

# Formulation of Special Long Term Refinance Schemes

To address the issue of rural migration and to give boost to the agriculture and rural sector in the post COVID era, NABARD introduced three special refinance schemes as detailed under.

## **1 Special Long Term Refinance Scheme for Transformation of PACSs as MSC**

The scheme intends to develop all the potential PACS as Multi Service Centres (MSCs) over a period of three years commencing from the year 2020-by providing concessional refinance to StCBs at 3% to support PACS to create quality infrastructure (capital assets) and increase their business portfolio in tune with needs of members. Under this line of credit, NABARD has envisaged transformation of 35,000 PACS in three years commencing with the transformation of 5,000 PACS in FY21 and for subsequent years 15,000 PACS each during FY22 and FY23. Rs.5000 crore have been earmarked under this special dispensation for the year 2020-21. The ultimate interest rate to be charged from PACS will not be more than 1% over & above the interest rate charged by NABARD and will be shared by StCB & CCB as per the mutually agreed terms. Repayment period of refinance will be up to 7 years.

So far, 3055 PACS were given in-principle sanction with estimated project cost of Rs.1760.82 cr and estimated bank loan of Rs.1568 cr. by NABARD.

## **2 Special Long Term Refinance Scheme for beneficiaries of the watershed and wadi project areas**

The objectives of the scheme is to promote sustainable economic activities, livelihood and employment opportunities for the beneficiaries in NABARD supported watershed and wadi project areas by encouraging banks to lend at concessional rate to these beneficiaries to address the issue of rural migration and to give boost to the agriculture and rural sector in the post COVID era.

The refinance will be available to all the eligible banks/FIs at 3% for maximum 5 years. The revised ultimate lending rate to be charged by banks/FIs under the scheme is revise as 06 months MCLR+1% or EBLR+2.5% whichever is lower. NABARD has earmarked refinance amount of Rs.5000 crore during 2020-21 to 2022-23.

Regional offices of NABARD are finalizing the Banking Plans in collaboration with the participating Banks.

### **Download Links :**

- <https://www.nabard.org/auth/writereaddata/tender/cir no. 199.pdf>
- [https://www.nabard.org/auth/writereaddata/tender/1709200741Cir\\_244\\_E.pdf](https://www.nabard.org/auth/writereaddata/tender/1709200741Cir_244_E.pdf)

### **3 Special Long Term Refinance Scheme for promoting Micro Food Processing Activities.**

The objectives of the scheme is to encourage banks to lend micro-food processing activities and create sustainable livelihood and employment opportunities for rural youth as well as reverse migrants due to COVID-19 pandemic in the rural areas.

The scheme also envisages modernization and enhancing the competitiveness of the existing individual micro enterprises and ensure their transition to formal sector in rural areas. The refinance scheme will give fillip to the recently launched “PM Scheme for Formalisation of Micro food processing Enterprises (PM FME)” under Aatmanirbhar Bharat Abhiyan by MoFPI, Gol under which about Rs.25,000 crore investment is expected in the sector. The concessional refinance at 4% is available to eligible financial institutions viz., commercial banks, SFBs, StCBs, RRBs and NABARD subsidiaries.

### **Download Link:**

- [https://www.nabard.org/auth/writereaddata/tender/1709201406Cir\\_251\\_E.pdf](https://www.nabard.org/auth/writereaddata/tender/1709201406Cir_251_E.pdf)

### **4. ‘Structured Finance and Partial Guarantee Programme to NBFC-MFIs,’**

The National Bank for Agriculture and Rural Development (NABARD) has introduced a dedicated debt and credit guarantee product to ensure unhindered flow of credit in rural areas hit by the Covid-19 pandemic. The product- Structured Finance and Partial Guarantee Programme to NBFC-MFIs -entails providing partial guarantee on pooled loans extended to small and mid-sized micro finance institutions (MFIs). “The partially guaranteed loan facility will catalyse much-needed financing to millions of households,

agricultural and business markets to sustain in the post Covid-19 environment.

It will help facilitate Rs 2,500 crore funding in the initial phase and is expected to be scaled up. The programme is expected to cover over 1 million households across 28 states and 650 districts, the release said. The pooled loan issuance (PLI) structure provides the lending bank adequate comfort through NABARD's partial credit protection, reduces cost of capital as the rating of the loans gets notched up and helps lenders meet priority sector goals. This structure will pool together the risk of multiple borrowers and add a layer of partial first loss credit enhancement from a highly rated guarantor.