

Ref. No. NB. DoR/LT Policy/PPS-9/118567-118578/2025-26

19 November 2025

Circular No. 280/DoR-72/2025

Chief Executive Officer

All Public Sector Scheduled Commercial Banks

Madam/Sir,

Operational Guidelines for Schematic Lending under Long Term Refinance for F.Y 2025-26 - Public Sector Scheduled Commercial Banks

The operational guidelines for LT refinance for the year 2025-26 for Public Sector Scheduled Commercial Banks are enclosed. The refinance applications of Public Sector Scheduled Commercial Banks shall be dealt with by DoR, NABARD, Head Office.

2. These guidelines are also available on NABARD website www.nabard.org under the tab information Centre.
3. Please acknowledge receipt.

Yours faithfully

(Dr. K S Mahesh)

Chief General Manager

Enclosure: As above

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

पुनर्वित्त विभाग

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Schematic Lending for FY 2025-26 - Operational Guidelines

1. Introduction

NABARD provides refinance to Public Sector Scheduled Commercial Banks to extend credit support to eligible activities in the agriculture and rural development sector.

2. Objectives

The objectives of providing long-term refinance are as under:

- a) Supporting capital formation in agriculture and allied activities.
- b) Directing the flow of credit for the promotion of thrust activities of GoI and NABARD.
- c) Meeting the credit requirement of JLGs and SHGs.
- d) Support for Off-farm sector activities such as MSME, Rural Housing, Commercial Vehicles and other priority sector activities as defined by RBI from time to time, thereby promoting alternate employment opportunities in rural areas.
- e) Support for Climate Adaptation and Mitigation projects and projects where green assets are being created by the lending institutions.
- f) Support for credit linked capital subsidy schemes of GoI, whose subsidy is channelized through NABARD.

3. Nature of Accommodation

Refinance assistance is provided against disbursements, for various purposes under the following two windows:

3.1 Pre-Sanction

Public Sector Scheduled Commercial Banks can avail refinance under the pre-sanction procedure by submitting Detailed Project Reports for the approval of NABARD. NABARD shall sanction the refinance after due appraisal to determine the projects technical feasibility, financial viability and bankability.

3.2 Automatic Refinance Facility (ARF)

Automatic Refinance Facility (ARF) enables banks to obtain financial accommodation from NABARD, without going through the detailed procedure of pre-sanction process by appraising the proposals at their level and financing the borrower. Banks then may claim refinance from NABARD on the basis of a drawal application, indicating various purposes

for which refinance is being claimed after the loan is disbursed. In such cases, the sanction and disbursement of refinance are attended to simultaneously by NABARD. Automatic Refinance Facility is extended without any upper ceiling of Total Financial Outlay, Bank Loan or Quantum of Refinance, for all eligible projects under Farm Sector (FS) and Off-Farm Sector.

4. Eligibility criteria

4.1 Eligibility criteria for drawal of refinance from NABARD are reviewed from time to time. The eligibility criteria prescribed for the year 2025-26 are as under:

- a) Complying with minimum CRAR norm of 11.50% (as per Basel III).
- b) Net NPAs not exceeding 9% of net loans and advances outstanding. The NPA position will be reckoned for the Bank as a whole.
- c) The bank should be in net profit in 2024-2025 and should be in profit for at least 3 years out of the last 4 years.

4.2 Eligibility criteria and Risk Assessment:

Eligibility criteria and Risk Assessment during 01 April 2025 to 30 June 2025 will be based on the audited financial position as on 31 March 2024 or 31 March 2025 (if audited position as on 31 March 2025 is available). From 01 July 2025 to 31 March 2026, the same will be based on the audited financial position as on 31 March 2025. Sanction and drawals on or after 01 July 2025 will be permitted only to such banks, which have completed the audit.

4.3 Any change in the financial parameters after 31 March 2025 will be considered towards eligibility based on the financials of the Public Sector Scheduled Commercial Banks after due certification by a Chartered Accountant.

4.4 The eligibility norms will be applicable for drawal of refinance under both Farm and Off-Farm Sectors including Government Sponsored Schemes.

5. Eligible activities

5.1 List of eligible activities are furnished in Annexure II. The list is only illustrative and not exhaustive.

5.2 Activities not mentioned above but which facilitate the promotion of agriculture and rural development are eligible for refinance assistance. Eligible loans outstanding in

the books of the Bank with residual maturity period of more than 18 months as on the date of drawal application are eligible for refinance.

5.3 Due diligence of the underlying asset pool as regards to eligibility, avoiding duplication of accounts, KYC of the end user, residual maturity, date of disbursement and repayment of the loan, etc. may be undertaken before submission of the pool to NABARD.

6. 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, Chhattisgarh and any other areas notified by NABARD will be 95% of eligible bank loans for all purposes. For other regions the extent of refinance shall be:

- a) 95 % for all thrust areas as indicated in the Annexure II.
- b) 90% for all other approved purposes for investment credit and Krishak Sathi Yojana

7. Interest rate & others

7.1 Interest on refinance:

The rate of interest on refinance is decided based on tenor, prevailing market rate, risk perception etc. and is subject to revision from time to time.

Prescribed credit risk premium will be charged over and above the rate of interest on refinance based upon internal risk rating.

The interest rate can be fixed or floating depending on the sanction terms. The terms and conditions of floating interest rate are mentioned in Annexure I.

7.2 Penal Charges:

In the event of default, penal charges of 2.00% p.a. (plus applicable taxes), will be charged on the defaulted amount for the period of default.

7.3 Pre-payment facilitation charges:

The rate of pre-payment facilitation charges will be 2.50% p.a. (plus applicable taxes) and will be chargeable for each instalment due separately for the entire period from the date of pre-payment to the date on which the instalment is actually due for payment with a minimum period of 6 months. The prepayment can only be initiated after giving a minimum notice of 3 working days excluding the day of prepayment. Prepayment facilitation charges will not be levied for payments after issuance of demand notice.

8. Repayment Period

Repayment period for refinance ranges between 18 months (minimum) to 5 years or above, provided that the maximum period for which any such loans or advances may be granted, shall not exceed 25 years. The periodicity for repayment of principal amount of refinance for fixed rate product will be quarterly. The first due date of principal amount for refinance sanctioned on any date in a month will be last day after completion of six months from the date of disbursement and subsequent repayments will be on quarterly basis. The due dates of payment of interest will be either on monthly or quarterly basis. Flexible repayment schedules including moratorium period are permitted under fixed rate of interest as per the request of bank and as per sanction terms.

In case of floating rate, the payment of interest will be quarterly only, and flexible repayment schedules are not permitted. The terms and conditions applicable for floating rate of interest including the repayment of principal & payment of interest are further indicated in Annexure I.

The approved repayment schedule will be specified in the letter(s) of sanction.

9. Security

The security for loans and advances by way of refinance 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 duly obtained by the bank from RBI, where its current account is maintained.

Board resolution or the resolution of the sub-committee of the Board indicating the borrowing powers of the Public Sector Scheduled Commercial Banks, authority to borrow from NABARD, list of authorised signatories with specimen signatures and a certificate confirming that the current borrowing from NABARD is within the overall borrowing limit of the Public Sector Scheduled Commercial Banks has to be submitted to NABARD.

10. Pre-Audit, Monitoring and supervision of projects

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

11. All other existing terms and conditions will remain unchanged.

ANNEXURE I

**Terms of contract under floating interest rate
(LT refinance to SCBs)**

1. **Benchmark Rate:** The benchmark rate and spread will be determined and announced by NABARD. At present the benchmark rate is 3 months T-bill for all floating rate products and tenors under LT refinance. The external benchmark rates are market linked and are changed at the time of reset.

2. **Rate of Interest:** Flexible interest rate will be market driven and as decided by NABARD from time to time. The interest rate comprises of 3 Months T-Bill benchmark rate, spread and applicable premiums which will be decided by NABARD from time to time.

3. **Interest Rate:** The interest rate is calculated as on date based on benchmark 3 Month T-Bill rate available/prevailing on the date of disbursement.

Illustration: If date of disbursement of refinance is 28.06.25, then benchmark interest rate at EOD of 27.06.25 plus Spread will be considered for fixing interest rate for disbursement on 28.06.2025.

4. **Spread Change:** The spread decided at the time of sanction for a particular loan tenure will be kept fixed for the entire tenure of the loan. NB reserves the right to alter the spread in the event of RBI enhancing standard provisions requirement/risk weightage of banking assets.

5. **Interest reset:** The interest rate will be reset as per applicable benchmark rate (benchmark reset date) i.e., after 90 days from the date of disbursement of principal amount (i.e., on 91st day), irrespective of it falls on Saturday/Sunday/Holiday.

Illustration: If date of disbursement of refinance is 28.06.2025, then 1st reset will be on 26.09.2025.

6. **Risk Premium:** The risk premium is adjusted in spread based on internal ratings by NABARD at the time of sanction.

7. **Pre-payment Charges:** If Bank desires to prepay before one year, pre-payment charges will be levied. Benchmark rate (3 M T-bill) prevailing on date of payment will be reckoned to make prepayment and charges are 2.50% p.a. plus applicable taxes. These charges apply separately to each instalment due for the entire period from the date of pre-payment to the date when the instalment is due for payment, with a minimum period of 6 months. Prepayment can only be initiated after providing a minimum notice of 3 working days.

8. **Penal Charges:** In case of default, penal charges of 2.00% p.a. (plus applicable taxes) will be applied to the defaulted amount for the period of the default.

9. **Repayment of principal:** The repayment of principal instalment shall be quarterly from the date of disbursement and will be as per the terms of sanction of

refinance. The first due date of principal amount for refinance sanctioned on any date in a month will be the last day after completion of six months from the date of disbursement and subsequent repayments will be on a quarterly basis.

10. Payment of Interest: The payment of interest shall be on a quarterly basis. The due dates of interest shall be 1st July, 1st October, 1st January and 1st April.

Illustration:

a) If disbursement date falls before 15th of the month say, 11.09.2025 then the due date for first payment of interest will be 01.10.2025. Subsequently, due date will be on first day of every quarter.

b) If disbursement date falls on or after 15th say is 17.09.2025 then the first payment of interest due date will be 01.01.2026. Subsequently, due date will be on first day of every quarter.

However, the due date for payment of interest on maturity/ closure of loan will be on the next day of principal repayment.i.e the day following the date of last installment of principal.

11. All other existing terms and conditions of Operational Guidelines for Schematic Lending under Long-Term refinance will remain unchanged.

12. Structured repayment schedule is not allowed.

Annexure II

LIST OF ACTIVITIES COVERED UNDER VARIOUS LOAN PRODUCTS

Long Term Refinance

1.1 Thrust Areas

Thrust areas for which preference will be given for release of refinance include:

- (1) Land development and wasteland development, Soil conservation and watershed development.
- (2) Minor & micro irrigation, drip irrigation
- (3) Water saving and water conservation devices
- (4) Dairy
- (5) Poultry
- (6) Beekeeping
- (7) Sericulture
- (8) Fisheries
- (9) Animal husbandry
- (10) Loans to Self Help Groups / Joint Liability Groups / Rythu Mitra Groups
- (11) Dryland farming
- (12) Contract farming
- (13) Plantation & horticulture
- (14) Agro-forestry
- (15) Seed production by farmers
- (16) Tissue culture plant production
- (17) Agriculture implements and machinery.
- (18) Production of high value / exotic vegetables, cut flowers under controlled conditions i.e. poly house / green house,
- (19) Establishment of hi-tech export-oriented production like mushroom, tissue culture labs, precision farming for enhancement of productivity in vegetables and fruits.
- (20) Agri-clinics and agri-business centres,
- (21) Rural housing
- (22) Agro-processing

- (23) Agri-marketing infrastructure (including cold storage, godowns, market yards etc.)
- (24) Non-conventional energy sources
- (25) Financing in areas of watershed & tribal development programmes already implemented.
- (26) Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.
- (27) Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multipurpose Societies (LAMPS) for on-lending to agriculture.
- (28) Loans to corporate farmers, farmers' producer organizations/ companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, up to an aggregate limit of ₹4 crore per borrower.
- (29) Renewable energy like solar based power generators, biomass-based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities viz. street lighting systems, and remote village electrification
- (30) Installation of stand-alone Solar Agriculture Pumps and for solarisation of grid connected Agriculture Pumps; installation of solar power plants on barren/fallow land or in stilt fashion on agriculture land owned by farmer.
- (31) Construction of oil extraction/ processing units for production of biofuels, their storage and distribution infrastructure along with loans to entrepreneurs for setting up Compressed Bio Gas (CBG) plants.
- (32) Custom hiring Units managed by individuals, institutions or organizations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc., and undertake farm work for farmers on contract basis.
- (33) Loans up to ₹10 crore per borrowing entity to FPOs/FPCs undertaking farming with assured marketing of their produce at a pre-determined price.
- (34) Loans for agriculture infrastructure subject to an aggregate sanctioned limit of ₹100 crore per borrower from the banking system.
- (35) Loans up to ₹10 crore to co-operative societies of farmers for purchase of the produce of members.
- (36) Loans up to ₹50 crore to Start-ups engaged in agriculture and allied services
- (37) Loans for Food and Agro processing up to an aggregate sanctioned limit of ₹100 crore per borrower from the banking system.
- (38) Permissible Activities under Food Processing Sector as per Annexure III of Priority Sector Master Directions.

(39) Climate Adaptation and Mitigation projects and projects where green assets are being created by Lending Institutions.

(40) MSME for both manufacturing and service, that creates employment in rural areas.

(41) Start-ups, as per definition of Ministry of Commerce and Industry, Govt. of India that are engaged in MSME, agriculture and allied services.

(42) KVI (Khadi Village Industries)

1.2. Other Activities

(1) Commercial Vehicles

(2) Rural Schools, health care facility, drinking water facility, sanitation facility and other Social infrastructure in rural areas

(3) Krishak Sathi Yojana

(4) Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village, and cottage industries.

(5) Bank loans to MFIs(NBFC-MFIs, Societies, Trusts, etc.) for onlending to priority sector.

(6) Bank loans to NBFCs(Non-Banking Financial Companies) for onlending to priority sector.

(7) Bank loans to HFCs(Housing Finance Companies) for on-lending to individuals for housing in rural and semi-urban areas.

(8) Co-Lending model between banks and NBFCs for priority sector lending.

(9) Export Credit for agriculture (Pre-shipment and Post-shipment finance)

(10) Loans to individuals for educational purposes, including vocational courses, not exceeding ₹25 lakh will be considered as eligible.

(11) Any other activities not mentioned above may also be covered if it facilitates the promotion of agriculture and rural development.