Freedom from Usurious Moneylenders:

Case Study on Public Credit/Production Assistance to Small Rice Farmers in India

Overview of the agricultural sector

Significance of the agricultural sector in the country

Agriculture in India is not merely a means of livelihood and income generation but a way of life. There are numerous rituals, folk songs, and festivals associated with agriculture. Since ancient times, in classical literature, agriculture has been accorded top rank among occupations followed by trade and services. For centuries, agriculture has been the main source of sustenance for the majority of the population. However, in modern times with the tremendous growth of industrial and services sectors, it has been relegated to a tertiary position. Nonetheless, even today as per Annual Report of Ministry of Agriculture and Farmers' Welfare – 2019 to 2020, agriculture and allied sectors provide employment to 54.6 percent of the total workforce of the country and contribute 16.5 percent of the country's Gross Domestic Product (GDP). As per estimates in 2020 to 2021, it has increased to around 19 percent. Nearly 80 percent of economically active women are employed in the agriculture sector, comprising 33 percent of the agricultural labor force. Very rightly, 30 percent of funds are allocated for women in various major schemes and programs of agriculture.

India occupies a leading position in the global trade of agricultural goods. It accounts for a little over 2.5 percent of world agricultural trade. Among India's major agricultural exports are marine products, basmati and non-basmati rice, buffalo meat, spices, raw cotton, sugar, oil meals, tea, etc. Indian agricultural/horticultural products are exported to about 100 countries, with the United States of America, Saudi Arabia, Iran, Nepal, and Bangladesh as major trade destinations. During the financial year 2019 to 2020, agriculture exports reached INR 2.52 lakh[1] crore (approximately USD 33.88 billion) while imports totaled INR 1.47 lakh crore (approximately USD 22.61 billion) (Sally, 2021). India's agrarian culture and varied regional climate have significantly contributed to the global food basket.

Keeping in view the crop growing conditions and characteristics of different areas, India is divided into 15 agro-climatic and 20 agro-ecological regions. Hence, there are wide ranging differences in types, varieties, and seasonality of growing crops in different regions. Agriculture in the country is a risk-prone activity due to repeated incidences of droughts, floods, and hailstorms.

As per land use statistics (2014 to 2015), the country's total geographical area is 328.73 million hectares, of which, 140.1 million hectares (43 percent) are reported as

[1] One lakh crore is one trillion.

net sown area and 198.4 million hectares are the gross cropped area with a cropping intensity of 142 percent. Net irrigated area is 34.48 percent.

Rice and wheat are major food crops followed by sugarcane, millets, pulses, and oil seeds. Rice occupies 22.01 percent of the total gross cropped area whereas wheat covers 15.72 percent (2015 to 2016).

According to the Directorate of Economics and Statistics (2019), the comparative figures for cultivation of paddy (2017) are as follows:

Table 1: Area, Production and Yield of Rice in India and World

	Area ('000 ha)	Production ('000 tons)	Yield (Kg /hectare)	Percent (Share of production)
World	**167,249**	**769,658**	**4,602**	**100.00**
China	30,747	212,676	6,917	27.63
India	43,789	168,500	3,848	21.89

As seen in the above table, India ranks first in the world in terms of area under rice/ paddy and second in share of production (21.89 percent) after China (27.63 percent).

The Government of India procures food grains to meet the requirements of the Public Distribution System at Minimum Support Price (MSP) which is announced every year at the time of sowing but only a small number of farmers (six percent), mostly from Punjab, Haryana, and western Uttar Pradesh benefit from it.

The agriculture sector is very often used as a political tool to impress the farming community. Political parties announce loan waivers, subsidized power supply, and honoraria to farmers when the elections are around the corner.

Three new bills were passed in 2020 by Parliament for the agriculture sector. These include the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, the Farmers' (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, and the Essential Commodities (Agreement) Bill. According to the government, these bills seek to transform the agriculture sector. It also promises doubling farmers' incomes by 2022 and the Central government said that the bills would make the farmers independent of government-controlled markets and fetch them a better price for their produce. Moreover, the government said that these bills aim to create a system in which farmers and traders can sell outside the *Mandis*. It also encourages intra-State trade and proposes to reduce the cost of transportation. The Farm Bills 2020 aim to enable farmers to engage with agri-business companies, retailers, and exporters for service and sale of produce while giving the farmer access to modern technology. It aims to benefit the small and marginal farmers with less than five hectares of land. The bills will also remove items such as cereals and pulses from the list of essential commodities, and attract Foreign Direct Investment (FDI) (Chetia, 2020).

These bills have become a bone of contention. As per provisions of these bills, farmers are given the option of free market, right to unlimited storage and contract farming which is opposed by a section of farmers – mostly belonging to Punjab, Haryana, and western Uttar Pradesh (Green Revolution areas). This agitation is backed by opposition parties who see this as an opportunity to win the confidence of farmers for the next elections. The Supreme Court, taking note of the situation has kept these Acts on hold and has appointed an expert committee to talk to the farmers and document their points of view on which further action will be taken. At the time of writing, farmers continue to demand that these Acts be dropped and a new one passed ensuring MSP applicable to both public and private sector purchases.[2]

Agricultural support system

Agriculture, as per provisions of the Constitution of India, is a State subject, but as far as national policy matters are concerned, these are decided by the national parliament and implemented by the Central Government. All States and Union Territories are bound to implement the policies decided by the Union/Central Government. Besides, the State governments/Union Territories are free to announce and implement programs of additional support to farmers in their respective areas.

Small farmers

There is an official definition of small farmers – those owning between one and less than two hectares. There is a sub category – those having less than one hectare of land are categorized as marginal farmers. For all practical purposes, small and marginal farmers are taken together as those having less than two hectares of land.

As per Agriculture Census 2020, around 124 million farmers are categorized as small farmers, or those who own at most two hectares of land.

As per a study by Gururaj, et al., (2017), in India small and marginal holding farmers cultivate around 44 percent of the area and they produce around 60 percent of the total food grain production (49 percent of rice, 40 percent wheat and 27 percent of pulses). The average size of small and marginal holdings taken together is about 1.08 hectares as compared to 17.37 hectares for large farmers. According to the study, small farmers have limited access to technology, inputs, credit, capital, and markets that lead them to perpetuate in poverty trap. The UN Intergovernmental Panel on Climate Change Fifth Assessment Report also mentions that as per the adverse impact of climate change will be more pronounced on smallholding farmers, those who live in areas with fragile climatic conditions and who face an immediate and frequent crop failures, and loss of livestock.

[2] The Farm Bills 2020 were repeated by Parliament in December 2021.

Land use policy focusing on how lands for agriculture are protected

There is no comprehensive land use policy but as per the Indian National Policy for Farmers of 2007, prime farmlands are protected. It cannot be used for non-agricultural purposes except in exceptional cases with the condition that the user has to compensate it by developing an equal area of degraded/wasteland.

Policy on organic farming

There is no specific policy at the national level but two States, Sikkim, and Kerala, declared to go organic and have been working on it since 2015 to 2016. Sikkim has been declared a fully organic State. However, there is a program, Paramparagat Krishi Vikas Yojana (Traditional Agriculture Development Program), which encourages the use of traditional and organic farming. An assistance of INR 50,000 (approximately USD 672.04) per hectare is provided every three years for organic inputs, certification, labeling, packaging, transportation, and marketing of organic produce.

The scheme also encourages promotion of bio-fertilizers, bio-pesticides, and organic manures.

A situationer and sources of credit to small farmers

Small farmers or those having less than two hectares of land are evenly distributed all over the country. As per the Agriculture Census (2015 to 2016), the average size of landholding for marginal farmers is 0.38 of a hectare and for small farmers, 1.40 hectares. Taken together the size of landholding for small farmers averages at 1.08 hectares.

The main sources of credit as per All India Report on Input Survey (2016 to 2017) are:

- Primary Agricultural Credit Societies;
- Primary Land Development Banks;
- Regional Rural Banks;
- Commercial Banks;
- Self Help Groups/Farmers Producers' Organizations (FPOs);
- Kisan Samman Nidhi (Honorarium to farmers @ INR 6,000 [approximately USD 80.65] per annum); and,
- Kisan (Farmer) Credit Card, where the limit is linked with land owned by the holder of the card.

It is estimated that only 40 percent of small farmers have accessed formal credit support (Reserve Bank of India, 2019).

The major crops they cultivate are staple food crops including rice, wheat, coarse grains, etc. depending upon agro-climatic conditions. There are differences in seasonality of growing crops in different regions due to differences in agro-climatic conditions.

Rice is grown under widely varying conditions of altitude and climate. Therefore, rice-growing seasons vary in different parts of the country depending upon temperature, rainfall, soil types, water availability, and other climatic conditions. Eastern and southern regions are suitable for rice; two to three crops are grown in a year. In northern and western parts, only one crop is grown from May to November.

India has three seasons for growing rice: autumn, winter, and summer. Autumn or pre *kharif* is sown from May to August and harvested September to October. This cropping cycle has a short duration of 90 to 110 days. Only seven percent of crop is grown in this season. The *kharif* season rice crop is also known as winter rice (84 percent grown). It is sown from June to July and harvested in November. About nine percent of rice is grown in summer/*rabi* season that is sown from November to February and harvested March to June.

Agriculture in the country is prone to risks because of droughts, floods, and hailstorms.

With agriculture being the primary source of livelihood for more than half of the country's total workforce, it is pertinent to note that as many as 80 percent of the economically active women are employed in agriculture sector comprising 33 percent of the agricultural labor force. Nearly one-third of the total funds (30 percent) in various major schemes and programs of agriculture development are allocated to women. *Mahila Kisan Diwas* (Women Farmers' Day) is celebrated every year on 15th of October since 2019 to encourage women farmers.

The research study

This research study focuses on public credit/production assistance to small rice farmers, and Kisan Credit Card (KCC) is selected for the case study.

Statement of the problem

Availability of timely, adequate, and sufficient credit support at reasonable rate of interest is critical to smallholders' farming and their lack of access to sufficient support and credit requirements for investing in crops, technology, or security amidst risks and in the face of shocks is a major constraint. As agriculture sector employs the largest number of people who are voters also make this sector politically sensitive, and political parties, particularly when the elections are around the corner, more often than not, use them as vote banks and focus more on providing immediate benefits like loan waivers to attract votes than offering long-term solutions. Such immediate benefits also hardly reach the small farmers. The lack of awareness about the official credit support system and negative conservative attitude towards borrowing as well as corruption in official sector make it a difficult proposition for small farmers to go for credit support. For social reasons, many of them rely on silent support from local moneylenders though at a very high interest rate. Therefore, there is a need to study the situation on the ground, analyze it, and offer suggestions for credit support to smallholder farmers.

Objectives of the study

The main objectives of the study are:

- to analyze the relevance, appropriateness, accessibility, and usefulness of existing government production credit assistance for smallholder rice farmers;
- to underline the challenges in the system of delivery; and,
- to propose recommendations to government lending institutions to improve smallholder's access to and utilization of existing credit programs.

Study methods

Scope of the research study. This study focused on official credit support to smallholder rice farmers. Rice has been selected for this study because among major crops grown in the country, it ranks first in terms of production and gross cultivation area, and it is the only crop grown more than once a year and in some areas, two to three crops are cultivated in a year. Moreover, rice production is labor intensive, hence it provides employment to the largest number of agricultural labor.

The study, in general, covered the entire country with special reference to the States of Bihar, Odisha, and Chhattisgarh.

The following methods were applied in the conduct of this research study:

- review of literature to collect data and information from secondary sources;
- key informant interviews with government officials; and,
- focus group discussion (FGDs) with farmers and CSOs to validate findings and generate recommendations.

The draft report of the study was presented in the meeting of the Executive Committee (EC) of AVARD on 21 July 2021 with 10 members (seven males and three females) participating. The EC found the study quite relevant and approved it. Henceforth, the study was shared with farmers through Member Organizations of AVARD from 16 to 25 August 2021 in which 350 farmers (280 males and 70 females) participated and majority of them agreed with the findings of the study.

Finally, the study was shared with the Union Minister of Agriculture and Farmers Welfare and the Chairman of the National Bank of Agriculture and Rural Development on 26 August 2021. However, no response was received from any of them. It seemed that due to the agitation of farmers in the country, the government did not want to commit anything until the problem is resolved.

Limitations of the study. The official credit support to farmers were mostly generic in nature and not crop-specific, hence it would have been difficult to collect data specific to rice. Moreover, with India being a vast county, the coverage for primary data and information within the available time and resources was limited to select areas.

Brief overview of the selected farmers and crop

Number/estimate of selected farmers

As per a case study conducted by Raghav and Sen (2014) in Udham Singh Nagar, Uttarakhand with a sample size of 100 farmers focusing on socio-economic status of farmers and their perception about technology adoption recorded following figures on various aspects:

Table 2: Profile of Farmers in Udham Singh Nagar District, Uttarakhand (India)

	Marginal farmers	Small farmers
Education (%)		
Illiterate	35	35
Primary	20	15
Secondary	20	20
High School	15	20
Intermediate	10	10
Graduate	Nil	Nil
Family size (%)		
Up to 5	65	40
More than 5	35	60
Average age (Years)	58.10	57.5
Average size of land holding (hectares)	0.58	1.63

Source: Raghav and Sen (2014)

Similarly, a case study of Warangal District (Telangana) by Anuradha and Kamraju (2017) based upon sample survey came out with following figures:

Table 3: Socio-Economic Profile of Farmers in Warangal District, Telangana

Ownership category	%	Operational category	%	Gender composition	%
Pure tenant	7.5	Marginal and small	91.2	Males	97.21
Pure owner	63.5	Semi medium and medium	8.5	Females	2.78
Owner cum tenant	25.2	Large	Nil		

Social Groups	%	Literacy	%	Age group	%	Family type	%
Schedule Caste (SC)	15.8	Literates	46.5	30 to 50 Years	66.1	Nuclear	93.9
Schedule Tribes (ST)	4.4	Illiterates	53.5			Joint	7.1
Backward Caste	67.5						
Other Castes	12.3						

Source: Anuradha and Kamraju

A study (Vikas, 2015) conducted in Bihar State with a sample of 450 farmers revealed a common belief that the productivity of a farmer increases with age, reaches some mid-age peak and then decreases with further age. An increase and then decrease in efficiency as a farmer ages has significant implications on productivity. The study, as depicted in the following table, found that around 80 percent of farmers are over 35 years of age and 42 percent are over 50 years old.

Table 4: Age of Farmers' Household

Age Category of Cultivator tiller (years)	Number of Cultivators	Age-wise % of respondent/ actual
18 to 25	21	4.67
25 to 35	70	15.56
35 to 50	168	37.33
50 and above	191	42.55
Total	**450**	**100.00**

Source: Vikas, 2015

A study of economic conditions of Indian farmers by Ashwini Chanana (2016) revealed that the average Indian farm family works 80 hours per week and earns USD 3,000 in a year. His wife and children work with him in the field whereas an American farmer earns USD 60,000 in a year by working 80 hours per week.

The average income of a farmer's household owning up to two hectares of land according to National Sample Survey Office (NSSO) Report 2016 is INR 5,240 (approximately USD 70).

- **For the selected crop**

Rice has been selected as the focus for the study because India is one of the world's largest producer of this commodity. It also the country's most dominant crop both in terms of cultivation area and yield. Rice is seed of the grass *Oryza sativa* (Asian rice) and its cultivation is concentrated in areas with hot and humid (high rainfall) climatic conditions and low labor cost. The history of rice cultivation in India is quite old and interesting. In Indian literature, we find the first mention of rice in *Yajur Veda* (c 1500 to 800 BC). Paddy grains were found during the excavation of Hastinapur (India) estimated to be belonging to around 1000 to 750 BC and considered as an oldest sample. De Condolle (1886) and Watt (1862) mentioned south India as center of rice origin. D Chatterjee (1948) mentioned two centers of origin: South East Asia (India, Myanmar, and Thailand) and West Africa (Farmer's Portal, n.d.).

The cultivation of rice in India is concentrated mainly along the southern, northern, and eastern parts of the country – the areas of high rainfall. However, with the availability of good irrigation facilities, Punjab, a State located in the western part of the country, has become one of the leading producers of rice, which is a major staple crop of the country.

There are three rice growing seasons in India as mentioned below: a) Autumn or pre-*kharif* crop – sowing during May to August and harvesting in September to October [90 to 110 days crop]; b) *Kharif* or Winter crop – sowing during June to July and harvesting during November [150 to 180 Days]; and, c) *Rabi* or Summer crop – sowing during November to February and harvesting during March to June [60 to 90 Days].

As seen from the above description, the growing season of rice varies widely season-wise.

Table 5: Seasonality of Growing Rice in India

Region	*Winter Rice*		*Autumn Rice*		*Summer Rice*	
	Sowing	*Harvesting*	*Sowing*	*Harvesting*	*Sowing*	*Harvesting*
Bengal	May to June	October to January	March to July	June to September	October to January	February to April
Bihar	June to August	November to December	May to July	August to October	September to November	February to March
Tamil Nadu	June to October	December to March	-	-	December to March	April to May
Punjab	March to August	September to November	-	-	-	-
Uttar Pradesh	June to August	September to December	-	-	-	-
Gujarat	May to August	December to January	-	-	-	-
Kashmir	-	-	April to May	September to October	-	-
Karnataka	June to July	November to December	-	-	February	April to May
Madhya Pradesh	June to July	November to December	-	-	-	-
Kerala	September to October	January to February	April to May	September to October	January to February	April to May
Andhra Pradesh	June to July	November to December	-	-	November to January	April to May

Source: Merchant, K T et.al: Economic and Commercial Geography of India: National Council of Educational Research and Training (1970), p.23

As far as cropping pattern is concerned, generally rice is followed by wheat, pulses, and oil seeds and in some areas by vegetables. However, in areas like Odisha, Chhattisgarh, Assam, and parts of West Bengal rice is followed by rice.

The average production varies from 2,494 to 2,659 kilograms per hectare.

The role of credit in the agricultural development of the country

The availability and access to adequate, timely and low cost credit from institutional sources is of great importance especially to small and marginal farmers. Along with other inputs, credit is essential for establishing sustainable and profitable farming systems. Easy access to financial services at affordable cost positively affects the productivity, asset formation, and income and food security of small farmers. The cultivation of rice as compared to wheat, another important staple crop, requires more credit support because it is a costlier cultivation requiring more labor for preparation of nursery, transplantation, weeding and harvesting, as well as irrigation, fertilizers, insecticides and pesticides at different points in the production cycle. Hence, the availability of timely and sufficient credit is very important for the cultivation of rice.

In case of crop failure, it becomes a liability beyond the paying capacity of small farmers. The non-payment of loans on time (12-month payment period) deprives them of subsidized interest rate and in place of four percent, they have to pay seven percent interest on loans. The food security of the households is threatened, prompting them to either sell the assets of the household or borrow from the local moneylender to meet the essential needs. In few cases, the burden of loan becomes the cause of anxiety and hopeless farmers finding no other option take the extreme step of suicide.

Policy environment on agricultural production credit assistance

A number of policies and programs were formulated by the government in the last five years on credit assistance to small farmers, to wit:

- Coverage of all farmers including tenant, sharecroppers, and SHGs under Kisan (Farmer) Credit Card;
- Special drive to reach out to more farmers under Atmnirbhar Bharat (Self-Reliant India) package;
- Rescheduling of payment period in case of crop failure;
- KCC holders have insurance coverage against financial losses of up to INR 50,000 (approximately USD 666), and disability and death at a nominal premium of INR 15 (approximately USD 0.20) for a single year and INR 45 (approximately USD 0.60) for three years;
- PM Kisan Samman Nidhi (Prime Minister Honorarium fund for farmers) at INR 6,000 (approximately USD 80) in three installments of INR 2,000 (approximately USD 27) each for all farmers. It is being considered to raise the amount from INR 6,000 to INR 10,000 (approximately from USD 80 to USD 133) per annum;
- Bringing all the farmers, including small and marginal farmers, within the banking fold and promoting complete financial inclusion to facilitate Direct Benefit Transfer (DBT);
- Reserve Bank of India's direction to all commercial banks to lend 18 percent of total credit to the agriculture sector. A sub-target of eight percent is fixed for small and marginal farmers at a reduced rate of interest of four percent per annum.
- Collateral free for loan up to INR 160,000 (approximately USD 2,160) to smallholder farmers.

In order to make agriculture more productive, sustainable, remunerative, and climate-resilient, the program on National Mission for Sustainable Agriculture was launched in 2014 to 2015. The mission promotes location-specific sustainable and best farming practices; soil conservation and moisture protection measures; soil nutrient management; and; efficient and sustainable water management practices with mainstreaming rainfed methods. Major components include on-farm water management for increasing water use efficiency by promoting modern technologies such as micro irrigation, efficient water consumption, and, better distribution channels along with secondary storage facility.

On the other hand, the Paramparagat Krishi Vikas Yojana (Conventional Agriculture Development Program) encourages traditional and organic farming. Under this program, an assistance of INR 50,000 (approximately USD 672) per hectare every three years is provided for organic inputs, certification, labeling, packaging, transportation, and marketing of organic produce. The program also encourages promotion of bio-fertilizers, organic manures, and bio-pesticides.

In all agriculture development-related programs, 30 percent of the total outlay is earmarked for women farmers.

Government credit program for small farmers selected for this study

Rationale for choice of Government credit program

The Kisan (Farmer) Credit Card (KCC) scheme of Government of India is selected for the research study due to the following:

- Pan-India program;
- Long-term validity of the card;
- Hassle-free and easy to operate like ATM card;
- Collateral-free loans up to a certain amount;
- 10 percent increase per annum in permissible limit to meet cost escalation;
- Rescheduling of repayment period in case of crop failure;
- Lowest rate of annual interest;
- Covers loan for consumption expenditure and maintenance of farm assets as well as other needs of the farmer;
- Risk coverage in case of accidental death/disability;
- Crop loans are covered under the Crop Insurance scheme; and,
- Freedom to withdraw amount within the permissible limit for the year as per convenience of the farmer.

Description of chosen Government credit program

As per circular of Reserve Bank of India of July 2017, the main aim of the program is to provide adequate, convenient, and timely credit support to farmers at the lowest rate of interest from the banking system under a single window with flexible and simplified procedure for their cultivation and other needs, to wit:

- short-term credit requirements for cultivation of crops;
- post-harvest expenses;
- produce marketing loans;
- consumption requirements of farmers' household;
- working capital for maintenance of farm assets and activities allied to agriculture; and,
- investment credit requirement for agriculture and allied activities.

Table 6: Important Developments in KCC Scheme Implementation

Circular Date	Particulars
14 August 1998	Introduction of KCC Scheme
09 August 2004	To cover term loan for agricultural purposes. Validity of KCC increased from three to five years
01 June 2006	interest on short term credit to farmers fixed at seven percent up to INR 300,000
31 October 2006	State Coop Agri &Rural Development Banks introduced
29 March 2012	10 percent and 20 percent provision for consumption and asset maintenance. Year-wise drawing power for five years
09 November 2012	Scheme for issue of KCC in the form of interoperable RuPay Cards
15 November 2012	All old KCC converted into ATM cum Debit/RuPay Cards
01 August 2014	Support for ITC solutions through POS /Micro ATMs and RuPay Kisan Cards under KCC Scheme
08 July 2015	Coverage of KCC holders under Atal Pension Scheme

Coverage and clientele of program

The program covers all farmers at country level.

Farmers belonging to all categories, including tenant and sharecroppers, comprise the target group. It aims to cover 14 crore[3] farmers. The actual number reached as of 11 February 2019 was 6.95 crore. The main reason for the difference in targeted and actual clients is lack of awareness among farmers and fear of loan burden.

Types and amounts of loans and other financial assistance

The annual budget of the program is around INR 2 lakhs crore, or over USD 30 billion.

Marginal farmers (with landholding below 1 hectare) can avail loans from INR 10,000 to INR 300,000 (approximately USD 135 to USD 4,032). Of the total loan amount extended, 10 percent is allowed for consumption while 20 percent is the ceiling for asset formation. The limit of loan amount is decided based on operational landholding/crops cultivated.

It has provision of collateral free loan up to INR 160,000 (approximately USD 2,150).

[3] One crore is 10 million.

The card is valid for three to five years subject to annual review.

In case of crop failure, the repayment period is rescheduled. KCC holders are covered under insurance against financial losses of up to INR 50,000 (approximately USD 672) against accidental death/disability. Coverage under Atal Pension Scheme is at a very nominal premium. Crop coverage loans are covered under Crop Insurance Scheme.

Support services

No other provision except no processing fee for loans starting from INR 300,000 (approximately USD 4,032) and above. There are advertisements in electronic, radio, and print media to popularize the program and awareness generation of farmers about the procedure to access it and its benefits.

Repayment rates

The normal repayment rate on bank loans for agricultural purposes is nine percent per annum but under this scheme, a subsidy of two percent and a subvention incentive of three percent in interest rate, if paid within the stipulated period of 12 months, is provided. Thus, the actual interest rate to be paid by farmers comes down to four percent. In case of crop failure, repayment period is rescheduled. The repayment rate of loan advanced through KCC is around 88 percent (i.e. a default of about 12 percent).

Sanctions for non-repayment of loans

The loanee has to pay at the rate of seven percent of interest and in extreme cases, the card may become invalid. The loanee may also be blacklisted and cannot avail any loan from any bank. Different banks have their own mechanisms to recover the loans advanced. These penalties are enforced by banks to ensure discipline.

Credit channels

Loans are provided through commercial, regional rural, and cooperative banks. The performance can be rated as superior because it is hassle-free, farmer-friendly, and easy to operate through nationwide network of bank branches.

Program management and staffing

The program is managed by banks as regular ATM services, hence there is no issue of staffing and mistakes. It takes some time to get the first Kisan Credit Card as many government schemes are attached with banks.

Reviews about KCC

Kaur and Dhaliwal (2018) said that KCC provides hassle-free credit to farmers for production and consumption needs as and when required. The paper examined progress period-wise and agency-wise from 1998 to 1999 to 2012 to 2013. Mehta et al. (2016) analyzed the role of KCC in rural India. It was observed that KCC was very effective and a popular tool of rural credit to finance the requirements of farmers in a judicious manner.

Gandhimathi and Sumaiya (2015) evaluated the role of the KCC system in the distribution of agricultural credit. It observed that KCC improved the financial inclusion in the agriculture sector. Maurya (2015) studied the role of cooperative banks in agriculture in the District Mohali (Punjab) to assess the impact of agricultural credit provided by cooperative banks. Lending had significant impact but banks faced the problem of overdues and defaults. Godara, et al. (2014) analyzed the KCC scheme in the State of Haryana. It was found that RRBs (Regional Rural Banks) performed better than cooperative banks. Laxyapathi (2013) evaluated the KCC scheme in India and Karnataka. It was observed that there was significant rise in production of crops and thereby in income.

Table 7: Strengths and Challenges of KCC Scheme Implementation

Strengths	Challenges
• Ensures adequate and timely delivery of credit with added benefits like risk coverage • Hassle free, handy and easy to operate for longer duration (three to five years) • Automatic increase of 10 percent in the permissible limit to meet cost escalation	• Regional disparity and low level of awareness among farmers about the process and benefits of the scheme • Lack of interest among the functionaries of public lending agencies as it is just a part of their routine duty and many of them lack sensitivity towards the small farmers

Impact of COVID-19 on the implementation of KCC

In general, the program was least affected by the COVID-19 pandemic. However, due to continued lockdowns and the restricted people mobility, many of the needy farmers could not visit the banks. Although, keeping in view the hardships faced by the farmers in pandemic situation, the government renewed its efforts for larger coverage under its Self-Reliant India initiative.

Due to disruption in the supply chain, the cost of inputs has gone up so the sanctioned limit may fall short of the requirements. To overcome the situation, the Government has launched a special drive to reach out to more farmers by organizing field-level awareness camps by some banks. The Government is also providing free ration to smallholder farmers' household to partially meet their consumption needs in addition to early release of the installment (INR 2,000 or approximately USD 27) of PM Kisan Samman Nidhi to partially meet their required farm inputs.

Credit needs of small farmers

Credit requirements provided by KCC

The main credit requirements of the farmers are numerous such as production inputs – seed, fertilizers, insecticides/pesticides, labor, etc.; investment in farm equipment, irrigation; consumption to meet the family needs until the crop is ready; and, marketing of the produce. Availability and access to adequate, timely, and low-cost credit from institutional sources is of great importance to meet these requirements especially to small and marginal farmers. Along with other inputs, credit is essential for establishing sustainable and profitable farming systems. Experience has shown that easy access to financial services at affordable cost positively affects productivity, asset formation, income, and food security of the rural poor. The major concern of the government is, therefore, to bring all farmers' households within the banking fold and promote complete financial inclusion.

The chosen program, the Kisan Credit Card scheme, in principle, addresses all the requirements related with production, consumption, asset maintenance, marketing, and investment in assets. The loans for investment are long-term (payable within five years) whereas for all other purposes it is short-term (payable within a year). Thus, the selected credit program, in general, meets the requirements of the farmers.

However, in case of any shortfall, the farmers rely on well-to-do fellow farmers and of course the local moneylenders.

We should remember that only 40 percent of farmers are covered by the banking credit system while the rest depend on other traditional sources. Therefore, a lot more needs to be done. Though the Government is trying its best to enhance its reach to more farmers under its Self-Reliant India Program, it is a long way to go.

Limiting factors for access to credit for smallholder farmers

The key factors that limit smallholder farmers' access to official credit are:

- Lack of awareness among farmers about government programs and poor knowledge about the benefits of KCC;
- Low level of financial literacy and poor skill to interact with bank officials;
- Non-prioritization of women farmers;
- In some cases, non-cooperation by bank officials due to heavy workload;
- Lack of adequate facilitation services in bank branches to assist the illiterate/low literate farmers hence they have to depend on middle men;
- Negative attitude towards borrowing and loans, which are generally understood as an indicator of poverty; and,
- Fear of crop failure restricts them from availing of loans.

Special credit requirements of small farmers during the pandemic

India, has suffered severely from the pandemic and smallholder farmers too were adversely affected and hit hard due to disruption in the supply chain, sudden lockdown and shutdown of many economic/industrial activities as well as transportation. This pandemic is regarded to be one of the worst blows of the century. Though the governments – Central and States – tried to address the issue by ensuring regular supply of food grains, possible medical care including supply of medical oxygen, injections, medicines, and direct cash transfer to the people below the poverty line, it has been a challenge to reach those in need in a vast country. The scenes of long queues and of people travelling thousands of miles to their hometowns without proper food and water have been heart-rending.

In the light of the COVID-19 pandemic, the following needs are identified by the small farmers:

- They should be given more time for loan repayment because they could not sell their produce at reasonable prices due to the lockdown and disruption in the supply chain.
- Many of them had to sell their produce at a distress price to meet medical and other requirements during the lockdown, hence they do not have enough money for repayment. Such farmers need special assistance.
- Due to disruption in the supply chain, there is shortage of inputs in the market hence the prices have gone up. Considering the gravity of the situation, small farmers' credit limit should be enhanced proportionately to meet the requirements.

- Small farmers left out of formal credit support must be mobilized and included in the banking fold on priority basis to ease them out of the clutches of local moneylenders who are ready to convert the calamity into opportunity for making money.
- Banks should plan to reach out to small farmers by organizing special camps in rural areas for facilitating the issuance of new KCCs rather than have farmers crowding the bank counters and face humiliation.
- Public lending agencies should come forward to reschedule the repayment period in easy installments and grant adequate fresh loans for the upcoming cropping season to help smallholder farmers avoid the trap of private moneylenders.

Conclusion and recommendations

Summary of overall findings

Agriculture in India is more than just a source of income generation and livelihood. India, however, has suffered severely from the COVID-19 pandemic, and this has adversely affected small farmers. Though the government tried to help in every possible manner, a lot more needs to be done.

Rice was selected for this study as India is one of the world's largest producers of rice.

Agriculture in India is a State subject. However, as far as policy matters are concerned, the Union government decides these and States are bound to implement them.

This study looked into the credit access of small farmers who are defined as those owning less than two hectares of land and they account for 85.01 percent of total farmers in the country. They are an estimated 125,600,000 small farmers with an average landholding of 1.08 hectares.

The main sources of credit to farmers are:

- Primary Agricultural Credit Societies;
- Primary Land Development Bank;
- Regional Rural Bank;
- Commercial Banks;
- Self Help Groups/Farmers' Producer Organizations;
- Kisan Samman Nidhi (Grant-in-aid); and,
- Kisan Credit Card.

As per an estimate, only 40 percent farmers have access to official credit support. The availability of timely, adequate and sufficient credit at reasonable interest rate is critical to smallholder farmers.

This research study was mainly based on literature review and data from secondary sources. However, wherever possible information from key informants and findings of group discussion have been utilized. Official credit support to farmers are generic in nature hence it is difficult to find crop-specific data.

The role of credit in agricultural development is extremely important and it positively affects the productivity, asset formation, income and food security of smallholder farmers. Cultivation of rice is comparatively costlier than other staple crops hence credit support becomes critical for good crop.

It has been found that KCC is a very effective and popular tool of rural credit to finance the requirements of farmers in a judicious manner. It has also been observed that there was significant rise in production of crops and thereby in income of farmers. However, cases of overdues and defaults are being faced by some banks.

To help farmers get by during the pandemic, the government has provided free ration to all smallholder farmers that will continue until November 2021. Efforts are being made to cover more farmers under KCC by organizing field camps by banks. The Kisan Samman Nidhi was released earlier to facilitate farmers.

Credit needs of smallholder farmers are numerous. Credit is essential for establishing sustainable and profitable farming systems. KCC covers all the requirements of farmers so the Government is trying to cover all farmers under KCC and bring all households within the banking fold.

In the light of COVID-19 pandemic, the special requirements of smallholder farmers include more time for repayment of loans; special assistance to meet consumption needs; enhancement in credit limit due to escalation in prices of inputs; and public lending agencies should reach out to farmers, etc.

Impact of KCC on production and profit of crops

KCC has been quite effective in mobilizing farmers for profit-oriented farming. A study on "impact of KCC on Production and Profit of Crops in selected Areas of Haryana" (Singh, 2020) revealed the facts as depicted in following tables:

Table 8: Return over Costs for KCC Beneficiaries and Non-KCC Farmers in Rohtak

Category	Small	Medium	Large	Total No. of Farmers
Beneficiary farmers				
Population	100.00	100.00	100.00	300.00
Productivity	20.51	20.97	21.60	21.02
Non-beneficiary farmers				
Population	100.00	100.00	100.00	300.00
Productivity	18.80	19.16	20.40	20.82
Percentage change in production	10.61	10.97	7.19	9.59

Table 9: Comparison between Productivity and Income Before and After Taking KCC

Particulars	Before KCC	After KCC
Marginal farmers (less than 1 hectare)		
Productivity (Qtl/ha)	50.00	53.50
Gross income (INR)	61,450.50	78,120.40
Net income (INR)	17,405.00	25,900.00
Small farmers (up to 2 hectares)		
Productivity (Qtl/ha)	50.30	53.80
Gross income (INR)	52,810.00	59,545.28
Net income (INR)	17,492.48	25,875.24
Big farmers (Above 2 hectares)		
Productivity (Qtl/ha)	50.92	53.80
Gross income (INR)	53,496.36	69,803.46
Net income (INR)	17,646.34	26,196.16

As revealed in the above tables, the net income of farmers increased substantially after taking KCC loans. The increase in net income of marginal farmers is 48.80 percent, for small farmers it is 47.92 percent, and for large farmers it is 48.45 percent. Thus, as per the study, the positive impact of KCC on productivity and income is worth mentioning.

Social group-wise access to official credit facilities

Data from the All India Debt and Investment Survey NSSO 2013 showed that access to credit varied across social groups based on many factors. It also observed that although the government has implemented programs, schemes and policies to promote economic empowerment of lower castes through finance since the 1990s, these have not been very effective (Karthick and Madheswaran, 2018).

Conclusion

KCC is a very effective tool to transform the fate of small farmers and is helping in enhanced production by providing timely, adequate, and hassle-free credit support at a very low interest rate. The loan amount meets production, consumption, and cost of maintenance of farm assets of small farmers. It has helped greatly in freeing farmers from the clutches of local moneylenders. Though there are some cases of default, it can be minimized and regulated properly with good governance. The government is striving for universal coverage of farmers under the scheme.

Another important point is that despite various policy measures, the backward classes (Scheduled Castes, Scheduled Tribes, and Other Backward Castes) have not been able to access formal credit as successfully as forward castes and they lag far behind.

Recommendations

The program may be enhanced by undertaking the following:

- Generate awareness about the benefits of the scheme among small farmers by organizing camps at the field level;
- Bank officials should facilitate transaction needs of illiterate farmers;
- Increase bank officials' awareness of the need to deal with small farmers in a suave manner;
- Prioritize of women farmers; and,
- Enhancement in loan amount to meet the escalation in prices from existing 10 percent to 20 percent per annum.

In response to the COVID-19 pandemic, the following are proposed:

- The Government should waive 50 percent of the loans advanced to smallholder farmers. The government is providing 50 percent subsidy to farmers on purchase of tractors but this subsidy has mostly benefitted big farmers, so the demand for 50 percent waiver of loans for smallholder farmers is justified;
- Farmers should be given subsidy in prices of inputs required for cultivation, particularly seed and fertilizers;
- The farmers should be given special rebate on prices of diesel for consumption of tractors and other agricultural machinery to cope with the high price rise in diesel; and,
- Free ration to smallholder farmers until the harvest of the next crop. ■

List of acronyms

AVARD	Association of Voluntary Agencies for Rural Development
FC	Forward Caste
FGD	focus group discussion
GDP	Gross Domestic Product
INR	Indian Rupee
KCC	Kisan Credit Card
KII	key informant interview
NABARD	National Bank for Agriculture and Rural Development
NSSO	National Sample Survey Office

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President, AVARD

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