

NABARD SCHEME HANDOUTS

TOPIC – KISAN CREDIT CARD



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1 What it is?

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.

Launched - 1998

2 Objective

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:

- a. To meet the short-term credit requirements for cultivation of crops
- b. Post-harvest expenses
- c. Produce Marketing loan
- d. Consumption requirements of farmer household
- e. Working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery etc.
- f. Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc.

3 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.
- Fish Farmers - The KCC facility will meet the short term credit requirements of rearing of animals, birds, fish, shrimp, other aquatic organisms, capture of fish.
- Poultry Farmers - Farmers, poultry farmers either individual or joint borrower, Joint Liability Groups or Self Help Groups including farmer sheep/ goat/ pigs poultry bird, rabbit
- Dairy - Farmers and Dairy farmers either individual or joint borrower, Joint Liability Groups or Self Help Groups including tenant farmers having owned /rented/leased sheds

4 Collateral

No collateral required up to Rs. 1.6 lakh. In the case of farmers whose milk is procured by Milk Unions falls under tie up arrangements between the producers and processing units Without any intermediaries by crediting the payment directly to their bank account and

hence the credit limits without Collateral can be **upto Rs.3 lakh**. In this case undertaking is required from milk union

Previous Guideline

Security requirement may be as under :

- i. **Hypothecation of crops:** For KCC limit upto ₹ 1.00 lakh banks are to waive margin/security requirements.
- ii. **With tie-up for recovery:** Banks may consider sanctioning loans on hypothecation of crops up to card limit of ₹ 3.00 lakh without insisting on collateral security.
- iii. **Collateral security:** Collateral security may be obtained at the discretion of Bank for loan limits above ₹ 1.00 lakh in case of non-tie-up and above ₹ 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.

5 Flexi KCC

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.

6 Withdrawal

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 mandis.

7 Credit Limit

All farmers other than marginal farmers:

The short term limit to be arrived for the first year (For cultivating single crop in a year):

1	Scale of finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated	KCC for 1st Year Summation of 1+2+3+4
2	10 per cent of limit towards post-harvest/household/ consumption requirements	
3	20 per cent of limit towards repairs and maintenance expenses of farm assets	
4	Crop insurance and/or accident insurance including PAIS, health insurance & asset insurance	

Limit for second & subsequent year

2 nd Year	1 st Year + 10% of First Year
3 rd Year	2 nd Year + 10% of Second Year
4 th Year	3 rd Year + 10% of Third Year
5 th Year	4 th Year + 10 % of Fourth Year

Illustration I A. Small farmer cultivating 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 : ₹.11,000) Sugarcane - 1 acre (Scale of finance plus crop insurance per acre : ₹.22,000) C. Investment / Allied Activities i Establishment of 1+1 Dairy Unit in 1 st Year (Unit Cost : ₹ 20,000 per animal) ii Replacement of Pump set in 3 rd year (Unit Cost : ₹.30,000) 2. (i) Crop loan Component Cost of cultivation of 1 acre of Paddy and 1 acre of Sugarcane (11,000+22,000) : ₹.33,000 Add : 10% towards post-harvest / household expense / consumption : ₹. 3,300 Add : 20% towards farm maintenance : ₹. 6,600 Total Crop Loan limit for 1st year : ₹. 42,900 Loan Limit for 2nd year Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 42,900 i.e. 4,300) : ₹. 4,300 ₹. 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) : ₹. 4,700 ₹. 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) : ₹. 5,200 ₹. 57,100 Loan Limit for 5th year Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 57,100 i.e. 5,700) : ₹. 5,700 ₹. 62,800 Say(A) : ₹. 63,000		(ii) Term loan component : 1 st Year : Cost of 1+1 Dairy Unit : ₹. 40,000 3 rd Year : Replacement of Pumpset : ₹. 30,000 Total term loan amount :(B) : ₹. 70,000 Maximum Permissible Limit / ₹. 1,33,000 Kisan Credit Card Limit (A) +(B) : Rs. 1.33 lakh Note: Drawing Limit will be reduced every year based on repayment schedule of the term loan(s) availed and withdrawals will be allowed up to the drawing limit.	
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For cultivating more than one crop in a year

The limit is to be fixed as above depending upon the crops cultivated as per proposed cropping pattern for the first year plus an additional 10 per cent 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 succeeding four years. In case the cropping pattern adopted by the farmer is changed in the subsequent year, the limit may be reworked.

Drawing limit for short term cash credit should be fixed based on the cropping pattern. The amount(s) for crop production, repair and maintenance of farm assets and consumption may be allowed to be drawn as per the convenience of the farmer.

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.

For Marginal Farmers

A flexible limit of ₹ 10,000 to ₹ 50,000 may 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 investment(s) like purchase of farm equipment(s), establishing mini dairy/backyard poultry as per assessment of the 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.

Assessment of KCC LIMIT		
1. Marginal farmer cultivating single crop in a year		
1. Assumptions :		
1.	Land holding : 1 acre	
2.	Crops grown : Paddy (Scale of finance plus crop insurance per acre : ₹ 11,000)	
3.	There is no change in Cropping Pattern for 5 years	
4.	Allied Activities to be financed - One Non-Descript Milch Animal (Unit Cost Rs : 15,000)	
2. Assessment of Card Limit :		
(i) Crop loan Component		
	(Cost of cultivation for 1 acre of Paddy) :	₹ 11,000
	Add : 10% towards post-harvest / household expense / consumption :	₹ 1,100
	Add : 20% towards farm maintenance :	₹ 2,200
	Total Crop Loan limit for 1st year(A1) :	₹ 14,300
(ii) Term Loan Component		
	Cost of One Milch Animal(B) :	₹ 15,000
	1st Year Composite KCC Limit : (A1) + (B) :	₹ 29,300
	2nd Year :	
	Crop loan component :	
	A1 plus 10% of crop loan limit (A1) towards cost escalation / increase in scale of finance [14,300+(10% of 14300 = 1430)](A2)	₹ 15,730
	2nd Year Composite KCC Limit : A2+B (15730 + 15000)	₹ 30,730
	3rd Year :	
	Crop loan component :	
	A2 plus 10% of crop loan limit (A2) towards cost escalation / increase in scale of finance [15,730+(10% of 15730 = 1570)](A3)	₹ 17,300
	3rd Year Composite KCC Limit : A3+B (17,300 + 15,000)	₹ 32,300
	4th Year :	
	Crop loan component :	
	A3 plus 10% of crop loan limit (A3) towards cost escalation / increase in scale of finance [17,300+(10%	₹ 19,030
	of 17300 = 1730)](A4)	
	4th Year Composite KCC Limit : A4+B (19,030 + 15,000)	₹ 34,030
	5th Year :	
	Crop loan component :	
	A4 plus 10% of crop loan limit (A4) towards cost escalation / increase in scale of finance [19,030+(10% of 19,030 = 1,900)](A5)	₹ 20,930
	5th Year Composite KCC Limit : A5+B (20,930 + 15,000)	₹35,930
Maximum Permissible Limit /		
Composite KCC Limit :		Rs.36,000
Say		
Note: All the above costs estimated are illustrative in nature. The recommended scale of finance / unit costs may be taken into account while finalising the credit limit.		

8 Achievements

- As part of the Atmanirbhar Bharat Package, the Government has announced to cover 2.5 crore farmers under the Kisan Credit Card (KCC) scheme with a credit boost of Rs. 2 lakh crores through a special saturation drive.
- As a result of concerted and sustained efforts by the banks and other stakeholders in the direction of providing access to concessional credit by the farmers, including Fishermen and Dairy farmers, a major milestone target of covering more than 1.5 crore farmers under KCC, with sanctioned credit limit of Rs.1.35 lakh crore has been achieved.
- Under the Kisan Credit Card (KCC) Scheme, a flexible limit of Rs 10,000 to Rs 50,000 has been provided to marginal farmers (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 without relating it to the value of land.

9 Validity

- Banks may determine the validity period of KCC and its periodic review.
- The review may result in continuation of the facility, enhancement of 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-schedule 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.

10 Repayment

- 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.

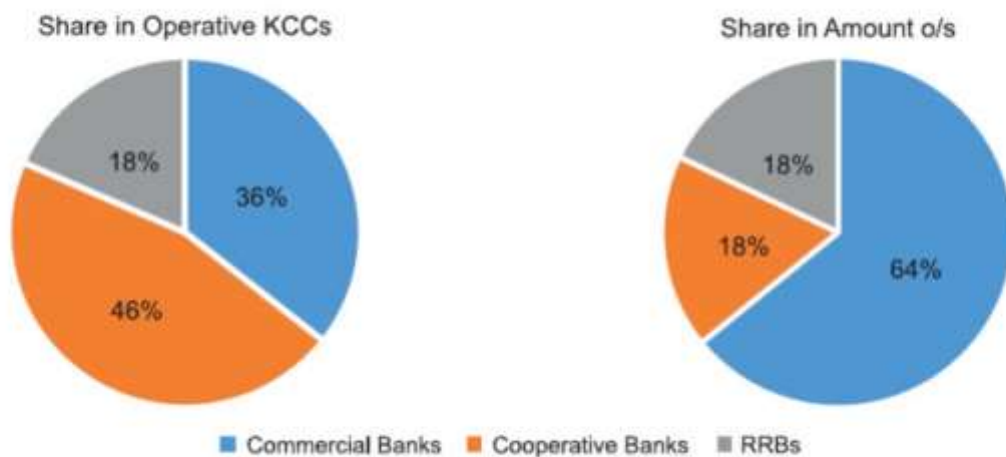
11 Interest Subvention

- The government of India is implementing an Interest Subvention Scheme for short term crop loans through KCC, under which, short term loans up to Rs. 3 lakhs are

given to the farmers at concessional rate of 7% and additional 3% Prompt Repayment Incentive (PRI) makes the effective rate of interest at 4%.

12 Share in KCC

Chart 2.6: Bank category-wise share in operative KCC and amount o/s as on March 31, 2019



Source: RBI and NABARD. 2018-19 data is provisional.

13 LINK KCC

<https://youtu.be/hkrUt1I9AH4>

Year of Launch - 1998