GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5153
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CREDIT LIMIT TO KCC
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Will the Minister of FINANCE be pleased to state:

(a) the details of the present credit limit and loan repayment period of Kisan Credit Card (KCC);

(b) whether the Government has any proposal to increase credit limit including validity period and loan repayment period of KCC; and

(c) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance (Shri Jayant Sinha)

(a) : As per the existing Kisan Credit Card(KCC) Scheme, the KCC is valid for five years subject to an annual review. The farmer is required to furnish one-time documentation at the time of first availment of loan and, thereafter, simple declaration about crop raised/proposed is required to be given from the second year onwards.

As per the Scheme, KCC is aimed at providing adequate and timely credit support from the banking system under a single window to the farmers for their cultivation & 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, like dairy animals, inland fishery etc.

f.Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc.

The aggregate of components (a) to (e) above form the short term credit limit portion and the aggregate of components under (f) form the long term credit limit portion.

(i) KCC Limit for all farmers other than marginal farmers,

The short term credit limit for the first year under the KCC Scheme for all farmers other than marginal farmers is worked out on the basis of the scale of finance for the crops grown by farmers (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, PAIS & asset insurance. The 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).

Thus, KCC has a built-in provision of annual increase in the limit based on cost escalation/increase in scale of finance.

As regards agricultural term loans for investments, the banks 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 is based on the proposed investments during the five year period and the bank's perception on the repaying capacity of the farmer

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

(ii) KCC Limit for marginal farmers

A flexible limit of Rs.10,000/- to Rs.50,000/- may be provided to marginal farmers (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 investments like purchase of farm equipment, establishing mini dairy/backyard poultry as per assessment of Bank without relating it to the value of land. The composite KCC limit to marginal farmers is to be fixed for a period of five years on this basis.

(iii) Repayment Period

The short term component of the KCC limit is in the nature of revolving cash credit facility. RBI has stipulated that there should be no restriction in number of debits and credits. However, each installment of the drawable limit drawn in a particular year will have to be repaid within 12 months.

As regards the term loan component, RBI has prescribed that the same will be normally repayable within a period of 5 years depending on the type of activity / investment as per the existing guidelines applicable for investment credit.

(b) & (c): The KCC Scheme in its present form is simplified taking care of various requirements of farmers and has built-in provision of cost escalation. As such, proposal to increase credit limit including validity period and loan repayment period of KCC is presently not under consideration. Moreover, in the event of natural calamities, the short term crop loans as well as agricultural term loans may be rescheduled/restructured, with provision of moratorium, as per the guidelines issued by RBI for relief measures to be undertaken by banks on account of natural calamities.