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KISAN CREDIT CARD SCHEME –ELIGIBILITY FEATURES

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Kisan Credit Cards are offered to farmers in India in order to enable them to access affordable credit for farmers. Reserve Bank of India (RBI), along with National Bank for Agriculture and Rural Development (NABARD) initiated the conception of Kisan Credit Cards (KCC) in 1998-99, in order to assist agriculturists to have easily accessible cash credit facilities.

This card allows farmers to obtain timely and adequate credit without any hassles such as the repeated credit screening processes undertaken by banks. Some of the highlights of the Kisan Credit Cards is that it provides flexibility in terms of repayment, which can be rescheduled in the event of unforeseen incidents like a bad crop season, with term extensions for a period of up to four years, and so on. Kisan credit card is valid for up to five years and is dependent on the annual renewals. The farmers can access the credit through card withdrawals or through bank withdrawal slips, and also have a passbook to record their transactions.

Kisan Credit Card facility was initially proposed by the Finance Minister Yashwant Sinha in the financial year 1998-1999 Budget, with the objective of providing easily accessible short-term credit to farmers to meet their immediate credit needs during the crop season. Reserve Bank of India (RBI), along with National Bank for Agriculture and Rural Development (NABARD) took up the cause and initiated the introduction of Kisan Credit Cards in India.

Rationale behind the Kisan Credit Card Scheme:

There are several hurdles faced by farmers in the process of acquiring adequate finance from banks, such as: long drawn-out documentation and processing, complicated practices followed by banks and other financial institutions, delay in processing and also lack of awareness among farmers regarding banking practices and benefits. Most farmers depend on non-institutional means of credit for their immediate needs such as: purchase of seeds, fertilizers, pesticides etc. and this in turn affects them negatively since non-institutional credit is costly and counter-productive. The Kisan Credit Card scheme intends to remove such complications by offering cost effective credit to farmers for agricultural and allied purposes in a timely manner, from reliable banking systems. Agriculturists can purchase items related to their farming needs using their Kisan Credit Cards and also withdraw the required amount for related expenses.

How do Kisan Credit Cards work?

The operation of this facility is simple and straight-forward. Based on the land holdings and the income earned from it, banks issue farmers Kisan Credit Cards. The farmers should have a good credit history in order to be eligible for the same. Those who receive the

Kisan Credit Card, get facilities like: passbook with the name, particulars of land holding, address, validity period, credit limit, etc., which serves as the customer's unique identification as well as a system for tracking their transactions. These credit cards can be used at outlets, as well as to withdraw cash to make the necessary purchases.

How can farmers use the Kisan Credit Cards?

Under this scheme, farmers can withdraw the loan amount in form of cash withdrawals using withdrawal slips and the Kisan credit card-cum-passbook. Kisan Credit Card holders who have a credit limit of Rs. 25,000 can also avail cheque books.

Features:

Regional Rural Banks, Cooperative Banks and Public Sector Commercial Banks have implemented the Kisan Credit Card scheme. Its primary objective is to provide easily attainable short term loans to farmers. The scope of this unique facility also includes term loans for agriculture and other allied activities and is a determining factor for consumption loan. The scheme currently offers:

- Credit to meet the financial requirements of agricultural and other allied activities.
- Ancillary credit for crop production and other contingencies.
- Insurance coverage for Kisan Credit Card holders.
- National Crop Insurance scheme is offered to the Kisan credit cardholders, which provides coverage for crop loans given under the KCC scheme for certain crops.
- Protection is provided against loss of crops due to pest attacks, natural calamities, etc.
- In some cases collateral security is to be provided. If the loan amount is above Rs. 100000/-, then the cardholder has to pledge his land as mortgage and hypothecate the crops raised on it.
- Farmers who are eligible for the Kisan Credit Card, is offered a passbook or a card-cum-pass book.
- If a farmer is eligible for a production credit of Rs. 5000 or more, then he/she is eligible for a Kisan Credit Card.
- As per the concerned bank's discretion, sub-limits may be fixed.
- The facility of revolving credit is available for any amount of withdrawals and repayment made within the credit limit. The credit limit is fixed based on the individual's land holdings, scale of finance, annual production credit needs, etc.
- Based on the annual review, the credit card can be valid up to 3 years.
- Repayment for the amount borrowed can be made within a period of up to 12 months.
- Credit limits will be increased to take care of change in cropping pattern, increase in costs, etc. as an incentive for good record on credit card usage.
- Operations will be either through PACS in the case of Cooperative Banks or issuing branch in case of other banks, at the sole discretion of the bank.
- Conversion/rescheduling of loans also permissible in case of damage to crops due to natural calamities.
- Security, margin, rate of interest, etc. are set as per RBI norms.

Benefits of Kisan Credit Card:

- Flexible repayment options
- Hassle-free disbursement procedure

- Single credit facility/ term loan for all agricultural requirements
- Dependable and easily available credit which enables a decrease in the farmer's interest burden.
- Assists in the purchase of fertilizers, seeds, etc.
- Assists in availing cash discounts from merchants/ dealers
- Credit is available for a period of up to 3 years, without any seasonal appraisals.
- Income from agricultural sources determines the maximum credit limit.
- There is no restriction on the cash withdrawals that can be made by the Kisan Credit Card holder, as long as it is within the credit limit set by the bank.
- Repayment can be made once the harvest season is over.
- Lower interest rates.
- Margin, security and documentation terms and conditions are similar to that applicable to agricultural advance.
- Credit is made available for annual agricultural requirements and expenses.
- Minimal documentation and maximum flexibility offered for withdrawal of the required funds from the Bank.
- Funds can be withdrawn from any of the Bank's branches, as per the sole discretion of the bank.

Interest and other charges on Kisan Credit Cards:

Kisan Credit Card interest rates as well as credit limits vary from bank to bank. Generally, the applicable interest rate per annum for Kisan Credit Cards is 9%, for a credit limit of maximum Rs. 3 Lakh. Central government allows certain subsidies on interest rate applicable by the financing institutions, provided that the cardholder's credit history is good. The additional interest subsidy provided is 2% and if the customer has a sound track record for three years, he/she is eligible for an increase in the credit limit. Other charges and fees involved in taking credit under this scheme are: insurance premium, processing fees, passport photo charges, charges on land mortgage deed, etc.

Benefits to Banks:

This scheme is beneficial to banks since it is time and cost-efficient. There is no need for an elaborate documentation process or continuous appraisals under the Kisan Credit Card Scheme. Withdrawal of cash using the credit card requires very little paperwork and is simple and hassle-free for not just the card holder but for the Bank as well. Some other highlights include: no transaction costs, lesser risks in loan recovery, etc.

Top Banks Providing Kisan Credit Card in India:

- **NABARD** - NABARD offers term loans and easily accessible credit to farmers to meet their basic agricultural expenses.
- **SBI** - Short term credit is offered by SBI to farmers, for the purpose of meeting the production credit requirements, expenses related to allied activities, as well as contingency expenses.
- **Bank of India** - provides flexible financial support to farmers in order to help meet the expenses involved in cultivation and other non-farm activities, at a lower cost.
- **IDBI** - IDBI offers Kisan Credit Cards to farmers along with additional features like crop loans, investment credit and working capital for meeting agricultural expenses. Farmers,

tenant cultivators, owner cultivators, individual farmers and sharecroppers are considered eligible for the Kisan credit card.

- **NPCI** - RuPay Kisan credit cards are to be offered in the near future by National Payments Corporation of India (NPCI), as a part of its domestic card scheme for multilateral payments - RuPay.

Insurance under Kisan Credit Card Scheme:

There is a personal accident insurance cover for farmers who have a Kisan Credit Card, as soon as the customer avails the scheme. The individual gets a personal accident cover of Rs. 50,000 in the event of death and Rs. 25,000 in case of disability. In order to be eligible to avail this insurance cover, the customer should not be above 70 years of age at the time of obtaining the Kisan Credit Card.

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