

Non-banking financial companies (NBFCs)

3.55 Non-banking financial entities comprise NBFCs, mutual benefit financial companies (Nidhi companies), and mutual benefit companies (potential Nidhi companies). All these entities were being regulated by the RBI till September 29, 2003. From September, 2003, Department of Company Affairs had taken over the regulation of mutual benefit financial companies and mutual benefit companies, leaving the regulation of NBFCs with the RBI. Over the years, the RBI has strengthened the supervisory framework for NBFCs. The RBI's regulatory framework for NBFCs, though similar to that of SCBs to a large extent, differs in a number of areas to account for the unique features of NBFCs. The regulations are relatively more stringent in the case of deposit-accepting companies. There is a ceiling on the interest rates offered by NBFCs on deposits. With a view to aligning the interest offered by the NBFCs with those prevailing in the banking sector, RBI reduced the maximum rate that could be offered by the NBFCs from 12.5 per cent per annum to 11.0 per cent per annum with effect from March 4, 2003. As per the RBI directive, rates offered by NBFCs on NRI deposits cannot exceed those prescribed for SCBs. Effective April 24, 2004 NBFCs cannot accept fresh NRI deposits but can renew the existing NRI deposits.

3.56 As on March 31, 2003 there were 13,831 NBFCs registered with the Reserve Bank. Out of these, 730 were deposit accepting NBFCs. Total outstanding public deposits of 872 reporting NBFCs [including Miscellaneous Non-Banking Companies (MNBCs), Mutual Benefit Financial Companies (MBFCs) and Mutual Benefit Companies (MBCs)] amounted to Rs. 20,098 crore at the end of March, 2003 as compared with outstanding deposits of Rs. 18,822 crore held by 910 reporting NBFCs a year ago. Residuary Non-Banking Companies (RNBCs) accounted for 74.9 per cent of total deposits held by NBFCs at the end of March 2003. Of the 872 reporting NBFCs, 40 NBFCs had CRAR of less than 12 per cent. Over three-fourth NBFCs had CRAR of more than 30 per cent as at end of March 2003. Aggregate assets of deposit taking NBFCs as on March 31, 2003, declined to Rs. 47,777 crore from Rs. 52,049 crore as on March 31, 2002. However, the aggregate assets have marginally increased to Rs. 49,034 crore as on September 30, 2003.

3.57 The ratio of gross NPA to total assets declined from 10.6 per cent at the end of March 2002 to 9.2 per cent at the end of March 2003. The net NPAs also declined from 3.9 per cent to 1.8 per cent during the same period. NBFCs registered a net profit of Rs. 339 crore in 2002-03 compared with a net loss of Rs. 212 crore in 2001-02 mainly on account of reduction in financial cost.