



Ref. No. NB.DoR / 194 / PPS - 9 / 2018-19

11 April 2018

Circular No. 76 / DoR - 22 / 2018

The Managing Director
All State Cooperative Banks

Madam/Dear Sir,

Refinance Policy for schematic lending for F. Y. 2018-19 – State Cooperative Banks (StCBs)

Please refer to our Circular No. 72/DoR-09/2017 dated 31 March 2017 on refinance policy for schematic lending F.Y. 2017-18. The policy for the year 2018-19 has been finalised and is enclosed.

2. The Circular is also available on NABARD website www.nabard.org under the tab information centre.

3. Please acknowledge receipt.

Yours faithfully

(Padma Raghunathan)
Chief General Manager

Encls : 8 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 • टेल. : 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

Refinance Policy for schematic lending for F. Y. 2018-19

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. The objectives of providing long-term refinance are as under:

- Supporting capital formation in agriculture thereby promoting growth of agriculture sector.
- Directing flow of credit for promotion of thrust activities.
- To meet the credit requirement of JLGs and SHGs.
- Promoting alternate employment opportunities in rural areas by supporting Off-farm sector activities
- Providing refinance support for credit linked capital subsidy schemes of Govt. of India, whose subsidy is channelized through NABARD.

3. Nature of Accommodation

NABARD provides refinance assistance under investment credit to the banks in respect of their disbursement for various purposes under two windows as under.

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. The banks are expected to appraise the proposals at their own level and finance the borrowers. The 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. The eligibility criteria prescribed for the year 2018-19 are:

- (i) StCBs complying with CRAR of minimum 9.00% as on 31.03.2017 will only be considered for granting refinance. In case of DCCBs with less than 9.00% CRAR, no refinance will be available to individual StCBs on behalf of such DCCBs.
- (ii) Net NPAs not exceeding 20% of net loans and advances outstanding as on 31.03.2017. Further, the NPA position will be reckoned for the Bank as a whole. Net NPA position as indicated in the statutory audit report, will form the basis for eligibility. However, in the event of any variation in the net NPA position as indicated in the audit report and the inspection report of NABARD, the latter would be reckoned for determining the eligibility. The bank should be in net profit in 2016-17.
- (iii) StCBs/CCBs with 'A' or 'B' audit class classification only are eligible.
- (iv) In case of improvement or deterioration in any of the above parameters as on 31.03.2018 [after completion of statutory audit], the same will be reckoned for eligibility of refinance.

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** NABARD provides refinance for both Farm Sector and Off-Farm Sector activities. Farm Sector activities are supported irrespective of location of the project. The mandate for NABARD being agriculture and rural development through credit support, endeavour of the Bank is to develop the rural areas (i.e. any area with population upto 50,000) as envisaged in the NABARD Act by providing refinance assistance to its client institutions. As such, farm sector activities, financed by the client institutions in non-rural areas are refinanced by NABARD since those activities directly or indirectly facilitate rural development. For example, in case, dairy activities in urban areas are being financed with refinance support from NABARD, the backward linkages like fodder / raw material for manufacture of cattle feed etc. would come from rural areas. Similarly, storage capacity (cold storage / chilling plant / storage godown, agro and food processing industry etc.) created in urban areas would indirectly help rural populace in realization of better price for their produce. The client banks while financing the agricultural projects / schemes should keep these aspects in view and approach NABARD for refinance only after satisfying themselves about the linkages and processes involved and contribution to the rural economy.
- 5.3** In case of Off-Farm Sector activities, NABARD can provide refinance for such activities in rural areas / other areas which can be treated as rural areas as in 5.2. However, agro-processing / agro- industries irrespective of their location and also irrespective of the amount of investment in plant and machinery are eligible for refinance from NABARD.
- 5.4** Further, under Off-Farm sector, units which qualify as Micro, Small and Medium Enterprises (MSMEs), Rural Housing etc. which help in the creation

of employment opportunities / generation of income in rural areas are eligible for refinance from NABARD.

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

5.6 Thrust Areas

Thrust area includes 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.

Banks should give preference to finance innovative / thrust areas for various activities under plantation horticulture sector such as production of high / exotic value 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

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 100% of eligible bank loans for all purposes. For Other Regions the extent of refinance shall be;

- a) 100% for all thrust areas as indicated at Sr. No. 5.6;
- b) 95% for all other diversified purposes and Krishak Sathi Yojana.

7. Quantum of Refinance- Eligibility Criteria

7.1. The category-wise Quantum of Refinance is as under:

Criteria	Quantum of refinance
Low risk category (Marks 65 and above)	The quantum of refinance will be unrestricted, subject to the banks' realistic lending program acceptable to NABARD and the overall allocation for the State / Bank.

Moderate risk category (Marks 50 to 64)	The quantum of refinance will be fixed at 25% over and above the refinance drawn in the previous year / 90% of the ground level credit for term loans disbursed by the concerned StCB / CCB during 2016-17, whichever is higher.
Medium risk category (Marks 40 to 49)	The quantum of refinance will be fixed at 10% over and above the refinance drawn in the previous year / 80% of the ground level credit for term loans disbursed by the concerned StCB / CCB during 2016-17, whichever is more.
High risk category (Marks below 40)	Bank will not be eligible for refinance.

7.2 With a view to increasing the credit flow to the States in the Eastern Region (West Bengal, Odisha, Bihar, Jharkhand and Andaman & Nicobar Islands), North Eastern Region including Sikkim, Hilly States (Jammu & Kashmir, Himachal Pradesh and Uttarakhand), Lakshadweep and Chhattisgarh) the category-wise eligibility criteria are mentioned below:

Criteria	Quantum of refinance
Low risk category (Marks 65 and above)	The quantum of refinance will be unrestricted, subject to the banks' realistic lending program acceptable to NABARD and the overall allocation for the State / Bank.
Moderate risk category (Marks 50 to 64) and Medium risk category (Marks 40 to 49)	The quantum of refinance will be fixed at 25% over and above the refinance drawn in the previous year / 90% of the ground level credit for term loans disbursed by the concerned StCB / CCB during 2016-17, whichever is higher.
High risk category (Marks below 40)	Bank will not be eligible for refinance.

7.3 Risk assessment for StCBs as indicated in Para No. 7.1 & para 7.2 above, during April 2018 to September 2018 will be based on their audited financial position as on 31.03.2017. Statutory audit of the StCB for F. Y. 2017-18 has to be completed and the relevant audit report submitted to the concerned RO of NABARD, latest by 30.09.2018. From October 2018 to March 2019, risk assessment for StCBs will be based on their audited financial position as on 31.03.2018. Drawals on or after 01.10.2018 will be permitted only to such StCBs, which have completed the audit

for F. Y. 2017-18 and submitted the relevant audit report to the concerned RO of NABARD.

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

8. Interest rate

8.1 Interest on refinance

The rate of interest on refinance is decided based on tenor, prevailing market rate, risk perception etc. and is subject to revision from time to time. All StCBs have been classified into 4 risk categories viz. **low risk, moderate risk, medium risk and high risk** as per the risk assessment module devised by NABARD. Prescribed risk premium will accordingly be charged on our rate of interest on refinance.

8.2 Penal interest

In the event of default, penal interest rate of 2.00% p.a over and above the interest rate at which refinance was disbursed, will be charged on the defaulted amount and for the period of default.

8.3 Penalty for pre-payment of refinance

The rate of pre-payment penalty will be 2.50% p.a. for residual period, other conditions remaining unchanged

9. Repayment period

Repayment period ranges between 18 months (minimum) and 5 years or above to be repaid on half-yearly basis every year (due date 31 January and 31 July every year). Payment of interest is at half yearly rest i.e. on 01 February and 01 August every year.

10. Security

The security for the loans and advances by way of refinance or otherwise shall be such as may be specified by NABARD in the Letter(s) of Sanction.

Refinance to the StCBs not satisfying norms indicated at Para. No. 11, both for Farm Sector & Off Farm sector will be extended only against State Government Guarantee. In the event of Government Guarantee (wherever required) not forthcoming, alternative security like pledge of Government securities or pledge of Fixed Deposit Receipts issued by Scheduled Banks or good working StCBs can be considered, subject to compliance with the terms and conditions stipulated by NABARD in this regard.

11. Terms and conditions for waiver of Government guarantee

11.1 Scheduled StCBs with audit classification 'A' under 2-tier and 3-tier structures

a. The scheme for which refinance is sought, is technically feasible and financially viable.

- b. The security to be obtained should be in accordance with the instructions of RBI / NABARD.
- c. The StCB should be having audit class 'A'.

11.2 Scheduled StCBs with 'B' class audit under 3-tier structure

- a. The scheme for which refinance is sought, is technically feasible and financially viable.
- b. The CCB which finances the scheme should have 'A' audit class and should be satisfying the norms prescribed for StCB to be categorized as 'A'.
- c. The security to be obtained should be in accordance with the instructions of RBI / NABARD.

12. Other terms and conditions

12.1 NABARD reserves the right to conduct spot verification / checks to ensure that terms and conditions of refinance are adhered to / complied with by StCBs.

12.2 NABARD will have the right to cause special audit of the books of accounts and other relevant material of the StCB / CCB, either by itself or through other agencies (at borrowing entity's cost) 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.

12.3 Arrears in reconciliation of inter-bank and inter-branch accounts for the period beyond six months can result in denial of refinance assistance from NABARD.

13. All other terms and conditions will remain unchanged.

Annexure I

1. Following activities are covered under Farm Sector.
 - i. Land development
 - ii. Minor & micro irrigation, drip irrigation
 - iii. Water saving and water conservation devices
 - iv. Dairy
 - v. Poultry
 - vi. Beekeeping
 - vii. Sericulture
 - viii. Fisheries
 - ix. Animal husbandry
 - x. Loans to Self Help Groups / Joint Liability Groups / Rythu Mitra Groups
 - xi. Dryland farming
 - xii. Contract farming
 - xiii. Plantation & horticulture
 - xiv. Agro-forestry
 - xv. Seed production
 - xvi. Tissue culture plant production
 - xvii. Loans to corporate farmers, farmers' producer organizations/ companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, up to an aggregate limit of ₹ 2 crore per borrower
 - xviii. Agriculture implements
 - xix. Production of high value / exotic vegetables, cut flowers under controlled conditions i.e. poly house / green house,
 - xx. Establishment of hi-tech export oriented production like mushroom, tissue culture labs, precision farming for enhancement of productivity in vegetables and fruits
2. Following other activities are covered under refinance.
 - i. MSME for both manufacturing and service, that creates employment in rural areas
 - ii. Agri-clinics and Agri-business centres
 - iii. Rural housing

- iv. Agro-processing
 - v. Soil conservation and watershed development.
 - vi. Agri-marketing infrastructure (including cold storage, warehouse, godowns, market yards, silos etc.) irrespective of their location
 - vii. Non-conventional energy sources,
 - viii. Financing in areas of watershed & tribal development programmes already implemented.
 - ix. Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.
 - x. Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multipurpose Societies (LAMPS) for on-lending to agriculture.
 - xi. Loans sanctioned by banks to MFIs for on-lending to agriculture sector
 - xii. KVI (Khadi Village Industries)
 - xiii. Rural Schools, health care facility, drinking water facility, sanitation facility and other Social infrastructure in Rural areas
 - xiv. Renewable energy like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for nonconventional energy based public utilities viz. street lighting systems, and remote village electrification
 - xv. Krishak Sathi Yojana
 - xvi. (xvi) Area development schemes
3. Any other activities not mentioned above may also be covered if it facilitates the promotion of agriculture and rural development.