



Ref. No. NB.DoR (ST- Policy) /3557/A-10/ 2019-20

01 April 2019

Circular No. 91/ DoR -31/ 2019

The Managing Director,
All State Cooperative Banks

Dear Sir

Guidelines for relief measures to farmers affected by natural calamities - Conversion of ST (SAO) loans into medium term loans - Refinance Policy for F.Y. 2019-20

Please refer to our Circular No. 72 / DoR-18/ 2018 dated 11 April 2018 communicating our refinance policy for F. Y. 2018-19 containing guidelines about conversion of short-term agricultural loans into medium term loans and rephasing / rescheduling of existing MT (conversion) loans for providing relief to farmers, whose crops have been damaged, due to natural calamities. The policy has since been reviewed and it has been decided to continue broadly with the same policy, for the year 2019-20 also.

2. The eligibility of Cooperative Banks is linked to compliance with the CRAR norms. The refinance for conversion of ST (SAO) loans into medium term loans will be available to all licensed StCBs / CCBs fulfilling the CRAR conditions mentioned below:
 - a) Only such StCBs having CRAR of 9% and above, on behalf of DCCBs with CRAR of 9% and above (as on 31.03.2018),
 - b) In case of StCBs with CRAR more than 9%, but individual DCCBs with CRAR less than 9% as on 31.03.2018, no refinance will be available on behalf of such DCCBs.

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

पुनर्वित्त विभाग

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- 3 Further, the rate of interest on refinance for MT conversion / rephasing / rescheduling of loans for F. Y. 2019-20 will be as decided by NABARD from time to time. The present rate of interest is 300 basis points less than that charged by Banks to ultimate beneficiaries subject to a minimum interest rate of 8.10% p.a. and subject to the Banks following guidelines prescribed by RBI, in this regard.
- 4 Other terms and conditions remain unchanged.
- 5 The contents of this circular may please be brought to the notice of Controlling Office of CCBs working under your jurisdiction. Please acknowledge receipt of this circular along with Annexure I & II to our concerned Regional Office.

Yours faithfully

(G R Chintala)

Chief General Manager

Encl: 5 pages

Annexure I

Guidelines on relief measures to farmers affected by natural calamities Conversion of ST (SAO) loans into medium term loans - Refinance Policy for F.Y. year 2019-20 for State Cooperative Banks

1. Consolidated limit will be sanctioned to StCB in respect of eligible CCBs.

2. Eligibility norms:

Eligibility norms as stipulated for sanction of ST (SAO) limits for the year 2019-20 will also be applicable for sanction of MT (conversion) as under:

2.1 Audit

Audit of StCB should have been completed for the year 2017-18 and the relative audit reports together with financial statements should have been received by NABARD. Wherever audit for 2018-19 is completed and audit report issued, the same may be submitted to NABARD together with financial statements.

3. Only current short term crop loans are eligible for conversion for period up to 5 years for SF / MF / OF.

4. Refinance support from NABARD will be available in respect of such conversion / rephasing / rescheduling of loans subject to fulfillment of certain prescribed conditions as mentioned in Annexure II and other instructions issued from time to time. The sharing pattern for MT (Conversion) would be as under:

- a. NABARD refinance - 60%, State Govt. share - 15% and StCB / CCB's share - 25%
- b. The proportionate share of NABARD in the insurance claims, if any, subsequently settled by the General Insurance Corporation (GIC) / other insurance companies will have to be passed on to NABARD immediately. Further, the MT (Conversion) assistance from NABARD will be restricted to 2 years in case of crop loss between 33% and 50% and up to maximum of 5 years in case crop loss is 50% or more (including period of one year moratorium, rescheduling, rephasing etc., if any), in accordance with the provisions contained in Sec. 22 of the NABARD Act, 1981.

5. The other terms and conditions for extension of refinance to banks against MT (conversion / rephasing / rescheduling) loans will be as under:

(a) The financial assistance could be provided by NABARD to StCBs only against the guarantee of the State Government in regard to repayment of principal and payment of interest as per the said provisions.

(b) Further, the rate of interest on refinance for MT conversion / rephasing / rescheduling of loans for F. Y. 2019-20 will be as decided by NABARD from time to time. The present rate of interest is 300 basis points less than that charged by Banks to ultimate beneficiaries, subject to a minimum interest rate of 8.10% p.a. and subject to the Banks following guidelines prescribed by RBI, in this regard.

- (c) In the event of default in repayment of principal and payment of interest, the StCB will be liable to pay to NABARD, interest on the 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.

Normally one to three months' time is provided for drawal of NABARD refinance from the date of sanction for enabling the banks to complete the necessary formalities and extension is provided on merits of each case. For reporting purpose, the period is taken as 01.04.2019 to 31.03.2020.

- (d) The refinance will be available against State Government guarantee. State Government's commitment to provide its prescribed (15% share) will also be required.
- (e) Suspension/remission of land revenue by revenue authority/State Government
- (f) The process of conversion starts at PACS level and ends at NABARD level. The conversion should be effected before due date of crop loan.
6. The affected borrowers whose ST (SAO) loans have been converted into MT (Conversion) loans have to be extended fresh crop loans as per their eligibility, scale of finance, repaying capacity etc. for raising fresh crops.
 7. For the purpose of prudential norms and NPA classification about the treatment of agricultural loans affected by natural calamities, norms fixed by RBI should be followed.
 8. Proposal for conversion should be submitted to the concerned Regional Office of NABARD within one year, from the date of actual conversion at farmer's level.

Annexure II

Formalities / Pre-requisites for permitting conversion of ST (SAO) loans

The following formalities / pre-requisites are suggested for providing conversion facilities:

1.(a) In the event of a natural calamity, the State Government may

i) adopt the procedures indicated in the Manual for Drought Management and based on the various parameters/indexes indicated therein, decide on the declaration of drought. Such declarations should elaborately indicate the data/procedures which have been relied upon/followed by the State government and the extent of assessed crop loss.

Or

ii) conduct Crop Cutting Experiments as prescribed in the National Agriculture Insurance Programme, which is one of the pre-conditions for declaring the crops eligible for insurance, and declare the 'Annewari' (by whatever name called) indicating the crop-wise percentage loss in the certificates issued as per Appendix.

(b) In the event of Other Calamities : The loss should be assessed through crop cutting experiments clearly indicating that the crop loss in the particular area/taluka/mandal/block (as the case may be) has been 33% or more to trigger reschedulement of loans from banks. In case of extreme situations such as wide-spread floods, etc. when it is largely clear that most of the standing crops have been damaged and/or land and other assets have suffered a wide-spread damage, the matter be deliberated by State Government/District Authorities in the especially convened SLBC/DCC meetings where the concerned Government functionary/District Collector may explain the reasons for not estimating 'Annewari' (percentage of crop loss – by whatever name called) through crop cutting experiments and that the decision to provide relief for the affected populace needs to be taken based on the eye estimate/visual impressions.

In both the cases, however, DCCs/SLBC have to satisfy themselves fully that the crop loss has been 33% or more before acting on these pronouncements.

2. Ordinarily, banks may convert / rephrase / reschedule only the principal amount of crop loans / instalments of MT (Conversion) loans due in the year of occurrence of natural calamity from the affected farmer-borrowers. However, in case of severe damage to crops as declared by the State Governments and accepted by SLBC / Task Force / Steering Committee constituted for the purpose, the amount of interest due from Small Farmers / Marginal Farmers in respect of the loans eligible for conversion / rephasing / reschedulement could be deferred for one year. The individual banks concerned will have to exercise their discretion in regard to the need for deferment of interest in respect of other farmers. Further, interest deferment could be allowed by banks only if, their resource base permits the same, without resorting to any financial assistance from higher financing agencies.

3. The repayment period of restructured loans may vary depending on the severity of calamity and its recurrence, the extent of loss of economic assets and distress caused. Banks may allow a maximum period of repayment of upto 2 years (including the moratorium period of 1 year) if the loss is between 33% and 50%. If the crop loss is 50% or more, the restructured period for repayment may be extended to a maximum of 5 years (including the moratorium period of 1 year).

4. In all cases of restructuring, moratorium period of at least one year should be considered. Further, the banks should not insist for additional collateral security for such restructured loans.

5. Banks may not levy any additional interest and consider waiving such interest if already charged, in respect of loans converted / rephrased / rescheduled by them.

APPENDIX TO ANNEXURE II

This is to certify that the Standing Crops for the Kharif / Rabi* season for the year in the following villages were damaged due to (state the type of natural calamity) and the yield in terms of "annevari" was less than 6 annas i.e. less than 50% / is between 33% to 50% (i.e - ----%) of the normal yield (whichever is applicable).

| Sr. No. | Name of the village | Name of crop damaged | Extent of damage in terms of percentage or annas |
|---------|---------------------|----------------------|--|
| 1 | | (a) (b) (c) | |
| 2 | | | |
| 3 | | | |
| 4 | | | |

* Strike out whichever is not applicable.

It is also certified that the procedure for annevari assessment has been streamlined on the basis of the various recommendations of the Working Group on 'Scientific Method of Assessing Crop Yield in the Event of Natural Calamities for Conversion of Short term Production Loans into Medium Term and Long Term' appointed by the Government of India, Ministry of Agriculture in January 1980 and the following concept / basis in particular have been followed while declaring "annevari".

- (a) **Area concept:** In determining the crops for assessment of yields, the area concept has been followed i.e. the crops which covered 70% of the normal cropped area in the district have been taken into account.
- (b) **Comparison of yields:** The yields for the affected year have been compared with the average of yields of the preceding five years.
- (c) **Scientific methodology:** The average crop yield has been estimated by adopting scientific methodology i.e. by crop cutting experiments.
- (d) **Annevari:** On the basis of comparison of per hectare yield of crop /crops for the affected region, the District Level Committee has certified that the yield has gone down by 50% or more / between 33% to 50% (whichever is applicable) in the affected areas and accordingly, the Revenue Department has declared "annevari" for these areas.

Signature of the District Collector / Authorized Revenue Official and Seal

Date: