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THE ODISHA STATE COOPERATIVE BANK LTD.

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Sub: Implementation of revised Kisan Credit Card Scheme

The Kisan Credit Card (KCC) Scheme was introduced during Rabi 1998-99 in pursuance of the announcement by the Central Government for the purpose. The detailed guidelines for implementation of the KCC Scheme was issued vide Notification No. 9606 dated 14.11.1998 and the same was again modified from time to time in compliance with the guidelines issued by NABARD. In supersession of all previous circulars relating to the Kisan Credit Card scheme, the modalities and operations of the scheme stand revised as follows :

1) Scale of Finance for various crops :

The District Level Technical Committee constituted by the Government under the chairmanship of the District Collectors shall continue to determine the Scale of Finance on the basis of realistic assessments incorporating the following components :

- (i) Cash component for wages etc.
- (ii) Fertiliser, pesticides, seeds etc. as "Kind" component.
- (iii) Crop Insurance Premium for the notified crops.
- (iv) Irrigation expenses, if any.
- (v) Post harvest/ House hold expenses/ consumption requirements for sustenance till marketing of the crops and realization of value in cash.

2) Introduction of Cash Credit system in crop loan finance and fixation of limits :

All KCC holders shall be sanctioned with a Cash Credit limit, which would be determined on the basis of land holding, crops cultivated and Scale of Finance fixed for the crops. Individual sub-limits shall be fixed for each KCC holders for Khariff and Rabi season. To illustrate :

- (i) KCC holder "X" has a land holding of 3 Acres and he cultivates paddy in all the 3 Acres in Khariff season. In Rabi season, he cultivates paddy in 2 Acres and groundnut in 1 Acre.

It is assumed that the Scale of Finance for Khariff paddy is Rs.15,000/- per Acre, for Rabi paddy Rs.18,000/- per Acre and for groundnut Rs.16,000/- per Acre.

- (ii) Hence, the sub-limit for Khariff would be $\text{Rs.15,000/-} \times 3 \text{ Acres} = \text{Rs.45,000/-}$ for paddy, sub-limit for Rabi would be $\text{Rs.18,000/-} \times 2 \text{ Acres} = \text{Rs.36,000/-}$ for paddy and for groundnut Rs.16,000/- for 1 Acre. Total sub-limit for Rabi = Rs.52,000/-.

- (iii) Total Cash Credit Limit would be $\text{Rs.45,000/-} + \text{Rs.52,000/-} = \text{Rs.97,000/-}$.

The KCC Pass Book shall indicate Khariff and Rabi limits individually and the aggregate limits for both Khariff and Rabi.

3) Validity of the Cash Credit Limit :

The Cash Credit limit sanctioned in favour of KCC holder shall remain valid for a period of 5 years. If the farmer member sells his land, acquires more landed properties, changes the pattern of cultivation of various crops, the Scale of Finance undergoes change, the sub-limits and aggregate limits shall be reviewed and changed by the Primary Agriculture Cooperative Societies (PACS)/ Central Cooperative Banks (CCBs).

On completion of 5 years, the credit limit shall be renewed. At the time of renewal, it is not necessary to bring the Cash Credit account to a zero balance account since some of the loans advanced to the farmer beneficiaries will remain as non-overdue outstanding. The same norms will be made applicable if the limit sanctioned is reviewed before 5 years in case of revision of Scale of Finance, change of cropping pattern and sale / acquisition of landed property.

4) Repayment period / fixation of due dates :

- a) At the PACS level – The due date for the loans drawn shall be fixed after 12 months from the date of first drawal against each of the sub-limits sanctioned for Khariff and Rabi for short duration crops and up to 18 months in case of long duration crops. To illustrate, if a farmer member prefers first drawal during Khariff on 10th April, the due date of the entire loan drawn during Khariff that year would be fixed on 9th April next year. Hence, there would be two due dates one each for Khariff and Rabi.
- b) At the DCCB level – For each of the drawals by the PACS, the due dates shall be fixed 12 months from the date of the drawal.
- c) At OSCB level – The existing facility of fixation of due dates of 12 months from each of the drawals shall continue.

In case of long duration crops like sugarcane, banana etc., the due date shall be fixed on the basis of harvesting and marketing period of the crop. It may exceed one year depending on the crop season for the long duration crops specified.

5) Maintenance of Land Register :

The existing system of recording the details of the land holding, its categorization, crops cultivated etc. in Form No. 1 shall continue. However, the Land Register shall be verified by the Revenue Authorities in relation to the land holding and Records of Right of the KCC holder. The record shall bear joint signatures of the Chief Executive of PACS and the Revenue Officer alongwith farmer member.

6) Preparation of Credit Limits and sanction :

The existing system of preparation of credit limits shall continue with the modification of fixation of sub-limits for Khariff and Rabi. These limits once sanctioned shall remain valid for a period of 5 years covering 5 Khariff seasons and 5 Rabi seasons. The limits shall remain within the Maximum Borrowing Power prescribed by the Registrar, Cooperative Societies, Odisha. In case of necessity, additional sub-limits shall be sanctioned in favour of the KCC holder in case of change in land holding, cropping pattern, revision in Scale of Finance etc. The existing format used for preparation and sanction of credit limits i.e. Form No. 2 for preparation of credit limit, Form No. 3 for sanction by the Management by the PACS, Form No. 4 for recommendation of the Supervisor of the CCB, Form No. 5 for specimen signature of the Members of the Committee of Management and the Chief Executive, Form No.6 for Application of the PACS to CCB for sanction of the limits and Form No. 7 for sanction of the credit limits in favour of the PACS and Form 8 for Credit Limit Application Register at Bank Branch shall continue. The specimen forms are annexed to the Circular.

7) Kisan Credit Card Pass Books :

The existing system of issue of Pass Books in Form 9 and distribution of Pass Books in the specimen Form No. 10 shall continue. As the Cash Credit

system in crop loan is introduced, a new Pass Book should be issued to the farmers incorporating all the details as envisaged in the specimen form. On issue of the new Pass Book, the old Pass Book from the farmer members should be obtained and issue of a new Pass Book should be recorded therein. Steps are being taken to issue Smart RuPay Debit Cards to the farmer members, which can be used in the ATMs of all Banks across the State. Once the credit limits are sanctioned, a non-defaulter KCC holder can draw funds by using the Smart Card.

The existing system of allowing fertilizers and seeds to the defaulter members on cash payment shall continue. However, at the time of disbursement of fertilizer and seeds to such defaulter members, they should be adequately sensitized to repay the existing defaulted dues and avail fresh loans from the PACS.

8) Specimen signature and passport size photographs of members :

The PACS should obtain 3 nos. of recent passport size photographs from out of which, one will be affixed to the Pass Book duly attested by the Supervisor of the CCB. The remaining 2 nos. of photographs shall be used for issue of Identity Cards in Specimen Form No. 11.

9) Opening of Savings Bank Account in the name of the KCC holder :

All the KCC holders shall open Savings Bank Account in the concerned Branch of the CCB through which, all loan transactions shall take place in the existing CBS system/ NPCI Payment Gateway. All DBT transactions shall be done through this Savings Bank Account. Opening of Savings Bank Account is compulsory for all KCC holders.

10) **Cheque system for drawal of funds from the Cash Credit Account :**

The existing system of issue of Cheque Books to the farmer members both for cash component and kind component shall continue. After issue of Smart Cards, the farmer members shall be sensitized to use the ATM Card for loan transactions instead of drawing funds on presentation of cheques in the respective Branches of the CCBs. The existing system of issue and preservation of cheques and disbursement of kind component through printed receipt shall continue. A separate circular is being issued regarding issue and maintenance of Smart Cards.

11) **Premium of Crop Insurance :**

The crop insurance premium for the notified crops is inbuilt as a kind component in the Scale of Finance determined by the District Level Technical Committee. Hence, coverage of all notified crops both in Khariff and Rabi season under Crop Insurance is compulsory in case of loanee farmers. As Pradhan Mantri Fasal Bima Yojana (PMFBY) has been introduced w.e.f. 01.04.2016, the premium amount shall be debited to the Cash Credit Account of the KCC holder and remitted to the designated Insurance Company by 31st July for Khariff season and by 31st December in respect of Rabi crops. The previous system of collection of premium at the time of disbursement of loans stands discontinued / withdrawn as the Insurance Companies shall not accept the premium of Crop Insurance, if the same is debited to the KCC holders account after the specified dates. Keeping in view the changed system in PMFBY, the PACS shall debit the Cash Credit Account of the non-defaulter KCC holders in respect of premium for the notified crops even before the drawal is allowed. Please note that the crop insurance premium under PMFBY shall have to be debited to the farmers Cash Credit Account on the basis of the credit limit sanctioned for the notified crops/ loans expected to be availed during the

crop season and remitted to the insurance company concerned. In case of defaulter borrowers, they may be sensitized to repay their dues within the insurance coverage period so that the crops to be cultivated by them become eligible for crop insurance. If any defaulter borrower repay the outstanding overdue loans after July in Khariff season and after December in Rabi season, the loans to be availed by him shall not be covered under crop insurance. The crop insurance premium shall be remitted to the designated Insurance Company in the manner specified / to be specified by the State Government while issuing the Notification for the purpose at the time of each and every crop season.

12) Disbursement of Cash Component :

On presentation of the cheque in the counter of the CCB Branch, the Branch Manager shall as usual allow drawals against the sanctioned limit after duly verifying the status of the borrower. Only the non-defaulter borrowers can have the facility. On issue of Smart Cards to the KCC holders, the computerized system shall take care of the verification of status of the borrower and his eligibility at the time of each and every drawal through the ATM network. In Form No. 17, the drawals effected by the farmer members shall be communicated to the PACS for reconciliation. This system will also be replaced on completion of computerization of PACS.

13) Loan Registers of the KCC holders at PACS level and the Shadow Registers at the CCB level :

The existing system of recording the loan transactions in the Ledger / Register as prescribed under the Common Accounting System shall continue. Classification of farmers and crop-wise disbursement of loans shall be recorded.

14) Recovery of loans :

The existing system of recovery through issue of centralized printed receipts shall continue. Similarly, the existing system of issuing the first copy of the receipt to the KCC holder, second copy to the concerned Branch of the CCB with details of recovery in Form No. 22 and retention of the third copy of the receipt in the PACS shall continue till the computerization of PACS is completed. Any change in this system shall be intimated to all concerned well in advance.

15) Execution of Agreement and Bond by the KCC holders and the PACS:

The existing system of execution of Agreement and Bond between the PACS and the KCC holder for availing the loans shall continue. Besides, execution of Agreement/ Bond by the PACS with the CCB also shall continue. In addition to the above, all the KCC holders shall have to create charge on the landed properties in Schedule – C (Under Rule 44-A of the Orissa Cooperative Societies Rules, 1965) as stipulated under Section 34(2) of the Orissa Cooperative Societies Act, 1962. A copy of the Form (Schedule – C) prescribed under the statute is enclosed for creation of charge.

16) Share linkage on crop loans :

The KCC holders shall provide 10% of the loans advanced towards Share Capital to the PACS. Similarly, the PACS shall provide 10% of the loans received from the Central Cooperative Banks towards share capital.

17) Reconciliation :

The existing system of monthly reconciliation between the Loan Register at the PACS level and Shadow Ledger maintained at the CCB level shall continue.

18) Interest on crop loans :

The interest rate on crop loans shall be decided at the time of issue of policy circulars by the Odisha State Cooperative Bank from time to time. The rate will be governed by the interest subvention / interest incentive admissible on crop loans both by Government of India through NABARD and State Government.

19) Classification of crop loan accounts under Income Recognition and Asset Classification (IRAC) Norms :

The crop loan account shall be treated as "Standard", when the balance outstanding is less than or equal to the drawing limit at any point of time during the preceding one year. In other words, the Short Term Crop loan sanctioned as per the stipulations given in the circular shall be given the same treatment as a "Cash Credit" account for the purpose of applying prudential norms and should not be treated as "Out of order", if the balance outstanding is less than or equal to the drawing limits and the amount drawn is repaid within a period of 12 months.

In case of loans granted for long duration crops, the loan will be treated as NPA, if the instalment of principal and interest thereon remains unpaid for one crop season (specified for the crop) beyond the due date.

This Circular shall come into force w.e.f. 01.04.2016 and any doubt on its contents shall be referred to the Odisha State Cooperative Bank for interpretation and advice.


Managing Director