ORIGINAL RESEARCH PAPER

Finance

SUSTAINABLE AGRICULTURE CREDIT FINANCE: A CASE STUDY ON KISAN CARDS IN INDIA

KEY WORDS: Agricultural credit, Kisan Credit Card (KCC), rural development and sustainable agriculture

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ABSTRACT

For agrarian based economy credit availability is a necessary input. India's economy is based mostly on agriculture. The Kisan Credit Card (KCC) seeks to offer agricultural farmers with timely funds and maximum credit period in a cost-effective manner. They provide less interest rates for farmers making regular payments. 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 aims to provide a framework for understanding of agricultural credit and underscore the essence of KCC in enhancing the livelihoods of Indian farmers.

INTRODUCTION

India remains predominantly an agriculture based economy despite tremendous progress made in the field of Industry and commerce. Agriculture continues to contribute a pivotal role in Indian economy. Besides being the main source of livelihood and food security for a large majority of Indian population, agriculture remains a key contributor to India's economic growth and development. Rapid growth of agriculture will not only ensure continued food security but also will promote growth in industry and thus boost the GDP. Agriculture Credit in India is an integral part of providing a sustainable livelihood for millions of farmers living in rural India. The Government of India has introduced several policy measures to improve the accessibility of farmers to the institutional sources of credit. The impetus of these policies has been on progressive institutionalization for providing timely and ample credit support to all types of farmers with special focus on small and marginal farmers and weaker sections of the society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. The government policy emphasizes on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies and rationalization of lending Policies and Procedures. Agricultural credit flow has shown consistent progress every year by government's intent of allocation of a higher exposure of credit.

NEED FOR THE STUDY

Agriculture is the backbone of the Indian economy, with nearly sixty five percent of the population of the country depends on it either directly or indirectly for their livelihood. The access to institutional credit for a large number of farmers continues to be a challenge to the banking industry. The non-availability of credit, unnecessary delays, cumbersome procedure and improper practices adopted by institutional lending agencies force the farmers to prefer non-institutional sources of credit for their frequent and pressing needs on higher rate of interest. Provision of timely and adequate credit has been one of the major challenges for banks in India in dispensation of agricultural and rural credit to the farmers. In view of the importance of flow of credit to the rural sector and reduction of the dependence of farmers on non-institutional sources of credit, the KCC Scheme was started by the Government of India (GOI) in consultation with the RBI and NABARD in August 1998 with the objective of providing adequate, timely cost effective and hassle free credit support to farmers. The scheme was implemented across the country in all the states and union territories by the public sector commercial banks, Regional Rural Banks (RRBs) and Co-operative banks.

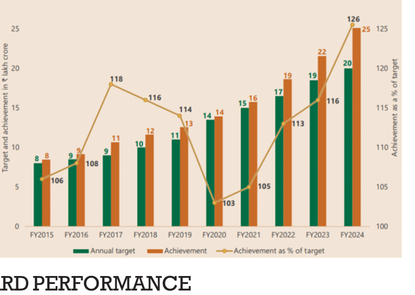
AGRICULTURE CREDIT TARGETS AND ACHIEVEMENTS

Table No: 1 presents the annual targets and achievements of agriculture credit over the years from 2014-15 to 2023-24 (Rs Lakh Crores)

YEAR	ANNUAL TARGET	ACHIEVEMENT	% ACHIEVEMENT
2014-15	800000	845328	106
2015-16	850000	915510	108
2016-17	900000	1065756	118
2017-18	1000000	1162617	116
2018-19	1100000	1256830	114
2019-20	1350000	1392729	103
2020-21	1500000	1575398	105
2021-22	1650000	1863363	113
2022-23	1850000	2155163	116
2023-24	2000000	2548000	127

Source : Computed from NABARD reports

Agriculture, as a priority sector, receives targeted annual flow of credit, and in recent years, actual flow has generally exceeded the set targets. The above table shows a consistent increase in the annual credit targets for agriculture from 8,00,000 crore in 2014-15 to 20,00,000 crore in 2023-24, showing the government's initiative to enhance credit availability to the agricultural sector over the years.



KISAN CARD PERFORMANCE

YEAR	SCHEDULED COMMERCIAL BANKS		COOPERA TIVES		REGIONAL RURAL BANKS		TOTAL	
	No of Operative Accounts (in '000)	Amount Outstanding in operative Accounts (in Rs Cr)	No of Operative Accounts (in '000)	Amount Outstanding in operative Accounts (in Rs Cr)	No of Operative Accounts (in '000)	Amount Outstanding in operative Accounts (in Rs Cr)	No of Operative Accounts (in '000)	Amount Outstanding in operative Accounts (in Rs Cr)
2018-19	23632	455079	30414	127436	12253	127072	66300	709587
2019-20	24145	470144	28938	136735	12197	136695	65280	743573
2021-22	30696	456736	30183	146981	12891	149416	73770	753133
2022-23	28296	518636	31344	189235	13829	177604	73469	885475
2023-24	29814	574974	32917	207678	14517	197753	77249	980404

Source : Computed from RBI Annual Reports

The flow of credit to the farmers through Kisan Credit cards was studied from three types of financial institutions that includes Scheduled commercial Banks, Regional rural banks and Cooperatives. In-terms of operative accounts the above shows a consistent upward increase in the number of operative accounts across commercial banks, cooperatives and regional rural banks over the given years. There is a major increase in the total number of operative accounts across all financial institutions, indicating the growing acceptance and utilization of the Kisan credit scheme by agricultural farmers. The table indicates there is a consistent increase in the amount outstanding in operative accounts, denoting the credit availed through the Kisan credit scheme. It can also be identified from the table that Cooperative banks and Regional rural banks have shown significant increase in the amount outstanding in operative accounts highlighting substantial credit disbursement through these financial institutions. The above table shows that Cooperative Banks and Regional rural banks have contributed substantial growth in both the number of operative accounts and the amount outstanding in operative accounts showcasing their effectiveness in reaching agricultural farmers.

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KISSAN CARD REGIONWISE PERFORMANCE ANALYSIS

REGION	SCHEDULED COMMERCIAL BANKS		COOPERATIVES		REGIONAL RURAL BANKS		TOTAL	
	No of Operative Accounts (in '000)	Amount Outstanding in operative Accounts (in Rs Cr)	No of Operative Accounts (in '000)	Amount Outstanding in operative Accounts (in Rs Cr)	No of Operative Accounts (in '000)	Amount Outstanding in operative Accounts (in Rs Cr)	No of Operative Accounts (in '000)	Amount Outstanding in operative Accounts (in Rs Cr)
Northern	5564	37387	1556	40101	5925	159797	13045	237286
North Eastern	63	212	445	2350	542	4056	1050	6618
Central	8685	36877	4519	62662	6917	140667	20121	240205
Western	4600	43810	1264	17834	4505	87715	10368	149359
Southern	8939	64540	4082	56259	8488	156799	21509	277598
Eastern	5067	24852	2652	18546	3438	25940	11157	69338
Total	32917	207678	14517	197753	29814	574974	77249	980404

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The above date analysis shows the performance of Kisan card based on region basis for the year 2024. The Highest number of operative accounts and amount outstanding in operative accounts opened in Northern and North eastern region is undertaken by Regional rural banks followed by Scheduled commercial banks and cooperatives. Under central region the highest number of operative accounts and amount outstanding in operative accounts is accounted by Regional rural banks, followed by Scheduled commercial banks and Cooperatives. In western region the number of operative accounts and amount outstanding in operative accounts is accounted by Scheduled commercial banks followed by Regional rural banks and Cooperatives. In southern region the number of operative accounts for kisan card is contributed by Scheduled banks and the maximum amount outstanding in operative accounts falls under Regional rural banks. With regard to eastern region the number of operative accounts is accounted by scheduled commercial banks and maximum amount outstanding in operative accounts is contributed by Regional rural banks. From the above table it infers that the maximum number of Kisan card accounts are opened under southern regions. The amount outstanding in operative accounts falls under sothern region and followed by central and northern regions.

POLICY IMPLICATIONS

There is a need to adopt measures to reduce paper work and time in sanctioning a loan under KCC Scheme by Scheduled commercial Banks and financial institutions. The current Budget has increased the loan amount for Kisan card scheme holders from Rs 3 Lakhs to 5 Lakhs. The limit of the loan amount per account should be raised to attract more farmers. To reduce regional disparity in the performance of KCC scheme, the government should launch awareness generation programs about the benefits of this scheme. The Government's Budget allocation for Kisan card was Rs 60000 Crores for the years 2022, 2023 and 2024. It should increase its allocation for agricultural rural credit and development in the upcoming years.

CONCLUSION

The performance of the KCC scheme has been found to vary across different regions of the country and across financial institutions. The Southern and Northrn regions continue to be underperformers with respect to KCC scheme. The flow of credit through the intervention of peer lending institutions will penetrate the availability of rural credit. The growth rate in the amount per account advanced

under KCC has been positive for regional rural banks (RRBs), scheduled commercial banks, and cooperative banks. The KCC scheme has played a significant role in agricultural operations and income of farmers in India. The availability of crop loan has helped in realizing higher per hectare gross return for the KCC beneficiaries for all the agricultural crops . To bring more farmers under the scheme, the process of opening bank accounts should KYC norms needs to be simplified. This can be articulated by organizing village campaigns for issuance of KCCs. Similarly, farmers have the fear of being a defaulter. For this awareness generation and regular motivation from the bank officials about the scheme and its benefits should be done to develop confidence among the farmers. Similarly, expanding educational opportunities and organizing training about improved techniques of farming could be helpful in encouraging the farmers to adopt KCC scheme.

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