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Kisan Credit Card Scheme: How India's Core Farm Credit Instrument Is Being Reworked

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WHY IN NEWS

In the Union Budget 2025-26, the government raised the **Kisan Credit Card (KCC) overall credit ceiling from Rs 3 lakh to Rs 5 lakh**, and the **Reserve Bank of India (RBI) raised the collateral-free short-term crop loan limit from Rs 1.6 lakh to Rs 2 lakh**, effective **1 January 2025**. These revisions update the scheme for current input-cost realities and extend its reach to small and marginal farmers.

India has roughly **7.72 crore active KCC accounts** carrying **Rs 10.2 lakh crore** in outstanding credit — yet a large share of cultivators, especially tenants and women farmers, still borrow from moneylenders at 24–36% annual interest. That gap explains why the Kisan Credit Card is consistently revisited and why the 2025-26 revisions matter beyond their headline numbers.

THE PROBLEM KCC WAS BUILT TO SOLVE

Why Farmers Need Credit Before the Harvest

Agriculture is a seasonal business with heavily front-loaded costs. A farmer must spend on seeds, fertilisers, pesticides, irrigation, diesel, hired labour, harvesting machinery, and post-harvest transport — all before a rupee of income arrives. For small and marginal farmers (those holding less than 2 hectares, who constitute over **86% of India's farm households**), meeting these costs from savings is rarely possible.

Before institutionalised crop credit became widely available, this gap was filled by traders, commission agents (arhatiyas), and local moneylenders at interest rates that regularly exceeded 24–36% per annum. The resulting debt traps were — and remain — a structural driver of agrarian distress.

Origins — The R. V. Gupta Committee, 1998

To replace this informal financing with affordable institutional credit, the **Kisan Credit Card Scheme was launched in 1998** on the recommendations of the **R. V. Gupta Committee**, with **NABARD (National Bank for Agriculture and Rural Development)** as the principal design authority. The core innovation was simple but powerful: instead of making a farmer apply for a fresh loan every season, a **revolving cash-credit limit** was sanctioned once and renewed annually. Farmers could draw and repay multiple times within the limit, matching the real rhythm of the crop cycle.

HOW THE KCC SYSTEM WORKS

Eligibility — Broader Than Most Assume

KCC was originally designed for owner-cultivators but has been progressively expanded. Today, the following categories are eligible:

Owner-cultivators (primary beneficiaries)

Tenant farmers, oral lessees, and sharecroppers (subject to state land-record conditions)

Self-Help Groups (SHGs) and Joint Liability Groups (JLGs) of farmers

Dairy farmers, animal husbandry households, and fisheries workers (added as allied-activity coverage expanded)

The inclusion of non-crop categories is significant: the Ministry of Fisheries, Animal Husbandry and Dairying has separately driven KCC saturation campaigns targeting these groups, recognising that rural livelihoods are rarely limited to crop farming alone.

Credit Structure

KCC is a **flexible cash-credit facility**, not a fixed term loan. Key structural features:

Credit limit is linked to landholding size, cropping pattern, and allied-activity scale

Multiple drawals and repayments within a year under a single sanctioned limit

Annual renewal rather than repeated fresh sanctioning (reducing processing burden)

Integration with **RuPay-enabled Kisan Cards** for ATM and point-of-sale access

Coverage for crop production costs, post-harvest expenses, allied-activity working capital, and short-term household maintenance linked to farming

The **Revised KCC Framework introduced in 2020** strengthened the single-window design, expanded allied-activity coverage, and enhanced digital delivery through core-banking integration.

WHAT CHANGED IN 2024-25 — THE KEY REVISIONS

The 2025-26 Budget and the RBI's January 2025 circular together represent the most significant update to KCC limits in several years.

Parameter	Previous Limit	Revised Limit	Effective From
Overall KCC credit ceiling	Rs 3 lakh	Rs 5 lakh	Union Budget 2025-26
Collateral-free crop loan ceiling	Rs 1.6 lakh	Rs 2 lakh	1 January 2025
Short-term crop loan interest (MISS)	7%	7% (unchanged)	—
Effective rate with prompt repayment	4%	4% (unchanged)	—

Why the Higher Limit Matters

Input costs across Indian agriculture have risen sharply over the last decade. Fertiliser prices — particularly urea and DAP — nearly doubled between 2019 and 2024, even after subsidy. Diesel costs, farm-labour wages, and machinery-rental rates have similarly climbed. A farmer cultivating 2–3 acres of high-value horticulture or hybrid paddy can easily exceed Rs 3 lakh in seasonal inputs. The revised Rs 5 lakh ceiling brings the credit limit closer to actual production costs for this category.

Why the Collateral-Free Revision Is More Important

The most consequential change for small farmers is the rise in the collateral-free threshold from Rs 1.6 lakh to Rs 2 lakh. For small and marginal farmers — who often lack formal land titles or hold land jointly — the requirement to pledge collateral is frequently the **first and decisive point of exclusion** from institutional credit. Raising this threshold allows more farmers to access KCC without mortgaging land or assets, reducing their vulnerability to bank rejection at the branch level.

INTEREST SUBVENTION — THE REAL ECONOMIC ADVANTAGE

KCC is linked to the **Modified Interest Subvention Scheme (MISS)**, operated by the **Department of Agriculture and Farmers Welfare (DAFR)**. Under MISS:

Short-term crop loans up to **Rs 3 lakh** are available at **7% per annum**

Farmers who repay **promptly and on time** receive an additional **3% incentive**, bringing the effective rate down to **4% per annum**

The government bears the interest differential between these rates and the banks' actual cost of funds

At 4%, institutional KCC credit is roughly **six to nine times cheaper** than typical moneylender rates. This makes the economic case for KCC expansion straightforward: every farmer shifted from informal to formal credit saves significantly on interest costs, which directly improves farm household incomes without requiring any input subsidy.

MISS also covers loans restructured because of natural calamities — drought, flood, cyclone, or other declared disasters — protecting farmers from punitive interest accumulation after weather shocks.

SCALE — HOW LARGE IS THE SCHEME?

As of 2026, KCC is one of the largest agricultural credit programmes in the world:

Active accounts: ~7.72 crore

Outstanding credit: ~Rs 10.2 lakh crore

Participating banks: ~457 (commercial banks, RRBs, cooperative banks)

Applications processed in recent drives: ~1,998.7 lakh

Agriculture still supports roughly **46.1% of India's workforce**, making the quality of farm credit a macroeconomic question, not just an agricultural policy detail.

THE ATMANIRBHAR BHARAT SATURATION DRIVE — 2020

The most ambitious KCC expansion effort to date came in the **Atmanirbhar Bharat package of 2020**. Under this drive:

- 2.5 crore new KCC holders** were targeted for enrolment within a defined timeframe

- An **emergency credit facility of Rs 2 lakh crore** was announced to support new and existing KCC accounts

- Special camps were held across districts, with banks directed to process applications in a time-bound manner

- Fishermen and animal husbandry workers** were specifically targeted for KCC enrolment for the first time at scale

This drive brought KCC into a new policy phase — from a passive credit facility available on application to an **active financial-inclusion target** measured by enrolment numbers.

DIGITAL INFRASTRUCTURE — KISAN RIN PORTAL

A recurring failure of credit schemes in India is the gap between design and delivery: a well-structured scheme can still exclude farmers if branch-level processing is slow, paperwork is duplicated, or inter-agency data is siloed. To address this, the **Kisan Rin Portal was launched in September 2023** by the Ministry of Agriculture and Farmers Welfare. Its functions include:

- Unified platform for credit application tracking across banks and agriculture departments

- Reduction of paper duplication through integration with land-record databases

- Improved monitoring of KCC enrolment targets at the district level

- Data analytics for identifying under-served regions and farmer categories

KCC AND OTHER KEY SCHEMES — LINKAGES THAT ARE OFTEN EXAMINED

PM-KISAN and KCC

The **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** provides **Rs 6,000 per year** in direct income support to eligible farmer families in three instalments. KCC and PM-KISAN are designed to be complementary, not alternatives: PM-KISAN provides a basic income floor, while KCC provides working capital for production. Many beneficiaries hold both. The government has linked PM-KISAN enrolment data with KCC outreach to identify farmers who receive income support but not formal credit.

PMFBY and KCC

Pradhan Mantri Fasal Bima Yojana (PMFBY), the flagship crop insurance scheme, is mandatory for **loanee farmers** under KCC for notified crops. This means KCC holders automatically receive crop insurance cover — the premium is deducted from the credit account — creating a structural linkage between credit and risk protection. However, premium deduction without adequate awareness has sometimes led to farmer dissatisfaction when claims were delayed or rejected.

WHERE KCC STILL FALLS SHORT

Despite its scale, KCC does not yet solve the full rural credit problem. Three structural gaps persist:

Tenant farmers and oral lessees remain partly excluded because branch-level sanctioning often still privileges farmers with formal land records, even though the scheme's eligibility criteria formally include tenants and sharecroppers. This is a state-level land-record reform problem, not a banking problem alone.

Women farmers frequently cultivate land in practice but hold no title in their own names. Without title, they cannot access the full KCC limit, and collateral-free access depends on the ceiling remaining adequate — which the January 2025 revision helps, but does not fully resolve.

Branch processing speed and capacity varies widely. In some districts, KCC applications take weeks to process; in others, saturation camps complete them in hours. The Kisan Rin Portal attempts to bridge this gap, but coverage and bank-level compliance remain uneven.

THE LARGER POLICY DIRECTION

Raising the KCC limit is necessary but not sufficient. Four reforms would make the scheme structurally more effective:

Land record digitisation and tenancy recognition — to include the 30–40% of cultivators who are tenants without formal title

Integration of KCC with digital crop and soil data — so credit limits can be calibrated to actual landholding productivity rather than a flat ceiling

Climate-risk linkage — KCC restructuring after weather shocks needs to be faster, and PMFBY-KCC claim settlement needs to be streamlined

Post-harvest and value-chain finance — the current KCC primarily funds production; extending it to post-harvest storage and processing would help farmers avoid distress sales

The future of farm credit lies in **inclusion and precision**, not merely higher ceilings.

UPSC RELEVANCE

Kisan Credit Card, R. V. Gupta Committee, NABARD, RBI, Modified Interest Subvention Scheme (MISS), Kisan Rin Portal, PM-KISAN, PMFBY, collateral-free limit, Atmanirbhar Bharat package.

MAINS GS-1:

Agrarian distress and rural indebtedness in India; farmer suicides and structural causes.

MAINS GS-2:

Financial inclusion as a governance objective; DBT and direct-benefit delivery in agriculture.

MAINS GS-3:

Agricultural credit architecture; small and marginal farmers; rural indebtedness; allied agricultural sectors; role of NABARD and RBI in farm finance.

★ FACTS CORNER — KNOWLEDGEPEDIA

KCC CORE TIMELINE:

- Launched: **1998**, based on **R. V. Gupta Committee** recommendations
- Institutional designer: **NABARD**
- Major redesign: **Revised KCC Framework, 2020** (single-window, digital integration)
- Digital reform: **Kisan Rin Portal, September 2023**
- Atmanirbhar Bharat drive: **2020** — 2.5 crore new KCC holders targeted; Rs 2 lakh crore credit facility

2024-25 LIMIT REVISIONS:

- Overall KCC ceiling: Rs 3 lakh → **Rs 5 lakh** (Budget 2025-26)
- Collateral-free crop loan limit: Rs 1.6 lakh → **Rs 2 lakh** (effective 1 January 2025)
- Short-term crop loan interest (MISS): **7% per annum**
- Prompt repayment incentive: **3% additional**
- Effective rate after prompt repayment: **4% per annum**

SCALE OF THE SCHEME (2026):

- Active KCC accounts: **~7.72 crore**
- Outstanding credit: **~Rs 10.2 lakh crore**
- Participating banks: **~457**
- Applications processed: **~1,998.7 lakh**
- Population dependent on agriculture: **~46.1%**

ELIGIBILITY CATEGORIES:

- Owner-cultivators, tenant farmers, oral lessees, sharecroppers
- SHGs and JLGs of farmers
- Dairy, animal husbandry, and fisheries workers

KEY LINKAGES:

- PM-KISAN:** Income support (Rs 6,000/yr) — complementary to KCC working capital
- PMFBY:** Mandatory crop insurance for KCC loanee farmers on notified crops
- MISS:** Government bears interest differential to bring effective rate to 4%

SMALL & MARGINAL FARMERS:

- Defined as farmers holding **less than 2 hectares**
- Constitute over **86%** of India's farm households
- Primary beneficiaries of collateral-free KCC access

OTHER RELEVANT FACTS:

- KCC is a **revolving cash-credit facility** — not a one-time term loan
- Moneylender interest in rural India: typically **24–36% per annum**; KCC at 4% is 6–9× cheaper
- Collateral requirement is the primary exclusion barrier for small farmers
- Largest structural gap: **tenant farmers and women farmers without land title**
- NABARD also provides refinance to banks for KCC lending under priority sector targets

Sources: [PIB](#), [RBI](#), [NABARD](#), [Department of Agriculture and Farmers Welfare](#)

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