



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

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FIDD.CO.FSD.BC.No.7/05.05.010/2017-18

July 3, 2017

The Chairman / Managing Director /Chief Executive Officer
All Scheduled Commercial Banks (including Small Finance Banks and excluding RRBs)

Madam/Sir,

Master Circular - Kisan Credit Card (KCC) Scheme

The Reserve Bank of India has issued guidelines on Kisan Credit Card (KCC) scheme from time to time. This Master Circular consolidates the relevant guidelines issued by the Bank on Kisan Credit Card scheme upto June 30, 2017 as listed in the Appendix.

2. The Master Circular has been placed on the RBI website <http://www.rbi.org.in>.

Yours faithfully

(Ajay Kumar Misra)
Chief General Manager

Encl: As above

Master circular on the Kisan Credit Card (KCC) Scheme

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 non-farm activities in the year 2004. The scheme was further revisited in 2012 by a working Group under the Chairmanship of Shri T. M. Bhasin, CMD, Indian Bank with a view to simplify the scheme and facilitate issue of Electronic Kisan Credit Cards. The scheme provides broad guidelines to banks for operationalizing the KCC scheme. Implementing banks will have the discretion to adopt the same to suit institution/location specific requirements.

2 Applicability of the Scheme

The Kisan Credit Card Scheme detailed in the ensuing paragraphs is to be implemented by Commercial Banks, RRBs, Small Finance Banks and Cooperatives.

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. Farmers - individual/joint borrowers who are owner cultivators;
- ii. Tenant farmers, oral lessees & share croppers;
- iii. Self Help Groups (SHGs) or Joint Liability Groups (JLGs) of farmers including tenant farmers, share croppers etc.

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 farmers¹ :

5.1.1 *The short term limit to be arrived for 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 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 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.

¹ Farmers with landholding of up to 1 hectare (Marginal Farmers). Farmers with a landholding of more than 1 hectare and up to 2 hectares (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 ₹ 3 lakh are covered under Interest Subvention Scheme/Prompt Repayment Incentive scheme of the Government of India². 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 ₹ 10, 000 to ₹ 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)**

² Please refer to guidelines on Interest Subvention Scheme on crop loans as announced by GoI and issued by RBI 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'³
- 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 : (v), (vi) & (vii) to be introduced as early as possible so as to reduce transaction costs of both the bank as well as the farmer.

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

7 Issue of Electronic Kisan Credit Cards

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 smart card 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. Banks may determine the validity period of KCC and its periodic review.
- ii. The review may result in continuation of the facility, enhancement of limit or cancellation of the limit/withdrawal of the facility depending upon increase in cropping area/pattern and performance of the borrower.
- iii. When the bank has granted extension and/or re-schedule 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.

³ DBR's Circular on [Rationalisation of Branch Authorisation Policy- Revision of Guidelines](#)

9 Rate of Interest (ROI) :

The rate of interest will be as stipulated in DBR Master Directions on Interest Rate on Advances.

10 Repayment Period :

- 10.1 The repayment period may be fixed by banks as per the anticipated harvesting and marketing period for the crops for which the loan has been granted.
- 10.2 The term loan component 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.
- 10.3 Financing banks may, at their discretion, provide longer repayment period for term loan depending on the type of investment.

11 Margin

To be decided by banks.

12 Security

- 12.1 Security will be applicable as per RBI guidelines prescribed from time to time.
- 12.2 Security requirement may be as under :
 - i. *Hypothecation of crops:* For KCC limit upto ₹ 1.00 lakh banks are to waive margin/security requirements.
 - ii. *With tie-up for recovery:* Banks may consider sanctioning loans on hypothecation of crops up to card limit of ₹ 3.00 lakh without insisting on collateral security.
 - iii. *Collateral security:* Collateral security may be obtained at the discretion of Bank for loan limits above ₹ 1.00 lakh in case of non-tie-up and above ₹ 3.00 lakh in case of tie-up advances.
 - iv. In states where banks have the facility of on-line creation of charge on the land records, the same shall be ensured.

13. Other features

Uniformity to be adopted in respect of following:

- 13.1 The applicable interest subvention /incentive for prompt repayment⁴ as advised by Government of India and/or State Governments. The bankers 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), 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

⁴ Currently not applicable to Small Finance Banks/urban & metro branches of Private Sector Banks.

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 documentation⁵ at the first time of availment of KCC loan and thereafter simple declaration (about crops grown/proposed) by farmer from the second year onwards.

14 Classification of account as NPA :

14.1 The extant prudential norms on income recognition, asset-classification and provisioning⁶ will apply for loans granted under the KCC Scheme.

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

15 Processing fee, inspection charges and other charges may be decided by banks.

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 disbursal of the pledge loan, if the farmer so desires.

16.2 The National Payments Corporation of India (NPCI) will design the KCC card to be adopted by all the banks with their branding.

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⁵ Documentation as per banks internal guidelines

⁶ DBR's Master Directions on Income Recognition, Asset Classification and Provisioning Norms

Illustration I

A. Small farmer cultivating multiple crops in a year

1. Assumptions

A. Land holding : 2 acres

B. Cropping Pattern

Paddy - 1 acre (Scale of finance plus crop insurance per acre : ₹.11000)

Sugarcane - 1 acre (Scale of finance plus crop insurance per acre : ₹.22,000)

C. Investment / Allied Activities

i Establishment of 1+1 Dairy Unit in 1st Year () (Unit Cost : ₹ 20,000 per animal)

ii Replacement of Pump set in 3rd year (Unit Cost : ₹.30,000)

2. (i) Crop loan Component

Cost of cultivation of 1 acre of Paddy and 1acre of Sugarcane (11,000+22,000) : ₹.33,000

Add : 10% towards post-harvest / household expense / consumption : ₹. 3,300

Add : 20% towards farm maintenance : ₹. 6,600

Total Crop Loan limit for 1st year : **₹. 42,900**

Loan Limit for 2nd year

Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 42900 i.e 4300) : ₹. 4,300

₹. 47,200

Loan Limit for 3rd year

Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 47,200 i.e., 4,700) : ₹. 4,700

₹. 51,900

Loan Limit for 4th year

Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 51,900 i.e 5,200) : ₹. 5,200

₹. 57,100

Loan Limit for 5th year

Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 57100 i.e 5700) : ₹. 5,700

₹. 62,800

Say(A) : ₹. 63,000

(ii) **Term loan component :**

1st Year : Cost of 1+1 Dairy Unit	:	₹. 40,000
3rd Year : Replacement of Pumpset :	:	₹. 30,000
Total term loan amount(B) :	₹. 70,000
Maximum Permissible Limit /	:	₹. 1,33,000
Kisan Credit Card Limit (A) +(B)	:	Rs. 1.33 lakh

Note: Drawing Limit will be reduced every year based on repayment schedule of the term loan(s) availed and withdrawals will be allowed up to the drawing limit.

B Other farmer cultivating multiple crops in a year

1. Assumptions :

2. Land Holding : 10 acres

3. Cropping Pattern :

Paddy - 5 acres (Scale of finance plus crop insurance per acre ₹.11,000) Followed by

Groundnut - 5 acres (Scale of finance plus crop insurance per acre ₹.10,000)

Sugarcane - 5 acres (Scale of finance plus crop insurance per acre ₹.22,000)

4. Investment / Allied Activities :

i. Establishment 1+1 Dairy Unit in 1st Year (Unit cost : ₹.50,000)

ii. Purchase of Tractor in 1st Year (Unit Cost : ₹.6,00,000)

2. **Assessment of Card Limit**

(i) **Crop loan Component**

Cost of cultivation of 5 acres of Paddy, 5 Acres of Groundnut and 5 acres of Sugarcane	:	₹ 2,15,000
Add : 10% towards post-harvest / household expense / consumption	:	₹ 21,500
Add : 20% towards farm maintenance	:	₹ 43,000
Total Crop Loan limit for 1st year	:	₹ 2,79,500
Loan Limit for 2nd year		
Add : 10% of the limit towards cost escalation / increase in scale of finance (10% of 2,79,500 i.e., 27,950)	:	₹ 27,950
	:	₹ 3,07,450

Loan Limit for 3rd year

Add : 10% of the limit towards cost escalation / increase : ₹ 30,750
in scale of finance (10% of 3,07,450 i.e., 30,750) : **₹ 3,38,200**

Loan Limit for 4th year

Add : 10% of the limit towards cost escalation / increase : ₹ 33,800
in scale of finance (10% of 338200 i.e., 33,800) : **₹ 3,72,000**

Loan Limit for 5th year

Add : 10% of the limit towards cost escalation / increase : ₹ 37,200
in scale of finance (10% of 3,72,000 i.e., 37,200) : **₹ 4,09,200**

Say.... : ₹ 4,09,000

(A)

(ii) Term loan component :

1st Year : Cost of 1 +1 Dairy Unit : ₹ 1,00,000
: Purchase of Tractor : ₹ 6,00,000
Total term loan amount(B) ₹ 7,00,000

Maximum Permissible Limit /

Kisan Credit Card Limit (A) +(B) : ₹ 11,09,000

Drawing Limit will be reduced every year based on repayment schedule of the term loan(s) availed and withdrawals will be allowed up to the drawing limit.

Illustration II

Assessment of KCC LIMIT

1. Marginal farmer cultivating single crop in a year

1. Assumptions :

1. Land holding : 1 acre
2. Crops grown : Paddy (Scale of finance plus crop insurance per acre : ₹ 11,000)
3. There is no change in Cropping Pattern for 5 years
4. Allied Activities to be financed - One Non-Descript Milch Animal (Unit Cost Rs : 15,000)

2. Assessment of Card Limit :

(i) Crop loan Component

(Cost of cultivation for 1 acre of Paddy)	:	₹ 11,000
Add : 10% towards post-harvest / household expense / consumption	:	₹ 1,100
Add : 20% towards farm maintenance	:	₹ 2,200

Total Crop Loan limit for 1st year (A1) : ₹ 14,300

(ii) Term Loan Component

Cost of One Milch Animal(B)	:	₹ 15,000
1st Year Composite KCC Limit :	(A1) + (B)	:	₹ 29,300

2nd Year :

Crop loan component :

A1 plus 10% of crop loan limit (A1) towards cost escalation / increase in scale of finance [14,300+(10% of 14300 = 1430)](A2)	:	₹ 15,730
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2nd Year Composite KCC Limit : A2+B (15730 + 15000) ₹ 30,730

3rd Year :

Crop loan component :

A2 plus 10% of crop loan limit (A2) towards cost escalation / increase in scale of finance [15,730+(10% of 15730 = 1570)](A3)	:	₹ 17,300
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3rd Year Composite KCC Limit : A3+B (17,300 + 15,000) ₹ 32,300

4th Year :

Crop loan component :

A3 plus 10% of crop loan limit (A3) towards cost escalation / increase in scale of finance [17,300+(10%	:	₹ 19,030
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of 17300 = 1730](A4)	
4th Year Composite KCC Limit : A4+B (19,030 + 15,000)		₹ 34,030
5th Year :		
Crop loan component :		
A4 plus 10% of crop loan limit (A4) towards cost	:	₹ 20,930
escalation / increase in scale of finance [19,030+(10% of 19,030 = 1,900)](A5)	
5th Year Composite KCC Limit : A5+B (20,930 + 15,000)		₹35,930

Maximum Permissible Limit /

Composite KCC Limit : Rs.36,000
Say

Note: All the above costs estimated are illustrative in nature. The recommended scale of finance / unit costs may be taken into account while finalising the credit limit.

Delivery Channels - Technical features

1 Issue of cards

The beneficiaries under the scheme will be issued with a Smart card / Debit card (Biometric smart card compatible for use in the ATMs / Hand held Swipe Machines and capable of storing adequate information on farmers identity, assets, land holdings and credit profile etc). All KCC holders should be provided with any one or a combination of the following types of cards :

2 Type of Card :

A magnetic stripe card with PIN (Personal Identification Number) with an ISO IIN (International Standards Organization International Identification Number) to enable access to all banks ATMs and micro ATMs

In cases where the Banks would want to utilize the centralized biometric authentication infrastructure of the UIDAI (Aadhaar authentication), debit cards with magnetic stripe and PIN with ISO IIN with biometric authentication of UIDAI can be provided.

Debit Cards with magnetic stripe and only biometric authentication can also be provided depending on customer base of the bank. Till such time, UIDAI becomes widespread, if the banks want to get started without inter-operability using their existing centralized bio metric infrastructure, banks may do so.

Banks may choose to issue EMV (Europay, MasterCard and VISA, a global standard for interoperation of integrated circuit cards) and RUPAY compliant chip cards with magnetic stripe and pin with ISO IIN.

Further, the biometric authentication and smart cards may follow the common open standards prescribed by IDRBT and IBA. This will enable them to transact seamlessly with input dealers as also enable them to have the sales proceeds credited to their accounts when they sell their output at mandies, procurement centers, etc.

3 Delivery Channels :

The following delivery channels shall be put in place to start with so that the Kisan Credit Card is used by the farmers to effectively transact their operations in their KCC account.

1. Withdrawal through ATMs / Micro ATM
2. Withdrawal through BCs using smart cards.
3. PoS machine through input dealers
4. Mobile Banking with IMPS capabilities / IVR
5. Aadhaar enabled Cards.

4. Mobile Banking / Other Channels :

Provide Mobile banking functionality for KCC Cards / Accounts as well along with Interbank Mobile Payment Service (IMPS of NPCI) capability to allow customers to use this inter-operable IMPS for funds transfer between banks and also to do merchant payment transactions as additional capability for purchases of agricultural inputs.

This mobile banking should ideally be on Unstructured Supplementary Data (USSD) platform for wider and safer acceptance. However, the banks can also offer this on other fully encrypted modes (application based or SMS based) to make use of the recent relaxation on transaction limits. Banks can also offer unencrypted mobile banking subject to RBI

regulations on transaction limits.

It is necessary that Mobile based transaction platforms enabling transactions in the KCC use easy to use SMS based solution with authentication thru' MPIN. Such solutions also need to be enabled on IVR in local language to ensure transparency and security. Such mobile based payment systems should be encouraged by all the banks by creating awareness and by doing proper customer education.

With the existing infrastructure available with banks, all KCC holders should be provided with any one or a combination of the following types of cards :

- * Debit cards (magnetic stripe card with PIN) enabling farmers to operate the limit through all banks ATMs / Micro ATMs
- * Debit Cards with magnetic stripe and biometric authentication.
- * Smart cards for doing transactions through PoS machines held by Business Correspondents, input dealers, traders and Mandies.
- * EMV compliant chip cards with magnetic stripe and pin with ISO IIN.

In addition, the banks having a call centre / Inter active Voice Response (IVR), may provide SMS based mobile banking with a call back facility from bank for mobile PIN (MPIN) verification through IVR, thus making a secured SMS based mobile banking facility available to card holders.

**List of Circulars consolidated in the
Master Circular on 'Kisan Credit Card'**

SL	Circular No.	Date	Subject
1	RPCD.No.PLFS.BC.20/05.05.09/98-99	05.08.1998	Kisan Credit Card
2	RPCD.PLNFS.No.BC.99/05.05.09/99-2000	06.06.2000	Kisan Credit Card Scheme - Modification
3	RPCD.No.PLFS.BC./63/05.05.09/2000-01	03.03.2001	Kisan Credit Cards
4	RPCD.PLFS.BC.No./64/05.05.09/2001-12	28.02.2002	Kisan Credit Card
5	RPCD.Plan.BC.No 87/04.09.01/2003-04	18.05.2004	Credit Flow to Agriculture – Agricultural Loans - Waiver of Margin / Security Requirements
6	RPCD.PLFS.BC.No.38/05.05.09/2004-05	04.10.2004	Scheme to cover term loans for agriculture & llied activities under KCC
7	RPCD.PLFS.BC.No. 85/05.04.02/2009-10	18.06.2010	Credit Flow to Agriculture – Agricultural Loans - Waiver of Margin / Security Requirements
8	RPCD.FSD.BC.No. 77/05.05.09/2011-12	11.05.2012	Revised Kisan Credit Card Scheme
9	RPCD. FSD.BC.No.23/05.05.09/2012-13	07.08.2012	Revised Kisan Credit Card Scheme
10	FIDD.FSD.BC.No.18/05.05.010/2016-17	13.10.2016	Revised Kisan Credit Card Scheme