



Ref.No.NB.DoR/ 385 /A.1.Gen/2023-24

Circular No. 132 /DoR- 23 /2023

16 June 2023

Managing Director  
All State Cooperative Banks

Dear Sir/Madam

**Provision of Short Term refinance by NABARD to State Cooperative Banks for financing various purposes under Short Term (Others) - Fixed rate – Operational Guidelines for the year 2023-24**

Please refer to our Circular No. 84/DoR-31 /2022-23 dated 04 May 2022 on the captioned subject, communicating operational guidelines for the year 2022-23 for sanction of consolidated ST(Others) limits to StCBs on behalf of eligible DCCBs for financing certain approved purposes other than SAO such as marketing of crops etc. on the basis of Realistic Lending Program for respective purposes.

2. The operational guidelines have been continued for the financial year 2023-24. The governing provisions of ST (Others) refinance by NABARD during 2023-24 are enumerated in Annexure I. The assessment norms hitherto followed for different purposes would continue mutatis mutandis and are indicated in Annexure-II.

3. The refinance assistance from NABARD to StCBs will be available at an interest rate as advised by NABARD from time to time.

4. The contents of this circular may please be brought to the notice of controlling offices/DCCBs working under your jurisdiction.

5. StCBs may arrange to submit their applications for sanction of ST (Others) credit limits in the prescribed format, complete in all respects to the concerned Regional Office of NABARD well in advance to facilitate timely sanction thereof.

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

**National Bank for Agriculture and Rural Development**

पुनर्वित्त विभाग

प्लॉट क्र सी-24, 'जी' ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051. टेली: +91 22 26539325 • फ़ैक्स: +91 22 26530090 • ई मेल: [dor@nabard.org](mailto:dor@nabard.org)

Department of Refinance

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6. These guidelines are also available on NABARD website [www.nabard.org](http://www.nabard.org) under the tab information Centre.

7. Please acknowledge receipt of this circular to our respective Regional Office.

Yours faithfully

**(Vivek Krishna Sinha)**  
**Chief General Manager**

Encl : As above

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## Annexure - I

### General Terms and Conditions - Cooperative Banks

#### 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 :

i. StCBs on behalf of eligible DCCBs in 3 tier structure

ii. Eligible StCBs in case of 2 tier structure or in case of weak DCCBs (which are not in a position to finance PACS)

b The limit will be sanctioned to StCBs under Sec. 21(1)(i) to (v) read with Sec 21(4) of the NABARD Act, 1981 against the DPN executed by the StCB and declaration in at the time of each drawal that the drawal preferred and the refinance already availed are against the loans provided to eligible DCCBs for financing eligible purposes under ST (Others).

c The 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 / DCCBs

##### 3.1 Audit

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

b. The audit of StCB /DCCBs for 2022-23 should be completed and the report submitted to concerned Regional Office of NABARD by 30.06.2023.

c. Eligibility criteria viz. CRAR and Net NPAs, for sanction and drawal of refinance up to 30.06.2023 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 StCBs against their branches or DCCBs, which have completed the audit and submitted the relevant audit report to the concerned RO of NABARD unless otherwise permitted as special case and subject to satisfactory position regarding the eligibility

norms.

### **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 ST(Others).

- a. Only StCBs / DCCBs having **CRAR of 9%** and above will be eligible.
- b. No credit limit will be available on behalf of such DCCBs that have a CRAR of less than 9%, even if the StCB has a CRAR of 9%.

### **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 level and not at the level of StCB branches/DCCB 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

NABARD will sanction consolidated limit based on their realistic lending program for various eligible purposes. Banks would assess their realistic lending program as per the norms prescribed for each purpose / activity. The RLP may be reckoned as loans issued during the previous year under all purposes put together with a reasonable increase (average increase during last 3 years). In case there is no disbursement during the previous year, 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) of eligible DCCBs/StCB (in two tier/weak DCCBs)]will be as under:

##### 4.1 For StCBs in General Region :

<b>Net NPAs of StCB</b>	<b>Eligible Limit</b>
Up to 6%	90%
Above 6% & up to 10%	85%
Above 10% & up to 12%	80%
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 with relaxation in net NPAs, as under:

<b>Net NPAs of StCB</b>	<b>Eligible Limit</b>
Up to 10%	95%
Above 10% & up to 15%	90%
Above 15%	Not eligible

##### 4.3 StCBs in Eastern Region viz. Bihar, Odisha, 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 over and above the applicable normal quantum of refinance, as under:

<b>Net NPAs of StCB</b>	<b>Eligible limit</b>
Up to 6%	95%
Above 6% & up to 10%	90%
Above 10% & up to 15%	85%
Above 15%	Not eligible

**4.4** Special efforts may be made by the banks so as to increase the credit flows 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. Sanction of sub-limits purpose-wise**

The consolidated limit to be sanctioned by NABARD to StCB would be segregated into sub-limits by the StCB on the basis of DCCB-wise Realistic Lending Program for respective purposes where necessary. The various purposes include:

- i. ST crop loans exceeding Rs 3 lakh per farmer
- ii. ST- Agriculture and allied activities
- iii. ST gold loans for agriculture and allied activities
- iv. ST - for financing Bonafide Commercial or trade transactions (as contained in Section 21(1)(iv) of the NABARD Act, 1981)
- v. ST- Micro enterprise, small enterprise and medium enterprise
- vi. ST - Marketing of crops
- vii. ST - Industrial Cooperative Societies (other than weavers),
- viii. ST Loans for working capital requirements of professionals and Self employed
- ix. ST Loans for working capital requirements of Annual Maintenance for SRWTOs
- x. ST -Labour Contract engaged in any one or more of the 22 approved broad groups of Micro-enterprises, small enterprises and medium enterprises, cottage and village industries, handlooms, Forest Labour Cooperative Societies engaged in collection and marketing of Minor Forest produce, Labour Contract Cooperatives engaged in civil work in rural areas,
- xi. ST - Rural artisans including weaver members of PACS / FSS / LAMPS,
- xii. ST - Purchase, Stocking and Distribution of Chemical Fertilizers and other Agricultural Inputs.
- xiii. ST working capital loans for Societies and PACS
- xiv. ST Loans for working capital requirement of Social infrastructure projects
- xv. Working Capital Loans for Animal Husbandry and Fisheries

## **6. Drawable amount**

The credit limit(s) sanctioned is / are in the nature of cash credit accommodation and the StCB 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.

## **7. Interest Rate on Refinance**

### **7.1 Interest Rate**

- a. The interest rates on refinance will be as decided by NABARD from time to time.
- b. Interest is payable at quarterly rests on the first of each quarter i.e. on 01 July, 01 October, 01 January and 01 April.
- c. In the event of bank repaying the entire principal amount, the interest will be payable along with principal amount.
- d. **All prepayments will be apportioned to outstanding loans /advances in chronological order of disbursement i.e 'First Out First In'.**

### **7.2 Additional interest in case of 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. These rates are subject to revision from time to time.

## **8. Operational discipline**

### **8.1 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 additional interest of 1% p.a.

## **8.2 NODC**

- a. Separate NODC has to be maintained by the banks under each purpose. Drawals on the sanctioned limit will be permitted by NABARD to StCB on the basis of aggregate NODC under each purpose pertaining to the eligible StCB branches and DCCBs, which have outstanding borrowings from StCB as hitherto. The StCB will have to submit monthly NODC statement indicating DCCB-wise position by 20<sup>th</sup> of the succeeding month physically or through digital platform.
- b. Drawals by StCBs 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.

## **8.3 Additional interest on NODC deficit**

StCBs are required to monitor NODC. 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. No additional interest will be charged if overall NODC is available.

## **9. 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 03 months, the StCB concerned will not be allowed to operate on the limit in respect of the DCCB concerned till the default is regularized.

## **10. 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.

## **11. Right to inspection**

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

**12. 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.

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## Annexure - II

### Eligible activities for provision of refinance assistance from NABARD under ST (Others) – Cooperative Banks

#### A. Working capital requirement for agriculture and allied activities

##### 1. Eligible activities

1.1 The purposes eligible for refinance under this sub-group will be the activities covered under Sec. 21(1) (i) and (ii) of the NABARD Act, 1981. Broadly, the purposes will be:

- a. Loans for agricultural purposes against security of gold and security other than charge on crops
- b. Revolving cash credit facility for agricultural purposes extended by cooperative banks against mortgage of land / other collaterals
- c. Working capital credit provided for activities allied to agriculture.
- d. Short-term credit support provided to cultivators with high scales of finance for commercialization of agriculture, exports, value addition etc.

1.2 ST crop loans issued under Crop Loan System which are eligible to be covered under ST (SAO) credit limits from NABARD will not be covered.

#### B. ST - Refinance for financing Bonafide Commercial or trade transactions (as contained in Section 21(1)(iv) of the NABARD Act, 1981). It also includes:

- i) ST Loans for working capital requirements of professionals and Self employed
- ii) ST Loans for working capital requirements of Annual Maintenance for SRWTOs
- iii) ST Loans > Rs.50000 against gold for non agri purposes/bonafide trading etc. (Purely for loans other than consumption purposes)

##### 2. Quantum of credit (Realistic Lending Program)

Consolidated credit limit to StCB will be determined with reference to the Realistic Lending Program of the eligible DCCBs.

### **3. Security**

**3.1** Time Promissory Notes (TPNs) executed by the DCCB in favour of the StCB and endorsed by the latter in favour of NABARD along with a declaration by StCB setting out the purposes for which it has made loans and advances.

**3.2** Banks may take such security from borrowers as may be appropriate and necessary, as per the guidelines issued by RBI in this regard. NABARD would have a charge on the security so hypothecated / pledged / mortgaged to the lending bank.

**4.** The borrowing StCB / DCCBs will submit cover statement and other statement to NABARD as may be prescribed by it, from time to time.

### **C. Marketing of crops**

#### **1. Objectives**

**1.1** Affording 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 (either through societies or directly by StCBs / DCCBs) against pledge of agricultural produce belonging to cultivators (both members as well as non-members of PACS) kept in own / hired godowns / private godowns or godowns of PACS / marketing societies / other societies or warehouses / Agricultural Produce Marketing Committees / cold storage units owned by cooperatives / other institutions.

**2.2** Outright purchase of agricultural produce of cultivators (both members and non-members of PACS) by processing / processing-cum-marketing / marketing societies.

**2.3** Marketing of crops may include food grain crops, cash crops, plantation and horticultural crops.

**2.4** PDS Schemes of Central / State Governments *will be outside the purview of the Scheme.*

**2.5** The benefit of the Scheme for financing marketing of crops with refinance support from NABARD is intended only for the bonafide cultivators, both members of PACS and non-members; and *banks should ensure that traders / businessmen etc. are not financed under the Scheme.*

**3. Beneficiaries for loans from banks against agricultural produce**

All cultivators (both borrowing and non-borrowing members of PACS, as well as non-members of PACS) engaged in seasonal agricultural operations.

**4. Quantum of credit (Realistic Lending Program)**

**4.1** Not exceeding 75% of value of actual produce pledged, subject to a ceiling of Rs.10.00 lakh per cultivator member.

**4.2** Value of actual produce pledged may be determined on the basis of prevailing market rate or the Government announced procurement price, whichever is less.

**4.3** Direct finance by StCBs / DCCBs to cultivators for marketing of crops against pledge of agricultural produce will also be subject to the exposure norms stipulated vide NABARD's Circular No NB.DoS.CMA./ 768 /A.75/2008-09 and Circular No.68 /DoS-10/2008 dated 12 May 2008.

**4.4** Production credit and other dues recoverable should be deducted from the loans granted for marketing of crops and the amount so recovered should be passed on to the concerned PACS / DCCB promptly.

**5. Margin requirements:**

**5.1 Loans to societies for providing credit against pledge of produce:**

**a.** Between Borrower and Society:

Usual margin of 25% (as required to be maintained in terms of para. 4.1 above)

**b.** Between Society and Bank:

No separate margins may normally be stipulated, as a margin of 25% is required to be maintained at members' level.

**5.2 Loans to societies for outright purchase of produce:**

**a.** Between Society and Bank: Prudential margins against pledge / hypothecation of produce as per RBI instructions in vogue.

**b.** Direct loans to individual farmers by banks:

Usual margin of 25% (as required to be maintained in terms of para. 4.1 above)

**6. Other terms and conditions:**

**6.1** Produce taken over from grower members by processing-cum-marketing society should not be less than 75% of total produce processed in a year.

- 6.2** In case of a pure processing society, the same should be an organization of growers and fall within the purview of the definition of an SSI unit. Further, at least 75% of total produce processed should be that of grower members.
- 6.3** In case of commodities covered by the **Selective Credit Control Directives, if any, of the RBI**, sanction of loans for marketing of crops against pledge of agricultural produce will be subject to compliance with such Directives.
- 6.4** Advances to societies / cultivators against pledge of agricultural produce are not to be treated as cover for borrowings made for financing SAO and vice versa since separate credit limits are sanctioned for the two purposes.
- 6.5** The produce pledged to the marketing society / PACS should be in its **effective custody**. Similarly, in case of direct finance to cultivators by DCCBs, the produce pledged should be in the effective custody of the Bank. Once the loans for marketing of crops (and the relevant crop loans) are repaid, farmers may have an option to take back their produce from the society / bank for undertaking marketing on their own.
- 6.6** Borrowers shall follow the quality and storage requirements laid down by the financing banks. Stocks pledged to the financing bank shall be kept separately and adequate care should be taken to ensure its quality. Further, the stocks must be adequately insured against the risk of fire, theft etc.
- 6.7** The operations of grading, pooling, processing, wherever necessary and selling should be so coordinated as to be over within the period for which loans for marketing of crops are allowed under the scheme and in no case such loans may be extended for periods **beyond twelve months**.
- 6.8** Banks should obtain requisite monthly stock statements from borrowing societies in respect of loans extended to borrowers for marketing of crops against pledge of agricultural produce, by 15<sup>th</sup> of each month succeeding the month of report and all such statements should be kept on record with the DCCB and be available for verification by StCB and NABARD.
- 6.9** Loans extended by Banks against pledge of NWR receipts/ e NWR receipts issued by warehouses accredited by WDRA will, also be eligible for refinance.

## **D. Industrial Cooperative Societies (other than weavers)**

### **1 Nature of accommodation**

The important features of refinance facilities provided by NABARD to the 22 approved broad groups of micro-enterprises, small enterprises and medium enterprises, cottage and village industries, handlooms are as under:

- 1.1** Credit limits are sanctioned by NABARD to the StCBs on behalf of DCCBs / DICBs for financing only the production and marketing activities of micro-enterprises, small enterprises and medium enterprises and also to cottage and village industrial co-operative societies. No part of the credit limit is to be utilized for financing a society whose activities do not involve, in addition to marketing, the manufacture or processing by itself or on its own account by its members. Besides, credit limits are also sanctioned by NABARD to StCBs for financing the Regional / State level federations engaged in procurement and marketing activities of the approved micro-enterprises, small enterprises and medium enterprises and also to cottage and village industrial co-operative societies.
- 1.2** Refinance facilities are provided by NABARD for financing only the viable or potentially viable micro-enterprises, small enterprises and medium enterprises and also to cottage and village industrial co-operative societies. While assessing viability, apart from the society's financial position, the level of annual production, turnover in sales in the preceding year, ability of the society to provide the required margin on the basis of available net disposable resources etc. are to be taken into account.
- 1.3** Loans and advances granted to StCBs are by way of refinance against the outstanding advances provided by the DCCBs / DICBs or the StCB, as the case may be, with credit limits sanctioned to the StCB on behalf of respective institutions. The outstanding referred to here will be the non-overdue outstanding and would exclude the amount under unrenewed cash credit limits.
- 1.4** Accommodation granted to the societies by the banks would have to be backed by adequate stocks-in-trade with the borrowing societies subject to maintenance of prescribed margins.

## 2 Norms for assessment of working capital (Realistic Lending Program)

### 2.1. Industrial Cooperative Societies other than coir

#### 2.1(a) Primary Industrial Cooperative Societies (Other than weavers)

The working capital requirements of primary industrial cooperative societies (other than weavers) are to be assessed at 40% of the anticipated production during the year i.e. previous year's production or average of last 3 year's production, whichever is more, **plus** 20% provided sales during the previous year were not less than 60% of the production in that year. In cases where the sales were less, the credit limit is to be reduced proportionately.

#### 2.1(b) Regional / State Level Federation

In the case of Regional / State Level Federations of micro-enterprises, small enterprises and medium enterprises and also to cottage and village industrial co-operative societies, the working capital requirements for procurement and marketing are to be assessed at 50% of the anticipated sales during the year i.e. sales during the previous year or the average of last 3 years' sales, whichever is more **plus** 20%. The credit limit is not to exceed 3 times the owned funds of the Federation.

### 2.2 Primary Coir Co-operative Societies

The norms for assessing the working capital requirements of Primary Coir Co-operative Societies are as under:

**2.2(a)** In the case of **Primary Coir Co-operative Societies**, the anticipated production of husk and coir is to be worked out separately at previous year's production or average of last three years' production, whichever is more, **plus** 20% and their credit requirements are to be assessed at 75% of the anticipated production of husk and 33<sup>1</sup>/<sub>3</sub>% (one third) of the anticipated production of coir yarn **less** outstanding, if any, under short term borrowings from the Government.

**2.2.(b)** In the case of **Mat and Matting Societies**, credit requirements are to be worked out at 33<sup>1</sup>/<sub>3</sub>% (one third) of the anticipated production **less** outstanding, if any, under short-term borrowings from the Government.

**2.2(c)** In the case of **Central Coir Marketing Societies**, the credit limit is not to exceed 40% of the anticipated sales during the year i.e. actual sales during the previous year or the average of last 3 years' sales, whichever is more **plus** 20%. The credit limit is not to exceed 3 times the owned funds of the society.

### **3 Margin requirement**

Normally, the DCCBs / DICBs should advance funds to the primary industrial cooperatives societies on hypothecation / pledge basis, keeping the usual margin of 40% for hypothecation advances and 25% for pledge advances. The margin requirements may be reduced to 10% provided the State Government agrees to execute a guarantee in favour of the DCCB / DICB for the shortfall in the margin in excess of 10% upto 40% and 25% for hypothecation and pledge advances respectively. This guarantee would be in addition to the usual guarantee required to be furnished to NABARD wherever refinance is provided under Sec. 21(3) (a) of the NABARD Act, 1981.

#### **E. Labour Contract Cooperative Societies engaged in any one or more of the 22 approved broad groups of Micro-enterprises, small enterprises and medium enterprises, cottage and village industries handlooms, Forest Labour Cooperative Societies engaged in collection and marketing of Minor Forest Produce, Labour Contract Cooperatives engaged in civil work in rural areas.**

##### **1. Eligible activities**

- 1.1** The Labour Contract Cooperative Societies engaged in marketing, manufacturing or processing of goods in any one or more of the 22 approved broad groups of Micro-enterprises, small enterprises and medium enterprises, cottage and village industries, handlooms.
- 1.2** Forest Labour Cooperative Societies engaged in collection and marketing of Minor Forest Produce.
- 1.3** Labour Contract Cooperative Societies engaged for civil work in rural areas.

##### **2. Quantum of credit (Realistic Lending Program)**

The assessment of the working capital requirement (Realistic Lending Program) of these societies will be made on the basis of the activities undertaken by them subject to the following:

- 2.1** Clean cash credit limit may be sanctioned equal to owned funds without Government guarantee and 3 times the owned funds with Government guarantee.



**2.2** In addition to above, sanction of accommodation upto 70% of the executed contracts and pending bills there against with Government / quasi-Government bodies may be granted, provided such bills are not pending for more than 3 months.

### **3. Margin requirement**

Normally, the DCCBs should advance funds to the concerned primary cooperative societies on hypothecation / pledge basis, keeping the usual margin of 40% for hypothecation advances and 25% for pledge advances. However, if the DCCB has joined the Small Loans (Small Scale Industries) Guarantee Scheme, 1981 of the Deposit Insurance and Credit Guarantee Corporation (DICGC), the margin requirement may be reduced to 10% both for pledge as well as hypothecation advances. In other cases also, the margin requirements may still be reduced to 10% provided the State Government agrees to execute a guarantee in favour of the DCCB for the shortfall in the margin in excess of 10% upto 40% and 25% for hypothecation and pledge advances respectively. This guarantee would be in addition to the usual guarantee required to be furnished to NABARD wherever refinance is provided under Sec. 21(3)(a) of the NABARD Act, 1981.

## **F. Rural artisans including weaver members of PACS / FSS / LAMPS**

### **1 Nature of accommodation**

**1.1** The PACS / FSS / LAMPS should have a full-time paid Manager / Secretary / Managing Director. The societies should have been placed in 'A' or 'B' class in audit during the previous co-operative year. In the case of 'C' class societies, the DCCBs may finance them only on the special recommendation of RCS indicating the steps taken to improve the working of the society.

**1.2** The accommodation is provided to the StCB in the form of credit limit on behalf of DCCBs for financing PACS / FSS / LAMPS for on lending to their rural artisans and weaver members

**1.3** The accommodation can be availed only for financing the production and marketing or servicing activities of such rural artisans including weaver members of PACS / FSS / LAMPS who are engaged in any of the 22 broad groups of approved Micro-enterprises, small enterprises and medium enterprises, cottage and village industries, or handloom weaving industry and are working on a viable basis.

**1.4** The accommodation granted to the rural artisans including weavers for working capital purposes should be secured by hypothecation of implements, stocks, raw material and finished goods with the artisans and against surety by two members of the society.

**1.5** The eligibility criteria relating to level of overdues at the DCCB level is not applicable and credit limits for financing rural artisans and weaver members through PACS / FSS / LAMPS are sanctioned irrespective of the level of overdues of the concerned DCCB. However, the DCCB should monitor the overdues position in respect of such advances closely.

## **2 Norms for assessing working capital (Realistic Lending Program)**

The working capital requirements of the societies for financing rural artisan / weaver members are assessed at 40% of anticipated production (viz. previous year's production or average of last three years' production, whichever is more plus 20%) provided the sales during the previous year were not less than 60% of the production of that year. Where the sales are less, credit limits are reduced proportionately. In assessing the credit eligibility of a rural artisan for his activity, the level of annual production, sales turnover, the availability of security by way of hypothecation of raw materials, finished goods, implements etc. are to be taken into account. The goods produced should be easily marketable. Where the raw materials do not belong to the rural artisans and the activity is undertaken as a service activity, the rural artisans in such cases may be provided investment credit for purchasing tools and implements and also working capital to the extent of labour charges, rent, electricity / fuel etc. for a period of not more than 3 months.

## **3 Margin requirement**

Normally, the DCCBs should advance funds to the PACS / FSS / LAMPS on hypothecation / pledge basis, keeping the usual margin of 40% for hypothecation advances and 25% for pledge advances. However, if the DCCB has joined the Small Loans (Small Scale Industries) Guarantee Scheme, 1981 of the Deposit Insurance and Credit Guarantee Corporation (DICGC), the margin requirement may be reduced to 10% both for pledge as well as hypothecation advances. In other cases also, the margin requirements may still be reduced to 10% provided the State Government agrees to execute a guarantee in favour of the DCCB for the shortfall in the margin in excess of 10% upto 40% and 25% for hypothecation and pledge advances respectively. This guarantee would be in addition to the usual guarantee required to be furnished to NABARD wherever refinance is provided under Sec. 21(3)(a) of the NABARD Act, 1981.

**G. Purchase, stocking and distribution of chemical fertilizers and other agricultural inputs**

**1. Quantum of credit (Realistic Lending Program):**

**1.1 Retail distribution of chemical fertilizers and other agricultural inputs on cash and carry basis**

Credit requirements of PACS / PCMS etc., engaged in fertilizer / input distribution on 'cash and carry' basis will be assessed at two months' average sale of fertilizers / inputs in the preceding calendar year.

**1.2 Provision of Refinance to State Cooperative Banks for financing Procurement and Marketing Activities of State Owned Federations/State /Apex Cooperative Marketing Societies**

**1.2.1 Objectives**

Marketing federations and cooperatives are playing important role in agribusiness and value/supply chain management of the various agricultural commodities.

Large numbers of farmers, producer's organizations and primary societies depend upon these institutions for marketing of their produce and for value added services like input supply, value addition and storage facilities.

The marketing operations by these federations and cooperatives require seasonal and timely short term credit facility to support their day to day operations.

**1.2.2 Eligible Institutions:**

- a) State Agencies/Societies
- b) State Civil Supplies Corporations
- c) State Cooperative Agri. Marketing Federations (MARKFED)
- d) State Agro Industries Corporations
- e) Other State Cooperatives/federations notified by the State Governments
- f) State/Apex Cooperative Marketing Society/Federations engaged in wholesale procurement, stocking & distribution of fertilizers /agricultural inputs

**1.2.3 Eligible Activities:**

- a) Procurement of food grains, pulses and coarse cereals
- b) Stocking and distributions of seeds and fertilizers and other Agri, inputs

**1.2.4 Eligibility criteria for Federations/Societies:**

- a) It must have been established or constituted by State Acts and major share of the paid capital is held or controlled by the State Govt.



- b) Earned profit during last three years and not having accumulated losses.
- c) The entities with poor financials may be considered if backed with State Govt. guarantee.
- d) PDS and procurement Schemes of Central / State Governments under Food Credit arrangement of RBI will be outside the purview of the Scheme.

**2. Margin requirements:**

**Between Federation and Bank:**

Prudential margins against pledge / hypothecation of produce as per RBI instructions in vogue.

**3. Other terms and conditions:**

**3.1** In case of commodities covered by the **Selective Credit Control Directives, if any, of the RBI**, sanction of loans for marketing of crops against pledge of agricultural produce will be subject to compliance with such Directives.

**3.2** Federations shall follow the quality and storage requirements laid down by the financing banks. Stocks pledged to the financing bank shall be kept separately and adequate care should be taken to ensure its quality. Further, the stocks must be adequately insured against the risk of fire, theft etc.

**3.3** The operations of grading, pooling, processing, wherever necessary and selling should be so coordinated as to be over within the period for which loans for marketing of crops are allowed under the scheme and in no case such loans may be extended for periods beyond twelve months.

**3.4** Banks should obtain requisite monthly stock statements from borrowing Federations / Societies in respect of loans extended by 15<sup>th</sup> of each month succeeding the month of report and all such statements should be kept on record with the DCCB and be available for verification by StCB and NABARD.

**3.5** Accommodation granted to the Federations/Societies by the banks would have to be backed by adequate stocks/stocks-in-trade subject to prescribed margin.

**3.6** Drawals submitted by StCBs/DCCBs should be supported by stock statement

**3.7** Documentations as applicable to ST(Others) purposes

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