

# THEMATIC SLBC MEETING ON KISSAN CREDIT CARD SCHEME IN THE STATE

In the 78<sup>th</sup> SLBC meeting it was decided that Convenor Bank shall take measures for convening a theme based SLBC specifically to discuss the KCC issue, so as to ensure that the scheme is successfully implemented in the State and substantial progress achieved.

## Genesis of KCC Scheme

Financial sector reforms, ushered in as a part of the liberalization of the Indian economy in the beginning of nineties, has infused a spirit of competitiveness and enterprise among the banks in their endeavor for serving their customers in the best possible manner. The instrument of Kissan Credit Card (KCC) is one of the key products developed to improve the farmer's accessibility to bank credit, simplify credit delivery mechanism and provide more flexibility in use of credit. Model scheme of Kissan Credit Card formulated by NABARD in 1998-99 is being implemented in all the States and Union territories.

## Objectives of KCC Scheme:

Kissan Credit Card Scheme aims at providing adequate and timely credit support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible, hassle free and cost effective manner.

## Participating Banks

The scheme is to be implemented by all Commercial Banks, RRBs and Cooperative Banks (SCB/DCCB/PACs)/ SCARDBs)

## Issue of Cards

Beneficiaries covered under the scheme are issued with a credit card and a passbook or a credit card cum passbook incorporating the name, address, particulars of land holding, borrowing limit, validity period with a passport size photograph of the holder affixed on it which may serve both as an identity card as well as facilitate recording of the transactions on an ongoing basis.

## Nature of Financial Accommodation

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

## Sanction of crop loan/ term loan/ working capital loan

The scheme will cover term credit as also working capital for agriculture and allied activities, non-farm activities and short-term credit limit for crop production based on borrower's requirement.

#### Short Term Credit Limit

Short-term credit limit would be fixed on the basis of operational holdings, cropping pattern and scale of finance.

The short-term credit limit and working capital limit may be in the form of a revolving cash credit involving any number of drawals and repayments within the limit. A component for consumption credit could be built in keeping in view the family labour involved in the activity.

#### Term Loan

Term credit and working capital limit would be fixed based on the unit cost of the assets proposed to be acquired by the farmer.

#### Repayment period

- Ø Short term credit as well as working capital repayable in 12 months
- Ø Medium term loan repayable within a period of 5 years.
- Ø The repayment period for long-term loan is based on the purpose and repaying capacity of the borrower.

#### Security/ Margin/ Rate of interest/ Prudential norms.

Security, margin, rate of interest and prudential norms will be as per NABARD/ RBI stipulations. As per RBI norms, for crop loans upto Rs.50, 000/- no security is required. For landless labourers, sharecroppers and oral lessees bank may accept certificate provided by local administration/ Panchayati Raj institutions. No due certificate requirement has been dispensed with for small loans upto Rs.50, 000/-. Instead banks can obtain self-declaration from borrower.

#### NPA Norms for KCC

For short duration crops - if principal amount instalment or interest thereon remains unpaid for two crop seasons.

For long term crops - if principal amount instalment or interest thereon remains unpaid for one crop season beyond due date.

#### Coverage under PAIS

All the farmers issued with Kissan Credit Cards are to be covered under Personal Accident Insurance Scheme providing Rs.50, 000/- for death; and Rs.25, 000/- for disability.

### Master Policy Premium

Rs.15/- for one year

Rs.45/- for three years

Bank: Farmer - 2:1

Banks are allowed the discretion to approach either any GIPSA member or General Insurance Company or any private sector general insurance company to take advantage of the competitive offers.

Coverage under Rashtriya Krishi Bima Yojana:

Crop loans disbursed under KCC Scheme for notified crops are covered under Rashtriya Krishi Bima Yojana (National Agriculture Insurance Scheme). The scheme is applied to the Jammu & Kashmir with following directives and conditions:

- 1) All the farmers growing insurable notified crops are covered during kharif 2009 season on the following basis:
  - (a) On a compulsory basis: all farmers growing insurable notified crops in the notified defined areas and availing Seasonal Agriculture Operations (SAO) loans from financial institutions (i.e. loanee farmers) within the stipulated period.
  - (b) On a voluntary basis: all other farmers growing insurable notified crops in the notified defined area i.e. non-loanee farmers who opt for the scheme.
- 2) (A) Govt. of J&K notifies the crops to be covered in every season. At present, under the scheme crops covered are: Maize, Paddy and Potato.  
(B) Crop insurance coverage is applicable for maize, paddy & potato at village level.

### Advantages to Farmers:

- Ø Access to adequate and timely credit to farmers;
- Ø Full year's credit requirement of the borrower taken care of.
- Ø Minimum paper work and simplification of documentation for drawal of funds from the bank;
- Ø Flexibility to draw cash and buy inputs;
- Ø Assured availability of credit at any time enabling reduced interest burden for the farmer;
- Ø Sanction of the facility for 3 years subject to annual review and satisfactory operations and provision for enhancement.

- Ø Flexibility of drawals from a branch other than the issuing branch at the discretion of the bank.

Benefits of the Scheme to the Banks:

- Ø Reduction in workload for branch staff by avoidance of repeat appraisal and processing of loan papers;
- Ø Minimum paper work and simplification of documentation for drawal of funds from the bank;
- Ø Improvement in recycling of funds and better recovery of loans;
- Ø Reduction in transaction cost to the banks;
- Ø Better Banker - Borrower relationships.

PERFORMANCE UNDER KISSAN CREDIT CARD (KCC) SCHEME IN J&K STATE SINCE 2002-03:

Jammu and Kashmir is basically an agrarian economy. As per Census 2001, 18.38 lakh persons comprising 15.92 lakhs as cultivators and 2.46 lakhs as agricultural labourers depend directly on Agriculture for their livelihood forming 49 percent of the total working force (37.54 lakhs). This indicates that there is a lot of potential for issuance of Kissan Credit Cards in the State.

But the figures given in the below mentioned table indicates a dismal performance by Banks/ financial institutions operating in J&K State under KCC scheme vis-à-vis Annual Credit Plans during the last eight years:

Year	Target		Achievement		%age of achievement (financial)
	Accounts	Amount (in Lacs)	Accounts	Amount (in Lacs)	
2002-03	30,766	3,627.07	4,393	1,718.29	47
2003-04	39,170	5,613.02	3,098	2,200.90	39
2004-05	1,02,368	9,690.41	5,781	2,283.37	24
2005-06	1,13,805	10,982.57	10,223	2,356.97	21
2006-07	66,799	12,047.96	4,599	2,375.02	20
2007-08	46,648	17,843.72	3,725	2,025.13	11
2008-09	34,534	10,470.10	2,734	1,606.85	15
2009-10	35,005	8,647.27	6,707	3,246.96	38

Constraints faced in implementation of KCC Scheme in J&K State:

As per the guidelines of the KCC Scheme the quantum of finance/ credit limit under the Scheme has to be determined on the basis of the operational land holding of the farmer and the

cropping pattern. But it has been observed that obtaining of the land record in token of possession of land has been a cumbersome process for the farmers and has turned out to be the biggest impediment in successful implementation of the Scheme in this State. Therefore, the main reason for KCC Scheme not picking up to the desired level and not becoming a popular credit delivery instrument among farmers in J&K State has been the non-availability / inadequacy of updated land records.

The issue has been deliberated upon in a number of SLBC meetings in the past. In the 66<sup>th</sup> SLBC meeting held on 21.09.2005 a Sub-Committee having representatives from banks, Agriculture Department and 1-2 District Development Commissioners was set up to look into the simplification of procedures required for issuance of Kissan Credit Cards, within the overall prescribed guidelines, which should be lenient and practicable in this State to ensure better performance under the Scheme. The said Sub-Committee met on 18<sup>th</sup> January 2006 and made the following two recommendations:

Considering the fact that the non-availability/ updation of the revenue records has been the major impediment in issuance of the KCCs by banks in the State, it was suggested that the Revenue Authorities would prepare and publish Village-wise authenticated lists of land-holdings, which would facilitate issuance of Kissan Credit Cards by banks in the State;

In order to relieve the individual farmers of the burden of obtaining NOCs from all the banks/ financial institutions, it was agreed that the designated officers from the Agriculture Department would obtain the NOCs themselves before sponsoring the cases to different banks. Subsequently, in the 69<sup>th</sup> SLBC meeting the SLBC decided that in order to simplify the prescribed procedure for accommodating maximum number of small and marginal farmers under the KCC Scheme, the bankers shall henceforth entertain from the farmer requiring credit limits upto Rs.10, 000/-, a certificate to be issued by the Sarpanch to the effect that the person concerned is in possession of a certain portion of land, which is presently under his cultivation. But despite these initiatives by the SLBC the performance under KCC Scheme did not show any significant improvement.

In the 70<sup>th</sup> SLBC meeting the Deputy Governor, Reserve Bank of India, Ms. Usha Thorat, commenting on the dismal performance of KCC in J&K State had stated that this is a problem not peculiar to J&K State but there are similar problems in North- East areas of the Country. She, therefore, suggested issuance of GCC (General Purpose Credit Card) as an alternative to KCC that would automatically take care of needs of farming community as well. She stated that by issuing GCC banks have not to worry about the security of the loan because it is revolving

kind of credit facility based totally on track record of the beneficiary. But under the GCC Scheme the quantum of finance is limited upto Rs.25000/- only.

In the 76<sup>th</sup> SLBC meeting the CGM, NABARD stated that under this Scheme an interest subvention of 3% is allowed by the Gol to the loanee farmers for agriculture purposes upto the limit of Rs.3.00 lakh with further relaxation of 1% given by the Gol on prompt repayment by the farmer, so that ultimately bank interest rate will be just around 6% to be borne by the farmers. However, for improving the position under KCC Scheme, the CGM NABARD suggested two strategies, the first being to work out a plan to cover the existing loanee farmers by issuing them KCCs and thereafter, in the second stage to cover those other than loanee farmers. He said that covering the existing loanee farmers was the best approach to be adopted for making the KCC scheme succeed in J&K.

In the 77<sup>th</sup> SLBC meeting the RRBs were advised to take the major initiative in issuance of KCCs and it was resolved that J&K Grameen Bank will put up a concrete plan in the next SLBC meeting indicating how to implement the KCC Scheme and what kind of support they require for this purpose.

Accordingly the J&K Grameen Bank submitted the following plan for deliberation in the 78<sup>th</sup> SLBC meeting:

#### Plan of action submitted by J&K Grameen Bank:

##### Ground level constraints in the implementation of the KCC scheme:

- ü There is shortage of chemical fertilizers, high quality seeds and pesticides at the time of crop season as per the feedback received from the farmers during awareness camps.
- ü Non-Availability of revenue records.
- ü Above Rs. 50,000, collateral security is required so people don't show much interest for availing loan under KCC.
- ü Lack of proper marketing of KCC scheme is another reason for low disbursement.
- ü The premium rates are on the higher side under National Agriculture Insurance Scheme (NAIS) as people have started feeling that it is additional burden other than the rate of interest.
- ü Inadequate awareness appears to be one of the reasons for low disbursement under KCC.
- ü In kandi areas, people don't come forward for issuance of KCC's because of low yield due to non-availability of irrigation.

- ü The average land holding in J&K being small, quantum of loan to be disbursed under the scheme is on the lower side.
- ü The KCC applications, sponsored by the Agriculture Department, are generally incomplete and over writings in land records are not authenticated.
- ü Other constraints such as lack of rural orientation of staff, concern for viability of the branches, low levels of loan recovery etc. are also responsible for low disbursements under the KCC scheme.

Recommendations worked out by JKGB:

1. Revenue Records:

Generally there is problem of obtaining land records. Banks are required to obtain the land holding records under cultivation to assess the quantum of loan and for that purpose the farmer has to provide the land records, which is cumbersome. The alternative would have been to obtain Sarpanch/ Numberdar certificate but since the Panchayats in our state are not functional, so a 'Self Declaration' from the borrower on a Non-Judicial stamp paper should substitute it.

2. Relaxation in Security Norms:

The Reserve Bank of India should be approached for relaxation of security norms for KCC above Rs. 50,000/- and further there should be no mortgage upto Rs. 1,00,000/-. It is in place to mention here that in case of MSE units etc., there is no collateral security of immovable property upto Rs. 5.00 lacs.

3. Availability of fertilizers, seeds etc.

The supply of fertilizers, seeds and pesticides etc. should be made available much before the sowing season (as far as possible) near to the village/ Central points.

4. Publicity/ Marketing of KCC Scheme:

There is no adequate marketing of the KCC scheme. To start with, the rural branches of the banks should be asked to display a chart mentioning therein the main features of the scheme and **with the slogan that KCC fulfills the routine credit needs of the farmers.**

5. Awareness Programmes:

Awareness programmes should be organized through farmers' club, NGOs and Rural Self-Employment Training Institutes on the following issues:

- a. What is working capital & how to run the Kissan Cash Credit Limit and.

b. Various facilities available under the KCC scheme like provision of term loan for agriculture and allied activities etc.

#### 6. Simplification in Claim Settlement under NAIS:

It is also suggested that the claim settlement procedure under NAIS be made more simple on individual basis rather than at village level and should cover as far as possible all the natural calamities. It will really help to encourage the farmers to come under KCC scheme.

#### NABARD Initiative:

As per their commitment made in the 77<sup>th</sup> SLBC meeting NABARD convened a meeting of major banks and Government agencies on 30.10.2009 at Jammu with a view to evolve a strategy to improve the coverage under KCC Scheme in J&K State. In the said meeting the following strategies were worked out for improving the performance under KCC:

- i) All the existing crop loans issued by banks should be covered under KCC;
- ii) The banks shall furnish the crop loan accounts and KCC status in the format as on 30 Sept., 2009 to NABARD and NABARD shall consolidate the data;
- iii) The banks are required to identify and bring into KCC fold such farmers including defaulters, oral lessees, tenant farmers, sharecroppers etc. who may have been left outside the fold of the scheme, for some reasons, as also new farmers;
- iv) The Agriculture Department, Govt. of J&K may propagate the benefits of Kisan Credit Card Scheme to the farmers/ banks through their extension campaign;
- v) The banks can also explore the feasibility of using Farmers Club volunteers, SHG leaders, business correspondents and facilitators for helping the farmers in this endeavor;
- vi) Publicity to the Scheme can be given by using the electronic media like Radio and television;
- vii) NABARD may prepare a brochure on KCC Scheme for circulation among the banks and Govt. agencies;
- viii) The State Government may direct the revenue authorities for updation/ providing of land records of farmers to the banks so that the banks can accelerate the pace of issuance of KCCs.
- ix) Issuance of Crop Loans under KCC upto Rs.50, 000/- will increase the coverage under the Scheme. As per RBI guidelines dated 18 May 2004, for crop loans upto Rs.50,000/- no security is required. For landless labourers, Sharecroppers and oral lessees, Banks may accept certificate provided by local administration/ Panchayat-raj



institution. The system of obtaining no-due certificate has also been dispensed with. Instead a self declaration from the borrower is to be obtained;

- x) Banks may ensure coverage of PAIS to all KCC holders.
- xi) J&K Bank, a major Private Sector Bank in Jammu & Kashmir has so far not been made eligible for Interest Subvention Scheme even though they are providing Crop Loans to farmers. The issue may be taken up with NABARD Head Office and RBI to relax the eligibility criteria to J&K Bank as a special case.

In the 78<sup>th</sup> SLBC meeting the Hon'ble Finance Minister while commenting on the strategies worked out by NABARD and J&K Grameen Bank for improving performance under KCC Scheme, advised that these strategies be implemented in letter and spirit. Regarding the suggestion that all crop loans disbursed by banks be covered under KCC Scheme, he stated that this would help the banks to use their outreach to cover 37.53 lakh workers under the scheme by launching a time-bound special campaign involving banks, State Government machinery, Panchayati Raj institutions, and the civil society. He stressed that Agriculture Department needs to work in close liaison with the banks to make fertilizers, seeds and pesticides available in time, so that farmers are able to avail these loans through KCCs.

The bank-wise performance under KCC scheme vis-à-vis Annual Credit Plan 2009-10 as at the end of Q4 of FY 2009-10 is given in **Annexure-L**. It is observed that as against the annual target of Rs.81.52 Crore for 34,338 beneficiaries, banks in the State have provided credit of Rs.32.47 Crore to 6,707 beneficiaries at the end of Q4 of FY 2009-10 thereby registering an achievement of 38% and 19% in financial and physical terms respectively.

The house is requested to deliberate on the issue and workout strategy for improving performance under KCC Scheme in J&K State.