

Micro Financial Sector Development and Regulation Bill 2007

(as available in the public domain as on 19th February 2007)

THE TEXT OF THE BILL	PROPOSED	REASONS FOR KEY CHANGES
<p style="text-align: center;">The Micro Financial Sector Development and Regulation Bill 2007</p> <p style="text-align: center;">Preamble</p> <p>A Bill to provide for promotion, development and orderly growth of the micro financial sector in rural and urban areas for providing an enabling environment for ensuring universal access to integrated financial services, especially to women and certain disadvantaged section of the people and thereby securing prosperity of such areas and regulation of the micro finance organisations not being regulated by any law for the time being in force and for matters connected therewith or incidental thereto.</p>	<p style="text-align: center;">Preamble</p> <p>A Bill to provide for the regulation and development of the micro finance sector in rural and urban areas by providing an enabling environment to ensure universal access to financial services and safety and protection of the livelihoods and savings of socially and economically marginalized sections,</p> <p>With the objective of ensuring that principles of equity, justice and transparency are adhered to by all agencies involved in providing micro finance services;</p> <p>Recognizing that self-help groups (SHGs) of women, particularly those belonging to poor and marginalized communities, are the largest stakeholders of the micro finance sector, and that their interests need to be protected in law;</p>	<ul style="list-style-type: none"> -The largest stakeholders in the micro finance sector today are rural poor women. 90% of Self Help Groups (SHGs) are all-women groups. (NABARD, 2007: http://www.nabard.org/pdf/highlights%200607.pdf) -Empowerment and strengthening of livelihoods are stated goals of the State in the promotion of SHGs. -The regularity mechanism must protect and promote the interests of the poor, in particular women from marginalized communities. -The micro finance sector is

	<p>And that other stakeholders in the micro finance sector need to contribute towards the fulfillment of the objectives of SHGs – women’s empowerment and poverty reduction.</p> <p>Be it enacted by Parliament in the fifty-eighth year of the Republic of India as follows:</p>	<p>one in which there is a wide range of players, many of which are in the sector for reasons of profit. The profit motives of these players must not be allowed to prevail over the interests of poor women.</p> <p>-Credit at affordable rates of interest is a right that poor communities, including women, have a right to. The State must ensure that this right is fulfilled through direct, subsidized provisioning of credit as well as regulation of the terms at which other agencies are providing credit to the poor, especially women.</p> <p>2.Inclusion of banks, both public sector and private banks, as well as micro finance institutions (MFIs) registered as NBFCs and sector 25 companies, is required because</p> <p>-Banks need to be covered by the regulatory mechanism because of the central role they are meant to play in</p>
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		<p>ensuring the right to access to credit to the rural poor.</p> <p>-MFIs need to be covered because of the high rates of interest and the coercive means of recovery that they are known to have used. (Shylendra H.S (2006) "Microfinance Institutions in Andhra Pradesh: Crisis and Diagnosis," Economic and Political Weekly, May 20-26, 2006, Vol.XLI, No.20, pp. 1959-63). If MFIs are not regulated they have the potential of becoming exploitative similar to the moneylender.</p> <p>3.The need to cap interest rates</p> <p>-The ground reality today is that women SHG members are struggling to repay the interest on loans, which ranges from 24-36%. (SHARE was earning a margin of 60% on its cost of lending in 2004, page 55, Smith, Raven (2006. The Changing Face of</p>
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		<p>Microfinance In India: Costs And Benefits Of Transforming From An Ngo To Non-Bank Financial Company, http://fletcher.tufts.edu/research/2006/Smith.pdf)</p> <p>Poor women have the right to credit at affordable rates of interest. They should not have to bear the burden of profitability of financial institutions.</p> <p>-There have been significant government initiatives to ensure this. The AP government provides subsidy up to 7% to banks to keep the interest rate for SHGs at 3% under the PAVALAVADDI scheme.</p> <p>4.Coercive means of recovery -MFIs have been known to use coercive practices for recovery of loans and there is a real danger that such practices will only increase.</p> <p>5.Nabard should not be the regulator because</p>
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		<p>-Nabard cannot promote and develop micro finance and at the same time be the regulator. This would entail a conflict of interest. The micro finance sector entails a wide range of stakeholders. Only one of the stakeholders cannot perform the role of the regulator. The regulatory mechanism will need to represent the different stakeholders involved.</p> <p>-In consonance with the reality that a. women constitute the largest stakeholders of the micro finance sector and that b. one of the key stated objectives of self help groups is women's empowerment, the Council must</p> <ol style="list-style-type: none"> 1. Include in its members representatives of the Ministry of Women and Child as well as the Rashtriya Mahila Kosh. 2. Be chaired by a woman who has experience of working on women's rights. 5. Disallowing collection of thrift
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		<p>The poor need to be protected as much, if not more, than other consumers of credit. Therefore collection of thrift should only be allowed to be undertaken by banks. If RBI norms are acceptable for the regular citizens of India, why should they be diluted for poor women, who are to be served by MFAs ? Why should the poor be subject to a lower level of protection for their meagre savings? MFAs are not “banking” institutions, they neither have the required capital nor the ability to ensure compliance with RBI’s norms. When the banking sector has already proved its intention and ability to reach poor women’s SHGs, especially over the past few years, why are charitable institutions to engage in provision of banking services?</p> <p>Premchander, Smita. And M. Chidambaranathan, 2007.</p>
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		<p>their savings as well as control over the savings. At present SHGs are engaged with practices of inter lending, i.e. lending from the collective savings of the group to members of the group. If MFAs are allowed to collect thrift, this would negatively impact the practice of inter-lending, which maximizes poor women's control over their own savings.</p> <p>6.Development function of the Council</p> <p>-The development function of the Council needs to ensure that the reach of public sector banks and Regional Rural Banks (RRBs) should be strengthened in the interests of poor women who require credit. Following nationalization of banks in 1969 the public banking sector had substantially increased its outreach to the rural poor. There has been a dangerous decline in the public banking sector and the number of regional rural</p>
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		<p>banks since banking reforms. For example 2,723 rural bank offices were shut down between March 1994 and March 2000. The amount of credit being given to SHGs by banks also needs to increase.</p> <p>-As on 31-8-07 the loans outstanding of all scheduled banks is Rs.2036671 crores. The loan outstanding for SHGs as on 31-3-07 is Rs.180.41 billion which is not even 1% of the loan outstanding.</p> <p>-There are existing RBI schemes and policies which seek to ensure that the poor gain access to credit at subsidized rates from banks. These are not being implemented by banks. The council needs to monitor banks' compliance with these. <i>The World Bank in India</i>. World Bank Country Brief, July 2005; http://www.worldbank.org.</p> <p>-There is an urgent need for the Council to ensure that</p>
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		<p>resources are made available for capacity building inputs to SHGs. The stated goals of the SHGs as defined by the State - empowerment and livelihoods strengthening – cannot be met without adequate provisioning of capacity building inputs. This inputs needs to have a strong component relating to the gender and equity issues. The current situation is extremely worrying. A survey of 2,750 SHGs conducted in 16 states (conducted by Nirantar, New Delhi) provided evidence that 47 % of government sponsored SHGs had not received a single capacity building input. The vast majority of inputs that are provided focus on financial issues. (only 0.4% of the inputs related to gender.) There is also a lack of provisioning of literacy opportunities. This discriminates against non literate members of SHGs. The rate of literacy for leaders is much higher and it is the literate leaders who have</p>
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		<p>much greater access to credit and to capacity building inputs. (According to the Nirantar survey under 40% of SHG members can read and write. This is far below the national average for rural women – 46.6%. 69% of leaders could read and write. 68% of women taking large loans are literate group leaders. (Examining Literacy and Power within Self Help Groups, Nirantar, 2007)</p>
<p style="text-align: center;">Chapter I Preliminary</p> <p>1. Short title and commencement:</p> <p>(1) This Act may be called the Micro Financial Sector [Development and Regulation] Act 2007.</p> <p>(2) It shall come into force on such date as the Central Government may, by notification in the Official gazette, appoint:</p> <p>Provided that different dates may be appointed for different provisions of this</p>	<p style="text-align: center;">Chapter I Preliminary</p> <p>1. Short title and commencement.</p> <p>1. This Act may be called the Micro Financial Sector (Development and Regulation) Act, 2007.</p> <p>2. It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:</p> <p>Provided that different dates may be appointed for different provisions of this Act</p>	

<p>Act and any reference in such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.</p>	<p>and any reference in such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.</p>	
<p>2. Definitions:</p> <p>In this Act, unless the context otherwise requires,</p> <p>(a) "cooperative society" means a society as defined in clause (f) of section 2 of the National Bank for Agriculture and Rural Development Act, 1981 and includes a cooperative society registered under the Multi State Cooperative Societies Act, 2002 and mutually aided or mutual benefit cooperative society registered under any other law relating to cooperative societies for the time being in force in any state;</p> <p>(b) "eligible client" means any member of a self help group or a self help group itself or any other groups formed for the purposes of providing micro finance services belonging to anyone of the following categories, namely:</p> <p>(i) farmers owning not more than two hectares of agricultural land or such area of agricultural</p>	<p>2. Definitions.</p> <p>In this Act, unless the context otherwise requires,</p> <p>(a) "Appropriate Council" means the National Micro finance Development and Regulation Council under Section 6, in matters pertaining to the whole of India, and the State Micro finance Development and Regulation Council under Section 12 in matters pertaining to the States;</p> <p>(b) Appropriate Government means the Central Government, in matters pertaining to the whole of India, and the State Government under section in matters pertaining to the States</p> <p>(c) Civil Society means organisations, institutions and persons not directly funded, owned, controlled, managed or employed by the Central or State government, elected representatives of panchayati raj institutions and urban local bodies and includes researchers, practitioners, Non Governmental organisations, trade unions, and</p>	

<p>(ii) land as may be prescribed; disadvantaged cultivators of agricultural land including oral lessees, tenants, share croppers;</p> <p>(iii) landless labourers and migrant labourers;</p> <p>(iv) artisans, micro entrepreneurs and persons engaged in small and tiny economic activities;</p> <p>(v) women;</p> <p>(vi) such other categories as may be prescribed;</p> <p>(c) "financial assistance" means any loan, advance, grant or any guarantee given or any other credit facility extended in cash or kind with or without security or guarantee;</p> <p>(d) "group" means any association of eligible clients formed either as self help group or joint liability group or a group called by any other name for the purpose of providing thrift services and micro finance services to the individual members of such association;</p> <p>(e) "micro finance organisation" means an organisation or association of individuals, including the following, if it is established for the purpose of carrying on the business of extending micro finance services:</p> <p>(i) a society registered under the Societies Registration Act</p>	<p>consumer rights, women's rights and human right's rights groups.</p> <p>(d) Civil Society means organisations, institutions and persons not directly funded, owned, controlled, managed or employed by the Central or State government, elected representatives of panchayati raj institutions and urban local bodies and includes researchers, practitioners, Non Governmental organisations, trade unions, and consumer rights, women's rights and human right's rights groups.</p> <p>(e) "eligible person" means any member of a self help group (SHG) or a self help group itself or any other groups formed for the purposes of providing micro finance services belonging to anyone of the following categories, belonging to anyone of the following categories, namely:</p> <p>(i) women</p> <p>(ii) farmers owning not more than two hectares of agricultural land or such area of agricultural land as may be prescribed</p> <p>(iii) disadvantaged cultivators including oral lessees, tenants, share croppers and salt pan workers.</p> <p>(iv) landless labourers</p> <p>(iv) migrant labourers</p> <p>(v) artisans, micro entrepreneurs,</p>	
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<p>1860;</p> <p>(ii) a trust created under the Indian Trusts Act 1880 or a public trust registered under any state enactment governing trust for public, religious or charitable purposes;</p> <p>(iii) a cooperative society or mutual benefit society or mutually aided society registered under any state enactment relating to such societies or any multi state cooperative society registered under the Multi State Cooperative Societies Act 2002 but not including:</p> <p>(A) a cooperative bank as defined in clause (cci) of section 5 of the Banking Regulation Act 1949; or</p> <p>(B) a cooperative society engaged in agricultural operations or industrial activity or purchase or sale of any goods and services.</p> <p>(f) "micro finance services" means</p> <p>(i) providing financial assistance to an individual or an eligible client being under any of the sub-clauses (i) to (vi) of clause (e) either directly or through a group mechanism for</p>	<p>persons engaged in small and tiny economic activities and unorganised livelihood activities;</p> <p>(vi) those belonging to Scheduled Caste (SC), Scheduled Tribe (ST), DNT, Muslim communities, Handicapped and Women headed households</p> <p>(vii) those belonging to Scheduled Caste (SC) and Scheduled Tribe (ST) and Muslim communities</p> <p>(viii) such other categories as the State Government may from time to time prescribe;</p> <p>(f) "financial assistance" means any loan, advance, grant or any guarantee given or any other credit facility extended in cash or kind with or without security or guarantee;</p> <p>(g) "group" means any association of eligible persons formed either as self help group or joint liability group or a group called by any other name for the purpose of providing thrift services and micro finance services to the individual members of such association;</p> <p>(h) "micro finance agencies" (MFAs) means a financial institution or an organisation, other than a group, established for the purpose of providing micro finance services, whether as a business or otherwise, and includes the following:</p>	<p>Inclusion of banks, both public sector and private banks, as well as micro finance institutions (MFIs) registered as NBFCs and sector 25 companies, is required because</p> <p>-Banks need to be covered by the regulatory mechanism because of the central role they are meant to play in ensuring the right to access to credit to the rural poor.</p> <p>-MFIs need to be covered</p>
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<p>(A) an amount, not exceeding rupees fifty thousand in aggregate per individual, for small and tiny enterprise, agriculture, allied activities (including for consumption purposes of such individual), or</p> <p>(B) an amount not exceeding rupees one lakh fifty thousand in aggregate per individual for housing purposes; or</p> <p>(C) such other amounts, for any of the purposes mentioned at items (A) and (B) above or other purposes, as may be prescribed;</p> <p>(ii) financial services to an eligible client or individual borrower under any of the sub-clauses (i) to (vi) of clause (b) through the business facilitator or business correspondent mechanism authorised by the scheduled banks or any such other agency as may be permitted by the Reserve Bank of India;</p> <p>(iii) life insurance or general</p>	<p>(i) a company within the meaning of section 25 of the Companies Act, 1956</p> <p>(ii) a banking company as defined in Section 5 (c) of The Banking regulations Act, 1949</p> <p>(iii) a Non-banking financial company (NBFC) whether registered with the RBI or with SEBI or holding a valid Certificate of Registration issued by IRDA, or a Nidhi company as notified under Section 620A of the Companies Act, 1956, or a Chit company as defined in clause (b) of Section 2 of the Chit Funds Act, 1982 or a Housing Finance Company regulated by National Housing Bank</p> <p>(iv) a society registered under the Societies Registration Act 1860 or any other state enactment governing such societies;</p> <p>(v) a trust created under the Indian Trusts Act 1882 or public trust registered under any state enactment governing trust for public, religious or charitable purposes;</p> <p>(vi) a cooperative society or mutual benefit society or mutually aided society registered under any state enactment relating to such societies or any multi state</p>	<p>because of the high rates of interest and the coercive means of recovery that they are known to have used. (Shylendra H.S (2006) "Microfinance Institutions in Andhra Pradesh: Crisis and Diagnosis," Economic and Political Weekly, May 20-26, 2006, Vol.XLI, No.20, pp. 1959-63). If MFIs are not regulated they have the potential of becoming exploitative similar to the moneylender.</p>
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<p>insurance services, and pension services which have been approved by the authority regulating such services;</p> <p>(iv) any other services as may, by notification, be specified by the National Bank;</p> <p>(g) "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;</p> <p>(h) "notification" means a notification published in the official gazette;</p> <p>(i) "prescribed" means prescribed by rules made under this Act;</p> <p>(j) "Reserve Bank" means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act 1934;</p> <p>(k) "scheme" means the scheme framed under sub-section (1) of section 24;</p> <p>(l) "thrift" means any monies collected (other than in the form of current account or demand deposit) by a micro finance organisation from a group or by a group from individual members of such group through the group mechanism, not exceeding such amounts and subject to such other terms and conditions as may be</p>	<p>cooperative society registered under the Multi State Cooperative Societies Act 2002, but not including:</p> <p>(A) a cooperative bank as defined in clause (cci) of section 5 of the Banking Regulation Act 1949; or</p> <p>(B) a cooperative society engaged in agricultural operations or industrial activity or purchase or sale of any goods and services</p> <p>(vii) a union engaged in providing micro finance services, registered under the Trade Union Act 1926;</p> <p>(i) "micro finance services" means:</p> <p>(i) providing financial assistance to an individual or an eligible client being under any of the sub-clauses (i) to (vi) of clause (b) either directly or through a group mechanism for</p> <p>(A) an amount, not exceeding rupees One Lakh in aggregate per individual, for small and tiny enterprise, agriculture, allied activities (including for consumption purposes of such individual), or</p> <p>(B) an amount not exceeding rupees</p>	
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<p>(m) prescribed; words and expressions used herein and not defined but defined in the Reserve Bank of India Act 1934, the Banking Regulation Act 1949 and the National Bank for Agriculture and Rural Development Act 1981 shall have the meanings respectively assigned to them in those Acts.</p>	<p>One Lakh fifty thousand in aggregate per individual for housing purposes (including purchase of land); or</p> <p>(C) such other amounts, for any of the purposes mentioned at items (A) and (B) above or other purposes, as the State Government may from time to time may be prescribe;</p> <p>(ii) any other services as may be notified by the State Micro Finance Development and Regulation Council for each state;</p> <p>(iii) providing life insurance, general insurance or pension services, which have been approved by the authority regulating such services, to eligible persons either directly or through a group mechanism</p> <p>(iv) Providing remittance services within the state, country or internationally.</p> <p>(j) notification" means a notification published in the Official Gazette;</p> <p>(k) "prescribed" means prescribed by rules made under this Act;</p> <p>(l) "Reserve Bank" means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act 1934;</p> <p>(m) "thrift" means any monies collected by a</p>	
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	<p>micro finance agency from a group or directly from individual eligible persons, or by a group from its members through the group mechanism, not exceeding such amounts and subject to such other terms and conditions as may be notified by the State Micro Finance Developments Councils for each state;</p> <p>(n) words and expressions used but not defined in this Act shall have the meanings assigned them in the Reserve Bank of India Act 1934, the Banking Regulation Act 1949 or the National Bank for Agriculture and Rural Development Act 1981.</p>	
	<p style="text-align: center;">Chapter II</p> <p style="text-align: center;">Regulation of Micro Finance Agencies</p> <p>3. Prohibition on offering of Thrift Services.</p> <p>No entity except a group as defined under section 2 (f) shall accept deposits from any persons or groups, whether eligible persons or otherwise unless expressly permitted by the Banking Regulation Act, 1949, prevailing Reserve Bank of India norms and any other norms that the Reserve Bank of India may</p>	<p>Disallowing collection of thrift</p> <p>The poor need to be protected as much, if not more, than other consumers of credit. Therefore collection of thrift should only be allowed to be undertaken by banks. If RBI norms are acceptable for the regular citizens of India, why</p>

	<p>prescribe in relation to the acceptance of public deposits. Provided a 'co-operative credit society' as defined under section 56 (ccii) of the Banking Regulation Act, 1949 may collect thrift, if the Micro Finance Development and Regulation Council is assured that the security of savings of clients is ensured.</p>	<p>should they be diluted for poor women, who are to be served by MFAs ? Why should the poor be subject to a lower level of protection for their meagre savings? MFAs are not “banking” institutions, they neither have the required capital nor the ability to ensure compliance with RBI’s norms. When the banking sector has already proved its intention and ability to reach poor women’s SHGs, especially over the past few years, why are charitable institutions to engage in provision of banking services?</p> <p>Premchander, Smita. And M. Chidambaranathan, 2007. Microfinance Bill: One Step Forward or Two Steps back? Proposed Amendments to NABARD Act. Economic and Political Weekly, March 24-30, 2007, Vol XLII No. 12, 1006-1008. http://www.epw.org.in/epw/uploads/articles/10411.pdf</p>
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	<p>4. Prohibition on charging onerous/ usurious Rates of Interest.</p> <p>Notwithstanding anything contained in any other law, rule, regulation, notification or instrument;</p> <p>a) no banks, whether public or private, shall provide credit to micro finance agencies or micro credit services to groups or eligible persons above the ceiling rate fixed by the Central Government for agricultural loans below a sum of Rs.2,00,000/- (rupees two lakh only)</p> <p>b) no micro finance agency shall extend micro finance services at a rate above five percent per annum of the rate at which they have been provided the credit by the bank</p> <p>c) no group shall extend micro finance services to its members at a rate above six percent per annum at which it was able to access credit for the same which would include all service charges.</p>	<p>lending, which maximizes poor women's control over their own savings.</p> <p>The need to cap interest rates</p> <p>-The ground reality today is that women SHG members are struggling to repay the interest on loans, which ranges from 24-36%. (SHARE was earning a margin of 60% on its cost of lending in 2004, page 55, Smith, Raven (2006. The Changing Face of Microfinance In India: Costs And Benefits Of Transforming From An Ngo To Non-Bank Financial Company, http://fletcher.tufts.edu/research/2006/Smith.pdf)</p> <p>Poor women have the right to credit at affordable rates of interest. They should not have to bear the burden of profitability of financial institutions.</p> <p>-There have been significant</p>
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	<p>5. Prohibition of coercive methods in recovery of dues.</p> <p>Notwithstanding anything contained in any other law, rule, regulation, notification or instrument, no Micro finance Agency or its recovery agents, collection agents, canvassing agents, or other agents, assigns, third parties or servants, by whatsoever name called shall employ any coercive methods other than the institution of legal proceedings in a court of law, to recover or attempt to recover any dues or outstanding amounts from groups or eligible persons.</p> <p><i>Explanation:</i> Coercive methods shall include the seizure or attachment of personal effects or property in the possession of the eligible person, or his/her family members or friends, other than through a Court of law; verbal or physical threats or intimidation; acts intended to humiliate publicly or intrude on the privacy</p>	<p>government initiatives to ensure this. The AP government provides subsidy up to 7% to banks to keep the interest rate for SHGs at 3% under the PAVALAVADDI scheme.</p> <p>Coercive means of recovery</p> <p>-MFIs have been known to use coercive practices for recovery of loans and there is a real danger that such practices will only increase.</p>
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	<p>of the eligible persons or their family members or friends, making threatening and anonymous calls or making false and misleading representations and repeated unsolicited visits to the residence or workplace of the eligible person or his/her family members,</p>	
<p style="text-align: center;">Chapter II</p> <p style="text-align: center;">Micro Finance Development Council</p> <p>3. Constitution of Micro Finance Development Council: The Central Government may, by notification, constitute a Council to be known as the Micro Finance Development Council, to advise the National Bank on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the micro finance sector.</p> <p>4. Composition of Micro Finance Development Council: The Micro Finance Development Council shall consist of the following members, namely: (a) a person of eminence, with experience in banking, rural credit</p>	<p style="text-align: center;">Chapter III</p> <p style="text-align: center;">Micro Finance Development and Regulation Councils</p> <p><i>Constitution, powers and Functions of the National Micro Finance Development and Regulation Council.</i></p> <p>6. Constitution of the National Micro Finance Development and Regulation Council. The Central Government shall, by notification, constitute a Council to be known as the National Micro Finance Development Council, to function as the apex national body to oversee the development and regulation of the micro finance sector, and to exercise the powers and functions prescribed under this Act.</p>	<p>Nabard should not be the regulator because</p> <p>-Nabard cannot promote and develop micro finance and at the same time be the regulator. This would entail a conflict of interest. The micro finance sector entails a wide range of stakeholders. Only one of the stakeholders cannot perform the role of the</p>

<p>and micro finance, to be nominated by the Central Government – the Chairperson;</p> <p>(b) two officers, not below the rank of a Joint Secretary of the Government of India, one each to be nominated by Ministry of Finance and the Ministry of Rural Development – Members;</p> <p>(c) an officer, not below the rank of an Executive Director of the Reserve Bank of India, to be nominated by it – Member;</p> <p>(d) one of the directors, referred to in clause (b) sub-section (1) of section 6 of the National Bank of Agriculture and Rural Development Act, 1981, to be nominated by the National Bank – Member;</p> <p>(e) an officer, not below the rank of an Executive Director of the Small Industries Development Bank of India established under the Small Industries Development Bank of</p>	<p>7. Composition of the National Micro Finance Development and Regulation Council</p> <p>The National Micro Finance Development Council shall consist of:</p> <p>(a) a woman from civil society with experience in issues concerning women’s empowerment, and in the micro finance sector nominated by the Central Government, who shall be the Chairperson of the Council</p> <p>(b) three Members, not below the rank of a ‘Joint Secretary’, to be nominated by the Ministry of Women and Child Development, Ministry of Rural Development and the Ministry of Finance respectively</p> <p>(c) one member, not below the rank of ‘General Manager’ from the Reserve Bank of India, to be nominated by the Reserve Bank of India</p> <p>(d) one member, not below the rank of ‘Executive Director’ from the Rashtriya Mahila Kosh, to be nominated by the Rashtriya Mahila Kosh</p> <p>(e) one member not below the rank of ‘Director’, referred to in clause (b) sub-section (1) of section 6 of the National Bank of Agriculture and Rural Development Act, 1981</p> <p>(f) six members of civil society of whom at least four shall be women, with</p>	<p>regulator. The regulatory mechanism will need to represent the different stakeholders involved.</p> <p>-In consonance with the reality that a. women constitute the largest stakeholders of the micro finance sector and that b. one of the key stated objectives of self help groups is women’s empowerment, the Council must</p> <ol style="list-style-type: none"> 1. Include in its members representatives of the Ministry of Women and Child as well as the Rashtriya Mahila Kosh. 2. Be chaired by a woman who has experience of working on women’s rights.
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<p>India Act, 1989, to be nominated by it – Member;</p> <p>(f) an officer, not below the rank of an Executive Director of the National Bank dealing with micro finance, to be nominated by it – Member;</p> <p>(g) an officer not below the rank of an executive director of the National Housing Bank established under the National Housing Bank Act, 1987 to be nominated by it-member not more than six persons of whom at least two shall be women to be nominated by the Central Government in consultation with the National Bank from amongst persons with experience in banking, rural credit and micro finance or the representatives of micro finance organisations or scheduled banks or any other institutions providing thrift services or micro finance services – Members.</p> <p>5. Functions of Micro Finance Development Council:</p> <p>The Micro Finance Development Council shall advise the National Bank in matters relating to micro finance or on such other matters as may be referred to the Micro Finance Development Council by the National Bank.</p> <p>6. Tenure and allowances of members of</p>	<p>experience in working on women’s rights, development and rural credit, including practitioners and researchers, to be nominated by the Central Government ensuring representation from the ST,SC and Muslim communities</p> <p>8. Tenure and allowances of members of National Micro Finance Development and Regulation Council.</p> <p>A member of the Micro Finance Development Council shall hold office for such term not exceeding three years, and receive such fees and allowances as may be prescribed by the Central Government.</p> <p>9. Meetings of National Micro Finance Development and Regulation Council.</p> <p>The National Micro Finance Development Council shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings, as may be prescribed by the Central Government.</p> <p>10. Functions of the National Micro Finance Development and Regulation Council</p> <p>The National Micro Finance Development</p>	
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<p>Development Council:</p> <p>A member of the Micro Finance Development Council shall hold office for such term not exceeding five years, as the Central Government may fix, and receive such fees and allowances as may be specified by regulations for attending the meetings of the Micro finance Development Council.</p> <p>7. Meetings of Micro Finance Development Council:</p> <p>The Micro Finance Development Council shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings, as may be specified by regulations.</p>	<p>and Regulation Council shall exercise the following functions in relation to the regulation of the micro finance sector to ensure equitable provision of micro finance services, and the protection of the livelihoods and savings of eligible persons:</p> <ul style="list-style-type: none"> (a) Specify and enforce mandatory regulatory standards for Micro Finance Agencies including: <ul style="list-style-type: none"> (l) standards pertaining the extent to which SHGs are being enabled to address women’s empowerment, including dimensions of violence against women, intra household equity issues such as women’s control over credit, negotiation with other stakeholders with respect to terms and conditions of micro financial services, awareness of state accountability for provisioning of basic entitlements, equity such as it relates to inclusion of those who are socially and economically marginalized (i) standards pertaining to credit including the time taken for opening accounts and for release of loans, assessment process, credit rating of the MFAs, lending norms, capacity building support, 	
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	<p>(ii) market linkage, lending rates etc standards pertaining to the nature and extent of capacity building inputs being provided by promoting agencies including substantive inputs related to gender, social justice and equity, increasing access to entitlements, skills necessary to reduce dependency on promoting agency, including financial, leadership and managerial skills, sustainable literacy skills, the financial resources being invested in capacity building of leaders and members</p> <p>(iii) standards pertaining to the nature of enabling conditions including the time and space free from unrealistic targets, for SHGs to emerge as strong women's collectives working towards justice and equity</p> <p>(iv) standards pertaining to the nature of livelihoods interventions being promoted in terms of adequate focus on improving food security, natural resources, viability, local needs, forward and backward linkages</p> <p>(b) Formulate and implement regulations, norms, guidelines, policies, schemes,</p>	
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	<p>programmes and other measures for the functioning of Micro finance Agencies, including norms and guidelines relating to personal privacy of micro finance transactions, clarity relating to rights and obligations of persons, preservation of personal records, maintaining confidentiality of eligible person information and fair practices in debt collection.</p> <p>(c) Monitor the impact of SHG programmes with respect to women's empowerment and poverty alleviation after calling for data from government as well as non governmental agencies</p> <p>(d) Facilitate the setting of sector related benchmarks and performance standards pertaining to methods of operation, management and governance including model codes for conduct of business for micro finance agencies engaged in providing of micro finance services;</p> <p>(e) Monitor the functioning of scheduled and non-scheduled banks and advise the Central Government with regard to the setting and meeting of targets for lending to SHGs</p> <p>(f) Monitor the functioning and implementation of various schemes of the RBI aimed at ensuring access to credit at subsidized rates to the poor including the Differential Rate of</p>	<p>Development function of the Council</p> <p>-The development function of the Council needs to ensure</p>
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	<p>Interest (DRI) scheme and priority sector lending norms especially to the Agriculture sector;</p> <p>(g) document and disseminate information relating to fair practices with a view to ensuring just and equitable provision of micro finance services at an affordable cost to eligible persons;</p> <p>(h) advise the Central Government, the National Bank for Agriculture and Rural Development (NABARD), Reserve Bank of India (RBI), and the Small scale Industries Development Bank of India (SIDBI) on matters concerning the provision and access to Micro finance services</p>	<p>that the reach of public sector banks and Regional Rural Banks (RRBs) should be strengthened in the interests of poor women who require credit. Following nationalization of banks in 1969 the public banking sector had substantially increased its outreach to the rural poor. There has been a dangerous decline in the public banking sector and the number of regional rural banks since banking reforms. For example 2,723 rural bank offices were shut down between March 1994 and March 2000. The amount of credit being given to SHGs by banks also needs to increase.</p> <p>-As on 31-8-07 the loans outstanding of all scheduled banks is Rs.2036671 crores. The loan outstanding for SHGs as on 31-3-07 is Rs.180.41 billion which is not even 1% of the loan outstanding.</p> <p>-There are existing RBI schemes and policies which</p>
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		<p>seek to ensure that the poor gain access to credit at subsidized rates from banks. These are not being implemented by banks. The council needs to monitor banks' compliance with these. <i>The World Bank in India.</i> World Bank Country Brief, July 2005; http://www.worldbank.org.</p> <p>-There is an urgent need for the Council to ensure that resources are made available for capacity building inputs to SHGs. The stated goals of the SHGs as defined by the State - empowerment and livelihoods strengthening – cannot be met without adequate provisioning of capacity building inputs. This inputs needs to have a strong component relating to the gender and equity issues. The current situation is extremely worrying. A survey of 2,750 SHGs conducted in 16 states (conducted by Nirantar, New Delhi) provided evidence that 47 % of government sponsored SHGs</p>
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		<p>had not received a single capacity building input. The vast majority of inputs that are provided focus on financial issues. (only 0.4% of the inputs related to gender.) There is also a lack of provisioning of literacy opportunities. This discriminates against non literate members of SHGs. The rate of literacy for leaders is much higher and it is the literate leaders who have much greater access to credit and to capacity building inputs. (According to the Nirantar survey under 40% of SHG members can read and write. This is far below the national average for rural women – 46.6%. 69% of leaders could read and write. 68% of women taking large loans are literate group leaders. (Examining Literacy and Power within Self Help Groups, Nirantar, 2007)</p>
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	<p>11. Powers of the National Micro Finance Development and Regulation Council</p> <p>1. Where the National Micro finance Development and Regulation Council is satisfied that, in the public interest or in the interest of the policy relating to micro finance agency or to prevent the affairs of any micro finance agency being conducted in a manner detrimental to the interests of the eligible persons thereof or in a manner prejudicial to the interest of the micro finance agency or to secure the proper management of micro finance agencies it is necessary to issue directions to such micro finance agencies generally or to any such micro finance agency in particular, it may from time to time issue such directions as it deems fit, and the micro finance agencies or the micro finance agency, as the case may be, shall be bound to comply with such directions.</p> <p>2. The National Micro finance Development and Regulation Council may, on representation made to it or on its own motion, modify or cancel any direction issued under subsection (1) and in so modifying or canceling any direction may impose such conditions as it thinks fit, subject to which such modification or cancellation shall have effect.</p> <p>3. The National Micro Finance Development</p>	
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	<p>and Regulation Council, may at any time, cause inspection to be made of any micro finance agency, whether accepting thrift or not, and its books of accounts by an inspecting authority approved by it in such manner and on such terms and conditions as may be specified by it and such inspecting authority shall submit a report to the National Micro Finance Development Council in respect of inspection made by it. Provided that a copy of the report of the inspection shall be furnished to the micro finance agency where the micro finance agency makes a request for the same</p> <p>4. If the National Micro finance Development and Regulation Council after considering the report, is of the view that the affairs of any micro finance agency are being conducted to the detriment of its eligible persons, it may after giving such opportunity to the micro finance agency to make a representation in connection with the report, take such action as it deems appropriate including making a reference for winding-up the micro finance agency in accordance with the procedure which may be specified by the law governing the establishment and registration of the Micro Finance Agency.</p> <p><i>Constitution Powers and Functions of the</i></p>	
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State Micro finance Development and Regulation Council

12. Constitution of the State Micro Finance Development and Regulation Council.

Each state government shall, by notification, constitute a Council to be known as the State Micro Finance Development Council, to function as the state level body to oversee the development and regulation of the micro finance sector in each state, and to exercise the powers and functions prescribed under this Act.

13. Composition of State Micro Finance Development Council

Each State Micro Finance Development Council shall consist of:

- (a) a Chairperson who shall be a woman from civil society with experience in issues concerning women's empowerment and in the micro finance sector, nominated by the State Government
- (b) three Members, not below the rank of a 'Joint Secretary', to be nominated by the Ministry of Women and Child Development, Ministry of Rural Development and the Ministry of Finance respectively

	<p>(c) one member, not below the rank of 'General Manager', to be nominated by the Reserve Bank of India</p> <p>(d) one member not below the rank of 'Chief General Manager, from the National bank for Agriculture and Rural Development to be nominated by the National Bank of Agriculture and Rural Development</p> <p>(e) six members of whom at east four shall be women, from civil society with experience in working on women's rights, development and rural credit, including practitioners, researchers and activists, to be nominated by the State Government ensuring representation from the ST,SC and Muslim communities.</p> <p>14. Tenure and allowances of members of State Micro Finance Development Council.</p> <p>A member of the State Micro Finance Development Council shall hold office for such term not exceeding three years, and receive such fees and allowances as may be prescribed by the State Government.</p> <p>15. Meetings of State Micro Finance Development Council</p>	
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	<p>The State Micro Finance Development Council shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings, as may be prescribed by the State Government.</p> <p>16. Functions of the State Micro Finance Development Council</p> <p>The State Micro Finance Development and Regulation Council shall exercise the following functions in relation to the regulation of the micro finance sector to ensure equitable provision of micro finance services, and the protection of the livelihoods and savings of eligible persons in each State:</p> <ul style="list-style-type: none">(i) Formulate and implement regulations, norms, guidelines, policies, schemes, programmes and other measures for the functioning of Micro finance Agencies, at the State level including norms and guidelines relating to personal privacy of micro finance transactions, clarity relating to rights and obligations of persons, preservation of personal records, maintaining confidentiality of eligible person information and fair practices in debt collection.(ii) facilitate the setting of sector related benchmarks and performance	
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	<p>standards pertaining to methods of operation, management and governance including model codes for conduct of business for micro finance agencies engaged in providing of micro finance services for micro finance agencies within the territorial limits of the State;</p> <p>(iii) facilitate the development of rating norms to be applied within the territorial limits of the State for micro finance agencies in order to ensure that regulation is enforced, and equity and justice issues are incorporated for development of eligible persons and eligible person groups</p> <p>(iv) document and disseminate information relating to fair practices with a view to ensuring provision of micro finance services at an affordable cost to eligible persons;</p> <p>(v) advise the State Government, the National Bank for Agricultural and Rural Development (NABARD) , the Reserve Bank of India (RBI) and the Small scale Industries Development Bank of India (SIDBI) on matters concerning the provision and access to Micro finance services within the territorial jurisdiction of the State</p>	
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17. Powers of the State Micro finance Development and Regulation Council

- 1) Where the State Micro finance Development and Regulation Council is satisfied that, in the public interest or in the interest of the policy relating to micro finance agency or to prevent the affairs of any micro finance agency being conducted in a manner detrimental to the interests of the eligible persons thereof or in a manner prejudicial to the interest of the micro finance agency or to secure the proper management of micro finance agencies it is necessary to issue directions to such micro finance agencies generally or to any such micro finance agency in particular, it may from time to time issue such directions as it deems fit, and the micro finance agencies or the micro finance agency, as the case may be, shall be bound to comply with such directions.
- 2) The State Micro finance Development and Regulation Council may, on representation made to it or on its own motion, modify or cancel any direction issued under subsection (1) and in so modifying or canceling any direction may impose such conditions as it thinks fit, subject to which such modification or cancellation shall have effect.

	<p>3) The State Micro finance Development and Regulation Council, may at any time, cause inspection to be made of any micro finance agency, whether accepting thrift or not, and its books of accounts by an inspecting authority approved by it in such manner and on such terms and conditions as may be specified by it and such inspecting authority shall submit a report to the concerned State Micro finance Development Council in respect of inspection made by it.</p> <p>Provided that a copy of the report of the inspection shall be furnished to the micro finance agency where the micro finance agency makes a request for the same</p> <p>(4) If the State Micro finance Development and Regulation Council after considering the report, is of the view that the affairs of any micro finance agency are being conducted to the detriment of its eligible persons, it may after giving such opportunity to the micro finance agency to make a representation in connection with the report, take such action as it deems appropriate including winding-up the micro finance agency in accordance with the procedure which may be specified by regulations under this Act.</p> <p><i>Constitution Powers and Functions of</i></p>	
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District Level Micro Finance committees

18. Constitution Powers and Functions of the District Level Micro finance Development Council

Each state government shall by notification constitute a council to be known as District Level micro finance Development Council in every district in the State to exercise the powers and functions prescribed under this Act.

19. Composition the District Level Micro Finance Council

- (i) Each District Level Micro Finance Development Council shall consist of the following members, not less than four of whom shall be women:
- (a) a woman from civil society with experience in issues concerning women's empowerment and the micro finance sector- to be nominated by the State Government who shall be the Chairperson
 - (b) a woman elected representative of a Panchayati Raj Institution or Urban Local Body who shall be a member,
 - (c) an officer not below the rank of Lead District Manager of a Public Sector Bank operating in the district, to be nominated by the State Government who shall be a member

(d) three persons from civil society drawn from membership of self help groups, / federations of SHGs, or organizations which promote micro finance, and persons with experience in working on women's rights, development and rural credit, to be nominated by the State Government who shall be members.

20. Tenure and allowances of members of District Micro finance Council.

A member of the District Micro Finance Council shall hold office for such term not exceeding three years, and receive such fees and allowances as may be prescribed by the State Government for attending the meetings of the Micro Finance Development Council

21. Meetings of the District Micro Finance Council.

The District Micro Finance Development Council shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings, as may be specified by regulations.

22. Functions of the District Micro Finance Council.

The District Micro Finance Development and Regulation Council shall exercise the following functions in relation to the regulation of the micro finance sector to ensure equitable provision of micro finance services, and the protection of the livelihoods and savings of eligible persons in each district :

- 1) monitor the adherence to regulatory standards by Micro finance Agencies at a district level
- 2) implement the regulations, norms, guidelines, policies, schemes, programmes and other measures for the functioning of Micro finance Agencies, at the district level
- 3) monitor the impact of SHG programmes with respect to women's empowerment and poverty alleviation after calling for data from government as well as non governmental agencies
- 4) document and disseminate information relating to fair practices with a view to ensuring provision of equity and justice based micro finance services at an affordable cost to eligible clients
- 5) advise the District Administration and the State Micro finance Development Council on matters concerning the provision and access to Micro finance services within

	<p>their district.</p> <p>6) channelise grants and funds received from the State Micro finance development Fund to grassroots organisations and women's federations in the district for promoting self help groups, capacity building and meeting women's crises needs for food security, health security, employment security and combating and protecting against violence</p>	
<p style="text-align: center;">Chapter III</p> <p style="text-align: center;">Registration of Micro Finance Organisations</p> <p>8. Prohibition to commence or carry on business of offering thrift services to eligible clients in certain cases:</p> <p>Notwithstanding anything contained in the Reserve Bank of India Act 1934 and the Banking Regulation Act 1949 and save as otherwise provided in this Act, no micro finance organisation shall commence or carry on the business of offering thrift services to eligible clients by way of thrift from any individual member of a group through the group mechanism without obtaining a certificate of registration from the National Bank under this Act.</p>		

9. Application for registration:

- (1) Every micro finance organisation, which intends to commence the business of offering thrift services to eligible clients, shall make an application for registration to the National Bank in such form and manner along with such fee as may be specified by regulations.

- (2) If any micro finance organisation, in existence on the commencement of this Act and offering thrift services, intends to continue to do so, it shall before the expiry of six months from such commencement, apply in writing to the National Bank for obtaining a certificate of registration under this Act:
Provided that, in the case of a micro finance organisation in existence on the commencement of this Act, nothing in sections 8 & 9 shall be deemed to prohibit such micro finance organisation from carrying on the business of a micro finance organisation, until it is granted a certificate of registration or is by notice in writing informed by the National Bank that a certificate of registration cannot be granted to it.

10. Grant of certificate:

1. The National Bank may, for the purpose of considering the application of a micro finance organisation for grant of a certificate of registration to the business of offering thrift services to eligible clients, require to be satisfied, by an inspection of records or books of such micro finance organisation or otherwise that the following conditions are fulfilled, namely:
- (a) that the general character of the management or the proposed management of the applicant micro finance organisation shall not be prejudicial to the interest of members of the group or eligible clients
 - (b) the grant of certificate of registration to the applicant micro finance organisation is for promotion and development of micro finance sector;
 - (c) The net owned funds of the micro finance organisation are at least Rs.5 lakhs, which have been created out of promoter's contributions or grants or donations, received by the micro finance organisation.
 - (d) the micro finance organisation is in existence for at least three

<p>years on the day such micro finance organisation makes an application for grant of a license.</p> <p>(e) any other condition, which may be specified by regulations made by the National Bank.</p> <p>2. The National Bank may, after being satisfied that the conditions as referred to in sub-section (1) are fulfilled, grant a certificate of registration to the applicant micro finance organisation to commence or carry on the business of offering thrift services to eligible clients subject to such conditions which it may consider fit to impose:</p> <p>No application shall be rejected unless the applicant has been given an opportunity of being heard.</p>		
<p style="text-align: center;">Chapter IV</p> <p style="text-align: center;">Reserve, Accounts, Audit and Returns</p> <p>14. Obligation to create Reserve Fund:</p> <p>1. Every micro finance organisation registered with National Bank under this Act for offering thrift services to members of groups through the group mechanism shall create a reserve fund and transfer therein a</p>		

<p>sum, not less than fifteen per cent of its net profit or surplus realized out of thrift services and micro finance services every year as disclosed in the profit and loss account or income and expenditure account. This transfer to reserve fund shall be mandatory before any dividend is declared or surplus is utilized for any other purpose.</p> <p>2. No appropriation of any sum from the reserve fund shall be made by the micro finance organisation except for the purpose, as may be specified by the National Bank from time to time, and every such appropriation shall be reported to the National Bank within twenty-one days from the date of such appropriation.</p> <p>3. The National Bank may, in the public interest or in the interest of the members contributing thrift, direct any micro finance organisation or any class of micro finance organisations providing thrift services to invest the whole or part of such reserve fund in such unencumbered securities as it may, by notification, specify.</p> <p>15. Accounts and balance sheet:</p> <p>At the close of the financial year, every micro finance organisation providing thrift services in respect of thrift services and all other services transacted by it, shall prepare with reference to that year, a balance sheet and profit and loss</p>		
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account as on the last working day of the financial year, in such forms as may be specified by regulations made by the National Bank.

16. Audit:

The balance sheet and profit and loss account prepared in accordance with section 15 shall be audited by a person duly qualified under any law for the time being in force to be an auditor of companies formed and registered under the Companies Act 1956.

17. Special audit:

1. Without prejudice to anything contained in the Companies Act 1956 or any other law for the time being in force, where the National Bank is of the opinion that it is necessary in the public interest or for the purpose of proper assessment of the records and books of account of the micro finance organisation accepting thrift in the interest of its clients so to do, it may direct
 - (a) the auditor of micro finance organisation accepting thrift to audit the accounts of the micro finance organisation in relation to any transaction or class of transactions, or for such period or periods as may be specified in the order, and the auditor shall comply with such

<p>directions and make a report of the audit with such information as it may be asked to report by the National Bank to it and forward a copy thereof to the micro finance organisation;</p> <p>(b) such micro finance organisation to appoint auditors, with the prior approval of the National Bank, for such period and subject to such conditions as the National Bank may specify from time to time.</p> <p>2. The auditor shall have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities and penalties imposed on auditors of companies by section 227 of the Companies Act 1956 and auditors, if any, appointed by the law establishing, constituting or forming the banking company under the Banking Regulation Act 1949.</p> <p>3. The expenses of, or incidental to, audit specified in the order made by the National Bank under clause (a) of sub-section (1) shall be borne by the micro finance organisation concerned.</p>		
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<p>18. Returns and powers of National Bank:</p> <p>Save as otherwise provided under this Act, every micro finance organisation, whether engaged in providing thrift services or not at the commencement of this Act, file with the National Bank a return containing particulars of its activities in such form and manner and thereafter at such intervals as may be specified by regulations, duly certified by a chartered accountant or a company secretary or an auditor appointed by the Registrar of Cooperative Societies of the state.</p> <p style="text-align: center;">Chapter V</p> <p style="text-align: center;">Functions and Powers of National Bank in relation to Thrift Services and Micro Finance Services</p> <p>19. Functions and powers of National Bank:</p> <ol style="list-style-type: none"> 1. Without prejudice to the provisions of National Bank for Agriculture and Rural Development Act 1981 and subject to the provisions of this Act, it shall be the duty of the National Bank to promote and ensure orderly growth of the micro financial sector by such measures as it may think fit. 2. Without prejudice to the generality of the foregoing provisions contained in sub- 		
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<p>section (1), the measures may provide for</p> <ul style="list-style-type: none"> (a) formulating and facilitating formulation of appropriate policy for the orderly growth of the micro financial sector so as to ensure greater transparency, effective management, good governance and to facilitate the flow of thrift services and micro finance services in the most efficient manner; (b) setting or facilitating the setting of sector related benchmarks and performance standards pertaining to methods of operation, management and governance including model codes for conduct of business for micro finance organisations engaged in the provision of thrift services and micro finance services; (c) facilitating the development of credit rating norms or rating norms for other purposes for micro finance organisations. (d) specifying the form and manner of books of accounts to be maintained by micro finance 		
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<p>organisations (other than those accepting thrift services);</p> <p>(e) specifying the form and manner of accounting of business operations of micro finance organisations and auditing standards relating thereto;</p> <p>(f) calling for information and data for the purposes of this Act from micro finance organisations for maintaining an appropriate data base in the public domain relating to micro finance sector and disseminating the same through a national dissemination network;</p> <p>(g) facilitating institutional development of all entities engaged in the provision of thrift services and micro finance services through training and capacity building measures;</p> <p>(h) promoting customer education of all entities engaged in providing of thrift services and micro finance services for greater awareness and for economic empowerment of micro finance clients;</p> <p>(i) supporting sector related research, field research, documentation and</p>		
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- dissemination thereof;
- (j) coordinating with other agencies for orderly growth and development of entities in the micro financial sector;
- (k) documenting and disseminating information with a view to ensuring provision of thrift services and micro finance services at an affordable cost to eligible clients;
- (l) perform such other function as may be prescribed.

20. Power to issue directions to micro

finance organisations accepting thrift:

- (1) Where the National Bank is satisfied that, in the public interest or in the interest of the policy relating to micro finance organisations or to prevent the affairs of any micro finance organisation accepting thrift being conducted in a manner detrimental to the interests of the eligible clients thereof or in a manner prejudicial to the interest of the micro finance organisation or to secure the proper management of micro finance organisation, it is necessary to issue directions to such micro finance organisations generally or to any such micro finance organisation in particular, it may from time to time

<p>issue such directions as it deems fit, and the micro finance organisations or the micro finance organisation, as the case may be, shall be bound to comply with such directions.</p> <p>(2) The National Bank may, on representation made to it or on its own motion, modify or cancel any direction issued under subsection (1) and in so modifying or canceling any direction may impose such conditions as it thinks fit, subject to which such modification or cancellation shall have effect.</p> <p>21. Inspection:</p> <p>(1) The National Bank may, at any time, cause inspection to be made of any micro finance organisation, whether accepting thrift or not, and its books of accounts by an inspecting authority approved by it in such manner and on such terms and conditions as may be specified by it and such inspecting authority shall submit a report to the National Bank in respect of inspection made by it.</p> <p>(2) A copy of the report of the inspection shall be furnished to the micro finance organisation if</p> <p>(a) the micro finance organisation makes a request for the same; or</p> <p>(b) if any action is contemplated</p>		
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<p>against the micro finance organisation on the basis of such report.</p> <p>(3) If the National Bank, after considering the report, is of the view that the affairs of any micro finance organisation are being conducted to the detriment of its eligible clients, it may after giving such opportunity to the micro finance organisation to make a representation in connection with the report, take such action as it deems appropriate including winding up the micro finance operations of the organisation in accordance with the procedure which may be specified by regulations made by the National Bank.</p>		
<p style="text-align: center;">Chapter VI</p> <p>Constitution of Micro Finance Development Equity Fund</p> <p>22. Grants by Central Government:</p> <p>The Central Government may, after due appropriation made by Parliament by law in this behalf, make to the National Bank grants of such sums of money as the Government may think fit for being utilized</p>	<p style="text-align: center;">Chapter V</p> <p>Constitution of Micro Finance Development and Equity Fund</p> <p>23. Grants by Central Government.</p> <p>The Central Government shall after due appropriation made by Parliament by law in this behalf, make to the National Micro</p>	

for the purposes of this Act.

23. Micro Finance Development Fund:

- (1) The National Bank shall constitute a fund to be called the Micro Finance Development Fund and there shall be credited thereto
 - (a) all government grants received, and fees payable under this Act;
 - (b) all sums that may be raised by the National Bank from donors, governments, other entities, and public for the purpose of this Act;
 - (c) any interest or other income received out of investments made from the Fund under clause (c) of sub-section (3);
 - (d) the balance outstanding in the Micro Finance Development and Equity Fund presently maintained by the National Bank, before the commencement of this Act, shall, after such commencement, stand transferred to the Micro Finance Development Fund.

Finance Development and Regulation Council, and to every State Micro finance Development Council, grants of such sums for being utilized for the purposes of this Act, and which shall be at least 0.5 % of the total Plan outlay in the case of the National Micro Finance Development and Regulation Council, and a further 0.5 % of the total Plan outlay in the case of the State Micro finance Development Councils to be distributed equally among them.

24. Constitution of the Micro Finance Development Fund.

The Appropriate Council constitute a fund to be called the “ National Micro finance Development Fund” at the center and the State Micro Finance Development Fund at the state level, and there shall be credited thereto:

- all government grants received and fees payable under this Act;
- all sums that may be raised by the Appropriate Council Development and Regulation Council from donors, governments, other entities, and public for the purpose of this Act
- all contributions from Micro finance Agencies to the State Micro finance Development Fund under section 19 will be tax-exempt

<p>(2) The Fund shall be managed by the Board of Directors of the National Bank in the manner as may be specified by regulations made by it.</p> <p>(3) The Fund shall be applied</p> <p>(a) To provide loan, refinance, grant, seed capital or any other financial assistance to any micro finance organisation or any other agency</p> <p>which the National Bank may specify in accordance with the regulations made by the National Bank;</p> <p>(b) to give grants or loans for training and capacity building of institutions or organisations engaged in micro finance services and personnel engaged in promoting and providing micro finance services and meeting other expenditure related to such training and capacity building on such terms and conditions as may be specified by regulations made by the National Bank;</p> <p>(c) to invest in equity or any other form of capital or quasi-equity of a micro finance organisation</p>	<p>The Fund shall be managed by such of the members of the Appropriate Council in the manner as may be specified by regulations made by it.</p> <p>25. Obligation to Contribute to the State Micro Finance Development Fund.</p> <p>Every micro finance agency shall contribute to the State Micro finance development Fund a sum not less than fifteen per cent of its net profit or surplus realized out of provision of thrift services and micro finance services in that state every year, as disclosed in the profit and loss account or income and expenditure account before any dividend is declared or surplus is utilized for any other purpose.</p> <p>All contributions from Micro finance Agencies to the State Micro finance Development Fund will be tax-exempt</p> <p>26. Utilization of the Fund for Development of Micro Finance:</p> <p>The monies received by the National and State Micro Finance Development Fund shall be applied in the following ways, namely-</p> <p>a) to give grants or loans for training and capacity building of organizations engaged in provision of micro finance and</p>	
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<p>on such terms and conditions as may be specified by regulations made by the National Bank;</p> <p>(d) to meet the expenses in relation to collection, analysis, and dissemination of information relating to micro finance, conduct of such research, experiments or studies as may be necessary and to design, promote, and propagate such practices as may be considered conducive to the growth of micro finance sector;</p> <p>(e) to meet any other expenses as may be required for the promotion of micro finance sector by National Bank under the regulations made by the National Bank under this Act.</p> <p>(f) to meet any other expenses (except salaries, allowances and other remuneration of officers and other employees of the National Bank) of the National Bank in connection with discharge of its functions as may be specified by the regulations made under this Act;</p>	<p>thrift services, especially Self Help groups, and meeting other expenditure related to such training and capacity building on such terms and conditions as may be specified by regulations made by the National Micro Finance development and Regulation Council;</p> <p>b) to meet the expenses in relation to collection, analysis, and dissemination of information relating to micro finance, conduct of such research, experiments or studies as may be necessary and to design, promote, and propagate such practices as may be considered conducive to the economic empowerment of the marginalized through provision of micro finance and thrift services;</p> <p>c) to meet any other expenses as may be required for the promotion of micro finance sector by National Micro finance Development and Regulation Council under the regulations made by the under this Act;</p> <p>d) to channelise funds to grassroots organisations and women's federations for capacity building and for meeting women's crises needs for food security, health security, employment security and combating and protecting against violence;</p> <p>e) To facilitate and sponsor institutional development of Self Help Groups engaged in the provision of micro finance</p>	
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	<p>services through training and capacity building measures;</p> <p>f) to promote and sponsor educational opportunities for all entities, especially Self help groups engaged in micro finance services for greater awareness and for economic empowerment of micro finance eligible persons;</p> <p>g) to sponsor sector related research, field research, documentation and dissemination thereof;</p> <p>h) To sponsor a transparent MIS that will be available to the public.</p>	
<p style="text-align: center;">Chapter VII</p> <p style="text-align: center;">Redressal Mechanism</p> <p>24. Reference of dispute to Micro Finance Ombudsman:</p> <p>(1) The National Bank may, in consultation with the Micro Finance Development Council, if deemed necessary, appoint a micro finance ombudsman in accordance with a scheme framed under this section, for the purpose of redressal of grievances of eligible clients with powers to issue directions to micro finance organisations.</p> <p>(2) Any such scheme of micro finance</p>	<p style="text-align: center;">Chapter IV</p> <p style="text-align: center;">Grievance Redressal</p> <p>27. Constitution of Grievance Redressal Committees.</p> <p>1. The State Micro finance Development Council shall constitute from among the members of each District Level Micro finance Council by notification, a permanent committee of not less than three members of whom at least two shall be women, and at least one shall be a member nominated under sub-clause (d) of Section 19 , to be known as the District Grievance Redressal Committee which shall hear and adjudicate upon</p>	

<p>ombudsman may provide for the following:</p> <ul style="list-style-type: none"> (a) Appointment, terms of office, conditions of service, location of office of the ombudsman; (b) Nature of grievances and complaints that may be entertained by the ombudsman and the procedures for redressal of grievances and complaints; (c) Powers to issue orders and directions to the micro finance organisations; (d) Any other matter that may be necessary for effective functioning of micro finance ombudsman. 	<p>complaints by a group or an eligible person against Micro finance Agencies operating in the territorial limits of the district in relation to the provision of micro finance and thrift collection services, in accordance with rules prescribed under this Act.</p> <p>2. The State Micro finance Development Council shall constitute from among its members by notification, a permanent committee of not less than three members of whom at least two shall be women, and at least one shall be a member nominated under sub-clause (e) of Section 13, to be known as the State Grievance Redressal Committee which shall hear and adjudicate upon appeals against orders of the State Level Grievance Redressal Committee, in accordance with the rules prescribed under this Act</p> <p>3. The National Micro finance Development Council shall constitute from among its members by notification, a permanent committee of not less than three members of whom at least two shall be women, and at least one shall be a member nominated under sub-clause (f) of Section 7 to be known as the National Grievance Redressal Committee , to be the final Appellate Authority under this Act, which shall hear and adjudicate upon appeals against orders of the State Level</p>	
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	<p>Grievance Redressal Committee, in accordance with the rules prescribed under this Act</p> <p>28. Complaint before the District Grievance Redressal Committee</p> <p>Any eligible person or group, aggrieved by the acts of any Micro finance Agency with in the territorial limits of the district, pertaining to the provision of micro finance or thrift services, may file a complaint in writing before the District Grievance Redressal Committee</p> <p>29. Proceedings before the Grievance Redressal Committee.</p> <p>On receipt of a complaint by an eligible person or group under Section 28, and in discharge of its functions under this Act the District Grievance Redressal Committees shall have the same powers of the as are vested in a civil code under the Code of Civil Procedure, 1908 in respect of the following matters, namely:</p> <ol style="list-style-type: none"> 1. summoning and enforcing the appearance of any person and examining him on oath 2. receiving evidence on affidavit 3. discovery and production of any 	
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	<p>document</p> <p>4. requisitioning of any public record</p> <p>30. Power to issue orders.</p> <p>In every proceeding before it, the District Grievance Redressal Committee may pass such reasoned orders in writing, as may be appropriate in the facts and circumstances of the case, including:</p> <ol style="list-style-type: none"> 1. An Order dismissing the Complaint 2. An Order to suspend micro finance operations of the Micro finance Agency or discontinue any of the activities of the Micro finance Agency 3. An order to refund or return any monies collected whether as thrift or otherwise, along with interest. 4. An order awarding compensation or damages to the complainant, including punitive damages. 5. An order directing the Reserve Bank of India, Registrar of Societies, Registrar of Co-operative Societies, Registrar of Companies, Company Law Board, Central Government, State Government or any other appropriate authority to take action under any other prevailing law applicable to the Micro Finance Agency. 6. An order to issue a corrective advertisement to neutralize the effect of a misleading advertisement at the cost of 	
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	<p>the party responsible for issuing such an advertisement</p> <p>7. An order as to adequate costs to parties</p> <p>8. Interim orders staying or suspending the operations of any Micro finance Agency during the pendency of the proceedings, or other appropriate interim orders.</p> <p>31. Appeals</p> <p>1. Any person aggrieved by an order of the District Grievance Redressal Committee in exercise of its powers conferred under section 30 may prefer an Appeal to the State Grievance Redressal Committee within a period of thirty days from the date of the order in such manner and form as may be prescribed. Provided, that the State Grievance Redressal committee may entertain an appeal after the expiry of the period of thirty days if it is satisfied that there was a sufficient cause for not filing it within that period.</p> <p>2. Any person aggrieved by an order of the State Grievance Redressal Committee in exercise of its Appellate powers conferred sub section (1) of this Section may prefer an Appeal to the National Grievance Redressal Committee within a period of thirty days from the date of the order in such manner and form as may be prescribed.</p>	
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	<p>Provided, that the National Grievance Redressal Committee may entertain an appeal after the expiry of the period of thirty days if it is satisfied that there was a sufficient cause for not filing it within that period.</p>	
<p style="text-align: center;">Chapter VIII</p> <p style="text-align: center;">Penalties</p> <p>25. Penalties for false application, declaration, return, statement, information or particulars:</p> <p>(1) Whoever, in any application, declaration, return, statement, information or particulars made, required or furnished by or under or for the purposes of any provisions of this Act, or any order, rules, regulations or direction made or given thereunder or in any prospectus, willfully makes a statement which is false in any material particulars knowing it to be false or willfully omits to make a material statement, shall be punishable with imprisonment for a term which may extend to two years</p>	<p style="text-align: center;">Chapter VI</p> <p style="text-align: center;">Offences and Penalties</p> <p>32. Penalties for contravention of Chapter II of this Act.</p> <p>Whoever is found guilty of contravening any of the Sections of Chapter II of this Act, shall be guilty of a criminal offence under this Act and shall be punishable with imprisonment which may extend to three years and shall also be liable to fine of not less than One Thousand Rupees for every day that the Offence is continuing.</p> <p>33. Penalties for contravention of Directions of the National Micro finance Development Council or orders of State and National Grievance Redressal Committee.</p>	

<p>and shall also be liable to fine, or with fine.</p> <p>(2) If any other provision of this Act is contravened or if any default is made in complying with any other requirement of this Act or of any order, rules or regulations or direction or award made or given or notification issued or condition imposed thereunder, any person guilty of such contravention or default shall be punishable with fine which may extend to twenty thousand rupees and where, a contravention or default is a continuing one, with further fine, which may extend to one thousand rupees for everyday after the first, during which the contravention or default continues and with imprisonment for a term not exceeding two years or with both.</p> <p>26. Penalties for contravention of section 13 or orders of micro finance ombudsman:</p> <p>(1) Whoever knowingly fails to comply with the provisions of section 13 or comply with any order of the micro finance ombudsman or the appellate authority under this Act shall be punishable with imprisonment which</p>	<p>Whoever knowingly fails to comply with the directions of the National Micro Finance Development Council under Section 11 or the State Micro finance Development Council under Section 17 , or the orders of the National, State or District Grievance Redressal Committee under Chapter IV of this Act shall commit an offence under this Act and be punishable with imprisonment which may extend to one year and shall also be liable to fine of not less than five hundred rupees for every day during which such non-compliance continues.</p> <p>34. Penalties for contravention of any other Section of this Act.</p> <p>If any provision of this Act, other than those specifically mentioned in Section 18 and 19 of this Act, is contravened or if any default is made in complying with any other requirement of this Act or of any order, rules or regulations or direction given or notification issued or condition imposed thereunder, any person guilty of such contravention or default shall be punishable with fine which may extend to twenty thousand rupees and where, a contravention or default is a continuing one, with a further fine, which may extend to one thousand rupees for everyday after the first default, during which the contravention or default</p>	
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<p>may extend to three years and shall also be liable to fine for not less than five hundred rupees for every day during which such non-compliance continues.</p> <p>(2) Every offence connected with or arising out of thrift shall be cognizable offence under the Code of Criminal Procedure, 1973.</p> <p>27. Offences by micro finance organisations:</p> <p>(1) Where an offence under this Act is committed, the person who was in charge of and was responsible to the micro finance organisation for the conduct of business of the micro finance organisation, as well as the micro finance organisation itself, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:</p> <p>Provided that, nothing contained in this sub-section shall render any such person liable to punishment if he proves that the contravention or default was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.</p>	<p>continues, and with imprisonment for a term not exceeding one year.</p> <p>35. Liability of micro finance Agencies</p> <p>(1) Where an offence under this Act is committed, the person who was in charge of and was responsible to the micro finance agency for the conduct of business of the micro finance agency, as well as the micro finance agency itself, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:</p> <p>Provided that, nothing contained in this sub-section shall render any such person liable to punishment if he proves that the contravention or default was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.</p> <p>(2) Notwithstanding anything contained in sub-section (1), of this section where an offence under this Act has been committed by a micro finance agency and it is proved that the same was committed with the consent or connivance of, or is attributable to any neglect on the part of, any person who is or was a director, trustee, member of the managing committee, manager, secretary or other officer or employee of the micro finance</p>	
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<p>(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a micro finance organisation and it is proved that the same was committed with the consent or connivance of, or is attributable to any neglect on the part of, any person who is or was a director, trustee, member of the managing committee, manager, secretary or other officer or employee of the micro finance organisation when the offence is or was committed, such person shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.</p> <p>Explanation: – For the purpose of this section, any offence punishable under this Act shall be deemed to have been committed at the place where the registered office or principal office of the micro finance organisation is situated.</p> <p>28. Cognizance of offences by courts:</p> <p>(1) No court shall take cognizance of any offence punishable under Act or any rules or regulations made thereunder save on a complaint made by any officer of the National</p>	<p>agency when the offence is or was committed, such person shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.</p> <p><i>Explanation:</i> For the purpose of this section, any offence punishable under this Act shall be deemed to have been committed at the place where the registered office or principal office of the micro finance agency is situated.</p> <p>36. Cognizance of offences by courts:</p> <p>No court inferior to that of Metropolitan Magistrate or a Judicial Magistrate of the First Class shall try any offence punishable under this Act.</p>	
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<p>Bank or any other person authorized by the National Bank.</p> <p>(2) No court inferior to that of Metropolitan Magistrate or a Judicial Magistrate of the First Class shall try any offence punishable under this Act.</p>		
<p style="text-align: center;">Chapter IX</p> <p style="text-align: center;">Miscellaneous Provisions</p> <p>29. First charge over assets in favour of members: In the event of a micro finance organisation making any default in repayment of thrift to any of its members or eligible clients who had made a contribution to thrift, all members or eligible clients of such micro finance organisation shall have a first charge over the specified unencumbered securities referred to in sub-section (3) of section 14.</p> <p>30. Central Government's power to call for information: The Central Government may, in consultation with the National Bank from time to time, require the furnishing of such returns, statements and such other</p>	<p style="text-align: center;">Chapter IX</p> <p style="text-align: center;">Miscellaneous Provisions</p> <p>37. Central Government's power to call for information. The Central Government may, in consultation with the National Micro finance Development and Regulation Council from time to time, require the furnishing of such returns, statements and such other particulars in regard to micro finance agencies in such form and in such manner as the Central Government may specify, and the micro finance agencies shall furnish to the Central Government such returns, statements and particulars.</p> <p>38. Power to make regulations 1. The Appropriate Council may, by notification in the Official Gazette, make</p>	

<p>particulars in regard to micro finance organisations in such form and in such manner as the Central Government may specify, and the micro finance organisations shall furnish to the Central Government such returns, statements and particulars.</p> <p>31. Power to exempt:</p> <p>(1) The Central Government on being satisfied that, in the public interest or in the interest of the micro finance organisation, it is necessary so to do, may by an order in writing declare that any or all of the provisions of this Act,</p> <p style="padding-left: 40px;">shall not apply to a micro finance organisation or a class of micro finance organisations, or to any class of micro finance organisations either generally or for such period as may be specified in the notification, subject to such conditions, limitations or restrictions as it may think fit to impose.</p> <p>(2) A copy of every order proposed to be issued under sub-section (1) shall be laid in draft 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</p>	<p>regulations as provided for in this Act or consistent with this Act and the rules made there under, to carry out the purposes of this Act</p> <p>2. The Appropriate Government may, by notification in the Official Gazette, make regulations as specifically provided for in this Act, or consistent with this Act and the rules made there under, to carry out the purposes of this Act</p> <p>39. Power to make rules.</p> <p>(1) The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act within the territorial limits of the state.</p> <p>(2) In particular, and without prejudice to the generality of the foregoing powers, such rules may provide for all or any of the following matters, namely:</p> <p>(a) the area of agricultural land to be owned by farmers under sub-clause (i) of clause (d) of section 2;</p> <p>(b) such other categories of individuals under clause (vi) of clause (d) of section 2;</p> <p>(c) such other amounts and other purposes under item (C) of sub-clause (i) of clause (h) of section 2;</p>	
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<p>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 disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed up on by both the Houses.</p> <p>32. Provisions of this Act to override other laws:</p> <p>The provisions of this Act shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law.</p> <p>33. Power to make rules:</p> <p>(1) The Central Government may, by notification in the Official gazette, make rules for carrying out the provisions of this Act.</p> <p>(2) In particular, and without prejudice to the generality of the foregoing</p>	<p>(d) the procedure for hearing of Grievances by the State Grievance Redressal Committee including the working hours, dates of sitting, location of office, the procedures for redressal of complaints; any other matter that may be necessary for effective functioning of the grievance redressal committee.</p> <p>(e) such other function as may be performed by the State Micro finance Development Council any other matter which is required to be, or may be, prescribed.</p> <p>(3) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act within the territorial limits of the state.</p> <p>In particular, and without prejudice to the generality of the foregoing powers, such rules may provide for all or any of the following matters, namely:</p> <p>a) the manner, form and procedure of Appeals before the National Grievance Redressal Committee including the working hours, dates of sitting, location of office, the procedures for hearing of</p>	
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<p>powers, such rules may provide for all or any of the following matters, namely:</p> <ul style="list-style-type: none"> (a) the area of agricultural land to be owned by small and marginal farmers which may be specified under sub-clause (i) of clause (b) of section 2; (b) such other category of individuals as may, be specified under clause (vi) of clause (b) of section 2; (c) the amounts and purposes as may be specified under item (C) of sub sub-clause (i) of clause (f) of section 2; (d) the amount and conditions as may be specified under sub-section (1) of section 2; (e) perform such other function as may be performed by the National Bank under clause (l) of sub-section (2) section 19; (f) any other matter which is required to be, or may be, prescribed. <p>34. Power to make regulations:</p> <ul style="list-style-type: none"> (1) The National Bank, with the previous approval the Central Government may, by notification in the official gazette, make regulations consistent with this Act and the rules made 	<p>Appeals; any other matter that may be necessary for effective functioning of the grievance redressal committee.</p> <ul style="list-style-type: none"> b) The constitution, meetings and tenure of the National Micro Finance Development Council <p>40. Rules and regulations to be laid before Parliament.</p> <ul style="list-style-type: none"> a) Every rule and regulation made by the Central Government by under this Act, shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised of one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or 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 rule or regulation. b) Every rule and regulation made by the Sate Government made by the under this 	
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<p>thereunder to carry out the purposes of this Act.</p> <p>(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:</p> <p>(a) the fees and allowances payable to a member of the Advisory Council under section 6;</p> <p>(b) the times and places at which the Executive Committee shall meet and shall observe such rules of procedure in regard to the transaction of business at its meetings, as may be specified under section 7;</p> <p>(c) in the form and manner in which every micro finance organisation shall make an application for registration and the fee payable to the National Bank under sub-section (1) of section 9;</p> <p>(d) any other condition which may be specified under clause (d) of sub-section (l) of section 10 for</p>	<p>Act shall be laid, as soon as may be after it is made, before each House of State Legislature, while it is in session, for a total period of thirty days which may be comprised of one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or 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 rule or regulation.</p> <p>41. Application of other laws not barred.</p> <p>The provisions of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time being in force.</p> <p>42. Power to remove difficulties.</p> <p>(1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the</p>	
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<p>grant of a certificate of registration;</p> <p>(e) the form in which the balance sheet and profit and loss account shall be prepared under section 15;</p> <p>(f) the form of return and the manner as may be specified by the National Bank under section 18;</p> <p>(g) the procedure of winding of the micro finance organisation under sub-section (3) of section 21;</p> <p>(h) the manner of management of Micro Finance Development Fund by the Board of Directors of the National Bank in consultation with the Micro Finance Development Council under sub section (2) of section 23.</p> <p>(i) loan, refinance, grant, seed capital or any other financial assistance to be provided to any micro finance organisation or any other agency under clause (a) of sub-section (3) of section 23;</p> <p>(j) the terms and conditions on which the grants or loans shall be given by the National Bank</p>	<p>provisions of this Act, as appear to it to be necessary or expedient, for removing the difficulty:</p> <p>Provided that no such order shall be made after the expiry of a period of two years from the date of commencement of this Act.</p> <p>Every order made under this section shall, as soon as may be after it is made, be laid before each House of Parliament.</p>	
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<p>under clause (b) of sub-section (3) of section 23;</p> <p>(k) the terms and conditions on which the investment in equity or any other form of capital or quasi-equity of a micro finance institution or micro finance organisation shall be made under clause (c) of sub-section (3) of section 23;</p> <p>(l) the various expenses (except salaries, allowances and other remuneration of officers and other employees of the National bank) of the National Banks that shall be met in connection with discharge of its functions from Micro Finance Development Fund under sub section (f) of section 23.</p> <p>(m) such other matters for which the National Bank may consider it expedient or necessary to provide for by way of regulations.</p> <p>35. Rules and regulations to be laid before Parliament:</p> <p>Every rule made by the Central Government and every regulation made</p>		
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by the National Bank under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised of one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or 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 rule or regulation.

36. Application of other laws not barred:

The provisions of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time being in force.

37. Power to remove difficulties:

- (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the official gazette,

<p>make such provisions not inconsistent with the provisions of this Act, as appear to it to be necessary or expedient, for removing the difficulty: Provided that no such order shall be made after the expiry of a period of two years from the date of commencement of this Act.</p> <p>(2) Every order made under this section shall, as soon as may be after it is made, be laid before each House of Parliament.</p>		
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