



Ref. No. NB.DoR / 29 / PPS-9 / 2021-2022

12 April 2021

Circular No. 62 / DoR - 13 / 2021

The Managing Director  
All Scheduled Primary Urban Cooperative Banks

Madam/Dear Sir,

**Refinance Policy for Schematic Lending for F. Y. 2021-22 – Primary Urban Cooperative Banks (PUCBs)**

Refinance Policy for Schematic Lending for the year 2021-22 for Primary Urban Cooperative Banks is finalized and enclosed herewith. This Policy supersedes all the existing policies in this regard.

2. The Circular is also available on NABARD website [www.nabard.org](http://www.nabard.org) under the tab information Centre.
3. Please acknowledge receipt.

Yours faithfully

(L R Ramachandran)  
Chief General Manager

Encls : 4 pages

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

विभाग नाम

प्लॉट क्र सी-24, 'जी' ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051. टेली: +91 22 26524926 • फ़ैक्स: +91 22 26530090 • ई मेल: [dor@nabard.org](mailto:dor@nabard.org)

Department of Refinance

Plot No. C-24, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 • Tel.: +91 22 26524926 • Fax: +91 22 26530090 • E-mail: [dor@nabard.org](mailto:dor@nabard.org)

## **Refinance Policy for Schematic Lending for F. Y. 2021-2022**

### **1. Introduction**

NABARD has been providing long-term refinance to the approved financial institutions under the provisions of Section 25(i)(a) of NABARD Act, 1981 to supplement their resources for providing adequate credit for taking up investment activities in agriculture & allied activities and rural off-farm sector etc.

### **2. Objectives**

- Supporting capital formation in agriculture and allied activities.
- Directing flow of credit for promotion of thrust activities.
- To meet the credit requirement of JLGs, SHGs, FPOs and Others.
- Promoting alternate employment opportunities in rural and semi urban areas by supporting off-farm sector activities.

### **3. Nature of Accommodation**

Refinance assistance is provided to the banks in respect of their disbursement for various purposes under the following two windows:

#### **3.1 Automatic Refinance Facility (ARF)**

Automatic Refinance Facility (ARF) enables banks to obtain financial accommodation from NABARD, without going through the detailed procedure of pre-sanction formalities. Banks are expected to appraise the proposals at their own level and finance the borrowers. Banks then claim refinance from NABARD on the basis of a declaration (drawal application), indicating the various purposes for which refinance has been claimed and the loan amount disbursed. In such cases, the sanction and disbursement of refinance are attended to simultaneously by NABARD.

Automatic Refinance Facility is extended without any upper ceiling of quantum of refinance, bank loan or Total Financial Outlay for all kinds of projects under Farm Sector (FS) & Off-Farm Sector.

#### **3.2 Pre-Sanction**

If the banks intend to avail refinance under pre sanction procedure they are required to submit the projects for approval of NABARD. Before sanction of the same, NABARD appraises these projects to determine its technical feasibility, financial viability and bankability.

### **4. Eligibility Criteria**

**4.1** Eligibility criteria for drawal of refinance from NABARD are reviewed from time to time. PUCBs which satisfy the following conditions prescribed by RBI, for being classified as “financially sound and well managed” will be eligible to draw refinance from NABARD:

- a. CRAR of more than 10%.
- b. Gross NPA of less than 7%
- c. Net NPAs of less than 3%
- d. Should be a scheduled bank.
- e. With 'A' or 'B' audit classification
- f. Net profit for at least three out of the preceding four years (3 financial years out of, 2017-18, 2018-19, 2019-20 and 2020-21) subject to it not having incurred a net loss in

- the immediate preceding year (2020-21)
- g. No default in the maintenance of CRR and / or SLR during the preceding financial year.
  - h. Core Banking Solution (CBS) fully implemented.

**Eligibility Criteria** during 01 April 2021 to 30 June 2021 will be based on their audited financial position as on 31.03.2020 or 31.03.2021 (if audited position as on 31.03.2021 is available). From 01 July 2021 to 31 March 2022, the same will be based on their audited financial position as on 31.03.2021. Sanction and drawals on or after 01 July 2021 will be permitted only to such banks, which have completed the audit.

**4.2** Any improvement or deterioration in the financial parameters after 31.03.2021 may be considered, based on limited review financial results of the bank with a certificate from the Chartered accountant and duly recommended by NABARD RO.

**4.3** The eligibility norms will be applicable for drawal of refinance under both Farm and Off-Farm Sectors including Government Sponsored Schemes.

## **5. Eligible Purposes**

**5.1** Agriculture, MSME and other eligible loans which are outstanding in the books of the bank with a residual maturity period of more than 18 months as on the date of drawal application will be eligible for refinance.

**5.2** List of activities covered under Farm sector and other sectors is mentioned in Annexure I. The list is only illustrative but not exhaustive. Activities not mentioned therein may also be covered if, it facilitates the promotion of agriculture and rural development.

### **5.3 Thrust Areas**

Efforts may be made to support thrust areas through our refinance. The thrust areas include land development, minor & micro irrigation, water saving and water conservation devices, fisheries, animal husbandry, SHGs / JLGs / Rythu Mithra Groups (RMGs), agri-clinics and agri-business centres, rural housing, agro-processing, wasteland development, dryland farming, contract farming, area development schemes, plantation & horticulture, agro-forestry, seed production, tissue culture plant production, agri-marketing infrastructure (including cold storage, godowns, market yards etc.), agriculture implements, non-conventional energy sources, financing in areas of watershed & tribal development programmes already implemented.

Preference may be given to finance innovative / thrust areas for various activities under plantation and horticulture sector such as production of high value exotic vegetables, cut flowers under controlled conditions i.e. poly house / green house, establishment of hi-tech export oriented production like mushroom, tissue culture labs, precision farming for enhancement of productivity in vegetables and fruits, installation of micro irrigation systems like drip for orchard and plantation crops.

## **6. Extent of Refinance**

**6.1** The extent of refinance for the States in North Eastern Region (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura) including Sikkim, Hilly Region (Jammu & Kashmir, Himachal Pradesh, Uttarakhand), Eastern Region (West Bengal, Odisha,

Bihar, Jharkhand and Andaman & Nicobar Islands), Lakshadweep and Chhattisgarh will be 95% of eligible bank loans for all purposes. For Other Regions the extent of refinance shall be:

- a) 95% for all thrust areas as indicated at Sr. No. 5.3
- b) 90% for all other diversified purposes and Krishak Sathi Yojana

## **7. Interest rate**

**7.1 Interest on refinance:** The interest rates on refinance will be decided by NABARD based on tenor, prevailing market rate, risk perception etc. and is subject to revision from time to time.

**7.2 Penal interest:** In the event of default, penal interest rate of 2.00% over and above the interest rate at which refinance was disbursed, will be charged on the amount of default and for the period of default.

**7.3 Penalty for prepayment of refinance:** The rate of pre-payment penalty will be 2.50% p.a. and will be chargeable for each instalment due separately for the entire period (minimum 6 months) from the date of pre-payment to the date on which the instalment is actually due for payment. The prepayment can only be initiated after minimum notice of 3 working days.

## **8. Repayment period**

Repayment period ranges between 18 months (minimum) and 5 years or above. The due date for repayment of principal and interest will be **quarterly with principal due dates on 30<sup>th</sup> June, 30<sup>th</sup> Sep, 31<sup>st</sup> Dec and 31<sup>st</sup> March** and interest due dates on 1<sup>st</sup> July, 1<sup>st</sup> October, 1<sup>st</sup> January and 1<sup>st</sup> April. The first due date of principal amount for refinance sanctioned on any date in a quarter will fall on the last day of the next quarter.

## **9. Security**

The security for loans and advances by way of refinance or otherwise shall be such as may be specified by NABARD in the General Refinance Agreement (GRA)/ Letter(s) of sanction. Besides, a Mandate in favour of NABARD will have to be duly obtained by the bank from RBI, where its current account is maintained

## **10. Other terms and conditions**

**10.1** NABARD may undertake half-yearly visits to the PUCBs which are availing refinance for examination of the financial health and general functioning of the banks through scrutiny of audited balance sheet, audit reports, books of accounts, relevant documents etc. PUCBs are required to provide all information required by the visiting officers.

**10.2** PUCBs shall also be required to furnish to NABARD all such information as may be required by NABARD from time to time.

**10.3** NABARD reserves the right to conduct spot verification / checks to ensure that the terms and conditions of refinance are adhered to.

**10.4** NABARD shall have the right to cause special audit of the books and other relevant material of the bank either by itself or through other agencies (at borrowing entity's cost) to

ensure that same are maintained as per rules and regulations in force and the terms and conditions of refinance are adhered to by the bank.

**11.** All other existing terms and conditions will remain unchanged.