

Non-Banking Financial Companies (NBFCs)

3.41 The total deposits held by Non-Banking Financial Companies (NBFCs) and Residuary Non-Banking Companies (RNBCs) together amounted to Rs. 23,820 crore as on March 31, 1998, which constituted about 3.7 per cent of the deposits mobilized by SCBs (excluding RRBs) in that year. The corresponding amount declined to Rs.20,429 crore (about 2.6 per cent of SCBs' deposits) as on March 31, 1999. About 50 per cent of the deposits of NBFCs had a maturity period ranging up to two years while the remaining were taken for more than two years. Approximately 75 per cent of the deposits outstanding in the books of the reporting

NBFCs as on March 31, 1999 were paid interest rates of more than 14 per cent. The following Table presents the business-wise distribution of public deposits of NBFCs.

3.42 As per the guidelines for entry of NBFCs into insurance business circulated in June 2000, any registered NBFC with net owned fund of Rs. 2 crore can undertake insurance business as agent on fee basis, without any risk participation. Those NBFCs which satisfy certain eligibility criteria like owned funds of not less than Rs. 500 crore, track record in terms of net profits, track record of subsidiaries, net NPA level of not more than 5 per cent, etc. can set up joint venture company or insurance business with risk participation.

3.43 The Guidelines on entry of new banks in the private sector issued by RBI on January 3, 2001 allow NBFCs with good track record to become private sector banks based on the following criteria:

- The NBFC should have a minimum networth of Rs.200 crore as per latest balance sheet, which will increase to Rs.300 crore within three years from the date of conversion.
- The NBFC should not have been promoted by a large Industrial House or owned/controlled by public authorities, including Local, State or Central Governments.
- The NBFC should have acquired a credit rating of not less than AAA rating (or its equivalent) in the previous year.
- The NBFC should have an impeccable track record in compliance with RBI regulations/directions and in repayment of public deposits
- The NBFC should have capital adequacy of not less than 12 per cent and its net NPAs should not be more than 5 per cent.

Nature of Business	Public Deposits 1998	Public Deposits 1999
A. NBFCs		
1. Equipment Leasing	1962 (8.2)	1173 (5.7)
2. Hire-purchase	3938 (16.5)	3340 (16.4)
3. Investment and loan	6629 (27.8)	4456 (21.8)
4. Other NBFCs*	1043 (4.5)	816 (4.0)
Total A (1 to 4)	13572 (57.0)	9785 (47.9)
B. RNBCs	10249 (43.0)	10644 (52.1)
Total A +B	23820 (100.0)	20429 (100.0)
Notes: 1. *Includes Miscellaneous Non-Banking Companies, unregistered and unnotified Nidhis, etc. 2. Figures in brackets indicate percentage to total.		