

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3183
ANSWERED ON:22.03.2002
NON-BANKING FINANCIAL COMPANIES
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has asked all non-banking financial companies (NBFCs) granting demand loans to lay down a policy approved by their respective Boards;
- (b) if so, whether RBI also laid down guidelines on the time limit to be given for such demand-loans given by NBFCs;
- (c) if so, the details of such conditions laid down by RBI alongwith the reasons therefor;
- (d) whether the NBFCs have become unviable due to lax conditions in giving such demand loans; and
- (e) if so, the details thereof ?

Answer

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

(a):- Yes, Sir.

(b) & (c) :- Reserve Bank of India (RBI) has directed, on March 4, 2002, that Non-Banking Financial Companies (NBFCs) should stipulate the cut off date within which repayment of the loan will be demanded/called up by the NBFC. Such a policy should be duly approved by its board of directors. Further, the policy should contain stipulation of a cut off date not exceeding six months for review of performance of the loan.

As certain NBFCs were granting demand/call loans with an open period or without any stipulation regarding rate of interest and servicing, difficulty was being experienced by Reserve Bank in ensuring compliance with prudential norms on income recognition, asset classification and provisioning in respect of such loans. In order to obviate this difficulty and to ensure that all such loans are appropriately classified and the position of non-performing assets is truly reflected in the financial statements of NBFCs, Reserve Bank issued the directions in this regard.

(d):- No, Sir.

(e):- Does not arise.