

BHARAT SCHOOL OF BANKING

Non Banking Financial Corporations(NBFC)

Non Banking Financial Companies (NBFC)

NBFCs are **financial institutions** that provides almost similar **banking services** (like providing loans and credits) but doesn't possess **banking license**. So there are some **limitation / restriction** in its services.

NBFCs are registered under the **Companies Act, 1956**, whereas **banks** are regulated under **Banking Regulation Act, 1949**.

Differences between a **Bank** and an **NBFC**

- It **cannot** accept **Demand Deposits** from public. If someone want to invest in an NBFC, it could have some **maturity** (like happens in time deposits). Though some **special permission** is given to **LIC** and **GIC** by **RBI**. These two **NBFC** can take **demand deposits**.
- It is not a part of the **Payments and Settlement System** of India.
- It cannot issue **cheques** drawn on itself.
- **Deposits** are not **insured** or **covered** under **Deposit Insurance and Credit Guarantee Corporation (DICGC)**, which generally covers the **bank accounts**.

White Label ATM (WLA) –

NBFCATMs

Most of the ATMs belong to **banks**, but the **cash dispensing** machines that are **owned** and **operated** by **NBFCs** are called **White Label ATMs**. Surely they **charge** extra money for providing this **service**, and generally operates in **semi-urban** and **rural** areas (**tier III to VI** areas)

NBFCs that provides **WLA** - Tata Communications Payment Solutions, Prizm Payment Services Pvt. Ltd, Muthoot Finance Ltd, Vakrangee Ltd, BTI Payments Pvt. Ltd., Srei Infrastructure Finance Ltd, RiddiSiddhi Bullions Ltd. (**total 7 as of May 2014**)

NBFC businesses -

- loans and advances
- acquisition of shares, stocks, bonds
- insurance, etc.