

Ref. No. NB.DoR.ST Policy / 58 / A-1(Gen) / 2018-19

Circular No. 64 / DoR - 12 / 2018

05 April 2018



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. 2018-19

Please refer to our circular No.NB.DoR.ST.Policy/4923/A-1(Gen)/2017-18 dated 31 March 2017 (Circular No.80/DoR-16/2017) 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 2017-18. The policy has since been reviewed and it has been decided to increase the quantum of refinance for the year 2018-19. 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. Pending receipt of STRRB fund, the RRBs can draw upto 50% of GLC or as the case may be, under this line of credit which may be adjusted on receipt of refinance under normal limit.
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

Padma

Padma Raghunathan
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. 2018-19

1. Operative period of Additional ST (SAO) limit

The operative period of Additional ST(SAO) limit for F. Y. 2018-19 will be 01.04.2018 to 31.03.2019. Additional ST (SAO) refinance will be provided to the RRBs only in respect of crop loans disbursed during the operative period.

2. Eligibility norms

2.1 Audit

Audit of RRB should have been completed for the year 2016-17 and the relative audit report together with the financial statements should have been received by the concerned RO of NABARD. Audit of the bank for the year 2017-18 should be completed and a copy of the audit report and financial statements submitted to the concerned RO of NABARD, latest by 30.06.2018.

2.2 Compliance with CRAR norms

Only such RRBs having CRAR of 9% and above as on 31.03.2017 will be eligible. RRBs with CRAR less than 9% as on 31.03.2017, but more than 9% as on 31.03.2018 will also be eligible for refinance under Additional ST(SAO).

2.3 Net NPA position as on 31.03.2017, 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. Net NPAs will be reckoned for the Bank as a whole and not at the level of RRB branches. **In case of improvement or deterioration in any of the parameters (CRAR and net NPAs) as on 31.03.2018 [after completion of statutory audit], the same will be reckoned for eligibility of refinance limit.**

2.4 Quantum of refinance

- (i) 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

- (ii) 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

(iii) RRBs in Eastern Region viz. Bihar, West Bengal, 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

2.5 In case of merged banks, the financial position of the new / merged RRB as on the date of notification / merger, based on special audit or the aggregate audited position as on 31.03.2017 of the erstwhile RRBs, will form the basis for sanction of limit to such new RRB for the year 2018-19. Further, if the statutory audit position as on 31.03.2018 is available, the same will be considered for sanction of credit limit to the banks.

2.6 Pending receipt of STRRB fund, the RRB may be allowed drawals upto 50% of GLC or as the case may be under this line of credit which may be adjusted on receipt of refinance under normal limit.

2.7 The limit will be only for loans upto ₹ 3 lakh at farmer level.

3. 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 Gol.

4. Operational disciplines

4.1 Drawals made on credit limits are repayable on demand from NABARD. However, each drawal under the limit, may be allowed by NABARD for a maximum period of 12 months.

4.2 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 2018-19.

4.3 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.

4.4 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.

4.5 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 deficit is not regularized within one month, from the date of occurrence of such deficit, the RRB concerned will have to pay additional interest of 1% on the amount of deficit in NODC, for the duration of the deficit, till the position is regularized.

5. Excess drawal

NABARD will take a serious view in case of avilment 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.

6. 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.

7. Rate of interest on refinance

The rate of interest under this line of credit will be **7.7 % p.a. during the year 2018-19**, subject to, changes made by NABARD from time to time. Interest is payable at half-yearly rests on 30 September and 31 March.

8. Clearance of defaults

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 in repayment of principal and / or payment of interest, the RRBs will be liable to pay to NABARD, interest on amount of default at 10.25% p.a. for the period for which the default persists. Such penal interest rate is subject to revision from time to time.

9. Right to inspection

NABARD reserves the right to inspect / get inspected the books of accounts of the bank.

10. 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 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.

11. Others

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