

Ref.No.NB.DoR/LT Policy/PPS-9/116134-116164/2025-26

14 November 2025

Circular No. 246 /DoR- 49 /2025

Chief Executive Officer
All Small Finance Banks

Madam/ Dear Sir

**Provision of Short-term refinance by NABARD to Small Finance Banks (SFB)
– Operational Guidelines for the year 2025-26**

The operational guidelines for FY 2025-26 are broadly based on eligibility criteria as given in Annexure I attached to this letter.

2. NABARD will extend refinance support to Small Finance Banks (SFBs) for Short Term loans, not exceeding a period of 12 months, under Section 21(1) read with Section 21(4) of NABARD Act, 1981. Refinance will be provided to the extent of 80% of the eligible short-term loans outstanding in the books of SFB as on the date of application. ST refinance will have a minimum lock-in period of 30 days, after which repayment may be made by SFB without any penalty charge.
3. The eligible purposes for ST refinance will include short term / working capital loans for agriculture and allied sectors, non-farm sector including artisans, weavers, handicrafts, marketing of agri. produce, agri. inputs, non-farm produce, bonafide trade activities, etc.
4. SFBs may arrange to forward applications for sanction of ST refinance as per the proforma enclosed (Annexure II), to NABARD Head Office, with a copy endorsed to concerned Regional Office of NABARD in the State where Head Office of the SFB is located.
5. Please acknowledge receipt of this circular.

Yours faithfully

(Dr. K S Mahesh)
Chief General Manager
Encl: As above

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

पुनर्वित्त विभाग

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Annexure I

General Terms and Conditions of Short Term Refinance to Small Finance Banks (SFBs)

1. Introduction

NABARD has been providing short-term refinance to approved financial institutions (FIs) under the provisions of Section 21(1) read with Section 21(4) of NABARD Act, 1981, to supplement their resources for providing short term credit at the ground level.

2. Objectives

The objective of providing Short-Term Refinance is to provide adequate and timely credit for:

- agricultural operations or the marketing of crops;
- the marketing and distribution of inputs necessary for agriculture or rural development;
- any other activity for the promotion of or in the field of agriculture or rural development;
- Bonafide commercial or trade transactions;
- the production or marketing activities of artisans or of small-scale industries, industries in the tiny and decentralised sector, village and cottage industries or of those engaged in the field of handicrafts and other rural crafts.

3. Nature of Accommodation

Refinance assistance is provided to SFBs in respect of their disbursement for various purposes as listed above. Banks are expected to appraise the working capital/ short term credit needs of the borrowing unit in a realistic manner. SFBs can avail refinance from NABARD, based on a drawal application (Annexure II), indicating the various purposes for which refinance has been claimed and the loan amount disbursed.

4. Eligibility criteria

4.1 Eligibility criteria for drawal of refinance is reviewed from time to time. The eligibility criteria prescribed at present is as under:

- a) Complying with minimum CRAR norm of 15% (as stipulated by RBI from time to time).
- b) Net NPAs not exceeding 5% of loans and advances outstanding. The NPA position to be reckoned for the Bank as a whole.

- c) The bank should be in Net profit.

4.2 Eligibility criteria and Risk Assessment

Eligibility criteria for sanction of refinance up to 30 June 2025 will be based on audited financial position of SFBs as on 31.03.2024 or 31.03.2025 (if audited position as on 31.03.2025 is available). From 1st July onwards, eligibility criteria will be based on the audited financial position as on 31.03.2025.

Sanction/Drawals of refinance on or after 01.07.2025 will be permitted only to such banks, which have completed the audit for 2024-25 and submitted the relevant audit report to NABARD.

- 4.3 Any change in the financial parameters during the year 2025-26 may be considered based on latest available quarterly financial results and a certification from the practicing Chartered Accountant.

5. Eligible Purposes

The purposes for which Short term (ST) refinance is sanctioned will include short term - working capital loans for agriculture and allied sectors, non-farm sector including artisans, weavers, handicrafts, marketing of agri. produce, agri. inputs, non-farm produce, bonafide trade activities, etc. The loans eligible for refinance should have been lent for a duration not exceeding 12 months, and as on the date of drawal application, should be outstanding in the books of the bank, and should be non-overdue and unencumbered.

6. Quantum of refinance from NABARD

NABARD will provide refinance to an extent of **80%** of the eligible short-term loans outstanding as on the date of application. The considerable loan outstanding must be for at least for 3 months and the same will be replenished after each quarter.

7. 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 submitted by the SFB from RBI, where its current Account is maintained. In

addition, the SFB shall execute a Demand Promissory Note (DPN) in favour of NABARD at the time of each drawal.

Board resolution or the resolution of the sub-committee of the Board indicating the borrowing powers of the SFB, 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 has to be submitted to NABARD in the prescribed format in Annexure III.

8. Repayment period

Short term loans disbursed are repayable within 12 months from the date of disbursement. The interest is payable at quarterly rests on 1st April, 1st July, 1st October and 1st January every year, or on repayment of the entire principal amount.

9. Interest rate

9.1 Interest on Refinance: The interest rates and risk premium on refinance will be decided by NABARD based on prevailing market rate, risk perception etc. and is subject to revision from time to time.

9.2 Penal charges: In the event of default, penal charges on the defaulted amount will be imposed @2% p.a (plus applicable taxes) over and above the interest rate at which refinance was disbursed for the entire duration for which the default persists.

9.3 Notice for Repayment:

Repayments (partial or full) after the lock-in period of 30 days and before the expiry of 12 months can be accepted by NABARD with a notice period of Three days. The notice period will be three days excluding the date of repayment. All prepayments will be apportioned to outstanding loans/advances in chronological order of disbursement i.e. 'First Out First In'.

10. Operational Discipline

10.1 Non-Overdue Cover (NODC)

- a. The refinance drawal for short term limit will be allowed only against the short-term loan portfolio of the eligible purposes which are unencumbered and non-

overdue. SFBs can make drawals on the aggregate NODC for all the purposes taken together.

- b. Drawals by SFBs will be permitted subject to the availability of aggregate NODC. For this purpose, SFBs are required to furnish to HO, NABARD, monthly NODC statement indicating the purposes in the format prescribed (Annexure IV or as modified from time to time) so as to reach latest by 20th day of the succeeding month. The NODC must be duly verified by the practicing Chartered Accountant.
- c. 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.
- d. It may be ensured total refinance outstanding will not exceed the aggregate NODC available. The NODC must be covered for eligible purposes only.

10.2 Penal Charges on NODC deficit

SFBs to maintain adequate NODC. In case of deficit in NODC, SFBs to make good the deficit within one month from the date of occurrence of such deficit. Penal charges @ 1% p.a. (plus applicable taxes) 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.

10.3 Segregation of principal and interest in the loans outstanding:

SFBs to exclude the interest component (including overdue interest) from the outstanding amount and report principal loans separately, in their drawal applications, for arriving at the eligibility for refinance support from NABARD.

Besides, only the principal portion of loans (issued, recovered, outstanding and overdues) may be reported in the quarterly NODC statements.

10.4 Excess Drawal

NABARD will take a serious view in case of drawals beyond permissible quantum of refinance on account of reporting incorrect data about loan disbursement or of NODC by calling back the excess refinance availed by the bank within 3 days along with the penal charges of 1% p.a. (plus applicable taxes).

11. Clearance of default

SFBs which fail to honor 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.

12. Monitoring

NABARD would have the right to conduct, if required, verification to ensure that the terms and conditions of refinance are adhered to.

13. Right to inspection

NABARD reserves the right to inspect / get inspected the books of accounts of the SFB.

14. 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 SFB 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.

ANNEXURE II

APPLICATION FOR SHORT TERM REFINANCE UNDER SECTION 21(1)READ WITH SECTION 21(4) OF THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT ACT, 1981 FOR THE YEAR 20.....20....

The Chief General Manager/ Officer-in-charge
 National Bank for Agriculture and Rural Development

Dear Sir

Application for sanction and release of refinance under Short Term for the year 20.....20.....

We hereby apply for sanction and release of Rs. lakh (Rupees lakh only) under Section 21(1) read with Section 21(4) of the National Bank for Agriculture and Rural Development Act 1981 as per details given below, against disbursement of loans and advances for relevant purposes for the year 20.....20..... (April-March). We agree to abide by the terms and conditions of your refinance scheme of the Small Finance Banks as mentioned from time to time.

Sr. No.	Activity	Maximum Loan period	Amount (Rs. lakh)
i.			
ii.			
iii.			
iv.			
v.			
	Total		

2. We agree to abide by all the terms and conditions of NABARD for financing at ground level and that of refinance stipulated from time to time.
3. We agree to repay the refinance within 12 months from the date of release.
4. We also certify that the payment made to the borrowers is done electronically except when cheques are drawn on banks which are not on NEFT/RTGS mode.

5. We request you to release the refinance to our account No..... with branch of the bankwith IFSC Number..... MICR Code No.

6. In case of any error in credit to the account given above, we will be accountable for the same.

7. We undertake to repay the amount to NABARD as per demand to NABARD's account through electronic mode.

8. We certify that the rates of interest charged on the loan amount conform to the rate wherever stipulated by RBI/NABARD from time to time.

9. We agree that if on verification of our records and of our constituents, NABARD concludes that the accounts against which the disbursements of bank loan does not conform to the guidelines laid down by it from time to time. NABARD will have the right to recall the entire refinance disbursed in respect of such account, as per General Refinance Agreement.

10. The under-mentioned documents, financial statements and other particulars are furnished herewith.

- i. Annual Report 20.....-20...../ Balance sheet as on 31 March, 20.....
- ii. Trial balance as on the last Friday or as at the end of the month, preceding the date of submission of the application.
- iii. Certified copy of the resolution of the Board of Directors authorizing the bank's officials to obtain financial accommodation from NABARD in the prescribed form (as per format- Annexure III)

Yours faithfully

For and on behalf of

The financing bank

Signature of the authorised officer

And Designation

Enclosure:

Date and Place:

ANNEXURE III

ST (Others) – SFB

FORMAT OF BOARD RESOLUTION

Copy of the resolution passed at the meeting of the Board of Director of

..... **Bank, held on**

Resolved that the bank to avail of loans and advances from the National Bank for Agriculture and Rural Development (NABARD), pursuant to and in accordance with the provisions of the Short Term Refinance scheme for Small Finance Banks for financing eligible activities, as contained in the NABARD's circular No..... dated subject to other guidelines issued by the NABARD from time to time.

Resolved further that unless and otherwise authorized by the Board, the principal amount of the borrowings outstanding to NABARD under the short-term refinance scheme shall not exceed the sum of Rs._____ (Rupees _____) at any time.

Resolved further that the power to borrow from the NABARD under the said scheme be as is hereby delegated to the following officers jointly and/or severally.

.....

.....

Name and Designation

Resolved further that the aforesaid officers be and are hereby authorised jointly and/or severally to execute in favour of the NABARD, promissory notes, agreements, declarations, deeds of guarantee or security, the mandate to be issued to the Reserve Bank of India authorizing it to debit our Bank's Current Account with it, with such as may be advised by the National Bank for Agriculture and Rural Development pursuant to the agreement made with it and such other documents as may be required by the NABARD pursuant in connection with the borrowings on the said scheme and generally to do or cause to be done on behalf of the Bank such other acts, deeds and things as may be required by the NABARD in connection with the said scheme.

/Certified to be true copy/

Signature of the authorised official

Name and Designation

Seal of the SFB



Proforma of Promissory Notes

Demand Promissory Note to be executed by the Small Finance Bank in favour of the National Bank for Agriculture and Rural Development

Rs. _____

Place:

Date:

ON DEMAND the _____ Small Finance Bank promises to pay to the National Bank for Agriculture and Rural Development (NABARD) or order the sum of Rs. _____ (Rupees _____ only) with interest at ___% or as prescribed by NABARD per annum with quarterly rests on 01 July/ 01 October/ 01 January/ 01 April for value received.

Dated at _____ this _____ day of _____ 20____

For and on behalf of

SFB

Seal of the bank

Authorized signatory

अनुबंध/Annexure IV

मासिक एनओडीसी/NODC for the month :

बैंक का नाम / Name of the Bank :