

RBI/2004-05/204

RPCD. PLFS.BC. NO. 38 /05.05.09/2004-05

October 4, 2004

The Chairman and Managing Director  
All Scheduled commercial Banks

Dear Sir,

Scheme to cover term loans for agriculture & allied activities under KCC

Please refer to our circular RPCD.PLFS.BC.NO 20/05.05.09/98-99 dated August 5,1998 advising you to introduce Kisan Credit Card Scheme on the lines of the Model Scheme prepared by NABARD.

2.The Kisan Credit Card (KCC) Scheme introduced in August 1998, has since stabilised, with major share of crop loans being routed through it. At the inception of the Scheme, it was envisaged that in due course of time, investment credit requirements of farmers viz. allied and non-farm activities may also be covered under the Scheme. Since these activities are currently outside the ambit of the KCC Scheme, farmers have to approach the banks separately for their additional requirements every time, entailing additional time and cost, and observing banks' procedural formalities including documentation.

3.Keeping the above in view NABARD has revised the Model KCC Scheme which is enclosed for your information and necessary action.

4.The progress in this regard may be reported to us, on a monthly basis, in the format enclosed.

Yours faithfully

(Hauzel Thangzaman)  
General Manager

**Scheme to cover term loans for agriculture & allied activities under KCC**

**1. The Scheme**

The Scheme shall be referred to as the 'Scheme to cover term loans for agriculture and allied activities under Kisan Credit Card Scheme'.

**2. Objectives**

The Scheme aims at providing adequate and timely credit for the comprehensive credit requirements of farmers under single window, with flexible and simplified procedure, adopting whole farm approach, including the short-term credit needs and a reasonable component for consumption needs, through Kisan Credit Card.

**3. Participating banks**

The Scheme will be implemented by all Commercial Banks, RRBs, State Co-operative Banks/DCCBs/PACS and Scheduled Primary Cooperative Banks.

**4. Nature of financial accommodation**

The credit facility extended under the Scheme will be in the nature of term loan and revolving cash credit for agriculture and allied activities.

**5. Quantum of limit**

5.1 The Scheme will cover term credit as also working capital for agriculture and allied activities, in addition to short term credit limit presently available for crop/s according to extant instructions. 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 judgement on his repayment capacity vis-a-vis total loan burden devolving on the farmer, including his existing loan obligations.

5.2 The initial investment in fixed assets and/or working capital requirement/ recurring expenditure of the borrower may be taken as the basis for fixing the limit. The working capital/recurring expenditure limit may be in the form of a revolving cash credit. Banks may, at their discretion, build in a component of consumption credit, keeping in view the family labour, while fixing the overall ceiling amount that could be drawn under the Kisan Credit Card. The total limit would have a relationship with the projected net earning and the repayment capacity of the borrower.

**6. Facilities thru' same card :**

It is intended that both term as well as short term/working capital credit facilities could be provided thru' single Kisan Credit Card. The passbook currently provided to KCC holders may be divided into three separate portions for maintaining the records of :-

- (i) short term credit/crop loans,
- (ii) working capital credit for activities allied to agriculture, and
- (iii) term credit.

Banks, however, may ensure that transaction records of different loan facilities are kept distinct.

#### **7. Flexibility in use of credit :**

The borrowers would be eligible to avail of any or all credit facilities given under KCC, as per their requirement. Term credit limit provided under the card may be allowed to be utilized by the card holder for acquiring one or more assets at his convenience as also need. Similarly, card holder may also be given flexibility to utilize the term credit limit in one or more instalments as per asset acquirement plan/phasing of the scheme. Banks may monitor proper end use of credit.

#### **8. Security/Margin/Rate of Interest/Prudential Norms :**

Security, Margin, Rate of Interest and Prudential Norms will be applicable as per RBI/NABARD stipulations. Further, banks may ensure :-

- (i) impairment of any loan facility is automatically detected;
- (ii) automatic stoppage of withdrawal under different loan facilities even if any one of the loan facility is impaired; and
- (iii) proper system is in place to avoid misuse/mix-up of any one/different facilities to take advantage in terms of security, margin, rate of interest and applicable prudential norms.

#### **9. Repayment Period :**

Short term credit/crop loans as well as working capital for agriculture and allied activities would continue to be provided as revolving cash credit limit, repayable in 12 months. The term loan component will be repayable within a maximum period of 5 years, depending on the type of activity/investment, as per existing guidelines.

#### **10. Renewal of working capital limit :**

No change is envisaged in the existing guidelines for the crop loan component. In respect of working capital credit limit for agriculture and allied activities, Banks, on satisfactory operations on the limit, may enhance the limit, where necessary, at the time of renewal, keeping in view the increase in costs and additional activities, if any, undertaken by the borrower. Similarly, banks may also sanction additional term credit limit to the borrower, at the time of annual review/renewal of credit limits under the card.

#### **11. Validity Period of KCC :**

Coinciding with the introduction of term loan facility under KCC, the validity of the KC Card may be extended from 3 years as at present to 5 years.

#### **12. NABARD Refinance**

- (i) NABARD refinance for Short Term credit would be made available to cooperative banks and RRBs covering the working capital component included in KCC.
- (ii) NABARD refinance for term loan component would be available to Cooperative banks, RRBs, Commercial banks and Scheduled Primary Cooperative Banks, as per the terms and conditions applicable to investment credit window under Automatic Refinance (ARF) Scheme.
- (iii) NABARD refinance would, however, not be available for consumption credit component.

**KCC Scheme - Progress Report for the month of \_\_\_\_\_.**

**Agency :Public Sector/Private Sector Bank \_\_\_\_\_**

**(A) Crop Loans :**

Name of the Bank	No. of cards issued during the month	Aggregate credit limit sanctioned (Rs. in lakh)	Cumulative cards issued since inception	Aggregate credit limit sanctioned since inception
<b>Total</b>				

**(B) Term Loans :**

Name of the Bank	No. of borrowers issued term loans under KCC during the month	Amount sanctioned (Rs. in lakh)	Cumulative No. of borrowers issued term loans under KCC	Aggregate amount sanctioned (Rs. in lakh)
<b>Total</b>				

Note: Information to be furnished Bank-wise.