

KISAN CREDIT CARD SCHEME

The Objectives :

As a pioneering credit delivery innovation, Kisan Credit Card Scheme aims at providing adequate and timely credit support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible, hassle free and cost effective manner. The Kisan Credit Card Scheme was prepared by NABARD in the year 1998 and necessary instructions were issued by Reserve Bank of India and NABARD vide their circulars dated 05 August 1998 and 14 August 1998, respectively. All banks have adopted this scheme and have issued necessary circulars and guidelines. The following is a gist of operational guidelines.

Kisan Credit Card Scheme – Salient features

- Eligible farmer will be provided a Kisan Credit Card and a Pass Book or a Card-cum-Passbook.
- Revolving cash credit facility allowing any number of drawals and repayments within the limit.
- Entire production credit needs for full year plus ancillary activities related to crop production to be considered while fixing limit. In due course, term loans for allied activities like Animal Husbandry and Fisheries and non farm short term credit needs may also be covered.
- Limit to be fixed on the basis of operational land holding, cropping pattern and scales of finance.
- Seasonal sub limits may be fixed at the discretion of banks.
- Limit valid for 3 years subject to annual review.
- Conversion /reschedulement of loans also permissible in case of damage to crops due to natural calamities.
- As incentive for good performance, credit limits could be enhanced to take cares of increase in costs, changing in cropping pattern etc.
- Security, margin and rate of interest as per RBI norms.
- Operations may be through issuing branch / PACS or through other designated branches at the discretion of bank.
- Withdrawals through slips /cheques accompanies by card and passbook.
- Personal Accident Insurance for death, permanent disability and partial disability available to Kisan Credit Card holder.

Advantages of the KCC Scheme

- Full year's credit requirement of the borrower taken care of.
- Minimum paper work and simplification of documentation for drawal of funds from the bank.
- Access to adequate and timely credit to farmer.
- Assured availability of credit for 3 years and avoidance of uncertainly involved in accessing credit on a year to year basis.
- Annual review of limit and provision for enhancement subject to satisfactory operations.
- Flexibility in use of credit and saving in interest burden.
- Flexibility of drawing cash from a branch other than the issuing branch at the discretion of the bank.
- Availability of the life cover/ disability insurance at very low premium in case the farmers meets with accident.

KISAN CREDIT CARDS THROUGH JOINT LIABILITY GROUPS

The SHG-Bank Linkage programme spearheaded by NABARD has proved to be successful in providing financial services from the formal banking sector to assetless or very poor. In order to develop effective credit products for small and marginal farmers having access to productive assets, NABARD has launched the scheme for JLG financing vide its circular No./151 / MCID 4 /2006 dated 07 September 2006 and Circular No./ 169 /MCID - 5 /2009 23 October 2009. All banks have issued necessary instructions/guidelines to their branches on the same lines.

Objectives of the Scheme

- To augment flow of credit to farmers, especially small, marginal, tenant farmers, oral lessees, share croppers / individuals taking up farm activities.
- To serve as collateral substitute for loans to be provided to the target group.
- To build mutual trust and confidence between bank and the target group.
- To minimize the risks in the loan portfolio for the banks through group approach, cluster approach, peer education and credit discipline.
- To provide food security to vulnerable section by enhanced agriculture production, productivity and livelihood promotion through JLG mechanism.

General features of JLG :

A Joint Liability Group (JLG) is an informal group comprising of 4-10 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee. Generally, the members of a JLG would engage in a similar type of economic activity in the Agriculture and Allied Sector. The members would offer a joint undertaking to the bank that enables them to avail loans. JLG members are expected to provide support to each other in carrying out occupational and social activities.

Criteria for membership :

- i) Members should belong to similar socio-economic status, background and environment carrying out farming and Allied activities and who agree to function as a joint liability group. This way the groups would be homogeneous and organized by likeminded farmers/Individuals and develop mutual trust and respect.
- ii) The members should be residing in the same village/ area/ neighbourhood and should know and trust each other well enough to take up joint liability for group/ individual Loans.
- iii) Members who have defaulted to any other formal financial Institution, in the past, are debarred from the Group Membership.
- iv) More than one person from the same family should not be included in the same JLG.

Group Approach:

- i. All members of the JLG should be active enough to assume leadership of the group to ensure the activities of the JLG. The selection of an effective /able/active leader for the JLG is essential as this will ultimately benefit all the JLG members. The leader fosters a

- sense of unity, oversees and maintains discipline, shares information and facilitates repayments. For the bank, he is the focal point for group activities.
- ii. The JLG should hold regular meetings which must be attended by all the members regularly to discuss issues of mutual interests.
 - iii. The principles of self - help and group strength need to be emphasised. Group cohesion has to be ensured. Adequate emphasis should be placed on the roles, expectations and functions of the group/ members & the benefits of group dynamics.
 - iv. The JLG can easily serve as a conduit for technology transfer, facilitating common access to market information, for training and technology dissemination in activities like soil testing, training and assessing input requirements.
 - v. The JLGs for specific activity, e.g. production of pulses / vegetables/ fruits may be federated at village/ block level for development of the product.
 - vi. The JLG in the clusters on their stabilization could come together in the form of cluster federation or producers' companies with a view to contributing the entire value chain and thereby achieving economics of scale in procurement, processing and marketing of the produce.
 - vii. The JLGs and evolving JLG structures are expected to build up empathy and understanding and create responsive lending mechanisms leading to greater interaction and interdependence between the members of JLGs.

Who can form JLGs :

Business Facilitators, NGOs, Farmers Clubs, Farmers Associations, Panchayat Raj Institutions (PRIs), Krishi Vikas Kendras (KVKs), State Agriculture Universities (SAUs), Agriculture Technology Management Agency (ATMA), Bank branches, PACS, other cooperatives, Individuals, Input dealers, and Document writers (in cooperative banks), MFIs /MFOs, etc.

Savings :

JLG members need to be encouraged to save regularly. Banks may open savings account by the JLG / individual members of the JLG to ensure regular savings and thrift habit amongst them. However the quantum of loan to be given to the groups should be related to the credit needs of the enterprise and not to the quantum of savings.

JLG Models :

Banks can finance JLGs by adopting any of the two models. *However, to enable the members of JLGs to be eligible for receiving the benefit under the Interest Subvention Scheme of Govt of India, banks may adopt Model A given below.*

Model A – Financing Individuals in the JLG.

Each member of the JLG should be provided an individual KCC. The financing bank could assess the credit requirement, based on the crop to be cultivated, available cultivable land / activity to be undertaken and the credit absorption capacity of the individual. All members would jointly execute a loan document, making each one jointly and severally liable for repayment of all loans taken by all individuals belonging to the group.

The mutual agreement needs to ensure consensus among all members about the amount of individual debt liability that will be created including liability created out of the individual KCC. Any member opting out of group or joining the group, will necessitate a new loan agreement, to be kept on record in the bank branch.

Model B – Financing the JLG as a Group.

The JLG functions, operationally as one borrowing unit. The group would be eligible for accessing one loan, which could be combined credit requirement of all its members. The credit assessment of the group could be based on the available cultivable area of each member of the JLG/ activity to be undertaken. All members would jointly execute the document and own the debt liability jointly and severally.

The mutual agreement needs to ensure consensus among all members about the amount of individual debt liability that will be created. Any change in composition of the group, will lead to a new document being registered by the bank branch. Model B may be adopted only if the group is involved in activities other than crop husbandry.

Credit to JLGs of farmers to form normal business activity under Priority Sector:

Lending to JLGs of farmers is treated as direct agricultural advances under the priority sector. Banks may include lending to JLGs in their corporate plan and also in the training schedule of officers/ staff.

Capacity Building :

NABARD would consider supporting capacity building programmes for Bank's staff for greater awareness and orientation.

NABARD Refinance :

NABARD provides 100% refinance assistance to all banks in respect of their lending to JLGs.