

A Study on the KCC Scheme Contribution to India's Inclusive Growth through Agricultural Development

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ABSTRACT- The agricultural sector plays a critical role in the overall growth of the Indian economy, despite its structural shifts towards services in recent decades. Although the contribution of agriculture has declined sharply from 55.1% in 1950-1951 to 18.6% in 2021-22, the sector remains the main source of employment in the rural sector. Increasing agricultural productivity has been the main strategy for economic development and poverty alleviation for several decades. However, it has now become clear that the share of agriculture in national production is declining much faster than the share of agricultural employment in total employment, widening the income gap between agricultural and non-agricultural sectors. The government sought to promote inclusive growth because high national income alone did not solve the economy's core problems. The study has emphasised the KCC Scheme Contribution to India's Inclusive Growth through Agricultural Development and attempted to analyse the flow of credit to agriculture and credit through KCC scheme in period wise allocation of credit over the years. Study also analysed the area, production and yields of major crops in India. Given the level of potential output, Indian economy is well poised to achieve an impressive growth in near future.

Keyword: Inclusive growth, Agriculture development, KCC scheme, agricultural-employment

JEL Classification: Q10, Q14, O13

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INTRODUCTION

Inclusive growth is defined as "wide-based growth, shared growth, and pro-poor growth." As a financial policy strategy, it is thought to reduce the rapid growing rate of poverty in a country and boost people's interest in the country's growth process. By definition, inclusive growth entails an equal distribution of resources with benefits accruing to all segments of society. However, such resource allocation must be focused on the intended short- and long-term advantages of that society,

such as consumer goods availability, people access, employment, living standards, and so on. It also establishes a main link between macroeconomic and microeconomic factors of the economy and economic completeness. (Chennakrishnan & Thenmozhi, 2021)

Agriculture is the backbone of Indian economy because India is a country based on agriculture. In India, the main source of employment is in the agricultural sector and its related activities. Its rural households still rely primarily on agriculture for survival in 70 percent of cases, with small and marginal farmers making up 82 percent of the farming population. The agricultural sector plays a very important role in the development of the Indian economy, so the main objective of the government is to try to improve the efficiency and productivity of the agricultural sector.

In 1998-99, the Government of India launched the Kisan Credit Card (KCC) initiative to provide timely and essential credit support to farmers through the formal banking system in a flexible, hassle-free and cost-effective manner. This approach greatly facilitated timely access to credit and greatly simplified obtaining a loan from the bank. The system was implemented by commercial banks, regional rural banks and cooperative banks across the country. It has evolved into a revolutionary credit distribution mechanism to meet the credit needs of farmers in a timely and convenient manner. The Scheme intends to boost agricultural inputs such as seeds and fertilisers, as well as create funding for pesticide manufacture. On the advice of the Shri R.V. Gupta committee, the National Bank for Agriculture and Rural Development developed the blueprint for the Scheme, which was introduced in August 1998. A credit card scheme with several uses for Indian farmers, including facilities for crop and term loans, is known as the Kisan Credit Card Scheme. Both short-term and long-term loans were included in the plan.

Since February 2019, the government has been waging a push to put as many farmers as possible under KCC so that they can access loans at a lower interest rate through the ISS plan. The government (DAC&FW and DFS) has also taken up the aim of covering 2.5 lakh crore PM KISAN beneficiaries through KCC. Since February 2020, a fresh saturation push has been underway to cover all remaining PMKISAN beneficiaries. As a result, 2.70 crore (as of 10.12.2021) new KCCs have been sanctioned since February 2020, in addition to the existing 6.76 crore active KCC holders. (www.agricoop.nic.in)

REVIEW OF LETERATURE

(**Behera, 2015**) found that agricultural sector growth in Gujarat increased at a faster rate between 2001-02 and 2010-11 than in India. The growth was seeded by higher production of cotton and

wheat. It also influenced some exogenous factors, such as the increase in gross harvests and net irrigated areas, the increase in fertilizer consumption and the greater use of modern agricultural implements, etc.

(**Ramesh, 2017**) analysed the dynamics of structural transformation of the Indian economy and key drivers of the transformation, providing an overview of past achievements and future challenges in Indian agriculture, and identified key policy and strategy issues to accelerate large-scale sustainable growth in the agricultural sector in the country.

(**Saji, 2019**) examined various factors that determine and shape the level of inclusive development in India between 2004 and 2017 and conclude that the inclusive growth of the Indian economy continues to lag behind other emerging economies in many social and developmental dimensions, despite its significant advance in parameters of economic growth. It was also suggested that more government action is urgently needed to bring the largest mass of socially and economically deprived Indian citizens to an inclusive economic growth agenda.

(**Ahlawat & Singh, 2020**) Their study revealed that KCC beneficiary farmers have obtained higher production, productivity and net profit when compared with KCC non beneficiary farmers.

(**Mishra & Chaudhary, 2022**) suggested expansion of educational experiences and training in improved agricultural practices could help farmers adopt the KCC scheme, which would directly benefit the country's economy as a whole and the Indian banking sector's ability to integrate various offerings to achieve financial inclusion.

(**Singh & Prakash, 2022**) studied to identify funding sources before and after the adoption of the KCC scheme selected by rural households to obtain a loan to meet the capital needs of agriculture and agriculture-related activities, and their study showed that there is a significant positive change in preferences source of credit after adoption of KCC schemes with medium effect. Beneficiary farmers have moved from non-institutional to institutional sources of credit since the adoption of the KCC scheme and indicated that schemes such as the Kisan credit card have changed the rural credit landscape in India.

OBJECTIVES

1. To overview the meaning of KCC Scheme and Inclusive Growth.
2. To find out the performance of KCC scheme and Agriculture sector.
3. To identify the role of KCC scheme in agriculture development for inclusive growth.

RESEARCH METHODOLOGY

This research study employed an analytical and descriptive research design. The period of the study was from the session 2016-17 to 2020-21. Only secondary sources of data and information were used for this research study, which were gathered from publications on the trends and progress of banking in India, RBI, reports of the Directorate of Economics and Statistics, research articles, journals, and websites. The data was presented in tables and graphs, and MS Excel software was used to analyse it using a various statistical methods such as Mean, percentage, proportion, S.D., C.V., and EGR.

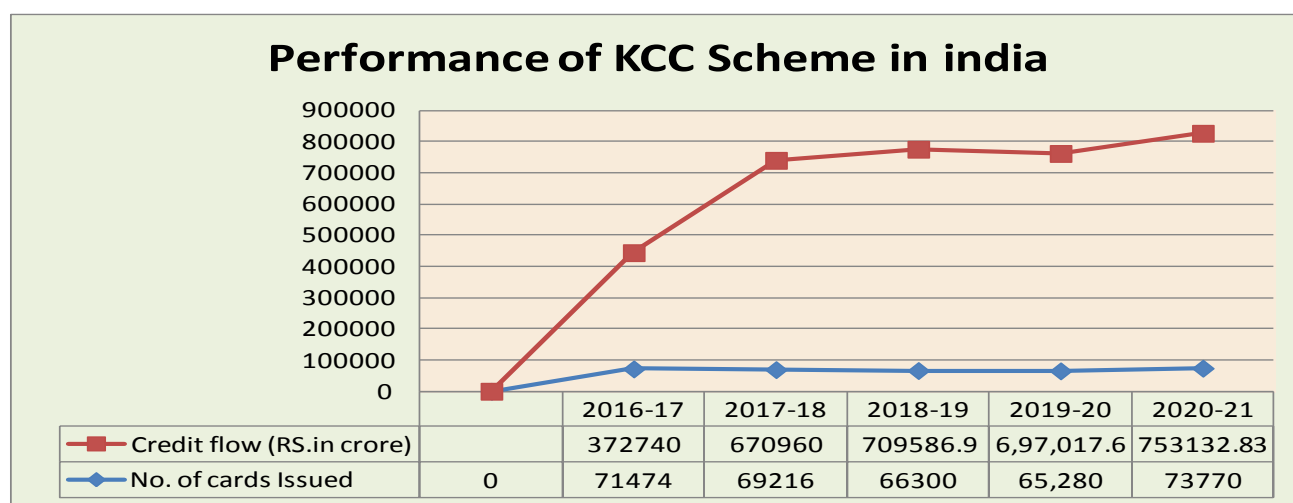
DATA ANALYSIS AND INTERPRETATION

Table No.1. Period-wise performance of Kisan Credit Card Scheme in India

Year	No. of cards Issued (in thousands)	Credit flow (RS.in crore)
2016-17	71474	372740
2017-18	69216	670960
2018-19	66300	709586.9
2019-20	65,280	6,97,017.6
2020-21	73770	753132.83
MEAN	346040	3203437.33
S.D.	3529.6	152705.96
C.V.(%)	1.01	4.77
EGR (%)	0.047	15.54

Source: Report on trend and progress of banking in India, RBI (<https://www.rbi.org.in>)

Chart No.1. Period-wise performance of Kisan Credit Card Scheme in India



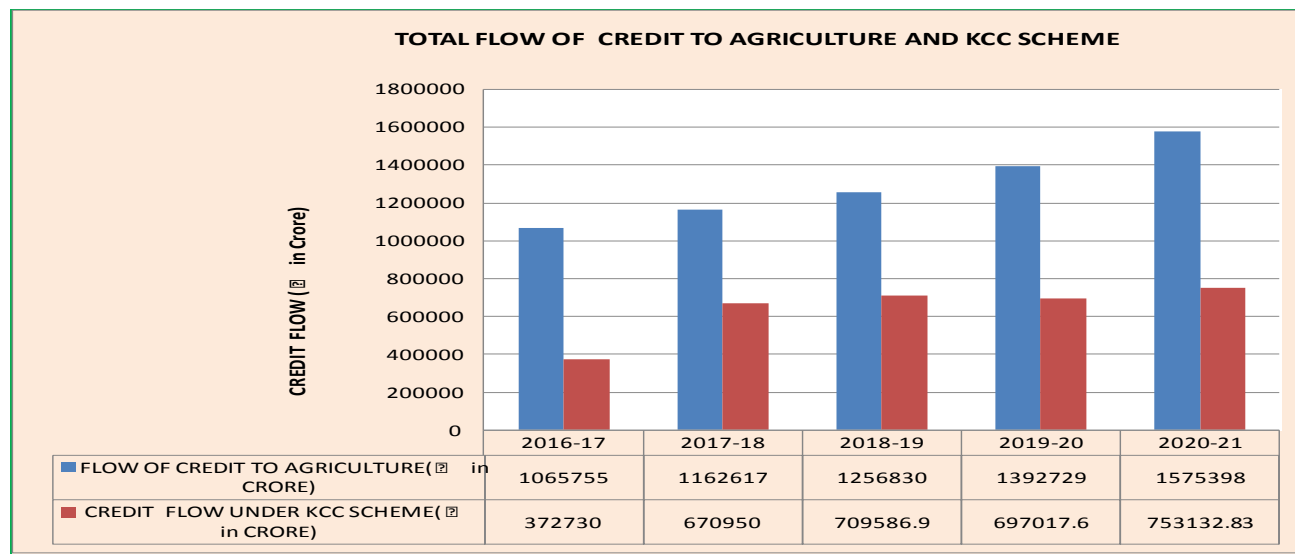
From the above table & chart, the average number of cards issued under the KCC Scheme from 2016–17 to 2020–21 in India was 346040000, and the average amount of credit flowed under the KCC scheme was Rs. 3203437.33 crore. While there were 71474000 KCC cards issued in 2016–17, that number increased to 73770000 in 2020–21, recording a growth rate of 0.047 percent throughout the research period, which has exhibited a favourable trend. From 2016–17 to 2019–20, there was a sharp decline, with fewer KCC cards being granted than in the above year. d the cards that were issued in 2019–20 to 2020–21 appeared to be progressive in nature. Again, the credit flow under the KCC scheme increased from Rs. 372740 crore in 2016–17 to Rs. 753132.83 crore in 2020–21, but from 2016–17 to 2018–19, an upward trend was observed, indicating that the credit flow under the KCC scheme was progress distributed and experienced an exponential growth rate of 15.54% during that time. During the time period, the number of cards issued was less volatile (1.01%) than the credit flow under KCC (4.77%).

Table no.2:- Total flow of credit to agriculture and KCC Scheme in India

TOTAL FLOW OF CREDIT TO AGRICULTURE AND KCC SCHEME 2016-17 TO 2020-21			
YEAR	FLOW OF CREDIT TO AGRICULTURE(₹ in CRORE)	CREDIT FLOW UNDER KCC SCHEME(₹ in CRORE)	KCC SCHEME AS PERCENTAGE OF TOTAL AGRICULTURE CREDIT
2016-17	1065755	372730	34.97%
2017-18	1162617	670950	57.71%
2018-19	1256830	709586.9	56.46%
2019-20	1392729	697017.6	50.05%
2020-21	1575398	753132.83	47.81%
TOTAL	6453329	3203417.33	49.64%

Source; Annual report of RBI, Credit delivery and financial Inclusion (rbidocs.rbi.org.in)

Chart no.2:- Total flow of credit to agriculture and KCC Scheme in India



Above table and chart shows the contribution of KCC scheme credit in Total agriculture credit in India. In 2017-18, KCC scheme contribution in total is highest (57.71%) than the all study session. when we talked about over all contribution during 2016-17 to 2020-21; the credit flow under KCC Scheme in Total agriculture credit is 49.64% that is big contribution. KCC scheme is play a very big role in distribution of agriculture credit in India and play a good role in development of agriculture sector. Because farmers need money to do farming and the more they get that money, the more the farmers will be able to spend more on their farming and production will increase. In the present situation, all these financial loan related work is being possible in large quantity only by KCC Scheme.

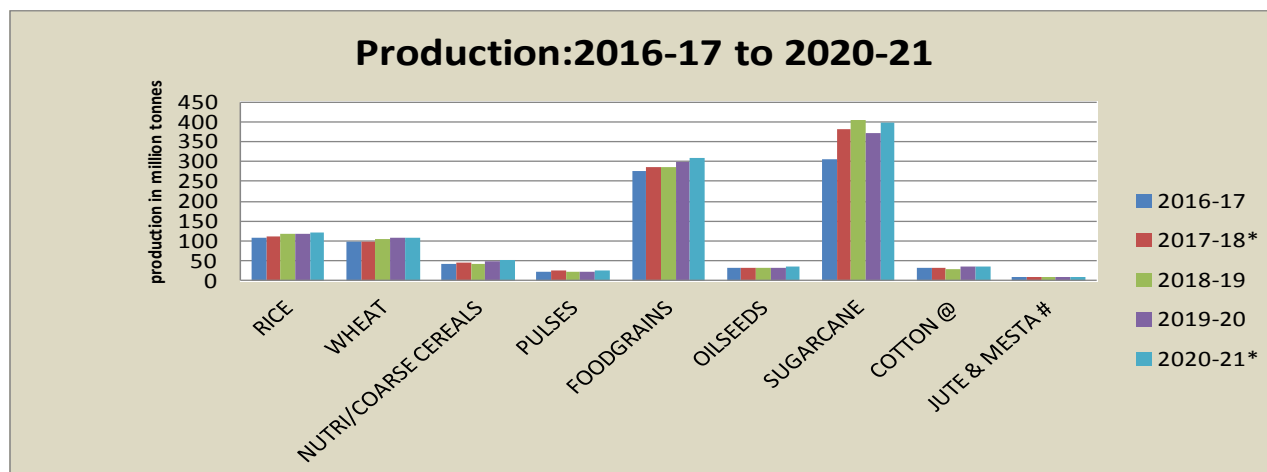
Table No -03. Area, Production and Yield of Major Agriculture crops in India

CROPS	AREA(Lakh hactare)					PRODUCTION(Million Tonnes)					YIELD(kg/hectare)				
	2016-17	2017-18	2018-19	2019-20	2020-21*	2016-17	2017-18*	2018-19	2019-20	2020-21*	2016-17	2017-18	2018-19	2019-20	2020-21*
RICE	439.9	437.7	441.56	436.62	450.67	109.7	112.8	116.48	118.87	122.27	2494	2576	2638	2722	2713
WHEAT	307.9	296.5	293.19	313.57	316.15	98.5	99.9	103.6	107.86	109.52	3200	3368	3533	3440	3464
NUTRI/COARSE CEREALS	250.1	242.9	221.46	239.88	238.28	43.8	47	43.06	47.75	51.15	1750	1934	1944	1991	2146
PULSES	294.5	298.1	291.56	279.87	288.33	23.1	25.4	22.08	23.03	25.72	786	853	757	823	892
FOODGRAINS	1292.3	1275.2	1247.77	1269.95	1293.43	275.1	285	285.21	297.5	308.65	2129	2235	2286	2343	2386
OILSEEDS	261.8	245.1	247.94	271.39	287.88	31.3	31.5	31.52	33.22	36.1	1195	1284	1271	1224	1254
SUGARCANE	44.4	47.4	50.61	46.03	48.57	306.1	379.9	405.42	370.5	399.25	69001	80198	80105	80497	82205
COTTON @	108.3	125.9	126.14	134.77	130.07	32.6	32.8	28.04	36.07	35.38	512	443	378	455	462
JUTE & MESTA #	7.6	7.4	7.05	6.73	6.63	10.9	10	9.82	9.88	9.56	2585	2435	2508	2641	2595

Source: Directorate of Economics & statistics, Department of Agriculture & Farmers Welfare. (www.agricoop.nic.in)

Note- *4th advance estimates @ Production in million bales of 170 kg each # Production in million bales 180 kg each

Chart No.-03. Production of Major Agriculture crops in India



According to the data mentioned above, the nation's total foodgrain output is projected to reach a record 308.65 million tonnes in 2020–21, an increase of 11.14 million tonnes above the production of foodgrain in 2019–20. Additionally, the production of foodgrain in 2020–21 is greater by 29.77 million tonnes than the average output during the preceding five years (2015–16 to 2019–20). It is predicted that 122.27 million tonnes of rice will be produced overall in 2020–21, which is a record. It exceeds the average production of the previous five years, which was 112.44 million tonnes, by 9.83 million tonnes. The production of wheat is anticipated to reach a record 109.52 million tonnes in 2020–21. Compared to the 100.42 million tonnes of typical wheat production, it is higher by 9.10 million tonnes. The total production of pulses in 2020–21 will be 3.73 million tonnes more than the average production of 21.99 million tonnes during the previous five years. In comparison to the average sugarcane production of 362.07 million tonnes, the production of sugarcane in 2020–21 is greater by 37.18 million tonnes. The predicted 35.38 million bales of cotton produced are 3.49 million more than the average bale count. 9.56 million bales of jute and mesta are expected to be produced.

FINDINGS

1. KCC cards issued in 2016–17 was 71474000 , that number increased to 73770000 in 2020–21 & credit flow under the KCC scheme increased from Rs. 372740 crore in 2016–17 to Rs. 753132.83 crore in 2020–21. Recorded a growth rate of KCC Cards 0.047 & 15.54 % for Credit flow under KCC throughout the research period, which has exhibited a favourable trend. In terms of the periodic effectiveness of the KCC scheme in India, there was a slight increase in the number of cards issued during the study period, but the amount paid to beneficiaries doubled; indicating credit received by farmers through the KCC schemes. This shows that farmers benefited from KCC and used credit at a lower rate than the informal source of credit. During the time period, the number of cards issued was less volatile (1.01%) than the credit flow under KCC (4.77%).

2. During the study period session 2016-17 to 2020-21, the credit flow under KCC Scheme in Total agriculture credit is 49.64% that is big contribution. KCC scheme is play a very big role in distribution of agriculture credit in India and play a good role in development of agriculture sector. Because farmers need money to do farming and the more they get that money, the more the farmers will be able to spend more on their farming and production will increase. In the present situation, all these financial loan related work is being possible in large quantity only by KCC Scheme.

3. As Table 3 shows areas, production and yields of the major agricultural crops from 2016-2017 to 2020-2021, there were no significant changes in the area and production of the main crops during the study period. But there was a slight increase in the production of oilseeds and cotton, as well as in the production area.

4. KCC scheme play a big role in agriculture development for inclusive growth in India. There are four pillars of inclusive growth-

1. Economy- The KCC scheme has a huge role in the overall agriculture credit distribution, when farmers get the credit amount on time and sufficient for cultivation, then they do farming well and the crop production is very high i.e. due to having money, farmers can do farming. For this, we take seeds, medicines and labourers in large quantities, which lead to employment generation. Due to the high production, the income of the farmers is high & due to the production of crops in large quantities, we also export goods and agricultural services more, which gets foreign money so that agriculture related business gets boom in large quantity, the loan disbursement through KCC scheme has a lot of positive impact on the economy, it is playing its role well in agriculture development. Agriculture sector contributes 18% to the GDP.

2. Living Condition- Through the KCC scheme, farmers are able to do farming well and increase production by getting loans in low and zero social interest, due to which the income and profit increases for the farmers and the traders doing business related to agriculture, so that all of them have a living, standard. It happens that when the income increases, the standard of living of all the stakeholders improves

3. Equality- In India, everyone has been given equal rights whether it is a woman or a man. If you do farming or business or whatever else everyone has equal right to do all the work, similarly the distribution of KCC loan is distributed to all whether it is a female farmer or a male farmer, so that

he can do farming normally. That too in the present few years' women has also declared themselves to advance in farming by getting KCC loans in huge amounts.

4. Environment- Farming with the help of credit through KCC scheme is done in a very large quantity, due to which there is no incidence of soil erosion and environmental pollution by planting trees, plants and crops.

All the above points make it clear that the KCC scheme has a huge contribution in the agricultural development and inclusive growth of India.

CONCLUSION

The big challenge for India is to make its agricultural sector more productive and more sustainable. Agriculture still accounts for 18.6% of India's GDP and about half of total employment. The livelihoods of two-thirds of India's population depend on agriculture and related activities. Agricultural policy has witnessed major agrarian reforms, institutional changes, the development of major spraying projects and the strengthening of the credit institution involved. KCC schemes is one of major player in agriculture credit distribution in India accounted 49.64% of total agriculture credit and huge contribution in agriculture development in India, Scheme has been penetrated all-over India to provide credit at cheaper rate which help to reduce debt burdens and prevail equality, living of standard, economic conditions of farmers through financial support which ultimately help in increase in production, generate employment and overall growth of India. Although direct public expenditure on productivity-enhancing investments that support the long-term competitiveness of the agricultural sector; improve agricultural innovation systems, including research and development, technology adoption and transfer, education, farmer training, and extension services. This enormous task cannot be solved by government alone. Industry and civil society must work with government to drive inclusive growth. Issues such as income inequality and the growing aspirations of the population must be addressed jointly by government and society.

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