EPRA International Journal of Agriculture and Rural Economic Research (ARER)- Peer-Reviewed Journal
Volume: 12 | Issue: 9 | September 2024 | Journal DOI: 10.36713/epra0813| Impact Factor SJIF(2024): 8.391| ISSN: 2321 - 7847

AGRICULTURE CREDIT AND THE ROLE OF KISAN CREDIT CARD (KCC) IN INDIA

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Article DOI: https://doi.org/10.36713/epra18277
DOI No: 10.36713/epra18277

ABSTRACT----------
This research paper presents a comprehensive analysis of agricultural credit in India, focusing on the transformative role of the Kisan Credit Card (KCC) scheme in empowering farmers. Through a review of literature and an examination of pertinent data from various government reports and international organizations, this study evaluates the evolution of agricultural credit, assesses the trends in credit disbursement, and explores the significant impact of the KCC on agricultural productivity, rural development, and financial inclusion. The analysis showcases the KCC's contribution in facilitating timely credit access, reducing dependency on informal credit sources, and enhancing financial accessibility for farmers across different banking institutions. Furthermore, this paper discusses policy implications and recommendations to augment the effectiveness of KCC and agricultural credit schemes in meeting the evolving needs of farmers and fostering sustainable agricultural growth. The insights drawn from this research aim to provide a nuanced understanding of agricultural credit dynamics and underscore the pivotal role of KCC in enhancing the livelihoods of Indian farmers.

KEYWORDS: *Agricultural credit, Kisan Credit Card (KCC), financial inclusion, rural development, farmers' empowerment, policy recommendations, sustainable agriculture.*----------

1.INTRODUCTION

Agriculture, being the backbone of India's economy, sustains the livelihoods of millions of farmers and contributes significantly to the nation's GDP. Access to timely and adequate credit is pivotal for agricultural growth, enabling farmers to invest in seeds, fertilizers, machinery, and other inputs necessary for crop cultivation and productivity enhancement. The provision of institutional credit to farmers has undergone a transformative journey over the years, marked by various government initiatives aimed at improving credit accessibility and affordability. Among these initiatives, the Kisan Credit Card (KCC) scheme has emerged as a game-changer, revolutionizing the landscape of agricultural credit in India.The KCC scheme, introduced with the objective of providing farmers with flexible, affordable, and timely credit, has not only streamlined the credit disbursement process but has also significantly reduced the dependency of farmers on informal credit sources with exorbitant interest rates.This introduction sets the stage for understanding the crucial link between agricultural credit and rural development, emphasizing the pivotal role played by the Kisan Credit Card scheme in empowering farmers and catalyzing agricultural progress. This research aims to delve into the historical evolution of agricultural credit, assess the trends in credit disbursement, and critically evaluate the impact of KCC on farmers' lives and agricultural productivity.Through an amalgamation of data analysis and a comprehensive literature review, this paper aims to provide valuable insights into the evolution of agricultural credit schemes and the transformative contribution of the Kisan Credit Card, ultimately shedding light on its significance in bolstering rural prosperity and agricultural sustainability in India**.**

2. LITERATURE REVIEW

2.1 Historical Evolution of Agricultural Credit in India

- Examination of the historical trajectory of agricultural credit schemes in India from pre-independence to present times.
- Analysis of significant milestones, policy initiatives, and key reforms that have shaped the landscape of agricultural finance.

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- Discussion on the evolution of credit delivery mechanisms and their impact on rural economies.

2.2 Impact of Credit Availability on Agricultural Productivity and Rural Development

- Review of empirical studies and scholarly articles assessing the relationship between credit accessibility and agricultural productivity.
- Exploration of how credit availability influences farm investment, adoption of modern agricultural practices, and technological advancements.
- Examination of the socio-economic implications of credit access in rural areas, including poverty alleviation, employment generation, and infrastructure development.

2.3 Significance of Kisan Credit Card (KCC) in Agricultural Finance

- Literature review highlighting the inception, objectives, and features of the KCC scheme.
- Analysis of case studies and research findings illustrating the transformative impact of KCC on farmers' access to credit, income stability, and risk mitigation.
- Examination of how KCC has streamlined credit disbursement, reduced farmers' dependency on informal credit sources, and promoted financial inclusion.

2.4 Challenges and Opportunities in Agricultural Credit

- Review of studies identifying the challenges faced in the agricultural credit sector, such as limited access to formal credit, high transaction costs, and loan repayment issues.
- Discussion on the opportunities for enhancing agricultural credit accessibility through technological innovations, digitization, and policy reforms.
- Exploration of the role of financial institutions, government policies, and regulatory frameworks in addressing the challenges and optimizing credit delivery mechanisms.

2.5 Gaps in Agricultural Credit Research

- Identification of gaps or limitations in existing research related to agricultural credit, including regional disparities, gender-specific challenges, and the impact of climate change on credit access.
- Recommendation for future research directions to address these gaps and deepen the understanding of the complex dynamics between agricultural credit, farmer welfare, and sustainable rural development.

3. AGRICULTURAL CREDIT TRENDS

Agricultural credit is a fundamental driver of rural development and agricultural growth in India. This section analyzes the trends in agricultural credit disbursement, comparing annual targets with actual achievements over a span of ten years (2014-2023) based on the provided data from Tables 1 and 2.

3.1. Annual Targets vs. Achievements

The data reveals a consistent trend of exceeding annual targets for agricultural credit disbursement. Over the years:

- In 2014-15, the annual target was set at 8,00,000 (in Rs. crores), and the achievement surpassed the target by 106% with 8,45,328 disbursed.
- Subsequent years consistently exhibited higher achievement percentages, reaching a peak in 2022-23, where the achievement stood at 116% against the set target of 18,50,000 (in Rs. crores).
- However, an anomaly is observed in 2023-24, where the achievement drastically dropped to 52% against the targeted disbursement of 20,00,000 (in Rs. crores), marking a significant deviation from the upward trend.

3.2. Analysis of Trends

- The data underscores a generally positive trend in agricultural credit disbursement, indicative of the government's commitment to supporting farmers' financial needs.
- The consistent surpassing of targets until 2022-23 reflects the concerted efforts to enhance credit accessibility in the agricultural sector.
- The notable decline in disbursement in 2023-24 raises concerns and warrants further investigation into potential factors contributing to this substantial deviation from the trend.

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3.3. Implications and Potential Factors

- Analyzing the reasons behind the considerable decrease in disbursement in 2023-24 is crucial. Probable causes may include shifts in government policies, economic fluctuations, or challenges faced by financial institutions in disbursing credit.
- Understanding the implications of this deviation is essential, especially in the context of its impact on farmers' access to credit, agricultural productivity, and rural development.

3.4. Future Considerations

- Given the significance of agricultural credit in bolstering the agricultural sector, policymakers need to assess the reasons behind the deviation and formulate strategies to ensure consistent and adequate credit flow to farmers.
- The trends highlight the importance of maintaining a balance between setting ambitious targets and ensuring their practical feasibility for sustained agricultural growth and rural development.

4. AGRICULTURE CREDIT TARGETS AND ACHIEVEMENTS

Table No. 1 presents the annual targets and achievements of agriculture credit over the years from 2014-15 to 2023-24.

Table No.-1 Agriculture Credit Flow- Trends- 2014-15 to 2023-24			
Year	**Annual Target**	**Achievement**	**% Achievement**
2014-15	8,00,000	8,45,328	106
2015-16	8,50,000	9,15,510	108
2016-17	9,00,000	10,65,756	118
2017-18	10,00,000	11,62,617	116
2018-19	11,00,000	12,56,830	114
2019-20	13,50,000	13,92,729	103
2020-21	15,00,000	15,75,398	105
2021-22	16,50,000	18,63,363	113
2022-23	18,50,000	21,55,163	116
2023-24	20,00,000	10,40,931*	52

** Data for FY 2023-24 as on 31 August 2023*

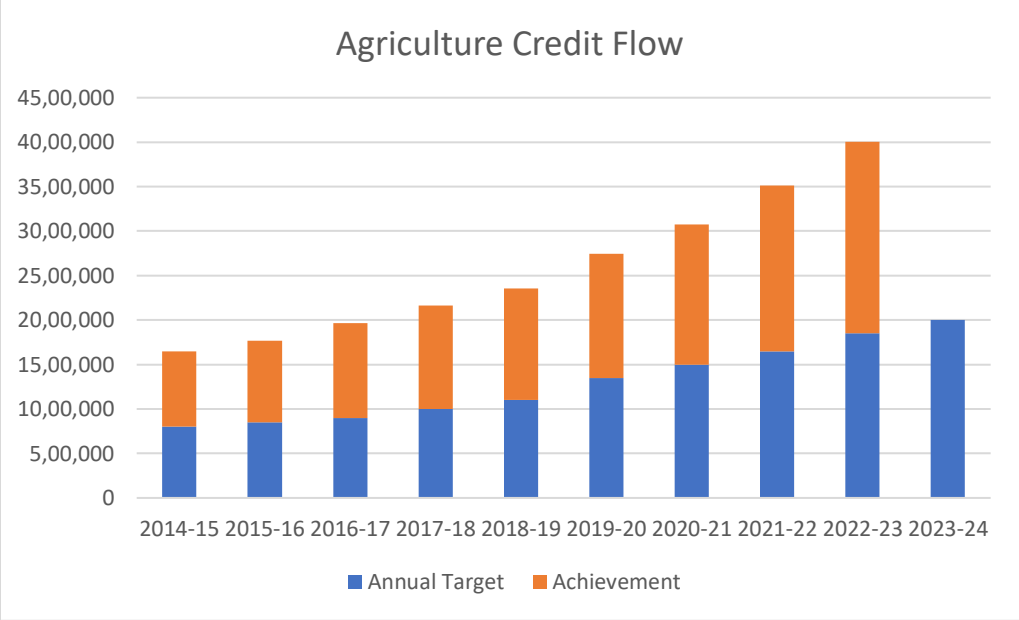
Source: Press Information Bureau (pib.gov.in)

Analysis of Agriculture Credit Flow Trends (2014-15 to 2023-24)

Annual Target vs. Achievement

- The table exhibits a consistent increase in the annual targets for agriculture credit from 8,00,000 crore in 2014-15 to 20,00,000 crore in 2023-24, reflecting the government's endeavor to enhance credit availability to the agricultural sector over the years.
- However, while there was continuous progress in achieving these targets from 2014-15 to 2022-23, a substantial decline is evident in 2023-24, with the achievement dropping significantly to 52% against the set target of 20,00,000 crore.

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Percentage Achievement

- For the initial years (2014-15 to 2017-18), the percentage achievements consistently ranged from 106% to 118%, indicating that the credit disbursal surpassed the set targets, showcasing efficient credit allocation.
- The percentage achievement dipped in 2019-20 to 103% but remained relatively close to the set target.
- However, a noticeable downturn occurred in the year 2023-24, where the achievement plummeted to a mere 52%, which is significantly lower compared to the previous years and notably below the set target.

Interpretation

1. **Positive Trend in Credit Disbursal:** Until 2022-23, there was a commendable trend of surpassing or closely achieving the set annual targets, reflecting a robust credit flow into the agricultural sector, potentially supporting farm operations, investments, and productivity enhancement.
2. **Concerning Decline in 2023-24:** The sharp decline in credit achievement in 2023-24 raises concerns about the possible challenges or constraints in credit allocation during that specific period. Possible factors contributing to this decline could involve economic fluctuations, policy changes, or external factors impacting credit distribution to farmers.
3. **Need for Examination and Corrective Measures:** The substantial deviation from the annual credit target in 2023-24 necessitates a thorough investigation into the underlying causes to ensure sustained credit support to farmers. Policymakers and financial institutions should conduct a detailed analysis to identify the reasons behind this decline and take corrective measures to address any systemic issues affecting credit disbursal.

The data illustrates a positive trajectory in agriculture credit allocation until 2022-23, signifying substantial efforts to meet or exceed annual targets. However, the considerable deviation from the target in 2023-24 warrants immediate attention and strategic interventions to ensure consistent and adequate credit flow to the agricultural sector, vital for the prosperity and growth of the farming community and the overall rural economy. The data reveals a consistent effort to increase credit availability to farmers, with notable achievements surpassing set targets in most years. From 2014-15 to 2022-23, there is a positive trend in credit achievement, reaching its peak at 116% in 2022-23. However, a significant drop to 52% achievement is observed in 2023-24, necessitating closer examination.

5. CONTRIBUTION OF KISAN CREDIT CARD (KCC)

Table No. 2 delineates the progress of the KCC scheme across different types of financial institutions from 2018-19 to 2023-24. The data showcases the number of operative accounts, the amount outstanding in operative accounts, and the distribution across commercial banks, cooperatives, and regional rural banks (RRBs).

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Over the mentioned years, the number of operative accounts under the KCC scheme has seen steady growth across all types of financial institutions. Notably, cooperative banks and RRBs have demonstrated consistent progress in the number of accounts and the amount outstanding in operative accounts.

Table No. 2 KCC Progress

Year	Commercial Banks[1]		Cooperatives		RRB		Total	
	No. of Operative Accounts (in '000)	Amount Outstanding in Operative Accounts (in Rs cr)	No. of Operative Accounts (in Rs cr)	Amount Outstanding in Operative Accounts (in Rs cr)	No. of Operative Accounts (in Rs cr)	Amount Outstanding in Operative Accounts (in Rs cr)	No. of Operative Accounts (in '000)	Amount Outstanding in Operative Accounts (in Rs cr)
2018-19	23,632	4,55,079	30,414	1,27,436	12,253	1,27,072	**66,300**	**7,09,587**
2019-20	24,145	4,70,144	28,938	1,36,735	12,197	1,36,695	**65,280**	**7,43,573**
2020-21	30,696	4,56,736	30,183	1,46,981	12,891	1,49,416	**73,770**	**7,53,133**
2021-22	26,871	4,76,283	31,131	3,00,350	13,348	1,62,060	**71,350**	**9,38,693**
2022-23	28,296	5,18,636	31,344	1,89,235	13,829	1,77,604	**73,469**	**8,85,475**
2023-24[2]	28,144	5,11,005	31,506	1,93,951	13,952	1,81,140	**73,602**	**8,86,095**

1 Commercial Banks excluding RRBs
2 Data for FY 2023-24 as on 30 June 2023
Source: Press Information Bureau (pib.gov.in)
Analysis of KCC Progress (2018-19 to 2023-24)
Number of Operative Accounts:

- The table demonstrates a consistent upward trend in the number of operative accounts across commercial banks, cooperatives, and regional rural banks (RRBs) over the mentioned years.
- There's a general increase in the total number of operative accounts across all financial institutions, indicating the growing acceptance and utilization of the KCC scheme by farmers.

Amount Outstanding in Operative Accounts:

- Similarly, there's a consistent increase in the amount outstanding in operative accounts, denoting the cumulative credit availed by farmers through the KCC scheme.
- Notably, cooperative banks and RRBs have shown significant increases in the amount outstanding in operative accounts, indicating substantial credit disbursement through these institutions.

Variation in Performance Among Financial Institutions:

- Cooperative banks and RRBs have seen substantial growth in both the number of operative accounts and the amount outstanding in operative accounts, showcasing their effectiveness in reaching farmers.
- Commercial banks also show consistent growth but at a slower pace compared to cooperatives and RRBs.

Interpretation

1. **Growing Acceptance of KCC**: The consistent increase in both the number of operative accounts and the amount outstanding in operative accounts reflects the growing popularity and utilization of the KCC scheme among farmers across different types of financial institutions.
2. **Role of Cooperatives and RRBs**: Cooperative banks and RRBs play a crucial role in providing credit to farmers, evident from their substantial growth in both the number of accounts and the amount of credit disbursed. This underscores their importance in catering to the credit needs of rural and agricultural communities.

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3. **Performance Variation:** While commercial banks show growth, there's a notable difference in the pace of expansion compared to cooperatives and RRBs. This may suggest the need for further strategies or incentives to enhance the participation of commercial banks in catering to agricultural credit needs.

The data portrays a positive trajectory in the progress of the KCC scheme, with consistent growth in the number of operative accounts and the amount outstanding in operative accounts. The substantial expansion in cooperative banks and RRBs indicates their pivotal role in disbursing credit to farmers. However, there is room for further improvement, especially in ensuring the active involvement of commercial banks to augment agricultural credit disbursement and support the farming community's financial needs comprehensively.

Analysis and Future Directions

The KCC scheme has emerged as a crucial instrument in providing financial support to farmers across various financial institutions. The steady growth in the number of KCC accounts signifies the scheme's acceptance and utility among farmers. However, the decline in the achievement of agriculture credit targets in 2023-24 demands attention and a thorough evaluation of underlying factors. Possible reasons for the dip in credit achievement could include economic fluctuations, policy changes, or external factors affecting agricultural production and credit distribution. Further investigation into the reasons behind this decline is warranted to ensure sustained progress in providing credit to farmers.Moving forward, policymakers and financial institutions should focus on bolstering the KCC scheme's reach, particularly in regions where credit penetration remains low. Moreover, efforts should be directed towards improving the accessibility and efficiency of credit disbursal, ensuring timely availability to farmers during critical periods.

6. POLICY IMPLICATIONS AND RECOMMENDATIONS

6.1. Strengthening Kisan Credit Card (KCC) Implementation

- **Simplify Procedures:** Streamlining the application and approval processes to ensure easier access to KCC for farmers, reducing paperwork and bureaucratic hurdles.
- **Increased Awareness:** Implementing awareness campaigns to educate farmers about the benefits and utilization of KCC, ensuring wider adoption.

6.2. Enhancing Credit Accessibility

- **Expand Coverage:** Expanding the outreach of KCC to reach more farmers, especially those in remote or underserved areas, by increasing the number of issuing institutions and agents.
- **Credit Limit Rationalization:** Regular reviews to adjust credit limits in alignment with the evolving needs of farmers, crop patterns, and market dynamics.

6.3. Improving Credit Utilization

- **Financial Literacy Programs:** Introducing financial literacy programs tailored for farmers to enhance their understanding of credit utilization, investment, and financial planning.
- **Crop-Specific Credit:** Designing specialized credit schemes targeting specific crops, providing tailored financial solutions based on crop cycles and requirements.

6.4. Technology Integration

- **Digital Integration:** Encouraging digital adoption for KCC transactions and repayments, promoting ease of use and transparency in financial transactions for farmers.
- **Data Analytics:** Leveraging data analytics to better understand farmer needs, credit usage patterns, and risk assessment, enabling more informed credit decisions.

6.5. Risk Mitigation and Insurance

- **Crop Insurance Integration:** Facilitating integration of crop insurance with KCC, offering comprehensive financial protection against crop losses due to natural calamities.
- **Credit Guarantee Schemes:** Enhancing credit guarantee schemes to mitigate financial risks for lending institutions and incentivize them to offer credit to marginalized farmers.

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6.6. Strengthening Institutional Support

- **Capacity Building:** Training programs for banking staff and extension workers on KCC guidelines, ensuring efficient implementation and support for farmers.
- **Monitoring and Evaluation:** Establishing robust monitoring mechanisms to assess the impact of KCC, ensuring accountability, and identifying areas for improvement.

6.7. Sustainable Agriculture Practices

- **Promoting Sustainable Farming:** Encouraging credit disbursement for adopting sustainable farming practices, promoting conservation, and environmentally friendly agricultural techniques.
- **Diversification Support:** Providing financial incentives and credit facilities for farmers to diversify into allied sectors like animal husbandry, fisheries, and agro-processing.

  These policy implications and recommendations aim to enhance the effectiveness of the Kisan Credit Card scheme and agricultural credit mechanisms. Implementing these measures can contribute significantly to improving financial inclusion, increasing agricultural productivity, and uplifting the livelihoods of farmers across India.

CONCLUSION

Agriculture credit, facilitated by schemes like the Kisan Credit Card, remains pivotal for agricultural growth and rural development in India. While there have been commendable achievements in expanding credit access to farmers, challenges persist. The government, financial institutions, and policymakers must collaborate to address these challenges, ensuring sustained credit flow to farmers and enhancing the effectiveness of schemes like the KCC in fostering agricultural prosperity.

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