



Kisan Credit Card and Crop loans

Outline

- Introduction
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- Fixation of credit limit
- Disbursement
- Validity / Renewal
- Security
- Classification of NPA & others

Introduction

- Innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner
- Launched in Union Budget 1998-99
- NABARD formulated the model scheme on the basis of farmers holdings for uniform adoption by the banks
- Model Scheme was prepared by NABARD on recommendations of R V Gupta Committee
- Current scheme was revisited with a view to simplify and attune the Scheme to suit to current requirements and to facilitate issue of Electronic Kisan Credit Cards
- Implemented by Commercial Banks, RRBs and Cooperatives

Purpose

- Providing adequate and timely credit support from the banking system under a single window to the farmers for their cultivation & other needs

Sl No	Short term loan	Long term loan
1	Cultivation of crops	Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc.
2	Post harvest expenses	
3	Produce Marketing loan	
4	Consumption requirements of farmer household	
5	Working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery etc	

Eligibility

- i. All Farmers – Individuals / Joint borrowers who are owner cultivators
- ii. Tenant Farmers, Oral Lessees & Share Croppers
- iii. SHGs or Joint Liability Groups of Farmers including tenant farmers, share croppers etc.

Fixation of credit limit/Loan amount

- **For Marginal Farmers**

- A flexible limit of Rs.10,000 to Rs.50,000 may be provided (as Flexi KCC)
- It is based on the land holding and crops grown including post harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc.,
- In addition to that small term loan investments like purchase of farm equipments, establishing mini dairy/backyard poultry as per assessment of Branch Manager without relating it to the value of land.
- The composite KCC limit is to be fixed for a period of five years on this basis.

All farmers other than marginal farmers

- **The short term limit to be arrived for the first year**

- For farmers raising single crop in a year: Scale of finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated + 10% of limit towards post-harvest / household / consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance, PAIS & asset insurance

- **Limit for second & subsequent year**

- First year limit for crop cultivation purpose arrived at as above plus 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd , 3rd, 4th and 5th year) and estimated Term loan component for the tenure of Kisan Credit Card, i.e., five years.

A. Small Farmer raising Multiple Crops in a year

1. Assumptions:

A. Land holding: 2 acres

B. Cropping Pattern: Paddy - 1 acre (Scale of finance plus crop insurance per acre: Rs.11000)

Sugarcane - 1 acre (Scale of finance plus crop insurance per acre: Rs.22,000)

C. Investment/Allied Activities:

(i) Establishment of 1+1 Dairy Unit in 1st Year (Unit Cost: Rs.20,000 per animal)

(ii) Replacement of Pump set in 3rd year (Unit Cost: Rs.30,000)

2. (i) Crop loan Component

Cost of cultivation of 1 acre of Paddy and 1 acre of Sugarcane
(11,000+22,000) : Rs.33,000

Add: 10% towards post harvest/household expense/consumption : Rs. 3,300

Add: 20% towards farm maintenance : Rs. 6,600

Total Crop Loan limit for 1st year : Rs. 42,900

Loan Limit for 2nd year

Add: 10% of the limit towards cost escalation/increase in scale of finance
(10% of 42900 i.e 4300) : Rs. 4,300

: Rs. 47,200

Loan Limit for 3rd year

Add: 10% of the limit towards cost escalation/increase in scale of finance
(10% of 47,200 i.e., 4,700) : Rs. 4,700

: Rs. 51,900

Loan Limit for 4th year

Add: 10% of the limit towards cost escalation/increase in scale of finance
(10% of 51,900 i.e 5,200) : Rs. 5,200

:Rs.57,100

Loan Limit for 5th year

Add: 10% of the limit towards cost escalation/increase in scale of finance
(10% of 57100 i.e 5700) : **Rs. 5,700**

:Rs. 62,800

Say:Rs.63,000....(A)

(ii) Term loan component:

1st Year: Cost of 1+1 Dairy Unit : Rs.40,000

3rd Year: Replacement of Pumpset : Rs. 30,000

Total term loan amount :Rs.70,000...(B)

**Maximum Permissible Limit /Kisan Credit Card
Limit (A) +(B) :Rs.1,33,000**

- **For farmers raising more than one crop in a year**

- The limit is to be fixed depending upon the crops cultivated as per proposed cropping pattern for the first year and an additional 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year).
- It is assumed that the farmer adopts the same cropping pattern for the remaining four years also. In case the cropping pattern adopted by the farmer is changed in the subsequent year, the limit may be reworked.

- **For Term loans**

- For investments towards land development, minor irrigation, purchase of farm equipments and allied agricultural activities.
- The banks may fix the quantum of credit based on the unit cost of the asset/s proposed to be acquired by the farmer, the allied activities undertaken on the farm, the bank's judgment on repayment capacity vis-a-vis total loan burden devolving on the farmer, including existing loan obligations.
- **The long term loan limit** is based on the proposed investments during the five year period and the bank's perception on the repaying capacity of the farmer

Other Farmer raising Multiple Crops in a year

Assumptions :

Land Holding : 10 acres

Cropping Pattern :

Paddy - 5 acres (Scale of finance plus crop insurance per acre Rs.11,000)

Followed by Groundnut - 5 acres (Scale of finance plus crop insurance per acre Rs.10,000)

Sugarcane - 5 acres (Scale of finance plus crop insurance per acre Rs.22,000)

Investment / Allied Activities :

(i) Establishment 2+2 Dairy Unit in 1st Year (Unit cost : Rs.1,00,000)

(ii) Purchase of Tractor in 1st Year (Unit Cost : Rs.6,00,000)

Crop loan Component	
Cost of cultivation of 5 acres of Paddy, 5 Acres of Groundnut and 5 acres of Sugarcane	Rs.2,15,000
Add : 10% towards post harvest / household expense / consumption	Rs.21,500
Add : 20% towards farm maintenance	Rs.43,000
Total Crop Loan limit for 1st year	Rs.2,79,500
Loan Limit for 2nd year	
Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 2,79,500 i.e., 27,950)	Rs.27,950
	Rs.3,07,450
Loan Limit for 3rd year	
Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 3,07,450 i.e., 30,750)	Rs.30,750
	Rs.3,38,200
Loan Limit for 4th year	
Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 338200 i.e., 33,800)	Rs.33,800
	Rs.3,72,000
Loan Limit for 5th year	
Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 3,72,000 i.e., 37,200)	Rs.37,200
	Rs.4,09,200

Say Rs.4,09,000 ... (A)

Term loan component :	
1st Year : Cost of 2+2 Dairy Unit :	Rs.1,00000
Purchase of Tractor :	Rs.6,00,000
Total term loan amount	Rs.7,00,000.....(B)

Maximum Permissible Limit / Kisan Credit Card Limit (A)+ (B) :	Rs.11,09,000
	Rs.11.09 lakh

Maximum Permissible Limit & fixation of sub-limit

- The short term loan limit arrived for the 5th year plus the estimated long term loan requirement will be the **Maximum Permissible Limit (MPL)** and treated as the Kisan Credit Card Limit
- **Fixation of Sub-limits for other than Marginal Farmers**
 - Short term loans and term loans are governed by different interest rates. Besides, at present, short term crop loans are covered under Interest Subvention Scheme/ Prompt Repayment Incentive scheme.
 - Further, repayment schedule and norms are different for short term and term loans. Hence, in order to have operational and accounting convenience, the card limit is to be bifurcated into separate sub limits for short term cash credit limit cum savings account and term loans.

Drawing limit

- **Drawing limit** for short term cash credit should be fixed based on the cropping pattern and the amounts for crop production, repairs and maintenance of farm assets
- Consumption may be allowed to be drawn as per the convenience of the farmer.
- In case the revision of scale of finance for any year by the district level committee exceeds the notional hike of 10% contemplated while fixing the five year limit, a revised drawable limit may be fixed and the farmer be advised about the same.
- In case such revisions require the card limit itself to be enhanced (4th or 5th year), the same may be done and the farmer be so advised.
- For term loans, installments may be allowed to be withdrawn based on the nature of investment and repayment schedule drawn as per the economic life of the proposed investments.
- It is to be ensured that at any point of time the total liability should be within the drawing limit of the concerned year.
- Wherever the card limit/liability so arrived warrants additional security, the banks may take suitable collateral as per their policy.

Disbursement

- The short term component of the KCC limit is in the nature of revolving cash credit facility. There should be no restriction in number of debits and credits. **However, each installment of the drawable limit drawn in a particular year will have to be repaid within 12 months.** The drawing limit for the current season/year could be allowed to be drawn using any of the following delivery channels.
 - a. Operations through branch
 - b. Operations using Cheque facility
 - c. Withdrawal through ATM / Debit cards
 - d. Operations through Business Correspondents and ultra thin branches
 - e. Operation through PoS available in Sugar Mills/ Contract farming companies, etc., especially for tie-up advances
 - f. Operations through PoS available with input dealers
 - g. Mobile based transfer transactions at agricultural input dealers and mandies

The long term loan for investment purposes may be drawn as per installment fixed

CC and term loan - bifurcation

- As the CC limit and the term loan limit are two distinct components of the aggregate card limit bearing different rates of interest and repayment periods
- Until a composite card could be issued with appropriate software to separately account transactions in either sub limits, two separate electronic cards may be issued.

Validity / Renewal

- Banks may determine the validity period of KCC and its periodic review.
- The review may result in continuation of the facility, enhancement of the limit or cancellation of the limit / withdrawal of the facility, depending upon increase in cropping area / pattern and performance of the borrower.
- When the bank has granted extension and/or re-schedulement of the period of repayment on account of natural calamities affecting the farmer, the period for reckoning the status of operations as satisfactory or otherwise would get extended together with the extended amount of limit.
- When the proposed extension is beyond one crop season, the aggregate of debits for which extension is granted is to be transferred to a separate term loan account with stipulation for repayment in installments.

Rate of Interest & Repayment Period

- Rate of Interest will be linked to Base Rate and is left to the discretion of the banks
- The repayment period may be fixed by banks as per the anticipated harvesting and marketing period for the crops for which a loan has been granted
- Each withdrawal under the short term sub-limit be allowed to be liquidated in 12 months without the need to bring the debit balance in the account to zero at any point of time. No withdrawal in the account should remain outstanding for more than 12 months.
- The term loan component will be normally repayable within a period of 5 years depending on the type of activity / investment as per the existing guidelines applicable for investment credit
- **Margin:** To be decided by banks

Security

- i. Hypothecation of crops up to card limit of Rs. 1.00 lakh as per the extant RBI guidelines.
- ii. With tie-up for recovery: Banks may consider sanctioning loans on hypothecation of crops upto card limit of Rs.3.00 lakh without insisting on collateral security.
- iii. Collateral security may be obtained at the discretion of Bank for loan limits above Rs.1.00 lakh in case of non tie-up and above Rs.3.00 lakh in case of tie-up advances.
- iv. In States where banks have the facility of on-line creation of charge on the land records, the same shall be ensured.

Other features

Uniformity to be adopted in respect of following:

- i. Interest Subvention/Incentive for prompt repayment as advised by Government of India and / or State Governments. The bankers will make the farmers aware of this facility.
- ii. The KCC holder should have the option to take benefit of Crop Insurance, Assets Insurance, Personal Accident Insurance Scheme (PAIS), and Health Insurance (wherever product is available and have premium paid through his KCC account). Necessary premium will have to be paid on the basis of agreed ratio between bank and farmer to the insurance companies from KCC accounts. Farmer beneficiaries should be made aware of the insurance cover available and their **consent** is to be obtained, at the application stage itself.
- iii. One time documentation at the time of first availment and thereafter simple declaration (about crops raised / proposed) by farmer from the second year onwards

Classification of account as NPA

- The extant prudential norms for income recognition, asset-classification and provisioning will continue to apply for loans granted under revised KCC Scheme.
- A loan granted for short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons.
- A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season.
- “long duration” crops would be crops with crop season longer than one year and crops, which are not “long duration” crops, would be treated as “short duration” crops.
- The crop season for each crop, which means the period up to harvesting of the crops raised, would be as determined by the State Level Bankers’ Committee in each State.

Farm Credit

Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans], directly engaged in Agriculture only. This will include:

1. Crop loans to farmers, which will include traditional / non-traditional plantations and horticulture.
2. Medium and long-term loans to farmers for agriculture (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm.
3. Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
4. Loans to farmers up to 50 lakh against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
5. Loans to distressed farmers indebted to non-institutional lenders.
6. Loans to farmers under the Kisan Credit Card Scheme.
7. Loans to small and marginal farmers for purchase of land for agricultural purposes.

Classification of account as NPA

- In respect of agricultural loans, other than farm credit and term loans given to non-agriculturists, identification of NPAs would be done on the same basis as nonagricultural advances, which, at present, is the 90 days delinquency norm.
- Where natural calamities impair the repaying capacity of agricultural borrowers for the purposes specified for farm credit, banks may decide on their own as a relief measure conversion of the short-term production loan into a term loan or re-schedulement of the repayment period.
- In such cases of conversion or re-schedulement, the term loan as well as fresh short-term loan may be treated as current dues and need not be classified as NPA.

Others

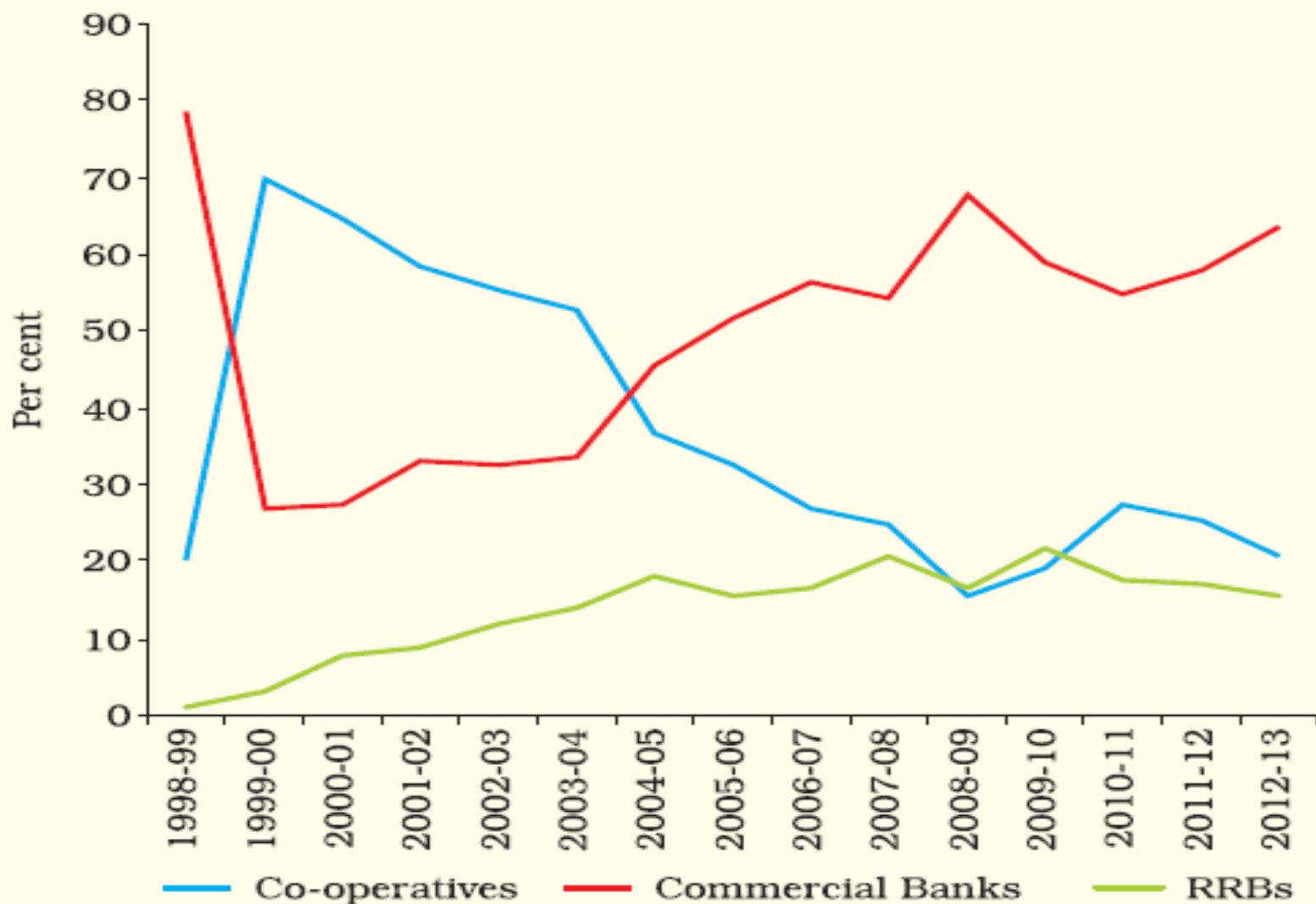
- Charging of interest is to be done uniformly as is applicable to agricultural advance
- Processing fee may be decided by banks

**Bank-wise Number of Rupay Kisan Cards Issued by
National
Payment Corporation (NPCI) of India
(2013-2014)**

Type of Banks	Banks	Cards Issued
Public Sector Banks	26	4856149
Private Sector Banks	2	259
RRBs	52	799532
Cooperative Banks	2	3900
Total	82	5659840

Source : Lok Sabha Unstarred Question No. 312 dated on 11.07.2014

Chart IV.19: Shares of Institutions in Total KCCs Issued



Source: NABARD and Returns from commercial banks.

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