

# KISSAN CREDIT CARD

*LEAD BANK, KANNUR*



# PURPOSE

- Single window loan facility
- To meet
  - short term credit for crop production
  - Post harvest expenses
  - Consumption requirement
  - Maintenance of farm assets, equipment
- Working capital for activities allied to agri like dairy, animal husbandry, fisheries etc

# ELIGIBILITY

- Owner cultivators – individuals/joint
- Tenant farmers, Oral lessees & share croppers
- Joint Liability Groups(JLGs)

# Credit Limit

- One time documentation at the time of first sanction as applicable to existing KCC shall be obtained
- Documentation is done for 5<sup>th</sup> year and to be annually renewed
- Limit for short term crops 12 months
- For sugarcane and pineapple 18 months
- For perennial crops, cash crops etc. – 12 months

# Credit Limit

## FARMER CULTIVATING SINGLE CROP IN A YEAR

### Credit limit for first year

- Limit is based on Scale of Finance(as decided by DLTF) for the crop cultivated multiplied by extent of area cultivated (a)
- 10% of the crop cultivation limit is added towards post harvest, house hold consumption etc. (b)
- 20% of crop cultivation limit is added towards repairs and maintenance of farm assets, crop insurance, PAIS etc. (c)
- KCC limit for first year is  $a + b + c$

# Credit Limit

## Credit limit for second and subsequent years

- The limit arrived for first year is the basis for fixing limit for 2<sup>nd</sup> year to 5<sup>th</sup> year
- In order to take care of the increase in the scale of finance /cost escalation, 10% of the limit fixed for the previous year shall be added to arrive at the subsequent year

# Illustration

- A farmer cultivates 1 acre of Paddy
- Scale of finance for paddy = Rs. 1,00,000 per Ha
- Crop Production limit (a) = 40,000
- 10% for consumption (b) = 4,000
- 20% for farm asset maintenance (c) = 8,000
- First year limit (a + b + c) = Rs. 52,000
- Limit for 2<sup>nd</sup> year = 52,000 + 10% of 52000 =  
52,000 + 5200 = 57200
- Limit for 3<sup>rd</sup> year = 57200 + 10% of 57200 = 62920
- Limit for 4<sup>th</sup> year = 62920 + 10% of 62920 = 69200
- Limit for 5<sup>th</sup> year = 69200 + 10% of 69200 = 76120  
rounded to 76,000

# Credit Limit

## FARMER RAISING MULTIPLE CROPS IN A YEAR

- The total cost for cultivating all the crops in first year is arrived based on scale of finance for all crops and corresponding area of cultivation as per proposed cropping pattern.(10% for post harvest and 20% for farm assets maintenance also added)
- For subsequent years 10% enhancement also given.
- The limit is sanctioned with assumption that the farmer adopt the same cropping pattern for the subsequent 4 years. In case the cropping pattern is changed, the limit may be reworked.



## Illustration 2

A farmer cultivates 50 cents paddy, 50 cents banana and 50 cents coconut

Scale of finance for paddy – 100000 per Ha

Scale of finance for banana – 450000 per Ha

Scale of finance for coconut – 125000 per Ha

- Crop cultivation cost for first year =  
 $20000 + 90000 + 25000 = 1,35,000$
- Plus 10 % for post harvest and consumption = 13,500
- Plus 20% for farm assets maintenance = 27,000
- First year limit =  $135000 + 13500 + 27000 = \underline{1,75,500/-}$

## Illustration 2

- First year limit = Rs. 1,75,500
- Limit for 2<sup>nd</sup> year =  $175500 + 10\%$  of  $175500 =$   
 $175500 + 17550 = 193050$  ie 1,93,000
- 3<sup>rd</sup> year limit =  $193000 + 10\%$  of  $193000 =$  212300
- 4<sup>th</sup> year limit =  $212300 + 10\%$  of  $212300 =$  233500
- 5<sup>th</sup> year limit =  $233500 + 10\%$  of  $233500 = 256850$   
rounded to 2,57,000

# Disbursement

- The limit is in nature of revolving cash credit
- No restrictions in number of withdrawals and credits
- Operations in any of following channels
  - Operation over counter (withdrawal slips/chequese)
  - ATM/Debit cards
  - Operations in Point of Sale (PoS) facilities

# Validity and Renewals

- Document valid for 5 years and limit subjected to annual review.
- Annual review results in continuation of limit and enhancement as already sanctioned and depending up on crop and performance of borrower.
- Renewal can happen without enhancement of limit also.

# Margin

- No margin need to be insisted on limits fixed as per the scale of finance approved by DLTC

# Rate of interest

- Rate of interest is fixed for limit for 5<sup>th</sup> year
- Up to 3 lakhs interest rate is fixed at 9% as per Gol instr.
- 2% interest subvention for 1 year up to 3 lakhs per person
- 3 % incentive on prompt payment for limit up to 3lakhs
- Hence effective rate will be 4%
- For loans above 3 lakhs as per individual bank's decision

# Repayment

- Each drawal in the limit to be liquidated in 12 months for short term crops and 18 months for long duration crops
- No need to bring the account to zero balance at any point of time
- No drawal in the account shall remain outstanding for more than 12/18 months

# Security

- As applicable as per RBI guidelines from time to time
- Hypothecation of crops – For KCC limits up to 1.60 lakhs
- Collateral security obtained by banks for loans above 1.60 lakhs
- Third party guarantee as per bank policy

## Documents to be produced

- Land Tax Paid receipt & Possession certificate
- KYC documents
- Photograph
- Mortgage documents if applicable

# Crop Insurance

- PMFBY/RWBCIS coverage compulsory for loanee farmers cultivating notified crops.

## PAIS – Personal Accident Insurance Scheme

The scheme covers the borrower from accidental death or permanent disability for a fixed amount. The premium is shared between bank and the farmer. Max coverage upto 70 years



# NPA norms

- Short term crops – will be classified NPA if the loan together with interest is not repaid after 2 cropping season from due date
- Long term crops including plantation – one cropping season from due date or 12 months from due date.

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Thank You

*Lead Bank Kannur*