

**Draft Document seeking comments/suggestions of stakeholders  
on regulation and development of the Micro Finance Sector**

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To provide for promotion, development and regulation of the micro finance organisations in rural and urban areas and thereby for securing easy access to credit, thrift and other financial facilities to women and certain disadvantaged sections of the people, and for matters connected therewith or incidental thereto.

	CHAPTER I PRELIMINARY	
	Provided that different dates may be appointed for different provisions of this Draft and any reference in such provision to the commencement of this Draft shall be construed as a reference to the coming into force of that provision.	
	2. In this Draft, unless the context otherwise requires, -	Definitions
61 of 1981. 39 of 2002.	(a) “co-operative society” means a society as defined in clause (f) of section 2 of the National Bank for Agriculture and Rural Development Act, 1981 and includes a co-operative society registered under the Multi-State Co-operative Societies Act, 2002 and mutually aided or mutual benefit co-operative society registered under any other law relating to co-operative societies for the time being in force in any State;	
	(b) “Council” means the Micro Finance Development Council constituted under section 3;	
	(c) “eligible client” means any member of a self-help group or a self-help group itself or any other group engaged in thrift or micro finance service, who belongs to one or more of the following categories, namely:-	
	(i) farmers owning not more than two hectares of agricultural land or such area of agricultural land as may be prescribed;	
	(ii) landless cultivators of agricultural land including oral lessees, tenants or share croppers ;	
	(iii) landless labourers and migrant labourers;	
	(iv) artisans, micro entrepreneurs and persons engaged in small and tiny economic activities;	
	(v) women;	

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	(vi) such other categories as may be prescribed;	
	(d) “financial assistance” means any loan, advance, grant or any guarantee given or any other credit facility extended in cash or kind with or without security or guarantee;	
	(e) “group” means any association of eligible clients formed either as self-help group or joint liability group or a group called by any other name to provide micro finance services with or without thrift services to the individual members of such association;	
	(f) "micro finance organisation" means an organisation, other than a group, carrying on the business of micro finance services with or without thrift services to an eligible client and includes the following: -	
21 of 1860.	i a society registered under the Societies Registration Act, 1860 any other State enactment governing such societies; ii	
2 of 1882.	iii a trust created under the Indian Trust Act, 1882 or public trust registered under any State enactment governing trust for public, religious or charitable purposes; iv	
	v a co-operative society or mutual benefit society or mutually aided society registered under any State enactment relating to such societies or any multi-state co-operative society registered under the Multi-State Co-operative Societies Act, 2002 but does not include: - vi	39 of 2002
	i. a co-operative bank as defined in clause (cci) of section 5 of the Banking Regulation Act, 1949; or vii	10 of 1949
	i. a co-operative society engaged in agricultural operations or industrial activity or purchase or sale of any goods and services; viii	
	i. a primary agricultural credit society as defined in clause (cciv) of section 5 of the Banking Regulation Act, 1949; or	
	ii. a co-operative land mortgage bank, by whatever name called. ix	
	(g) “micro finance services” means one or more of the following services —	
	(i) financial assistance to an eligible client for -	
	A an amount, not exceeding rupees fifty thousand in aggregate per individual, for small and tiny enterprise, agriculture, allied activities (including for consumption purposes of such individual); or x	
	A an amount not exceeding rupees one lakh fifty thousand in aggregate per individual for housing purposes; or xi	

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	A such other amounts, for any of the purposes mentioned in items (A) and (B) above or such other purposes, as may be prescribed; xii	
	(ii) financial services to an eligible client through such agent as may be permitted by the Reserve Bank;	
	(iii) life insurance or general insurance services or pension services to an eligible client, which have been approved by the authority regulating such services; or	
	(iv) any other services as may be specified by regulations made by the National Bank;	
	(h) "National Bank" means the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;	61 of 1981.
	(i) "notification" means a notification published in the Official Gazette;	
	(j) "prescribed" means prescribed by rules made under this Act;	
	(k) "regulations" means regulations made by the National Bank;	
	(l) "Reserve Bank" means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934;	2 of 1934.
	(m) "scheme" means the scheme framed under sub-section (1) of section 26;	
	(n) "thrift" means any money collected, other than in the form of current account or demand deposit, by a group or a micro finance organisation, from its members or clients, as the case may be, not exceeding such amounts and subject to such terms and conditions as may be prescribed;	
	(o) words and expressions used herein and not defined but defined in the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 and the National Bank for Agriculture and Rural Development Act, 1981 shall have the same meanings respectively assigned to them in those Acts.	2 of 1934. 10 of 1949. 61 of 1981.
	<b>CHAPTER II</b>  <b>MICRO FINANCE DEVELOPMENT COUNCIL</b>	
Constitution of Micro Finance Development Council.	3. The Central Government may, by notification, constitute a Council to be known as the Micro Finance Development Council, to advise the National Bank on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the micro finance services.	
Composition of Council.	4. The Council shall consist of the following members, namely: -	

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	(a) a person of eminence, with experience in banking, rural credit and micro finance, to be nominated by the Central Government - Chairperson;	
	(b) two officers, not below the rank of Joint Secretary to the Government of India, one each to be nominated by the Ministry of Finance and the Ministry of Rural Development - Members;	
	(c) an officer, not below the rank of an Executive Director of the Reserve Bank, to be nominated by it - Member;	
	(d) one of the directors, referred to in clause (b) of sub-section (1) of section 6 of the National Bank for Agriculture and Rural Development Act, 1981, to be nominated by the National Bank - Member;	61 of 1981
39 of 1989.	(e) an officer, not below the rank of an Executive Director of the Small Industries Development Bank of India established under the Small Industries Development Bank of India Act, 1989, to be nominated by it - Member;	
	(f) an officer, not below the rank of an Executive Director of the National Bank dealing with micro finance, to be nominated by it - Member;	
53 of 1987.	(g) an officer, not below the rank of an Executive Director of the National Housing Bank established under the National Housing Bank Act, 1987, to be nominated by it – Member;	
	(h) not more than six persons, of whom at least two shall be women, to be nominated by the Central Government in consultation with the National Bank from amongst persons with experience in banking, rural credit and micro finance or the representatives of micro finance organisations or scheduled bank or any other institution providing thrift services or micro finance services - Members.	
	5. The Council shall advise the National Bank in matters relating to micro finance or on such other matters as may be referred to it by the National Bank.	Functions of Council.
	6. A member of the Council shall hold office for such term not exceeding five years as the Central Government may fix, and, receive such fees and allowances as may be specified by regulations for attending the meetings of the Council.	Terms of office and allowances of members of Council.
	7. The Council shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings, as may be specified by regulations.	Meetings of Council.
	CHAPTER III  REGISTRATION OF MICRO FINANCE ORGANISATIONS	
	8. Notwithstanding anything contained in the Reserve Bank of India Act,	Registration.

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2 of 1934. 10 of 1949.	1934 and the Banking Regulation Act, 1949 and save as otherwise provided in this Act, no micro finance organisation shall commence or carry on the business of providing thrift services to eligible clients without obtaining a certificate of registration from the National Bank under this Act.	
Application for registration.	9.(1) A micro finance organisation which intends to commence the business of providing thrift services to eligible clients shall make an application for registration to the National Bank in such form and manner along with such fee as may be specified by regulations.	
	(2) Any micro finance organisation, in existence at the commencement of this Act engaged in providing thrift services shall, before the expiry of six months from such commencement, apply in writing to the National Bank for a certificate of registration under this Act.	
Grant of certificate.	10.(1) The National Bank may, for the purpose of grant of certificate of registration, satisfy itself that the following conditions are fulfilled by the applicant micro finance organisation, namely:—	
	(a) the general character and management of the applicant shall not be prejudicial to the interest of the members of the group or eligible clients;	
	(b) the applicant is engaged in the promotion and development of micro finance services;	
	(c) the applicant has a net owned fund of at least five lakh rupees created out of promoter's contributions, reserves or grants or donations received by it;	
	(d) the applicant has been in existence for at least three years on the date of application for registration;	
	(e) any other condition as may be specified by regulations .	
	(2) The National Bank may, on being satisfied that the conditions referred to in sub-section (1) are fulfilled, grant a certificate of registration to the applicant micro finance organisation to commence or carry on the business of providing thrift services to eligible clients subject to such conditions as it may consider necessary to impose:	
	Provided that no application for registration shall be rejected unless the applicant has been given an opportunity of being heard.	
Power of National Bank to cancel certificate of registration.	11.(1) The National Bank may cancel the certificate of registration granted to a micro finance organisation under section 10, if such micro finance organisation,—	
	(i) ceases to carry on the business of providing thrift services to eligible clients; or	

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	(ii) has failed to comply with any of the conditions subject to which the certificate of registration has been granted to it; or	
	(iii) fails to comply with any direction issued by the National Bank under the provisions of this Act;	
	(iv) fails to submit or offer for inspection its books of account and other relevant documents under sub-section (1) of section 22.	
	(2) Before cancelling the certificate of registration under this section, the National Bank shall grant time to such micro finance organisation for taking necessary steps to comply with such directions or conditions, within the time granted by the National Bank:	
	Provided that if the National Bank is of the opinion that the delay in cancellation of the certificate of registration of a micro finance organisation shall be prejudicial or detrimental to the public interest or banking policy or credit system or micro finance service or eligible clients, it may cancel the certificate of registration without granting time.	
<b>i. 1</b>	12. (1) If any micro finance organisation violates any provisions of this Act or fails to comply with any direction given or order issued by the National Bank under this Act, the National Bank may prohibit the micro finance organisation from accepting any thrift for such period as the National Bank deems fit:	<b>ii. 1</b> Power to prohibit acceptance of thrift.  <b>iii.</b>
2	<b>i. 1</b> Provided that before passing any such order, the micro finance organisation shall be given a reasonable opportunity of being heard. <b>ii.</b>	
	<b>iii. 1</b> (2) Notwithstanding anything to the contrary contained in any agreement or any law for the time being in force, the National Bank on being satisfied that it is necessary so to do in the public interest or in the interest of the eligible clients, may direct the micro finance organisation by an order in writing, against whom an order prohibiting it from accepting thrift has been issued, not to sell, transfer, create, charge or mortgage or deal in any manner with its property or assets including sums of money deposited with any bank or financial institution without prior written permission of the National Bank for such period not exceeding six months from the date of the order and such bank or financial institution shall abide by the order issued by the National Bank: <b>iv.</b>	
<b>i. 1</b>	<b>v. 3</b> <b>vi. 4</b> Provided that the National Bank may for reasons to be recorded in writing extend the period of such prohibition for a further period of six months at a time, but in any case such extension shall not extend three years in aggregate.	<b>ii. 1</b>

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3 Appeal against certain cases.	13(1) A micro finance organisation aggrieved by an order of rejection of an application for grant of certificate of registration under section 10, or cancellation of certificate of registration under section 11, or an order prohibiting acceptance of thrift under section 12 or against any action taken by the National Bank under sub-section (4) of section 22 or under section 29, may prefer an appeal to the Central Government or such other authority as the Central Government may, by notification specify, within a period of sixty days from the date on which such order of rejection or cancellation of registration or prohibition of acceptance of thrift, or removal of any officer, office bearer or managing committee of the micro finance organisation or winding up of the micro finance organisation or order of payment of penalty, as the case may be, is communicated to the micro finance organisation.	
	(2) The appeal shall be filed and disposed of in such form and in such manner, as may be prescribed by the Central Government, from time to time.	
	(3) The decision of the Central Government or the authority, where an appeal has been preferred to it under sub-section (1), shall be final.	
	CHAPTER IV  RESERVE, ACCOUNTS, AUDIT AND RETURNS	
Obligation to create reserve fund.	14.(1) Every micro finance organisation registered with the National Bank under this Act shall create a reserve fund and transfer therein a sum, not less than fifteen per cent. of its net profit or surplus realised out of thrift services and micro finance services every year as disclosed in the profit and loss account or income and expenditure account before any dividend is declared or surplus is utilised for any other purpose.	
	(2) No appropriation of any sum from the reserve fund shall be made by the micro finance organisation except for the purpose, as may be specified by the National Bank from time to time, and every such appropriation shall be reported to the National Bank within twenty-one days from the date of such appropriation.	
	(3) The National Bank may, in the public interest or in the interest of the members contributing thrift, direct any micro finance organisation or any class of micro finance organisations to invest the whole or part of such reserve fund in such unencumbered securities, as it may, by regulations specify.	
Accounts and balance sheet.	15. At the close of each financial year, every micro finance organisation shall prepare with reference to that year, in respect of all services transacted by it, a balance sheet, profit and loss account or an income and expenditure account as on the last working day of the financial year, in such forms as may be specified by regulations.	
	16. The balance sheet, profit and loss account or an income and	Audit.

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1 of 1956.	expenditure account prepared in accordance with section 15 shall be audited by a person duly qualified under any law for the time being in force to be an auditor of companies formed and registered under the Companies Act, 1956 or an auditor from the list of Chartered Accountants or other qualified persons approved by the National Bank	
	Explanation.—For the purposes of this section “person duly qualified” means a person having qualification and experience as may be specified by regulations.	
1 of 1956.	17. Without prejudice to anything contained in the Companies Act, 1956 or any other law for the time being in force, where the National Bank is of the opinion that it is necessary in the public interest or in the interest of its clients or for the purpose of proper assessment of the records and books of account of the micro finance organisation, so to do, it may by order direct –	Special audit.
	(a) the auditor of micro finance organisation to audit the accounts of the micro finance organisation in relation to any transaction or class of transactions, or for such period or periods as may be specified in the order, and the auditor shall comply with such directions and make a report of the audit with such information as it may be asked to report by the National Bank to it and forward a copy thereof to the micro finance organisation;	
	(b) such micro finance organisation to appoint auditors, with the prior approval of the National Bank, for such period and subject to such conditions as the National Bank may specify from time to time.	
1 of 1956.	18. (1) The auditor appointed for audit under section 16 or for special audit under section 17 shall have the powers to exercise the functions vested in, discharge the duties and be subject to the liabilities and penalties imposed on the auditors of companies under section 227 of the Companies Act, 1956 and the auditors if any, appointed under any law establishing, constituting or forming the micro finance organisation concerned.	Powers of auditors.
	(2) Without prejudice to the provisions contained in sub-section(1), the auditor shall report –	
	(a) whether or not, the information and explanations required have been found to be satisfactory;	
	(b) whether the profit and loss account shows the true balance of profit or loss for the period covered by such account;	
	(c) any other matter including defaults in re-payment of thrift or interest thereon which the auditor considers necessary to be brought to the notice of eligible clients and the National Bank to ensure good governance and transparency in the business of the micro finance organisation concerned.	
	(3) The expenses of, or incidental to, the audit specified in the order made by the National Bank under clause (a) of sub-section (1) of section 17 shall be borne by the micro finance organisation concerned.	

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Returns to be filed by micro finance organisations.	19. Save as otherwise provided in this Act, every micro finance organisation, whether engaged in providing thrift services or not at the commencement of this Act shall, within ninety days from the date of commencement of this Act, file with the National Bank a return containing particulars of its activities in such form and manner and thereafter at such intervals as may be specified by regulations.	
	CHAPTER V FUNCTIONS AND POWERS OF NATIONAL BANK	
Functions and powers of National Bank.	20. (1) Without prejudice to the provisions of the National Bank for Agriculture and Rural Development Act, 1981 and subject to the provisions of this Act, it shall be the duty of the National Bank to promote and ensure orderly growth of the micro finance services in accordance with such measures as it deems fit.	61 of 1981.
	(2) Without prejudice to the generality of the foregoing provisions contained in sub-section (1), the measures may provide for-	
	(a) formulating and facilitating appropriate policy for the orderly growth of the micro finance services so as to ensure greater transparency, effective management, good governance and to facilitate the flow of thrift services and micro finance services in an efficient manner;	
	(b) setting or facilitating the sector related benchmarks and performance standards pertaining to methods of operation, methods of recovery, management and governance including model codes for conduct of business of micro finance organisations and other bodies or institutions providing micro finance services;	
	(c) facilitating the development of credit rating norms or rating norms for other purposes for micro finance organisations;	
	(d) specifying the form and manner of books of accounts to be maintained by micro finance organisations (other than those providing thrift services);	
	(e) specifying the form and manner of accounting of business operations of micro finance organisations and auditing standards relating thereto;	
	(f) calling for information and data from micro finance organisations for maintaining an appropriate data base in the public domain relating to micro finance services and disseminating the same through a national dissemination network;	
	(g) facilitating institutional development of all entities, including groups, engaged in thrift and micro finance through training and capacity building measures;	

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	(h) promoting customer education of all entities engaged in thrift services and micro finance for greater awareness and for economic empowerment of micro finance clients;	
	(i) supporting sector related research, field research, documentation and dissemination thereof;	
	(j) co-ordinating with other agencies for orderly growth and development of entities engaged in the micro finance services;	
	(k) documenting and disseminating information relating to fair practices with a view to ensuring provision of thrift services and micro finance services at an affordable cost to eligible clients;	
	(l) perform such other functions as may be prescribed.	
	21. Where the National Bank is satisfied that, in the public interest or to secure the proper management of micro finance organisation, it is necessary to issue directions to such micro finance organisations, it may from time to time issue such directions as it deems fit, and the micro finance organisations shall be bound to comply with such directions.	Power to issue directions to micro finance organisations.
	22.(1) The National Bank may, at any time, cause inspection to be made of books of accounts of any micro finance organisation whether providing thrift services or not, by an inspecting authority approved by it in such manner and on such terms and conditions as may be specified by it and such inspecting authority shall submit a report to the National Bank in respect of inspection made by it.	Inspection.
	(2) It shall be duty of every person who is a director, trustee or a member of Managing Committee, manager, secretary or other officer or employee of the micro finance organisation to produce before the inspecting authority, all such books of accounts, records and other documents in custody or power of the person to furnish any statement or information relating to affairs of the micro finance organisation, as the inspecting authority may require within such time, as may be specified.	
	(3) A copy of the report under sub-section (1) shall be furnished to the micro finance organisation, if:	
	vii. the micro finance organisation makes a request for the same; or xiii	
	i. any action is contemplated against the micro finance organisation on the basis of such report. xiv	
	(4) If the National Bank, after considering the report, is of the view that the affairs of any micro finance organisation are being conducted to the detriment of its eligible clients, it may after giving such opportunity to the micro finance organisation to make representation in connection with the report, take such action as it deems appropriate including removal of any officer, office bearer or managing committee of the micro finance organisation or winding up of micro finance operations, in accordance with the procedure specified in the regulations.	

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Restructuring of Business .	23. No micro finance organisation providing thrift or other services, shall close or wind up its business, or amalgamate with other organisations, or take over any other business or its shareholding or de-merge or divide, or restructure, or otherwise transfer the ownership or control of its business without prior approval of the National Bank.	
	CHAPTER VI  CONSTITUTION OF MICRO FINANCE DEVELOPMENT AND EQUITY FUND	
Grants by Central Government.	24. The Central Government may, after due appropriation made by Parliament by law in this behalf, make to the National Bank, grants of such sums of money as that Government may think fit for being utilised for the purposes of this Act.	
Fund.	25. (1) The National Bank shall constitute a fund to be called the Micro Finance Development and Equity Fund (hereafter called 'the Fund') and there shall be credited thereto -	
	i. all Government grants received and fees payable under this Act; xv	
	i. all sums that may be raised by the National Bank from donors, Governments, institutions, other entities and public for the purpose of this Act;	
	(c) any interest or other income received out of investments made from the Fund under clause (c) of sub-section (3);	
	(d) the balance outstanding in the Micro Finance Development and Equity Fund maintained by the National Bank, before the commencement of this Act.	
	(2) The Fund shall be managed by the Board of Directors of the National Bank in the manner as may be specified by regulations.	
	(3) The Fund shall be applied-	
	(a) to provide loans, refinance, grant, seed capital or any other financial assistance to any micro finance organisation or any other agency which the National Bank may by regulations specify;	
	(b) to give grants or loans for training and capacity building of organisations engaged in micro finance services and personnel engaged in promoting and providing micro finance services and meeting other expenditure related to such training and capacity building on such terms and conditions as may be specified by regulations;	

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	(c) to invest in equity or any other form of capital or quasi-equity of a micro finance organisation or any other agency on such terms and conditions as may be specified by regulations;	
	(d) to meet the expenses in relation to collection, analysis, dissemination of information relating to micro finance, conduct of such research, experiments or studies as may be necessary, and to design, promote, and propagate such practices as may be considered conducive to the growth of micro finance services;	
	(e) to meet any other expenses as may be required for the promotion of micro finance services as the National Bank by regulations specify;	
	(f) to meet any other expenses (except salaries, allowances and other remuneration of officers and other employees) of the National Bank in connection with discharge of its functions as may be specified by the regulations.	
	CHAPTER VII REDRESSAL MECHANISM	
	26. (1) The National Bank may, in consultation with the Micro Finance Development Council, if deemed necessary, appoint as many Micro Finance Ombudsman as it may deem fit in accordance with a scheme framed under this section, for the purpose of redressal of grievances between eligible clients and micro finance organisations with powers to issue directions to micro finance organisations.	Redressal of Grievances against micro finance organisations.
	(2) Any such scheme of Micro Finance Ombudsman may provide for the following:-	
	(a) appointment, terms of office, conditions of service and location of office of the Ombudsman;	
	(b) nature of grievances and complaints that may be entertained by the Ombudsman and the procedures for redressal of grievances and complaints;	
	(c) any other matter that may be necessary for effective functioning of Micro Finance Ombudsman.	
	CHAPTER VIII OFFENCES AND PENALTIES	
Contravention of provisions of Act, orders and directions.	27. (1) If any provision of this Act is contravened or if any default is made in complying with any other requirement of this Act or of any rules, regulations or orders or directions given or notification issued or condition imposed thereunder, any person guilty of such contravention or default shall be punishable with fine which may extend to twenty thousand rupees and where, a contravention or default is a continuing one, with further	

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	fine, which may extend to one thousand rupees for everyday after the first, during which the contravention or default continues or with imprisonment for a term not exceeding two years or with both.	
	(2) Whoever knowingly fails to comply with the provisions of section 12 or any orders made by the Central Government or other specified authority under section 13 or the directions issued by the Micro Finance Ombudsman shall be punishable with fine which may extend to twenty thousand rupees and where, a contravention or default is a continuing one, with a further fine, which may extend to one thousand rupees for every day after the first, during which the contravention or default continues, or with imprisonment for a term not exceeding two years or with both.	
	(3) Every offence connected with or arising out of acceptance of thrift or repayment thereof, shall be a cognizable offence under the Code of Criminal Procedure, 1973.	2 of 1974.
Giving false information.	28. Whoever, in any application, declaration, return, statement, information or particulars made, required or furnished by or under or for the purposes of any provision of this Act, or any rule, regulation or order or direction made or given thereunder, wilfully makes a statement which is false in any material particulars knowing it to be false or wilfully omits to make a material statement, shall be punishable with imprisonment for a term which may extend to two years and shall also be liable to fine which may extend to twenty thousand rupees and where, a contravention or default is a continuing one, with further fine, which may extend to one thousand rupees for everyday after the first, during which the contravention or default continues or with imprisonment for a term not exceeding two years or with both.	
	29. (1) Notwithstanding anything to the contrary contained in sections 27 and 28, the National Bank may impose penalty,—	Powers of National Bank to impose Penalty.
	ii. which may extend upto twenty thousand rupees where the contravention is of the nature referred to in sections 27 and 28; xvi	
	i. which may not be less than five hundred rupees for every day during which non compliance of the orders and directions, referred to in sections 27 and 28 continues.	
	(2) For the purpose of imposing penalty under sections 27 and 28, the National Bank shall serve notice on the micro finance organisation requiring it to show cause why the amount specified in the notice should not be imposed as a penalty and a reasonable opportunity of being heard shall also be given to such micro finance organisation.	
	(3) Any penalty imposed by the National Bank under this section shall be payable within a period of thirty days from the date on which the notice by the National Bank demanding payment of the amount is served on the micro finance organisation to pay the amount and the orders of the National Bank shall be enforceable in the same manner as if it were a	

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	decree made by the civil court in a civil suit.	
	30. No civil court shall have jurisdiction against any micro finance organisation in respect of any contravention or default for which any penalty has been imposed by the National Bank or payment of such penalty imposed by the National Bank.	Bar of civil jurisdiction.
	31. (1) Where an offence under this Act is committed, the person who was in charge of, and was responsible to, the micro finance organisation for the conduct of business of the micro finance organisation, as well as the micro finance organisation itself, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:	Offences by micro finance organisations.
	<p>Provided that nothing contained in this sub-section shall render any such person liable to punishment if he proves that the contravention or default was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.</p> <p>(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a micro finance organisation and it is proved that the same was committed with the consent or connivance of, or is attributable to any neglect on the part of, any person who is or was a director, trustee, member of the managing committee, manager, secretary or other officer or employee of the micro finance organisation when the offence is or was committed, such person shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.</p>	
	Explanation— For the purposes of this section, any offence punishable under this Act shall be deemed to have been committed at the place where the registered office or principal office of the micro finance organisation, is situated.	
Cognizance of offences.	32. (1) No court shall take cognizance of any offence punishable under this Act or any rules or regulations made there under, save on a complaint made by an officer or other person authorised by the National Bank.	
	<p>Provided that no such officer or other person shall be competent to file the complaint unless he is generally or specially authorised in writing by the National Bank.</p>	
	(2) No court inferior to that of Metropolitan Magistrate or a Judicial Magistrate of the first class shall try any offence punishable under this Act.	
	(3) Notwithstanding anything to contrary contained in the Code of Criminal Procedure, 1973, a court, if it considers fit to do so, may dispense with the attendance of the officer of the National Bank or other person filing the complaint on its behalf, but the court in its discretion at any stage of the proceeding, may direct personal attendance of such officer or the person.	2 of 1974.

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	(4) The court imposing any fine under this Act, may direct that the whole or any part thereof shall be applied for, or towards payment of the cost of the proceeding.	
	CHAPTER IX MISCELLANEOUS	
First charge over assets in favour of members.	33. In the event of a micro finance organisation making any default in repayment of thrift to any of its members or eligible clients who had made a contribution to thrift, all members or eligible clients of such micro finance organisation shall have a first charge over the specified unencumbered securities referred to in sub-section (3) of section 14.	
Power of Central Government to call for information.	34. The Central Government may, in consultation with the National Bank from time to time, require the furnishing of such returns, statements and such other particulars in regard to micro finance organisations in such form and in such manner as may be prescribed, and the micro finance organisation shall furnish to the Central Government such returns, statements and particulars.	
	35. The Central Government may, on being satisfied that in the public interest, or in the interest of the micro finance organisation, it is necessary so to do, by an order published in the Official Gazete, declare that any or all of the provisions of this Act shall not apply to a micro finance organisation or a class of micro finance organisations, either generally or for such period as may be specified in the order, subject to such conditions, limitations or restrictions as it may deem fit to impose.	Power to exempt.
	36. The provisions of this Act shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law.	Provisions of this Act to override other laws.
	37. No suit or other legal proceedings shall lie against the National Bank, or any director, or any officer, or other employee of the National Bank, or any other person authorised by the National Bank to discharge any functions under this Act for any loss or damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of this Act or of any other law or provision having the force of law.	Protection of action taken under the Act
	38. (1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.	Power to make rules.
	(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely: -	
	(a) the area of agricultural land to be owned by farmers under sub-clause (i) of clause (b) of section 2;	
	(b) such other categories of individuals under sub-clause (vi) of clause (b)	

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	of section 2;	
	(c) other amounts and the other purposes under item (c) of sub-clause (i) of clause (f) of section 2;	
	(d) the amount and the terms and conditions under sub-clause (n) of section 2;	
	(e) the form and the manner of filing of appeal under sub-section (3) of section 13; (f) such other functions as may be performed by the National Bank under clause (l) of sub-section (2) section 20;	
	(g) the form and manner of furnishing of returns, statements and other particulars under section 34;	
	(h) any other matter which is required to be, or may be, prescribed.	
Power to make regulations.	39. (1) The National Bank, with the previous approval of the Central Government may, by notification in the Official Gazette, make regulations not inconsistent with this Act and the rules made thereunder to carry out the purposes of this Act.	
	(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely:-	
	(a) any other services under sub-clause (iv) of clause (g) of section 2;	
	(b) the fees and allowances payable to a member of the Council under section 6;	
	(c) the time and place at which the Council shall meet and rules of procedure in regard to the transaction of business at its meetings under section 7;	
	(d) the form and manner in which a micro finance organisation shall make an application for registration and the fee payable to the National Bank under sub-section (1) of section 9;	
	(e) any other condition for grant of a certificate of registration under clause (e) of sub-section (1) of section 10;	
	(f) the unencumbered securities for the purpose of investment under sub-section (3) of section 14;	
	(g) the form in which the balance sheet, profit and loss account or an income and expenditure account shall be prepared under section 15;	
	(h) qualifications and experience of a person duly qualified under section 16;	

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	(i) the form and the manner of filing return under section 19;	
	(j) the procedure for removal of any officer, office bearer or managing committee or winding up of operations of the micro finance organisation under sub-section (4) of section 22;	
	(k) the manner of management of Fund by the Board of Directors of the National Bank under sub-section (2) of section 25;	
	(l) providing loans, refinance, grants, seed capital or any other financial assistance to any micro finance organisation or any other agency under clause (a) of sub-section (3) of section 25;	
	(m) the terms and conditions subject to which grants or loans shall be given by the National Bank under clause (b) of sub-section (3) of section 25;	
	(n) the terms and conditions subject to which the investment in equity or any other form of capital or quasi-equity of a micro finance organisation shall be made under clause (c) of sub-section (3) of section 25;	
	(o) any other expenses as may be required for the promotion of micro finance services under clause (e) of sub-section (3) of section 25;	
	(p) the other expenses (except salaries, allowances and other remuneration of officers and other employees) of the National Bank under clause (f) of sub-section (3) of section 25;	
	(2) Such other matters for which the National Bank may consider it expedient or necessary to provide for by way of regulations.	
	40. Every rule or order made by the Central Government and every regulation made by the National Bank or scheme framed under section 26 of this Act and any order of exemption made under section 33 shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule, regulation, scheme or order or both Houses agree that the rule, regulation, scheme or order should not be made, the rule, regulation or order shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule, regulation, scheme or order.	Rules, orders, regulations and scheme to be laid before Parliament.
	41 .(1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act, as appear to it to be necessary or expedient, for removing the	Power to remove difficulties.

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	difficulty:	
	Provided that no such order shall be made after the expiry of a period of two years from the date of commencement of this Act.	
	(2) Every order made under this section shall, as soon as may be after it is made, be laid before each House of Parliament.	

You are requested to submit your Comments/Suggestions on the above draft document, if any, within a period of three weeks (i.e by 03 march 2010) through email/post on the following address:

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