

Evaluation of the Kisan Credit Cards Scheme and its Impact

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1. Abstract

Globally, financial inclusion has been adopted as a goal for sustainable development and balanced growth. Agriculture and allied activities are the major drivers of the Indian growth story. Despite increasing emphasis on self-sufficiency and self-reliance, Indian agriculture has witnessed lacklustre growth due to a lack of institutional development. To boost Indian agriculture, Indian Government has introduced various schemes. Kisan Credit Card scheme was launched in 1998 as a credit delivery mechanism to provide access to finance for crop production, consumption, post-harvest, and maintenance purposes. The purpose of this project is to study the impact of financial inclusion and literacy on adoption of Kisan Credit Cards. It also aims at understanding various factors that impact the Kisan Credit Card Holdings in Rural India. For this project, CMIE (Canter for Monitoring of Indian Economy) data-set People of Indiadx, Consumer Pyramids were used for the purpose of analysis. The data reveals some interesting facts, such as a vast gap in Kisan Credit Card holdings between people with Bank Accounts and those without. Not only data emphasizes the Kisan Credit Card Holding among bank account holders as compared to the non-bank account holders, but it also highlights the impact of demonetization during May 2017 on Kisan Credit Card Holding among non-bank account holders. Further, it has been observed that literate farmers are more prone to adopt Kisan Credit Card as compared to illiterate farmers. Owing to increasing emphasis of the policy makers such as NA BARD and Reserve Bank of India on rural and priority lending, Kisan Credit Card scheme is more successful in the Rural areas. To achieve the objective many financial instruments such as Credit Cards, Health Insurance, Life Insurance have been launched by the Government of India. Data reveals a significant relationship between financial inclusion and adoption of Kisan Credit Cards. Overall, the period of May 2017 to Dec 2017 exhibits the demonetization impact on adoption of Kisan Credit Card holders irrespective of their existing situation. Through this study we can establish that Kisan Credit Cards do have impact on income of the households. One of the major findings of the report is that organized and large farmers are more likely to subscribe to Kisan Credit Card as compared to the small farmers and agricultural labourers. With introduction of Ru pay ATM Kisan Credit Cards in the year 2016 and demonetization there has been sudden jump in adoption of Kisan Credit Cards, particularly among the progressive farmers.

Introduction

One of the reasons for the lackadaisical growth of the agricultural economy is the lack of an institutional credit delivery system. With the increasing role of the non-institutional modes of credit, such as money lenders and unorganized sector players, such as family, friends, and relatives, the small farmer has landed in a cul-de-sac. To resolve the issue of non-institutional credit and give impetus to the agricultural growth, the Government of India has introduced the Kisan Credit Card scheme under the aegis of the Reserve Bank of India. The Kisan Credit Card scheme aims at providing timely institutional credit under a single window with the most hassle-free procedure to the farmers. As part of the scheme, the Government provides interest subvention and incentives for early repayment of the loans on Kisan Credit Cards. As per RBI there are approximately 6.93 Cr ore Kisan Credit Cards issued to the farmers. Various studies emphasize that Kisan Credit Card scheme has helped to augment the agricultural credit and thereby increasing the income of the farmers and boosting the crop productivity. Various studies conducted by NA BARD and Reserve Bank of India highlight that despite all the efforts to saturate the farmers with Kisan Credit Cards under the financial inclusion program, a large number of farmers have still not subscribed to the Kisan Credit Card schemes. Reasons for not subscribing to the Kisan Credit Cards are lack of financial inclusion, lack of literacy, small land holdings and lack of bank account. Moreover, land holding scenario in India is dominated by the Small and Marginal farmers, who have operational land holdings of approximately less than 2 acres. These farmers are the most vulnerable to the vagaries of nature and calamities such as floods, droughts etc. To achieve the inclusive growth providing affordable credit to this group of small and distressed farmers is the way towards a balanced growth. To address the issue of financial exclusion, NA BARD and RBI have undertaken various program such as Financial Literacy campaigns and prompt opening of bank accounts to facilitate issuance of Kisan Credit Cards, waiver of the financial charges and cross selling of various products such as health insurance, bank accounts, crop insurance to name a few. Government of India has also introduced various features such as provision of Kisan Credit Card scheme for the tenant farmers, Self Help Groups and Joint Liability groups. This project aims at understanding the trends in adoption of Kisan credit Cards across India and various factors impacting the adoption of Kisan Credit Cards in India

1. Research Problem and Objective

To achieve the objective of Financial Inclusion, Reserve Bank of India has given mandate to various Commercial Banks, Regional Rural Banks and Cooperative Banks to issue Kisan Credit Cards. Further NPCI (National Payment Corporation of India) has given the mandate to the banks to issue Rupay debit cards to the farmers. However, various studies raise concern about the lack of financial literacy and

inability of the farmers to use of KCC, leading to low KCC penetration. With the increasing thrust of the Government of India on digital economy, various financial inclusion initiatives have been undertaken by the banks in area of priority lending such as Bank account opening, Health Insurance, Credit Cards, Life Insurance, Demat accounts and Financial Literacy programmes. CMIE (Centre for Monitoring Indian Economy) People Pyramid dx is a survey of approximately 8, 00,000 respondents on a four-monthly basis from Jan 2014 to Jan 2020. Various earlier research studies undertaken by various agencies reveal that there are various existing challenges in allocation of the Kisan Credit Cards such as:

- Due to lack of legal documentation, banks are hesitant to offer the Kisan Credit Card to tenant farmers and lessees
- Small famer coverage is not impressive
- Some of the farmers are not literate and do not have the bank account holders

The study aims to draw meaningful conclusions in Kisan credit card penetration through the data analysis.

2. Methodology

The study covers the period from January 2014 to January 2020. The data for the purpose of analysis has been acquired from the CMIE (Centre for Monitoring Indian Economy) People Pyramids dx, Consumer Pyramid dx, Income Pyramids dx. The data has been collected through a secondary survey across all over India. Approximately 8, 00,000 members and 1, 75,000 households have been surveyed over the 6 years period. This is a descriptive study that aims to analyse the data for meaningful conclusions from the sample.

3. Literature Review

(Boss & Padhan, 2020), discusses the changing landscape of Indian agriculture. With increasing income, the demand pattern for agriculture products have led to increase in demand for horticulture products and livestock products. Research paper discusses the issue of increasing post-harvest losses due to various reasons such as lack of proper storage facility, stronghold of the middlemen and traders in agriculture retail markets. The authors examine the findings of Tata Cornell study on post intervention interventions in Bihar, Uttar Pradesh, and Orissa to examine the impact of Post-Harvest interventions on farmer's welfare. These interventions included PHM technologies, grain pro bags, modern threshers, spiral graders and grading of food grains and cereals. Research paper discusses that the lack of storage facilities leads to spoilage of food products, which leads to increased farmer losses. Much of the reason for farmer distress is the lack of financial resources, which force the farmers to store their grains and cereals in indigenous storage structures, which are made using

traditional local material such as cow dung, paddy straw, wheat straw, wood, bamboo, reeds, mud, bricks etc. These traditional storage facilities do not provide protection against the storage pests, shrinkage, spoilage, moisture, and time. To mitigate losses due to post harvest risks and provide distress aid to the farmers, the Government of India has introduced various post-harvest interventions such as Pradhan Mantri Kisan Samman Nidhi, National Agriculture Market (eNAM), Pradhan Mantri Krishi Sinchayee Yojana, and Pradhan Mantri Fasal Bima Yojana and Kisan Credit Card scheme.

Singh, Kaur, Kaur, & Kaur, (2017) Research paper discusses that despite the initial gains of the Green revolution, which included the increase in the wages and lowering in the prices of commodities, there has been sudden increase in cases of indebtedness and poverty among the rural people. Paper discusses that with the increase in development of agriculture in the state of Punjab, advent of newer technology and inputs, the pressure on farmers has been increasing tremendously. To purchase these newer modes of technology and mode of farming, the agriculturists in Punjab must spend tremendous amount of money on these resources. To purchase new technology the farmers, must take loans from various agencies. Various challenges facing the Indian economy are stagnant technology, rising input rises, weakening support systems, declining profitability to name a few. One of the major sources for credit to the farmers is the non-institutional credit which includes commission agents. Research paper discusses that approximately 85.9 percent of the farming households in the state of Punjab are under debt and approximately 80 percent of the agricultural labours are under debt. Besides, that some of the major reasons for the indebtedness of the farmers are low productivity levels, increased cost of production, rising cost of living, institutional credit, unproductive social ceremonies, intoxicants etc. The paper highlights that most of the small farmers raise the loan from the non-institutional agencies which relatives, friends, commission agents, cooperative societies, money lenders, shop keepers and traders to name a few. In terms of total debt, non-institutional agencies contribute around 24.73 percent of the total debt. Besides, major proportion of the debt contributed by the non-institutional credit the paper also highlights that rate of lending is the highest for the small and marginal farmers. Rate of interest is 8 to 14 percent for the small and marginal farmers, marginal and semi marginal 1 percent and 7percent for marginal and semi medium farmers and 22 percent and 28 percent agricultural labour.

De Roy, (2017), Paper concludes that economic liberalization has led to agricultural slowdown and insecurity. Authors argue that cheap institutional credit, decline in agricultural capital formation has led to decline in agricultural productivity. The author further highlights the lop-sidedness of agricultural policies and reforms with undue focus on large farmers. Further to substantiate the claim, the growth rate of agriculture has declined from 2.9 percent in 1981-82 to 1989-90 to 2.1 percent in 2010-

11 to 2013-14. This implies that share of agriculture in total GDP has declined steadily. Research highlights that the production of food grains has increased from 97.3 MT to 131.2 MT in year 1983-84. The food grain production showed an exponential increase from 50.8 MT in 1950-51 to 152.4 MT in 1983-84 due to green revolution. And in 1990-91 growth rate is mainly driven by the rice and wheat production. Further augmentation of the agricultural irrigation facilities has led to an increase in the wheat production. As per the study the share of the rural credit in the total credit extended by the commercial banks has declined from 24.515 percent in 1990 to 9.557 percent in 2018. And rural credit-deposit ratio has declined from 24.415 percent in 1990 to 9.557 percent in 2018. Further the credit deposit ratio has declined from 0.970815 in 1990 to 0.692533 in 2018. Research paper substantiates that lack of institutional credit has given way to the institutional credit including money lenders, non-banking agencies etc.

Banks & Environment, (2002) the authors highlight that in the post reform period the cost of credit has gone up and the subsidization of interest rates has virtually gone away. The author argues that despite several financial reforms launched by the Government of India such as reduction in CRR (Cash Reserve ratio), SLR (Statutory Liquidity Ratio) and introduction of CAR (Capital Adequacy Ratio) and other norms the cost of credit has not gone down. The banks have refused to pass down the reduction of interest rates to the consumer and they prefer to invest in Government securities. The cost of credit in priority and non-priority sectors are uniform. At present all the banks have the freedom to decide the Prime Lending rates. It is observed that interest rate charged for lending credit above Rs 2 Lakh was the highest in the year 1992 – 1997 and declined thereafter. Whereas for the loans below Rs 2 Crore the loan interest rate hovered around 14.5 percent and 15 percent. Research study concludes that due to vanishing subsidisation of the loan accounts it is important that a new information system is created for the Small Borrower Accounts. In a scenario where banks can charge different interest rates, a uniform system of communication will lead to asymmetry.

Chandrasekhar & Mehrotra, (2016) in their research paper have discussed the need to double the income of Indian farmer by 2022. And shifting the focus from cultivator's income to income from livestock. From NSSO survey the authors conclude that there has been decline in the growth of agricultural income and it has declined to 1percent. To analysis, the farmer's income includes cultivator's income, income from livestock, horticultural income, fishery, piggyery, bee keeping and sericulture. NSSO estimates from 2003 to 2013 were used for the purpose. From Consumer Price Index for Agricultural Products, agriculture income has increased from Rs. 2115 to Rs. 6,426. From the data the average income from cultivation has increased only in Chhattisgarh and livestock has increased only in Odisha. The research paper highlights various issues that plague cultivation including agricultural products, remunerative prices

and focus on land leasing and risk adaptation. Much contrary to the expectation income from cultivation has increased for people with income of 1 hectare. Measures such as agricultural credit to farmers, FPO (Farmer Producer Organizations), investment in irrigation and Minimum Support Prices have helped to increase the farmers' income.

Banks & Environment, (2002) in their research paper have criticized all the public sector banks for lack of priority banking, particularly in the rural sector. Under the infrastructure for corporate lending, Regional Rural Banks and the Cooperative banks have been unable to lend credit in rural India. With increasing commercialization of agriculture, the demand for agriculture credit has been increasing. Because of this reason demand for credit from money lenders and unorganized sector has risen. NABARD has set up a committee for rural credit as ECRC was set up under VS Vyas. This committee constituted by members from academia, banking, NABARD, and banking systems. In 1981 AM Khusro committee submitted report for rural credit. Committee laid down various measures including recognizing demand for credit, organizational competence, and regulatory support. Committee recommended various measures including the adoption of holistic approach livelihood, adopt Joint liability group, convert Short Term loans into medium term loan and introduction of KISAN and artisan credit cards, alternative methods of insurance, increasing Credit Deposit ratio, introduction of Kisan Credit Card scheme, adopt Joint Liability scheme into Self Help Group. The committee further recommended revitalization of capitalistic system and to amend Banking Regulation Act to bring Long Term Loan structure under Reserve Bank of India ambit. A model cooperative bill under Vyas committee was recommended by Brahm Parkash to create an organically linked structure among tiers. It further recommended institutional through development of cooperative and RRB (Regional Rural Bank) structure and capitalization

Kumar, Yadav, Jee, Kumar, & Chauhan, (2011) in their research paper have discussed the various weaknesses and challenges facing the institutional credit in Rural India. Anjani Kumar argues that in Indian villages and rural region, most of the institutional credit is provided by the cooperative banks and societies. The number of the cooperative banks offering institutional credit in Indian villages is extremely limited. Because of this reason the villages have to depend on money lenders for providing the institutional credit. In India, most of the institutional credit agencies comprise of the Self-Help Groups, Cooperative Banks, Regional Rural Banks, micro institutions and Self-Help Groups. As per the Indian banking industry has taken various initiatives such as Lead Bank Scheme, Self Help Group Linkage programme, Kisan Credit Card Scheme to name a few. But despite these measures the flow of credit in the Indian Rural sector has declined tremendously. To identify the temporal distribution of the Kisan Credit Cards and to identify the various reasons for selective penetration of the Kisan Credit Cards in the Indian villages a logit model of regression was used. For

analysis, the number of households and net sown area were taken as the explanatory variable. As per the authors, the implementation of the Kisan Credit Card scheme has been varied across the states. As per the survey the maximum number of Kisan Credit Cards have been issued in the state of Andhra Pradesh, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and Uttarakhand. As per the authors Kisan Credit Card scheme suffers from various weaknesses such as multiple deliveries to the same individual, a very small proportion of small farmers covered by the Kisan Credit Card scheme. According to the authors, the size of the farm, education level and the main occupation of the individual has vast impact upon the probability to own a Kisan Credit Card.

Credit et al., (2015) research paper discusses the Kisan Credit Card as an instrument that provides revolving cash credit facility to the farmers that provide unlimited number of withdrawal facility. This instrument was launched by the Government of India, in consultation with NABARD. As per the study Kisan Credit Card scheme has led to increase in the agricultural productivity and availability of the agricultural credit. The major benefit of the Kisan Credit Card scheme is that it makes available the credit at the most affordable terms and conditions. The research highlights the role of the various commercial banks such as State Bank of India in promoting this scheme. Mukherjee & Pal, (2017) in their research paper have discussed the various impediments to crop insurance. Authors emphasize that the Pradhan Mantri Fasal Bima Yojana (PMFBY) initiated by the Central Government in January 2016 to double the crop insurance coverage to 50 percent by 2018 is based on two propositions. According to authors these propositions are to increase the proportion of crops insured and proportion of area insured. Using the data on insurance collected through NSSO surveys, the authors conclude that the coverage of crop insurance in India is extremely low both in terms of number of farmers and units of cultivation (Or the number of crops sown). One of the reasons cited for low penetration of crop insurance in India is the leniency of the banks in granting short term crop loans. In policy matters, the banks are not supposed to grant loans to the farmers, unless and until they take crop insurance. Lower level of insurance penetration implies that rules of mandatory insurance are not being followed by the banks in India. One of the major findings of the study is the crop insurance coverage in India varies by the states and land holdings. Also, the demand for the crop insurance is also price sensitive and delay in payment. Other reasons cited for lack of insurance penetration are asymmetry of information and lack of persuasion by the banks, which are the main channels of crop insurance dissemination.

4. Comparison with Indian scenario

The kisan Credit Scheme was introduced in India in the year 1998-99, (Reserve Bank of India, 2026). One of the flagship programs aimed at providing short-term credit to

the farmers by the Government of India. In India till 2017 approximately 233 Million Kisan Credit Cards were issued. India has adopted access to adequate agricultural credit as one of the major milestones in each of the five-year plan since independence. Agriculture has been one of the major source of livelihood for people of India. One of the major obstacles to agriculture driven economic growth in India has been lack of institutional credit and reliance of farmers on non-institutional sources of finance. With the adoption of financial inclusion as one of the sustainable development goals, the importance of financial inter mediation in the form of policy instruments has increased manifolds. One of the major drivers of nationalization of banks in 1969 was increasing the access to the rural finance and credit for Indian farmers, (Reserve Bank of India, 2006).

Kisan Credit Card scheme is a flagship scheme of Government of India in 1998 - 99. This scheme was aimed at cutting the intricate quagmire of unorganized lenders and money lenders, who had become a burden some on Indian farmers. Prior to Kisan Credit Card scheme, Indian agriculture was predominated by primarily a multiple agency lending scheme. Most of the agricultural households in the past used to rely on moneylenders, non-institutional sources of finance.

Indian economy in the year of 1951 was predominantly an agrarian economy. At the dawn of Indian independence and inception of the Indian planning, agricultural yield was 508 Lakh Tonnes which increased to 2850 Lakh Tonnes in the year 2018-19. In the wake of increasing agricultural production and yield, the Government of India has undertaken massive capacity building programmes including farmers training, setting up of the modern e- NAM (e Marketing), primary health cares to the farmers, automated weather stations and IV based call centres to provide prompt information to the farmers about the farm product prices. As part of institutional credit delivery system, the Government of India has introduced 14 different Kisan Credit Cards. To boost the income of the farmers, the Government of India has set up an ambitious goal of doubling farmer's income by the year 2022. Important in the agriculture sector is the release of the advance estimates, the yield as Kg/Hectares has increased to 2,299 Kg/Hectares in the year 2018-19. Department of Agriculture and Farmer welfare has worked tremendously on increasing the water storage, increasing the sowed area and providing the modern equipment's and technology to the farmers of India. One of the glaring facts about the Indian farmers is the increasing number of farmer suicides. The Government has undertaken various initiatives to replace the non-institutional credits wit-h banking and institutional credits. In the year 2017, Indian economy has witnessed the record horticulture and agriculture products. Public Investment in agriculture and allied activities has increased from Rs. 35696 crores in 2011-12 to Rs. 44957 Cr ore in 2015 -16.

Agricultural credit plays a major role in reducing the distress of the Indian farmers. In June 2004, Indian Government has taken steps to double the flow of agriculture credit and reducing the interest rates, (Reserve Bank of India, 2025)

Since 2004, the flow of credit to agriculture has consistently exceeded the target. In India there are two seasons of farming Kharif and Rabi. For the Kharif crops the Indian Government has provided crop loans up to Rs 3 Lakhs at the interest rate of 7%. Government of India provided an additional % interest subvention to the farmers for the early repayments as per schedule in the year 2009-10. This interest subvention has been increased substantially from 1% to 2% to 3% p.a. This brings the effective rate to 4%, which is extended as pre harvest loans by the commercial loans and private banks. In case of post-harvest loans, credit will be available negotiable warehouse receipts, loans are provided at the market rates. However, to mitigate the woes of the small and marginal farmers, the Government of India introduced the Kisan Credit Card scheme in form of post-harvest loans, which will be available at the same rates as the negotiable warehouse receipt and will pass on the benefits of interest subvention to the farmers. The Government of India has increased the limit of collateral loans from 50,000 to 1, 00,000. Government of India has further upgraded the Kisan Credit Cards as the ATM Ru pay Cards. There are various other schemes by the Government such as **MNAIS** (Modified National Agricultural Insurance Scheme), Rastriya Krishak Vikas Yojana, Price Support Scheme and e NAM (National Agricultural Markets), Pradhan Mantri Fasal Bima Yojana Indian Agriculture

Agriculture has major role to play in the Indian economy and is the major source of livelihood of the people of India. As per the Census 2011, approximately 55% of the workers are employed in the agriculture and allied sectors. Size of the land holdings in agriculture has been a major area of concern in the Indian agriculture scenario. Indian agriculture is a major source of wage earning for the rural population in India. Approximately, 52% of the wage earners in India are dependent on agriculture for their earnings.

Institutional Credit

Since the time of independence, agricultural credit has come to play a catalyst role in promoting growth in the agriculture sector. In the year 1960, Cooperative Banks, including Primary Agriculture Cooperatives (PACs), District Central Cooperative Banks (DCCBs), State Cooperative Banks (SCBs) and Agriculture and Rural Development Banks and Land Banks have been playing a major role in the development of this sector. Institutional credit growth gained further momentum with the nationalization of the banks in the year 1969. Further in the year 1975, Regional Rural Banks were set up to give a boost to the agricultural credit. As per the 70th Round of NSSO (National Sample Survey Organization) approximately 69% of

the agricultural households in rural India have land holding of less than 1 hectare. Only 0.4% of the population has land holding of less than 1 hectare.

Subsidy Linked schemes

With the participation of the commercial banks in the year 1969, many subsidy linked credit schemes have been implemented by the Government of India for the benefits of the farmers. This credit has been divided into (1) crop loans issued for expenses on cultivation of crops (2) term loans (3) loan for the purchase of agricultural machinery and capital equipment.

Issues in Indian Agricultural Credit System

As per the NAFIS report 2016-17, approximately 72 percent of the credit requirement was met through the institutional sources and balance 28% of non-institutional sources. Various studies conducted by the Reserve Bank of India, the middlemen and commission agent still play a major role in the agriculture of India. Besides, the presence of the middlemen, other factors that lead to the woes of Indian agriculture is the inefficient collateral systems. To overcome these issues, Indian Government introduced the Kisan Credit Card system to address the problems of collaterals and middlemen involved.

Indian agriculturists need finance for different purposes including the harvesting of land, irrigation, seedling, fertilizers, pesticides, weeding to name few. These include expenses for different purposes and the Scale of Finance (SOF) is decided by the banks. Generally, the banks will grant finance equal to two third of the total agricultural expenses. Kisan Credit Card scheme was introduced to replace the existing web of non-institutional credits. Further this scheme can be renewed after a period of 3 months. This instrument will enable the farmers to borrow the loan for a period of 12 months or more and the rate of interest and security margin is to be decided by the banks in India. Further this scheme will also provide the Personal Accident Insurance up to Rs 50,000 to the farmers.

Inputs and types of resources impact the agricultural productivity. These agricultural inputs include land utilized, credit and other things. Out of all these inputs, financial credit or bank credit is extremely important. Farmers take loans at the stage of Pre harvesting; Post harvesting and the agricultural productivity depends on the availability of bank credit. The Kisan Credit Card scheme provides the short-term credit for purchasing the agricultural inputs, which help to increase the yield and agricultural production.

Flow of Agriculture Credit (Target and Achievement)		
Under Kisan Credit Card (KCC) in India		
(2007-2008 to 2018-2019-up to 28.02.2019)		
(Rs. in Crore)		
Year	Target	Achievement
2007-2008	225000	254657.00
2008-2009	280000	301908.00
2009-2010	325000	384514.20
2010-2011	375000	468177.43
2011-2012	475000	511029.09
2012-2013	575000	607376.00
2013-2014	700000	730122.62
2014-2015	800000	845328.23
2015-2016	850000	915509.92
2016-2017	900000	1065755.67
2017-2018	1000000	1168502.84
2018-2019*	1100000	1114180.51

Figure 1: Flow of Agriculture Credit under Kisan Credit Card

Source: RBI Handbook of Statistics

5. Field Work

Based on the CMIE (Centre for Monitoring of Indian Economy) the People Pyramid dx provides the data regarding the 1, 75,000 households and approximately 8, 00,000 respondents across India on different fields. Primary focus of this study is different factors impacting the Kisan Credit Card ownership.

Literacy and its impact on Kisan Credit Card Ownership

Dataset for 4-month cycle from Jan 2014- Apr 2014 to Jan 2020 to April 2020, reveals an emerging gap in KCC ownership between people who are literate and who are not literate

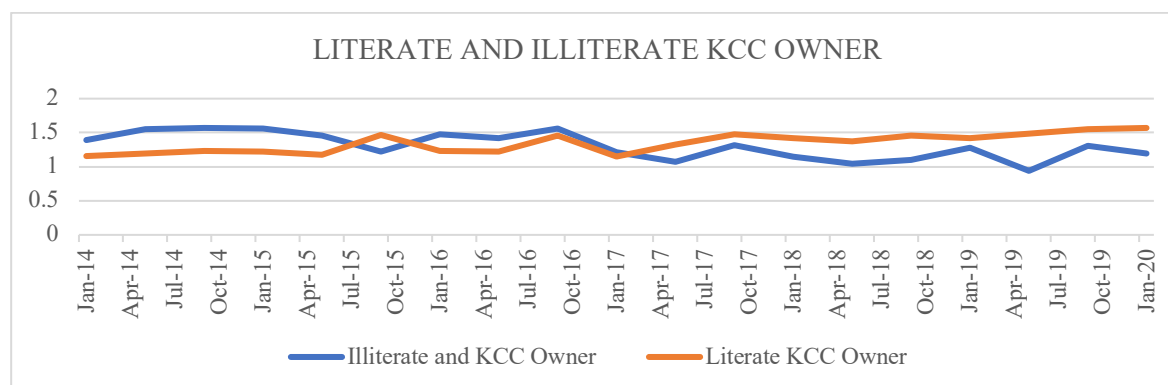


Figure 1: Percentage of Respondents who Owned KCC (Literate and Illiterate Groups)

Period (Cycle 4 Month)	Illiterate and KCC Owner	Literate KCC Owner
Jan-14	1.39	1.16
May-14	1.55	1.19
Sep-14	1.57	1.23
Jan-15	1.56	1.22
May-15	1.46	1.18
Sep-15	1.22	1.47
Jan-16	1.48	1.23
May-16	1.42	1.22
Sep-16	1.56	1.46
Jan-17	1.21	1.15
May-17	1.07	1.33
Sep-17	1.32	1.48
Jan-18	1.15	1.42
May-18	1.04	1.37
Sep-18	1.1	1.46
Jan-19	1.28	1.42
May-19	0.94	1.49
Sep-19	1.31	1.55
Jan-20	1.19	1.57

Figure 1: Percentage of Respondents who Owned KCC (Literate and Illiterate Groups)

Source: CMIE People's Pyramid dx

Since January 2017, wedge, and spike in the percentage of people owning Kisan Credit Cards appears. The curve of literate people owning the Kisan Credit Cards moves upward steadily in a somewhat linear fashion. This could be a precursor of demonetization effect.

Rural and Urban divide in KCC (Kisan Credit Card Ownership)

CMIE (Centre for Monitoring Indian Economy) People Pyramid dx highlights glaring differences in Kisan Credit Card ownership among the Rural and the Urban regions. Percentage ownership of the Kisan Credit Cards is exhibited in the table below along with the graph.

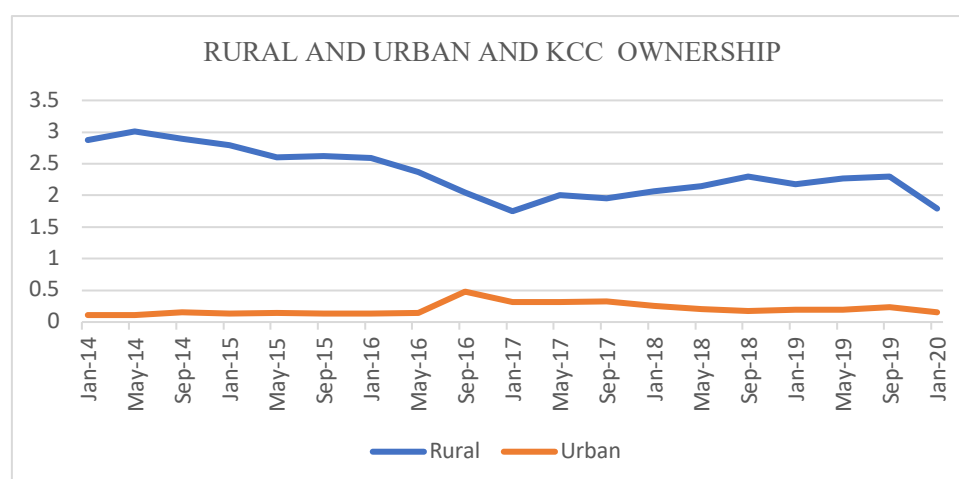


Figure 1.1: Percentage ownership of Kisan credit Cards in Rural and Urban areas

Period	Organized Farmer	Small Farmer	Agricultural Labourer
Jan-14	25.41	21.54	2.87
May-14	24.73	22.47	2.7
Sep-14	23.4	20.09	2.33
Jan-15	23.16	18.97	2.4
May-15	22.14	17.15	2.69
Sep-15	20.92	17.29	2.41
Jan-16	20.12	18.02	2.8
May-16	20.02	16.21	2.59
Sep-16	15.88	13.18	2.72
Jan-17	13.92	12.2	2
May-17	17.33	13.56	1.58
Sep-17	22.55	14.46	1.63
Jan-18	23.82	13.12	1.92
May-18	23.2	13.19	2.3
Sep-18	25.66	12.54	3.12
Jan-19	23.08	11.57	2.53
May-19	23.27	12.81	2.15
Sep-19	23.35	13.08	1.31
Jan-20	25.76	15.12	1.46

Table 1.1: Percentage ownership of Kisan credit Cards in Rural and Urban areas

Source: CMIE People Pyramid dx

Financial Inclusion and KCC (Kisan Credit Card Ownership)

As part of CMIE (Centre for Monitoring Indian Economy), the Government of India has undertaken various surveys under People Pyramid dx from January 2014 to

January 2020. The survey has responses on various categorical variables regarding financial inclusion. The list of financial inclusion metrics includes mobiles, Bank Accounts, Demat Accounts, Health Insurance, Provident Fund, and Life Insurance

Mobile and KCC (Kisan Credit Cards) Ownership

From the dataset, there is a wide disparity in Kisan Credit Card ownership between people with mobile phones and without mobile phones

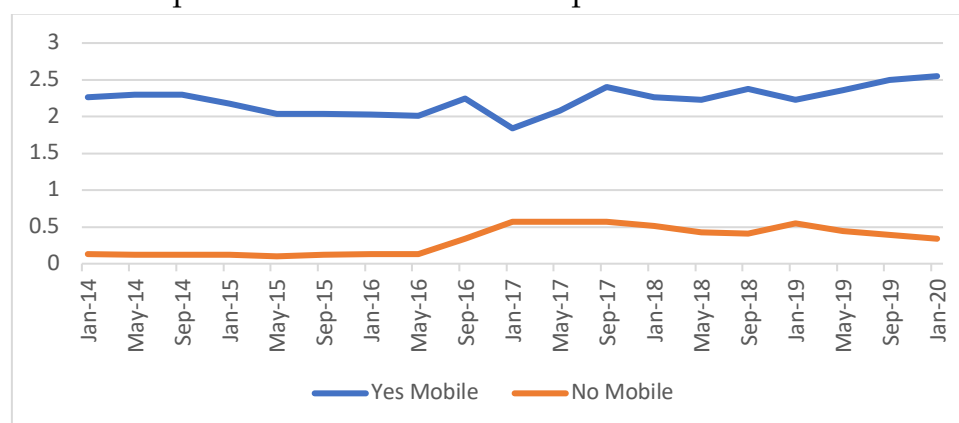


Figure 2: Percentage of Kisan Credit Card ownership and Mobile Phones

Percentage of respondents owning the Kisan Credit Cards is extremely high for people having Mobile Phones. Standalone this relationship does not augment much but when included as part of the financial inclusion, it clarifies the reason for gap between the people having Kisan credit Cards and not having Kisan credit Cards

Period	Yes Mobile	No Mobile
Jan-14	2.26	0.13
May-14	2.3	0.12
Sep-14	2.3	0.12
Jan-15	2.18	0.12
May-15	2.04	0.1
Sep-15	2.04	0.12
Jan-16	2.03	0.13
May-16	2.01	0.13
Sep-16	2.25	0.34
Jan-17	1.84	0.57
May-17	2.08	0.57
Sep-17	2.4	0.57
*Jan-18	2.26	0.51
May-18	2.23	0.43
Sep-18	2.38	0.41

Jan-19	2.23	0.55
May-19	2.36	0.44
Sep-19	2.5	0.39
Jan-20	2.55	0.34

Table 2: Percentage of Kisan Credit Card ownership and Mobile Phones

Life Insurance and Kisan credit Card ownership: CMIE (Centre for Monitoring Indian Economy) People Pyramid dx dataset provides information in form of Qualitative variables on number of respondents who own a life insurance.

From the dataset there is a direct relationship between financial inclusion (life insurance) accounts and Kisan credit Card ownership.

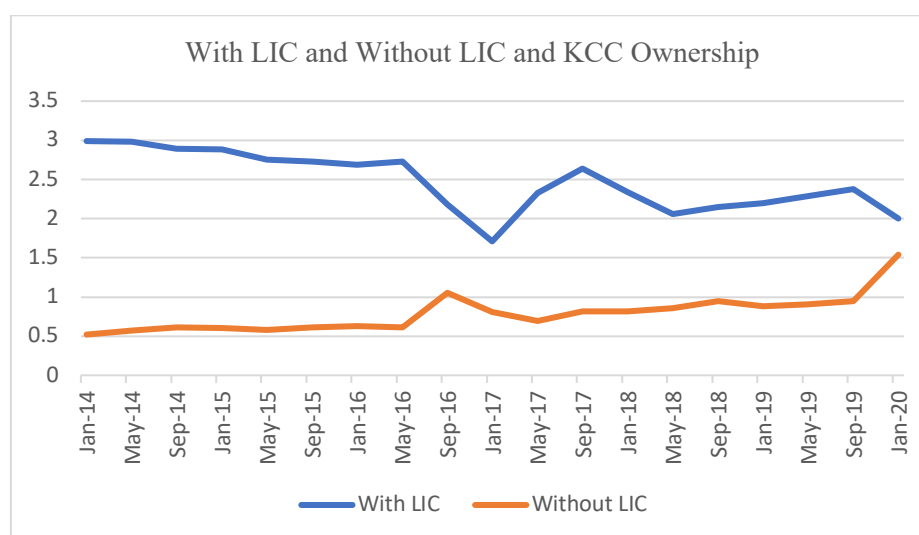


Figure 3: Percentage ownership of KCC and Life Insurance

Period	With LIC	Without LIC
Jan-14	2.99	0.52
May-14	2.98	0.57
Sep-14	2.89	0.61
Jan-15	2.88	0.6
May-15	2.75	0.58
Sep-15	2.73	0.61
Jan-16	2.69	0.63
May-16	2.73	0.61
Sep-16	2.18	1.05
Jan-17	1.71	0.81
May-17	2.33	0.69
Sep-17	2.64	0.82
Jan-18	2.34	0.82

May-18	2.06	0.86
Sep-18	2.15	0.95
Jan-19	2.2	0.88
May-19	2.29	0.91
Sep-19	2.38	0.95
Jan-20	2	1.54

Table 3: Percentage ownership of KCC and Life Insurance

Source: People Pyramid dx

Bank Accounts and Kisan Credit cards

Kisan Credit Card adoption is highly correlated with the Bank Account ownership. Data from CMIE (Centre for Monitoring Indian Economy) reveals that there is an inherent relationship between the Bank ownership and KCC Accounts.

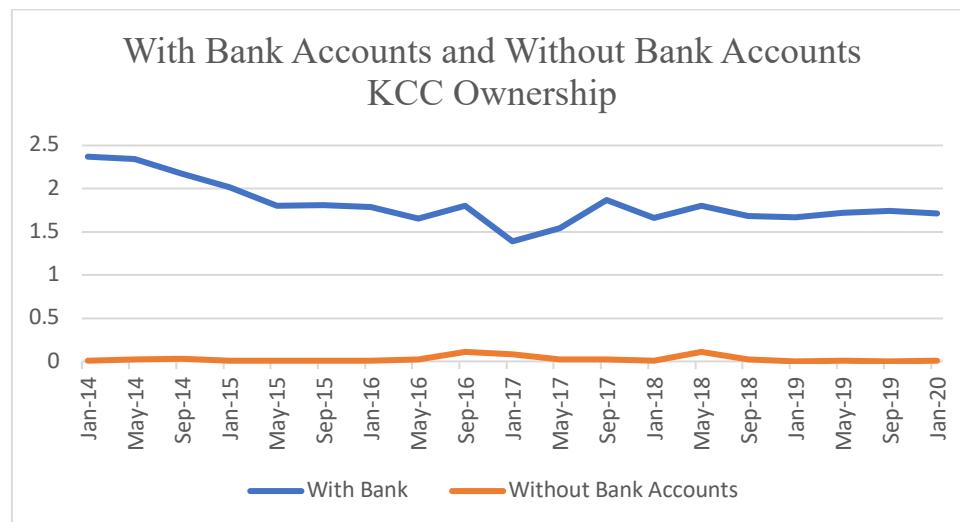


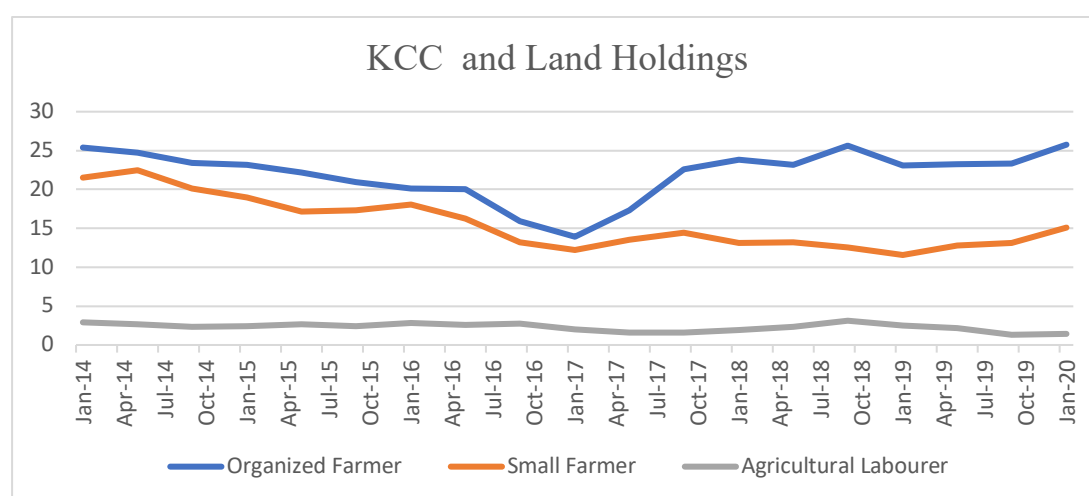
Figure 4: Percentage ownership of KCC and Bank Accounts

Period	With Bank	Without Bank Accounts
Jan-14	2.37	0.01
May-14	2.34	0.02
Sep-14	2.17	0.03
Jan-15	2.02	0.01
May-15	1.8	0.01
Sep-15	1.81	0.01
Jan-16	1.79	0.01
May-16	1.65	0.02
Sep-16	1.8	0.11
Jan-17	1.39	0.08
May-17	1.54	0.02

Sep-17	1.87	0.02
Jan-18	1.66	0.01
May-18	1.8	0.11
Sep-18	1.68	0.02
Jan-19	1.67	0
May-19	1.72	0.01
Sep-19	1.74	0
Jan-20	1.71	0.01

Table 4: Percentage ownership of KCC and Bank Accounts*Source: CMIE People's Pyramid dx***Kisan Credit Card Ownership and Land Holdings**

NABARD in its survey had concluded in its survey that there is vast difference in KCC (Kisan Credit Card) ownership among various group of farmers. A trend analysis of the KCC (Ownership) by different kinds of farmers highlights that organized farmers are far more likely to own the Kisan Credit cards as compared to the small farmers. NABARD survey highlights that non-ownership of land holdings is one of the major reasons cited by the bank for not granting Kisan Credit Cards.

**Figure 5: Percentage of farmers owning Kisan Credit Cards**

Period	Organized Farmer	Small Farmer	Agricultural Labourer
Jan-14	25.41	21.54	2.87
May-14	24.73	22.47	2.7
Sep-14	23.4	20.09	2.33
Jan-15	23.16	18.97	2.4
May-15	22.14	17.15	2.69
Sep-15	20.92	17.29	2.41

Jan-16	20.12	18.02	2.8
May-16	20.02	16.21	2.59
Sep-16	15.88	13.18	2.72
Jan-17	13.92	12.2	2
May-17	17.33	13.56	1.58
Sep-17	22.55	14.46	1.63
Jan-18	23.82	13.12	1.92
May-18	23.2	13.19	2.3
Sep-18	25.66	12.54	3.12
Jan-19	23.08	11.57	2.53
May-19	23.27	12.81	2.15
Sep-19	23.35	13.08	1.31
Jan-20	25.76	15.12	1.46

Table 5: Percentage of KCC (Kisan Credit Cards) ownership according to kind of farmer

Source: CMIE People dx Pyramid

Kisan Credit Card ownership and Income levels

CMIE (Centre for Monitoring of Indian Economy) People Pyramid dx comprises of data regarding various qualitative variables such as literacy, Demat accounts, Bank Accounts, Health Insurance and Provident Fund Accounts. Income Pyramid dx, comprises of the data regarding the income level of the respondents across various time periods. By merging two datasets a comprehensive data set is created that provides information on financial inclusion and income earned by the respondents. By dividing the dataset into those earning below average income and those earning above average income, it is established from the trend that people having above average income has higher number of Kisan Credit Cards.

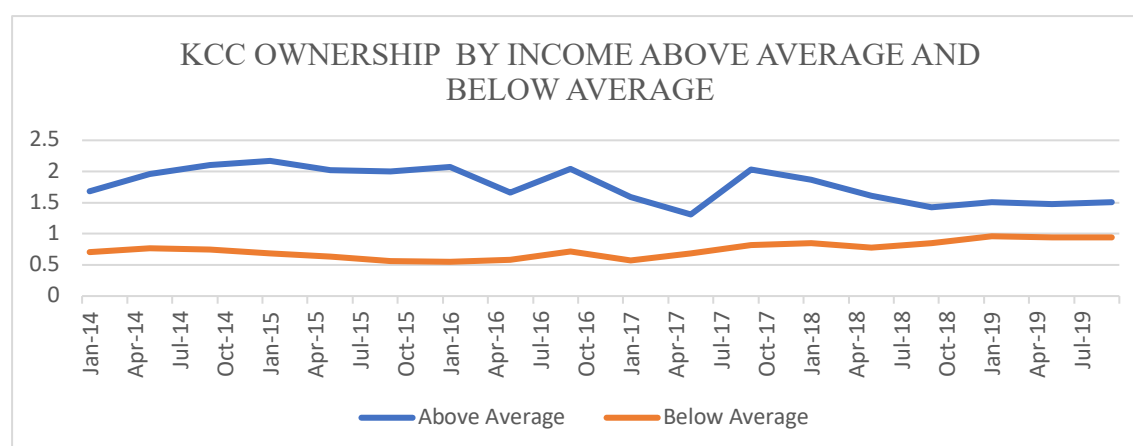


Figure 6: Percentage of farmers owning Kisan Credit Cards with above and below average income

Period	Above Average	Below Average
Jan-14	1.68	0.71
May-14	1.96	0.77
Sep-14	2.1	0.75
Jan-15	2.17	0.68
May-15	2.02	0.63
Sep-15	2	0.56
Jan-16	2.07	0.55
May-16	1.66	0.58
Sep-16	2.04	0.72
Jan-17	1.59	0.57
May-17	1.31	0.68
Sep-17	2.03	0.82
Jan-18	1.87	0.85
May-18	1.61	0.78
Sep-18	1.43	0.85
Jan-19	1.51	0.96
May-19	1.48	0.94
Sep-19	1.51	0.94

Table 6: Percentage of farmers owning Kisan Credit Cards with above and below level income

Source: People Pyramid dx

Kisan Credit Card Ownership and Credit Card Ownership

CMIE (Centre for Monitoring Indian Economy) shows the declining difference in people owing Credit Cards and Kisan Credit Cards. With financial literacy it appears that people have come to realize the homogeneity between the Credit Cards and the Kisan Credit Cards.

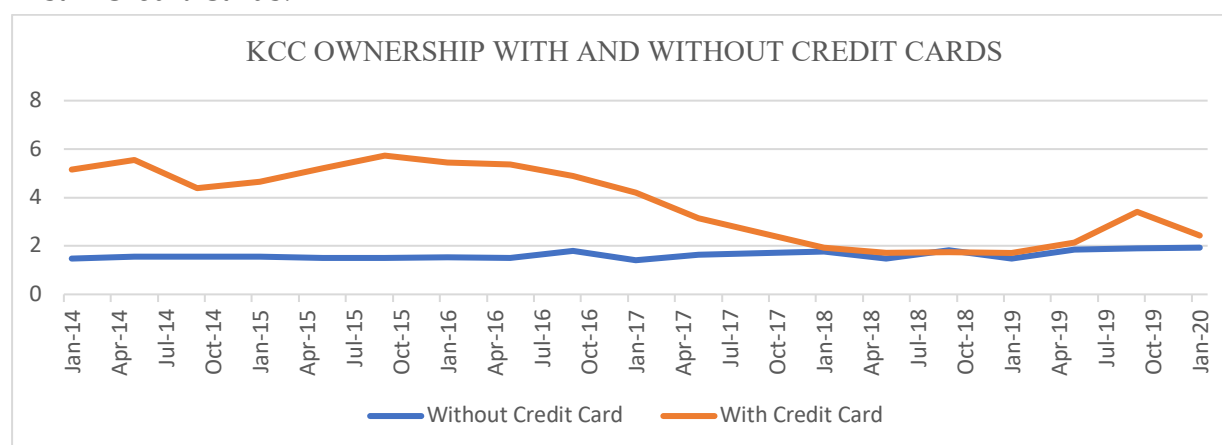


Figure 7: Percentage KCC Ownership by people with and without Credit Cards

Period	Without Card	Credit With Credit Card
Jan-14	1.49	5.15
May-14	1.55	5.54
Sep-14	1.57	4.39
Jan-15	1.57	4.64
May-15	1.5	5.21
Sep-15	1.51	5.73
Jan-16	1.54	5.45
May-16	1.51	5.36
Sep-16	1.8	4.88
Jan-17	1.41	4.19
May-17	1.63	3.15
Jan-18	1.78	1.93
May-18	1.48	1.72
Sep-18	1.82	1.73
Jan-19	1.48	1.71
May-19	1.84	2.15
Sep-19	1.89	3.4
Jan-20	1.93	2.44

Table 7: Percentage KCC Ownership by people with and without Credit Cards***Formal vs. Informal Sources of Finance***

As per the RBI (Reserve Bank of India, Handbook of Statistics, 2017) by the year 2010-11, approximately 85% of the land holdings in India are Small and Marginal land holdings, which are less than 2 Hectares. Despite this the share of Small and Marginal farmers in total operated area is approximately 44.6%, (Das, Chanda, Krishna & Gulati, A, 2024)

This category of farmers is unable to access markets and has to sell their produce through the adatis (Commission Agents) and the Middlemen. Trapped in the web of intermediaries and rising CPI (Consumer Price Index) of agricultural inputs, these small and marginal farmers need loans and credit to operate. Generally, the loans are required for the purpose of cultivation and for investment.

However, due to their small land holdings and lack of access to the markets, these small and marginal farmers are the most vulnerable to the credit risk. Financing system in Indian agriculture setting comprises of Informal and Formal sources. Generally, Commercial Banks grant loans to the farmers based on proof of land holdings, NOC (No Objection Certificate) from lenders, invoice of purchase cropping pattern and estimated fund requirements for the seasonal crops on basis of the Scale of Finance, as estimated by the District Level Technical Committee. Hence, it can be

concluded that there is huge gap in the Indian Rural Credit system in India and there is a need for financial reforms to address the woes of the Small and Marginal farmers in India.

Farmer Producer Companies and Organized Farmers

To address this issue of unorganized vulnerable section of Small and Marginal farmers, Farmer Producer Organizations (FPOs) were introduced by the Companies Act, 2013. Producer Companies or Primary Agriculture Cooperatives (PACs) provide the bargaining power to these unorganized farmers. In case of PACs, despite elaborate Annual Credit Limit procedures imposed by the Commercial banks, society takes care of all the financial requirements.

CMIE (Consumption Pyramid dx)

Centre for Monitoring Indian Economy (CMIE) conducts a periodic survey of selected 1, 75,000 households in 3 cycles of 4 months annually. Survey results are qualitative in nature and provide details of whether the household borrowed money from the bank or not. Out of total dataset, approximately 21,000 households are Farmers and Agrarian. An analysis of the data set reveals, that Organized Farmers are more likely to approach formal source of finance, i.e. banks for borrowings.

Organized Farmers

Companies Act, 2013 was a watershed in the history of Indian agriculture as it led to the birth of the Producer companies. As the data shows, approximately 33% of the agriculturists in the dataset of approximately 23,000 farmers are organized farmers. Despite, the structural rigidities in formal credit evaluation system, Cooperatives and Producer companies provide a panacea to the farmers, who can rely on the PACs (Primary Agriculture Cooperatives) to take care of the bank formalities for the grant of loans.

Small Farmer Coverage (Issue of lack of Coverage of Small Farmers)

Since 2014, when “Equity Grant and Credit Guarantee scheme” was introduced, the borrowings of FPOs (Farmer Producer Companies) from the banks have increased steadily. For the Small and Marginal farmers, there are many obstacles, in form of structural rigidities and formalities to seek bank loan. With various Interest subventions and debt waiver schemes, the Government of India tried to give a push to agricultural credit for the Small and Marginal farmers. Various subsidy linked insurance schemes, including Personal Accident Insurance Scheme and Rashtriya Krishi Vikas Yojana have been introduced to give an impetus to Formal agriculture credit.

Despite, all efforts due to the lack of the land records and Scale of Finance based credit system, borrowings by the Small and Marginal Farmers saw a downward trend.

Besides this the Agricultural Labourers who form 19.99% of the total dataset are marginalized and have to rely on informal sources of finance to meet their credit needs. Another issue with bank loan is that it is a season-based lending system

leading to various obstacles in meeting the goal of financial inclusion. Demonetization in the year 2016 was followed by a financial literacy wave that gave a push to the borrowings from bank for all category of borrowers.

Data Set Consumer Pyramid dx (Jan 14 to Jan 20)			
Percentage Accountholders Borrowed Money from banks			
Period	Agricultural Labourers	Organised Farmer	Small/Marginal Labourers
Jan-14	2.29	2.63	1.89
May-14	1.62	1.56	1.51
Sep-14	1.81	2.1	1.63
Jan-15	1.62	1.51	1.56
May-15	1.66	1.29	1.44
Sep-15	1.33	2.64	1.7
Jan-16	2.74	3.91	2.95
May-16	3.4	6.2	3.94
Sep-16	5.25	7.73	5.8
Jan-17	5.92	9.17	7.42
May-17	5.11	10.05	8.57
Sep-17	6.78	20.05	9.81
Jan-18	6.14	24.95	10.53
May-18	6.38	24.68	11.1
Sep-18	7.79	25.42	15.87
Jan-19	8.74	25.43	17.8
May-19	7.74	24.18	18.26
Sep-19	7.78	23.64	16.04
Jan-20	5.01	28.49	13.37

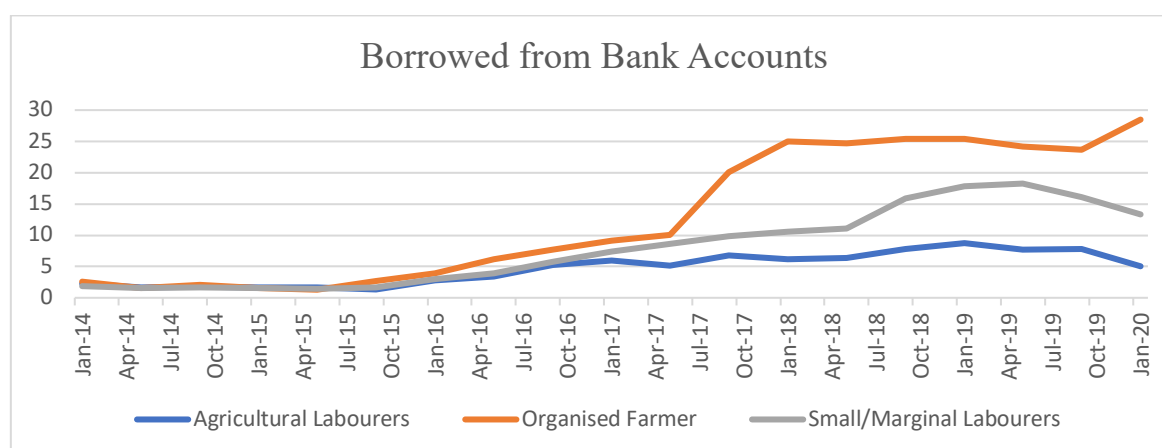


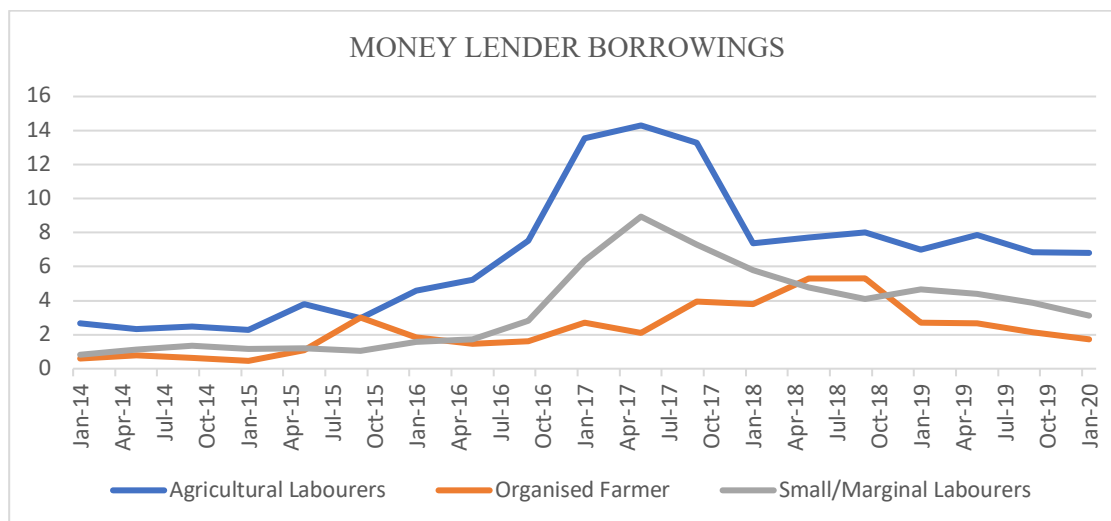
Figure 8: Percentage of respondents who borrowed from Banks
Informal sources of Finance

Non-Adequacy of Credit Flow to the Small Farmers

Money Lenders

One of the main issues in Indian agricultural credit system is that while the number of small size land holdings is increasing, there is a decline in the number of bank credit accounts held by the small and marginal farmers. In the wake of the fact that small and marginal holdings form 85% of total land holdings and Commercial Banks have the policy to finance only land holdings with size of more than 2 hectares, the small farmers have to rely on the informal sources of finance and the formal source of finance becomes unviable. As per the NSSO, 2005 survey of indebtedness approximately 47.3% of the Small farmers with land holding less than 0.01 hectares borrow from the Money Lenders, approximately 31.8% of the Small Farmers with land holdings 0.01-0.4 hectares borrow from Money Lenders, 30.8% of the Small farmers 0.4 to 1 Hectares borrow from the Money Lenders and 25.9% of the Small farmers with land holdings between 1 to 2 Hectares borrow from Small and Marginal farmers.

Till the introduction of the Cash Credit Based system, the farmers, particularly the unorganized farmers had the limited opportunity to access loans from formal bank system, which led to the problem of underfinancing. In this background, the farmers to meet the gaps in funding system had to rely on the informal system of credit at extremely high rate of interest.



Data Set Consumer Pyramid dx (Jan 14 to Jan 20)

Percentage Accountholders Borrowed Money from banks			
Period	Agricultural Labourers	Organised Farmer	Small/Marginal Labourers
Jan-14	2.67	0.61	0.82
May-14	2.34	0.8	1.11

Sep-14	2.47	0.65	1.35
Jan-15	2.28	0.46	1.15
May-15	3.81	1.07	1.21
Sep-15	2.95	2.99	1.04
Jan-16	4.58	1.84	1.56
May-16	5.23	1.46	1.71
Sep-16	7.54	1.61	2.83
Jan-17	13.53	2.72	6.37
May-17	14.3	2.11	8.94
Sep-17	13.27	3.96	7.31
Jan-18	7.38	3.78	5.81
May-18	7.72	5.3	4.79
Sep-18	8	5.31	4.09
Jan-19	7.01	2.69	4.65
May-19	7.87	2.68	4.41
Sep-19	6.85	2.13	3.88
Jan-20	6.82	1.71	3.12

Table 9: Money Lender Borrowings**Demonetization Effect**

From the time series graph of borrowing through informal sources of finance such as Money Lenders, it becomes clear that during the period Jan 2016 to May 2017, the money lending from the informal channels increased rapidly. Due to the scarcity of cash in the system, the rural poor and farmers were the worst affected. This is exhibited in the form of exorbitant borrowings from the Money lender during the demonetization period. Probably, the small and marginal farmers bought goods and supplies without making payments against debt receipts. After demonetization, the debt from this channel came down to the previous levels.

Loans from Relatives and Friends

Despite the improvement in the bank products brought about by the banks, the level of credit availability to the Indian Small and Marginal farmers has not shown any improvement. NSSO survey reveals that approximately 84% of the indebted households belong to category of farms with less than 2-hectare size of land holdings. Out of this approximately 57% of the debt to the Small farmers is from the non-

institutional agencies. As per the NSSO survey 2005 of indebtedness approximately 23.1% of the Small and Marginal farmers with land holding less than 0.1 Hectares, 14.9% of the Small Farmers with land holdings 0.01-0.4 hectares borrow from Money Lenders, 9.1% of the Small farmers 0.4 to1 Hectares borrow from the Money Lenders and 8.8% of the Small farmers with land holdings between 1 to 2 Hectares borrow from Small and Marginal farmers.

Period	Agricultural Labourers	Organised Farmer	Small/Marginal Labourers
Jan-14	2.93	2.55	1.52
May-14	3.4	2.62	1.62
Sep-14	2.6	3.12	1.49
Jan-15	2.31	2.22	1.2
May-15	2.49	2.62	1.25
Sep-15	3.56	1.98	1.98
Jan-16	0.46	0.31	0.14
May-16	4.87	2.22	2.13
Sep-16	6.51	2.36	3.36
Jan-17	7.38	3.86	6.13
May-17	7.25	3.89	8.38
Sep-17	10.02	4.94	10.6
Jan-18	10.01	8.46	11.82
May-18	11.14	9.93	13.23
Sep-18	11.65	8.16	10.89
Jan-19	11.61	7.15	9.15
May-19	14.81	7.59	7.75
Sep-19	14.26	8.41	7.82
Jan-20	13.44	6.24	5.72

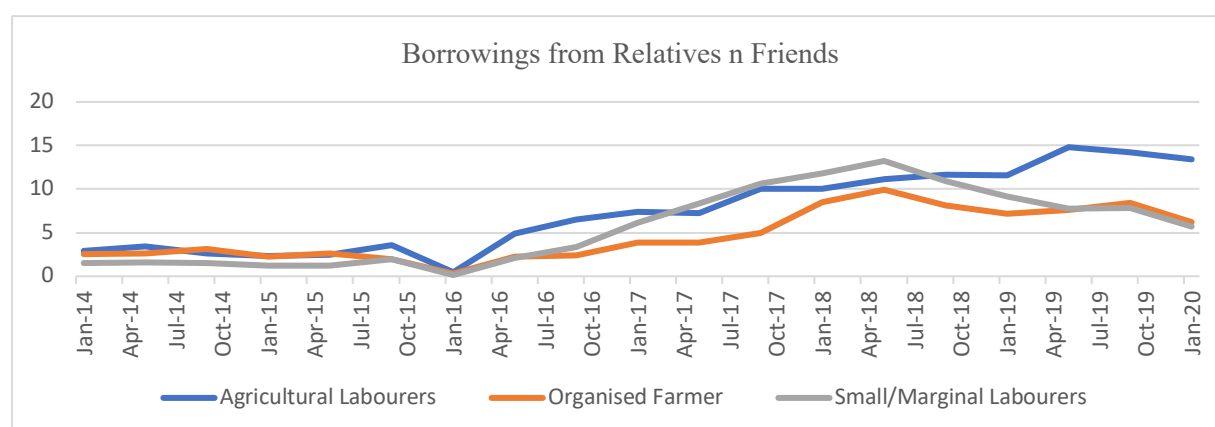


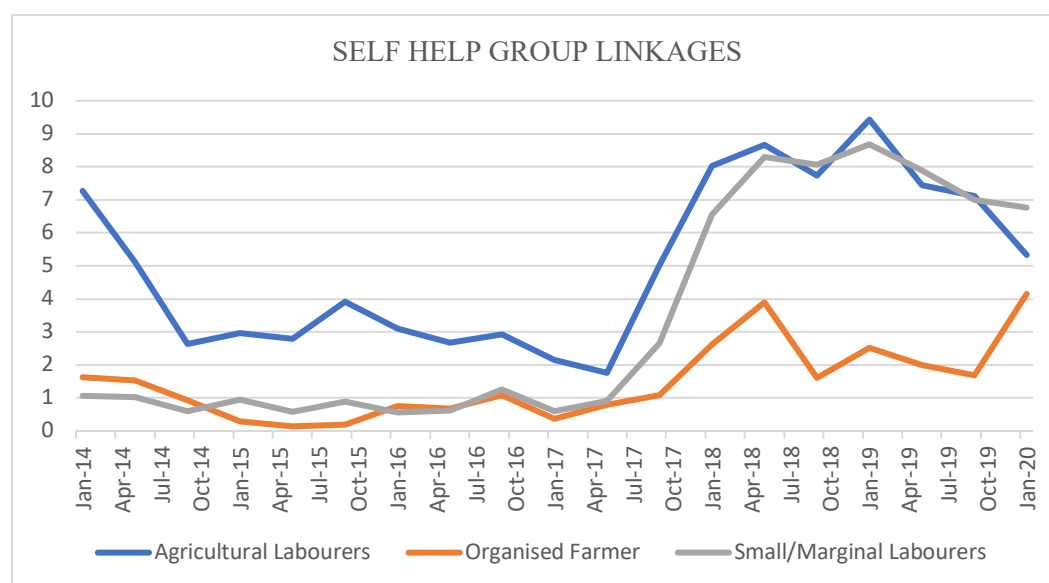
Table 10: Borrowings from relatives and Friends

Borrowings from Self Help Groups

In the year 1992, Self Help Group Bank Linkage programme was launched in 1992 to tap the vast informal financing mechanism and combine it with the formal bank credit delivery mechanism. This scheme led to the acceptance of the informal groups i.e. the Agricultural labourers as part of the formal bank financing system. SHG Linkage, as it is predominantly called is a collateral free lending system and aims to provide finance for specific projects or activities. Around 100 Scheduled Commercial Banks, 300 District Cooperative Banks and 27 State Rural Livelihood Missions and 5,000 NGOs are involved in promoting Self Help groups.

Demonetization & Self-Help Groups

Post of the announcement of Demonetization in November 2016 the Self-Help Groups found themselves in the quagmire. Most of these groups are involved in the sale of agricultural and dairy products. During demonetization, the demand for these products got reduced drastically. Due to the lack of agricultural operations the Agricultural labourers organized through the Self-Help groups were unable to raise credit through this channel.



Period	Agricultural Labourers	Organised Farmer	Small/Marginal Labourers
Jan-14	7.27	1.62	1.07
May-14	5.12	1.53	1.02
Sep-14	2.64	0.92	0.6
Jan-15	2.96	0.29	0.95
May-15	2.79	0.14	0.57
Sep-15	3.92	0.2	0.89

Jan-16	3.09	0.76	0.56
May-16	2.67	0.67	0.61
Sep-16	2.92	1.08	1.26
Jan-17	2.140	0.37	0.59
May-17	1.76	0.8	0.9
Sep-17	5.01	1.08	2.65
Jan-18	8.03	2.61	6.56
May-18	8.67	3.89	8.29
Sep-18	7.73	1.6	8.07
Jan-19	9.43	2.52	8.68
May-19	7.44	2	7.89
Sep-19	7.12	1.68	7
Jan-20	5.32	4.15	6.76

Table 11: Borrowings from Self Help Groups

After a decline in 2016 during the Demonetization phase, the programme took a fillip in the year 2017, due to the Financial Literacy Camps and awareness drives undertaken under the mandate of RBI by the Financial Literacy Centres and Rural Bank Branches. Further simplification of the documentation and forms for availing loans under SHG linkage, removal of the service and processing charges and inclusion of SHG lending under state, block and district plan expedited the lending during April 2017 to May 2018.

Deendayal Antyodaya Yojana – National Rural Livelihood Mission (DAY NRLM) & Interest Subvention scheme

Government of India in its budget has announced the extension of Overdraft facility up to Rs 5,000 and a loan of Rs. 1 Lakh, under the MUDRA scheme to the eligible members of SHG group having Bank Accounts. Due to the compulsory requirement of a Bank Account and other formalities, credit expansion under SHG Linkage shows an upward trend for the Organised Farmers, while the curve for the Agricultural labourers shows a downward trend. Besides, this the Government of India announced an Interest subvention of 7% for all banks /financial institutions, with additional subvention of 3% on prompt repayment. Due to this initiative a clear upward trend can be seen in the credit availed by the Organized farmers under this scheme.

NBFC (Non-Banking Financial Corporation) & Agricultural credit

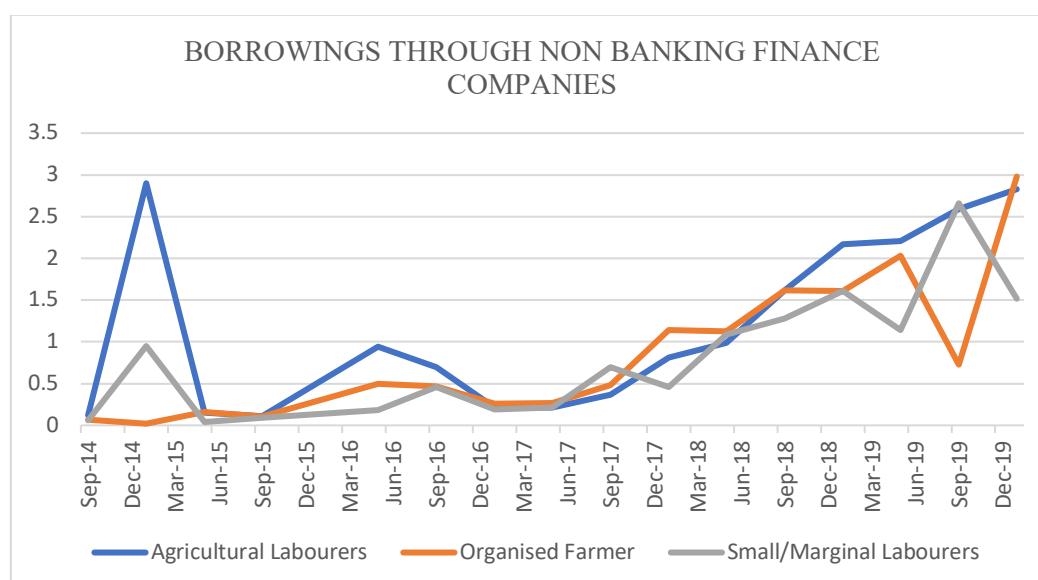
With the expansion of agricultural marketing and warehousing, new Non-Banking Financial Companies have emerged that seek to provide the financial services to the farmers and agricultural community. As per the Malegam committee, NBFCs are mandated to provide credit across the value chain. Primarily, NBFC (Non-Banking

Financial Companies) do not ask for any collateral for granting the loans to the farmers and also do not ask for a specific income proof. Since, agricultural labourers do not have any land holdings, they are unable to borrow money from the banks and have to rely on lending from the Non-Banking Finance Companies. Since NBFCs charge a higher rate of interest than the banks under the subvention scheme, the Organised farmers are not very enthusiastic to borrow through this route. As financialization of savings increased during demonetization, the Supply side factors led to higher disbursement of loans to agricultural labour during this period, from this channel.

In the year 2015, Reserve Bank of India gave mandate to the setting up of the Small Finance Banks with the objective of credit expansion for the small and marginal farmers. Since these companies have been given mandate to achieve 75% of the PSL (Priority Sector Lending), in 2015 there is a sudden surge in NBFC lending to agricultural labourers.

As per 2018 mandate by RBI (Reserve Bank of India) NBFC (Non-Banking Financial Companies) for the purpose of infrastructure lending includes projects that involve (i) construction relating to projects involving agro-processing and supply of inputs to agriculture; (ii) construction for preservation and storage of processed agro-products, perishable goods such as fruits, vegetables and flowers including testing facilities for quality; and (iii) construction of educational institutions and hospitals. The above change comes into effect immediately.

Post Demonetization there is a clear upward trend in borrowings by the Agricultural Labourers from Non-Banking Financial Companies.



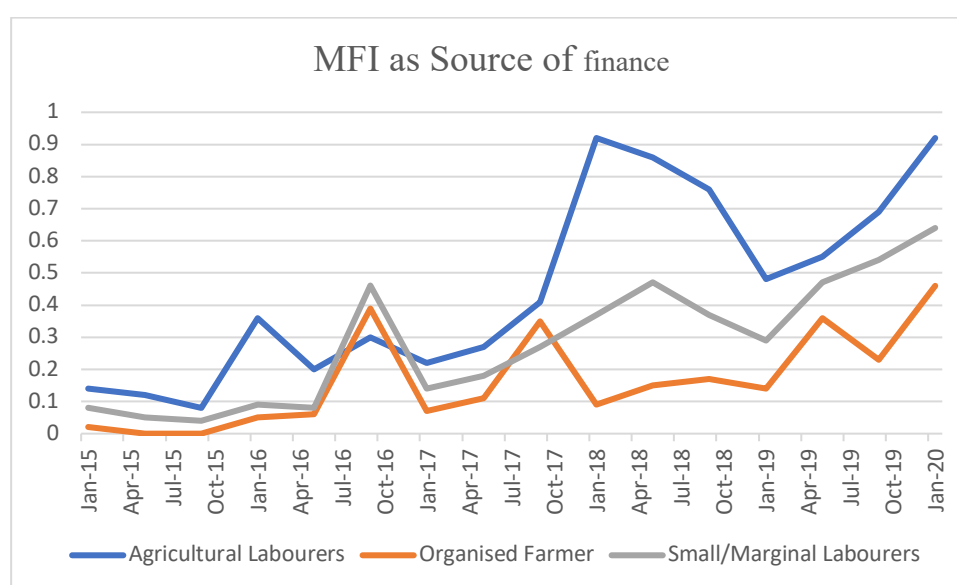
Period	Agricultural Labourers	Organised Farmer	Small/Marginal Labourers
Sep-14	0.12	0.07	0.06

Jan-15	2.9	0.02	0.95
May-15	0.15	0.16	0.04
Sep-15	0.11	0.11	0.09
May-16	0.94	0.5	0.18
Sep-16	0.7	0.47	0.46
Jan-17	0.21	0.26	0.19
May-17	0.21	0.27	0.21
Sep-17	0.37	0.48	0.7
Jan-18	0.81	1.14	0.46
May-18	0.99	1.13	1.09
Sep-18	1.62	1.62	1.28
Jan-19	2.17	1.61	1.61
May-19	2.21	2.03	1.14
Sep-19	2.59	0.73	2.66
Jan-20	2.83	2.98	1.52

Table 12: Borrowing Through Banking Finance Company

Microfinance Institutions and Agricultural Credit

Just as NBFCs, MFIs (Micro Finance Institutions), also raise money from the banks and provide credit to the Small and Marginal farmers at a higher interest rate. Small farmers, who are unable to raise money from the Banks owing to the requirement of collateral and income, end up borrowing from these agencies. Due to this agricultural labourer are more prone to borrow from the MFIs (Micro Finance Institutions). Demonetization effect is also applicable to the rural lending by these institutions.

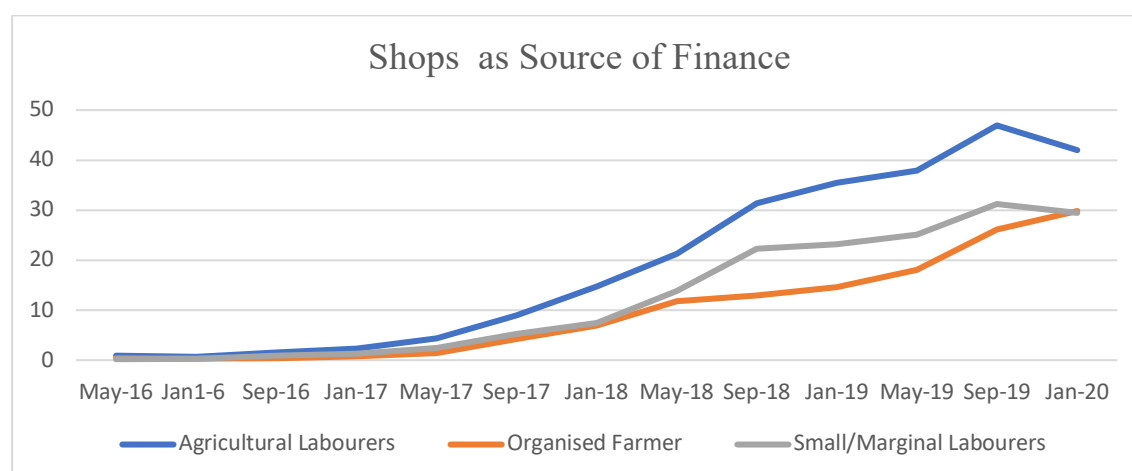


Period	Agricultural Labourers	Organised Farmer	Small/Marginal Labourers
Jan-15	0.14	0.02	0.08
May-15	0.12	0	0.05
Sep-15	0.08	0	0.04
Jan-16	0.36	0.05	0.09
May-16	0.2	0.06	0.08
Sep-16	0.3	0.39	0.46
Jan-17	0.22	0.07	0.14
May-17	0.27	0.11	0.18
Sep-17	0.41	0.35	0.27
Jan-18	0.92	0.09	0.37
May-18	0.86	0.15	0.47
Sep-18	0.76	0.17	0.37
Jan-19	0.48	0.14	0.29
May-19	0.55	0.36	0.47
Sep-19	0.69	0.23	0.54
Jan-20	0.92	0.46	0.64

Table 13: Borrowing from MFI Source of Finance

Shops and Agricultural Credit

Traders and the shopkeepers or the commission agents also extend credit to the farmers before selling the produce to the final buyers. This credit is in the form of cash and kind. Trade credit is also a part of this type of loan segment. For analysis, any kind of loan which is for a period of more than 2 months forms part of credit. However, any kind of late payment is not included as part of the loan or credit system. Due to flexible repayment terms and lower interest terms, this is considered as the favourable credit product.



Period	Agricultural Labourers	Organised Farmer	Small/Marginal Labourers
May-16	0.86	0.44	0.19
Jan1-6	0.66	0.31	0.22
Sep-16	1.5	0.36	0.85
Jan-17	2.24	0.79	1.29
May-17	4.36	1.35	2.43
Sep-17	9.01	4.23	5.27
Jan-18	14.71	6.93	7.45
May-18	21.25	11.73	13.85
Sep-18	31.33	12.9	22.31
Jan-19	35.45	14.61	23.2
May-19	37.91	18.06	25.15
Sep-19	46.94	26.07	31.22
Jan-20	41.97	29.82	29.4

Table 14: Finance from Shops and Agricultural Credit**6. Conclusion**

Many studies have discussed the social impact of this scheme in uplifting the poor out of poverty and promoting self-reliant agricultural growth. Extant of literature exhibits a gap in terms of assessment of the Economic impact of this scheme on the general households. Further study can be undertaken to assess the economic impact of this scheme area specific. Further a study to analyse the impact of this scheme in substituting informal sources of finance can be undertaken

Recommendations for Product Design

- Kisan Credit Card can be cross sold with many other products such as Health Insurance products, Personal Accident Insurance, Investment Plants
- Kisan Credit Card can be improvised to include the other features of Savings or Investment product, that offers interest

The topic has lot of relevance to the Indian Agriculture in wake of various ecological vagaries and can used to cross sell various insurance schemes and agricultural schemes. Already the scheme has been clubbed with PM Nidhi Samman Yojana and Fasal Bima Yojana.

Future research

In future more research can be taken about the use of technology and ICT (Information, Communication and Technology) to make available Kisan Credit Card to people at the bottom of pyramid.

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