



Ref. No. NB.DoR / 114 / PPS - 9 / 2016-17

Circular No. 84 / DoR - 15 / 2016

26 April 2016

The Managing Director,  
All State Cooperative Banks

Dear Sir,

**Refinance Policy for schematic lending for 2016-17**

Please refer to our Circular No. 71 / DoR - 21 / 2015 dated 22.04.2015 advising the eligibility criteria for drawal of refinance from NABARD under schematic lending for the year 2015-16. The refinance policy for State Cooperative Banks (StCBs) for the year 2016-17 has been finalized and the same is as under:

**1. Eligibility criteria**

**1.1** StCBs are to be classified into 4 categories viz. **low risk, moderate risk, medium risk and high risk** as per the risk assessment module devised by our Risk Management Department. Prescribed risk premium will accordingly be charged on our rate of interest on refinance.

**1.2** The eligibility of the bank will be determined on the basis of financial parameters such as net NPAs, net profit in 2014-15 and CRAR as on 31.03.2015. The bank should be in net profit in the year 2014-15. NPA position as indicated in the statutory audit report will form the basis for eligibility. However, in the event of any variation in the NPA position as indicated in the audit report and the inspection report of NABARD, the latter will be reckoned for determining the eligibility. The net NPA position at StCB level and neither at the level of StCB / CCB branches nor at the level of CCBs will be reckoned for the purpose of eligibility of StCB. StCBs complying with CRAR of minimum 7% as on 31.03.2015 will only be considered for granting refinance. For unrestricted refinance facility (applicable in case of low risk category StCBs), the net NPA shall be not more than 6.00% as on 31.03.2015. Maximum net NPA permissible for StCBs is up to and inclusive of 20.00% as on 31.03.2015.

**1.3** 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 (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim), Hilly States (Jammu & Kashmir, Himachal Pradesh and Uttarakhand), Lakshadweep and Chhattisgarh) net NPA norm will be relaxed by 5 percentage points. This concession is to be considered only for the StCBs falling in

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the 'Medium risk' category for the limited purpose of working out the quantum of refinance accordingly.

**1.4** In case of improvement or deterioration in any of the above parameters as on 31.03.2016 [after completion of statutory audit], the same will be reckoned for eligibility of refinance.

**1.5** The category-wise eligibility criteria are mentioned below:

Criteria	Quantum of refinance
<b>Low risk category (Marks 65 and above)</b>	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.
<b>Moderate risk category (Marks 50 to 64)</b>	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 2014-15, whichever is higher.
<b>Medium risk category (Marks 40 to 49)</b>	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 2014-15, whichever is more.
<b>High risk category (Marks below 40)</b>	Bank will <b>not</b> be eligible for refinance.

**1.6** No refinance will be provided to StCBs with CRAR less than 7%. In case of StCBs with CRAR more than 7% but individual CCBs with less than 7%, no refinance will be available to individual StCBs on behalf of such CCBs.

**1.7** Risk assessment for StCBs as indicated in para 1.2 above, during April 2016 to September 2016 will be based on their audited financial position as on 31.03.2015. Statutory audit of the StCB for F. Y. 2015-16 has to be completed and the relevant audit report submitted to the concerned RO of NABARD, latest by 30.09.2016. From October 2016 to March 2017, risk assessment for StCBs will be based on their audited financial position as on 31.03.2016. Drawals on or after 01.10.2016 will be permitted only to such StCBs, which have completed the audit for F.Y 2015-16 and submitted the relevant audit report to the concerned RO of NABARD.

**1.8** The eligibility norms will be applicable for drawal of refinance both under Farm and Non-Farm Sector, including Govt. Sponsored Schemes.

## **2. Thrust areas**

The thrust areas for which preference will be given for release of refinance during 2016-17 will include land development, minor & micro irrigation, water saving and water conservation devices, fisheries, animal husbandry, SHGs / JLGs / 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.

### **3. Medium term refinance product**

"Medium Term Refinance Scheme" (for repayment period of minimum 18 months and maximum of 36 months) includes all the investment credit activities i.e. farm and non-farm sector eligible for getting long-term refinance from NABARD.

### **4. Extent of refinance**

The extent of refinance for the States in North Eastern Region, Hilly Region, Eastern Region, Lakshadweep and Chhattisgarh will be 100% of eligible bank loans for all purposes. For other regions, the extent of refinance will be:

- a) 100% for all thrust areas as indicated at Sr. No.2;
- b) 95% for all other diversified purposes and for Krishak Sathi Yojana.

### **5. Automatic refinance facility**

Automatic Refinance Facility will continue to be extended to the StCBs without any upper ceiling of quantum of refinance, bank loan or Total Financial Outlay for all projects both under Farm Sector (FS) and Non-Farm Sector (NFS). In case, any bank intends to avail refinance under pre-sanction procedure, they may submit projects to NABARD.

### **6. Interest rate**

**6.1 Interest on refinance:** Interest rate on refinance will be subject to revision by NABARD from time to time. The prevailing interest rate on refinance will continue till further revision.

### **6.2 Penal interest**

In the event of default, penal interest rate at 2% over and above the interest rate at which refinance was disbursed, will be charged on the amount of default 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. for residual period, other conditions remaining unchanged.





## 7. Security norms

Refinance to the StCBs not satisfying norms indicated at Sr.No.8, both for FS & NFS 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.

## 8. Terms and conditions for waiver of Government Guarantee

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

- ❖ The scheme for which refinance is sought, is technically feasible and financially viable.
- ❖ The security to be obtained should be in accordance with the instructions of RBI / NABARD.
- ❖ The StCB should be having audit class 'A'.

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

- ❖ The scheme for which refinance is sought, is technically feasible and financially viable.
- ❖ 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'.
- ❖ The security to be obtained should be in accordance with the instructions of RBI / NABARD.

## 9. Others

**9.1** In the event of the eligibility falling short of the committed expenditure, NABARD may permit drawals, on a case to case basis, in terms of our Circular No. NB.ICD.1295 / PPS-9 / 2005-06 dated 05.10.2005, beyond the eligibility to enable the StCB to meet the committed expenditure, on a case to case basis, on submission of complete information in the prescribed format.

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

**9.3** 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.

**9.4** 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.

**9.5** All the other existing terms and conditions will remain unchanged.

**10.** Please acknowledge receipt.

Yours faithfully,

S. K. Bansal  
Chief General Manager

*[Faint handwritten signature and stamp]*

