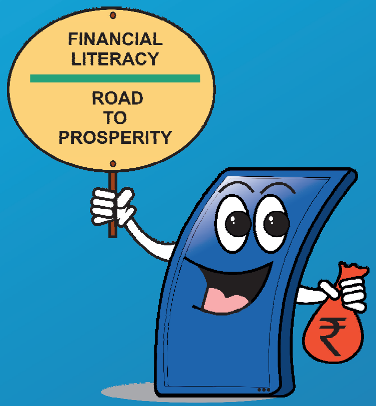
TG – FAME Series
(Target Group Financial Awareness Messages)



FINANCIAL LITERACY for Farmers

Financial Inclusion and Development Department, RBI

Message 1
Kisan Credit Card Scheme – Primarily for Crop Loan Requirements and Partly for Consumption Purposes

Message 2
Prompt Repayment of Crop Loans has Several Benefits

Message 3
Avoid Distress Sale of Farm Produce – Use Financing against Warehouse Receipts

Message 4
Crop Insurance – Pradhan Mantri Fasal Bima Yojana (PMFBY)

Message 5
Don’t Lose Hope Even if You Lose Your Crop Due to Natural Calamities – Inform Your Bank of the Extent of Crop Loss and Seek Assistance from the Bank

Kisan Credit Card Scheme – Primarily for crop loan requirements and partly for consumption purposes.

Avoid distress sale of farm produce – Use post-harvest financing against warehouse Receipts.#

Prompt repayment of crop loans has several benefits – Interest Subvention Scheme*

Do not lose hope even if you lose your crop during natural calamities – Inform your bank of the extent of crop loss and seek assistance from the banks in the form of restructuring.

Insure your crop and safeguard yourself – Crop insurance through Pradhan Mantri Fasal Bima Yojana (PMFBY).

* As announced by the Government of India from time to time.
# For small and marginal farmers only.

Message 1: Kisan Credit Card Scheme – Primarily for Crop Loan Requirements and Partly for Consumption Purposes

The Kisan Credit Card Scheme aims at providing timely and adequate credit to farmers to meet their needs at the time of crop production (cultivation expenses), besides meeting contingency expenses. It also covers expenses related to ancillary activities through simplified procedures in obtaining loans as and when needed.

1

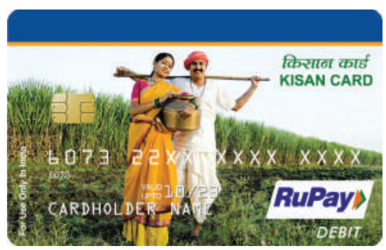
To meet the short-term credit requirements for cultivation of crops.

6

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

2

Post-harvest expenses.



3

Loan for marketing of farm produce

5

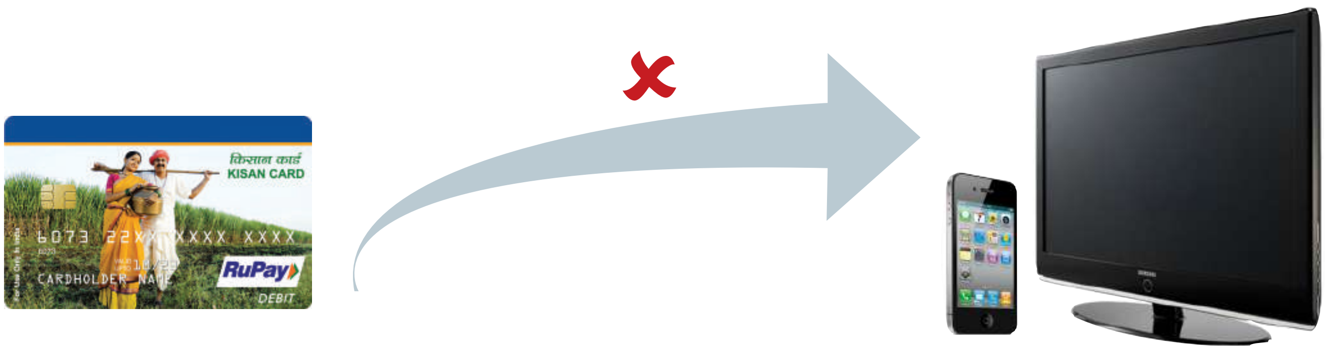
Consumption requirements of farmer households.

4

Working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery, etc.

Note:
1 to 5 will form the short-term credit limit portion and 6 will form the long-term credit limit portion.

While 10 per cent of the short-term limit under KCC can be used for household consumption purposes, it is advisable not to divert more funds for consumption expenditure.



Why?

The purpose of KCC is to meet your crop loan requirements. Large amounts spent on household expenses from KCC funds will affect your capacity to generate income. The income from your farm activities helps you repay the outstanding loans under KCC. When you divert funds away from crop activities, you may not be in a position to repay your loan.

Features of KCC

1. KCC borrowers shall be issued an ATM-cum -Debit card to enable them to withdraw money from KCC accounts through ATMs and make payments through PoS terminals.
2. The KCC will be in the nature of a revolving account. Credit balance in the account, if any, will fetch interest at the savings bank rate.

Collateral security is waived for a loan limit of up to Rs. 1 lakh.

Message 2: Prompt Repayment of Crop Loans has Several Benefits

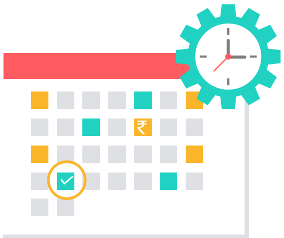
Borrowing from bank

A 4 per cent rate of interest for short-term crop loans up to Rs. 3 lakhs during 2017–18 (Interest Subvention Schemes as announced by the Government of India from time to time)*

Borrowing from unregistered entities/moneylenders

High interest rate. Collateral may or may not be required.

Advantage of repaying loan and interest on time



→ Credit score improvement
→ Higher loan amount next time
→ Reduced interest costs

* To be eligible for the 4 per cent rate, a farmer should repay the loan within the due date set by the bank; in any case it cannot exceed one year.

Message 3: Avoid Distress Sale of Farm Produce – Use Financing against Warehouse Receipts

Even when you have a good harvest, the job is only half done. You need to sell your produce at good prices.

Don't sell at low prices!

Use warehouses

If you feel you are not getting a fair price, store your produce in warehouses against warehouse receipts.[#] You will get financing from the bank for your immediate cash needs—the benefit of interest subvention will be available to small and marginal farmers having a Kisan Credit Card (KCC). This will be for a further period of up to six months post-harvest and at a rate of 7 per cent[*] against negotiable warehouse receipts for keeping their produce in warehouses.

[*] The Government of India's latest subvention scheme announced from time to time.

[#] Issued by warehouses accredited to the Warehousing Development and Regulatory Authority (WDRA).

Message 4: Crop insurance – Pradhan Mantri Fasal Bima Yojana (PMFBY)

Comprehensive insurance cover

PMFBY provides a comprehensive insurance cover against crop failure, thus helping in stabilising the income of farmers and encouraging them to adopt innovative practices.

Low rates of premium

PMFBY is available to farmers at very low rates of premium: up to a maximum of 1.5% per cent of the sum insured for Rabi; up to 2 per cent of the sum insured for Kharif, food crops, pulses and oilseeds; and up to 5 per cent of sum insured for annual horticulture/ commercial crops. This scheme provides insurance cover for all stages of the crop cycle including post-harvest risks in specified instances.

Premium difference

The difference between premium and the rate of insurance charges payable by farmers shall be shared equally between the Centre and State.

Compulsory for loanee farmers

The scheme is compulsory for loanee farmers obtaining crop loan/KCC account for notified crops. However, it is voluntary for other/non-loanee farmers who have insurable interest in the insured crop(s).

Cover for yield losses from various natural calamities

Yield losses due to: (i) Natural fire and lightning; (ii) Storm, hailstorm, cyclone, typhoon, tempest, hurricane, tornado, etc.; (iii) Flood, inundation and landslide; (iv) Drought, dry spells; (v) Pests/ diseases, etc., post-harvest losses and loss/damage resulting from occurrence of identified, localised risks (e.g., hailstorm, landslide, inundation) affecting isolated farms in the notified area are covered under the scheme.

3 levels of indemnity

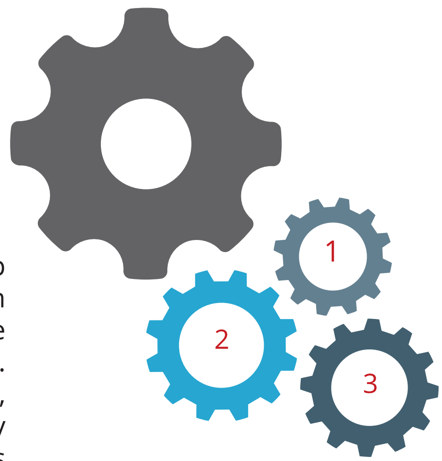
Three levels of indemnity—70 per cent, 80 per cent and 90 per cent—corresponding to crop risk in the areas shall be available for all crops

Indemnity = Protection against legal responsibility, loss or financial burden.

Message 5 : Do Not Lose Hope Even if You Lose Your Crop Due to Natural Calamities – Inform your Bank of the Extent of Crop Loss and Seek Assistance from the Bank

Once the central/state Government has declared your area as affected by a natural calamity (e.g., cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and cold wave/frost), and if the crop loss is assessed to be 33 per cent or more, it is imperative that you approach the branch of your bank that has provided you the loan, as your repaying capacity gets impaired due to the damage caused by the natural calamity.

What can the bank do for you?



Short-term loans (crop loans)

A maximum period of repayment of up to two years (including the moratorium period of one year) will be allowed if the loss is between 33 per cent and 50 per cent. And if the crop loss is 50 per cent or more, the restructured period for repayment may be extended to a maximum of five years (including the moratorium period of one year).

Convert the principal and interest on your short-term loan into a term loan.

In all cases of restructuring, a moratorium period of at least one year will be considered. Further, the banks will not insist on additional collateral security for such restructured loans.

Agriculture Loans - Long-term (Investment) Credit: The existing term loan instalments will be rescheduled keeping in view your repaying capacity and the nature and extent of the natural calamity.

When you lose your crops because of natural calamities, it is your duty to inform the bank branch and seek assistance from the bank.

TARGET SPECIFIC FINANCIAL LITERACY MATERIAL

One of the recommendations of the Committee on Medium-term Path on Financial Inclusion chaired by Shri.Deepak Mohanty, Executive Director, Reserve Bank of India was ‘A ‘one size fits all’ approach for Financial education might be less than ideal as different target groups need different kinds of financial education. As a result, the content needs to be customised for different target groups’.

The Financial Inclusion and Development Department of the Reserve Bank of India has come up with customised financial literacy content for five different target groups, namely farmers, small entrepreneurs, school children, self-help groups (SHGs), and senior citizens. This book is one among the series of five books on customised financial literacy content.

Disclaimer
This book is presented as reading and teaching material with the sincere purpose of making the reader financially literate. It is not intended to influence the reader into making a decision in relation to any particular financial product/s or service/s.

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