

Impact of Kisan Credit Card Scheme on Farmers' Financial Stability

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ABSTRACT

The Kisan Credit Card (KCC) scheme, introduced by the Government of India, aims to provide farmers with timely and affordable credit to support agricultural activities, thereby reducing their dependency on high-interest informal sources like moneylenders. This study evaluates the impact of the KCC on the financial stability of farmers by examining its role in improving access to institutional credit, enabling investments in agricultural inputs, and enhancing overall financial resilience. The data, collected from 50 farmers across various regions, shows that the majority experienced a significant reduction in their reliance on moneylenders and were able to make greater investments in farming, resulting in improved productivity. Despite these positive outcomes, challenges such as regional disparities in KCC coverage, limited loan amounts, delayed disbursements, and financial literacy gaps persist, preventing some farmers from fully benefiting. Additionally, some farmers reported issues with timely repayment due to rising input costs and climate-related risks. This study highlights the need for further strengthening the KCC scheme to address these gaps, improve financial literacy, and ensure better access for small and marginal farmers. In conclusion, while the KCC has significantly contributed to enhancing financial security and agricultural productivity, targeted reforms are necessary to maximize its benefits for all farmers.

KEYWORDS: Kisan Credit Card, Financial Stability, Agricultural Credit, Farmers, Moneylenders, Institutional Credit, Financial Inclusion, Rural Development, India, Credit Access, Agricultural Investment, Financial Literacy

1. INTRODUCTION

Agriculture continues to serve as a cornerstone of the Indian economy, providing livelihood support to a large segment of the population while contributing significantly to food security and rural development. Despite its importance, the sector faces persistent structural and financial challenges, including limited access to institutional credit, dependence on informal lending sources, rising cultivation costs, climate variability, and price instability in agricultural markets.

In response to these challenges, the Government of India, in collaboration with the National Bank for Agriculture and Rural Development (NABARD) and the Reserve Bank of India (RBI), introduced the Kisan Credit Card (KCC) Scheme in 1999. The scheme represents a major reform in rural credit delivery by offering a simplified and flexible mechanism for farmers to access timely and affordable credit. It primarily provides short-term financial assistance for crop production, allied agricultural activities, and related household needs at concessional interest rates.

Over time, the scope of the KCC scheme has expanded to include activities such as dairy farming, fisheries, and animal husbandry, thereby strengthening the economic base of rural households. Key features such as interest subvention, flexible withdrawal facilities, simplified documentation, easy renewal, and insurance coverage have enhanced its role in promoting financial inclusion among farmers. Kunnamangalam Panchayath in Kozhikode district represents a region where agriculture and allied activities form an essential part of the local economy. The area is characterized by a predominance of small and marginal farmers who frequently encounter liquidity constraints, particularly during peak agricultural seasons. Limited financial resources often restrict their ability to procure essential inputs such as seeds, fertilizers, irrigation facilities, and labor.

In this context, the Kisan Credit Card scheme plays a crucial role in reducing dependence on informal credit sources and enabling farmers to adopt planned and efficient farming practices. Furthermore, the region is experiencing gradual socio-economic changes, including shifts in cropping patterns, increasing input costs, and rising financial risks. These developments underline the growing importance of accessible and reliable institutional credit systems.

By providing financial flexibility, the KCC scheme enables farmers to manage seasonal fluctuations, invest in improved technologies, and maintain stability in household finances. However, the effectiveness of the scheme at the grassroots level depends on multiple factors, including awareness among farmers, accessibility of banking services, procedural simplicity, and repayment capacity.

Therefore, it is essential to assess how effectively the KCC scheme contributes to enhancing the financial stability of farmers in Kunnamangalam Panchayath. This study aims to examine the level of awareness, patterns of utilization, benefits derived, and challenges faced by farmers in accessing and using KCC. It also evaluates the role of the scheme in improving income stability, reducing reliance on informal credit, and strengthening the overall economic well-being of the farming community.

Shekhar and Chandra (2025) found that the KCC scheme significantly improved access to institutional credit and reduced dependence on informal lenders. However, repayment challenges persisted among small and marginal farmers due to rising input costs and climate risks.

Sharma (2025) observed that KCC adoption led to increased investment in agricultural inputs, resulting in higher productivity and income. The study also highlighted the importance of financial literacy and extension services in maximizing the benefits of credit.

A report by NABARD (2024) revealed regional disparities in KCC coverage and noted the exclusion of tenant farmers and sharecroppers. It emphasized the need for simplified procedures and improved awareness.

Rao and Patel (2024) demonstrated that KCC beneficiaries achieved higher productivity through better resource utilization, although credit limits were often insufficient to meet cultivation costs.

Mehta (2023) highlighted improvements in financial management and cash flow among KCC users but noted instances of fund diversion for non-agricultural purposes.

Kumar and Singh (2021) found that interest subvention reduced borrowing costs, though benefits were unevenly distributed across farmer categories.

Jacob (2020) emphasized the role of financial literacy in effective credit utilization and timely repayment.

Earlier studies by Singh and Verma (2018), Chand and Sahoo (2016), and Ronio (2005) underscored the importance of simplifying procedures, addressing structural challenges, and improving awareness to enhance the effectiveness of the scheme.

2. STUDY AREA AND POPULATION

The present study is conducted in Kunnamangalam Panchayath, located in Kozhikode district of Kerala, a semi-rural region where agriculture and allied activities form a primary source of livelihood for a significant portion of the population. The area is predominantly characterized by small and marginal farmers engaged in the cultivation of crops such as coconut, paddy, and banana, along with activities like dairy farming and livestock rearing. In recent years, the region has experienced changes in agricultural practices, rising input costs, and increasing financial uncertainties, highlighting the importance of institutional credit support. In this context, the study focuses on farmers residing in Kunnamangalam Panchayath who are either beneficiaries of the Kisan Credit Card (KCC) scheme or eligible to avail of it, including small, marginal, and medium-scale farmers, as they represent the key group whose financial stability is influenced by access to formal credit systems.

3. RESEARCH METHODOLOGY

This study adopts a **descriptive research design** to examine the impact of the Kisan Credit Card (KCC) scheme on the financial stability of farmers in Kunnamangalam Panchayath. The research focuses on understanding farmers' awareness, utilization patterns, and the benefits and challenges associated with the scheme.

The study is based on both **primary and secondary data**. Primary data were collected through a structured questionnaire administered to farmers, supplemented by informal interviews to gain deeper insights into their experiences with the KCC scheme. Secondary data were obtained from reliable sources such as reports of NABARD and the Reserve Bank of India, along with relevant books, journals, and official publications.

The population of the study consists of farmers residing in Kunnamangalam Panchayath who are either beneficiaries of the KCC scheme or eligible to avail of it. A sample of **50 farmers** was selected using a **convenience sampling** to ensure unbiased representation.

The collected data were classified and analyzed using the **percentage method**, and the results were presented through tables and charts for clarity. Interpretation of the data was carried out to evaluate the role of the KCC scheme in improving the financial stability of farmers.

4. ETHICAL CONSIDERATIONS

The study was conducted with due consideration to ethical standards. Data were collected from respondents only after obtaining their informed consent, ensuring that participation was voluntary. The information provided by the respondents has been kept confidential and used solely for academic and research purposes. Care was taken to respect the privacy of participants and to avoid any form of misrepresentation or misuse of the data collected.

5. LIMITATIONS

1. The detailed study is not possible due to people's time and resources.
2. The reliability of data depends upon the information given by the respondent.
3. Study depends upon sampling hence there is a chance of sampling error may occur.

6. RESULTS AND DISCUSSION

6.1 Awareness about KCC Scheme among farmers

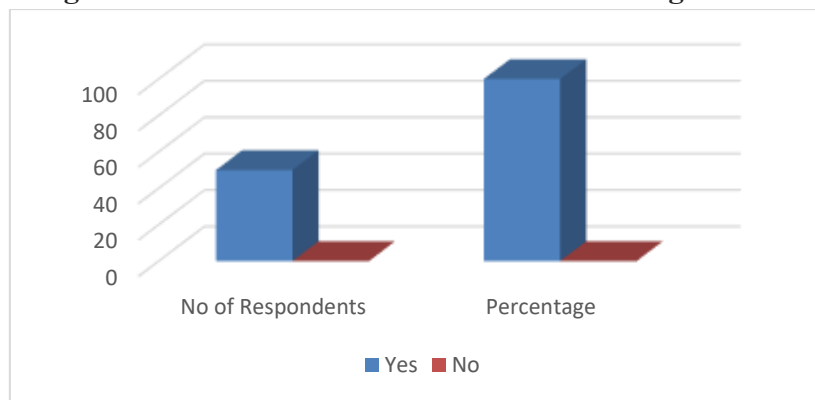
The findings reveal a complete level of awareness regarding the Kisan Credit Card (KCC) Scheme among the respondents in the study area. All sampled farmers reported that they are familiar with the scheme, indicating that information about KCC has been effectively disseminated at the grassroots level. This widespread awareness may be attributed to the efforts of financial institutions, government agencies, and local extension services in promoting the scheme. (Table 1 & Figure 1)

Table 1 Awareness about KCC Scheme among farmers

Categories	No of Respondents	Percentage
Yes	50	100
No	0	0
Total	50	100

(Source: Primary Data)

Figure 1 Awareness about KCC Scheme among farmers



In conclusion, the study highlights that awareness of the Kisan Credit Card Scheme among farmers is universal in the selected area. This reflects the success of awareness campaigns and institutional efforts in reaching the farming community. However, since awareness is already at an optimal level, future policy focus should shift toward improving accessibility, simplifying procedures, and enhancing the effective utilization of credit to maximize the benefits of the scheme.

6.2 Awareness of the main objectives of the KCC scheme

The findings indicate that a significant majority of respondents (80 percent) perceive the primary objective of the Kisan Credit Card (KCC) Scheme as the provision of subsidies. In contrast, only a small proportion of farmers associate the scheme with insurance benefits (10 percent). Very few respondents identified its core purpose as ensuring timely access to credit (2 percent), while minimal responses were recorded for grants (6 percent) and other purposes (2 percent). (Table 2 & Figure 2)

Table 2 Awareness of the main objectives of the KCC scheme.

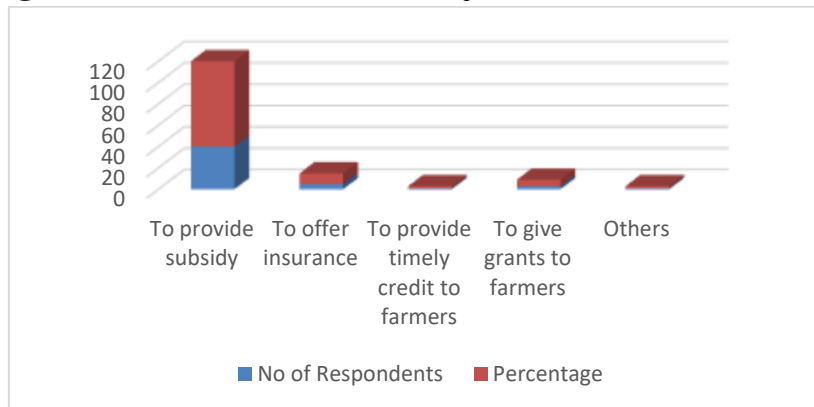
Categories	No of Respondents	Percentage
To provide subsidy	40	80

To offer insurance	5	10
To provide timely credit to farmers	1	2
To give grants to farmers	3	6
Others	1	2
Total	50	100

(Source: Primary Data)

This highlights a considerable gap between the actual objective of the KCC scheme and farmers’ perception of it. The scheme is fundamentally designed to provide timely and affordable institutional credit for agricultural activities; however, the dominance of subsidy-oriented responses suggests a misunderstanding among beneficiaries. Such misconceptions may arise due to greater visibility of subsidy-related government programs or limited financial literacy among farmers.

Figure 2 Awareness of the main objectives of the KCC scheme.



The results imply that although awareness of the scheme exists, the depth of understanding regarding its purpose remains inadequate. This lack of clarity may affect the effective utilization of KCC, as farmers might not fully leverage its credit facilities for productive agricultural investments. Therefore, there is a need for targeted awareness and financial literacy programs to educate farmers about the actual objectives and benefits of the scheme, ensuring its optimal utilization.

6.3 Primary purpose of using KCC credit

The findings of the study reveal clear patterns in the utilization of Kisan Credit Card (KCC) credit among farmers. A majority of respondents reported that KCC credit is primarily used for seed procurement, indicating that access to quality seeds remains the most immediate and essential financial requirement in agricultural operations. This highlights the dependence of farmers on institutional credit at the beginning of the cropping cycle, where timely availability of seeds plays a critical role in determining productivity.

Fertilizer purchases account for 22% of KCC credit usage, suggesting a moderate level of investment in soil nutrient management. While this reflects awareness among farmers regarding the importance of fertilizers, the proportion is comparatively lower than that of seed procurement, possibly indicating either limited credit availability or prioritization of inputs perceived as more critical.

Table 3 Primary purpose of using KCC credit

Categories	No of Respondents	Percentage
Seeds	28	56
Fertilizers	11	22
Equipment	4	8
Labour	0	0
Agricultural needs	7	14
Total	50	100

(Source: Primary Data)

Only 14% of respondents reported using KCC credit for other agricultural needs, which may include irrigation, pesticides, or miscellaneous farm expenses. This relatively small share implies that KCC credit is not being fully leveraged for comprehensive farm management. Similarly, a mere 8% of farmers utilize KCC funds for purchasing agricultural equipment, suggesting either limited credit limits, high cost of machinery, or a preference for alternative financing sources such as subsidies or informal credit channels. (Table 3 & Figure 3)

Notably, none of the respondents reported using KCC credit for labour expenses. This could indicate that farmers rely on personal savings, family labour, or informal borrowing to meet labour costs. It may also reflect structural or procedural limitations in the design or perception of KCC usage, where credit is primarily associated with input purchases rather than operational expenditures like wages.

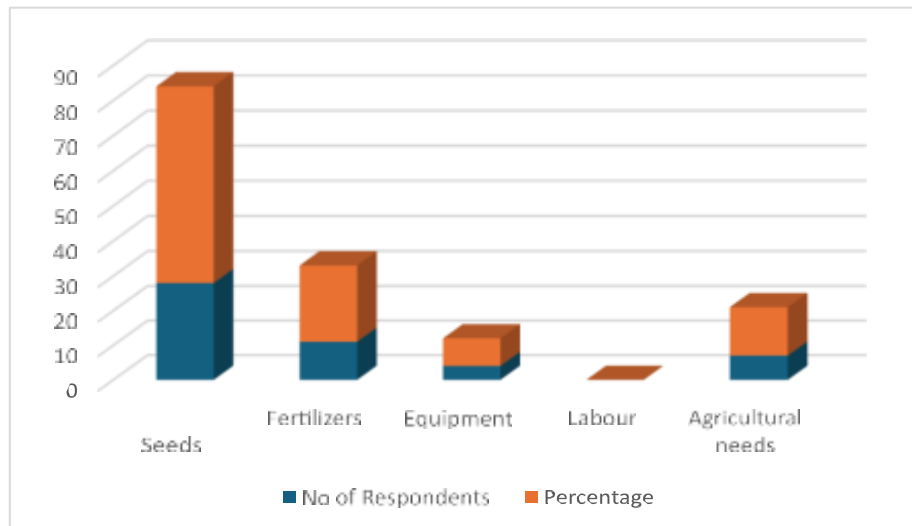


Figure 3 Primary purpose of using KCC credit

Overall, the results suggest that while KCC serves as an important financial tool for input procurement, particularly seeds, its utilization remain concentrated and somewhat restricted. Expanding awareness and flexibility in credit use could enhance its effectiveness in supporting broader agricultural needs and improving farm productivity.

6.4 Improvement in income after using the KCC facility

The findings of the study highlight the impact of the Kisan Credit Card (KCC) scheme on the financial stability of farmers. A significant proportion of respondents reported positive changes in their income

levels after accessing KCC facilities. Specifically, 60% of the farmers experienced an improvement in income, of which 16% reported a substantial increase, while 44% indicated a moderate enhancement in their earnings.

However, the benefits of the scheme were not uniformly distributed across all respondents. Approximately 28% of the participants reported either no noticeable change or a decline in income, with 4% experiencing a reduction and 24% observing no significant variation in their financial condition. (Table 4 & Figure 4)

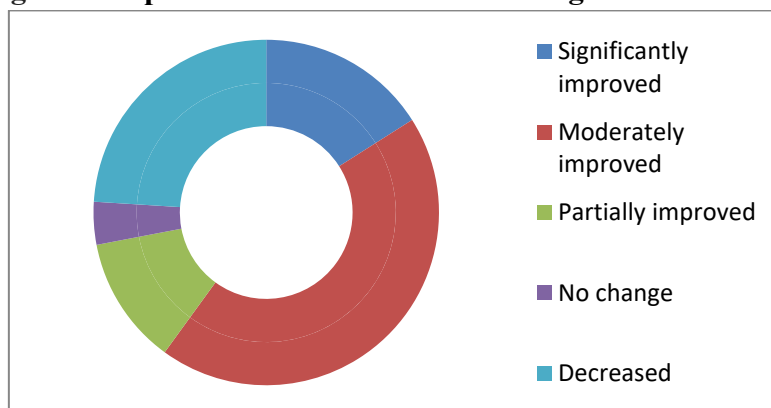
Table 4 Improvement in income after using the KCC facility

Categories	No of Respondents	Percentage
Significantly improved	8	16
Moderately improved	22	44
Partially improved	6	12
No change	2	4
Decreased	12	24
Total	50	100

(Source: Primary Data)

This variation in outcomes suggests that, although the KCC scheme has been effective in improving the financial position of a majority of farmers, a considerable segment has not derived similar benefits. The positive outcomes may be attributed to improved access to timely credit, enabling better investment in agricultural inputs and practices. In contrast, the lack of improvement or decline among some farmers could be associated with factors such as inefficient utilization of credit, external risks like crop failure, or market-related challenges.

Figure 4 Improvement in income after using the KCC facility



Overall, the results indicate that while the KCC scheme plays a crucial role in enhancing farmers' financial stability, there is a need for closer monitoring and supportive measures to address the challenges faced by the segment that did not experience positive outcomes. Strengthening guidance on credit utilization and risk management may help in ensuring more equitable benefits across all beneficiaries.

6.5 Reduction in dependence on moneylenders after using the KCC facility

The impact of the Kisan Credit Card (KCC) on farmers' financial stability was assessed through a survey of 50 respondents, aiming to evaluate its effectiveness in reducing dependence on moneylenders. The findings revealed a mixed outcome, with the majority of respondents indicating positive effects, while a significant minority experienced no change or even an increase in dependence on moneylenders.

Table 5 Reduction in dependence on moneylenders after using the KCC facility

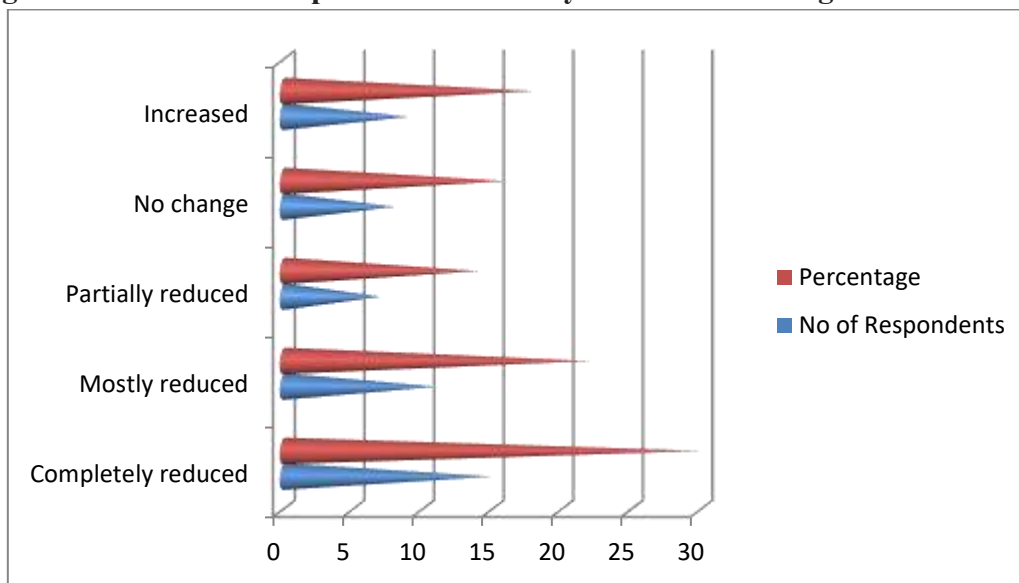
Categories	No of Respondents	Percentage
Completely reduced	15	30
Mostly reduced	11	22
Partially reduced	7	14
No change	8	16
Increased	9	18
Total	50	100

(Source: Primary Data)

A substantial portion of the respondents, 66%, reported a reduction in their reliance on moneylenders after utilizing the KCC. This group included 30% of participants who indicated they had "completely reduced" their dependence on moneylenders, while 22% stated they had "mostly reduced" their reliance. Additionally, 14% of farmers felt their dependence had "partially reduced." This suggests that the KCC had a generally positive impact on the financial independence of the majority of respondents, helping them to shift away from informal credit sources like moneylenders.

However, 30% of the respondents reported either no change or an increase in their dependence on moneylenders. Specifically, 16% of participants indicated that there was "no change" in their financial situation, while 18% reported an "increase" in their dependence. This indicates that, for a notable minority, the KCC did not effectively address the challenges they faced in accessing affordable and sustainable credit. (Table 5 & Figure 5)

Figure 5 Reduction in dependence on moneylenders after using the KCC facility



The results suggest that while the KCC program has made a positive difference for a significant number of farmers, providing them with an alternative to the high-interest loans from moneylenders, its effectiveness is not universal. The mixed responses highlight that factors such as access to KCC loans, timely disbursement, loan amounts, and the overall financial literacy of farmers may play a role in determining the extent to which the KCC can enhance financial stability.

Future interventions could consider these varying experiences and address the barriers faced by the 30% of farmers who did not experience a reduction in dependence on moneylenders. Improving the accessibility, ease of use, and awareness of the KCC program may further enhance its impact on financial stability for a larger proportion of the farming community.

In conclusion, the KCC program demonstrates potential for significantly improving the financial stability of farmers by reducing their reliance on informal lenders. However, its overall effectiveness could be bolstered through more tailored strategies and support to reach those who have not benefited from it.

6.6 Increased investments in agricultural activities after using the KCC facility

One of the key objectives of the Kisan Credit Card (KCC) program was to enable farmers to invest more in their agricultural activities. The survey results revealed that a significant majority of respondents, 96%, reported that the KCC had helped them increase their investments in farming. Specifically, 48 out of the 50 participants answered “Yes,” indicating that the availability of credit through the KCC facilitated greater spending on agricultural inputs such as seeds, fertilizers, equipment, and irrigation systems. (Table 6 & Figure 6)

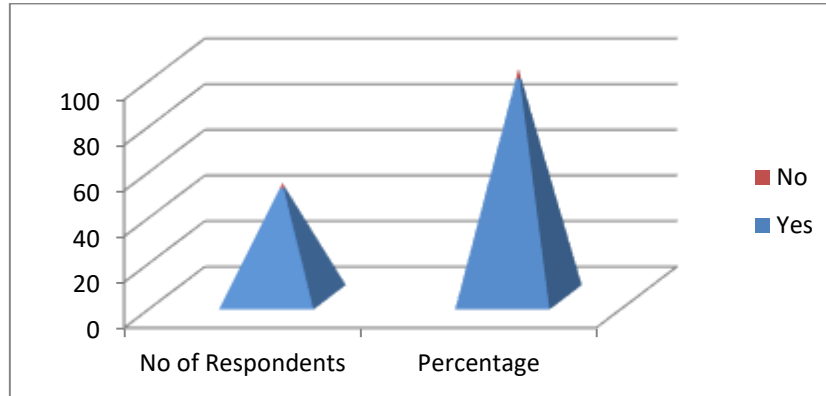
Table 6 Increased investments in agricultural activities after using the KCC facility

Categories	No of Respondents	Percentage
Yes	48	96
No	2	4
Total	50	100

(Source: Primary Data)

This high percentage suggests that the KCC has been largely successful in providing farmers with the financial resources needed to enhance their agricultural productivity and sustainability. The program’s role in improving access to affordable credit appears to be a crucial factor in empowering farmers to make necessary investments for their crops and overall farm management. However, 4% of the respondents (2 out of 50) indicated that the KCC did not contribute to increased investment in their agricultural activities.

Figure 6 Increased investments in agricultural activities after using the KCC facility



These individuals reported that the financial support from the KCC either did not meet their needs or was insufficient for making the required investments. This minority response highlights that while the KCC has had a broad positive impact, there may be gaps in its effectiveness for certain farmers, potentially due to issues such as inadequate loan amounts, delayed disbursement, or challenges in utilizing the funds.

In conclusion, the data strongly supports the idea that the KCC program plays a pivotal role in enabling farmers to invest more in their agricultural activities. Nonetheless, efforts to address the concerns of the small group of farmers who did not benefit fully from the program could further enhance its overall impact and reach.

7. CONCLUSION

The Kisan Credit Card (KCC) scheme has proven to be a transformative initiative in improving the financial stability of farmers across rural India. The findings of this study highlight the significant impact of the KCC in Kunnangalam Panchayath, where the majority of respondents reported a reduction in their dependence on informal moneylenders and an increased ability to invest in agricultural activities. By providing timely and affordable institutional credit, the KCC has enabled farmers to better manage their cultivation expenses, leading to enhanced productivity and sustainability in farming practices.

A key outcome of the study is the marked improvement in farmers' capacity to invest in agricultural inputs, such as seeds, fertilizers, and equipment. This increase in investment has directly contributed to better crop management, improved yields, and higher farm productivity. Furthermore, the reduction in reliance on high-interest moneylenders indicates that the KCC is fulfilling its primary objective of offering farmers a more reliable and less burdensome financial option. This shift from informal credit sources to institutional loans has enhanced farmers' financial resilience and reduced their vulnerability to predatory lending practices.

While the KCC scheme has largely had a positive impact, the study also identified some challenges that hinder its effectiveness for a minority of farmers. A smaller proportion of respondents reported either no change or an increase in their reliance on moneylenders. These farmers often cited procedural delays, documentation difficulties, and partial awareness of the scheme's full benefits as barriers to fully benefiting from the KCC. Additionally, issues such as repayment challenges during adverse agricultural conditions and insufficient loan amounts for small-scale farmers remain areas for concern. These issues suggest that while the KCC has achieved considerable success, its implementation and accessibility at

the grassroots level require further refinement To enhance the effectiveness of the KCC scheme and ensure that it benefits all farmers, especially small and marginal farmers, several steps need to be taken. First, awareness campaigns should be expanded to ensure that farmers are fully informed about the benefits of the scheme and how to access it. Second, the procedural barriers such as documentation and loan application processes should be simplified to facilitate smoother access. Third, there is a need to strengthen financial literacy programs to ensure that farmers understand how to best utilize the credit for sustainable agricultural practices. Finally, addressing issues such as regional disparities in KCC coverage and ensuring that the scheme reaches remote and underserved areas will help make the KCC more inclusive and effective.

Over all, the KCC scheme has undoubtedly contributed to enhancing the financial stability of farmers in Kunnamangalam Panchayath, providing them with critical support in agricultural investments and reducing their reliance on high-cost moneylenders. While the scheme has made notable strides in promoting financial inclusion and sustainable agriculture, its success can be further amplified by addressing the existing challenges, improving accessibility, and ensuring better implementation. With these adjustments, the KCC can become an even more powerful tool in improving the economic conditions of farmers and contributing to the overall growth and development of rural India.

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