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Challenges and Successes in Implementing the Kisan Credit Card Scheme: A Comparative Study Among the Beneficiary Farmers of Punjab and Haryana

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ABSTRACT

This study aims to comparatively evaluate the impact of the Kisan Credit Card (KCC) scheme on the financial security and agricultural output of beneficiary farmers in Punjab and Haryana, identify the implementation challenges faced by beneficiary farmers, and recommend policy changes to improve its effectiveness and inclusiveness. This study adopted a descriptive research approach, relying on a survey-based quantitative research design to comparatively assess the successes and challenges faced by a group of 200 randomly selected farmers, taking 100 farmers from among the beneficiary farmers in both states. Using a paired sample t-test, the statistical analysis found a more profound positive impact of success dimensions, improved crop production (t=-2.64, p=.011), crop storage capacity (t=-8.90, p=.000), resource management (t=-4.54, p=.000), and relief of financial and psychological stress, among the beneficiary farmers of Haryana. In terms of improved socioeconomic conditions, farmers in Punjab (mean = 4.29) were slightly more satisfied than farmers in Haryana (mean = 4.13), but the difference was not significant (t=1.83, p=.069). Despite these achievements, the implementation of the KCC scheme also posed significant challenges to the beneficiary farmers, for which some policy changes are recommended by the researcher. This study contributes to the theoretical understanding of agricultural credit schemes by highlighting the differential impacts of policy implementation across states in different socio-economic contexts. It also provides practical insights for policymakers and financial institutions to design region-specific strategies that address farmers' unique challenges and priorities.

Keywords: Rural Credit Policy; Agricultural Financing; Kisan Credit Card; KCC Scheme; KCC Implementation in Punjab; KCC Implementation in Haryana.

Introduction

Background of the Study

Agriculture is the foundation of the Indian economy, sustaining nearly half of the country's population and a major contributor (16.5%) to GDP (Gulati & Juneja, 2022). Access to institutional credit is essential to empower farmers, ensure timely investments in agricultural operations, and reduce reliance on informal sources of credit, which often come with exploitative terms (Mehta *et al*., 2024). In 1998, the Indian government introduced the Kisan Credit Card (KCC) scheme to address these issues. The scheme aims to promote financial inclusion in rural areas by giving farmers quick access to short-term loans for working capital needs and agricultural inputs (Vijayshankar *et al.*, 2024). Millions of farmers across the country have benefited from the KCC scheme, which has become a mainstay of rural credit policy due to its emphasis on affordability, convenience, and flexibility.

Recognized as India's most significant agricultural states, Punjab and Haryana are crucial to the country's food security. These two states are known as the "Breadbasket of India" because of their large irrigation systems and high degree of mechanization that allow for intensive farming practices. However, despite their dominance in agriculture, small and marginal farmers continue to face difficulties in accessing credit (Sowndariya, 2023). The KCC scheme implemented in Punjab and Haryana provides a unique perspective on the effectiveness of institutional credit mechanisms in agriculturally developed regions. This study aims to provide key insights into the performance of the scheme by understanding the unique regional dynamics, achievements, and challenges.

Statement of the Problem

Despite the widespread use of the KCC scheme, several issues hinder its optimal functioning. While many farmers in Punjab and Haryana benefit from timely loans under the scheme, others face challenges due to gaps in institutional support, bureaucratic hurdles, and lack of awareness. In addition, factors such as fragmented land ownership, unstable agricultural incomes, and over-dependence on specific crops exacerbate credit issues (Lamba *et al.*, 2024; Singh *et al.*, 2024; Sowndariya, 2023). These issues highlight the need to compare the implementation of the scheme in Punjab and Haryana to identify any gaps and propose specific solutions.

Research Objectives

This study has three main objectives: (1) to conduct a comparative assessment of the impact of the KCC scheme on the financial security and agricultural output of beneficiary farmers in Punjab and Haryana; (2) to identify the main challenges faced by beneficiary farmers in Punjab and Haryana in implementing the scheme; and (3) to recommend policy changes that may improve the effectiveness and inclusiveness of the scheme. By focusing on these objectives, this study hopes to add to the broader discussion on sustainable agricultural development and rural credit.

Rationale of the Study

The importance of institutional credit for rural development and agricultural sustainability underpins this study. Given the different socio-economic and agro-ecological contexts of Punjab and Haryana, a comparative study can provide nuanced insights into the impact and adaptability of the KCC scheme. In addition to filling the knowledge gap in the existing literature, this study aims to educate financial institutions, farmer organizations, and policymakers on areas that require reform as well as successful practices. This study aims to support the overall goal of providing equitable and efficient access to credit to the farming community in India by focusing on these two agriculturally significant states – Punjab and Haryana.

Research Methodology

Research Design: This study will adopt a descriptive research approach and rely on a survey-based quantitative research design to comparatively assess the successes and challenges faced by beneficiary

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farmers in the states of Punjab and Haryana.

Study Population: The target population of this study includes all the farmers of the states of Punjab and Haryana, who are KCC card holders.

Sampling Techniques: This study will use a simple random sampling technique to select the participants.

Sample Size: A total of 200 beneficiary farmers participated in this study, with an equal number (i.e., 100) from both the states.

Questionnaire Design: This study will employ a structured survey questionnaire, organized into 2 sections. The first section incorporated demographic information of the participants, and the second section focused on the implementation of the scheme.

Data Collection Methodology: The primary data was collected through the administration of the structured survey questionnaire to the participants, in person.

Data Collection Period: Data collection took six weeks, starting the first week of October 2024 and ending on the second week of November 2024.

Statistical Tools: Descriptive statistics such as mean, standard deviation, and percentage were used to summarize the data, while inferential statistics such as paired sample t-test was used to make a comparative assessment of the impact of the KCC scheme on the financial security and agricultural output of beneficiary farmers in Punjab and Haryana

Data Analysis Software: Data were analyzed using SPSS software (version 23.0) to ensure accurate statistical analysis and interpretation of results.

Ethical Considerations: Informed consent was obtained from the participants before the survey, and their confidentiality and anonymity were assured. They were informed that participation was voluntary and the data collected would be used only for academic research purposes.

Data Analysis and Results

Demographic Analysis

Table 1 – Demographic Profile of Participants

Demographic Characteristics		Punjab (N=100)		Haryana (N=100)		Total (N=200)	
		Count	Percent	Count	Percent	Count	Percent
Gender	Male	68	68.0%	83	83.0%	151	75.5%
	Female	32	32.0%	17	17.0%	49	24.5%
Age Group	Below 35 years	27	27.0%	12	12.0%	39	19.5%
	35-50 years	39	39.0%	36	36.0%	75	37.5%
	50 years & above	34	34.0%	52	52.0%	86	43.0%
Types of Farmers	Marginal (up to 2.5 acres)	23	23.0%	34	34.0%	57	28.5%
	Small (2.5-5 acres)	37	37.0%	45	45.0%	82	41.0%
	Medium (5-10 acres)	33	33.0%	17	17.0%	50	25.0%
	Large (above 10 acres)	7	7.0%	4	4.0%	11	5.5%
Annual Income	Up to Rs.5 Lakhs	25	25.0%	31	31.0%	56	28.0%
	Rs.5 Lakhs – Rs.10 Lakhs	47	47.0%	52	52.0%	99	49.5%
	Above Rs.10 Lakhs	28	28.0%	17	17.0%	45	22.5%

Pattern of Loan	Formal	42	42.0%	48	48.0%	90	45.0%
	Informal	5	5.0%	3	3.0%	8	4.0%
	Both Formal & Informal	53	53.0%	49	49.0%	102	51.0%
Credit Utilization	Fully Utilized	85	85.0%	73	73.0%	158	79.0%
	Partially Utilized	13	13.0%	22	22.0%	35	17.5%
	Not Utilized	2	2.0%	5	5.0%	7	3.5%

Source: Primary Data

The table above shows that Haryana is male-dominated (83% males, 17% females), while Punjab has a more balanced gender distribution (68% males, 32% females). Differences between age groups are also evident: Haryana has more people aged above 50 years (52%) than Punjab (34%), while Punjab has a higher proportion of people aged below 35 years (27%) than Haryana (12%). Haryana has a larger proportion of marginal and small farmers, while Punjab has a higher proportion of medium and large farmers (33% and 7% respectively). Annual income trends show that Punjab has more households with income above Rs 10 lakh (28%), while Haryana has a slightly higher proportion of households with income below Rs 500,000 and between Rs 5-10 lakh. There are also differences in credit utilization, with Punjab having a higher total loan utilization (85%) than Haryana (73%).

Overall, the demographic structure of the study area is male-dominated, with 75.5% of the respondents being male and 24.5% being female. In terms of age, the largest group is between 35 and 50 years of age (37.5%), followed by those above 50 years of age (43.0%). Only 5.5% of the farmers are large farmers, while the majority of farmers (41.0%) are small farmers. Nearly half (49.5%) of the respondents have an annual income between Rs. 5 lakh and Rs. 10 lakh. In terms of loan utilization, 79.0% of the respondents made full use of their loans, and 51.0% of the respondents used both formal and informal sources of credit, indicating responsible use of credit across the states.

Comparative Analysis of Successes

Table 2 – Analysis of the Achievements of the KCC Scheme

Success Aspects	**Group Statistics**				**Paired sample t-test**				
	N	**Mean**	**SD**	**SE of Mean**	**t**	**df**	**Sig.**	**Mean Diff.**	**SE of Diff.**
KCC scheme has improved socio-economic conditions									
Punjab	100	4.29	0.64	0.06	1.83	99	.069	0.16	0.09
Haryana	100	4.13	0.56	0.06					
KCC scheme has improved crop production									
Punjab	100	3.81	0.66	0.07	-2.64	99	.011	-0.21	0.08
Haryana	100	4.02	0.47	0.05					
KCC scheme has improved the capacity to store grains									
Punjab	100	3.39	0.49	0.05	-8.90	99	.000	-0.66	0.07
Haryana	100	4.05	0.46	0.05					
KCC scheme has contributed towards better management of resources									
Punjab	100	3.82	0.61	0.06	-4.54	99	.000	-0.35	0.08
Haryana	100	4.17	0.53	0.05					

KCC scheme has provided relief from financial pressure and mental stress									
Punjab	100	3.93	0.70	0.07	-3.82	99	.000	-0.34	0.09
Haryana	100	4.27	0.58	0.06					

Source: SPSS Output

A comparative analysis of the five key aspects of the Kisan Credit Card (KCC) scheme among beneficiary farmers in Punjab and Haryana showed mixed results. In terms of improved socioeconomic conditions, farmers in Punjab (mean = 4.29) were slightly more satisfied than farmers in Haryana (mean = 4.13), but the difference was not significant (t=1.83, p=.069). However, in all other aspects, beneficiary farmers in Haryana were significantly more satisfied than farmers in Punjab. Farmers in Haryana showed higher satisfaction in terms of improved crop production (t=-2.64, p=.011), crop storage capacity (t=-8.90, p=.000), resource management (t=-4.54, p=.000), and relief of financial and psychological stress (t=-3.82, p=.000). These findings (p<.05) suggest that the implementation of the KCC scheme in Haryana had a more profound positive impact in these success areas. The biggest difference is seen in the improvement of crop storage capacity, with Haryana scoring 0.66 higher than Punjab on average, based on the responses collected.

Comparative Analysis of Challenges

Table 3 – Challenges faced by Beneficiary Farmers

Challenges Faced	**Punjab (N=100)**			**Haryana (N=100)**		
	Count	**Percent**	**Ranking**	**Count**	**Percent**	**Ranking**
Low ceiling limit/ Inadequate credit	77	77.0%	I	49	49.0%	IV
Unfavorable installment/ High EMI	32	32.0%	VI	53	53.0%	III
High cost of credit	21	21.0%	VIII	40	40.0%	V
Delay in loan disbursement	64	64.0%	II	72	72.0%	I
Fear of being a defaulter	59	59.0%	III	15	15.0%	VIII
Complicated credit procedure	25	25.0%	VII	24	24.0%	VII
Non-cooperating nature of Bank employees	43	43.0%	IV	33	33.0%	VI
Compulsory crop insurance	36	36.0%	V	65	65.0%	II

Source: Primary Data

Inadequate ceiling limits or credit (77%) comes out as the biggest issue faced by beneficiary farmers in Punjab, indicating a major barrier to accessing adequate funds. Delays in loan disbursement (64%) hampered timely farming operations, while fear of default (59%), reflecting concerns about repayment obligations, were the subsequent biggest challenges faced by beneficiary farmers in Punjab. On the other hand, the main challenge faced by beneficiary farmers in Haryana was delays in loan disbursement (72%), indicating widespread delays in financial assistance. The second biggest challenge was mandatory crop insurance (65%), which could put additional financial stress on small farmers. The third biggest challenge faced was unfavorable installments or high EMIs (53%), indicating difficulty in tracking repayment plans.

Discussion

The findings highlight the different success aspects of the Kisan Credit Card (KCC) scheme in Punjab and Haryana, reflecting the nuanced impact of the scheme's implementation in these states. In Punjab, beneficiary farmers expressed higher satisfaction with the scheme's contribution to their socio-economic status, highlighting the scheme's effectiveness in improving their standards of living and financial stability. In contrast, beneficiary farmers in Haryana appreciated the scheme's impact on agricultural productivity, increased grain storage capacity, and improved resource management. In addition, the scheme's support in reducing financial stress and mental stress suggests its potential to alleviate significant challenges facing farmers. These successes illustrate the different perceptions of the benefits of the scheme, consistent with the specific priorities and circumstances of farmers in each state.

Despite these achievements, the implementation of the KCC scheme has also posed significant challenges to beneficiary farmers. Farmers in Punjab expressed their greatest concerns about low ceilings or inadequate credit, as well as delays in loan disbursement and a general fear of becoming defaulters. In contrast, in Haryana, delays in loan disbursement were also a problem, but beneficiary farmers also faced the burden of mandatory crop insurance and unfavorable installment structures or high installment payments.

The findings highlight the multifaceted impacts of the KCC scheme, showcasing the successes and challenges faced by the beneficiary farmers in each state. In Punjab, the scheme's effectiveness in improving socio-economic status is consistent with previous research that highlights credit initiatives as key to improving rural livelihoods and financial inclusion (Hooda & Somjit, 2022; Singh *et al*., 2024). Similarly, Haryana's emphasis on agricultural productivity, resource management, and stress relief is consistent with findings that credit access can improve agricultural efficiency and resilience (Felix *et al*., 2024; Hooda & Somjit, 2022). However, the challenges identified, such as insufficient credit lines and procedural inefficiencies, resonate with critiques in the extant literature on institutional barriers that limit the potential of rural credit schemes (Singh *et al*., 2022; Singh *et al*., 2023; Supragya & Syed, 2023). The study thus reiterates the dual nature of such initiatives, highlighting the need for targeted improvements to address systemic issues and improve their effectiveness in different regional contexts.

Recommendations

Based on the findings from above analysis, the researcher offers the following recommendations to address the challenges faced by the beneficiary farmers –

- Revising credit limits to reflect current agricultural costs and input prices can provide adequate funding to farmers. Criteria for assessing credit limits should take into account different agricultural practices and the financial needs of beneficiaries, especially medium and large farmers.
- Delays in loan disbursement hamper the timely implementation of agricultural activities. Streamlining the application and verification process through digital platforms, coupled with a strong monitoring system, can speed up approvals.
- Banks should assign dedicated teams to handle KCC applications, especially during peak sowing season. Training bank staff to prioritize and streamline loan applications for agricultural activities will go a long way.
- Many farmers fear becoming defaulters due to unforeseen circumstances such as crop failure. Introducing risk mitigation measures such as interest rate subsidies, loan restructuring in case of crop losses, and providing farmer-friendly repayment terms can ease these concerns.
- While crop insurance is intended to provide financial protection, its mandatory nature imposes additional costs on farmers, especially marginal and small farmers. Making insurance optional or

combining it with government subsidies can reduce financial stress. Simplifying the claims process for insured farmers will also enhance trust in the system.
- The issue of high EMIs can be addressed by offering flexible repayment plans that suit the agricultural cycle. Banks can also implement post-harvest repayment grace periods and reduce short-term loan rates.

Conclusion

This comparative study highlights the successes and challenges of implementing the Kisan Credit Card (KCC) scheme in addressing the diverse needs of beneficiary farmers. In Punjab, the scheme has contributed significantly to the socio-economic advancement of beneficiary farmers by improving financial stability and living standards. Conversely, in Haryana, the scheme has played a significant role in improving agricultural productivity, grain storage capacity, and resource management, apart from reducing financial pressure and mental stress. Despite these achievements, several challenges such as inadequate credits, delays in loan disbursement, the burden of mandatory crop insurance, and a rigid installment structure hamper the overall effectiveness of the scheme. These findings highlight the need for tailored interventions to address the unique priorities and constraints of beneficiary farmers.

This study contributes to the theoretical understanding of agricultural credit schemes by highlighting the differential impacts of policy implementation across states in different socio-economic contexts. It provides practical insights for policymakers and financial institutions to design region-specific strategies that address farmers' unique challenges and priorities. In addition, the findings highlight the importance of flexible repayment structures and optional insurance policies to reduce financial stress on farmers, paving the way for more inclusive agricultural credit models.

A major limitation of this study is that it focused on beneficiary farmers in Punjab and Haryana, which may not fully reflect the diversity of agricultural practices and challenges across India. In addition, reliance on beneficiary responses may not reflect the perspectives of non-beneficiaries who were unable to participate in the scheme. Future research could expand to other states, examine the impact of the scheme at the national level, and include comparative analyses of beneficiaries and non-beneficiaries. Longitudinal studies could also assess the long-term outcomes of the scheme and explore the interactions between KCC implementation and broader agricultural policies.

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