Ref.No.NB.DoR/ 788 /A-1(Gen)/2022-23
Circular No. 188 /DoR- 62/2022
19 August 2022
Managing Director
All State Cooperative Banks

Dear Sir

Provision of Short-Term (ST) refinance by NABARD to State Cooperative Banks for financing Seasonal Agricultural Operations (SAO) - Policy for F. Y. 2022-23

Please refer to our Circular No.175/DoR-52/2021 dated 02 September 2021 communicating NABARD’s policy on provision of refinance under Sec. 21(1) of NABARD Act, 1981 to State Cooperative Banks (StCBs) in respect of eligible District Central Cooperative Banks (DCCBs) for financing Seasonal Agricultural Operations for FY 2021-22. We, now advise that the ST (SAO) Policy for F. Y. 2022-23 has been finalized and the details thereof are enumerated in the Annexure I.

2. The rate of interest on NABARD refinance to StCBs will be 4.5% p.a. (subject to change, if any, by Govt. of India) if the Short-Term Cooperative Credit structure in the State together with their own involvement provide crop loan up to Rs.3.00 lakh per borrower / farmer at 7% p.a. or less. The Bank is required to furnish an undertaking to this effect as per Annexure-II. The StCB/DCCBs are also required to report the monthly progress with regard to KCCs on the ENSURE portal without fail.

3. Affiliated DCCBs may be advised to ensure implementation of KCC scheme by issuance of RuPay Card to the borrowing members.

4. Refinance allocation to your bank for F. Y. 2022-23 will be communicated to you separately by our Regional Office (RO). You may submit an application for sanction of consolidated credit limit on behalf of all the eligible DCCBs in a 3 tier structure and the StCB in case of a 2 tier structure along with the first drawal, in the prescribed proforma to NABARD, RO.
5. Please acknowledge receipt of this circular to our Regional Office.

Yours faithfully

(V K Sinha)
Chief General Manager

Encl : As above
Annexure-I

Provision of Short-Term refinance by NABARD to State Cooperative Banks for financing Seasonal Agricultural Operations - Policy for F. Y. 2022-23

1. Operative period of ST (SAO) limit

The operative period of ST (SAO) limit for F. Y. 2022-23 is 01.04.2022 to 31.03.2023. ST (SAO) refinance will be provided to the StCB in respect of crop loans disbursed only during the operative period.

2. Sanction of consolidated limit

a) A consolidated limit under ST (SAO) will be sanctioned to
   i) StCB on behalf of eligible DCCBs in 3 tier structure.
   ii) Eligible StCB in case of 2 tier structure or in case of weak DCCBs (which are not in a position to finance PACS).

b) The limit will be sanctioned to StCB under Sec. 21(1) (i) read with Sec. 21(4) of the NABARD Act, 1981 against DPN executed by StCB

c) StCB has to declare in writing, at the time of each drawal that the drawal preferred and the refinance already availed are against the loans provided by StCB to eligible DCCBs in 3 tier structure/StCB in 2 tier structure for financing SAO and are covered by adequate non-overdue loans outstanding at DCCB/StCB level against PACS. Banks are required to submit NODC statement to NABARD regularly either in physical form or through digitized platform.

d) TPNs executed by DCCBs in favour of StCB will continue to be endorsed in favour of NABARD and StCB will keep the endorsed TPNs with them as an agent of NABARD.

3. Eligibility norms for StCB / CCBs

3.1 Audit

Audit of StCB / DCCBs for the year 2020-21 should have been completed and the relative audit reports along with financial statements should have been received by the concerned Regional Office of NABARD. Further, the audit of State Cooperative Banks as on 31.03.2022 should be completed and the report submitted by 30.09.2022. Sanction and drawals on or after 01.10.2022 will be permitted only to such StCBs and against those DCCBs, which have completed the audit and submitted the relevant audit report to the concerned RO of NABARD.
3.2 Compliance with licensing and CRAR norms

All licensed StCBs (Scheduled / Non Scheduled) and licensed CCBs fulfilling CRAR conditions mentioned below will be eligible for refinance under ST (SAO).

3.3 Limits to scheduled StCBs and affiliated CCBs

3.3.1 Only StCBs / DCCBs having CRAR of 9% and above (as on 31.03.2021) will be eligible for sanction of credit limit.

3.3.2 In case the StCB has a CRAR of 9% and above but individual CCBs have a CRAR of less than 9%, credit limits will not be available on behalf of such CCBs.

3.3.3 In case the StCB has a CRAR of less than 9% and CCBs have a CRAR of 9% and above, credit limit will be sanctioned directly to the CCBs against Government guarantee or against pledge of Govt. approved securities / FDRs of Scheduled Banks. In such cases, guidelines issued vide our Circular No. 172 dated 09.09.2011 will be applicable.

3.4 Non-scheduled StCBs which fulfill the CRAR criteria as stated above, will be eligible for sanction of credit limits against Government guarantee under Sec. 21(3)(a) of NABARD Act, 1981 or pledge of Govt. / approved securities under Sec. 21(2)(i) of Act ibid and / or pledge of FDRs of Scheduled Banks under Sec. 33 of Act ibid.

3.5 NPA Norm

The eligibility, among other things, will be based on the net NPA position of StCBs as on 31st March of previous financial year. The Banks with Net NPAs not exceeding 12% of net loans and advances outstanding will be eligible for refinance. Net NPA criteria for StCBs in the North Eastern Region, Jammu & Kashmir, Sikkim, Himachal Pradesh, Uttarakhand and Andaman & Nicobar Islands has been relaxed to 15% of net loans and advances outstanding.

3.5.1 Eligibility criteria 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 01st October 2022 to 31st March 2023, eligibility criteria will be based on their audited financial position as on 31.03.2022. Sanction and Drawals on or after 01.10.2022 will be permitted only to such StCBs/DCCBs, which have completed the audit and submitted the relevant audit report to the concerned RO of NABARD.
3.5.2 CRAR and NPA position as indicated in the statutory audit report will form the basis of eligibility. However, in the event of any variation between the audit report and NABARD’s Statutory Inspection Report, the latter will be reckoned for determining the eligibility. In case, the bank is unable to fulfil the eligibility criteria due to reasons beyond the control of the Bank, NABARD may consider a lower eligibility norms, with adequate comfort/ security.

3.5.3 The net NPA position at StCB level and not at the level of StCB branches will be reckoned for the purpose of eligibility of StCB. In case of providing direct refinance to DCCBs, net NPA position at DCCB level and not at the level of DCCB branches will be reckoned for the purpose of eligibility.

4. **Quantum of refinance**

4.1 The normal quantum of refinance will be as under:

<table>
<thead>
<tr>
<th>Net NPAs of StCB</th>
<th>Eligible limit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As a percentage of Realistic Lending Program (RLP) of eligible CCBs/StCB</td>
</tr>
<tr>
<td>Up to 6%</td>
<td>40%</td>
</tr>
<tr>
<td>Above 6% &amp; up to 10%</td>
<td>35%</td>
</tr>
<tr>
<td>Above 10% &amp; up to 12%</td>
<td>30%</td>
</tr>
<tr>
<td>Above 12%</td>
<td>Not eligible</td>
</tr>
</tbody>
</table>

4.2 StCBs in the North Eastern Region, Jammu & Kashmir, Sikkim, Himachal Pradesh, Uttarakhand and Andaman & Nicobar Islands, will be eligible for additional refinance of 20% with relaxation in net NPAs, as under:

<table>
<thead>
<tr>
<th>Net NPAs of StCB</th>
<th>Eligible limit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As a percentage of Realistic Lending Program (RLP) of eligible CCBs/StCB</td>
</tr>
<tr>
<td>Up to 10%</td>
<td>60%</td>
</tr>
<tr>
<td>Above 10% &amp; up to 15%</td>
<td>55%</td>
</tr>
<tr>
<td>Above 15%</td>
<td>Not eligible</td>
</tr>
</tbody>
</table>
4.3 StCBs in Eastern Region viz. Bihar, Orissa, West Bengal, Jharkhand, Chhattisgarh States and 28 districts in Eastern Uttar Pradesh (under BGREI scheme of Govt. of India) will be eligible for additional refinance of 5% over and above the applicable normal quantum of refinance, as under:

<table>
<thead>
<tr>
<th>Net NPAs of StCB</th>
<th>Eligible limit</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>As a percentage of Realistic Lending Program (RLP) of eligible CCBs/StCB</td>
</tr>
<tr>
<td>Up to 6%</td>
<td>45%</td>
</tr>
<tr>
<td>Above 6% &amp; up to 10%</td>
<td>40%</td>
</tr>
<tr>
<td>Above 10% &amp; up to 15%</td>
<td>35%</td>
</tr>
<tr>
<td>Above 15%</td>
<td>Not eligible</td>
</tr>
</tbody>
</table>

4.4 The RLP for the year 2022-23 may be arrived at, on the basis of average growth rate in crop loans disbursed during previous three years (taking into account the crop loans disbursed data for last four years). However, keeping in view the ground level realities and other facts, if any, NABARD may accept RLP which may be lower or higher than the RLP worked out by the StCB.

5. **Sanction of sub-limits**

Separate sub-limits under ST (SAO) credit limits for financing will be sanctioned by NABARD for the year 2022-23 for the following:

a) Cultivation of other crops (OC).

b) Cultivation of oilseeds under National Mission on Oilseeds and Oil Palms (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).

Accordingly, consolidated limit to be sanctioned to StCB will be segregated into sub-limits for SAO-OC, SAO-NMOOP, SAO-NFSM (Pulses) and SAO-DTP on the basis of CCB-wise Realistic Lending Program for respective purposes.

6. **Rate of interest on Refinance**

6.1 The rate of interest on NABARD refinance to StCBs will be 4.5% p.a. (subject to change, if any, by Govt. of India) if the Short-Term Cooperative Credit structure in the State together with their own involvement provide crop loan up to Rs.3.00 lakh per borrower / farmer at 7% p.a. or less. Interest is payable at half-yearly rests on 01 October and 01 April, as hitherto. **The Bank is required to furnish undertaking as per the Annexure-II in this regard.**
6.2 The concessional refinance will be available only to those State Cooperative Banks which together with their own involvement, agree to ensure the provision of crop loans up to Rs. 3.00 lakh per borrower at 7% p.a. or less by the short-term cooperative credit structure in the State.

7. Operational discipline

7.1 Drawal and Repayment
The amount drawn against the limit are repayable on demand. However, each drawal on the credit limit would be treated as a separate loan and would normally be repayable in a period of 12 months from the date of drawal. Repayments (partial or full) before the expiry of 12 months may be accepted by NABARD with minimum notice of 15 working days or with interest payment of 15 days along with the principal. The notice period may, however, be waived in case the repayment is made 30 days after the date of drawal.

7.2 NODC
Drawals on the sanctioned limit will be permitted by NABARD to StCB on the basis of aggregate NODC (available under all sub-limits) pertaining to the eligible CCBs, which have outstanding borrowings from StCB as hitherto. The banks are required to monitor NODC sub-limit wise, however in case of shortfall in NODC in any of the sub-limits, additional interest may not be charged if overall NODC is available. The StCB will have to submit monthly NODC statement indicating CCB-wise position by 20th of the succeeding month physically or through digital platform.

At the time of each drawal, a certificate in the prescribed format, regarding the availability of aggregate NODC, as on the date of drawal will have to be furnished by the bank. Moreover, it may be ensured by the bank that on any day, total of normal ST (SAO) outstanding and the Additional ST (SAO) outstanding should not exceed the aggregate NODC available on that date.

7.3 Additional interest on NODC deficit
In case of deficit in NODC, StCB will have to make good the deficit in NODC. In case the StCB fails to make good the deficit within one month from the date of occurrence of such deficit, additional interest @ 1% p.a. will be charged on the deficit in NODC for the duration of deficit i.e. till the date on which the amount of deficit is regularized.
7.4 **Segregation of principal and interest in the loans outstanding**

StCB may exclude the interest component (overdue/ non-overdue interest) from the outstanding amount and report the principal loan amount only, both in their applications for credit limit and drawal application, for arriving at the eligibility for refinance support from NABARD. Besides, only the principal portion of loans (issued, recovered, outstanding and overdues) should be reported in the monthly NODC statements.

7.5 **Defaults by DCCBs to StCB**

In case a DCCB is in default to the StCB under ST (SAO) continuously for a period exceeding 3 months, the StCB concerned will not be allowed to operate on the limit in respect of the DCCB concerned till the default is regularized.

7.6 **Clearance of default**

StCBs which fail to honour their commitments to NABARD in repayment of principal, payment of interest and/or any other dues by the prescribed due dates, will not be eligible for any refinance facility from NABARD till the clearance of default in question. In the event of default in repayment of principal and/or payment of interest, the StCB will be liable to pay to NABARD interest on amount of default at 10% p.a. for the period for which the default persists. The penal interest rates are subject to revision from time to time.

7.7 **Right to inspection**

NABARD reserves the right to inspect/get inspected the books of accounts of the bank (StCB/eligible DCCBs).

7.8 **Right to cause special audit**

NABARD will have the right to cause special audit of the books of accounts and other relevant material of the Cooperative Banks (StCB/eligible DCCBs) either by itself or through other agencies 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.

7.9 **Excess drawal**

NABARD will 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 or of NODC by calling back the excess refinance availed by the bank within 3 days along with the penal interest of 1% p.a.
8. **End-use of limit**

With a view to avoid diversion of funds, misutilization of interest subvention / crop loan and to ensure proper end use of funds for the purpose sanctioned, banks have been advised to follow the instructions contained in our Circular No. 175 / DoR-47 / 2015 dated 20 August 2015 which should be complied with.

9. **Returns**

As per the guidelines of STCRC fund information sought by RBI may be furnished on quarterly basis to the regional office of NABARD in the Annexure-III attached herewith within 7 days after completion of the respective quarter.
Annexure-II

UNDERTAKING TO BE OBTAINED FROM StCBs ON THEIR LETTERHEAD

The Chief General Manager / General Manager
NABARD
________________________Regional Office
________________________

Dear Sir,

We are aware that the rate of interest on refinance provided by NABARD for ST (SAO) during the F.Y. 2022-23 is 4.5% p.a. subject to change, if any, by Govt. of India / Reserve Bank of India / NABARD from time to time. We are also aware that the facility of interest subvention made available by Government of India, is also subject to change from time to time.

We undertake to abide by the change/s, if any, as may be made by the Govt. of India / Reserve Bank of India / NABARD from time to time.

Thanking you

Yours faithfully

________________________

Name: _____________________________
Designation: C.E.O./M.D./G.M.
Date: _____________________________
Annexure-III

Quarter ended as on 30 Sept/31 December/31 March

<table>
<thead>
<tr>
<th>State</th>
<th>Name of the Bank</th>
<th>Average amount of loan (Rs. In lakh)</th>
<th>Interest rate charged (%)</th>
<th>Processing fees charged (Rupees)</th>
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