

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2704

ANSWERED ON:11.03.2011

HIGH INTEREST RATE OFFERED BY NON GOVERNMENTAL FINANCIAL ORGANISATIONS

Rajaram Shri Wakchaure Bhausahab

Will the Minister of FINANCE be pleased to state:

- (a) whether the attention of the Government has been drawn towards certain advertisements offering 15 per cent and 20 per cent interest on term deposit schemes by the non-governmental financial organizations in various metropolitans, particularly in Delhi;
- (b) if so, the details thereof for the last three years and as on date;
- (c) whether the proposed interest rate by such companies on deposits is approved by any Government agency;
- (d) if so, the reasons therefor and if not, the action proposed to be taken to prevent exploitation of small investors from these tempting interest rates schemes; and
- (e) the steps taken/being taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (e) :- No sir, Reserve Bank of India (RBI) has reported that, the companies incorporated under the Companies Act, 1956 and registered with RBI as Non-Banking Financial Companies (NBFCs) are authorized to accept deposits. Other entities which are not incorporated as NBFCs are prohibited from accepting deposits under Section 45S of the RBI Act, 1934. Under the provisions of the RBI Act, 1934, the State government has concurrent powers to initiate action against such errant entities for unauthorized acceptance of public deposits. However, RBI has issued guidelines to the NBFCs accepting public deposit on the interest rates payable by them on the term deposits accepted by them. Presently, the maximum rate of interest that such NBFCs can offer is 12.5%.