



Ref. No. NB.DoR.ST Policy /3292/ A-1(Gen) / 2018-19

Circular No. 86 / DoR - 28/ 2019

28 March 2019

The Chairman
All Regional Rural Banks

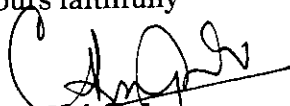
Dear Sir

Provision of Additional Short-Term (ST) refinance by NABARD to Regional Rural Banks for financing Seasonal Agricultural Operations (SAO) - Policy for F. Y. 2019-20

Please refer to NB.DoR.ST.Policy/58/A-1(Gen)/2018-19 dated 05 April 2018 (Circular No.64/DoR-12/2018) on the above subject, communicating policy for sanction of additional Short -Term (ST) refinance to Regional Rural Banks (RRBs) for financing Additional Seasonal Agricultural Operations for the FY 2018-19. The policy has since been reviewed and is on the lines similar to previous year's policy. The total limit sanctioned under Additional Short-Term refinance should not exceed 50% of RLP including outstanding under normal ST (SAO) or as per para `4' of Annexure-I. The detailed policy is mentioned in Annexure-I

2. RRBs can draw upto 50%(net of the amount drawn under STRRB fund) of GLC or as the case may be, under this line of credit.
3. You may submit an application for sanction of Additional ST (SAO) credit limit, in the prescribed proforma to NABARD RO.
4. Please acknowledge receipt of this circular to our Regional Office.

Yours faithfully


G R Chintala
Chief General Manager

Encls. - As above

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Annexure I

Provision of Additional Short-term (ST) refinance by NABARD to Regional Rural Banks (RRBs) for financing Seasonal Agricultural Operations - Policy for F. Y. 2019-20

1. Operative period of Additional ST (SAO) limit

The operative period of Additional ST(SAO) limit for F. Y. 2019-20 will be 01.04.2019 to 31.03.2020. Additional ST (SAO) refinance will be provided to the RRBs only in respect of crop loans disbursed during the operative period.

2. Sanction of limit

- a. The Additional ST(SAO) limit will be sanctioned to RRBs under **Sec. 21(1) (i)** read with **Sec. 21(4)** of the NABARD Act, 1981 against DPN executed by RRBs.
- b. RRB has to declare in writing, at the time of each drawal that the drawal preferred and the refinance already availed are against the loans provided by RRBs and are covered by adequate non-overdue loans

3. Eligibility norms

3.1 Audit

The Audit of RRBs for the year 2017-18 should have been completed and the relative audit reports along with financial statements should have been received by the concerned Regional Office of NABARD. Further, the audit of RRBs as on 31.03.2019 should be completed and the report submitted by 30.06.2019. Sanction/Drawals on or after 01.07.2019 will be permitted only to such RRBs, which have completed the audit and submitted the relevant audit report to the concerned RO of NABARD.

3.2 Compliance with CRAR norms

Only such RRBs having CRAR of 9% and above will be eligible.

3.3 NPA norm

The eligibility, among other things, will be based on the net NPA position of RRBs. Net NPAs will be reckoned for the Bank as a whole and not at the level of RRB branches. The Banks with Net NPAs not exceeding 15% of net loans and advances outstanding will be eligible for refinance. Net NPA criteria for RRBs in the North Eastern Region, Jammu & Kashmir, Sikkim, Himachal Pradesh, Uttarakhand and Andaman & Nicobar Islands has been relaxed to 18% of net loans and advances outstanding

3.4 CRAR and NPA position as indicated in the **statutory audit report** will form the basis for eligibility. However, in the event of any variation between the audit report and the Inspection Report of NABARD, the latter will be reckoned for determining the eligibility

3.5 Eligibility criteria during 1 April 2019 to 30 June 2019 will be based on the audited financial position of the bank as on 31.03.2018 or 31.03.2019 (if available). From 1st July 2019 to 31st March 2020, eligibility criteria will be based on audited financial position as on 31.03.2019. Sanction/Drawals on or after 01.7.2019 will be permitted only to such RRBs, which have completed the audit and submitted the

relevant audit report to the concerned RO of NABARD.

4. Quantum of refinance

4.1 The quantum of refinance for sanction will be as under:

General Region

Net NPAs of RRB	Eligible limit [As a percentage of Realistic Lending Programme (RLP)]
Up to 6%	50%
Above 6% and up to 15%	45%
Above 15%	Not eligible

4.2 RRBs in North Eastern Region, Jammu & Kashmir, Sikkim, Andaman & Nicobar Islands, Himachal Pradesh and Uttarakhand, will be eligible for an additional credit limit of 25% with relaxation in net NPAs, as under:

Net NPAs of RRB	Eligible limit [As a percentage of Realistic Lending Programme (RLP)]
Up to 10%	75 %
Above 10% and up to 18%	70%
Above 18%	Not eligible

4.3 RRBs in Eastern Region viz. Bihar, West Bengal, Jharkhand, Odisha, Jharkhand, Chhattisgarh States and 28 districts of Eastern Uttar Pradesh (under BGREI Scheme of Govt. of India) will be eligible for an additional credit limit of 5%, as under:

Net NPAs of RRB	Eligible limit [As a percentage of Realistic Lending Programme (RLP)]
Up to 6%	55%
Above 6% and up to 15%	50%
Above 15%	Not eligible

4.4 The RLP for the year 2019-20 may be arrived at on the basis of average growth rate in crop loans disbursed during previous three years (taking into account the crop loans disbursed data for last four years). However, keeping in view the ground level realities and other facts, if any, NABARD may accept RLP which may be lower or higher than the RLP worked out by the RRB.

4.5 The RRB may be allowed drawals upto 50%(net of the amount drawn under STRRB fund) of GLC or as the case may be under this line of credit.

4.6 The limit will be available only for loans issued upto ₹ 3 lakh at farmer level.

- 4.7 The refinance under this line of credit will be reckoned as owned funds of the bank which is eligible for Interest subvention as per extant Interest Subvention guidelines of GoI.

5. Merger of RRBs

In case of merged Banks, the financial position of the new / merged RRBs as on the date of notification / merger based on special audit or the aggregate audit position as on 31.03.2018 of the erstwhile RRBs will form the basis for sanction of limit to such new RRB for the year 2019-20. Further, if the statutory audit position as on 31.03.2019 is available, the same will be considered for sanction of credit limit to the banks.

6. Rate of interest on refinance

6.1 Interest Rate

The interest rates on refinance will be 8.4% or as revised by NABARD from time to time. Interest is payable at half-yearly rests on 01 October and 01 April, as hitherto. In the event of bank repaying entire principal amount, the interest will be payable alongwith principal amount.

6.2 Penal interest in case of default

RRBs which fail to honour their commitments to NABARD in repayment of principal, payment of interest and / or other dues by the prescribed due dates, will not be eligible for any type of refinance facility from NABARD. Resumption of refinance may be considered, only after the bank clears the default. In the event of default, penal interest rate of 2% p.a over and above the interest rate at which refinance was disbursed, will be charged on the defaulted amount and for the period for which the default persists. The penal interest rates are subject to revision from time to time

7. Notice for repayment

The amount drawn against the limit are repayable on demand. However, each drawal on the credit limit would be treated as a separate loan and would normally be repayable in a period of 12 months from the date of drawal. Repayments before the expiry of 12 months may be accepted by NABARD with minimum notice of 15 working days.

8. Operational discipline

8.1 Drawal of refinance by RRBs under Additional ST (SAO) limit will be restricted to applicable percentage of refinance of the loan issued during the year 2019-20.

8.2 NODC

Drawals by RRBs on the credit limits will be permitted subject to the availability of aggregate NODC (including that for normal limit). For this purpose, RRBs are required to furnish to the concerned RO of NABARD, monthly NODC statement so as to reach latest by 20th of the succeeding month.

At the time of each drawal, a certificate in the prescribed format, regarding the availability of aggregate NODC, as on the date of drawal will have to be furnished by the bank. Moreover, it may be ensured by the bank that on any day, total of normal ST (SAO)

outstanding and the Additional ST (SAO) outstanding should not exceed the aggregate NODC available on that date.

8.3 Penal interest on NODC deficit

RRBs should clear the deficit in NODC, if any, immediately, so as to ensure availability of adequate non-overdue cover for borrowings from NABARD. In case the RRB 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 i.e. till the date on which the amount of deficit is regularized.

9. Excess Drawal

NABARD will take a serious view in case of availment of drawals beyond permissible quantum of refinance on account of reporting of incorrect data about crop loan disbursement or of NODC. In such cases, NABARD may call back the excess refinance availed by bank within 3 days along with the penal interest of 1% p.a.

10. Segregation of principal and interest in the loans outstanding

RRBs may exclude the interest component (overdue / non-overdue interest) from the outstanding amount and report the principal loan amount only, both in their applications for credit limit and drawal application, for arriving at the eligibility for refinance support from NABARD. Besides, only the principal portion of loans (issued, recovered, outstanding and overdues) should be reported in the monthly NODC statements.

11. Clearance of default

RRBs 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.

12. Right to inspection

NABARD reserves the right to inspect / get inspected the books of accounts of the RRB,

13. Right to cause special audit

NABARD will have the right to cause special audit of the books of accounts and other relevant material of the RRB 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.

14. Others

All other terms and conditions applicable for providing refinance under ST(SAO) will be applicable to Additional ST (SAO) refinance too.
