

# Bill Summary

## The Small Industries Development Bank of India (Amendment) Bill, 2012

- The Small Industries Development Bank of India Act, 1989 established the Small Industries Development Bank of India (SIDBI) to promote, finance and develop ‘industrial concerns in the small-scale sector’. The Small Industries Development Bank of India (Amendment) Bill, 2012 was introduced in the Lok Sabha on May 22, 2012. The Bill amends key definitions relating to the coverage of SIDBI and provides additional functions for SIDBI.
- The definition of ‘industrial concern in the small-scale sector’ is provided for in the Act and notified by the Central Government. In February 2009, the notification to amend the definition of industrial undertaking was cancelled. In addition, the Micro Small and Medium Enterprises Development Act, 2006 provided classification of enterprises into micro, small and medium categories.
- In light of this, the Bill amends the definition of ‘industrial concern in the small sector’, replacing the term with the expression ‘industrial concern or micro enterprise or small enterprise or medium enterprise’. ‘Industrial concern’ is defined as any concern with an investment limit specified by the Board of Directors, while ‘enterprise’ is as defined in the Micro Small and Medium Enterprises Development Act, 2006.
- In addition, the activities included under industrial concern are expanded in the Bill. Industrial concern now includes concerns engaged in: floriculture activities; establishment or development of tourism related facilities; financial assistance services like venture capital; road development, maintenance and construction; and the entertainment industry.
- The Bill expands the scope of business of the SIDBI. Acting as an agent of the central bank, government or any other entity authorised by the Board, SIDBI can provide loans and grants to financial institutions or other agencies. The loans and grants can be used as financial assistance to any institution involved in infrastructure projects; sourcing materials; marketing and support services for any industrial concern or micro enterprise or small enterprise or medium enterprise.
- In addition, SIDBI, acting as an agent for a government entity, can enter into a securitisation transaction to extend the services of SIDBI or to acquire the rights of intermediaries in relation to loans or advance granted to any industrial concern or micro enterprise or small enterprise or medium enterprise.
- The Bill includes micro finance institutions under SIDBI’s coverage. SIDBI can now grant loans to support to micro finance institutions working with an industrial concern or micro enterprise or small enterprise or medium enterprise.
- In addition, SIDBI can now financially assist any institution providing non-life insurance products to any industrial concern or micro enterprise or small enterprise or medium enterprise.
- The Act is amended to allow SIDBI to accept repayment of foreign currency loans in foreign currency.
- The Bill changes the provision for securities held in trust when accommodation has been granted. Currently, all securities on account of the transaction (for which accommodation has been granted) should be held by the borrowing institution in trust for SIDBI. The Bill amends this to treat these securities as charged in favour of SIDBI.
- The Act details the rights of SIDBI in the case of default by any borrower. SIDBI has the right to take over the management or possession of any small-scale industrial concern that has defaulted. The Bill extends SIDBI’s power to have the right of possession, or transfer, of any property mortgaged by a third party. A ‘third party’ is defined as any person providing a mortgage or guarantee as a security for financial assistance granted by SIDBI.
- In the case of default, SIDBI can seek assistance from the Chief Metropolitan Magistrate or District Magistrate for custody or takeover of possession. The Bill enables the District Magistrate or the Chief Metropolitan Magistrate to authorise subordinate officers to take possession of property, any effects or other related document and to forward them to SIDBI.

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