

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1506

ANSWERED ON:13.12.2013

NBFC DEPOSITS

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

Answer

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

(a) and (b): The Reserve Bank of India (RBI) has directed two Non-Banking Financial Companies (NBFCs), viz., Muthoot Fincorp Ltd. (MFCL) and Manappuram Finance Ltd. (MAFIL) to stop allowing the use of its premises / branches to accept deposits from public by their associate unincorporated bodies.

Muthoot Estate Investment (MEI), was collecting public deposits through the branches of MFCL located in Kerala, which is a violation of the provisions of section 45-S of the RBI Act, 1934. The Manappuram Agro Farms (MAGRO), a sole proprietary concern of Shri V.P. Nandakumar (Executive Chairman of MAFIL) was accepting fresh deposits from the public. MAFIL, which was earlier a deposit taking (Category 'A') company, became a non-deposit taking NBFC in March, 2011. However, its maturing deposits were being renewed with MAGRO. Both these actions were in violations of section 45-S of RBI Act, 1934.

(c) and (d): In the case of the MEI, total amount of deposits from the public and outstanding as on 31.01.2012 was Rs. 1,913 crore. Out of these unauthorized deposits accepted by the unincorporated body, an amount of Rs. 1,115.16 crore was outstanding as on 30.11.2013 of 1,15,618 deposit accounts. RBI has issued a press release and an advertisement in local newspapers informing and cautioning the public that it was not allowed to raise deposits under the provisions of the RBI Act. RBI has issued a show cause notice to MFCL under section 45-IA of the RBI Act. RBI has also referred the matter of deposit collection by MEI to State Government of Kerala for appropriate action at their end under Chapter III C of the RBI Act, 1934 as the State has necessary machinery and reach for action.

RBI had issued directions to the MFCL under section 45-L of the RBI Act, 1934 to desist from associating itself, its premises, branches or officials in any manner with MEI in accepting deposits from the public.

As regards MAGRO, out of Rs. 143.85 crores of public deposits held by MAGRO as on 29.12.2011, there are currently 125 customers with Rs. 24.64 lakhs in outstanding deposits as on 07.12.2013.

A show cause notice was issued to MAFIL on 07.05.2013 for cancellation of its Certificate of Registration under the provisions of section 45-IA(6) of the RBI Act, 1934. Based on the company's reply and the findings of the scrutiny thereon, it was concluded that MAFIL has taken steps for disassociating its name, officials, etc. from MAGRO and other promoter group entities. At present, MAGRO does not have presence in any of the branches of MAFIL. Further, an amount of Rs. 119.18 crore was transferred to an escrow account maintained with Punjab National Bank towards repayment of deposits. At present, the remaining amount of outstanding deposits is being paid out of this escrow account.