

Bill No. 72 of 2017

THE NATIONAL BANK FOR AGRICULTURE AND RURAL
DEVELOPMENT (AMENDMENT) BILL, 2017

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BILL

further to amend the National Bank for Agriculture and Rural Development Act, 1981.

BE it enacted by Parliament in the Sixty-eighth Year of the Republic of India as follows:—

1. (1) This Act may be called the National Bank for Agriculture and Rural Development (Amendment) Act, 2017.

Short title and commencement.

5 (2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act.

61 of 1981.

2. In the National Bank for Agriculture and Rural Development Act, 1981 (hereinafter referred to as the principal Act), in the long title, for the words “small-scale industries, cottage and village industries”, the words “micro-enterprises, small enterprises and medium enterprises, cottage and village industries, handlooms” shall be substituted.

Amendment of long title.

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Amendment of section 2.	3. In section 2 of the principal Act,—	(a) clause (i) shall be omitted;	
		(b) after clause (k), the following clause shall be inserted, namely:—	
		‘(ka) “micro enterprise”, “small enterprise” and “medium enterprise”, shall have the same meanings as respectively assigned to them in the Micro, Small and Medium Enterprises Development Act, 2006;’;	5 27 of 2006.
		(c) in clause (q), in the <i>Explanation</i> , in clause (a), for the words “industry in the tiny and decentralised sector and small-scale industry and handicrafts”, the words “micro enterprises, small enterprises and medium enterprises, handicrafts, handlooms” shall be substituted;	10
		(d) clause (t) shall be omitted.	
Amendment of section 3.	4. In section 3 of the principal Act, in sub-section (3), for the word “Bombay”, the word “Mumbai” shall be substituted.		
Amendment of section 4.	5. In section 4 of the principal Act,—	(a) in sub-section (I), for the proviso, the following provisos shall be substituted, namely:—	15
		“Provided that the Central Government may, by notification, increase the said capital up to thirty thousand crore rupees:	
		Provided further that the Central Government may, in consultation with the Reserve Bank and by notification, further increase the said capital to such amount as it may deem necessary from time to time.”;	20
		(b) for sub-section (2), the following sub-sections shall be substituted, namely:—	
		“(2) The capital of the National Bank which has been subscribed to by the Reserve Bank valued at twenty crore rupees as on the date immediately preceding the commencement of the National Bank for Agriculture and Rural Development (Amendment) Act, 2017 shall, on such commencement, stand transferred to, and vested in, the Central Government:	25
		Provided that the National Bank may issue capital to such institutions and persons in such manner as may be notified by the Central Government:	
		Provided further that the shareholding of the Central Government shall not at any time be less than fifty-one per cent. of the total subscribed capital.	30
		(3) The Central Government shall give to the Reserve Bank an amount equal to the face value of the subscribed capital, valued at twenty crores of rupees, referred to in sub-section (2), in cash, for transfer to, and vesting in the Central Government of the capital of the National Bank which has been so subscribed to by the said Bank.”.	35
Amendment of section 6.	6. In section 6 of the principal Act, in sub-section (I), in clause (b), for the words “small-scale industries”, the words “micro enterprises, small enterprises and medium enterprises” shall be substituted.		
Amendment of section 14.	7. In section 14 of the principal Act, in sub-section (I), for the words “small-scale industries”, the words “micro enterprises, small enterprises and medium enterprises” shall be substituted.		40
Amendment of section 21.	8. In section 21 of the principal Act, in sub-section (I), in clause (v), for the words “small-scale industries, industries in the tiny and decentralised sector, village and cottage industries or of those engaged in the field of handicrafts,”, the words “village and cottage industries, micro enterprises, small enterprises and medium enterprises or of those engaged in the field of handicrafts, handlooms” shall be substituted.		45

5	<p>9. In section 23 of the principal Act, for the words “small-scale industries, industries in the tiny and decentralised sector, village and cottage industries and those engaged in the field of handicrafts and other rural crafts,”, the words “village and cottage industries, micro enterprises, small enterprises and medium enterprises and those engaged in the field of handicrafts, handlooms and other rural crafts” shall be substituted.</p>	Amendment of section 23.
10	<p>10. In section 25 of the principal Act, in sub-section (I), in clause (c), for the words “small-scale industries, industries in the tiny and decentralised sector, village and cottage industries and those engaged in the field of handicrafts”, the words “village and cottage industries, micro enterprises, small enterprises and medium enterprises and those engaged in the field of handicrafts, handlooms” shall be substituted.</p>	Amendment of section 25.
1 of 1956. 18 of 2013.	<p>11. In section 37A of the principal Act, in sub-section (I),—</p> <p>(a) in the proviso, in clauses (a) and (b), for the words and figures “in section 617 of the Companies Act, 1956”, the words, brackets and figures “in clause (45) of section 2 of the Companies Act, 2013” shall be substituted;</p>	Amendment of section 37A.
15 1 of 1956. 18 of 2013.	<p>(b) in the <i>Explanation</i>, for the words, brackets and figures “in clause (41) of section 2 of the Companies Act, 1956”, the words, brackets and figures “in clause (77) of section 2 of the Companies Act, 2013” shall be substituted.</p>	
1 of 1956. 18 of 2013. 20	<p>12. In section 48 of the principal Act, in sub-section (I), for the words and figures “section 226 of the Companies Act, 1956”, the words and figures “section 141 of the Companies Act, 2013” shall be substituted.</p>	Amendment of section 48.
1 of 1956. 18 of 2013.	<p>13. In section 52A of the principal Act, in sub-section (I), for the words and figures “the Companies Act, 1956”, the words and figures “the Companies Act, 2013” shall be substituted.</p>	Amendment of section 52A.

STATEMENT OF OBJECTS AND REASONS

The National Bank for Agriculture and Rural Development Act was enacted in the year 1981 for the establishment of a development bank to be known as the National Bank for Agriculture and Rural Development (the National Bank) for providing and regulating credit and other facilities for the promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas for promoting integrated rural development and securing prosperity of rural areas.

2. The following factors have necessitated the amendments in the National Bank for Agriculture and Rural Development Act, 1981, namely:—

(i) with its expanding activities, the National Bank needs to be provided with additional equity from time to time to enable it to meet its objectives of promoting rural development and sustainable rural prosperity;

(ii) certain existing commitments of the National Bank relating to the long-term irrigation fund and enhanced refinance support to co-operative banks which require urgent infusion of equity;

(iii) as the current authorised capital of the National Bank is fully paid-up, there is a need to increase the authorised capital of the National Bank to enable the Central Government to infuse additional equity as and when required for the business operations of the said Bank;

(iv) the Reserve Bank of India holds 0.4 per cent. of the paid-up capital of the National Bank and the remaining 99.6 per cent. is held by the Central Government and this causes conflict in Reserve Bank of India's role as banking regulator and share holder in the National Bank; and

(v) the employment potential in rural areas, medium enterprises and handlooms are proposed to be included in the ambit of refinance activities of the National Bank.

3. The National Bank for Agriculture and Rural Development (Amendment) Bill, 2017, *inter alia*, provides for the following namely:—

(a) to empower the Central Government to increase the authorised capital of the National Bank from five thousand crore rupees to thirty thousand crore rupees and further to increase the said amount of thirty thousand crore rupees in consultation with the Reserve Bank of India, as deemed necessary from time to time;

(b) to transfer the Reserve Bank of India's balance equity of twenty crore rupees in the National Bank to the Central Government;

(c) to amend certain clauses in the light of reference of the Micro, Small and Medium Enterprises Development Act, 2006 and the Companies Act, 2013 in the proposed legislation; and

(d) the other amendments which are consequential in nature.

4. The Bill seeks to achieve the above objectives.

NEW DELHI;
The 28th March, 2017.

ARUN JAITLEY

PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 OF
THE CONSTITUTION OF INDIA

**[Copy of D.O. No. F.7/1/2017-AC dated 28 March, 2017 from Shri Arun Jaitley,
Minister of Finance to the Secretary General, Lok Sabha]**

The President, having been informed of the subject matter of the National Bank for Agriculture and Rural Development (Amendment) Bill, 2017 has recommended the introduction of the said Bill in Lok Sabha under clause(1) of article 117 of the Constitution of India.

FINANCIAL MEMORANDUM

Clause 5 of the Bill seeks to amend the proviso to sub-section (1) of section 4 of National Bank for Agriculture and Rural Development Act, 1981 so as to increase the authorised capital of the National Bank from five thousand crores of rupees to up to thirty thousand crores of rupees, which may be further enhanced to such amount as the Central Government may, in consultation with the Reserve Bank of India determine. The Bill, if enacted, will allow future capital infusion by the Central Government, based on actual requirement, after due appropriation authorised by the Parliament, for the said purpose.

2. It is also proposed to amend sub-section (2) of section 4 of the said Act to provide for transfer and vesting of capital of the National Bank, which has been subscribed to by the Reserve Bank of India, in the Central Government and payment by the Central Government to the Reserve Bank of India of an amount equal to the face value of the said subscribed capital of the National Bank. The face value of the subscribed capital held by the Reserve Bank of India is twenty crore rupees, which is required to be paid by the Central Government to the Reserve Bank of India if the proposed legislation is enacted and brought into force.

3. The provisions of the proposed Legislation do not involve any other recurring or non-recurring expenditure.

ANNEXURE

EXTRACT FROM THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT ACT, 1981
(61 OF 1981)

An Act to establish a development bank to be known as the National Bank for Agriculture and Rural Development for providing and regulating credit and other facilities for the promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas and for matters connected therewith or incidental thereto.

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2. In this Act, unless the context otherwise requires,— Definitions.

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(i) "industry in the tiny and decentralised sector" means industrial concerns in the tiny and decentralised sector and "industrial concern in the tiny and decentralised sector" means an industrial concern in which the investment in machinery and plant is not in excess of rupees two lakhs or such higher amount as the Central Government may specify by notification in this behalf having regard to trends in industrial development and other relevant factors;

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(k) "marketing of crops" includes the processing of crops prior to marketing by any agricultural producers or any organisation of such producers;

* * * * *

(q) "rural development" means development of rural areas through any activities conducive to such development.

Explanation.—For the purposes of this clause,—

(a) activities conducive to development of rural areas include activities relating to production of goods or provision of services in rural areas and activities for the promotion of cottage and village industries, industry in the tiny and decentralised sector and small-scale industry and handicrafts and other rural crafts;

(b) "rural area" means the area comprised in any village and includes the area comprised in any town, the population of which does not exceed ten thousand or such other figure as the Reserve Bank may specify from time to time;

* * * * *

(t) "small-scale industry" means industrial concerns in the small-scale sector and "industrial concern in the small-scale sector" means an industrial concern—

(i) in which the investment in machinery and plant is not in excess of rupees twenty lakhs or such higher amount as the Central Government may specify by notification in this behalf having regard to trends in industrial development and other relevant factors, and

(ii) which is not an industrial concern in the tiny and decentralised sector;

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CHAPTER II

ESTABLISHMENT OF THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT AND
CAPITAL THEREOF

Establishment and incorporation of National Bank for Agriculture and Rural Development.

3. (1) * * * *

(3) The head office of the National Bank shall be at Bombay or at such other place as the Central Government may, by notification, specify.

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Capital.

4. (1) The capital of the National Bank shall be one hundred crores of rupees:

Provided that the Central Government may, in consultation with the Reserve Bank and by notification, increase the said capital up to five thousand crores of rupees.

(2) The capital of the National Bank shall be subscribed to by the Central Government and the Reserve Bank to such extent and in such proportion as may be notified by the Central Government in consultation with the Reserve Bank, from time to time:

Provided that the National Bank may issue capital to such institutions and persons in such manner as may be notified by the Central Government:

Provided further that the combined shareholding of the Central Government and the Reserve Bank shall not at any time be less than fifty-one per cent. of the total subscribed capital.

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Board of Directors.

6. (1) The Board of Directors of the National Bank shall consist of the following, namely:—

* * * *

(b) three directors from amongst experts in rural economics, rural development, village and cottage industries, small-scale industries or persons having experience in the working of co-operative banks, regional rural banks or commercial banks or any other matter the special knowledge or professional experience in which is considered by the Central Government as useful to the National Bank;

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Advisory Council.

14. (1) The Board may constitute an Advisory Council consisting of such number of directors and such other persons who, in the opinion of the Board, have special knowledge of agriculture, agricultural credit, co-operation and rural economics, small-scale industries, village and cottage industries and handicrafts and other rural crafts or have special knowledge and appreciation of the country's overall developmental policies and in particular overall monetary and credit policies, which is considered by the Board as useful to the National Bank.

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CHAPTER VI

CREDIT FUNCTIONS OF THE NATIONAL BANK

Production and marketing credit.

21. (1) The National Bank may provide by way of refinance, loans and advances, repayable on demand or on the expiry of fixed periods not exceeding eighteen months, to State co-operative banks, central co-operative banks, regional rural banks, or to any financial institution or to any class of financial institutions, which are approved by the Reserve Bank in this behalf, for financing—

* * * *

(v) the production or marketing activities of artisans or of small-scale industries, industries in the tiny and decentralised sector, village and cottage industries or of those engaged in the field of handicrafts and other rural crafts.

* * * * *

23. Where the National Bank is satisfied that owing to unforeseen circumstances the rescheduling of any loans and advances made to artisans, small-scale industries, industries in the tiny and decentralised sector, village and cottage industries and those engaged in the field of handicrafts and other rural crafts, by any State co-operative bank, regional rural bank or any such financial institution or any financial institution falling under such class of financial institutions as may be approved by the Reserve Bank in this behalf, has become necessary, it may provide to such bank or institution such financial assistance as it may deem fit by way of loans and advances repayable on the expiry of fixed periods not being less than eighteen months and not exceeding seven years against such securities as may be specified in this behalf by the National Bank:

Rescheduling of loans to artisans, small-scale industries, etc.

Provided that no loan or advance shall be made under this section to a State co-operative bank unless such loan or advance is fully guaranteed as to the repayment of the principal and payment of interest, by the State Government but such guarantee may be waived by the National Bank if other security to the satisfaction of the National Bank is furnished, or if, for reasons to be recorded by it in writing, the National Bank is satisfied that the guarantee or other security is not necessary.

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25. (1) The National Bank may provide such financial assistance as it may consider necessary for promoting agriculture and rural development by—

Other investment credit.

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(c) making loans and advances on such terms and conditions as the National Bank may think fit to impose, to a State co-operative bank or a scheduled bank for the purpose of enabling such bank to make loans or advances to artisans, small-scale industries, industries in the tiny and decentralised sector, village and cottage industries and those engaged in the field of handicrafts and other rural crafts and also rescheduling the payment of such loans and advances:

Provided that the maximum period for which any such loan or advance may be granted, whether originally or by rescheduling the payment thereof, shall not exceed twenty-five years;

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37A. (1) The National Bank shall not make any loans or advances under section 30 or make any grants under this Act to any person or body of persons of which any of the directors of the National Bank is a proprietor, partner, director, manager, agent, employee or guarantor or in which one or more directors of the National Bank together hold substantial interest:

Prohibited business.

Provided that this sub-section shall not apply to any borrower if any director of the National Bank—

1 of 1956. (a) is nominated as director of the Board of such borrower by the Government or a Government company as defined in section 617 of the Companies Act, 1956 or by a corporation established by any other law;

1 of 1956. (b) is elected on the Board of such borrower by virtue of shares held in the borrower organisation by the Government, or a Government company as defined in section 617 of the Companies Act, 1956 or by a corporation established by any other law, by reason only of such nomination or election, as the case may be.

Explanation.—For the purposes of this sub-section, "substantial interest", in relation to a borrower, means the beneficial interest held by one or more of the directors

of the National Bank or by any relative of such director as defined in clause (41) of section 2 of the Companies Act, 1956, whether singly or taken together, in the shares of the borrower, the aggregate amount paid-up on which either exceeds five lakhs of rupees or five per cent. of the paid-up share capital of the borrower, whichever is lesser.

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Audit.

48. (1) The accounts of the National Bank shall be audited by auditors duly qualified to act as auditors under sub-section (1) of section 226 of the Companies Act, 1956, who shall be appointed by the Central Government in consultation with the Reserve Bank, for such term and on such remuneration as the Central Government may fix.

1 of 1956.

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Agreement with National Bank on appointment of directors to prevail.

52A. (1) Where any agreement entered into by the National Bank with a company or a body corporate while granting loans and advances, provides for the appointment by the National Bank of one or more directors of such company or body corporate, such provisions and any appointment of directors made in pursuance thereof shall be valid and effective, notwithstanding anything to the contrary contained in the Companies Act, 1956 or in any other law for the time being in force, or in the memorandum, articles of association or any other instrument relating to the company or body corporate, and any provision regarding share qualification, age-limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the National Bank in pursuance of the agreement as aforesaid.

1 of 1956.

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further to amend the National Bank for Agriculture and Rural Development Act, 1981.

(Shri Arun Jaitley, Minister of Finance)