

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4998
ANSWERED ON:25.08.2000
DEFAULTER NON-BANKING FINANCE COMPANIES
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Will the Minister of FINANCE be pleased to state:

- (a) whether there has been persistent complaints from small depositors over increasing incidence of defaults by Non-banking Finance Companies over repayment of FDRs/other matured instruments;
- (b) whether SEBI is exercising vigilance over NBFCs as they do not in case of primary capital market;
- (c) the role of the Office of the Registrar of Companies in providing protections to small investors in the NBFCs and whether it is working in tandem with SEBI;
- (d) whether the Government are aware that despite a stringent credit rating system imposed on NBFCs depositors still find that such credit rating is unreliable and manipulated; and
- (e) if so, the steps the Government propose to protect to depositors in agro-plantation company schemes ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a):- Yes, Sir.

(b)&(c) :- The activities of non-banking finance companies (NBFCs) are regulated by RBI in terms of the provisions of the Reserve Bank of India, 1934. In case of default by a non-banking finance company in repayment of deposits, Company Law Board is empowered under the provisions of RBI Act to order for repayment. SEBI has no role in the matter.

(d):-As per the directions issued by RBI, NBFCs accepting public deposits are subject to different regulations including requirement of minimum investment grade credit rating. Credit rating for public deposits serves as an opportunity to assess the financial health of the rated institutions and permits the investors to take an informed decision about the risk attached to his/her investment. On the basis of the recommendations of the Task Force on NBFCs, RBI has delinked the quantum of public deposits which can be accepted by a registered NBFC from the level of credit rating obtained by the company and greater reliance has been put on Capital to Risk-Weighted Assets Ratio (CRAR).

(e):- In terms of SEBI (Collective Investment Schemes) Regulations, 1999 SEBI regulates those entities which are having schemes in the nature of Collective Investment Schemes. On the basis of recommendations of Dave Committee, SEBI has taken a number of steps for effective regulation of companies covered under Collective Investment Schemes. These measures, inter-alia, include obtaining certificate of registration for launching any new scheme or for raising any money from the investors, obtaining credit rating from a recognized credit rating agency, special audit of top cumulative investment schemes companies etc.