

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3443
ANSWERED ON:01.08.2014
FINANCIAL SERVICES
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken initiative for improving financial services to ensure the welfare of customers and meet the challenges of globalisation of financial services and if so, the details thereof;
- (b) whether the Government proposes to allow non-banking financial companies to grow under a regime of less credit requirements and limited regulation and supervision;
- (c) if so, the details thereof and the reasons therefor;
- (d) the details of the criteria adopted for the legal, regulatory and supervisory framework in order to improve banks' credit and risk management; and
- (e) the action taken / being taken by the Government for developing pension and insurance to increase finance for long-term investments?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) & (d): The financial sector policy gives due emphasis on customer protection to improve the delivery of financial services to the customers and to ensure their welfare. The financial sector regulators have created framework of customer protection in their overall regulatory framework including establishment of office of Ombudsman to redress the grievances of customers.

RBI vide its circular dated 10.08.2012 on Financial Inclusion - Access to Banking Services - Basic Savings Bank Deposit Account (BSBDA) has advised all Scheduled Commercial Banks to offer a BSBDA which shall not have the requirement of any minimum balance. In terms of Para 2(5) of the aforesaid circular, banks are advised to offer a BSBDA which will offer minimum common facilities to all their customers including facility of ATM card or ATM-cum-Debit Card.

The Government has enacted the Credit Information Companies (Regulation) Act, 2005 under which RBI has issued Certificate of Registration to 4 Credit Information Companies (CICs) viz. Credit Information Bureau (India) Ltd., Equifax Credit Information Services Pvt. Ltd., Experian Credit Information Co. of India Pvt. Ltd., and Highmark Credit Information Services Pvt. Ltd. This is a very important aspect of banks' credit risk management, which introduces an efficient system of credit information on borrowers to arrest accretion of fresh Non-Performing Assets (NPAs) in the banking sector.

On Risk Management Systems in Banks, RBI has advised banks that the management of credit risk should receive the top management's attention and the process should encompass:

- (i) Measurement of risk through credit rating / scoring;
- (ii) Quantifying the risk through estimating expected loan losses and unexpected loan losses
- (ii) Risk pricing on a scientific basis; and
- (iv) Controlling the risk through effective Loan Review Mechanism and portfolio management.

(b) & (c): RBI regulates Non-Banking Financial Companies (NBFCs). RBI's regulations pertain to prudential regulations, regulations to ensure protection of customers of NBFCs, corporate governance, regulations on acceptance of deposits wherever authorised. In regulating the sector, the mandate of RBI is customer protection and financial stability. RBI has informed that although regulation of NBFCs are not as stringent as that of banks, continuous efforts are made to plug any regulatory gaps / overlaps, which may arise from time to time.

(e): The pension and insurance sector provide long-term savings instruments to the customers. Since the liabilities of the pension and insurance sector are long-term, the ideal asset-liability management framework would induce investment in long-term assets like investment in infrastructure assets. Keeping this in view, the insurance and pension sector regulators have stipulated investment regulations which give primary emphasis on investment in long-term assets, like long-term government bonds, corporate bonds and securities of infrastructure sector.