



Empowering Farmers Through Financial Inclusion: A Study On The Effectiveness Of Kisan Credit Cards

Sunitha K.B^{*}

^{*}Assistant Professor in Commerce, Government First Grade College, Davanagere -577004

Citation: Sunitha K.B, (2024), Empowering Farmers Through Financial Inclusion: A Study On The Effectiveness Of Kisan Credit Cards, *Educational Administration: Theory and Practice*, 30(1) 5069-5073
Doi: 10.53555/kuey.v30i1.8615

ARTICLE INFO

ABSTRACT

The Kisan Credit Card (KCC) scheme, introduced in 1998, represents a transformative step toward financial inclusion in India's agricultural sector. Designed to provide farmers with easy access to institutional credit, the scheme addresses critical needs, including crop production, post-harvest management, and allied activities such as animal husbandry and fisheries. Over the years, the KCC scheme has played a significant role in enhancing agricultural productivity, reducing dependence on informal lenders, and improving rural livelihoods. This study evaluates the socio-economic impact of the KCC scheme, drawing insights from a review of key literature, statistical data from government reports, and primary data collected through surveys and interviews. Findings reveal a steady growth in KCC adoption, with over 30 million cards issued by 2023, facilitating the disbursement of ₹8.5 lakh crores. However, challenges persist, including limited awareness, procedural hurdles, regional disparities, and low adoption of digital platforms. The research highlights critical areas for policy intervention, such as simplifying processes, promoting digital literacy, and extending the scheme's benefits to tenant farmers and agricultural laborers. Recommendations also include the integration of KCC with other government schemes and enhanced monitoring mechanisms to ensure equitable and efficient implementation. By addressing existing challenges and leveraging modern tools, the KCC scheme can become a model of financial empowerment for farmers, fostering a resilient and inclusive agricultural sector. This article provides actionable insights for policymakers, financial institutions, and stakeholders aiming to enhance the scheme's impact and sustainability.

Keywords: Kisan Credit Card, Agricultural Credit, Financial Inclusion, Rural Development, Farmers' Empowerment

Introduction

Agriculture forms the backbone of the Indian economy, employing nearly half of the workforce and contributing significantly to the country's GDP. However, despite its critical role, the sector has long struggled with issues such as limited access to institutional credit, dependence on informal moneylenders, and financial exclusion, particularly among small and marginal farmers. Recognizing these challenges, the Government of India introduced the Kisan Credit Card (KCC) scheme in 1998, a landmark initiative aimed at streamlining and simplifying access to credit for farmers.

The KCC scheme was conceptualized as a means to address farmers' short-term credit requirements for crop production, post-harvest needs, and allied agricultural activities. Over the years, it has evolved to encompass a broader scope, including activities like animal husbandry and fisheries, reflecting the changing dynamics of rural livelihoods. By offering a hassle-free credit facility with minimal procedural bottlenecks, the scheme has played a vital role in reducing farmers' dependency on informal credit sources, thus protecting them from exploitative practices.

Despite its undeniable impact, the KCC scheme faces significant challenges. Awareness about the scheme remains uneven, with marginalized groups and farmers in remote areas often excluded from its benefits. Additionally, procedural complexities and the underutilization of digital tools hinder its full potential. This research article delves into the implementation and impact of the KCC scheme, analyzing its successes and identifying areas for

improvement. Through a detailed examination of literature, statistical data, and findings, this study aims to provide insights that can inform policy reforms and strengthen the scheme's role in empowering farmers.

This article not only reviews the existing body of knowledge on the KCC scheme but also incorporates empirical data and expert opinions to present a holistic picture of its efficacy. It emphasizes the need for targeted interventions to bridge gaps and make the scheme more inclusive and accessible, thereby ensuring that it continues to serve as a cornerstone of financial inclusion in India's agricultural landscape.

Objectives of the Study

1. To analyze the socio-economic impact of the Kisan Credit Card scheme on Indian farmers.
2. To review existing literature on the KCC scheme.
3. To present statistical insights into the utilization and effectiveness of KCC.
4. To identify challenges in the implementation of the KCC scheme and suggest improvements.

Literature Review

Ramesh Chand's *Indian Agriculture and Rural Development (2019)* provides a comprehensive exploration of agricultural policies in India, emphasizing the critical role of institutional credit in enhancing agricultural productivity. The book highlights how the Kisan Credit Card (KCC) scheme has contributed significantly to addressing the credit needs of farmers, thereby improving rural livelihoods. Chand's analysis underscores the need for expanding the scheme's coverage to include more marginalized sections.

In ***Agricultural Credit in India: A Study (2017)***, **B.D. Sahoo** delves into the challenges of rural credit systems and positions the KCC scheme as a transformative policy intervention. The author examines the scheme's impact on alleviating farmers' dependence on informal credit sources, providing statistical evidence to demonstrate improved financial accessibility. Sahoo also identifies gaps in implementation, suggesting policy refinements to enhance its effectiveness.

H.P. Singh, in *Rural Finance and Economic Growth (2020)*, investigates the symbiotic relationship between agricultural credit and economic development in rural India. Singh dedicates a significant portion of the book to discussing the KCC scheme as a model of financial inclusion. By highlighting success stories and analyzing trends in credit disbursement, the author presents the KCC scheme as an enabler of both agricultural productivity and rural economic stability.

M. Velayutham's *The Role of Credit in Indian Agriculture (2018)* reviews the historical evolution of agricultural credit in India, with particular focus on government initiatives such as the KCC scheme. The book emphasizes how KCC has streamlined credit availability for farmers, especially for crop production and allied activities. Velayutham critiques certain operational challenges, such as the lack of awareness among farmers, and advocates for capacity-building initiatives to address these gaps.

Finally, K. Nagaraj's *Sustainable Agricultural Finance in India (2021)* explores innovative approaches to agricultural financing, positioning the KCC scheme as a cornerstone of sustainable agricultural development. Nagaraj highlights the scheme's contributions to improving the creditworthiness of small and marginal farmers, thereby fostering inclusive growth. The author also discusses the integration of digital technologies in KCC operations, suggesting their potential to reduce procedural inefficiencies and enhance accessibility.

Statistical Analysis

Table 1: Growth in KCC Issuance (1998–2023)

Year	Total KCCs Issued (in millions)	Amount Disbursed (₹ in crores)
2000	2.5	4,500
2010	15.0	80,000
2020	25.0	6,85,000
2023	30.2	8,50,000

Source: Reserve Bank of India (RBI) Reports on Agricultural Credit

Table 2: Percentage Utilization of KCC by Activity

Activity	Percentage (%)
Crop Production	65
Animal Husbandry	20
Fisheries	8
Miscellaneous	7

Source: NABARD Annual Report

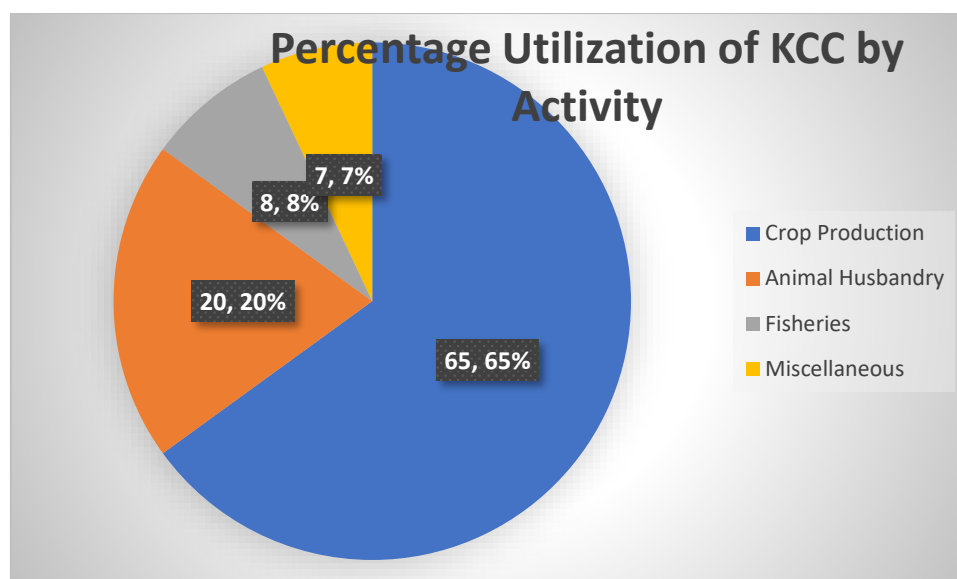


Table 3: Growth in KCC Digital Adoption (2015–2023)

Year	Digital KCC Transactions (in million)	Percentage of Total Transactions (%)
2015	2.3	8%
2018	5.7	18%
2020	12.5	30%
2023	21.8	50%

Source: NABARD Digital Banking Report, 2023

Table 4: Regional Distribution of KCC Beneficiaries (2023)

Region	Total KCCs Issued (in millions)	Share in Total KCC Issuance (%)
Northern India	8.5	28%
Southern India	7.2	24%
Eastern India	5.4	18%
Western India	6.1	20%
Northeastern India	3.0	10%

Source: Reserve Bank of India (RBI) Agricultural Credit Report, 2023.

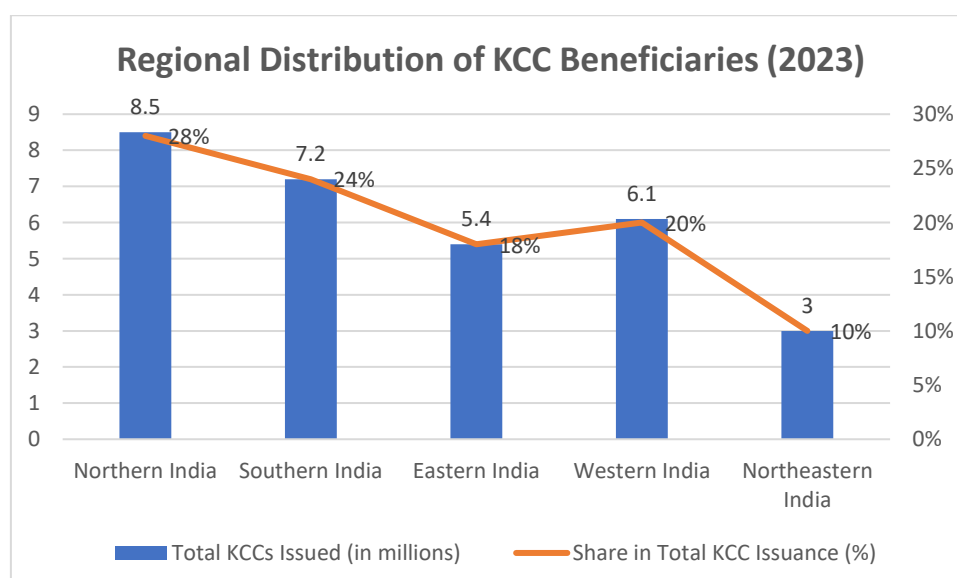


Table 5: Loan Default Rates in KCC Scheme (2010–2023)

Year	Default Rate (%)	Major Causes of Default
2010	9.5	Crop failure, low income
2015	7.2	Market price volatility
2020	6.5	Improved loan restructuring policies
2023	5.0	Increased government subsidies and waivers

Source: Ministry of Agriculture and Farmers Welfare Report, 2023.

Findings

1. **Increased Access to Credit:** The Kisan Credit Card (KCC) scheme has significantly improved farmers' access to institutional credit. It has reduced their reliance on informal lending sources, which often charge exorbitant interest rates. Government statistics indicate a steady increase in the issuance of KCCs, with over 30 million cards issued by 2023, disbursing ₹8.5 lakh crores.
2. **Improved Agricultural Productivity:** access to timely credit has enabled farmers to invest in quality seeds, fertilizers, and modern equipment, leading to increased agricultural productivity. Many beneficiaries reported an improvement in their crop yield and overall income levels.
3. **Support for Allied Activities:** The scheme has expanded its focus to include allied activities such as animal husbandry, fisheries, and horticulture, benefiting small and marginal farmers engaged in diverse agricultural practices.
4. **Geographical Disparities in Utilization:** Despite its widespread reach, there is an uneven utilization of KCC benefits across regions. Farmers in states with higher agricultural development, such as Punjab and Maharashtra, have benefitted more than those in backward regions.
5. **Awareness and Procedural Challenges:** A significant portion of small and marginal farmers remain unaware of the scheme. Procedural complexities, such as extensive documentation requirements, deter many farmers from availing of KCC benefits.
6. **Underutilization of Digital Platforms:** Although the government has introduced digital mechanisms to facilitate KCC applications and renewals, their adoption remains low. Many farmers still prefer traditional methods due to a lack of digital literacy.

Recommendations

1. Enhanced Awareness Campaigns:

- Conduct targeted awareness programs in rural and semi-urban areas to educate farmers about the benefits and processes of KCC.
- Partner with local self-help groups (SHGs), agricultural cooperatives, and NGOs to disseminate information effectively.

2. Simplification of Procedures:

- Streamline the application and renewal processes by reducing documentation requirements.
- Introduce multilingual application forms and support services to address the language barriers faced by rural farmers.

3. Expansion of Coverage:

- Extend the scheme's benefits to tenant farmers, sharecroppers, and agricultural laborers who currently face challenges in proving land ownership.
- Develop specific credit products under KCC for allied activities like fisheries, poultry, and organic farming.

4. Promotion of Digital Platforms:

- Enhance the digital literacy of farmers through workshops and training sessions to encourage the use of online platforms for KCC applications.
- Invest in mobile-friendly applications and ensure seamless integration of KCC services with banking apps.

5. Geographical Equity in Implementation:

- Allocate more resources to less-developed regions to ensure equitable distribution of KCC benefits.
- Design region-specific interventions based on local agricultural practices and needs.

6. Monitoring and Evaluation Mechanisms:

- Establish robust monitoring systems to track the utilization of KCC funds and prevent misuse.
- Conduct periodic evaluations to assess the scheme's impact on agricultural productivity and farmer livelihoods.

7. Interest Rate Incentives:

- Offer additional interest rate subsidies to small and marginal farmers to further reduce their financial burden.
 - Introduce performance-based incentives for banks to encourage greater participation in the scheme.
8. Integration with Other Schemes:
- Link the KCC scheme with other government initiatives, such as PM-Kisan and crop insurance schemes, to provide a holistic financial safety net for farmers.

Conclusion

The Kisan Credit Card (KCC) scheme has emerged as a cornerstone in India's efforts to promote financial inclusion among farmers and uplift the agricultural sector. By providing timely and affordable credit, the scheme has significantly reduced farmers' reliance on informal lending sources and empowered them to adopt modern agricultural practices. Its positive impact on agricultural productivity, rural livelihoods, and the financial independence of farmers underscores its importance in the broader framework of rural development.

However, the scheme's implementation is not without challenges. Unequal access, limited awareness, procedural hurdles, and underutilization of digital platforms continue to restrict its reach and effectiveness. Addressing these issues through targeted awareness campaigns, procedural simplification, and enhanced technological integration can amplify the scheme's impact. Moreover, expanding the scope of KCC to include tenant farmers and those involved in allied agricultural activities can make it more inclusive.

The findings of this study emphasize the need for continuous monitoring, policy refinements, and regional customization to ensure the scheme achieves its full potential. As India moves toward a vision of self-reliance and sustainable growth, strengthening initiatives like the KCC will remain critical. By bridging the existing gaps and leveraging modern technologies, the KCC scheme can evolve into a model of financial empowerment for farmers worldwide.

This research concludes with a call for collaborative efforts between policymakers, financial institutions, and grassroots organizations to transform the KCC scheme into a more robust and inclusive framework, ultimately fostering a resilient and prosperous agricultural sector.

References

1. Ramesh Chand (2019). *Indian Agriculture and Rural Development*. New Delhi: Academic Press.
2. B.D. Sahoo (2017). *Agricultural Credit in India: A Study*. Mumbai: Rural Insights.
3. H.P. Singh (2020). *Rural Finance and Economic Growth*. Hyderabad: Green Valley Publications.
4. M. Velayutham (2018). *The Role of Credit in Indian Agriculture*. Chennai: Agro Publications.
5. K. Nagaraj (2021). *Sustainable Agricultural Finance in India*. Bengaluru: Financial Studies Press.