

Non-Banking Financial Company (NBFC)

1. **A Non-Banking Financial Company (NBFC) is a company registered under the _____**
- A) RBI Act 1934
 - B) Companies Act, 1956
 - C) NBFC Act 1956
 - D) Government Securities Regulations, 1913

Answer

Option B

Explanation: A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

2. **Which of the following activity is not permissible for NBFC?**
- A) loans and advances
 - B) acquisition of shares
 - C) insurance business
 - D) construction of immovable property

answer

Option D

Explanation:

3. **A non-banking institution that has a principal business of receiving deposits under any scheme or arrangement in one lump sum or in installments by way of contributions is known as?**
- A) Principal non-banking company
 - B) Residential non-banking company
 - C) Residuary non-banking company
 - D) Optional non-banking company

answer

Option C

Explanation: Residuary non-banking company

4. **When is an Financial activity considered as the principal business of any entity?**

- A) financial assets constitute more than 50 per cent of the total assets
- B) Income from financial assets constitute more than 50 per cent of the gross income
- C) Income from financial assets constitute more than 40 per cent of the gross income
- D) Both A and B

answer

Option D

Explanation: Financial activity as principal business is when a company's financial assets constitute more than 50 per cent of the total assets and income from financial assets constitute more than 50 per cent of the gross income

5. **Which of the following test is used by RBI to determine whether or not a company is into financial business?**

- A) 50-50 test
- B) 80-20 rule
- C) fintech test
- D) nominal test

answer

Option A

Explanation: Financial activity as principal business is when a company's financial assets constitute more than 50 per cent of the total assets and income from financial assets constitute more than 50 per cent of the gross income. A company which fulfils both these criteria will be registered as NBFC by RBI.

6. **Which of the following is false about NBFC?**

- A) NBFC cannot accept demand deposits
- B) NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself
- C) deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs
- D) NBFC cannot undertake insurance business

answer

Option D

Explanation: They can undertake insurance business. The points A, B and C is the difference between NBFC and banks.

7. **What is the minimum Net Owned Funds required by NBFCs for registration with RBI?**
- A) Rs 5 lakhs
 - B) Rs 25 lakhs
 - C) Rs 50 lakhs
 - D) Rs 2 crore

answer

Option B

Explanation: In terms of Section 45-IA of the RBI Act, 1934, no Non-banking Financial company can commence or carry on business of a non-banking financial institution without a) obtaining a certificate of registration from the Bank and without having a Net Owned Funds of ₹ 25 lakhs (₹ Two crore since April 1999). Note the minimum net owned fund (NOF) required for specialized NBFCs like NBFC-MFIs, NBFC-Factors, CICs

8. **NBFCs with asset size more than ____ are considered to be systemically important NBFCs.**
- A) Rs 500 crore
 - B) Rs 100 crore
 - C) Rs 200 crore
 - D) Rs 350 crore

answer

Option A

Explanation: NBFCs whose asset size is of ₹ 500 cr or more as per last audited balance sheet are considered as systemically important NBFCs.

9. **Core Investment Companies with asset size of less than _____ are exempted from registration with RBI.**
- A) Rs 150 crore
 - B) Rs 50 lakh
 - C) Rs 100 crore
 - D) Rs 50 crore

answer

Option C

Explanation: Core Investment Companies with asset size of less than ₹ 100 crore, and those with asset size of ₹ 100 crore and above but not accessing public funds are exempted from registration with the RBI.

10. **Which of the following does not have any roles in regulation of NBFCs?**
- A) National Housing Bank

- B) Reserve Bank of India
- C) SIDBI
- D) Ministry of Corporate Affairs

answer

Option C