



Ref. No. NB.DoR / <sup>206</sup> / A-1 (ST-Others) / 2018-19

11 April 2018

Circular No. <sup>69</sup> / DoR-<sup>157</sup> / 2018

The Managing Director  
All State Cooperative Banks

Dear Sir

**Provision of Short Term refinance by NABARD to State Cooperative Banks for financing various purposes under Short Term (Others) - Policy for the year 2018-19**

Please refer to our circular No. NB.DoR / (ST-Policy) / 4927/ A.1(ST-Others) / 2016-17 (Circular No. 82 / DoR - 18 /2017) dated 31 March 2017 on the captioned subject, communicating NABARD's policy for sanction of consolidated ST(Others) limits to StCBs on behalf of eligible CCBs for the year 2017-18. The policy has since been reviewed and it has been decided to continue broadly with the same policy for the financial year 2018-19 as under:

2. The eligibility for refinance is linked to compliance with the CRAR norms, net NPA and completion of audit.
3. The quantum of refinance will be 100% of RLP.
4. Micro-enterprises, small enterprises and medium enterprises have been included in terms of amendment to NABARD Act, 1981.
5. The governing provisions of ST (Others) refinance by NABARD during 2018-19 are furnished in Annexure I. The assessment norms hitherto followed for different purposes would continue mutatis mutandis as indicated in Annexure-II.
6. The refinance assistance, from NABARD to StCBs will be available at an interest rate of 7.7% p.a., subject to revision as advised by NABARD from time to time.
7. The contents of this circular may please be brought to the notice of controlling offices / CCBs working under your jurisdiction.
8. StCBs may arrange to submit their applications for sanction of credit limits in the prescribed format, complete in all respects to the concerned Regional Office of NABARD well in advance to facilitate timely sanction thereof.
9. Please acknowledge receipt of this circular to our respective Regional Office.

Yours faithfully,

*Padma*

**(Padma Raghunathan)**

Chief General Manager

Encls.: 14 pages

राष्ट्रीय कृषि और ग्रामीण विकास बैंक  
National Bank for Agriculture and Rural Development

पुनर्वित्त विभाग

प्लॉट नं. सी-24, 'जी' ब्लॉक, बांद्रा - कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051 • टेलि. : 022 2652 4926 • फैक्स : 022 2653 0090 • ई-मेल : dor@nabard.org

Department Of Refinance

Plot No. C-24, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 • Tel. : 022 2652 4926 • Fax : 022 2653 0090 • E-mail : dor@nabard.org

## **Annexure - I**

### **General Terms and Conditions - Cooperative Banks**

#### **1. Operative period of ST (Others) limit**

The operative period of ST (Others) limit for the year **2018-19** would be from **01.04.2018 to 31.03.2019**.

#### **2. Sanction of consolidated limit**

(i) A consolidated limit under ST (Others) will be sanctioned to StCBs on behalf of eligible CCBs.

(ii) The limit will be sanctioned to StCBs under Sec. 21(1)(i) to (v) read with Sec. 21(4) of the NABARD Act, 1981 against the DPN executed by the StCB and declaration in writing at the time of each drawal that the drawal preferred and the refinance already availed are against the loans provided to eligible CCBs for financing the eligible purposes under ST (Others) and are covered by adequate non-overdue loans outstanding at CCB level against PACS. The TPNs executed by CCBs in favour of StCB will continue to be endorsed in favour of NABARD and StCB will keep the endorsed TPNs with them as agent of NABARD.

(iii) The limit sanctioned for **2018-19** will be inclusive of the amount outstanding against the sanction for the year **2017-18** or any outstanding against the limit prior to **2017-18**.

#### **3. Eligibility norms for StCB / CCBs**

##### **(i) Audit**

Audit of StCB / CCBs for the year 2016-17 should have been completed and the relative audit reports along with financial statements should have been received by the concerned RO of NABARD. Further, the audit of State Cooperative Banks as on 31.03.2018 should be completed by 30.09.2018.

##### **(ii) NPA norms**

Net NPAs of the StCB should not exceed 10% as on **31.03.2017**. However, with a view to increase the credit flow in the North Eastern Region, Jammu & Kashmir, Sikkim, Andaman and Nicobar Islands, Himachal Pradesh and Uttarakhand; the ceiling of net NPA norm criterion in these States will be 15% as on 31.03.2017. The StCBs having net NPA percentage above the prescribed rate will not be eligible for sanction of ST (Others) limit.

##### **(iii) CRAR norm**

(a) StCBs/CCBs having CRAR of 9% and above (as on 31.03.2017), would be eligible for ST (Others) refinance.

(b) In case of StCBs with CRAR more than 9%, but individual CCBs with CRAR less than 9%, no credit limit would be available on behalf of such banks.

(c) StCBs with CRAR less than 9% would not be eligible for refinance.

#### **Limits to non-scheduled StCBs**

Non-scheduled StCBs which fulfill the CRAR criteria as provided above, would be eligible for sanction of credit limit against Government guarantee under Sec. 21(3)(a) of the NABARD Act, 1981 or pledge of Government / approved securities under Sec. 21(2)(i) or pledge of FDRs of Scheduled Commercial Banks under Sec. 33 of Act *ibid*.

#### **4. Quantum of refinance**

NABARD will sanction consolidated limit for various eligible purposes to the extent of 100% of the RLP. Banks would assess their realistic lending program as per the norms prescribed for each

purpose / activity. The RLP may be reckoned as loans issued during the previous year under all purposes put together with a reasonable increase (average increase during last 3 years). In case there is no disbursement during the previous year, banks would assess their RLP as per the guidelines indicated in Annexure - II. Drawal may be allowed for a period of 12 months irrespective of the purpose.

#### **5. Sanction of sub-limits purpose-wise**

The consolidated limit to be sanctioned by NABARD to StCB would be segregated into sub-limits by the StCB on the basis of CCB-wise Realistic Lending Program for respective purposes. The various purposes include:

- a) ST- Agriculture and allied activities
- b) ST - for financing Bonafide Commercial or trade transactions (as contained in Section 21(1)(iv) of the NABARD Act, 1981)
- c) ST - Marketing of crops
- d) ST - Industrial Cooperative Societies (other than weavers),
- e) ST -Labour Contract engaged in any one or more of the 22 approved broad groups of Micro-enterprises, small enterprises and medium enterprises, cottage and village industries, handlooms, Forest Labour Cooperative Societies engaged in collection and marketing of Minor Forest produce, Labour Contract Cooperatives engaged in civil work in rural areas,
- f) ST - Rural artisans including weaver members of PACS / FSS / LAMPS,
- g) ST – Fisheries Sector,
- h) ST - Purchase, Stocking and Distribution of Chemical Fertilizers and other Agricultural Inputs.
- i) ST working capital loans for Societies and PACS
- j) ST Loans for working capital requirement of Social infrastructure projects

The maximum outstanding reached during the previous year under each purpose / sub-purpose may also be taken into consideration while segregating the consolidated limit into sub-limits at the StCB level. The purpose-wise sub-limits sanctioned by the StCB to the CCBs are not inter-changeable.

#### **6. Rate of interest**

- i. Refinance assistance, from NABARD to StCBs will be available at the rate prescribed by NABARD, from time to time. ( at present the rate of interest is 7.7 % p.a.)
- ii. Interest is payable at half-yearly rests on 01 October and 01 April every year, as hitherto.

#### **7. Operative period / duration of credit**

The operative period will be **01.04.2018 to 31.03.2019**. The credit limit(s) sanctioned is / are in the nature of cash credit accommodation and the StCB may draw and repay as many times as required, provided the outstanding in the account(s) do not exceed the sanctioned credit limit(s). The outstanding balance(s) in the account(s) is / are repayable on demand. Each drawal on the credit limit would be treated as a separate loan and would normally be repayable within a period of 12 months from the date of drawal. But, NABARD, without prejudice to its right to recall the advances at any time, may not ordinarily exercise this right, for a period of 12 months from the date of each drawal.

## **8. Operational discipline**

### **(i) NODC**

Separate NODC has to be maintained by the banks under each purpose. Drawals on sanctioned limit would be permitted by NABARD to StCBs on the basis of aggregate NODC under each purpose pertaining to the eligible CCBs which have outstanding borrowings from the StCB. The StCB will have to submit monthly NODC statements indicating CCB-wise position by 20<sup>th</sup> of the succeeding month.

### **(ii) Defaults by CCBs to StCB**

In case a CCB is in default to the StCB under any purpose under ST (Others) continuously for a period exceeding 3 months, the StCB concerned will not be allowed to operate on the limit sanctioned by NABARD in respect of the CCB concerned till the default is regularized.

### **(iii) Additional interest on NODC deficit**

In case of deficit in NODC, StCB will have to make good the deficit in NODC. In case the StCB fails to make good the deficit within one month from the date of occurrence of such deficit, additional interest @ 1% p.a. will be charged on the deficit in NODC for the duration of deficit till the date on which the amount of deficit is regularized.

### **(iv) Clearance of defaults**

(a) StCBs which fail to honour their commitments to NABARD in repayment of principal, payment of interest and / or any other dues by the prescribed due dates, will not be eligible for any refinance facility from NABARD till the clearance of default in question.

(b) In the event of default in repayment of principal and payment of interest, the StCBs will be liable to pay to NABARD **penal interest of 2% over and above the interest rate at which refinance was disbursed on the defaulted amount and for the period of default.** The penal interest rates are subject to revision from time to time.

(v) NABARD reserves the right to inspect / get inspected the books of account of the bank as a part of the loan agreement.

(vi) NABARD would have the right to cause special audit of the books of accounts and other relevant material of the Cooperative Banks either by itself or through other agencies to ensure that the same are maintained as per the rules and regulations in force and the terms and conditions of refinance are adhered to by the bank.

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## **Annexure - II**

### **Eligible activities for provision of refinance assistance from NABARD under ST (Others) – Cooperative Banks**

#### **A. Working capital requirement of agriculture and allied activities**

##### **1. Eligible activities**

1.1 The purposes eligible for refinance under this sub-group will be the activities covered under Sec. 21(1) (i) and (ii) of the NABARD Act, 1981. Broadly, the purposes will be:

- a. Loans for agricultural purposes against security of gold and other security other than charge on crops
- b. Revolving cash credit facility for agricultural purposes extended by cooperative banks against mortgage of land / other collaterals
- c. Working capital credit provided for activities allied to agriculture like Dairy, Poultry etc.
- d. Short-term credit support provided to cultivators with high scales of finance for commercialization of agriculture, exports, value addition etc.

1.2 ST crop loans issued under Crop Loan System which are eligible to be covered under ST (SAO) credit limits from NABARD will not be covered.

#### **B. ST - Refinance for financing Bonafide Commercial or trade transactions (as contained in Section 21(1)(iv) of the NABARD Act, 1981). It also includes :**

- i) ST Loans for working capital requirements of professionals and Self employed**
- ii) ST Loans for working capital requirements of Annual Maintenance for SRTOs**
- iii) ST Loans > Rs.50000 against gold for non agri purposes/bonafide trading etc. (Purely for loans other than consumption purposes)**

##### **2. Quantum of credit (Realistic Lending Program)**

Consolidated credit limit to StCB will be determined with reference to the Realistic Lending Program of the eligible CCBs.

##### **3. Security**

3.1 Time Promissory Notes (TPNs) executed by the CCB in favour of the StCB and endorsed by the latter in favour of NABARD along with a declaration by StCB setting out the purposes for which it has made loans and advances.

3.2 Banks may take such security from borrowers as may be appropriate and necessary, as per the guidelines issued by RBI in this regard. NABARD would have a charge on the security so hypothecated / pledged / mortgaged to the lending bank.

4. The borrowing StCB / CCBs will submit cover statement and other statement to NABARD as may be prescribed by it, from time to time.

#### **C. Marketing of crops**

##### **1. Objectives**

1.1 Affording reasonable opportunities for a remunerative price to the growers for their produce by enabling them to hold on to their produce for the time being.

- 1.2. Facilitating recovery of production loans out of the loans provided for marketing of crops against pledge of agricultural produce and / or from purchase price payable for agricultural produce.

## **2. Scope**

- 2.1 Advances (either through societies or directly by StCBs / CCBs) against pledge of agricultural produce belonging to cultivators (both members as well as non-members of PACS) kept in own / hired godowns / private godowns or godowns of PACS / marketing societies / other societies or warehouses / Agricultural Produce Marketing Committees / cold storage units owned by cooperatives / other institutions.
- 2.2 Outright purchase of agricultural produce of cultivators (both members and non-members of PACS) by processing / processing-cum-marketing / marketing societies.
- 2.3 Marketing of crops may include food grain crops, cash crops, plantation and horticultural crops.
- 2.4 PDS Schemes of Central / State Governments will be outside the purview of the Scheme.
- 2.5 The benefit of the Scheme for financing marketing of crops with refinance support from NABARD is intended only for the bonafide cultivators, both members of PACS and non-members; and banks should ensure that traders / businessmen etc. are not financed under the Scheme.

## **3. Beneficiaries for loans from banks against agricultural produce**

All cultivators (both borrowing and non-borrowing members of PACS, as well as non-members of PACS) engaged in seasonal agricultural operations.

## **4. Quantum of credit (Realistic Lending Program)**

- 4.1 Not exceeding 75% of value of actual produce pledged, subject to a ceiling of ₹ 10.00 lakh per cultivator member.
- 4.2 Value of actual produce pledged may be determined on the basis of prevailing market rate or the Government announced procurement price, whichever is less.
- 4.3 Direct finance by StCBs / CCBs to cultivators for marketing of crops against pledge of agricultural produce will also be subject to the exposure norms stipulated vide NABARD's circular No NB.DoS.CMA./ 768 /A.75/2008-09 Circular No.68 /DoS-10/2008 12 May 2008.
- 4.4 Production credit and other dues recoverable should be deducted from the loans granted for marketing of crops and the amount so recovered should be passed on to the concerned PACS / CCB promptly.

## **5. Margin requirements:**

### **5.1 Loans to societies for providing credit against pledge of produce:**

#### **a. Between Borrower and Society:**

Usual margin of 25% (as required to be maintained in terms of para. 4.1 above)

#### **b. Between Society and Bank:**

No separate margins may normally be stipulated, as a margin of 25% is required to be maintained at members' level.

5.2 Loans to societies for outright purchase of produce:

a. Between Society and Bank: Prudential margins against pledge / hypothecation of produce as per RBI instructions in vogue.

b. Direct loans to individual farmers by banks:

Usual margin of 25% (as required to be maintained in terms of para. 4.1 above)

**6. Other terms and conditions:**

6.1 Produce taken over from grower members by processing-cum-marketing society should not be less than 75% of total produce processed in a year.

6.2 In case of a pure processing society, the same should be an organization of growers and fall within the purview of the definition of an SSI unit. Further, at least 75% of total produce processed should be that of grower members.

6.3 In case of commodities covered by the **Selective Credit Control Directives, if any, of the RBI**, sanction of loans for marketing of crops against pledge of agricultural produce will be subject to compliance with such Directives.

6.4 Advances to societies / cultivators against pledge of agricultural produce are not to be treated as cover for borrowings made for financing SAO and vice versa since separate credit limits are sanctioned for the two purposes.

6.5 The produce pledged to the marketing society / PACS should be in its effective custody. Similarly, in case of direct finance to cultivators by CCBs, the produce pledged should be in the effective custody of the Bank. Once the loans for marketing of crops (and the relevant crop loans) are repaid, farmers may have an option to take back their produce from the society / bank for undertaking marketing on their own.

6.6 Borrowers shall follow the quality and storage requirements laid down by the financing banks. Stocks pledged to the financing bank shall be kept separately and adequate care should be taken to ensure its quality. Further, the stocks must be adequately insured against the risk of fire, theft etc.

6.7 The operations of grading, pooling, processing, wherever necessary and selling should be so coordinated as to be over within the period for which loans for marketing of crops are allowed under the scheme and in no case such loans may be extended for periods beyond twelve months.

6.8 Banks should obtain requisite monthly stock statements from borrowing societies in respect of loans extended to borrowers for marketing of crops against pledge of agricultural produce, by 15<sup>th</sup> of each month succeeding the month of report and all such statements should be kept on record with the CCB and be available for verification by StCB and NABARD.

**D. Industrial Cooperative Societies (other than weavers)**

(a) Nature of accommodation

The important features of refinance facilities provided by NABARD to the 22 approved broad groups of micro-enterprises, small enterprises and medium enterprises, cottage and village industries, handlooms are as under:

(i) Credit limits are sanctioned by NABARD to the StCBs on behalf of CCBs / DICBs for financing only the production and marketing activities of micro-enterprises, small enterprises and medium enterprises and also to cottage and village industrial co-operative societies. No part of the credit limit is to be utilized for financing a society whose activities

do not involve, in addition to marketing, the manufacture or processing by itself or on its own account by its members. Besides, credit limits are also sanctioned by NABARD to StCBs for financing the Regional / State level federations engaged in procurement and marketing activities of the approved micro-enterprises, small enterprises and medium enterprises and also to cottage and village industrial co-operative societies

- (ii) Refinance facilities are provided by NABARD for financing only the viable or potentially viable micro-enterprises, small enterprises and medium enterprises and also to cottage and village industrial co-operative societies. While assessing viability, apart from the society's financial position, the level of annual production, turnover in sales in the preceding year, ability of the society to provide the required margin on the basis of available net disposable resources etc. are to be taken into account.
- (iii) Loans and advances granted to StCBs are by way of refinance against the outstanding advances provided by the CCBs / DICBs or the StCB, as the case may be, with credit limits sanctioned to the StCB on behalf of respective institutions. The outstanding referred to here will be the non-overdue outstanding and would exclude the amount under unrenewed cash credit limits.
- (iv) Accommodation granted to the societies by the banks would have to be backed by adequate stocks-in-trade with the borrowing societies subject to maintenance of prescribed margins.
- (b) Norms for assessment of working capital (Realistic Lending Program)

#### **I. Industrial Cooperative Societies other than coir**

##### **(i) Primary Industrial Cooperative Societies (Other than weavers)**

The working capital requirements of primary industrial cooperative societies (other than weavers) are to be assessed at 40% of the anticipated production during the year i.e. previous year's production or average of last 3 year's production, whichever is more, **plus** 20% provided sales during the previous year were not less than 60% of the production in that year. In cases where the sales were less, the credit limit is to be reduced proportionately.

##### **(ii) Regional / State Level Federation**

In the case of Regional / State Level Federations of micro-enterprises, small enterprises and medium enterprises and also to cottage and village industrial co-operative societies, the working capital requirements for procurement and marketing are to be assessed at 50% of the anticipated sales during the year i.e. sales during the previous year or the average of last 3 years' sales, whichever is more **plus** 20%. The credit limit is not to exceed 3 times the owned funds of the Federation.

#### **II Primary Coir Co-operative Societies**

The norms for assessing the working capital requirements of Primary Coir Co-operative Societies are as under:

- (i) In the case of **Primary Coir Co-operative Societies**, the anticipated production of husk and coir is to be worked out separately at previous year's production or average of last three years' production, whichever is more, **plus** 20% and their credit requirements are to be assessed at 75% of the anticipated production of husk and 33<sup>1/3</sup>% (one third) of the anticipated production of coir yarn **less** outstanding, if any, under short term borrowings from the Government.
- (ii) In the case of **Mat and Matting Societies**, credit requirements are to be worked out at 33<sup>1/3</sup>% (one third) of the anticipated production **less** outstanding, if any, under short-term borrowings from the Government.



- (iii) In the case of **Central Coir Marketing Societies**, the credit limit is not to exceed 40% of the anticipated sales during the year i.e. actual sales during the previous year or the average of last 3 years' sales, whichever is more **plus** 20%. The credit limit is not to exceed 3 times the owned funds of the society.

**(c) Margin requirement**

Normally, the CCBs / DICBs should advance funds to the primary industrial cooperative societies on hypothecation / pledge basis, keeping the usual margin of 40% for hypothecation advances and 25% for pledge advances. The margin requirements may be reduced to 10% provided the State Government agrees to execute a guarantee in favour of the CCB / DICB for the shortfall in the margin in excess of 10% upto 40% and 25% for hypothecation and pledge advances respectively. This guarantee would be in addition to the usual guarantee required to be furnished to NABARD wherever refinance is provided under Sec. 21(3) (a) of the NABARD Act, 1981.

**E. Labour Contract Cooperative Societies engaged in any one or more of the 22 approved broad groups of Micro-enterprises, small enterprises and medium enterprises, cottage and village industries handlooms, Forest Labour Cooperative Societies engaged in collection and marketing of Minor Forest Produce, Labour Contract Cooperatives engaged in civil work in rural areas**

**1. Eligible activities**

- a. The Labour Contract Cooperative Societies engaged in marketing, manufacturing or processing of goods in any one or more of the 22 approved broad groups of Micro-enterprises, small enterprises and medium enterprises, cottage and village industries, handlooms
- b. Forest Labour Cooperative Societies engaged in collection and marketing of Minor Forest Produce.
- c. Labour Contract Cooperative Societies engaged for civil work in rural areas.

**2. Quantum of credit (Realistic Lending Program)**

The assessment of the working capital requirement (Realistic Lending Program) of these societies will be made on the basis of the activities undertaken by them subject to the following:

- (i) Clean cash credit limit may be sanctioned equal to owned funds without Government guarantee and 3 times the owned funds with Government guarantee.
- (ii) In addition to above, sanction of accommodation upto 70% of the executed contracts and pending bills there against with Government / quasi-Government bodies may be granted, provided such bills are not pending for more than 3 months.

**3. Margin requirement**

Normally, the CCBs should advance funds to the concerned primary cooperative societies on hypothecation / pledge basis, keeping the usual margin of 40% for hypothecation advances and 25% for pledge advances. However, if the CCB has joined the Small Loans (Small Scale Industries) Guarantee Scheme, 1981 of the Deposit Insurance and Credit Guarantee Corporation (DICGC), the margin requirement may be reduced to 10% both for pledge as well as hypothecation advances. In other cases also, the margin requirements may still be reduced to 10% provided the State Government agrees to execute a guarantee in favour of the CCB for the shortfall in the margin in excess of 10% upto 40% and 25% for hypothecation and pledge advances respectively. This guarantee would be in addition to the usual guarantee required to be furnished to NABARD wherever refinance is provided under Sec. 21(3)(a) of the NABARD Act, 1981.

## **F. Rural artisans including weaver members of PACS / FSS / LAMPS**

### **(a) Nature of accommodation**

- (i) The PACS / FSS / LAMPS should have a full-time paid Manager / Secretary / Managing Director. The societies should have been placed in 'A' or 'B' class in audit during the previous co-operative year. In the case of 'C' class societies, the CCBs may finance them only on the special recommendation of RCS indicating the steps taken to improve the working of the society.
- (ii) The accommodation is provided to the StCB in the form of credit limit on behalf of CCBs for financing PACS / FSS / LAMPS for on lending to their rural artisan and weaver members.
- (iii) The accommodation can be availed only for financing the production and marketing or servicing activities of such rural artisans including weaver members of PACS / FSS / LAMPS who are engaged in any of the 22 broad groups of approved Micro-enterprises, small enterprises and medium enterprises, cottage and village industries, or handloom weaving industry and are working on a viable basis.
- (iv) The accommodation granted to the rural artisans including weavers for working capital purposes should be secured by hypothecation of implements, stocks, raw material and finished goods with the artisans and against surety by two members of the society.
- (v) The eligibility criteria relating to level of overdues at the CCB level is not applicable and credit limits for financing rural artisans and weaver members through PACS / FSS / LAMPS are sanctioned irrespective of the level of overdues of the concerned CCB. However, the CCB should monitor the overdues position in respect of such advances closely.

### **(b) Norms for assessing working capital (Realistic Lending Program)**

The working capital requirements of the societies for financing rural artisan / weaver members are assessed at 40% of anticipated production (viz. previous year's production or average of last three years' production, whichever is more plus 20%) provided the sales during the previous year were not less than 60% of the production of that year. Where the sales are less, credit limits are reduced proportionately. In assessing the credit eligibility of a rural artisan for his activity, the level of annual production, sales turnover, the availability of security by way of hypothecation of raw materials, finished goods, implements etc. are to be taken into account. The goods produced should be easily marketable. Where the raw materials do not belong to the rural artisans and the activity is undertaken as a service activity, the rural artisans in such cases may be provided investment credit for purchasing tools and implements and also working capital to the extent of labour charges, rent, electricity / fuel etc. for a period of not more than 3 months.

### **(c) Margin requirement**

Normally, the CCBs should advance funds to the PACS / FSS / LAMPS on hypothecation / pledge basis, keeping the usual margin of 40% for hypothecation advances and 25% for pledge advances. However, if the CCB has joined the Small Loans (Small Scale Industries) Guarantee Scheme, 1981 of the Deposit Insurance and Credit Guarantee Corporation (DICGC), the margin requirement may be reduced to 10% both for pledge as well as hypothecation advances. In other cases also, the margin requirements may still be reduced to 10% provided the State Government agrees to execute a guarantee in favour of the CCB for the shortfall in the margin in excess of 10% upto 40% and 25% for hypothecation and pledge advances respectively. This guarantee would be in addition to the usual guarantee required to be furnished to NABARD wherever refinance is provided under Sec. 21(3)(a) of the NABARD Act, 1981.

## **G. Fisheries Sector / Fishery activities**

### **1. Scope of refinance:**

To provide short-term credit limits to StCBs in respect of eligible CCBs for financing the working capital requirements of Primary Fisheries Cooperative Societies (PFCS) [both inland and marine] functioning as Credit societies or Production-cum-Marketing Societies or PACS financing fisheries Sector.

### **2. Borrowers of bank finance**

Individual fisherman/group of fishermen who are members of Primary Fisheries Society (both inland and marine) functioning as Credit societies or Production-cum-Marketing Societies or members of PACS financing fisheries Sector.

### **3. Eligible activities for provision of bank credit**

3.1 As per existing guidelines on project formulation and financing under investment credit, the operational cost / recurring costs for first operational cycle, is included in capital cost and is capitalized. Further, surplus generated during first year should be generally sufficient for meeting subsequent recurring expenditure. On the other hand, borrowers who have availed of investment credit from banks may be requiring credit for subsequent increased working capital operations. Further, the fishermen not availing investment credit from banks may also need working capital assistance. In view of this, while extending working capital finance, the banks may ensure that credit requirements are realistically assessed and only genuine credit requirements are financed by them as per scales of finance recommended by the District Level Technical Committee.

3.2 The following activities would be eligible for financing by banks:

(i) Inland Fisheries Aquaculture such as : Fish Culture, Fish Seed Hatchery, Reservoir Fisheries, Integrated Fish Farming, Fresh Water Prawn Farming, Fresh water Prawn Hatchery, Ornamental fish breeding and farming.

(ii) Brackish water Aquaculture such as: Brackish Water Shrimp farming, Brackish Water Shrimp Hatchery, Brackish Water Fish Farming, Brackish Water Fish Hatchery

(iii) Marine Fisheries Aquaculture (Mariculture), Edible oyster / pearl oyster culture, Mussel culture, Sea Weed Culture, Fin Fish culture

(iv) Inland / Marine Capture Fisheries

3.3 An illustrative list of items that would be considered as part of working capital is given in the Appendix for guidance of the banks.

### **4. Quantum of credit from banks (Realistic Lending Program)**

4.1 As per the scale of finance that may be fixed for the purpose by the District Level Technical Committee.

4.2 **Off-Season Credit:** While the quantum and periodicity of off-season credit may be fixed by the DLTC as a part of Scale of Finance, it should be ensured that the off-season credit is disbursed only to those whose annual income does not exceed the limit fixed for the identification of families below poverty line (BPL families). Banks should also ensure that off-season credit sanctioned to individual fishermen (through societies) are within the ceilings prescribed by RBI for sanction of consumption credit to individual borrowers by banks / societies. Care may also be taken to see that the off-season credit is provided only to the extent of meeting the consumption needs during such

period and the beneficiaries are in a position to repay off-season credit during the fishing season from the sale proceeds of catch from fishing operations.

4.3 The quantum and periodicity of credit may be realistically assessed taking into account the duration of voyage, composition of groups of fishermen, sizes and types of vessels etc. in case of capture fishing; the peak and off-seasons of operation and normal breeding seasons in case of hatcheries; the marketing periods in case of culture fishing etc.

## **5. Periodicity of credit**

5.1. At society level and bank-level, cash credit limit for one year (April - March) may be sanctioned to individual fishermen / group of fishermen and societies based on the scale of finance, with flexibility to operate the account as and when required. Further, there should be adequate arrangements for ensuring that the entire proceeds from sale of catch are remitted to the cash credit account by the borrower.

5.2. During the off season, drawals may be allowed only to the extent of the off-season credit sanctioned.

## **6. Renewal of cash credit accounts to fishermen**

Cash credit limits may be renewed, provided the operations in the accounts are satisfactory, no drawal is outstanding for more than 12 months and the total repayments made are not less than the maximum amount of outstanding reached under the credit limit during the year.

## **7. Coverage under Kisan Credit Card Scheme**

Considering that the credit facility will be in the nature of cash credit, banks may consider issuing credit cards on the lines of Kisan Credit Card Scheme to Individual fishermen / Group of fishermen and extend credit to them under such cards. The instructions issued to StCBs / CCBs under the KCC Scheme will be, mutatis mutandis, applicable to credit cards issued by the banks to fishermen. Such details may be shown separately in the NODC statements in the revised format as per circular No. NB.PCD(OPR) / 662A / A.137(Spl.) /1999-2000 dated 26.05.1999.

## **8. Security**

i. Banks / Societies may take such security from society / members respectively as may be appropriate and necessary, as per the guidelines issued by the RBI in this regard.

ii. In case arrangements for sale of catch through primary or central or regional cooperative fisheries societies exist, arrangements may be made for ensuring that the proceeds from sale of catch are remitted to the cash credit account by entering into an agreement with the society and the borrowers as also obtaining an undertaking from the borrower to sell the catch through the concerned society.

## **H. Purchase, stocking and distribution of chemical fertilizers and other agricultural inputs**

### **1. Quantum of credit (Realistic Lending Program):**

#### **a. Retail distribution of chemical fertilizers and other agricultural inputs on cash and carry basis**

Credit requirements of PACS / PCMS etc., engaged in fertilizer / input distribution on 'cash and carry' basis will be assessed at two months' average sale of fertilizers / inputs in the preceding calendar year.

## **b. Provision of Refinance to State Cooperative Banks for financing Procurement and Marketing Activities of State Owned Federations/State /Apex Cooperative Marketing Societies**

### **1. Objectives**

Marketing federations and cooperatives are playing important role in agribusiness and value/supply chain management of the various agricultural commodities.

Large numbers of farmers, producer's organizations and primary societies depend upon these institutions for marketing of their produce and for value added services like input supply, value addition and storage facilities.

The marketing operations by these federations and cooperatives require seasonal and timely short term credit facility to support their day to day operations.

### **2. Eligible Institutions:**

- a. State Agencies/Societies
- b. State Civil Supplies Corporations
- c. State Cooperative Agri. Marketing Federations (MARKFED)
- d. State Agro Industries Corporations
- e. Other State Cooperatives/federations notified by the State Governments
- f. State/Apex Cooperative Marketing Society/Federations engaged in wholesale procurement, stocking & distribution of fertilizers /agricultural inputs

### **3. Eligible Activities:**

- a. Procurement of food grains, pulses and coarse cereals
- b. Stocking and distributions of seeds and fertilizers and other Agri, inputs

### **4. Eligibility criteria for Federations/Societies:**

- a. It must have been established or constituted by State Acts and major share of the paid capital is held or controlled by the State Govt.
- b. Earned profit during last three years and not having accumulated losses
- c. The entities with poor financials may be considered if backed with State Govt. guarantee
- d. PDS and procurement Schemes of Central / State Governments under Food Credit arrangement of RBI will be outside the purview of the Scheme.

### **5. Nature of Loan:**

5.1 The credit limit sanctioned is in the nature of cash credit accommodations. Each draws will be treated as a separate loan and would normally be repayable within a period of 12 months from the date of draws.

### **6. Rate of Interest:**

6.1 Refinance from NABARD to StCB will be available at the rate prescribed by NABARD, from time

to time. (at present the rate in interest is 7.7%). The interest is repayable at half-yearly rests on 01 October and 01 April every year.

## **7. Quantum of Refinance**

7.1 The quantum of refinance will be 100% of Realistic Lending Programme assessed by StCBs/CCBs

## **8. Margin requirements:**

### **8.1 Between Federation and Bank:**

Prudential margins against pledge / hypothecation of produce as per RBI instructions in vogue.

## **9. Other terms and conditions:**

9.1 In case of commodities covered by the **Selective Credit Control Directives, if any, of the RBI**, sanction of loans for marketing of crops against pledge of agricultural produce will be subject to compliance with such Directives.

9.2 Federations shall follow the quality and storage requirements laid down by the financing banks. Stocks pledged to the financing bank shall be kept separately and adequate care should be taken to ensure its quality. Further, the stocks must be adequately insured against the risk of fire, theft etc.

9.3 The operations of grading, pooling, processing, wherever necessary and selling should be so coordinated as to be over within the period for which loans for marketing of crops are allowed under the scheme and in no case such loans may be extended for periods beyond twelve months.

9.3 Banks should obtain requisite monthly stock statements from borrowing Federations /Societies in respect of loans extended by 15<sup>th</sup> of each month succeeding the month of report and all such statements should be kept on record with the CCB and be available for verification by StCB and NABARD.

9.4 Accommodation granted to the Federations/Societies by the banks would have to be backed by adequate stocks/stocks-in-trade subject to prescribed margin.

9.5 Drawals submitted by StCBs/CCBs should be supported by stock statement

9.6 Documentations as applicable to ST(Others) purposes

## Appendix

### Purposes eligible to be covered under fisheries sector / fishery activities (illustrative):

#### **(I) Inland fisheries aquaculture**

- (a) In case of fish culture - fish seed, transportation, lime, organic/inorganic fertilizers, lease rent, supplementary feed, fishing charges, miscellaneous expenses including watch and ward, insurance, etc.
- (b) In case of fish seed hatcheries -
  - (i) purchase of brooders, inorganic / organic fertilizers, supplementary feed, wages for skilled and semi-skilled fishermen, operational cost of pump sets / generators, cost of periodical netting, watch and ward, pituitary glands or other inducing hormones, replacement of lab equipment, oxygen cylinder and packing material for fish seed, transportation/marketing expenses, miscellaneous expenditure including insurance.
  - (ii) if only rearing of fish seed by purchasing of spawn from the hatcheries is resorted to - cost of purchase of spawn, lease amount for ponds taken on lease, manure, supplementary feed, harvesting and marketing expenses.
- (c) In case of reservoir fisheries - seed money, fishing implements like nets, funds for stocking seeds etc.
- (d) In case of Fresh Water Prawn farming - prawn seeds, prawn feed, chemicals and manure for pond preparation, fuel and electricity, staff salaries including labour harvesting, miscellaneous expenses including insurance, medicines etc.
- (e) In case of Fresh water Prawn hatchery - purchase of brooders, fertilizers, wages of skilled and semi-skilled labourers, operational cost of pump sets, packing, transporting, insurance etc.

#### **(II) Brackish water Aquaculture**

- (a) In case of Brackish water Shrimp / Fish farming - shrimp/fish seed, fertilizers / manure, supplementary feed, operational cost for pump set, electricity charges, miscellaneous including insurance, labour, harvesting, medicines etc.
- (b) In case of Brackish water Shrimp/Fish Hatchery - purchase of brooders, fertilizers, wages of skilled and semi-skilled labourers, operational cost of pump sets, packing, transporting, insurance etc.

#### **(III) Marine aquaculture (Mariculture)**

- (a) In case of edible oyster / pearl oyster - repairs and maintenance of rafts, operation of boats, labour, oyster seeds, harvesting etc.
- (b) In case of mussel culture - cost of spats, labour, operation of boat etc.
- (c) Consumption credit to meet the off season requirements of the members of the PFCS.

#### **(IV) Inland / Marine capture Fisheries**

- (a) **In case of country boats** – Repairs / maintenance / replacement of engine, gears and other equipment. In case of mechanized boats - minor repairs of engine, gears and other equipment.
- (b) Wages for crew, diesel oil, Mobil oil, ice, other provisions etc.
- (c) Consumption credit to meet the off-season requirements of the members of the PFCS.

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