

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1864
ANSWERED ON:08.03.2013
NEW CATEGORY OF NBFC
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has introduced / proposes to introduce a new category of Non-Banking Financial Companies (NBFCs);
- (b) if so, the details thereof along with the criterion being followed by the RBI, in categorizing / classifying NBFCs;
- (c) whether the RBI has recently amended the guidelines for registration of companies as NBFC and if so, the details thereof; and
- (d) the benefits likely to be extended to the general public as a result thereof?

Answer

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

(a) & (b): The Reserve Bank of India (RBI) has classified the Non-Banking Financial Companies (NBFCs) on the basis of the kind of liabilities they access, the type of activities they pursue, and of their perceived systemic importance. In terms of activities, RBI has categorized NBFCs into eight categories, viz., Loan Companies (LCs); Investment Companies (ICs); Asset Finance Companies (AFCs); Infrastructure Finance Companies (IFCs); Systemically Important Core Investment Companies (CICs-ND-SI); Infrastructure Debt Fund- Non- Banking Financial Company (IDF-NBFC); Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI); and Non-Banking Financial Company – Factor (NBFC-Factor). The last three categories i.e. IDF-NBFC; NBFC-MFI; NBFC-Factor have been introduced in the recent past, after 21.11.2011.

(c) & (d): RBI recently amended the guidelines issued earlier on the registration and regulatory framework for NBFC-MFIs on August 03, 2012. The objective was to address the problems faced by the MFIs in Andhra Pradesh so that they can seek registration. The amended regulations include creation of a separate category of NBFC, viz, NBFC-MFI; compliance to entry point norms in a phased manner; instructions to seek immediate registration as NBFC-MFI so that lending can be resumed; relaxation in the definition of 'qualifying assets' to include assets originated on or after January 1, 2012 only for the purpose of compliance to the qualifying asset criteria; ring-fencing assets created prior to this date and which have turned non-performing, and allowing them to run off their balance sheets.

These modifications / relaxations are likely to result in immediate registration of companies as NBFC-MFI which in turn will result in resumption of lending by them to poor. Thus common man's interests will continue to be protected as they can continue to borrow under the new framework. Further, the introduction of new Guidelines will result in a strong and resilient NBFC sector which in turn will ensure stability in financial sector which will ultimately be in public interest.