



Ref. No. NB.DoR.ST Policy / 1457 / A-1(Gen) / 2017-18 05 July 2017
Circular No. 164 / DoR - 34 / 2017

The 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. 2017-18

Please refer to our Circular No. 140/DoR-33/2016 dated 17 June 2016 communicating NABARD's policy for F. Y. 2016-17 on provision of refinance under Sec. 21(1) of NABARD Act, 1981 to State Cooperative Banks (StCBs) in respect of eligible Central Cooperative Banks (CCBs) for financing Seasonal Agricultural Operations. We advise that the ST (SAO) Policy for F. Y. 2017-18 has been finalized and the details thereof are mentioned in the Annexure I.

2. The quantum of ST (SAO) refinance would continue to be linked to Net NPA level of the StCB. Further, the norms which were operational during F. Y. 2016-17 would continue during F. Y. 2017-18 with following modifications:

a) The eligibility for quantum of refinance among other things, will be based on the net NPA position of StCBs as on 31.03.2016. NPA position as indicated in the statutory audit report will form the basis for eligibility. However, in the event of any variation in the net NPA position as indicated in the audit report and the Inspection Report of NABARD, the latter would be reckoned for determining the eligibility. The net NPA position at StCB / CCB level and not at the level of StCB / CCB branches will be reckoned for the purpose of eligibility of StCB. **In case, there is improvement / deterioration in any of the financial parameters as on 31.03.2017 [after completion of statutory audit], the same will be reckoned for eligibility of refinance limit.**

b) The CRAR norms will be applicable to StCBs / CCBs. Accordingly, refinance will be available to licensed StCBs (scheduled / non-scheduled) / licensed CCBs complying with CRAR of 7% and above as on 31.03.2016.

i) In case of StCBs with CRAR of 7% and above but individual CCBs with CRAR less than 7%, no credit limit will be available on behalf of such CCBs.

ii) StCBs with CRAR less than 7% will **not** be eligible for fresh refinance.

iii) In case of StCBs with CRAR less than 7% but individual CCBs with CRAR of 7% and above, credit limit will be sanctioned directly to the CCBs against Government guarantee or against pledge of Government / approved securities / FDRs of scheduled banks. Detailed guidelines for providing refinance directly to the CCBs have already been issued vide our Circular No. 172 dated 09.09.2011.

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

पुनर्वित्त विभाग

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iv) The audit of StCBs and CCBs for the year ending 31.03.2017 should be completed and the relevant report submitted to the concerned RO of NABARD by 30.09.2017. Drawals after 01.10.2017 will be permitted only to such StCBs and CCBs which have completed the audit for 2016-17 and submitted the relevant report to the concerned RO of NABARD.

c) **Limits to non-scheduled StCBs:** Non-scheduled StCBs which fulfill the CRAR criteria as mentioned above, will be eligible for sanction of credit limits against Government guarantee under Sec. 21(3)(a) of NABARD Act, 1981 or pledge of Government / approved securities under Sec. 21(2)(i) of Act ibid and / or pledge of FDRs of scheduled commercial banks under Sec. 33 of Act ibid.

d) Separate sub-limits under ST (SAO) credit limits for financing (a) cultivation of other crops (OC), (b) cultivation of oilseeds under National Mission on Oilseeds and Oil Palm (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) will be sanctioned by NABARD for the year 2017-18. Accordingly, the 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.

3. 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 ₹ 3.00 lakh per borrower / farmer at 7% p.a. or less. The Bank is required to furnish undertaking as per Annexure II enclosed.

4. You are also advised to communicate to affiliated CCBs to ensure implementation of KCC scheme by issuance of RuPay Card to the borrowing members.

5. The refinance allocation for your bank for F. Y. 2017-18 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 CCBs alongwith the first drawal, in the prescribed proforma to NABARD RO.

6. Please acknowledge receipt of this circular to our RO.

Yours faithfully,



(Padma Raghunathan)
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. 2017-18

1. Operative period of ST (SAO) limit

The operative period of ST (SAO) limit for F. Y. 2017-18 will be **01.04.2017 to 31.03.2018**. 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 StCB on behalf of eligible CCBs.

(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 and declaration 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 CCBs for financing SAO and are covered by adequate non-overdue loans outstanding at CCB level against PACS. TPNs executed by CCBs in favour of StCB will continue to be endorsed in favour of NABARD and StCB will keep the endorsed TPNs with them as agent of NABARD.

3. Eligibility norms for StCB / CCBs

3.1 Audit

Audit of StCB / CCBs for the year 2015-16 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 31.03.2017 should be completed by 30.09.2017. In case, the audit is not completed by 30.09.2017, the operations on the ST credit limit will be suspended, till the audit is completed and report submitted to 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).

Limits to scheduled StCBs and affiliated CCBs

3.2.1 StCBs / CCBs having CRAR of 7% and above only (as on 31.03.2016), will be eligible.

3.2.2 In case of StCBs with CRAR of 7% and above but individual CCBs with less than 7%, no credit limit will be available on behalf of such CCBs.

3.2.3 In case of StCBs with CRAR less than 7% and CCBs with CRAR of 7% 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 case of providing direct refinance to CCBs, guidelines issued vide our circular No. 172 dated 09.09.2011 may be followed.

Limits to non-scheduled StCBs

Non-scheduled StCBs which fulfill the CRAR criteria as provided 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.

3.3 The eligibility, among other things, will be based on the net NPA position of StCBs as on 31.03.2016. NPA position as indicated in the statutory audit report will form the basis for eligibility. However, in the event of any variation in the NPA position as indicated in the audit report and the Inspection Report of NABARD, the latter will be reckoned for determining the eligibility. The net NPA position at StCB / CCB level and not at the level of StCB / CCB branches will be reckoned for the purpose of eligibility of StCB. **In case, there is improvement / deterioration in any of the financial parameters as on 31.03.2017 [after completion of statutory audit], the same will be reckoned for eligibility of refinance limit.**

4. Quantum of refinance

4.1 The normal quantum of refinance will be as under:

Net NPAs of StCB	Eligible limit [As a percentage of realistic lending program (RLP) of eligible CCBs]
Up to 6%	40%
Above 6% & up to 10%	35%
Above 10% & up to 20%	30%
Above 20%	Not eligible

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:

Net NPAs of StCB	Eligible limit [As a percentage of realistic lending program (RLP) of eligible CCBs]
Up to 15%	60%
Above 15% & up to 25%	55%
Above 25%	Not eligible

4.3 StCBs in Eastern Region viz. Bihar, Orissa, West Bengal, 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:

Net NPAs of StCB	Eligible limit [As a percentage of realistic lending program (RLP) of eligible CCBs]
Up to 6%	45%
Above 6% & up to 10%	40%
Above 10% & up to 20%	35%
Above 20%	Not eligible

4.4 The RLP for the year 2017-18 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 (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) will be sanctioned by NABARD for the year 2017-18. Accordingly, the 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

The rate of interest on refinance will be 4.5% p.a. during F. Y. 2017-18, subject to revision, if any, by Govt. of India. This will be applicable to refinance drawn from 01.04.2017 onwards against the crop loans disbursed from 01.04.2017 onwards. Interest is payable at half-yearly rests on 30 September and 31 March, as hitherto. The Bank is required to furnish undertaking as per the Annexure in this regard.

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 ₹ 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 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 will however be required to monitor NODC sub-limit wise but in case of shortfall in NODC in any sub-limit, no additional interest may 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.**

7.2 Coverage of small / marginal farmers (SF / MF), tenant farmers (TF) and oral lessees (OL)

Banks have to ensure that aggregate crop loan disbursement during the year 2017-18 by all eligible CCBs to SF / MF shall not be less than 30% of the aggregate crop loan disbursements by the eligible CCBs.

Bank should increase their lending to tenant farmers and oral lessees through Joint Liability Group Scheme or otherwise, as per instructions issued vide our Circular No. 169 / MCID-05 / 2009 dated 23.10.2009.

7.3 Defaults by CCBs to StCB

In case a CCB 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 CCB concerned till the default is regularized.

7.4 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.

7.5 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 10.25% p.a.** for the period for which the default persists. The penal interest rates are subject to revision from time to time.

7.6 Right to inspection

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

7.7 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 CCBs) 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.

7.8 Excess drawal

NABARD will take a serious view in case of avilment 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% pa.

8. End-use of limit

There are reports that banks have not ensured end use of funds disbursed as short term crop loans. With a view to avoid diversion of funds, misutilization of interest subvention / crop loan and to ensure proper end use of funds, 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.

Annexure II

UNDERTAKING TO BE OBTAINED FROM StCBs ON THEIR LETTERHEAD

The Chief 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. 2017-18 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: -----