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12 April 2021

Circular No. 68 / DoR - 19 / 2021

The Managing Director/ CEO  
NABFINS/ NABSAMRUDDHI/ NABKISAN

Madam/ Dear Sir

**Refinance Policy for Schematic Lending for F. Y. 2021-2022  
Subsidiary Companies of NABARD**

Refinance Policy for Schematic Lending for the year 2021-2022 for NABARD Subsidiary companies have been finalized and enclosed herewith. This Policy supersedes all the existing policies in this regard.

2. It has been decided that henceforth, the refinance proposals of all subsidiary companies may be submitted to DOR HO for sanction and release, as against the present practice of submitting to the respective Regional Offices
3. The Circular is also available on NABARD website [www.nabard.org](http://www.nabard.org) under the tab information Centre.
4. Please acknowledge receipt.

Yours faithfully

(L.R. Ramachandran)  
Chief General Manager

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राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

विभाग नाम

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## **Refinance Policy for Schematic Lending for F. Y. 2021-2022 - Subsidiary Companies of NABARD**

### **1. Introduction**

NABARD provides refinance to its subsidiary companies viz. NABSAMRUDDHI, NABFINS and NABKISAN to extend credit support to agriculture and rural development activities. Refinance is extended through Automatic Refinance Facility and pre sanction route both under Farm Sector (FS) and Non-Farm Sector (NFS) activities.

### **2. Objectives**

- Supporting capital formation in agriculture and allied sectors
- Directing flow of credit for promotion of thrust activities.
- To meet the credit requirement of JLGs, SHGs, FPOs and Others.
- Promoting alternate employment opportunities in rural and semi urban areas by supporting off-farm sector activities.

### **3. Nature of Accommodation**

Refinance assistance is provided to the subsidiary companies against their disbursements, for various purposes under the following two windows:

#### **3.1 Automatic Refinance Facility (ARF)**

Automatic Refinance Facility (ARF) enables the agencies to obtain financial accommodation from NABARD, without going through the detailed procedure of pre- sanction formalities. Subsidiaries are expected to appraise the proposals at their own level and finance the borrowers. They can 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**

Subsidiaries can also avail of refinance under pre sanction procedure where 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. In such cases, the loan will be sanctioned after the due appraisal.

### **4. Quantum of refinance**

The quantum of refinance to these agencies (which generally do not have access to funds from market/ other sources) shall be :

95% for all thrust areas as indicated at para no. 5.3

i) 90% for all other diversified purposes

To take care of exposure risk on cumulative basis, the total refinance outstanding should not be more than the quantum of performing loans, held by the subsidiaries, as per the latest RBI guidelines.

**4.1 Eligibility criteria-** Eligibility criteria for drawal of refinance from NABARD are reviewed from time to time. The eligibility criteria prescribed for the year 2021-22 are as under:

**4.2 Registration:** It should have a certificate of registration under Sec. 45-I(A) of the RBI Act, 1934 to function as an approved non banking financial institution.

**4.3 CRAR:** Should maintain minimum capital adequacy ratio as stipulated by RBI from time to time (at present it is 15%).

**4.4 Net Profit:** Should be in Net Profit for at least three out of the preceding four financial years (3 financial years out of 2017-18, 2018-19, 2019-20 and 2020-2021).

**4.5 Net NPA:** Should not exceed 4%.

**4.6** The Memorandum of Association should have a provision for borrowing from other financing agencies including higher financing agencies like NABARD.

**4.7** Any improvement in the financial parameters after 31.03.2021 will be considered based on a limited review and certification by a Chartered Accountant.

## **5. Eligible Purposes**

Agriculture, MSME, Microfinance and other eligible loans which are outstanding in the books of the subsidiary with a residual maturity period of more than 18 months as on the date of drawal application will be eligible for refinance.

**5.1** An indicative list of eligible activities covered under Farm sector and other sectors 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**

Efforts may be made to support thrust areas. The thrust areas 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. Terms and conditions for funding**

Standard terms and conditions as prescribed by NABARD from time to time will be applied. NABARD reserves the right to conduct spot verification / checks to ensure that terms and conditions of refinance are adhered to / complied with by the subsidiary companies viz. NABSAMRUDDHI, NABFINS and NABKISAN.

**6.1. Interest on refinance:** The interest rates on refinance will be decided by NABARD and is subject to revision from time to time.

**6.2. Penal interest:** In the event of default, penal interest rate of 2.00% p.a over and above the interest rate at which refinance was disbursed, will be charged on the defaulted amount and for the period of default.

**6.3. Penalty for pre-payment of refinance:** The rate of pre-payment penalty will be 2.50% p.a. and will be chargeable for each instalment due separately for the entire period from the date of pre-payment to the date on which the instalment is actually due for payment with a minimum period of 06 months. The prepayment can only be initiated after minimum notice of 3 working days. However, in case the prepayment is out of genuine recoveries, the benefit of waiver of pre-payment penalty will be considered to the subsidiaries of NABARD.

## **7. 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 on the last day in next quarter.

## **8. Security**

The security norms prescribed for NABARD Subsidiaries are as under:

- a) Execution of General Refinance Agreement (GRA) with NABARD.
- b) Mandate to debit the Current Account of the Subsidiary with their principal banker which is duly authorized by principal banker.
- c) Holding the securities obtained by NABARD Subsidiaries for the loans covered by refinance, in trust, for NABARD.
- d) Board resolution indicating the borrowing powers of the agency, authority to borrow from NABARD, authorised signatory list with specimen signatures and a certificate confirming that the current borrowing from NABARD is within the overall borrowing limit of the agency.

NABARD has decided to waive furnishing of any additional security by the NB subsidiaries for the refinance sanctioned by it.

**9. Special Audit, Pre Audit, Monitoring and supervision of projects**

NABARD will have the right to cause special audit of the books of accounts and other relevant material either by itself or through other agencies (at borrowing entity's cost) to ensure that same are maintained as per the rules and regulations in force and the terms and conditions of refinance are adhered to by the bank. NABARD would have the right to conduct spot verification / checks to ensure that the terms and conditions of refinance are adhered to.

**9.1** All disbursements to NABARD subsidiaries will be pre audited by the concurrent auditors of the bank before its release.

## **Annexure I**

### 1. Following activities are covered under 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 ₹ 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,
- xx. Establishment of hi-tech export oriented production like mushroom, tissue culture labs, precision farming for enhancement of productivity in vegetables and fruits

### 2. Following other activities are covered under refinance.

- i. MSME for both manufacturing and service, that creates employment in rural areas
- ii. Agri-clinics and Agri-business centres
- iii. Rural housing

- iv. Agro-processing
  - v. Soil conservation and watershed development.
  - vi. Agri-marketing infrastructure (including cold storage, warehouse, godowns, market yards, silos etc.) irrespective of their location
  - vii. Non-conventional energy sources,
  - viii. Financing in areas of watershed & tribal development programmes already implemented.
  - ix. Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.
  - x. Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multipurpose Societies (LAMPS) for on-lending to agriculture.
  - xi. Loans sanctioned by banks to MFIs for on-lending to agriculture sector
  - xii. KVI (Khadi Village Industries)
  - xiii. Rural Schools, health care facility, drinking water facility, sanitation facility and other Social infrastructure in Rural areas
  - xiv. Renewable energy like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for nonconventional energy based public utilities viz. street lighting systems, and remote village electrification
  - xv. Krishak Sathi Yojana
  - xvi. Area development schemes
3. Any other activities not mentioned above may also be covered if it facilitates the promotion of agriculture and rural development.