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The Managing Director  
All State Cooperative Banks

Madam/ Dear Sir

**Operational Guidelines for Schematic Lending under Long Term Refinance  
for F.Y 2022-23 – State Cooperative Banks (StCBs)**

The operational guidelines for LT Refinance for the year 2022-2023 for State Cooperative Banks is finalized and enclosed herewith. These guidelines supersede all the existing Guidelines in this regard.

2. The Circular is also available on NABARD website [www.nabard.org](http://www.nabard.org) under the tab information Centre.

3. Please acknowledge receipt.

Yours faithfully

(Vivek Krishna Sinha)  
Chief General Manager

Encls : 8 pages

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

विभाग नाम

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## Schematic Lending for F. Y. 2022-23 - Operational Guidelines

### 1. Introduction

NABARD has been providing long-term refinance to the approved financial institutions under the provisions of Section 25(i)(a) of NABARD Act, 1981 to supplement their resources for providing adequate credit for taking up investment activities in agriculture & allied activities and rural Off-farm sector etc.

### 2. The **objectives** of providing long-term refinance are as under:

- Supporting capital formation in agriculture and allied activities, thereby promoting growth of Agriculture, AH, Fishery, Forestry etc. sectors.
- Directing flow of credit for promotion of thrust activities of GoI and NABARD.
- To meet the credit requirement of JLGs and SHGs.
- Support for non-farm sector activities (MSME, Rural Housing & CV), thereby promoting alternate employment opportunities in rural and semi-urban areas.
- Support for Climate Adaptation and Mitigation projects
- Refinance support for credit linked capital subsidy schemes of GoI, whose subsidy is channelized through NABARD.

### 3. Nature of Accommodation

Refinance assistance is provided to the banks in respect of their disbursement for various purposes under the following two windows.

#### 3.1 Automatic Refinance Facility (ARF)

Automatic Refinance Facility (ARF) enables banks to obtain financial accommodation from NABARD, without going through the detailed procedure of pre-sanction formalities. Banks are expected to appraise the proposals at their own level and finance the borrowers. Banks then claim refinance from NABARD on the basis of a declaration (drawal application), indicating the various purposes for which refinance has been claimed and the loan amount disbursed. In such cases, the sanction and disbursement of refinance are attended to simultaneously by NABARD. Automatic Refinance Facility is extended without any upper ceiling of quantum of refinance, bank loan or Total Financial Outlay for all kinds of projects under Farm Sector (FS) & Off-Farm Sector.

#### 3.2 Pre-Sanction

If the banks intend to avail refinance under pre sanction procedure they are required to submit the projects for approval of NABARD. Before sanction of the same, NABARD appraises these projects to determine its technical feasibility, financial viability and bankability.

#### 4. Eligibility criteria

4.1. Eligibility criteria for drawal of refinance from NABARD are reviewed from time to time. The eligibility criteria prescribed for the year 2022-2023 are as under:

- a) StCBs complying with CRAR of minimum 9% will be considered for granting refinance. In case of DCCBs with less than 9% CRAR, no refinance will be available to individual StCBs on behalf of such DCCBs. However, relaxation is allowed to such DCCBs whose CRAR has gone below 9% subsequent to the sanction given under PACS as MSC program under schematic lending to enable them to continue to avail refinance against sanctioned projects.
- b) Net NPAs not exceeding 12% of net loans and advances outstanding. Further the NPA position will be reckoned for the bank as a whole.
- c) The bank should be in net profit for two years in the last 3 financial years. i.e. (2019-20, 2020-2021 and 2021-2022)
- d) StCBs/CCBs with 'A' or 'B' audit class classification only are eligible.

4.2 For Areas with Special Focus viz., Aspirational districts, credit starved districts identified by RBI, LWE districts, NE States, Hilly Region, Eastern Region, Lakshwadeep & Chhattisgarh, relaxed eligibility criteria prescribed for StCBs are:

- a) StCBs complying with CRAR of minimum 9% will be considered for granting refinance. In case of DCCBs with less than 9% CRAR, no refinance will be available to individual StCBs on behalf of such DCCBs. However, relaxation is allowed to such DCCBs whose CRAR has gone below 9% subsequent to the sanction given under PACS as MSC program under schematic lending.
- b) Net NPAs not exceeding 15% of net loans and advances outstanding. Further the NPA position will be reckoned for the bank as a whole.
- c) The bank should be in net profit for any one year in the last 3 financial year's i.e. (2019-20, 2020-2021 and 2021-2022).

4.3 Further, in case any StCB is not complying with the required CRAR for reasons beyond their control, one time relaxation in CRAR up to 7% may be considered against additional liquid collateral security cover like lien marked FD, Government Securities or Government Guarantees or any other liquid security to our satisfaction along with a letter from MD/CEO of the Bank for infusion of additional capital by shareholders.

4.4 **Eligibility criteria and Risk Assessment** during 01 April 2022 to 30 September 2022 will be based on their audited financial position as on 31.03.2021 or 31.03.2022 (if audited position as on 31.03.2022 is available). From 01 October 2022 to 31 March 2023, the same will be based on their audited financial position as on 31.03.2022. Sanction and drawals on or after 01 October

2022 will be permitted only to such StCBs, which have completed the audit and submitted the relevant audit report to the concerned RO of NABARD.

- 4.5 In the event of any variation in the financial parameters as indicated in the audit report and the inspection report of NABARD, the latter would be reckoned for determining the eligibility.
- 4.6 Any change in the financial parameters during F.Y 2022-23 may be considered, with the approval of competent authority based on latest limited review report/provisional financials and a certificate from the Chartered accountant with recommendation on the same by the NABARD RO. The eligibility norms will be applicable for drawal of refinance under both Farm and Off-Farm Sectors including Government Sponsored Schemes.

## 5. Eligible Activities

**5.1** Agriculture and allied activities, microfinance, rural housing, renewable energy, MSME, and other eligible loans which are outstanding in the books of the bank with a residual maturity period of more than 18 months as on the date of drawal application will be eligible for refinance. List of eligible activities is given in Annexure I.

The list is only illustrative but not exhaustive. Activities not mentioned therein may also be covered if it facilitates the promotion of agriculture and rural development.

### 5.2 Thrust Areas

Thrust areas for which preference will be given for release of refinance include:

Land development, minor & micro irrigation, water saving and water conservation devices, fisheries, animal husbandry, SHGs / JLGs / Rythu Mithra Groups (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.

## 6. Extent of Refinance

The extent of refinance for the States in North Eastern Region (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura) including Sikkim, Hilly Region (Jammu & Kashmir, Himachal Pradesh, Uttarakhand), Eastern Region (West Bengal, Odisha, Bihar, Jharkhand and Andaman & Nicobar Islands), Lakshadweep and Chhattisgarh will be 95% of eligible bank loans for all purposes. For Other Regions the extent of refinance shall be:

- a) 95% for all thrust areas as indicated at Sr. No. 5.2  
 b) 90% for all other diversified purposes and Krishak Sathi Yojana

## 7. Quantum of Refinance

**7.1** The quantum of refinance will be fixed as per the risk rating module and will be categorised from NBD 1 to NBD 9. The category-wise Quantum of Refinance is as under:

<b>Criteria</b>	<b>Quantum of refinance</b>
NBD 1 to NBD3 (Marks >60 and ≤ 100)	The quantum of refinance will be unrestricted subject to the overall allocation for the State/Bank.
NBD 4 and NBD 5 (Marks >40 and ≤ 60)	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 2021-22, whichever is higher.
NBD 6 and NBD 7 (Marks >20 and ≤ 40)	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 2021-22, whichever is higher.
NBD 8 to NBD 9 (Marks ≤ 20)	Bank will <b>not</b> be eligible for refinance.

**7.2** 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 including Sikkim, Hilly States (Jammu & Kashmir, Himachal Pradesh and Uttarakhand), Lakshadweep and Chhattisgarh) the category-wise eligibility criteria are mentioned below:

<b>Criteria</b>	<b>Quantum of refinance</b>
NBD 1 to NBD3 (Marks >60 and ≤ 100)	The quantum of refinance will be unrestricted subject to the overall allocation for the State/Bank
NBD 4, NBD5, NBD 6 and NBD 7 (Marks >20 and ≤ 60)	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 2021-22, whichever is higher.

NBD 8 to NBD 9 (Marks  
≤20)

Bank will **not** be eligible for refinance.

## 8. Interest rate

**8.1 Interest on refinance:** The interest rates on refinance will be decided by NABARD based on tenor, prevailing market rate, risk perception etc. and is subject to revision from time to time. All StCBs have been classified into 9 risk categories as per the internal risk assessment module devised by NABARD. Prescribed risk premium will accordingly be charged over and above the rate of interest on refinance.

**8.2 Penal interest:** In the event of default, penal interest rate of 2.00% p.a, will be charged on the defaulted amount and for the period of default.

**8.3 Pre-payment facilitation charges:** The rate of pre-payment facilitation charges will be **2.50% p.a.** and will be chargeable for each instalment due separately for the entire period (minimum 6 months) from the date of pre-payment to the date on which the instalment is actually due for payment. The prepayment can only be initiated after minimum notice of 3 working days.

## 9. Repayment period

Repayment period ranges between 18 months (minimum) and 5 years or above. The due date for repayment of principal and interest will be **quarterly with principal due dates on 30<sup>th</sup> June, 30<sup>th</sup> Sep, 31<sup>st</sup> Dec and 31<sup>st</sup> March** and interest due dates on 1<sup>st</sup> July, 1<sup>st</sup> October, 1<sup>st</sup> January and 1<sup>st</sup> April. The first due date of principal amount for refinance sanctioned on any date in a quarter will fall in next quarter. The approved repayment schedule will be specified in the letter(s) of sanction.

## 10. Security

The security for loans and advances by way of refinance or otherwise to scheduled StCBs shall be such as may be specified by NABARD in the General Refinance Agreement (GRA)/Letter(s) of sanction and a Mandate in favour of NABARD obtained by the bank from RBI, where its current account is maintained.

Refinance to the StCBs not satisfying norms indicated at Para. No. 11 below, both for Farm Sector & Off Farm sector 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.

## **11. Terms and conditions for waiver of Government guarantee**

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

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

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

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

## **12. Monitoring**

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

12.2 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.

12.3 Arrears in reconciliation of inter-bank and inter-branch accounts for the period beyond six months may result in restricted refinance assistance from NABARD.

## **13. All other terms and conditions will remain unchanged.**

## Annexure I

### Activities covered under Automatic Refinance Facility

#### 1. Farm Sector

- i. Land development
- ii. Minor & micro irrigation, drip irrigation
- iii. Water saving and water conservation devices
- iv. Dairy
- v. Poultry
- vi. Beekeeping
- vii. Sericulture
- viii. Fisheries
- ix. Animal husbandry
- x. Loans to Self Help Groups / Joint Liability Groups / Rythu Mitra Groups
- xi. Dryland farming
- xii. Contract farming
- xiii. Plantation & horticulture
- xiv. Agro-forestry
- xv. Seed production
- xvi. Tissue culture plant production
- xvii. Loans to corporate farmers, farmers' producer organizations/ companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, up to an aggregate limit of Rs 2 crore per borrower
- xviii. Agriculture implements (xix) Production of high value / exotic vegetables, cut flowers under controlled conditions i.e. poly house / green house
- xix. Establishment of hi-tech export oriented production like mushroom, tissue culture labs, precision farming for enhancement of productivity in vegetables and fruits.

#### 2. Other Activities

- i. MSME for both manufacturing and service, that creates employment in rural areas
- ii. Agri-clinics and Agri-business centres
- iii. Start-ups, as per definition of Ministry of Commerce and Industry, Govt. of India that are engaged in MSME, agriculture and allied services
- iv. Rural housing
- v. Commercial Vehicles
- vi. Agro-processing
- vii. Soil conservation and watershed development.
- viii. Agri-marketing infrastructure (including cold storage, warehouse, godowns, market yards, silos etc.) irrespective of their location
- ix. Non-conventional energy sources,



- x. Financing in areas of watershed & tribal development programmes already implemented.
  - xi. Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.
  - xii. Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multipurpose Societies (LAMPS) for on-lending to agriculture.
  - xiii. Loans sanctioned by banks to NBFC-MFIs for on-lending to agriculture sector
  - xiv. KVI (Khadi Village Industries)
  - xv. Rural Schools, health care facility, drinking water facility, sanitation facility and other Social infrastructure in Rural areas
  - xvi. Renewable energy like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities viz. street lighting systems, and remote village electrification
  - xvii. Installation of stand-alone Solar Agriculture Pumps and for solarisation of grid connected Agriculture Pumps; installation of solar power plants on barren/fallow land or in stilt fashion on agriculture land owned by farmer.
  - xviii. Construction of oil extraction/ processing units for production of bio-fuels, their storage and distribution infrastructure along with loans to entrepreneurs for setting up Compressed Bio Gas (CBG) plants.
  - xix. Custom hiring Units managed by individuals, institutions or organizations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc., and undertake farm work for farmers on contract basis.
  - xx. Krishak Sathi Yojana
  - xxi. Area development schemes
  - xxii. Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village and cottage industries. In respect of UCBs, the term "entities" shall not include institutions to which UCBs are not permitted to lend under the RBI guidelines / the legal framework governing their functioning.
  - xxiii. Permissible Activities under Food Processing Sector
3. Any other activities not mentioned above may also be covered if it facilitates the promotion of agriculture and rural development.