

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:89  
ANSWERED ON:28.11.2014  
NBFC CHIT FUNDS MLM FRAUDS QUESTION  
Dubey Shri Nishikant ;Hemamalini Smt.

**Will the Minister of FINANCE be pleased to state:**

- (a) whether a large number of the Non-Banking Finance Companies (NBFCs) / Chit Funds / Multi Level Marketing (MLM) companies are operating illegally and without requisite registration and if so, the details thereof;
- (b) the details of NBFCs / Chit Funds / Multi Level Marketing companies reportedly indulging in malpractices, irregularities, corruption including nonpayment of investors` money during the last three years and the current year, company and State/UT-wise;
- (c) whether the Government has any proposal to scrutinise and regulate stringently these NBFCs / Chit Funds / Multi Level Marketing companies in the wake of the recent scams; and
- (d) if so, the details thereof along with the monitoring mechanism and awareness campaign launched to protect the interest of the investors?

**Answer**

FINANCE MINISTER (SHRI ARUN JAITLEY)

(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. 89 FOR 28TH NOVEMBER, 2014 TABLED BY SHRINISHIKANT DUBEY AND SHRIMATI HEMA MALINI REGARDING NBFC / CHIT FUNDS/MLM FRAUDS.

(a): In December 2012, Ministry of Corporate Affairs (MCA) forwarded to Reserve Bank of India (RBI) a list of 34,754 companies registered under Companies Act, 1956 informing that many of these companies may be carrying on activities of the Non-Banking Financial Institutions (NBFI) without mandatory registration under the Reserve Bank of India Act, 1934 (RBI Act). RBI has conducted a one-time examination of financials of all these companies (other than those registered with RBI) to ascertain their requirement or otherwise for registration with RBI. RBI found that 4,102 companies were registered with RBI as NBFCs. RBI also found that 14,323 companies are not required to be registered with RBI. Further, complete information on 6,182 companies is not available on MCA website. Besides this, 4,125 companies are under liquidation or in the process of being struck off. 110 companies seem to have some deposits as per their balance sheet necessitating further examination of the financials. The remaining 5,912 companies are prima-facie carrying on business of NBFI meeting the principal business criteria for a company to be treated as NBFC and required to be registered with RBI, out of which 421 are companies which were not granted registration/ whose Certificates of Registration (CoR) were cancelled. RBI is in the process of initiating action against erring companies for violation of the RBI Act.

(b): RBI has reported that there are 701 companies operating in different States / Union Territories which are not registered with RBI, against whom complaints regarding Non-Payment of investors` money have been received or noticed by RBI during the last three calendar years and till November 20 in the current year. The list of such companies arranged as per Regional Offices of RBI is enclosed at Annex-A.

(c) & (d): RBI is in the process of ascertaining the number of potential NBFCs which may be carrying on Non-Banking Financial Activity business without having a proper CoR issued by RBI. Multi Level Marketing Activity (MLM) coming under the definition of `money circulation scheme` is banned under Prize Chits and Money Circulation Schemes (Banning) Act, 1978 (PCMCSB Act). State Government is the enforcement agency under the PCMCSB Act. RBI, on its part, has taken various steps to curb activities of unauthorised entities under RBI Act which include hosting of Frequently Asked Questions (FAQs) on the RBI website, spreading awareness through advertisements in leading newspapers to sensitise public, organise various investors awareness programmes in various districts of the country, organising town hali events, campaigns under Jago Grahak Jago Campaign besides keeping close liaison with the law enforcing agencies (Economic Offences Wing) and State Government and other regulatory authorities through State Level Coordination Committee (SLCC) platform.