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The Managing Director/ CEO
NABFINS/ NABSAMRUDDHI/ NABKISAN

Madam/ Dear Sir

**Refinance Policy for Schematic Lending for F. Y. 2019-2020 –
Subsidiaries of NABARD**

Refinance Policy for Subsidiaries was discussed in the 640th Meeting of the Management Committee held on 30 December 2019. Accordingly the policy has been finalised and is enclosed herewith.

2. The Circular is also available on NABARD website www.nabard.org under the tab information Centre.
3. Please acknowledge receipt.

Yours faithfully

(Jiji Mammen)
Chief General Manager

Encls : 3 pages

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

पुनर्वित्त विभाग

प्लॉट नं. सी-24, जी ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051. • टेलि : 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 : cvc@nabard.org

Refinance Policy for Schematic Lending for F. Y. 2019-2020 – Subsidiaries of NABARD

1. Introduction

NABARD provides refinance to its subsidiaries viz. NABSAMRUDDHI, NABFINS and NABKISAN to help them to extend credit support to agriculture and rural development activities. Refinance is extended through Automatic Refinance Facility both under Farm Sector (FS) and Non-Farm Sector (NFS) activities.

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.

2. Nature of Accommodation

Refinance assistance is provided to the subsidiaries against their disbursements, for various purposes under the following two windows:

2.1 Automatic Refinance Facility (ARF)

Automatic Refinance Facility (ARF) enables the agencies to obtain financial accommodation from NABARD, without going through the detailed procedure of pre- sanction formalities. Subsidiaries are expected to appraise the proposals at their own level and finance the borrowers. They can 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.

2.2 Pre-Sanction

Subsidiaries can also avail of refinance under pre sanction procedure where 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. In such cases, the loan will be sanctioned after the due appraisal.

3. Quantum of refinance

The quantum of refinance to these agencies (which generally do not have access to funds from market/ other sources) shall be :

- i) 100% for all thrust areas as indicated at para no. 5.3
- ii) 95% for all other diversified purposes

To take care of exposure risk on cumulative basis, the total refinance outstanding should not be more than the quantum of performing loans, held by the subsidiaries, as per the latest RBI guidelines.

4. Eligibility criteria- 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:

4.1 Registration: Should have a certificate of registration under Sec. 45-IA of the RBI Act, 1934 to function as an approved financial institution.

4.2 CRAR: Should maintain minimum capital adequacy ratio as stipulated by RBI from time to time (at present it is 15%).

4.3 Net Profit: Should be in Net Profit for at least three out of the preceding four financial years (3 financial years out of 2015-16, 2016-17, 2017-18, 2018-19), subject to it not having incurred net loss in the immediate preceding year (2018-19).

4.4 Net NPA: Should not exceed 4%.

4.5 The Memorandum of Association should have a provision for borrowing from other financing agencies including higher financing agencies like NABARD.

4.6 In case any of the agencies do not qualify on account of the above norms as on 31.03.2019, could also be considered if there are any improvement in the financial parameters after 31.03.2019, as certified by a Chartered Accountant.

5. Eligible Purposes

5.1 Agriculture, MSME, Microfinance and other eligible loans which are outstanding in the books of the subsidiary 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.

6. Terms and conditions for funding

Standard terms and conditions as prescribed by NABARD from time to time will be applied. NABARD reserves the right to conduct spot verification / checks to ensure

that terms and conditions of refinance are adhered to / complied with by the subsidiaries viz. NABSAMRUDDHI, NABFINS and NABKISAN.

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

6.2. 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.

6.3. 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 from the date of pre-payment to the date on which the instalment is actually due for payment with a minimum period of 06 months. The prepayment can only be initiated after minimum notice of 3 working days. However, in case the prepayment is out of genuine recoveries, the benefit of waiver of pre- payment penalty will be considered to the subsidiaries of NABARD.

7. Repayment period

Repayment period for refinance ranges between 18 months (minimum) to 5 years or above, to be repaid on half-yearly basis on 31 January / 31 July every year. Interest on refinance to be paid on half-yearly rests on 01 February and 01 August every year.

Principal / Interest repayment option on monthly/quarterly is also available.

8. Security

The security norms prescribed for NABARD Subsidiaries are as under:

- a) Execution of General Refinance Agreement (GRA) with NABARD.
- b) Mandate to debit Current Account with the principal Banker of the Subsidiary.
- c) Board resolution in proforma as prescribed.

NABARD has decided to waive furnishing of any additional security by the three subsidiaries for the refinance sanctioned by it.

9. Pre Audit, Monitoring and supervision of projects

NABARD will have the right to cause special audit of the books of accounts and other relevant material either by itself or through other agencies (at borrowing entity's cost) to ensure that same are maintained as per the rules and regulations in force and the terms and conditions of refinance are adhered to by the bank. NABARD would have the right to conduct spot verification / checks to ensure that the terms and conditions of refinance are adhered to.

9.1 All disbursements to NABARD subsidiaries will be pre audited by the concurrent auditors of the bank before its release.