

## Non-banking financial companies (NBFCs)

3.77 The number of applications received by RBI for grant of certificate of registration (CoR) as NBFCs till end-March 2006 was 38,244, out of which, 13,141 applications (net of cancellation), including 423 applications (net of cancellation) of public deposit accepting companies (NBFCs-D), were authorised to accept/hold public deposits. At end-June 2006, the total number of NBFCs registered with RBI was 13,014 (net of cancellation). (Table 3.11).

3.78 With the exit of many NBFCs from the public deposits taking business, the number of NBFCs-D has steadily declined. As at end June 2006, NBFCs-D were 428. The number of Residuary Non-Banking Financial Companies (RNBFCs) remained unchanged at 3 at end-March 2006.

3.79 During 2005-06, assets and public deposits of reporting NBFCs increased by Rs. 2,394 crore and Rs.2,316 crore, respectively. Net owned funds of NBFCs increased by Rs.562 crore during 2005-06, despite a decline in the number of reporting NBFCs. Deposits of reporting NBFCs at end-March 2006 were marginally lower at 1.1 per cent of aggregate deposits of SCBs compared to 1.2 per cent at end-March 2005.

3.80 Total assets/liabilities of NBFCs (excluding RNBFCs) at end-March 2006 were Rs.35,561 crore, down marginally by 1.2 per cent from Rs.36,003 crore at end-March 2005. Such assets/liabilities had increased by 9.9 per cent during 2004-05. There were major changes in the composition of assets and liabilities as well in 2005-06. On the liability side, paid-up capital as well as public deposits of these companies declined by 11.7 per cent and 32.1 per cent, respectively, during 2005-06. On the asset side, Bill Discount business in 2005-06 registered a substantial decline of 90.4 per cent compared to an increase of 7.8 per cent during 2004-05; their SLR investment declined by 41.3 per cent during 2005-06 compared to an increase of 31.0 per cent during 2004-05 and decline of loans and advances was 27.8 per cent compared to an increase of 3.1 per cent in the previous year.

3.81 In 2005-06, a significant decline in fee-based income (61.2 per cent) and only a marginal increase in fund-based income (5.3 per cent) resulted in stagnancy of the overall income of NBFCs (marginal decline of 0.1 per cent) compared to an increase in overall income of 5.8 per cent in 2004-05. Concomitantly, expenditure registered an increase of 13.0 per cent in 2005-06 mainly because of an increase of 31.6 per cent in operating expenses. Net profit after tax of NBFCs in 2005-06 was only Rs. 152 crore compared to Rs.572 crore in 2004-05, representing a decline of 73.4 per cent compared to an increase of 7.7 per cent in 2004-05.

3.82 Gross NPAs as a proportion of gross advances as well as net NPAs as a proportion of net advances of reporting NBFCs (excluding RNBFCs, Mutual Benefit Companies (MBCs) and Miscellaneous Non-Banking Companies (MNBCs)) at end-March 2006 declined sharply to 2.4 per cent and 0.4 per cent, respectively, compared with 8.2 per cent and 2.4 per cent, respectively at end-March 2005.

3.83 The number of NBFCs (excluding RNBFCs, MBCs and MNBCs) with less than the minimum regulatory CRAR of 12.0 per cent declined from 64 at end-March 2005 to 19 at end-March 2006. The number of NBFCs with CRAR more than 30 per cent also declined from 280 at end-March 2005 to 252 at end-March 2006.

**Table 3.11 : Number of non-banking financial companies registered with RBI**

End-June	All NBFCs	NBFCs accepting public deposits
1999	7,855	624
2000	8,451	679
2001	13,815	776
2002	14,077	784
2003	13,849	710
2004	13,764	604
2005	13,261	507
2006	13,014	428