

Kisan Credit Card

Genesis

Honourable Union Finance Minister announced in his budget speech for 1998-99 that NABARD would formulate a Model scheme for issue of Kisan Credit Cards to farmers, on the basis of their land holdings, for uniform adoption by banks, so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilisers, pesticides, etc. and also draw cash for their production needs. As a pioneering credit delivery innovation, Kisan Credit Card Scheme aims at provision of adequate and timely support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible and cost effective manner.

Salient features of the Kisan Credit Card (KCC) Scheme

- Eligible farmers to be provided with a Kisan Credit Card and a pass book or card-cum-pass book.
- Revolving cash credit facility involving any number of drawals and repayments within the limit.
- Limit to be fixed on the basis of operational land holding, cropping pattern and scale of finance.
- Entire production credit needs for full year plus ancillary activities related to crop production to be considered while fixing limit.
- Sub-limits to cover short term, medium term as well as term credit are fixed at the discretion of banks.
- Card valid for 3 to 5 years subject to annual review. As incentive for good performance, credit limits could be enhanced to take care of increase in costs, change in cropping pattern, etc.
- Each drawal to be repaid within a maximum period of 12 months.
- Conversion/reschedulement of loans also permissible in case of damage to crops due to natural calamities.
- Security, margin, rate of interest, etc. as per RBI norms.
- Operations may be through issuing branch (and also PACS in the case of Cooperative Banks) through other designated branches at the discretion of bank.
- Withdrawals through slips/cheques accompanied by card and passbook.
- Crop loans disbursed under KCC Scheme for notified crops are covered under Rashtriya Krishi Bima Yojna (National Crop Insurance Scheme), a crop insurance scheme introduced at the behest of Government of India to protect the interest of the farmer against loss of crop yield caused by natural calamities, pest attacks etc

Revision in Kisan Credit Card Scheme

In order to spread the KCC base and to popularize the KCC amongst the farming community and also to bring in a commonality amongst the banks in the technology driven banking, the recommendations of Working Group constituted by GoI, under the Chairmanship of Shri T M Bhasin, Chairman & Managing Director, Indian Bank on redesigning of KCC scheme to make it

Smart Card-cum-Debit Card were accepted and a revised KCC scheme has been introduced in April 2012.

The salient features of the revised KCC scheme are as under :-

- Assessment of crop loan component based on the scale of finance for the crop plus insurance premium x Extent of area cultivated + 10% of the limit towards post-harvest / household/consumption requirements + 20% of limit towards maintenance expenses of farm assets.
- Validity period of KCC and its periodic review may be decided by the bank.
- Margin may be decided by the bank.
- The repayment period may be fixed by banks as per the anticipated harvesting and maturity period for the crops for which a loan has been granted.
- Interest subvention /incentive for prompt repayment to be available as per the Government of India and / or State Government norms.
- One time documentation at the time of first availment and thereafter simple declaration (about crops raised/ proposed) by farmer.
- KCC cum SB account instead of farmers having two separate accounts. The credit balance in KCC cum SB account to be allowed to fetch interest at saving bank rate.
- Disbursement through various delivery channels, including ICT driven channels like ATM/ PoS/ Mobile handsets.

NABARD's Initiatives:

- Co-op Banks and RRBs were advised to enlarge the scope of the KCC Scheme to cover term loans for agriculture and allied activities, including a reasonable component to meet the consumption needs, besides the existing facility of providing crop loan limit.
- The coverage of KCC was extended to landless labourers, oral lessees, tenant farmers including defaulters.
- A Brochure on KCC Scheme highlighting the salient features, advantages and other relevant information about the Scheme was brought out by Head Office and ROs were asked to circulate the brochure to State govt. departments, Commercial Banks, Cooperative Banks, RRBs and other concerned agencies/officers so as to generate wider awareness about the Scheme
- Minimum Floor limit of Rs.5000/- for issue of KCC stands withdrawn..
- Studies on KCC Scheme have been conducted by NABARD periodically to facilitate feedback on the ground level issues/problems so that changes, where necessary, could be considered.
- On the lines of instructions of RBI to Commercial Banks, Cooperative Banks and RRBs have been advised that they may, at their discretion, pay interest at a rate based on their perception and other relevant factors on the minimum credit balances in the cash credit accounts under the Kisan Credit Cards of farmers during the period from 10th to the last day of each calendar month.
- RRBs were advised to initiate innovative publicity campaign in each area of operation in order to cater all eligible farmers under KCC.

Progress in implementation of the Scheme

- Since launching in August 1998, around 11.56 crore Kisan Credit Cards issued upto 31 March 2012 by Cooperative Banks, Regional Rural Banks and Commercial Banks put together.