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16 December 2025

Circular No. 275/DoR- 67/2025

The Chief Secretary of State Governments
All State and Union Territories

Dear Sir/Madam

Sanction of term loans to State Governments under Section 27 of the NABARD Act, 1981 for Contribution to share capital of cooperative credit institutions –Operational Guidelines for the year 2025-26.

NABARD provides long-term loans by way of reimbursement to State Governments under Section 27 of NABARD Act, 1981 for contributing to the share capital of cooperative credit institutions, viz. State Cooperative Banks (StCBs), District Central Cooperative Banks (DCCBs), Primary Agricultural Credit Societies (PACS)/Farmers Service Societies (FSS)/Large sized Adivasi Multipurpose Society (LAMPS), State Cooperative Agriculture and Rural Development Banks (SCARDBs) and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs).

2. The operative period of assistance would be from **01 April 2025 to 31 March 2026** and would cover disbursements made by the State Govt. towards share capital contributions during the year **2025-26**.
3. The above credit facility from NABARD to the State Govt. would be available at interest rate prescribed by NABARD from time to time.
4. While providing the share capital contribution, the State governments may keep the following in view:

(i) Need for promoting member driven cooperative credit institutions

The main objective of providing assistance to State Governments for contribution to the share capital of cooperative credit institutions is to enhance the Maximum Borrowing Power (MBP) of these institutions which is measured in terms of multiples of owned funds. This will drive these institutions into a position to undertake larger lending programmes for meeting the credit requirements of their constituents, particularly for agricultural loans. Further, to make the cooperative credit institutions a truly democratic,

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member-driven and self-reliant institution, it is desirable to strengthen the member base and also the equity base of these cooperative credit institutions, by increasing the mobilization of share capital contribution from members.

(ii) RCBs CRAR non-compliant and identified under the Turn Around Plan initiative for RCBs.

Also providing assistance to State Govts for share capital contribution to RCBs for meeting the regulatory CRAR requirement and also to provide growth capital needed for turnaround of RCBs. This will enable these institutions to receive capital support, which is essential not only for meeting regulatory compliance requirements but also for strengthening their financial position and facilitating sustainable business growth. This will empower RCBs to enhance their lending capacity, particularly in priority sectors such as agriculture, rural development and small enterprises etc.

(iii) Realistic assessment of share capital contributions by State Governments

State Governments may provide the share capital to various institutions after realistically assessing the quantum of assistance required taking into account their lending programme and the norms prescribed by NABARD regarding eligibility, ceiling on share capital contribution by State Government etc.

5. The State Governments may submit their applications for reimbursement (in the prescribed proforma) complete in all respects well in time to the concerned Regional Office of NABARD in the state within the operative period **(April 2025 - March 2026)**.
6. The detailed Operational Guidelines are furnished in the Annexure.
7. Please acknowledge receipt of this circular letter to our Regional Office.

Yours faithfully

(Dr. K S Mahesh)
Chief General Manager

Enclosure: As above

ANNEXURE

Operational Guidelines governing reimbursement of loans by NABARD to State Governments under Section 27 of the NABARD Act, 1981 for the year 2025-26.

I. Eligibility criteria and ceiling amounts

To provide assistance to State Govt for contributing to the share capital of cooperative credit institutions so as to enhance the Maximum Borrowing Power (MBP) of these institutions

(A) State Cooperative Banks (StCBs)

(i) NPA norms

- a) Net NPAs of the StCB not to exceed 10% as on 31 March 2025.
- b) 5% relaxation in NPA norms is provided to StCBs functioning in the North Eastern Region, Jammu and Kashmir, Sikkim, Himachal Pradesh, Uttarakhand and Andaman & Nicobar Islands.

(ii) Ceiling on capital

- a) The State Government contribution to share capital should not exceed 25% of the paid-up capital of the StCB.
- b) The capital infusion in excess of 25% to the total paid up share capital of the StCB by the State Government for which assistance is available be provided as a grant and kept in a separate account designated as “Capital Convertible Deposit Account”. This amount is eligible for reckoning for CRAR purpose under Tier-I capital.
- c) State Governments in NER including Sikkim are allowed as a special case to contribute to share capital of StCB in excess of 25%, only when required to comply with section 11 (1) of B.R. Act,1949 (AACS).
- d) No annual cap on quantum of loan for contributing to share capital of StCB.

(iii) Compliance with Section 11(1) of B.R. Act, 1949 (AACS)

All licensed StCBs complying with the provisions of Section 11(1) of B. R. Act, 1949 (AACS), will be eligible.

However, in case of StCBs which are identified for implementation of turnaround action plan, to meet the regulatory CRAR requirements and to provide growth capital needed for turnaround, the loans to State Governments may be provided by way of reimbursement for contributing to share capital as per the norms indicated as under:

i. Net NPA norms

- a) Net NPAs not to exceed 25% as on 31 March 2025.**

b) **5% relaxation in NPA norms** is provided to StCBs functioning in Northeastern region, J&K, Sikkim, Himachal Pradesh, Uttarakhand and A&N Islands.

However, relaxations in NPA norms in excess of 25% or 30% (For special states) can be granted by CHSC based on specific recommendations of respective State Government.

ii. Ceiling on Capital

- a) The State Government contribution to share capital **should not exceed 25% of the paid-up capital of StCB.**
- b) The capital infusion in excess of 25% to the total paid up share capital of the StCB by the State Government for which assistance is available be provided as a grant and kept in a separate account designated as “Capital Convertible Deposit Account”. This amount is eligible for reckoning for CRAR purpose under Tier-I capital.
- c) State Governments in NER including Sikkim are allowed as a special case **to contribute to share capital of StCB in excess of 25%, only when required to comply with section 11 (1) of B.R. Act,1949 (AACs).**
- d) No annual cap on quantum of loan for contributing to share capital of StCB.

However, relaxations in share capital ceiling in excess of 25% and upto 95% can be granted by CHSC based on specific recommendations of respective State Government.

iii. Compliance with Section 11(1) of B.R. Act, 1949 (AACs)

All licensed StCBs complying with the provisions of Section 11(1) of B. R. Act, 1949 (AACs), will be eligible.

However, relaxations with regard to Section 11(1) non-compliant StCBs can be granted by CHSC based on specific recommendations of respective State Government.

(B) District Central Cooperative Banks (DCCBs)

To provide assistance to State Govt for contributing to the share capital of cooperative credit institutions so as to enhance the Maximum Borrowing Power (MBP) of these institutions.

(i) NPA norms

- a) Net NPAs of the DCCB not to exceed 10% as on 31 March 2025
- b) 5% relaxation in NPA norms is provided to DCCBs functioning in the North Eastern Region, Jammu and Kashmir, Sikkim, Himachal Pradesh, Uttarakhand and Andaman & Nicobar Islands.

(ii) Ceiling on capital

- a) The State Government contribution to share capital should not exceed 25% of the paid up capital of the DCCB.

- b) The capital infusion in excess of 25% to the total paid up share capital of the DCCB by the State Government for which assistance is available be provided as a grant and kept in a separate account designated as “Capital Convertible Deposit Account”. This amount is eligible for reckoning for CRAR purpose under Tier-I capital.
- c) No annual cap on quantum of loan for contributing to the Share Capital of the DCCB.

(iii) Compliance with Section 11(1) of B.R. Act, 1949 (AACS)

All licensed DCCBs complying with the provisions of Section 11(1) of B. R. Act, 1949(AACS) will be eligible. As a special case, the unlicensed DCCBs under the revival package of State Govt. will also be eligible for assistance.

However, in case of **DCCBs which are identified for implementation of turn around action plan, to meet the regulatory CRAR requirements and to provide growth capital needed for turnaround, the loans to State Governments may be provided by way of reimbursement for contributing to share capital as per the norms indicated as under**

i. Net NPA norms

- a) Net NPAs of DCCB **not to exceed 25%** as on 31 March 2025.
- b) **5% relaxation in NPA norms is provided to DCCBs** functioning in Northeastern region, J&K, Sikkim, Himachal Pradesh, Uttarakhand and A&N Islands.

However, relaxations in NPA norms in excess of 25% or 30% (For special states) can be granted by CHSC based on specific recommendations of respective State Government

ii. Ceiling on Capital

- a) The State Government contribution to share capital should not exceed 25% of the paid-up capital of the DCCB.
- b) The capital infusion in excess of 25% to the total paid up share capital of the DCCB by the State Government for which assistance is available be provided as a grant and kept in a separate account designated as “Capital Convertible Deposit Account”. This amount is eligible for reckoning for CRAR purpose under Tier-I capital.
- c) No annual cap on quantum of loan for contributing to the Share Capital of the DCCB.

However, relaxations in share capital ceiling in excess of 25% and upto 95% can be granted by CHSC based on specific recommendations of respective State Government

iii. Compliance with Section 11(1) of B.R. Act, 1949 (AACS)

All licensed DCCBs complying with the provisions of Section 11(1) of B. R. Act, 1949(AACS) will be eligible. As a special case, the unlicensed DCCBs under the revival package of State Govt. will also be eligible for assistance.

However, relaxations with regard to Section 11(1) non-compliant DCCBs can be granted by CHSC based on specific recommendations of respective State Government.

(C) Primary Agricultural Credit Societies (PACS)

- a) The societies should not have overdues exceeding 60% of the demand as on **30 June 2024 or 30 June 2025**, whichever is beneficial.
- b) PACS should have been placed under 'A', 'B' or 'C' class under audit classification for the relevant year. The audit of PACS should have been completed at least upto **2022-23** and the State Government concerned should submit a time-bound action plan for clearance of arrears in audit.
- c) The State Govt. contribution to Share capital should not exceed 25% of the paid up capital.
- d) No annual cap on quantum of loan for contribution to the Share Capital of PACS.

(D) Farmers Service Societies (FSS)

- a) The FSS should not have overdues exceeding 60% of the demand as on 30 June 2024 or 30 June 2025, whichever is beneficial.
- b) The FSS should have a full-time paid Managing Director and at least 3 technical staff/subject matter specialists on the pattern indicated in the FSS Scheme.
- c) The State Govt. contribution to Share capital should not exceed 25% of the paid-up capital of the institution.

(E) Large-sized Adivasi Multi-Purpose Societies (LAMPS)

- a) The LAMPS should not have overdues exceeding 75% of the demand as on 30 June 2024 or 30 June 2025, whichever is beneficial.
- b) LAMPS should have a minimum coverage of 10,000 acres and credit potential adequate for viable operations.
- c) The State Govt. contribution to Share capital should not exceed 25% of the paid-up capital of the institution.

(F) SCARDBs / PCARDBs

- a) The SCARDB should not have over dues exceeding 35% of demand as on **30 June 2024 or 30 June 2025**, whichever is beneficial.
- b) The PCARDB should not have over dues exceeding 50% of demand as on **30 June 2024 or 30 June 2025**, whichever is beneficial.

c) The annual ceiling for reimbursement assistance would be Rs.400 lakh per SCARDB and Rs.75 lakh per PCARDB, subject to the State Govt. contribution to Share capital not exceeding 50% of the paid-up capital of the institutions assisted.

II. Other terms and conditions of reimbursement of loan assistance.

- i. The operative period would be from **01 April 2025 to 31 March 2026**. All disbursements made by the State Govt. during the year **2025-26** would be eligible for reimbursement under the scheme.
- ii. Assistance reimbursed is repayable within a period of 12 years.
- iii. The principal is repayable in ten equal annual instalments commencing from the third year of drawal as on 1 April and 1 October irrespective of the date of drawal as under:

| Drawals made | Due date |
|--------------------------|-----------------|
| 01 April to 30 September | 01 April |
| 01 October to 31 March | 01 October |

- iv. The loan reimbursed will carry interest rate as may be specified by NABARD from time to time.
- v. The interest is payable at the end of each half year as on 01 October and 01 April or when the loan is fully repaid.
- vi. In the event of default in repayment of principal and /or payment of interest, the State Government will be liable to pay to NABARD, penal charge on amount of default at 10.25% p.a.(plus applicable taxes), for the period for which the default persists.
- vii. While the Net NPA level/ recovery performance of beneficiary institutions would form the basis for provision of assistance, the quantum of assistance for each type of credit institutions would be based on the projected realistic volume of business.
- viii. It would be necessary for the State Govt. to furnish a copy of the order of Govt. of India's consent in terms of clauses (1) and (3) of Article 293 of the Constitution of India, for borrowing the amount of reimbursement assistance reimbursable by NABARD. Further, a certificate stating that the amount to be reimbursed is within the limits, if any, fixed by the State Legislature for the borrowings by the State Govt., would also be required to be submitted at the time of submitting the application for reimbursement of assistance.
- ix. State Government is required to submit a statement indicating the details of contributions made by them towards the share capital of cooperative credit institutions at the time of seeking reimbursement assistance. The proforma A,B,C,E,F,L and N of

the loan application is slightly modified. The word 'Government Contribution applied for' may be replaced by 'Date and amount of Govt. contribution made and amount applied for' in the loan application by State Govt.

- x. At the time of availing the drawal, State Govt. may submit a statement indicating the amount of the share capital contribution made and the date on which the same has been received by various agencies.

III. General

In the case of StCBs, DCCBs, SCARDBs and PCARDBs, the audit of the concerned institutions should not be in arrears and should have been completed at least upto the year **2023-24**. In the case of other institutions, viz., PACS, FSS, and LAMPS audit of the concerned institutions should have been completed at least up to **2022-23** for provision of assistance during **2025-26** and the State Government concerned should submit a time-bound action plan for clearance of arrears in audit.

IV. Monitoring & Review

The information on progress under Turn Around Plan will be submitted by the StCBs/DCCBs in the quarterly ENSURE return and the same can be utilized by NABARD, RO for reviewing and monitoring the utilization of term loans provided to State Governments for share capital contribution. Further, this will also be reviewed in HLC meetings and during the quarterly review of TAP / Section 11 banks.
