

**THE NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT ACT, 1981**

No.61 OF 1981

[30th December, 1981]

**(As amended by Act No.81 of 1985, Act No.66 of 1988 Act No. 55 of 2000
and [Act No. 48 of 2003] ¹)**

²[An Act to establish a development bank to be known as the National Bank for Agriculture and Rural Development for providing and regulating credit and other facilities for the promotion and development of agriculture small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas, and for matters connected therewith or incidental thereto.]

BE it enacted by Parliament in the Thirty-second Year of the Republic of India as follows:-

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the National Bank for Agriculture and Rural Development Act, 1981.

*Short title,
extent and
commencement*

(2) It extends to the whole of India.

(3) 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 of this Act, and any reference in any provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

2. In this Act, unless the context otherwise requires,-

Definitions

(a) "agriculture" includes horticulture, animal husbandry, forestry, dairy and poultry farming, pisciculture, and other allied activities, whether or not undertaken jointly with agriculture and the expression "agricultural operations" shall be construed accordingly .

Explanation :- For the purposes of this clause, "pisciculture" includes the development of fisheries, both inland and marine, catching of fish and all activities connected therewith or incidental thereto;

1. Came into effect from 19 September 2003

2. Subs. by Act No.55 of 2000, S.2

(b) “Agricultural Refinance and Development Corporation” means the Corporation established under section 3 of the Agricultural Refinance and Development Corporation Act, 1963, and renamed under section 3A of that Act as the Agricultural Refinance and Development Corporation;

10 of 1963

(c) “Board” means the Board of Directors of the National Bank;

(d) “central co-operative bank” means the principal co-operative society in a district in a State, the primary object of which is the financing of other co-operative societies in that district:

Provided that in addition to such principal society in a district, or where there is no such principal society in a district, the State Government may declare any one or more co-operative societies carrying on the business of financing other co-operative societies in that district to be also or to be a central co-operative bank or central co-operative banks within the meaning of this definition;

(e) “Chairman” means the Chairman ¹[.....] appointed under section 6;

(f) “co-operative society” means a society registered or deemed to be registered, under the Co-operative Societies Act, 1912 or any other law relating to co-operative societies for the time being in force in any State;

2 of 1912

(g) “crops” includes products of agricultural operations ;

(h) “director” means a director appointed under section 6 ;

(i) “industry in the tiny and decentralised sector” means industrial concerns in the tiny and decentralised sector and “industrial concern in the tiny and decentralised sector” means an industrial concern in which the investment in machinery and plant is not in excess of rupees two lakhs or such higher amount as the Central Government may specify by notification in this behalf having regard to trends in industrial development and other relevant factors;

(j) “Managing Director” means the Managing Director appointed under section 6;

(k) “marketing of crops” includes the processing of crops prior to marketing by any agricultural producers or any organisation of such producers;

(l) “National Bank” means the National Bank for Agriculture and Rural Development established under section 3;

(m) “notification” means a notification published in the Official Gazette;

(n) “primary rural credit society” means a co-operative society by whatever name called,-

(1) which has as its object or business the provision of financial accommodation to its members for agriculture or agricultural operations or for the marketing of crops, or for rural development; and

(2) the bye-laws of which do not permit admission of any other co-operative society as member;

1. The words “of the Board” omitted by Act No.55 of 2000, S.3.

Provided that this sub-clause shall not apply to the admission, as a member of a co-operative society, which is a State co-operative bank or a central co-operative bank by reason of such bank subscribing to the share capital of the co-operative society out of funds provided by the State Government for the purpose;

(o) “prescribed” means prescribed by regulations made under this Act;

(p) “regional rural bank” means a regional rural bank established under section 3 of the Regional Rural Banks Act, 1976;

21 of 1976

(q) “rural development” means development of rural areas through any activities conducive to such development.

Explanation.- For the purposes of this clause,-

(a) activities conducive to development of rural areas include activities relating to production of goods or provision of services in rural areas and activities for the promotion of cottage and village industries, industry in the tiny and decentralized sector and small-scale industry and handicrafts and other rural crafts;

(b) “rural area” means the area comprised in any village and includes the area comprised in any town, the population of which does not exceed ten thousand or such other figure as the Reserve Bank may specify from time to time;

(r) “Reserve Bank” means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934;

2 of 1934

(s) “scheduled bank” means a bank for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934;

2 of 1934

(t) “small-scale industry” means industrial concerns in the small scale sector and “industrial concern in the small scale sector” means an industrial concern-

(i) in which the investment in machinery and plant is not in excess of rupees twenty lakhs or such higher amount as the Central Government may specify by notification in this behalf having regard to trends in industrial development and other relevant factors, and

(ii) which is not an industrial concern in the tiny and decentralised sector;

(u) “State co-operative bank” means the principal co-operative society in a State, the primary object of which is the financing of other co-operative societies in the State:

Provided that in addition to such principal society in a State, or where there is no such principal society in a State, the State Government may declare any one or more co-operative societies carrying on business in that State to be also or to be a State co-operative bank or State co-operative banks within the meaning of this definition;

(v) “State land development bank” means the co-operative society which is the principal land development bank (by whatever name called) in a State and which has as its primary object the providing of long-term finance for agricultural development :

Provided that, in addition to such principal land development bank in a State, or where there is no such bank in a State, the State Government may declare any co-operative society carrying on business in that State and authorised by the bye-laws of such co-operative society to provide long-term finance for agricultural development to be also or to be a State land development bank within the meaning of this definition;

(w) words and expressions used herein and not defined but defined in the Reserve Bank of India Act, 1934, shall have the meanings respectively assigned to them in that Act;

2 of 1934

(x) words and expressions used herein and not defined either in this Act or in the Reserve Bank of India Act, 1934, but defined in the Banking Regulation Act, 1949, shall have the meanings respectively assigned to them in the Banking Regulation Act, 1949.

2 of 1934
10 of 1949

CHAPTER II

ESTABLISHMENT OF THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT AND CAPITAL THEREOF

3.(1) With effect from such date as the Central Government may, by notification in the Official Gazette, appoint, there shall be established for the purposes of this Act, a bank to be known as the National Bank for Agriculture and Rural Development

*Establishment
and
incorporation of
National Bank
for Agriculture
and Rural
Development*

(2) The bank shall be a body corporate with the name aforesaid having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property and to contract, and may by that name sue and be sued.

(3) The head office of the National Bank shall be at Bombay or at such other place as the Central Government may, by notification, specify.

(4) The National Bank may establish offices, branches or agencies at any place in India, and with the previous approval of the Central Government and in consultation with the Reserve Bank, at any place outside India.

4.(1) The capital of the National Bank shall be one hundred crores of rupees:

Capital

Provided that the Central Government may, in consultation with the Reserve Bank and by notification, increase the said capital up to ¹[five thousand crores] of rupees.

²[(2) The capital of the National Bank shall be subscribed to by the Central Government and the Reserve Bank to such extent and in such proportion as may be notified by the Central Government in consultation with the Reserve Bank, from time to time:

Provided that the National Bank may issue capital to such institutions and persons in such manner as may be notified by the Central Government:

Provided further that the combined shareholding of the Central Government and the Reserve Bank shall not at any time be less than fiftyone percent of the total subscribed capital.]

1. Subs. For the words "five hundred crores" by Act No.55 of 2000, S.4

2. Subs. by S.4 ibid.

CHAPTER III

MANAGEMENT OF THE NATIONAL BANK

5. (1) The general superintendence, direction and management of the affairs and business of the National Bank shall vest in a Board of Directors, which shall exercise all powers and do all acts and things which may be exercised or done by the National Bank.

Management

(2) Subject to the provisions of this Act, the Board in discharging its functions, shall act on business principles with due regard to public interest.

(3) Subject to the provisions of sub-section (1) and save as otherwise provided in the regulations made under this Act, the Managing Director shall also have powers of general superintendence, direction and management of the affairs and business of the National Bank and may also exercise all powers and do all acts and things which may be exercised or done by the National Bank;

¹[Provided that during the period of any casual vacancy of the nature referred to in Section 11 in the office of the Managing Director, the Chairman may also exercise the powers and discharge the functions of the Managing Director until the person appointed by the Central Government under section 11 to act as Managing Director enters upon his office.]

(4) Any whole-time director appointed under sub-section (3) of section 6 shall assist the Managing Director in the discharge of his functions under sub-section (3) and perform such duties as the Board may entrust or delegate to him.

(5) In the discharge of his powers and functions under sub-section (3), the Managing Director shall follow such directions as the Chairman may give.

(6) In the discharge of its functions under this Act, the National Bank shall be guided by such directions in matters of policy involving public interest as the Central Government, in consultation with the Reserve Bank, or the Reserve Bank, may give in writing.

6. ²[(1) The Board of Directors of the National Bank shall consist of the following, namely:-

*Board of
Directors*

(a) a Chairman ;

(b) three directors from amongst experts in rural economics, rural development village and cottage industries, small-scale industries or persons having experience in the working of co-operative banks, regional rural banks or commercial banks or any other matter the special knowledge or professional experience in which is considered by the Central Government as useful to the National Bank;

(c) three directors from out of the directors of the Reserve Bank;

(d) three directors from amongst the officials of the Central Government;

1. Ins. by Act No.66 of 1988, S.43

2. Subs. by Act No.55 of 2000, S.5

(e) four directors from amongst the officials of the State Government;

(f) such number of directors elected in the prescribed manner, by shareholders other than the Reserve Bank, the Central Government and other institutions owned or controlled by the Central Government whose names are entered on the register of shareholders of the National Bank ninety days before the date of the meeting in which such election takes place on the following basis, namely :-

- (i) where the total amount of equity share capital issued to such holders is ten percent. or less of the total issued equity capital *two directors;*
- (ii) where the total amount equity share capital issued to such shareholders is more than ten percent but less than twenty-five per cent and of the total issued equity capital *three directors; and*
- (iii) where the total equity share capital issued to such shareholders is twenty-five percent or more of the total issued equity capital *four directors:*

Provided that until the assumption of charge by the elected directors under this clause, the Central Government may at any time nominate such number of directors not exceeding four from amongst persons having special knowledge of, and professional experience in agricultural science, technology, economics, banking, co-operatives, law, rural finance, investment, accountancy, marketing or any other matter, the special knowledge of and professional experience in, which would, in the opinion of the Central Government, be useful to the National Bank for carrying out its functions; and

(g) a Managing Director.]

¹ [(2) The Chairman and other directors, excluding the directors referred to in clause(f), shall be appointed by the Central Government in consultation with the Reserve Bank :]

Provided that no such consultation shall be necessary in the case of directors appointed under clause (d) of sub-section (1).

(3) Where the Central Government is satisfied, in consultation with the Reserve Bank ²[.....] that it is necessary so to do, it may appoint one or more whole-time directors with such designations as may be deemed appropriate by that Government and any whole-time director so appointed shall also be a member of the Board :

³[.....]

7. (1) The Chairman shall hold office for such term not exceeding five years and shall receive such salary and allowances as the Central Government may, at the time of appointment, specify ⁴[and shall be eligible for re-appointment]:

Term of office of Chairman and other directors, retirement and payment of fees.

1. Subs. by Act No.55 of 2000, S.5
 2. The words "and the Board" omitted by Act No.81 of 1985, S.17.
 3. Proviso omitted by S.17 *ibid*.
 4. Added by Act No. 55 of 2000, S.6

¹[(1A) Notwithstanding anything contained in sub-section(1), the Central Government shall have the right to terminate the term of office of the Chairman at any time before the expiry of the term specified under that sub-section by giving him a notice of not less than three months in writing or three months' salary and allowances in lieu of such notice]

²[(1B) In the case of a vacancy in the office of the Chairman, the Managing Director shall perform the functions and duties of the Chairman during such vacancy.]

³[(2) Subject to the provisions contained in sub-section (5), a director appointed under clause (b) or clause (c) of sub-section (1) of section 6, shall hold office for such term, not exceeding three years, as the Central Government may specify in this behalf ⁴[.....] and shall be eligible for re-appointment;

Provided that no such director shall hold office continuously for a period exceeding six years.]

(3) The Central Government may, in consultation with the Reserve Bank, remove the Chairman at any time before the expiry of his term of office after giving him a reasonable opportunity of showing cause against the proposed removal.

⁵[(4) The Chairman and any other director, who is not an officer of the Central Government or State Government or an officer of the Reserve Bank or anybody or corporation established by or under any Central Act or any State Act and owned or controlled by such Government, shall be paid such fees and allowances as may be prescribed for attending the meetings of the Board or of any of its committees and for attending to any other work of the National Bank]:

⁶[(5) The Directors appointed under clauses (b) to (f) of sub-section (1) of section 6 shall hold office during the pleasure of the Central Government.]

8. (1) The Managing Director and any whole-time director appointed under sub-section (3) of section 6 shall,-

(a) hold office for such term not exceeding five years as the Central Government may, at the time of appointment, specify ⁷[and shall be eligible for re-appointment];

(b) receive such salary and allowances and be governed by such terms and conditions of service as the Board may, with the previous approval of the Central Government and in consultation with the Reserve Bank, determine :

Provided that the Managing Director and any such whole-time director appointed to the first Board shall receive such salary and allowances and be governed by such terms and conditions of service as the Central Government may, in consultation with the Reserve Bank, determine.

*Term of office of
Managing
Director and
Whole-time
directors
conditions of
service, etc.*

1. Ins. by Act No.81 of 1985, S.18

2. Ins. by Act No.55 of 2000, S.6

3. Subs. by Act No.66 of 1988, S.45

4. The words "and thereafter until his successor enters upon his office" omitted by S.6 ibid

5. Subs. by S.6 ibid

6. Ins. by Act No.66 of 1988, S.45

7. Ins. by Act No.66 of 1988, S.45

(2) The Central Government may, in consultation with the Reserve Bank, remove the Managing Director or any whole-time director appointed under sub-section (3) of section 6 at any time before the expiry of his term of office, after giving him a reasonable opportunity of showing cause against the proposed removal.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), the Central Government shall have the right to terminate the term of office of the Managing Director or of any whole-time director appointed under sub-section (3) of section 6 at any time before the expiry of the term fixed under sub-section (1) by giving him notice of not less than three months in writing or three months' salary and allowances in lieu of such notice :

Provided that the Central Government shall, before terminating the term of office of the Managing Director or any whole-time director appointed under sub-section (3) of Section 6, consult the Reserve Bank.

9. (1) No person shall be a director who-

- (a) is of unsound mind and stands so declared by a competent court; or
- (b) is or has been convicted of any offence which, in the opinion of the Central Government, involves moral turpitude; or
- (c) is, or at any time has been, adjudicated insolvent or has suspended payment of his debts or has compounded with his creditors.

(2) The appointment as director of any person who is a Member of Parliament or the Legislature of any State shall, unless within two months of the date of his appointment he ceases to be such member, be void on the expiry of the said period of two months and if any director is elected or nominated as a Member of Parliament or of any State Legislature he shall cease to be a director as from the date of such election or nomination, as the case may be.

Disqualifications.

10. (1) If a director-

- (a) becomes subject to any of the disqualifications mentioned in section 9; or
- (b) is absent without leave of the Board for more than three consecutive meetings thereof,

his seat shall thereupon become vacant.

(2) Any director may resign his office by giving notice there of in writing to the Central Government, and on his resignation being accepted by the Central Government, or if his resignation is not sooner accepted, on the expiry of three months from the receipt thereof by the Central Government, he shall be deemed to have vacated his office.

Vacation and resignation of office by directors.

11. If the Managing Director is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise, in circumstances not involving the vacation of his appointment, the Central Government may, after consultation with the Reserve Bank and the Board, appoint another person to act in his place as Managing Director during his absence.

Casual vacancy in the office of Managing Director.

12.(1) The Board 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 prescribed.

*Meetings of
Board*

(2) The Chairman of the Board, or if for any reason he is unable to attend any meeting, ¹[the Managing Director and in the absence of both, the Chairman and the Managing Director] any other director nominated by the Chairman in this behalf and in the absence of such nomination, any other director elected by the directors present at the meeting, shall preside at the meeting of the Board.

(3) All questions which come up before any meeting of the Board shall be decided by a majority of votes of the directors present and voting, and in the event of an equality of votes, the Chairman, or, in his absence, the person presiding, shall have a second or casting vote.

13.(1) The Board may constitute an Executive Committee consisting of such number of directors as may be prescribed.

*Committees of
National Bank*

(2) The Executive Committee shall discharge such functions as may be prescribed or may be delegated to it by the Board.

(3) The Board may constitute such other committees, whether consisting wholly of directors or wholly of other persons or partly of directors and partly of other persons as it thinks fit and for such purposes as it may decide and every committee so constituted shall discharge such functions as may be delegated to it by the Board.

(4) The Executive Committee 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 prescribed.

(5) The times and places at which any committee constituted under sub-section (3) shall meet, the rules of procedure which such committee shall observe in regard to the transaction of business at its meetings, and the fees and allowances which may be paid to the members of such committee for attending the meetings of the committee and for attending to any other work of the National Bank shall be such as may be specified by that Bank.

14. (1) ²[The Board may] constitute an Advisory Council consisting of such number of directors and such other persons who, in the opinion of the Board, have special knowledge of agriculture, agricultural credit, co-operation and rural economics, small-scale industries, village and cottage industries and handicrafts and other rural crafts or have special knowledge and appreciation of the country's overall developmental policies and in particular overall monetary and credit policies, which is considered by the Board as useful to the National Bank.

Advisory Council

(2) The Advisory Council shall advise the National Bank in such matters as may be referred to the Advisory Council by the National Bank and may discharge such other functions as may be entrusted or delegated to the Advisory Council by the National Bank.

(3) A member of the Advisory Council shall hold office for such term not exceeding five years as the National Bank may fix, and receive such fees and allowances as may be prescribed for attending the meetings of the Advisory Council and for attending to any other work of the National Bank.

1. Ins. by Act No.55 of 2000, S.8

2. Subs. for the words "the Board shall" by S.9 *ibid.*

(4) The Advisory Council shall meet at such times and places and shall observe such rules of procedure in regard to transaction of business at its meetings as may be prescribed.

15. A director of the Board or a member of a Committee, who has any direct or indirect pecuniary interest in any matter coming up for consideration at a meeting of the Board or a Committee thereof, shall, as soon as possible after relevant circumstances have come to his knowledge, disclose the nature of his interest at such meeting, and the disclosure shall be recorded in the minutes of the Board, or the Committee, as the case may be, and the director or member shall not take any part in any deliberation or decision of the Board or the Committee with respect to that matter.

Member of Board or Committee thereof not to participate in meetings in certain cases.

CHAPTER IV

TRANSFER OF BUSINESS TO THE NATIONAL BANK

16. (1) On such date as the Central Government, in consultation with the Reserve Bank may, by notification, appoint, the entire undertaking of the Agricultural Refinance and Development Corporation (hereafter in this Chapter referred to as the "Corporation") including all business, property, assets and liabilities, rights, interests, privileges and obligations of whatever nature, shall stand transferred to and vest in the National Bank.

(2) As compensation for the transfer of the undertaking of the Corporation to the National Bank under sub-section (1), the National Bank shall within six months from the date appointed under that sub-section (hereafter in this section referred to as the appointed date) pay to the shareholders of the Corporation a sum equal to the total paid-up capital of the Corporation as on the date immediately preceding the appointed date.

(3) The amount of compensation payable under sub-section (2) to the share holders of the Corporation shall be apportioned among the shareholders in proportion to their contributions to the paid up capital of the Corporation as on the date immediately preceding the appointed date.

Explanation.-For the purposes of this sub-section, "shareholders of the Corporation." means shareholders of the Corporation whose names appear on the register of shareholders maintained under section 8 of the Agricultural Refinance and Development Corporation Act, 1963, on the date immediately preceding the appointed date.

(4) The National Bank shall also pay to the shareholders of the Corporation referred to in sub-section (2) an amount calculated at the rate at which the shares of the Corporation were guaranteed as to the payment of minimum dividend under section 6 of the Agricultural Refinance and Development Corporation Act, 1963, for the period, if any, that has expired in the accounting year of the Corporation before the appointed date and this amount the National Bank shall distribute to the shareholders of the Corporation referred to in sub-section (2) in proportion to the shares held by such shareholders on the date immediately preceding the appointed date and at the rate at which such shares were guaranteed as to the payment of minimum dividend.

Transfer of Assets and liabilities of Agricultural Refinance and Development Corporation

10 of 1963

10 of 1963

(5) All contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the appointed date and to which the Corporation is a party, or which are in favour of the Corporation, shall be of as full force and effect against or in favour of the National Bank, as the case may be, and may be enforced or acted upon as fully and effectually as if instead of the Corporation the National Bank had been a party thereto, or as, if they had been in favour of the National Bank.

(6) If, immediately before the appointed date, any suit, appeal or other legal proceeding of whatever nature, is pending, by or against the Corporation, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer to the National Bank of the undertaking of the Corporation, or of anything contained in this Act, but the suit, appeal or other proceeding may be continued, prosecuted and enforced, by or against the National Bank.

17. On the date appointed under sub-section (1) of section 16,-

(a) the Corporation shall stand dissolved; and the

(b) the Agricultural Refinance and Development Corporation Act, 1963, shall stand repealed.

*Dissolution of
the Corporation
and repeal of Act
10 of 1963*

18. (1) On such date as the Central Government may, in consultation with the Reserve Bank, by notification, appoint, the assets and liabilities with the Reserve Bank relating to-

(a) the National Agricultural Credit (Long Term Operations) Fund established and maintained under section 46A of the Reserve Bank of India Act, 1934; and

(b) the National Agricultural Credit (Stablisation) Fund established and maintained under section 46B of the Reserve Bank of India Act, 1934,

shall stand transferred to the National Bank and form part of the National Rural Credit (Long Term Operations) Fund referred to in section 42 and the National Rural Credit (Stablisation) Fund referred to in section 43, respectively.

*Transfer of
business from
Reserve Bank*

2 of 1934

(2) With effect from such date as the Central Government may, in consultation with the Reserve Bank, by notification, appoint, the loans and advances which the Reserve Bank has granted to State co-operative banks and regional rural banks, under section 17 [except sub-clause(a) of clause (4)] of the Reserve Bank of India Act, 1934, and which the Reserve Bank may specify by a general or special order, shall, as far as may be, become and be deemed to be loans and advances granted by the National Bank under section 21, and the National Bank shall repay to the Reserve Bank, the amount of such loans and advances on such terms and conditions as the Central Government may specify, in consultation with the Reserve Bank.

2 of 1934

(3) All rights, liabilities, interests, privileges and obligations of whatever nature (including the rights and obligations arising by way of purchase, sale and rediscount of any bills of exchange and promissory notes) of the Reserve Bank in relation to any asset or liability referred to in sub-section(1) or any loan or advance referred to in sub-section (2) shall stand transferred to and vest in the National Bank on the date on which such asset or liability stands transferred to the National Bank under sub-section (1) or , as the case may be, such loan or advance becomes under sub-section (2) a loan or advance granted by the National Bank.

(4) All contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature relating to any asset or liability referred to in sub-section (1) and subsisting or having effect immediately before the date appointed under that sub-section or relating to any loan or advance referred to in sub-section (2) and subsisting or having effect immediately before the date appointed under that sub-section shall be of as full force and effect against, or in favour of, the National Bank, as the case may be, and may be enforced or acted upon as fully and effectually as if instead of the Reserve Bank, the National Bank had been a party thereto, or as if they had been in favour of the National Bank.

(5) If, immediately before the date appointed under sub-section (1) or sub-section (2), as the case may be, any suit, appeal or other legal proceedings of whatever nature relating to any asset or liability referred to in sub-section (1) or any loan or advance referred to in sub-section (2) is pending by or against the Reserve Bank the same shall not abate, be discontinued, or be in any way prejudicially affected by reason of the transfer to the National Bank of such asset or liability under sub-section (1), or as the case may be, such loan or advance becoming under sub-section (2) a loan or advance granted by the National Bank, or of anything contained in this Act, but the suit, appeal or other proceedings may be continued, prosecuted and enforced, by or against the National Bank.

CHAPTER V

BORROWINGS BY THE NATIONAL BANK

19. ¹[The National Bank may, for the purpose of carrying out its functions under this Act,-

²{(a) issue and sell bonds, debentures and other financial instruments with or without guarantee of the Central Government on such terms and conditions as may be approved by the Board;}

(b) borrow money from the Reserve Bank repayable on demand or otherwise on such terms and conditions including the terms relating to security and purposes as may be specified by the Reserve Bank;

(c) borrow money from the Central Government and from any other authority or organisation or institution approved by the Board, on such terms and conditions as may be agreed upon;

(d) accept from the Central Government, a State Government, a local authority, a State land development bank, a State co-operative bank or a scheduled bank or any person or body, whether incorporated or not, deposits repayable on such terms as the National Bank may, with the approval of the Reserve Bank fix; and

(e) receive gifts, grants, donations or benefactions from the Central Government or any State Government or any other source.]

³[20. (1) Notwithstanding anything contained in the Foreign Exchange Management Act, 1999, or in any other law for the time being in force, relating to foreign exchange, the National Bank may borrow, with the previous approval of the Central Government and in consultation with the Reserve Bank, foreign currency from any bank or financial institution in India or elsewhere, for granting loans and advances or for utilising such currency for any other purpose specified under the provisions of this Act.]

*Borrowings by
the National
Bank*

*Borrowings in
foreign currency.*

42 of 1999

1. Subs. by Act No.55 of 2000, S.10

2. Deemed to have been substituted w.e.f. 26.9.2000

3. Subs. by S.11 *ibid.*

CHAPTER VI
CREDIT FUNCTIONS OF THE NATIONAL BANK

*Production and
marketing credit.*

21.(1) The National Bank may provide by way of refinance, loans and advances, repayable on demand or on the expiry of fixed periods not exceeding eighteen months, [to State co-operative banks, central co-operative banks]¹, regional rural banks, or to any financial institution or to any class of financial institutions, which are approved by the Reserve Bank in this behalf, for financing -

- (i) agricultural operations or the marketing of crops, or
- (ii) the marketing and distribution of inputs necessary for agriculture or rural development, or
- (iii) any other activity for the promotion of or in the field of agriculture or rural development, or
- (iv) bona fide commercial or trade transactions, or
- (v) the production or marketing activities of artisans or of small-scale industries, industries in the tiny and decentralised sector, village and cottage industries or of those engaged in the field of handicrafts and other rural crafts.

(2) The National Bank may make loans and advances under sub-section (1) against the security of -

- (i) stocks, funds and securities other than immovable property, in which a trustee is authorised to invest trust money by any law for the time being in force;
- (ii) promissory notes supported by documents of title goods, such documents having been transferred, assigned or pledged to the borrowing institution as security for a loan or advance made for any of the purposes specified in sub-section (1) :

Provided that the National Bank may, whenever it considers it necessary so to do, accept, in lieu of the actual assignment of any such security in favour of the National Bank, a declaration in writing from the borrowing institution,-

- (a) stating that it holds such documents of title to goods as may be set out in the declaration; and
- (b) containing such other particulars as may be required by the National Bank.

(3) Notwithstanding anything contained in sub-section (2), the National Bank may in its discretion grant a loan or advance:

- (a) [to any State co-operative bank or central co-operative bank]² if the loan or advance is fully guaranteed for repayment of principal and interest by Government;
- (b) to any State co-operative bank which is a scheduled bank, if the loan or advance is secured either by a bill of exchange or promissory note executed by the central cooperative bank and assigned in favour of the State co-operative bank.

(4) Notwithstanding anything contained in sub-sections (2) and (3), the National Bank may also make loans and advances repayable on demand or on the expiry of fixed periods not exceeding eighteen months against promissory notes of a State co-operative bank or a regional rural bank or an institution approved under sub-section (1) :

Provided that the borrowing institution furnishes a declaration in writing, setting out the purpose for which it has made loans and advances and such other particulars as may be required by the National Bank.

¹ Substituted by Act No. 48 of 2003, S1

² Substituted by Act No. 48 of 2003, S2

22. ¹[Where the National Bank is satisfied that owing to drought, famine or other natural calamities, military operations or enemy action, any State co-operative bank, central co-operative bank, regional rural bank or any such financial institution or any financial institution falling under any such class of financial institutions, as may be approved by the Reserve Bank in this behalf, requires assistance under this section, it may provide to such bank or institution such financial assistance as it may deem fit by way of making loans and advances repayable on the expiry of fixed periods not exceeding seven years and on such terms and conditions as may be specified in this behalf by the National Bank :

*Conversion loan
for production
credit*

Provided that loans and advances may be made under this section only for the purpose of enabling the borrowing bank or institution,-

- (a) to pay any dues to the National Bank for credit extended for financing agricultural operations or the marketing of crops under clause (i) of sub-section(1) of section 21, or
- (b) (i) to make loans or advances to central co-operative banks or primary rural credit societies in cases where the borrowing bank is a State co-operative bank and
(ii) to make loans and advances to primary rural credit societies in cases where the borrowing bank is a central co-operative bank,

and such loans or advances in both the cases being repayable on the expiry of fixed periods not being less than eighteen months and not exceeding seven years, by way of reimbursement of loans and advances made by such co-operative banks or societies for agriculture or agricultural operations or for reimbursement of such loans or advances which have been converted into loans or advances repayable on expiry of fixed periods not being less than eighteen months and not exceeding seven years from the date of conversion:

Provided further that no loan or advance shall be made under this section to a State co-operative bank or a central co-operative bank unless such loan or advance is fully guaranteed as to the repayment of the principal and payment of interest, by the State Government].

23. Where the National Bank is satisfied that owing to unforeseen circumstances the rescheduling of any loans and advances made to artisans, small-scale industries, industries in the tiny and decentralised sector, village and cottage industries and those engaged in the field of handicrafts and other rural crafts, by any State co-operative bank, regional rural bank or any such financial institution or any financial institution falling under such class of financial institutions as may be approved by the Reserve Bank in this behalf, has become necessary, it may provide to such bank or institution such financial assistance as it may deem fit by way of loans and advances repayable on the expiry of fixed periods not being less than eighteen months and not exceeding seven years against such securities as may be specified in this behalf by the National Bank:

*Rescheduling of
loans to artisans,
small-scale
Indus-tries, etc.*

Provided that no loan or advance shall be made under this section to a State co-operative bank unless such loan or advance is fully guaranteed as to the repayment of the principal and payment of interest, by the State Government but such guarantee may be waived by the National Bank if other security to the satisfaction of the National Bank is furnished, or if, for reasons to be recorded by it in writing, the National Bank is satisfied that the guarantee or other security is not necessary.

¹ Substituted by Act No. 48 of 2003, S3

24. The National Bank shall provide such financial assistance as it may consider necessary by way of making to State co-operative banks, regional rural banks, loans and advances repayable on the expiry of fixed periods not being less than eighteen months and not exceeding seven years against such securities as may be specified, in this behalf, by the National Bank and such loans or advances may be made for agriculture, rural development or such other purposes as the National Bank may, from time to time, determine :

*Investment credit
– Medium term.*

Provided that no loan or advance shall be made under this section to a State co-operative bank unless such loan or advance is fully guaranteed as to the repayment of the principal and payment of interest, by the State Government but such guarantee may be waived by the National Bank, if other security to the satisfaction of the National Bank is furnished, or if, for reasons to be recorded by it in writing, the National Bank is satisfied that the guarantee or other security is not necessary.

25. (1) The National Bank may provide such financial assistance as it may consider necessary for promoting agriculture and rural development by -

Other investment credit

(a) making loans and advances, by way of refinance, on such terms and conditions as the National Bank may think fit to impose, to a State land development bank or a State co-operative bank or a scheduled bank or any other financial institution approved by the Reserve Bank in this behalf, and also rescheduling the payment of such loans and advances:

Provided that the maximum period for which any such loan or advance may be granted, whether originally or by rescheduling the payment thereof, shall not exceed twenty-five years;

(b) purchasing or selling, or subscribing to the bonds or debentures issued by any bank or institution referred to in clause (a) and repayable within a period not exceeding twenty-five years from the dates on which they are issued;

(c) making loans and advances on such terms and conditions as the National Bank may think fit to impose, to a State co-operative bank or a scheduled bank for the purpose of enabling such bank to make loans or advances to artisans, small-scale industries, industries in the tiny and decentralised sector, village and cottage industries and those engaged in the field of handicrafts and other rural crafts and also rescheduling the payment of such loans and advances:

Provided that the maximum period for which any such loan or advance may be granted, whether originally or by rescheduling the payment thereof, shall not exceed twenty-five years;

(c) making, where it is considered necessary so to do in connection with any financial assistance under clause (a) or clause (b) or clause (c) to a State land development bank or a State co-operative bank or a scheduled bank, loans and advances repayable on demand or on the expiry of a fixed period not exceeding eighteen months, by way of refinance ¹ [or otherwise] to such bank and also rescheduling the payment of such loans and advances for such period as the National Bank may deem fit.

(2) The provisions of this section shall be in addition to, and not in derogation of, the provisions of section 21 and section 24.

1. Ins. by Act No.55 of 2000, S.12

26.¹[The National Bank may subscribe to, or purchase or sell stocks, shares, bonds or debentures of, or invest in the securities of, any institution or class of institutions concerned with agriculture and rural development which the Board may approve subject to such terms and conditions as it may deem fit.]

Purchase and sale of shares

27. The National Bank may make loans and advance to State Governments, repayable on the expiry of fixed periods not exceeding twenty years from the date of making such loans and advances from the National Rural Credit (Long Term Operations) Fund established under section 42 for enabling them to subscribe directly or indirectly to the share capital of a co-operative credit society.

Loans to State Governments for share capital contributions

²[27A . The National Bank may make loans and advances to any State Government or a corporation owned or controlled by the State Government or to any other person or class of persons, as may be approved by the Board, repayable on the expiry of fixed period not exceeding twenty-five years from the date of making of such loans and advances and subject to such terms and conditions, as may be approved by the Board, for the purpose of development of infrastructure facilities for promotion of agriculture and rural development.]

Loans to State Government, undertakings etc.

28. (1) No accommodation shall be granted by the National Bank under clause (a) or clause (c) of sub-section (1) of section 25 or section 30 or section 32 to an institution other than a scheduled bank unless it is fully and unconditionally guaranteed by the Government as to the repayment of principal and payment of interest:

Security for credit.

Provided that no such guarantee shall be required in cases in which security to the satisfaction of the Board is furnished by the borrowing institution.

(2) No accommodation shall be granted by the National Bank under clause (a) or clause (c) of sub-section (1) of section 25 or section 32 to any scheduled bank unless security to the satisfaction of the Board is furnished by such scheduled bank,

³[(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), no guarantee or security referred to therein shall be required in cases in which the Board, for reasons to be recorded in writing, decides that no such security or guarantee is necessary in respect of a scheduled bank, a State co-operative bank or any person or class of persons, specifically approved by the Board or in respect of any scheme or class of schemes, having regard to the nature and scope of the scheme or schemes for which accommodation is proposed to be granted by the National Bank.]

29. (1) Any sums received by a borrowing institution in repayment or realisation of loans and advances refinanced either wholly or partly by the National Bank shall, to the extent of the accommodation granted by the National Bank and remaining outstanding, be deemed to have been received by the borrowing institution in trust for the National Bank, and shall accordingly be paid by such institution to the National Bank, as per the repayment schedule fixed by the National Bank.

Amounts and securities to be held in trust.

(2) Where an accommodation has been granted to a borrowing institution, all securities held, or which may be held, by such borrowing institution, on account of any transaction in respect of which such accommodation has been granted by the National Bank, shall be held by such institution in trust for the National Bank.

1. Subs. by Act No.55 of 2000, S.13

2. Ins. by S.14 ibid

3. Subs. by S.15 ibid

¹[(3) Notwithstanding anything to the contrary contained in any law for the time being in force, where a liquidator is appointed for winding up a borrowing institution, it shall be the duty of the liquidator to forthwith pass on to the National Bank the sums recovered by the borrowing institution or the liquidator, as the case may be, in repayment or realisation of the loans and advances refinanced either wholly or partly by the National Bank to the extent the refinance is outstanding and the National Bank shall be entitled to enforce the securities held by the borrowing institution in trust for the National Bank as if every reference to the borrowing institution in any contract, security or other document obtained by borrowing institution is a reference to the National Bank and accordingly, the National Bank shall be entitled to recover the balance sums due under such loans and advances from the constituents of borrowing institution and any discharge given by the National Bank to such constituent shall be a valid discharge and the liquidator shall, on demand made by the National Bank, deliver to it all such contracts, securities and other documents, for due enforcement thereof by the National Bank.

Explanation - For the purpose of this sub-section, the word “liquidator” shall include liquidator or a provisional liquidator or any person or authority entrusted with the duty of liquidating the borrowing institution.]

²[30. The National Bank may, in exceptional circumstances to be recorded in writing by the Board, by itself or in association with other financial institutions or scheduled banks, make loans and advances, otherwise than by way of refinance to any person or class of persons or body corporate, on such terms and conditions, including security and repayable within such period not exceeding twenty-five years, as the National Bank may deem fit.]

Direct loans.

³[30A. The National Bank may rediscount bills of exchange and promissory notes made, drawn, accepted or endorsed by any company or body corporate concerned with agriculture and rural development presented by a scheduled bank, a State co-operative bank, State land development bank, regional rural bank or any other institution or class of institutions approved by the Board.]

*Bills
rediscounting.*

31. The National Bank may receive, for the rendering of any of the services mentioned in this Chapter or Chapter VII, such commission or other consideration as may be agreed upon.

Commission

⁴[32. The National Bank may guarantee, subject to such directions as may be issued by the Board, from time to time, deferred payments in connection with the purchase of capital goods or for any other purpose for giving effect to the provisions of this Act, due from any person or class of persons, whether incorporated or not.]

*Issue of
guarantees.*

33. In entering into any transaction ⁵[under this Act with a borrower] the National Bank may impose such conditions as it may think necessary or expedient for protecting the interests of the National Bank.

*Power to impose
conditions for
accommodation*

1. Ins. by Act No.55 of 2000,S.16,

2. Subs. by S.17, ibid

3. Ins. by S.17, ibid

4. Subs. by S.18, ibid

5. Subs. for the words “under this chapter with a borrowing institution” by S.19, ibid.

34. ¹[Notwithstanding anything to the contrary contained in any agreement or arrangement, the National Bank may, by notice in writing, require any borrower or assisted person to whom it has granted any loan or other financial assistance including grants, to discharge forthwith in full, the loan or other financial assistance, including grants, as the case may be,-

Power to call for repayment before agreed period.

(a) if it appears to the National Bank that false or misleading information in any material particulars was given in the application for the loan or other financial assistance; or

(b) if the borrower or the person has failed to comply with any of the terms of the contract or arrangement with the National Bank in the matter of loan or other financial assistance, including grants; or

(c) if there is a reasonable apprehension that the borrower is unable to pay its debts or that proceedings for liquidation may be commenced in respect thereof; or

(d) if for any reasons, it is necessary so to do, to protect the interests of the National Bank.]

35.²[(1) The National Bank shall have free access to all such records of a borrower seeking to avail of any credit or other facilities from the National Bank under this Act and also to all such records of any person seeking to avail of any credit or other facilities from such borrower, perusal whereof may appear to the National Bank to be necessary in connection with the providing of finance or other assistance to such borrower or the refinancing of any loan or advance made to such person by the borrower.]

National Bank to have access to records

(2) The National Bank may require any institution or person referred to in sub-section (1) to furnish to it copies of any of the records referred to in that sub-section and the institution or the person, as the case may be, shall be bound to comply with such requisition.

36. Notwithstanding anything to the contrary contained in any other law for the time being in force, the validity of any loan or advance granted by the National Bank in pursuance of the provisions of this Act shall not be called in question merely on the ground of non-compliance with the requirements of such other law as aforesaid or of any resolution, contract, memorandum, articles of association or other instrument:

Validity of loan or advance not to be questioned.

Provided that nothing in this section shall render valid any loan or advance obtained by any company or co-operative society where such company or co-operative society is not empowered by its memorandum to obtain loans or advances.

37. The National Bank shall not grant any loan or advance on the security of its own bonds or debentures.

National Bank not to grant loan or advances against its own bonds or debentures

1. Subs. by Act No.55 of 2000, S.20

2. Subs. by S.21, *ibid.*

[37A. (1) The National Bank shall not make any loans or advances under section 30 or make any grants under this Act to any person or body of persons of which any of the directors of the National Bank is a proprietor, partner, director, manager, agent, employee or guarantor or in which one or more directors of the National Bank together hold substantial interest :

***Prohibited
business***

Provided that this sub-section shall not apply to any borrower if any director of the National Bank-

(a) is nominated as director of the Board of such borrower by the Government or a Government company as defined in section 617 of the Companies Act, 1956 or by a corporation established by any other law,

1 of 1956

(b) is elected on the Board of such borrower by virtue of shares held in the borrower organisation by the Government, or a Government company as defined in section 617 of the Companies Act, 1956 or by a corporation established by any other law, by reason only of such nomination or election, as the case may be.

1 of 1956

Explanation.- For the purposes of this sub-section, “substantial interest”, in relation to a borrower, means the beneficial interest held by one or more of the directors of the National Bank or by any relative of such director as defined in clause (41) of section 2 of the Companies Act, 1956, whether singly or taken together, in the shares of the borrower, the aggregate amount paid-up on which either exceeds five lakhs of rupees or five percent of the paid-up share capital of the borrower, whichever is lesser.

1 of 1956

(2) The provisions of sub-section (1) -

(a) shall not apply to any borrower, if the National Bank is satisfied that it is necessary in the public interest to enter into business with that borrower and entering into any kind of business with such borrower shall be in accordance with and subject to such conditions and limitations, as may be approved by the Board;

(b) shall not apply to any transaction relating to the business entered into prior to the commencement of the National Bank for Agriculture and Rural Development (Amendment) Act, 2000, and all such business and any transaction in relation thereto may be implemented or continued as if that Act had not come into force;

(c) shall apply only so long as the conditions precedent to such disability as set out in the said sub-section continue.]

CHAPTER VII

OTHER FUNCTIONS OF THE NATIONAL BANK

38. The National Bank -

(i) shall co-ordinate its operations and the operations of various institutions engaged in the field of rural credit and maintain expert staff to study all problems relating to agriculture and rural development and be available for consultation to the Central Government, the Reserve Bank, the State Governments and the other institutions engaged in the field of rural development ;

(ii) may act as the agent for the Central Government or a State Government or the Reserve Bank in the transaction of any business in respect of loans and advances granted or to be granted, or bonds or debentures purchased or subscribed for, or to be purchased or subscribed for;

(iii) may provide facilities for training, for dissemination of information and the promotion of research including the undertaking of studies, researches, techno-economic and other surveys in the field of rural banking, agriculture and rural development and it may for the said purposes ¹[make loans or advances or grants] including grants by way of provision for fellowships and chairs to any institution;

²[(iv) may provide technical, legal, financial, marketing and administrative assistance to any person engaged in agriculture and rural development activities;

(v) may provide consultancy services in the field of agriculture and rural development and other related matters in or outside India, on such terms and against such remuneration, as may be agreed upon;

(vi) may perform the functions entrusted to or required of the National Bank by any other law for the time being in force; and

(vii) do any other kind of business or undertake any other kind of activity which the Central Government or the Reserve Bank may authorise.]

³[38A. The National Bank may, in consultation with the Reserve Bank, promote, form or manage or associate itself in promotion, formation or management of companies, subsidiaries, affiliates, societies, trusts or such other association of persons, as it may deem fit, for the purpose of carrying out its functions under this Act.]

*Other functions
of the National
Bank*

*Promotion of
subsidiaries*

1. Subs. for the words "make grants" by Act No.55 of 2000, S.

2. Ins. by S.23, *ibid*.

3. Ins. by S.24, *ibid*.

¹[38B. Notwithstanding anything contained in this Act, the National Bank may -

(a) create one or more trusts and transfer loans and advances granted by it, with or without the securities, to such trusts, for consideration;

(b) set aside loans or advances held by the National Bank and issue and sell securities based upon such loans or advances so set aside in the form of debt obligations, trust certificates of beneficial interest or other instruments, by whatever name called, and act as a trustee for the holders of such securities.]

Securitisation of debt.

²[38C. Notwithstanding anything contained in sub-section (1) of section 17 of the Registration Act, 1908 ,-

(a) any instrument in the form of debt obligations or trust certificate of beneficial interest or any other instrument, by whatsoever name called, issued by the National Bank or the trust created by it to securitise the loans granted by it and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property; or

(b) any transfer of such instruments referred to in clause(a), shall not require compulsory registration.]

Exemption from compulsory registration. 16 of 1908

39. The National Bank may also do all such things as may be necessary or incidental to or consequential upon the exercise of its powers, discharge of its functions and the performance of its duties, under this Act, or under any other law for the time being in force.

Incidental powers.

40. ³[(1) The National Bank may invest its funds in promissory notes, stocks or securities of the Central Government or keep the moneys deposited with the Reserve Bank or with any agency of the Reserve Bank or with a State co-operative bank or a scheduled bank.

Deposits and investments.

(2) Notwithstanding anything contained in sub-section (1) or section 30A, the National Bank may, for beneficial investment of its surplus funds, rediscount bills of exchange or promissory notes arising out of *bonafide* trade and commercial transactions and also lend repayable at call or short notice to a scheduled bank or any financial institution approved by the Reserve Bank, or invest in certificates of deposit and other instruments or schemes as may be approved by the Board.]

41. The National Bank may, for the purpose of the efficient discharge of its functions under this Act, collect from or furnish to the Central Government, the Reserve Bank or any banking company or such other financial institution as may be notified by the Central Government in this behalf, credit information or other information.

Credit information.

Explanation.-For the purposes of this section, the expressions “banking company” and “credit information” shall have the same meanings as in section 45A of the Reserve Bank of India Act, 1934.

2 of 1934

1. Ins. by S.14, *ibid*

2. Ins. by Act No.55 of 2000, S.24

3. . Subs. by S.25 *ibid*.

CHAPTER VIII

FUNDS, ACCOUNTS AND AUDIT

42. (1) The National Bank shall establish and maintain a Fund to be known as the National Rural Credit (Long Term Operations) Fund.

*National Rural
Credit (Long
Term
Operations)
Fund*

(2) The Fund shall (in addition to assets and liabilities transferred under section 18) include,-

(a) such sums of money as the Central Government and the State Governments may contribute from time to time;

(b) such sums of money as the Reserve Bank may contribute every year; and

(c) such further sums of money as the Board may contribute every year.

(3) The amount in the said Fund shall be applied by the National Bank only to provide financial assistance by way of loans and advances under section 23, section 24, sub-section (1) of section 25 or section 27 or for the purposes of section 26.

43. (1) The National Bank shall establish and maintain a Fund to be known as the National Rural Credit (Stabilisation) Fund.

*National Bank
Credit
(Stabilisation)
Fund*

(2) The Fund shall (in addition to assets and liabilities transferred under section 18) include,-

(a) such sums of money as the Central Government and the State Governments may contribute from time to time;

(b) such sums of money as the Reserve Bank may contribute every year; and

(c) such further sums of money as the Board may contribute every year.

(3) The amounts in the said Fund shall be applied by the National Bank only to provide loans and advances under section 22.

44. (1) The National Bank shall establish and maintain a Fund to be known as the Research and Development Fund, to which shall be credited -

*Research and
Development
Fund.*

(a) such sums of money as are transferable to this Fund in accordance with section 47;

(b) such sums of money as the Board may contribute every year to this Fund from out of its annual profits; and

(c) such gifts, grants, donations or benefactions which the National Bank may receive and which the Board may earmark for this purpose.

(2) The Research and Development Fund shall be expended on matter of importance to agriculture, agricultural operations and rural development, including the provision of training and research facilities and the ¹[making of loans or advances or grants] under clause (iii) of section 38.

45. The National Bank shall establish a Reserve Fund ²[and other Funds] as the Board may consider necessary by transferring such sums as it may deem fit, out of its annual profits and out of receipts from gifts, grants, donations or benefactions, which it may receive.

*Reserve Fund
and other Funds.*

1. Subs. for the words "making of grants" by Act No.55 of 2000, S.26

2. Subs. for the words "and such other funds" by S.27, *ibid*.

46. (1) The balance-sheet and accounts of the National Bank shall be prepared and maintained in such form and manner as may be prescribed.

(2) The Board shall cause the books and accounts of the National Bank to be balanced and closed as on the thirtieth day of June ¹[or such other date in each year as the Central Government may, by notification in the Official Gazette, specify:]

²[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 balancing and closing of, or for other matters relating to, the books or accounts in respect of the concerned years.]

*Preparation of
balance-sheet,
etc. of National
Bank*

47. After making provision for bad and doubtful debts, depreciation of assets and all other matters for which provision is necessary or expedient or which is usually provided for by bankers, and for the Funds referred to in sections 42, 43 and 45, the National Bank shall transfer -

(i) for a period of fifteen years following the accounting year during which the National Bank is established, the amount remaining (hereafter in this section referred to as surplus) to the Research and Development Fund under section 44; and

³[(ii) after the expiry of the said period of fifteen years, the Board shall, after making provision for the Fund referred to in clause (i) disburse or spend the balance of the surplus in such manner as may be approved by the Board.]

*Disposal of
surplus*

48. (1) The accounts of the National Bank shall be audited by auditors duly qualified to act as auditors under sub-section (1) of section 226 of the Companies Act, 1956, who shall be appointed by the Central Government in consultation with the Reserve Bank for such term and on such remuneration as the Central Government may fix.

(2) The auditors shall be supplied with a copy of the annual balance-sheet of the National Bank and it shall be their duty to examine it together with the Accounts and vouchers relating thereto and they shall have a list delivered to them of all books kept by the National Bank and shall at all reasonable times have access to the books, accounts, vouchers and other documents of the National Bank.

(3) The auditors may, in relation to the accounts of the National Bank, examine any director of the Board or any officer or other employee of the National Bank and shall be entitled to require from the Board or officers or employees of the National Bank such information and explanation as they may think necessary for the performance of their duties.

(4) The auditors shall make a report to the National Bank upon the annual balance-sheet and accounts examined by them and in every such report, they shall state whether in their opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up so as to exhibit a true and fair view of the state of affairs of the National Bank and in case they had called for any explanation or information from the Board or any officer or other employee of the National Bank, whether it has been given and whether it is satisfactory.

*Audit
1 of 1956*

1. Subs. by Act No.66 of 1988, S.46

2. Ins. By S.46, ibid

3. Subs. by Act No.55 of 2000 S.28

(5) The National Bank shall furnish to the Central Government and the Reserve Bank within four months from the date on which the annual accounts of the National Bank are closed and balanced, a copy of its balance-sheet as on the close of that year together with a copy of the profit and loss account for the year and a copy of the auditors' report and a report of the working of the National Bank during the relevant year, and the Central Government shall, as soon as may be after they are received by it, cause the same to be laid before each House of Parliament and cause the copies of the said balance-sheet, profit and loss account and auditors' report to be published in the Official Gazette.

(6) Without prejudice to anything contained in the preceding sub-sections, the Central Government may, at any time, appoint the Comptroller and Auditor General of India to examine and report upon the accounts of the National Bank and any expenditure incurred by him in connection with such examination and report shall be payable by the National Bank to the Comptroller and Auditor General of India.

49. The National Bank shall furnish, from time to time, to the Central Government and to the Reserve Bank, such returns as the Central Government or the Reserve Bank may require.

Returns.

CHAPTER IX

STAFF

50. (1) The National Bank may appoint such number of officers and other employees as it considers necessary or desirable for the efficient performance of its functions and determine the terms and conditions of their appointment and service.

Staff of National Bank

(2) Without prejudice to the provisions of sub-section (1), it shall be lawful for the National Bank to utilise, and for the Reserve Bank to make available, the services of such staff of the Reserve Bank on such terms and conditions as may be agreed upon between the National Bank and the Reserve Bank.

(3) Subject to the provisions of sub-section (6), at any time before the expiry of six months from the appointed day, the Reserve Bank may, in public interest, transfer to the National Bank, such members of the staff of Reserve Bank whom the Reserve Bank considers as engaged, or as suitable to be engaged, in attending to the work of a nature which is same or similar to that which the National Bank may require for its efficient functioning, and upon such transfer they shall be deemed to be appointed by the National Bank under sub-section (1) with effect from the date of such transfer :

Provided that every person so transferred may, before the expiry of a period of six months from the appointed day, or before the expiry of a period of thirty days from such transfer, whichever period expires later, elect to go back to the Reserve Bank by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, the Reserve Bank shall, before expiration of a period of eighteen months from the appointed day, take back such member of the staff and he shall be deemed to have been on deputation to the National Bank during the period he was a member of the staff of the National Bank.

(4)(a) Any member of the staff of the Reserve Bank who is not appointed under sub-section (3), may, if he so desires, make an application to the Reserve Bank within six months from the appointed day, to be considered for appointment as a member of the staff of the National Bank.

(b) The Reserve Bank may, in consultation with National Bank, consider such application having regard to the suitability of the person so applying the availability of vacancies in the National Bank, the exigencies of service in the Reserve Bank and the National Bank and such other factors as may be considered relevant in this regard, and, if the Reserve Bank is satisfied having regard to these factors, that such applicant is suitable for being so appointed recommend his appointment to the National Bank.

(c) The National Bank may thereupon, within eighteen months from the appointed day, appoint such a person applying under this sub-section, as a member of the staff of the National Bank, and on such appointment, such a person shall be deemed to have been appointed in the National Bank under sub-section (3):

Provided that the proviso to sub-section (3) and the proviso to sub-section(5) shall not apply in respect of such a person.

(5) Notwithstanding anything contained elsewhere in this Act or in any other law or in any contract, for the time being in force, at any time before the expiry of six months from the appointed day, the Reserve Bank may, if it considers it necessary in consultation with the National Bank so to do in the interest of the National Bank, transfer on promotion any member of the staff of the National Bank to the Reserve Bank, and on such transfer to the Reserve Bank, each such member of the staff shall be deemed to be a member of the staff of the Reserve Bank and shall be entitled to the same salary, emoluments and other conditions of service to which he was entitled immediately before the date of such transfer, including benefits, if any, arising directly out of such promotion:

Provided that every member of the staff who is transferred as aforesaid may, before the expiry of a period of six months from the appointed day or within thirty days from such transfer, whichever period expires later, elect to go back to the National Bank by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, the National Bank shall, before the expiration of a period of eighteen months from the appointed day, take back such member of the staff and he shall be deemed to have been on deputation to the Reserve Bank during the period he was a member of the staff of the Reserve Bank.

(6) Every person,-

(a) who, immediately before the date appointed under sub-section (1) of section 16, is a member of the staff of the Agricultural Refinance and Development Corporation; or

(b) who is a member of the staff of the Reserve Bank but whose services are being utilised immediately before that date by the said Corporation, shall be deemed to be appointed by the National Bank under sub-section (1) on the said date:

Provided that every member of the staff of the Reserve Bank, who is so deemed to be appointed, and who was not recruited specifically for utilisation in the Agricultural Refinance and Development Corporation, may, before the expiry of a period of six months from the appointed day or within a period of thirty days from the date appointed under sub-section (1) of section 16, whichever period expires later, elect to go back to the Reserve Bank by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, the Reserve Bank shall, before the expiration of a period of eighteen months from the appointed day, take back such member of the staff and he shall be deemed to have been on deputation to the National Bank during the period he was a member of the staff of the National Bank.

(7) Notwithstanding anything contained in any other law or in any agreement, for the time being in force, no member of the staff shall be entitled to claim any compensation for, or in relation to any matter concerning, his transfer, appointment or as the case may be, return, under sub-sections (3) to (6) and no claim in respect thereof shall be entertained by any court, tribunal or other authority.

(8) Subject to the provisions of sub-section (10) and sub-section (11), every member of the staff of the Agricultural Refinance and Development Corporation or of the Reserve Bank who is deemed to be appointed as a member of the staff of the National Bank under this section, shall be deemed to have been appointed by the National Bank on the same salary, emoluments and other terms and conditions of service to which he was entitled immediately before his appointment in the National Bank.

(9) The provisions relating to superannuation benefits, namely, the regulations relating to provident fund and the rules relating to payment of gratuity and compassionate gratuity and any other provision relating to superannuation as are applicable to the staff of the Reserve Bank on the appointed day shall, so far as may be, apply to the staff of the National Bank, unless and until the National Bank alters or amends the same:

Provided that after the appointed day, any such alteration or amendment may be effected by the National Bank as regards provident fund regulations in accordance with section 60, and as regards the other rules in the manner they would have been altered or amended but for this sub-section :

Provided further that after the expiry of six months from the appointed day, the balances held in the Reserve Bank of India Employees' Provident Fund to the credit of any member of the staff of the Reserve Bank whose services are transferred under this section to the National Bank and who does not opt to go back to the Reserve Bank, shall be transferred to, and held in, the Provident Fund of the National Bank, on same or similar terms subject to which those balances were held earlier in the Reserve Bank of India Employees' Provident Fund.

(10) Notwithstanding anything contained in any other law, settlement, or agreement, every person employed by the National Bank or whose services have been transferred to the National Bank under this Act, shall be liable to serve anywhere in India.

(11) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or any other law for the time being in force, or in any award, judgment, decree, decision or order of any Industrial Tribunal, Court or other authority, or any settlement or agreement, made or entered into before the date of transfer to the National Bank of the services of any person under this section, the National Bank shall be free to alter, amend or repeal in such manner and to such extent it may consider necessary, any of the terms and conditions of service applicable to such persons whose services are so transferred to the National Bank and who are appointed in the National Bank under this section except that the National Bank shall not alter to their prejudice the terms relating to payment of salary and other emoluments, retirement benefits and eligibility for leave.

Explanation.-For the purposes of this section, "appointed day" means the date of establishment of the National Bank under section 3.

**CHAPTER X
MISCELLANEOUS**

51. (1) The National Bank shall not, except as otherwise required by this Act or any other law, divulge any information relating to, or to the affairs of, its constituents except in circumstances in which it is, in accordance with the law or practice and usage customary among bankers, necessary or appropriate for the National Bank to divulge such information.

Obligations as to fidelity and secrecy.

(2) Every director, member of a committee, auditor, officer or other employee of the National Bank or of the Reserve Bank, whose services are utilised by the National Bank under the provisions of this Act, shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the First Schedule to this Act.

52. (1) No act or proceeding of the Board or of any committee of the National Bank shall be questioned on the ground merely of the existence of any vacancy in, or defect in the constitution of, the Board or the committee, as the case may be.

Defects in appointment not to invalidate acts, etc.

(2) No act done by any person acting in good faith as a director of the Board or as a member of a committee of the National Bank shall become invalid merely on the ground that he was disqualified to be a director or that there was any other defect in his appointment.

¹[52A. (1) Where any agreement entered into by the National Bank with a company or a body corporate while granting loans and advances, provides for the appointment by the National Bank of one or more directors of such company or body corporate, such provisions and any appointment of directors made in pursuance thereof shall be valid and effective, notwithstanding anything to the contrary contained in the Companies Act, 1956 or in any other law for the time being in force, or in the memorandum, articles of association or any other instrument relating to the company or body corporate, and any provision regarding share qualification, age-limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the National Bank in pursuance of the agreement as aforesaid.

*Agreement with National Bank on appointment of directors to prevail.
1 of 1956*

(2) Any director appointed as aforesaid shall -

(a) hold office during the pleasure of the National Bank and may be removed or substituted by any person by order in writing of the National Bank;

(b) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.]

53. No suit or other legal proceeding 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.

54. (1) Every director shall be indemnified by the National Bank against all losses and expenses incurred by him in, or in relation to, the discharge of his duties, except such as are caused by his own wilful act or default.

Indemnity of Directors.

(2) A director shall not be responsible for any other director or for any officer or other employee of the National Bank or for any loss or expenses resulting to the National Bank from the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the National Bank or the insolvency or wrongful act of any debtor or any person under obligation to the National Bank or anything done in good faith in the execution of the duties of his office in relation thereto.

55. Notwithstanding anything contained in the Income-tax Act, 1961 or the Companies (Profits) Surtax Act, 1964, or any other enactment for the time being in force relating to tax on income, profits or gains, the National Bank shall not be liable to pay income-tax, surtax or any other tax in respect of any income, profits or gains derived or any amount received by the National Bank.

Exemption from Income Tax etc. 43 of 1961 7 of 1964

56. (1) Whoever in any return, balance-sheet, or other document or in any information required or furnished by or under or for the purposes of any provision of this Act, wilfully makes a statement which is false in any material particular, 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 three years and shall also be liable to fine.

Penalties.

(2) If any person fails to produce any book, account or other document, or to furnish any statement or information which, under the provisions of this Act, it is his duty to produce or furnish, he shall be punishable with a fine which may extend to two thousand rupees in respect of each offence and in the case of a continuing failure, with an additional fine which may extend to one hundred rupees for every day during which the failure continues after conviction for the first such failure.

57. (1) Where an offence has been committed by a company, every person who, at the time the offence was committed, was in charge of, and was responsible to the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Offences by Companies.

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation .-For the purposes of this section-

(a) "company" means any body corporate and includes a firm or other association of individuals; and

(b) "director" , in relation to a firm, means a partner in the firm.

58. The Bankers' Books Evidence Act, 1891, shall apply in relation to the National Bank as if it were a bank as defined in section 2 of that Act.

Bankers' Books Evidence Act, 1891, to apply in relation to National Bank 18 of 1891

59. No provision of law relating to the winding up of companies shall apply to the National Bank and the National Bank shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.

Liquidation of National Bank.

60. (1) The Board may, with the previous approval of the Central Government and in consultation with the Reserve Bank, by notification, make regulations not inconsistent with this Act to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

Power of Board to make regulations.

(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) the fees or allowances that may be paid to the directors or members of the Advisory Council;

(b) the times and places of the meetings of the Board or the Executive Committee or the Advisory Council and the procedure to be followed at such meetings including the quorum necessary for the transaction of business;

(c) the number of directors constituting the Executive Committee and the functions that such Committee shall discharge;

(d) the manner and terms of issue and redemption of bonds and debentures by the National Bank;

¹[(e) the manner of election of directors under clause (f) of sub-section (1) of section 6];

(f) ²[-----]

(g) The form and manner in which the balance-sheets and the accounts of the National Bank shall be prepared or maintained;

(h) ³[-----]

(i) the duties and conduct, salaries, allowances and conditions of service of officers and other employees;

(j) the establishment and maintenance of provident or other benefit funds for employees of the National Bank; and

(k) such other matters for which the Board may consider it expedient or necessary to provide for by way of regulations.

(3) Any regulation which may be made by the Board under this Act may be made by the Reserve Bank, in consultation with the Central Government, before the expiry of three months from the date of establishment of the National Bank, and any regulation so made may be altered and rescinded by the Board in the exercise of its powers under this Act.

1. Subs. by Act No.55 of 2000, S.30
2 & 3. omitted by S.30 ibid.

(4) The power to make regulations conferred by this section shall include the power to give retrospective effect to the regulations or any of them from a date not earlier than the date of commencement of this Act, but no retrospective effect shall be given to any regulation so as to prejudicially affect the interests of any person to whom such regulation may be applicable.

(5) The Central Government shall cause every regulation made under this Act to 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 regulation or both Houses agree that the regulation should not be made, the regulation 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 regulation.

61. The enactments specified in the Second Schedule to this Act shall be amended in the manner provided therein and unless otherwise provided in that Schedule, such amendments shall take effect on and from the date of establishment of the National Bank under section 3 .

Amended of certain enactments

62. If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order, not inconsistent with the provisions of this Act, remove the difficulty:

Power to remove difficulty.

Provided that no such order shall be made after the expiry of a period of three years from the commencement of this Act.

THE FIRST SCHEDULE

[See section 51(2)]

DECLARATION OF FIDELITY AND SECRECY

I do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as director, auditor, officer or other employee (as the case may be) of the National Bank for Agriculture and Rural Development and which properly relate to the office or position held by me in the said National Bank.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the National Bank for Agriculture and Rural Development or to the affairs of any person having any dealing with the said National Bank nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the National Bank for Agriculture and Rural Development and relating to the business of the said National Bank or the business of any person having any dealing with the said National Bank.

Signed before me

(Signature)

THE SECOND SCHEDULE
(See section 61)
AMENDMENTS TO CERTAIN ENACTMENTS
PART I

AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934
(2 OF 1934)
Amendments

1. In section 2,-

(a) clauses (a), (ai), (bi), (bii), (biii), (biv), (bv), (bviii), (ci), (cia), (cii), (ciii), (civ), (cv) and (f) shall be omitted;

(b) after clause (cc) , the following clause shall be inserted, namely:-

‘(ccc) “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;’;

(c) after clause (g), the following clauses shall be inserted, namely:-

“(h) “agricultural operations”, “central co-operative bank”, “co-operative society”, “crops”, “marketing of crops”, “pisciculture”, “regional rural bank” and “State co-operative

bank” shall have the meanings respectively assigned to them in the National Bank for Agriculture and Rural Development Act, 1981;

(i) “co-operative bank”, “co-operative credit society”, “director”, “primary agricultural credit society”, “primary co-operative bank” and “primary credit society” shall have the meanings respectively assigned to them in Part V of the Banking Regulation Act, 1949;”

10 of 1949

2. In section 8, in sub-section (2) , after the existing proviso, the following proviso shall be inserted,

namely : -

“Provided further that the Central Government may, in consultation with the Bank, appoint a Deputy Governor as the Chairman of the National Bank, on such terms and conditions as that Government may specify .”

3. In section 17 ,-

(a) for clause (4AA) , the following clause shall be substituted, namely: -

“(4AA) the making of annual contributions to the National Rural Credit (Long Term Operations) Fund and the National Rural Credit (Stabilisation) Fund established under sections 42 and 43, respectively, of the National Bank for Agriculture and Rural Development Act, 1981”;;

(b) for clause (4E) , the following clause shall be substituted, namely:-

“(4E) the making to the National Bank of loans and advances repayable on demand or on the expiry of fixed period not exceeding eighteen months from the date of making of the loan or advance, either-

(i) against the security of stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India; or

(ii) on such other terms and conditions as the Bank may specify”;;

(c) in clause (8A), for the expression “Agricultural Refinance and Development Corporation”, the expression “National Bank” shall be substituted.

4. For sub-section (3) of section 33, the following sub-section shall be substituted, namely:-

“(3) The remainder of the assets shall be held in rupee coin, Government of India rupee securities of any maturity, promissory notes drawn by the National Bank for any loans or advances under clause (4E) of section 17 and such bills of exchange and promissory notes payable in India as are eligible for purchase by the Bank under sub-clause (a) or sub-clause (b) or sub-clause (bb) of clause (2) of section 17 or under clause (1) of section 18.”

5. In section 42,-

(a) in the *Explanation* occurring after sub-section (1), in sub-clause (ii) of clause (c), for the expression “Agricultural Refinance and Development Corporation”, the expression “National Bank” shall be substituted;

(b) after sub-section (6) , the following sub-section shall be inserted, namely : -

“(6A) In considering whether a State co-operative bank or a regional rural bank should be included in or excluded from the Second Schedule, it shall be competent for the Bank to act on a certificate from the National Bank on the question whether or not a State co-operative bank or a regional rural bank, as the case may be, satisfies the requirements as to paid-up capital and reserves or whether its affairs are not being conducted in a manner detrimental to the interests of its ‘depositors.’”.

6. For section 45, the following section shall be substituted, namely :-

“45. (1) Unless otherwise directed by the Central Government with reference to any place, the Bank may, having regard to public interest, convenience of banking, banking development and such other factors which in its opinion are relevant in this regard, appoint the National Bank, or the State Bank, or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, or any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959, as its agent at all places, or at any place in India for such purposes as the Bank may specify.

(2) When any bank is appointed by the Bank as its agent under sub-section (1) to receive on behalf of the Bank any payment required to be made into the Bank, or any bill, hundies or other securities required to be delivered into the Bank, under any law or rule, regulations or other instructions having the force of law, the same may be paid or delivered into the bank so appointed as the agent of the Bank.”.

7. On and from the date appointed under sub-section (1) of section 18, of the National Bank for Agriculture and Rural Development Act, 1981, for sections 46A and 46B, the following section shall be substituted, namely: -

“46A. The Bank shall contribute every year such sums of money as it may consider necessary and feasible to do so, to the National Rural Credit (Long-Term Operations) Fund and the National Rural National Credit (Stabilisation) Fund established and maintained by the National Bank under sections 42 and 43, respectively, of the National Bank for Agriculture and Rural Development Act, 1981”.

Appointment of Agents.

5 of 1970

*40 of 1980
38 of 1959*

Contribution to National Rural Credit (Long Term Operations) Fund and National Rural Credit (Stabilisation) Fund

8. For section 54, the following section shall be substituted, namely :-

“54. the Bank may maintain expert staff to study various aspects of rural credit and development and in particular it may,-

- (a) tender expert guidance and assistance to the National Bank;
- (b) conduct special studies in such areas as it may consider necessary to do so for promoting integrated rural development.”.

Rural credit and development

PART II
AMENDMENTS TO THE BANKING REGULATION ACT, 1949
(10 OF 1949)
Amendments

1. In section 5,-

(i) after clause (h) , the following clause shall be inserted , namely :-

‘(ha) “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;’;

(ii) after clause (j) , the following clause shall be inserted, namely :-

‘(ja) “regional rural bank” means regional rural bank established under section 3 of the Regional Rural Banks Act, 1976;’.

21 of 1976

2. In section 23, after sub-section (4) , the following sub-section shall be inserted , namely:-

“ (4A) Any regional rural bank requiring the permission of the Reserve Bank under this section shall forward its application to the Reserve Bank through the National Bank which shall give its comments on the merits of the application and send it to the Reserve Bank:

Provided that the regional rural bank shall also send an advance copy of the application directly to the Reserve Bank.”.

3. In section 24, to sub-section (3), the following proviso shall be added, namely:-

“Provided that every regional rural bank shall also furnish a copy of the said return to the National Bank.”.

4. In section 25, to sub-section (2) , the following proviso shall be added, namely:-

“Provided that every regional rural bank shall also furnish a copy of the said return to the National Bank”.

5. In section 26, after the existing proviso, the following proviso shall be inserted, namely :-

“Provided further that every regional rural bank shall also furnish a copy of the said return to the National Bank.”.

6. In section 27, after sub-section (2) the following sub-section shall be inserted, namely:-

“(3) Every regional rural bank shall submit a copy of the return which it submits to the Reserve Bank under sub-section (1) also to the National Bank and the powers exercisable by the Reserve Bank under sub-section (2) may also be exercised by the National Bank in relation to regional rural banks.”.

7. For section 28, the following section shall be substituted, namely:-

“28. The Reserve Bank or the National Bank, or both, if they consider it in the public interest so to do, may publish any information obtained by them under this Act in such consolidated form as they think fit.”

Power to publish information

8. In section 31, after the existing proviso, the following proviso shall be inserted, namely:-

“Provided further that a regional rural bank shall furnish such returns also to the National Bank.”

9. In sub-section (3) of section 34A, after the words “the Industrial Development Bank of India,” the words “the National Bank” shall be inserted.

10. In section 35, after sub-section (5), the following sub-section shall be inserted, namely:-

“(6) The powers exercisable by the Reserve Bank under this section in relation to regional rural banks may (without prejudice to the exercise of such powers by the Reserve Bank in relation to any regional rural bank whenever it considers necessary so to do) be exercised by the National bank in relation to the regional rural banks, and accordingly, sub-sections (1) to (5) shall apply in relation to regional rural banks as if every reference therein to the Reserve Bank included also a reference to the National Bank”.

11. In sub-section (3) of section 36AD, after the words “the Industrial Development Bank of India,” the words “the National Bank” shall be inserted.

12. In section 47, for the words “the Reserve Bank”, wherever they occur, the words the “Reserve Bank or, as the case may be, the National Bank” shall be substituted.

13. In section 56,-

(i) in clause (c), for sub-clause (i), the following sub-clause shall be substituted, namely:-

“(i) after clause (cc), the following clauses shall be inserted, namely: -

‘(cci) “co-operative bank” means a state co-operative bank, a central co-operative bank and a primary co-operative bank;

(ccii) “co-operative credit society” means a co-operative society, the primary object of which is to provide financial accommodation to its members and includes a co-operative land mortgage bank;

(cciii) “director”, in relation to a co-operative society, includes a member of any committee or body for the time being vested with the management of the affairs of that society;

(cciv) “primary agricultural credit society” means a co-operative society, -

(1) the primary object or principal business of which is to provide financial accommodation to its members for agricultural purposes or for purposes connected with agricultural activities (including the marketing of crops); and

(2) the bye-laws of which do not permit admission of any other co-operative society as a member:

Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such ‘co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose;

(ccv) “primary co-operative bank” means a co-operative society, other than a primary agricultural credit society,-

(1) the primary object or principal business of which is the transaction of banking business;

(2) the paid-up share capital and reserves of which are not less than one lakh of rupees; and

(3) the bye-laws of which do not permit admission of any other co-operative society as a member:

Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose;

(ccvi) “primary credit society” means a co-operative society , other than a primary agricultural credit society , -

(1) the primary object or principal business of which is the transaction of banking business;

(2) the paid-up share capital and reserves of which are less than one lakh of rupees; and

(3) the bye-laws of which do not permit admission of any other co-operative society as a member:

Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.

Explanation. - If any dispute arises as to the primary object or principal business of any co-operative society referred to in clauses (cciv), (ccv) and (ccvi) a determination thereof by the Reserve Bank shall be final;

(ccvii) “central co-operative bank”, “co-operative society”, “primary rural credit society” and “state co-operative bank” shall have the meanings respectively assigned to them in the National Bank for Agriculture and Rural Development Act, 1981;”

(ii) in clause (p) , -

(a) for the words, figures and brackets “in section 23, for sub-section (1) , the following sub-section shall be substituted, namely”, the following shall be substituted, namely:-

“in section 23,-

(i) for sub-section (1) , the following sub-section shall be substituted, namely”;

(b) after sub-clause (i) , the following sub-clause shall be inserted, namely:-

‘(ii) after sub-section (4) , the following sub-section shall be inserted, namely: -

“ (4A) Any co-operative bank requiring the permission of the Reserve Bank under this section shall forward its application to the Reserve Bank through the National Bank which shall give its comments on the merits of the application and send it to the Reserve Bank:

Provided that the co-operative bank shall also send an advance copy of the application directly to the Reserve Bank.”;’;

(iii) in clause (q) , after sub-clause (ii) , the following sub-clause shall be inserted, namely:-

“ (iii) to sub-section (3) , the following proviso shall be added, namely:-

‘Provided that every co-operative bank, other than a primary co-operative bank, shall also furnish a copy of the said return to the National Bank.’;’;

(iv) after clause (r) , the following clauses shall be inserted, namely:-

'(ri) in the second proviso to section 26 for the expression "regional rural bank", the expression "co-operative bank, other than a primary co-operative bank" shall be substituted;

(rii) in section 27, for sub-section (3) , the following sub-section shall be substituted, namely :-

"(3) Every co-operative bank, other than a primary co-operative bank, shall submit a copy of the return which it submits to the Reserve bank, under sub-section (1) also to the National Bank and the powers exercisable by the Reserve Bank under sub-section (2) may also be exercised by the National Bank in relation to co-operative banks other than primary co-operative banks.";

(v) for clause (t) , the following clause shall be substituted, namely :-

'(t) in section 31,-

(i) for the words "within three months" and "of three months", the words "within six months" and "of six months" shall, respectively, be substituted;

(ii)for the second proviso, the following proviso shall be substituted, namely:-

"Provided further that a co-operative bank, other than a primary co-operative bank shall furnish such returns also to the National Bank";;

(vi) in clause (w), existing sub-clause (iii) shall be re-numbered as sub-clause (iv) and before sub-clause (iv) as so re-numbered, the following sub-clause shall be inserted, namely:-

'(iii) in sub-section (6) , for the expressions "regional rural banks" and "regional rural bank", wherever they occur, the expressions "co-operative banks other than primary co-operative banks" and "co-operative bank other than a primary co-operative bank" shall, respectively be substituted.';

(vii) after clause (zj), the following clause shall be inserted, Namely:-

'(zji) in section 54, after the expression "Reserve Bank", wherever it occurs, the expression "or the National Bank" shall be inserted.';

(viii) in the Third Schedule as substituted by clause (zl),

After the expression "Reserve Bank", wherever it occurs, the expression "the National Bank shall be inserted.

14. In the Banking Regulation Act, 1949, for the words "Agricultural Refinance Corporation", wherever they occur, the words "National Bank" shall be substituted.

10 of 1949

PART III
AMENDMENT TO THE INDUSTRIAL DISPUTES ACT, 1947
(14 OF 1947)
Amendment

In section 2, in clause (a), for the words and figures "the Agricultural Refinance Corporation established under section 3 of the Agricultural Refinance Corporation Act, 1963 ", the words and figures "the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981 shall be substituted.

10 of 1963

PART IV

AMENDMENT TO THE DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION ACT, 1961

(47 OF 1961)

Amendment

In section 2, for clause (q) , the following clauses shall be substituted, namely :-

‘(q) the expressions “central co-operative bank”, “co-operative Society” and “State co-operative bank” shall have the meanings respectively assigned to them in the National Bank for Agriculture and Rural Development Act, 1981;

(r) the expressions “primary co-operative bank” and “primary credit society” shall have the meanings respectively assigned to them in Part V of the Banking Regulation Act, 1949.-.

10 of 1949

PART V

AMENDMENT TO THE PAYMENT OF BONUS ACT, 1965

(21 OF 1965)

Amendment

In section 32, for sub-clause (d) of clause (ix) , the following sub clause shall be substituted, namely-

“(d) the National Bank for Agriculture and Rural Development.”.
