COMMITTEE ON ESTIMATES

(2023-24)

(SEVENTEENTH LOK SABHA)

Statement showing Action Taken by the Government in respect of Observations/Recommendations contained in Chapter–I of the 14th Action Taken Report of the Committee on Estimates (16th Lok Sabha) on action taken by Government on their Fifth Report (16th Lok Sabha) on the subject 'Regulatory mechanism of protection of interests of the depositors of Non-Banking Financial Companies (NBFC)- An Overview' pertaining to the Ministry of Finance (Department of Financial Services)

Laid in Lok Sabha on : 10.08.2023

LOK SABHA SECRETARIAT

NEW DELHI

August, 2023 / Sravana, 1945 (Saka)

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* Elected as Member of the Committee vide Bulletin Part II, Para No. 7096, dated 28th July, 2023.

SECRETARIAT

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PREFACE

In terms of Direction 102(3) of the Directions by the Speaker, Lok Sabha, the Ministries/Departments concerned shall, as early as possible, after the presentation of the Action Taken Report of the Committee on Estimates, furnish statements of action taken or proposed to be taken by them on the recommendations contained in Chapter-I and the final replies of the recommendations contained in Chapter-V of the Report.

2. Fourteenth Action Taken Report of the Committee (16^{th} Lok Sabha) on the Observations/Recommendations contained in the Fifth Report (16^{th} Lok Sabha) on the subject 'Regulatory mechanism of protection of interests of the depositors of Non-Banking Financial Companies (NBFC) - An Overview' pertaining to the Ministry of Finance (Department of Financial Services) was presented to Lok Sabha on 24.02.2016. In this report, the Committee have analysed the observations/recommendations, as detailed in Chapter-I of the Report.

3. The Government was required to furnish the Statement of Action Taken or proposed to be taken on the Observations/Recommendations contained in Chapter-I. The replies have been received from the Ministry of Finance (Department of Financial Services) on 13 January, 2022 and these are consolidated in the form of the statement for laying on the Table of Lok Sabha.

NEW DELHI;
<u>07 August, 2023</u>
16 Sarvana, 1945 (Saka)

DR. SANJAY JAISWAL
CHAIRPERSON
COMMITTEE ON ESTIMATES

STATEMENT SHOWING ACTION TAKEN BY THE GOVERNMENT IN RESPECT OF OBSERVATIONS/RECOMMENDATIONS CONTAINED IN CHAPER I OF THE FOURTEENTH ACTION TAKEN REPORT (16TH LOK SABHA) ON OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE FIFTH REPORT OF THE COMMITTEE ON ESTIMATES (16TH LOK SABHA) ON THE SUBJECT 'REGULATORY MECHANISM OF PROTECTION OF INTERESTS OF THE DEPOSITORS OF NON-BANKING FINANCIAL COMPANIES (NBFC) - AN OVERVIEW'

<u>Need for continuance of NBFCs-D</u>

(Recommendation No. 4)

The Committee note that even after more than four decades of nationalization, banks are highly concentrated in urban and semi urban areas. Substantial number of villages / hamlets are either uncovered or under covered requiring foot prints of the banks. This lack of reach of the banks is compelling the people throughout the nook and corner of the country to approach Non Banking Finance Companies (NBFCs) for saving their hard earned money in the form of deposits and to avail credit facilities for their consumption and productive purposes. The ease at which NBFCs can be approached for availing deposit and credit facilities vis-à-vis formal commercial banks, convenience of door step services and customizing of the product to suit their needs are driving many savers to deposit their money in these firms and avail credit from them.

Many experts deposed before the Committee about the reluctance of the banks to extend credit facilities for low end customers like for buying small equipment, one or two vehicles, etc for eking out their livelihood. This is despite the fact that the rate of repayment of the loans is more than 90 % as informed by the experts, and is far better than the rate of repayment of the loans availed by big customers. Banks are also hesitant to extend credit to first time borrowers due to lack of track record and credit history. It was also intimated that even today substantial credit needs of small, micro and medium enterprises are met by relatives, friends and NBFCs thereby underscoring the need for not only continuing the deposit taking NBFCs, but also for expanding them due to their reach to the lowest common denominator. Even the regulator of NBFCs viz. RBI has acknowledged the contribution of the NBFCs in providing last mile connectively for development of financial sector as they play a complimentary role to banks in providing financial services to the people. The RBI apprised the Committee that one of the reasons for stopping the new registrations for deposit taking NBFCs since 1998, is the failure of some NBFCs in repayment of the matured deposits during 1960s to 1990s. However, RBI categorically stated that default in repayment of deposits committed by NBFCs is due to the lack of Regulation. Another reason for not registering deposit taking NBFCs is the absence of insurance cover for deposits of NBFCs.

Taking note of the testimony of the experts and the RBI, the Committee conclude that it is the Regulators' failure to control the NBFCs effectively and / or reluctance on their part for regulation of deposit taking NBFCs-D effectively and lack of insurance cover to these deposits that primarily drove them to stop fresh registrations for deposit taking NBFCs and limiting deposit acceptance only to commercial banks. As a result, many NBFCs have to depend upon the loans/ deposits from the banking sector to lend to the retail customers throughout the country. However, the Committee observe that there is no guarantee that banks extend credit facilities to these NBFCs all the time crippling the activities of these NBFCs due to absence of acceptance of retail deposits. The Committee are of the considered view that the role of NBFCs in providing financial services to the lowest common denominator at competitive rates is not likely to diminish even with the introduction of the proposed Small banks and Payment banks in terms of cost and reach. The Committee accordingly recommend that the RBI in consultation with the Ministry of Finance, explore the possibility of allowing registrations of deposit taking NBFCs with stringent Regulations so that the needy persons in far flung areas across the country can avail safely the services of the NBFCs.

Reply of the Government

1.2 The Ministry of Finance (Department of Financial Services) vide their Action Taken replies dated 18.08.2015 have stated that the deposit taking should be a responsibility of the banking system because it has its own credentials and the regulatory mechanism to ensure the safety of public funds. To ensure that saving vehicles are provided to un served and underserved sections of the population, RBI will be granting licences to 'Small Finance Banks' which will be allowed to accept deposits. Existing NBFCs, MFIs have a choice of conversion into 'Small Finance Banks'. It is stated in Para 4 of the recommendations that "RBI categorically stated that default in repayment of deposits committed by NBFCs is due to lack of regulation". RBI has clarified that this was stated in the context of defaults that had occurred in repayment of deposits in 1960s to 1990s and is not reflective of the current position. In fact, regulations were introduced for NBFCs and these are even more stringent for deposit accepting NBFCs. The cases of default in repayment of deposits pertain to only those legacy companies. In addition banks are now also permitted to appoint Banking Correspondents (BCs) and majority of the villages are now covered by these BCs. Populace in far flung areas is being served by these entities which are under oversight from the banks as their principal.

Comments of the Committee

1.3 The Committee take a serious note of the casual reply furnished by RBI/ Ministry stating that the introduction of 'Small Payment banks' and Banking Correspondents with the objective of mobilizing small savings from people left out of the ambit of the formal banking channels obviates the need for fresh registration of NBFCs-D (NBFCs empowered to accept public deposits). However, the Committee find that the mandate of neither small payment banks, whose main objective is to provide payment and remittance services nor banking

correspondents include lending / providing credit facilities to the individuals, tiny and small businesses / low end customers who are neglected by formal banking channels. It may, therefore, be seen that Small payment banks and banking correspondents may address concerns of mobilization of savings from the 14 targeted segments but the lending part is not addressed by either Small payment banks or banking correspondents. More over the Committee also believe that small payment banks may not compete with the NBFCs in terms of ease at which the NBFCS can be approached for availing deposit facilities, their reach in terms of providing financial services at the doorstep of the customers and also the facility of customization of the product. In fact the RBI had itself acknowledged the contribution of NBFCs in providing last mile connectivity for development of financial sector. The Committee, therefore, reiterate their recommendation that RBI in consultation with Ministry of Finance should explore the possibility of allowing registrations of deposit taking NBFCs with stringent regulations so that the needy persons in far flung areas across the country can avail safely the services of NBFCs.

Final Reply of the Government

1.4 With regard to providing credit facilities to the individuals, tiny and small businesses, RBI has informed that in order to ensure access to financial services and credit intermediation remains unaffected and that access to credit is given adequate push, RBI took number of steps to increase credit access at the last mile which includes allowing banks to co-lend loans with NBFCs so as to leverage on the network of last mile connectivity of NBFCs as well as to fulfill their mandatory priority sector lending requirements, while borrowers get access to higher flow of funds.

Further, RBI introduced differentiated licensing of banks (Small finance Banks and Payment Banks) and Business Correspondents in order to provide last mile banking facilities. Therefore, if issuance of licenses to deposit-accepting NBFCs are allowed, then stricter bank-like regulations needs to be prescribed for such NBFCs and it may lead to loss of the inherent flexibility applicable to these NBFCs.

Deposit Insurance

(Recommendation No. 5)

1.5 The Committee note that it has been the outlined Monetary Policy of the RBI that deposit acceptance should be in the realm of banks alone as they are more stringently regulated who can also avail deposit insurance to repay the depositors. Under the existing legislative framework, the Deposit Insurance and Credit Guarantee Corporation (DICGC) can extend deposit insurance cover to banks, including urban co-operative banks (UCBs). It is for this reason that the RBI discontinued issue of fresh Certificate of Registration (CoR) since 1998 for deposit taking NBFCs for want of insurance cover. The RBI informed the Committee that due to moral hazard and regulatory discomfort in extending the deposit insurance cover to the NBFCs, these committees/ working groups recommended that deposit insurance to NBFCs should not be extended either through DICGC or outside of DICGC. However, many experts expressed their views before the Committee are in favour of extending the insurance cover to the said deposits within the DICGC framework. The Committee are of the considered view that extension of deposit insurance will go a long way in encouraging the savers in remote areas who , in the absence of commercial banks, hitherto are forced to approach the unscrupulous entities, offering high interest rates, only to default in repayment at a later date, for saving their hard earned monies. Moreover, in the light of RBI's own admission that many defaults during 1960s -90s by NBFCs were partly due to lack of regulation, the Committee believe that the risk involved in extending the deposit cover can be addressed by instituting stringent regulations by the regulator. They, therefore, recommend that insurance cover may be extended to the deposits of NBFCs either within the DICGC framework by amending the relevant legislation or through creation of separate entity as favoured by the RBI for offering deposit insurance. The Committee strongly believe that this will go a long way in tapping the savings by the NBFCs in villages, towns, and far flung areas of the country.

Reply of the Government

1.6 The Ministry of Finance (Department of Financial Services) vide their Action Taken replies dated 18.08.2015 have stated that RBI is not in favour of bringing deposits of NBFCs under the ambit of DICGC on account of inherent weakness of the sector, lack of market discipline and dichotomy observed in case of premium paid by commercial banks and benefits availed by Urban cooperative banks and Rural cooperative banks for DICGC claims. There is no need for deposit insurance for NBFCs as they accept only term deposits.

Comments of the Committee

1.7 The Committee note that due to inherent weaknesses of the sector, lack of market discipline and dichotomy observed in case of premium paid by the commercial banks, RBI is not in favour of extending insurance cover to the deposits of NBFCs. Further, the reply of RBI/Ministry also states that deposit insurance was not required for deposits of NBFCs as they accept only term deposits. However, in the considered view of the Committee, these concerns of the RBI in respect of NBFCs can be addressed by instituting effective and stringent regulations. Notably, the RBI proposes to do so by empowering themselves with punitive powers and also by suitably amending the RBI Act 1934 for plugging the gaps hampering the development of the sector. The Committee, therefore, believe that once these proposed changes are put in place, insurance cover for deposits of NBFCs either within the DICGC framework or outside of it, as favoured by RBI initially, can be introduced. The Committee are quite sanguine that these proposed amendments and changes aimed at strengthening the NBFC sector will go a long way in attracting serious players and discouraging fly-by-night operators. The representative of RBI appearing before the Committee on 25

March, 2015 stated that RBI is recommending separate insurance guarantee corporation for the NBFC category. In their latest reply RBI / Ministry, however, have stated that there is no need for deposit insurance as they accept only term deposits. It is, therefore, apparent, that RBI itself does not have clarity on the issue. The Committee reiterate their recommendation that insurance cover may be extended to the deposits of NBFCs.

Final Reply of the Government

1.8 RBI has informed that the present statutory provisions of Deposit Insurance and Credit Guarantee Corporation (DICGC) does not mandate deposit Insurance cover for the deposits accepted by NBFCs. As per RBI, the policy stance of the RBI with regard to deposit acceptance of NBFCs has been that this activity should be confined to banks and accordingly, no fresh licenses for deposit acceptance by NBFCs have been granted for more than two decades. The current deposit taking NBFCs are primarily legacy NBFCs. Deposit acceptance has been a tightly regulated activity to ensure that only financially sound NBFCs continue to accept deposits. As per RBI, they prefer that the deposit taking NBFCs either surrender their license or convert into non-deposit taking NBFCs. Moreover, if insurance coverage is to be provided to public deposits of NBFCs then legislative and regulatory framework of NBFCs needs to be harmonised with that of banks but it may take away the present flexibility of these NBF.

Unclaimed Deposits

(Recommendation No. 6)

1.9 The Committee note that an amount of Rs. 566 crore was lying unclaimed with 24 NBFCs-D at the end of March, 2014. Notably, the RBI has not issued any guidelines about the use of unclaimed deposits by the NBFCs for their own business operations beyond the period these were deposited. RBI submitted that they have not given any specific instructions for transfer of unclaimed deposits lying in these NBFCs to Investor Education and Protection Fund (IEPF) giving credence to the doubt that these unclaimed deposits may not have been actually transferred to IEPF as is required under Section 205 C of the Companies Act, 1956 or Section 125 of Companies Act, 2013. The Committee are of the considered view that the RBI, being the sole Regulator of NBFCs-D, should have given their anxious consideration to the serious issue of unclaimed deposits aggregating to ₹ 566 crore. The Committee, therefore, recommend that the Government / RBI specify in unambiguous terms whether the huge amount of unclaimed deposits lying with 24 NBFCs have actually been transferred to IEPF and if so, the details thereof (NBFC wise) and if not the reasons thereof be submitted to the Committee within three months of presentation of this report.

Reply of the Government

1.10 The Ministry of Finance (Department of Financial Services) vide their Action Taken Replies dated 18.08.2015 have stated that RBI has informed that as on March 31, 2015, 22 companies did not have any deposits eligible to be transferred to the IEPF (a deposit is due for transfer to IEPF if it remains unclaimed for 7 years). One company is under court ordered liquidation. In respect of a PSU, i.e. Tamil Nadu Transport Development Finance Corporation Ltd, only an amount of ₹ 5,22,375 has not been transferred to IEPF due to some legal disputes. The company has transferred all other unclaimed deposits held for more than 7 years.

Comments of the Committee

1.11 The Committee note that the reply furnished by RBI/ Ministry does not specify whether unclaimed deposits of ₹ 556 crore lying with 24 deposit taking NBFCs (NBFCs-D), as furnished by them and as mentioned at Appendix - IX of the original report, have been transferred to Investor Education and Protection Fund (IEPF) as required under section 205 of the Companies Act, 2013. They therefore, reiterate their recommendation that RBI specify in unambiguous terms whether ₹ 556 crore of deposits lying unclaimed till 2014 have actually been transferred to IEPF and if not, the reasons therefor.

Final Reply of the Government

1.12 As per RBI, an unclaimed deposit is due for transfer to IEPF if it remains unclaimed for 7 years. In response to the recommendation that RBI to specify that whether Rs. 556 crore of deposits lying unclaimed till 2014 have actually been transferred to IEPF, RBI has informed that the same has been fully transferred to IEPF.

Exception report from auditors

(Recommendation No. 7)

1.13 The Committee note that in terms of NBFCs Auditors Report (Reserve Bank) Directions, 2008, Statutory Auditors are required to submit to the RBI directly exception reports in the event of noncompliance by NBFCs to the provisions of the Chapter III B of the RBI Act, 1934 and directions issued by the Bank regarding deposit acceptance and prudential norms. The RBI furnished 50 cases of NBFCs-D operating without registration or violating relevant provisions of the RBI Act, 1934 or the directions issued thereunder, to refund the deposits collected from the public. Surprisingly, none of the auditors of these NBFCs furnished exception reports to the RBI. The Committee are perturbed to note that the RBI has neither cared to take up the issue with the defaulter auditors nor they seem to have discussed the issue in the Co-ordination mechanism with the Institute of Chartered Accountants of India (ICAI), the regulatory body for auditors. Deploring the casualness, the Committee seek reasons for not taking up the matter with the said firms or ICAI and also the action taken or proposed to be taken against the firms for failing to send the exception reports in the said cases. The Committee also recommend that a proper code of ethics and conduct be formulated for the statutory auditors of NBFCs about the requirement of submitting Exception Reports to RBI for defaulting entities. It also urge the Ministry of Finance (Department of Financial Services) to amend the RBI Act to empower RBI to remove or replace auditors in cases where they fail to inform the RBI of any violations committed by the NBFCs detected during the course of their audit under the said directions. Further, in the event of such occurrences, the matter pertaining to Statutory Auditors be discussed with ICAI to ensure that suitable action is taken against them.

Reply of the Government

1.14 The Ministry of Finance (Department of Financial Services) vide their Action Taken Replies dated 18.08.2015 have stated that RBI had deliberated on the issue of violations by statutory auditors at the Board level and recommended action by way of penalising them for violating the guidelines laid down by the Bank such as not submitting exception reports.

Further, RBI is also conducting seminar/events specifically related to NBFC Audit in collaboration with the local chapter of ICAI detailing various Rules and Regulations relating to NBFCs. This platform is being used to highlight commonly observed deficiencies in audit report and sensitizing the auditors about impending penal action in case of non-submission of exception reports. It is also being used to request Auditors to report inadequacies beyond the strict contours of the NBFCs Auditor’s Report (Reserve Bank) Directions, 2008.

RBI is shortly inviting national level office bearers of ICAI to apprise them of the concerns relating to Audit reports for NBFCs. Further, RBI has suggested suitable amendments to the RBI Act to empower RBI to impose penalties without approaching a court on auditors of NBFCs. Non Payment of Penalty imposed by RBI will be an offence. To recover penalty, RBI may issue garnishee orders.

Comments of the Committee

1.15 The Committee observe that the reply furnished by the Ministry of Finance (Department of Financial Services) is conspicuously silent as to why the non submission of exception reports by the auditors of 50 NBFCs, operating without registration or violating relevant provisions of the RBI Act, 1934, under NBFCs Auditors’s Report (Reserve Bank of India Directions, 2008), could not be taken up 18 by RBI either with defaulter auditors or in the Coordination mechanism with the Institute of Chartered Accountants of India (ICAI). Further, it appears that RBI deliberated the issue at the Board level only after the issue was raised by the Estimates Committee and sought the reasons for not taking the required action against the said auditors. The Committee, would therefore like to be apprised of the action taken against such auditors.

The Committee are pleased to note that the RBI, in pursuance of the Committee's recommendation, has taken steps for conducting seminars/ events to bring efficiency in the working of auditors by highlighting their deficiencies and sensitizing them about penal actions to be taken against them in case of non submission of exception reports and also decided to invite national level office bearers of ICAI to apprise them of the concerns of the Committee in the matter. The Committee desire that the proposed meet be expedited and appropriate steps be taken to bring further efficiency in the working of statutory Auditors and the Committee apprised in due course of the tangible outcome of the steps initiated by the RBI.

The Committee also note that RBI has suggested suitable amendments to the RBI Act to empower them to impose penalties without approaching court of law, on auditors of NBFCs making an offence. Also non Payment of Penalty imposed by RBI would be an offence and allow RBI to issue garnishee orders for recovery of penalty. The Committee would like to be apprised of the action taken to effect necessary amendments in the RBI Act.

Final Reply of the Government

1.16 As per input received from RBI, subsequent to the recommendations given by the Estimate Committee, RBI informed that RBI has been carrying out "Ministry of Corporate affairs (MCA) reconciliation exercise" based on inputs received from MCA on an ongoing exercise.

Also, RBI has taken number of steps for sensitisation of Auditors, which inter-alia includes the following:

Events organized by ICAI to enable participating members earn points for completing their Continuing Professional Education (CPE) hours requirements as part of their continuous professional development. The RBI is targeting these training /seminars for NBFCs session.

RBI has participated in a pan India web-seminar organized by ICAI to sensitize auditors which was well attended by around 4000 auditors across the country.

A total of 38 sensitization /awareness programmes for auditors of NBFCs were conducted by RBI across India during the years 2016(16), 2017 (13), 2018 (4), 2019(3) and 2020(2).

With regard to action taken to effect necessary amendments in the RBI Act to empower them to impose penalties on auditors of NBFCs making an offence, vide insertion in RBI Act 1934 through Finance Act 2019, RBI has been given more powers in terms of necessary action to be taken against statutory auditor of any NBFC who is found to be violating RBI's directions and also RBI can remove or debar the auditor from exercising the duties as auditor of any of the RBI's regulated entities for a maximum period of three years, at a time.

Mass Awareness Campaign

(Recommendation No. 8)

1.17 The Committee note that many investors, especially in small towns and villages, lured by high interest rates offered, deposit their hard earned savings in the schemes floated by unscrupulous and fly-by-night operators / firms , mostly unregistered NBFCs and unincorporated bodies, without assessing the risk involved therein. The Committee believe, it is due to absence of awareness among the said sections of the population about the risks involved. There have been instances of the gullible investors being duped of their hard earned money by these unscrupulous fly-by-night operators. Apparently there is lack of awareness, or the public awareness campaigns about unincorporated entities and other entities collecting money illegally from the public do not appear to have created sufficient awareness among the small time investors. The Committee note that many of the programmes designed for creating awareness are limited to metro and urban centres and are carried out in English and Hindi languages only, leaving out vast number of people living in small towns and villages who speak vernacular languages. The Committee, therefore, strongly recommend:

(i) Mass awareness campaigns be conducted not only in electronic media but also in print media especially in vernacular languages at regular intervals to create the desired impact;

(ii) The other channels of mass communication such as radio jingles, banners in public places and on public transport should be used to curb and eliminate such unscrupulous entities from the money market;

(iii) (iii) A part of the amount lying in unclaimed deposits with NBFCs which are required to be transferred to Investor Education and Protection Fund (IEPF) may be used for educating the investors and creating awareness among them about the risks involved in investing in fly-by-night firms.

(iv) The Investors' awareness and education programmes may be included as an activity eligible for spending money under ‘Corporate Social Responsibility’;

(v) Lists of the type of firms eligible and ineligible for acceptance of deposits from the public and also of firms banned from accepting deposits from public may be published in English , Hindi and vernacular Dailies to ensure that people make informed investment decisions; and

(vi) Every entity advertising/representing/soliciting customers, must indicate their PAN/Registration number so that the activities of fake/flyby-night operators are checked and the gullible public are not duped.

Reply of the Government

1.18 The Ministry of Finance (Department of Financial Services) vide their Action Taken replies dated 18.08.2015 have stated that :

(i) & (ii) RBI will soon be commencing a Nationwide Investor Awareness Programme to make the public aware of the perils and pitfalls of investing their money in unregulated entities, and fraudulent/ dubious schemes. It will be using print media, televisions, radio, banners etc for this campaign.

(iii) & (iv) The points relate to Ministry of Corporate Affairs.

(v) The list of NBFCs allowed by RBI to accept public deposits, and the list of NBFCs prohibited from accepting public deposits is given on the RBI website. The advertisements published by the RBI will provide a link to the list of such NBFCs.

(vi) Registered NBFCs are required to comply with prescribed Advertisement Rules while issuing any advertisement.

The non-NBFCs will fall under the jurisdiction of Ministry of Corporate Affaris (MCA), who may consider the recommendations of the Estimates Committee to prescribe such norms, and penalties for violation thereof

Comments of the Committee

1.19 The Committee note that pursuant to their recommendation, the Ministry of Finance and the RBI will soon be initiating Nationwide Investor Awareness Programme using various channels of mass media for educating the public. Further, a link to list of NBFCs prohibited from accepting deposits is also being published in advertisements. However, the reply of the Ministry is silent on use of Hindi and other vernacular languages for better reach of such awareness campaigns. Regrettably, the Ministry of Finance did not coordinate with the Ministry of Corporate Affairs regarding the recommendation of the Committee for using part of unclaimed deposits lying with NBFCs and are required to be transferred to IEPF to be used for educating investors and creating awareness about the risks involved in investing through the fly-by-night operators and also allowing such awareness campaigns to be covered as an activity eligible under 'corporate social responsibility.' While deploring the lack of initiative on part of the Ministry of Finance to coordinate with the Ministry of Corporate Affairs, the Committee reiterate that matter be taken up with the Ministry of Corporate Affairs in right earnest so that necessary steps can be taken and the Committee apprised of the same.

Final Reply of the Government

1.20 With regard to creating mass awareness for investor education among public under various channels, RBI has informed that RBI has been conducting mass awareness campaigns in electronic media and also in print media in vernacular languages at regular intervals using radio jingles, banners in public spaces and on public transport. Regional offices of RBI are undertaking awareness campaigns on unauthorized deposit collection activities, pyramid or money chain schemes. Other similar awareness programs have been planned in regional FM Radio channels.

With regard to checking of the activities of fake/fly-by-night operators, RBI has informed that RBI escalates intelligence inputs received from the markets for action and further examine during the supervisory assessment of the supervised entities, wherever they are found to be involved. Also, RBI has launched a Sachet Portal to act as online complaint registration platform to enable the general public to submit their complaints, feedback and any other information related to deposits/schemes floated by unincorporated bodies. It is also an authentic source of deposit related laws and regulations and entities which are authorized to collect deposit from general public. The portal was made available in 11 regional languages viz. Assamese, Bengali, Gujarati, Kannada, Malayalam, Marathi, Odia, Punjabi, Tamil, Telugu and Urdu, in addition to Hindi and English.

Further, with regard to using the part of the IEPF fund from transfer of unclaimed deposits lying with NBFCs for educating investors and creating awareness about the risks involved and also allowing such awareness campaigns to be covered as an activity eligible under Corporate Social Responsibility (CSR), the Ministry of Corporate Affairs has informed that the Schedule VII of the Companies Act, 2013 enlists the area /activities that can be undertaken by the companies as CSR. Moreover, the activities of Investor awareness and education programme can be undertaken under Schedule VII (ii) under promoting education. Also MCA has informed that the IEPF Authority has entered into a MoU with Common Service Centres (CSC) e-Governance Services India Ltd., to organize Investor Awareness Programmes in rural areas of the country through CSCs. During these programmes, a film about the benefits of saving and to sensitize about various investor frauds is also shown. The programme covers very basic topics like importance of preparing a household budget, importance of saving, investment, Do’s and Don’ts of investing and Ponzi schemes. A special booklet titled "GRAMEEN NIVESHKO KE LIVE VIVRAN PUSTIKA" on Investor awareness is distributed during these programmes. In urban and semi-urban areas, the Investor Awareness Programmes are conducted through Professional Institutes viz. ICAI, ICSI, ICoAI. Multilingual Jingles have been developed in IEPF Authority for investor awareness, messages to companies for ensuring compliances, prevention of investor frauds etc. which are broadcasted through public and private FM channels from time to time. Investor Awareness messages through scroll messages are being aired on Doordarshan are released from time to time.

NEW DELHI;	**DR. SANJAY JAISWAL**
<u>07 August, 2023</u>	**CHAIRPERSON**
16 Sarvana, 1945 (Saka)	**COMMITTEE ON ESTIMATES**