

**Report of the Committee on Issues pertaining to Rural Credit  
(Chairman Shri Anant Geete )**

RPCD.NO.PLFS. BC./ 77 / 05.02.02 (Geete Committee)/ 2002-03

March 27, 2003

The Chairman / Managing Director  
All Scheduled Commercial Banks

Dear Sir,

**Report of the Committee on  
Issues pertaining to Rural Credit  
(Chairman Shri Anant Geete )**

Hon'ble Finance Minister had constituted a 'Committee on issues pertaining to rural credit' under the Chairmanship of Shri Anant Geete, the then Minister of State for Finance, to look into issues relating to rural agriculture credit with emphasis on credit to small and marginal farmers and working of Kisan Credit Card Scheme. The Committee in its Report submitted to the Government of India has made certain recommendation, inter-alia, relating to Kisan Credit Card Scheme. Certain procedural modifications relating to Kisan Credit Card Scheme and agricultural lending, in the light of the Committee's recommendations are detailed in the [Annexure.](#)

Incidentally, the Committee has also observed, inter alia, that in spite of instructions to the contrary, some banks are reported to be compounding interest on agricultural loans. In this connection we invite a reference to the existing instructions regarding compounding of interest on agricultural advances and reiterate that interest on current dues i.e. crop loans and instalments not fallen due in respect of term loans in respect of direct agricultural advances should not be compounded.

You are requested to kindly take appropriate action in respect to the recommendations as indicated in the Annexure for immediate implementation. Please advise us the action by your bank, at an early date.

Please acknowledge receipt.

Yours faithfully,

Sd/-

**(Deepali Pant Joshi)**

**General Manager**

Encl: Annexure

Endt. RPCD.PLFS.No./ 184 / 05.02.02 (Geete Committee)/2002-03 of date

Copy forwarded for information:

As per mailing list.

Sd/-

**(A.K.Bhandari)**

**Deputy General Manager**

ANNEXURE

Sr. No.	Recommendation	Action for banks
1.	<p>Time taken for issuance of KCC:-</p> <p>Bank branches should indicate the information and other requirements to the borrower in one instance. Information regarding the requirements to be fulfilled for becoming eligible for issue of a KCC should be displayed prominently in the bank branches. This would facilitate the farmers to fulfill the requirements to the satisfaction of bankers. Complete applications should be promptly accepted and the KCC should be issued within 10/15 days.</p>	<p>A reference is invited to our circular letter RPCD. PLFS. NO. /148/ 05.05.09/2001-02 dated November 15, 2001 advising banks, inter-alia, to display at branches the contents, operations and benefits of KCC Scheme.</p> <p>Branches may also display information regarding the requirements to be fulfilled for being eligible for KCC.</p> <p>Applications complete in all respects may be promptly accepted and KCC be issued within 15 days of the receipt of the application.</p>
2.	<p>Insistence on opening of Savings Bank Account:-</p> <p>Instructions to the effect that opening of SB account is not a precondition for issue of KCC should be reiterated.</p>	<p>Branches may be advised that opening of S.B.A/C is not a precondition for issue of Kisan Credit Card.</p>
3.	<p>Fixation of KCC credit limit:-</p> <p>Credit limits are to be fixed as per the norms stipulated for sanction of crop loans.</p>	<p>Credit limits may be fixed as per the norms stipulated for sanction of crop loans.</p> <p>In this connection a reference is invited to the instructions contained at para. 6(ii) of the Model Scheme enclosed to our circular RPCD.PLFS.BC.NO./20 /05.05.09/ 98-99 dated August 5, 1998.</p>
4.	<p>Floor limit:-</p>	<p>A reference is invited to our circular</p>

	Instructions to be reiterated to ensure that farmers with small credit requirements also gain access to credit through KCC	RPCD.PLFS.BC.NO./ 99/ 05.05.09/ 99-2000 dated June 6, 2000. Banks are again advised that in order to facilitate wider coverage under the Scheme, Kisan Credit Cards should be issued for limits even below Rs.5000/-.
5.	<p>Drawal of cash at branches other than the issuing branch:-</p> <p>Banks to provide facilities for withdrawal at more than one branch, preferably all branches of the bank concerned in the district.</p> <p>IBA may be requested to analyse/examine the question of service charges, especially in the case of small farmers and make suitable recommendations.</p>	<p>Vide para. 9(i) of the Model Scheme enclosed to our circular RPCD.PLFS.BC.NO./20 /05.05.09/ 98-99 dated August 5, 1998 banks have been advised that "banks may, at their discretion permit operations through other designated branches, taking into account the convenience of the clientele".</p> <p>As for levying of service charges banks may be guided by the instructions contained in our circular RPCD. Plan. BC/ 53 /04.09.01/ 2002-2003 dated December 20, 2002.</p>
6.	<p>Charges for issuing KCC:-</p> <p>(i) A fee not exceeding Rs.50 for issue of a KCC (laminated photo card) to be allowed at the discretion of banks.</p> <p>(ii) In the case of small loans of upto Rs.25,000, no charges other than interest and KCC issue charges (such as folio charge, processing fee, appraisal fee, etc.) to be collected.</p> <p>(iii) Charges levied on accounts in default to continue at bank's discretion.</p>	<p>Charges for issuing KCCs should be commensurate with the actual expenses and it should not be considered as a source of income. A fee charged, if any, for issue of a laminated photo card should not exceed Rs.50/-.</p> <p>As for service charges, a reference is invited to our circular RPCD. Plan. BC/ 53 /04.09.01/ 2002-2003 dated December 20, 2002. Accordingly, no service charges or inspection charges should be levied by banks on KCCs with limits upto Rs.25000/- (priority sector loans upto Rs. 25000/-).</p>
7.	<p><b>Compounding of interest on agricultural loans:</b></p> <p>Existing instructions that banks should not compound interest on crop loans is to be reiterated with examples so as to clarify the issue.</p>	<p>In this connection we invite a reference to paragraph 1.12 of our circular RPCD.NO.PS.BC.29/ PS.22-84 dated March 16, 1984 read with RPCD.NO.PS.BC.12/C. 568A-84, RPCD.NO.BC. 21 /05.02.27/97-98, RPCD.NO.PLFS.BC. 129/05.02.27/ 97-98 dated September 15, 1984, August 28, 1997 and June 29, 1998 respectively, regarding compounding of interest by commercial banks on agricultural advances and reiterate that interest on current dues i.e. crop loans and instalments not fallen due in respect of term loans in respect of direct</p>

		agricultural advances should not be compounded.
8.	<p><b>Fixation of shorter maturity periods and higher instalments</b></p> <p>RBI and NABARD should reiterate earlier instructions on the need to fix the repayment periods and instalments on the basis of the cash flows. The fixation of shorter repayment periods may lead to loan defaults. The suggested repayment periods for different investments, as worked out in the model schemes may also be circulated among banks for their reference. Availing refinance from NABARD for term loans would address the problems of the banks in meeting the asset-liability mismatch, if any, due to fixation of adequately long repayment periods.</p>	<p>In this connection we invite a reference to paragraph 1.8 of our circular RPCD.NO.PS.BC.29/ PS.22-84 dated March 16, 1984 read with RPCD.NO.BC. 21 /05.02.27/97-98 and RPCD. NO. PLFS. BC. 129 /05.02.27 / 97-98 dated August 28, 1997 and June 29, 1998 respectively.</p> <p>We reiterate that for short term and term loans, the repayment schedule should coincide with the time when the cultivator has sold his produce and is in funds. The repayment of principal and payment of interest should be linked with fluidity of the borrower depending on the harvesting/ marketing of product.</p>
9.	<p><b>Security norms</b></p> <p>Banks to ensure that the value of security does not exceed 200% of the loan value. Banks to waive security requirements at their discretion for loans upto Rs.50,000 (RBI). State Governments (those which presently do not offer such a waiver) to be requested to consider waiver of stamp duty on mortgages against a loan value of Rs.1 lakh .</p>	<p>We invite a reference to item 10 of Annexure of circular RPCD.NO.PLFS. BC.123/ 05.05.16/ 97-98 dated 20.05.1998 and reiterate that banks may use their discretion on matter relating to margin/ security requirements for agricultural loans above Rs. 10,000/-</p>