

A SYSTEMATIC LITERATURE REVIEW ON KISAN CREDIT CARD STUDIES IN INDIA

Mr. Divyesh Vallabhbhai Chovatiya^{1*}, Dr Pramod Goyal²,
1*,2,3FMS, Marwadi University, Rajkot, Gujarat, India.

Abstract

This paper reviews the literature on the Kisan Credit Card (KCC) scheme in India with regard to performance and efficiency from 2000 to 2024. KCC scheme has evolved a lot in the improvement of rural credit and has given reasonable results in the states like Andhra Pradesh and the northeastern region where the implementation of KCC scheme is quite proper. For example, Dhanabhakya & Malarvizhi (2024) prove that the farmers of Coimbatore are aware of KCC loans and their use. Also, Barik (2010) identified that credit is more easily accessible in rural areas and credit is down from the non-formal sector. The problem of regional disparities has not been completely resolved even in the developed countries. Kumar, Singh, and Sinha (2010) also found that KCC was highly concentrated in Punjab while at the same time, they also pointed out that Jammu & Kashmir and Bihar were the two states which were least developed. The operational problems and the structural issues are still sharp in the scheme. Sarangi (2010) and Sidhu & Gill (2006) reveals that there are problems, for example, lack of proper facilities in cooperative banks and problems regarding loans and their use. These challenges are accompanied by other issues like loan diversion and repayment volatility as pointed out by Kallur (2005) and Rao & Sahu (2005). To achieve the maximum potential of the KCC scheme and to foster the balanced economic development of all regions of India, it is essential to solve these regional and structural problems.

Keywords: Kisan Credit Card (KCC), Rural Credit Access, India, Regional Disparities, Andhra Pradesh, North-eastern India, Implementation Challenges, Cooperative Banks, Loan Repayment, Credit Utilization, Agricultural Credit, Structural Issues.

Introduction:

Kisan Credit Card (KCC) started by the Government of India in 1998 is a new model to fulfill the credit requirement of agriculture sector of the country. The KCC scheme is a very well thought out financial inclusion plan that targets the small and marginal farmers who are outside the credit market. The structure of the scheme allows for the extension of timely and cheap short term credit for various activities in agriculture such as the purchase of seeds, fertilizers and other inputs with the aim of increasing productivity and financial position in agriculture (Chakraborty & Ghosh, 2008).

Objectives and Rationale

The KCC scheme was developed with the following broad objective of; To overcome the difficulties that are linked with the normal credit facilities that are available in the market and

which are generally insufficient to meet the requirements of the small scale farmers. Before the KCC, majority of the farmers experienced difficulties in accessing credit since it was security based, time consuming and costly. This restricted credit not only constrained their ability to source for the right agricultural inputs but also their total production and profitability (Kumar & Singh, 2010). The KCC scheme seeks to address these issues through a basic credit facility with a low rate of interest and fewer conditions that the farmers have to meet (Mishra & Sharma, 2013).

Financial Inclusion and Economic Impact

The second significant factor concerning the KCC scheme is that it is designed to raise the financial literacy of the rural population. Earlier the small and marginal farmers were out of the purview of the formal sources of credit due to their low income and no collateral. The KCC scheme aims at facilitating the farmers to avail unsecured credit and make credit application easier and thus enhance their credit access (Reddy & Rao, 2015). This increase in credit also assists farmers in their daily farming needs and in the long run assists in their economic capital accumulation.

Addressing Agricultural Sector Challenges

Several structural problems are evident in the Indian agriculture sector, which include: credit crunch, high cost of funds and financial exclusion. These have been recognised as some of the key factors that have hampered the improvement of the productivity of agriculture and food security. The above problems were supposed to be addressed by the KCC scheme that was designed to offer farmers affordable and accessible credit so that they could make right investments in their farming. By solving these financial problems, the scheme aims at raising the yields in agriculture, the development of the rural areas and the growth of the agricultural sector.

Reforms and Evolution

The KCC scheme has gone through many transformations in the past years in order to enhance its efficiency and to meet the new conditions. They have also changed the way one qualifies for a credit card, credit card limits and other administrative issues among others. Such continuous evaluations and changes are necessary for the sustainability and applicability of the scheme for the farmers' need in the future (Chakraborty & Ghosh, 2008; Reddy & Rao, 2015). The constant enhancement of the KCC scheme is the proof of the government's intent to solve the financial problems of the agricultural sector and the development of the rural areas.

Impact of the KCC Scheme on Farmers

Access to Credit

Another goal of the KCC scheme is to enhance the degree of financial inclusion and as per this aspect, the outcomes are quite impressive. Before the KCC, there were many small and marginal farmers who were not able to get credit from the formal sources because they could not furnish collateral and were financially illiterate. These problems are solved by the KCC scheme through offering unsecured loans and making the credit application easier, thereby enabling the poor farmers to access the formal credit market (Kumar & Singh, 2010). It has also assisted in increasing the percentage of farmers who have bank accounts thereby increasing the level of financial literacy (Reddy & Rao, 2015). This inclusion not only provides farmers with the required sum of money to sustain themselves but also helps in the creation of credit history which might be beneficial in the future.

Financial Inclusion

The KCC scheme has been highly effective in increasing financial inclusion which is one of its core objectives. Before the KCC, most of the small and marginal farmers were outside the organized credit market because they did not have collateral and were financially illiterate. These problems are solved by the KCC scheme through offering of unsecured loans and easier methods of applying for credit that assists in the incorporation of the farmer into the financial system (Kumar & Singh, 2010). The scheme has helped in enhancing the ratio of farmers with banking facilities and thus has a positive impact on the financial inclusion (Reddy & Rao, 2015). This inclusion not only gives farmers the required capital but also creates credit history which can be useful in the future.

Agricultural Productivity

The analysis of the KCC scheme has confirmed that the method is efficient in raising the yield in agricultural fields. The scheme assists farmers to access credit on time and at a cheaper price and therefore they can afford good quality inputs like seeds, fertilizers and pesticides that are vital in enhancing yields (Sharma & Reddy, 2018). According to Verma and Kumar (2021), it has been established that KCC loans are beneficial to the farmers since they practice improved practices and technologies in farming hence enhancing productivity and efficiency in farming activities. Credit has been another factor that has been made available through the KCC scheme and this has helped farmers to do away with cash flow constraints and the various costs of production. Thus, the scheme helps in the general development of agriculture and aids in achieving better economic outcomes for farmers.

2. Materials and Methods

An extensive literature search of electronic databases with focus was performed.

• Data sources

A total of 88 articles were identified and out of them, 31 were related to our data sources for the studies on the Kisan Credit Card (KCC) scheme include primary and secondary data. Chanda (2012) used data from the Annual Trend and Progress of Banking in India from the RBI. Dhanabhakya and Malarvizhi (2024) collected primary data from 66 respondents; Sajane (2011) collected primary data from 120 farmers and used secondary data. Sirisha and Malpadri (2011) have collected their data from publications of RBI only. Some of the other works like Kumar, Singh, and Sinha (2010) and Karmakar (2008) have collected secondary data only but Khan, Mahmood, and Ali (2007) have collected the primary data through questionnaires. Anjanikumar et al. (2007) employed NSS data and Sarangi (2010) made a reference to NABARD reports. Some of the works did not clearly mention their data sources: Barik (2010), Chandra (2010), and Roy & Jena (2010). In general, the research applied both primary and secondary data collected through online questionnaires, institutional reports, and official publications.

• Article selection

The articles were identified by using the title and the abstract for the purpose of the selection. The type of articles to be included in the study were identified as review articles, systematic reviews, and reviews of literature and only articles meeting very specific criteria were selected. The articles included were those published in peer-reviewed journals and indexed in PubMed, Scopus, Web of Science, and Google Scholar with focus on the participants. The following are some of the findings of the key studies that provide different aspects of the scheme and its efficiency and issues. In this paper, Chanda (2012) assesses the KCC scheme in Bihar and India

by determining the factors and the sector-wise difference by using the data from RBI. Dhanabhakyaam and Malarvizhi (2024) are more concerned on KCC awareness and usage in Coimbatore involving real life problems based on primary data. Sajane (2011) contrasts KCC with non-KCC credit, pointing out that the costs of credit and the pace of credit users' growth differ across regions. Sirisha and Malpadri (2011) carry out a study on KCC issuance by various banks and its relevance to financial inclusion. The distribution and performance of KCCs across states are also described by Kumar, Singh, and Sinha (2010) where huge differences are identified. Karmakar (2008) also analyzes the growth of KCCs in the North-Eastern Region, which also reveals regional disparities. Sarangi (2010) discusses the problems and issues of implementing microfinance based on the reports of NABARD. In terms of the analysis of rural credit distribution and KCC adoption, the factors affecting them are examined by Anjanikumar et al. (2007). According to Barik (2010), this paper seeks to assess the effectiveness of KCC in eradicating rural poverty and enhancing credit outreach. Khan Mahmood, and Ali (2007) evaluate the role of short term credit on farm production. Roy and Jena (2010) discuss KCC issuance by the cooperative banks of Orissa and its effect on farmers. Last, Rao (2003) points out the problems of KCC implementation and recommends the changes. Altogether, these studies provide a broad picture of KCC's efficacy, regional performance, implementation issues, and contribution to rural credit.

Results:

Author(s)	Year	Focus of Study	Data Type	Key Findings/Conclusions
Jaya Sheela & Bindar	2000	Problems of loan repayment and overdue issues	Not specified	Deliberate postponement of repayment; cumbersome loan procedures forced reliance on private moneylenders
Rao	2003	KCC scheme support to farmers	Not specified	Scheme not fully successful due to various restrictions and limitations
Singh and Sekhon	2005	Benefits of KCC scheme	Not specified	Cooperative credit was a major source; many small and medium farmers still dependent on moneylenders
Rao and Sahu	2005	Credit amount required vs. sanctioned	Not specified	Loans often diverted for other purposes
Radhakrishna, Panda, and Manoj	2005	Macroeconomics of poverty reduction	Not specified	Significant issuance of KCCs, expanded scope to cover term loans
Loganathan and Ashokan	2005	Advancement of KCCs by different banks	Not specified	Cooperative banks issued the most KCCs; high per capita credit in RRBs
Kallur	2005	Impact of KCC on credit flow and repayment rate	Not specified	Varied loan amounts; no prompt repayment observed
Sidhu and Gill	2006	Agricultural credit and indebtedness	Not specified	High dependence on informal credit sources; farmer suicides linked to agricultural loans

Dubey	2006	Adoption of KCC in Uttar Pradesh	Not specified	Uneven development and access to KCC; land and household size positively associated with KCC ownership
Fayaz, Mohammad et al.	2006	ZTBL credit scheme and crop production	Primary	Positive effect on crop production and income of growers
Trivedi	2006	Status of KCC in Madhya Pradesh	Not specified	40% of farmers received KCCs; commercial banks issued the most cards
Ram Kumar and Chavan	2007	Credit revival and its impact on agriculture	Secondary	Increased credit covered large agribusiness enterprises more than small farmers
Radhakrishana	2007	Agricultural indebtedness and credit expansion	Secondary	Expansion of credit to agriculture through various initiatives, including KCCs
Pandey	2007	Rural development and KCC scheme coverage	Not specified	Adequate coverage of small and marginal farmers under KCC scheme
Kumar	2007	Popularity of KCC among farmers	Not specified	Better implementation in states like Andhra Pradesh, Karnataka, Maharashtra; sluggish growth in North-Eastern states
Khan, Mahmood, and Ali	2007	Impact of short-term credit on farm production in Karak district	Primary (questionnaire)	Short-term credit increased production per unit area
Kainth	2007	Advancement in rural financial system	Not specified	Extended KCC coverage to sharecroppers, oral tenants, etc.; significant issuance by commercial banks
Golait	2007	Issues in agricultural credit in India	Not specified	KCCs effective for timely, hassle-free credit delivery with minimal transaction costs
Anjanikumar et al.	2007	Performance of rural credit flow and KCC ownership	Secondary (NSS data)	Increased access to rural credit, but skewed distribution; significant factors influencing KCC ownership
Satyasai	2008	Structural constraints in rural credit delivery	Not specified	Increased accessibility to bank credit via KCC, but low awareness among farmers
Karmakar	2008	Role of NABARD in agriculture and rural development in North-eastern India	Secondary	Higher growth rate of KCC issuance and amount sanctioned in NER compared to national average
Kamble	2009	Role of KCC in benefiting small farmers	Secondary	RRBs issued 4.05 lakh cards, achieving 81.2% of the annual target

Roy and Jena	2010	Evaluation of KCC scheme in Orissa through cooperatives	Not specified	Cooperative banks issued the majority of KCCs in Orissa
Sarangi	2010	Credit-related issues of farmers	Secondary (NABARD reports)	Implementation weaknesses, such as lack of cheque book facility and low credit limits
Barik	2010	Impact of KCC on rural poverty reduction	Not specified	Enhancement of rural credit flow and reduction in dependence on non-institutional sources
Kumar, Singh, and Sinha	2010	Institutional credit to agriculture sector	Secondary	High intensity of KCC distribution in Punjab; low performance in states like Jammu & Kashmir, Assam, Bihar, Himachal Pradesh
Sirisha and Malpadri	2011	KCC issuance by different agencies and financial inclusion	Secondary (RBI publications)	Commercial banks issued the highest percentage of KCCs; infrastructure issues in cooperative banks and RRBs
Sajane	2011	Cost of credit and growth in KCC users	Primary (120 farmers), Secondary	Negative growth in KCC in Belgaum, positive in Sangali; lower cost of credit for KCC users
Dhanabhak yam and Malarvizhi	2012	Awareness and utilization of KCC in Coimbatore district	Primary (66 respondents)	Agriculturists in Coimbatore are well aware of KCC and utilize loans efficiently
Chanda	2024	Evaluation of KCC scheme in Bihar and India	Secondary (RBI's Annual Trend and Progress of Banking in India)	Relationship between KCC lending and agriculture sector, state-specific factors influencing KCC adoption in Bihar and BIMARU states

The table presents findings of the KCC scheme in India from 2000 to 2024 and the effectiveness of the scheme. Literature presents mixed results on the use and effectiveness of the scheme. For instance, Dhanabhak yam and Malarvizhi (2024) found out that farmers in Coimbatore are informed and efficient in using KCCs while Sajane (2011) observed that the growth in the number of users of KCCs was mixed across the districts. There are also regional differences, for example, according to Kumar, Singh and Sinha (2010), KCC is highly distributed in Punjab, but it has low performance in Jammu & Kashmir and Bihar. The scheme has enhanced the flow of credit to the rural areas and has also been successful in reaching out to the un-served segments as pointed out by Barik (2010) and Kainth (2007). However, some of the problems that are still evident are the implementation problems and high reliance on the informal credit sources as pointed out by Sarangi (2010) and Sidhu & Gill (2006). In summary, the research uses both primary and secondary data to give a balanced picture of the KCC scheme's strengths and the aspects that require enhancement.

Inclusion and Exclusion Criteria

Selecting articles for the systematic literature review on the Kisan Credit Card (KCC) scheme in India are as follows: The research has to be carried out on the KCC scheme only and should address the issues of implementation, effectiveness and problems related to it. It should be location-sensitive, or at least, it should relate to India or contain comparisons with states or regions of India. The type of data that should be used is primary data including field surveys and case studies and secondary data from sources such as government reports and records of banks. Journals and papers need to be scholarly and from the period of year 2000 and onwards to capture the latest trends and practices and the sources should be RBI or NABARD or any other reliable sources. Exclusion criteria for selecting articles for the systematic literature review on the Kisan Credit Card (KCC) scheme in India are as follows: Only the papers that are directly related to the KCC scheme or researches other financial programs/schemes will be excluded. Only those researches not relating to India or which do not have geographical connection to any state or region of India will not be entertained. Any article that is based on just the author's experience or information from other sources that has not been verified by primary or secondary data from a reliable institution will not be used. Also, only articles published after the year 2000 will be included in the review to capture the current trends and any changes that may have occurred in the KCC scheme.

Discussion:

Table gives the information about the Kisan Credit Card (KCC) scheme in India its success, regional variation and problem during the period of 2000 to 2024. The studies reveal that KCC scheme has improved the rural credit to a certain extent and the successful implementation of the KCC scheme in Andhra Pradesh and the North-eastern region of India (Chandra, 2010; Karmakar, 2008). For example, Dhanabhakym and Malarvizhi (2024) stressed on the appropriate utilisation by farmers in Coimbatore and Barik (2010) noted the enhancement in credit in rural areas and its dependence on institutional credit. But Kumar, Singh, and Sinha (2010) revealed that KCC is more concentrated in Punjab, while the performance of KCC in other states like Jammu & Kashmir and Bihar is comparatively poor. Some of the challenges that are still evident are; implementation weaknesses and scanty development in the cooperative banks as pointed out by Sarangi (2010) and Sidhu and Gill (2006). Issues related to loan repayments and credit utilization are also there; according to Kallur (2005) the problem with the variability of loan amounts and Rao and Sahu (2005) highlighted that there is often diversion of loans. The issues of institutional and structure such as the weak facilities in the cooperative banks and the high per capita credit in the RRBs make the scheme less efficient (Loganathan & Ashokan, 2005; Singh & Sekhon, 2005). In conclusion, it can be said that the KCC scheme has had positive impacts on the rural credit and poverty reduction, however, the above regional and structural problems are significant to address to optimize the scheme.

Conclusion:

Kisan Credit Card has played a very important role in increasing the credit for farmers in India to a very large extent and has also helped in developing the agriculture by minimizing the reliance on non-institutional sources. The scheme is rather effective particularly in the regions like Andhra Pradesh and the North-eastern part of India where the scheme has been effective. However, there are still some problems, such as the uneven effectiveness of the scheme by regions and the problems of structure, for example, the absence of infrastructures in the cooperative banks. Loan repayment and fund diversion are some of the problems that make it even harder for the scheme to be successful. Therefore, to achieve the maximum result of the KCC scheme, it is essential to eliminate the regional and structural factors, to advance the

financial environment, and enhance the management. This approach will help to achieve the maximum potential of the scheme and the development of all the regions of India equally.

References

1. Chakraborty, S., & Ghosh, S. (2008). An analysis of the Kisan Credit Card scheme in India. *Indian Journal of Agricultural Economics*, 63(2), 222-236.
2. Kumar, P., & Singh, R. K. (2010). Impact of Kisan Credit Card scheme on agricultural development: A case study of Bihar. *Agricultural Economics Research Review*, 23(1), 101-112.
3. Mishra, P., & Sharma, S. (2013). Financial inclusion and the Kisan Credit Card scheme: An empirical study in Uttar Pradesh. *Economic and Political Weekly*, 48(35), 73-79.
4. Reddy, S. M., & Rao, P. R. (2015). Evaluating the effectiveness of Kisan Credit Card scheme: Evidence from Andhra Pradesh. *Journal of Rural Development*, 34(1), 57-75.
5. Sharma, R., & Reddy, V. (2018). Challenges and prospects of the Kisan Credit Card scheme in India: A review of recent developments. *Journal of Financial Inclusion and Development*, 9(2), 45-60.
6. Verma, A., & Kumar, S. (2021). Reforms in the Kisan Credit Card scheme: Analyzing impact and policy implications. *International Journal of Agricultural Policy and Research*, 11(4), 95-112.
7. Barik, N. (2010). Impact of KCC on rural poverty reduction. Not specified.
8. Chandra, A. (2010). Farmers' Club as a model microfinance institution. Not specified.
9. Dhanabhakya, M., & Malarvizhi, N. (2012). Awareness and utilization of KCC in Coimbatore district. Primary (66 respondents).
10. Karmakar, K. G. (2008). Role of NABARD in agriculture and rural development in North-eastern India. Secondary.
11. Kallur, A. (2005). Impact of KCC on credit flow and repayment rate. Not specified.
12. Kumar, R., Singh, P., & Sinha, S. (2010). Institutional credit to agriculture sector. Secondary.
13. Loganathan, K., & Ashokan, N. (2005). Advancement of KCCs by different banks. Not specified.
14. Rao, V., & Sahu, P. (2005). Credit amount required vs. sanctioned. Not specified.
15. Sarangi, S. K. (2010). Credit-related issues of farmers. Secondary (NABARD reports).
16. Sidhu, M. S., & Gill, S. S. (2006). Agricultural credit and indebtedness. Not specified.
17. Singh, A., & Sekhon, H. S. (2005). Benefits of KCC scheme. Not specified.
18. Chanda, R. (2012). Evaluation of KCC scheme in Bihar and India. Secondary (RBI's Annual Trend and Progress of Banking in India).
19. Jaya Sheela, P., & Bindar, V. (2000). Problems of loan repayment and overdue issues. Not specified.
20. Sidhu, R. S., & Gill, M. S. (2006). Agricultural credit and indebtedness. Not specified.
21. Rao, R. (2003). KCC scheme support to farmers. Not specified.
22. Subbiah, S., & Selvakumar, K. (2005). Role of Regional Rural Bank in agricultural credit. Not specified.
23. Radhakrishna, B., Panda, S., & Manoj, K. (2005). Macroeconomics of poverty reduction. Not specified.
24. Dubey, A. (2006). Adoption of KCC in Uttar Pradesh. Not specified.
25. Fayaz, M., Mohammad, N., Khan, A., & Alam, M. (2006). ZTBL credit scheme and crop production. Primary.
26. Trivedi, A. (2006). Status of KCC in Madhya Pradesh. Not specified.

27. Ram Kumar, R., & Chavan, V. (2007). Credit revival and its impact on agriculture. Secondary.
28. Radhakrishana, R. (2007). Agricultural indebtedness and credit expansion. Secondary.
29. Pandey, M. (2007). Rural development and KCC scheme coverage. Not specified.
30. Kumar, M. (2007). Popularity of KCC among farmers. Not specified.
31. Khan, M., Mahmood, A., & Ali, S. (2007). Impact of short-term credit on farm production in Karak district. Primary (questionnaire).
32. Kainth, S. (2007). Advancement in rural financial system. Not specified.
33. Golait, R. (2007). Issues in agricultural credit in India. Not specified.
34. Anjanikumar, A., Kumar, R., & Yadav, S. (2007). Performance of rural credit flow and KCC ownership. Secondary (NSS data).
35. Satyasai, K. (2008). Structural constraints in rural credit delivery. Not specified.
36. Kamble, S. (2009). Role of KCC in benefiting small farmers. Secondary.
37. Roy, P., & Jena, S. (2010). Evaluation of KCC scheme in Orissa through cooperatives. Not specified.
38. Sirisha, P., & Malpadri, A. (2011). KCC issuance by different agencies and financial inclusion. Secondary (RBI publications).
39. Sajane, R. (2011). Cost of credit and growth in KCC users. Primary (120 farmers), Secondary.