

Kisan Credit Card (KCC): A tool to answer problems of farmers

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Kisan Credit Card is a pioneering credit delivery innovation for providing adequate and timely credit to farmers under single window. It is a flexible and simplified procedure, adopting whole farm approach, including short-term, medium-term and long-term credit needs of borrowers for agriculture and allied activities and a reasonable component for consumption and need.

The Kisan Credit Card (KCC) scheme was introduced in 1998-99 to fulfill the financial requirements of the farmers at various stages of farming through institutional credit. Under this scheme, beneficiaries are issued with a credit card and a pass book or a credit card cum pass book incorporating the name, address, particulars of land holding, borrowing limit, validity period, a passport size photograph of holder etc., which serves both as an identity card and facilitate recording of transactions on an ongoing basis. NABARD formulated a Model Kisan Credit Card Scheme in consultation with major banks. Model Scheme (Model Scheme was prepared by NABARD on recommendations of R V Gupta Committee), was circulated by RBI to commercial banks and by NABARD to Co-operative.

Who is eligible to get the benefits of the Kisan Credit Card (KCC) Scheme:

- The small farmers
- The marginal farmers
- Share croppers
- Lessee and tenant farmers
- The self-help groups (SHGs) or joint liability groups (JLGs).

Objectives of the Kisan Credit Card (KCC) Scheme:

Before the launch of the Kisan Credit Card Scheme; a large number of farmers used to depend on informal sources of credit like money lenders and relatives to purchase fertilizer, seeds, pesticides and other cultivation equipments. Main objectives of this scheme are:

- To provide institutional credit to the farmers at the cheap rate of interest
- To provide credit at the time of requirement
- To support post-harvest expenses
- Working capital for maintenance of farm assets and

activities allied to agriculture

- Investment credit requirement for agriculture and allied activities (land development, pump sets, plantation, drip irrigation etc.)

- Consumption requirements of farmers.

Documents required to get KCC:

- Duly filled in application form
- Identity proof- Voter ID card/PAN card/Passport/Aadhaar card,/Driving License etc.
- Address proof: Voter ID card/Passport/Aadhaar card/Driving license etc.
- No dues certificate from the neighboring area's branches of the banks.

Nature of facility:

Cash Credit: - Entire production credit requirement for the full year.

- Credit requirements for ancillary needs such as maintenance of agriculture machinery/ implements, electricity bills, diesel charges and unforeseen credit needs related to crop production, be made upto 20 per cent of aggregate scale of finance without cap.

- For meeting contingent needs pertaining to expenses such as, medical, education of children, birth, funerals, marriage and other religious ceremonies, consumption limit upto 25 per cent of total peak level limit without cap.

Term Credit:

For allied activities such as pump sets, land development, plantation, drip irrigation, and allied to agricultural activities such as dairy farming, sheep breeding, fisheries, bee keeping etc.

Features of Kisan Credit Card Scheme :

- Eligible farmers for production, credit of Rs. 5000 or more are eligible for issue of Kisan Credit Card.
- 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 draws 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 may be fixed at the discretion of banks.

- Card valid for 3 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 draws to be repaid within a maximum period of 12 months.

- Conversion/re-scheduling 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 through other designated branches at the discretion of bank.

- Withdrawals through slips/cheques accompanied by card and passbook

What are the benefits of KCC:

- It follows a simplified procedure for credit to farmers, a large number of whom are illiterate or poorly educated;

- There is no need to apply for loan every year as KCC provides the farmers with a credit facility on ongoing basis or revolving credits;

- This allows the farmers to buy seeds, fertilizers and other inputs as per his needs;

- Repayment is allowed after harvest period and thus farmer finds it easier to settle the loan by selling his produce.

Applicability of the scheme:

It is to be implemented by Commercial Banks, RRBs and Co-operatives. The implementing banks have the discretion to adopt the scheme to suit institution/location specific requirements.

Security:

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

Security requirement may be as under:

- Hypothecation of crops upto 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 upto card limit of Rs. 3.00 lakh without insisting on collateral security.

- 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.

- In States where banks have the facility of on-line creation of charge on the land records, the same shall be ensured.

Activities covered: Kisan Credit Cards can be issued for 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. and investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc.

Delivery channels: The amount can be drawn (a) from branch (b) through cheque facility (c) through ATM / Debit cards (d) through Business Correspondents and ultra thin branches (e) through PoS available in Sugar Mills/ Contract farming companies, etc., especially for tie-up advances (f) through PoS available with input dealers or (g) as mobile based transfer transactions at agricultural input dealers and mandies. 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 two separate electronic cards may be issued.

Conclusion: Besides the mandatory crop insurance, the KCC holders have the option to take benefit of assets insurance, personal accident insurance scheme (PAIS), and health insurance (wherever product is available) and have premium paid through his KCC account. As a result, the model scheme was prepared by National Bank for Agriculture and Rural Development (NABARD) on the recommendation of R.V Gupta committee to work out financial problems of the farming community.