

Bill Summary

The National Bank for Agriculture and Rural Development (Amendment) Bill, 2017

- The National Bank for Agriculture and Rural Development (Amendment) Bill, 2017 was introduced by the Minister of Finance, Mr. Arun Jaitley in Lok Sabha on April 5, 2017. The Bill seeks to amend the National Bank for Agriculture and Rural Development Act, 1981.
- The 1981 Act provides for the establishment of the National Bank for Agriculture and Rural Development (NABARD). NABARD is responsible for providing and regulating facilities like credit for agricultural and industrial development in the rural areas.
- **Increase in capital of NABARD:** Under the 1981 Act, NABARD may have a capital of Rs 100 crore. This capital can be further increased to Rs 5,000 crore by the central government in consultation with the Reserve Bank of India (RBI).
- The Bill allows the central government to increase this capital to Rs 30,000 crore. The capital may be increased to more than Rs 30,000 crore by the central government in consultation with the RBI, if necessary.
- **Transfer of the RBI's share to the central government:** Under the 1981 Act, the central government and the RBI together must hold at least 51% of the share capital of NABARD. The Bill provides that the central government alone must hold at least 51% of the share capital of NABARD. The Bill transfers the share capital held by the RBI and valued at Rs 20 crore to the central government. The central government will give an equal amount to the RBI.
- **Micro, small and medium enterprises (MSME):** The Bill replaces the terms 'small-scale industry' and 'industry in the tiny and decentralised sector' with the terms 'micro enterprise', 'small enterprise' and 'medium enterprise' as defined in the MSME Development Act, 2006. Under the 1981 Act, NABARD was responsible for providing credit and other facilities to industries having an investment of upto Rs 20 lakh in machinery and plant. The Bill extends this to apply to enterprises with investment upto Rs 10 crore in the manufacturing sector and Rs five crore in the services sector.
- Under the 1981 Act, experts from small-scale industries are included in the Board of Directors and the Advisory Council of NABARD. Further, banks providing loans to small-scale, tiny and decentralised sector industries are eligible to receive financial assistance from NABARD. The Bill extends these provisions to the micro, small, and medium enterprises.
- **Consistency with the Companies Act, 2013:** The Bill substitutes references to provisions of the Companies Act, 1956 under the NABARD Act, 1981, with references to the Companies Act, 2013. These include provisions that deal with: (i) definition of a government company, and (ii) qualifications of auditors.

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