ANNEX

REVISED SCHEME FOR ISSUE OF KISAN CREDIT CARD (KCC)

1. 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 GoI, the following guidelines are issued:

2. Applicability of the Scheme

The Revised KCC Scheme detailed in the ensuing paragraphs is to be implemented by 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.

3. 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:

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.

Note*: The aggregate of components* ***a. to e****. above will form the short term credit limit portion and the aggregate of components under* ***f will*** *form the long term credit limit portion.*.

4. 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.

5.. Fixation of credit limit/Loan amount

The credit limit under the **Kisan Credit Card** may be fixed **as under:**

5.1. All farmers other than marginal farmers:

5.1.1. 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.

5.1.2. 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. (**Illustration I)**

5.1.3. For farmers raising 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 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. (**Illustration I)**

5.1.4. 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 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.

5.1.5. 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

5.1.6. 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.**

5.1.7. Fixation of Sub-limits for other than Marginal Farmers:

i. 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.

ii. **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.

iii. Wherever the card limit/liability so arrived warrants additional security, the banks may take suitable collateral as per their policy.

5.2. 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 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.

Wherever higher limit is required due to change in cropping pattern and/or scale of finance, the limit may be arrived at as per the estimation indicated at para 5.1 . (**Illustration II)**

6. Disbursement :

6.1. 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.

Note: (e), (f) & (g) to be introduced as early as possible so as to reduce transaction costs of both the bank as well as the farmer.

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

7.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.

8. Validity / Renewal

i. Banks may determine the validity period of KCC and its periodic review.

ii. 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.

iii. 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.

9. Rate of Interest (ROI):

Rate of Interest will be linked to Base Rate and is left to the discretion of the banks.

10. Repayment Period:

10.1. Each withdrawal under the short term sub-limit as estimated under (a) to (e) of Para 3 above ,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.

10.2. 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.

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

11. Margin: To be decided by banks.

12. Security:

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

12.2. Security requirement may be as under:

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.

13. 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.

14. Classification of account as NPA:

14.1. With a view to simplifying asset-classification, the Committee has recommended that an account could be treated as “standard”, when the balance outstanding is less than or equal to drawing limit [short term (crop) loan] at any point of time during the preceding one year. In other words, it is suggested that the short term loan (with major component of crop loan) sanctioned on the KCC can be given the same treatment as a “cash credit” account for the purpose of applying prudential norms and should not be treated as “out of order” if the balance outstanding is less than or equal to the drawing limit and each drawl is repaid within a period of 12 months. Term loan under KCC has fixed repayment schedule and is to be governed by extant prudential norms.

14.2. Charging of interest is to be done uniformly as is applicable to agricultural advance.

15. Processing fee may be decided by banks.

16. Other Conditions Suggested by Government of India while implementing the revised guidelines of KCC Scheme:

- In case the farmer applies for loan against the warehouse receipt of his produce; the banks would consider such requests as per the established procedure and guidelines. However, when such loans are sanctioned, these should be linked with the crop loan account, if any and the crop loan outstanding in the account could be settled at the stage of disbursal of the pledge loan, if the farmer desires.

- The National Payments Corporation of India (NPCI) will design the card of the KCC to be adopted by all the banks with their branding.
- All new KCC must be issued as per the revised guidelines of the KCC Scheme .Further, at the time of renewal of existing KCC; farmers must be issued smart card cum debit card.

Illustration I

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 1acre 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** 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.

<u>B: Other Farmer raising Multiple Crops in a year</u>

1. **Assumptions:**
2. Land Holding: 10 acres
3. 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)

4. 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)

2.

Assessment of Card Limit

(i) <u>Crop loan Component</u>

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)

(ii) 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

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.

Illustration II

Assessment of KCC LIMIT
1: Marginal Farmer raising Single Crop in a year

1. Assumptions:

1. Land holding: 1 acre
2. Crops grown: Paddy (Scale of finance plus crop insurance per acre: Rs.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)	**:** Rs.11,000
Add: 10% towards post harvest/household expense/consumption	: Rs. 1,100
Add: 20% towards farm maintenance	: Rs. 2,200
Total Crop Loan limit for 1st year	**: Rs.14,300……A1**
(ii) Term Loan Component	
Cost of One Milch Animal	**: Rs.15,000…… B**
1st Year Composite KCC Limit : (A1) + (B)	**: Rs.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)]	**: Rs.15,730**……**A2**

2nd Year Composite KCC Limit : A2+B (15730+15000) : Rs.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)] **: Rs.17,300**…..**A3**

3rd Year Composite KCC Limit : A3+B (17,300+15,000) : Rs.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% of 17300= 1730)] **: Rs.19,030**…..**A4**

4th Year Composite KCC Limit : A4+B (19,030+15,000) : Rs.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)] : **Rs.20,930**…..**A5**

5th Year Composite KCC Limit : A5+B (20,930+15,000) : Rs.35,930
Say Rs.36,000

Maximum Permissible Limit / Composite KCC Limit : Rs.36000

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.

Part II – Delivery Channels - Technical features

1. Issue of cards

The beneficiaries under the scheme will be issued with a Smart card/ Debit card (Biometric smart card compatible for use in the ATMs/Hand held Swipe Machines and capable of storing adequate information on farmers identity, assets, land holdings and credit profile etc).All KCC holders should be provided with any one or a combination of the following types of cards:

2. **Type of Card:**

A magnetic stripe card with PIN (Personal Identification Number) with an ISO IIN (International Standards Organization International Identification Number) to enable access to all banks ATMs and micro ATMs

In cases where the Banks would want to utilize the centralized biometric authentication infrastructure of the UIDAI (Aadhaar authentication), Debit cards with magnetic stripe and PIN with ISO IIN with biometric authentication of UIDAI can be provided.

Debit Cards with magnetic stripe and only biometric authentication can also be provided depending on customer base of the bank. Till such time, UIDAI becomes widespread, if the banks want to get started without inter-operability using their existing centralized bio metric infrastructure, banks may do so.

Banks may choose to issue EMV (Europay, MasterCard and VISA, a global standard for inter-operation of integrated circuit cards) compliant chip cards with magnetic stripe and pin with ISO IIN.

Further, the biometric authentication and smart cards may follow the common open standards prescribed by IDRBT and IBA. This will enable them to transact seamlessly with input dealers as also enable them to have the sales proceeds credited to their accounts when they sell their output at mandies, procurement centers, etc.

All the cooperative banks shall migrate to CBS platform at the earliest so as to implement the technological innovations in KCC as indicated above. Wherever CBS in the bank has not been in place , a pass book or a credit card cum pass book incorporating the name, address, particulars of land holding, borrowing limit, validity period etc. may be issued fir the time being which will serve both as an identity card as well as facilitate recording of the transactions on an ongoing basis. The card, among others, would provide for a photograph of the holder.

3. Delivery Channels:

The following delivery channels shall be put in place to start with so that the Kisan Credit Card is used by the farmers to effectively transact their operations in their KCC account.

1. Withdrawal through ATMs / Micro ATM
2. Withdrawal through BCs using smart cards.
3. PoS machine through input dealers
4. Mobile Banking with IMPS capabilities/ IVR
5. Aadhaar enabled Cards.

4. Mobile Banking/Other Channels:

Provide Mobile banking functionality for KCC Cards/Accounts as well along with Interbank Mobile Payment Service (IMPS of NPCI) capability to allow customers to use this inter-operable IMPS for funds transfer between banks and also to do merchant payment transactions as additional capability for purchases of agricultural inputs.

This mobile banking should ideally be on Unstructured Supplementary Data (USSD) platform for wider and safer acceptance. However, the banks can also offer this on other fully encrypted modes (application based or SMS based) to make use of the recent relaxation on transaction limits. Banks can also offer unencrypted mobile banking subject to RBI regulations on transaction limits.

It is necessary that Mobile based transaction platforms enabling transactions in the KCC use easy to use SMS based solution with authentication thru' MPIN. Such solutions also need to be enabled on IVR in local language to ensure transparency and security. Such mobile based payment systems should be encouraged by all the banks by creating awareness and by doing proper customer education.

A flow chart for such mobile based transaction system for KCC limits is enclosed for ready reference.

With the existing infrastructure available with banks, all KCC holders should be provided with any one or a combination of the following types of cards:

- ✓ Debit cards (magnetic stripe card with PIN) enabling farmers to operate the limit through all banks ATMs/Micro ATMs
- ✓ Debit Cards with magnetic stripe and biometric authentication.
- ✓ Smart cards for doing transactions through PoS machines held by Business Correspondents, input dealers, traders and Mandies.
- ✓ EMV compliant chip cards with magnetic stripe and pin with ISO IIN.

In addition, the banks having a call centre/Inter active Voice Response (IVR), may provide SMS based mobile banking with a call back facility from bank for mobile PIN (MPIN) verification through IVR, thus making a secured SMS based mobile banking facility available to card holders.