

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:148

ANSWERED ON:16.08.2013

NBFC FRAUDS

Das Gupta Shri Gurudas;Haque Shri Sk. Saidul

Will the Minister of FINANCE be pleased to state:

- (a) whether a large number of Non-Banking Finance Companies (NBFCs) in the country are operating without requisite registration;
- (b) if so, the details thereof including the names of NBFCs against whom complaints regarding non-payment of investors' money have been received or noticed by the Reserve Bank of India during the last three years and the current year, State/UT-wise and company-wise including West Bengal;
- (c) whether the Government has any proposal to scrutinise these NBFCs in the wake of the recent scams noticed therein; and
- (d) if so, the details thereof along with the monitoring mechanism put in place by the Government to keep a check on the activities of such NBFCs and protect the interest of the investors?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 148 FOR 16th AUGUST, 2013 TABLED BY SHRI GURUDAS DASGUPTA AND PROF. Sk. SAIDUL HAQUE REGARDING NBFC FRAUDS.

(a): The Reserve Bank of India (RBI) has informed that at this point of time, it is not possible to state categorically whether or not, there are a large number of Non-Banking Finance Companies (NBFCs) operating without requisite registration, since an exercise in this regard is underway. However, the Ministry of Corporate Affairs (MCA) had recently forwarded a list of 34,754 companies which are registered under Companies Act, 1956 and classified / categorized as "NBFC" in the records of MCA and these companies may be carrying on Non-Banking Financial Institution (NBF) activities without mandatory registration as required under Section 45-IA of RBI Act, 1934 as only 12,375 companies are registered with RBI as NBFCs (as on February, 2013). MCA has requested RBI to initiate action against such companies. While several companies in the list were not registered with RBI as NBFC, the list also did not contain some companies already registered with RBI.

(b): RBI has reported that there are 355 NBFCs operating in different States / Union territories including the State of West Bengal, which are not registered with RBI, against whom the complaints have been received regarding non-payment of investors' money during the last three years. Further, RBI has also informed that there are 50 NBFCs which are / were registered with RBI operating in different parts of the country including the State of West Bengal, against whom the complaints for non-payment of investors' money were received. The information provided is based on the registration of NBFCs with Regional Offices of RBI and complaints received in the Regional Offices of RBI.

(c) and (d): It has been decided by RBI, that as a one-time measure, the financials of all these 34,754 companies, whose list was sent by MCA to RBI (other than those registered with RBI), will be examined to ascertain their eligibility or otherwise for registration with RBI. The main objective is to determine whether, among these companies, there are NBFCs that ought to have been registered with the RBI for carrying on their NBF activities. The RBI is also trying to access from the list of companies registered with the MCA and classified as 'NBFCs', whether these are required to be registered with RBI in terms of Section 45-IA of the RBI Act, 1934. Further, the process of scrutinizing the balance sheets of the NBFCs is underway, and based on the outcome of the exercise, the action to be taken against companies that were required to be registered with RBI as NBFC, but had not done so, would be finalised.

RBI has informed that as and when any complaint about un-authorised activities of NBFCs / un-incorporated bodies is received by RBI, prompt appropriate action is initiated and if necessary, such complaints are also forwarded to the Economic Offences Wing of the concerned State for appropriate action. RBI also issues public advisory / notices, in the public interest, clarifying / cautioning members of public about activities of companies / NBFCs / other entities in widely circulated newspapers. The members of the public are also advised to refer their complaints against such activities to the Economic Offences Wing of the State Government.