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The KCC Scheme: Financial Accessibility and Its Implications for Small and Marginal Farmers

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Abstract

The Kisan Credit Card (KCC) scheme, introduced in 1998-99, was designed to make institutional credit more accessible to farmers and reduce their dependence on informal, high-interest loans. This study examines how the scheme has impacted small and marginal farmers, focusing on its implementation in Bahraich district, Uttar Pradesh. By combining secondary data with surveys of 200 farmers, the research provides a detailed understanding of how the scheme is working on the ground. The results show that the KCC has brought significant benefits to many farmers. About 60% of those using the scheme reported better financial stability and a reduced reliance on moneylenders. Additionally, timely access to credit allowed 58% of users to improve their crop yields through better inputs like seeds and fertilizers. However, many farmers still face hurdles in adopting the scheme, including complicated paperwork, lack of banking access in rural areas, and limited financial literacy. Tenant farmers and those involved in allied activities like dairy and fisheries are particularly disadvantaged due to unclear eligibility and the lack of land ownership proof.

Awareness campaigns have played a key role, with 70% of adopters learning about the scheme through local outreach programs. To address challenges, the study recommends simplifying processes, improving banking access in rural areas, and strengthening community-driven awareness initiatives. These findings highlight actionable steps to make the scheme more inclusive and beneficial for India's farming communities.

Keywords*: Kisan Credit Card, Financial inclusion and literacy, Outreach programs*

1. Introduction

Agriculture, which forms the backbone of the Indian economy, supports nearly half of the population. Agriculture continues to be an important sector of the economy with 18-20 per cent share in the Gross Domestic Product (GDP). Its contribution in terms of providing employment to nearly 2/3rd of the work force in the country is also equally noteworthy.

However, the sector has traditionally faced significant financial constraints, primarily due to the lack of institutional credit, which forces many farmers to rely on informal, high-interest loans, leading to cycles of debt and economic vulnerability. Recognizing the limitations of multi-credit product and multi-agency approach, the Kisan Credit Card (KCC) was brought in 1998-99 with three different sub-limits viz. production, assets maintenance and consumption needs as a step in this direction to bring integration into the multi-credit product system by offering farm entrepreneurs single line of credit through a single window for multiple purposes. The KCC scheme aims to bridge several gaps by offering a streamlined and flexible credit system that makes it more accessible to farmers, thereby reducing their dependence on informal sources of credit in most cases- the moneylenders.

1.1 What is it?

The KCC provides a revolving credit facility to meet the short-term credit needs of farmers, such as for crop cultivation, maintenance of farm equipment, purchasing seeds and fertilizers, and other agricultural expenses.It also covers allied activities like animal husbandry, dairy, fisheries, and poultry, helping farmers diversify their income sources.

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The KCC functions like an ATM/debit card, allowing farmers to withdraw funds as per their requirements. This flexibility ensures that farmers can access funds at different stages of the crop cycle without delay.Farmers can access funds through ATMs, bank branches, or other banking channels.The credit limit under the KCC is determined based on the farmer's landholding size, cropping pattern, and other factors such as past credit history and repayment behaviour.

The credit limit is generally set for a period of 3-5 years, with an annual review and adjustment based on crop patterns and the farmer's needs.KCC loans are offered at lower interest rates compared to informal loans. Farmers may also receive interest rate subsidies from the government if they repay the loan promptly, further reducing the financial burden. The KCC scheme includes crop insurance coverage under the Pradhan Mantri Fasal Bima Yojana (PMFBY) or other insurance schemes, protecting farmers from financial losses due to crop failures caused by natural calamities, pests, or diseases.KCC holders also receive personal accident insurance coverage. This provides financial compensation in case of death or disability due to accidents, ensuring security for the farmer and their family.

1.2 Eligibility Criteria

- Farmers - individual/joint borrowers who are owner cultivators;
- Tenant farmers, oral lessees & share croppers;
- Self Help Groups (SHGs) or Joint Liability Groups (JLGs) of farmers including tenant farmers, share croppers etc.
- Also, applicants must be between 18 and 75 years of age.For farmers above 60, co-applicants (usually legal heirs) are required.

1.3 Current Status of the Scheme

The Kisan Credit Card (KCC) scheme has become an essential support mechanism for farmers, significantly improving their access to agricultural credit. Since its introduction, the scheme has expanded quickly, with over 7 crore KCCs issued by 2024, collectively providing a credit pool exceeding ₹7 lakh crore. This growth reflects ongoing efforts by banks and financial institutions to bring small-scale and rural farmers into the formal credit system and promote sustainable farming.

To further boost outreach, recent government-led initiatives have simplified the KCC application process, including awareness campaigns across rural areas. In a 2023 drive, more than 60 lakh new KCCs were issued, primarily reaching farmers in regions with limited access to financial resources. Additionally, by linking the KCC scheme with other initiatives, such as the Pradhan Mantri Fasal Bima Yojana (PMFBY), the government has helped farmers, access crop loans with insurance coverage, providing income stability amid challenges like market price variations and natural calamities.

Looking ahead, the scheme aims to cover 10 crore farmers by 2025, extending benefits to tenant farmers, sharecroppers, and those engaged in allied activities like dairy and fisheries. This expansion aligns with the Viksit Bharat Sankalp Yatra initiative, which has increased beneficiary outreach through financial literacy programs and broader support networks for farmers.

1.4 Need and Scope of the study

Earlier research on the Kisan Credit Card (KCC) scheme has provided valuable insights into its potential and challenges. However, these studies often focus primarily on enrollment statistics, credit disbursement trends,

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or macro-level impacts without delving into localized, ground-level issues. A significant research gap remains in understanding the specific factors affecting scheme adoption, such as the procedural hurdles and socio-economic barriers faced by farmers, particularly small, marginal, and tenant farmers. Additionally, there is limited research examining the role of awareness and outreach efforts within rural communities, and few studies explore the specific challenges faced by farmers in accessing KCC benefits for allied activities like animal husbandry and fisheries.

The current study aims to address these gaps by focusing on the KCC scheme's implementation within the Bahraich district. Through this study, we aim to know the various impacts that the scheme has had on the farmer's lives, factors affecting the adoption of the scheme and it also looks into the role of the awareness and outreach efforts in the adoption of the Kisan Credit Card.

2. Research Methodology

This study utilizes a mixed-methods approach to assess the impact and accessibility of the Kisan Credit Card scheme's effectiveness and accessibility in Bahraich district. It heavily draws on the secondary data from the government reports, databases and various other surveys. This study also draws on the primary source data accumulated through surveys and interviews with the populace concerned.

3. Data Analysis

For supplementing the secondary data available, we chose 200 farmers from Bahraich district randomly for the survey. This also worked as a check for the congruence of the earlier researches with the ground realities of the agrarian regions such as Bahraich in this case.

The respondents are grouped as follows:

- **Owner-Cultivators**: 90 farmers (45% of the sample)
  - 54 farmers have adopted the KCC scheme, with many benefiting from improved access to credit for crop inputs.
  - 36farmers have not adopted, mainly due to complex documentation requirements and banking access issues.
- **Tenant Farmers and Sharecroppers**: 70 farmers (35% of the sample)
  - 23farmers have adopted the KCC scheme, often with assistance from local cooperatives or NGOs.
  - 47farmers have not adopted, with major obstacles being lack of land ownership proof and low financial literacy.
- **Farmers in Allied Activities (Dairy, Poultry, Fisheries)**: 40 farmers (20% of the sample)
  - 14farmershave adopted the KCC scheme after recent government outreach programs.
  - 26farmers have not adopted, primarily due to low scheme awareness and unclear eligibility criteria.

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4. Findings

4.1 Impact of the KCC Scheme on Farmers’ Livelihoods

- **Income Stability and Reduced Debt Dependency**: Approximately 60% of KCC adopters report greater income stability and reduced reliance on informal loans. This trend reflects national data from the Ministry of Agriculture (2022), which notes that formal credit access decreases farmers' dependency on high-interest informal lending.
- **Enhanced Access to Agricultural Inputs**: About 58% of KCC adopters noted increased crop yields due to timely access to better seeds and fertilizers. This finding aligns with NABARD’s (2023) report showing that KCC credit enables farmers to enhance productivity and income by affording critical inputs.

4.2 Factors Influencing Scheme Adoption

- **Documentation Challenges and Eligibility Constraints**: Nearly 65% of tenant farmers and allied activity workers cited difficulties in fulfilling documentation requirements, consistent with the findings of the Reserve Bank of India (RBI, 2021). The Centre for the Study of Financial Inclusion (CSFI) reported that complex documentation deters credit adoption, particularly among tenant farmers who lack formal land titles (CSFI, 2023).The lack of formal land ownership documents among tenant farmers remains a primary barrier, underscoring a need for policy adjustments.
- **Limited Financial Literacy and Infrastructure**: The data shows that 25% of farmers, particularly those in remote villages, face challenges due to limited access to banks. According to a study by ICAR (2023), financial literacy levels and banking access are directly correlated with lower adoption rates in these areas, reflecting the rural infrastructure gap.A study by the Reserve Bank of India (RBI) in 2021 on financial literacy in rural India found that households with even minimal financial training were three times more likely to use formal credit channels than those without it

4.3 Role of Awareness Programs in KCC Scheme Adoption

- **Awareness and Outreach Programs Impact**: In our sample, 70% of KCC adopters reported that they were informed about the scheme through local awareness programs led by agricultural cooperatives and NGOs. This is in congruence with the study conducted by NABARD (2022) which reports that awareness levels of financial schemes like the KCC are notably low in the rural areas but it also indicates that effective awareness programs could increase the adoption rates by up to 40% in targeted regions.
- **Community Involvement in Awareness**: Farmers who received information through community-based initiatives, such as village councils or agricultural officers, had higher adoption rates. The 2022 NABARD study supports this, noting a 30% adoption increase where community involvement in KCC awareness was emphasized.

5. Conclusion and Recommendations

The revised analysis based onthe primary and the secondarydata shows that the KCC scheme positively impacts farmers' financial stability, but adoption is uneven. Major barriers include documentation challenges, limited financial literacy, and inadequate banking infrastructure in rural areas. To improve adoption, the following steps are recommended:

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- **Expanding Community-Based Awareness Programs**: Awareness campaigns should leverage community resources, like agricultural officers and local councils, to enhance understanding of the KCC scheme. This approach aligns with ICAR's (2023) findings on the success of localized awareness.
- **Reducing Documentation Complexity**: Policies could allow alternative forms of identification for tenant farmers, addressing the RBI (2021) findings on documentation as a barrier.
- **Improving Rural Banking Access**: Expanding rural bank branches or mobile banking services could help address accessibility issues, as supported by NABARD's (2022) insights on rural infrastructure.

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