

Bill No. 94 of 2013

**THE NATIONAL BANK FOR AGRICULTURE AND RURAL
DEVELOPMENT (AMENDMENT) BILL, 2013**

A

BILL

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

BE it enacted by Parliament in the Sixty-fourth 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, 2013.

Short title and commencement.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

61 of 1981.

2. In section 2 of the National Bank for Agriculture and Rural Development Act, 1981 (hereinafter referred to as the principal Act),—

Amendment of section 2.

(a) for clause (d), the following clause shall be substituted, namely:—

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‘(d) “central co-operative bank” means the principal co-operative society registered in a district in a State, the primary object of which is the financing of other co-operative societies in that district or to utilise the services of such co-operative societies on agency basis for its activities in that district with an option to undertake such activities in contiguous districts;’;

(b) for clause (e), the following clause shall be substituted, namely:—

‘(e) “Chairman and Managing Director” means the Chairman and Managing Director appointed under section 6 ;’;

(c) for clause (f), the following clause shall be substituted, namely:—

‘(f) “co-operative society” means a society or a co-operative registered, or deemed to be registered, under any Central or State law, relating to co-operative societies or co-operatives or multi-State co-operative societies, for the time being in force;’;

(d) clause (j) shall be omitted;

(e) after clause (k), the following clause shall be inserted, namely:—

‘(ka) “micro enterprise”, “small enterprise” and “medium enterprise”, shall have the meanings respectively assigned to them in the Micro, Small and Medium Enterprises Development Act, 2006; ’;

(f) after clause (o), the following clause shall be inserted, namely:—

‘(oa) “producer organisation” means a producer company as defined under clause (l) of section 581A of the Companies Act, 1956 and includes co-operative societies or societies or trusts established with one or more of the objectives provided in sub-section (l) of section 581B of the Companies Act, 1956;’;

(g) in clause (q), for the *Explanation*, the following *Explanation* shall be substituted, namely:—

‘*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 and activities for the promotion of cottage and village industries, agro industries, industry in the tiny and decentralised sector, micro enterprises, small enterprises and medium enterprises and small-scale industry and handicrafts, handlooms and other rural crafts;

(b) “rural area” means the area other than the area covered under the jurisdiction of the Municipality as defined in clause (e) of article 243P of the Constitution;’;

(h) in clause (u), after the words “principal co-operative society”, the words “registered in a district” shall be inserted.

Amendment
of section 3.

3. In section 3 of the principal Act,—

(a) in sub-section (3), for the word “Bombay”, the word “Mumbai” shall be substituted;

(b) in sub-section (4), the words “and in consultation with the Reserve Bank” shall be omitted.

Amendment
of section 4.

4. In section 4 of the principal Act,—

(a) in sub-section (1), for the proviso, the following proviso shall be substituted, namely:—

“Provided that the Central Government may, by notification, increase the said capital up to twenty thousand crores of rupees.”;

(b) for sub-section (2), the following sub-sections shall be substituted, namely:—

“ (2) The capital of the National Bank which has been subscribed by the Reserve Bank valued at twenty crores of rupees as on the date immediately

preceding the commencement of the National Bank for Agriculture and Rural Development (Amendment) Act, 2013 shall, on such commencement, stand transferred to, and vested in, the Central Government.

5 (3) The Reserve Bank shall be given by the Central Government, in cash, for transfer to, and vesting in the Central Government of the capital of the National Bank which has been subscribed by the Reserve Bank, an amount equal to the face value of the said subscribed capital, valued at twenty crores of rupees:

10 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.”.

5. In section 5 of the principal Act,—

Amendment of section 5.

(a) in sub-section (3),—

15 (i) for the words “Managing Director”, the words “Chairman and Managing Director” shall be substituted;

(ii) the proviso shall be omitted;

(b) in sub-section (4), for the words “Managing Director”, the words “Chairman and Managing Director” shall be substituted;

20 (c) sub-section (5) shall be omitted;

(d) in sub-section (6), the words “in consultation with the Reserve Bank, or the Reserve Bank”, shall be omitted.

6. In section 6 of the principal Act,—

Amendment of section 6.

(a) in sub-section (1),—

25 (i) in clause (a), for the word “Chairman”, the words “Chairman and Managing Director” shall be substituted;

(ii) in clause (f), the words “the Reserve Bank,” shall be omitted;

(iii) clause (g) shall be omitted;

(b) for sub-section (2), the following sub-section shall be substituted, namely:—

30 “(2) The Chairman and Managing Director and other directors, excluding the directors referred to in clause (f), shall be appointed by the Central Government.”;

(c) in sub-section (3), the words “in consultation with the Reserve Bank,” shall be omitted.

35 7. In section 7 of the principal Act,—

Amendment of section 7.

(a) in sub-section (1), for the word “Chairman”, the words “Chairman and Managing Director” shall be substituted;

(b) in sub-section (1A), for the word “Chairman”, the words “Chairman and Managing Director” shall be substituted;

40 (c) for sub-section (1B), the following sub-section shall be substituted, namely:—

“(1B) In case of a vacancy in the office of the Chairman and Managing Director, one of the whole-time directors as specified by the Central Government shall perform the functions and duties of the Chairman and Managing Director during such vacancy.”;

(d) in sub-section (3), for the word “Chairman”, the words “Chairman and Managing Director” shall be substituted;

(e) in sub-section (4), for the word “Chairman”, the words “Chairman and Managing Director” shall be substituted.

Amendment
of section 8.

8. In section 8 of the principal Act,—

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(a) in sub-section (1),—

(i) for the words “The Managing Director and any whole-time director”, the words “Any whole-time director” shall be substituted;

(ii) in the proviso, the words “Managing Director and any such” shall be omitted;

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(b) in sub-section (2),—

(i) the words “in consultation with the Reserve Bank”, shall be omitted;

(ii) the words “the Managing Director or” shall be omitted;

(c) in sub-section (3),—

(i) the words “the Managing Director or of ” shall be omitted ;

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(ii) the proviso shall be omitted.

Amendment
of section 11.

9. In section 11 of the principal Act, for the words “Managing Director”, at both the places where they occur, the words “whole-time director” shall be substituted.

Amendment
of section 12.

10. In section 12 of the principal Act,—

(a) for sub-section (2), the following sub-section shall be substituted, namely:—

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“(2) If the Chairman and Managing Director for any reason is unable to attend any meeting, any whole-time director nominated by the Chairman and Managing Director and in the absence of both the Chairman and Managing Director and the nominated whole-time director, any other director nominated by the Chairman and Managing Director in this behalf and in the absence of such nomination, any other director elected by the directors present at the meeting, shall preside at the meeting of the Board.”;

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(b) in sub-section (3), for the word “Chairman”, the words “Chairman and Managing Director” shall be substituted.

Amendment
of section 19.

11. In section 19 of the principal Act, for clause (d), the following clause shall be substituted, namely:—

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“(d) accept from the Central Government, a State Government, a local authority, a State land development bank, a State co-operative bank, a central co-operative bank, a primary agricultural credit society or a scheduled bank or any person or body, whether incorporated or not, deposits repayable on such terms as the National Bank may, either generally or specifically, fix; and”.

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Amendment
of section 21.

12. In section 21 of the principal Act,—

(A) in sub-section (1),—

(a) for the words “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”, the words “central co-operative banks, primary co-operative banks, scheduled banks, regional rural banks, primary agricultural credit societies, State land development banks, multi-State co-operative societies including multi-State co-operative banks, producer organisations or any financial institution or any class of financial institutions, which are approved by the Reserve Bank of India” shall be substituted;

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5 (b) in clause (v), for the words “industries in the tiny and decentralised sector, village and cottage industries are of those engaged in the field of handicrafts”, the words “agro industries, industries in the tiny and decentralised sector, village and cottage industries, micro enterprises, small enterprises and medium enterprises or of those engaged in the field of handicrafts, handlooms” shall be substituted;

(c) after clause (v), the following shall be inserted, namely:—

“(vi) swapping of debts of the farmers.

10 *Explanation.*— For the purposes of this clause, the expression “swapping of debts” means replacing the high cost loans with low cost loans.”;

(B) in sub-section (2), after clause (ii), the following clause shall be inserted, namely:—

15 “(iii) by way of pledge of fixed deposit receipts or other debt instruments issued by entities approved by the Board.”;

(C) in sub-section (4), for the words, brackets and figure “State co-operative bank or a regional rural bank or an institution approved under sub-section (1)”, the words, brackets and figure “State co-operative bank, a regional rural bank, a central co-operative bank, a primary co-operative bank, a scheduled bank, a primary agricultural credit society, a State land development bank, a multi-State co-operative society including a multi-State co-operative bank, producer organisation or to any financial institution or to any class of financial institutions, approved under sub-section (1)” shall be substituted;

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(D) after sub-section (4), the following sub-section shall be inserted, namely:—

25 “(5) Notwithstanding anything contained in sub-section (1), the National Bank may, subject to such directions as may be issued by the Central Government from time to time, provide loans and advances, otherwise than by way of refinance, with a view to ensuring availability of sufficient credit to entities eligible under sub-section (1) on such terms and conditions, (including security) and repayable within such period not exceeding eighteen months, as the National Bank may deem fit.”.

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13. In section 22 of the principal Act,—

35 (a) for the words “enemy action, any State co-operative bank, central co-operative bank, regional rural bank or any such financial institution or any financial institution falling under any such class of financial institutions, as may be approved by the Reserve Bank in this behalf,”, the words “enemy action or for such other reasons, any State co-operative bank, central co-operative bank, primary co-operative bank, scheduled bank, regional rural bank, primary agricultural credit society, State land development bank, multi-State co-operative society including a multi-State co-operative bank, producer organisation or to any financial institution or to any class of financial institutions, as may be approved by the Reserve Bank of India in this behalf,” shall be substituted;

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45 (b) in the first proviso, for the words “borrowing bank or institution”, the words “borrowing bank, co-operative society, producer organisation or institution,” shall be substituted;

(c) in the second proviso, after the words “by the State Government,”, the words “but requirement of such guarantee may be waived by the National Bank if other security to the satisfaction of the National Bank is furnished” shall be inserted.

Amendment
of section 22.

Amendment
of section
23.

14. In section 23 of the principal Act,—

(a) 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, 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”, the words “small-scale industries, agro industries, industries in the tiny and decentralised sector, village and cottage industries, micro enterprises, small enterprises and medium enterprises and those engaged in the field of handicrafts, handlooms and other rural crafts by any State co-operative bank, central co-operative bank, primary co-operative bank, scheduled bank, regional rural bank, primary agricultural credit society, State land development bank, multi-State co-operative society including a multi-State co-operative bank, producer organisation or any such financial institution or any financial institution falling under such class of financial institutions as may be approved by the Reserve Bank of India” shall be substituted;

(b) in the proviso, for the words, “a State co-operative bank” the words “a State co-operative bank or a central co-operative bank” shall be substituted.

Amendment
of section 24.

15. In section 24 of the principal Act,—

(a) for the words “State co-operative banks, regional rural banks”, the words “State co-operative banks, regional rural banks, central co-operative banks, primary co-operative banks, scheduled banks, primary agricultural credit societies, State land development banks, multi-State co-operative societies including multi-State co-operative banks, producer organisations or to any financial institution or to any class of financial institutions approved by the Reserve Bank of India,” shall be substituted;

(b) in the proviso, after the words “ a State co-operative bank”, the words “or a central co-operative bank” shall be inserted.

Amendment
of section 25.

16. In section 25 of the principal Act,—

(A) in sub-section (I),—

(i) in clause (a), for the words “a scheduled bank or any other financial institution approved by the Reserve Bank”, the words “a scheduled bank or a central co-operative bank or a primary co-operative bank or a regional rural bank, or a primary agricultural credit society or a multi-State co-operative society including a multi-State co-operative bank or a producer organisation or any other financial institution approved by the Reserve Bank of India” shall be substituted;

(ii) in clause (b), for the words “by any bank or institution”, the words “by any bank or financial institution” shall be substituted;

(iii) for clause (c), the following clause shall be substituted, namely:—

“(c) making loans and advances, on such terms and conditions as the National Bank may think fit to impose, to a State land development bank or a State co-operative bank or a scheduled bank or a central co-operative bank or a primary co-operative bank or a regional rural bank or a primary agricultural credit society or a multi-State co-operative society including a multi-State co-operative bank or a producer organisation or any financial institution or any class of financial institutions, approved by the Central Government for the purpose of enabling such bank, co-operative society or society institution to make loans or advances to artisans, small-scale industries, agro industries, industries in the tiny and decentralised sector, village and cottage

industries, micro enterprises, small and medium enterprises and those engaged in the field of handicrafts, handlooms and other rural crafts and also rescheduling the payment of such loans and advances:

5 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;”;

10 (d) in clause (d), for the words “or a scheduled bank, loans and advances”, the words “or a scheduled bank or a central co-operative bank or a primary co-operative bank or a regional rural bank or a primary agricultural credit society or a multi-State co-operative society including a multi-State co-operative bank or a producer organisation or to any financial institution or to any class of financial institutions, as may be approved by the Central Government, loans and advances” shall be substituted;

(B) after sub-section (2), the following sub-section shall be inserted, namely:—

15 “(3) Notwithstanding anything contained in sub-section (1), the National Bank may, subject to such directions as may be issued by the Central Government from time to time, provide loans and advances otherwise than by way of refinance, with a view to ensuring availability of sufficient credit to entities eligible under sub-section (1) on such terms and conditions, including security and repayable within such period not exceeding twenty-five years, as the National Bank may deem fit.”.

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17. After section 25 of the principal Act, the following section shall be inserted, namely:—

Insertion of new section 25A.

25 “25A. Notwithstanding anything contained in this Chapter, the National Bank may, subject to such directions as may be issued by the Central Government from time to time, provide loans and advances, by way of refinance or otherwise, for promoting agriculture and rural development which may be combination of different kinds of credits under section 21 or section 24 or section 25 or any of them to a State co-operative bank, a central co-operative bank, a primary co-operative bank, a scheduled bank, a regional rural bank, a primary agricultural credit society, a State land development bank, a multi-State co-operative society including a multi-State co-operative bank, a producer organisation or to a financial institution or class of financial institutions as may be approved by the Central Government, on such terms and conditions, including security and repayable within such period not exceeding twenty-five years, as the National Bank may deem fit.”.

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Combination of credits.

18. After section 30A of the principal Act, the following section shall be inserted, namely:—

Insertion of new section 30B.

40 “30B. The National Bank may, subject to such directions as may be issued by the Board from time to time, grant, open, issue, confirm or endorse letters of credit and negotiate or collect bills or other documents drawn thereunder.”.

Letters of credit.

19. In section 38A of the principal Act, for the words “in consultation with the Reserve Bank”, the words “with the approval of the Central Government” shall be substituted.

Amendment of section 38A.

Insertion of
new section
42A.

20. After section 42 of the principal Act, the following section shall be inserted, namely:—

National
Rural Credit
(Short Term
Operations)
Fund.

“42A. (1) The National Bank shall establish and maintain a Fund to be known as the National Rural Credit (Short Term Operations) Fund.

(2) The Fund shall include,—

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(a) such sums of money as the Central Government and the State Governments may contribute from time to time;

**(b) such sums of money as the Reserve Bank may contribute every year;
and**

(c) such further sums of money as the Board may contribute every year. 10

(3) The amount in the said Fund shall be applied by the National Bank only to provide financial assistance by way of loans and advances under section 21.”.

Amendment
of section 47.

21. In section 47 of the principal Act, for the figures and word “42, 43 and 45”, the figures, letter and word “42, 42A, 43 and 45” shall be substituted.

STATEMENT OF OBJECTS AND REASONS

The National Bank for Agriculture and Rural Development Act, 1981 provided for 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 with a view to promoting integrated rural development and securing prosperity of rural areas.

2. A decision was taken by the Government of India, in consultation with the Reserve Bank of India, to transfer the entire equity in the National Bank to the Central Government. Accordingly, Government of India issued a notification *vide* S.O. 2373, dated the 16th September, 2010 which prescribed the proportion of subscription and ownership of the Government of India and the Reserve Bank in the National Bank respectively as ninety-nine per cent. and one per cent. The said notification enabled the Reserve Bank to transfer seventy-one point five per cent. ownership in the National Bank out of seventy-two point five per cent. held by it to the Government of India. The remaining one per cent. equity of the Reserve Bank can be transferred only after carrying out the required amendments in the aforesaid Act.

3. In view of the above, it is proposed to introduce the National Bank for Agriculture and Rural Development (Amendment) Bill, 2013 to amend the National Bank for Agriculture and Rural Development Act, 1981 so as to transfer the remaining one per cent. equity of the Reserve Bank in the National Bank to the Government of India consideration of rupees twenty crores. The salient features of the Bill, *inter alia*, are as under:—

(a) to define certain expressions, namely, “micro enterprise”, “small enterprise”, “medium enterprise” and “producer organisation”; to substitute the definitions of “central co-operative bank”, “co-operative society” and “Chairman” and to omit the existing definition of “Managing Director”;

(b) to empower the Central Government to increase the capital of the National Bank from five thousand crores of rupees to twenty thousand crores of rupees;

(c) to make provision for transfer and vesting of the subscribed capital of the Reserve Bank in the National Bank to the Central Government;

(d) to enhance the scope of operations of the National Bank for lending purposes;

(e) to provide for establishing and maintaining a fund to be known as the National Rural Credit (Short Term Operations) Fund by the National Bank for providing financial assistance by way of loans and advances.

4. The Bill seeks to achieve the above objects.

NEW DELHI;
The 22 April, 2013.

P. CHIDAMBARAM.

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

**[Copy of letter No. 7/3/2010-AC, dated 22 April, 2013 from
Shri P. Chidambaram, 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, 2013, 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 4 of the Bill seeks to amend the proviso to sub-section (1) of section 4 of the National Bank for Agriculture and Rural Development Act, 1981 so as to increase the capital of the National Bank from five thousand crores of rupees to twenty thousand crores of rupees. It also amends sub-section (2) of the said section for providing that the Reserve Bank shall be given by the Central Government, in cash, for transfer to, and vesting in the Central Government of the capital of the National Bank which has been subscribed by the Reserve Bank, an amount equal to the face value of the said subscribed capital, valued at twenty crores of rupees.

2. Clause 20 of the Bill seeks to insert a new section 42A in the said Act to provide that the National Bank shall establish and maintain a Fund to be known as the National Rural Credit (Short Term Operations) Fund. Sub-section (2) of proposed section 42A provides that the Fund shall include such sums of money as the Central Government may contribute from time to time.

3. Any cash payment by the Central Government to be made to the Reserve Bank pursuant to the provisions of the bill or any contribution to the National Rural Credit (Short Term Operations) Fund will be made with the due approval of the Parliament. The amount of contribution to be made to the said Fund cannot be estimated at present as it would depend upon the circumstances at the point of time of making such contribution.

ANNEXURE

EXTRACTS FROM THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT ACT,
1981

(61 OF 1981)

* * * * *

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

* * * * *

(d) “central co-operative bank” means the principal co-operative society in a district in a State, the primary object of which is the financing of other co-operative societies in that district:

Provided that in addition to such principal society in a district, or where there is no such principal society in a district, the State Government may declare any one or more co-operative societies carrying on the business of financing other co-operative societies in that district to be also or to be a central co-operative bank or central co-operative banks within the meaning of this definition;

(e) “Chairman” means the Chairman appointed under section 6;

(f) “co-operative society” means a society registered, or deemed to be registered, under the Co-operative Societies Act, 1912 or any other law relating to co-operative societies for the time being in force in any State;

2 of 1912.

* * * * *

(j) “Managing Director” means the Managing Director appointed under section 6;

* * * * *

(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;

* * * * *

(u) “State co-operative bank” means the principal co-operative society in a State, the primary object of which is the financing of other co-operative societies in the State:

Provided that in addition to such principal society in a State, or where there is no such principal society in a State, the State Government may declare any one or more co-operative societies carrying on business in that State to be also or to be a State co-operative bank or State co-operative banks within the meaning of this definition;

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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.					
	(4) The National Bank may establish offices, branches or agencies at any place in India, and with the previous approval of the Central Government and in consultation with the Reserve Bank, at any place outside India.					
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.					

CHAPTER III

MANAGEMENT OF THE NATIONAL BANK

Management.	5. (1)	*	*	*	*	*
	(3) Subject to the provisions of sub-section (1) and save as otherwise provided in the regulations made under this Act, the Managing Director shall also have powers of general superintendence, direction and management of the affairs and business of the National Bank and may also exercise all powers and do all acts and things which may be exercised or done by the National Bank:					
	Provided that during the period of any casual vacancy of the nature referred to in section 11 in the office of the Managing Director, the Chairman may also exercise the powers and discharge the functions of the Managing Director until the person appointed by the Central Government under section 11 to act as Managing Director enters upon his office.					
	(4) Any whole-time director appointed under sub-section (3) of section 6 shall assist the Managing Director in the discharge of his functions under sub-section (3) and perform such duties as the Board may entrust or delegate to him.					
	(5) In the discharge of his powers and functions under sub-section (3), the Managing Director shall follow such directions as the Chairman may give.					
	(6) In the discharge of its functions under this Act, the National Bank shall be guided by such directions in matters of policy involving public interest as the Central Government, in consultation with the Reserve Bank, or the Reserve Bank, may give in writing.					
Board of Directors.	6. (1)	The Board of Directors of the National Bank shall consist of the following, namely:—				
	(a) Chairman;					
	*	*	*	*	*	*
	(f) such number of directors elected in the prescribed manner, by shareholders other than the Reserve Bank, the Central Government and other institutions owned					

or controlled by the Central Government whose names are entered on the register of shareholders of the National Bank ninety days before the date of the meeting in which such election takes place on the following basis, namely:—

(i) where the total amount of equity share capital.....two directors; issued to such shareholders is ten per cent. or less of the total issued equity capital

(ii) where the total amount of equity share capitalthree directors; issued to such shareholders is more than ten per cent. but and less than twenty-five per cent. of the total issued equity capital

(iii) where the total equity share capital issued to such.....four directors: shareholders is twenty-five per cent. or more of the total issued equity capital

Provided that until the assumption of charge by the elected directors under this clause, the Central Government may at any time nominate such number of directors not exceeding four from amongst persons having special knowledge of, an professional experience in, agricultural science, technology, economics, banking, co-operatives, law, rural finance, investment, accountancy, marketing or any other matter, the special knowledge of, and professional experience in, which would, in the opinion of the Central Government, be useful to the National Bank for carrying out its functions; and

(g) a Managing Director.

(2) The Chairman and other directors, excluding the directors referred to in clause (f), shall be appointed by the Central Government in consultation with the Reserve Bank:

Provided that no such consultation shall be necessary in the case of directors appointed under clause (d) of sub-section (1).

(3) Where the Central Government is satisfied, in consultation with the Reserve Bank, that it is necessary so to do, it may appoint one or more whole-time directors with such designations as may be deemed appropriate by that Government and any whole-time director so appointed shall also be member of the Board.

7. (1) The Chairman shall hold office for such term not exceeding five years and shall receive such salary and allowances as the Central Government may, at the time of appointment, specify and shall be eligible for re-appointment.

Term of office of Chairman and other directors, retirement and payment of fees.

(1A) Notwithstanding anything contained in sub-section (1), the Central Government shall have the right to terminate the term of office of the Chairman at any time before the expiry of the term specified under that sub-section by giving him a notice of not less than three months in writing or three months' salary and allowances in lieu of such notice.

(1B) In the case of a vacancy in the office of the Chairman, the Managing Director shall perform the functions and duties of the Chairman during such vacancy.

* * * * *

(3) The Central Government may, in consultation with the Reserve Bank, remove the Chairman at any time before the expiry of his term of office after giving him a reasonable opportunity of showing cause against the proposed removal.

(4) The Chairman and any other director, who is not an officer of the Central Government or a State Government or an officer of the Reserve Bank or any body or corporation established by or under any Central Act or any State Act and owned or controlled by such Government, shall be paid such fees and allowances as may be prescribed for attending the meetings of the Board or of any of its committees and for attending to any other work of the National Bank:

Provided that no such fee shall be payable to the Chairman or any other director, who is an officer of the Government or an officer of the Reserve Bank.

Term of office of Managing Director and whole-time directors, conditions of service, etc.

8. (1) The Managing Director and any whole-time director appointed under sub-section (3) of section 6 shall,—

(a) hold office for such term not exceeding five years as the Central Government may, at the time of appointment, specify, and shall be eligible for re-appointment;

(b) receive such salary and allowances and be governed by such terms and conditions of service as the Board may, with the previous approval of the Central Government and in consultation with the Reserve Bank, determine:

Provided that the Managing Director and any such whole-time director appointed to the first Board shall receive such salary and allowances and be governed by such terms and conditions of service as the Central Government may, in consultation with the Reserve Bank, determine.

(2) The Central Government may, in consultation with the Reserve Bank, remove the Managing Director or any whole-time director appointed under sub-section (3) of section 6 at any time before the expiry of his term of office, after giving him a reasonable opportunity of showing cause against the proposed removal.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), the Central Government shall have the right to terminate the term of office of the Managing Director or of any whole-time director appointed under sub-section (3) of section 6 at any time before the expiry of the term fixed under sub-section (1) by giving him notice of not less than three months in writing or three months' salary and allowances in lieu of such notice:

Provided that the Central Government shall, before terminating the term of office of the Managing Director or any whole-time director appointed under sub-section (3) of section 6, consult the Reserve Bank.

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Casual vacancy in the office of Managing Director.

11. If the Managing Director is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise, in circumstances not involving the vacation of his appointment, the Central Government may, after consultation with the Reserve Bank and the Board, appoint another person to act in his place as Managing Director during his absence.

Meetings of Board.

12. (1) * * * * *

(2) The Chairman of the Board, or, if for any reason he is unable to attend any meeting, the Managing Director and in the absence of both, the Chairman and the Managing Director, any other director nominated by the Chairman in this behalf, and in the absence of such nomination, any other director elected by the directors present at the meeting, shall preside at the meeting of the Board.

(3) All questions which come up before any meeting of the Board shall be decided by a majority of votes of the directors present and voting, and in the event of an equality of votes, the Chairman, or, in his absence, the person presiding, shall have a second or casting vote.

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CHAPTER V

BORROWINGS BY THE NATIONAL BANK

Borrowings by the National Bank.

19. The National Bank may, for the purpose of carrying out its functions under this Act,—

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(d) accept from the Central Government, a State Government, a local authority, a State land development bank, a State co-operative bank or a scheduled bank or any person or body, whether incorporated or not, deposits repayable on such terms as the National Bank may, with the approval of the Reserve Bank, fix; and

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CHAPTER VI

CREDIT FUNCTIONS OF THE NATIONAL BANK

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—

Production and marketing credit.

* * * * *

(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.

* * * * *

(4) Notwithstanding anything contained in sub-sections (2) and (3), the National Bank may also make loans and advances repayable on demand or on the expiry of fixed periods not exceeding eighteen months against promissory notes of a State co-operative bank or a regional rural bank or an institution approved under sub-section (1):

Provided that the borrowing institution furnishes a declaration in writing, setting out the purpose for which it has made loans and advances and such other particulars as may be required by the National Bank.

* * * * *

22. Where the National Bank is satisfied that owing to drought, famine or other natural calamities, military operations or enemy action, any State co-operative bank, central co-operative bank, regional rural bank or any such financial institution or any financial institution falling under any such class of financial institutions, as may be approved by the Reserve Bank in this behalf, requires assistance under this section, it may provide to such bank or institution such financial assistance as it may deem fit by way of making loans and advances repayable on the expiry of fixed periods not exceeding seven years and on such terms and conditions as may be specified in this behalf by the National Bank:

Conversion loan for production credit.

Provided that loans and advances may be made under this section only for the purpose of enabling the borrowing bank or institution,—

(a) to pay any dues to the National Bank for credit extended for financing agricultural operations or the marketing of crops under clause (i) of sub-section (1) of section 21, or

(b) (i) to make loans or advances to central co-operative banks or primary rural credit societies in cases where the borrowing bank is a State co-operative bank, and

(ii) to make loans and advances to primary rural credit societies in cases where the borrowing bank is a central co-operative bank,

and such loans or advances in both the cases being repayable on the expiry of fixed periods not being less than eighteen months and not exceeding seven years, by way of reimbursement of loans and advances made by such co-operative banks or societies for agriculture or agricultural operations or for reimbursement of such loans or advances which have been converted into loans or advances repayable on expiry of fixed periods not being less than eighteen months and not exceeding seven years from the date of conversion:

Provided further that no loan or advance shall be made under this section to a State co-operative bank or a central 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.

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

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:

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.

Investment credit-medium term.

24. The National Bank shall provide such financial assistance as it may consider necessary by way of making to State co-operative banks, regional rural banks, 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 and such loans or advances may be made for agriculture, rural development or such other purposes as the National Bank may, from time to time, determine:

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.

Other investment credit.

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

(a) making loans and advances, by way of refinance, on such terms and conditions as the National Bank may think fit to impose, to a State land development bank or a State co-operative bank or a scheduled bank or any other financial institution approved by the Reserve Bank in this behalf, 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;

(b) purchasing or selling, or subscribing to the bonds or debentures issued by any bank or institution referred to in clause (a) and repayable within a period not exceeding twenty-five years from the dates on which they are issued;

(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;

(d) making, where it is considered necessary so to do in connection with any financial assistance under clause (a) or clause (b) or clause (c) to a State land development bank or a State co-operative bank or a scheduled bank, loans and advances repayable on demand or on the expiry of a fixed period not exceeding eighteen months, by way of refinance or otherwise to such bank and also rescheduling the payment of such loans and advances for such period as the National Bank may deem fit.

* * * * *

38A. The National Bank may, in consultation with the Reserve Bank, promote, form or manage or associate itself in promotion, formation or management of companies, subsidiaries, affiliates, societies, trusts or such other association of persons, as it may deem fit, for the purpose of carrying out its functions under this Act.

Promotion of subsidiaries.

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47. After making provision for bad and doubtful debts, depreciation of assets and all other matters for which provision is necessary or expedient or which is usually provided for by bankers, and for the Funds referred to in sections 42, 43 and 45, the National Bank shall transfer—

Disposal of surplus.

(i) for a period of fifteen years, following the accounting year during which the National Bank is established, the amount remaining (hereafter in this section referred to as surplus) to the Research and Development Fund under section 44; and

(ii) after the expiry of the said period of fifteen years, the Board shall, after making provision for the Fund referred to in clause (i), disburse or spend the balance of the surplus in such manner as may be approved by the Board.

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LOK SABHA

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

(Shri P. Chidambaram, Minister of Finance)