

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1984
ANSWERED ON:05.08.2005
RESIDUARY NON-BANKING COMPANIES
Wagmare Shri Suresh Ganpatrao

Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India has done any study, inquiry about functioning, deposit mobilization, investment, financial performance of major Residuary Non-Banking Companies recently;
- (b) if so, the details thereof;
- (c) whether any special audit has been undertaken;
- (d) if so, the details thereof and the outcome thereof; and
- (e) the steps being taken by the Government to protect small investors ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b) :- Reserve Bank of India (RBI) have reported that they have not conducted any specific study regarding these aspects. However, RBI has been carrying out inspection of RNBCs under RBI Act, 1934. During the course of inspection these aspects are examined.

(c) & (d) :- Special audit of the major RNBCs has been commissioned under powers available in RBI Act, 1934. At present, special Audits for two companies are under progress.

(e) :- In order to impart greater liquidity and safety to the investment of RNBCs, the investment pattern was rationalised. RBI issued fresh instructions on improvements in the functioning of RNBCs including transparency of operations, connected lending relationship, corporate governance standards, avoiding untenable rates of commission to agents, adherence to `know your customer` rules etc.