

State Level Bankers' Committee Maharashtra State

**Special SLBC Meeting
Focus on Flow of credit to Agriculture especially crop
loans during current Kharif season in Maharashtra State**

Background Notes and Agenda Papers



Date

14.06.2012

Venue

**Sahyadri Guest House,
B.G. Kher Road,
Malbar Hill, Mumbai 400006.**

CONVENOR



**बैंक ऑफ महाराष्ट्र
Bank of Maharashtra
ONE FAMILY ONE BANK**

To discuss Flow of credit to Agriculture especially crop loans during current Kharif season in Maharashtra State.

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Background Note – Flow of credit to Agriculture especially crop loans during current Kharif season of Maharashtra State.**Item No 1****Agricultural development in the State****Introduction :**

The major crops grown in the Maharashtra State are Jowar, Bajra, Paddy, Maize, Oilseeds (Groundnut, Safflower, Soyabean), Pulses (Tur, Gram), Sugarcane, Cotton, Fruit crops (Mango, Grapes, Orange) & Vegetables. The State has 18.9% of gross cropped area (GCA) under irrigation, as compared to 44.3% of all India GCA. Yet the State is among the large producers of food grains. Apart from traditional strengths in Sugarcane, Cotton & Onion. Maharashtra has emerged as one of the leading horticulture States in the country, showing a path of diversification to other States.

Production credit requirement for the year 2012-13 has been estimated at ₹ 37895.98 crore as per DLCC. For achieving the desired targets concerted efforts are required from all partners in development viz., State Govt., Banks & other agencies. Some of the important issues required to be addressed to ensure smooth flow of credit to Agriculture sector are as follows.

1. Banks need to cover credit requirements of farmers for investment, allied activities & consumption purposes under a single line of credit i.e. KCC. The KCC product has been thoroughly revised to take care of this. Banks should endeavour to cover all the farmers in their service area..
2. Scale of Finances may be realistic. It is observed that there are wide variations in scales of finances approved for crops like sugarcane, paddy, cotton etc., by the District Level Technical Committees (DLTCs) of adjacent districts falling under the same agro climatic zone. SLTC may deliberate on such issues & guide DLTCs suitably. Further, a mechanism is required to be developed by State Level Technical Committee (SLTC) to ensure that scales of finance fixed by DLTCs are realistic.
3. A strong integrated marketing system needs to be established to avoid exploitation by the middlemen. The system should consist of scientific harvesting & collection of farmers' produce at all collection centres, scientific grading & standardization, improved & innovative packing, appropriate storage & transport, marketing, finance etc. The State Government has initiated modernization programmes for APMCs under World Bank Project. The State Government has also initiated ambitious projects for integrated marketing / storage.
4. Good scope exists for marketing of agro-processed products because of growing urbanization, change in food habits & improvement in the standard of living & also for exports due to trade liberalization & new opportunities on account of comparative advantage of Indian agro-products including scope for organic farming. These need to be promoted on large scale.
5. To formulate detailed action plan for promotion of Joint Liability Groups / Self Help Groups (SHGs) – KCC Linkage Programme.
6. For propagating JLG / SHG- NABARD may conduct State Level / District Level workshops for Bankers / NGOs / Govt. Dept.s / Nodal Agencies etc. for creating awareness about the programmes.
7. Banks may also consider dissemination of information of KCCs through mass media such as pamphlets in local languages, big boards, hoardings etc. at suitable places in their allotted villages.

Acreage under cultivation

The details are as under.

Land Use pattern	Area in lakh Hectare
Total Geographical Area	307.58
Area under forests	61.94
Net Sown Area	226.12
Cultivable Land	174.01
Area available for Multiple Cropping	52.11
Average Land Holding per farmer	1.46 ha

From the above data, it is observed that 84% of cultivable land is rainfed & mostly depends on the rains received through South- West monsoon (June - September). Thus timely availability of credit to farmers is one of major inputs for improving production in Agriculture.

Acreage under major crops during 2011-12

The details are as under :

Sr. No.	in '000 ha.
Cereals	4121
Pulses	2031
Total food grains	6152
Oil seeds	3411
Other Commercial Crops	5148

Major Crops

The Details are as under :

Area under principal crops	in '000 ha.
Jowar	882
Bajra	837
Cereals	4121
Sugarcane (Harvested)	1022
Cotton	4126

The state has 226.12 lakh hectares of land under cultivation where cereals, pulses & other major food grains are grown. Forest covers another 61.94 lakh hectares. The extreme weather conditions coupled with low quality of soil & large area under rain fed cropping poses challenges in improving agricultural productivity. Therefore, concerted efforts by banks, Government agencies and all other stake holders are necessary to alleviate the agriculture sector in the State.

Source :
 1. Economic Survey of Maharashtra 2011-12
 2. Booklet issued by Agri & Marketing Dept. Government of Maharashtra.

Item No. 2**Finance for Agriculture in Maharashtra**

Banks in Maharashtra have been aware of their responsibility in financing to agriculture. As a result, disbursements for crop loans were higher by 46% (₹ 6117 crore) during 2011-12 as compared to the previous year.

Performance of the Banks in crop loan lending for last 3 years

The comparative position of agriculture & crop loan lending under state Annual Credit Plan for last 3 years is as under:

(₹ in Crore)

Sector	2009-10			2010-11			2011-12*		
	Tar.	Ach.	%	Tar.	Ach.	%	Tar.	Ach.	%
Agriculture	19560	15214	78	26917	18505	69	33424	21475	64
Of which Crop Loans	12108	11591	96	18175	13374	74	21606	19491	90

* Provisional

The Agency wise GLC flow in the Crop Loan during last 3 years in the State was as follows:

(₹ in crore)

Agency	2009-10			2010-11			2011-12*		
	Target	Ach.	% Ach	Target	Ach.	% Ach	Target	Ach.	% Ach
Com.Bks	4509	3751	83	6347	5566	88	9737	8144	84
Co-op.bk	7017	7316	104	10881	7205	66	10630	10401	98
RRBs	582	524	90	947	603	64	1239	946	76
Total	12108	11591	96	18175	13374	74	21606	19491	90

* Provisional

The district wise performance is given in **Annexure I** and Agency wise comparative achievement is given in **Annexure II**

Annexure I**The District wise performance of crop loans in last 3 years -**

The district wise performance of annual crop loan disbursements for last 3 years is given below:

(₹ in Crore)

Sr. No.	District	2009-10			2010-11			2011-12		
		Target	Ach.	%	Target	Ach.	%	Target	Ach.	%
1	AHMEDNAGAR	801	572	71	919	761	83	1281	1111	87
2	AKOLA	243	197	81	329	349	106	408	393	96
3	AMRAVATI	434	358	83	616	358	58	782	549	70
4	AURANGABAD	428	555	130	561	571	102	594	602	101
5	BEED	411	467	114	490	607	124	700	560	80
6	BHANDARA	161	32	20	298	116	39	263	233	89
7	BULDHANA	358	227	63	403	397	98	550	628	114
8	CHANDRAPUR	258	210	81	330	299	91	362	287	79
9	DHULE	176	123	70	245	53	22	350	251	72
10	GADCHIROLI	45	60	134	70	37	52	91	65	71
11	GONDIA	47	72	154	143	92	64	143	138	96
12	HINGOLI	127	174	137	175	154	88	201	217	108
13	JALGAON	550	549	100	744	775	104	925	1173	127
14	JALNA	343	266	77	420	411	98	600	505	84
15	KOLHAPUR	1038	1137	110	1510	1055	70	1550	1268	82
16	LATUR	376	393	105	578	268	46	727	675	93
17	NAGPUR	333	260	78	506	366	72	565	545	96
18	NANDED	480	277	58	674	248	37	875	747	85
19	NANDURBAR	131	126	96	219	181	82	239	225	94
20	NASHIK	431	1398	324	2019	1208	60	2123	1921	90
21	OSMANABAD	335	266	79	508	292	58	569	428	75
22	PARBHANI	201	385	191	341	434	127	434	478	110
23	PUNE	959	994	104	1229	1211	99	1588	1166	73
24	RAIGAD	40	14	35	53	29	56	60	51	84
25	RATNAGIRI	113	43	38	141	97	68	180	221	123
26	SANGLI	542	577	107	621	677	109	834	893	107
27	SATARA	526	543	103	736	850	116	933	880	94
28	SINDHUDURG	68	61	90	91	62	68	119	137	115
29	SOLAPUR	1005	340	34	1497	421	28	1668	1437	86
30	THANE	41	159	387	257	93	36	73	86	118
31	WARDHA	253	144	57	342	118	35	439	448	102
32	WASHIM	293	162	55	359	307	85	439	369	84
33	YAVATMAL	561	450	80	753	478	63	940	806	86
	Total	12108	11591	96	18175	13374	74	21606	19491	90

CORRIGENDUM

Item No. 3 State Annual Credit Plan for 2012-13 – Reallocation of Targets

The ACP as finalized by respective DLCCs in Maharashtra State for the current year 2012-13 as under:

(₹ in crore)

Particulars	Agriculture	Of which Crop Loan	NFS	Other	Total Priority
State ACP 2012-13 (Prov)	37895.98	24628.56	8373.32	15772.37	62041.67
NABARD PLP 2012-13	41722.59	27185.61	7944.42	17455.55	67122.56
Gap bet..PLP & ACP	-3826.61	-2557.05	+428.90	-1683.18	-5080.89

However, in view of weakness of some DCCBs in the State, it was suggested by the Government to reallocate the targets of these banks amongst commercial banks. Accordingly, a meeting of steering committee of the SLBC was convened on 7th June 2012 and targets have been revised as under :

Comparative position of ACP 2012-13 (Proposed) vis-à-vis ACP 2011-12

(₹ in Crore)

Agency / Sector	2011-12			2012-13			PLP Projections made by NABARD for 2012-13	Gap between PLP & ACP
	Target	Achmnt (Prov)	% Achmnt	Target (Prov)	% rise over Tgt 11-12	% rise over Achmnt 11-12		
Agri & Allied	33424.47	21475.16	64.25	37895.98	13.38	76.46	41722.59	-3826.61
Of which Crop Loan	21605.75	19491.15	90.21	24628.56	13.99	26.35	27185.61	-2557.05
NFS	6401.76	5572.84	87.05	8373.32	30.80	50.25	7944.42	428.90
Other Priority	14832.06	9781.12	65.95	15772.37	6.34	61.25	17455.55	-1683.18
Total Priority	54658.29	36829.12	67.38	62041.67	13.51	68.46	67122.56	-5080.89
Non Priority	10313.95	10315.33	100.01	8789.15	-14.78	-14.80	N.A.	N.A.
Grand Total	64972.24	47144.45	72.56	70830.82	9.02	50.24	N.A.	N.A.

The district wise / agency wise allocation is given in **Annexure III**. It is proposed to approve the ACP 2012-13 as above.

Agency wise comparative share of Crop Loan Targets is as under :

(₹ in Crore)

Sr. No.	Agency	2011-12			2012-13		
		Kharif	Rabi	Total	Kharif	Rabi	Total
1	Comm Banks	6848.27	2885.38	9733.65	8927.59	3099.30	12026.89
	% Share	44.16	47.32	45.05	48.12	51.01	48.83
2	RRBs	985.50	253.13	1238.63	1253.51	164.60	1418.11
	% Share	6.35	4.15	5.73	6.76	2.71	5.76
3	SCBs - Sub Total (1+2)	7833.77	3138.51	10972.27	10181.09	3263.90	13445.00
	% Share	50.51	51.47	50.78	54.88	53.72	54.59
4	DCCBs	7674.66	2958.82	10633.48	8371.47	2812.10	11183.57
	% Share	49.49	48.53	49.22	45.12	46.28	45.41
5	Grand Total (3 + 4)	15508.43	6097.33	21605.75	18552.56	6076.00	24628.56
	% Share to Total	71.78	28.22		75.33	24.67	

CORRIGENDUM

Revised - Annexure III

District wise plan for agriculture & crop loan for current year 2012-13 is proposed as under :

(₹ in Crore)

Sr. No.	District	Total Agriculture					Of which - Crop Loan				
		Comm Banks	RRBs	SCBs 2 + 3	Co.op	Total	Comm Banks	RRBs	SCBs 7 + 8	Co.op	Total
	1	2	3	4	5	6	7	8	9	10	11
1	AHMEDNAGAR	1406	1	1408	1423	2831	865	1	866	744	1610
2	AKOLA	386	108	493	262	756	177	76	253	234	487
3	AMRAVATI	920	6	925	323	1248	632	5	637	313	950
4	AURANGABAD	717	133	850	320	1170	248	80	328	302	630
5	BEED	495	116	611	445	1056	320	129	449	313	762
6	BHANDARA	186	150	336	30	366	114	18	132	138	270
7	BULDHANA	540	76	616	265	881	495	79	574	103	678
8	CHANDRAPUR	218	59	278	269	547	133	41	174	207	381
9	DHULE	337	2	339	305	644	337	2	339	113	452
10	GADCHIROLI	56	15	71	65	136	29	10	39	40	79
11	GONDIA	66	43	108	120	228	31	34	66	91	157
12	HINGOLI	166	57	223	96	318	123	42	166	71	237
13	JALGAON	629	1	630	1141	1770	309	1	310	1005	1315
14	JALNA	572	185	756	172	928	442	130	572	128	700
15	KOLHAPUR	2070	42	2113	1090	3203	1107	20	1127	900	2027
16	LATUR	474	89	563	469	1032	260	50	310	430	741
17	NAGPUR	573	328	900	10	910	364	6	370	280	650
18	NANDED	1001	209	1211	170	1381	751	158	909	170	1079
19	NANDURBAR	313	0	313	134	447	214	0	215	73	288
20	NASHIK	1041	4	1046	1762	2808	629	2	631	1250	1881
21	OSMANABAD	345	83	428	617	1045	346	181	527	135	662
22	PARBHANI	388	108	496	152	648	252	93	344	150	494
23	PUNE	1523	2	1524	1126	2650	447	0	447	998	1445
24	RAIGAD	171	1	172	38	210	38	1	38	24	62
25	RATNAGIRI	336	34	370	96	466	165	24	189	41	230
26	SANGLI	1199	1	1200	804	2004	471	1	472	636	1108
27	SATARA	1183	1	1184	777	1961	484	0	484	643	1127
28	SINDHUDURG	234	19	253	73	326	55	11	66	66	132
29	SOLAPUR	1592	80	1672	1217	2889	983	48	1032	794	1825
30	THANE	209	5	214	125	339	20	1	21	72	93
31	WARDHA	560	114	674	17	691	425	16	441	47	488
32	WASHIM	295	98	393	248	640	184	73	256	227	483
33	YAVATMAL	724	104	828	538	1366	575	86	662	445	1106
	Total	20923	2274	23197	14699	37896	12027	1418	13445	11184	24629
	% to total	55.21	6.00	61.21	38.79		48.83	5.76	54.59	45.41	

Originally Proposed

	Total	20923	2274	23197	14699	37896	11057	1698	12755	11880	24635
	% to total	55.21	6.00	61.21	38.79		44.88	6.89	51.78	48.22	

Item No. 4**Initiatives to be taken by Banks**

The following strategies be adopted by banks to augment crop lending during FY 2012-13, particularly with reference to current Kharif season.

1. Banks have to allocate branch-wise physical & Financial targets for KCC disbursement (Fresh / Renewal) separately & to be monitored on weekly basis. All banks should make all out efforts to cover all the eligible households during the current Kharif season.
2. Staff support be extended to rural branches during crop loan season so that famers are not denied timely credit.
3. The revised scheme for KCC should be implemented by all banks.
4. Govt. functionaries like Talathi, Gramsevak be advised to involve actively to help the Bank branches for infrastructure support like; to note Banks charge on 7/12 extract, filling up of Agri. Loan application forms, making available the No Dues certificates from societies wherever applicable, etc. during Kharif season 2012 for timely disposal of loan applications at branch level.
5. Banks may arrange extensive village camps with at least a week's prior notice to villagers for preparation, scrutiny and disposal of KCC cases.
6. Govt. may ensure timely & adequate supply of agricultural inputs such as seeds, fertilizers, insecticides, pesticides etc.
7. Banks may also consider dissemination of information of KCCs through mass media such as pamphlets in local languages, big boards, hoardings etc. at suitable places in their allotted villages.
8. Government of India has advised all banks to ensure that all new KCC accounts and those due for renewal this year are issued KCC as per the revised scheme.
9. As advised by Government of India vide letter no. F.No.3/27/2011-AC dtd. 30.05.2012, it has been decided to select two districts viz Satara (drought hit) and Bhandara (Non-drought) to ensure issuance of KCC as per new scheme by June 2012. It will be completed by September 2012 in other districts of the State.

Item No. 5**Initiatives to be taken by Govt.**

1. In view of the fact that, large no. of farmers approaching the banks during Kharif season for availing crop loans / KCCs, the Agri. Dept. or any other Dept may proactively collect & submit the Agricultural loan applications of eligible farmers to BLBC Convenor bank branch who in turn will undertake primary scrutiny of documents & forward it to respective branches for its quick disposal.
2. Waiver of stamp duty to certain categories of farmers / SHGs
 - (a) All loans to SHGs up to ₹ 50,000/- (To include Male / Mixed SHGs)
 - (b) On all types of credit facilities up to ₹ 5.00 Lakhs under priority sector to SC / ST / SF / MF / Artisans / Minority communities
 - (c) On all loans disbursed under SGSY
 - (d) On all crop loans up to ₹ 3 lakhs.
3. Block Level recovery Review Committees headed by Tasildars be activated in each block & regular meetings be held to improve the recovery of bank branches under agriculture as there will be cycling of Bank funds. Govt. of Maharashtra is requested to reiterate the guidelines once again, as in most of the blocks the BLRCs are inactive.
4. Govt. to reiterate instructions to Federations & Sugar factories for deduction of bank dues & remittances of the same, as the banks are ready to provide 0.5% charges towards commission. It will improve the recovery percentage of Bank branches.
5. The State Government may pass the legislature Act for recovery of banks' dues as arrears of revenue. The SLBC has already provided copy of similar act (to Planning Dept. Government of Maharashtra) passed by other state.

Monitoring Mechanism**Weekly monitoring at DLCC level**

LDM should form a sub committee to review the position of Agri. Disbursements on monthly basis. District Coordinators of major Banks be the members of the sub committee. Monthly monitoring meetings be called at LDM office & reporting should be done to SLBC. However LDMs should obtain the data on weekly basis and send consolidated achievement to SLBC every week / month.

Monthly monitoring at SLBC

SLBC in turn to compile data, call monthly monitoring meetings & compiled position be submitted to Chief Secretary & Commissioner Agriculture.

Item No. 6**Issues of Member Banks****A. Implementation of Govt. of Maharashtra Agri. Debt Waiver & Debt Relief Scheme, 2009 – Settlement of claims**

Gist of the schemes & problems aroused under the scheme are as under;

- Govt. of Maharashtra had issued the guidelines of the above scheme on 03/01/2009 & it was advised to submit the audited claim under Debt Waiver by 28.2.2009.
- In case of Debt Relief, Govt. had not made provision for payment of relief amount & there was extension in the date of repayment of farmers share.
- There was a hue and cry among the farmers for fresh loans during kharif, 2009 who have paid their share excluding share of Govt. ie ₹ 20,000/- .
- Under such circumstances, banks were compelled to debit their Nominal accounts and credited ₹ 20,000/- to the account of farmers and extended them fresh finance. Banks were out of funds for quite a long period.
- There were no instructions from the Government especially instructing banks not to utilize the amount of waiver for Relief.
- Govt. has revised its claim form 1) Debt waiver 2) Debt relief 3) Consolidation. In the consolidation format banks have to report their net claim. As such, bankers were under the impression to get the net amount.

However, eventually Government has charged penal interest to banks on the grounds that funds available under one head have been used for another head.

The following position is reported by Desk Officer, Debt Waiver Cell of Coop. Dept., Govt. of Maharashtra, vide their letter No. Karjamafi/B/421/184/2012 dated 4.4.2012.

₹ in Lakh

Sr.No.	Name of Bank	Amount of penal interest
1	State Bank of India	₹ 78.24
2	Bank of Maharashtra	₹ 30.43
3	UCO Bank	₹ 00.25
4	VKGB	₹ 00.46
5	MGB	₹ 26.04

There is no justification for levying penal interest on bank for inter change of waiver amount to relief, Since the benefit is passed to eligible farmers under Debt Waiver & Debt Relief Scheme of Govt. of Maharashtra. The office of the Commissioner, Cooperation is not providing any details nor settling the claims.

B. Interest Subvention / Waiver Schemes of Govt. of Maharashtra

Banks are implementing various Interest Subvention / Waiver Schemes of Central Govt. as well as Govt. of Maharashtra, such as Central Interest Subvention, Additional Interest Subvention (Incentive) Scheme for prompt repayment, Interest Subvention of Govt. of Maharashtra & Dr. Panjabrao Deshmukh Interest Subvention Scheme.

Commissioner of Coop. & Registrar of Coop. Societies has issued instructions regarding audit of the claims under both the schemes through Assistant / Sub / Dy. Registrar for the year 2006-07, 2007-08, 2008-09, 2009-10 & 2010-11. The procedure prescribed for the purpose is time consuming & laborious.

The procedure prescribed by Co-op. Dept. to audit earlier claims for 2006-07 to 2009-10 amounts to duplication and will not serve any purpose.

There are several complaints from the field about non-cooperation by the ARs / DDRs in the field to complete audit for early settlement of the claims.

The matter was discussed in the 115th SLBC meeting held recently on 28.05.2012 and Commissioner, Cooperation assured to take a regular review of audit work by the ARs / DDRs of each district regularly.

It is proposed that the responsibility to settle Interest Subvention claims of farmers be cast upon DDRs for all bank branches within his jurisdiction; monthly review of which shall be taken by the Commissioner, Cooperation, Pune.

Item No. 7**Recently Revised Scheme for KCC by RBI****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.

10.3. 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.11,000/-

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 Pump set

: 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.*

B: Other Farmer raising Multiple Crops in a year**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) Crop loan Component**

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
	<u>Say Rs.4,09,000 (A)</u>

(ii) Term loan component:

1 st Year :Cost of 2+2 Dairy Unit	: Rs. 1,00,000
: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
	: Rs.11.09 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.

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: 15000

2. Assessment of Card Limit:

<u>(i) Crop loan Component</u> (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
<u>(ii) Term Loan Component</u>	
Cost of One Milch Animal	: Rs.15,000..... B
<u>1st Year Composite KCC Limit : (A1) + (B)</u>	<u>: Rs.29,300</u>
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
<u>2nd Year Composite KCC Limit : A2+B (15730+15000)</u>	<u>: Rs.30,730</u>
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
<u>3rd Year Composite KCC Limit : A3+B (17,300+15,000)</u>	<u>: Rs.32,300</u>
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
<u>4th Year Composite KCC Limit : A4+B (19,030+15,000)</u>	<u>: Rs.34,030</u>
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
<u>5th Year Composite KCC Limit : A5+B (20,930+15,000)</u>	<u>: Rs.35,930 Say Rs.36,000</u>
<u>Maximum Permissible Limit / Composite KCC Limit</u>	<u>: Rs.36000</u>

NOTE : All the above costs estimated are illustrative in nature. The recommended scale of finance / unit costs may be taken into account while finalizing 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.

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.