



Ref. No. NB.DoR / 199 / PPS - 9 / 2018-19

11 April 2018

Circular No. 81 / DoR - 27 / 2018

The Chief Executive Officer
All Small Finance Banks

Madam/Dear Sir,

Refinance Policy for schematic lending for F. Y. 2018-19 – Small Finance Banks (SFBs)

Please refer to our Circular No. 76/DoR – 13 / 2017 dated 31.03.2017 on refinance policy for schematic lending F.Y. 2017-18. The policy for the year 2018-19 has been finalized and is enclosed.

2. The Circular is also available on NABARD website www.nabard.org under the tab information centre.
3. We request you to take advantage of the refinance facility made available to you for extending credit for the eligible purposes and clients.
4. Please acknowledge receipt.

Yours faithfully

(Padma Raghunathan)
Chief General Manager

Encls : 3 pages

राष्ट्रीय कृषि और ग्रामीण विकास बैंक
National Bank for Agriculture and Rural Development

पुनर्वित्त विभाग

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Refinance Policy for schematic lending for F. Y. 2018-19

The refinance policy for SFBs for the F. Y. 2018-19 has been finalized and the salient features of the same are as under :

1. Eligibility criteria

Eligibility criteria for drawal of refinance from NABARD are reviewed from time to time. The eligibility criteria prescribed for the year 2018-19 are :

- i.** Complying with minimum CRAR norm of 15% (as stipulated by RBI) as on 31.03.2018 or date of commencement of operations whichever is later.
- ii.** Net NPAs not exceeding 3% of net loans and advances outstanding as on 31.03.2018 or date of commencement of operation whichever is later. Further, the NPA position will be reckoned for the Bank as a whole.
- iii.** The bank should be in Net profit in 2016-17.
- iv.** In case of improvement or deterioration in the above parameters as on 31.03.2018, the same will be reckoned for eligibility of refinance.
- v.** For sanction and / or drawals financial position as on 31.03.2018, as per the audited balance sheet will be reckoned.
- vi.** The eligibility norms will be applicable for drawal of refinance under both Farm and off-Farm Sectors including Government Sponsored Schemes.

2. Eligible Purposes

2.1. Agriculture, 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.

2.2. Further, under Off-Farm sector, units which qualify as Micro, Small and Medium Enterprises (MSMEs), Rural Housing etc. which help in the creation of employment opportunities / generation of income in rural areas are eligible for refinance from NABARD.

2.3. List of activities covered under Farm sector and other sector is mentioned in Annexure I. The list is only illustrative & not exhaustive. Activities not mentioned therein may also be covered if it facilitates the promotion of agriculture and rural development.

2.4. Thrust Areas

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.

Banks should give preference to finance innovative / thrust areas for various activities under plantation horticulture sector such as production of high value/ exotic vegetables, cut flowers under controlled conditions i.e. poly house / green house, establishment of hi-tech export oriented production like mushroom, tissue culture labs, precision farming for enhancement of productivity in vegetables and fruits, installation of micro irrigation systems like drip for orchard and plantation crops.

3. 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 100% of eligible bank loans for all purposes. For Other Regions the extent of refinance shall be;

- a) 100% for all thrust areas as indicated at Sr. No. 2;
- b) 95% for all other diversified purposes

4. Interest rate

4.1 Interest on Refinance

Tenor wise rate of interest on refinance is decided by NABARD based on market rate, risk premium etc. and is subject to revision from time to time.

4.2 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.

4.3 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 (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.

5. Repayment period

Repayment period of refinance ranges between 18 months (minimum) to 5 years or above. Option of bullet repayment for a tenor of 18 months is also available. The due date for repayment of principal amount of LT refinance sanctioned on any day in a month will be last day after completion of six months from the date of disbursement. The due dates for payment of interest will be half yearly falling on first day of succeeding month of payment of principal amount.

6. Automatic Refinance Facility

Automatic Refinance Facility [i.e. banks extending credit to the eligible clients without applying for prior sanction on a proposal to proposal basis] will be extended to the SFBs without any upper ceiling of quantum of refinance within the exposure norms, bank loan or total financial outlay for all kinds of projects under Farm Sector (FS) & Off-Farm Sector. In case, any bank intends to avail refinance under pre-sanction procedure [i.e. banks extending credit to the eligible clients only after getting prior sanction of NABARD on a proposal to proposal basis], they may submit projects to NABARD.

7. Security

Every SFB seeking refinance from NABARD will have to execute General Refinance Agreement (GRA) as per the proforma enclosed to our Circular No. 37 / DoR – 3 / 2017 dated 23.02.2017. SFB will hold in trust for NABARD, securities obtained by it for the financial assistance made available to its constituents for which refinance support has been extended by NABARD. Besides, a Mandate [as per the format enclosed to our aforesaid circular] in favour of NABARD will have to be duly obtained by the SFB from the Bank, where its Principal Account is maintained.

8. Other terms and conditions to be complied by the bank are as per General Refinance Agreement signed / to be signed with NABARD. The GRA is to be entered into only once or till such time any further revisions are made.

9. Monitoring

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