

Research Proposal

Evaluation of the Impact of Targeted Credit Transfer through Kisan Credit Card (KCC) on Formalization of Credit Structure in Rural Areas

This research proposal outlines a comprehensive plan to evaluate the impact of KCC on the formalization of credit structure in rural areas. I am eager to undertake this research project as a summer intern at NABARD and contribute to advancing knowledge in the field of agricultural finance and rural development.

Introduction:

Access to credit plays a pivotal role in the economic development of rural areas, especially in agrarian economies like India. The Government of India introduced the Kisan Credit Card (KCC) scheme in 1998 to provide timely and adequate credit to farmers for their agricultural and allied activities. The scheme aims to simplify the credit delivery process, ensure the availability of credit at lower interest rates, and enable flexible repayment options for farmers. However, the effectiveness of the KCC scheme in formalizing the credit structure in rural areas and its impact on the financial inclusion of farmers remains a subject of debate. This research proposal aims to evaluate the impact of targeted credit transfers through KCC on the formalization of credit structure in rural areas.

A growing body of research has investigated the significance of the Kisan Credit Card (KCC) scheme in enhancing credit accessibility and fostering financial inclusion within India's rural sector. Jatav & Nayak identified KCC as a key factor in determining formal credit access in rural regions. Studies have shown that possessing a KCC positively influences agricultural income, indicating its importance in enhancing financial outcomes for farmers. Additionally, Tanna highlighted the use of data analytics and artificial intelligence in KCCs as a means to ensure that credit is utilized efficiently for agricultural development, leading to sustainable outcomes. Furthermore, financial inclusion through microfinance initiatives, such as KCCs, has been emphasized as crucial for the welfare and development of smallholder farmers (Abhishek.T, 2021).

The positive association between KCCs and literacy rates underscores the role of these cards in promoting financial literacy and inclusion (Gautam et al., 2022).

The research proposal aligns with existing literature that emphasizes the significance of microfinance credit, like KCCs, in enhancing farm productivity and rural livelihoods. By evaluating the formalization of credit structures through KCCs, the study aims to contribute to the understanding of how targeted credit transfers can promote financial inclusion and sustainable agricultural development in rural areas.

Objectives:

- To assess the penetration and utilization of KCC among farmers in different regions of India.
- To analyse the extent to which KCC has contributed to formalizing the credit structure in rural areas.
- To examine the socio-economic factors influencing the adoption and effectiveness of KCC among farmers.
- To explore the challenges and barriers faced by farmers in accessing and utilizing KCC for agricultural purposes.
- To provide policy recommendations for enhancing the effectiveness of KCC in promoting financial inclusion and rural development.

Data & Methodology:

This research will leverage existing datasets from institutions like NABARD and RBI to analyse trends in credit disbursement, repayment rates, and overall financial inclusion within rural India. This analysis of secondary data will be complemented by primary data collection through surveys and interviews with farmers, banking officials, and policymakers. These first-hand accounts will provide deeper insights into the factors influencing KCC adoption, its effectiveness on the ground, and potential areas for improvement.

To achieve its objectives, the research will take two-pronged approach. First, quantitative analysis will be conducted on secondary datasets to assess KCC penetration, credit utilization patterns, repayment behaviour, and the formalization of the credit structure in rural India. Second, qualitative analysis will be performed on primary data to understand farmers' perceptions, experiences, and challenges related to KCC. Using econometric modelling, the study will attempt to study the causal relationship between KCC adoption and formalization of credit structure, while controlling for relevant variables such as socio-economic factors, agro-climatic conditions, and policy interventions.

Expected Outcomes:

- Identification of factors influencing the adoption and effectiveness of KCC among farmers.
- Assessment of the impact of KCC on formalizing the credit structure in rural areas, including its implications for financial inclusion and rural development.
- Policy recommendations for enhancing the reach and impact of KCC, addressing challenges faced by farmers, and promoting inclusive growth in rural economies.

Significance of the Study:

This research will contribute to the existing literature on agricultural finance, rural development, and financial inclusion by providing empirical insights into the role of targeted credit transfers through KCC. The findings will be valuable for policymakers, financial institutions, and development agencies in designing effective strategies to promote inclusive and sustainable development in rural areas.

Conclusion:

The proposed research aims to contribute to the understanding of the impact of targeted credit transfers through KCC on the formalization of credit structure in rural areas. By examining the adoption patterns, utilization behaviour, and socio-economic determinants, the study seeks to provide valuable insights for policymakers and practitioners working towards enhancing financial inclusion and rural development.

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