

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3964
ANSWERED ON:22.08.2003
PRIVATE FINANCIAL INSTITUTIONS
RAMDAS ATHAWALE

Will the Minister of FINANCE be pleased to state:

- (a) whether the attention of the Government has been drawn to the advertisements of private financial institutions offering 30 per cent and 24 per cent rate of interest on term deposits in various metropolitan cities specially in Delhi;
- (b) if so, the details in this regard during the last three years and till date;
- (c) whether the rate of interest offered by such companies has been approved by any Government agency;
- (d) if so, the reasons therefor;
- (e) if not, the action proposed to be taken to save the small investors from being tempted by such interest rates and from being exploited;
- (f) whether the Government propose to make the people aware of reality about such tempting schemes through print media; and
- (g) if so, by when?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a): - Reserve Bank of India (RBI) have reported that they have not come across any advertisement issued by Non Banking Financial Companies (NBFCs) operating in Delhi, which is offering 30 percent and 24 percent rate of interest on term deposits.

(b):- Does not arise.

(c):- The rate of interest offered by NBFCs on the public deposit mobilised is subject to the ceiling prescribed by RBI from time to time, which, at present, is 11 percent.

(d):- The NBFCs are governed by provisions of the RBI Act, 1934 and powers have been vested with the Reserve Bank to regulate deposit acceptance by the NBFCs, including the rate of interest on deposit.

(e):- The RBI had made it compulsory for NBFCs to seek RBI's approval on the text of advertisement issued/statement filed for soliciting deposits from general public so that the companies give proper information on their working and do not make unrealistic claims in the advertisement/statement.

(f) & (g) :- RBI is actively engaged in educating depositors of NBFCs. An advertisement campaign through print and electronic media was launched by RBI to highlight the following points on the minds of the prospective depositors:-

-• To ensure that NBFC is registered with RBI before depositing the money with them.

-• To help the prospective depositor in the matter, a list of the NBFCs rejected/registered with RBI is displayed on the official web-site www.rbi.org.in.

• It is mandatory for NBFC/s to include in their prospectus or advertisement stating that the deposits placed with an NBFC is neither insured nor guaranteed by RBI.