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Digitalisation of Rural Finance in India – Pilot for Kisan Credit Card (KCC) Lending developed by the Reserve Bank Innovation Hub

Rural finance encompasses a range of financial services offered to rural customers, including farmers, at all income levels. In a country like India, rural credit is closely related to inclusive economic growth, as it caters to the requirements of agriculture and allied activities, ancillary industries, small businesses, etc. At present, the process for getting such finance requires customer to visit a bank branch in-person along with the proof of land ownership and other documents. Sometimes, the customer may be required to visit the bank branch multiple times. The Turn Around Time (TAT) from loan application to disbursement has also been rather high, ranging from two to four weeks.

2. Considering the challenges associated with rural finance in India, digitalisation of various aspects of rural finance is an important objective of RBI's Fintech initiatives. In this endeavour, a pilot project for end-to-end digitalisation of Kisan Credit Card (KCC) lending, developed by the Reserve Bank Innovation Hub (RBIH) in association with the RBI is being taken up. The pilot project would entail automation of various processes within banks and integration of their systems with the service providers. The proposed digitalisation of the KCC lending process will make it more efficient, reduce costs for borrowers and reduce TAT significantly.

3. The pilot will commence in September 2022 in select districts of Madhya Pradesh and Tamil Nadu with Union Bank of India and Federal Bank, respectively, as partner banks and with active cooperation of the state governments. Based on the learnings from the pilot, it is planned to expand the digitalisation of KCC lending to other districts in these two states and gradually across the country.

4. This pilot project on digitalisation of KCC lending is expected to play a pivotal role in facilitating credit flow to the unserved and underserved rural population by making the credit process faster and more efficient. When fully implemented, this is expected to transform the rural credit delivery system of the country.