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The Chief Executive Officer  
All Small Finance Banks

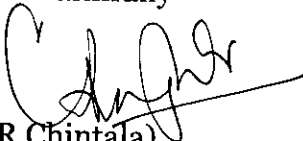
Madam/Dear Sir,

**Refinance Policy for Schematic Lending for F. Y. 2019-2020 – Small Finance Banks (SFBs)**

Refinance Policy for Schematic Lending for the year 2019-2020 for Small Finance 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

  
(G R Chintala)  
Chief General Manager

Encls : 5 pages

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

पुनर्वित्त विभाग

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## **Refinance Policy for Schematic Lending for F. Y. 2019-2020**

### **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.

### **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. The eligibility criteria prescribed for the year 2019-20 are as under :

- a) Complying with minimum CRAR norm of 15% (as stipulated by RBI).
- b) Net NPAs not exceeding 5% of net loans and advances outstanding. Further, the NPA position will be reckoned for the Bank as a whole.
- c) The bank should be in Net profit.

**4.2 Eligibility criteria and Risk Assessment** during 01 April 2019 to 30 June 2019 will be based on their audited financial position as on 31.03.2018 or 31.03.2019 (if audited position as on 31.03.2019 is available). From 01 July 2019 to 31 March 2020, the same will be based on their audited financial position as on 31.03.2019. Sanction and Drawals on or after 01 July 2019 will be permitted only to such banks, which have completed the audit.

**4.3** Any improvement in the financial parameters after 31.03.2019 may be considered, as per the reviewed financial result of the bank after due certificate from the Chartered accountant.

**4.4** 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**

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.

Banks should give preference to finance innovative / thrust areas for various activities under plantation & 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**

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. 5.3
- b) 95% 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. All Small Finance Banks have been classified into 9 risk categories as per the risk assessment module devised by NABARD. Prescribed risk premium will accordingly be charged over and above the rate of interest on refinance.

**7.2 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.

**7.3 Penalty for pre-payment 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 of refinance ranges between 18 months (minimum) to 5 years or above. The periodicity for repayment of principal amount of refinance will be half yearly and the due date for repayment of principal amount sanctioned on any day in a month will be last day after completion of six months from the date of disbursement. The repayment schedule will be specified in the letter(s) of Sanction. The due dates of payment of interest will be monthly / quarterly / half yearly as specified in the letter(s) of Sanction

## **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 SFB from RBI, where its current Account is maintained.

## **10. Monitoring**

NABARD would have the right to conduct spot verification / checks to ensure that the terms and conditions of refinance are adhered to.

**11.** All other existing 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. Area development schemes
3. Any other activities not mentioned above may also be covered if it facilitates the promotion of agriculture and rural development.