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Circular No. 126 /DoR- 17 /2023

15 June 2023

Managing Director
All State Cooperative Banks

Dear Sir

Provision of Additional Short-Term (ST) refinance by NABARD to State Cooperative Banks for financing Seasonal Agricultural Operations (SAO) - Floating Rate – Operational Guidelines for F. Y. 2023-24 -

Please refer to our Circular No.120 /DoR- 43 /2022 dated 31 May 2022 on the captioned subject, communicating the operational guidelines for sanction of Additional Short -Term (ST) refinance to State Cooperative Banks for financing Seasonal Agricultural Operations (SAO) for the FY **2022-23 at floating rate.**

2. The overall operational guidelines will continue broadly hitherto with a few modifications as furnished in Annexure I. The guidelines come into effect from the date of the circular.
3. The total limit sanctioned under Additional Short-Term refinance would be as per para '4' of Annexure-I. The StCBs can draw up to the eligible limit of GLC (including the amount drawn under STCRC fund).
4. You may submit an application for sanction of additional ST (SAO) credit limit on behalf of all the eligible DCCBs in 3 tier structure/StCB in 2 tier structure, in the prescribed proforma to the concerned NABARD Regional Office.
5. These guidelines are also available on NABARD website www.nabard.org under the tab information Centre.
6. Please acknowledge receipt of this circular to our Regional Office.

Yours faithfully

(Vivek Krishna Sinha)
Chief General Manager

Encl : As above

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

पुनर्वित्त विभाग

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Annexure I

Provision of Additional Short-Term refinance by NABARD to State Cooperative Banks for financing Seasonal Agricultural Operations – Operational Guidelines for F. Y. 2023-24 – Floating rate of interest.

1. Operative period of Additional ST (SAO) limit

The operative period of Additional ST(SAO) limit **for the year 2023-24 will be 01.04.2023 to 31.03.2024**. Additional ST (SAO) refinance will be provided to the StCB in respect of crop loans disbursed only during the operative period. **Each drawal against the operative limit will be repayable in 12 months.**

2. Sanction of consolidated limit

- a. The limit will be sanctioned to StCB under **Sec. 21(1) (i)** read with **Sec. 21(4)** of the NABARD Act, 1981 against DPN executed by StCB.

The consolidated limit under Additional ST (SAO) will be sanctioned to

- i. StCBs on behalf of eligible DCCBs in 3 tier structure.
 - ii. Eligible StCB in case of 2 tier structure or in case of weak DCCBs (which are not in a position to finance PACS)
- b. StCB has to submit a declaration, at the time of each drawal, that the drawal preferred and the refinance already availed are against the loans provided by StCB to eligible DCCBs in 3 tier structure /StCB branches in 2 tier structure for financing SAO and are covered by adequate non-overdue loans outstanding at DCCB/StCB branch level against PACS. In case of StCB, DPN executed by StCB, has to be backed by TPNs executed in respect of each drawal by the CCBs concerned in favor of StCB as collateral security.
 - c. TPNs executed by DCCBs in favour of StCB will continue to be endorsed in favour of NABARD and StCB will keep the endorsed TPNs with them as an agent of NABARD.

3. Eligibility norms for StCB / CCBs

3.1 Audit

- a. Audit of StCB / DCCBs for the year 2021-22 should have been completed and the relevant audit reports along with financial statements should be submitted to the concerned Regional Office of NABARD.
- b. The audit of DCCBs/StCB for 2022-23 should be completed and the report submitted to concerned Regional Office of NABARD by 30.06.2023.

- c. Eligibility criteria during the first quarter i.e. up to 30.06.2023 will be based on audited financial position of the banks as on 31.03.2022 or 31.03.2023 (if audited position as on 31.03.2023 is available). From 01.07.2023, onwards eligibility criteria will be based on their audited financial position as on 31.03.2023.
- d. Sanction/Drawals of refinance on or after 01.07.2023 will be permitted only to such banks, which have completed the audit for 2022-23 and submitted the relevant audit report to the concerned RO of NABARD.

3.2 Compliance with licensing and CRAR norms

All licensed StCBs (Scheduled / Non Scheduled) and licensed DCCBs fulfilling CRAR conditions as stipulated by extant RBI guidelines which are mentioned below will be eligible for refinance under Additional ST(SAO).

- a. StCBs / DCCBs having **CRAR of 9%** and above only will be eligible.
- b. In case of StCBs with **CRAR** of 9% and above but individual **DCCBs with less than 9%, no credit limit** will be available on behalf of such **DCCBs**.
- c. In case of **StCB with CRAR less than 9%** and **DCCBs with CRAR greater than 9%**, credit **limit** will be sanctioned **directly** to the **DCCBs** against Government Guarantee or against pledge of Government approved securities/ FDRs of scheduled banks. In case of providing direct refinance to DCCBs, guidelines issued vide our circular **No.172 dated 09.09.2011** may be followed.

3.3 Non-scheduled StCBs

Non-scheduled StCBs which fulfill the CRAR criteria as provided above, will be eligible for sanction of credit limits against Government guarantee under Sec. 21(3)(a) of NABARD Act, 1981 or pledge of Govt. / approved securities (as defined in section 5(a) of BR Act, 1949) under Sec. 21(2)(i) of Act ibid and / or pledge of FDRs of Scheduled Banks under Sec. 33 of Act ibid.

3.4 NPA norm

The Banks with Net NPAs not exceeding 12% of net loans and advances outstanding will be eligible for refinance. Net NPA criteria for StCBs in the North Eastern Region, Jammu & Kashmir, Sikkim, Himachal Pradesh, Uttarakhand and Andaman & Nicobar Islands has been relaxed to 15% of net loans and advances outstanding.

- 3.4.1** The net NPA position at StCB/DCCB level and not at the level of StCB/DCCB branches will be reckoned for the purpose of eligibility of StCB.
- 3.4.2.** In case of providing direct refinance to DCCBs, net NPA position at DCCB level and not at the level of DCCB branches will be reckoned for the purpose of eligibility.

- 3.5 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. In case of any reason beyond the control of the Bank, the bank is unable to fulfil the eligibility criteria, NABARD may consider a lower eligibility norms, with adequate comforts/ security.

4. Quantum of refinance

The eligible limit for sanction as a percentage of Realistic Lending Programme (RLP) of eligible CCBs/StCB (in two tier/weak DCCBs) including the availment / utilization under ST(SAO) will be as under:

4.1 For StCBs in General Region:

Net NPAs of StCB	Eligible Limit
Up to 6%	60%
Above 6% & up to 10%	55%
Above 10% & up to 12%	50%
Above 12%	Not eligible

4.2 StCBs in the North Eastern Region, Jammu & Kashmir, Sikkim, Himachal Pradesh, Uttarakhand and Andaman & Nicobar Islands, will be eligible for additional refinance of 20% with relaxation in net NPAs, as under:

Net NPAs of StCB	Eligible Limit
Up to 10%	80%
Above 10% & up to 15%	75%
Above 15%	Not eligible

4.3 StCBs in Eastern Region viz. Bihar, Orissa, West Bengal, Jharkhand, Chhattisgarh States and 28 districts in Eastern Uttar Pradesh (under BGREI scheme of Govt. of India) will be eligible for additional refinance of 5% over and above the applicable normal quantum of refinance, with relaxation in net NPAs, as under:

Net NPAs of StCB	Eligible Limit
Up to 6%	65%
Above 6% & up to 10%	60%
Above 10% & up to 15%	55%
Above 15%	Not eligible

- 4.4 The RLP for the year 2023-24 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 StCB.
- 4.5 The StCBs can draw up to eligible limit ***(including the amount drawn under STCRC fund) of GLC.***
- 4.6 The limit will be available only for KCC crop loans issued up to ₹3 lakh at farmer level.
- 4.7 Refinance availed under this line of credit will be reckoned as owned funds of the bank and will be eligible for Interest Subvention under the extant guidelines of GoI for 2023-24.
- 4.8 Special efforts may be made by the banks so as to increase the credit flow to credit starved and aspirational districts to gradually enhance credit availability in these districts.

5. Rate of interest on refinance

5.1. Floating rate :

- a. Interest rate will be market driven and as decided by NABARD from time to time. **Presently, the RoI is linked to the 3 month T Bill and applicable spread.** The applicable interest rate will be communicated by the Regional Office on day to day basis.
- b. There will be a ***Lock-in-period of 90 days*** and interest will be payable at quarterly rests. The banks will have flexibility to repay the loan after 90 or continue with the rate of interest prevailing at the time of reset.
- c. **The RoI will be reset on the 91st day of disbursement.**

5.2. Additional interest in case of default

StCBs 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, additional interest @ 2% will be charged on the defaulted amount and for the period for which the default persists. The additional interest rates are subject to revision from time to time

6. Repayment

- 6.1** The repayments if any, can be made after the lock-in period of **90 days**. **However, the bank has to give** a notice period of minimum 3 days for making a repayment.
- 6.2** The due date for interest payment will be at quarterly rests with due dates on 1st July, 1st October, 1st January and 1st April. If the due date falls on a holiday, it has to be paid on the next working day.
- 6.3** As hitherto every instalment released will be payable within 12 months of the release. Banks will now have the option to repay any instalment as indicated by them during remitting the amount to NABARD. While repaying, the account number and the contract number as mentioned in the disbursement letter should be indicated. **In case the same is not indicated, then the repayments made, if any, will be adjusted on the principal of First Out First In.**
- 6.4** In case of repayments, the entire principal and interest has to be repaid pertaining to that drawal. No partial prepayments will be allowed against one disbursement

7 Operational discipline

7.1 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 loan disbursement or of NODC by calling back the excess refinance availed by the bank within 3 days along with the penal interest of 1% p.a.

7.2 NODC

- a. Drawals on the sanctioned limit will be permitted by NABARD to StCB on the basis of aggregate NODC (including that for normal limit) pertaining to the eligible DCCBs, which have outstanding borrowings from StCB. The StCB will have to submit monthly NODC statement indicating DCCB-wise position by 20th of the succeeding month physically or through digital platform.
- b. At the time of each drawal, a certificate in the prescribed format, regarding the availability of aggregate NODC (inclusive of current drawal), as on the date of drawal will have to be furnished by the bank. Moreover, it may be ensured total of normal ST (SAO) outstanding and the Additional ST (SAO) outstanding should not exceed the aggregate NODC available.

7.3 Additional interest on NODC deficit

StCBs are required to monitor NODC regularly. In case of deficit in NODC, StCBs will have to make good the deficit in NODC. In case, the StCB 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. However, no additional interest will be charged if overall NODC is available.

7.4 Segregation of principal and interest in the loans outstanding

StCB 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.

7.5 Defaults by DCCBs to StCB: In case a DCCB is in default to the StCB under this line of credit continuously for a period exceeding 3 months, the StCB concerned will not be allowed to operate on the limit in respect of the DCCB concerned till the default is regularized.

7.6 Clearance of default

StCBs 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.

7.7 Right to inspection

NABARD reserves the right to inspect / get inspected the books of accounts of the bank (StCB / eligible CCBs).

7.8 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 Cooperative Banks (StCB/ eligible DCCBs) 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.

7.9 Others

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