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An Assessment of Kisan Credit Cards (KCC) with special reference to Animal Husbandry in West Bengal

Mehedi Hasan
Sreejit Roy
Sridev Adak
Muhammed Irshad M
Rishav Mukherjee
Saptarsi Chakraborty
Achiransu Acharyya

Agro-Economic Research Centre (AERC)
(For the States of West Bengal, Sikkim and Andaman & Nicobar Islands)
Visva-Bharati, Santiniketan,
West Bengal-731235

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Project Team:

Team Leaders:

Mr. Mehedi Hasan

Field Survey, Tabulation and Data Analysis:

Mr. Mehedi Hasan

Mr. Sreejit Roy

Mr. Sridev Adak

Logistic and Secretarial Services:

Mr. Nityananda Maji

Mr. Munshi Abdul Khaleque

Mr. Dibyendu Mondal

Mr. Debsankar Das

Mr. Parag Mitra

Mr. Bimal Kumar Singha

Mrs. Susmita Biswas

Mr. Sunil Hansda

Drafting and Report Writing:

Mr. Mehedi Hasan

Mr. Muhammed Irshad M

Central Project Coordinator: Agro-Economic Research Centre (AERC) for North-East India, Assam Agricultural University, Jorhat-785013

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Executive Summary

Introduction

West Bengal has good potential for dairy farming in India. According to the 20th livestock census (2019), cattle accounted for 35.94%, buffaloes for 20.45% and goats for 27.80% of the total livestock population in the state. The state recorded about 0.76 metric tonnes (MT) of milk in 2023-24, and per capita per day milk availability was 211 grams (NDDB, 2024). The National Bank for Agriculture and Rural Development (NABARD) developed a model system for issuing Kisan Credit Cards (KCC) to agriculture and allied sectors (Crop, Livestock, Forestry and Fishery) so that they may easily purchase different working capital components in Animal Husbandry, but farmers in West Bengal were found not to use the KCC credit scheme as much as farmers in other states. The low usage rate of 2.80% in West Bengal indicates room for improvement. If more farmers in West Bengal use the KCC, they could invest more in their livestock business, buy more animals and sell their products, build better animal shelters, buy good feed, and pay for veterinary care. The state needs to encourage more farmers to use this credit scheme to grow its animal husbandry sector.

The present study aims to assess the effectiveness of the KCC with special reference to Animal Husbandry in West Bengal, focusing on both cardholder beneficiaries and non-beneficiaries. This section outlines the specific objectives of the study and the methodology adopted to achieve them.

Based on the aforementioned background, the specific objectives of the study are as follows:

1. To study the status of Kisan Credit Card ownership in the Animal Husbandry sector
2. To understand the impact of KCC on AH
3. To identify the problems and impediments encountered by the KCC holders in AH
4. To suggest effective measures in terms of policy interventions

Main Findings:

- The Kisan Credit Card program showed strong growth from 2021 to 2025, with 21 lakh new cards issued and total loans increasing by Rs. 74,413 crores. The most remarkable trend was the explosive growth in animal husbandry loans, which increased by 181.04% and doubled their share from 2.85% to 6.34% of all loans.
- While the number of KCC cards grew steadily by 2.54% per year, the total loan amounts grew much faster at 5.42% per year, meaning farmers were taking larger loans on average. Animal husbandry loans grew ten times faster than crop loans and twice as fast as term loans.
- Commercial banks dominated KCC distribution across India from 2018-2025, issuing 37.48% of cards and sanctioning 58.91% of total loans. RRBs and cooperative banks played supporting roles with 19.07% and their respective shares.

- Commercial banks led KCC issuance in West Bengal with 33.54% of cards and 54.28% of loans from 2018 to 2025. Overall growth showed 2.56% yearly for cards and 4.48% for loan amounts across institutions.
- Total operative KCCs fell from approximately 2.93 million to 2.74 million, while the AH-specific KCCs saw a sharper decline, dropping from 19,826 to 14,389. A key observation is that every district listed saw a decrease in KCC in Animal Husbandry.
- Hooghly is particularly noteworthy, as it ranks among the top districts with the highest number of total operative KCC-AHs, 2579 in 2021-22 and 1855 in 2022-23. The data also highlights severe fluctuations in districts like Birbhum, where the total number of operative KCCs reduced by more than half (55.27%).
- Overall, the average annual income for KCC beneficiaries stands at Rs. 148768, while non-beneficiaries earn Rs. 127840, indicating that KCC holders earn Rs. 20928 more on average.
- The study revealed that all 60 loans were sanctioned exclusively to individual farmers who are Kisan Credit Card (KCC) holders under the Animal Husbandry Scheme, accounting for 100% of the total beneficiaries.
- Out of 60 sanctioned loans, it was noticed that dairy farming clearly dominates the landscape, with about 50 out of 60 beneficiaries (83.34%) engaged in dairy-related activities. Goat farming followed at approximately 15.00%, while poultry farming accounted for just a single case, with a share of barely 1.67%.
- In dairy farming, a total loan of Rs. 42.91 lakh was sanctioned, and 100% of it was utilized in the intended activity. Similarly, in goat farming and poultry farming, the full sanctioned amounts of Rs. 3.68 lakh and Rs. 1.64 lakh were also properly utilized in the respective trades.
- Overall, the combined loan amount of Rs. 48.25 lakh was fully utilized for better housing for animals, feed management, veterinary aid, insurance of the milch animals, labour, water and electricity supply, which reflects efficient and disciplined use of credit by the beneficiaries.
- The overall annual return for dairy beneficiaries was Rs. 110618 per farm, while non-beneficiaries earned only Rs. 94221 per farm. Due to higher returns, both groups experienced positive net returns, driven by the inclusion of family labour and moderate milk prices during the study period. The Benefit-Cost Ratio (BCR) further clarifies profitability differences: beneficiaries had a BCR of 1.32, meaning every rupee spent returned Rs. 1.32, while non-beneficiaries had a much lower BCR of 1.11, indicating profitability and economic efficiency.
- Beneficiary poultry farmers earned an overall annual return of Rs. 9.00 lakh, resulting in a net return of Rs. 5.40 lakh and achieved a Benefit-Cost Ratio (BCR) of 2.51, meaning that every rupee invested yielded Rs. 2.51 in return. On the other hand, non-

beneficiary poultry farmers earned Rs. 5.25 lakh incurred a benefit of Rs. 2.45 lakh, and had a BCR of 1.88, indicating profitability and efficient operations.

- The overall annual return per farm for beneficiary farmers was Rs. 1.08 lakh, while non-beneficiaries earned Rs. 1.02 lakh. Despite slightly higher returns for beneficiaries, both groups recorded positive net returns, with profits of Rs. 20440 and Rs. 14349 respectively. The Benefit-Cost Ratio (BCR) was almost similar for both beneficiaries (1.23) and non-beneficiaries (1.16), indicating that for every rupee spent, the return was more than one rupee, reflecting profitable operations.
- Regarding the cost of accessing credit, 92 percent reported satisfaction, and 93 percent of borrowers were satisfied with the reliability and transparency of operational procedures, which reflects that the banking system is fair, systematic, and free from major complications.
- The cooperation of bank staff also received a favourable response, with 90 percent fully satisfied and 10 percent partially satisfied, which shows that while most farmers experience cordial and supportive behaviour, a small group may still face communication or service-related issues.

Constraints:

- Table 5.1 shows that all respondents (100%) are fully aware of the repayment period, the interest rate and the interest subvention (the government's interest rebate). Moreover, 95% of respondents are unaware of the additional interest or penalties associated with delayed repayment. This indicates that the scheme has been implemented transparently, enabling farmers to make informed decisions regarding credit use and timely repayment.
- Section 5.2 reveals that only a small proportion of farmers faced procedural or administrative difficulties. For instance, 3.33% of respondents reported problems during the loan application, and 6.67% felt that the waiting time for loan sanction was too long. Similarly, 8.33% perceived the terms and conditions of lending institutions as rigid, while 1.67% experienced minor issues in handling bank paperwork. The smooth, accessible loan application process under the KCC-AH scheme is attributed to the guidance and assistance provided by Pranimitra or Pranibandhu to beneficiaries. Most farmers (98.33%) were well aware of the terms and conditions of interest under the KCC-AH scheme.
- Some challenges were noticed in repayment and support services. About 16.67% of farmers felt the repayment period was too short, and 83.33% said the installment amounts were too high. As a result, 81.67% had difficulty repaying loans on time. This suggests that repayment schedules may not always align with income-flow patterns in livestock farming, where returns are gradual rather than immediate.

- On the positive side, none of the respondents reported facing problems related to middlemen or hidden charges, showing that the KCC loan process is largely transparent due to Pranimitra or Pranibandhu. Only 1.67% experienced difficulties related to collateral or obtaining land records, indicating that documentation requirements are not a major barrier. However, 16.67% reported not receiving proper extension services, indicating a lack of technical guidance or follow-up support from government departments.
- All non-beneficiary farmers (100%) had bank accounts and were aware of the KCC AH scheme, which means that lack of awareness or banking access was not a problem. Additionally, 95% of them reported that they had applied but were not selected for the scheme for unknown reasons.
- All non-beneficiary farmers (100%) had bank accounts and were aware of the KCC-AH scheme, which means that lack of awareness or banking access was not a problem. All non-beneficiary farmers reported that they had applied but were not selected for the scheme, for reasons unknown.
- Most unselected farmers believed middlemen interference and limited institutional funds were not the problems. A small proportion, 5% , felt that biased selection and inability to submit the required documents may have been the reason. So, the non-adoption of KCC-AH among these farmers is not due to a lack of awareness or access, but rather to administrative or procedural issues during the selection process, such as delays in documentation or perceptions of bias.

Policy Recommendations:

Based on the findings of this study, the following recommendations and policy suggestions are proposed:

- **Flexible Repayment Structure:** The current fixed monthly repayment system creates a fundamental mismatch with livestock income patterns. Livestock farming generates daily or seasonal income (like milk sales), while banks demand fixed monthly payments. This disconnect has led to 97% non-repayment rates. Income-linked repayment schedules that align with actual cash flow would help farmers repay. Options include seasonal adjustments, graduated repayment plans starting with smaller amounts, and milk collection-based deductions. These changes will make loans sustainable for farmers, significantly improving bank recovery rates.
- **Enhanced Farmer Support System:** Farmers lack critical knowledge and skills despite receiving loans. With 83% reporting insufficient training, we must establish mandatory support programs. These should cover animal nutrition, healthcare, financial management, and modern farming techniques. Regular visits from veterinary experts and business advisors will help farmers optimize operations. Comprehensive training

will transform loan recipients from mere borrowers into successful entrepreneurs who can maximize their investments and repay loans comfortably.

- **Market Infrastructure Development:** Weak market access severely limits farmer profitability, especially for goat farmers who face losses regardless of loan status. Only 8% of farmers have access to proper markets. Therefore, it is important to establish collection centres, implement price stabilization mechanisms, and create direct market linkages. Developing cold chain facilities and storage infrastructure will enable farmers to get fair prices and reduce post-harvest losses. Proper market access is essential for loan repayment capacity.
- **Scheme Administration Improvements:** While farmers praise bank transparency and service quality, selection processes remain unclear to rejected applicants. We need transparent, published eligibility criteria and simplified documentation requirements. Expanding the Pranimitra/Pranibandhu network will provide local support. Regular monitoring systems should track both financial performance and indicators of farmer welfare. Clear communication about selection reasons will build trust and encourage more applications.
- **Sector-Specific Interventions:** Different livestock sectors face unique challenges. Dairy farming (chosen by 82% of loan recipients) needs enhanced support systems for milk collection and processing. Goat farming requires market revitalization and price support mechanisms. Poultry farming shows excellent potential (Rs. 1.61 return per rupee) and should be expanded. Tailored interventions for each sector will maximize the scheme's impact across West Bengal's diverse animal husbandry landscape.
- **Implementation Strategy**: A phased approach should be taken, starting with immediate repayment structure revisions and pilot training programs (0-6 months). Medium-term goals (6-18 months) should include developing market infrastructure and scaling training. Long-term objectives (18-36 months) focus on full scheme optimization and integration with other agricultural programs. This gradual implementation allows for continuous learning and adjustment based on farmer feedback and performance data.
- **Monitoring and Evaluation Framework:** Effective policy requires robust monitoring. Key performance indicators should include loan utilization rates, repayment percentages, farmer income growth, production increases, and satisfaction scores. Quarterly reviews will identify challenges early, while continuous farmer feedback ensures responsiveness. This data-driven approach will enable evidence-based policy adjustments and demonstrate the scheme's impact on the development of West Bengal's animal husbandry sector.
- **Insurance Integration with Credit Scheme:** Livestock farming faces multiple risks, including animal mortality, disease outbreaks, and price fluctuations. Integrating

insurance products with KCC-AH loans can protect both farmers and lenders. Bundling livestock insurance with credit, possibly with government subsidies for premiums, can solve the problem. This would reduce default risks from unforeseen events and give farmers confidence to invest more in their operations. Insurance payouts could also be structured to cover loan payments during crises.

- **Value Chain Development Support:** Farmers need help beyond production to reach profitable markets. Farmer-producer organizations (FPOs) need to be established specifically for livestock products. These FPOs can negotiate better prices, access processing facilities, and develop branded products. The policy should provide grants or low-interest loans for value-added infrastructure, such as milk processing units, meat packaging facilities, and product marketing initiatives.
- **Digital Payment and Monitoring Systems:** The implementation of digital systems for loan disbursement, milk collection payments, and loan repayments is crucial for efficient transactions. Digital payment trails create transparency and reduce cash handling risks. Mobile-based monitoring can track animal health, milk production, and sales data. This digital infrastructure would also provide banks with real-time data on farmer performance, enabling more accurate risk assessment and potentially better loan terms for successful farmers.