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04 July 2022

Chairman and Managing Director
All Scheduled Commercial Banks

Provision of short term refinance for financing Seasonal Agricultural Operations - Financing of PACS/Ceded Societies through Scheduled Commercial Banks -2022-23

As you are aware, Short Term Refinance Assistance is provided to Scheduled Commercial Banks by NABARD on behalf of ceded PACS for the purpose of Seasonal Agricultural Operations in such areas where the Central Cooperative Banks are weak or not in a position to lend to societies adequately. The Short Term Credit limit is sanctioned by NABARD to the Scheduled Commercial Bank under Section 21(1) and Section 21(4) of NABARD Act 1981 against promissory notes, subject to the Banks furnishing a declaration in writing setting out the purposes for which they have made loans and advances and such other reasons, as may be required by NABARD. Scheduled Commercial Banks in turn to sanction credit limits to PACS for on-lending to its members for seasonal agricultural operations.

2. Quantum of refinance will be subject to maximum limit of 40% of Realistic Lending Programme (RLP) of the Scheduled Commercial Bank to the PACS. RLP of the Scheduled Commercial Bank may be arrived at on the basis of assessment of crop loans likely to be disbursed by the PACS identified for extending the ST (SAO) credit support.

3. The refinance will be available to Scheduled Commercial Banks at an interest rate of 4.5% p.a., at present and subject to revision in future. Rate of interest charged to ultimate borrower, for crop loans up-to Rs.3 lakh should not exceed 7% p.a. The Policy Guidelines, terms and conditions including eligibility norms, etc governing extension of credit limit for ST SAO to Scheduled Commercial Banks for financing PACS are given at Annexure I and II.

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

पुनर्वित्त विभाग

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4. Please acknowledge receipt of this circular.

Yours faithfully

(V K Sinha)
Chief General Manager

Enclosure: as above

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

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Annexure I

Provision of Short Term refinance by NABARD to Scheduled Commercial Banks for financing PACS/Ceded Societies for lending for Seasonal Agricultural Operations –Policy for F.Y. 2022-23

I. Operative Period of ST (SAO) limit

The operative period of ST SAO limit will be for a year from 01 April 2022 to 31 March 2023.

II. Sanction of limit

The limit will be sanctioned to Scheduled Commercial Banks for financing PACS for lending to Seasonal Agricultural Operations, wherever CCBs are weak or not in a position to lend to PACS adequately under Section 21(1) and Section 21(4) of the NABARD Act 1981 **against promissory notes of** Scheduled Commercial Bank 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). Scheduled Commercial Banks will in turn sanction credit limits to PACS. In turn, the PACS would finance its members.

III. Eligibility Norm for Scheduled Commercial Bank:

- ❖ Scheduled Commercial Banks otherwise eligible to receive our long term refinance would be eligible to get ST-SAO refinance under this scheme.
- ❖ Quantum of refinance will be subject to maximum limit of 40% of Realistic Lending Programme (RLP) of the Scheduled Commercial Bank to the PACS. RLP of Scheduled Commercial Bank may be arrived at on the basis of assessment of crop loans likely to be disbursed by the PACS identified for extending the ST SAO credit support.

IV. Sanction of sub limits

Separate sub-limits under ST(SAO) credit limits for financing (a) cultivation of other crops (OC); (b) cultivation of oil seeds under National Mission on Oil seeds and Oil Palm (NMOOP_Oilseeds) in the identified districts (c) cultivation of pulses under National Food Security Mission-Pulses (NFSM_Pulses) in the identified districts; and (d) production credit requirements of tribals under Development of Tribal population (DTP) would be sanctioned by NABARD.



V. Rate of Interest

The rate of interest on refinance would be at 4.5% per annum, subject to revision in future. The concessional refinance will be available only to those Scheduled Commercial Banks which together with their own involvement, agree to ensure the provision of crop loans upto Rs.3.00 lakh per borrower at 7% p.a. or less. Sharing of margins may be decided by the Scheduled Commercial Bank in consultation with the concerned PACS.

VI. Excess drawal

NABARD would take a serious view in case of availment of drawals beyond permissible quantum of refinance on account of reporting of incorrect data about crop loan disbursement by calling back the excess refinance availed by the Scheduled Commercial bank and/or stop further refinance.

VII. NODC

Drawals on the sanctioned limit would be permitted by NABARD to Scheduled Commercial Banks on the basis of aggregate NODC at PACS level. Additional interest at 1% p.a. will be charged on the deficit in the NODC for the duration of deficit i.e. till the date on which the amount of deficit is regularized.



Annexure II

Terms and Conditions for providing of refinance to Scheduled Commercial Banks for financing to PACS/Ceded Societies:

1. The credit limit(s) sanctioned is/are operative from 01 April 2022 upto 31 March 2023.
2. The credit limit sanctioned is in the nature of short term credit accommodation and the Scheduled Commercial Bank may draw and repay as many times as required, provided the outstanding in account does not exceed the sanctioned credit limit for that particular year.
3. Only fresh advances made to the PACS from 1st April 2022 to 31 March 2023 would be eligible for refinance under ST SAO credit limit.
4. The Bank would ensure that the loans are provided for Crop loaning purpose by PACS and a certificate to that effect would be submitted to NABARD along with the drawal application.
5. The outstanding balance in the accounts are repayable on demand. Each drawal on the credit limit would be treated as separate loan and would be repayable within a period of 12 months from the date of drawal. NABARD, without prejudice to its right to recall the advances at any time, may not ordinarily exercise this right, for a period of 12 months from the date of each drawal.
6. The Scheduled Commercial Bank shall pay interest on half yearly rests on the outstanding balance in the account at the rate as may be prescribed by NABARD from time to time. Such interest shall be payable at the end of each half year as 01 October and 01 April or earlier when the outstanding balance is repaid in full.
7. In the event of default by the Scheduled Commercial Bank in repayment of loans or any part thereof and in the event of default in payment of interest or any portion thereof on due date, the Scheduled commercial bank will be liable to pay to NABARD interest on amount of default @ 10% p.a. for the period for which the default persists. The penal interest rates are subject to revision from time to time.
8. Notwithstanding the agreement signed by Scheduled Commercial Bank, it will be open to NABARD to recall the loans outstanding under the credit limit(s) sanctioned or any portion thereof or stop allowing further drawls in the event of violation of any of the conditions governing the sanction of credit limits(s).



9. The Scheduled Commercial Bank shall ensure that loans and advances made by the Scheduled Commercial Bank and outstanding against PACS under this credit limit are at no time less than the amount outstanding to NABARD under the respective limit.
10. NABARD shall be entitled to have access to the Books of Accounts and other records of the Scheduled Commercial Bank, the PACS and the individual borrower availing of financial accommodation under the above sanction.
11. NABARD reserves the right to stop making further advances to the Scheduled Commercial Bank when the credit limit sanctioned has not been fully drawn, if the Bank defaults in repayment of principal, payment of interest and/or any other dues under any line of credit sanctioned by NABARD.
