

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2935
ANSWERED ON:24.07.2009
FAKE FINANCIAL COMPANIES
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Will the Minister of FINANCE be pleased to state:

- (a) whether fake financial companies are active in various States of the Country;
- (b) if so, the details thereof, State-wise;
- (c) whether the Government has taken steps to prevent the increasing number of such companies;and
- (d) if so, the details thereof?

Answer

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

(a) & (b): The details on Non - Banking Finance Companies (NBFCs) who have defaulted in (a) to (d): The data reporting system of Reserve Bank of India (RBI) does not generate information in respect of fake financial companies in various states in the country. However, some unincorporated bodies (UIBs) have been accepting public deposits unauthorisedly as they are precluded from accepting deposits from any person other than the relatives specified in the RBI Act. Instances of such unauthorised acceptance of deposits by UIBs are referred to Economic Offences Wing (EOW) of the Police Department of the State concerned.

At the instance of RBI, legislation on the pattern of Tamil Nadu Protection of Interests of Depositors (in Financial Establishments) Act, 1997 has been enacted by various State Governments/Union Territories. This legislation contains stiff penal provisions for promoters of financial establishments defaulting in repayment of deposits and interest. So far, 14 States and 1 Union Territory, have enacted such legislation. The close co-ordination through institutionalised framework of State Level Co-ordination Committee (SLCC) with the State Government and other regulatory bodies has resulted in greater/improved monitoring and restriction of unauthorised acceptance of deposits by NBFCs and Unincorporated Bodies.