



Ref.No.NB.DoR/ 379 /A.1.Gen/2023-24

Circular No. 129 /DoR- 20 /2023

15 June 2023

Chairman
All RRBs

Chairman and Managing Director
All Sponsor Banks of RRBs

Dear Sir/Madam

Provision of Short term refinance by NABARD to Regional Rural Banks for financing various purposes under Short Term (Others) @ Floating Rate – Operational Guidelines for the year 2023-24

Please refer to our Circular **No.123/DOR- 46/2022 dated 31 May 2022** communicating the operational guidelines for the year 2023-24 for sanction of consolidated ST (Others) limits to Regional Rural Banks (RRBs) for financing, certain approved purposes other than SAO **at Floating Interest Rate** such as marketing of crops etc., on the basis of Realistic Lending Program for respective purposes.

2 The overall operational guidelines will continue hitherto with a few changes as given in Annexure I. The guidelines will come into effect from the date of the circular.

3. RRBs may arrange to forward their applications for sanction of ST (Others) credit limits as per the prescribed proforma, complete in all respects, to the concerned Regional Offices of NABARD immediately, to facilitate timely sanction of limits for the year 2023-24.

4. These guidelines are also available on NABARD website www.nabard.org under the tab information Centre.

5. Please acknowledge receipt of this circular to our respective 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

General Terms and Conditions – RRBs

1. Operative period of ST (Others) limit

The operative period of ST (Others) limit for the year 2023-24 would be from 01.04.2023 to 31.03.2024. Each drawal against the operative limit will be repayable in 12 months.

2. Sanction of consolidated limit

- a. A consolidated limit under ST (Others) will be sanctioned to RRBs under Sec. 21(1)(i) to (v) read with Sec 21(4) of the NABARD Act, 1981 against the DPN executed by RRBs
- b. RRBs have to declare in writing, at the time of each drawal that the drawal preferred and the refinance already availed are against the loans provided by RRBs and are covered by adequate non-overdue loans.

3. Eligibility norms

3.1. Audit

- a. The Audit of RRBs for the year 2021-22 should have been completed and the relative audit reports along with financial statements should have been submitted to the concerned Regional Office of NABARD.
- b. The audit of RRBs for 2022-23 should be completed and the report submitted to concerned Regional Office of NABARD by 30.06.2023.
- c. Eligibility criteria for sanction and drawal of refinance up to 30 June 2023 will be based on their audited financial position 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 RRBs which have completed the audit and submitted the relevant audit report to the concerned RO of NABARD subject to satisfactory position regarding the eligibility norms

3.2 Internal Risk Rating by NABARD

3.2.1 Internal Risk rating of RRBs will be based on internal guidelines of NABARD. RRBs having internal Risk rating of NBD 1 to NBD 7 will be eligible for refinance under ST(Others). RRBs having internal risk rating of NBD8 and NBD9 will not be eligible for refinance under this line of credit.

3.2.2 **Risk rating will be assessed based on the financial** as indicated in the **statutory audit report**. However, in the event of any variation between the Audit report and the Inspection Report of NABARD, the latter will be reckoned for risk rating.

4. Quantum of refinance

NABARD will sanction consolidated credit limits to RRBs based on their realistic lending program for eligible purposes. (Marketing of crops / other approved purposes other than SAO). Banks would assess their realistic lending program as per the guidelines prescribed for each activity. The RLP may be reckoned as loans issued during previous year under all purposes put together with a reasonable increase (average increase during last 3 years). In case there is no disbursement during previous years, banks would assess their RLP based on their projections/ plan for ST (Others) activities during the financial year. **Drawal may be allowed for a period of 12 months irrespective of the purpose.**

The eligible limit for sanction as a percentage of Realistic Lending Programme (RLP) would be as under :

4.1 For RRBs in General Region

Risk Rating of RRBs by NABARD	Eligible Limit
NBD1 – NBD4	90%
NBD5 – NBD7	85%
NBD8 – NBD9	Not eligible

4.2 RRBs in North Eastern Region, Jammu & Kashmir, Sikkim, Andaman & Nicobar Islands, Himachal Pradesh and Uttarakhand will be eligible for an additional credit limit with relaxation in net NPAs, as under:

Risk Rating of RRBs by NABARD	Eligible Limit
NBD1 – NBD4	95%
NBD5 – NBD7	90%
NBD8 – NBD9	Not eligible

- 4.3** RRBs in Eastern Region viz. Bihar, West Bengal, Jharkhand, 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, as under:

Risk Rating of RRBs by NABARD	Eligible Limit
NBD1 – NBD4	95%
NBD5 – NBD7	90%
NBD8 – NBD9	Not eligible

- 4.4** 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.
- 4.5** The refinance under this line of credit will be reckoned as owned funds of the bank. The Interest Subvention for disbursement of KCC Animal Husbandry and fisheries working capital loans will be as per the extant guidelines of GoI for 2023-24

5. Merger of RRBs

In case of merged Banks, the financial position of the new / merged RRBs as on the date of notification / merger based on special audit or the aggregate audit position as on 31.03.2022 of the erstwhile RRBs will form the basis for sanction of limit to such new RRB for the year 2023-24. Further, if the statutory audit position as on 31.03.2023 is available, the same will be considered for sanction of credit limit to the banks.

6. Sanction of sub-limits purpose-wise

RRBs may indicate their credit limit requirements for marketing of crops, and for financing production and marketing activities of artisans (other than handloom weavers) and village / cottage / tiny sector industries, for financing Bonafide Commercial or trade transactions, for financing persons belonging to the weaker sections (as defined by the RBI vide its Master circular FIDD.CO.Plan.BC.J/04.09.01/2021 dated 04 September, 2020 and engaged in trade / business / service activities including distribution of inputs for agriculture and allied activities) separately in the consolidated credit limit applications and maintain separate books of account and Demand Collection Balance (DCB) registers in respect of loans provided under the above programs.

7. Other Eligible Purposes

- i. ST crop loans exceeding Rs.3 lakh per farmer.
- ii. ST gold loans for agriculture and allied activities
- iii. ST Loans for agriculture allied activities.
- iv. ST Loans for working capital requirements of professionals and Self employed
- v. ST Loans for working capital requirements of Annual Maintenance for SRTOs
- vi. ST Loans > Rs.50000 against gold for non agri purposes/bonafide trading etc (Purely for loans other than consumption purposes)
- vii. ST loans for Micro, Small and Medium Enterprises.
- viii. ST Loans for working capital requirement of Social infrastructure projects

8. Drawable amount

The credit limit(s) sanctioned is / are in the nature of cash credit accommodation and the RRBs may draw and repay as many times as required, provided the outstanding in the account(s) do not exceed the sanctioned credit limit(s). The outstanding balance(s) in the account(s) is/ are repayable on demand. Each drawal on the credit limit would be treated as a separate loan and would normally be repayable within a period of 12 months from the date of drawal. Banks would be allowed refinance against eligible loans issued during the previous 12 months (as per NODC statement) provided refinance has not been availed against such loans.

9. Interest Rate on Refinance

- a. Interest rate will be market driven and as decided by NABARD from time to time. **Presently the rate of interest is linked to the 3 month T Bill and applicable spread. The RoI will be reset on the 91st day of disbursement.** In the event of bank repaying the entire principal amount, the interest will be payable along with principal amount. 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 days or continue with the prevailing rate of interest at the time of reset.

10. Penal interest in case of default

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, additional interest @ 2% p.a will be charged on the defaulted amount and for the

period for which the default persists. The penal interest rates are subject to revision from time to time.

11. Repayment

- 11.1 The pre-payments 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.
- 11.2 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.
- 11.3 Repayment will be accepted as indicated by the Bank irrespective of the order of disbursement. However, while repaying, the account number and the contract number mentioned in the disbursement letter may 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. In case of re-payment after the lock in period, the entire amount along with the interest will be repaid and no part payments will be accepted.

12. Operational discipline

12.1 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 regarding 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.

12.2 NODC

- a. RRBs can make drawals against sanctioned limits on the basis of aggregate NODC i.e. for all the purposes taken together. Separate NODC has to be maintained by the banks under each purpose. RRBs are required to submit to the concerned RO of NABARD, monthly NODC statements indicating the purposes by 20th of the succeeding month physically or through digital platform.
- b. Drawals by RRBs will be subject to the condition that the outstanding borrowings including the current drawal permitted do not exceed the NODC available as on the last Friday of the preceding month. In addition, at the time of each drawal, a certificate in the prescribed format regarding the availability of NODC will have to be furnished

12.3 Additional interest on NODC deficit

RRBs are required to monitor NODC. In case of deficit in NODC, RRBs will have to make good the deficit in NODC. In case the RRB 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. No additional interest will be charged if overall NODC is available.

12.4 Segregation of principal and interest in the loans outstanding

As hitherto, RRBs may continue to exclude the interest component (including overdue interest) from the outstanding amount and report principal loans separately, both in their applications for credit limits and drawal applications, for arriving at the eligibility for refinance support from NABARD. Besides, as hitherto, only the principal portion of loans (issued, recovered, outstanding and overdues) may be reported in the monthly NODC statements.

12.5 Clearance of default

RRBs 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.

12.6 Right to inspection

NABARD reserve the right to inspect / get inspected the books of account of the RRB.

12.7 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 RRB 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

Annexure II

Assessment norms for eligible activities for provision of refinance assistance from NABARD under ST (Others) - RRBs

(I) Marketing of crops

1. Objective

- 1.1 Offering reasonable opportunities for a remunerative price to the growers for their produce by enabling them to hold on to their produce for the time being.
- 1.2 Facilitating recovery of production loans out of the loans provided for marketing of crops against pledge of agricultural produce and / or from purchase price payable for agricultural produce.

2. Scope

- 2.1 Advances against pledge of agricultural produce belonging to farmers kept in own / hired godowns, private godowns / cold storage units / warehouses, cold storage units or warehouses of Central / State Warehousing Corporations and Agricultural Produce Marketing Committees. Advances issued against pledge of NWR/ e- NWR receipts are also eligible.
- 2.2 Crops include food grain crops, cash crops, plantation and horticultural crops.
- 2.3 PDS and procurement schemes of Central / State Governments will be outside the purview of the Scheme.

The Scheme is applicable only to the bonafide cultivator farmers. Traders, businessmen, commission agents etc. are not eligible to be covered under the Scheme.

3. Eligible borrowers

All farmers engaged in Seasonal Agricultural Operations including horticultural and plantation crops, irrespective of whether or not they have availed production credit from the banks.

4. Quantum of credit (Realistic Lending Program)

- 4.1 Loan shall not exceed 75% of value of actual produce pledged subject to a ceiling of ₹ 10.00 lakh per farmer.
- 4.2 The value of actual produce pledged may be determined on the basis of prevailing market price or the minimum procurement price announced by the Government, whichever is less.

- 4.3** Banks will have to recover the outstanding production credit, if any, from the loan granted for marketing of crops.

5. Margin

Usual margin of 25% on the pledge loans to individual farmers.

6. Refinance assistance to banks

- 6.1** Refinance assistance will be available under Sec. 21(1)(i) read with Sec. 21(4) of the NABARD Act, 1981 against promissory notes of RRB subject to the Bank furnishing a declaration in writing, setting out the purpose for which they have made loans and advances (and such other particulars as may be required by NABARD).

- 6.2** Advances to farmers against pledge of agricultural produce are not to be treated as cover for borrowings made for financing Seasonal Agricultural Operations (SAO) and vice versa, since separate credit limits are sanctioned for SAO and marketing of crops to banks by NABARD.

7. Other terms and conditions

- 7.1** Banks shall insist on the following from the borrowers:

- that the produce pledged is adequately insured against the risk of fire, theft, etc.
- that the produce is easily identifiable and accessible;
- undertake such measures which will ensure proper storage, custody, safety as well as quality of the produce pledged.

- 7.2** Sanction of loans for marketing of crops against pledge of agricultural produce will be subject to compliance with the Selective Credit Control Directives of the RBI, if any.

- 7.3** In order to ensure effective end-use of the credit, banks would have to undertake necessary precautions like sanction of loans for marketing of crops against pledge of agricultural produce after harvest, during the marketing season and such loans are generally liquidated during the marketing season of crops for which they have been sanctioned.

- 7.4** Banks shall ensure that the goods pledged to them, are stored in the proper and safe godowns/ cold storages / warehouses. The produce pledged to the Bank should be in its effective custody

- 7.5** Banks shall release the entire / proportionate share of produce pledged to the farmers promptly, after the full / partial repayment of loans for marketing of crops.
- 7.6** Banks should maintain at monthly intervals, statement of stock pledged and all such statements should be kept on record with the banks and the same are available for verification by NABARD as and when required.
- 7.7** Banks will have to put in place system for effective supervision and inspection, which will ensure the safety and quality of produce pledged. The verification of the produce pledged may be done by the Bank staff periodically, as may be
- 7.8** Loans extended by Banks against pledge of NWR/e-NWR receipts issued by warehouses accredited by WDRA will also be eligible for refinance.
