GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3837
ANSWERED ON:27.04.2012
PUBLIC DEPOSITS WITH NBFCS
Khaire Shri Chandrakant Bhaurao;Sivasami Shri C.

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has warned some Non-Banking Finance Companies (NBFCs) to stop allowing the use of its branches to accept the deposit from public;

(b) if so, the details thereof;

(c) the amount deposited/collected by the finance companies during the last three years;

(d) the action taken/proposed to be taken by the Government in this regard;

(e) whether RBI has stipulated any norms for these companies for lending money against gold jewellery; and

(f) if so, the details thereof ?

Answer

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

(a) to (d): Yes, Sir. On receiving the information about the deposits being collected by some proprietary / partnership firms of some NBFCs, the Reserve Bank of India (RBI) has warned the concerned Non-Banking Finance Companies (NBFCs) to stop allowing the use of its branches to accept the deposit from public. A proprietary firm of the Executive Chairman of Manappuram Finance Ltd. was accepting deposits in violation of the provisions of Section 45S of the RBI Act, 1934. The RBI had issued a public notice warning them that the firm is not eligible to receive deposits from public and those placing the deposits do at their own risk. Further, RBI directed Manappuram Finance Ltd. not to allow its staff, premises and infrastructure for mobilizing the deposits on behalf of said proprietary concern.

The RBI has also issued direction to the Muthoot Fincorp Limited under Section 45L of RBI Act to desist from associating itself, its premises, branches or officials in any manner with Muthoot Estate Investments (MEI) in accepting deposits from the public and also issued a public notice in this regard on March 31, 2012

These entities are non-deposit accepting NBFCs.

(e) and (f): Yes, Sir. With effect from March 21, 2012 NBFCs have been directed to maintain a value-to-loan ratio not exceeding 60 percent for loans granted against the collateral of gold jewellery, and also disclose in their balance sheet the percentage of such loans to their total assets. NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50 percent or more of their financial assets) were advised to maintain a minimum Tier I capital of 12 percent by April 1, 2014. Further, in the Monetary Policy Statement for the year 2012-13 announced on 17.04.2012, RBI has stated that banks` exposure to such NBFCs will be further reduced to 75 percent of the banks` capital funds, as against 10 percent of the capital funds for other NBFCs.