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Circular No. 64 / DoR - 17 / 2022

The Managing Director
All Scheduled Primary Urban Cooperative Banks

Madam/Dear Sir,

**Operational Guidelines for Schematic Lending under Long Term Refinance
for F. Y. 2022-23 - Primary Urban Cooperative Banks (PUCBs)**

The operational guidelines for LT Refinance for the year 2022-23 for Primary Urban 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 under the tab information Centre.
3. Please acknowledge receipt.

Yours faithfully

(Vivek Krishna Sinha)
Chief General Manager

Encls: 6 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. Objectives

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. PUCBs which satisfy the following conditions prescribed by RBI, for being classified as “financially sound and well managed” will be eligible to draw refinance from NABARD:

- a. CRAR of more than 10%.
- b. Gross NPA of less than 7%
- c. Net NPAs of less than 3%
- d. Should be a scheduled bank.
- e. With 'A' or 'B' audit classification
- f. Net profit for at least three out of the preceding four years (3 financial years out of, 2018-19, 2019-20, 2020-21 and 2021-22) subject to it not having incurred a net loss in the immediate preceding year (2021-22)
- g. No default in the maintenance of CRR and / or SLR during the preceding financial year.
- h. Core Banking Solution (CBS) fully implemented.

Eligibility Criteria during 01 April 2022 to 30 June 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 July 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 July 2022 will be permitted only to such banks, which have completed the audit.

4.2 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 certification from the Chartered Accountant and recommendation on the same by NABARD, RO.

4.3 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 approved purposes for investment credit and Krishak Sathi Yojana

7. Interest rate

7.1 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 PUCBs have been classified into 9 risk categories as per the risk assessment module devised by NABARD. Prescribed credit risk premium will accordingly be charged over and above the rate of interest on refinance.

7.2 Penal interest: In the event of default, penal interest rate of 2.00%, will be charged on the amount of default and for the period of default.

7.3 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.

8. 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 30th June, 30th Sep, 31st Dec and 31st March** and interest due dates on 1st



July, 1st October, 1st January and 1st 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.

9. Security

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

10. Other terms and conditions

10.1 NABARD may undertake half-yearly visits to the PUCBs which are availing refinance for examination of the financial health and general functioning of the banks through scrutiny of audited balance sheet, audit reports, books of accounts, relevant documents etc. PUCBs are required to provide all information required by the visiting officers.

10.2 PUCBs shall also be required to furnish to NABARD all such information as may be required by NABARD from time to time.

10.3 NABARD reserves the right to conduct spot verification / checks to ensure that the terms and conditions of refinance are adhered to.

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

11. All other existing 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,
- xx. 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.
 - xxviii. 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.