



Assessing the Growth and Impact of the Kisan Credit Card Scheme: A Comprehensive Analysis in Himachal Pradesh and at the National Level

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Abstract:

This research article provides a comprehensive analysis of the growth and impact of the Kisan Credit Card (KCC) Scheme, focusing on both the national level and the specific case of Himachal Pradesh. The KCC scheme, initiated in 1998 by Indian public sector banks, aims to provide timely and adequate credit support to farmers for their agricultural needs. The study employs data collected from various sources, including RBI, NABARD, research journals, and economic surveys, spanning seven years from 2017 to 2023. The national-level analysis reveals a stable and moderately growing trend in the utilization of operative KCCs across Cooperative Banks, Regional Rural Banks, and Commercial Banks. Cooperative Banks consistently lead in the number of operative KCCs, while Commercial Banks show an increasing trend. In Himachal Pradesh, the KCC scheme exhibits positive growth in both the number of operative KCCs and the amount sanctioned, with Cooperative Banks playing a pivotal role. However, there is variability in growth rates among different types of banks, especially in Commercial Banks.

Keywords: Kisan Credit Card (KCC) Scheme, NABARD, Cooperative Banks, Commercial Banks, agricultural needs, Regional Rural Banks

Introduction:

Agriculture play a vital role in the economic development of the Indian economy where majority of the population of the country either depends upon agriculture for their livelihood or are engaged in agriculture occupation. Agriculture has been surpassed by the increasing technical and service sector development in the country although it is still a major contributor to the gross domestic product of the country. Over time, the demand for agricultural credit has grown, leading to the emergence of both formal and informal lending sectors. The formalization of credit in agriculture was propelled by banking sector reforms and the nationalization of various banks. To facilitate the flow of funds to rural areas, the government, in collaboration with the Reserve Bank of India (RBI), has implemented numerous schemes and programs. These initiatives aim to ensure that ample credit is extended to farmers in rural areas.

The structure of agriculture credit in India comprises commercial banks, regional rural banks and cooperative banks. In August 1998, Indian public sector banks implemented a credit scheme aimed at issuing Kisan Credit Cards to farmers across the country. The National Bank for Agriculture and Rural Development (NABARD) formulated this model scheme based on the suggestions of the R. V. Gupta Committee. The primary objective was to extend financial assistance to farmers for their agricultural requirements. The main objective of the scheme was to meet the production as well as consumption needs of the farmers. The program aims to offer financial support to farmers to address their credit requirements for production, consumption, and related activities throughout the year. Additionally, the scheme strives to fulfill the comprehensive credit needs of the agriculture sector, including fisheries and animal husbandry by providing financial assistance to farmers. The initiative includes short-term credit for crops and term loans. Kisan Credit Card (KCC) holders are also eligible for personal accident insurance, covering up to 50,000 for death and permanent disability, and up to 25,000 for other risks.

Both the bank and the borrower share the premium cost in a ratio of 2:1. The insurance coverage remains valid for a period of five years, with the possibility of extending it for an additional three years. NABARD developed this model for the Kisan Credit Card scheme in collaboration with key banks. The scheme, formulated through consultations, was subsequently disseminated by the RBI for uniform adoption by all banks. The RBI circulated the scheme for uniform adoption by all banks. Farmers eligible under the NABARD KCC scheme receive a Kisan Credit Card or Pass Book. The cash credit facility allows multiple withdrawals and repayments within the prescribed limit. The assessment and fixation of a farmer's limit consider annual production credit needs, including auxiliary activities related to crop production and short-term credit needs for non-farming activities.

Review of Literature:

Sharma et al. (2013) examined in their study that the Kisan Credit Card scheme's implementation among beneficiary farmers in Sehore,, Madhya Pradesh. The primary objective was to assess the adoption behavior of the beneficiary farmers. The study randomly selected 120 respondents, employing a survey method for data collection. Adoption behavior was evaluated based on criteria such as borrowed amount, repayment patterns, income generation, gross income from crops, and credit utilization. The findings indicated that the beneficiaries generally exhibited a satisfactory attitude toward the Kisan Credit Card scheme. The short-term loans positively influenced income generation, gross income from crops, and crop productivity. Additionally, borrowers demonstrated regular repayment, with only a few instances of default, and all credit usage was directed towards production purposes.

Patil (2014) evaluated an assessment of the role of commercial banks in fostering financial inclusion through the Kisan Credit Card (KCC) scheme in India. The objective was to analyze the distribution of Kisan credit cards and credit disbursement across different bank groups. The study revealed that all bank groups played a commendable role in financially supporting impoverished farmers through the KCC scheme. However, the contribution of commercial banks outweighed that of the other two groups. The research also identified challenges faced by co-operative banks, including issues arising from political interference and mismanagement. The study recommended addressing these challenges by minimizing political influence to encourage and uplift the co-operative sector.

Gandhimathi and Sumaiya (2015) evaluated an assessment of the Kisan Credit Card (KCC) system's impact on the distribution of agricultural credit in the country. The study identified several key variables, including rural branches of commercial banks, aggregate deposits, agricultural production, commercial banks' borrowing from the Reserve Bank of India, and the introduction of the KCC scheme, as significant factors in determining financial inclusion. Additionally, through regression analysis and logit analysis, it was observed that the KCC scheme had a positive effect on enhancing financial inclusion in the agriculture sector.

Mehta et al. (2016) analysis of the Kisan Credit Card scheme's role in rural India. The central aim of the study was to assess the effectiveness of the Kisan Credit Card scheme and offer corresponding recommendations. The findings indicated that the Kisan Credit Card proved to be a highly effective and widely embraced instrument for providing rural credit, facilitating the financial needs of farmers in a prudent manner. The study recommended streamlining the process to ensure that farmers in less prosperous areas could also avail themselves of the scheme's benefits.

Sihag Shakuntala (2018) concluded that the Kisan Credit Card (KCC) scheme in India has exhibited commendable progress and performance in terms of KCC issuance, showing a steady rise in the number of cards distributed across the country. Furthermore, the study revealed that the KCC scheme had a favorable influence on the farm economy of farmers benefiting from the program compared to those who were not beneficiaries. The beneficiaries experienced higher levels of costs, returns, production, and productivity on their farms.

Arindam Chanda (2019) analysis of the Kisan Credit Card (KCC) offerings across all states in India and the districts of Bihar. The study examined the impact of the KCC Scheme on the growth of agriculture and agricultural produce. The findings suggested that states with a more effective approach to rural credit exhibited higher levels of KCC borrowing. Notably, the study did not reveal any clear indication of KCC borrowing influencing the farming efficiency at the state or district level.

Research Methodology:

The objective of the present study is to assess the status of the Kisan Credit Card Scheme (KCCs) in Himachal Pradesh and at National level. This research study is based on secondary data which collected from sources such as RBI website, NABARD, research journals, and economic surveys. The complete this research study we have taken the data of seven years from 2017-23. The number of issuance of Kisan Credit Cards (KCCs) and the amount sanctioned are assessed through the different statistical measures such as Mean, Standard Deviation (SD), per cent age of Coefficient of Variance (CV) and per cent age of Compound Annual Growth Rate (CAGR).

The number of operative KCCS and amount outstanding under operative KCCs is analyzed by Mean Value of an indicator which, is calculated as follow.

$$\text{The combined mean (X)} = \frac{n_1X_1 + n_2X_2 + n_3X_3 + \dots + n_nX_n}{n_1 + n_2 + n_3 + \dots + n_n}$$

$$X_i = \frac{\sum_{i=1}^n n_i x_i}{\sum_{i=1}^n n_i} \quad i=1$$

Where: n_i stand for number of observations for study and X_i stands for Mean Value.

The standard deviation is a measure the degree of variability or dispersion in a given set of values. The standard deviation is calculated as follow.

$$s = \sqrt{\frac{1}{n-1} \sum_{i=1}^n (x_i - \bar{x})^2}$$

where: n is the number of data points in the sample, x_i represents each individual data point and \bar{x} is the mean (average) of the sample.

The Coefficient of Variance is a measure of dispersion. A higher C.V. suggests increased variability, signifying greater diversity or less homogeneity in the dataset. To assess the variability of issued KCCs and the amount sentenced under it, the value of C.V. is calculated as follows.

$$C.V. = \frac{\sigma_i}{X_i} \times 100$$

Where, C.V. stands for co-efficient of variation,

σ_i = Standard deviation of ith indicator, X_i = Mean value of ith indicator.

With a view to analyze the compounded annual growth rate of number of operative KCCs and amount outstanding under operative KCCs is analyzed as follow.

$$CAGR = ((EV/BV)^{(1/n)} - 1) \times 100$$

Where:

n =number of year, CARG= Compounded Annual Rate of Growth, EV= Ending Value, BE= Beginning Value, \wedge = Circumflex.

Outcome and Analysis:

The current status of the Kisan Credit Card (KCC) at National Level

Number of Operative KCCs and outstanding amount under Operative KCCs in India during the period 2017-23

Table 1: Kisan Credit Card Scheme: Bank-Wise Progress at National Level

(Number in Thousand and Amount ₹ in Crores)

Years	Cooperative Banks		Regional Rural Banks		Commercial Banks		Total	
	Number of Operative KCCs	Amount outstanding under Operative KCCs	Number of Operative KCCs	Amount outstanding under Operative KCCs	Number of Operative KCCs	Amount outstanding under Operative KCCs	Number of Operative KCCs	Amount outstanding under Operative KCCs
2017	35883	112200	12271	102420	23368	435000	71522	649620
2018	33495	124485	12193	113370	23528	430474	69210	668323
2019	30414	127436	12253	127072	23632	455079	66300	709587
2020	28938	136735	12197	136695	24144	470144	65279	743573
2021	30181	146981	12892	149416	30696	456736	73769	753133
2022	31131	175615	13348	162060	26870	476271	71348	813945
2023	31389	189436	13868	177999	28290	518485	73547	885921
Mean	31633	144698.3	12717	138433	25790	463170	70139	746300
SD	2334.465	28250.76	672.4053	26775.34	2881.962	29578.88	3351.276	82562.38
CV in %age	7.38	19.52	5.29	19.34	11.17	6.39	4.78	11.06
CAGR in %age	-1.89	7.77	1.76	8.22	2.77	2.54	0.40	4.53

Source: - Compiled on the Basis of Relevant Issues of 'Report on Trend and Progress of Banking in India' and Statistical Table Relating to Banks in India, Published by RBI and www.rbi.com.

The Kisan Credit Card (KCC) scheme was introduced by the Government of India to provide farmers with timely and adequate credit support to meet their agricultural needs. It aims to help farmer’s access short-term credit for crop production, post-harvest expenses, and other agricultural activities. Under the KCC scheme, farmers are issued a credit card that they can use to avail of loans for various agricultural purposes and various agencies play a crucial role in its implementation. These agencies include commercial banks, cooperative banks, and regional rural banks. The progress of the Kisan Credit Card scheme is measured by factors such as the number of cards issued and the amount of credit extended.

The Table 1 presents a comprehensive overview of the Kisan Credit Card (KCC) Scheme's progress at the national level across various types of banks over the years 2017 to 2023. The data is organized into three categories (i.e. Cooperative Banks, Regional Rural Banks, and Commercial Banks) for each respective year. The number of operative KCCs and the amount outstanding under these KCCs are reported for each category of banks. Over the analyzed period, there is a general decreasing trend in the number of operative KCCs for Cooperative Banks, from 35,883 in 2017 to 31,389 in 2023. Conversely, Commercial Banks show an increasing trend, rising from 23,368 in 2017 to 30,696 in 2023. Regional Rural Banks follow a fluctuating pattern, with an initial decrease followed by a subsequent increase. In terms of the amount outstanding under operative KCCs, Cooperative Banks and Regional Rural Banks display an increasing trend, while Commercial Banks show the fluctuations in trend. The total amount outstanding under operative KCCs across all banks shows an overall upward trend from 2017 to 2023.

The mean values indicate that, on average, there were 31,633 operative KCCs for Cooperative Banks, 12,717 for Regional Rural Banks, and 25,790 for Commercial Banks during this period of study. Similarly, the mean amount outstanding under operative KCCs was 144,698.3 Crores for Cooperative Banks, 138,433 Crores for Regional Rural Banks, and 463,170 Crores for Commercial Banks. The coefficient of variation (CV) expresses the standard deviation relative to the mean, providing a measure of dispersion. A lower CV indicates less variability. So the data exhibits a moderate level of consistency as indicated by the relatively low coefficients of variation (CV), ranging from 4.78% to 19.52% across all categories of bank. The Compound Annual Growth Rate (CAGR) measures the annual growth rate over the given period. There is a negative CAGR for Cooperative Banks' number of operative KCCs (-1.89%) show a slight decrease, while positive CAGRs for other categories indicate growth. Overall, the data shows a stable and moderately growing trend in the utilization of operative KCCs across the specified banking institutions over the analyzed period.

The current status of the Kisan Credit Card (KCC) at National Level

Number of Operative KCCs in Himachal Pradesh during the period 2017-23

Table 2: Number of Kisan Credit Card Operative in Himachal Pradesh

(Numbers in thousand)

Years	Cooperative Banks	Regional Rural Banks	Commercial Banks	Total
2017	88	39	210	337
2018	92	41	214	347
2019	96	48	214	357
2020	103	55	219	377
2021	111	63	218	392
2022	115	69	240	424

2023	118	83	257	458
Mean	103	57	225	385
SD	11.74	15.92	17.32	43.77
CV in %age	11.37	28.00	7.71	11.38
CAGR in %age	4.28	11.39	2.93	4.48

Source: - Compliled on the Basis of Relevant Issues of ‘Report on Trend and Progress of Banking in India’ and Statistical Table Relating to Banks in India, Published by RBI and www.rbi.com.

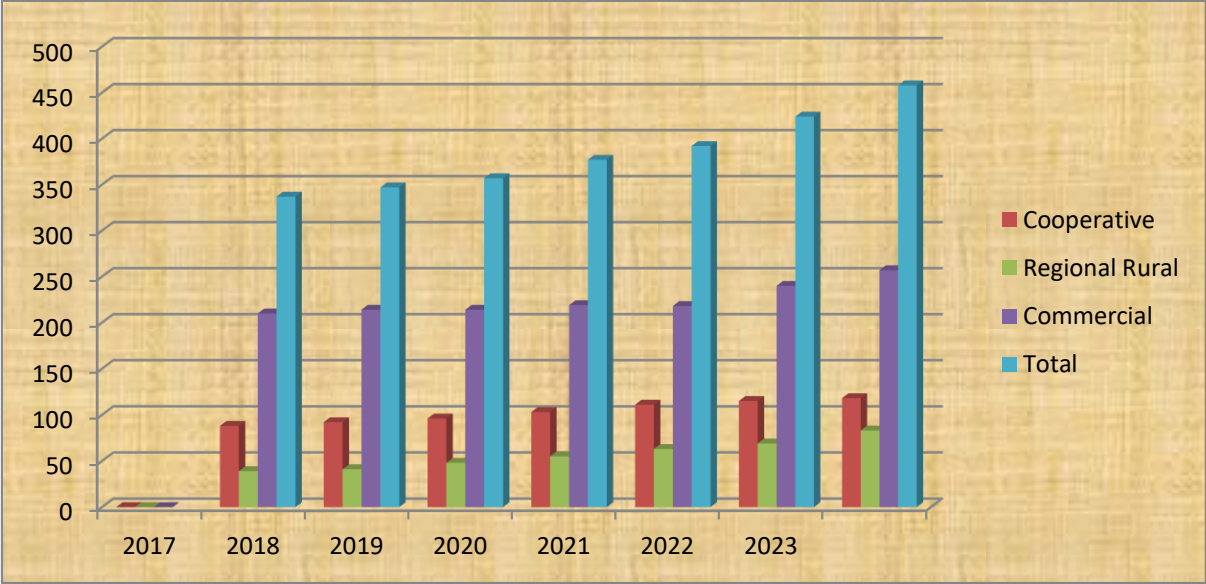


Figure 1 Number of Kisan Credit Card Operative in Himachal Pradesh during 2017-23.

Himachal Pradesh economy mainly depends on farming, with about 63 percent of its people earning a living through agriculture. As a result, the state's agriculture sector requires financial support to grow and improve. The Table 2 provides information on the number of Kisan Credit Cards (KCC) operative in Himachal Pradesh from 2017 to 2023, with data categorized by Cooperative Banks, Regional Rural Banks, and Commercial Banks, along with the total. The numbers are presented in thousands. Over the years, there has been a remarkable increase in the total number of operative Kisan Credit Cards. In 2017, the total was 337 thousand, and it gradually rose to 458 thousand in 2023. This growth is attributed to the combined efforts of Cooperative Banks, Regional Rural Banks, and Commercial Banks in the region. Overall the data provided by banking institutions, it observed that Cooperative Banks consistently held the highest number of operative KCCs throughout the period, with a mean value of 103 thousand. Regional Rural Banks and Commercial Banks followed with mean values of 57 thousand and 225 thousand, respectively. By analyzing the variability, it can found that the Standard Deviation (SD) values indicate the degree of dispersion in the data. Commercial Banks exhibit the highest variability among the three types of banks, with an SD of 17.32 thousand, showing fluctuations in the number of operative KCCs. On the other hand, Cooperative Banks show (i.e. 11.74 thousand) relatively lowers variability. The Coefficient of Variation (CV) is expressed as a percentage and helps to compare the relative variability among the categories of banks. Regional Rural Banks have the highest CV at 28.00%, indicating a higher relative variation compared to Cooperative and Commercial Banks at 11.37% and 7.71% respectively. Additionally, the Compound Annual Growth Rate (CAGR) provides insights into the annual growth of operative KCCs. Cooperative Banks demonstrated a CAGR of 4.28%, Regional Rural Banks at 11.39% and Commercial Banks at 2.93%, indicating varied growth rates in the respective sectors. Overall,

the Table 2 reflects a positive trend in the growth of operative Kisan Credit Cards in Himachal Pradesh. Cooperative Banks consistently play a significant role, while Regional Rural Banks show higher growth rates, although with greater variability. Commercial Banks, although contributing to the overall increase, exhibit a more moderate growth rate.

Table 3: Amount Sanctioned under Kisan Credit Card Operative in Himachal Pradesh
(Amount ₹ in Crores)

Years	Cooperative Banks	Regional Rural Banks	Commercial Banks	Total
2017	1190	460	3470	5120
2018	1330	524	3711	5565
2019	1478	615	3925	6017
2020	1614	706	4143	6462
2021	1742	830	4055	6626
2022	1870	932	4507	7309
2023	2062	1281	4667	8009
Mean	1612	764	4068	6444
SD	305.92	281.50	420.88	994.89
CV in %age	18.97	36.85	10.35	15.44
CAGR in %age	8.17	15.76	4.32	6.60

Source: - Compiled on the Basis of Relevant Issues of 'Report on Trend and Progress of Banking in India' and Statistical Table Relating to Banks in India, Published by RBI and www.rbi.com.

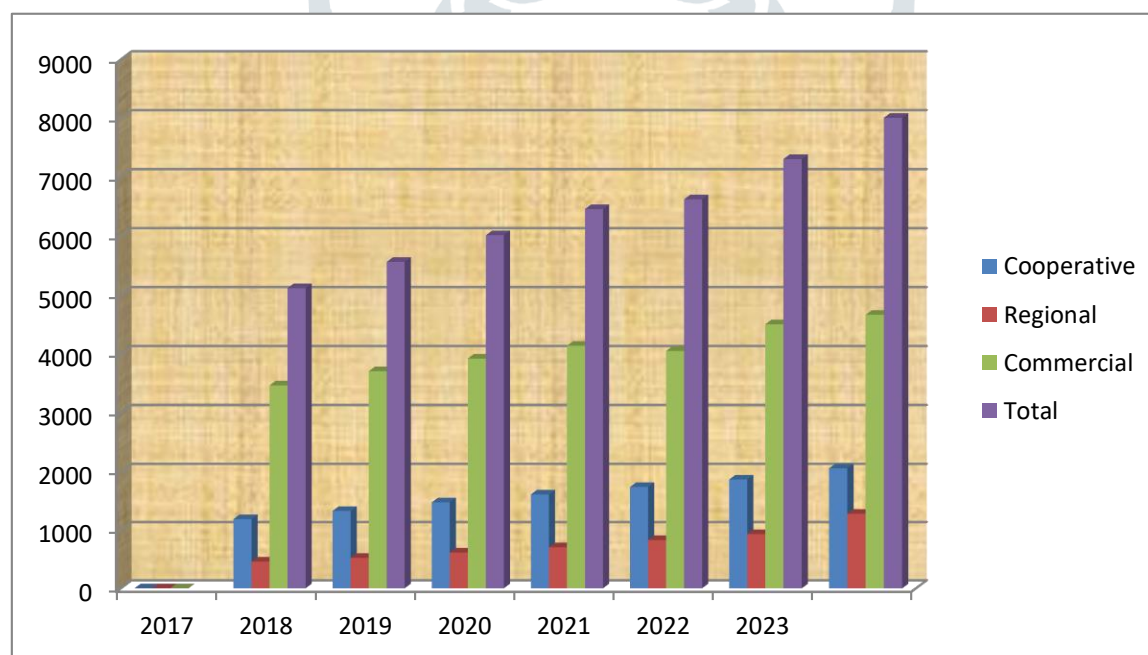


Figure 2: Amount Sanctioned under Kisan Credit Card Operative in Himachal Pradesh during 2017-23

Table 3 provides data on the amount sanctioned under the Kisan Credit Card (KCC) scheme in Himachal Pradesh for the years 2017 to 2023. The amounts are categorized by cooperative banks, regional rural banks, and commercial banks. From the data, it can be observed that there is a consistent increase in the total amount sanctioned over the years, rising from ₹ 5120 Crores in 2017 to ₹ 8009 Crores in 2023. Cooperative banks have the highest contribution to the total amount throughout the years, followed by regional rural banks and commercial banks. The mean (average) values for the amount sanctioned by cooperative banks, regional rural banks, and commercial banks are ₹ 1612, 764, and ₹ 4068 Crores, respectively. The standard deviation (SD) measures the dispersion of data around the mean, indicating the extent of variability. A higher SD suggests greater variability. In this case, commercial banks have the highest SD (i.e. ₹ 420.88), indicating more variability in the amount sanctioned compared to cooperative and regional rural banks (i.e. ₹ 305.92 and ₹ 281.50) respectively. The coefficient of variation (CV) expresses the SD as a percentage of the mean, providing a relative measure of variability. Higher CV values indicate higher relative variability. Regional rural banks have the highest CV at 36.85%, showing a relatively higher variation in the amount sanctioned compared to cooperative and Commercial banks. Compound Annual Growth Rate (CAGR) reflects the year-on-year growth rate of the amount sanctioned. Positive CAGR values indicate growth. The analysis reveals that the CAGR for cooperative banks is 8.17%, regional rural banks is 15.76%, commercial banks is 4.32%, and the overall CAGR for the total amount sanctioned is 6.60%. Overall analysis of the Table 3, it observed that the Kisan Credit Card scheme in Himachal Pradesh has shown a positive trend in the amount sanctioned over the years. However, commercial banks exhibit higher variability, and the overall growth rates vary across different types of banks.

Conclusions and Suggestion:

The analysis of the Kisan Credit Card (KCC) Scheme in Himachal Pradesh and at the national level reveals significant insights into its growth and impact. At the national level, the data suggests a stable and moderately growing trend in the utilization of operative KCCs across Cooperative Banks, Regional Rural Banks, and Commercial Banks over the period from 2017 to 2023. While Cooperative Banks consistently held the highest number of operative KCCs, Commercial Banks exhibited an increasing trend. In Himachal Pradesh, the KCC scheme has witnessed positive growth in both the number of operative KCCs and the amount sanctioned, with Cooperative Banks playing a pivotal role. However, there is variability in the growth rates among different types of banks, with Commercial Banks demonstrating higher variability. It is evident that the KCC scheme has made a significant impact on the agricultural sector, contributing to the financial inclusion of farmers. To further enhance the effectiveness of the scheme, it is recommended that efforts be made to streamline processes and reduce variability, particularly in Commercial Banks. Additionally, continuous monitoring and evaluation can facilitate the identification of areas for improvement, ensuring sustained growth and support for farmers in Himachal Pradesh and across the nation.

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