**KISAN CREDIT CARD (KCC)**

**Introduction**
The Kisan Credit Card has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. The scheme is under implementation in the entire country by the vast institutional credit framework involving Commercial Banks, RRBs and Cooperatives and has received wide acceptability amongst bankers and farmers. However, during the last 13 years of implementation, many impediments were encountered by policy makers, implementing banks and the farmers in the implementation of the scheme. Recommendations of various Committees appointed by GOI and studies conducted by NABARD also corroborate this fact. It was, therefore, felt necessary to revisit the existing KCC Scheme to make it truly simple and hassle free for both the farmers and bankers. Accordingly, the GOI, Ministry of Finance constituted a Working Group to review the KCC Scheme. Based on the recommendations of the Working Group which were accepted by the Gol, the following guidelines are issued:

**Applicability of the Scheme**

The KCC Scheme is to be implemented by All Commercial Banks, RRBs, and Cooperatives. The scheme provides broad guidelines to the banks for operationalising the KCC scheme. Implementing banks will have the discretion to adopt the same to suit institution/location specific requirements.

**Objectives/Purpose**
Kisan Credit Card Scheme aims at providing adequate and timely credit support from the banking system under a single window to the farmers for their cultivation & other needs as indicated below:

To meet the short-term credit requirements for cultivation of crops

Post-harvest expenses

Produce Marketing loan

Consumption requirements of farmer household

Working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery etc.

Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc.

**Eligibility**

All Farmers - Individuals / Joint borrowers who are owner cultivators

Tenant Farmers, Oral Lessees & Share Croppers

SHGs or Joint Liability Groups of Farmers including tenant farmers, share croppers etc.

**Fixation of credit limit/Loan amount**
The credit limit under the Kisan Credit Card may be fixed as under:

**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.

**Term loans for investments**towards land development, minor irrigation, purchase of farm equipment’s and allied agricultural activities. The banks may fix the quantum of credit for term and working capital limit for agricultural and allied activities, etc., based on the unit cost of the asset/s proposed to be acquired by the farmer, the allied activities already being 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

**Maximum Permissible 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** 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 and 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.

**For Marginal Farmers:**

A flexible limit of Rs.10,000 to Rs.50,000 be provided (as Flexi KCC) based on the land holding and crops grown including post harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc., plus small term loan investments like purchase of farm equipment’s, 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.

**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.

Operations through branch

Operations using Cheque facility

Withdrawal through ATM / Debit cards

**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.

**Rate of Interest (ROI):**
Rate of Interest will be linked to Base Rate and is left to the discretion of the banks.

**Repayment Period:**

Each withdrawal under the short term sub-limit as estimated, 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.

Financing banks at their discretion may provide longer repayment period for term loan depending on the type of investment.

**Margin:**
To be decided by banks.

**Security:**

Security will be applicable as per RBI guidelines prescribed from time to time.

Security requirement may be as under:

Hypothecation of crops up to card limit of Rs. 1.00 lakh as per the extant RBI guidelines.

With tie-up for recovery: Banks may consider sanctioning loans on hypothecation of crops up to card limit of Rs.3.00 lakh without insisting on collateral security.

**Other features:**

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.

The KCC holder should have the option to take benefit of Crop Insurance, Assets Insurance, Personal Accident Insurance Scheme (PAIS), and Health Insurance.