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Study of farmers in eastern Uttar Pradesh have limitations when using the Kishan credit card and recovering loans under the program

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Abstract
Over 70% of the population in eastern Uttar Pradesh makes their living from agriculture. The large buffer stockpiles of grains that are accumulated from the excess production demonstrate food security. Agriculture's diversification and commercialism have caused a shift in cropping patterns from conventional crops to high-value crops and new markets. Since its 1998–1999 launch in India, the Kisan Credit Card Scheme has emerged as a premier initiative for short-term credit availability in the agriculture industry. While there is indication of convergence in terms of account customers, areas with originally higher lending in KCC continue to drift further away from other districts within Eastern Up.
Lastly, there is no proof that KCC financing has an impact on agricultural productivity at the state or district levels. Despite being a good source of agricultural loan instruments, KCC's distribution in Uttar Pradesh was unimpressive. Similarly, loan recovery made possible by the KCC were ineffective. The National Bank for Agricultural and Rural Development, often known as Nabard, commissioned a study that found that many farmers who own Kisan Credit Cards are dissatisfied with the credit limit that has been granted to them. According to the survey, which involved 178 bank branches across 14 states, farmers anticipate improved services such as the ability to customize KCCs as cash-credit cards, the implementation of seasonal borrowing limitations, repayment flexibility, and little documentation.

Keywords: Kisan credit card, government agriculture scheme, NABARD

Introduction

The Kisan lending Card (KCC) plan was introduced-in 1998-99 to fulfill the financial requirements of the farmers at various phases of farming through institutional lending. After consulting with major banks, NABARD developed a Model Kisan Credit Card Scheme. The RBI distributed the Model Scheme to commercial banks, while NABARD distributed it to cooperatives. Despite being a good source of agricultural loan instruments, KCC's distribution in Uttar Pradesh was unimpressive. One move in this way was the 1998–1999 launch of a new credit product known as the "Kisan Credit Card" (KCC), which has three distinct sub-limits: production, asset maintenance, and consumption demands.

By providing farm entrepreneurs with a single line of credit through a single window for numerous reasons, this integrates into the multi-credit product system. In the 1998–1999 budget, the Indian government launched the KCC scheme to replace a complex network of short-term agricultural loan programs that had grown more onerous and insufficient. According to Samantara (2010) [3], the previous system was defined by a multiple-product, multiple-agency structure that changed according to the specific crop, input requirements, season, loan amount, etc. Over 100 million KCC accounts had been granted overall by March 2011. In fact, commercial, rural, and cooperative banks set yearly goals to ensure that the program eventually covers all qualified farmers.

Materials and Methods

Study area and sample population: Three districts in eastern Uttar Pradesh—Gorakhpur, Barhalganj, and Maharajganj—were chosen for the study. Twenty KCC-beneficiary farmers and twenty non-beneficiary farmers were chosen at random from each district. Additionally, five bank officials from each district were chosen for the current study. Ten bank officials and 120 farmers in total were chosen to participate in the study as responders.

Study specifications: This study assessed the views of bank officials and farmers on credit card limits, loan recovery, and low KCC disbursement. An open-ended, semi-structured interview schedule was created to get qualitative feedback from farmers and bank representatives regarding the scheme's subpar loan recovery and disbursement. In certain instances, group discussions with farmers were also conducted.

Following that, similar viewpoints were grouped together. The following causes were discovered in general from the interviews with the chosen farmers and bank officials.

A. Farmers dissatisfied about credit limits on Kisan cards

The National Bank for Agricultural and Rural Development, often known as Nabard, commissioned a study that found that many farmers who own Kisan Credit Cards are dissatisfied with the credit limit that has been granted to them. According to the survey, which involved 178 bank branches across 14 states, farmers anticipate improved services such as the ability to customize KCCs as cash-credit cards, the implementation of seasonal borrowing limitations, repayment flexibility, and little documentation. To make the Kisan credit card genuinely multipurpose, farmers have proposed adding features like the ability to borrow consumer loans and term loans. In 1998–1999, the Kisan credit card was introduced as a credit product to provide farmers with a single line of short-term credit through official institutions. Under Nabard's direction, the state cooperative banks, commercial banks (CB), and regional rural banks (RRB) carry out the program. More than 8.2 crore farmers had applied for these cards, which were provided by several banks, as of March 2009. According to the study, paddy grown by KCC holders had a higher gross value of output per hectare than that of individuals who obtained credit from other official or informal sources, such as moneylenders. The gross output of a KCC holder was between Rs 17,500 and Rs 31,500 per hectare, while the other farmers achieved between Rs 13,500 and Rs 25,500 per hectare. 64.6% of small and marginal farmers with fewer than five acres reported to Nabard that the loan limit granted to them under the KCC was insufficient. This opinion was likewise held by almost 43% of medium-sized and big farms. The financial scales set for various crops, according to several farmers, were somewhat low. Farmers' problems over procedural delays for loans beyond Rs 50,000 are also highlighted by the report. A system to remove multiple cards and invalid cards is necessary to address some of the distortions found in the study's implementation of this scheme. However, it identified flaws such as the issuance of KCCs to several family members with the same operating holding, the issuance of multiple cards by the same individual from different banks, and the counting of cards that expired after three years as legitimate KCCs.

B-Causes of the inadequate KCC disbursement

The issue of land holding: In Uttar Pradesh's farming situation, fragmented land holding is a significant disadvantage. Tenant farmers, sharecroppers, or lessees make up the majority of farmers who seek for KCC loans from the bank. They are unable to provide the necessary land records to obtain a larger loan amount. The loan does not satisfy these farmers' actual credit needs because each bank has a set limit on how much they can lend them. Bank account opening challenges: Before granting KCC loans to farmers, many banks require that a bank account be opened in their branches. Since KYC (Know Your Customer) is now required to register an account, farmers are finding it challenging to complete the procedures involved in creating a bank account.

C- Poor loan recovery: This is one of the main causes of the KCC loan's poor disbursement. Many banks refrain from making new KCC loan disbursements due to its weak recovery. Another factor contributing to the low KCC loan disbursement is location problems. There aren't any bank branches in many of the surrounding villages. As a result, the residents of these communities are not given the opportunity to utilize the KCC facility. Bankers claim that because money is cheap under the Kisan Credit Card program, farmers are misusing a large portion of their loans for consumption rather than productive uses.

Cconclusion

For over thirteen years, the KCC system has been in operation. During this time, it has emerged as the primary, if not the sole, source of short-term loan to the agricultural sector. It has also grown in importance as a source of investment and a source of income for farmers' consumption requirements. One would have expected to see some tangible effects by now, considering how long it has been in place and how much the government has pushed for it at different levels. Regretfully, there is no evidence that the program has improved the productivity of agricultural labor or land. Even while this outcome is upsetting, it must be viewed in its larger context. First of all, our data has been hampered for a number of reasons, even though the system has been in place for a long time. A group strategy will put pressure on the defaulter from their peers, and eventually, these farmers will pay back the debt. The moment has come for banks to adopt a more comprehensive strategy rather than a piecemeal one. Bank officers should receive training on topics such group facilitation so they can manage the group effectively for implementing the KCC scheme, as the government also embraced the group strategy of extension after the extension reforms.

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