

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 5718
ANSWERED ON FRIDAY, THE 07TH APRIL, 2017
[CHAITRA 17, 1939 (SAKA)]**

PRIVATE FINANCIAL COMPANIES

QUESTION

5718. SHRIMATI V. SATHYA BAMA:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

- (a) whether the Government has issued any orders to private financial institutions and private limited finance companies in the country to govern the issue of loans and collection of interests;**
- (b) if so, the details thereof;**
- (c) whether some private limited finance companies have been involved in unethical and fraudulent acts and if so, the details thereof; and**
- (d) the stringent steps taken by the Government to book and punish directors of such companies for committing fraud?**

ANSWER

**THE MINISTER OF STATE IN THE (SHRI ARJUN RAM MEGHWAL)
MINISTRY OF CORPORATE AFFAIRS**

(a) & (b): Non-banking Finance Companies (NBFCs), incorporated under the Companies Act, are regulated by Reserve Bank of India (RBI). As informed by RBI, the interest rates of lending have been deregulated for banks and NBFCs. A cap on interest rate is specified only for NBFC-MFIs. In respect of NBFCs, the RBI has issued guidelines through the Fair Practices Code that require the Board of NBFCs to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. Further, the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers is required to be disclosed to the borrower or customer in the application form and also to be communicated explicitly

the in sanction letter. This ensures transparency in computation and communication of interest rates charged by NBFCs.

(c) & (d): The details provided by RBI are enclosed as per Annexure -I.

Annexure-I

ANNEXURE REFERRED TO IN REPLY TO PARTS (c) & (d) OF THE UNSTARRED QUESTION NO. 5718 FOR ANSWER IN LOK SABHA ON 07.04.2017

State/UT	Cases where private limited NBFCs registered with RBI were found to be involved in unethical/fraudulent practices	Action taken in this regard
Gujarat	Deep Capital Services Private Ltd. Company was involved with Jai Khodiyar Mirta Mandal (JKMM), an Unincorporated Body (UIB), which was involved in illegal collection of money	CoR of company was cancelled and winding up petition has been initiated against the company. Also FIR is filed against the company
Assam	YVU Financial Services Pvt. Ltd. violated directions relating to collection of insurance premium at flat rate and charged a high rate of interest as compared to the prevalent market rates.	YVU Finance Services Pvt. Ltd has been penalized with an amount of Rupees Five lakh on August 08, 2014 by Reserve Bank of India for the violations.
