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A COMPREHENSIVE STUDY ON THE VARIOUS ISSUES PERTAINING TO REASONS FOR NON-REPAYMENT OF CREDIT UNDER KISAN CREDIT CARD OF SMALL AND MARGINAL FARMERS AND AGRICULTURAL PRODUCTIVITY IN CENTRAL INDIA

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Abstract

Government of India introduced Kisan Credit Card Scheme in the year 1998-99 with a view to fulfil the production credit requirement of small and marginal farmers. This scheme was further stretched in the year 2004 to meet the investment credit requirement of farmers in farming and non-farming activities

A Further revision in the year 2013 aimed at providing adequate and timely credit support and inclusion of small and marginal farmers in banking system under a single window which proved flexible and simplified financial procedures to the farmers for their farming and other needs. The Kisan Credit Card (KCC) scheme has played a pivotal role in ensuring timely and adequate credit access to small and marginal farmers in India. However, the issue of non-repayment of credit remains a significant challenge, particularly in Central India, where agricultural productivity and financial stability are closely intertwined. This study aims to explore the various factors contributing to credit defaults among KCC beneficiaries, examining both institutional challenges and farmer-specific constraints.Key factors influencing non-repayment include fluctuations in agricultural productivity, climate variability, price volatility, inadequate risk management mechanisms, and farmer indebtedness. Additionally, issues such as low financial literacy, improper fund utilization, structural inefficiencies in Cooperative Banks, and delays in government subsidies exacerbate the problem. The study also highlights the role of policy interventions and the need for reforms in agricultural credit distribution, loan restructuring policies, and financial inclusion strategies. By analyzing the correlation between non-repayment rates and agricultural productivity, this research provides insights into potential solutions, including digital financial services, credit monitoring mechanisms, crop insurance enhancements, and farmer training programs. The findings underscore the importance of holistic credit management policies to ensure both financial sustainability for lending institutions and long-term economic stability for farmers. This comprehensive study contributes to the broader discourse on agricultural finance and rural banking reforms, offering recommendations for policymakers, financial institutions, and stakeholders to mitigate credit risks and improve farmer resilience in Central India.

Keywords:
Kisan Credit Card (KCC), Non-Repayment of Credit, Small and Marginal Farmers, Agricultural Productivity, Central India, Rural Credit, Financial Inclusion, Loan Defaults, Climate Variability, Price Volatility, Cooperative Banks, Public Sector Banks, Regional Rural Banks, Credit Risk Management, Agricultural Finance, Crop Insurance, Policy Interventions, Financial Literacy, Government Subsidies, Rural Banking Reforms.

INTRODUCTION:

1.1 Introduction

The Government of India launched the Kisan Credit Card (KCC) Scheme in 1998-99 to address the short-term credit needs of small and marginal farmers. Over the years, the scheme underwent significant modifications. In 2004, it was expanded to include investment credit for both farming and non-farming activities. Further revisions in 2013 sought to enhance financial accessibility by simplifying the credit process and integrating small and marginal farmers into the formal banking system. The scheme's objective was to provide timely and adequate credit support to farmers under a single-window framework, ensuring flexibility and ease of access. Agriculture remains a dominant source of livelihood in India, with more than 50% of the population depending on it for household income. Recognizing the critical role of the agricultural sector in the country's economic development, economists emphasize the need for improving productivity and performance. One of the key determinants of agricultural success is access to capital, making credit facilities indispensable for enhancing agricultural output. Historically, private lenders were the primary source of agricultural credit. However, financial reforms emphasized the inclusion of farmers in the formal credit system, leading to the intervention of apex financial institutions such as the Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD). As part of these efforts, the KCC scheme was introduced to facilitate easier access to credit for farmers. The primary goal of the KCC scheme is to fulfill the short-term credit requirements of small and marginal farmers, covering crop cultivation, post-harvest expenses, and marketing of agricultural produce. Additionally, the scheme supports household consumption needs, working capital for agricultural and allied activities, and financial requirements for sectors such as animal husbandry, fisheries, lac cultivation, mulberry cultivation, sericulture, and beekeeping (since 2021-22). The KCC scheme operates through a structured financial framework, including Commercial Banks, Regional Rural Banks, and Cooperative Banks, with regulatory oversight from RBI and NABARD.

1.2 Aim of the Research

This research aims to assess the effectiveness of the Kisan Credit Card scheme in delivering credit to small and marginal farmers. It will examine the benefits of allied financial features, such as Personal Accident Insurance Coverage, Atal Pension Yojana, and the working capital provisions under Kisan

Samman Nidhi Yojana. The study focuses on the Vidarbha region of Maharashtra to analyze how the KCC scheme has influenced the rural credit scenario and addressed the financial challenges faced by farmers. Furthermore, the research seeks to evaluate the socio-economic impact of the scheme on small and marginal farmers, highlighting its role in improving their financial stability and overall well-being. The study will also identify key factors contributing to the non-repayment of credit under the scheme and explore relevant policy regulations.

1.3 Conceptual Framework

This research intends to explore various components of the KCC scheme, including its disbursement process, applicable interest rates, eligibility criteria, and the level of awareness among farmers in the Vidarbha region. Historically, this region has faced a high incidence of farmer suicides, with financial distress cited as a major contributing factor. The study will analyze the role of financial inclusion in bridging the credit gap and improving rural banking infrastructure. Additionally, the research will examine the impact of credit accessibility on agricultural productivity, including aspects such as crop yield, crop diversification, and efficient resource utilization. The study will also assess the influence of policy and institutional frameworks in ensuring the successful implementation of the KCC scheme. Furthermore, it will explore the role of banks and cooperatives in extending outreach and support services to farmers, which are critical for achieving the scheme's intended objectives.

1.4 Significance of Research

This research holds significant value for policymakers, financial institutions, and academicians by providing insights into the effectiveness of the KCC scheme in the Vidarbha region—a region particularly affected by agricultural financing issues. The study aims to evaluate the scheme's impact on financial inclusion and rural development. Additionally, it will assess the correlation between the KCC scheme and sustainable farming practices, identifying ways in which the scheme contributes to economic and social empowerment of small and marginal farmers. The findings will help determine whether the scheme enhances financial stability, improves agricultural productivity, and uplifts the overall quality of life for farmers.

1.5 Statement of the Problem

Small and marginal farmers play a crucial role in Vidarbha's agricultural sector, contributing significantly to regional economic growth. However, these farmers frequently face financial constraints due to limited access to formal credit and seasonal fluctuations in agricultural productivity. The KCC scheme was designed to alleviate these financial burdens and enhance agricultural development. Despite its objectives, there remains a lack of comprehensive analysis on the scheme's effectiveness and its socio-economic impact on farmers in the region.

Several gaps have been identified in existing research on the implementation and financial inclusion aspects of the KCC scheme. Additionally, the relationship between the scheme and agricultural productivity—considering factors such as crop yield, resource utilization, and overall farm efficiency—remains underexplored. Furthermore, there is inadequate research on the economic and social impact of the scheme on farmers' livelihoods. Another major concern is the lack of awareness and financial literacy among farmers, which may hinder optimal utilization of the scheme's benefits. Operational challenges such as stringent eligibility criteria, delays in credit issuance, and issues related to crop insurance premium remittance also warrant investigation. This research aims to bridge these gaps by providing a comprehensive assessment of the KCC scheme's role in enhancing agricultural productivity and financial stability among small and marginal farmers in Vidarbha.

1.6 Objectives of the Research

The primary objectives of this research study are:

1. To examine the key factors contributing to the non-repayment of credit under the Kisan Credit Card (KCC) Scheme among small and marginal farmers in Central India.

1.7 Research Hypothesis

Research Question:
What are the primary factors influencing the non-repayment of credit under the KCC Scheme, and how does it affect agricultural productivity among small and marginal farmers in Central India?

Hypothesis 1:

- Null Hypothesis (H_0): There is no significant relationship between the factors contributing to non-repayment of KCC loans and agricultural productivity.
- Alternative Hypothesis (H_1): There is a significant relationship between the factors contributing to non-repayment of KCC loans and agricultural productivity.

1.8 Scope of Research

This research aims to identify and analyze the various socio-economic and financial factors leading to loan defaults under the KCC Scheme. It will evaluate how non-repayment affects the long-term financial inclusion, creditworthiness, and overall agricultural productivity of small and marginal farmers. Additionally, the study will provide insights into policy interventions, structural reforms, and financial literacy programs that can enhance loan repayment rates and improve the effectiveness of the KCC Scheme in Central India.

Literature Review

Singh and Prakash (2022) found that institutional sources of credit, such as KCC loans, are preferred over non-institutional sources due to benefits like timely credit availability, adequate loan amounts, high withdrawal frequency, repayment flexibility, crop insurance benefits, and access to financial transactions. However, their study also highlights major challenges in loan repayment, including unpredictable crop yields, price volatility, lack of financial awareness, and procedural complexities in loan restructuring. Mehta and Trivedi et al. (2016) emphasized that while the KCC Scheme has improved access to agricultural credit, challenges in repayment persist due to factors such as poor risk management, over-indebtedness, and lack of financial discipline among borrowers. They recommended simplifying the loan recovery process, enhancing financial literacy, and strengthening risk mitigation measures to reduce defaults. Mani (2016), in a NABARD report, analyzed the significant benefits of the KCC Scheme for farmers but also noted the increasing trend of non-repayment. The study attributed this issue to factors such as climate risks, fluctuating market prices, and the lack of awareness regarding repayment incentives. The report recommended financial counseling programs and targeted interventions to improve loan recovery. The literature highlights that while the KCC Scheme has played a crucial role in ensuring financial inclusion, loan repayment remains a critical challenge. The key reasons for non-repayment identified in various studies include:

- Crop failure due to climate risks
- Market price fluctuations affecting farm income
- Poor financial awareness and lack of repayment planning
- Complex loan restructuring and repayment procedures
- Over-dependence on institutional credit without sufficient income diversification
- Challenges in accessing government debt relief programs

Research Methodology

3.1 Type of Study

This study adopts a descriptive research approach to investigate the factors contributing to non-repayment of KCC loans and its impact on agricultural productivity among small and marginal farmers in Central India.

3.2 Research Design

A qualitative research design has been employed to analyze farmer experiences, loan repayment behavior, and policy effectiveness in addressing financial distress.

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3.4 Data Collection

3.4.1 Type of Data Collected

Secondary Data:

- Government reports and NABARD publications
- Research papers, books, and trade journals
- Agricultural credit performance reports from financial institutions
- News articles and policy bulletins

DISCUSSION AND CONCLUSION

Tab 1: State-wise Number of Kisan Credit Cards issued upto 30th June 2010

Tab 1: State-wise Number of Kisan Credit Cards issued upto 30th June 2010

		Figures in numbers			
Sl.	State/UT	Coop Banks (CB)	Regional Rural Banks(RRB)	Commercial Banks	Total
1	2	3	4	5	6
1	Andhra Pradesh	4007436	2153853	9919395	16080684
2	Assam	14523	160176	399122	573821
3	Arunachal Pradesh	980	3333	19178	23491
4	Bihar	833013	1130949	1861816	3825778
5	Gujarat	1245306	250138	1543120	3038564
6	Goa	4577		12465	17042
7	Haryana	1262789	381698	860922	2505409
8	Himachal Pradesh	195518	57551	256109	509178
9	Jammu & Kashmir	53742	32153	15411	101306
10	Karnataka	1877896	1291404	2542616	5711916
11	Kerala	1510837	477537	1511575	3499949
12	MadhyaPradesh	3443912	592372	1813064	5849348
13	Maharashtra	5407593	329834	2971921	8709348
14	Meghalaya	10844	22036	46125	79005
15	Mizoram	2116	9480	14852	26448
16	Manipur	13532	2073	28230	43835
17	Nagaland	3076	1833	23300	28209
18	Orissa	3636573	714575	1256635	5607783
19	Punjab	910827	144123	1353314	2408264
20	Rajasthan	3032639	513681	1761734	5308054
21	Sikkim	3411		8182	11593
22	Tamil Nadu	1649340	297334	4223972	6170646
23	Tripura	3993	54186	64461	122640
24	Uttar Pradesh	6292418	3991882	6916545	17200845
25	West Bangal	1546898	425855	1534556	3507309
26	A & N island	3691		2863	6554
27	Chandigarh			3210	3210
28	Daman & Diu			1765	1765
29	Delhi	2157		21741	23898

30	D & N Haveli			3243	3243
31	Lakshdweep			680	680
32	Pondicherry	7211	133	59903	67247
33	Jharkhand	278892	391270	502776	1172938
34	Chhattisgarh	1132054	312422	316645	1761121
35	Uttarakhand	320366	50537	304349	675252
36	Other States			47	47
36	Breakup not available			188005	188005
	for CBs (1998-99)				0
	Total	**38708160**	**13792418**	**42363847**	**94864425**
Source : Department of Agriculture and Cooperation, Credit Division.					

The table presents a state-wise distribution of Kisan Credit Cards (KCC) issued across Cooperative Banks (CBs), Regional Rural Banks (RRBs), and Commercial Banks (CBs), along with the total number of KCCs issued as of June 30, 2010. A total of 94,864,425 (94.86 million) KCCs were issued across India. Commercial Banks (42.36 million) issued the highest number of KCCs, followed by Cooperative Banks (38.71 million) and Regional Rural Banks (13.79 million).Top States with the Highest KCC Issuance are Uttar Pradesh: The highest number of KCCs (17.20 million), with Commercial Banks playing a dominant role. Andhra Pradesh: Issued 16.08 million KCCs, with Commercial Banks leading. Maharashtra: Issued 8.70 million KCCs, primarily from Cooperative Banks. Madhya Pradesh: 5.84 million KCCs, with Cooperative Banks as the largest contributor. Odisha and Rajasthan also showed significant KCC issuance, exceeding 5 million each. States with the Least KCC Issuance are Lakshadweep: Only 680 KCCs issued. Daman & Diu: 1,765 KCCs. Chandigarh and Dadra & Nagar Haveli also reported minimal KCC issuance. North and Central India (Uttar Pradesh, Madhya Pradesh, Rajasthan, Bihar, and Chhattisgarh) had a high number of KCCs, driven by larger agricultural populations and greater dependence on institutional credit. Southern States (Andhra Pradesh, Karnataka, Tamil Nadu, and Kerala) also reported high KCC adoption, indicating strong institutional credit outreach. Northeastern States (Arunachal Pradesh, Manipur, Nagaland, Mizoram, etc.) had relatively low KCC penetration, likely due to limited banking infrastructure and smaller agricultural landholdings. Cooperative Banks played a major role in Maharashtra, Madhya Pradesh, and Rajasthan, where traditional cooperative lending is strong. Regional Rural Banks had a notable presence in states like Uttar Pradesh, Bihar, and Odisha, catering to rural credit needs. Commercial Banks dominated in Andhra Pradesh, Tamil Nadu, Punjab, and Haryana, indicating better financial access through modern banking institutions. The high concentration of KCCs in a few states suggests an uneven distribution of financial credit accessibility. Northeastern and Union Territories have significantly lower KCC issuance, highlighting a need for greater financial inclusion. The dominance of Commercial Banks in credit issuance may indicate a shift from traditional cooperative banking to more formalized credit structures. High KCC issuance in states with agricultural prominence (such as Uttar Pradesh, Maharashtra, and Andhra Pradesh) suggests that the scheme has played a significant role in expanding agricultural credit availability. The data highlights the significant reach of the KCC Scheme in providing institutional credit to farmers across India. However, regional disparities in issuance, challenges in repayment, and accessibility in remote regions need to be addressed to further strengthen financial inclusion and agricultural productivity. It has been recorded that most farmers use these cards to purchase goods such as TVs, motorcycles, and refrigerators rather than farm inputs. They also asked for the number of cards issued and the amount advanced to purchase equipment through these cards However till date no instances of farmers using Kisan Credit Card for purchasing such goods have come to their notice. Kisan Gold Card Scheme is an agricultural term loan scheme that can be used for the farmers' agricultural term loan requirements including their consumption needs like expenditure on illness/hospitalization/family functions etc. NABARD reported that all banks including commercial, cooperative and regional rural bank, have issued 83,82,342 Kisan Credit Cards during the year 2001-2002 up to February 28, 2002. An amount of Rs. 25232.80 crores has been sanctioned through these cards. NABARD, which is the Nodal Agency for implementation of Kisan Credit Card (KCC), does not collect the requisite information in the manner asked for. During the year 2007-08 (till November 30, 2007) a total of 32,495 KCCs have been issued with the sanctioned amount of Rs. 358 lakh. As on November 30, 2007, since inception, a total of 7,46,967 KCCs have been issued in the State of Jharkhand, having a sanctioned amount of Rs. 1,21,550 lakh (all data provisional) to tribal farmers in Jharkhand. In conclusion, the Kisan Credit Card (KCC) scheme has demonstrated a substantial reach in providing institutional credit to farmers across India, with over 94.86 million cards issued by June 2010. However, the distribution of these cards reveals significant regional disparities. States with large agricultural populations, such as Uttar Pradesh, Andhra Pradesh, and Maharashtra, have seen high adoption rates, while Northeastern states and Union Territories lag significantly behind, highlighting the need for improved financial inclusion in these regions. The dominance of Commercial Banks in KCC issuance suggests a shift towards formalized credit structures, though Cooperative and Regional Rural Banks continue to play crucial roles in specific regions. While concerns about the misuse of KCCs for non-agricultural purchases have been raised, official reports indicate no widespread instances of such misuse, with the Kisan Gold Card Scheme explicitly accommodating certain consumption needs. Despite the scheme's success in expanding agricultural credit availability, challenges remain. These include addressing regional disparities in access, ensuring effective repayment mechanisms, and improving outreach in remote areas. Furthermore, data collection limitations, as seen in the case of tribal farmer KCC issuance in Jharkhand, underscore the need for more granular data to accurately assess and improve the scheme's impact. Future efforts should focus on targeted interventions to enhance financial inclusion and agricultural productivity across all regions, ensuring that the benefits of the KCC scheme reach all segments of the farming community.

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