



Evaluation of Kisan Credit Card Scheme as an Agricultural Policy Tool

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The Kisan Credit Card (KCC) Scheme is one of the most significant agricultural policy interventions in India aimed at improving farmers' access to institutional credit. Introduced in 1998, the scheme seeks to provide timely and affordable short-term credit to farmers for crop production and allied agricultural activities. Over time, the KCC scheme has evolved into a comprehensive policy tool encompassing interest subvention, crop insurance linkage, and financial inclusion objectives. This article evaluates the effectiveness of the Kisan Credit Card scheme as an agricultural policy instrument by analyzing its role in enhancing credit access, reducing dependence on informal lenders, improving farm productivity, and supporting farmer welfare. The study also highlights key challenges in implementation and suggests policy reforms to strengthen the scheme's impact in the changing agricultural and economic landscape.

Keywords: Kisan Credit Card, Agricultural Credit, Interest Subvention, Farmer Welfare, Agricultural Policy.

Introduction

Agricultural development in India is closely linked with the availability of timely and adequate credit. Farmers, especially small and marginal ones, often face credit constraints due to low income, lack of collateral, and high risks associated with agriculture. Historically, these constraints forced farmers to rely heavily on informal sources of credit such as moneylenders, who charge exorbitant interest rates, leading to chronic indebtedness. To address this structural problem, the Government of India introduced the Kisan Credit Card (KCC) Scheme in 1998, based on the recommendations of the R. V. Gupta Committee. The primary objective of the scheme was to simplify credit delivery to farmers and ensure the availability of short-term crop loans at reasonable interest rates through formal banking institutions. Over the years, the KCC scheme has become a central pillar of India's agricultural credit policy. It now covers crop production, allied activities, consumption needs, and working capital requirements. Given its wide outreach and fiscal significance, it is important to evaluate the KCC scheme as an agricultural policy tool in terms of its effectiveness, equity, and sustainability.

Objectives and Features of the KCC Scheme

Objectives

The major objectives of the Kisan Credit Card scheme include:

- Providing timely and adequate credit support to farmers
- Reducing dependence on non-institutional credit sources
- Lowering the cost of borrowing through interest subvention
- Promoting financial inclusion in rural areas
- Supporting agricultural productivity and farm investment

Key Features

- Revolving credit facility based on landholding and cropping pattern
- Flexible withdrawal and repayment
- Interest subvention and prompt repayment incentive
- Coverage of crop production, allied activities, and household consumption
- Linkage with crop insurance (PMFBY) and digital banking platforms

Role of KCC as an Agricultural Policy Tool

Enhancing Access to Institutional Credit

One of the most significant achievements of the KCC scheme is the expansion of institutional credit to farmers. By simplifying procedures and reducing transaction costs, the scheme has enabled millions of farmers to access formal credit. The growth in the number of KCC accounts and agricultural credit disbursement reflects the scheme's success in improving outreach. This enhanced access has helped farmers purchase quality inputs such as seeds, fertilizers, pesticides, and machinery in a timely manner, thereby supporting agricultural operations and productivity.

Interest Subvention and Cost Reduction

The **interest subvention component** of the KCC scheme plays a crucial role in making credit affordable. Under the Modified Interest Subvention Scheme, farmers receive short-term crop loans at concessional interest rates, with additional incentives for timely repayment. Lower borrowing costs reduce financial stress and improve farmers' ability to manage risks associated with crop failure and price volatility. From a policy perspective, interest subvention under KCC serves as an income support mechanism that indirectly enhances farmer welfare.

Reduction in Dependence on Informal Credit

One of the major policy goals of KCC is to shift farmers away from exploitative informal credit sources. Empirical studies indicate that access to KCC loans significantly reduces farmers' reliance on moneylenders and traders. This shift has positive welfare implications, as institutional credit offers lower interest rates, greater transparency, and better consumer protection. Thus, KCC contributes to the formalization of rural credit markets.

Impact on Farm Productivity and Investment

Access to timely and affordable credit encourages farmers to invest in modern agricultural technologies, improved inputs, and better farming practices. KCC loans facilitate working capital availability, enabling farmers to adopt yield-enhancing measures. Although the impact varies across regions and farm sizes, evidence suggests that KCC beneficiaries generally exhibit higher input use and better productivity compared to non-beneficiaries, particularly among small and marginal farmers.

Financial Inclusion and Social Dimensions

The KCC scheme has played a significant role in advancing **financial inclusion** in rural India. By linking farmers with banks, ATMs, and digital payment systems, the scheme integrates farmers into the formal financial ecosystem.

However, access remains uneven across regions and social groups. Women farmers, tenant farmers, and landless cultivators often face difficulties in obtaining KCC due to land ownership requirements. Addressing these gaps is essential for making the scheme more inclusive and equitable.

Challenges in the Implementation of KCC Scheme

Despite its achievements, the KCC scheme faces several challenges:

- **Unequal access:** Small, marginal, and tenant farmers are still underrepresented
- **Fiscal burden:** Interest subvention imposes significant costs on government finances
- **Misuse of credit:** In some cases, loans are diverted to non-productive purposes
- **Regional disparities:** Performance varies widely across states
- **Administrative delays:** Delays in sanctioning and renewal of cards reduce effectiveness.

Policy Suggestions and Reforms

To strengthen the effectiveness of the KCC scheme, the following measures are suggested:

- Simplifying documentation for tenant and sharecroppers
- Expanding digital KCC and direct benefit integration
- Linking credit with extension services and market access
- Improving monitoring and targeting of interest subsidies
- Promoting financial literacy among farmers

Conclusion

The Kisan Credit Card scheme has emerged as a cornerstone of India's agricultural credit policy. As an agricultural policy tool, it has significantly improved access to institutional credit, reduced borrowing costs, promoted financial inclusion, and supported farmer welfare. While the scheme has contributed positively to agricultural development, its impact is constrained by implementation challenges and uneven coverage. A reoriented KCC framework that focuses on inclusiveness, efficiency, and sustainability can further strengthen its role in achieving long-term agricultural growth and rural development. Overall, the KCC scheme remains a vital policy instrument for supporting India's agrarian economy.