta committee favoring farmers' needs and their loan requirements. NABARD was the first bank to prepare a scheme on the recommendations of the committee to provide advances to the farmers.

The main objective was to provide the complete credit to the farmers at low cost and according to their requirements. As India's 68% of population is dependent on the agriculture and allied activities related to agriculture, Kisan credit card was a scheme of uniform adoption by the credit institutions of their land owned and to provide credit to the farmers for purchase of seeds, fertilizers and other related activities. It was a low cost scheme organized by central government to ease the availability of credit to our national

cultivators. The scope of kisan credit card was extended to allied and non farming activities in 2004 to encourage the maximum adoption of the scheme and to create a penetration into the mindset of the farmers of easing availability of the credit.

Advancements in KCC scheme-

Furthermore, some more changes was done in the form of kisan credit card to encourage its more usage. In 2012, a working group under the command of Mr. T.M. Bhasin (CMD, Indian bank) simplified its form and organized issue of E-KCC(Electronic Kisan Credit Card). All new KCC holders will be issued E- KCC with smart card cum debit card for easy disbursement of the amount. Government also avails the benefit of crop insurance to the farmers having KCC, asset insurance with accident insurance including PAIS and health insurance have payment of premium by KCC account.

Interest rate in kcc-

Reserve bank of India has passed the kcc loan amount guidelines upto 3 lakh in financial year 2021-22 to the farmer for the short term credit requirement to small and marginal farmer at concessional rate. In order to provide the crop loan easy and in a hassle free manner Reserve bank of India issued the guidelines to all the Public Sector banks, Small finance banks , Cooperative societies and Private Sector banks to provide interest subvention at a rate of 2% per annum to the farmers. The Interest rate charged by the bank will be 7% per annum on which 2% will be interest subvention given to the farmer if he is involved in allied activities like animal husbandry, dairy , fisheries and bee care etc. The interest rate subvention will be charged on the farmer as per the withdrawal amount be paid on time or as per the time limit set by the bank.

Kissan Credit Card loan facility in Uttar Pradesh-

Uttar Pradesh, in spite of having a vast development potential still belongs to the class of backward states and is considered by sluggish growth of manufacturing and crisis of farming. The highly volatile agriculture continues to remain critical to the state providing livelihood to more than 60 per cent of the population and generating about one-fourth of the gross state domestic product (GSDP).

The main crops are raised in UP rice, maize, pigeon pea, sorghum, pearl millet , moong beans during kharif , wheat, Bengal gram, green peas, rapeseed ,mustard and lentils during rabi season. The main cash crop is sugarcane.

The economy of Uttar Pradesh is mainly based on agriculture as 65% population of the state is involved in farming and allied activities. The number of small and marginal farmers in the state is 92.5% in which marginal farmers are 79.5% whereas small farmers are 13.0%.Out of 79.5% of the marginal farmers ,the land holding of 73.2% farmers is less than 0.5 hectare and the overall average holding is 0.27 hectare. Due to insufficient land holding, it does not allow them to adopt new technology and scientific farming. Harvest loan at inferior rate of interest and accessibility of adequate harvest loan from the commercial banks is not only supportive in increasing farm output but will also increase their financial situation, formation of assets and food security along with social security. Due to this purpose, State/Government of India is attentive in adding maximum farmers with the banking system and avail crop loan from commercial banks to advance their financial condition. UP Government has also lay off the crop loan 100000 rupees for the small and marginal farmers.

The state government has framed the “Uttar Pradesh Agriculture Policy 2013” which is meant to converting the state into a “**Grainary of the Nation**” by safeguarding foodstuff and nutritious security and to develop the eminence of village life with comprehensive and viable growth and achieve 5.1 % growth target in the agriculture sector.

Indian government has established the commendations of task force prepared by Government of India, Ministry of Finance, Department of Financial Services to analyse the scheme of Kisan Credit Card and translate it into smart card cum debit card. On the basis of commendations recognized by Government of India, operative guide lines has been issued to the banks in succeeding vital issues has been comprised:-

Assessment of Crop Loan requirement-

1. Monetary requirement will be assessed on the origin of Insurance Installment x limit of crop area + 10% of the loan limit for requirement of domestic use after harvesting + 20% for maintenance of farm assets.
2. **Flexi Kisan Credit Card** with general estimation decided for marginal farmers.
3. Legitimacy of Kisan Credit Card is 5 years.
4. No need to stress for distinct margin money as it is included in financial requirement.
5. No withdrawal would be undecided from the account for more than 12 months. At no time, there is a need to decrease the amount to zero in the account.
6. Interest subvention / incentive will be open for timely payment as per government standard laid down by Government of India and / or State Government.
7. No dispensation fee up to the limit of Rs.3.0 lacs.
8. One time accounting at the time of first withdrawal and then after general assertion (In related to crop seeded/proposed crop).

Uttar Pradesh government working hard to make it possible to each and every farmer to approach this loan facility for agriculture and other requirements related to agriculture. The main purpose of the government to be approached this facility by the farmer to get the crop loan in a very short time frame. Some more purposes government wants to comply like-

1. To approach all the expenditure after harvesting
2. To be able in repaying market loan of fertilizer and other pesticide
3. Fulfill the family requirement in hard times
4. To get repair of farm equipment
5. To get cover of Farmer Coverage Insurance Scheme
6. To provide benefit of interest reduction facility by the Government of India on timely payment of the loan

Does Uttar Pradesh government really successful in implementing this KCC scheme or not?

Small and marginal farmers who are working on 2 or 3 acres of land in UP region facing a cost hurdle against them as they are more dependent of the local buyers to sell their produce. Most small farmers are working hard to earn income to comply their day to day expenses but they are not able to sell their produce at higher rate. According to NABARD All India Financial Inclusion Survey from 2016-17, 63% of population is involved in agriculture and agricultural activities. The average size of the land in UP is 0.81 hectare which is very less as compared to the national average which is 1.15 hectare. Around 2.33 crore farmers in UP state has 176.22 lakh hectare of land holding. Out of which 92% are small and marginal cultivators. The average income of the farmers in UP is 96000 per year whereas the national average of the income of the farmers is 107172 which is 34% less than the national average.

Lack of a proper chain and awareness-

Major problem among farmers is lack of the running cost of the produce which is the primary source of the investment avenue for the farmers. According to a survey increasing electricity rates, decreasing water supply and increasing fertiliser costs always has been a concern for a small farmer. Farmers are not able to sell their produce to the crops due to absence of proper chain and process. Small farmers sell their produce to local traders due to one more reason that is to avoid the travel charges and paperwork of government mandis. Most of the farmers are not aware of the different government programmes organised for the farmers.

Heavy payloads, unorganised animals herds damages the crop, if a farmer does not pay loan on time has to pay more interest, and sugar mills not bound to pay on time after the harvesting and if not done then why they are not bound to pay interest on the payment. These are some more issues on which government has to pay attention.

As far as concerned to kisan credit card approach, a large number of cultivators are not happy with the working of KCC. Most of the farmers have complained about the credit limit of the card as reported by NABARD study. Farmers want the customization of the kisan credit card, dispensing of seasonal limits on loan, flexible payment mechanism and very less paperwork required while applying for the loan.

Suggestions and Conclusion-

As a part of the Atmanirbhar Bharat Package, the central Government has proclaimed to shelter 2.5 crore agriculturalists under the Kisan Credit Card (KCC) scheme with a acclaim boost of Rs. 2 lakh crores through a special capacity initiative. As a outcome of intensive and continued efforts by the banks and other stakeholders in the course of providing admittance to concessional credit by the farmers, including Fishermen and Dairy farmers, a very larger landmark target of covering more than 1.5 crore farmers under KCC, with authorised credit limit of Rs.1.35 lakh crore has been accomplished. **Under the ambience of Kisan Credit Card (KCC) Scheme, a flexible credit limit of Rs 10,000 to Rs 50,000 has been availed to marginal farmers** (as prescribed in Flexi KCC) based on the land holding and yields grown including post-harvest storeroom storage related credit requirements and other farm expenditures, consumption requirements, etc., plus small term loan reserves without connecting it to the value of land parcel.

But when we talk about the real outcome of this facility then the farmers are not able to relate to this facility. In Uttar Pradesh a farmer's average income is 8061 rupee per month whereas it is 26071 in Punjab and 29068 in Meghalaya according to the reports of NSO. In order to rebalance this difference among the income of the farmers UP government must take some strong steps to reach the core issues of the farmers. Government must instruct the co-operative banks, regional rural banks and commercial banks to organise the public awareness campaign on time to time. Before giving loan to the farmer it should be ensured that it must be in his regional language so that he or she can understand it properly and its terms and conditions. Middle men must be avoided properly so that a farmer is bound to pay commission to him. Documentation must be very little so that a farmer is not to be confused in lot of papers.

UP government is somehow successful not only in forwarding the approach of credit to needy farmers but also proves to be successful in last few years from 2013-2019 according to a study. Around 76% farmers are aware of this loan facility to be given to the farmers that proves that our government is working hard to make it possible task to become easy.

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