

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1550
ANSWERED ON:13.12.2013
BANKS EXPOSURE TO NBFC
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Will the Minister of FINANCE be pleased to state:

- (a) the details of loans given by Public Sector Banks (PSBs) to Non-Banking Financial Companies (NBFCs) which have granted loans mostly against gold along with the rate of interest charged on such loans during each of the last three years and the current year, bank and company-wise;
- (b) whether the Government / Reserve Bank of India (RBI) has directed the Public Sector Banks to reduce their exposure to such NBFCs; and
- (c) if so, the details thereof and the reasons therefor?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) The bank-wise details of advances given by Public Sector Banks (PSBs) to Non-Banking Financial Companies (NBFCs) / Non-Banking Financial Institutions (NBFIs) as at end March 2011, 2012, 2013 and September, 2013 are at Annex.

(b)& (c): Reserve Bank of India (RBI) has issued a circular on 18.05.2012 advising banks to reduce their regulatory exposure ceiling on a single NBFC, having gold loans to the extent of 50 per cent or more of its total financial assets, from the existing 10 per cent to 7.5 per cent of banks' capital funds. Further banks will also be required to fix an internal sub-limit for their exposures towards all the NBFCs taken together. A copy of this circular is available at RBI website www.rbi.org.in.

RBI has informed that rapid growth of NBFCs lending against gold jewellery could lead to a cascading effect in the financial system in case of any sharp adverse movement in the gold prices. This may get further exacerbated when borrowers start defaulting and lenders start distress sale of the gold collateral to realize their loan exposure.