Reserve Bank of India divests its share in NABARD and NHB

The RBI divested its entire stake in NABARD and NHB amounting to ₹20 crore (Rupee twenty crore) and ₹1450 crore (Rupees one thousand four hundred and fifty crore) on February 26, 2019 and March 19, 2019 respectively. With this, the Government of India now holds 100% stake in both the financial institutions.

Divestment of RBI’s stake in NABARD and NHB has its basis in the recommendation of Narasimham Committee II and the Discussion Paper prepared by RBI on Harmonizing the Role and Operations of Development Financials Institutions and Banks. Based on the recommendation, RBI announced the proposal to transfer ownership of its shares in SBI, NHB and NABARD to the Central Government in the Monetary and Credit Policy for the year 2001-02.

Divestment of RBI’s shareholding in NABARD was done in two phases. The Bank held 72.5 per cent of equity in NABARD amounting to ₹1450 crore out of which 71.5 per cent amounting to ₹1430 crore was divested in October 2010 based on the Government of India notification on September 16, 2010. The residual shareholding was divested on February 26, 2019.

RBI held 100% shareholding in NHB, which was divested on March 19, 2019.

The current change in the capital structure of both the financial institutions was brought in by the Government of India through amendments to the NABARD Act, 1981 and the NHB Act, 1987 which were notified vide gazette notifications dated January 19, 2018 and March 29, 2018 respectively.