

**GOVERNMENT OF INDIA
LAW , JUSTICE AND COMPANY AFFAIRS
LOK SABHA**

STARRED QUESTION NO:339
ANSWERED ON:17.04.2000
CONVERSION OF NBFCs INTO NIDHI COMPANIES
DR. KIRIT SOMAIYA

Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:

- (a) whether a large number of nidhi companies registered under the Companies Act, 1956 have got away with thousands of crores of rupees from gullible investors or public depositors;
- (b) if so, the action being taken against those nidhi companies;
- (c) whether a large number of non-banking financial companies have recently converted into nidhi companies under the Companies Act, 1956;
- (c) if so, the details of such companies registered and have started their functioning, State-wise;
- (d) whether the Registrar of Companies has conducted any inquiry to know the reasons of converting such NBFCs into nidhi companies;
- (f) if so, the details thereof and if not, the reasons therefor; (g) whether the Government propose to set up a high powered committee for efficient regulation of nidhi companies under the Companies Act, 1956; (h) if so, the details thereof; and (i) if not, the steps taken by the Government to control the functioning of these companies?

Answer

MINISTER OF STATE IN THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS

(SHRI O. RAJAGOPAL)

(a) & (b): In a number of cases, it has come to the notice of the Government that the depositors have approached Company Law Board for relief. In some cases the Government have also received complaints against some of the nidhi companies regarding non-payment of deposits, the details of action taken by the Government in these cases of prominent nidhi companies are given in the statement which is laid on the table of the House.

(c) to (f): No. The Government has not notified any NBFC as a Nidhi since 1996.

(g) to
(i): The Government have constituted a nine-member committee on 23.03.2000 under the chairmanship of Shri P. Sabanayagam, including a representative from Reserve Bank of India. The Committee will submit its report within three months. The Committee will examine in depth various aspects of the functioning of Nidhis, its operational dynamics and suggest appropriate framework for the growth of nidhi companies on proper corporate lines.

STATEMENT REFERRED TO IN THE ANSWER TO PARTS (a) AND (b) OF LOK SABHA STARRED QUESTION NO. 339 FOR ANSWER ON 17.04.2000

Name of the company against whom complaints were received	Action taken by the Government
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M/s. Kuber Mutual Benefits Ltd., Meerut and The companies were inspected under section 209A of the Companies Act, 1956. On the basis of information available in the Inspection report both the companies were denotified as a nidhi vide notification Nos. GSR 226(E) dated 26.3.1999 and GSR 282(E) dated 23.4.1999 respectively.	
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M/s. Alwarpet benefit Fund Ltd., Chennai On a petition filed by the Government the Company Law Board vide its order dated 6.10.1999	
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has appointed three Government directors in this
nidhi company.

M/s. RBF Nidhi Ltd., Chennai The Company Law Board on a petition filed by
the Government appointed 6 directors besides a
Chairman superseding the earlier Board of
Directors of the company vide its order dated
18.1.2000.

M/s. Thiru-vi-ka-Nagar Benefit Fund Ltd., The Government have appointed one Special
Chennai Officer in exercise of the powers under
Notification No. GSR 737(E) dated 1.11.1999.

M/s. Incan Mutual Benefit Ltd., Lucknow The Company Law Board have passed an order for
repayment of deposits. Reserve Bank of India
will initiate necessary action on non-compliance
of the same.