

Ref.No.NB.ICD/51 / PPS-9 / 2011-12

Circular No. 63 / ICD - 20 / 2011

1 April 2011

The Chairman & Managing Director
All Scheduled Commercial Banks

Dear Sir

Refinance Policy for Schematic Lending -2011-12 - Commercial Banks

Please refer to our Circular letter No.NB.ICD./368/PPS-9/2010-11 dated 1 April 2010 indicating the eligibility criteria for drawal of refinance from NABARD under schematic lending for the year 2010-11. The refinance policy for Commercial Banks for the year 2011-12 has been finalised and the same is as under:

1. Eligibility Criteria

1.1 Scheduled Commercial Banks with Net NPAs not exceeding 3% of net loans and advances outstanding as on 31 March 2010, in profit in 2009-10 and without accumulated losses will be eligible for refinance. In case, there is improvement in the above parameters as on 31 March 2011, the same will be reckoned for eligibility of refinance. Further, the NPA position will be reckoned for the bank as a whole.

1.2 The release of refinance will be subject to state-wise programme allotted to the respective banks by NABARD.

2. Thrust Areas

The thrust areas for which preference will be given for release of refinance during 2011-12 shall include minor & micro irrigation, water saving and water conservation devices, fisheries, animal husbandry, SHGs/JLGs linkage programme, Agri-Clinics and Agri-Business Centres, agro-processing, wasteland development, dryland farming, contract farming, 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. Additional activities could be included as Thrust Areas with prior approval from NABARD.

3. Extent of Refinance

The extent of refinance for the states in North Eastern Region (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim), Hilly Region (Jammu &

Kashmir, Himachal Pradesh, Uttarakhand), Eastern Region (West Bengal, Orissa, Bihar, Jharkhand and Andaman & Nicobar Islands), Lakshadweep and Chhattisgarh shall 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 Sl.No. 2,
- b) 95% for all other diversified purposes and
- c) 80% for Krishak Sathi Yojana.

4. Interest Rate

4.1 Interest on Refinance

Interest rate on refinance will be subject to revision by NABARD from time to time. The prevailing interest rate on refinance is being advised separately.

4.2 In the event of default, penal interest rate at 2 per cent over and above the interest rate at which refinance was disbursed, will be charged on the defaulted amount and for the period of default.

5. Automatic Refinance Facility

Automatic Refinance Facility will be extended to the Commercial Banks without any upper ceiling of quantum of refinance, bank loan or TFO for all kinds of projects under Farm Sector (FS) & Non Farm Sector (NFS). In case, any bank intends to avail refinance under pre-sanction procedure, they may submit projects to NABARD.

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

7. The eligibility norms will be applicable for drawal of refinance under both Farm and Non Farm Sectors including Government Sponsored Schemes.

8. Reconciliation of inter-bank and inter-branch accounts pending beyond six months could result in denial of refinance assistance from NABARD.

9. All other existing terms and conditions will remain unchanged.

10. Please acknowledge receipt.

Yours faithfully

Sd/-

(J.G.Menon)

Chief General Manager