

Agribusiness Growth and Financial Inclusion: An Analysis of Pradhan Mantri Kisan Samman Nidhi in Indian Agriculture

Ravi Ranjan¹, Mohd Yaseen Khan¹ and Subhranshu Mohanty²

¹Vivekananda Global University, Jagatpura, Jaipur, Rajasthan – 303012, India

²Army Institute of Management and Technology, Greater Noida, Uttar Pradesh 201306, India

Email: raviranjanafruitfal@gmail.com

Agriculture remains central to India's economy but faces persistent structural challenges affecting farmer income and productivity. The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme provides direct income support to farmers, enhancing financial inclusion and stability. This initiative aims to strengthen agribusiness growth, reduce vulnerability and promote sustainable agricultural development across India.

Keywords: Agribusiness, Agriculture, Financial inclusion, Farmer income, PM-KISAN

Introduction

Agriculture remains the backbone of the Indian economy, supporting a large share of the population and contributing significantly to national income. Despite its importance, the sector has long struggled with structural constraints such as fragmented landholdings, dependence on erratic monsoons, limited mechanization and inadequate access to institutional finance. These challenges have historically hindered agribusiness growth and left many farmers in conditions of economic vulnerability. In response, the government of India has increasingly focused on policies that combine income support with financial inclusion. The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN), launched in 2019, is one such initiative aimed at improving farmers' financial stability while fostering a more inclusive and productive agricultural ecosystem.

Overview of the PM-KISAN scheme

The PM-KISAN scheme is a central sector initiative that provides direct income support of ₹6,000 per year to eligible farmer families, disbursed in three equal instalments through direct benefit transfer (DBT). The scheme primarily targets small and marginal farmers and ensures that funds are transferred directly into Aadhaar linked bank accounts, thereby minimizing leakages and delays. Over time, the scheme has achieved wide coverage, reaching millions of farmers across the country. By offering unconditional income support, PM-KISAN provides farmers with flexibility in spending, allowing them to address both agricultural and household needs.

Conceptual link: Agribusiness and financial inclusion

Agribusiness encompasses the entire agricultural value chain, including production, processing, storage, distribution and marketing of agricultural products. For this ecosystem to thrive, farmers must have access to capital, markets, technology and risk management tools. Financial inclusion plays a crucial role in enabling these factors by ensuring that individuals have access to affordable and reliable financial services such as banking, credit, insurance and savings instruments. PM-KISAN operates at the intersection of agribusiness and financial inclusion by providing liquidity to farmers while simultaneously integrating them into the formal financial system. This dual impact enhances both agricultural productivity and economic participation.

PM-KISAN and financial inclusion**Expansion of formal banking access**

One of the most significant contributions of PM-KISAN is its role in expanding access to formal banking services. By requiring beneficiaries to have Aadhaar linked bank accounts, the scheme has brought millions of farmers into the formal financial system. This inclusion enables farmers to access a range of financial services, including institutional credit, insurance and digital payment platforms. As a result, previously unbanked or underbanked rural populations are now better connected to the broader financial ecosystem.

Reduction in dependence on informal credit

Historically, many farmers relied on informal sources of credit such as moneylenders, often at exorbitant interest rates. PM-KISAN has helped reduce this dependence by providing a steady flow of income that can be used to meet immediate financial needs. This improves farmers' creditworthiness and makes them more eligible for formal loans. Consequently, farmers are less likely to fall into debt traps and can manage their finances more sustainably.

Direct benefit transfer and transparency

The use of direct benefit transfer ensures that funds are delivered directly to beneficiaries without the involvement of intermediaries. This not only reduces corruption and leakages but also enhances transparency and efficiency in the implementation of the scheme. The timely and reliable transfer of funds strengthens farmers' trust in government programs and promotes better governance in the agricultural sector.

Impact on agribusiness growth**Increased investment in agricultural inputs**

The income support provided under PM-KISAN enables farmers to invest in essential agricultural inputs such as seeds, fertilizers, pesticides and irrigation facilities. Access to

these inputs at the right time improves crop productivity and quality. As farmers become more capable of making such investments, the overall efficiency and output of the agricultural sector increase, contributing to agribusiness growth.

Adoption of modern agricultural practices

With improved financial stability, farmers are more likely to adopt modern agricultural practices and technologies. These include the use of high yielding seed varieties, mechanized tools and advanced irrigation systems. Such innovations not only enhance productivity but also reduce labour dependency and production risks. Over time, this transition contributes to the modernization of Indian agriculture.

Strengthening rural demand and value chains

The regular inflow of funds under PM-KISAN stimulates rural demand by increasing farmers' purchasing power. This demand extends beyond agriculture to include consumer goods, education and healthcare. The resulting economic activity benefits various components of the agribusiness value chain, including input suppliers, processors and retailers. Thus, the scheme has a multiplier effect on the rural economy.

Risk mitigation and income stability

Agriculture is inherently uncertain due to factors such as weather variability and market fluctuations. PM-KISAN acts as a financial cushion, helping farmers maintain consumption levels and manage risks during adverse conditions. This income stability encourages farmers to make productive investments and explore diversification into higher value crops, thereby strengthening agribusiness resilience.

Role in rural economic development

Beyond its direct impact on agriculture, PM-KISAN plays a vital role in rural economic development. By increasing farmers' disposable income, the scheme enhances their purchasing power and contributes to poverty reduction. It also encourages entrepreneurial activities in rural areas, particularly in agro-processing and allied sectors. The increased economic activity generated by the scheme supports local markets and improves overall living standards in rural communities.

Empirical evidence and utilization patterns

Empirical studies suggest that a significant portion of PM-KISAN funds is used for agricultural purposes, such as purchasing inputs and equipment. However, a considerable share is also spent on household needs, including education, healthcare and consumption. This dual utilization highlights the scheme's role as both an economic support mechanism

and a social safety net. While the agricultural investments contribute to productivity and growth, the expenditure on basic needs enhances human development and overall well being.

Challenges and limitations

Exclusion errors

One of the major limitations of PM-KISAN is the exclusion of certain categories of farmers, particularly tenant farmers and landless agricultural labourers. Since eligibility is based on land ownership records, many deserving beneficiaries are left out of the scheme.

Inadequate financial support

The annual assistance of ₹6,000 while beneficial, may not be sufficient to significantly impact long-term agricultural investments or income levels. Rising input costs and inflation further reduce the real value of this support.

Administrative and technical issues

The implementation of the scheme faces challenges such as delays in verification, errors in land records and payment failures. These issues can disrupt the timely disbursement of funds and reduce the effectiveness of the scheme.

Uneven utilization

The utilization of funds varies across regions and socio-economic groups. Factors such as education, awareness and access to resources influence how effectively farmers use the financial assistance, leading to uneven outcomes.

PM-KISAN and digital transformation

PM-KISAN has significantly contributed to the digital transformation of Indian agriculture. The use of Aadhaar-based identification, mobile platforms and digital payment systems has streamlined the delivery of benefits and improved transparency. The scheme has also paved the way for initiatives such as digital land records and agricultural databases, which can enhance policy planning and implementation. This digital integration strengthens both financial inclusion and the efficiency of agribusiness operations.

Policy recommendations

To maximize the impact of PM-KISAN, several policy measures can be considered. Increasing the amount of financial assistance would help farmers cope with rising costs and make more meaningful investments. Expanding coverage to include tenant farmers and landless labourers would enhance inclusiveness. Greater convergence with other agricultural schemes, such as credit programs and insurance initiatives, can create a more comprehensive support system. Additionally, improving data infrastructure and promoting financial literacy among farmers would ensure better utilization of funds and more effective implementation.

**Conclusion**

The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) represents a significant step toward achieving inclusive growth in Indian agriculture. By providing direct income support and promoting financial inclusion, the scheme has enhanced farmers economic stability and encouraged greater participation in the agribusiness ecosystem. While challenges remain, the scheme's positive impact on agricultural investment, rural demand and financial access is evident. With appropriate policy refinements and better integration with broader agricultural reforms, PM-KISAN has the potential to serve as a cornerstone for building a resilient, modern and inclusive agrarian economy in India.