

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
ACT, 1981

Preamble 1 - NATIONAL BANK FOR AGRICULTURE AND RURAL
DEVELOPMENT ACT, 1981

THE NATIONAL BANK FOR AGRICULTURE AND RURAL
DEVELOPMENT ACT, 1981

[Act, No. 61 of 1981]

[30thDecember, 1981]

PREAMBLE

1[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:--

1. Substituted by National Bank For Agriculture And Rural
Development (Amendment) Act,

2000 (55 of 2000). Prior to substitution it read as under:

"An Act to establish a bank to be known as the National Bank for
Agriculture and Rural

Development for providing credit for the promotion 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, land for matters connected therewith or incidental

thereto."

Chapter I - PRELIMINARY

THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT ACT, 1981

[Act, No. 61 of 1981]

[30th December, 1981]

PREAMBLE

1[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

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1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000). Prior to substitution it read as under:

"An Act to establish a bank to be known as the National Bank for Agriculture and Rural

Development for providing credit for the promotion 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."

Section 1 - Short title, extent and commencement

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

1981.

(2) It extends to the whole of India.

(3) It shall come into force on such date as {1stMay 1982, vide
Notification No. S. O. 278 (E)

dated 21-4-1982 (except sections 3 16 and 18). }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 provisions
to the commencement of

this Act shall be construed as a reference to the coming into force of
that provision.

Section 2 - Definitions

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

(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;

(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.

(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 a 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 with in the meaning of this definition;

(e) "Chairman" means the Chairman¹ 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;

(g) "crops" includes products of agricultural operations;

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(h) "director" means a director appointed under section 6.

(i) "industry in the tiny and decentralized sector" means industrial concerns in the tiny

and decentralized sector and "industrial concern in the tiny and decentralized 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:

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;

(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;

(s) "scheduled bank" means a bank for the time being included in the Second Schedule to

the Reserve Bank of India Act 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--

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(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 decentralized 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 cooperative 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.

(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.

1. "of the Board" omitted by National Bank For Agriculture And Rural Development

(Amendment) Act, 2000 (55 of 2000)

Chapter II - ESTABLISHMENT OF THE NATIONAL BANK FOR
AGRICULTURE AND RURAL

DEVELOPMENT AND CAPITAL THEREOF

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

(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;

(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.

(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

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Provided that in addition to such principal society in a district, or a
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societies in that district to be also or to be a central co-operative
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co-operative banks with in the meaning of this definition;

(e) "Chairman" means the Chairman¹[***] 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;

(g) "crops" includes products of agricultural operations;

(h) "director" means a director appointed under section 6.

(i) "industry in the tiny and decentralized sector" means industrial
concerns in the tiny

and decentralized sector and "industrial concern in the tiny and
decentralized 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:

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;

(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;

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(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;

(s) "scheduled bank" means a bank for the time being included in the Second Schedule to

the Reserve Bank of India Act 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 decentralized 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 cooperative 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.

(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.

1. "of the Board" omitted by National Bank For Agriculture And Rural Development

(Amendment) Act, 2000 (55 of 2000)

Section 3 - Establishment and incorporation of National Bank for agriculture and Rural

development

(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.

(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 may by that name sue and be sued.

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(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) (1) The capital of the National Bank shall be one hundred crores of rupees;

provided that the Central Government may, in consultation with the Reserve Bank

and by notification, increase the said capital up to five hundred crores of rupees.

(2) The capital of the National Bank shall be subscribed to by the Central Government

and the Reserve Bank in equal proportions

Chapter III - MANAGEMENT OF THE NATIONAL BANK

(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.

(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 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) (1) The capital of the National Bank shall be one hundred crores of rupees;

provided that the Central Government may, in consultation with the Reserve Bank

and by notification, increase the said capital up to five hundred crores of rupees.

(2) The capital of the National Bank shall be subscribed to by the Central Government

and the Reserve Bank in equal proportions

Section 4 - Capital

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

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 fifty-one per cent, of the total subscribed

capital.]

1. Substituted for "five hundred crores" by National Bank For Agriculture And Rural

Development (Amendment) Act, 2000 (55 of 2000)

2. Sub-Section (2) Substituted by National Bank For Agriculture And Rural Development

(Amendment) Act, 2000 (55 of 2000). Prior to substitution it read as under:

"(2) The capital of the National Bank shall be subscribed to by the Central Government

and the Reserve Bank in equal proportions."

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Section 5 - Management

(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.

(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 previous 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.

(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.

Section 6 - Board of Directors

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

(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;

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

(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..... two directors; share capital

issued to such shareholders is ten per cent, or less of the total issued equity capital

(ii) where the total amount of equity..... three directors;

share capital issued to such shareholders is and more than ten per cent. but less than

twenty-five per cent, of the total issued equity capital

(iii) where the total equity share capital..... four directors:

issued to such shareholders is twenty-five per cent. or more of the total issued equity

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capital

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.

(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

and²[***], 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;

²[***]

1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000). Prior to substitution it read as under:

"(1) The Board of Directors of the National Bank shall consist of the following namely:-

(a) a Chairman;

(b) two directors from amongst experts in rural economies, rural development

handicrafts and other rural crafts, village and cottage industries and small-scale

industries or in 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 out of whom two shall be persons with experience in the working of

co-operative banks and one shall be a person with experience in the working of

commercial banks;

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

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

(f) two directors from amongst the officials of the state Government ;
and

(g) a Managing Director.

(2) The Chairman and other directors 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 (e) of sub-section (1).]

(3) Where the Central Government is satisfied in consultation with the Reserve Bank and

[***], 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;"

2 . Omitted by Banking Laws (Amendment) Act 1985, w.e.f.1-5-86.

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Section 7 - Term of office of Chairman and other directors, retirement and payment of fees

(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;1[and shall be eligible for re-appointment]

2[***]

3[(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.]

1[(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.]

4[(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 behalf⁵***] and shall

be eligible for reappointment:

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 or⁶***] at any time before the expiry of his term of office after giving him a

reasonable opportunity of showing cause against the proposed removal.

7[(4) The Chairman and any other director, who is not an officer of the Central Government

or a State Government or an officer of the Reserve Bank or any body 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.]

8[(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.]

1. Inserted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000)

2. Omitted by Banking Laws (Amendment) Act 1985, w.e.f.1-5-86.

3. Inserted by Banking Laws (Amendment) Act 1985, w.e.f.1-5-86.

4. Substituted by Banking, Public Financial Institutions and Negotiable Instrument

(Amendment) Act 1988, w.e.f.30-12-88. Prior to substitution section 7(2) stood as under "

The directors appointed under clauses (b) to (f) of sub-section (1) of section 6 shall hold

office for a term of three years.

Provided that such director shall notwithstanding the expiration of his term continue to

hold office until his successor enters upon his office.

5. Words "and thereafter until his successor enters upon his office" Substituted by National

Bank For Agriculture And Rural Development (Amendment) Act, 2000 (55 of 2000).

6. Words " any other director referred to in sub-section 2" omitted by Banking, Public

Financial Institutions and Negotiable Instrument (Amendment) Act 1988, w.e.f.30-12-88.

7. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000). Prior to substitution it read as under:

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"(4) The Chairman and the directors referred to in sub-section (2) 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:

Provided that no such fee shall be payable to the Chairman or any other director who

is an officer of the Government or an officer of the Reserve Bank."

8. Inserted by Banking, Public Financial Institutions and Negotiable Instrument (Amendment)

Act 1988, w.e.f.30-12-88.

Section 8 - Term of office of Managing Director and whole time directors conditions of

service etc.

(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;¹[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 allowance and be governed by such terms

and conditions of service as the Central Government may in consultation with the

Reserve Bank, determine.

(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) 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

1. Inserted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000)

Section 9 - Disqualifications

(1) No person shall be director who -

(a) is of unsound mind and stands so declared by a competent court;
or

(b) is or has been convicted of any Offences 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

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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,

Section 10 - Vacation and resignation of office by directors

(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 thereof 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.

Section 11 - Casual vacancy in the office of Managing Director

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 an other person to act in his place as Managing Director during his

absence

Section 12 - Meetings of Board

(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.

(2) The Chairman of the Board, or, if for any reason he is unable to attend any meeting¹[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.

1. Inserted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000)

Section 13 - Committees of National Bank

(1) The Board may constitute an Executive Committee consisting of such number of director

as may be prescribed.

(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

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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.

Section 14 - Advisory Council

(1) [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 economies, small-scale industries,

village and cottage industries and handicrafts and other rural crafter 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.

(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 for attending to any other work of the

National Bank.

(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.

1. Substituted for "the Board shall" by National Bank For Agriculture And Rural Development

(Amendment) Act, 2000 (55 of 2000).

Section 15 - Member of Board or Committee thereof not to participate in meetings in

certain cases

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.

Chapter IV - TRANSFER OF BUSINESS TO THE NATIONAL BANK

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

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respect to that matter.

Section 16 - Transfer of assets and liabilities of Agricultural Refinance and Development

Corporation

(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 (hereinafter in this sub-section referred to as the appointed

date) pay to the shareholders of the Corporation a sum of 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 appropriated 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 to 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

(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 .

(5) 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.

Section 17 - Dissolution of the Corporation and repeal of Act 10 of 1963

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

(a) the Corporation shall stand dissolved and

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

repealed.

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Section 18 - Transfer of business from Reserve Bank

(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 Operation) Fund established and

maintained under section 46A of the Reserve Bank of India Act, 1934 and

(b) the National Agricultural Credit (Stabilization) 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 (Stabilization) Fund referred to in

section 43, respectively

(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.

(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 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

representations 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 forces 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.

(6) 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 (2) 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

(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 Operation) Fund established and

maintained under section 46A of the Reserve Bank of India Act, 1934 and

(b) the National Agricultural Credit (Stabilization) Fund established and maintained under

section 46B of the Reserve Bank of India Act, 1934, shall stand transferred to the

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National Bank and form part of the National Rural Credit (Long Term Operations) Fund

referred to in section 42 and the National Rural Credit (Stabilization) Fund referred to in

section 43, respectively

(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.

(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 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

representations 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 forces 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.

(6) 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 (2) 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.

Section 19 - Borrowings by the National Bank

The National Bank may for the purpose of carrying out its functions under this Act.

1[(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;]

2[(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

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(e) receive gifts, grants, donations or benefactions from the Central Government or any

State Government or any other source.]

1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000). Prior to substitution it read as under:

"(a) issue and sell bonds and debentures carrying interest, which bonds and debentures

shall be guaranteed by the Central Government as to the repayment of principal and

payment of interest at such rates as may be by the Central Government in consultation

with the Reserve Bank of the time the bonds or debentures are issued."

2. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000). Prior to substitution it read as under:

"(b) borrow money from the Reserve Bank repayable on demand or on the expiry of fixed

periods not exceeding eighteen months from the date of the making of the loan or

advance, on such terms and conditions including the terms relating to security and

purpose 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 that Government on such terms and conditions as

may be agreed upon;

(d) accept 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

approved by the Central Government in this behalf, deposits repayable after the expiry of

the period which shall not in any case be less than twelve months from the making of

such deposit and on such other terms as the National Bank may with the prior approval of

the Reserve Bank fix and

(e) receive gifts grants, donations and benefactions from Government or any other

source."

Section 20 - Borrowings in foreign currency

1[20. Borrowings in foreign currency. --

Notwithstanding anything contained in the Foreign Exchange Management Act, 1999 (42 of 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.]

1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act, 2000

(55 of 2000). Prior to substitution it read as under:

"20 . Borrowings in foreign currency. --

(1) Notwithstanding anything contained in the Foreign Exchange Regulation Act, 1973, 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.

(2) The Central Government may guarantee loans taken by the National Bank under sub-section (1)

as to the repayment of principal and the payment of interest thereon and other incidental charges."

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Chapter VI - CREDIT FUNCTIONS OF THE NATIONAL BANK

1[20. Borrowings in foreign currency. --

Notwithstanding anything contained in the Foreign Exchange Management Act, 1999 (42 of 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.]

1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act, 2000

(55 of 2000). Prior to substitution it read as under:

"20 . Borrowings in foreign currency. --

(1) Notwithstanding anything contained in the Foreign Exchange Regulation Act, 1973, 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.

(2) The Central Government may guarantee loans taken by the National Bank under sub-section (1)

as to the repayment of principal and the payment of interest thereon and other incidental charges."

Section 21 - Production and marketing credit

(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, 1 [to State

co-operative banks, central co-operative banks] regional rural banks or to any 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

in the tiny and decentralized 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 to 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.

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(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 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

co-operative bank and assigned in favour of the State co-operative bank.

(4) Notwithstanding anything contained in sub-section (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. Words "to State Co-operative banks" substituted by National Bank for Agriculture and Rural Development

(Amendment) Act, 2003.

2. Words "to any State Co-operative bank" substituted by National Bank for Agriculture and Rural Development

(Amendment) Act, 2003.

Section 22 - Conversion loan for production credit

1[22. Conversion loan for production credit. --

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:

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 subsection (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

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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.]

1 . Section 22 substituted by National Bank for Agriculture and Rural Development (Amendment)

Act, 2003. Prior to substitution it read as under:

"22. Conversion loan for production credit. --

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, regional bank or any such

financial institution or any financial institution falling under any such class or financial institution 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.

Provided that loans and advances may be under this section only for the purpose of enabling the

borrowing bank or institution.

(i) to pay any dues to the National Bank for credit extended for financing agricultural operations or

the marketing of crops under clause (1) of sub section (1) of section 21 or

(ii) to make to central co-operative banks or primary rural credit societies loans or advances

repayable on the expiry of fixed periods not being less than eighteen months and not exceeding

seven years by way of 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 the 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.

Section 23 - Rescheduling of loans artisans, small scale industries, etc.

Where the National Bank is satisfied that owing to unforeseen circumstances the

rescheduling of any loans and advances made to artisans, small scale 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 institution 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;

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.

Section 24 - Investment credit Medium term

The National Bank shall provide such financial assistance as it may consider necessary by

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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;

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.

Section 25 - Other investment credit

(1) The National Bank may provide such financial assistance as it may consider necessary for

promoting agriculture and rural development by

(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 advanced 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;

(d) 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 advanced repayable on

demand or on the expiry of a fixed period not exceeding eighteen months, by way of

refinance¹[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. Inserted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000).

Section 26 - Purchase and sale of shares

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.]

1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act, 2000 (55 of 2000).

Prior to substitution it read as under:

"26. Purchase and sale of shares. --

The National Bank may contribute to the share capital of or purchase and sell shares of or invest in the securities

of any institution concerned with agriculture and rural development which the Central Government may notify in

consultation with the Reserve Bank"

Section 27 - Loans to State Government for share capital Contribution

The National Bank may make loans and advances 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 Operation) Fund established under

section 42 for enabling them to subscribe directly or indirectly to the share capital of a

co-operative credit society.

Section 27A - Loans to State Government, undertakings, etc.

1[27A. Loans to State Government, undertakings, etc. --

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 a 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.]

1. Inserted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000)

Section 28 - Security for credit

(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:

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

1[(3) Notwithstanding anything contained in sub-section (/) 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

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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.]

1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000).

Prior to substitution it read as under:

"(3) Notwithstanding anything contained in sub-section (1) or sub-section (2) no

guarantee or security referred to therein shall be required in any case in which the

Board, for reasons to be recorded by it in writing decides having regard to the nature and

scope of the scheme or schemes for which accommodation is granted by the National

Bank that such security or guarantee is not necessary."

Section 29 - Amounts and securities to be held in trust

(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

(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[(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 purposes 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.]

1. Inserted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000)

Section 30 - Direct loans

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

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not exceeding twenty-five years, as the National Bank may deem fit.

1. Section 30 Substituted by National Bank For Agriculture And Rural Development (Amendment) Act, 2000 (55 of 2000).

Prior to substitution it read as under:

"30. Direct loans. --

The National Bank may make loans and advances otherwise than by way of refinance to any institution

approved in this behalf by the Central Government on such terms and conditions (including security) and

repayable within such period not exceeding twenty five years as the National Bank may deem fit"

Section 30A - Bills rediscounting

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.]

Section 31 - Commission

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

Section 32 - Issue of guarantees

1[32. Issue of guarantees. --

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.]

1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000).

Prior to substitution it read as under:

"32. Issue of guarantees. --

The National Bank may guarantee, with the prior approval of the Central Government

and on such terms and conditions as may be agreed upon deferred payments in

connection with the purchase of capital goods

(i) due from a co-operative society approved by the Reserve Bank in this behalf or

such other institution which may, on the recommendation of the Reserve Bank, be

approved by the Central Government in this behalf, or

(ii) due from any other person and guaranteed to the National Bank by a State land

development bank or a State co-operative bank or a scheduled bank."

Section 33 - Power to impose conditions for accommodation

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In entering into any transaction¹[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.

1. Substituted for "under this Chapter with a borrowing institution " by National Bank For

Agriculture And Rural Development (Amendment) Act, 2000 (55 of 2000)

Section 34 - Power to call for repayment before agreed period

1 [34. Power to call for repayment before agreed period. --

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, --

(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 reason it is necessary so to do, to protect the interests of the National Bank.]

1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act, 2000 (55 of 2000).

Prior to substitution it read as under:

"34. Power to call for repayment before agreed period. --

Notwithstanding anything to the contrary contained in any agreement the National Bank may, by notice in

writing require any borrowing institution to which it has granted any loan or advance to discharge forthwith in

full its liabilities to the National Bank-

(a) if it appears to the Board that false or misleading information in any material particular was given in

the application for the loan or advance or

(b) if the borrowing institution has failed to comply with any of the terms of its contract with the National

Bank in the matter of the loan or advance, or

(c) if there is a reasonable apprehension that the borrowing institution is unable to pay its debts or that

proceedings for liquidation may be commenced in respect thereof or

(d) if for any reason it is necessary so to do to protect the interests of the National Bank"

Section 35 - National Bank have access to records

1[(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.]

(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.

1. Substituted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000).

Prior to substitution it read as under:

"(1) The National Bank shall have free access to all such records of any institution which

seeks to avail of any credit facilities from the National Bank and to all such records of any

such person who seeks to avail of any credit facilities from such institution, perusal

whereof may appear to the National Bank to be necessary in connection with the

providing of finance or other assistance to such institution or the refinancing of any loan

or advance made to such person by the borrowing institution."

Section 36 - Validity of loan or advance not to be questioned

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

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.

Section 37 - National Bank not to grant loans or advances against its own bonds or

debentures

The National Bank shall not grant any loan or advances on the security of its own bonds or

debentures.

Section 37A - Prohibited business

1[37A. Prohibited business. --

(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:

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 (1 of

1956) or by a corporation established by any other law;

(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 (1 of 1956) or by a corporation established by any other

law,

by reason only of such nomination or election, as the case may be.

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

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the National Bank or by any relative of such director as defined in clause (41) of

section 2 of the Companies Act, 1956 (1 of 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 per cent, of the paid-up share capital of the borrower,

whichever is lesser.

(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.]

1. Inserted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000)

Chapter VII - OTHER FUNCTIONS OF THE NATIONAL BANK

1[37A. Prohibited business. --

(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:

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 (1 of

1956) or by a corporation established by any other law;

(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 (1 of 1956) or by a corporation established by any other

law,

by reason only of such nomination or election, as the case may be.

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 (1 of 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 per cent, of the paid-up share capital of the borrower,

whichever is lesser.

(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

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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.]

1. Inserted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000)

Section 38 - Other function of National Bank

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 consultations to the Central

Government, the Reserve Bank the State Governments and 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 purposes¹[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.]

1. Substituted for make grants" by National Bank For Agriculture And Rural Development

(Amendment) Act, 2000 (55 of 2000)

2. Inserted by National Bank For Agriculture And Rural Development (Amendment) Act,

2000 (55 of 2000)

Section 38A - Promotion of subsidiaries

1[38A. Promotion of subsidiaries. --

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.

1. Inserted by National Bank For Agriculture And Rural Development
(Amendment) Act,

2000 (55 of 2000)