

# Importance of Kisan Credit Card Scheme for Small and Marginal Farmers in Hilly Areas of Kumaon Region

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## Abstract

The Arthashastra of Kautilya, written about 2500 years ago by the founder minister of the empire of Chandra Gupta Masurya, describes in detail how agriculture was the basic source of revenue for the state and what were the duties of the state for development of agriculture. Agriculture has always been the prime activity in India. However, presently the agriculture sector face many vagaries, due to the long term neglect of the sector. However, the government has now been taking many steps to revive the condition of Indian agriculture. Thus, Kisan Credit Card Scheme was launched by GoI and NABARD in 1998-99. The present study deals with the importance, benefits availed from the scheme and problems faced by the farmers in hill areas of District Nainital. The results are primary survey based which reveal that the scheme has helped farmers to avail timely and adequate amount of credit for agricultural purposes.

**Keywords:** Kisan Credit Card, Agriculture, NABARD

## Introduction

Kisan Credit Card Scheme was launched in 1998-99 by NABARD. The scheme was launched by all the banks throughout the country. The main purpose of the scheme was to provide short term credit to the farmers for production, asset maintenance and consumption purposes. Later in 2006-07 the provision of long term loans was also started. The scheme covers-

- i) Production Credit
- ii) Working capital requirements for allied activities
- iii) Ancillary credit requirements related to crop production
- iv) Contingent needs
- v) Accidental insurance of KCC borrowers (introduced in 2011-02 against death/permanent disability)<sup>1</sup>.

The credit limit (loan) is sanctioned in proportion to the size of owned land but some flexibility is also provided for the farmers cultivating leased-in land in addition to the owned holding<sup>2</sup>. The return period for the sanctioned amount is one year after which the interest rate increases. The interest rates being low the scheme has been a preference among farmers over other sources of credit. Also there are many other benefits of the scheme as-

- i) The cards are issued to the farmer just like the normal ATM cards which can be used at any ATM branch to withdraw the cash. Also there is flexibility to withdraw direct from bank branch using cheques, withdrawal forms etc.
- ii) The amount of the loan sanctioned depends on the size of operational land holding. Thus, it becomes easy for farmers to borrow according to their needs.
- iii) There is provision of crop insurance and personal accident insurance under KCC.
- iv) In case of crop failures, the farmers can get the repayment time extended, so that there is no burden on the farmer.
- v) Once the cards are issued they are valid for more than one cropping season, with only subject to annual review, which means farmers have to visit bank branches fewer times for the paper work.

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Keeping in view the Government of India's emphasis on increasing credit flow to the agriculture sector, it has been the constant endeavor of NABARD to cover all the farmers under the KCC. About 8.46 crore Kisan Credit Cards have been issued up to the end of 2008-09 by the banks throughout the country<sup>3</sup>.

### Objective

Agriculture in hilly areas has not always been a profitable activity. The reason being small size of land holding and lack of finance. As Kisan Credit Card Scheme provides loan to farmers based on their land holding and needs, the objective of the present study is to find out the relevance of Kisan Credit Card Scheme for farmers in hilly areas of Kumaon Region.

### Methodology

In order to achieve the above objective the study was conducted in District Nainital of Kumaon Region. The district has eight Development Blocks out of which two are under plain area. The study was conducted in remaining six blocks with a sample of 50 farmers from each block. Therefore, the total sample was of 300 farmers from six blocks. A general overview of the farmers regarding the benefits and problems of the scheme was taken into consideration using interview schedule through direct and personal interview. The results are also dependent on observation of the researchers.

### Results and Discussion

A major finding of the study is that none of the respondent farmers have large land holding size. The table below gives a view of land holding size of the respondent farmers.

Table 1.1  
Land Holding Size (in Acres) of Sample Respondent Farmers in the study Area

Land Holding Size	Sample Respondent farmers (KCC Holder)	
	Number	Percent
Below 1 acre	189	63
1-5 acre	111	37
Above 5 acre	00	00
<b>Source:</b> Field Survey		

The table 1.1 shows that 63 percent of the farmers have land below 1 acre and only 37 percent respondent farmers have land between 1-5 acre. There are no farmers in the category of land above 5 acres. Along with the small land holdings these are also fragmented leading to more input and less productivity. In such cases it becomes important for farmers to borrow and KCC has been this source at very low interest rates.

The main purpose of agricultural credit by government is to improve the productivity and thus economic condition of the farmer. But proper and productive use of credit depends on socio-economic condition of the farmer as well as the return from agriculture. Agriculture is not a profitable business in hill areas due to small land holdings, mountainous soil and lack of irrigation facilities. Thus, in this case the credit amount is not always used for productive purposes.

Table 1.2  
Expenditure of Loan Amount by KCC Holders (18)

Productive		Unproductive		Both		Total	
Number	Percent	Number	Percent	Number	Percent	Number	Percent
90	30	63	21	147	49	<b>300</b>	<b>100</b>
<b>Source:</b> Field Survey							

The table 1.2 above shows the productive and unproductive use of credit limit by respondent farmers. According to the data gathered from respondents only 30 percent of the farmers use the credit limit for only

productive purposes, 21 percent use it for unproductive purposes and 49 percent of the farmers use for both productive as well as unproductive uses depending on their needs.

During the study it has been a very difficult task to find non-KCC holders as major population in the selected block had taken loans under KCC. The credit under KCC from co-operative societies (sanctioned by cooperative banks) is easy with minimal paper work and at very low rates of interest. As the rate of interest from informal sources is high, the loans under KCC have become important for farmers. Most of the farmers are KCC holders from long durations. KCC has thus become a major source of finance among farmers in hill areas. The response of the Kisan Credit Card Scheme was so positive in the study area, even the non-KCC holders (other than those who had own resources) responded that they are not eligible to avail the benefit of KCC due to some reason, but if they become eligible (eg. Division of land collateral) they will also avail the benefit.

The scheme has been beneficial in fulfilling the short term credit requirements of the farmers. As the farmers who are eligible for loan are also members of cooperative societies thus they get cheap inputs like fertilizers, pesticides, seeds etc.

The scheme also provides timely credit according to the cropping pattern in different areas. As the cropping pattern varies the financial needs of the farmers also vary and in this regard the scheme is flexible enough. Most of the respondent farmers borrow during sowing season. The table 1.3 below shows the time of financial need of the respondent farmers.

Table 1.3  
Time of Financial Needs of Respondent Farmers in the Study Area

Sample Category	Time of Financial Needs				
		Sowing	Harvesting	Sowing & Harvesting	Total
KCC Holders	Number	255	21	24	300
	Percent	85	07	08	100
<b>Source:</b> Field Survey					

The table 1.3 shows that 85 percent of the farmers have most of the financial needs during sowing season, 7 percent during harvesting season and 8 percent have both during sowing and harvesting.

In terms of adequacy of credit amount, 67 percent of the respondent farmers find the credit amount to be sufficient to fulfil their needs. However, 33 percent of the farmers responded that the credit limit should be increased. Also, respondents suggested that a small portion of the credit amount should be diverted to increase productivity of land as the soil is mountainous and there is lack of irrigation.

Only 5 percent of women respondent farmers were found who had availed benefit of KCC as head of the household. Although almost 98 percent of the women in sample households are engaged in agriculture. A provision should be made for women farmers to avail the benefit of KCC scheme as they play a major role in farm activity in hill areas. This will work two ways in improving productivity and will also keep a check on unproductive use of credit. Also this will make women financially empowered.

### Conclusion

Agriculture has always been an important activity in India both in terms of income generation and employment generation. Still a major portion of population is dependent on agriculture but the condition of agricultural sector is not very encouraging. Thus to improve the condition of food providers the Government of India took major steps right after independence and the process is still in continuation. In similar fashion, the scheme of Kisan Credit Card was launched in 1998-99 by NABARD. According to the present study conducted the scheme has been a success in many aspects of timely availability of credit, less paper work, easy loans, adjustment according to farmer's needs etc. But still there is scope for improvement especially to promote women farmers, as they are the lead players of agriculture sector in hilly areas.

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