

SUPPORT FROM THE BANKING SYSTEM
A CASE STUDY OF KISAN CREDIT CARD

CONTENTS

Chapter No.	Subject	Page No.
	Executive Summary	i
1	Introduction	1
2	Need, Terms of Reference and Methodology	5
3	Review of Progress – Kisan Card Scheme	15
4	Coverage of Small and Marginal Farmers	29
5	Impact of Kisan Credit Card Scheme on Ground Level Credit Flow	33
6	Review of Major Features of Kisan Credit Card Scheme Launched by Various Banks	42
7	Efficacy of Kisan Card – Observations from Field	75
8	KCC Scheme – Monitoring Arrangement	84
9	Recommendations on Operational and Policy Issues	86
10	Findings and Conclusions	99

SUPPORT FROM THE BANKING SYSTEM

A CASE STUDY OF KISAN CREDIT CARD

List of Tables

Table No.	Contents	Page No.
2.1	Methodology for Collection of secondary data on Kisan Cards	7
2.2	Methodology for collection of primary data on Kisan Cards	8
2.3	Coverage of various states in the study	9
2.4	Details of states/districts/banks/branches visited during the study	11
2.5	Farmers covered during the study (credit limit size-wise)	12
2.6	Farmers covered during the study (agency-wise)	13
3.1	Kisan cards issued- year-wise	15
3.2	Agency-wise Kisan cards issued	16
3.3	Progress in issue of Kisan cards by various agencies during 2000-2001 against target	17
3.4	State-wise performance of RRBs in issuing Kisan cards	18
3.5	State-wise performance of co-operative banks in issuing Kisan cards	19
3.6	Kisan cards issued by commercial banks	20
3.7	Kisan card – Summary position of various states	21
3.8	Kisan cards issued and coverage of farmers – state-wise	21
3.9	Kisan Credit Card Scheme – Zone-wise and agency-wise cards issued up to 31 December 2000 (cumulative since inception)	22
4.1	Coverage of small and marginal farmers under Kisan Credit Card Scheme	29
4.2	Average amount sanctioned per Kisan Credit Card	30
5.1	Ground level credit flow for agriculture sector	32
5.2	Comparative analysis of Kisan Card and ground level production credit	34
5.3	Comparative analysis of Kisan Card issued and ground level disbursements of production credit by co-operative banks	35
5.4	Ground level disbursement of crop loans vis-a -vis Kisan Cards issued and amount sanctioned by RRBs	37
5.5	Ground level disbursement of crop loans vis-a -vis Kisan cards issued and amount sanctioned by commercial banks	38
5.6	Crop loans disbursed in sample states selected for study	39
5.7	Growth rate in crop loans	40
6.1	Fixation of Maximum Limit – Allahabad Bank and Punjab National Bank	43
6.2	Type of Cards	44
6.3	Insurance Premium	46
9.1	Average amount sanctioned	86
9.2	Comparative analysis of cost of availing a limit of Rs. 2,00,000 under KCC scheme or crop loan and a term loan of Rs. 2,00,000 for purchase of tractor	87

SUPPORT FROM THE BANKING SYSTEM
A CASE STUDY OF KISAN CREDIT CARD

LIST OF APPENDICES

Appendix No.	Title	Page No.
I	Report of High Level Committee on Agricultural Credit Through Commercial Banks	104
II	Circulars of Reserve Bank of India & National Bank for Agriculture & Rural Development	114
III	Details of Farmers Interviewed During Field Visit	138

SUPPORT FROM THE BANKING SYSTEM

A CASE STUDY OF KISAN CREDIT CARD

LIST OF ANNEXURES

Annexures No.	Title	Page No.
2.1	Kisan Credit Card - Progress as on 31 March 2000	14
3.1	Performance of RRBs - State-wise Issue of Kisan Cards for the Year 2000-01 (1.4.2000 to 31 .12.2000)	24
3.2	Performance of Cooperative Banks - State-wise progress in Issue of Cards - 2000-01 (1.4.2000 to 31 .12.2000)	25
3.3	Kisan Cards Issued by Public Sector Commercial Banks in the Country (Up to 31 .12. 2000)	26
3.4	State-wise and Agency-wise Cards Issued Up to 31. 12. 2000	27
6.1	Kisan Credit Cards - Features of Scheme Launched by Various Public Sector Commercial Banks	59
6.2	Kisan Credit Cards - Features of Scheme Launched by Various Regional Rural Banks	64
6.3	Kisan Credit Cards - Features of Scheme Launched by Various State Cooperative Banks	68

Abbreviations Used

A & N Islands	Andaman & Nicobar Islands
APC	Agriculture Production Commissioner
BIRD	Bankers Institute of Rural Development
BLBC	Block Level Bankers' Committee
CB	Commercial Banks
CCB	Central Cooperative Bank
CCIS	Comprehensive Crop Insurance Scheme
CEO	Chief Executive Officer
CFA	Central Financing Agency
DCC	District Consultative Committee
DCCB	District Central Cooperative Bank
DDM	District Development Manager
DLTC	District Level Technical Committee
GDP	Gross Domestic Product
GIC	General Insurance Corporation
GOI	Government of India
H.P.	Himachal Pradesh
IMBP	Individual Maximum Borrowing Power
KCC	Kisan Credit Card
LBO	Lead Bank Officer
LBR	Lead Bank Returns
MF	Marginal Farmer

MIS	Management Information System
NABARD	National Bank for Agriculture and Rural Development
NCUI	National Co-operative Union of India
NFS	Non-Farm Sector
NODC	Non-Overdue Cover
NPDP	National Pulses Development Programme
OPP	Oilseeds Production Programme
PAC	Primary Agricultural Cooperative Society
RBI	Reserve Bank of India
RKBY	Rashtriya Krishi Bima Yojana
ROI	Rate of Interest
RRB	Regional Rural Bank
SAO	Seasonal Agricultural Operations
SCB	State Cooperative Bank
SF	Small Farmer
SLBC	State Level Bankers' Committee
SLTC	State Level Technical Committee
ST	Short Term
TOR	Terms of Reference
U.P.	Uttar Pradesh
UT	Union Territories
VRS	Voluntary Retirement Scheme
WB	West Bengal

SUPPORT FROM THE BANKING SYSTEM

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Executive Summary

1. Introduction

Consequent upon the announcement in the budget speech for the year 1998-99, NABARD, in consultation with major banks, formulated a model scheme for issue of Kisan Credit Card (KCC). The scheme aimed at adequate and timely financial support in a flexible and cost effective manner from the banking system to the farmers for their cultivation needs including purchase of inputs. The scheme was circulated to banks by RBI/NABARD. As at the end of December 2000 about 1 crore KCCs have been issued surpassing the target of 75 lakh fixed in the budget for the year 2000-01.

The present study was conducted by Bankers Institute of Rural Development (BIRD), Lucknow at the instance of Planning Commission of India with the objectives of:

- (a) Review the progress of the scheme particularly from the angle of its geographical spread, bank wise progress, coverage of different categories of farmers.
- (b) Assess the overall impact on flow of ground level credit. The Study also aimed at examining the difficulties and operational problems in the smooth implementation of the scheme.

The detailed TOR of the study have been given at para 2.3 of the main report.

2. Methodology

The methodology of the study included selection of sample states (7), districts (10), banks (20), study/survey of library references, NABARD circulars, collation and compilation of the primary and secondary data and information obtained from various banks through structured questionnaires, open ended interview of senior and middle level officers, branch managers and farmers.

3. Review of progress of the scheme

The banks had issued more than 50 lakh KCCs during the year 1999-2000 (almost two and half times of the target fixed at 20 lakhs). During the year 2000-01, banks have issued more than 47 lakh cards and (upto December2000) which accounts for 55% of the target fixed for that year. Co-operative banks have issued the maximum number of KCCs (66%), followed by Commercial Banks (CB) (28%) and RRBs (6%).

Up to December 2000, the RRBs had achieved 81.2% of the target set for them while the co-operative banks achieved 56% of the target. The CBs had achieved 46.1% of the target set for them. State wise analysis of the achievement reveals that in states like Bihar, Haryana, Karnataka, Maharashtra, and Uttar Pradesh, the banks had achieved more than 80% of their targets while in the states of Gujarat and AP it was 50% - 80% and in the states of Himachal Pradesh, J&K, Kerala, Madhya Pradesh, N.E. States, Punjab, Rajasthan, Tamil Nadu & West Bengal, it was less than 50%.

A classification of the Public Sector Commercial Banks (CB) by number of cards issued revealed that 2 (out of 27 CBs) banks had issued more than 5 lakh KCCs. One bank had issued between 3-5 lakh KCCs, 5 banks had issued between 1-3 lakh KCCs and about 19 banks had issued below 1 lakh KCCs.

In the states of AP, Maharashtra, Rajasthan and UP more than 10 lakh KCCs (in each state) have been issued. 5-10 lakh KCCs have been issued in the states of Karnataka, Orissa and Tamil Nadu. However in the states of Bihar, Assam, Gujarat, Haryana, Himachal Pradesh, J&K, Kerala, Madhya Pradesh, Punjab and West Bengal the number of cards issued was less than one lakh.

As regards coverage of farmers under KCC, it was observed that only AP had issued KCCs to more than 50% of the farmers. Moderate performance (covering 25-50% of farmers) was observed in the states of Gujarat, Haryana, Maharashtra, Orissa, Punjab and Rajasthan. Poor performance in this regard (covering less than 25% of the farmers) was observed in the states of Bihar, Delhi, Goa, Himachal Pradesh, J&K, Karnataka, Kerala, Madhya Pradesh, N.E. States, Tamil Nadu, UP and West Bengal.

A zone wise review indicated that the progress in South zone and the West zone had been good with 30.7% and 26.7% of the farmers covered under KCC respectively. Progress of North Zone is poor as cooperative banks' performance has not been up to mark. While in Eastern Zone, the performance has been poor with coverage of 9.6% of the farmers under KCC, the progress in North- Eastern zone has been very poor with a coverage of 0.3%.

It is note worthy that the progress of Kisan Credit Cards had been good in those states where state governments took interest in the scheme and followed up its progress with the banks.

4. Coverage of small and marginal farmers under KCC

Based on the data compiled by some banks at the request of BIRD and information obtained during the field visit, the coverage of SFs and MFs under KCC was as under

Agency	% of coverage of SFs/MFs under KCC
RRBs(barring states like Bihar and Rajasthan)	60-100
Co-operative Banks	31-80
CBs	30-70

It is observed that the coverage of small and marginal farmers in respect of RRBs is very good followed by cooperative banks.

It was surprising to know that average amount of loan under KCC issued by cooperatives in the year 1998-99 was the highest (Rs. 53716) followed by commercial bank (Rs. 27986) and thereafter RRBs (Rs. 16633). However in 1999-2000 and 2000-01 the average size of loans in respect of cooperative banks came down substantially. The average amount during 2000-01 per KCC was Rs. 23,690, Rs. 25,744, Rs. 23488 in respect of cooperative banks, CBs, and RRBs respectively.

5. Impact of KCC on ground level credit flow

Due to non-availability of sufficient data and due to the fact that the flow of ground level credit (particularly crop loan) is dependent on the vagaries of monsoon, it was difficult to establish any relationship between the issue of KCC and volumes of production credit at ground level. However at this stage it may not be concluded that KCC may not lead to increased flow of production credit. Nonetheless it is clear that KCC would certainly facilitate stabilization of flow of production credit. The comparative analysis of KCC issued and ground level disbursement of production credit by cooperative banks indicate that in 1998-99, 6.6% of total production credit disbursed was covered under KCC which went up to 65.7% in 2000-01. In respect of RRBs the percentage went up from 0.6% in 1998-99 to 56.8% in 2000-01 and for commercial banks it went up from 13% to 71% during the same period. The study findings have thus shown that at present no definite conclusions can be drawn about co-relation between number of KCC issued and ground level flow of production credit.

6. Review of major features of KCC scheme launched by various banks

6.1 Commercial Banks

Launching of Kisan Credit Card Scheme

All the 27 Public Sector Commercial Banks had launched the Kisan Credit Card Scheme based on the model scheme circulated by Reserve Bank of India in August 1998. (para 6.1.1)

Eligibility of farmer for issue of Kisan Credit Card

Most of the CBs had issued KCCs only to those farmers who had good track records for the last 2/3 years. Some of the banks stipulated the minimum eligibility for issue KCC at one acre of irrigated land. In order to speed up the progress in issue of Kisan Credit Cards, some banks had advised their branches that all tractor borrowers may be issued Kisan Credit Cards. The branches of Commercial Banks have been issuing Cards mostly to existing borrowers only. (para 6.1.2)

Minimum credit limit

Most of the banks have stipulated minimum limit of Rs. 3000. (para 6.1.3)

Basis for fixation of credit limit

The banks have followed the RBI guidelines given in the model scheme and fixed the limit on the basis of land holding, cropping pattern and scale of finance. However, some banks have followed different procedures and fixed the limit at 50% of the total income from all sources. Allahabad Bank and Punjab National Bank follow limits/slabs based on land ownership. (para 6.1.4)

Restriction on maximum amount

Except one or two banks, the Commercial Banks have not prescribed any maximum limit under Kisan Credit Card. (para 6.1.5)

Fixation of seasonal limit

Banks had been advised to fix appropriate sub-limits within the overall limit sanctioned, taking into account the seasonality in the credit requirement. Some banks have not issued specific guidelines to their branches in this regard. (para 6.1.6)

Type of card

Majority of the banks have issued a single type of card. Banks like Punjab National Bank, Allahabad Bank have brought out four different varieties of cards under the scheme. (para 6.1.7)

Credit limit for working capital requirement for agricultural and allied activities and NFS

- Some of the banks have restricted such additional credit @10%-30% of the crop limit sanctioned.
- Few banks have instructed their branches to sanction a fixed amount per activity to meet the working capital requirement. Others have issued instructions indicating that these requirements should be reckoned as a part of the overall limit sanctioned for crop and no separate limit need be worked out for this purpose.
- A few other banks have advised their branches to calculate the actual requirement subject to some ceiling.
- Some other banks have clubbed allied activities and non-farm sector for arriving at the limits together while a few have advised their branches to work their requirement separately.
- Requirement for consumption purposes, have been included as a part of either allied and/or NFS requirement.
- One of the banks has linked consumption credit to compulsory saving by stipulating a minimum saving of 10% of the limit sanctioned for crop subject to maximum of Rs. 50,000/-, thereby implying that if certain borrowers do not want consumption credit, they were exempted from compulsory saving. (para 6.1.8)

Margin and security norms

All the banks follow margin and security norms as stipulated by RBI. (para 6.1.9)

Facility of using the card at other branches

- Most of the banks had allowed this facility to only literate farmers.
- Some have restricted this facility to the select branches within the district only.
- Cardholders who are illiterate have to operate on the limit from the issuing branch only.
- The banks which have allowed this facility to card holders had advised their branches to charge a specific amount as service charges ranging from 2% to 3% if the cardholder withdraws cash at a branch(es) other than the issuing branch. (para 6.1.10)

Repayment instructions

Although the limit sanctioned under the card is in the nature of revolving cash credit and each drawal is repayable within 12 months, all the banks have advised their branches to fix specific repayment periods while sanctioning limit under Kisan Credit Cards. (para 6.1.11)

Insurance of the card holder

Some of the banks namely Andhra Bank, Allahabad Bank and Vijaya Bank have introduced the provision of the insurance of the cardholder in the scheme implemented by them. (para 6.1.12)

Issue of cheque books

- Some of the banks have issued cheque books to literate borrowers.
- In the remaining banks, the drawal of cash are allowed only through the debit slip and only at the card-issuing branch. (para 6.1.13)

Service charges

- Banks like Canara Bank, UCO Bank have exempted small borrowers from such charges.
- For replacement of lost card or damaged card, a few of the banks have been charging fee as high as Rs. 200/-. (para 6.1.14)

Opening of savings bank account

Except Syndicate bank, none of the other Commercial banks have made it compulsory for borrower to open a Savings Bank account with the bank branch in order to avail the facility of Kisan Credit Card. (para 6.1.15)

Payment of interest on credit balance in the savings bank account

- Most of the banks have not given specific guidelines to their branches about payment of interest on credit balance in the Kisan Credit Card account.

- A few banks who have issued instructions for paying interest @ 4% on minimum balance, either have prescribed a minimum credit balance for a specific period or the minimum balance from the 10th to the last day of the month. (para 6.1.16)

Crop insurance

- Only 6 banks have provided guidelines to their branches on coverage of crop insurance under Rashtriya Krishi Bima Yojna.
- Banks have also advised the branches to debit the crop insurance premium to the borrowers' account wherever insurance scheme is in operation. (para 6.1.17)

6.2 Regional Rural Banks

Launching of Kisan Credit Card Scheme

The RRBs had launched the Kisan Credit Card Scheme with effect from the year 1998-99.

Eligibility of farmer for issue of Kisan Credit Card

Initially Kisan Credit Cards were issued to only those farmers who had a good track record for the last 2-3 years. However, later on, the banks have modified these instructions to allow the issue of cards to even new borrowers who were considered creditworthy. (para 6.2.2)

Minimum credit limit

Most of the banks have brought down the initial ceiling from Rs. 5,000/- to Rs. 3,000/-. Some of the banks did not stipulate any lower monetary ceiling. (para 6.2.3)

Basis for fixation of credit limit

Banks have followed the guidelines issued by RBI and NABARD in this regard. However a few banks had fixed the limit on the basis of the total income of the farmer and his family from all sources. (para 6.2.4)

Restriction on maximum amount

RRBs had not generally stipulated any maximum ceiling on the limit under KCC. (para 6.2.5)

Fixation of seasonal limit

Branches have been advised to fix appropriate sub-limits(crop wise) within the overall sanction, taking into account the seasonality in the credit requirement. Some of the banks left it to the discretion of the branch managers to fix seasonal limits. (para 6.2.6)

Type of card

RRBs have either issued Card-cum-Pass books or a card and a Pass book. (para6.2.7)

Limit for working capital requirement for agricultural and allied activities and NFS

Most of the banks provide 10% to 30% of the crop limit sanctioned for this purpose. (para 6.2.8)

Margin and security norms

All the banks have issued instructions on margin and security norms as per RBI guidelines (para6.2.9)

Facilities of drawal at other branches

It was observed that all the banks have restricted their operations in KCC to the issuing branch (para 6.2.10)

Repayment instructions

Although the limit sanctioned under the Kisan Credit Card is in the nature of revolving cash credit and each drawal is repayable within 12 months, the banks have decided to fix specific repayment norms keeping in view the seasonality while sanctioning credit limit under Kisan Credit Cards(para 6.2.11).

Insurance of the card holder

None of the RRBs had provided for accidental insurance cover to KCC holders. (para 6.2.12)

Issue of cheque book

In order to facilitate the drawal of cash at the issuing branches, some of the banks have issued cheque book to the card holders. (para 6.2.13)

Service charges

Certain charges are levied by most of the banks for issue of KCC. (para 6.2.14)

6.3 Co-operative Banks

Launching of Kisan Credit Card Scheme

Banks had launched the Kisan Credit Card Scheme based on the model scheme circulated by NABARD in August 1998.

Eligibility of farmer for issue of Kisan Credit Card

The cooperative banks issued KCC to members who were not defaulters. (para 6.3.2)

Minimum credit limit

Banks have reduced the lower limit from Rs.5000 to Rs.3000. Some banks did not fix any lower limit. (para 6.3.3)

Basis for fixation of credit limit

Co-operative Banks stipulated/ fixed the limit based on scale of finance, cropping pattern and land holding (para 6.3.4)

Restrictions on maximum amount

The maximum amount under KCC was subject to the Individual Maximum Borrowing Power (IMBP) set by each bank (para 6.3..5)

Fixation of seasonal limit

The guidelines had given freedom to the banks to fix appropriate sub-limits within the overall limit sanctioned, taking into account the seasonality and other credit requirement. However, Cooperative banks had restricted the limit only to crop production requirement based on seasonality. (para 6.3.6)

Limit for working capital requirement for agricultural and allied activities and NFS

Cooperative Banks did not provide for working capital requirements of ancillary activities related to crop production, allied activities and NFS except in the states of Punjab and Haryana. (para 6.3.8)

Margin and security norms

The share capital was collected as per the provisions of State Acts and bye-laws. Security norms were in conformity with the provisions of State Acts and RBI/NABARD instructions. (para 6.3.9)

Facilities of drawal at other branches

In case of co-operative banks, drawals were allowed either at the branch of DCCB or at the society having cash counters. In some states, cash withdrawal was permitted at branch and the society simultaneously whereas in many other states cash withdrawal was allowed at branch only. Societies and branches did not allow operation in KCC issued by other society/branch. (para 6.3.10)

Maintenance of "Shadow register" / "Mirror account"

These were maintained at the issuing branch level as a replica of the loan ledger of the society. (para 6.3.11)

Repayment instructions

Although the limit sanctioned under the Kisan Credit Card is in the nature of revolving cash credit and each drawal is repayable within 12 months, yet all the banks had fixed specific repayment norms while sanctioning credit limit under Kisan Credit Card.

(para 6.3.12)

Insurance of the card holder

Though the model scheme circulated by RBI/NABARD did not cover insurance of the card holder by the issuing banks, Andhra Pradesh State Co-operative bank had provided for an accident insurance cover for Rs. 1,00,000 (para 6.3.13)

Issue of cheque books

In order to facilitate the drawal of cash at the issuing branches, some of the banks have issued cheque books to the card holders. (para 6.3.14)

Service charges

Cooperative Banks levied a nominal charge to cover the cost of stationery.

(para 6.3.15)

Coverage under RKBY

In some states (about 16 in number) where the RKBY scheme is being implemented, loans issued under KCC is being covered under the scheme. (para 6.3.16)

7. Efficacy of Kisan Credit Card

Coverage of new farmers

New farmers are being issued KCCs by the banks as they are getting attracted due to many factors such as effective publicity by the banks, utility of Kisan Credit Card and the continuous monitoring of the progress by RBI and NABARD. (para 7.2)

Adequacy of credit

While the majority of the farmers believe that the limit is adequate some of the farmers particularly members of the cooperative banks felt that the limit was not adequate. This could be attributed to the following

- Constraint of IMBP
- Lower Scale of finance fixed by DLTC(CBs sanctioned more than the Scale of Finance)
- Non inclusion of contingency /other consumption loan in the KCC limit by co-operatives (para 7.3)

Facility of drawals from other branches

Almost all cooperative banks and most of the RRBs had not extended this facility to their card holders owing to operational considerations. However ,where banks are offering this facility under Kisan Credit Card, there is reportedly low demand for this facility by farmers due to upfront commission at the rate of 2 to 3 per cent of the amount of cash drawn, charged by the banks. (para 7.4)

Operations on the KCC

Most of the farmers did not operate the KCC as envisaged under the scheme due to the following:

- Farmers' apprehension that once they repay the loan they may not get a repeat loan.
- Complicated procedure of drawal based on seasonal sub-limits under the total limit.
- The balance in the KCC accounts was not brought to “credit” as there were apprehensions that interest will not be paid on the credit balance.(para 7.5)

End use of credit

Though there were no systematic monitoring of the end use of the credit, the credit under KCC were mostly used for agricultural operation purposes. A portion of the limit were also being utilised for consumption purposes. Branch managers felt that the amount under KCC was not misutilised. (para 7.6)

Purchase of fertilizer and other inputs

The KCC has proved to be very useful to the farmers for purchase of inputs in a cost effective manner. (para 7.7)

Cost of Kisan Credit Card - service charges

Many banks are levying such charges under different names. The volume of charge was highest among the CBs followed by RRBs and thereafter co-operative banks. (para 7.8)

Repayment dates

It was satisfying to know that almost all the farmers covered in the sample were aware of the repayment dates. The role of banks in educating the farmer in use of Kisan Credit Card had been quite effective. Banks were giving special treatment to perennial crops wherever necessary. Branch Managers were effectively exercising their discretion to fix the due dates for repayment according to the harvesting/ marketing season. (para 7.9)

Cheque book facility for cash drawals

In tune with the model scheme the banks have allowed withdrawal under KCC either by withdrawal slips or by cheques. While the Co-operative banks have by and large issued cheque books to all the borrowers, the CBs have issued the same only to the literate borrowers. (para 7.10)

Utility of KCC to farmers

All the KCC holders were of the unanimous opinion that the Kisan Credit Card was advantageous to them in more than one way. (para 7.11)

Problems of farmers with KCC

The farmers were very happy with the introduction of KCC and they did not see any problem with the important features of KCC. (para 7.12)

Over all rating of the KCC

The KCC was rated very highly both by the farmers and the bankers. (para 7.13)

8. KCC Scheme-monitoring arrangement

Monitoring arrangements for CBs and RRBs

The progress under the scheme is being reviewed as under:

- At Block level - Block Level Bankers Committee
- At District level - District Consultative Committee
- At State level - State Level Bankers Committee
- In-house review by individual banks through regular returns, monthly meetings, branch visits by controlling heads, in board meetings(RRBs) (para 8.2)

Monitoring committee for co-operative banks at state level

The committee to review the progress of implementation of the scheme by the co-operative banks consists of the Registrar of Co-operative Societies, Managing Director of the State Co-operative Bank and the Chief Executive of the District Central Co-operative Banks and officer in charge of NABARD. (para 8.3)

Monitoring arrangement at the national level

At the national level NABARD is monitoring the progress and providing necessary feedback to RBI and GOI. (para 8.4)

Reporting by banks

All the banks have prescribed monthly progress reports for their branches. Besides, coverage of small and marginal farmers and other farmers are also reported by branches to their controlling offices. Regional Rural Banks and Co-operative Banks report the progress to NABARD and Commercial Banks report the progress to Reserve Bank of India. (para 8.5)

9. KCC operational issues - suggestions and recommendations

Issues	Suggestions
<ul style="list-style-type: none"> ➤ Small and Marginal farmers-Coverage 	<ul style="list-style-type: none"> ➤ Monitoring of the coverage of small and marginal farmers under the scheme at State Level Bankers' Committee (SLBC) need to be taken more seriously. ➤ State governments can play an active role at the level of SLBC in this regard. ➤ Banks may have to gear-up their system to cover the targeted number of farmers during the stipulated period. ➤ The intention in fixing the target should not be construed as imposition of targets on banks, rather to help them in fixing a goal for themselves against which they could evaluate their own performance so that corrective steps can be taken timely. Besides this, it would also help them in planning their business strategy for financing agriculture in rural areas. (Para 9.2)
<ul style="list-style-type: none"> ➤ Adequacy of credit 	<ul style="list-style-type: none"> ➤ The Scale of Finance has to be more realistic. ➤ The DLTC may meet regularly and timely. (Para 9.3)
<ul style="list-style-type: none"> ➤ Stamp duty 	<ul style="list-style-type: none"> ➤ Levy of stamp duty may be rationalised. ➤ GOI may consider taking up the issue with the State Governments (Para 9.4)

<p>➤ Cost reduction</p>	<p>The following are suggested in this regard:</p> <ul style="list-style-type: none"> ➤ Increased farmers' awareness about better operation of KCC by the farmers ➤ Borrowers education ➤ Banks should take a liberal view of levying various charges for issue of KCC and should keep this charges to the minimum (Para 9.5)
<p>➤ Flexibility in operation</p>	<ul style="list-style-type: none"> ➤ The KCC should be allowed to be used as a revolving cash credit as envisaged in the original scheme. Banks may like to issue necessary instructions in this regard. RBI and NABARD may also guide the banks in the matter. ➤ In case of co-operative banks drawals may be permitted at branches giving flexibility to the farmers. Many states have been allowing it and no major problem were reported in the operations though it involved extra workload for maintaining the mirror accounts. ➤ It is suggested that the drawal may be allowed on the aggregate credit limit without insisting on the seasonality to allow the farmer to have sufficient flexibility in purchase of inputs at the beginning of the year in advance, wherever possible. This will enable the farmers to avail of lean season input-price advantage. (Para 9.6)

<p>➤ Fixation of due dates</p>	<p>➤ The "due date" concept need to be re-examined to make it more user friendly and simple to align with overall spirit of kisan credit card scheme.</p> <p>➤ It is suggested that simple procedure of each drawal repayable within a maximum period of 12 months may be followed.</p> <p>➤ Any outstanding beyond 12 months may be treated as overdues. (Para 9.7)</p>
<p>➤ Leased-in and Leased-out land</p>	<p>➤ Government of India may examine this issue in consultation with the state governments to work out simple procedures for documentation of leased-in/out land. (Para 9.8)</p>
<p>➤ Crop Insurance</p>	<p>➤ Insurance of crops can play a role in stabilising the growth of agricultural sector. Therefore, it would be in the interest of all the states to implement the scheme. If there are certain hurdles in it, State governments in consultation with Government of India may sort them out with GIC.</p> <p>➤ In order to encourage small and marginal farmers which are the most vulnerable group the rates of premium should be kept low.</p> <p>➤ The premium rate for other farmers may be revised downward suitably.</p> <p>➤ The scheme should endeavor to cover all types of crop so that it can be made applicable to the entire credit limit under kisan credit card.</p> <p>➤ The "defined area" under the scheme has to be realistic in order to provide real benefit to majority of the farmers affected by any natural calamity. (Para 9.9)</p>

<p>➤ Maintenance of detailed crop-wise data</p>	<p>➤ Disbursement under KCC for various crops may be reported in the proportion of the sub-limits fixed for various crops under a particular season.</p> <p>➤ Similarly data on OPP, NPDP may also be maintained.</p> <p>➤ Maintenance of such large amount of data also calls for computerization of banks. (Para 9.10)</p>
<p>➤ Lack of awareness and human resource development</p>	<p>➤ Efforts are required to be augmented for publicizing the virtues of the kisan credit card and educating the farmers on its operational aspects.</p> <p>➤ Mass media support may be used for publicity of the scheme.</p> <p>➤ Bank branches may also organize kisan credit card camps to educate the farmers. For bankers, suitable training may have to be arranged at the training establishments of various banks as also other apex training institutions.</p> <p>➤ For the staff of co-operative banks, extensive training arrangements existing at the state as well as national level may be accessed.</p> <p>➤ Bankers Institute of Rural Development may take a lead in designing suitable training modules and also the training of trainers from banks particularly from co-operative banks and RRBs on kisan credit card. (Para 9.11)</p>

Chapter-1

Introduction

1.1.1 Agriculture has been the mainstay of our economy. More than 60 % of our people depend upon agriculture for their livelihood even though contribution of agriculture to our Gross Domestic Product (GDP) is less than 27 %. Nonetheless, the importance of agriculture cannot be underestimated for years to come. The National Agriculture Policy waxed eloquent on the value of agriculture. “Agriculture is a way of life, a tradition, which for centuries” thus runs the opening sentence of the agricultural policy “ has shaped the thought, the outlook, the culture and the economic life of the people.” Agriculture will continue to be central to all the strategies for socio-economic development of the country. Rapid growth of agriculture will not only ensure continued food security but also aid in growth in industry and the GDP .To sustain the growth in agriculture credit plays a crucial role. The quantum of agricultural credit provided by the banking system (co-operative banks, commercial banks and regional rural banks) increased from Rs. 31,956 crores in 1997-98 to Rs. 36897 crores in 1998-99. It has further increased to Rs. 41,764 crores in 1999-2000. While this is quite impressive considering the overall bank credit for priority sector, credit for farm sector is not without its share of problems: viz. problems in accessing credit for the agriculturist and problems in dispensing credit by the bank. In order to address the problems in purveying credit for agriculture, the Reserve Bank of India had set up a one man High Level Committee of Shri R. V. Gupta in December 1997 to suggest measures for improving the delivery systems as well as simplification of procedures for agricultural credit. The Committee’s mandate was to identify the constraints faced by the commercial banks in increasing the flow of credit, introducing new products and services and simplifying procedures and methods of working with a view to enabling rural borrowers to access adequate and timely credit from the commercial banking system. The Committee had submitted its report in April 1998.

1.1.2 Some of the recommendations of the Committee relating to agricultural credit in general and short -term credit needs of the farmers in particular were as follows:

- The Committee had recommended that for ensuring quick disposal of loan applications, at least 90 % of loan applications should be decided at the branch level.
- Short-term credit needs of the farmer should include all requirements directly or indirectly related to production, post harvest and house hold expenses. Repayment capacity should be assessed on the basis of aggregate house hold income from all sources including crop production and ancillary activities. The credit facility should be extended through a composite cash credit facility. The limit may initially be provided for one year but over time extended for a longer period and brought to credit at least once in a year. On credit balances banks would pay interest and charge interest on outstanding. Advances under such limits may be reckoned as advances for agriculture.
- While some minor investments of a medium term nature can be taken into account in the composite cash credit limit, investments of a major nature would still need a separate loan.
- The system of disbursing agricultural loans partly in cash and partly in kind has restricted borrower's choice and given rise to undesirable practices. In order to foster an environment of trust, banks may disburse loans for agricultural activities on a cash basis only and discontinue the practice of obtaining bills/receipts for inputs/assets purchased.
- Insistence on "No Dues Certificate" as a precondition for sanctioning a loan is unnecessary and time consuming. Where banks are conversant with the track record of the borrowers, obtaining such certificates should be left to the discretion of the lending banker.

- Apart from improving recoveries, the Committee had recommended for incentives for farmers who were prompt in repayment. Banks should design appropriate incentive systems including interest benefit or rebate to borrowers who repay their dues promptly. Besides incentives for prompt repayment, farmers who opt for savings module linked to the loan product may be given a finer fete both on the loan as well as on the savings product.
- Taking into account the procedural difficulties and the high cost of stamp duty connected with registering a mortgage in favour of a bank, State Governments may initiate steps to abolish stamp duty on mortgage of agricultural land for obtaining loans from banks.
- Unlike in urban areas most of the land in rural areas is inherited and there are no title deeds. The original land records in the tehsil office are similar to a share depository and if a farmer has a passbook with an authenticated record of his land holding the bank should accept the same as valid title for purposes of an equitable mortgage.
- In states where the Agricultural Credit Operations and Miscellaneous Provisions (Banks) Acts have been passed bank loans should be secured through the mechanism of declarations prescribed thereunder. States, which have not passed the above legislation, may consider doing so. In the interim, such states may issue administrative orders that declarations made by borrowers on the Talwar committee model for charging their lands may be noted in the revenue records so that banks can lend against them.
- The value of security taken should be commensurate with the size of the loan and the tendency to ask for additional collateral by way of guarantors where the land has already been mortgaged should be discouraged.
- In order to inform farmers transparently of the amount and the various fees and charges levied by the banks farmers should be given a statement indicating the facilities availed, fees, charges etc levied.

1.1.3 R. V. Gupta Committee sought to simplify the procedure in commercial banks for smooth and adequate credit flow to the agriculture sector. Recommendations of the Committee are also equally valid for RRBs and to some extent for co-operative banks in so far as they relate to loans for agriculture. Summary of the recommendations of the Committee are enclosed as Appendix- 1.

1.1.4 Crop loans constitute a major portion of disbursements for agriculture. Despite the great resilience of Indian agriculture to vagaries of weather, a bad monsoon definitely affects agriculture and in turn the credit for crop loans is influenced. Besides, due to the existence of a number of financial institutions extending crop loans and their varied ways of purveying the same, the subject of crop loan had become very complex. But the fact remains that the farmer needs adequate and timely credit in a cost effective and flexible manner to raise a crop. To take care of his consumption needs, some provision is required to be made. Besides crop cultivation, the farmer may be undertaking some activities allied to agriculture and even some non-farm sector activities. Working capital needs of these activities are required to be met from the banking system failing which the farmer may be constrained to borrow from the informal sector the consequences of which are well known. Against this background the Kisan Credit Card (KCC) scheme was introduced in pursuance to the announcement made by the hon'ble finance minister in his budget speech for the year 98-99. It sought to address many of the issues concerning short-term credit needs of farmers. It aimed at providing timely and adequate credit to the farmers in a cost effective and flexible manner. In addition to credit for crop production the scheme provides for credit for ancillary activities related to crop production, working capital needs for non-farm activities and allied activities with some provision for consumption needs .The scheme is being implemented in the country by all the banks from the year 1998-99. This has now been accepted as the only medium of short-term credit for agriculture. With an in-built component for life insurance from the current year the scheme is to substitute all other existing modes of short-term credit delivery.

Chapter-2

Need, Terms of Reference and Methodology for Study

2.1 Background

2.1.1 In his Budget Speech for the year 1998-99, the Hon'ble Union Minister of Finance had announced the scheme for issuing Kissan Credit Cards (KCC) to farmers by the banks on the basis of their land holdings so that the farmers may use them readily to purchase agricultural inputs such as seeds, fertilisers, pesticides etc. and also to draw cash for their production needs including the credit requirements 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. The Hon'ble Finance Minister also desired that a Model Scheme should be prepared by NABARD for uniform adoption by the banks. Accordingly, NABARD formulated a Model Scheme for issue of KCC in consultation with the major banks and the same was circulated by Reserve Bank of India (RBI) to all Commercial Banks and by NABARD to all State Co-operative Banks and Regional Rural Banks (RRB). The scheme aimed 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.

2.1.2 The scheme was implemented by some of the banks since 1998-99 and by all other banks with effect from the financial year 1999-2000. By the end of 31 March 2000, more than 50 lakh cards were issued by all the agencies which rose to about 1.00 crores as on 31 December 2000, which indicates that a significant progress had been made by banks in issuance of KCC. As per the budget announcements a target for issue of 75 lakh cards was fixed for the year 2000-01 which had been surpassed. Further, in the budget for the year 2001-02 it has been targeted to issue KCC to all the eligible farmers within the next three years. In his budget speech for the year 2001-02 the Hon'ble Finance Minister has asked all the banks to provide a Personal Insurance Package to all the KCC holders.

2.2 Need of the Study

As the year 2000-01 is the third year of implementation of the scheme, it was felt by the Planning Commission of India to critically review the progress of the scheme, particularly from the angle of its geographical spread, bankwise progress, coverage of different categories of farmers and its overall impact on flow of ground level credit. It was also felt necessary to critically examine the difficulties and operational problems / bottlenecks encountered by the farmers as well as the implementing agencies.

2.3 Terms of Reference for the study

Terms of reference for the study as specified by the Planning Commission were as indicated below.

- i) Critical review of the bank-wise / agency-wise / geographical zone-wise / state-wise / farmers' category-wise progress of the scheme (issue of cards) and identification of the bottlenecks in the progress of the scheme, if any.
- ii) Analyse and study the disbursement of loans and volume of turnover under KCC scheme and its impact on flow of credit to agricultural sector and futuristic trends.
- iii) Highlight efficacy of the scheme with particular reference to operational problems / constraints and suggest improvement in the present system.

2.4 Collection of Data

To facilitate the process of selection of states and institutions for field visit, data and information regarding progress of the scheme were collected both from secondary as well as primary sources.

2.4.1 Collection of secondary data

The secondary data were collected from RBI, NABARD and also from different commercial banks, co-operative banks and RRBs. The nature of data and sources of their collection have been indicated in the table 2.1.

Table 2.1**Methodology for collection of Secondary data on Kisan Cards**

S. No.	Data	Sources	Method of Collection
1	Basic information on KCC Scheme – Genesis & Objective	R. V. Gupta Committee Report – NABARD & RBI	Through Library references
2	Model Scheme on KCC	NABARD	NABARD Circulars
3	Operational Guidelines issued by Banks to their branches / implementing units	Commercial Banks, RRBs, SCBs/CCBs	By writing to all the banks through a structured questionnaire
4	Progress in issue of KCC (purpose-wise, area-wise, farmers' category-wise)	NABARD, All Banks	By writing to all the banks through a structured questionnaire

2.4.2 Collection of Primary Data / Information

In addition to the secondary data that was collected from different agencies, it was decided to collect data / information from primary sources on the aspects as indicated in the table 2.2.

Table 2.2**Methodology for collection of Primary data on Kisan Cards**

S. N.	Data	Sources	Method of Collection
1	i) Operational problems faced by Banks ii) Impact on flow of credit	i) Regional Offices of NABARD ii) Zonal, Regional Offices of Commercial Banks iii) A few RRBs and SCB/CCB from different parts of the country	Open ended interview of senior and middle level officers of banks
2	Problems and constrains faced by farmers	177 KCC holders from different parts of the country	i) Questionnaire ii) Semi-structured interview

2.5 Selection of States

With a view to giving coverage to different geographical zones and also different type of credit dispensing agencies, so far as production credit was concerned, it was decided to cover in all 7 states from north, south, east and western part of the country. The data regarding progress of KCC as on 31 March 2000, as indicated in Annexure – 2.1, were taken as the base for selection of states and institutions covered during the field visit. The states selected for taking up the field-level study in respect of various agencies are indicated in the table 2.3.

Table 2.3**Coverage of various states in the study**

S.N.	Agency	States
1	SCB / CCB and Commercial Banks	Maharashtra, Rajasthan, Punjab & Haryana
2	RRBs and Commercial Banks	Karnataka, Bihar & Uttar Pradesh

Taking into account the strength of the institutions as well as progress in the implementation of the KCC, Maharashtra, Rajasthan, Punjab and Haryana were selected for conducting the study in respect of co-operative banks. While the progress in implementation of KCC by co-operative banks as on 31 March 2000 in Maharashtra and Rajasthan was highly impressive with issuance of 339624 and 989543 cards respectively, the position was diametrically opposite in case of Punjab & Haryana where the progress was nil as on that date. It was felt necessary to cover those two states, to explore the reasons responsible for making the scheme a non-starter in the co-operative sector in both the states. Similarly, it was decided to take up the field study in respect of the RRBs in the states of Karnataka, Bihar and Uttar Pradesh. It was also decided to cover commercial banks in all the states selected for field visit in addition to the co-operative banks or RRBs, as the case may be. During field visit attempts were made to cover in each state, the overall scenario regarding ground level credit flow in general and implementation of KCC in particular. In each state, discussions were held with the respective Regional Office of NABARD, Convenor Bank of State Level Bankers' Committee (SLBC), State Co-operative Bank and controlling offices of important commercial banks functioning in the state.

2.6 Selection of Districts for study

On the basis of the discussions held with various State level functionaries, as mentioned above, one district in each state was selected for field-visit and interaction with farmers and grass root level bank-functionaries. At the district level detailed discussions were held with Lead Bank Officer(LBO), District Development Manager(DDM) of NABARD, Managing Director of DCCB, Chairman of RRB and Regional / Divisional Managers of important commercial banks functioning in the district.

2.7 Selection of Banks & branches

In each selected district, the respective study team visited 2 to 3 branches of the identified agency i.e. CCB or RRB as the case may be and 2 to 3 branches of commercial banks to study various aspects of implementation of the scheme. While selecting the banks and branches the views / suggestions of the district level bankers viz. LBO, DDM etc. as well as performance of the respective banks/branches were taken into consideration. The states, districts and banks covered during the field study are given in the Table 2.4.

Table 2.4
Details of States / Districts / Banks / Branches visited during the study

S.No.	State	District	Bank	Branch
1	Uttar Pradesh	Aligarh	Aligarh Gramin Bank	Iglas
				Gomat
				Dadon
			Canara Bank	Gonda
				Akrabad
2	Maharashtra	Solapur	Solapur DCCB	Akkalkot
				Valsang
			Bank of India	Kandalgaon
			State Bank of India	Nannaj
3	Punjab	Ludhiana	Punjab & Sindh Bank	Pakhawal
			State Bank of India	Jagraon
		Patiala	Malwa Gramin Bank	Chauth
			State Bank of Patiala	Bakshiwala
4	Haryana	Ambala	State Bank of India	Narayangarh
			Ambala-Kurukshetra Gramin Bank	Nahoni
			Ambala CCB	Saha
		Karnal	State Bank of Patiala	Ranwar
			Punjab National Bank	Charao
			Karnal CCB	Kachhwa Society
5	Karnataka	Bijapur	Bijapur DCCB	Head Office
			Bijapur Gramin Bank	Head Office
		Bellary	Tungabhadra RRB	Siddagadda
			State Bank of Mysore	Bellary
6	Bihar	Vaishali	Vaishali RRB	Hajipur
				Lalganj
			Bank of Baroda	Hajipur
			State Bank of India	Hajipur
7	Rajasthan	Chittorgarh	Chittorgarh DCCB	Nimbhera
				Bassi
			State Bank of Bikaner & Jaipur	Gangrar
			Punjab National Bank	Ghosunda

2.8 Selection of Farmers

In each district about 20 to 30 farmers, who had availed of the KCC facility from the institutions covered during field study, were interviewed and information were collected in a structured format. On the basis of the data collected at various levels and information gathered during the discussions held with various officials as well as the farmers, a detailed analysis was done, the outcome of which are enumerated in the subsequent chapters. A broad profile of the farmers, based on limit sanctioned, is given in the table 2.5. However, the details of the farmers interviewed are indicated as an appendix – III to the report.

Table 2.5

Farmers covered during the study (credit limit sizewise)

Sl. No.	Name of the state	No. of farmers availing credit limit				Total
		Up to Rs.10000	From Rs.10001 to Rs.25000	From Rs.25001 to Rs.200000	Above Rs.200000	
1	Uttar Pradesh	4	6	11	3	24
2	Maharashtra	2	8	21	1	32
3	Bihar	-	14	2	-	16
4	Rajasthan	5	9	12	-	26
5	Haryana	-	2	18	-	20
6	Punjab	-	3	22	-	25
7	Karnataka	-	5	28	1	34
Total		11	47	114	5	177

Table 2.6

Farmers covered during the study (agency-wise)

Sl.No.	Agency	No. of farmers
1.	Regional Rural Banks	52
2.	Co-operative Banks	51
3.	Commercial Banks	74
	Total	177

ANNEXURE – 2.1

Kisan Credit card Scheme - Progress as on 31 March 2000

Rs. Lakhs

State/UT	No. Of RRB implementing KCC	No. of cards issued	Loan amt. Sanctioned/ disbursed	No. of DCCB implementing KCC	No. of KCC issued	Loan amt. Sanctioned/ disbursed	Total No. of KCC issued	Total Loan amt. Sanctioned/ disbursed
Andhra Pradesh	16	10349	1601.20	22	1664673	139625.90	1675022	141227.10
Assam **	3	181	34.12	-	-	-	181	34.12
Bihar	21	2274	371.10	13	1629	264.47	3903	635.57
Gujarat	8	5226	1208.40	3	6042	1798.68	11268	3007.08
Haryana	4	5788	2993.21	-	-	-	5788	2993.21
Himachal Pradesh	2	140	56.92	3	468	90.02	608	146.94
J & K	2	269	36.85	4	1042	166.49	1311	203.34
Karnataka	13	39896	9260.58	15	13138	3097.79	58034	12358.37
Kerala	2	53688	9930.55	9	33469	2714.67	87157	12645.22
Madhya Pradesh	20	5468	1461.68	43	75788	14650.79	81256	16112.47
Maharashtra	6	3500	875.00	28	339624	39103.30	343124	39978.30
Orissa	9	17225	1947.19	17	602029	106332.58	619254	108279.77
Punjab	5	3436	1704.76	-	-	-	3436	1704.76
Rajasthan	12	6720	3295.09	26	989543	130900.00	996263	134195.09
Tamil Nadu	3	1762	347.97	13	19587	3849.52	21349	4197.49
Uttar Pradesh	33	23164	6395.89	-	-	-	23164	6395.89
West Bengal	9	633	88.25	9	2732	491.34	3365	579.59
Tripura	1	3	0.31	1	66	2.62	69	2.93
Goa	-	-	-	1	157	62.00	157	62.00
A & N Islands**	-	-	-	1	235	23.50	235	23.50
Total \$	169	179722	41609.07	208	3750222	443173.67	3929944	484782.74

** SCB functions as CFA

\$ Includes normal credit limit sanctions also for crop loans in some states

Chapter - 3

Review of Progress - Kisan Card Scheme

3.1 Yearwise Review of Progress

Kisan Card Scheme was introduced in the year 1998-99, subsequent to the announcement of introduction of this scheme in the union budget for the year 1998-99. Based on the announcement, a model kisan card scheme was formulated by NABARD and was circulated among the banks in August 1998. Since then the scheme has made rapid strides and upto 31 December 2000 (latest available position) all the banks taken together had issued 104.97 lakh kisan cards in the various states throughout the country. Period wise breakup of the total cards issued since the inception of schemes and upto 31.12.2000 is given below in the table 3.1.

Table 3.1
Kisan cards issued – Year-wise

Year	Target	No. of cards issued	% to total cards issued
1998-99 (w.e.f. August 1998)	N.A.	607225	6%
1999-2000	2000000	5134081 (256%)	49%
2000-01 (upto 31.12.2000)	8708525	4756346 (55%)	45%
Total		10497652	100%

(Note:- Figures in parentheses indicate percentage of achievement of the target.)

3.1.2 It may be observed from the above table that the scheme picked up momentum in the year 1999-2000 and as a result as many as 51.3 lakh cards, forming about 49% of the total cards issued upto 31.12.2000, were issued to farmers by the banks during the said year. The momentum gained by banks was continued during the next year i.e. 2000-2001 also and within 9 months as many as 47.5 lakhs Kisan Credit Cards (45% of total) were issued by banks. Let us now review these achievement against the target fixed. During 1998-99 as it was the year of inception, no target was fixed. However, during the year 1999-2000, a

target of covering 20 lakh farmers under kisan card was announced by the Finance Minister in his budget speech. Towards this end, NABARD advised various Cooperative Banks and RRBs, through its regional offices in various states to fix their own target with a view to covering at least about 10 per cent of the crop loan beneficiaries during the year 1999-2000. The response of the banks, against the target of 20 lakh, was overwhelming. Banks issued cards totaling almost two and half times (256% achievement) of the target. Encouraged by the response from banking system, Finance Minister in his budget for 2000-01 fixed the target, for the year 2000-01, at 75.0 lakh cards, which later on was further raised to 87.0 lakh based on the targets indicated by various banks particularly cooperative banks. The progress in achieving this target upto 31.12.2000 was 55%.

3.2 Agencywise Review of Progress

3.2.1 Commercial banks, Regional Rural Banks (RRBs) and Co-operative banks are the agencies to implement the kisan card scheme. It has been reported that all 27 public sector commercial banks had implemented the schemes. Similarly, all RRBs had also issued circulars to implement the scheme. However, there had been certain delay in implementing the schemes by Co-operative banks in states like Haryana and Punjab due to certain apprehensions. Later on, after issue of necessary clarifications and meeting with officials of State Cooperative banks and Department of Cooperation of these states, both the states have commenced implementation of the kisan card scheme.

3.2.2 All the three agencies, upto 31 December 2000, had issued 104.97 lakh of cards. Agency-wise and period-wise break up of the cards issued has been shown below in the table 3.2:

Table 3.2
Agencywise Kisan Cards issued

Agency	1998-99	1999-2000	2000-01 (31.12.2000)	Total
Commercial Banks	445451	1365911	1153574	2964936 (28%)
RRBs	6421	173301	405969	585691 (6%)
Cooperative Banks	155353	3594869	3196803	6947025 (66%)
Total	607225	5134081	4756346	10497652

(Note: Figures in parentheses are the percentage share to the total card issued)

3.2.3 As may be observed from the table above, Cooperative Banks had major share of the cards issued. This was natural as Cooperative Banks (SCBs and CCBs) are the major agencies for purveying short term credit for raising crops in India. Cooperative Banks had 66% share of total cards issued upto 31.12.2000. This was followed by Commercial banks with 29.6 lakh card forming about 28% of the total card issued. Though the RRBs have good number of branches in rural area, their share in crop loan had been only modest (8%). RRBs had issued 4.06 lakh cards which was about 6% of the total. The performance of each of these three agencies against their respective target has been reviewed in the following paragraphs.

3.2.4 As has been mentioned already, no targets were fixed for the year 1998-99, hence comparison of target with the achievement was not possible. Further, during 1999-2000 an overall target for coverage of 20.0 lakh farmers was fixed by Government of India, but, agencywise break-up was not available. Target for the year 2000-01 has been fixed at 87.0 lakh. Agencywise break-up of this alongwith achievement upto 31.12.2000 (latest available information) has been shown in the table 3.3:

Table 3.3

**Progress in issue of kisan cards by various agencies during 2000-01
against target (1.4.2000 to 31.12.2000)**

Agency	Target	Cards issued	% Achievement
Cooperative Banks	5708500	3196803	56.0%
RRBs	500025	405969	81.2%
Commercial Banks	2500000	1153574	46.1%
Total	8708525	4756346	54.6%

3.2.5 As may be seen from the table given above the overall achievement of the target upto 31.12.2000 had been 54.6%. RRBs had done well. As against a target of 5.0 lakh, RRBs had issued 4.05 lakh cards, thus achieving 81.2% of the annual target within first 9 months of the year. At this rate, it is expected that RRBs would fully achieve their target fixed for the year.

3.2.6 On a review of statewise position given in annexure-3.1 it was revealed that the performance of RRBs in majority of the states was excellent. A summary position is given below:

Table 3.4

State-wise Performance of RRBs in issuing kisan Cards

Performance	% of achievement of target (31.12.2000)	Name of states
Excellent	80% and above	Arunachal Pradesh, Bihar, Gujarat, Himachal Pradesh, Jammu & Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tripura, Uttar Pradesh (12 States)
Moderate	50% - 80%	Haryana, Assam (2 states)
Poor	Below 50%	Kerala, Meghalaya, Punjab, Tamil Nadu, West Bengal, Andhra Pradesh (6 states)

NB (i) There is no RRB in Andaman and Nicobar Islands, Goa, New Delhi and Pondichery

(ii) Figure in respect of RRBs in Manipur, Mizoram and Nagaland is not available

3.2.7 In as many as 12 states, performance of the RRBs had been excellent (80% or above). In two states, it was moderate whereas in 6 states, it was poor. Noticeable feature of RRBs performance is that in some states, like Arunachal Pradesh, Tripura, Assam, where performance of Co-operative banks was poor, in contrast RRBs had done exceedingly well. Detailed state-wise target and achievement in respect of RRBs in issue of kisan cards has been presented in annexure-I (3.1). There is need to pay more attention in certain states where performance of co-operative banks as well as RRBs had been poor. These states are Kerala, Punjab, Tamilnadu and West Bengal.

3.2.8 Performance of Co-operative banks was at 56% which cannot be considered satisfactory. Statewise position of the card issued by cooperatives has been shown in annexure-3.2. However, a summary position has been given below in the table3.2:

Table 3.5
Statewise Performance of Cooperative Banks in issuing kisan cards

Performance	% of achievement of target (31.12.2000)	Name of States
Excellent	80% or above	Bihar, Haryana, Karnataka, Maharashtra, Uttar Pradesh
Moderate	50% to 80%	Gujarat & Andhra Pradesh
Poor	Below 50%	Himachal Pradesh, J&K, Kerala, Madhya Pradesh, N.E. States, Punjab, Rajasthan, Tamil Nadu & West Bengal

3.2.9 As can be seen from the table given above, among the major states, having significant share of target, the performance of Bihar, Karnataka, Maharashtra and Uttar Pradesh had been excellent at 80% and above, whereas in states like Andhra Pradesh and Gujarat, the performance had been moderate between 50 to 80 per cent. Among the major states, where performance had been poor (below 50%), include Himachal Pradesh, Kerala, Madhya Pradesh, Orissa, Punjab, Rajasthan,

Tamil Nadu and West Bengal (8 states). Performance of states in North East, though their targets were small, was very poor. Special attention is required in North-East to motivate the bankers, State government as well as farmers to implement the scheme.

3.2.10 The performance of commercial banks in distribution of kisan cards has been shown in the annexure-3.3. This position was obtained from Reserve Bank of India and it relates to cards issued up to 31 December 2000. In certain portion of this chapter and also in some other chapters, the position of commercial banks used was up to 31 October 2000. This was due to non-availability of state-wise break up of card issued by some of the banks. As can be observed from annexure -3.3, 27 Commercial bank had issued 35.7 lakh cards involving sanctioned amount of Rs. 9148.4 crores to different categories of farmers. Since there was no allocation of targets for issue of kisan cards among various commercial banks, it may not be possible to compare their achievement against target as has been done in case of RRBs and Cooperative Banks. However, based on the total number of cards issued, these 27 Banks can be regrouped into 4 broad categories as shown in the table 3.6.

Table 3.6
Kisan card issued by Commercial Banks

Number of cards	No. of banks	Name of Banks
Above 5.0 lakh	2	Canara Bank, State Bank of India
3.0 - 5.0 lakh	1	Syndicate Bank
1.0 - 3.0 lakh	5	Andhra Bank, Bank of Baroda, Bank of India, Punjab National Bank, State Bank of Hyderabad
Below one lakh	19	Allahabad Bank, Bank of Maharashtra, Central Bank Of India, Corporation Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Oriental Bank Of Commerce, Punjab & Sindh Bank, State Bank of Bikaner & Jaipur, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra, State Bank of Travancore, UCO Bank, Union Bank of India, United Bank of India and Vijaya Bank

3.2.11 As can be seen from Table – 3.6, Canara Bank and State Bank of India had recorded a good progress and distributed over 5 lakh cards. Syndicate Bank was the only bank to fall in the second slab of 3.0 to 5.0 lakh cards. 5 Banks were in 1.0 to 3.0 lakh bracket, whereas 19 banks were in the below 1.0 lakh bracket. The progress of Kisan card is reviewed in state level Banker Committee meeting (SLBC) in each state as per guidelines given by RBI. Commercial banks whose performance has been rather poor may be followed up by RBI and respective State Government to cover all eligible farmers in the area of operation falling under their respective branches.

3.3 Statewise review of Progress

3.3.1 Statewise position of kisan cards issued upto 31.12.2000 has been given at annexure-IV. A summary position is given in the table 3.7. As could be seen from the table 3.7, in certain states a large number of cards have been issued while in a few others, the number had been very small. A comparison of target versus achievement is not possible, as the targets for the commercial banks are not available statewise. However, on a closer scrutiny of the number of cards issued, it can be inferred that in certain states, the number of cards issued is quite significant (more than 5 lakh). These states are Andhra Pradesh, Maharashtra, Rajasthan, Orissa, Karnataka, Gujarat and Uttar Pradesh.

Table 3.7

Kisan card - Summary Position of various states

No. of kisan cards issued upto 31.12.2000	States*
More than 10 lakh	Andhra Pradesh, Maharashtra, Rajasthan and Uttar Pradesh.
5 – 10 lakh	Karnataka, Orissa and Tamilnadu
Below 5 lakh	Bihar, Assam, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Kerala, Madhya Pradesh, Punjab and West Bengal

➤ (Only major states have been included. UT and North Eastern states have not been shown here).

3.3.2 In absence of target, another yardstick to compare the performance of banks in issuing kisan cards could be measuring the performance of banks by number of kisan cards issued. This may be done by comparing the number of kisan card issued with the number of farmers borrowing from banks in each state. The number of farmers borrowing from banks has been calculated by assuming that 50% of the operational holding as borrowing farmers. Detailed statewise position of kisan cards issued alongwith operational holding and per cent of farmers covered by kisan cards in each has been shown in annexure-IV. However, a summary position has been shown in the table 3.8:

Table 3.8
Kisan Card issued and coverage of Farmers state-wise

Percentage of farmers covered	Nature of performance	States
50 % and above	Satisfactory	Andhra Pradesh
25% to 50%	Moderate	Gujarat, Haryana, Maharashtra, Orissa, Punjab and Rajasthan
Below 25%	Poor	Bihar, Delhi, Goa, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, All N.E. States, Tamilnadu, Uttar Pradesh & West Bengal

3.3.3 As can be observed from the table, only Andhra Pradesh has covered more than 50% of its farmers (61.2%). The performance of states like Gujarat, Haryana, Orissa, Maharashtra, Rajasthan and Punjab may be regarded as moderate. In the other remaining states, banks have to cover a lot of farmers under the scheme. They may have to make all out efforts to bring in more number of new farmers hitherto not having access to banks, into the banking fold using kisan card.

3.4 Zonewise review of Performance

3.4.1 Various states of the country have been clubbed into 5 geographical Zones viz., Western Zone, South Zone, North Zone, North-Eastern Zone and Eastern Zone. The position in respect of kisan card issued in various zones has been shown in the table 3.9:

Table 3.9

Kisan Credit Card Scheme - Zone-wise and Agencywise cards issued upto 31 December 2000 (Cumulative since inception)

Sr. No.	Zone	Comm. Banks~	COOPs	RRBs	Total	Total No. of Operational Holdings 1990-91 ('000)	No. of Kisan Card* as % of Total Holdings
1.	West Zone (Rajasthan, Gujarat, Maharashtra, M.P., D&N, Haveli, Daman & Diu, Goa)	619903	2857379	72965	3550247 (34%)	26567	26.7%
2.	South (A.P., Tamilnadu, Karnataka, Kerala, Pondichery, Lakshdweep)	1424461	2645459	297695	4367615 (42%)	28484	30.7%
3.	North Zone (Delhi, Haryana, Chandigarh, Punjab, H.P., J&K, U.P.)	710192	650482	156842	1517516 (14%)	24824	12.2%
4.	North-Eastern Zone (Arunachal, Assam, Manipur, Meghalaya, Mizoram, Sikkim, Nagaland, Tripura).	3026	146	1137	4309 @	3392	0.3%
5.	Eastern Zone (Bihar, W.B., Orissa, A&N Islands)	207354	793559	57052	1057965 (10%)	21943	9.6%
	Grand Total	2964936	6947025	585691	10497652	105210	20.0%

- (Note: Assuming that 50% of the total land holdings borrow from banks for raising of crops.)

@ Negligible

~ Figures in respect of Commercial Bank relate to 31.10.2000

3.4.2 As could be observed from the table, the progress in South Zone and West Zone had been good as in these two zones 30.7% and 26.7% of the farmers accessing bank credit have been covered under the kisan card scheme. Progress of

North Zone is poor as Co-operative Banks' performance has not been upto mark. Punjab State Co-operative Bank had delayed the implementation of the kisan card owing to certain reservations and apprehensions. It is learnt that the authorities in NABARD, Chandigarh and Punjab State Cooperative Bank, Chandigarh have later on clarified these apprehensions and fears have been cleared and that necessary intimation in this regard have been issued by Registrar, Cooperative Societies, Govt. of Punjab. It is, therefore, expected that by the end of the year i.e. 31 March 2001, all Cooperative banks in Punjab would achieve their targets of issuing 175000 cards during the year 2000-01. This would push up the performance of north zone.

3.4.3 The real cause of worry is the very poor progress in North-Eastern Zone and Eastern Zone. The matter should be given urgent attention by the concerned state government and also by the apex agencies including Reserve Bank of India and NABARD. The problem, if any, may be discussed in the meeting of State Level Bankers' Committee. It may be mentioned that the progress of Kisan Cards had been good in those states where state governments took interest and following up the scheme with the banks.

Anneuxre- 3.1

Performance of RRBs - Statewise Issue of Kisan Cards for the year 2000-01 (1.4.2000 to 31.12.2000)

Sr. No.	State/UT	Regional Rural Banks			
		Target	Achievements	%age	Performance
1	Andhra Pradesh	124000	60773	49.0	Poor
2	A & N Island	No RRB			
3	Arunachal Pradesh	100	122	122.0	Excellent
4	Assam	700	464	66.3	Moderate
5	Bihar	4200	138.12	328.9	Excellent
6	Goa	No RRB			
7	Gujarat	21200	17694	83.5	Excellent
8	Haryana	10200	6869	67.3	Moderate
9	Himanchal Pradesh	200	362	181.0	Excellent
10	Jammu & Kashmir	200	398	199.0	Excellent
11	Karnataka	60000	74874	124.8	Excellent
12	Kerala	108200	49816	46.0	Poor
13	Madhya Pradesh	7600	10997	144.7	Excellent
14	Maharashtra	16800	15616	93.0	Excellent
15	Manipur	0	0	0.0	
16	Meghalaya	400	127	31.8	Poor
17	Mizoram	0	0	0.0	
18	Nagaland	0	0	0.0	
19	New Delhi	No RRB			
20	Orissa	22000	20972	95.3	Excellent
21	Pondicherry	No RRB			
22	Punjab	12300	3925	31.9	Poor
23	Rajasthan	8300	7744	93.3	Excellent
24	Tamilnadu	36500	6537	17.9	Poor
25	Tripura	25	240	960.0	Excellent
26	Uttar Pradesh	57700	112491	195.0	Excellent
27	West Bengal	9400	2136	22.7	Poor
	TOTAL	500025	405969	81.2	Excellent

Anneuxre- 3.2

**Performance of Cooperative Banks - Statewise in Issue of Kisan Cards - 2000-01
(1.4.2000 to 31.12.2000)**

Sr. No.	State/UT	Cooperative Banks			
		Target	Achievements	% Achievement	Performance
1	Andhra Pradesh	700000	511402	73.1	Moderate
2	A & N Island	500	34	6.8	Poor
3	Arunachal Pradesh	500	0	0.0	Poor
4	Assam	500	0	0.0	Poor
5	Bihar	25000	34425	137.7	Excellent
6	Goa	1000	55	5.5	Poor
7	Gujarat	412900	239917	58.1	Moderate
8	Haryana	200000	166069	83.0	Excellent
9	Himachal Pradesh	25000	10725	42.9	Poor
10	Jammu & Kashmir	2000	414	20.7	Poor
11	Karnataka	150000	131710	87.8	Excellent
12	Kerala	500000	53074	10.6	Poor
13	Madhya Pradesh	425000	91598	21.6	Poor
14	Maharashtra	1021600	1015836	99.4	Excellent
15	Manipur	500	0	0.0	Poor
16	Meghalaya	500	80	16.0	Poor
17	Mizoram	500	0	0.0	Poor
18	Nagaland	5000	0	0.0	Poor
19	New Delhi	0	972		No Comment
20	Orissa	374000	141247	37.8	Poor
21	Pondicherry	0	76		No Comment
22	Punjab	175000	0	0.0	Poor
23	Rajasthan	213000	98819	46.4	Poor
24	Tamilnadu	500000	218330	43.7	Poor
25	Tripura	1000	0	0.0	Poor
26	Uttar Pradesh	450000	470792	104.6	Excellent
27	West Bengal	525000	11228	2.1	Poor
	TOTAL	5708500	3196803	56.0	Moderate

Annexure- 3.3
Kisan Card Issued by Public Sector Commercial Banks
in the Country Cumulative
(Upto 31 December 2000)

Sr. No.	Name of the Bank	Total Card Issued	Amount Sanctioned Rs. Lakh	Average Amount Per Card in Rs.
1	Allahabad Bank	68082	25200	37014
2	Andhra Bank	193407	27455	14196
3	Bank of Baroda	107960	28704	26587
4	Bank of India	173448	50607	29177
5	Bank of Maharashtra	76726	23161	30187
6	Canara Bank	672481	175250	26060
7	Central Bank of India	46001	12957	28167
8	Corporation Bank	72916	37499	51428
9	Dena Bank	46917	13774	29359
10	Indian Bank	84255	12564	14912
11	Indian Overseas Bank	69605	13504	19401
12	Oriental Bank of Comm.	38832	17080	43984
13	Punjab & Sind Bank	42992	22380	52057
14	Punjab National Bank	204897	92135	44966
15	State Bank of Bikaner and Jaipur	34283	12488	36428
16	State Bank of Hyderabad	134600	20007	14864
17	State Bank of India	701742	134595	19180
18	State Bank of Indore	26188	8977	34280
19	State Bank of Mysore	44604	18800	42149
20	State Bank of Patiala	88642	26461	29852
21	State Bank of Saurashtra	88528	23741	26817
22	State Bank of Travancore	29750	7949	26718
23	Syndicate Bank	369559	71957	19471
24	UCO Bank	17859	5475	30659
25	Union Bank of India	79676	17102	21465
26	United Bank of India	15932	2013	12632
27	Vijaya Bank	38690	13005	33614
	TOTAL	3568572	914841	25636

Annexure – 3.4

Statewise and Agencywise cards issued upto 31 December 2000

(Cumulative since inception)

Sr. No.	State Name	Comm. Banks	COOPs	RRBs	Total	Total Nos. of Operational Holdings 1990-91('000)	Nos. of Kisan Card* as % of Total Holdings
1	A & N Island	222	269	0	491	0	
2	Andhra Pradesh	596322	2176075	71122	2843519	9290	61.2%
3	Arunachal Pradesh	11	0	122	133	95	0.3%
4	Assam	1915	0	645	2560	2419	0.2%
5	Bihar	98526	36054	16086	150666	11711	2.6%
6	Chandigarh	0	0	0	0	N.A.	
7	D & N Havelli	1	0	0	1	N.A.	
8	Daman & Diu	0	0	0	0	N.A.	
9	Goa	952	212	0	1164	72	3.2%
10	Gujarat	211702	245959	22920	480581	3517	27.3%
11	Haryana	77963	166069	12657	256689	1530	33.6%
12	Himachal Pradesh	9786	11193	502	21481	844	5.1%
13	Jammu & Kashmir	444	1456	667	2567	1217	0.4%
14	Karnataka	381847	144848	114770	641465	5776	22.2%
15	Kerala	149270	86543	103504	339317	5419	12.5%
16	Lakshdweep	50	0	0	50	N.A.	
17	Madhya Pradesh	112477	167386	16465	296328	8401	7.1%
18	Maharashtra	216363	1355460	19116	1590939	9470	33.6%
19	Manipur	198	0	0	198	142	0.3%
20	Meghalaya	613	80	127	820	162	1.0%
21	Mizoram	4	0	0	4	61	0.0%
22	Nagaland	12	0	0	12	142	0.0%
23	New Delhi	269	972	0	1241	42	5.9%
24	Orissa	56580	743276	38197	838053	3948	42.5%
25	Pondicherry	1830	76	0	1906	N.A.	
26	Punjab	190896	0	7361	198257	1117	35.5%
27	Rajasthan	78408	1088362	14464	1181234	5107	46.3%
28	Sikkim	48	0	0	48	53	0.2%
29	Tamil Nadu	295142	237917	8299	541358	7999	13.5%
30	Tripura	225	66	243	534	318	0.3%
31	Uttar Pradesh	430834	470792	135655	1037281	20074	10.3%
32	West Bengal	52026	13960	2769	68755	6284	2.2%
	Total	2964936	6947025	585691	10497652	105210	20.0%
@Note: Data for Commercial Banks relate to 31 October 2000							
*Note: Assuming that 50% of the total farmers borrow from banks for raising of crops.							

Chapter - 4

Coverage of Small & Marginal farmers under Kisan Card Scheme

4.1.1 Since most of the banks have not been monitoring the data in respect of cards issued to farmers category-wise (small and marginal farmers), it has not been possible to present a national picture in this regard. However, based on the data compiled by some banks at the request of BIRD in this regard and the information collected during their field visit to banks by consultants, certain inferences and conclusions have been drawn. The data collected as discussed above has been presented in the table 4.1

4.1.2 As can be seen from table 4.1 that coverage of small and marginal farmers has been satisfactory. The range of coverage is from 33% to cent percent. Thus, if this sample is taken as a representative of national scene, it is quite satisfying to note that small and marginal farmers have been adequately covered under kisan card scheme by banks. If we examine agency-wise coverage of small and marginal farmers from the sample data given in the table 4.1, the coverage of small and marginal farmers is sizeable in RRBs which may be quite obvious as majority of cards so far had been issued by the banks to their existing clients and most of the clients of RRBs had been in the target group i.e., small and marginal farmers and poorer strata of the society.

4.1.3 RRBs are followed by co-operative banks. Since co-operative banks operate through primary agriculture cooperatives (PACs) where most of the farmers are also small and marginal, it was expected that their coverage of small and marginal farmers would be quite high.

Table 4.1**Coverage of Small and Marginal Farmers under Kisan Card Scheme**

State	Bank	Position As on	Total Card Issued	Cards Issue to SF/MF	% Coverage of SF/MF
All States	Allahabad Bank	30.9.2000	59006	23282 (Bronze Card)	39%
Karnataka	Commercial Banks	31.12.2000	146933	61940	42%
	Syndicate Bank	31.12.2000	24350	9765	40%
	Canara Bank	31.12.2000	39668	12703	32%
	Bank of India	31.12.2000	4862	3451	71%
	Bank of Baroda	31.12.2000	743	407	55%
	Cooperative Banks	31.12.2000	138483	63234	46%
	RRBs	31.12.2000	54318	33834	62%
U.P	Aligarh RRB	30.9.2000	7187	6356	88%
	RRBs in U.P.	31.12.2000	98718	69274	70%
Maharastra	Solapur CCB	30.9.2000	146000	48179	33%
	Solapur RRB	30.9.2000	816	816	100%
Rajasthan	Cooperative Banks	30.6.2000	1016108	319314	31%
	RRBs	30.6.2000	10569	2994	28%
Haryana	Karnal CCB		27936	15571	56%
Bihar	Vaishali RRB	30.9.2000	912	165	18%
	Vaishali CCB	30.9.2000	1821	1450	80%
	State Bank of India	30.9.2000	195	109	56%
	Bank of India	30.9.2000	149	57	38%
	All Banks in Vaishali District	30.9.2000	3484	1856	53%

Note: SF/MF as reported by banks under RKBY

4.1.4 As regards commercial banks, the sample data shows that Commercial banks have also covered many small farmers. In view of instructions from GOI and State Governments and continuous monitoring by RBI, Commercial banks are under compulsion to issue as many kisan cards as possible. It would be difficult for them to achieve their target without covering small and marginal farmers, which are in substantial number in rural areas.

4.1.5 Another way to assess the coverage of small and marginal farmers by various agencies under kisan card scheme, in absence of availability of complete data on coverage of small and marginal farmers, may be to examine the average amount sanctioned per card.

Table 4.2
Average Amount Sanctioned per Kisan Credit Card

Period	Average amount sanctioned per card (Rs.)			
	Coop. Banks	CBs	RRBs	Total
1998-99	53716	27986	16633	34310
1999-2000	10030	27986	23393	14702
2000-01 (31.12.2000)	23690	25744	23488	24171
Overall Average	17281	26151	23385	20127

(Based on the cards issued upto 31.12.2000)

4.1.6 If we examine the trend of average amount sanctioned per kisan card issued by all agencies, it would be interesting to note that in the first year i.e., 1998-99 of introduction of kisan card scheme, the average amount sanctioned per card was Rs. 34310. This would in turn imply that banks were focussing more on big farmers in this year.

4.1.7 It is very surprising to note that average amount of loan under Kisan Credit Card scheme of cooperatives was highest followed by commercial banks and thereafter RRBs. In the next year i.e. 1999-2000, when Kisan card scheme gained considerable momentum (50% of the total card issued upto 31.12.2000 were issued during 1999-2000) the amount sanctioned per card came down substantially to Rs.14,702/-, less than half of that of previous year. This meant that during this year, all agencies would have covered a substantial number of

small and marginal farmers, which had brought down the average. Another reason for more coverage of small and marginal farmers by banks could be the removal of minimum ceiling of Rs.5000/- for issue of kisan card. Further, as the staff of banks found the scheme useful, their good experience led to removal of some apprehensions and inhibitions, which were harbouring in their minds earlier. Good demand from farming community for kisan card would have also encouraged the banks to cover more of small and marginal farmers.

Chapter - 5

Impact of Kisan Card Scheme on Ground Level Credit Flow

5.1.1 The amount of ground level credit flow in the country during the last 5 years i.e. 1996-97 to 2000-01 have been presented in the table below:

Table 5.1
Ground Level Credit Flow for Agriculture Sector

(Rs. in Crores)

Year	Production Credit / Crop loan	Agriculture Term loan	Total Agriculture
1996-97	17058	9353	26411 (20%)
1997-98	20640 (21%)	11316 (21%)	31956 (21%)
1998-99	23903 (16%)	12994 (15%)	36897 (15%)
1999-00	27239 (21%)	14525 (12%)	41764 (13%)
2000-01*	30983 (14%)	20477 (41%)	51460 (23%)

*Estimated

(Note: Figures in the parentheses represent the growth rate)

5.1.2 Total credit to agriculture sector during the year 2000-01 has been estimated to touch Rs.51460 crores, recording an annual growth rate of 23 per cent over the previous year. Production credit/crop loan has been estimated at Rs.30983 crores with a growth rate of 14 per cent over 1999-2000. The estimated growth rate in flow of production credit in 2000-01 at 14 per cent is much less than that was achieved during 1999-2000 (21%). In contrast, the growth rate in flow of term loan to agriculture is expected to touch 41 percent i.e. about 3.5 times higher than that of 1999-2000 (12%). The picture was almost reverse during 1999-2000 where growth rate in production credit/crop loan recorded a significant rise but growth in term credit to agriculture came down by 3%. It may be mentioned here

that 1999-2000 was the year in which sizeable number of kisan cards were issued. However, the positive correlation between kisan card and flow of production credit may be difficult to establish as during the very next year i.e. 2000-01, the growth rate fell down significantly. Further, to explore any correlation between kisan card and flow of production credit at ground level using statistical methods, the number of records available is only 3, which is too small to derive any meaningful conclusion or correlation. The flow of ground level credit particularly crop loan is dependent on many factors and weather is one of the very important variable affecting crops and thereby demand for production credit. The significant rise in the flow of production credit in 1999-00 could be partially due to the good monsoon during the year 1999. During 1999, out of 35 meteorological sub-divisions, in as many as 28 sub-divisions, rainfall was excess to normal. Similarly, 81 per cent of the gross cropped area in the country received normal to excess rainfall during the year 1999. On the whole, country received 96 per cent of the normal rainfall (852mm) during south-west monsoon period during the year 1999.

5.1.3 Even though at present, while kisan card scheme is in full swing, the data may not be sufficient to arrive at the relationship between number of kisan card and ground level flow of production credit, yet the comparative analysis of total amount sanctioned under kisan card in the country with that of actual ground level flow of production credit gives a fair amount of indication that this scheme would play a significant role in flow of credit to agriculture sector in the coming years. As may be seen from the table 5.2 that during 1998-99, the amount sanctioned under kisan cards formed only 8.7% of the total production credit disbursed by the banks. This figure had grown to 68.2% in the year 2000-01. During 2000-01, two third of the ground level production credit would be through KCC which is quite significant.

Table 5.2**Comparative Analysis of kisan card and Ground level Production Credit**

(Rs. in crores)

Year	Nos. of Kisan card*	Total Amount sanctioned under kisan card*	Production Credit (Actual)	Col. 3 as % of Col.4.
(1)	(2)	(3)	(4)	(5)
1998-99	607225	2083	23903	8.7
1999-00	5741306	9631	27239	35.3
2000-01	10497652	21128	30983	68.2

*At the end of the respective year

Note: (i) Kisan card figures for the year 2000-01 were upto 31.12.2000.

(ii) The figures of production credit for the year 2000-01 are estimates.

5.1.4 However, at this stage, it may be premature to conclude that kisan cards would lead to increased ground flow of production credit in India but this would certainly facilitate stabilisation of flow of production credit.

5.1.5 Let us now examine the position agencywise. Historically, Cooperative Banks (short-term structure) had been the major outlets for channelising production credit in India. During 1999-00, Cooperative banks had a share of 56% of total production credit disbursed at the ground level followed by commercial banks and RRBs. Thus, cooperative banks have tremendous influence on flow of production credit. In total, by 31 December 2000, cooperative banks had issued 6947045 kisan cards forming 66% of the total cards issued by all agencies. The amount of limit sanctioned through these cards was Rs.12,005 crores. Further, yearwise details have been given in the table 5.3:

Table 5.3**Comparative Analysis of kisan card issued and Ground level disbursements
of Production Credit by Cooperative Banks**

(Rs. in crores)

Year	Nos. of Kisan card*	Amount sanctioned under kisan cards	Production Credit disbursed	Amount sanctioned under kisan card as % of production credit disbursed
1997-98	-	-	10895	-
1998-99	155353	826	12489 (19%)	6.6
1999-00	3750242	4432	15224 (18%)	29.1
2000-01	6947045	12005	17598 (16%)	65.7

- Note: (i) Figures in parentheses are the growth rates over previous year.
(ii) Figures of production credit for the year 2000-01 are estimates.
(iii) For the year 2000-01, figures of kisan card and the corresponding amount sanctioned are upto 31.12.2000.

5.1.6 As can be observed from table given above, the growth rate in production credit disbursed by Cooperative bank was more or less same since 1998-99, the issue of kisan card does not appear to have led to increase in ground level credit flow for crop production. There is nothing surprising about it. If the circulars regarding kisan card scheme launched by cooperative banks are perused carefully, it would be seen that most of the SCBs/DCCBs had not provided anything extra in the kisan card limit as compared to the credit which a farmer or a member of PACS was availing of in the past. Though, a few banks have indicated that a farmer may be provided Rs.10000 extra in addition to crop limit to meet his other short term agriculture and non farm sector requirements, in practice, very few banks have allowed drawals against this limit. Thus practically the farmer is getting more or less same amount of credit as he was getting earlier under usual system of cooperative banks. The advantages which farmer got through kisan card is more flexibility and a simple sanction for a period of three years, thus avoiding year to year hassles of procuring revenue records and other documents for availing bank loan. Further, since cooperative banks had been calculating credit requirement of a farmer using the scales of finance as approved by

Technical Committee of the district, even prior to the kisan card scheme, the limit under kisan card was no different to the earlier limit.

Flow of credit would increase only when -

- i) scales of finance are revised upwards or
- ii) more land is covered under crops by farmer or
- iii) more members are enrolled or
- iv) Cropping pattern is changed or
- v) Individual Maximum Borrowing Power (IMBP) is periodically reviewed and increased.

5.1.7 Therefore, one should not expect any significant increase in production credit at ground level as long as cooperative banks do not plan to either enroll new members or restrict crop loans to IMBP without taking into consideration the actual requirement. . However, the figures of kisan card issued by the cooperative banks show rapid strides. Within a span of two years of launching of scheme, as much as 65.7% of the total ground level flow of credit in 2000-01 would be through kisan cards. By any standard, this is a remarkable achievement.

5.1.8 Let us now analyse the position of RRBs. The share of RRBs in total production credit disbursed during 2000-01 is about 8%. Although in comparison to Cooperative and Commercial banks, it is quite small, yet in view of their extensive branch network in rural areas and their clientele being small borrowers, RRBs have played a vital role in covering small and marginal farmers under the scheme which hitherto did not have good access to bank credit.

Table 5.4
Ground Level Disbursement of crop loans vis-à-vis kisan card
Issued and Amount sanctioned by RRBs

(Rs. in crores)

Year	Nos. of kisan card issued	Amount sanctioned	Actual Disbursement at Ground level for crop loan	Amount sanctioned as % of Ground level disbursement
1997-98	-	-	1396	-
1998-99	6421	11	1740 (25%)	0.6
1999-00	179722	416	2299 (32%)	18.0
2000-01 (31.12.2000)	585691	1370	2412 (5%)	56.8

(Note: Figures in parentheses indicate growth rates over previous years)

5.1.9 By the end of 31.12.2000, RRBs in the country had issued 585691 cards with the sanctioned amount of Rs.1370 crores. The sanctioned amount under cards during 2000-01 formed about 56.8% of the total ground level disbursement during 2000-01, which can be considered moderately satisfactory. As regards impact of kisan card on ground level flow of production credit, the situation in RRBs is akin to that at national level. There was a significant upsurge during the year 1999-00 (32% growth rate) which came down sharply in 2000-01. So, it would be difficult to draw any definite conclusion whether kisan card had led to increase in ground level flow of production credit in RRBs based on this limited data.

5.1.10 Commercial banks had issued 2964916 kisan cards by end of December 2000. Against these cards, total limit of Rs.7753 crore had been sanctioned. The trend in ground level disbursement of production credit in commercial banks was in contrast to that obtaining in RRBs and cooperatives. During 1999-00 when cooperatives and RRBs recorded good growth rate in ground level disbursement due to favourable monsoon, Commercial banks could hardly record a rise of 1% in this year.

Table 5.5
Ground Level Disbursement of crop loans vis-a-vis kisan card
Issued and Amount sanctioned by commercial banks

(Rs. crores)

Year	Nos. of kisan card issued	Amount sanctioned	Actual Disbursement at Ground level	Amount sanctioned as % of Ground level disbursement
1997-98	-	-	8349	-
1998-99	445451	1247	9622 (15%)	13
1999-00	1811342	4784	9716 (1%)	49
2000-01 (31.12.2000)	2964916	7753	10973 (13 %)	71

5.1.11 However, they were able to restore their normal growth trend in 2000-01; but the trend in flow of credit at ground level did not appear to exhibit any marked correlation with the number of kisan card issued. The performance of commercial banks in coverage of farmers under kisan card was quite good as can be judged from the fact that by the end of December 2000, the amount sanctioned under kisan card (Rs.7753 crores) formed 71% of the total ground level disbursement of production credit by commercial banks. In other words, commercial banks had almost covered their 3/4 of existing borrowers of production credit under the scheme of kisan card.

5.1.12 Let us examine the position in respect of the sample states visited during the study (Table – 5.6). It may be mentioned that during the course of study, visits were undertaken to 7 states (Punjab, Haryana, Karnataka, Bihar, Rajasthan, Maharashtra and Uttar Pradesh) and within each state 1-2 districts were chosen for collection of primary data from farmers.

Table 5.6

Crop Loan Disbursed in the Sample States selected for Study

(Rs. in Crores)

State	Total Card Issued	Card Issued as % Total Farmers	Crop Loan Disbursed During				Trend Relationship with Kisan Card
			1996-97	1997-98	1998-99	1999-00	
Punjab	198257	35.5	1509	1839	2444	3103	Negative
				(21.8%)	(33.0%)	(23.2%)	
Haryana	256689	33.6	1234	1485	1874	2315	Negative
				(20.3%)	(26.2%)	(23.6%)	
Karnataka	641465	22.2	-	1743	2050	2501	Positive
					(11.7%)	(21.9%)	
Bihar	150666	2.6	165	125	131	156	Positive
				(-23.9%)	(4.4%)	(19.2%)	
Rajasthan	1181234	46.3	-	767	947	1105	Negative
					(23.5%)	(16.6%)	
Maharastra	1590939	33.6	1503	1748	2141	2661	Neutral
				(16.2%)	(22.4%)	(24.2%)	
U.P.	1037281	10.3	-	1798	1709	2251	Positive
					(-4.9%)	(31.7%)	
H.P	21481	5.1	-	29	37	39	Negative
					(31.2%)	(3.1%)	

Note: 1. Data in respect of H.P. has been furnished by NABARD, Regional Office, Shimla. The state was not covered during the field visit

2. Figures in the parentheses are the growth rates in % over the previous year

3. Assuming that 50% of total farmers are borrowers from banks

5.1.13 If the trend in flow of crop loan as given in Table 5.7 is examined in these states somewhat different picture emerged. The states like Punjab, Haryana and Rajasthan where considerable number of kisan card had been issued; the growth rate in flow of crop loans had slowed down in 1999-2000 as compared to that in the year 1998-99.

Table 5.7
Growth Rate in Crop loans
Growth Rate during the year

State	1998-99	1999-00
Punjab	33%	23.2%
Haryana	26.2%	23.6%
Rajasthan	23.5%	16.6%

5.1.14 In contrast to this, in the states where kisan card coverage had been fairly poor like in Uttar Pradesh and Bihar in which only 10.3% and 2.6% of total borrowing farmers had been covered under kisan card respectively the growth rate in crop loan had shot up substantially. In Bihar, it rose from 4.4% to 19.2% and in Uttar Pradesh, 4.9% to 31.7%. Similarly, in Karnataka, where kisan card coverage was not as poor as in Bihar, the growth rate has gone up almost twice. In Maharashtra State, where there had been a good coverage of farmers under kisan card, the growth rate in crop loan had been stagnant. These anomalous examples indicate that at present no definite conclusions can be drawn about correlation between number of kisan card issued and the ground level flow of crop loan.

Chapter-6

Review of the Major Features of Kisan Credit Card Scheme Launched by Various Banks

6.1 Commercial Banks

Major features of the schemes launched by various commercial banks have been summarised in the annexure 6.1. However a descriptive review of salient points has been given in the following paragraphs.

6.1.1 Launching of Kisan Credit Card Scheme

All the 27 Public Sector Commercial Banks had launched the Kisan Credit Scheme based on the model scheme circulated by Reserve Bank of India in August 1998. Barring one or two banks, all Public Sector Commercial Banks had prepared their own Kisan Credit Card scheme before December 1998 and launched the scheme on pilot basis in their selected branches. Later on, the scheme was extended to cover the entire country.

6.1.2 Eligibility of farmer for issue of Kisan Card

By the original circular, issued by most of the Commercial Banks, branches were advised to issue kisan cards to only those farmers who were having good track record for the last 2-3 years. However, later on, some of the banks (Bank of Baroda) have modified these instructions allowing the issue of cards to even new borrowers. Similarly, Syndicate Bank modified its eligibility criteria to cover all types of farmers and advised all its branches that Kisan Card may be compulsorily issued to all the farmers with requirement of production credit Rs.5,000/- and above. Allahabad Bank, Punjab and Sindh Bank and Punjab National Bank had kept the minimum eligibility of one acre of irrigated land for issue of Kisan Cards. In order to speed up the progress of Kisan Cards, some of the banks like Punjab and Sindh Bank had advised its branches that all tractor borrowers may be issued Kisan Cards. However, some of the banks have issued guidelines for inclusion of even new farmers, but in reality, the branches of Commercial Banks have been issuing cards mostly to existing borrowers only.

6.1.3 Minimum Credit Limit

Reserve Bank of India and NABARD while circulating their model scheme on Kisan credit among the banks, had recommended Kisan Cards for farmers whose requirement of crop loan was Rs.5,000/- and above. However, this ceiling was subsequently amended and all the banks were advised that they could work out their own loan limits/ceiling. On a review of the schemes of Public Sector Commercial Banks, it is observed that most of the banks have brought down the ceiling from Rs.5,000/- to Rs.3,000/-. Some of the banks did not stipulate any lower ceiling in monetary terms whereas others have prescribed the ceiling in terms of ownership of irrigated land with the farmer i.e. minimum one acre of irrigated land.

6.1.4 Basis for fixation of credit limit

Reserve Bank of India and NABARD, through the model scheme circulated among the banks had recommended that credit limit under kisan cards may be fixed on the basis of operational land-holding, cropping pattern and scales of finance as recommended by District Level Technical Committee (DLTC)/State Level Technical Committee (SLTC). Wherever the DLTC/SLTC have not recommended scale of finance for crops or in the opinion of the bank, recommended lower scales than the required amount, banks were allowed to fix appropriate scales of finance for the crop. It was also stipulated that for fixation of card limit, operational land holding might include the leased in land and exclude leased out land.

Most of the banks have followed the above guidelines as suggested in the model scheme. However, banks like Allahabad Bank and Punjab National Bank have followed different procedure for fixation of credit limit. In these cases, the limit was based on the total income of the farmer and his family from all sources. Thus, the credit limit under the card by these banks was fixed at 50% of the total income from all sources. Likewise, Allahabad Bank, Punjab National Bank and Punjab and Sindh Bank have prescribed per acre limit for irrigated and non-irrigated land, for calculating overall limit under kisan card.

6.1.5 Restriction on maximum amount

Except one or two banks, the Public Sector Commercial Banks have not prescribed any maximum limit under Kisan Card. Allahabad Bank and Punjab National Bank have worked out the limits/slabs based on land ownership:

Table –6.1

Fixation of Maximum Limit – Allahabad Bank & Punjab National Bank

	Allahabad Bank	Punjab National Bank
1.	1-2 acre Maximum Rs.25,000/-.	1-2 acre Maximum Rs.30,000/-.
2.	2.5 to 7 acres Maximum Rs.40,000/-	2.5 to 6 acres Maximum Rs.2 lakh
3.	7 to 9 acres Maximum Rs.60,000/-.	6 to 8 acres Maximum Rs.3 lakh
4.	More than 9 acres Maximum Rs.1 lakh	8 acres and above Rs.3 lakh and more.

6.1.6 Fixation of Seasonal Limit

The model scheme had recommended that while fixing the limit, banks may take into account entire production credit requirement of the farmers for full year including the credit requirement of the farmer for ancillary activities related to crop production such as maintenance of agricultural machinery/implements, electricity charges, etc. and also allied activities and non-farm activities. Banks were also advised to fix appropriate sub-limits within the overall limit sanctioned, taking into account the seasonality in the credit requirement. The scheme circulated by most of the banks had included this feature in their instructions. A few of the banks have built this feature within the methodology adopted for working out the overall limit, while other banks have left it to the discretion of the branch managers to fix seasonal limits. Some banks (Punjab and Sindh Bank, Punjab National Bank, Bank of Baroda, Indian Bank and Allahabad Bank) have not specifically issued guidelines to their branches in this regard. As a result, the entire limit sanctioned to the farmers under the card can be operated throughout the year. On the other hand, Bank of India has advised the Branch Managers to work out monthwise cash flow and fix the drawing power accordingly for each

month which in our opinion would be quite impractical and cumbersome both for farmers and bank branch.

6.1.7 Type of Card

Majority of the banks have issued only single type of card. However, banks like Punjab National Bank, Allahabad Bank have brought out four different types of products under the kisan card scheme. These have been detailed below

Table – 6.2
Types of Cards

Name of the Bank	Type of card and limit
Punjab National Bank	Vikas Card for 1 - 2.5 acres = Rs.30,000/-. Bhagyawan for 2.5 to 6 acres = Rs.2 lakh Sarvottam for 6-8 acres = Rs.3 lakh Swarn for 8 acres & above = Rs.3 lakh and above
Allahabad Bank	Bronze - 1 - 2.5 acres = Rs.25,000/- Silver - 2.5 acres to 7 acres = Rs.40,000/-. Gold - 7 to 9 acres = Rs.50,000/-. Diamond - More than 9 acres = Rs.1 lakh

6.1.8 Credit Limit for working capital requirement for agriculture and allied activities and NFS

As envisaged in the model scheme, all Commercial banks have issued instructions for inclusion of short term fund requirement for meeting the needs of allied activities like dairy poultry or farm machinery as also the working capital requirement for non-farm sector activities being undertaken by farmers in arriving at the limit. However, the instructions issued by the various banks have been at variance. Some of the banks have restricted such additional credit as a percentage of the crop limit sanctioned varying from 10% to 30%. While a few banks have specifically instructed their branches to sanction a fixed amount per activity to meet the working capital requirement while others have issued instructions indicating that these requirements should be reckoned as a part of the overall limit sanctioned for crop and no separate limit be worked out for this purpose. Some of the banks have not followed either the percentage method or a fixed amount approach but have advised their branches to calculate the actual requirement and sanction the amount subject to some ceiling. Some banks have clubbed allied

activities and non-farm sector for arriving at the limits together while a few have advised their branches to work their requirement separately. Regarding requirement for consumption purposes, though most of the banks did not show it separately, they have included it as a part of either allied and/or NFS requirement. One of the banks has linked the sanction of consumption credit to compulsory saving by stipulating a minimum saving of 10% of the limit sanctioned for crop subject to maximum of Rs.50,000/- thereby implying that if certain borrowers do not want consumption credit, they were exempted from compulsory saving.

6.1.9 Margin and Security Norms

All the banks have issued instructions in their respective circulars on Kisan Card about margin and security norms. While majority of the banks have specifically mentioned margin requirement for different slabs of sanctioned amount, others have advised that the cards would be covered by norms as applicable in the case of other agriculture advances.

6.1.10 Facilities of drawal at other branches

One of the ideas behind kisan card was to allow flexibility to the farmer for drawal of cash at various branches of the issuing bank particularly those located in semi urban or urban areas to facilitate easy availability of cash for purchase of agri-inputs like fertilizer and pesticides. Though most of the banks had allowed this facility to the cardholder, some have restricted this facility to the identified branches within the district only. However, wherever this facility has been extended, it has been allowed for only literate cardholders. Cardholders who are illiterate will have to operate on the limit from the issuing branch only. The banks which have allowed this facility to their card holders had advised their branches to charge a specific amount as service charges if the card holder withdraws cash at a branch(s) other than the issuing branch. The amount of such service charge/commission ranged from 2% to 3% of the cash withdrawn. It is felt that the percentage is quite high and rather than being a facility, it appeared to work as deterrent.

6.1.11 Repayment instructions

Although the limit sanctioned under the kisan card is in the nature of revolving cash credit and each drawal is repayable within 12 months yet all the banks have advised their branches to fix specific repayment norms while sanctioning credit limit under kisan cards. All the banks have followed the procedure of fixing sub-limit under the kisan card and operations on the next sub-limit are permitted only when the repayment of the previous sub-limits are made. This meant that if a farmer has been sanctioned a limit with sub-limits for kharif and rabi crops, he would be allowed to draw on kharif limit only when full/partial (depending upon the instructions issued by the bank) amount under Kharif limit has been repaid. Similarly, to draw upon the Rabi limit, specific portion of outstanding under kharif sub-limit will have to be repaid. These stipulations need to be revised to make the card really a credit type card.

6.1.12 Insurance of the card holder

Although in the model scheme circulated by RBI/NABARD, insurance of the cardholder by the issuing banks was not recommended, some of the banks namely Andhra Bank, Allahabad Bank and Vijaya Bank have introduced the provision of insurance of the cardholder in the scheme implemented by them. Important details in this regard have been shown below:

Table –6.3

Insurance Premium

Name of the Bank	Amount of Insurance	Premium to be borne by
1. Andhra Bank	Rs.1,00,000	Rs.50/- to be borne by card holder
2. Allahabad Bank	Rs.1,00,000	To be borne by the card holder
3. Vijaya Bank	i) Rs.25,000 ii) Rs.25,000 (scheme optional)	i) Premium for SF & MF borne by bank ii) Premium borne by card holder other than SF & MF.

This is a good feature introduced by some of the commercial banks with a view to not only add to the marketing component of the kisan card product but also providing good security to the borrower and also to the bank for the amount

borrowed under the card. With effect from the year 2001-02, Union Finance Minister has proposed to make the insurance compulsory for all kisan card holders and the premium would be shared by the card issuing institutions.

6.1.13 Issue of Cheque book

One of the basic ideas behind introducing kisan card was to provide flexibility and convenience to the farmer in borrowing and repayment of money. In order to facilitate the drawal of cash both at the issuing as well as other designated branches some of the banks have issued cheque book to the card holders. This facility, however, has been restricted to only literate borrowers. In certain other banks, this facility has been given only to farmers holding good record. In the remaining banks, the drawals of cash are allowed only through the debit slip at the card-issuing branch only.

6.1.14 Service Charges

For issuing kisan card, most of the banks have been levying fees under different names such as service charges, follow-up charges, out-of-pocket expenses, inspection charges, etc. to cover their cost. Banks like Canara Bank, UCO Bank, have exempted small borrowers from such charges. In some of the banks, these charges are quite substantial (Rs.100 admission fee and Rs.100 membership fee). Some of the banks have also been charging inspection charges as well as application processing charges from the borrower. For replacement of lost card or damaged card, a few of the banks have been charging as high as Rs.200/- from the borrower to provide duplicate card. Similarly, one or two banks have also been levying charges as much as Rs.200 as penalty in case of hot-listing of card.

6.1.15 Opening of Saving Bank account

Except Syndicate bank, none of the other Commercial banks have made it compulsory for borrower to open a Saving Bank account with the bank branch in order to avail the facility of kisan card.

6.1.16 Payment of interest on credit balance in the Saving Bank account

Except a few, most of the banks have not given specific guidelines to their branches in the kisan card circular about the payment of interest on credit balance in the kisan card account. A few banks who have issued instructions in this regard are either prescribing certain minimum credit balance for a specific period or paying interest @ 4% on minimum balance from the 10th to the last day of the month. In absence of this facility, many farmers may not be induced to maintain credit balance in the kisan card account and this could affect the recovery of dues.

17 6.1.17 Crop Insurance

Among the public sector banks, only 6 banks have provided guidelines to their branch managers in the circular relating to kisan card on coverage of crop insurance under Rashtriya Krishi Bima Yojna. For instance, Syndicate bank have advised its branches that premium for crop insurance to be worked out on the basis of limit sanctioned for the crop insurance. Other banks have advised their branch managers to debit the crop insurance premium to the borrowers account wherever insurance scheme is available.

6.2 Regional Rural Banks

6.2.1 Launching of Kisan Credit Card Scheme

The RRBs had launched the Kisan Credit Scheme with effect from the year 1998-99 and had formulated their guidelines on the basis of the model scheme circulated by NABARD in August 1998. Prior to the launching of KCC, some of the RRBs had adopted a Cash Credit System for crop loans, which got rechristened as KCC Scheme by the respective banks incorporating suitable modifications.

6.2.2 Eligibility of farmer for issue of Kisan Card

By the original circular, issued by most of the RRBs, branches were advised to issue Kisan Cards to only those farmers who were having good track record for the last 2-3 years. However, later on, the banks have modified these instructions to allow the issue of cards to even new borrowers who were considered creditworthy. The banks had advised all their branches to issue cards. Bank-wise targets fixed by NABARD were disaggregated branch-wise by the banks and communicated to branches.

6.2.3 Minimum Credit Limit

Reserve Bank of India and NABARD while circulating their model scheme on Kisan Credit Card among the banks, had recommended Kisan Cards for the farmers where requirement of crop loan was Rs.5,000/- and more. However, the

ceiling was subsequently amended and the banks were advised that they could work out their own limits/ceiling. On a review of the schemes of RRBs, it is observed that most of the banks have brought down the ceiling from Rs.5,000/- to Rs.3,000/-. Some of the banks did not stipulate any lower ceiling in monetary terms.

6.2.4 Basis for fixation of credit limit

Reserve Bank of India and NABARD, through the model scheme circulated among the banks had indicated that credit limit under Kisan Cards may be fixed on the basis of operational land-holding, cropping pattern and scales of finance as recommended by District Level Technical Committee (DLTC)/State Level Technical Committee (SLTC). Wherever the DLTC/SLTC have not recommended scales of finance of crops or in the opinion of the bank, recommended lower scales than the required amount, banks were allowed to fix appropriate scales of finance of the crop. It was also stipulated that for fixation of card limit, operational landholding may include the leased in land and exclude leased out land.

Most of the banks have followed the above guidelines. There were certain exceptions, for example, Ambala Kurukshetra RRB in Haryana had adopted a different procedure for the limit on the basis of the total income of the farmer and his family from all sources. Thus, the credit limit under the card by the bank was fixed at 50% of the total income from all sources. As there are no definite parameters to estimate the income of the farmer, this method may not be adequate/complete.

6.2.5 Restriction of maximum amount

RRBs had not generally stipulated any maximum ceiling on the limit under KCC. However, one RRB had stipulated a maximum ceiling of Rs.30,000/-.

6.2.6 Fixation of Seasonal Limit

The model scheme had indicated that while fixing the limit, banks may take into account entire production credit requirement of the farmers for full year including the credit requirement of the farmer for ancillary activities related to crop production such as maintenance of agricultural machinery/implements, electricity charges, etc. and non-farm activities. Banks were also advised to fix appropriate sub-limits within the overall sanction, taking into account the seasonality in the credit requirement. The scheme formulated by most of the banks have built this feature in the working out of the overall limit. Some of the banks have left it to the discretion of the branch managers to fix seasonal limits. As a result, the entire limit sanctioned to the farmers under the card can be operated throughout the year.

6.2.7 Type of Card

RRBs have either issued Card-cum-Pass books or a card and a Pass book.

6.2.8 Limit for working capital requirement for agricultural and allied activities and NFS

As envisaged in the model scheme, almost all the RRBs had issued instructions for inclusion of short-term fund requirement for meeting the needs of allied activities like dairy poultry or farm machinery as also the working capital requirement for non-farm sector activities being undertaken by farmers in arriving at the limit. However, the instructions issued by the various banks have been at variance. Some of the banks have stipulated that such additional credit could be for 10%-30% of the crop limit sanctioned. While a few banks have specifically instructed their branches to sanction a fixed amount per activity to meet the working capital requirement, others have issued instructions indicating that these requirements should be reckoned as a part of the overall limit sanctioned for crop and no separate limit need be worked out for this purpose. Some of the banks have not followed either the percentage method or a fixed amount approach but have advised their branches to calculate the actual requirement for these activities and sanction the amount subject to some ceiling. Some banks have clubbed allied activities and non-farm sector for arriving at the limits together while a few have advised their branches to work their requirement separately. As regards

requirements for consumption purposes, though most of the banks did not show it separately, it has been included as a part of their allied and/or NFS requirement.

6.2.9 Margin and Security Norms

All the banks have issued instructions on margin and security norms. While majority of the banks have specifically mentioned margin requirement for different slabs of sanctioned amount, some have advised that the cards would be covered by norms applicable in the case of other agriculture advances in conformity with the circulars issued by RBI.

6.2.10 Facilities of drawal at other branches

One of the objectives of introducing Kisan Card was to allow flexibility to the farmer for drawal of cash at various branches of the issuing bank particularly those located in semi urban or urban areas to facilitate easy availability of cash for purchase of agri-inputs like fertilizer and pesticides. However, it was found that all the banks have restricted the operations in KCC to the issuing branches only.

6.2.11 Repayment instructions

Although the limit sanctioned under the Kisan Card is in the nature of revolving cash credit and each drawal is repayable within 12 months, all the banks have decided to fix specific repayment norms while sanctioning credit limit under Kisan Cards. All the banks have followed the procedure of fixing sub-limit under the Kisan Card. This meant that if a farmer has been sanctioned a limit with sub-limits for kharif and rabi crops, he would be allowed to draw on kharif limit only when full/partial (depending upon the instructions issued by the bank) amount under kharif limit has been repaid. Similarly, to draw upon the rabi limit, specific portion of outstanding under kharif sub-limit will have to be repaid. These stipulations are restrictive in nature and need to be revised to make the card really a cash credit type card. As against this, the scheme envisages multiple credits such that any given drawal has one year's period for repayment.

6.2.12 Insurance of the card holder

In the model scheme circulated by RBI/NABARD, insurance of the card holder by the issuing banks was not recommended. Accordingly, none of the RRBs had provided for accidental insurance cover for KCC holders. The banks may introduce the scheme after the recent announcements made by the hon'ble union finance minister.

6.2.13 Issue of Cheque book

One of the basic idea behind introducing Kisan Card was to provide flexibility and convenience to the farmer in borrowing and repayment of money. In order to facilitate the drawal of cash at the issuing branches, some of the banks have issued cheque book to the card holders.

6.2.14 Service Charges

For issuing Kisan Card, most of the banks have been levying fees, which aimed at cost coverage under different names such as service charges, follow-up charges, out-of-pocket expenses/ inspection charges, etc. Some of the banks have also been charging inspection charges as well as application processing charges from the borrower. For replacement of lost card or damaged card, a few of the banks have been charging as high as Rs.200/- from the borrower to provide duplicate card. Similarly, one or two banks have also been levying charges as much as Rs.200/- as penalty in case of hot-listing of card.

6.2.15 Coverage under RKBY

RRBs have advised their branches to include KCC disbursements under Rashtriya Krishi Bima Yojana in states where RKBY was being implemented.

6.3 Co-operative Banks

6.3.1 Launching of Kisan Credit Card Scheme

Co-operative Banks had launched the Kisan Credit Scheme based on the model scheme circulated by NABARD in August 1998. While some State Cooperative Banks (SCBs) launched the scheme in 1998-99, SCBs in UP and Punjab

introduced the scheme only in 2000-01. Based on the instructions of SCBs, District Central Cooperative Banks introduced the scheme in their area of operation.

6.3.2 Eligibility of farmer for issue of Kisan Card

The cooperative banks had stipulated that Kisan Cards would be issued to members who were not defaulters. In conformity with the scheme of NABARD, the SCBs has stipulated that KCCs would be issued to farmers availing limit of Rs.5000 or above.

6.3.3 Minimum Credit Limit

The model scheme on Kisan Credit Card had recommended Kisan Cards for the farmers where requirement of crop loan was Rs.5,000/- and above. However, this ceiling was subsequently waived and all the banks were advised that they could work out their own loan limits/ceiling. On a review of the schemes of Cooperative, it is observed that most of the banks have brought down the ceiling from Rs.5,000/-to Rs.3,000/-. Some of banks did not stipulate any lower ceiling in monetary terms.

6.3.4 Basis of fixation of credit limit

The model scheme had stipulated that credit limit under Kisan cards may be fixed on the basis of operational land-holding, cropping pattern and scales of finance as recommended by District Level Technical Committee (DLTC)/State Level Technical Committee (SLTC). Wherever the DLTC/SLTC have not recommended scale of finance for crops or in the opinion of the bank, recommended lower scales than the required amount, banks were allowed to fix appropriate scales of finance of the crop. It was also stipulated that for fixation of card limit, operational land-holding may include the leased in land and exclude leased out land. Co-operative Banks had stipulated that limit may be fixed based on scale of finance, cropping pattern and land holding.

6.3.5 Restriction on maximum amount

Cooperative Banks restricted the maximum amount under KCC based on the Individual Maximum Borrowing Power (IMBP) as per state Acts/Rules and bank's bye laws. There were some variations depending upon prevalence of high value cash crops in the area. In some states, the IMBP was a meagre Rs.30,000/- to Rs.40,000/- irrespective of land holding, cropping pattern.

6.3.6 Fixation of Seasonal Limit

The model scheme had recommended that while fixing the limit, banks may take into account entire production credit requirement of the farmers for full year including the credit requirement of the farmer for ancillary activities related to crop production such as maintenance of agricultural machinery/implements, electricity charges, etc. and also allied activities and non-farm activities. Banks were also advised to fix appropriate sub-limits within the overall limit sanctioned, taking into account the seasonality in the credit requirement. However, Cooperative banks had restricted the limit to crop production only based on seasonality.

6.3.7 Type of Card

Cooperative Banks had uniformly devised a Pass Book which served the purpose of a card - cum - pass book. It contained all the details about the farmer and his borrowings.

6.3.8 Limit for working capital requirement for agricultural and allied activities and NFS

Most of the Cooperative Banks did not provide for working capital requirements for ancillary activities related to crop production, allied activities and NFS. In states like Punjab and Haryana, an amount of Rs. 1000 per acre subject to a ceiling of Rs. 10,000 was being provided for ancillary activities.

6.3.9 Margin and Security Norms

All the members were required to contribute share capital (mostly 10%) as a percentage to limit sanctioned keeping in view the provisions in the State Acts/Bye laws. Accordingly, share capital was collected as per provisions of State Acts. Security norms were in conformity with State Acts/ RBI/ NABARD instructions.

6.3.10 Facilities of drawal at other branches

In case of co-operative banks, drawals were allowed either at the branch of DCCB or at the society having cash counters. In some states, cash withdrawal was permitted at branch and the society simultaneously whereas in many other states cash withdrawal was allowed at branch only.

6.3.11 Maintenance of “Shadow Register”/”Mirror Accounts”

Because of the practice of allowing drawals either at the branch and/or at the society, the co-operative banks had introduced a system of maintenance of “Shadow Registers”/”Mirror Accounts” at the branch level. This was a replica of the loan ledger at the society. These banks had put in place a system of regular exchange of information between the branch and the society.

6.3.12 Repayment instructions

Although the limit sanctioned under the kisan card is in the nature of revolving cash credit and each drawal is repayable within 12 months yet all the banks had fixed specific repayment norms while sanctioning credit limit under kisan card. Mostly, due dates were fixed based on harvesting/marketing season as was the case prior to introduction of KCC scheme.

6.3.13 Insurance of the card holder

In the model scheme circulated by RBI/NABARD, insurance of the card holder by the issuing banks was not recommended. But Andhra Pradesh State Coop. Bank in its scheme had provided for an accident insurance cover for Rs.1,00,000/-. This is a good feature introduced by the SCB with a view to not only add to the marketing component of the Kisan card product but also to provide good security to the

borrower and also to the bank for the amount borrowed under the card. With effect from the year 2001-02, Hon'ble Union Finance Minister has proposed to make the insurance compulsory for all Kisan card holders and the premium would be shared by the card issuing institutions.

6.3.14 Issue of Cheque book

One of the basic idea behind introducing Kisan card was to provide flexibility and convenience to the farmer in borrowing and repayment of money. In order to facilitate the drawal of cash at the issuing branches, some of the banks have issued cheque book, to the card holders.

6.3.15 Service Charges

Cooperative Banks levied very nominal charges to cover the cost of stationery.

6.3.16 Coverage under RKBY

All the SCBs in the sample states except Haryana, Punjab and Rajasthan had advised that the disbursements under KCC are covered under RKBY. Of the states visited, Punjab, Haryana and Rajasthan had not introduced RKBY. In states where RKBY was in vogue, premia was collected and remitted to GIC.

Annexure – 6.1

Kisan Credit Cards- Features of Scheme launched by various Public Sector Commercial Banks

Feature/ Name of Bank	State Bank of India	Andhra Bank	Syndicate Bank
1. Date of Issue of Circular by bank	25 Nov 1998	26 Aug 1998	9 Dec 1998
2. Any similar scheme earlier			Yes, Akshay Krishi Dhan Yojna, 96
3. Eligibility of farmer in terms of track record	2 years	3 Years	Nil, Card compulsory for farmers with Rs. 5000 prod. credit
4. Minimum Credit Limit	Rs.3000	Rs. 5000	Rs.5000
5. Basis of fixation of credit limit	Land holding, Cropping pattern, Scales of finance of DLTC	Land holding, Cropping pattern, Scales of finance of DLTC	Land holding, Cropping pattern, Scales of finance of DLTC
6. Any restriction on the maxi. Amount	No	No	No
7. Seasonal limits	Yes	Yes	Yes above Rs. 25000
8. Type of Cards	Single	Single	Single
9. Range of limit for agriculture & allied activities & NFS	20% of the limit subject to Rs. 10000	10% of the limit for post-harvest & household expenses	Rs. 1500 for one activity Max: Rs. 3000
10. Any separate limit for NFS	No	No	Rs. 2000 with in overall of Rs. 3000 as shown above
11. Any separate Limit for other activities	Nil	Nil	10 % of limit Farm Mach. Etc. Max: 2000
12. Margins	As applicable to Agriculture advances	As applicable to Agriculture advances	As applicable to Agriculture advances
13. Security	As applicable to agriculture advances	As applicable to agriculture advances	As applicable to agriculture advances
14. Facility of drawl at other branches	No	Yes with in district	No
15. Facility for direct purchase of inputs from market	No	Yes Only to Literate	No
16. Cash disbursement limit if any			
17. Sub-limit for input purchase	Nil	25% of the limit	No
18. Repayment instructions	Match with harvest	Nil credit balance atleast for 1 week every year on or before 30 June	Nil
19. Insurance of the card holder	No	Yes, Rs. 1.0 lakh Rs. 50 Premium	No
20. Issue of cheque books	No	Yes	Yes restricted
21. Annual enhancement	Suitable by BMs as incentive to good borrowers	10% of the limit	Suitable
22. Crop insurance instructions	No	No	Yes Premium on the basis of limit for the crop insured
23. Service Charges, Folio Charges, Out of Pocket exp.	No specified	As usual	No specified
24. Replacement of lost card / Damaged card/ Hot-listing of card	Rs. 50	Rs. 200 lost card / Rs. 50 damaged Rs. 200 for hotlisting	
25. Saving bank Account	No	No	Yes, compulsory
26. Payment of interest on SB a/c		As per SB, 10 to month end	If bal is Above Rs. 500 for a period of 15 days cont.

....Annexure – 6.1 contd.

Kisan Credit Cards- Features of Scheme launched by various Public Sector Commercial Banks

Feature/ Name of Bank	UCO Bank	State Bank of Saurashtra	Canara Bank
1. Date of Issue of Circular by bank	19 September 1998	3 Dec 1998	4 Jan 1999
2. Any similar scheme earlier			
3. Eligibility of farmer in terms of track record	Proven Record	Not specific	All parties existing
4. Minimum Credit Limit	No Floor limit	Rs. 3000	Nil
5. Basis of fixation of credit limit	Land holding, Cropping pattern, Scales of finance of DLTC	Land holding, Cropping pattern, Scales of finance of DLTC	Land holding, Cropping pattern, Scales of finance of DLTC
6. Any restriction on the maxi. amount	No	No	No
7. Seasonal limits	Yes, BMs discretion, Seasonal limit expires if not used	Yes, Seasonwise	Yes BMs to fix
8. Type of Cards	Single	Single	Single
9. Range of limit for agriculture & allied activities & NFS	No specific	15% of crop limit for all	20% of the limit for agriculture & allied
10. Any separate limit for NFS	No specific	As above	20% of the turnover of NFS max: 25% of the limit
11. Any separate Limit for other activities	No specific	As above	No
12. Margins	Not specified	Yes but not specified	Upto 10000 nil Above Rs. 10000 5% SF, 20-25% OF
13. Security			Hyp. Rs 25000, Hyp & Mortg. Above Rs. 25000, For Coffee crops amount is double of above
14. Facility of drawl at other branches	No	No	
15. Facility for direct purchase of inputs from market	No	No	No
16. Cash disbursement limit if any			
17. Sub-limit for input purchase	No	No	No
18. Repayment instructions	Yes, Seasonal sub-limits before the due dates(K-31 mar, R-31may, Summar 31 June)	No	12 months, 18 months for annual crops
19. Insurance of the card holder	No	No	No
20. Issue of cheque books	Yes, Slips & Cheques	No	Yes Literate Only
21. Annual enhancement	No specific instructions	Yes, as incentive but not specific	Suitable
22. Crop insurance instructions	Yes, Charges to be debitted	Yes, Charges to be debitted	Yes where ever scheme is on
23. Service Charges, Folio Charges, Out of Pocket exp.	Yes, Beyond Rs. 5000 Max Rs. 10 upto Rs 25000 Beyond this reasonable	No	Yes Above Rs. 25000 as per norms
24. Replacement of lost card / Damaged card/ Hot-listing of card	Rs. 50		Charges yes amount not specified
25. Saving bank Account	No	No	No
26. Payment of interest on SB a/c			

....Annexure – 6.1 contd.

Kisan Credit Cards- Features of Scheme launched by various Public Sector Commercial Banks

Feature / Name of Bank	Indian Overseas Bank	State Bank of Travancore	Union Bank of India
1. Date of Issue of Circular	10 Dec 1998	5 Nov 1998	NA
2. Any similar scheme earlier			Card can also be issued against security of gold /NSC/FDRs
3. Eligibility of farmer in terms of track record	Proven , Literate exceptional illiterate	2 years track record	2 years track record
4. Minimum Credit Limit	Rs.2000	Rs. 5000 or below	Not specified
5. Basis for fixation of credit limit	Land holding, Cropping pattern, Scales of finance of DLTC	Land holding, Cropping pattern, Scales of finance of DLTC	
6. Any restriction on the maximum amount		No	Rs. 1.0 lakh
7. Seasonal limits	No sub-limits, Crop Limit for only 2 crops Ist crop 110% of scales, IInd 30% of Ist crop	Yes, BMs discretion with consultation with borrower	Yes
8. Type of Cards	Single	Single	Single
9. Range of limit for agriculture & allied activities & NFS	No separate limit	No, included in crop	No, included in crop
10. Any separate limit for NFS	No separate limit	No , included in crop	No, included in crop
11. Any separate Limit for other activities	10% of limit	15% of crop limit Max: Rs. 10000	15% of crop limit
12. Margins	As usual	As by RBI, NABARD	As per norms
13. Security		As by RBI, NABARD	As per norms
14. Facility of drawl at other branches	Yes, but cheque to third party at issuing branches.only	Yes	Yes, For literate only
15. Facility for direct purchase of inputs from market	No	No	Yes, If BM is satisfied cash may be allowed for kind
16. Cash disbursement limit	Entire from issuing branch & 50% from other branches		Rs. 25000 or cash component as per scales of DLTC whichever is higher
17. Sub-limit for input purchase	No	No	No
18. Repayment instructions	No specific	No	Yes, Crop season wise repayment before next drawl , No drawl for summer crop if K &R crops not adjusted
19. Insurance of the card holder	No	No	No
20. Issue of cheque books	Yes	Yes	Yes, Only to literate
21. Annual enhancement in limit		Yes , BMs discretion	
22. Crop insurance instructions			Yes
23. Service Charges, Folio Charges, Out of Pocket exp.	No	Yes as applicable to Agriculture loans	Cost of card, Rs 40 Processing fee above Rs. 25000 limit
24. Replacement of lost card / Damaged card / Hot-listing of card	Rs. 100 / No hot listing	Rs.50	
25. Saving bank Account	No	No	No
26. Payment of interest on credit balance in a/c			@4% p.a. on minimum balance from 10 th to last day of month

....Annexure – 6.1 contd.

Kisan Credit Cards- Features of Scheme launched by various Public Sector Commercial Banks

Feature/ Name of bank	Allahbad Bank	Dena bank	Corporation Bank
1. Date of Issue of Circular	1 September 1998	2 Nov 1998	15 March 99
2. Any similar scheme earlier	Crop Credit Card		Agriculture cash credit scheme
3. Eligibility of farmer in terms of track record	Proven; Min 1 acre of irrigated land	Good track record	2 years
4. Minimum Credit Limit		No	
5. Basis of fixation of credit limit			Land holding, Cropping pattern, Scales of finance of DLTC
6. Any restriction on the maximum amount	50% of family income or Rs. 25000 (1-2.5 acre) 40000 (2.5- 7 acre), 60000 (7- 9 acre) 1.0lakh (more than 9 acre)	No	No, Concept of Operative limit & overall limit 20 % more than operative limit as contingency
7. Seasonal limits		Yes Crop seasonwise	Sub-limit season wise, unutilised sublimit lapses
8. Type of Cards	4 Bronze, Silver, Gold, Diamond	Single	Single
9. Range of limit for agriculture & allied activities & NFS		Yes separate limit	Yes actual calculation
10. Any separate limit for NFS		No	Yes one operating cycle
11. Limit for other activities		20% of crop limit	20% of crop limit Max Rs. 2.0 lakh
12. Margins			For SF/MF Upto rs.10000 Nil, Others 15 - 25%
13. Security			Upto Rs. 25000 Hyp. Above Hyp & Mortg or thrd prty Guarantee
14. Facility of drawl at other branches	Yes with in district to literate only 2% Silver 3% gold Diamond for cash at other branches		
15. Facility for direct purchase of inputs from market		By Cash as well as Payment to the dealer by cheque	
16. Cash disbursement limit	Cash allowed but with commission		
17. Sub-limit for input purchase		No	
18. Repayment instructions	Sum of Debits should be equal to sum of credits	No	Yes with in 6 months of harvest For summer drawl K paid, For K drawl S+R paid, Pr crop 12 mnths
19. Insurance of the card holder	Yes Rs. 1.0 lakh	No	No
20. Issue of cheque books	Yes only to literate		Yes for literate
21. Annual enhancement			20% contingency already
22. Crop insurance			Yes

23. Service Charges, Folio Charges, Out of Pocket exp.	Yes, Rs. 100 admission fee, Rs. 100 membership fee		Inspection above Rs. 5000 @ rs 2.5 per Insp Max Rs.10, Processing above Rs. 25000 @ Rs. 100
24. Replacement of lost card / Damaged Card / Hotlisting of Card			Rs. 25
25. Saving bank Account	No	No	Fixed 10% of limit 5 year max Rs. 50000 compulsory every year If no saving no consumption credit
26. Payment of int. on credit balance in a/c			

....Annexure – 6.1 contd.

Kisan Credit Cards- Features of Scheme launched by various Public Sector Commercial Banks

Feature/ Name of bank	Vijaya bank	Bank of India	Bank of Baroda
1. Date of Issue of Circular	1 Jan 1999	28 Oct 1998	27 Nov 1998
2. Any similar scheme earlier	Vijaya Krishi Card		
3. Eligibility of farmer in terms of track record	Linked with the bank	Operational area of branches.	All even new Borrowers
4. Minimum Credit Limit	Not specific	Rs 5000	Rs.1000
5. Basis of fixation of credit limit	Cropping pattern, DLTC & others requirements, contingency 20% over & above	Cropping pattern, DLTC & others requirements, contingency 20% over & above	Cropping pattern, DLTC & others requirements,
6. Any restriction on the maximum amount	No, concept of overall limit and oper limit		
7. Seasonal limits	Yes,	Monthwise cash flow for DP	
8. Type of Cards	Single	Single	Single
9. Range of limit for agriculture & allied activities & NFS	30% of crop limit or 20% Income or Rs. 1.0 Lakh whichever is less for post harvest		30% of crop limit, 10% each for NFs, Farm mach, Family maint.
10. Any separate limit for NFS	No		10%
11. Limit for other activities	No	15% of the peak limit Max Rs.10000	10% (consumption)
12. Margins	No separate as scales of finance already takes care of it	As per banks norms	
13. Security	Upto 1000- nil, 25000- Hyp, above Hyp, Guarantee or Mortg	As per banks norms	Upto 25000- nil, 25000- Hyp, above Hyp, Guarantee or Mortg
14. Facility of drawl at other branches	No		
15. Facility for direct purchase of inputs from market			Yes, But thrgh, ME at 0.5% commission from ME on amount
16. Cash disbursement limit	No	Rs 25000, discretion is also for more	
17. Sub-limit for input purchase		Kind component limit can not be drawn cash	
18. Repayment instructions	12 mnths normal crops, 18/24 for sugarcane	Flexible	
19. Insurance of the card holder	Yes Rs.25000, Prm for SF & MF by bank others by borrower, scheme optional		
20. Issue of cheque books	Selected farmers with good record	Selected	No, only through slip
21. Annual enhancement	Out of 20 % contingency		
22. Crop insurance			
23. Service Charges, Folio Charges, Out of Pocket exp.	Rs. 50		
24. Replacement of lost card / Damaged Card / Hotlisting of Card	Rs.50	Rs. 50	Rs20 each for lost and damaged
25. Saving bank Account			
26. Payment of int. on credit balance in a/c	SB rate for min bal between 10th to last day		

....Annexure – 6.1 contd.

Kisan Credit Cards- Features of Scheme launched by various Public Sector Commercial Banks

Feature / Name of the Bank	State bank of Patiala	Punjab & Sindh Bank	Indian bank
1. Date of Issue of Circular	4 Dec 1998	16 Nov 1998	13 June 1998
2. Any similar scheme earlier			
3. Eligibility of farmer in terms of track record	Existing crop loanees with Min 5 acre land, good track record	Min 1 acre of irrigated land, all tractor borrowers	
4. Minimum Credit Limit			
5. Basis of fixation of credit limit	Scales of finance	Rs. 10000 / acre of irrigated; Rs. 5000 Un-irrigated; additional 50% if long crops	Cropping pattern, DLTC & others requirements, contingency 20% over & above
6. Any restriction on the maximum amount			
7. Seasonal limits	Yes 25 % if Rabi is not repaid or 50% if Kharif not paid		
8. Type of Cards			Single
9. Range of limit for agriculture & allied activities & NFS	Rs 1500 ancillary per acre of land	No already included in the above norm	10 % of crop limit Max: 3000
10. Any separate limit for NFS		As above	
11. Limit for other activities		As above	
12. Margins			
13. Security	As per rules	25000 Hyp;above 25000Hyp& gua,mort	
14. Facility of drawl at other branches	Only at 2 branches of farmers choice ;Max 5 transaction per crop season ; Rs. 15 out of pocket charges per transaction	Yes, but prior approval from issuing branches.	
15. Facility for direct purchase of inputs from market			No, only on production of receipts cash can be allowed
16. Cash disbursement limit		Cash allowed	
17. Sub-limit for input purchase			Yes Kind component
18. Repayment instructions	Yes seasonal repayment to fully avail the limit for next crop	Nil bal atleast once a year	
19. Insurance of the card holder			
20. Issue of cheque books		Yes	
21. Annual enhancement in limit			
22. Crop insurance instructions			
23. Service Charges, Folio Charges, Out of Pocket exp.	Rs. 50	Rs. 200 membership fee, Rs. 100 annual charges	
24. Replacement of lost card / Damaged Card / Hot- listing of card			
25. Saving bank Account			
26. Payment of interest on credit bal in a/c			

....Annexure – 6.1 contd.

Kisan Credit Cards- Features of Scheme launched by various Public Sector Commercial Banks

Feature / Name of Bank	Punjab National Bank	Bank of Maharashtra
1. Date of Issue of Circular	16 June 1999	23 Nov 1998
2. Any similar scheme earlier		
3. Eligibility of farmer in terms of track record	Good Track, Min 1 acre irrigated	Good track record
4. Minimum Credit Limit	1-2.5 acre 30000; 2.5-6 acre 2.0 lakh; 6-8 acre 3.0 lakh; 8 above 3.0 above	
5. Basis of fixation of credit limit	50% of the income all sources or land slabs shown whichever lower	Scales of finance DLTC
6. Any restriction on the maximum amount	No limit	
7. Seasonal limits		Yes K, R, S
8. Type of Cards	4, Vikas, Bhagyawan, Sarvottam, Swaran	
9. Range of limit for agriculture & allied activities & NFS	Consumption 20% of limit or Rs. 25000 lower	Need based to be worked out
10. Any separate limit for NFS	As above	Working capital for one month req.
11. Limit for other activities	As above	20 % of limit as contingency
12. Margins	2.0 lakh nil; 2-4 lakh 10%; 4 above 15%	
13. Security	25000 Hyp; above 25000 Hyp & gua, mort	
14. Facility of drawl at other branches	Yes for literate	Yes to literate
15. Facility for direct purchase of inputs from market		
16. Cash disbursement limit	2% charge on cash drawl each time if other than issuing branch	
17. Sub-limit for input purchase		
18. Repayment instructions	Nil bal atleast for 1 week once a year Relaxation in case of long duration crops	Season-wise
19. Insurance of the card holder		
20. Issue of cheque books		Yes
21. Annual enhancement	Yes	
22. Service Charges, Folio Charges, Out of Pocket exp.	Rs. 100 to 300 size of limit	Yes Premium by farmer
23. Replacement of lost card / Damaged Card / Hotlisting of card	Rs. 200	Nil - 25000; Rs100 - 25000-2.0 lakh; Rs100 per lakh above Rs. 2.0 lakh
24. Saving bank Account		Fixed deposit of 10% of the net annual income
25. Payment of interest on credit bal in a/c	4% p.a. minimum bal 10 th to last day of month	

Annexure 6.2

Kisan Credit Card Scheme – Features of Scheme launched by various Banks – Regional Rural Banks

Features	Aligarh RRB,U.P.	Manjira RRB,A.P.	Kanakdurga RRB,A.P.	Bijapur RRB,Karnataka
Date of issue of circular	30.9.2000	04.06.1999	9.1.1999	1 .1 1999
Any similar scheme earlier	Suvidha Card	Agricultural Cash Credit System	Kanakdurga Kisan Credit Card scheme	Crop over draft facility
Eligibility of farmers in terms of track record	Non-defaulter owner-cultivator	Existing agricultural borrowers having good track record for last three years. New borrowers with satisfactory credit worthiness are eligible subject to H.O. approval	All existing regular farmer borrowers and new farmers whose creditworthiness is satisfactory	Farmers whose track record is fairly good and whose past dealings are satisfactory
Minimum Credit Limit	No lower ceiling	Minimum Rs.5000	No lower ceiling	Minimum Rs.5000
Basis of fixation of credit limit	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance
Any restriction on maximum amount	No upper ceiling	Rs.30000	Individual Mximum Borrowing Power as fixed	No upper ceiling
Seasonal limits	No	No	Yes	No
Type of cards	Uniform Pass book-cum-Card	Pass book and Card	Pass book and a card	Pass book and a Card
Range of limit for agriculture allied activities and NFS	Maximum production credit requirement for a season during the three year period plus an additional 25% of the amount is the production credit requirement. 40% of the above amount subject to a maximum ceiling of Rs.25000 is the additional amount for ancillary & activities. Further, for NFS & consumption purposes 25% of the crop production limit subject to a ceiling of Rs.15000 is fixed.	Limit for crop production as well as for ancillary activities & contingent needs.	Limit for crop production and an additional 10% subject to a ceiling of Rs.3000 towards post harvest and house hold expenses	Limit only for crop production
Any separate limit for NFS	No	No	No	No
Any separate limit for other activities	No	No	No	No
Margins	As per RBI norms	As per RBI norms	As per RBI norms	As per RBI norms

Annexure 6.2

Kisan Credit Card Scheme – Features of Scheme launched by various Banks – Regional Rural Banks

Security	Upto Rs. 25000 – Hypothecation of crops & movable assets Above Rs. 25000 - Hypothecation of crops & movable assets & mortgage of agricultural lands	Upto Rs. 25000 – Hypothecation of crops & movable assets Above Rs. 25000 – Hypothecation of crops & movable assets & mortgage of agricultural lands	Upto Rs. 25000 – Hypothecation of crops & movable assets Above Rs. 25000 - Hypothecation of crops & movable assets & mortgage of agricultural lands	Upto Rs. 25000 – Hypothecation of crops & movable assets Above Rs. 25000 - Hypothecation of crops & movable assets & mortgage of agricultural lands
Facility of drawal at other branches	No	No	No	No
Facility for direct purchase of inputs from market	Cash drawal allowed for purchase of fertiliser from market	Yes	Cash drawal allowed for purchase of fertiliser from market	Cash drawal allowed for purchase of fertiliser from market
Sub-limit for input purchase	No	As per scale of finance	No	No
Repayment instructions	No drawal to remain outstanding for more than 12 months except for long duration crops	The account must be brought to credit or nil balance at least for one week on or before 30 June every year	Based on seasonality	Based on seasonality. The account is to be brought to credit balance at least once in a year
Insurance of the card holder	No	No	No	No
Issue of cheque books	Yes	No	Yes	No
Annual enhancement	No	As per cropping pattern & scale of finance	As per cropping pattern & scale of finance	No
Crop insurance instruction	Covered under RKBY	Covered under RKBY	Covered under RKBY	Covered under RKBY
Service charges, Folio charges, inspection expenses	Evaluation charge – 1% of the loan limit Ledger folio charge @ Rs.50/folio Inspection charges ranges from Rs.40 to Rs.300 per year depending on the limit Stationery charges ranges from Rs.25 to Rs.250 depending on the limit.	Details not available	Details not available	In addition to usual service charges, an additional Rs.100 collected for issuing Kisan Card and Pass Book
Replacement of lost card/damaged card/hot-listing of cards	Replacement cost Rs.50	Replacement cost of damaged card Rs.50 Cost of replacement of lst/misplaced/hot-listed card Rs.200	No	No
Saving bank account	Not applicable	Not applicable	Not applicable	Not applicable
Payment of interest on SB a/c	Not applicable	Not applicable	Not applicable	Not applicable

Features	Tungabhadra RRB, Karnataka	Vaisali RRB, Bihar	Ambala Kurukshetra RRB, Haryana
Date of issue of circular	28.9.1998	25.1.1999	25.11.1998
Any similar scheme earlier	Agricultural Cash Credit System	Agricultural Cash Credit	Agricultural Cash Credit
Eligibility of farmers in terms of track record	Satisfactory dealing of crop loan for at least two years. New customers and farmers who have availed crop loan for less than two years cards will be issued on the basis of credit worthiness.	Existing borrowers/ depositors having good track record for last two years. They should not have defaulted to any banking institution.	All farmers are eligible.
Minimum Credit Limit	No lower ceiling	Minimum Rs.5000	Rs.5000
Basis of fixation of credit limit	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance and income from other activities
Any restriction on maximum amount	No upper ceiling	No upper ceiling	Maximum Rs.100000
Seasonal limits	Yes	No	No
Type of cards	Pass book and Card	Pass book and Card	Pass book and a card
Range of limit for agriculture allied activities and NFS	Limit only for crop production	Limit for crop production as well as for ancillary activities & contingent needs subject to 10% of crop production limit	Limit worked out as 50% of total income including NFS activities.
Any separate limit for NFS	No	No	No
Any separate limit for other activities	No	No	No
Margins	As per RBI norms	As per RBI norms	As per RBI norms
Security	Upto Rs. 25000 – Hypothecation of crops & movable assets Above Rs. 25000 - Hypothecation of crops & movable assets & mortgage of agricultural lands	Upto Rs. 25000 – Hypothecation of crops & movable assets Above Rs. 25000 – Hypothecation of crops & movable assets & mortgage of agricultural lands	Upto Rs. 25000 – Hypothecation of crops & movable assets Above Rs. 25000 - Hypothecation of crops & movable assets & mortgage of agricultural lands
Facility of drawal at other branches	No	No	No
Facility for direct purchase of inputs from market	Cash drawal allowed for purchase of fertiliser from market	Cash drawal allowed for purchase of fertiliser from market	Cash drawal allowed for purchase of fertiliser from market
Sub-limit for input purchase	No	No	No

Repayment instructions	. The aggregate credit to the account during the 12 month period should at least be equal to the maximum outstanding. No drawal to remain outstanding for more than 12 months.	The aggregate credit to the account during the 12 month period should at least be equal to the maximum outstanding. No drawal to remain outstanding for more than 12 months.	The aggregate credit to the account during the 12 month period should at least be equal to the maximum outstanding. No drawal to remain outstanding for more than 12 months.
Insurance of the card holder	No	No	No
Issue of cheque books	No	No	No
Annual enhancement	15% increase	As per cropping pattern & scale of finance	As per cropping pattern & scale of finance
Crop insurance instruction	Covered under RKBY	Covered under RKBY	No
Service charges, Folio charges, inspection expenses	As applicable to OD/CC limits.	As applicable to Agricultural Cash Credit Accounts	No
Replacement of lost card/damaged card/hot-listing of cards	Service charges as applicable for issuing of duplicate Savings Bank pass book.	No	No
Saving bank account	Not applicable	Not applicable	Not applicable
Payment of interest on SB a/c	Not applicable	Not applicable	Not applicable

Annexure - 6.3

Kisan Credit Card Scheme – Features of Scheme launched by Selected State Co-operative Banks

Features	Orissa SCB	Maharashtra SCB	Madhya Pradesh SCB	Andhra Pradesh SCB
Date of issue of circular	14.11.1998	12.11.1998	23.03.1999	17.12.1998
Any similar scheme earlier	No	Revolving Cash Credit for select borrowers	No	No
Eligibility of farmer in terms of track record	All members	All non-defaulting members	Non-defaulter for two consecutive years and minimum borrowing Rs.10000/-	All eligible members
Minimum Credit Limit	No lower ceiling	Rs.3000/-	Rs.10000/-	No lower ceiling
Basis of fixation of credit limit	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance
Any restriction on maximum amount	Individual Maximum Borrowing Power as fixed	Individual Maximum Borrowing Power as fixed	Individual Maximum Borrowing Power as fixed	Individual Maximum Borrowing Power as fixed
Seasonal limits	Yes	Yes	Yes	Yes
Type of cards	Uniform Pass book-cum-Card	Uniform Pass book-cum-Card	Uniform Pass book-cum-Card	Uniform Pass book-cum-Card
Range of limit for agriculture and allied activities and NFS	Limit only for crop production	Limit only for crop production	Limit only for crop production	Limit only for crop production
Any separate limit for NFS	No	No	No	No
Any separate limit for other activities	No	No	No	No
Margins	10% share capital	10% share capital	10% share capital	10% share capital
Security	Declaration of Land	Declaration of Land	Declaration of Land	Declaration of Land
Facility of drawal at other branches	No	No	No	No drawals can be made either at the branch or at the society
Facility for direct purchase of inputs from market	No. Fertilizer etc. to be purchased from society	Yes. Cash disbursements are allowed for inputs purchase.	No. Fertilizer etc. to be purchased from society	No. Fertilizer etc. to be purchased from society
Sub-limit for input purchase	No	No	No	No

Repayment instructions	Based on seasonality	Based on seasonality	Based on seasonality	Based on seasonality
Insurance of the card holder	No	No	No	Accident cover for Rs.100000/-
Issue of cheque books	Yes	Yes	Yes	No
Annual enhancement	As per cropping pattern & scale of finance	As per cropping pattern & scale of finance	As per cropping pattern & scale of finance	As per cropping pattern & scale of finance
Crop insurance instruction	Covered under RKBY	Covered under RKBY	Covered under RKBY	Covered under RKBY
Service charges, Folio charges, inspection expenses	No	Rs.50/- per member	No	Cost of the card was Rs.10/-
Replacement of lost card/damaged card / hot listing of card	No charges	Duplicate card to cost Rs.25	No charges	Rs.15 and three photographs required for issue of a duplicate card.
Saving bank account	Not applicable	Not applicable	Not applicable	Not applicable
Payment of interest on SB a/c	Not applicable	Not applicable	Not applicable	Not applicable

Annexure - 6.3 ...contd.

Kisan Credit Card Scheme – Features of Scheme launched by various banks - Co-operative Banks

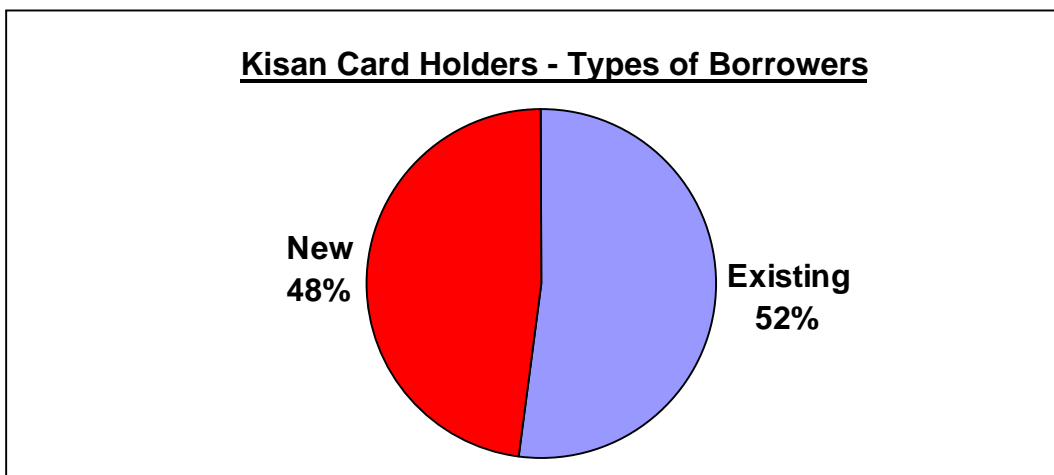
Features	Rajasthan SCB	Punjab SCB	Haryana SCB
Date of issue of circular	1.4.1999	29.11.2000	29.6.1999
Any similar scheme earlier	Ganga Nagar model of cash credit system	Yes, Cash Credit System	Revolving Cash Credit System
Eligibility of farmer in terms of track record	All members	All existing and new members who are eligible for crop loans	All members
Minimum Credit Limit	No lower ceiling	No	No
Basis of fixation of credit limit	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance	Land holding, cropping pattern & scale of Finance
Any restriction on maximum amount	Individual Maximum Borrowing Power as fixed	Individual maximum credit limit fixed	Rs. 60000
Seasonal limits	Yes	Yes	Yes
Type of cards	Uniform Pass book-cum-Card	Uniform Pass book-cum-Card	Uniform Pass book-cum-Card
Range of limit for agriculture and allied activities and NFS	Limit only for crop production	For ancillary activities Rs 1000 per acre subject to a ceiling of Rs.10000 is allowed.	For ancillary activities Rs.1000 per acre subject to a ceiling of Rs.10000 is allowed.
Any separate limit for NFS	No	No	No
Any separate limit for other activities	No	No	No
Margins	12.5%	Share Capital	Share capital at 10 %
Security	Declaration of Land	Declaration of Land	Declaration of Land & guarantee from two borrowers
Facility of drawal at other branches	No drawals can be made	No	No. drawals can be made either at

	either at the branch or at the society		the branch.
Facility for direct purchase of inputs from market	No. Fertilizer etc. to be purchased from society	No. Fertilizer to be purchased from the society	No. Fertilizer etc. To be purchased from society
Sub-limit for input purchase	No	40 % of the limit for kind component	35% of the limit for kind component
Repayment instructions	Based on seasonality	Based on seasonality	Based on seasonality
Insurance of the card holder	No	No	No
Issue of cheque books	Yes	Yes	Yes
Annual enhancement	As per cropping pattern & scale of finance	As per cropping pattern & scale of finance	As per cropping pattern & scale of finance
Crop insurance instruction	No	No	No
Service charges, Folio charges, inspection expenses	No	No	Cost of the card was Rs.10/-
Replacement of lost card/damaged card / hot listing of card	Nominal Charge	Nominal Charge	Nominal Charge
Saving bank account	Not applicable	Not applicable	Not applicable
Payment of interest on SB a/c	Not applicable	Not applicable	Not applicable

Chapter -7

Efficacy of kisan card - observation from field

7.1 As a part of the study as many as 177 farmers who had availed the KCC facility were interviewed to ascertain their view points. These field visits had brought out several findings of importance, which could have a bearing on the future policy in this regard and also help in speeding up the progress of implementation by highlighting the operational difficulties. The feedback on the questionnaire which was administered to 177 KCC holders in a semi-structured interview has been presented in the following paragraphs.

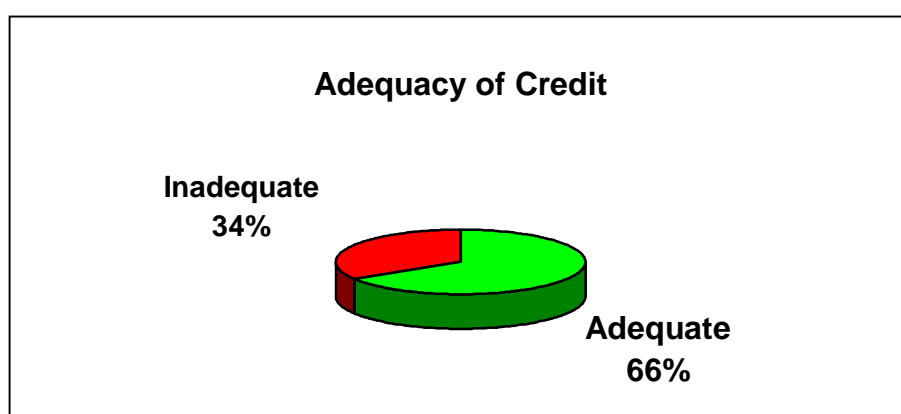


7.2 Coverage of New farmers

Out of the 177 farmers covered in the field study, 85 farmers, forming 48 percent of total, were new borrowers. It may be quite possible that some of them were borrowing from other banks and may have shifted to new branches; but nonetheless, these were the customers of kisan card product. The balances 52 per cent were borrowers continuing with same banks. Such a good number of new borrowers demanding kisan card could be due to many factors such as effective publicity by the banks, utility of kisan card and the continuous monitoring of the progress by RBI and NABARD.

7.3 Adequacy of Credit

It may be mentioned here that kisan card scheme envisaged coverage of all the short term credit needs of the farmers including crop loan and other items of production credit/ working capital/ short-term requirements for non-farm activities. The idea behind this approach was to ensure that farmers get adequate credit to meet all of their short term needs through the single window of kisan card. As many as 117, forming 67 percent of the total farmers covered during field visit, felt that the credit limits sanctioned to them under kisan card were adequate. The rest 33 percent, which mostly comprised of borrowers from cooperative banks, felt that it was not adequate. This was because most of the



cooperative banks were having a ceiling on the amount of crop loans that could be sanctioned to an individual. As a result the farmers with bigger land holding did not get sufficient credit to meet their entire needs and they were compelled to approach other agencies to bridge the gap. Some of the farmers felt that the scales of finance for different crops fixed by District Level Technical Committee (DLTC), in which cooperative banks had a major say, were on lower side. In many districts the DLTC had not revised the scales of finance for crops for quite some time now. It may be mentioned that the DLTC is the body having representatives from all major banks including cooperative banks and government departments at the Zdistrict level. District Central Cooperative Bank (DCCB) is the convenor of the task force meetings. Cooperative banks were strictly following the scales of finance, even if they were quite old, whereas commercial banks and RRBs had been revising the scales if they felt that those were inadequate. Thus the borrowers of commercial banks and RRBs were generally getting the advantage of higher credit as compared to borrowers of cooperative banks. Further as has been mentioned, kisan card also envisaged meeting the short

term credit need of the farmers for purposes other than raising the crops, Cooperative banks had however not been providing such limits while sanctioning the credit limit to farmers under kisan card. Perhaps this could be due to the fact that NABARD refinance for seasonal agricultural operations covers only the loans for crops and other part of the limit has to be met out of their own resources by the cooperative banks. The weak resource position of many cooperative banks did not permit this. This is a policy issue deserving consideration by NABARD as also by RBI. It may be possible for NABARD to provide refinance against non-crop component also, if RBI sanctions additional General Line of credit limit to NABARD while sanctioning credit line for seasonal agricultural operations.

On the other hand commercial banks and RRBs had been sanctioning short-term credit for non-crop purposes regularly. There were not many complaints from cardholders of commercial banks and RRBs on the adequate credit under kisan card.

7.4 Facility of drawals from other branches

One of the objectives of kisan card was to provide flexibility in operating upon the credit limit sanctioned to the borrower under the card. In tune with this spirit some of the commercial banks, albeit at a cost, had allowed their card holders to draw cash from the branches other than the card issuing branch so that he could purchase inputs from the taluka or district headquarters and take the advantage of competitive prices of inputs. Almost all Cooperative banks and most of the RRBs had not extended this facility to their card holders owing to various considerations. They felt that this would create a lot of complications in the accounting and would not give any real advantage to farmer. Only 9 farmers out of 177 interviewed, utilised this facility of drawing funds from other branches. Most of the farmers were not even aware of such a facility in the kisan credit card. Another reason for the low demand for this facility by farmers could be that an up-front commission at the rate of 2 to 3 per cent of the amount of cash drawn was charged by some banks (viz. Allahabad Bank) offering this facility of drawal from other branches under kisan card. For instance, if a farmer draws cash of Rs. 10000 from a branch he would get only Rs. 9700. This would increase his interest rate by more than 3 per cent.

7.5 Operations on the KCC

Kisan card besides, providing flexibility and adequate credit to meet all of the needs was also intended to reduce the cost of credit. Card holder was expected to draw and repay as and when needed depending upon his cash flow. Frequent transactions would effectively reduce the outstanding loans thereby lowering the interest paid. About 28 per cent of the 177 farmers covered all over the country had frequent operations and utilised the kisan credit card effectively. Whereas majority i.e. 72 percent, of the farmers did not make frequent operations on the limit sanctioned to them under the card. There could be many reasons for this. Firstly, many farmers were apprehensive that if they repay their loans before the due date they would not get repeat loans. They were mostly guided by their previous experiences in this regard. Second factor partly responsible for this was the complicated procedure of draws based on the seasonal sub-limits of the total limit. This aspect need to be examined carefully in the light of the fact that kisan card was aimed at to reduce the complications and simplify the procedures so that farmers get greater access to bank credit. If the bank is sanctioning a revolving cash credit under kisan card for period of 12 months then the farmer should be permitted to operate upon it as freely as possible and in a very simple way. Some of the banks have followed this approach, whereas few of the banks have complicated the procedure to such an extent that it has become a problem not only for the farmer but to their field staff also to sanction the limit and monitor it. Thirdly, some of the farmers who had surplus amount but did not deposit it in the kisan card account were under the impression that they would not get any interest on credit balance. Their fears were mostly due to ignorance about the instructions in this regard as most of the banks had issued instruction to their branches to provide interest on the credit balance in the kisan card cash credit account. The product of kisan card practically is only 2 year old. It is expected that in another 1-2 years this would become a very popular financial product among the rural clients and farmers would use it very effectively.

7.6 End-use of Credit

During the field visit an effort was made to ascertain the end use of credit for purposes for which the credit was sanctioned under the kisan card. There were apprehensions that in view of liberal approach adopted by banks regarding the

monitoring the end use like not insisting on documentary proofs of purchase of inputs etc., in the kisan card scheme, tendency to misutilise the credit would increase. The observations from the field however indicate that all the farmers had used the credit limit firstly to finance their expenses on raising the crops. And thereafter a substantial number of farmers (107 farmers out of 177) had used the credit under kisan credit card for meeting their working capital and other short term needs for farm and non-farm activities also. Another significant observation was that about 28 percent of total sample had used a certain amount sanctioned credit under kisan credit card for consumption purposes also, as kisan card had the provision of sanction of certain amount to meet the cash outflows on consumption expenses. It may also be mentioned that the responses given by the branch managers interviewed during the field study did not hint any increase in the tendency to misutilise or divert the credit facility given under the kisan card. Thus the apprehensions on misutilisation of the credit under kisan card were mostly misplaced.

7.7 Purchase of Fertilisers & other inputs

The objective of the kisan card scheme as given in the model scheme circulated by RBI and NABARD was to ensure adequate and timely support from banking system to farmers for their cultivation needs including purchase of inputs in a flexible and cost effective manner. The utility of the kisan credit card in purchase of fertilizers or other inputs was ascertained from the farmers during the field study. Almost 75 percent of the farmers were of the opinion that the kisan credit card was extremely useful and it had many advantages over the earlier system of crop loaning. Firstly, there was no insistence by the banks on certain portion of limit to be lifted as kind component, particularly by commercial banks and RRBs in most of the states and the farmer had the freedom to utilise the limit in the manner as suited to him. Secondly, there was no compulsion to buy inputs at the beginning of the cropping season. Farmer could buy the inputs during the off-season, when these were cheaper. This helped in reducing cost of cultivation. Thirdly, the farmers were able bargain over the prices of inputs from the dealer as they could pay in cash. They also had the freedom of selecting the shops/ dealers unlike in the regular system of crop loans where choice of shops for purchase of inputs were limited. Fourthly, farmers could reduce some of the cost of inputs, as

they did not have to pay commission to dealer to get bills and receipts as a documentary proof of purchase of inputs, which were necessary in the earlier system. Thus kisan card has achieved one of its major objectives to a considerable extent and has also been quite useful not only in reducing the financial costs of loan to the farmer but also the non - financial cost as explained above.

7.8 Cost of Kisan Card - Service Charges

As has been explained in the chapter - 6, banks have been levying various charges under different names like service charges, folio charges, out of pocket expenses, penalty for hot-listing of card, replacement of damaged card etc., from the farmers for issuing kisan cards. These charges were the highest among the commercial banks followed by RRBs and thereafter cooperative banks. It was quite revealing to know that most of the farmers were aware of these charges. However some of the farmers, numbering 14, mentioned categorically that the banks did not give any specific information on these charges debited to their kisan card account. Banks may take a liberal view of it and attempt to keep these charges minimum. It is apprehended that such high invisible costs might turn away many of the willing farmers from obtaining the card. In fact banks would be able to gain more and thus offset the additional cost of kisan card by having more growth in business by attracting more farmers to avail kisan card facility. Further in order to bring greater transparency and increase in the mutual trust in the relationship with their clients banks should inform all the borrowers about such charges.

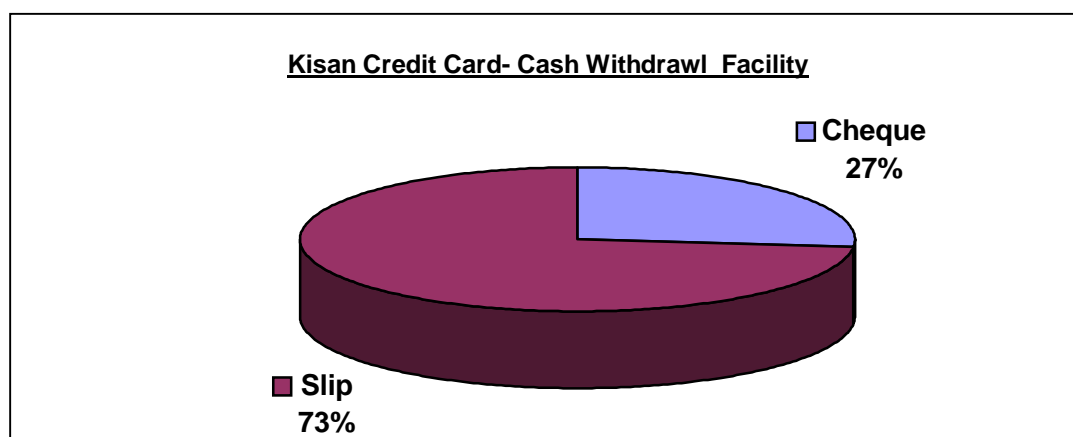
7.9 Repayment dates

All the banks had issued detailed instruction, to their field functionaries on recovery of dues under the kisan card scheme. These have been discussed in detail in the chapter- 6 of this report. Keeping in view the diversity in the agricultural practices, crops grown, availability of the irrigation facilities and cropping intensities and other complexities involved, many banks have given freedom to their branch managers in fixing the repayment schedules. For instance giving additional time to repay the dues of perennial crops even though the credit limit sanctioned under the kisan card is for a period of 12 months and each drawl is repayable within 12 months. Since the kisan card was a innovative product there

was a need to counsel and educate the farmers on the due dates in the new system so that farmers repay their dues in time. It was satisfying to know that all most all the farmers covered in the sample were aware of the repayment dates. The role of banks in educating the farmer in use of kisan card had been quite effective. Banks were giving special treatment to perennial crops wherever necessary. Branch Managers were effectively exercising their discretion to fix the dates according to the situation. Similarly farmers were also aware of the benefits of timely repayment of dues. Besides the data collected from the field, views of about 100 branch managers, coming to Bankers Institute of Rural Development for training, on various aspects of kisan card including its impact on recovery were also obtained. Majority of them opined that kisan card had led to better recovery. However it may be too early to make any decisive statement in this regard as many farmers, some of them even could be defaulters, might have repaid their old dues to procure kisan card. And this initial response may have led many branch managers to hurriedly conclude their views on kisan card.

7.10 Cheque Book facility for Cash drawals

Kisan card also aims at simplifying the procedures for providing better and flexible services to the farmers availing credit. Model kisan card scheme had suggested many things relating to maintenance and operation of card account. These also included the procedure for withdrawal of cash by using specially designed withdrawal slips or cheques. In tune with this many banks had designed different coloured slips or cheque books to improve the services rendered to card



holders. During the field study an effort was made to ascertain the efficacy of these services rendered by banks. It was observed that only 27 per cent of total framers were issued cheque books and the rest 73 per cent had to use the withdrawal slip. However the farmers were not much concerned about this as the practice of paying through cheques was not much popular among the dealers of inputs owing to various reasons. Moreover, a good number of the farmers were illiterate and they experienced difficulty in using the cheques.

7.11 Utility of kisan credit card to farmers

All the KCC holders were of the unanimous opinion that the kisan credit card was advantageous to them in more than one way and the most important of them are listed below:

Utility	Percentage of Farmers
a) Timely availability of credit	- 100%
b) Adequate credit- majority	- 71%
c) Savings in cost – in annual renewal	- 95 %
d) Reduction in cost of accessing credit	- 56%
e) Hassle free procedure	- 95%

- | | |
|---|-------|
| f) Freedom to repay | - 58% |
| g) Savings in interest burden | - 50% |
| h) Drawing cash at any branch in district | - 5 % |
| Using the kisan card | |

As could be concluded from the responses given above that the kisan card has been accepted as a good credit product by the farmers. It had been successful in overcoming some of the problems of earlier system.

7.12 Problems of farmers with KCC

During the field study problems relating to the card were also ascertained and the feedback was in general that no specific problem, except delay in issue of the card were noticed. There was also no specific complaint about selectivity or discrimination among the client group by banks while issuing of the card. There were also no major problem reported in operations of the kisan credit card. The issue of inadequate credit particularly in respect of cooperative banks has already been discussed in the earlier paragraphs.

7.13 Overall rating of the KISAN CREDIT CARD

Out of the 177 farmers interviewed, 126 forming 71 per cent of total felt that the kisan credit card was very good whereas remaining opined that it was satisfactory.

7.14 Here it may be mentioned that all the above observations were based on the limited survey conducted under the study and it was quite likely that position among different states or agencies may vary. The study does show that there were several state specific variations and even agency-wise differences prevailing in different states in the matter of implementation of kisan credit card.

Chapter – 8

Kisan Credit Card Scheme – Monitoring Arrangements

8.1 Introduction

As on 31 December 2000, more than 1 crore Kisan Credit Cards have been issued with aggregate sanctions of more than Rs.20000 crore. Notwithstanding the acceptability of the KCC as a useful and effective medium of credit delivery by all the banks, such progress in issue of cards would not have been possible but for the close monitoring by Reserve Bank of India, NABARD and Government of India. Monitoring arrangements that are put in place to review of the progress of the scheme are detailed below:

8.2 Monitoring Arrangements for Commercial Banks and RRBs

At the Block level, progress of the KCC scheme is being reviewed by the Block Level Bankers Committee (BLBC) regularly. BLBC is a committee of bankers headed by the Lead Bank Officer of the district. The Block Development Officer and officers from the line departments also participate in such meetings. At the district level, District Consultative Committee (a committee of bankers chaired by the District Collector and attended by all the line departments in the district) reviews the progress of the KCC scheme as a part of its agenda. Similarly at the State level, State Level Bankers Committee, the highest forum to review the banking activities in a state (this committee is chaired by the Chief Secretary or the APC) reviews the KCC scheme. In addition, the banks also review the progress in house through reports/ returns and during the conference of branch managers. The Regional Rural Banks review KCC scheme in their board meetings. Further, progress in implementation of KCC by RRBs is also being reviewed in State Level Coordination Committee Meetings.

8.3 Monitoring Committee for Cooperative Banks at State Level

NABARD has suggested the following arrangement for co-operative banks for review of KCC scheme. State Level Monitoring and Review Committee has been constituted under the chairmanship of the Secretary (Co-operation) of the state for

close monitoring and review of the progress in implementation of the scheme by co-operative banks and to sort out the operational problems if any. The Registrar of Co-operative Societies, Managing Director of the State Co-operative Bank and the Chief Executive of the District Central Co-operative Banks and officer in charge of NABARD are the other member of the committee.

8.4 Monitoring Arrangements at the national level

NABARD is reviewing the progress in implementation of the KCC scheme at national level fora such as meetings of State Co-operative Banks, meetings of National Federation of State Co-operative Banks (NAFSCOB). NABARD is also keeping Reserve Bank of India, Ministry of Finance and Ministry of Agriculture informed of the progress and steps taken to ensure success of the scheme.

8.5 Reporting by Banks

All the banks have prescribed monthly progress reports for their branches. Besides, coverage of small and marginal farmers and other farmers are also reported by branches to their controlling offices. Regional Rural Banks and Co-operative Banks report the progress to NABARD and Commercial Banks report the progress to Reserve Bank of India.

8.6 Conclusion

Because of the close monitoring by all concerned, the scheme is now being implemented by all the 27 Public Sector Banks, 192 out of 196 Regional Rural Banks and 337 out of 367 central co-operative banks all over the country. As regards coverage of states/union territories, the scheme is being implemented in all the states/union territories except Sikkim, Chandigarh, Daman & Diu and Dadra & Nagar Haveli.

Chapter - 9

Recommendations on Operational and Policy Issues

9.1.1 Kisan card within short span of time has established itself as a fairly popular credit product among the farming community. It is expected that this would help the farmers in easy and timely access to much desired institutional credit. The study findings explained in the earlier chapters have brought out the fact that Kisan card has been appreciated and accepted both by the bankers as well as farmers. Despite all this, Kisan card scheme is not free of problems. Based on the discussion held in the field with farmers and bankers, the study team has brought out certain issues relating to policy as well as operational aspects of Kisan card which may require attention of the agencies concerned. These have been discussed in the following paragraphs.

9.2 Small & Marginal Farmers - Coverage

9.2.1 It was observed that some of the banks had stipulated minimum land holding criteria for issue of Kisan card (chapter - 5). As a result, the small and marginal farmers were finding it difficult to obtain the kisan card. Although the banks had covered a good number of new farmers under kisan card, as understood from the sample data (chapter -4, Table - 4.1) from different states, the performance of commercial bank in this regard could be improved. Study team was not able to get the national picture of coverage of small and marginal farmers under the Kisan card scheme due to non-availability of the data from some banks. Recently NABARD and RBI have written to banks to maintain the data on kisan cards issued to small and marginal farmer. However, the response of banks in this regard has not been very encouraging. Further the monitoring of the coverage of small and marginal farmers under the scheme at State Level Bankers' Committee (SLBC) need to be taken more seriously. State governments can play an active role at the level of SLBC, as learnt from the experience that wherever State governments took interest in implementation of the scheme, the performance of the banks, particularly in respect of cooperatives, was better.

9.2.2 Out of the total farmers* in the country, assuming that 50 per cent of them borrow from banks, only 20 per cent had been issued kisan credit card(chapter-3, Table-3) by the end of December 2000. This implies that banks may have to gear up their system substantially, if they have to meet the goal of covering all the farmers under kisan card within 3 years starting from April 2001 as announced by the Finance Minister in the budget speech for the year 2001-02.

9.2.3 NABARD has been monitoring the performance of cooperative banks and RRBs in implementation of the kisan credit card scheme. A system of fixing a target of issuing kisan credit cards in cooperative banks and RRBs appears to have worked well. NABARD has been analysing the performance of these banks in relation to the target and advising timely and corrective measures. However in case of commercial banks there was no such system due to certain operational difficulties. RBI may like to introduce a similar system of fixation of certain target for each of the commercial banks in consultation with them. While recommending this certainly the intention is not to impose certain unwanted targets on banks but to help them to fix a goal for themselves against which they could evaluate their own performance so that corrective steps can be taken timely. Besides this, it would also help them in planning their business strategy for financing agriculture in rural areas.

9.3 Adequacy of Credit

9.3.1 Although about two third of the farmers had expressed satisfaction over the adequacy of credit sanctioned under kisan credit card by the banks, the position in respect of the co-operative banks had not been that satisfactory (chapter-7). Co-operative banks have implemented the kisan credit card scheme with all the enthusiasm. Their coverage of small and marginal farmer had also been quite good. However, the credit provided by the co-operative banks to their clients under kisan credit card had not been adequate as reported by their clients covered under the study. There had been many factors responsible for this. Most of the cooperative banks were having an upper ceiling on crop loans to an

* Based on the number of operational holding of census of the year 1991.

individual i.e. Individual Maximum Borrowing Power (IMBP). As a result the farmers with bigger land holding did not get sufficient credit to meet their entire needs and they were compelled to approach other agencies to bridge the gap. Secondly, many farmers felt that the scales of finance for different crops fixed by District Level Technical Committee (DLTC), in which cooperative banks had a major say, were on lower side. In many districts the DLTC had not revised the scales of finance for crops for long. Cooperative banks were strictly following the scales of finance even if they were quite old. Thus there is a need to pursue the members of the DLTC to hold the meetings regularly or it may be suggested that system of DLTC may be done away with and the banks may adopt their own norms depending on the agricultural practices prevailing in their respective areas of operation.

9.3.2 Further as has been mentioned, though KCC also envisaged meeting the short term credit need of the farmers for purposes other than raising the crops, most of the cooperative banks had not been providing for it while sanctioning the credit limit to farmers under kisan card. Perhaps this could be due to the fact that NABARD refinance for seasonal agricultural operations only covers the loans to crops and other portion has to be met out of their own resources by the cooperative banks. The weak resource position of many cooperative banks did not permit this. This is a policy issue deserving consideration by NABARD as also by RBI. It may be possible for NABARD to provide refinance against non-crop component also, if RBI sanctions additional credit limit to cover the other short term needs to NABARD, while sanctioning credit line for seasonal agricultural operations.

9.3.3 Some of the deficiencies observed during the study have highlighted that despite instructions from RBI/NABARD on removal of floor limit, some of the banks were restricting the issue of kisan credit card to certain amount. On account of this lowest rung of cultivators were deprived of the kisan credit card facility.

9.3.4 While liberlisation and simplification of the procedures to ensure easy and quick access to bank credit through kisan credit card have led to certain advantages, on the other hand many farmers were misutilising the flexibility given

to them. It had come to notice that some farmers were showing maximum acreage under crops having the highest scale of finance to get the benefit of more credit whereas the actual cropping pattern was something different.

9.4 Stamp Duty

9.4.1 While the progress of the kisan credit card scheme had been satisfactory through out the country, there had been certain hurdles which blocked the progress of the scheme. The average amount sanctioned under kisan credit card by all the agencies has been relatively low.

Table 9.1
Average Amount Sanctioned

(Amount in Rs)

Agency	Average Amount Per Kisan card
Commercial Bank	26151
RRBs	23385
Co-operative Banks	17281

9.4.2 One of the factors responsible for lower limits was the high stamp duty charged on higher loan amounts. For instance in case of U.P., it was Rs.70 per Rs.1000 of loan if the loan amount exceeded Rs.1.0 lakh. Similarly in case of Haryana exemption limit from stamp duty was Rs.60000 only. More or less the same position was there in Punjab. However, surprisingly in contrast the stamp duty for a loan of like amount for tractor, which was also loan for agricultural purpose like the loan under kisan credit card, the cost was about Rs.200. A comparison of cost for a term loan of Rs.2,00,000/- for a tractor and a limit of Rs.2,00,000/- under KCC in the state of U.P. has been shown in Table 9.2.

Table 9.2

Comparative Analysis of cost of availing a limit of Rs.2,00,000 under KCC scheme or crop loan and a term loan of Rs.2,00,000 for purchase of a tractor:

(Amount in Rs.)

S.N.	Item of expenditure	KCC limit Rs.2,00,000/-	Term loan of Rs.2,00,000 for a tractor
1.	Land records details from Lekhpal	10.00	10.00
2.	Legal Scrutiny Report (LSR) from bank's advocate \$	575.00	575.00
3.	8 photographs	30.00	30.00
4.	Stamp Duty **	14100.00	200.00
5.	Evaluation charges levied by the bank @ 1% of loan amount	2000.00	2000.00
6.	Stationery charges as levied by the bank	250.00	250.00
7.	Insurance	7,000.00 (@ 3.5%)	3000.00 (Approximately. Depending on cost of tractor)
8.	Affidavit (notary)	50.00	50.00
	Total	*** 24015.00	# 6115.00

Note: \$ 0.4% of loan amount subject to a ceiling of Rs.575; of this, Rs.75 is paid to sub-registrar's office

** Rs.70/- per thousand as the loan is above Rs.1,00,000/- plus Rs.100/- for cost of agreement form. No stamp duty in case of loan for tractor.

*** 12% of the loan amount

3% of the loan amount

9.4.3 As many be seen from the above analysis, a limit of Rs.2,00,000/- under kisan credit card was costlier by 9 per cent as compared to a term loan of Rs.2,00,000/- for a tractor.

9.4.4 As result of this prohibitive cost the farmers were restricting their demand for credit limit under kisan credit card to the exemption limits to avoid exorbitant cost on account of stamp duty. Some of the farmers had successfully circumvented the problem by splitting their entire demand into smaller chunks and accessed credit from different banks. Nonetheless, they could not avoid facing the

procedural problems and other difficulties involved in approaching many banks for loan.

9.4.5 On perusal of the proceedings of SLBC meetings in the states visited during the study it was noticed that banks had been raising this issue in the SLBC meetings but the state governments had declined to raise the exemption limit for stamp duty. Government of India may like to intervene here in the overall interest of the kisan credit card scheme by advising the state governments to re-examine the issue favourably.

9.5 Cost Reduction

9.5.1 One of the objective of Kisan credit card scheme was to provide cost effective credit services to the farmers. Kisan credit card had been successful to certain extent in achieving this objective. There had been reduction in the cost to the farmer in the form of savings on expenses on visits to the banks for sanction of loan, procuring revenue records and other incidental expenses. Most of the farmers expressed similar views. It may be mentioned here that under kisan credit card limit was sanctioned for a period of 3 years subject to its renewal each year.

9.5.2 Reduction in cost was also evident wherever the farmers were operating the limit under KCC more frequently. This might have led to reduction in the interest burden. Though the number of farmers operating the kisan credit card account frequently were limited, in due course of time on account of better awareness and borrower education more and more farmers would resort to frequent operations. This will be possible if the farmers opt for need based frequent drawals instead of drawing the entire limit at a time, as was the case prior to introduction of kisan credit card. Interest burden will also get reduced if frequent repayments are made as and when the farmer has surplus without waiting for about 12 months to make repayments. While in a very few cases, the habit of drawals in driblets has set in, the same is not the case in repayments. Repayments are mostly in lump sums at the end of the year only. Banks may continue their efforts in educating the borrowers in this regard.

9.5.3 However, there had been discontent among the farmers about the comparatively high interest rate charged by the co-operative banks on the crop loans under kisan credit card. The rate charged by co-operatives were in the range of 15 to 17 per cent whereas commercial banks were charging about 12 per cent. Thus the difference was 3 to 5 per cent which was quite high. The interest rates in Co-operative banks were higher because of 3-tier organisational structure i.e. State Co-operative Banks, District Central Co-operative Banks and finally Primary Agriculture Co-operative Credit Societies. There is very little that co-operative banks can do about it, unless state governments concerned takes decision to reduce the number of tiers to cut the cost of management, which in the present scenario appears difficult. This issue is too big a policy matter to be addressed in this limited study. However, NABARD has constituted an Expert Committee on Rural Credit (ECRC) which would be examining this issue in greater detail and making recommendations in this regard.

9.5.4 Banks had been levying various types of charges for issuing kisan credit card. (Chapter -6-7). This had added to the cost of credit. Banks need to take a liberal view and may keep these charges to the minimum. In fact, banks would be able to gain more and the additional cost of kisan card may be covered having more growth in business in the form of more farmers availing kisan card facility. Further, in order to bring greater transparency and increase in the mutual trust in the relationship with their clients, banks should inform all the borrowers about such charges.

9.6 Flexibility in Operations

9.6.1 Kisan credit card aims at providing credit support in a flexible manner. However some of the banks had formulated the KCC scheme in such a manner that it had become very complex and cumbersome to operate. The problem was more in respect co-operative banks. For instance in Maharashtra state, Central Co-operative Banks, (CCBs) were allowing drawal strictly on the seasonality discipline basis. Thus those accounts were not operated as cash credit accounts in true sense as the drawls and repayments were not allowed frequently to the borrower. Further the card holders were not allowed to draw directly from the

branches, but were getting their credit requirement through PACS, as was the practice before issuance of kisan credit card. Similarly on account of the seasonality discipline farmers were not free to buy fertilizer and other agro-inputs during the time when those were cheaper. Some co-operative banks were sanctioning limit under kisan credit card separately for cash and kind component. Farmers had to draw the kind component as inputs from PACS and they were not allowed to draw cash in lieu of it. Due to this restriction, farmers had to buy inputs from the PACS even though those were cheaper in the open market. Some of the farmer would rather restrict their draws from the credit limit to the cash component only and forgo the kind component to avoid lifting of their substandard or at times costlier fertilizer and other inputs from PACS. Thus these farmers resort to other modes of getting finance including money lenders.

9.6.2 Similarly in many commercial banks and RRBs the drawals were permitted subject to seasonality discipline. Break - up of the limit for crop production into seasonal sub-limit restricted the operation of the kisan credit card limit as a revolving cash credit. On account of these restrictive practices farmers were drawing the full amount sanctioned for particular season or crop in one go to avoid problems later on. Similarly farmers were also not making frequent repayments even if they had cash as the banks were not permitting them drawals once the entire credit assessed for a season was withdrawn even if there were some repayments and the outstanding were less than the limit sanctioned. This worked as a disincentive to farmer for making frequent repayments.

9.6.3 Some of the suggestions and recommendations for the above mentioned problems have been given below:

- (a) The KCC should be allowed to be used as a revolving cash credit as envisaged in the original scheme. Banks may like to issue necessary instructions in this regard. RBI and NABARD may also guide the banks on the matter.
- (b) In case of co-operative banks, drawals may be permitted even at the branch level giving flexibility to the farmer, Many states have been allowing it and no major problem were reported in the operations though it involved an extra manpower for maintaining the mirror accounts.

- (c) It is suggested that the drawal may be allowed on the aggregate credit limit without insisting on the seasonality to allow the farmer to have sufficient flexibility in purchase of inputs at the beginning of the year in advance, wherever possible. This will enable the farmers to avail of lean season input-price advantage.

9.7 Fixation of Due Date for Repayment

9.7.1 Kisan credit is essentially a revolving cash credit and normally sanctioned for a period of 12 months. Thus no drawl from the limit sanctioned should remain outstanding for than 12 months. However banks were following different practices for fixation of due dates for repayments as described below:

- (i) The Co-operative banks including some RRBS continued to fix the due dates separately for Kharif and Rabi crops i.e. 31 March and 30 June respectively.
- (ii) In Maharastra, State Bank of India was also following seasonality pattern while fixing the due dates i.e, one single due date for Kharif and one single due date for Rabi.
- (iii) Some banks were fixing the due dates within six months from the date of drawal matching with the harvest season. While some banks were insisting that certain portion of the outstanding of earlier drawals should be repaid to become eligible to operate upto the next seasonal sub-limit.
- (iv) Some banks were also following the practice that no drawal should remain outstanding for more than 12 months.
- (v) Bank of India was fixing one due date i.e. 30 June and was insisting that the account may be brought to credit/ 'nil' as on 30 June.

Since the KCC is in the nature of a revolving cash credit system, the "due date" concept need to be re-examined to make it more user friendly and simple to align with overall spirit of kisan credit card scheme. It is suggested that simple procedure of each drawl repayable within a maximum period of 12 months may be followed. Any outstanding beyond 12 months may be treated as overdues.

9.8 Leased-in and leased-out land

9.8.1 Although the model guidelines as also the schemes of banks provided for inclusion of leased-in land and exclusion of leased-out land, there were practical difficulties in implementing the same as the banks were not accepting the oral lease. Land leased-in and leased-out orally were not recorded in revenue record. In the absence of this, the limits were based on record of rights for land holding without any reference to leased-in land. Farmers who cultivated leased in land did not get bank credit for the leased-in land. On the other hand, farmers who had leased out some portion of their agricultural land enjoyed the benefit of bank credit based on their record of right even on the portion of land not cultivated by them. Since the lease so agreed upon is oral, the farmers were not able to draw limits on these accounts, whereas some of the farmers who have given their land on lease and not cultivating the land are availing credit from the banks.

9.8.2 In India, a large number for farmers cultivate leased-in land. They had to invest a substantial amount as advance to lessor. To meet their financial needs, these farmers are compelled to approach private financiers in the rural market. Government of India may examine this issue in consultation with the state governments to work out simple procedures for documentation of leased-in/out land.

9.9 Crop Insurance

9.9.1 Government of India had introduced Rashtriya Krishi Bima Yojana (RKBY) for insurance of crops. This yojana is in force in 18 states. It may be mentioned that RKBY does not cover all crops. RKBY appeared to have certain problems as reported by the farmers from the field. The premium charged from "other farmers", which include bigger farmers was at the rate of 3.5% of the sanctioned amount of loan for the crops which was reported to be very high. Although General Insurance Company (GIC) had agreed to extend the facility to kisan credit cards holders for the crops eligible for insurance, it was difficult to maintain crop-wise details of sanctions as well as drawals, as the GIC entertains the claims to the

extent of the outstanding only, subject to furnishing of details by the bank for the crops covered. This would only be possible if the farmer indicates the name of the crop in each of his drawal and bank maintains crop wise record. This would be very impractical at the field level. The problem would be more complex in multi-cropped areas where farmer grows two or more crops for which insurance cover was available. However, the difficulty would be less in mono cropped areas. Besides this, there were other problems as narrated below:

- (i) In certain states like Karnataka, the RKBY does not cover plantation/commercial crops such as Sugarcane, Cotton and Potato, which are being cultivated by farmers.
- (ii) The defined areas under RKBY for notified crop is 'TALUK'. The farmers are demanding that the area affected should be reduced to a collection of a few villages. The farmers feel that otherwise the scheme would be of no use and would only add to the cost.
- (iii) The other important issue in the RKBY is about the seasonally. RKBY stipulates and adheres to seasonally and since the kisan credit card account is a cash credit account, it cannot be ensured that farmers avail credit during that season only. Farmer may try to take advantage of the account and draw only when he needs by deploying his own money first and draw off-season, in which case, his claim is likely to be rejected.
- (iv) In Rajasthan, in the absence of a crop insurance policy and due to successive drought conditions, the farmers have suffered huge loss. There is need to implement RKBY in such states.

9.9.2 In the light of above observations following suggestions have been made:

- (a) Insurance of crops can play a role in stabilising the growth of agricultural sector. Therefore, it would be in the interest of all the states to implement the scheme. If there are certain hurdles in it, State governments in consultation with Government of India may sort them out with GIC.
- (b) In order to encourage small and marginal farmers which are the most vulnerable group the rates of premium should be kept low.

- (c) The premium rate for other farmers may be revised downward suitably.
- (d) The scheme should endeavor to cover all types of crop so that it can be made applicable to the entire credit limit under kisan credit card.
- (e) The "defined area" under the scheme has to be realistic in order to provide real benefit to majority of the farmers affected by any natural calamity.

9.10 Maintenance of detailed crop-wise data

9.10.1 Banks particularly co-operative banks and RRBs are required to maintain various information on the financing done by them under seasonal agricultural operations. For instance crop wise data in respect of crops covered under the RKBY, National Oil Seed Development Programme (NODP), and Special Food Grain Production Programme (SFPP) required to be maintained by the banks. These data are required to be furnished to Government of India and other agencies. Banks had expressed their opinions that maintenance of data on the crop-wise details of drawals would be difficult under kisan credit card where a composite limit is sanctioned to the farmer covering not only all the crops grown by him but also other short term purposes. Some more practical approach would have to be adopted if such detailed data is required to be maintained. One way could be that disbursement under kisan credit card limit for various crops may be reported in the proportions of the sub-limits sanctioned for various crops instead of actual drawals. The staff of the co-operatives banks had been complaining increase in the work load due to kisan credit cards scheme as in co-operatives banks mirror accounts are required to be maintained at bank branch level for operations on kisan credit card. Maintenance of such large amount of data also calls for computerization of banks.

9.11 Lack of awareness and human resource development

9.11.1 Despite considerable promotional efforts by banks, farmers were not aware of the facilities available under the scheme. Similarly bankers in the field were also not very much familiar and at times not convinced about the utility and various operational aspects of the scheme. Thus there is need to augment the efforts to publicize the virtues of the kisan credit card and educate the farmers on its operational aspects. Mass media support may be used for publicity of the scheme. Bank branches may also organized kisan credit card camps to educate the farmers. For bankers, suitable training may have to be arranged at the training establishments of various banks as also other apex training institutions. For the staff of co-operative banks, extensive training arrangements existing at the state as well as national level may be accessed. Bankers Institute of Rural Development may take a lead in designing suitable training modules and also the training of trainers from banks particularly from co-operative banks and RRBs on kisan credit card so that training programme can be replicated at a fast pace.

Chapter – 10

Findings and Conclusions for policy making.

The following important conclusions concerning policy and operational issues emerge from the findings of the study.

10.1. KCC is one of the most innovative, widely accepted, highly appreciated and non-discriminatory banking products. It is beneficial to farmers. Though relative share of the institutions in the issue of agriculture crop loans remain the same the progress under KCC is highly satisfactory. Constant monitoring and thrust given by NABARD has substantially enabled the progress. NABARD may be empowered to monitor the commercial banks also.

10.2. As of now there appears no correlation between issue of KCC and increase in crop loan volumes. The study finding could not establish any relationship. It is however seen that nearly 75% of the crop loan is issued in the form of KCC. Banks have however reported that defaulters have come forward to clear the debt to get KCC. Financing of new borrowers has also been reported.

10.3. Though there is evidence of the KCC being more flexible and used as a cash credit facility, it appears that it will be some time before the KCC is used fully as a credit card. One of the factors that inhibited velocity of transactions in the account is the repayment stipulations that (i) sub-limits should be repaid before the next drawal, (ii) each drawal should be repaid within a year from the date of drawal, (iii) the account should be in credit at least once a year, and (iv) specific due dates irrespective of the crop marketing are causing procedural difficulties and need to be reconsidered. Co-operative banks follow two due dates as they feel that drawal-wise due dates are complicated and impracticable. By and large one disbursement per season has been observed in the KCC.

10.3.1 Secondly it has also been reported that the farmers are apprehensive to repay lest they may not be allowed to draw for the next crop. That the scheme allows frequent drawals and that the sanction will not cease on the repayment of

annual limit / sub limits needs to be popularized. Presently, the KCC holder is apprehensive that if he repays he will not be able to draw further credit as and when he wants. In view of this the improvement in velocity of credit and recycling is not evident in KCC accounts.

10.3.2 It is also seen that the term 'any branch withdrawal' is subject to payment of fee and is not conducive for frequent operation in the account. At the same time it needs to be popularised that the credit balance in the accounts will earn savings bank rate of interest. In the case of cooperatives the practice of sanctioning two limits namely one for kind component and one for cash component is observed. This is because the cooperatives have to disburse the fertiliser themselves and it does inhibit the flexibility.. That the cooperatives have to disburse the fertiliser themselves does inhibit the scheme to an extent.

10.4. Cost reduction is not fully evident. That the KCC mode is cost effective needs to be firmly established. Savings in expenditure (cost) in the form of stamp duty and savings in expenses incurred in connection with the number of visits to the bank at pre-sanction stage are evident. As against this the levy of service and other charges (which were not there in the previous crop loan system could increase the cost. Since these costs are incurred only once the annualised cost impact may not be very heavy.

10.4.1 Since the KCC covers all the crops and the entire year's requirement, it is issued for a higher amount than the previous crop loan, Stamp duty on account of registered mortgage increases the cost substantially. It has been observed that the stamp duty could hinder larger size loans under K.C.C. Though the number of farmers who would be eligible for larger limits could be small, it is a fact that stamp duty is a deterrent for larger limits. In case of larger limits the search fee could also increase the cost. This is being pursued by the banks in the SLBC fora.

10.5. The crop insurance scheme continues to pose problems on account of limitations in the crop cutting experiments and non coverage of certain crops. KCC gives the farmer the flexibility to draw the amount of loan any time whereas only those loans which are drawn strictly within the season gets covered under

crop insurance. Similarly if a farmer were to use his money initially and draw the bank loan later he could be deprived of the insurance due to seasonality stipulations. This could pose many problems in the coverage of insurance scheme.

10.5.1 Banks have reported that they find it difficult to maintain data on cropwise loan issue and outstanding. Similarly the banks find it difficult to collect the details of non borrowers and pass on the same to GIC. One of the stipulation is that while disbursing the money the bank will ask for and maintain crop wise data. Given that the money can be drawn in any branch such a procedure is impracticable as it would call for movement of MIS between branches. The field visit has also shown that the actual crop grown and crop which is reckoned for the limit could be at variance. Here again the insurance coverage could pose difficulties.

10.6. Though land taken under oral lease can be taken for arriving at the KCC limit there is no evidence of its acceptance. Banks feel that acceptance of oral lease could result in double financing as both the owner and the lessee can avail bank credit. Instances of farmers who have given the land in oral lease but enjoying credit with the banks as been noticed. It appears that this provision may not be of practical use to farmers.

10.7. Some of the banks were operating, prior to the launch of KCC equally good cash credit schemes.

10.8. The interest rate at which the individual gets the loan is decided by the policies of the agency that gives the loan. Herein it is seen that the co-operatives continue to charge a higher rate of interest. Thus it is seen that depending upon the lending bank/ agency, farmers with similar landholding, and within an identical risk class could be charged different Rates of Interest(ROI). The issue of charging similar ROI by all agencies needs to be considered.

10.9. The per card limit is the highest with the commercial banks followed RRBs and co-operatives. Though co-operatives can finance big farmers, the state-wise

limits in the form of IMBP, hinders sanction of higher limits to individual farmer.

10.9.1 The commercial banks and RRBs were found to have fixed realistic crop limits whereas the co-operatives adhered to scale of finance fixed by DLTCs (at times not revised since two or three years) strictly. As the DLTC does not meet regularly (despite the membership of farmers in the committee), it is voiced that the scale of finance is not being fixed at reasonable levels. It is suggested that the co-op banks may be given certain flexibility to vary the DLTC fixed scale of finance by certain percentages and decide the same by themselves as in the case of investment credit.

10.9.2 NABARD is not able to refinance the co-operatives for 'consumption sub-limits'. The cooperatives are therefore, not granting a limit for consumption. It is suggested that fund support to NABARD by RBI may be increased so as to enable it to finance this portion also.

10.10. The moneylender continues to play a crucial role in financing the farmer. It is necessary that the scope of KCC is expanded further to facilitate faster turn over of credit. It is expected that, in the long run due to better performance of KCC the role of the moneylender will be marginalised.

10.11. Management Information System by controlling authorities on production credit, filling up LBRs, and claims/ premium on crop insurance require crop-wise data (OPP or NODP etc), on disbursement and outstanding. This necessitates generation of large volume of data on sub-limits and various crops covered by KCC. This also calls for exclusive back up data. As the banks have to reduce cost of operations they feel that the data requirement is large and there is redundancy. The MIS needs may be relooked as the workload needs to be reduced. The commercial banks who have reduced staff by the VRS felt this acutely. The banks feel that the number of crop loan accounts may decrease due to a single KCC limit as against multiple crop loan accounts in the past.

10.12. ‘Cheque facility’ in the KCC is not fully evident. The use of the ‘Debit slip’ system by most of the farmers restricts the operation of the KCC to the issuing branch/ society.

10.13. The scheme uses an expression “ need based withdrawal”. This has necessitated close monitoring by bank and some times lack of faith. This could inhibit the flexibility in the system. The possibility of farmers applying for credit limit for crops with the highest scale of finance while actually growing some other crops is apprehended.

APPENDIX-I

Report of The High - Level Committee on Agricultural Credit Through Commercial Banks

SUMMARY OF RECOMMENDATIONS

1. The agreements and other covenants/documents to be completed are complicated and simplification is recommended as has been done by some banks, such as the State Bank of India whose format is at Annexure III of the report. All banks may examine their systems and make modifications within two months, and report compliance to the Reserve Banks of India (Para 6.05)
2. The focus of credit appraisal should be an evaluation of the income stream of the borrower, and a comprehensive assessment of credit needs taking into account track record, credibility, capability, as well as technical viability of the proposal. Supportive measures are necessary as have been further indicated in paragraphs 6.37, 6.39, 6.44, 6.45, 6.54, 6.55 of the report (Paras 6.06 & 6.07)
3. To ensure quick disposal, at least 90 per cent of loan applications should be decided at the branch level. Banks may, therefore, review the position and suitably modify the powers of sanction delegated to the branch manager. (Para 6.08)
4. Short term credit needs of the farmer should include all requirements directly and indirectly related to production, post harvest and household expenses. Repayment capacity should be assessed on the basis of aggregate household income from all sources including crop production and ancillary activities. The credit facility should be extended through a composite cash credit limit. The limit may initially be provided for one year but over time extended for a longer period and brought to credit atleast once a year. On credit balances banks would pay interest, and charge interest on the outstanding. Advances under such limits may be 'reckoned' as advances to agriculture within the definition of priority sector. (Para 6.11 & 6.12)

5. In line with the change in approach towards appraisal of loan proposals for lending recommended by the Committee, the forms, accompanying the main application, especially, for investment credit should be simplified and made more relevant for focusing on the income stream of the farmer. It is recommended that the Reserve Bank of India may appoint an expert group to finalise the new forms. (Para 6.13 & 6.14)
6. While some minor investments of a medium term nature can be taken into account in the composite cash credit limit recommended at paragraph 5 above, investments of a major nature would still need a separate loan. In relation to the systems followed for term lending, the emphasis should be on whether in a given area an activity can be supported profitably, rather than obtaining abstract cash flows and other data based on projected technical parameters. (Para 6.14)
7. During cash rich periods, farmers have a propensity to invest in gold, land, implements, livestock or incur expenditure of a consumption nature. As a result they are vulnerable during times of adverse price fluctuations and natural calamities. To address the issue farmers should be offered a liquid savings product with an appropriate return which should be inbuilt in the loan product so as to provide them a cushion during lean period. (Para 6.15)
8. The system of adoption of scales of finance for short term loans and unit cost of investment credit has led to distortions at the base level and introduced an element of rigidity in assessment of credit requirements. In view of the expertise developed by banks in financing agricultural operations, and in order to give them flexibility to take care of variations in the requirements of borrowers, the fixing of the scale of finance/unit cost may be decided by the concerned banks. (Para 6.16)
9. The system of disbursing agricultural loans, partly in cash and partly in kind has restricted borrower's choice and given rise to undesirable practices including submission of false bills and receipts. In order to foster an environment of trust, banks may disburse loans for agricultural activities on a cash basis only and discontinue the practice of obtaining bills/receipts of inputs /assets purchased. (Para 6.17)

10. Insistence on No Dues Certificate (NDC) as an invariable precondition for sanctioning a loan is unnecessary and time-consuming. Where banks are conversant with the track record of the borrowers, obtaining a NDC should be left to the discretion of the lending banker. (Para 6.18)

Without recovery at acceptable levels lending cannot be sustained. Recovery of dues has issues which are legal, administrative, as well as in which publicity is necessary. These issues are examined in paragraphs 6.19 to 6.23. Specific recommendations include requesting State Governments to set apart dedicated terms for recovery, improving the recovery climate through rural oriented field publicity campaigns projecting the message that banks are willing to lend to viable borrowers, and unless funds are recycled lasting relationships cannot be forged through the credit mechanism.

11. The accounting systems in banks need to focus on systems by which recovery is desegregated by loan products, as well as by time so that it is possible for managers to determine which products are more viable and whether current recoveries are better than past dues. The branch managers also need to have a statement of defaulting borrowers more promptly than is possible under the existing procedure. (Para 6.19 to 6.23)
12. Apart from steps for improving collection of dues, the Committee recommends that tangible incentives be provided to farmers who are prompt in repayment. Banks should, design appropriate incentive systems including interest benefit or rebate to borrowers who repay their dues promptly. Besides incentives for prompt repayment, farmers who opt for a savings module linked to the loan product, may be given a finer fate both on the loan as well as on the savings product. (Para 6.24)
13. Taking into account the procedural difficulties and the high cost of stamp duty connected with registering a mortgage in favour of a bank, State Governments may initiate steps to abolish stamp duty on mortgage of agricultural land for obtaining loans from banks. (Para 6.25)
14. Unlike in urban areas, most land in rural areas is inherited and there are no title deeds. The original land records in the tehsil office are similar to a share depository and if a farmer has to pass book with an authenticated

record of his land holding, the bank should accept the same as valid title for purposes of an equitable mortgage. (Para 6.28)

15. In States where the Agricultural Credit Operations and Miscellaneous provisions (Banks) Acts have been passed, bank loans should be secured through the mechanism of the declarations prescribed thereunder. States which have not passed the above legislation may consider doing so. In the interim, such States may issue administrative orders that declarations made by borrowers on the Talwar Committee model for charging their lands to banks may be noted in the revenue records so that banks can lend against the same. (Para 6.29)
16. The value of security taken should be commensurate with the size of the loan and the tendency to ask for additional collateral by way of guarantors where the land has already been mortgaged should be discouraged. (Para 6.31)
17. In order to give operational flexibility to the lending banker, margin, security and collateral requirements should not be prescribed by RBI or any other agency and should be left to the discretion of the lending banker. For small loans upto Rs. 10,000, however, the existing guidelines may continue. (Para 6.32)
18. The requirement to insure all assets purchased through bank loans is an imposition causing financial hardship to borrowers. The decision as to the kind of insurance to be taken should be left to the borrowers subject to statutory requirements. (Para 6.33)
19. In order to inform farmers transparently of the amount and periodicity of the various fees and charges levied by banks, they should be given a statement of the facilities availed, separately indicating the fees, charges, etc. levied. This instructions regarding compounding of interest issued by RBI may be reiterated so as to ensure that these are invariably followed. (Para 6.34)
20. The internal supervision system of banks should provide for visits to a few service area villages and during such visits, inspecting officer should convene open meetings of farmers to assess their problems and difficulties. The CMDs of banks, during their tours to various States, should pay

surprise visits to rural branches as this would provide top management with an idea of field level conditions. (Para 6.35 & 6.36)

21. A large portion of the branch manager's time is spent on compiling returns of various descriptions for different agencies. There is an urgent need to rationalise the number of returns and a detailed exercise should immediately be undertaken by banks to reduce unnecessary paper work including elimination of ad hoc returns which very often require data already provided elsewhere. In this context the MIS for monitoring agriculture and other advances developed by the Bank of Baroda may be taken as an example. (Para 6.37)
22. Notwithstanding exceptions to the contrary, the morale of the rural cadre in commercial banks is low, commitment uneven and the sense of mission weak. This has to be addressed if rural lending is to be stepped up. (Para 6.38)
23. The Government of India stipulation for a compulsory rural posting may be done away with and posting of staff to rural centres should be based on institutional needs to be decided by the management of banks. (Para 6.40)
24. The performance appraisal system in vogue in commercial banks for rural branches should be revamped with a substantially reduced weightage for deposit mobilization. The appropriate indicators for performance measurement should be increase in outreach, measured by the number of new clients, volume of lending, assessed on the basis of incremental increase in the flow of credit and loan recovery as indicated by the volume of cash recoveries. The procedure outlined in paragraph 6.42 may be adopted to operationalise the recommendation. (Paras 6.41 & 6.42)
25. To bring about the desired behavioural change in rural lending and to strengthen the sense of mission of bank staff, a package of incentives encompassing foreign exposure, training in prestigious institutions within the country, weightage in promotion, posting to centre of choice, improvement in accommodation and educational facilities and corporate recognition of outstanding performance is recommended. These incentives are indicative and banks may evolve their own schemes for improving the morale of rural branch managers. (Para 6.43)

26. Bank Training institutions need to design fresh interventions shifting their focus from the present activity specific/project based training programmes to those emphasising borrower appraisal including techniques for assessing the needs of the rural household in a holistic way vis-à-vis a vis-à-vis the income stream/repayment capacity. (Para 6.44)
27. On the job exposure should be made a major training vehicle for new staff duly supplemented by formal training. The approach of Grameen Bank in making the trainees internalise the bank's philosophy of rural lending and poverty alleviation may be adopted with appropriate modifications to suit the Indian context. (Para 6.45)
28. The non-farm sector has a large unutilised credit absorptive capacity. Rural households generally pursue a number of activities, both agricultural and non-agricultural, for supplementing their cash flows. These activities have modest working capital requirements and banks should design specific loan products for such activities by providing loans for short period upto three months, initially with weekly or fortnightly repayments. At the end of the period repeat loans for higher amounts and for longer periods could be offered depending on the repayment behaviour with inbuilt incentives by way of interest rebate on prompt payment. (Paras 6.47 & 6.48)
29. Self Help Groups have proved effective intermediaries for the transmission of bank loans. Banks should give wide publicity to their preference for financing SHGs, sensitize regional heads and branch managers to the potential for good lending through this route, and provide training to branch managers in assessing the potential of SHGs and simplification of documents. (Para 6.49 to 6.52)
30. The Reserve Bank of India may direct banks to adopt the model set of documents prescribed by the Working Group on Non-Governmental Organisations and SHGs set up RBI in 1994 pertaining to agreements between members, loan formats, application forms, etc. (Para 6.53)
31. Upgradation of infrastructural facilities especially village market yards, rural roads and stable power supply will go a long way in expanding credit flow to the rural sector. The responsibility for maintaining public sector

- infrastructure should, where possible, be entrusted to local initiative. (Para 6.54)
32. The efficacy of credit depends on the extent and quality of integration between infrastructural facilities, technological innovations, research and extension support. Linkages should be forged and strengthened between extension worker, faculty of agricultural colleges, branch managers and Government departments at the local level through the various district fora. (Para 6.55)
 33. There is a need for branch managers to have a broad knowledge of agriculture and related activities. At many places, farmers are confused about the type of inputs to be used for crops and can be misled by input dealers/other suppliers. Banks should work out a system by which, information regarding the package of recommended practices for the cultivation of crops specific to their areas is disseminated on a regular basis. (Para 6.56)
 34. There should be greater involvement of panchayats in agricultural extension including provision of training facilities to volunteers and creation of user groups of farmers for acting as nodes for technology transfer. Wherever possible rural branches should link up their activities with Farmer's Club initiated by NABARD. (Para 6.57)
 35. Corporate offices of banks may quickly undertake a review of the functioning of their Hi-tech branches, especially to identify those which are not working well due to inadequate expertise and /or lack of demand. The Hi-tech branches of banks should also be used to disseminated information relating to agricultural operations and specifically for providing technical information regarding cultivation of high value crops. (Para 6.58)
 36. The rescheduling of a loan instalment during times of natural calamities specifically in regard to a term loan should be based on the bank's assessment and should not inhibit the bank from extending short-term production credit to the farmer. (Para 6.59)
 37. In case of production credit, especially for farmers cultivating high value cash crops, a savings component should be built into the loan product to

provide cushion during times of distress. The saving loan linkage should be encouraged by offering a finer rate on the loan. (Para 6.60)

38. Timeliness and adequacy of credit are critical to increasing the credit flow to agriculture. Small loans involve higher transaction and administrative costs. As a result, managers tend to look for larger loans where interest rates are deregulated, while banks seek to equalise the price differential by cross subsidisation. In effect therefore, regulated rates of interest operate as a barrier to the sanction of small loans. As had already been done in the case of co-operatives and RRBs, commercial banks should be free to fix the rates of interest for loans of all amounts. (Para 7.04)
39. The issue of subsidy linked loan programmes was examined by the Committee and it was observed that the loan portfolios of banks linked to subsidy were usually sub-standard with recoveries below 30 per cent while in regard to loans sanctioned according to the business judgement of bankers recoveries were excellent. In the implementation of subsidy linked credit schemes, emphasis usually was on achievement of targets and the quality of lending as well as impact of such schemes was very poor. A thorough review of existing systems is recommended as subsidy linked lending has proved unsuccessful and needs to be replaced by an alternative method. The committee believes that the rural poor are viable and borrowers can be directly targeted by commercial banks through NGO/SHG intermediation coupled with extended micro credit working capital facilities to the non farm sector. There is adequate experience in India, as well as internationally that such lending can be done profitably on a large scale, given certain pre-conditions such as customer sensitive loan products, appraisal of projects consistent with assessment of borrowers, full discretion in selection therefore, improved methods of working and better follow-up after loan sanction. Bankers should be able to increase the access of credit to the poor consistent with productivity without dependence on subsidy. (Paras 7.06 to 7.10)
40. With the progressive decrease in reserve requirements from 63 per cent to 39 per cent over the last five years, the lendable resources of banks have increased from 37 per cent to 61 per cent. The base in relation to which the target of 18 per cent for agricultural lending is fixed has thus doubled

apart from the normal increase in such base. In order, therefore, to achieve the 18 per cent target banks have had to more than double their lending to agriculture during a period when agricultural production itself was growing at 2.1 per per annum. Furthermore, the adherence to the target for agricultural lending is calculated with reference to outstandings which decreases as a result of improved recoveries and when write-offs take place. Drawing conclusions on the flow of credit to agriculture only on this basis is somewhat misleading and unrealistic. The target for agricultural lending should instead be based on the flow of credit through preparation of Special Agricultural Credit Plans (SACPs), the objective of which should be to accelerate the flow as well as to substantially improve the quality of lending. The RBI may indicate annually the expected increase in the flow of credit over the previous year on the basis of which SACPs would be prepared. Once the system is in place the 18 per cent target would cease to have much relevance. (Paras 7.12 & 7.13)

41. There should be a substantial modification of the Service Area Approach (SAA) so as to provide borrowers a choice of banks as well as bankers a larger area of operation. Specifically, borrowers should be free to approach any branch of a commercial banks for credit and it would be for the latter to determine whether or no to do business with the borrower. Banks should be free to operate outside their service area and the responsibility of a particular branch for the credit requirements for a specific village should continue to be made in such a manner that every village is linked to a bank branch for its credit needs. Subject to the limitation above, changes in service area where necessary should be decided through mutual consultations amongst banks at the local level and RBI approval dispensed with. (Para 7.16)
42. The agenda for discussions at the various fora created under the Service Area Approach viz. BLBC, DCC and the SLBC should be radically changed. There should be a shift from discussion on service area plans and allocation of targets to providing a forum for greater dialogue between banks and government agencies on matters concerning area development, implementation of new schemes, impact evaluation of technology

absorption, identification of fresh schemes for credit dispensation. (Para 7.17)

43. About 20 per cent of lands cultivated at present are by oral tenants. If such tenants are brought within the purview of the banking system, there would be overall gains in income for the tenant farmers and agricultural productivity. A review of Land Tenancy Acts may be undertaken so as to permit renting of land without the owner losing property rights. (Para 7.18)

APPENDIX – II
RESERVE BANK OF INDIA
Rural Planning & Credit Department
CENTRAL OFFICE
Central Office Building, 13th Floor
Fort, Mumbai-400 001

August 5 1998

All Scheduled Commercial Banks
(excluding RRBs)

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.

Please acknowledge receipt.

Sd/-

Yours faithfully

(R.M. Joshi)

General Manager

Encl.: As above



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

Ref No. NB. PCD (OPR)/ 794 /A-137(Spl)/98-99

Circular No. 15/98-99

14 August 1998

23 Sravana 1920(S)

1. The Managing Director

All State Co-operative Banks

2. The Chairman

All Regional Rural Banks

Dear Sir,

Model Kisan Credit Card Scheme

1. As you are aware, the Hon'ble Union Finance Minister in his Budget Speech for the year 1998-99, had announced that NABARD would formulate a model scheme for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks «o that the farmers may use them to readily purchase agricultural inputs such u seeds, fertilizers, pesticides, etc. and draw cash for their production needs.
2. Accordingly, NABARD has formulated a model Kisan Credit Card Scheme in consultation with major banks. The Scheme has since been approved by RBI and suitable instructions for introduction of the Scheme have already been issued by it to all Scheduled Commercial Banks. A copy of the model scheme is enclosed.
3. We shall be glad if you will please introduce a suitable Kisan Credit Card Scheme in your State/Union Territory/area of operation on the lines of the model scheme at an early date. SCBs may please advise DCCBs suitably in

this regard Action taken for introduction of the scheme may be communicated along with a copy of your scheme to our Regional Office concerned under advice to us.

4. Please acknowledge receipt.

Yours faithfully

(G. K. Agrawal)

Chief General Manager

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

- (i) The credit extended under the KCC Scheme would be in the nature of a revolving cash credit and provide for any number of draws 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.
- (ii) 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.
- (iii) 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.
- (iv) 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

- (i) The credit card should normally be valid for 3 years subject to an annual review.
- (ii) 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.
- (iii) The aggregate credits into the account during the 12 month period should at least be equal to the maximum outstanding in the account.
- (iv) No drawl in the account should remain outstanding for more than 12 months.
- (v) When the bank has granted extension and/or reschedulement 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.
- (vi) 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

- (i) 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.
- (ii) 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.

- (iii) (a) 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.
- (b) 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.
- (c) 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.

or

(b) The outstanding remains continuously in excess of the limit for two crop seasons as on the date of balance sheet

or

(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.



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

Ref. No. NB.PCD(OPR)/ 985 /A.137(Spl)/98-99

Circular No. NB.PCD/18 /98-99

08 September 1998

The Chief Secretary
Government of
(All States and Union Territories)

Dear Sir

Kisan Credit Card Scheme

1. As you may be aware, the Hon'ble Union Finance Minister had during the course of his budget speech for the year 1998-99, announced that NABARD would be formulating a Kisan Credit Card Scheme for uniform adoption by banks so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilisers, pesticides, etc. and draw cash for their production needs.
2. Accordingly, we had formulated a Draft Model Scheme in consultation with major banks. The Model Scheme has since been approved by RBI. A copy each of the model scheme, RBI circular letter dated 5 August 1998 issued to commercial banks and our circular letter dated 14 August 1998 issued to SCBs and RRBs for introduction of the scheme is enclosed for your information. We do hope that the introduction of the scheme of Kisan Credit Card on the lines of the model scheme by banks will go a long way in improving the flow of credit to farmers in your State/Union Territory.

3. With a view to creating adequate awareness about the Scheme, RBI has been requested by us to issue suitable instructions to the Convenors of SLBCs for organising state-level meetings to be attended by Senior bankers, State Govt. officials, Progressive farmers etc. for explaining the salient features of the Scheme and introduction thereof by the banks. The Lead banks in select districts/divisions may also be organising similar meetings at the district level. You may kindly consider issuing suitable instructions to the concerned departments of the State Government to actively associate in such meetings as and when convened and extend such support and assistance as may be needed for introduction and implementation of the Scheme by the banks, particularly, the cooperative banks in the state.
4. Please acknowledge receipt.

Yours faithfully

Sd/-

(S. B. Sharma)

Executive Director

Encl: As above



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

Ref.No. NB.PCD(OPR)/662/A.137(Spll)1999-2000

Circular No.NB.PCD/08/1999-2000

2 May 1999

The Managing Director
All State Co-operative Banks

Dear Sir

Financing of Seasonal Agricultural Operations (SAO) under Kisan Credit

Card Scheme-Operational norms for refinance Support from NABARD

1. As you are aware, NABARD provides short-term refinance to State Co-operative Banks (SCBs) on behalf District Central Co-operative Banks (DCCBs) under Section 21(l)(i) of the NABARD Act, 1981 against their financing of Seasonal Agricultural Operations (SAO) by way of loans and cash credit. With the introduction of Kisan credit Card Scheme (circulated vide our circular letter No.NB.PCD(OPR)/794/A.137(SPL)/98-99 dated 14 August 1998) the production credit for SAO disbursed by SCBs/DCCBs under the Scheme would also be eligible for refinance support from NABARD. In this connection, we advise that since the operations under the KCC Scheme are envisaged to be in the nature of cash credit, the instructions on computation of Demand, Collection and Balance (DCB) position, maintenance or Non-overdue Cover (NODC), financing of small/marginal farmers, etc, conveyed in our circular letter No. NB. PCD. (OPR)/5980/A.135/90-91 dated 17 Dec. 1990 will also be *mutatis mutandis*, applicable for advances made under the KCC Scheme.

2. Keeping in view, however, certain special features of the KCC Scheme, the operational norms for availment of refinance for SAO loans under the Scheme from NABARD have been finalised and are detailed in the following paragraphs.

Maintenance of separate accounts for SAO under KCC Scheme

3. Although under the KCC Scheme, production credit for SAO advances for allied activities, non-farm activities and consumption purposes can be covered, only the production credit for SAO is eligible for refinance from NABARD under the ST(SAO) credit limits. As such, the Banks will be required to maintain separate details of sanctions and accounts for operations on credit limits for SAO purposes under the KCC Scheme so as to facilitate submission of drawl applications for obtaining refinance from NABARD in respect of eligible loans and reporting such loans in the monthly NODC statements for ST (SAO) loans and advances. It may be clarified here that the short-term loans outstanding for financing ancillary activities relating to crop production such as maintenance of agricultural machinery/implements, electricity charges etc. under the KCC Scheme are also eligible for refinance from NABARD under ST(SAO) credit limits.

Computation of Demand, Collection and Balance (DCB) position

4. The maximum outstanding under ST(SAO) loans in the KCC accounts reached during the year (July-June) may be treated as demand, and the outstanding in the unrenewed KCC accounts may be reckoned as overdues. The percentage of overdues to demand may be calculated accordingly. In this connection, it is clarified that for the purpose of renewal of accounts, as stipulated under para 7 of the KCC scheme, the aggregate credits into the account during the 12 months period should at least be equal to the maximum outstanding in the account and no drawl in the account should remain outstanding for more than 12 months.

Maintenance of Non Overdue Cover (NODC)

5. The outstanding in the KCC accounts against PACS for financing SAO excluding the amount outstanding under the unrenewed KCC accounts will be reckoned as NODC for the purpose of borrowings from NABARD. Thus, for the purpose of working out the aggregate NODC for borrowings from NABARD for SAO, the non-overdue short-term agricultural loans outstanding under the normal loan accounts plus the non-over due outstandings under the normal cash credit accounts and those under the KCC Scheme against PACS will constitute the NODC. The revised format of NODC statement incorporating advances under KCC Scheme is enclosed.

Seasonality discipline

6. As per the existing norms, the co-operative banks are expected to follow seasonality in lending and recovery. Further, the draws under ST (SAO) credit limits from 01 April and 01 July are allowed by NABARD subject to DCCB's recovering certain percentage of demand by 31 March and 30 June respectively and passing on the same to the higher financing agencies. The KCC Scheme, however, provides flexibility and discretion to the farmers in the matter of both draws and repayments and the minimal recovery aspect is taken care of by the stipulations in regard to repayments for the purpose of renewal of the KCC limits as mentioned in paragraph 4 above. In view of this, it has been decided not to insist, for the present, on compliance with the seasonality discipline in respect of KCC accounts for the purpose of allowing draws on the ST (SAO) credit limits. However, such seasonality discipline will have to be observed, as hitherto, in respect of the normal loaning.

Financing of Small Farmers(SF)/Marginal Farmers(MF)

7. For the purpose of compliance with the condition in regard to financing of SF/MF, the maximum outstanding under production credit for SAO reached in the KCC accounts of such farmers during the year (April-March) would be reckoned as loans issued to SF/MF. Thus, for the purpose of compliance with

the stipulation in regard to coverage of SF/MF, the aggregate of maximum outstanding in the KCC accounts of SF/MF as well as normal cash credit accounts together with the aggregate of crop loans issued to SF/MF under the normal loaning system, worked out as percentage to the maximum outstanding reached under all KCC (including normal Cash Credit) accounts and the total ST(SAO) loans issued during the year (April-March) will be reckoned.

8. It is reiterated that KCC Scheme only seeks to simplify the disbursement procedure in respect of crop loans and the various disciplines and guidelines prescribed under the crop loan system and the terms and conditions under the ST (SAO) credit limits, subject to above mentioned modifications, would have to be followed by banks.
9. We shall be glad, if you will please initiate necessary action as envisaged above and also advise the DCCBs in your State suitably in the matter.
10. Please acknowledge receipt.

Yours faithfully

Sd/-

(G.K. Agrawal)

Chief General Manager

Encl: Revised NODC formats (2 sheets)



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

Ref. No. NB. PCD (OPR)/H 259 /A. 137(Spl.)/1999-2000

Circular No. NB. PCD/06/1999-2000

26 May 1999

The Chairman
All Regional Rural Banks

Dear Sir

Implementation and monitoring of Kisan Credit Card Scheme

1. A reference is invited to our circular letter No.NB.PCD(OPR)/794/A.137(Spl.)/98-99 dated 14 August 1998, enclosing therewith a Model Kisan Credit Card (KCC) Scheme for introduction by RRBs. As you are aware, the Government of India is attaching considerable importance to introduction of Kisan Credit Card Scheme by banks at the earliest, so as to enable the farmers to meet their production credit requirements in a cost effective and flexible manner. In this context, the Hon'ble Union Finance Minister during his Budget Speech for 1999-2000, had indicated that the coverage of KCC Scheme will be expanded to 20 lakh farmers during 1999-2000.
2. You will please agree that keeping in view the wide network of branches and the role of RRBs in purveying agricultural credit, there is an imperative need to take urgent steps for introduction of the Scheme, and wherever the Scheme has been introduced, for enhancing the coverage of beneficiaries under the Scheme. We had also requested your sponsor bank

vide our circular letter No.NB.PCD(OPR)/H-858/A.137(Spl.)/98-99 dated 29 August 1998 to extend necessary guidance in this regard. As the lending for Kharif 1999 season would be commencing shortly, you are requested to bestow your personal attention to ensure speedier implementation as well as expanding the coverage of beneficiaries under the Scheme, which will go a long way in improving the credit flow for achieving the food grain production target of 210 million tonnes fixed by Govt. of India for the year 1999-2000.

3. In order to enable us to monitor the implementation of the Scheme by RRBs and apprise the Govt. of India (Ministry of Finance)/RBI of the progress thereunder at regular periodical intervals, we have prescribed monthly and quarterly reporting formats which you would have received from our concerned Regional Office. The copies thereof are again forwarded herewith for your ready reference and use. It is presumed that a suitable mechanism for receipt of timely reports from your branches, and monitoring the progress under the Scheme has been evolved. We request you to kindly ensure that both monthly and quarterly progress reports, as per the prescribed formats, reach our Regional Office within the stipulated time frame. The progress in the implementation of the Scheme may also be reviewed in your Board meetings.
4. Please acknowledge receipt of this letter to our Regional Office.

Yours faithfully

Sd/-

(G. K. Agrawal)

Chief General Manager

End : As above

PROGRESS UNDER KCC SCHEME

QUARTERLY REPORTING FORMAT

Progress Report for the quarter ended

Name of the State : _____

Name of the Bank : _____ Bank

(Rs. in lakhs)

Sr. No	Name of District	No. of branches	Number of implementing branches	Number of Kisan Credit Cards issued			Aggregate credit limits sanctioned		
				SF/MF	Others	Total	SF/MF	Others	Total
1	2	3	4	5	6	7	8	9	10

Total advances during the quarter			Advances outstanding at the end of the quarter			Unrenewed cash credits					
SF/MF	Others	Total	SF/MF	Others	Total	SF/MF		Others		Total	
						No.	Amt.	No.	Amt.	No.	Amt.
11	12	13	14	15	16	17	18	19	20	21	22

N.B. To be furnished on a quarterly basis by the reporting bank to the concerned Regional Office of NABARD by 10th of the month following the quarter to which it relates.

**PROGRESS UNDER KCC SCHEME-MONTHLY
REPORTING FORMAT**

(Rs. In lakhs)

Name of the Bank	No. of KCC Cards issued till the month of	Aggregate credit limits sanctioned as on	Balance outstanding as on _____

Note:

The monthly progress report must reach concerned Regional Office of NABARD by 5th of the succeeding month.



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

Ref.No. NB.PCD(OPR)/H525/A.137(Spl.)/1999-2000
Circular No.NB.PCD/23/1999-2000
2 August 1999

**The Chairman
All Regional Rural Banks**

Dear Sir

**Coverage of crop loans disbursed under Kisan Credit Card (KCC)
Scheme under the Comprehensive Crop Insurance Scheme (CCIS)**

1. Please refer to our circular letter No. NB.PCD(OPR)/662A/A.137(Spl)/1999-2000 dated 26 May 1999 on the operational norms and guidelines for seeking refinance support from NABARD for financing of Seasonal Agricultural Operations (SAO) under Kisan Credit Card (KCC) Scheme. The issue of coverage of such crop loans disbursed under the KCC Scheme under the Comprehensive Crop Insurance Scheme (CCIS) was taken up by us with the General Insurance Corporation of India (GIC). We are glad to advise you that the GIC has since agreed to extend the coverage of CCIS to the crop loans disbursed under the KCC Scheme as well. GIC has also indicated that all back up records/registers that are maintained in respect of coverage of insurance of crop loans under SAO will be required to be maintained in respect of such loans issued under the KCC Scheme also. Further, for loans given under KCC Scheme, banks should pass on the premia to GIC as well as claims settled by GIC to the concerned farmers promptly. Accordingly GIC has, vide their letter dated 12 May 1999 (copy enclosed) advised all their State Level Crop Insurance Cells suitably in the matter.
2. We shall be glad if you will please advise your controlling offices/branches suitably in the matter under advice to our Regional Office.
3. Please acknowledge receipt.

-sd/-

Yours sincerely

(G.K. Agarwal)
Chief General Manager

Encl: 1

Copy

May-17-99 FRI 10 : 46 GIC DELHI

General Insurance Corporation of India

May 12,1999

Officer Incharge - GIC State Level Crop Ins. Cell

Dear Sir

**Re: Coverage of crop loans disbursed under
Kisan Credit Card (KCC) under CCIS**

This is further to our letter dated 19.3.1999 on the captioned subject along with a copy of letter dated 09.3.1999 of NABARD. As mentioned in the letter that all back up records/registers relating to compliance with CCIS as hitherto will continue to be maintained for SAO loans disbursed under KCC also. You are advised to issue instructions to banks and other agencies who are providing crop loans to farmers that crop loan provided under Kisan Credit Card will also be covered under CCIS and they will have to continue to collect and remit premium to GIC as well as claims settled by GIC to concerned farmers promptly.

Thanking you,

Sd/-

Yours faithfully

(B.M. Sharma)

Dy. Manager



**NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT**

Ref.No. NB.PCD(OPR)/ H 523/A.137(Spl.)/1999-2000
Circular No.NB.PCD/ 22/1999-2000
2 August 1999

**The Managing Director
All State Co-operative Banks**

Dear Sir

**Coverage of crop loans disbursed under Kisan Credit Card (KCC)
Scheme under the Comprehensive Crop Insurance Scheme (CCIS)**

1. Please refer to our circular letter No. NB.PCD(OPR)/662/A.137(Spl.)/1999-2000 dated 26 May 1999 on the operational norms and guidelines for seeking refinance support from NABARD for financing Seasonal Agricultural Operations (SAO) under Kisan Credit Card (KCC) Scheme. The issue of coverage of such crop loans disbursed under the KCC Scheme under the Comprehensive Crop Insurance Scheme (CCIS) was taken up by us with the General Insurance Corporation of India (GIC). We are glad to advise you that the GIC has since agreed to extend the coverage of CCIS to the crop loans disbursed under the KCC Scheme as well. GIC has also indicated that all back up records/registers that are maintained in respect of coverage of insurance of crop loans under SAO will be required to be maintained in respect of such loans issued under the KCC Scheme also. Further, for loans given under KCC Scheme, banks should pass on the premia to GIC as well as claims settled by GIC to the concerned farmers promptly. Accordingly, GIC has vide their letter dated 12 May 1999 (copy enclosed) advised all their State Level Crop Insurance Cells suitably in the matter.
2. We shall be glad if you will please advise DCCBs / your branches suitably in the matter under advice to our Regional Office.
3. Please acknowledge receipt.

Yours sincerely
Sd/-
(G.K. Agrawal)
Chief General Manager

Encl: 1

Copy

May-17-99 FRI 10 : 46 GIC DELHI
General Insurance Corporation of India
May 12.1999

Officer Incharge - GIC State Level Crop Ins. Cell

Dear Sir,

**Re: Coverage of crop loans disbursed under
Kisan Credit Card (KCC) under CCIS**

This is further to our letter dated 19.3.1999 on the captioned subject along with a copy of letter dated 09.3.1999 of NABARD. As mentioned in the letter that all back up records/registers relating to compliance with CCIS as hitherto will continue to be maintained for SAO loans disbursed under KCC also. You are advised to issue instructions to banks and other agencies who are providing crop loans to farmers that crop loan provided under Kisan Credit Card will also be covered under CCIS and they will have to continue to collect and remit premium to GIC as well as claims settled by GIC to concerned farmers promptly.

Thanking you,

Yours faithfully

Sd/-

(B.M. Sharma)

Dy. Manager



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

Ref. No.NB.PCD(OPR)/ 336 /A.137(SpI.) /2000-2001

Circular No. 03 /2000-2001

03 May 2000

**The Managing Director
All State Cooperative Banks**

**The Chairman
All Regional Rural Banks**

Dear Sir,

Kisan Credit Card Scheme - Modifications

1. Please refer to our circular letter No.NB.PCD(OPR)/794/A.137(Spl.)/98-99 dated 14 August 1998 forwarding therewith a Model Kisan Credit Card Scheme with a request to introduce a suitable KCC Scheme in your area of operation. Operational guidelines were issued to SCBs and RRBs vide our circular letter Nos. NB.PCD(OPR)/662 & 662A/A.137(Spl)/1999-2000 respectively both dated 26 May 1999. Since then the Scheme has made rapid strides and has been successfully operationalized in several States. More than 50 lakh cards have been issued by banks till 31 March 2000 by all agencies of which 37.50 lakh and 1.80 lakh cards/cards-cum-passbooks have been issued by cooperative banks and RRBs respectively.
2. Following the Hon'ble Finance Ministers Budget announcement for issue of additional 75 lakh Kisan Credit Cards by banks during the year 2000-2001. We have already communicated state-wise targets both for co-operatives (45 lakh cards) and RRBs (5 lakh cards) to be issued additionally by them and the bank-wise targets would be finalised and communicated by our RO concerned to them shortly. The banks are requested to take necessary steps to ensure that the targets given to them for issue of additional cards are achieved.
3. In some of the form and discussions, certain operational issues have also been raised viz., removal of the minimum floor limit of Rs. 5000/- suggested under the model scheme as eligibility for issue of Kisan Credit Cards and also coverage of medium/long term investment credit under the scheme so as to improve the coverage of rural borrowers and have synergic impact at the level of the farmers. These issues have been examined by us in consultation with RBI and we have to advise as under :-

- (i) It has since been decided to dispense with the floor limit for issue of the Kisan Credit Cards and banks at their discretion may issue Kisan Credit Cards for any amount below Rs-5000/- also, keeping in view their operational convenience.
 - (ii) As regards the feasibility of inclusion of medium and long term investment credit component in the credit limit fixed under the Kisan Credit Cards, we clarify as under:
 - a. Unlike production credit, disbursement under term loan is by and large, made in one or more instalments depending upon the type of assets purchased and repayment period in these cases is fixed depending upon the surplus generated by the investments and useful life of the assets. Hence there is little scope for frequent transactions justifying the inclusion of term loan component in the credit limit fixed under the Kisan Credit Cards.
 - b. There are also other aspects such as provision of margin money, variations in repayment period, validity of the credit card, collateral and documentation requirements, etc. in respect of term loans which may be difficult to be dovetailed into the mechanism of cash credit facility which KCC basically seeks to provide. If term loan is to be covered, (the card holder may have to be required to offer mortgage/collateral to the banks, which may be cumbersome and delaying the whole process.
 - c. Moreover, the quantum involved in the acquisition of agricultural assets through term loans could be quite substantial which may require critical appraisal. It may also not provide any tangible benefit to the borrowers since it is one time sanction and disbursed in instalments.
 - (iii) In view of the above, both RBI and NABARD are of the view that it may neither be desirable nor feasible to include term (investment) loan component under the KCC Scheme.
4. The contents of this circular letter may please be brought suitably to the notice of DCCBs (by SCBs) and your controlling offices and branches.
5. Kindly acknowledge receipt.

Yours faithfully

Sd/-

(G. K. Agrawal)

Chief General Manager

APPENDIX-III

Details of Farmers interviewed during Field Visit

A. State – Uttar Pradesh

District – Aligarh

(Amt. in Rs.)

Sl. No.	Bank/Branch	Name of the Farmer	Land Holding (Acre)	Date/Year of issue of KCC	Limit sanctioned
1	Aligarh Gramin Bank, Iglas Branch	Ravindra Singh	28	4.11.2000	225000
		Rampal Singh	31	31.10.2000	300000
		Mukhtar Singh	7	16.10.1999	22000
		Srinibas Pathak	7	24.2.2000	45000
		Rajendra Singh	25	7.11.2000	400000
	Gomat Branch	Pappu Singh	8	21.12.2000	134000
		Komal Prashad	9	10.3.2000	45000
		Mahendra Pal	1.79	4.5.2000	31875
		Bachhu Singh	15	28.12.1999	45000
	Dadon Branch	Nathu Singh	5	23.2.2000	10000
		Prem Pal	1	8.1.2001	9000
		Nanda Ram	16	5.11.1999	45000
		Prempal Singh	5	2.2.2000	20000
		Mukesh Kumar	4.5	26.2.2000	25000
2	Canara Bank, Akrabad Branch	Yogesh Pal Singh	7	13.1.2000	12000
		Hori Singh	5	31.12.2000	25000
		Bas Dev	26	31.12.1999	20000
		Vinod Kumar	3.5	13.12.1999	8000
		Net Ram	7	27.1.2000	30000
	Gonda Branch	Onkar Singh	11	15.10.1999	25000
		Sukh Pal Singh	5	20.10.2000	45000
		Brijpal Singh	4	16.10.2000	45000
		Kadher Singh	10	13.10.2000	45000
		Vijay Pal Singh	5	4.10.2000	45000

B. State – Maharashtra**District – Solapur**

(Amt. in Rs)

Sl. No.	Bank/Branch	Name of the Farmer	Land Holding (Acre)	Date/Year of issue of KCC	Limit sanctioned
1	Solapur DCC Valsang Branch	B. I. Nerke	25.23	7.11.1999	25000
		B. A. Kinagi	26.36	27.6.2000	19500
		B. S. Kore	19.00	9.7.1999	64000
		S. R. Thulenge	3.35	15.5.1999	21000
		N. Y. Patil	16.00	15.5.1999	45250
		M. R. Kalshetty	23.52	24.2.1999	53000
		K. J. Bolure	4.08	22.4.1999	19000
		M. K. Bolure	6.18	17.5.1999	25000
		C. R. Hiremath	20.35	17.6.1999	34000
		S. R. Haujge	34.46	4.6.1999	76000
		S.H.Sutar	5.22	19.6.1999	29000
		R. S. Hiroli	20.02	2.7.1999	32400
		S. B. Kinnagi	7.04	2.7.1999	7500
	Akkalkot Branch	S. G. Umbranikar	3.13	15.6.1999	10800
		S. K. Hadlagi	8.04	9.6.1999	9200
		Madalappa	3.20	29.5.2000	34500
		Gurunath	4.35	28.3.2000	46000
		D. Mahadappa	7.00	15.5.2000	21000
		Shivaraya	12.24	28.3.2000	101500
		Shivarudra	12.36	22.6.2000	94000
		Sharanappa	8.60	17.4.2000	84500
		Ganapati	14.25	13.6.2000	75500
		U. A. Futane	6.00	8.6.2000	54500

Sl. No.	Bank/Branch	Name of the Farmer	Land Holding (Acre)	Date/Year of issue of KCC	Limit sanctioned
2	Bank of India Kandalgaon Branch	B. R. Karpe	15.00	25.1.1999	95000
		K. D. Beldar	12.00	11.1.1999	50000
		A.B. Kole	15.00	19.6.1999	125000
		A. N. Mahimkar	90.00	8.5.1999	100000
		A.H. Autrolikar	20.00	11.5.1999	100000
		M. L. Madre	22.00	6.5.1999	80000
		N. I. Shaikh	9.00	13.3.1999	25000
3	State Bank of India, Nannaj Branch	S. R. Kulkarni	10.00	3.7.2000	240000
		A. V. Kale	30.00	21.10.1999	125000

C. State – Bihar District – Vaishali

(Amt. in Rs)

Sl. No.	Bank/Branch	Name of the Farmer	Land Holding (Acre)	Date/Year of issue of KCC	Limit sanctioned
1	Vaishali RRB Lalganj Branch	Sunil Kumar	3.70	27.6.2000	25000
		Krishnakant Singh	4.23	27.6.2000	25000
		Shrikant Bhagat	3.15	27.6.2000	25000
		Jawahar Singh	3.26	27.6.2000	25000
		Vidyasagar Tripathy	3.81	1.9.2000	25000
		Ganesh Kumar Srivastav	0.90	9.6.2000	25000
		Surendra Rai	5.64	17.6.2000	25000
	Hajipur Branch	Amir Kumar Singh	2.00	12.9.2000	25000
		Sanjay Kumar	3.50	25.10.2000	25000
		Anil Kumar Singh	1.50	5.9.2000	25000
	Bank of Baroda Hajipur	Vinay Kumar Singh	3.41	27.11.1998	25000
		Umesh Pal Singh	2.58	27.11.1998	25000
		Viswanath Singh	13.00	27.11.1998	100000
		Sanjiv Kumar Singh	8.46	11.10.1999	80000
	State Bank of India, Hajipur	Dinesh Kumar Singh	4.00	22.8.2000	15000
		Dharamnath Rai	8.00	11.1.2000	25000

D. State - Rajasthan**District - Chittorgarh**

(Amt. in Rs)

Sl. No.	Bank/Branch	Name of the Farmer	Land Holding (Acre)	Date/Year of issue of KCC	Limit sanctioned
1.	Chittorgarh DCCB, Nimbhera Branch	Amanullah Khan	2.5.00	1.4.1999	4100
		Bhera Lal	3.80	1.4.1999	9600
		Dhanraj Dangi	6.25	1.4.1999	13500
		Ratan Lal	3.80	16.6.1999	9600
		Mangui Ram	6.25	1.4.1999	16000
		Gashi	7.50	1.4.2000	26000
		Chhagan Lal	5.00	1.4.1999	12800
2.	Bassi Branch	Udapajja	3.80	1.4.1999	7300
		Mohan Lal	5.00	1.4.1999	18250
		Ganpat	4.10	1.4.1999	13000
		Madan Lal	11.20	1.4.1999	12000
3.	State Bank of Bikaner and Jaipur, Gangrar Branch	Devuju Jath	26.20	20.5.2000	16000
		Amrit Lal	18.00	27.9.2000	20000
		A.K.Devpura	12.30	19.6.2000	80000
		L.N.Purohit	26.20	20.6.2000	80000
		Nabiji Ram	8.60	16.10.1999	20000
		Bhajjan	3.80	16.8.1999	10000

Sl. No.	Bank/Branch	Name of the Farmer	Land Holding (Acre)	Date/Year of issue of KCC	Limit sanctioned
4.	Punjab National Bank, Ghosunda Branch	Rup Lal	15.00	25.1.2000	100000
		Chandra Devi	12.50	5.8.2000	70000
		D.C.Sharma	15.00	1.12.2000	120000
		Udayram Kumbhar	7.00	11.7.2000	30000
		Kaluram Nyati	15.00	8.3.2000	40000
		Ratan Lal Jat	17.40	18.12.2000	150000
		Prithviraj	12.50	15.11.2000	50000
		Mohanlal Kabra	6.30	22.4.2000	50000
		Jagannath	7.50	1.12.2000	30000

E. State – Karnataka

District – Bijapur

(Amt. in Rs)

Sl. No.	Bank/Branch	Name of the Farmer	Land Holding (Acre)	Date/Year of issue of KCC	Limit sanctioned
1	Bijapur Gramin Bank Sarawad Branch	M. G. Tingnaibidan	16.00	1999-2000	40,000
		A. C . Kotyal	3.23	-do-	1,00,000
		P. S. Kotyal	13.00	-do-	75,000
		V. R. Patil	17.00	02-11-99	50,000
		A.S. Lingadalli	95.00	2000-01	1,00,000
		A.S.Kotyal	19.00	-do-	60,000
		S.S. Kotyal	4.20	-do-	24,000
		B.M.Patil	37.00	-do-	50,000
		C.R.Balwagi	6.30	11-10-99	11,000
2	Mulawad	G. Y. Hanchanal	50.00	-do-	1,25,000
		C.S. Songondawar	43.00	14-09-99	2,25,000
		R.A. Nagaral	14.00	21-06-99	1,00,000
		Gangadhar	25.00	11-09-99	30,000
3	Dotagurak	M. Y. Biradar	19.20	22-08-00	75,000
4	Bijapur DCCB K.Salawadgi PACS	I.I. Kori	5.00	01-04-00	28,000
		Shantaveerappa	7.21	-do-	32,000
		S. Somappa	8.25	-do-	34,000
5	Hirepadesalgi PACS	H.R. Gurulingappa	10.24	02-11-99	40,000
		R.E. Kori	7.00	01-04-00	31,600
		M.V. Haridas	9.00	-do-	36,000
		M.Venkatesh	28.21	21-12-99	25,200
		R. K. Uddar	10.00	22-06-99	40,000
6	Hittanahalli PACS	Chandrashekar Chowdhry	8.00	01-04-2000	73,000
		Erappa D. Rampur	11.00	08.08.2000	23,000
7	Kakande PACS	M.V. Haridas	28.00	01-12-98	36,000

F. State – Karnataka**District – Bellary**

(Amt.in Rs.)

Sl. No.	Bank/Branch	Name of the Farmer	Land Holding (Acre)	Date/Year of issue of KCC	Limit sanctioned
1	Tungabhadra Gramin Bank Siddagadda Branch	A. Basavaraju	8.00	2000-01	25,000
		Smt. Y. Nagamma	22.00	-do-	60,000
		S.D. Kalannagowda	22.05	-do-	60,000
		S.D. Siddabasappa	22.10	-do-	60,000
		S. P. Naganna Gowda	40.00	-do-	1,00,000
		M. Siddalingappa	22.30	-do-	60,000
		Smt. Kamakshamma	21.50	-do-	60,000
2	Bellary DCCB Tungabhadra PACS	Bullana Gowda	40.00	2000-01	70,000
		K. Billekallappa	4.00	2000-01	20,000

G. State : Haryana

Dist. Ambala

(Amt. in Rs.)

Sr. No.	Bank/Branch	Name of the farmer	Land holding in Acres	Date of issue of KCC	Limit sanctioned
1.	SBI/Narayangarh ADB	Gurbant Singh	2	June 1999	25,000/-
		Mehma Singh	6.25	18 June 1999	50,000/-
2.	Ambala Kurukshetra Gramin Bank	Amarnath	14	11 Sep. 2000	100000/-
		Balvir Singh	9.5	07 Nov. 2000	100000/-
		Harnam Singh	9	-do-	100000/-
		Roshan Lal	9	15 Feb. 2001	100000/-

H. State : Haryana

Dist. Karnal

(Amt. in Rs.)

Sl. No.	Bank/Branch	Name of the Farmer	Land Holding (Acre)	Date/Year of issue of KCC	Limit sanctioned
1.	State Bank of Patiala, Ranwar	Samsher Singh	12.5	04 May 1999	100000/-
		Jiwanand	12.5	11 Feb 1999	25000/-
		Shisha Singh	25	26 Nov 1999	50000/-
		Brij Pal Shram	15.5	10 Feb 1999	30000/-
		Katar Singh	10	30 Dec 1999	15000/-
		Rajendra K. Kalia	50	09 Dec 1999	70000/-
1.	Karnal DCCB/ Kachhwa PACS	Khushiram	18	10 Nov 2000	60000/-
		Yashpal	10	22 Nov 2000	60000/-
		Satish Kumar	15	08 Jan 2001	60000/-
		Surendra Kumar	10	31 Oct 2000	60000/-
2.	PNB/Charao	Ranvir Singh	40	15 Oct 1999	100000/-
		Jaipal	15	01 Jan 2001	50000/-
		Ramesh Pal	15	07 May 1999	50000/-
		Mahesh Pal	13.5	23 Jan 2000	100000/-

Name of the District- Ludhiana

Name of the Bank- State Bank of India

(Amt. in Rs.)

Bank/ Branch	Name of Farmer	Land Holding in Acres	Date of issue of Card	Limit Sanctioned (Rs.)
SBI/ Jagraon	Bhag Singh	18	11/18/99	50000/-
	Sawan Singh	3	20.11/99	15000/-
	Kartar Singh	7	11/15/99	40000/-
	Sukhdev Singh	25	3/24/00	50000/-
	Amarjit Singh	25	11/20/99	50000/-
	Dalip Singh	20	6/26/00	50000/-
	Harneek Singh	16	12/23/99	50000/-

Name of the District- Ludhiana

Name of the Bank- Punjab & Sindh Bank

(Amt. in Rs.)

Bank/ Branch	Name of Farmer	Acreage	Date of issue of Card	Limit Sanctioned (Rs.)
Punjab & Sindh Bank/ Pakhawal	Gurcharan Singh	15	5/13/00	50000/-
	Kirpal Singh	10	5/12/00	
	Bhaktawar Singh	8	5/13/00	30000/-
	Bant Singh	7	5/5/00	40000/-
	Dayal Singh	11	5/8/00	40000/-
	Jagir Singh	14	5/9/00	25000/-
	Mukhtiar Singh	6	5/8/00	30000/-
	Darshan Singh	30	5/5/00	40000/-
	Amarjeet Singh	10	5/3/00	25000/-
	Harjit Singh	6	5/19/00	30000/-
	Jit Singh	8	5/12/00	30000/-

Name of the District- Patiala

Name of the Bank- State Bank of Patiala

(Amt. in Rs.)

Bank/ Branch	Name of Farmer	Acreage	Date of issue of Card	Limit Sanctioned
State Bank of Patiala/ Bakshiwala	Gurjant Singh	13	5/4/00	85000/-
	Jarnail Singh	10	5/10/00	100000/-
	Pargat Singh	17	8/7/00	90000/-
	Teja Singh	15	5/5/00	90000/-
	Gurmail Singh	11	8/7/00	77000/-

Name of the District- Patiala

Name of the Bank- Malwa Gramin Bank

Bank/Branch	Name of Farmer	Acreage	Date of issue of Card	Limit Sanctioned
Malwa Gr. Bank/ Chauth	Nidhan Singh	14	15/9/00	50000/-
	Gurcharan Singh	40	23/12/99	92000/-
	Balbir Singh	10	14/1/99	50000/-