Ref.No. NB.DOR/ 7535 – 7569 /PSS-9/2026-27
21 April 2026
Cir No. 109/DOR-LT-37/2026

1. The Chief General Manager
   National Bank for Agriculture and Rural Development
   All Regional Offices
2. The Director, BIRD, Lucknow.
3. Joint Director, BIRD, Kolkata, Mangalore
4. Principal, NBSC, Lucknow

Madam/ Dear Sir

Refinance Scheme for affordable credit to food processing units

The food processing industry serves as a crucial link between the agriculture and industrial sectors, adding value to agricultural produce. As one of the largest industries, linking agriculture with manufacturing and consumption, it plays a pivotal role in India's economic growth, employment generation and rural development. It is a sun rise sector due to its high growth potential and plays a key role in improving farmer's income, reducing wastage and boosting exports. The sector's expansion has been constrained by limited access to affordable and adequate financing, which is vital for investment in infrastructure, technology upgrades and new product development. When accessible and affordable, financial resources empower businesses to innovate and introduce products that cater to consumer demands, both domestically and internationally. Such credit can be highly impactful, allowing food processing units particularly SMEs to invest in modern processing technologies, streamline supply chains and achieve higher production efficiency. Additionally, it improves the competitiveness of food processors, enabling them to scale up operations, enhance product quality and enter larger markets.

2. To boost the sector, a fund for the development of food processing sector was established with NABARD by GoI with a corpus of Rs 2,000 crore in FY 2014-15, for providing financial assistance to public and private sector for infrastructure works in designated food parks as well as for setting up of food processing units in designated food parks.

3. RBI has now permitted utilisation of the balance corpus of Rs 983.02 crore under Food Processing Fund exclusively for refinancing of credit extended to Food Processing Units that have been provided grants by the Ministry of Food Processing Industries (MoFPI).

4. The scheme encourages State Cooperative Banks, Regional Rural Banks and Scheduled Commercial Banks to extend loan to food processing units that have been provided grants by the MoFPI. We request ROs to popularise the scheme and give wide publicity among the client institutions to avail the benefit of the concessional refinance facility to food processing units

पुनर्वित्त विभाग
प्लॉट क्र सी-24, 'जी' ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051. टेली: 022 2652 4926 • फ़ैक्स: 022 2653 0090 • ई मेल: dor@nabard.org
Department of Refinance
Plot No. C-24, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 • Tel.: 022 2652 4926 • Fax: 022 2653 0090 • E-mail: dor@nabard.org

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that have been provided grants by the MoFPI. While releasing concessional refinance under the scheme, ROs may leverage release of normal long term refinance on best effort basis.

5. You may kindly note that only those Scheduled Commercial Banks which have achieved their Priority Sector Lending (PSL) target and sub target for Agriculture, will be eligible for refinance through the fund. The scheme guidelines is enclosed as Annexure I and the list of eligible banks based on PSL target achievement for the financial year 2024-25 is as per Annexure II.

6. You may kindly note that the activities/projects for which refinance has been availed by banks/FIs under Special Refinance Scheme for Promoting Micro Food Processing Enterprises (PMFPE) is not eligible for refinance under this Scheme.

Yours faithfully

KANIYUR SUNDARARAJAN MAHESH

Signed by KANIYUR SUNDARARAJAN MAHESH
Date: 2026.04.21 16:17:48
Reason: Signing

(Dr.K.S.Mahesh)
Chief General Manager

Encl. As Above.

ANNEXURE - I

Guidelines on the Refinance Scheme for affordable credit to food processing units

NABARD has been extending refinance assistance to eligible financial institutions under the provisions of Section 25(i)(a) of NABARD Act, 1981 to supplement their resources for providing adequate credit for taking up investment activities in agriculture and allied activities and rural off-farm sector etc. The institutional credit plays a vital role in uplifting the rural economy and augment the capital requirements of the marginal sector of the country.

1. Objective

To provide impetus to development of food processing sector on cluster basis in the country, by reducing wastage of agricultural produce and create employment opportunities, especially in rural areas.

2. Sanction of Refinance

The refinance will be sanctioned under Automatic Refinance Facility (ARF) which enables banks to obtain financial accommodation from NABARD, without going through the detailed procedure of pre-sanction formalities. However, banks have to maintain separate databases for claiming refinance against lending for such activities and also share success stories to NABARD. Sanction and disbursement of the refinance will be done as per the delegation of powers entrusted for respective clients.

3. Eligible activities

All eligible State Cooperative Banks, Regional Rural Banks and Scheduled Commercial Banks may avail refinance under the scheme for term loans provided by them to Food processing units that have been provided grants by MoFPI under its schemes.

4. Eligible financial institution

All State Cooperative Banks, Regional Rural Banks and Scheduled Commercial Banks are eligible to avail refinance under the scheme. The list of eligible Banks based on PSL target achievement for the financial year 2024-25 is as per Annexure-II.

5. Eligibility criteria and Risk Assessment

The eligibility norms for drawal of refinance under the scheme will be as per the Operational Guidelines for Long Term Refinance for the current year. The eligibility criteria and risk assessment during 01 April to 30 June of a Financial Year (FY) will be based on the audited financial position as on 31 March of the FY prior to the immediately preceding FY or 31 March of the immediately preceding FY (if audited position as on 31 March of the immediately preceding FY is available). From 01 July to 31 March of FY, the same shall be based only on the audited financial position as on 31 March of the immediately preceding FY. Sanction and drawals on or after 01 July of the current year will be permitted only to such banks, which have completed the audit.

The loans eligible for refinance shall be those outstanding as on date of request for refinance, subject to following:

a. The unit should have availed term loan and have been provided grant by MoFPI under its schemes.
b. The loans should have residual maturity of 18 months and above at the time of sanction of refinance.
c. The loans should be standard assets in the books of the lender
d. The final lending rate to the end borrower does not exceed 10 percent per annum
e. The loans should be within the aggregate sanctioned limit of Rs.100 crore per borrower from the banking system.

6. Rate of Interest

The interest rate on refinance from NABARD will currently be 4.25% p.a. (with quarterly rests), subject to revision from time to time. It is expected that Banks will pass on the benefit of availing concessional refinance to the ultimate borrower. The final lending rate to the end borrower shall not exceed 10 percent per annum.

7. Allocation

The total corpus under the scheme is ₹983.02 crore of refinance outlay for implementation during 2026-27 or till utilisation of budget.

8. Quantum of refinance

Eligible bank loans extended in states in North-Eastern Region (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim), Hilly Regions (Jammu & Kashmir, Himachal Pradesh, Uttarakhand), Eastern Region (West Bengal, Odisha, Bihar, Jharkhand and Andaman & Nicobar Islands), Lakshadweep and Chhattisgarh, may be refinanced to the extent of 100% while those in all other regions shall be eligible for refinance to the extent of 85%. Loans to Farmer Producer Organisations (FPOs)/Farmer Producer Companies (FPCs) availing grant under MoFPI schemes shall be eligible for refinance to the extent of 100%, irrespective of the region in which the loans are extended.

9. Repayment

The tenor of the loan should not be less than 18 months. Refinance shall be repaid within a maximum period of 7 years. The periodicity of payment of interest will be quarterly as per the approved repayment schedule specified in the letter(s) of sanction.

10. Board Resolution

Board Resolution or the resolution of the sub-committee of the Board indicating the borrowing powers of the Banks/ RFIs, authority to borrow from NABARD, authorized signatory list with specimen signatures and a certificate confirming that the current borrowing from NABARD is within the overall borrowing limit of the Banks/ RFIs has to be submitted.

11. Pre-payment facilitation charges

The rate of pre-payment facilitation will be 2.50% p.a. (with applicable taxes) and will be chargeable for each instalment due separately for the entire period (minimum 6 months) from the date of pre-payment to the date on which the instalment is actually due for payment. The prepayment can only be initiated after minimum notice of 3 working days.

12. Delegation of Powers

As per the circular on delegation of powers issued by RMD from time to time.

13. Other

Security, Monitoring and all other terms and conditions will be as applicable to the institutions as in operational guidelines under long term refinance for respective Bank/Financial Institutions. The Banks availing refinance shall ensure maintaining these loan accounts distinctly and not to be combined with other funds/ schemes. All information pertaining to the individual loan accounts like Total Financial Outlay, quantum of loan sanctioned, date of sanction of loan, quantum of loan disbursed, date of disbursement, grant sanctioned by MoFPI, grant release details, interest rate charged, margin, security both primary & collateral, processing fees charged, any other charges levied, total capacity of the unit, etc may be provided to NABARD along with the drawal application.

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ANNEXURE II

List of Commercial Banks that have achieved their PSL sub-target for lending to Agriculture in FY2024-25

A. Public Sector Banks
1. BANK OF BARODA
2. BANK OF INDIA
3. BANK OF MAHARASHTRA
4. CANARA BANK
5. CENTRAL BANK OF INDIA
6. INDIAN BANK
7. INDIAN OVERSEAS BANK
8. PUNJAB AND SIND BANK
9. UCO BANK

B. Private Sector Banks
1. AXIS BANK LIMITED
2. CATHOLIC SYRIAN BANK LTD
3. CITY UNION BANK LIMITED
4. DCB BANK LIMITED
5. THE DHANALAKSHMI BANK LTD
6. FEDERAL BANK LTD
7. IDBI BANK LIMITED
8. IDFC BANK LIMITED
9. KARUR VYSYA BANK LTD
10. KOTAK MAHINDRA BANK LTD.
11. RBL BANK LIMITED
12. SOUTH INDIAN BANK LTD
13. TAMILNAD MERCANTILE BANK LTD
14. YES BANK LTD.

C. Foreign Banks
1. AB BANK LIMITED
2. AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
3. BANK OF AMERICA, NATIONAL ASSOCIATION
4. BANK OF BAHRAIN & KUWAIT B.S.C.
5. BANK OF CEYLON
6. BANK OF CHINA LIMITED
7. BANK OF NOVA SCOTIA
8. BARCLAYS BANK PLC
9. BNP PARIBAS
10. CITIBANK N.A
11. CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK
12. CTBC BANK CO., LTD.
13. DBS BANK LTD.

14. DEUTSCHE BANK AG
15. DOHA BANK QSC
16. EMIRATES NBD BANK (P.J.S.C.)
17. FIRST ABU DHABI BANK PJSC
18. FIRSTRAND BANK LTD
19. HONGKONG AND SHANGHAI BANKING CORPN.LTD.
20. INDUSTRIAL AND COMMERCIAL BANK OF CHINA
21. INDUSTRIAL BANK OF KOREA
22. JPMORGAN CHASE BANK NATIONAL ASSOCIATION
23. KEB HANA BANK
24. KOOKMIN BANK
25. MASHREQ BANK PSC
26. MIZUHO BANK LTD
27. NONGHYUP BANK
28. PT BANK MAYBANK INDONESIA TBK
29. QATAR NATIONAL BANK SAQ
30. SBERBANK
31. SBM BANK (MAURITIUS)LTD.
32. SHINHAN BANK
33. SOCIETE GENERALE
34. SONALI BANK
35. STANDARD CHARTERED BANK
36. SUMITOMO MITSUI BANKING CORPORATION
37. THE BANK OF TOKYO-MITSUBISHI UFJ LTD
38. THE ROYAL BANK OF SCOTLAND PLC
39. UBS AG
40. UNITED OVERSEAS BANK LTD
41. WOORI BANK