

Bill Summary

The National Bank for Agricultural and Rural Development (Amendment) Bill, 2013

- The National Bank for Agricultural and Rural Development (Amendment) Bill, 2013 was introduced in the Lok Sabha on May 6, 2013. It seeks to amend the National Bank for Agricultural and Rural Development Act, 1981. The Bill has been referred to the Standing Committee on Finance (Chairperson: Mr. Yashwant Sinha) on May 9, 2013 for examination. The Standing Committee was due to submit its report by August 9, 2013.
- **Transfer of RBI stake to central government:** As per the Act, the central government and Reserve Bank of India (RBI) hold capital of the National Bank of Agricultural and Rural Development (NABARD). The Bill states that the share of capital currently held by RBI, valued at Rs 20 crore, shall be transferred to the central government. The above amount equates to a one percent share. RBI had transferred the rest of its share after a government notification was issued on September 16, 2010 prescribing the proportion of share held by the government and NABARD to be 99 percent and one percent respectively. According to the Statement of Objects and Reasons of the Bill, the above amendment was necessary in order to transfer RBI's entire share to the government.
- **Consultation with RBI for decision-making:** The Act requires the central government to consult RBI on steps such as (i) guiding NABARD in matters of policy, (ii) removal of the Chairman and Managing Director of NABARD, and (iii) approving establishment of offices, branches or agencies outside India. According to the Bill, the central government need no longer consult RBI on such steps.
- **Increase in capital:** The Act specifies the capital of NABARD to be Rs 100 crore. Additionally, the Act has a provision for the central government to notify an increase in the capital up to Rs 5,000 crore in consultation with RBI. The Bill changes this upper limit from Rs 5,000 crore to Rs 20,000 crore.
- **Establishment of short term operations fund:** The Bill requires NABARD to establish a fund to be known as the National Rural Credit (Short Term Operations) Fund. This fund is to include sums of money that may be contributed by the central government, state governments, RBI and the Board of NABARD.
- **Use of short term operations fund:** The Bill specifies that the amount in the National Rural Credit (Short Term Operations) Fund is to be used for providing financial assistance by way of refinance, loans and advances for periods not exceeding 18 months. The activities that may be financed are restricted to: (i) agricultural operations or the marketing of crops, (ii) the marketing and distribution of inputs necessary for agriculture or rural development, (iii) any other activity for the promotion of or in the field of agriculture or rural development, (iv) bona fide commercial or trade transactions, or (v) the production or marketing activities of artisans, of micro, small and medium enterprises in the tiny and decentralised sector, village and cottage industries or of those engaged in the field of handicrafts and other rural crafts.
- **Other changes:** The Bill merges the posts of the Chairman and the Managing Director of NABARD. It changes the definition of "co-operative society" and "central co-operative bank". It introduces the terms "micro enterprise", "small enterprise" and "medium enterprise" as defined in the Micro, Small and Medium Enterprises Development Act, 2006. Further, it defines "producer organisation".

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