

Bill No. 188 of 2014

THE REGIONAL RURAL BANKS (AMENDMENT) BILL, 2014

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BILL

further to amend the Regional Rural Banks Act, 1976.

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

1. (1) This Act may be called the Regional Rural Banks (Amendment) Act, 2014.

Short title
and com-
mencement.

(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
5 of this Act.

21 of 1976.

2. In the Regional Rural Banks Act, 1976 (hereinafter referred to as the principal Act), in section 3, in sub-section (3), in clause (c),—

Amendment
of section 3.

(a) the words “during the first five years of its functioning” shall be omitted;

(b) the proviso shall be omitted.

Amendment
of section 5.

3. In the principal Act, in section 5,—

(a) for the words “five crores of rupees divided into five lakhs of fully paid-up shares of one hundred rupees each”, the words “two thousand crore of rupees, divided into two hundred crore of fully paid-up shares of ten rupees each” shall be substituted; 5

(b) in the proviso, for the words “twenty-five lakhs of rupees, and the shares shall be, in all cases, fully paid- up shares of one hundred rupees each”, the words “one crore of rupees, and the shares shall be, in all cases, fully paid- up shares of ten rupees each” shall be substituted.

Amendment
of section 6.

4. In the principal Act, in section 6,— 10

(a) in sub-section (1), for the words “twenty- five lakhs of rupees or exceed one crore of rupees”, the words “one crore of rupees” shall be substituted;

(b) in sub-section (2), the following provisos shall be inserted, namely:—

“Provided that in case the Regional Rural Bank raises its capital from sources other than the Central Government or the State Government or the Sponsor Bank, the shareholding of the Central Government and the Sponsor Bank shall not be less than fifty- one per cent.:

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Provided further that the Central Government shall consult the concerned State Government if the level of shareholding in the Regional Rural Bank of such State Government is reduced below fifteen per cent.”; 20

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

“(2A) The Central Government may, in consultation with the Sponsor Bank and the State Government, by notification, either raise or reduce the limit of shareholding of the Central Government, the State Government or the Sponsor Bank specified in sub- section (2): 25

Provided that the Central Government shall consult the concerned State Government before reducing the limit of shareholding of such State Government.”;

(d) in sub-section (3), after the words, brackets and figure “as is specified in sub-section (2)”, the words, brackets, figure and letter “or, as the case may be, notified by the Central Government under sub-section (2A)” shall be inserted. 30

Amendment
of section 9.

5. In the principal Act, in section 9, in sub-section (1),—

(a) in clause (a), the following proviso shall be inserted, namely:—

“ Provided that no person shall be nominated as a director, if he is already a director on the Board of any other Regional Rural Bank;”; 35

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

“(f) such number of directors elected by the shareholders other than the directors nominated by the Central Government, the State Government, the Sponsor Bank and other institutions owned or controlled by the Central Government or the State Government, whose names are entered in the register of shareholders of the Regional Rural Bank at least ninety days before the date of the meeting in which the election of directors takes place on the following basis, namely:— 40

(i) where the total amount of equity share capital issued to such shareholders is ten per cent. or less of the total issued equity capital, one director shall be elected from such shareholders; 45

(ii) where the total amount of equity share capital issued to such

shareholders is more than ten per cent. but less than twenty-five per cent. of the total issued equity capital, two directors shall be elected from the shareholders including the shareholders referred to in sub-clause (i);

5 (iii) where the total amount of equity share capital issued to such shareholders is twenty-five per cent. or more of the total issued equity capital, three directors shall be elected from the shareholders including shareholders referred to in sub-clauses (i) and (ii).";

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

10 “(3) The Central Government may appoint an officer of the Central Government on the Board of Regional Rural Banks, if it considers necessary for the purposes of effective functioning of the Regional Rural Banks.”.

6. In the principal Act, for section 10, the following section shall be substituted, namely:—

Substitution of new section for section 10.

15 “10. A director nominated under clause (a) of sub-section (1) of section 9 shall hold office during the pleasure of the Central Government and for such term, not exceeding three years, from the date on which he assumes his office, as the Central Government may specify at the time of his nomination and shall be eligible for re-nomination:

Term of office of director.

20 Provided that no such director shall hold office either continuously or intermittently for a period exceeding six years.”.

7. In section 19 of the principal Act, in sub-section (1), for the figures, letters and words “31st day of December”, the figures, letters and words "31st day of March" shall be substituted.

Amendment of section 19.

STATEMENT OF OBJECTS AND REASONS

The Regional Rural Banks Act, 1976 provides for the incorporation, regulation and winding up of Regional Rural Banks with a view to developing the rural economy by providing credit and other facilities for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. The said Act was amended from time to time and the last amendment was made in the year 2005.

2. In view of growing business of the Regional Rural Banks and expansion of their role in both qualitative as well as quantitative terms in extending banking services in rural areas, a need was felt to amend the Regional Rural Banks Act, 1976 to strengthen their capital base and improve their overall capabilities.

3. The Regional Rural Banks (Amendment) Bill, 2014, *inter alia*, seeks to make amendments to the said Act in respect of the following, namely:—

(a) to provide for the continuance of managerial and financial assistance from Sponsor Banks beyond the first five years of functioning of Regional Rural Banks;

(b) to provide for the enhancement of authorised capital of each Regional Rural Bank from five crore rupees to two thousand crore rupees divided into two hundred crore of fully paid-up shares of ten rupees each;

(c) to provide for the issued capital of each Regional Rural Bank to be not less than one crore rupees and shares in all cases to be fully paid-up shares of ten rupees each;

(d) to make provisions for raising capital by Regional Rural Banks from sources other than the Central Government, the State Government and the Sponsor Bank subject to the condition that in no event the combined shareholding of the Central Government and the Sponsor Bank shall be less than fifty-one per cent.; the State Government concerned to be consulted, if its shareholding is reduced below fifteen per cent.; and the Central Government to raise or reduce shareholding of the Central Government, concerned State Government and the Sponsor Bank, by notification, with prior consultation with the concerned State Government;

(e) to make provisions for (i) shareholders to elect directors in view of the proposed provisions for raising private capital by Regional Rural Banks from sources other than the Central Government, the State Government and the Sponsor Bank; (ii) a person not be a director on the Board of more than one Regional Rural Bank; (iii) appointment of an officer of the Central Government on the Board of Regional Rural Banks, if considered necessary;

(f) to provide for the term of the Directors nominated by the Central Government on the Board of Directors of the Regional Rural Banks under clause (a) of sub-section (1) of section 9 to be fixed for a period not exceeding three years and eligibility for re-nomination, and the combined tenure of the Central Government nominated Director on the Board of one or more Regional Rural Bank, whether continuously or intermittently, not to exceed six years;

(g) to provide the date of closure of annual accounts from “31st day of December” to “31st day of March” to bring uniformity with the financial year.

4. The Bill seeks to achieve the above objects.

NEW DELHI;

ARUN JAITLEY.

The 10th December, 2014.

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

[Copy of letter No. 7/9/2011-RRB(Vol.III) dated 11 December, 2014 from Shri Arun Jaitley, Minister of Finance to the Secretary-General, Lok Sabha]

The President, having been informed of the subject matter of the Regional Rural Banks (Amendment) Bill, 2014 has recommended for the introduction of the Bill in the Lok Sabha under clause (1) of Article 117 of the Constitution of India.

FINANCIAL MEMORANDUM

Sub-clause (a) of clause 3 of the Bill seeks to amend section 5 of the Act so as to increase the authorised capital of each Regional Rural Bank from five crore of rupees to two thousand crore of rupees divided into two hundred crore of fully paid-up shares of ten rupees each. Sub-clause (b) of clause 3 of the Bill seeks to amend the proviso so as to provide that the authorised capital of any Regional Rural Bank shall not be reduced below one crore of rupees and shares to be in all cases fully paid-up shares of ten rupees each. Sub-clause (a) of clause 4 of the Bill seeks to amend sub-section (1) of section 6 of the Act so as to provide that the issued capital of each Regional Rural Bank shall not be less than one crore of rupees. Sub-clause (b) of clause 4 of the Bill seeks to insert provisos to sub-section (2) of the aforesaid section 6 so as to provide that in case the Regional Rural Bank raises its capital from sources other than the Central Government or the State Government or the Sponsor Bank, the combined shareholding of the Central Government and the Sponsor Bank shall not be less than fifty-one per cent. and that the Central Government shall consult the concerned State Government, if the level of shareholding in the Regional Rural Bank of such State Government, is reduced below fifteen per cent. Sub-clause (c) of clause 4 of the Bill seeks to insert a sub-section (2A) after sub-section (2) of the said section 6 so as to provide that Central Government may, in consultation with the Sponsor Bank and the State Government, by notification, either raise or reduce the limit of shareholding of the Central Government, the State Government or the Sponsor Bank specified in sub-section (2) and Central Government shall consult the concerned State Government before reducing the limit of shareholding of such State Government.

2. While there is no immediate expenditure involved on account of the proposed Bill, in future, the Central Government being fifty per cent. shareholder of the Regional Rural Banks, may be called upon to contribute its share, as and when the share capital of the Regional Rural Banks is enhanced, and accordingly, there will be an additional non-recurring expenditure to be met out of the Consolidated Fund of India. It is, however, not possible at this stage to estimate the quantum of such expenditure.

3. The Bill, if enacted, will not involve any other expenditure of a recurring or non-recurring nature.

ANNEXURE

EXTRACTS FROM THE REGIONAL RURAL BANKS ACT, 1976

(21 OF 1976)

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CHAPTER II

INCORPORATION AND CAPITAL OF REGIONAL RURAL BANKS

3. (1) * * * * *

Establishment and incorporation of Regional Rural Banks.

(3) It shall be the duty of the Sponsore Bank to aid and assist the Regional Rural Bank, sponsored by it, by—

* * * * *

(c) providing such managerial and financial assistance to such Regional Rural Bank during the first five years of its functioning, as may be mutually agreed upon between the Sponsor Bank and the Regional Rural Bank:

Provided that the Central Government may, either on its own motion or on the recommendation of the National Bank, extend the said period of five years by such further period, not exceeding five years at a time, subject to such conditions as it may deem fit to impose.

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5. The authorised capital of each Regional Rural Bank shall be five crores of rupees divided into five lakhs of fully paid-up shares of one hundred rupees each:

Authorised capital.

Provided that the Central Government may, after consultation with the National Bank and the Sponsor Bank, increase or reduce such authorised capital; so, however, that the authorised capital shall not be reduced below twenty-five lakhs of rupees, and the shares shall be, in all cases, fully paid-up shares of one hundred rupees each.

6. (1) The issued capital of each Regional Rural Bank shall, in the first instance, be such as may be fixed by the Central Government in this behalf, but it shall in no case be less than twenty-five lakhs of rupees or exceed on crore of rupees.

Issued capital.

(2) Of the capital issued by a Regional Rural Bank under sub-section (1), fifty per cent. shall be subscribed by the Central Government; fifteen per cent. by the concerned State Government and thirty-five per cent. by the Sponsor Bank.

(3) The Board may, after consultation with the National Bank, the concerned State Government and the Sponsor Bank and with the prior approval of the Central Government, from time to time, increase the issued capital of the Regional Rural Bank; and, where additional capital is issued, such capital shall also be subscribed in the same proportion as is specified in sub-section (2).

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9. (1) The Board of directors shall consist of the Chairman appointed under sub-section (1) of section 11, and the following other members, namely:—

Board of directors.

(a) two directors, who are not officers of the Central Government, State Government, Reserve Bank, National Bank, Sponsor Bank or any other bank, to be nominated by the Central Government;

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Term of office of director.

10. A director (other than the Chairman) shall hold office for such period not exceeding two years, from the date when he assumes office, as the authority nominating him may specify at the time when the nomination is made, and may, on the expiry of the said period, continue to hold office until his successor has been nominated and shall also be eligible for re-nomination.

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CHAPTER V

ACCOUNTS AND AUDIT

Closure of accounts.

19. (1) Every Regional Rural Bank shall cause its books to be closed and balanced as on the 31st day of December or such other date in each year as the Central Government may, by notification in the Official Gazette, specify and shall appoint with the approval of the Central Government auditors for the audit of its accounts:

Provided that with a view to facilitating the transition from one period of accounting to another period of accounting under this sub-section, the Central Government may, by order published in the Official Gazette, make such provisions as it considers necessary or expedient for the closing and balancing of, or for other matters relating to, the books in respect of the concerned years.

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LOK SABHA

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to amend the Regional Rural Banks Act, 1976.

(Shri Arun Jaitley, Minister of Finance)