



Non-Banking Financial Companies (NBFCs)

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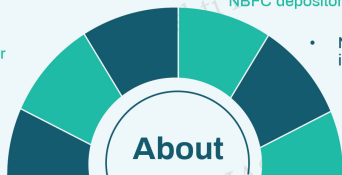
Non-Banking Financial Companies (NBFCs)

A Non-Banking Financial Company (NBFC) provides loans, acquires financial securities, and offers leasing & insurance services. However, it excludes companies primarily engaged in agriculture, industrial activities, trading, or real estate.

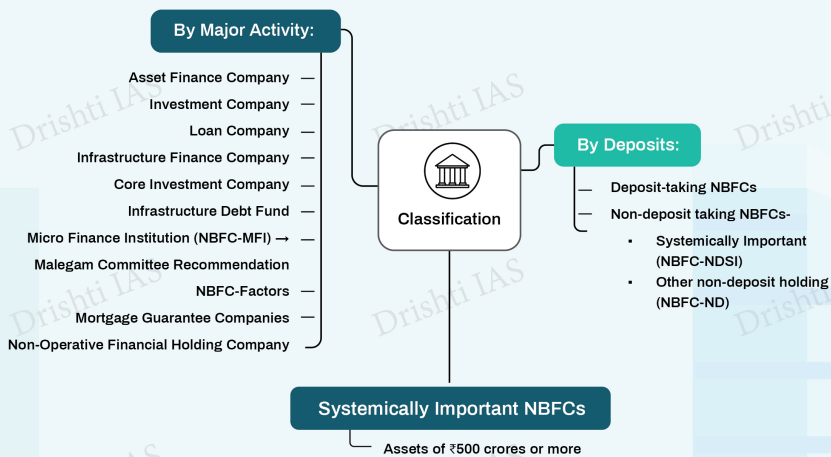


About:

- Do not have a banking license; not part of the payment system; cannot issue cheques
- Can accept public deposits for 12-60 months (no demand deposits)
- Registration → Companies Act, 1956
- Insurance by Deposit Insurance & Credit Guarantee Corporation → not available for NBFC depositors
- NBFCs require an investment-grade credit rating
- Key Services Offered- Personal loans, Home loans, Vehicle Financing, Gold Loans, Microfinance, Infrastructure Financing, Insurance Services, Investment Management



Classification:



Regulation:

Type of Institution	Regulatory Authority
NBFCs registered with RBI	RBI
Housing Finance Institutions	National Housing Bank
Merchant Banking Companies, Venture Capital Fund Companies, Stock Broking, Collective Investment Schemes (CIS)	SEBI
Nidhi Companies, Mutual Benefit Companies	Ministry of Corporate Affairs (MCA)
Chit Fund Companies	State Government
Insurance Companies	IRDAI
Non-Banking Non-Financial Companies	Statute- Companies Act 1956 Regulator- Ministry of Corporate Affairs Enforcement Agency- State Governments

Benefits of NBFCs:

- Financial Inclusion
- Innovative Products
- Liquidity
- Support for MSMEs

Challenges of NBFCs:

- Funding Constraints
- Asset Quality & Credit Risk
- Regulatory Compliance
- Corporate Governance



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