

# **CROP Loan**

## **1 Introduction**

The Kisan Credit Card (KCC) scheme was introduced in 1998 for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that farmers may use them to readily purchase agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs. The scheme was further extended for the investment credit requirement of farmers viz. allied and nonfarm activities in the year 2004. The scheme was further revisited in 2012 by a working group with a view to simplify the scheme and facilitate issue of Electronic Kisan Credit Cards.

## **2 Applicability of the Scheme**

The Kisan Credit Card Scheme detailed in the ensuing paragraphs is implemented in our bank.

## **3 Objective / Purpose**

The Kisan Credit Card scheme aims at providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers for their cultivation and other needs as indicated below:

- a. To meet the short term credit requirements for cultivation of crops;
- b. Post-harvest expenses;
- c. Produce marketing loan;
- d. Consumption requirements of farmer household;
- e. Working capital for maintenance of farm assets and activities allied to agriculture;
- f. Investment credit requirement for agriculture and allied activities.

**Note:** The aggregate of components 'a' to 'e' above will form the short term credit limit portion and the aggregate of components under 'f' will form the long term credit limit portion.

## **4 Eligibility**

- i. All Farmers – Individuals / Joint borrowers who are owner cultivators
- ii. Tenant Farmers, Oral Lessees & Share Croppers
- iii. SHGs or Joint Liability Groups of Farmers including tenant farmers, share croppers etc.

Oral tenants can be eligible for loan only if land owners agree to become co-borrowers.

In the accounts which are secured by liquid securities like FDR, NSC/KVP, etc., the cards to oral tenants can be issued without stipulating the condition of land owners to be made co-borrowers.

Landless labourers, share croppers, tenant farmers and oral lessees can be issued SUPGB Kisan Card (KCC) upto limit of Rs 50,000/- on the basis of an Affidavit, duly stamped as per the respective State Stamps rules.

Identification of the farmers will be done on the basis of photograph of borrowers along with signatures in case of literate borrowers and in case of illiterate borrowers; he shall be identified by his photo and thumb impressions. He shall put his thumb impressions in the presence of the Incumbent Incharge. Literate farmers will put signatures and illiterate farmers will put thumb

impressions on the card which will be authenticated by the Incumbent Incharge of the branch and the card will be laminated.

### **Staff Members**

After obtaining prior permission of the Head Office, Kisan Credit Card can be issued to the staff members also, provided he/she is a cultivator owner of the requisite land holding and is residing at a place from where he/she can conveniently undertake/supervise all agriculture operations and sanctioning authority is satisfied in this regard.

## **5 Fixation of credit limit / Loan amount**

The credit limit under the Kisan Credit Card may be fixed as under :

### **5.1 All farmers other than marginal farmers\***

#### **5.1.1 The short term limit to be arrived first the first year (For cultivating single crop in a year) :**

Scale of finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated + 10% of limit towards post-harvest/household/consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance and/or accident insurance including PAIS, health insurance & asset insurance.

#### **5.1.2 Limit for second & subsequent year**

First year limit for crop cultivation purpose arrived at as above plus 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year) and estimated term loan component for the tenure of Kisan Credit Card, i.e., five years. **(Illustration I)**

#### **5.1.3 For cultivating more than one crop in a year**

The limit is to be fixed as above depending upon the crops cultivated as per proposed cropping pattern for the first year plus an additional 10% of the limit towards cost escalation / increase in scale of finance for every successive year (2nd, 3rd, 4th and 5th year). It is assumed that the farmer adopts the same cropping pattern for the succeeding four years. In case the cropping pattern adopted by the farmer is changed in the subsequent year, the limit may be reworked. **(Illustration I)**

#### **5.1.4 Term loan for investment**

The term loan for investment is to be made towards land development, minor irrigation, purchase of farm equipment and allied agricultural activities. The bank may fix the quantum of credit for term and working capital limit for agricultural and allied activities, etc., based on the unit cost of the asset/s proposed to be acquired by the farmer, the allied activities already being undertaken on the farm, the bank's judgment on repayment capacity vis-a-vis total loan burden devolving on the farmer, including existing loan obligations.

The long term loan limit should be based on the proposed investment(s) during the five year period and the bank's perception on the repaying capacity of the farmer.

\*Farmers with land holding of upto 1 hectare (Marginal Farmer). Farmers with landholding of more than 1 hectare and upto 2 hectare (Small Farmers)

### **5.1.5 Maximum Permissible Limit**

The short term loan limit arrived for the 5th year plus the estimated long term loan requirement will be the Maximum Permissible Limit (MPL) and is to be treated as the Kisan Credit Card limit.

### **5.1.6 Fixation of Sub-limits**

**i.** Short term loans and term loans are governed by different interest rates. At present, short term crop loans upto Rs 3.00 lakh are covered under Interest Subvention Scheme/Prompt Repayment Incentive scheme of the Government of India<sup>1</sup> Further, repayment schedule and norms are different for short term and term loans. Hence, in order to have operational and accounting convenience, the card limit is to be bifurcated into separate sub-limits for short term cash credit limit cum savings account and term loans.

**ii.** **Drawing limit** for short term cash credit should be fixed based on the cropping pattern. The amount(s) for crop production, repair and maintenance of farm assets and consumption may be allowed to be drawn as per the convenience of the farmer. In case the revision of scale of finance for any year by the district level technical committee exceeds the notional hike of 10% contemplated while fixing the five year limit, a revised drawable limit may be fixed in consultation with the farmer. In case such revisions require the card limit itself to be enhanced (4th or 5th year), the same may be done and the farmer be so advised.

**iii.** For term loans, installments may be allowed to be withdrawn based on the nature of investment and repayment schedule drawn as per the economic life of the proposed investments.. It is to be ensured that at any point of time the total liability should be **within the drawing limit of the concerned year.**

**iv.** Wherever the card limit / liability so arrived warrants additional security, the banks may take suitable collateral as per their policy.

## **5.2 For Marginal Farmers**

A flexible limit of Rs 10,000 to Rs 50,000 may be provided (as Flexi KCC) based on the land holding and crops grown including post-harvest warehouse storage related credit needs and other farm expenses, consumption needs, etc., plus small term loan investment(s) like purchase of farm equipment(s), establishing mini dairy/backyard poultry as per assessment of the Branch Manager without relating it to the value of land. The composite KCC limit is to be fixed for a period of five years on this basis. Wherever higher limit is required due to change in cropping pattern and / or scale of finance, the limit may be arrived at as per the estimation indicated at para 4.1 (**Illustration II**)

<sup>1</sup> please refer to guidelines on interest subvention scheme on crop loans as announced by GOI and issued by NABARD from time to time

## 6 Disbursement

**6.1** The short term component of the KCC limit is in the nature of revolving cash credit facility. There should be no restriction in number of debits and credits. The drawing limit for the current season/year could be allowed to be drawn using any of the following delivery channels.

- I. operation through branch;
- II. operation using cheque facility;
- III. withdrawal through ATM /debit cards
- IV. operation through Business Correspondents and 'banking outlet/part-time banking outlet'
- V. operation through PoS available in Sugar Mills/Contract farming companies, etc., especially for tie-up advances;
- VI. operations through PoS available with input dealers;
- VII. Mobile based transfer transactions at agricultural input dealers and mandies.

**Note :** (vi) & (vii) to be introduced as early as possible so as to reduce transaction costs of both the bank as well as the farmer.

### Safeguards:

1. The production credit / investment credit limit will be as per **Scale of Finance/ Unit cost based on the actual credit need of the farmers.**
2. End use of the funds will be verified by the Incumbent In charge in respect of loan for Investment Purposes and certificate in this regard will be kept on bank's record.
3. The loan above Rs. 1lakh will be secured by collateral security of the value of minimum 100% of the loan for other farmers and 75% of the loan for small and marginal farmers.
4. The limit sanctioned will have a correlation with the total expenditure of the farmer and his income stream from agriculture as well as non agriculture sources on an annual basis.
5. For the sake of simplicity, limit is to be fixed in multiples of Rs.1000/- and principle of round off of multiple fraction may be applied i.e., for less than Rs.500/- and more than Rs.500/-, limit may be fixed on lower slab, and higher slab, respectively. For practical purposes, minimum limit will be Rs.1000/-.
6. Double financing of the activities must be obviated to safeguard Bank's interest.

**6.2** The long term loan for investment purposes may be drawn as per installment fixed.

## 7 Issue of Electronic Kisan Credit Cards

Kindly refer to LA Cir No. 07/2017 Dated 20.03.2017 accordingly all new KCC must be issued as smart card cum debit card as laid down in Part II of the Annex. Further, at the time of renewal of existing KCC; farmers must be issued smartcard cum debit card.

The short term. credit limit and the term loan limit are two distinct components of the aggregate KCC limit bearing different rates of interest and repayment periods. Until a composite card could be issued with appropriate software to separately account transactions in the sub limits, two separate electronic cards may be issued for all new/renewed cards.

## 8 Validity / Renewal

- (i) The card is valid for the period of 5 years, subject to an annual review.
- (ii) The C/C limit shall be reviewed annually to ensure that crops and other sales proceeds are routed through limit account.
- (iii) The review may result in continuation of the facility, enhancement of the limit or cancellation of the limit / withdrawal of the facility, depending upon increase in cropping area / pattern and performance of the borrower.
- (iv) The card will be renewed on merits of the case at least one month before expiry of the current card on a simple hand written request from the cardholder.
- (v) If the renewal is with the same limit, it may be renewed by issuing fresh card along with a sanction letter to the card holder.
- (vi) If there is any variation (enhancement) in the existing limit, fresh documents are to be obtained.
- (vii) Branches will obtain the documents for the full Sanctioned Amount calculated for the 5th years. However, the operative limit may be enhanced every year but no fresh documents are required. **The borrower should be intimated about every successive revision in the operative limit and his consent be also obtained each time.**
- (viii) When the bank has granted extension and/or re-schedulement 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, the aggregate of debits for which extension is granted is to be transferred to a separate term loan account with stipulation for repayment in installments.
- (ix) However, it has been observed that many branches have also reviewed/renewed those KCC accounts which are having o/s balance over and above drawing power at the time of review/renewal and later account becomes NPA.
- (x) As such, account opened under Kisan Credit Card (KCC)/ Kisan Gold Scheme will be reviewed/renewed only when the accounts are within Drawing Power (DP).

## 9 Rate of Interest (ROI) :

**Subject to change as per instructions issued from time to time.** Presently as per L & A circular no.78/2015 dated 02.11.2015 read with subvention schemes of GOI/RBI presently interest rate is 7% p.a. in the regular Crop loan/KCC accounts on running balance outstanding upto Rs. 3 lakh while on the irregular accounts / outstanding beyond Rs. 3 lac, normal rate of interest is to be charged.

### NOTE:

- (i) Both working capital and term loans are to be clubbed together to determine the size of the loan for the purpose of fixing the rate of interest for all agriculture borrowers.
- (ii) Payment of interest should be insisted upon only at the time of repayment of loan installments as fixed.
- (iii) Interest on current dues should not be compounded.

|   |   |
|---|---|
| <b>(iv) Payment of Interest on credit balance in limit to</b> | Branches may pay interest @3.50% per annum (as applicable to Saving Fund Deposits).<br>Other guidelines and procedures as applicable to Saving Fund |
|---|---|

|                 |   |
|-----------------|---|
| <b>farmers:</b> | Accounts for calculation and payment of interest shall be followed. |
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## 10 Repayment Period :

(i) C/C Crop Loan Limit Including Consumption Needs may be repayable in 12/18 months as the case may be as per the anticipated harvesting and marketing period for the crops for which a loan has been granted.

(a) Aggregate credits into the account during 12 months period should at least be equal to the maximum outstanding in the account.

(b) No drawal in the account should remain outstanding for more than 12 months.

(ii) Reducing Term Loan Limit may be repayable with in a period of 5 years depending on the type of activity / investment as per the existing guidelines applicable for investment credit.

**However, in case of term loan for tractor, etc., where repayment period is more than 5 years, the facility may be allowed separately.**

**Note:** To become eligible for the relaxed rate of interest of 7% and for Additional Incentive Subvention under Subvention Scheme of Govt. of India, each debit entry should be adjusted with in a maximum period of 12 months.

## 11 Margin

### Production credit: Nil

For cash credit limit **Borrower's stake** may not be required. Cost of family labour and inputs of the farmer may be treated as borrower's stake.

### Term Loan:

(i) Upto Rs.1 lakh..... Nil

(ii) Above Rs.1 lakh to Rs.2 lakh .....5%

(iii) Above Rs.2 lakh to Rs.5 lakh..... 10%

**Notes:** (i) Where subsidy is available, the same should be treated as margin and no further margin money should be stipulated unless subsidy falls short of requisite margin.

(ii) Labour and materials, etc., contributed by farmer should be treated towards building up of margin.

(iii) Where the scheme has been approved by NABARD, the terms and conditions stipulated by NABARD in respect of margin shall be followed.

(iv) In respect of Govt. sponsored schemes, the margin/security norms shall be as per the respective schemes for agricultural advances or the above mentioned margin, whichever is lower.

## 12 Security

**Subject to change as per instructions issued from time to time.** Presently as per L & A circular no.13/2017 dated 20.04.2017

**I. Limits upto Rs.1,00,000/-: Hypothecation of crops/assets created out of bank loan.**

Branches may not ask for mortgage of land in cases where the amount of loan net of subsidy is upto Rs. 1,00,000/- or subsidy is not received in advance or simultaneously at the time of disbursement of loan. However, in such cases, suitable third party guarantee may be obtained.

## **II. Above Rs.1,00,000/:**

A) Hypothecation of crops and/or assets created out of bank loan.

**And**

B) Charge on land as per Agricultural credit operations and miscellaneous Provisions Act of the State concerned/Mortgage of agricultural land valued at 100% of amount of loan for other farmers and 75% of the loan amount for small farmers/marginal farmers.

**OR**

Alternate security viz. charge/lien over liquid securities such as term deposits/NSC/KVP, etc. which may be considered adequate to cover the 100% of loan amount.

## **13. Other features**

Uniformity is adopted in respect of following:

**13.1** The applicable interest subvention/incentive for prompt repayment as advised by Government of India and/or State Governments. The branches will give adequate publicity of the facility so that maximum farmers may benefit from the scheme.

**13.2** Besides the mandatory crop insurance, the KCC holder should have the option to avail the benefit of any type of asset insurance, accident insurance (including PAIS/ PMSBY refer LA Cir 70/2016 Dated 11.11.2016), health insurance (wherever product is available) and have premium paid through his/her KCC account. Premium has to be borne by the farmer/bank according to the terms of the scheme. Farmer beneficiaries should be made aware of the insurance cover available and their consent (except in case of crop insurance, it being mandatory) is to be obtained, at the application stage itself.

**13.3** A one-time documentation at the first time of avilment of KCC loan and thereafter simple declaration (about crops grown/proposed) by farmer from the second year onwards.

LA Cir. 44/2017 Dated 08.09.2017 para 8 which is reproduced hereunder is to be adhered to  
**(8) To ensure hassle free benefit to farmers under Interest Subvention scheme, the RRB may make Aadhar linkage mandatory for availing short crop loan in 2017-18**

## **14 Classification of account as NPA :**

**14.1** The extant prudential norms on income recognition, asset-classification and provisioning<sup>2</sup> will apply for loans granted under the KCC Scheme.

**14.2** Ensure Charging of interest is done uniformly as is applicable to agricultural advances.

**15** Processing fee, inspection charges and other charges as decided by banks subject to change from time to time Presently as per LA Cir. No.36/2016 Dated 16.08.2016 these are as under.

**PROCESSING CHARGES:**

| <b>(a) Working Capital (Including KCC &amp; ACABC Account)</b> |  |
|--|--|
| Upto Rs. 25000/-   | Nil  |
| Above Rs.25000/- & up to Rs. 2 lakh                            | Rs.500/-                                       |
| Above Rs.2 lakh  | Rs.300/- per lakh or part thereof.*            |
| For Non-Fund Based Limits                                      | At par with fund based working capital charges |

Including KCC and ACABC

**No processing charges** are to be levied in case of **advances against deposits, Govt.securities, UTI, Mutual Fund Units, NSCs, KVPs, IVPs and IRDP cases and in case of Self Help Group Accounts (SHGs), below poverty line.**

Further, **no processing fee/service charges/ledger folio charges** are to be levied in respect of borrowers who have been issued **Kisan Credit Card against the security of FDR, NSCs, KVPs or other such liquid securities**

**UPFRONT FEE**

**(a) For Term Loans – Other than Retail Segment**

Upfront fee is to be charged in lieu of processing charges in case of term loans (including DPG), as under except term loans under Retail Segment for which separate rates have been prescribed:-

**UPFRONT FEE FOR TERM LOANS**

|   |  |
|---|--|
| Upto Rs.25,000                          | NIL                                      |
| Above Rs.25,000 and upto Rs. 2 lakh     | Rs500/-                                  |
| Above Rs. 2 lakh & upto Rs. 50 crore    | 1.50% of the loan amount minimum Rs500/- |
| For Schemes where refinance is obtained | As specified by refinancing agency.      |

**DOCUMENTATION CHARGES**

**(a) Term Loans (Other than Retail Loans Segment)**

| <b>For Loan Amount</b>          | <b>Charges</b> |
|---------------------------------|----------------|
| Upto Rs.25000/-                 | Nil            |
| Above 25000/- & Upto Rs. 2 lakh | Rs. 200/-      |



|                  |  |
|------------------|--|
| Above Rs. 2 lakh | Rs.400/- per lakh or part thereof, subject to a maximum of Rs.50,000/- |
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## 16 Other conditions while implementing the revised guidelines of KCC Scheme :

**16.1**In case the farmer applies for loan against the warehouse receipt of his produce, the banks would consider such requests as per the established procedure and guidelines. However, when such loans are sanctioned, these should be linked with the crop loan account, if any, and the crop loan outstanding in the account could be settled at the stage of disbursement of the pledge loan, if the farmer so desires.

**16.2**The Bank has designed the KCC card adopted by the bank with their branding.

### In addition to above all offices are advised to augment the production credit by employing the following steps :

- (i) Adequate and timely credit as per requirement of farmers/crop must be provided on priority. Efforts must be made to personally contact for genuinely appraising his requirement.
- (ii) Proper rapport may be made with the State Govt. Agencies/Departments like Chief Development Officer, District Agriculture Officer and Horticulture Officer at district level for launching crop loan campaigns. At Block level, cooperation from Block Development Officer and Assistant Development Officer (Agriculture) and at Village level, liaison with Village Development Officer for procuring loan applications /identifying new farmers must be sought.
- (iii) Various Crop Production Schemes of the Bank must be publicized among the farmers through interaction with farmers and distribution of printed booklet/pamphlets/handouts etc. Farmers may also be assisted by providing information regarding cultivation of crops, inputs use, recommended package of practices, etc., for crop production.
- (iv) Branches must link themselves with the activities of the **Farmers' Clubs** established/to be established with the initiative of NABARD to facilitate technology transfer regarding agricultural operations.
- (v) **Kisan Gosthies** may also be organized to augment mass awareness campaign among farmers about Bank's agricultural credit schemes.