

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1421
ANSWERED ON:18.07.2014
NBFC FRAUDS
Puttaraju Shri C.S.;Somaiya Dr. Kirit

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has noticed that the number of Non-Banking Finance Companies (NBFCs)/Chit Funds/Ponzi Schemes/Companies are increasing day by day in the country and operating without requisite registration;
- (b) if so, the details thereof including the names of such companies/ Chit Funds against whom complaints regarding non-payment of investors' money have been received by the Reserve Bank of India during the last three years and the current year, company and State/UT-wise;
- (c) whether the Government has any proposal to regulate/scrutinize these NBFCs Chit Funds/Ponzi Schemes/Companies in the wake of the recent scams noticed therein; and
- (d) If so, the details thereof along with the monitoring mechanism put in place by the Government to keep a check on the activities of such NBFCs Chit Funds/Ponzi Schemes/ Companies Schemes to protect the interest of the investors?

Answer

THE MINISTER OF FINANCE (SHRI ARUN JAITLEY)

(a): RBI is conducting a one-time exercise based on the list of 34,754 Companies forwarded by the Ministry of Corporate Affairs (MCA) which are registered under Companies Act, 1956 and classified/ categorized as 'NBFCs' in the records of MCA and these Companies may be carrying on Non-Banking Financial Institution (NBFI) activities without mandatory registration as required Under Section 45IA of RBI Act, 1934 as only 12,375 Companies are registered with RBI as NBFCs (as on February, 2013). MCA had requested RBI to initiate action against such Companies. While several Companies in the list were not registered with RBI as NBFCs, the list also did not contain some companies already registered with RBI. Chit Funds are registered and regulated by the State Governments under the Chit Funds Act, 1982. Further, money circulation schemes are prohibited under the Price Chits and Money Circulations (Schemes) Banning Act, 1978 and the States are the implementing agencies under the Act.

(b): RBI has reported that there are 543 NBFCs operating in different States/ Union Territories which are not registered with RBI, against whom complaints regarding Non Payment of investor's money have been received or noticed by the RBI during the last three calendar years and till June 30, in the current year.

(c) & (d): It has been decided by RBI, that as a one-time measure, the financials of all these 34754 Companies (other than those registered with RBI) a list of which has been sent by MCA to RBI would be examined to ascertain their eligibility or otherwise for registration with RBI. The main objective is to determine whether among these companies there are NBFCs that ought to have registered with the RBI for carrying on their NBFI activities. It was found that 4102 Companies were registered with RBI as NBFCs. In the second stage, the RBI focused on the 30652 residual Companies in the MCA list. The focus of exercise was to identify companies which should have been otherwise registered with the RBI. This exercise has further revealed that 13,647 companies are not meeting the Principal Business Criteria (PBC), requiring a certificate of registration for functioning as NBFC, and hence are not required to be registered with the RBI. Further, complete information on 6182 companies is not available in the MCA website. Besides 4125 companies are under liquidation or in the process of being struck off. Of the remaining 6698 companies only 213 are seen to be accepting public deposits and another 1643 are meeting the PBC and minimum net worth requirements. The remaining 4842 companies are not accepting public deposits, but prima facie ineligible for registration as NBFC.

To initiate action for violation of the RBI Act, 1934 since it would be necessary to give an opportunity to the companies to clarify their position, more particularly because the conclusions have been arrived at on the basis of information available on MCA website, the process to ascertain the facts from all the companies which are seen to have unauthorisedly accepted public deposits and the ones which are carrying out NBFI activity without registration with RBI has commenced.