

No.NB.DoR.ST Policy / 600 / A-1(Gen)(RP) / 2016-17

Circular No. / DoR - / 2016

15 June 2016

The Managing Director
All State Cooperative Banks

Dear Sir

Provision of Additional Short-Term (ST) refinance by NABARD to State Cooperative Banks for financing Seasonal Agricultural Operations (SAO) - Policy for F. Y. 2016-17

NABARD provides refinance to State Cooperative Banks (StCBs) in respect of eligible Central Cooperative Banks (CCBs) for financing Seasonal Agricultural Operations under Sec. 21(1) of NABARD Act, 1981. It has been reported that a few StCBs are having liquidity constraints due to reasons like drought conditions and increased demand, withdrawal of deposits by CCBs etc. It has therefore been decided to provide Additional Short-Term refinance for (SAO) to StCBs over and above normal ST(SAO) limit. The total limit sanctioned under normal ST(SAO) and Additional Short-Term refinance should not exceed 50% of RLP of eligible CCBs or as per para `4' of Annexure-I. The detailed policy is mentioned in Annexure-I

2. Illustrations under three different scenarios are narrated in Annexure-II to help the banks to operate on the limit.
3. You may submit an application for sanction of additional credit limit on behalf of all the eligible DCCBs, in the prescribed proforma to NABARD RO.
4. Please acknowledge receipt of this circular to our Regional Office.

Yours faithfully

S. K. Bansal
Chief General Manager

Encls. - as above

Annexure I

Provision of Additional Short-Term refinance by NABARD to State Cooperative Banks for financing Seasonal Agricultural Operations - Policy for F. Y. 2016-17

1. Operative period of Additional ST (SAO) limit

The operative period of Additional ST(SAO) limit for F. Y. 2016-17 will be 01.04.2016 to 31.03.2017. Additional 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 Additional ST (SAO) will be sanctioned to StCB on behalf of eligible DCCBs.

(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 DCCBs for financing SAO and are covered by adequate non-overdue loans outstanding at DCCB level against PACS. 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 agent of NABARD.

3. Eligibility norms for StCB / CCBs

3.1 Audit

Audit of StCB / DCCBs for the year 2014-15 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 31.03.2016 should be completed and the report submitted by 30.09.2016. The operations on the Additional ST(SAO) credit limit will be suspended, till such time the audit report is submitted to NABARD.

3.2 Compliance with licensing and CRAR norms

All licensed StCBs (Scheduled / Non Scheduled) and licensed DCCBs fulfilling CRAR conditions as stipulated by extant RBI guidelines which are mentioned below will be eligible for refinance under Additional ST(SAO).

Limits to scheduled StCBs and affiliated CCBs

3.2.1 StCBs / DCCBs having CRAR of 7% and above only (as on 31.03.2015) will be eligible.

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

3.2.3 In case of StCBs with CRAR less than 7% and DCCBs with CRAR greater than 7%, credit limit will be sanctioned directly to the DCCBs against Government Guarantee or against pledge of Government approved securities/ FDRs of scheduled banks. In case of providing direct refinance to DCCBs, guidelines issued vide our circular No.172 dated 09.09.2011 may be followed.

Limits to non-scheduled StCBs

3.2.4 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 (as defined in section 5(a) of BR Act, 1949) under Sec. 21(2)(i) of Act ibid and / or pledge of FDRs of Scheduled Banks under Sec. 33 of Act ibid.

3.3 NPA norm

The eligibility, among other things, will be based on the net NPA position of StCBs as on 31.03.2015. 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 / DCCB level and not at the level of StCB / DCCB 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 31.03.2016 [after completion of statutory audit], the same will be reckoned for eligibility of refinance limit.**

4. Quantum of refinance

4.1 The quantum of refinance inclusive of normal ST(SAO) limit will be as under:

Net NPAs of StCB	Eligible limit [As a percentage of realistic lending program (RLP) of eligible CCBs]
Up to 6%	50%
Above 6% & up to 10%	45%
Above 10% & up to 20%	40%
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%	70%
Above 15% & up to 25%	65%
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%	55%
Above 6% & up to 10%	50%
Above 10% & up to 20%	45%
Above 20%	Not eligible

4.4 The RLP for the year 2016-17 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.

4.5 Pending receipt of STCRC fund, the StCBs may be allowed draws upto 50% of RLP or as the case may be under this line of credit which may be adjusted on receipt of refinance under normal limit.

4.6 The limit will be only for loans upto ₹ 3 lakh at farmer level.

4.7 Illustrations for sanctions under different scenarios are given in Annexure II.

5. The refinance under this line of credit will be reckoned as owned funds of the bank which is eligible for Interest subvention as per extant Interest Subvention guidelines of Gol.

6. Rate of interest

The rate of interest on refinance under this line of credit will be 8.40% during the year 2016-17, subject to changes made by NABARD from time to time. Interest is payable at half-yearly rests on 30 September and 31 March.

7. Operational discipline

7.1 NODC

Drawals on the sanctioned limit will be permitted by NABARD to StCB on the basis of aggregate NODC(including that for normal limit) pertaining to the eligible DCCBs, which have outstanding borrowings from StCB as hitherto. The banks will however be required to monitor NODC and no additional interest may be charged if overall NODC is available. **The StCB will have to submit monthly NODC statement indicating DCCB-wise position by 20th of the succeeding month.**

7.2 Defaults by DCCBs to StCB

In case a DCCB is in default to the StCB under this line of credit 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.

7.3 Additional interest on NODC deficit

In case of deficit in NODC, StCBs 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 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.

7.5 Right to inspection

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

7.6 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.

7.7 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% pa.

8 Others

All other terms and conditions applicable for providing refinance under ST(SAO) will be applicable to Additional ST(SAO) refinance too.

Annexure II

Normal : ST(SAO) Refinance by NABARD @ 4.50% out of STCRC Fund

Additional : Additional ST(SAO) Refinance by NABARD @ 8.40% subject to changes made by NABARD from time to time.

CASE NO.1

XYZ StCB

(₹ crore)

1	Ground Level Credit (GLC)	1000
2	Eligibility under normal Refinance : 40% of GLC or as the case may be	400
3	Eligibility under Additional SAO limit (a)50% of GLC or as the case may be (b) Less O/s under normal refinance (c) Eligible under Additional ST(SAO) (a-b)	500 400 100
4	O/s under Normal Refinance & Additional Refinance not to exceed 50% of GLC or as the case may be	500

CASE NO.2

XYZ StCB

(₹ crore)

1	Ground Level Credit	1000
2	Eligibility under Normal Refinance (a) 40% of GLC or as the case may be (b) Budget given to StCB (c) Lower of the two (a or b)	400 300 300
3	Eligibility under Additional SAO limit (a) 50% of GLC or as the case may be (b) Less O/s under Normal refinance (c) Net (a-b)	500 300 200
4	O/s under Normal Refinance & Additional Refinance not to exceed 50% or as the case may be	500

CASE NO. 3

XYZ StCB

(₹ crore)

1	Ground Level Credit	1000
2	Eligibility under Normal Refinance : (a) 40% of GLC or as the case may be (b) Budget and Policy yet to be received (c) lower of the two (a or b)	400 0 0
3	Eligibility under Additional refinance (a) 50% of GLC or as the case may be (b) Normal refinance (c) Eligible amount (a-b)	500 0 500
4	O/s under Normal Refinance & Additional Refinance not to exceed 50% of GLC or as the case may be	500