

# Analysis of Kisan Credit Card (KCC) Yojana

---

## Table of Contents

<b>Executive Summary</b>	<b>2</b>
<b>I. Background</b>	<b>2</b>
<b>II. Economic Significance</b>	<b>3</b>
<b>III. Regional Trends</b>	<b>3</b>
<b>IV. Factors Affecting Access Of Farm Households To KCC Schemes</b>	<b>4</b>
<b>V. Implementation Challenges</b>	<b>4</b>
<b>VI. Policy Recommendations</b>	<b>5</b>
<b>VII. Conclusion</b>	<b>5</b>
<b>VIII. References</b>	<b>6</b>



## Executive Summary

1. Agriculture is a critical sector in the Indian economy, employing about 42.3% of the workforce and contributing around 18.2% to GDP, but it faces challenges like small landholdings, dependence on monsoon rains, outdated farming practices, and limited access to credit.<sup>1</sup>
2. The Kisan Credit Card (KCC) scheme was introduced in 1998 following the recommendations of the R. V. Gupta Committee to provide short-term crop loans to farmers engaged in agriculture and allied activities.
3. It was introduced to provide farmers with accessible and affordable credit, yet challenges such as regional disparities, bureaucratic hurdles, and limited awareness hinder its full potential.
4. While the scheme has successfully reduced farmers' reliance on informal lenders and improved financial stability, issues like high rejection rates, misuse of funds, and multiple card issuances need urgent attention.
5. Policy recommendations focus on simplifying documentation, enhancing financial literacy, introducing a credit guarantee fund, and implementing a unified farmer database to ensure transparent and efficient disbursement of benefits.

### I. Background

To address the long-standing challenges in agricultural credit, the Government of India implemented significant reforms, including the nationalization of major banks and the establishment of institutions like NABARD and Regional Rural Banks (RRBs). However, despite these measures, the flow of credit to farmers remained insufficient. In response, **the Reserve Bank of India constituted a high-level committee under Shri R.V. Gupta in December 1997, which ultimately led to the introduction of the KCC scheme**, designed to streamline agricultural financing and improve farmers' access to credit.

- A.** The KCC scheme is implemented by three key agencies: commercial banks, cooperative banks, and Regional Rural Banks (RRBs). As of March 2015, commercial banks led in issuing KCCs, accounting for 49%, followed by cooperative banks at 35% and RRBs at 16%.<sup>2</sup>
- B.** Key objectives of the KCC scheme include meeting short-term credit requirements for crop cultivation, covering post-harvest expenses, providing marketing loans, and supplying working capital for allied activities like dairy and fisheries.
- C.** Eligibility for KCC includes individual or joint borrowers who are owner cultivators, tenant farmers, oral lessees, sharecroppers, and Self Help Groups (SHGs) or Joint Liability Groups (JLGs), with the scheme operating at a benchmark interest rate of 9%, reduced to 4% per annum for farmers through an interest subvention of 2% and a prompt repayment incentive of 3%.<sup>3</sup>
- D.** Recent policy changes have increased the guarantee-free loan limit for farmers from ₹1.60 lakh to ₹2 lakh, facilitating easier access to loans without collateral. Additionally, a personal accident insurance scheme has been introduced with the Kisan Credit Card (KCC), which typically covers up to ₹50,000 for accidental death or permanent total disability and ₹25,000 for partial disability.<sup>4</sup>

---

<sup>1</sup> [PIB](#)

<sup>2</sup> [NABARD](#)

<sup>3</sup> [NABARD](#)

<sup>4</sup> [RBI](#)

- E. As of March 2024, approximately 7.75 crore KCCs were operational, benefiting around 5.9 crore farmers under the Modified Interest Subvention Scheme (MISS-KCC), highlighting the scheme's significant potential to influence agricultural credit and economic outcomes.<sup>5</sup>
- F. The Kisan Rin Portal (KRP), launched in September 2023, has digitized the Modified Interest Subvention Scheme (MISS-KCC), simplifying operations for 453 banks and their 1.89 lakh branches nationwide.[5]
- G. Banks are required to allocate 40% of their Adjusted Net Bank Credit to priority sectors, including agriculture, ensuring ample credit flow. Ground-level credit to agriculture grew at a CAGR of 12.98% from 2014-15 to 2024-25, increasing from ₹8.45 lakh crore to ₹25.48 lakh crore, with small and marginal farmers' share rising from ₹3.46 lakh crore (41%) to ₹14.39 lakh crore (57%) during this period.[5]
- H. In the Annual Financial Statement(AFS) for 2025-26, Finance Minister Smt Nirmala Sitharaman announced an increase in the KCC interest subvention scheme limit from ₹3 lakh to ₹5 lakh, enhancing farmers' access to affordable credit and boosting rural economic growth.<sup>6</sup>

## II. Economic Significance

- A. The introduction of **the KCC scheme has led to a marked decrease in farmers' reliance on informal lenders**, who typically charge exorbitant interest rates. As a result of these measures, reliance on non-institutional credit has dropped from **90% in 1950 to approximately 25% in FY 22**.<sup>7</sup>
- B. The KCC has enabled farmers to purchase various agricultural products like seeds, pesticides, and fertilizers, and also facilitates cash withdrawals to enhance access to finance, with KCC holders using an average of 5.7 kg more fertilizer per hectare than non-KCC households.<sup>8</sup>
- C. KCC holders have shown a 13.3% higher productivity in paddy cultivation compared to non-KCC farmers, attributed to better access to credit and increased use of agricultural inputs like fertilizers and irrigation, enhancing overall farm productivity and income.<sup>9</sup>

Since 2018-19, **KCC has been extended to fisheries and animal husbandry sectors, enhancing financial inclusion and access to credit for these critical allied activities**. By March 2024, 1.24 lakh KCCs were issued to fisheries and 44.40 lakh to animal husbandry activities (Economic Survey 2024-25).[5]

## III. Regional Trends

- A. There have been significant interstate variations in the implementation of the KCC scheme, with low uptake observed in certain areas of Eastern India, such as Uttar Pradesh, Bihar, and West Bengal, despite their high dependency on agriculture.
- B. 56% of operational landholders in India are covered under the KCC scheme, coverage is only 14% in Bihar, 19.4% in Odisha, 19.8% in WB, and 26.7% in Jharkhand.<sup>10</sup>
- C. In contrast to Eastern India, states like Punjab, Haryana, and Karnataka exhibit much higher adoption rates of the KCC scheme, with coverage of KCCs as a ratio of the number of cards to operational holdings at 77.53%, 74.21%, and 63.07% respectively.<sup>11</sup>

---

<sup>5</sup> [DD News](#)

<sup>6</sup> [The Hindu](#)

<sup>7</sup> [CNBC](#)

<sup>8</sup> IFPRI

<sup>9</sup> [NABARD](#)

<sup>10</sup> [Source](#)

<sup>11</sup> [NABARD](#)

State	All	Social Group			Farmer Types		
		SC & ST	OBC	General	Marginal	Small	Medium & Large
Bihar	14.0	6.9	10.6	25.7	9.7	16.7	29.3
Eastern UP	20.9	11.6	19.3	35.5	16.7	30.8	46.0
Jharkhand	26.7	25.0	26.5	36.0	22.0	33.8	46.7
Odisha	19.4	15.8	20.6	26.1	18.1	23.9	15.4
West Bengal	19.8	12.1	25.6	25.7	18.9	37.0	66.7
Eastern India	19.1	13.4	17.6	27.8	16.4	24.4	34.2

Source: IFPRI-ICAR credit survey, 2018-19.

**Table 1:** Data on agricultural households holding a KCC<sup>12</sup>

#### IV. Factors Affecting Access Of Farm Households To KCC Schemes

- A. Farm Size and Credit Access:** Larger farms tend to have better access to Kisan Credit Cards (KCCs) due to higher credibility and lower perceived financial risk, making lenders more willing to extend credit. For example, small and marginal farmers often report insufficient credit limits, with about 67% indicating that their allocated limits are not enough to meet their needs. This disparity highlights how farm size and financial stability influence access to KCCs.<sup>13</sup>
- B. Education Level:** Higher levels of education among farmers improve their awareness of agricultural innovations and enhance their ability to navigate banking procedures, leading to increased adoption of the KCC scheme.
- C. Main Occupation in Agriculture:** Households primarily engaged in farming demonstrate a greater need for short-term agricultural credit, which increases their likelihood of adopting the KCC.
- D. Caste:** Socio-economic factors influence access to KCCs, with households from general caste categories showing a higher probability of availing themselves of the scheme compared to those from marginalized communities.
- E. Peer Influence and Social Networks:** Farmers' decisions to adopt KCCs can be influenced by their peers and social networks, where negative experiences shared by others can discourage adoption.

#### V. Implementation Challenges

- A. High Rejection Rates:** The scheme has encountered significant implementation hurdles. In Gujarat, for example, approximately 43% of KCC applications in the animal husbandry and fisheries sectors were rejected due to issues like incomplete information and lack of valid documentation.<sup>14</sup>
- B. Lack of Awareness:** Many KCC holders lack awareness beyond their credit limit. They are often uninformed about crucial details like card validity, the proposed crop patterns, interest rates, and insurance provisions.

<sup>12</sup> [Research Gate](#)

<sup>13</sup> [RBI Report](#)

<sup>14</sup> [The Hindu](#)

- C. Misuse of Funds:** Approximately 21% of the credit limit sanctioned under KCCs was being utilized for non-production (consumption) purposes such as marriages, medical care, or small businesses. This suggests that farmers often obtain KCCs with intentions beyond just meeting agricultural needs.<sup>15</sup>
- D. Multiple Cards:** The accuracy of reported Kisan Credit Card (KCC) numbers is compromised by issues such as multiple deliveries to the same household, issuance from various sources, inclusion of expired cards, and counting renewed cards as new ones. These factors have led to an inflation of the actual number of KCCs issued, obscuring the true extent of the scheme's reach and effectiveness in supporting farmers.

## VI. Policy Recommendations

- A. Credit Guarantee Fund for KCC Loan (CGFKCC):** Implementing a Credit Guarantee Fund (a credit guarantee scheme that acts as insurance for lending institutions by covering a portion of the loan amount, reducing their default risk) for KCC loans (CGFKCC) will enhance loan availability by reducing banks' risk of defaults. This will boost lending confidence, especially for small and marginal farmers with limited collateral, increasing KCC adoption and financial access, especially in rural areas.
- B. Farmer Registration and Unified Beneficiary Information System (FRUITS):** To prevent KCC misuse, a national system mirroring Karnataka's FRUITS is vital. This would centralize data of farmers about their land and crops grown, ensuring a single, verified identity and preventing multiple card issuances. Integrated with banks, it enables real-time application checks and transparent beneficiary selection. By monitoring fund usage and eliminating fraudulent entries, such a system guarantees that KCC benefits reach genuine farmers, boosting scheme integrity nationwide.
- C. Financial Literacy:** More awareness of the scheme is needed through mass communication media so that needy farmers can approach financial institutions to obtain loans. NABARD, Government Departments, Scheduled Commercial Banks (SCBs), and other stakeholders can conduct awareness campaigns to educate them about the schemes.
- D. Regular Monitoring and Evaluation:** To enhance the effectiveness of the Kisan Credit Card (KCC) scheme, it is recommended that a dedicated unit within NABARD be established that is focused on the comprehensive evaluation of the program. This unit should develop a digital monitoring system to track loan disbursements and fund utilization in real time. Regular audits, conducted by independent auditors, must be performed to assess KCC issuances and ensure accountability and transparency in fund management. This will help identify challenges and improvement areas, ensuring the program meets its objectives effectively.

## VII. Conclusion

- A.** The Kisan Credit Card Scheme was introduced to provide finance to farmers at a very low rate so that their dependency on informal sources of finance can discourse providing financial support and reducing risk of indebtedness for farmers.
- B.** The scheme faces significant challenges, including high rejection rates, multiple card issuances, lack of awareness about its provisions, and misuse of funds for non-agricultural purposes. Addressing these issues

---

<sup>15</sup> [NABARD](#)

through targeted interventions and increased awareness is crucial to enhance the scheme's effectiveness in supporting farmers.

- C. Implementing a Credit Guarantee Fund for KCC loans, establishing a centralized system like Karnataka's FRUITS, enhancing financial literacy through awareness campaigns, and ensuring regular monitoring and evaluation are critical steps to improve the Kisan Credit Card scheme.

## VIII. References

- A. *Kisan Credit Card*. (n.d.). myScheme - One-stop Search and Discovery Platform for Government Schemes. <https://www.myscheme.gov.in/schemes/kcc>
- B. *Farmer Registration and Unified Beneficiary Information System | National Informatics Centre | India*. (n.d.). <https://www.nic.in/project/fruits/>
- C. NABARD. (n.d.). *Kisan Credit Card- A study*. Samir Samantar. <https://www.nabard.org/auth/writereaddata/tender/1110174114Kisan%20Credit%20Card.pdf>
- D. *ECONOMIC SURVEY 2024-25*. (n.d.). <https://pib.gov.in/PressReleasePage.aspx?PRID=2097959#:~:text=To%20further%20support%20small%20and,25.0%20per%20center%20in%20FY22>
- E. *Indian Journal of Agricultural Economics · July 2011*. Kumar, A., & Kumar, S. (n.d.). Financial Innovation in Indian Agricultural Credit Market: Progress and Performance of Kisan Credit Card. [https://www.researchgate.net/publication/286586509\\_Financial\\_innovation\\_in\\_Indian\\_agricultural\\_credit\\_market\\_Progress\\_and\\_performance\\_of\\_kisan\\_credit\\_card](https://www.researchgate.net/publication/286586509_Financial_innovation_in_Indian_agricultural_credit_market_Progress_and_performance_of_kisan_credit_card)
- F. shanKariasacademy. (n.d.-b). *Misuse of Kisan credit cards*. <https://www.shankariasparliament.com/current-affairs/misuse-of-kisan-credit-cards>
- G. *Trends and Patterns in Agriculture Credit in India*. (2021). Working Paper, 6. <https://www.nabard.org/auth/writereaddata/tender/2501235626trends-and-patterns-in-agriculture-credit-in-india.pdf>

NITI TANTRA

