Kisan Credit Card

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Provision of timely and adequate credit has been one of the major challenges for banks in India in dispensation of agricultural and rural credit to the farmers. Constant innovation is required in order to achieve the aim. Agricultural credit cards are not a new concept in the field of agricultural banking in India. The scheme had already been introduced in a number of public sector banks in a few states much earlier. These schemes were niche-marketed and were exclusively preserved for the privileged class of farmers and the small and marginal farmers did not have much access to them. Similarly cash credit facilities were being extended by several public sector banks and cooperative banks to farmers with the view to improving their access to credit. Again this scheme was used only selectively. The KCC scheme was started by the Government of India (GOI) in consultation with the RBI (Reserve Bank of India) and NABARD (National Bank for Agricultural and Rural Development) 1998-99 to join the features of both these schemes and to overcome their shortcomings.

The features of the scheme at a glance are:

- Type of revolving cash credit facility with unlimited withdrawals and repayments.
- Meet the production credit need, cultivation expenses, and contingency expenses of the farmers.
- Limits based on the basis of operational land holding, cropping pattern and scale of finance. This limit is inclusive of 20% of production credit.
- Each withdrawal to be paid within 12 months.
- Card valid for 3 years subject to annual renewals.
- Credit limits can be enhanced depending on performance and needs.
- Rescheduling is also possible depending upon the situation. If for example the crops fail due to a natural calamity and the farmer is not able to repay his loan, then he could get an extension of upto four years.
- Cash withdrawals through slips accompanied by card and passbook.
- A credit cum passbook would be issued.
- All branches engaged in agricultural lending could issue Kisan Credit Cards.

Eligibility

Borrowers with good track record over the past 2 years would be the prime customers. New borrowers could also be included if they could get proof of operational land holding from the *Patwari*.

Target group

Short-term crop loans required by existing / new borrowers

Selection methodology

The farmer would be evaluated by the bank, on financial grounds by looking at his past record with the bank, and on personal grounds by looking at his reputation in the village.

Fixation of credit limit

The credit limit under the card may be fixed on the basis of the operational land holding, cropping pattern and the scale of finance by the District Level Technical Committee (DLTC) and SLTC. If the limit has not been fixed by the DLTC/SLTC or the limit in the opinion of the bank is low, appropriate scale of finance for the crop may be fixed by the bank.

Validity and repayment schedule

A card once issued would be valid for a period of 3 years. The facility may be extended, the amount enhanced or cancelled, depending on the performance of the farmer. Repayments are to be made within 12 months of taking the credit.

Margin

- For loan amount upto Rs. 10,000: NIL
- For amount over Rs. 25,000: 15% to 25%

Collateral

- Loan Amount security to be furnished
- Upto Rs. 10,000 DPN (demand promissory note) / loan agreement is needed only
- Rs. 10000 and upto Rs. 25,000 Hypothecation of crops is required.
- Above Rs. 25,000 Hypothecation of crops and mortgage of land (or) third party guarantee is needed

Interest

This is subject to change.
Amount of Interest for Repayment period:

	Upto one year	**Exceeding one year**
• Upto Rs. 25,000	11 %	11 %
• Above Rs. 25,000-Rs. 2,00,000	12 %	12 %
• Above Rs. 2,00,000-Rs. 25,00,000	13.5%	13.5%
• Rs. 25,00,000 and above (Depending on Credit Risk Rating)	13.25% to 15.5%	13.25% to 15.5%

By March 20, 2001, around 1,32,44,397 cards had been issued by agencies all over the country, with the amount sanctioned close to Rs. 24615.17 crore. Contributions of cooperative banks, RRB’s and commercial banks have been 67.35%, 5.7%, and 27% respectively.

What we feel

Theoretically the scheme seems well thought of and full of good intentions. Not only has availability of credit been made easier but has also been made simple to get and operate. Farmers have been given sufficient freedom to decide how to use their credit, while at the same time a set repayment schedule has been provided. However for this scheme to be successful, education of both the farmers and also the bank officials about the scheme is required. Moreover there is doubt whether this scheme is a window dressing of bad loans made earlier, though this cannot be proved empirically as the scheme is young and data is not easily available. This I believe would be interesting to look into at a later stage.