

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2819  
ANSWERED ON:30.03.2012  
NORMS FOR NBFCS . SHRISIVASAMIC  
Sivasami Shri C.

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Reserve Bank of India has tightened the prudential norms for the Non- Banking Finance Companies (NBFCs);
- (b) if so, the details thereof;
- (c) whether the said move is likely to help to improve the solvency of such companies; and
- (d) if so, the details thereof?

**Answer**

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

(a)to(d): To inculcate and improve discipline in the financial sector and the regulated entities in the sector, and to disclose the true and fair picture of the financial health of such entities, the Reserve Bank of India (RBI) prescribes Prudential Norms for income recognition and provisioning for bad and doubtful debts. RBI has also prescribed such norms for the Non-Banking Financial Companies (NBFCs) and the Residuary Non-Banking Companies (RNBCs). RBI reviews such norms from time to time keeping in view various relevant factors, including the macro-economic environment, the performance of various sectors in the economy, its risk-perception in growth of loan portfolios of such entities, etc. Such prudential measures are aimed at to ensure robustness of the sector and the regulated entities operating in the sector.

NBFCs are required to make a general provision of 0.25 percent of their outstanding standard assets. Further, RBI vide its Circular dated 21.03.2012 has advised NBFCs, which are predominantly engaged in lending against the collateral of gold jewellery, to maintain Loan-to-Value(LTV) ratio not exceeding 60 percent for loans granted against the collateral of gold jewellery and disclose in their balance sheet the percentage of such loans to their total assets. NBFCs primarily engaged in lending against gold jewellery were advised to maintain a minimum Tier-I capital of 12 percent by 1st April, 2014. These measures will help in the ability to mitigate risk and provide a cushion against potential losses.

In the 4th Financial Stability Report released in December, 2011, RBI has indicated that the financial system of India is robust and the NBFCs also exhibited resilience to credit risk shocks.