

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:273  
ANSWERED ON:03.07.2009  
TERM DEPOSIT SCHEMES BY FINANCIAL INSTITUTIONS  
Rawat Shri Ashok Kumar

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

- (a) whether the Government is aware of lucrative rates of interest 10 to 15 percent on term deposits offered by some Non-Banking Financial Institutions or some other financial institutions in different metropolitan cities in the country;
- (b) if so, whether the Government has approved the interest rates of these financial institutions;
- (c) if so, the details thereof; and
- (d) if not, the action taken by the Government against such financial institutions?

**Answer**

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

(a) to (d): Keeping in view the prevailing interest rates in the entire financial system, Reserve Bank of India (RBI) has, with effect from April 24, 2007, revised the maximum interest rate payable on public deposits by Non-Banking Financial Companies (NBFCs) (other than Residuary Non-Banking Financial Companies) from 11% per annum to 12.5% per annum. The new rate of interest is applicable to fresh public deposits as well as to renewals of matured public deposits. The above ceiling rate of interest of 12.5 per cent per annum is also applicable to the deposits accepted / renewed by Miscellaneous Non-Banking Companies (chit fund companies) as per the Directions prescribed by RBI.

The interest rates payable on the deposits accepted by NBFCs, registered with the RBI is prescribed in Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

RBI has been taking action against NBFCs which have either not complied with provisions of the RBI Act or are financially weak. Such action includes prohibiting the companies from carrying on activities of a Non-Banking Financial Company and from accepting deposits and alienating assets.