Dear Sir,

**Kisan Credit Cards**

1. As you are aware the Union Finance Minister in his Budget Speech for the year 1998-99 had stated that NABARD would be asked to formulate a model scheme for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilizers, pesticides etc and draw cash for their production needs.

2. Accordingly NABARD has since formulated a model Kisan Credit card Scheme in consultation with major banks. A copy of the model scheme prepared by NABARD is enclosed.

3. We shall be glad if you will introduce a suitable Kisan Credit Card Scheme on the lines of the Model Scheme at an early date.

4. Action taken by your bank in the matter may be communicated to us in due course.

Sd/-

Yours faithfully,

(R M Joshi)

General Manager

Please acknowledge receipt.
Annexure 3.2

Model Scheme for issue of Kisan Credit Card (KCC)

1. Introduction
The Hon'ble Union Minister for Finance in his Budget Speech for the year 1998-99 had desired that the banks should issue Kisan Credit Cards to farmers on the basis of their land holdings so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilizers, pesticides, etc and draw cash for their production needs and that NABARD should prepare a Model Scheme for uniform adoption by the banks.

2. Applicability of the Scheme
The Model Scheme detailed in the ensuing paragraphs is to be implemented by commercial banks, RRBs and cooperative banks (DCCB/PACs). The scheme provides broad guidelines to the banks for operationalising the KCC scheme, implementing banks will have the discretion to adapt the same to suit location specific requirements.

3. Objectives
Kisan Credit Card Scheme aims at adequate and timely support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible and cost effective manner.

4. Eligibility
The scheme would primarily cater to the short term credit requirements of the farmers. Under the scheme, banks may provide the Kisan Credit Cards to farmers who are eligible for sanction of production credit of Rs 5000/- and above.

5. Issue of cards
The beneficiaries under the scheme will be 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, etc (as per specimen enclosed) which will serve both as an identity card as well as facilitate recording of the transactions on an on-going basis. The card, among others, would provide for a passport size photograph of the holder. The borrower would be required to produce the card cum pass book whenever he operates the account.

6. Fixation of credit limit
(a) The credit extended under the KCC Scheme would be in the nature of a revolving cash credit and provide for any number of drawls and repayments within the limit. Such an approach would provide the much needed flexibility to the farmer in choosing the appropriate time to repay his loan and reduce the interest burden besides being in a position to draw on the card to meet his urgent credit requirements.

(b) While fixing the limit, the bank may take into account the entire production credit requirements of the farmer for the full year, including the credit requirements of the farmer for the ancillary activities related to crop production such as maintenance of agricultural machinery/implements, electricity charges, etc. In due course, the credit limit could provide for allied activities and non-farm credit needs of the borrowers.

(c) The credit limit under the card may be fixed on the basis of the operational land holding, cropping pattern and scales of finance as recommended by the District Level Technical Committee (DLTC)/State Level Technical Committee (SLTC). Wherever the DLTC/SLTC have not recommended scale of finance for any crops or in the opinion of the bank, has recommended lower than the required amount the bank may fix appropriate scale of finance for the crop. For fixation of credit card limits, operational land holdings will include the...
leased in land and exclude leased out land

(d) Banks may at their discretion fix appropriate sub-limits within the overall credit limits sanctioned, taking into account the seasonality in credit requirements

7. Validity/Renewal
(a) The credit card should normally be valid for 3 years subject to an annual review

(b) The review may result in continuation of the facility, enhancement of the limit or cancellation of the limit/withdrawal of the facility, depending upon the performance of the borrower

(c) The aggregate credits into the account during the 12 month period should at least be equal to the maximum outstanding in the account

(d) No drawl in the account should remain outstanding for more than 12 months

(e) When the bank has granted extension and/or rescheduling 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, it would be desirable to transfer the aggregate of debits for which extension is granted to a separate term loan account with stipulation for repayment in installments

(f) As a measure of incentive for card holders with good performance the bank may, at the time of review, enhance the credit limit suitably to take care of increase in cost of inputs/labour, change in cropping pattern, etc

8. Security/margin
Security/margin norms etc should be in conformity with the instructions, issued by RBI/NABARD from time to time

9. Maintenance and operations in the account
(a) The issuing branch would maintain the ledger account in respect of each KCC account and all the operations in the account will be generally through the issuing branch. However, banks may, at their discretion permit operations through other designated branches, taking into account the convenience of the clientele

(b) Withdrawal in the card account will be through withdrawal slips/cheques accompanied by the Kisan Credit Card and Pass Book. Withdrawal slips/cheques of a different colour could be issued to distinguish the KCC account holders

(c) (i) In the case of cooperatives, the primary KCC account will be maintained at the PACs concerned, and the cards will be issued by the DCCB branch/PACs. Cash withdrawals will be permitted at the DCCB issuing/designated branch/PACs only. All transactions at the DCCB branch level will have to be reported to the PACs concerned to enable them to make appropriate entries in the ledger account of the card holder. (ii) In cases where the members of PACs are offered the facility of supply of requisite inputs on credit by the PACs the same could continue to be extended to them by debit to the card holders account. (iii) The DCCB branch and the PACs concerned will have to develop appropriate system for proper accounting of entries and reconciliation
10. Rate of Interest
Banks may apply the same rates of interest as are applicable to crop loans.

11. Application of prudential norms
The KCC facility being in the nature of cash credit accommodation for agricultural purposes, the prudential norms as applicable to such facilities would apply to the KCC accounts. In other words, the credit card account would be deemed to be a Non-Performing Asset (NPA) if it remains out of order for a period of two crop seasons. An account will be treated as out of order in the following circumstances:
(a) There are no credits in the account continuously for two crop seasons as on the date of balance sheet.
(b) The outstanding remains continuously in excess of the limit for two crop seasons as on the date of balance sheet.
(c) The credits in the account are not sufficient even to cover the interest debited in respect of the account for two crop seasons.

12. Reporting of transactions in LBRs
The instructions of the RBI in regard to reporting of transactions under cash credit accounts in LBRs vide their circular No. LBS(SAA) BC 139/65-90/91 dated 18 June 1991, as modified from time to time, would apply mutatis mutandis to the KCC accounts. In this connection, the following aspects may be kept in view:
(i) The credit limits sanctioned/likely to be sanctioned to the borrowers under the KCC may be included in the Branch Credit Plan and reported in LBR-1.
(ii) All debit entries (excluding those relating to interest charges) may be reported in LBR-2 as and when such transactions take place.
(iii) Renewal of existing limits should not be computed as fresh disbursement. The amount outstanding in the KCC account may be taken as credit being provided for "target" purpose.
Appendix 3.3

FORMAT FOR RENEWAL OF KISAN CREDIT CARD LIMIT IN SECOND AND THIRD YEAR

The Branch Manager,

Sub: Request for renewal of short-term agricultural credit limit sanctioned under Kisan Credit Card A/c No. . . . Dt. .

I/We hereby apply for renewal of Kisan Credit Card limit of Rs (Rupees . . . only) sanctioned to me/us vide your sanction letter no. . . Dated . . for seasonal agricultural operation to be undertaken by me/us during the year.

I/We declare that there is no change in the cropping pattern already furnished vides my/our original application dated.

I/We further declare that there are no changes in the ownership of land/acreage and no additional encumbrances are created thereat and that I/we have not sold/mortgaged any part of my/our land holding.

I/We undertake that in case any information is found to be incorrect, the Bank will have the right to terminate the said limit and also call back entire outstanding.

The original terms and conditions and other security aspects for operation of the limit will be adhered to by me/us.

Signature of Borrower(s)

Date . Name

Address

The credit facility sanctioned to you during the year under Kisan Credit Card A/c No. . . . has been considered for renewal to meet, the cultivation expenses of seasonal crops as per original sanction letter no. . . dated. . . . All the terms and conditions as stipulated vide our original sanction advice will remain unchanged.

Yours faithfully,

(Branch Manager)

Date .