

Need For Strengthening NBFCs

By A Business Reporter

“Internationally, after the economic crisis in 2008, G20 leaders in 2010 highlighted the need for strengthening NBFCs across the world for, the contribution of NBFCs is 25 per cent more than the regulated banking sector in the US and developed economies,” observed Anand Sinha, Deputy Governor, Reserve Bank of India. This has initiated the regulator to streamline the NBFC sector in the country, he explained, adding that the “Shadow Banking sector or NBFCs has gathered a lot of significance ...”

Sinha was speaking at a discussion on “RBI’s Draft Guidelines based on Usha Thorat Committee Report on Issues and Concerns in the NBFC Sector organised by the Indian Merchants’ Chamber.

Speaking at the discussion, Guest of Honour Ms Usha Thorat said: “Because of the diversity of NBFC sector, which operates in

different verticals, the draft affects various NBFCs in different ways vis-à-vis the banking sector.”

“If a level playing field generated by the Finance Ministry and the RBI, it will be a boost to the financial sector in the country,” said Niranjan Hiranandani, President, IMC. “With this initiative by the regulator, in future NBFCs will have a new and effective role to play in the Indian financial sector,” added Hiranandani while delivering his welcome address.

T. T. Srinivasaraghavan, Managing Director, Sundaram Finance Ltd. detailed the problems of NBFCs and what changes they expect from the regulator. “NBFCs in the country need an authenticity and institutionalization of funding and also need access to ECBs,” said Srinivasaraghavan. “It is necessary to bring NBFCs and Banks on par and window for restructuring to be made available to NBFCs,” said K. V. Srinivasan, CEO, Reliance Commercial Finance.

अर्थव्यवस्था में एनबीएफसी और बैंक एक-दूसरे के पूरक : आनंद सिन्हा

मुंबई। भारतीय रिजर्व बैंक के डिप्टी गवर्नर आनंद सिन्हा ने कहा कि २००८ की वैश्विक आर्थिक मंदी के बाद एनबीएफसी का महत्व बढ़ गया है। वे इंडियन मर्चेंट्स चेम्बर द्वारा एनबीएफसी क्षेत्र के मुद्दे एवं चिंताओं पर उषा थोरात समिति की रिपोर्ट पर आधारित आरबीआई के मसौदा मार्गदर्शन पर आयोजित चर्चा में मुख्य अतिथि के रूप में बोल रहे थे।

उन्होंने आगे कहा कि एनबीएफसी क्षेत्र बैंकिंग क्षेत्र का पूरक क्षेत्र है और आरबीआई उनकी सेवाओं को महत्व देता है। यद्यपि भारतीय वित्तीय प्रणाली में एनबीएफसी के कामकाज का विशेष क्षेत्र है।

२००८ के अंतरराष्ट्रीय संकट के बाद अंतरराष्ट्रीय स्तर पर २०१० में जी २० नेताओं ने विश्वभर में एनबीएफसी को मजबूत करने पर जोर दिया। क्योंकि यूएस एवं विकसित



बाएं से दाएं आनंद सिन्हा, निरंजन हीरानन्दानी, उषा थोरात

अर्थव्यवस्थाओं में एनबीएफसी क्षेत्र का योगदान नियंत्रित बैंकिंग क्षेत्र की तुलना में २५% ज्यादा है। माननीय अतिथि मिस उषा थोरात ने चर्चा में बोलते हुए कहा कि एनबीएफसी क्षेत्र की विविधता के कारण मसौदा बैंकिंग क्षेत्र की तुलना में विभिन्न तरह से विभिन्न एनबीएफसी को प्रभावित करता है।

आईएमसी के अध्यक्ष निरंजन हीरानंदानी, अध्यक्ष, आएमसी ने कहा कि यदि वित्त मंत्रालय और आरबीआई द्वारा एकसमान अवसर प्रदान किया

जाता है तो देश में वित्तीय क्षेत्र को बढ़ावा मिलगा अपने स्वागत भाषण में उन्होंने कहा कि नियामक की इस पहल से

एनबीएफसी को भविष्य में भारतीय वित्त क्षेत्र में नई और प्रभावी भूमिका अदा करनी होगी।

NBFC norms due to global action: RBI

TIMES NEWS NETWORK

Mumbai: The Reserve Bank of India (RBI) has indicated that its new norms on non-banking finance companies (NBFCs) have been developed under pressure from association of regulators worldwide and part of a concerted global move to reign in 'shadow' banking activities. The regulator, however, clarified that small NBFCs that fail to receive a registration can continue to be in business and avail bank finance.

"This is part of an international agenda and all responsible countries have to abide," said Anand Sinha, deputy governor, RBI, said on

Monday while addressing NBFC representatives in a meeting organized by the Finance Industry Development Council at the Indian Merchants Chamber here. Stating that RBI has to align with what is happening internationally, Sinha said that after the global financial crisis of 2008 the focus has been on institutions that engage in 'shadow' banking—financial entities that conduct banking like functions but do not have a banking licence. "Banks are being subject to very restrictive regulations. If regulations for banks are tightened, risks will flow to lightly regulated entities," said Sinha.

Representatives of the fi-

nance industry, however, said that the move by RBI to increase capital requirement and tighten bad loan norms for finance companies would force several companies out of business. "If it is the intention of the RBI to remove regulatory arbitrage, then it should remove the arbitrage on both sides of the balance sheet," said T T Srinivasaraghavan, MD, Sundaram Finance. According to Srinivasaraghavan, finance companies have to hold higher capital than banks even if the assets held by them are of identical quality. Also, banks get tax breaks on bad loans which finance companies do not, he said.



شیلپیش ویڈیو اور آنند سہیا سمینو کے ساتھ۔

’این بی ایف سی سے متعلق پیش کی جانے والی اوشا تھورات کمیٹی رپورٹ پر مبنی ریزرو بینک آف انڈیا کے رہنما اصول‘ پر مذاکرہ

انڈین مرچنٹس چیمبر کی جانب سے گزشتہ پیرے رجنوری کو ’نان بینکنگ فنانسٹیل کمپنی سے متعلق پیش کی جانے والی اوشا تھورات کمیٹی رپورٹ پر مبنی ریزرو بینک آف انڈیا کے رہنما اصول‘ پر ایک مذاکرے کا انعقاد کیا گیا۔ اس موقع پر آر بی آئی کے ڈپٹی گورنر آنند سہیا نے کہا کہ ’۲۰۰۸ء میں گلوبل اکنامی میں کمی آنے کے بعد سے ’این بی ایف سی‘ (نان بینکنگ فنانسٹیل کمپنی) نے کافی اہمیت حاصل کر لی ہے۔‘ وہ اس پروگرام میں مہمان خصوصی کی طور پر مدعو تھے اور انہوں نے ’آر بی آئی‘ کے رہنما اصول پر ایک تنظیم کار کی حیثیت سے اپنے خیالات کا اظہار کرتے ہوئے کہا ’بینکنگ سیکٹر میں ’این بی ایف سی‘ سیکمینٹ، بینکنگ سیکٹر اور ’آر بی آئی‘ کی افادی خدمات میں ایک اضافی ملکیں مزم ہے۔ ساتھ ہی ’این بی ایف سی‘ نے ہندوستانی فنانس نظام میں اپنے لئے ایک خاص مقام بنا لیا ہے۔‘ اعزازی مہمان اوشا تھورات نے اس مذاکرے میں اپنے خیالات کا اظہار کرتے ہوئے کہا ’این بی ایف سی کا انداز چونکہ مختلف ہے، اس لئے اس کے تنوع پر ’آر بی آئی‘ کے رہنما اصول بینکنگ سیکٹر پر مختلف انداز میں اثر انداز ہوں گے۔‘ انہوں نے اپنی سربراہی والی ’آر بی آئی‘ کمیٹی کی سفارشات کی وجوہات بھی وضاحت کے ساتھ بیان کیں۔

’انڈین مرچنٹس چیمبر‘ کے صدر نرنجن ہیراندانی نے اس بابت کہا ’وزارت مالیات اور ’آر بی آئی‘ کی جانب سے منصفانہ اصول پر مرتب کئے گئے ضابطوں سے ملک کے مالیاتی شعبوں کو فروغ ملے گا۔ تنظیم کاروں کی جانب سے کی جانے والی اس پہل کا یہ مثبت نتیجہ سامنے آئے گا کہ مستقبل میں ہندوستانی مالیاتی شعبوں میں ’این بی ایف سی‘ کو ایک اہم کردار ادا کرنے کا موقع فراہم ہوگا۔‘

سڈرم فنانس لمیٹڈ کے مینجنگ ڈائریکٹر ٹی سرینواس راگھون نے مستقبل میں ’این بی ایف سی‘ کو درپیش مسائل کا ذکر کرتے ہوئے کہا ’ملک میں ’این بی ایف سی‘ کیلئے ضرورت اس بات کی ہے کہ اسے سند حاصل ہونی چاہئے، ایک ادارے کا درجہ دیا جانا چاہئے اور ای سی بی (یورپین سینٹرل بینک) تک اس کی رسائی ہونی چاہئے۔‘

متذکرہ بالا مقررین کے علاوہ دیگر ماہرین نے بھی اس موقع پر اپنے خیالات کا اظہار کیا جن میں ریلائنس کمرشیل فنانس کے ’سی ای او‘ کے وی سرینواسن اور ’آئی ایم سی‘ کی فنانس اینڈ بینکنگ کمیٹی کے کوچیر مین، مہیش جھکر شامل تھے۔ آخر میں ’آئی ایم سی‘ نائب صدر شیلپیش ویڈیو نے حاضرین اور مقررین کا شکریہ ادا کیا۔ ■

Rs 25-crore criterion only for deposit-taking NBFCs

Our Bureau

Mumbai, Jan. 7

Reserve Bank of India Deputy Governor Anand Sinha tried to allay fears of smaller non-banking financial companies (NBFCs) which fear that they will be out of business if new regulations are notified.

"NBFCs will not go out of business if they do not adhere to the Rs 25-crore asset size.

"To conserve regulatory resources, we will not register an NBFC till it attains Rs 25-crore balance sheet. If such NBFCs are already registered, then we will give them time to meet this criterion," Sinha said at a seminar on NBFCs organised by the Indian Merchants' Chamber.

This Rs 25 crore-balance-sheet criterion is only required to be adhered to by deposit-taking NBFCs, he clarified.

Other NBFCs will not be regulated if their balance-sheet size is Rs 500 crore or less, Sinha said. Last month, the RBI released draft guidelines authored by Usha Thorat, Director, Centre for Advanced Financial Research and Learning, to further regulate the NBFC sector.

Asserting that world over the focus is now shifting towards regulation of the shadow-banking system, of which NBFCs are a part, Sinha said, "We value NBFCs. Because you are very important, you also have the ability to create systemic risks and that is why we want to regulate you."

PRINCIPAL BUSINESS

The Deputy Governor said there is a concern that NBFCs or captive NBFCs belonging to

business groups will align with the groups' philosophy.

"Ideally, we want all NBFCs to only be financial entities. However, that is not possible. Hence we have to bring in regulations to monitor such NBFCs," Sinha added. He also said that to ascertain risks of NBFCs better, the RBI has raised the tier-I capital requirement to 12 per cent for certain NBFCs (such as captive NBFCs, those involved in real estate, commodities and capital markets). For other NBFCs it has been kept at 10 per cent, he added.

Clarifying the the non-performing-asset classification, to be cut to 90 days from 180 in phases, Sinha asked NBFCs to adjust the payment cycle to meet their client requirements.

satyanarayan.iyer@thehindu.co.in

● The Indian Merchants' Chambers to organize a Discussion on RBI's Draft Guidelines based on Usha Thorat Committee Report on Issues and Concerns in the NBFC Sector. The Chief Guest for the event Anand Sinha, Deputy Governor, Reserve Bank of India and the Guest of Honour will be Usha Thorat, Director, Centre for Advanced Financial Research and Learning.
Date: Monday, January 07, 2013;
Venue: Babubhai Chinai Committee Room (2nd floor), IMC, Mumbai; Time: 4.00 p.m. to 6.00 p.m.

RBI Allays Fears Over Survival of Small NBFCs

OUR BUREAU

MUMBAI

Non-banking finance companies, or NBFCs, with assets less than ₹25 crore will be deregistered if the Usha Thorat committee recommendations are accepted, but they will not go out of business, a senior RBI official has said.

“We are looking to focus on systemically important NBFCs,” RBI deputy governor Anand Sinha said. “I find it hard

to believe that those who are not registered or regulated and with less than ₹25 crore (of assets) will die or go out of business. If that is so, we should be regulating even if the balance sheet size is Rs 1 lakh, and that is not fair.”

Sinha said there are systemic risks from NBFCs. He cited four kinds of risks associated with the sector — liquidity, leverage, contagion and regulatory. There were 12,371 registered NBFCs as of November 2012, data from the Re-

serve Bank of India shows. There are 12,104 non-deposit taking NBFCs, while 265 take deposits from retail investors.

Sinha also hinted at allowing part of the statutory liquidity ratio (SLR) holdings of banks to be treated as liquid assets under the Basel-III guidelines, which will come into effect next fiscal.

“We already have quite a bit of liquidity ratio requirement.... We are looking at carving out SLR so that a part of it can become usable,” Sinha said.

DISCUSSION

The Indian Merchants' Chambers to organise a discussion on Reserve Bank of India's draft guidelines based on Usha Thorat Committee Report on issues and concerns in the NBFC Sector. The Chief Guest for the event will be Anand Sinha, deputy Governor, Reserve Bank of India and the Guest of Honour will be Usha Thorat, director, Centre for Advanced Financial Research and Learning.

On January 7 from 4 pm to 6 pm
At Babubhai Chinai Committee Room (2nd floor), IMC, Mumbai
Contact: 22046633

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बँकांबरोबर बिगरबँक वित्तसंस्थांचे समान योगदान

मुंबई, ता. ११ : जागतिक गतिरोधाच्या २००८ या वर्षानंतर बिगरबँक वित्तसंस्थांना महत्त्व प्राप्त झाले याकडे नुकतेच रिझर्व्ह बँकेचे डेप्युटी गव्हर्नर आनंद सिन्हा यांनी लक्ष वेधले. मुंबईत इंडियन मर्चंट्स चेंबरतर्फे झालेल्या एका चर्चासत्रात ते बोलत होते. यावेळी त्यांनी रिझर्व्ह बँकेचे प्रतिनिधी या नात्याने बिगरबँक वित्तसंस्थांच्या बाबतीत रिझर्व्ह बँकेच्या मार्गदर्शक तत्वांचीही माहिती दिली.

आनंद सिन्हा म्हणाले, मुख्य बँकिंग व्यवसायाला समांतर असा बिगरबँक वित्तसंस्थांचा व्यवसाय आहे. संपूर्ण

बँकिंग क्षेत्रात या दोन्ही व्यवसायांचे समान योगदान आहे. त्याचप्रमाणे बिगरबँक वित्तसंस्थांनी बँका पोहोचू शकत नाहीत, अशा ठिकाणी जाऊन बँकिंग व्यवसाय सुरू केल्याचेही त्यांनी सांगितले. २००८मध्ये जागतिक आर्थिक संकट आल्यावर जी-२० गटातील सर्वत देशांनी बिगरबँक वित्तसंस्थांचे महत्त्व मान्य केले आणि या क्षेत्राला मजबूत करण्याचे ठरवले. अमेरिकेमध्ये नियंत्रित बँकिंग क्षेत्राच्या २५ टक्के किंवा त्याहूनही अधिक असे बिगरबँक वित्तसंस्थांचे योगदान आहे. यावरून भारतातही

बिगरबँक वित्तसंस्था क्षेत्राला शिस्त लावण्यासाठी रिझर्व्ह बँकेने पुढाकार घेतला, असे सिन्हा यांनी स्पष्ट केले. या चर्चासत्राला उषा थोरात उपस्थित होत्या. बिगरबँक वित्तसंस्थांना नियमित करण्यासाठी रिझर्व्ह बँकेने तयार केलेल्या आराखड्याबाबत त्या म्हणाल्या, बिगरबँक वित्तसंस्था वेगवेगळ्या क्षेत्रांत कार्यरत आहेत. त्यामुळे प्रत्येक वित्तसंस्थेला हा आराखडा वेगळ्या प्रकारे लागू होणार आहे. उषा थोरात यांच्या अध्यक्षतेखालील समितीनेच हा आराखडा तयार केला असून रिझर्व्ह बँकेला उपयुक्त सूचनाही केल्या आहेत.

बँकिंग व बिगरबँकिंग क्षेत्रांना एकाच पातळीवर व्यवसाय करण्याची संधी केंद्रीय अर्थमंत्रालय व रिझर्व्ह बँक यांनी दिल्यास संपूर्ण आर्थिक क्षेत्राला त्याचा फायदा होईल, याकडे चेंबरचे प्रेसिडेंट निरंजन हिरानंदानी यांनी लक्ष वेधले. नव्या मार्गदर्शक तत्वांनुसार भविष्यात बिगरबँक वित्तसंस्था नव्या भूमिकेत दिसतील आणि भारतीय अर्थव्यवस्थेत भरीव कार्य करतील, अशी आशाही त्यांनी व्यक्त केली. बिगरबँक वित्तसंस्थापुढील प्रश्न यावेळी सुंदरम फायनान्सचे व्यवस्थापकीय संचालक टी. टी. श्रीनिवासन यांनी मांडले.

**RBI's Draft Guidelines Issued on Loan Toward Collateral Report
on Issues and Concerns in the NBFC Sector**

Chief Guest
Mr. Anand Sinha
Deputy Governor
Reserve Bank of India

Guest of Honour
Mrs. Hetal Thakur
Director, Centre for Academic
Research, Research and Analysis

Bhubhai, January 07, 2011



આરબીઆઈના એનવીએફસી સેક્ટર માટે ઉપા થોરાતના નેતૃત્વ હેઠળની કમિટીએ અહેવાલ તૈયાર કરવા માટે ઇન્ડિયન મર્ચન્ટ્સ એસોસિએશનના સોમવારે એક બેઠક યોજી હતી. તસવીરમાં ડાબેથી શૈલેશ વેઘ, આનંદ સિંહા, નિરંજન હીરાનંદાની, ઉપા થોરાત અને મહેશ ઠક્કર

RBI dispels NBFCs' fears of closure

HT Correspondent

■ letters@hindustantimes.com

MUMBAI: The Reserve Bank of India (RBI) on Monday dispelled fears of the non-banking financial companies (NBFCs) sector that the proposed recommendations of the Usha Thorat committee to maintain an asset size of ₹25 crore will lead to the closure of small and mid size NBFCs in the country.

"They (NBFCs having less than ₹25 crore asset size) will neither be registered nor be regulated, but, because they are already registered, they will be given sufficient time to come to that standard," said Anand Sinha, deputy governor, RBI, addressing the seminar organised by the Indian Merchant

Chamber on the issues concerning the NBFC sector.

The central bank, in 2012, had constituted a panel headed by former deputy RBI governor Usha Thorat to tighten rules for NBFCs which proposed that NBFCs should have minimum assets of ₹25 crore. Thorat has also suggested that their minimum equity capital be raised to 10% of risk-weighted assets (bank's assets weighted according to credit risk), up from 7.5%

**THE USHA THORAT
COMMITTEE PROPOSED
THAT NBFCs SHOULD
HAVE A MINIMUM ASSET
SIZE OF ₹25 CRORE**

NBFC body asks RBI for same benefits as banks

FALAKNAAZ SYED

Mumbai

NON-BANKING finance companies (NBFCs), in a discussion with Anand Sinha, deputy governor of Reserve Bank of India (RBI) on Monday, have asked the RBI to put them on par with banks on areas such as risk weights as per the asset class, tax relief on provisions made for NPAs and permission to raise ECBs.

Finance Industry Development Council (FIDC), an industry body

for NBFCs held discussions with Sinha and Usha Thorat, chairperson of the working group that proposed the draft guidelines for the NBFC sector on Monday.

Mahesh Thakkar, director general, FIDC said, "As per the draft norms, if a particular installment is due for 90 days, you have to classify it as an NPA. Current NBFCs do not write it off, as the loan will be paid later (upto 180 days). Therefore as per the current tax laws, income-tax is charged on it (provisions) on an accrual basis.

However, the enabling provisions Section 3617 A and Section 43 D for banks, housing finance companies and financial institutions exempt them and allow them to claim it as a deduction."

"Every year we write to the finance ministry to not recognise income as NPA but the taxman taxes income on an accrual basis," added Thakkar.

TT Srinivasaraghavan, managing director, Sundaram Finance said, "The RBI's objective is to bring us on par with the banks, but lack of

access to Sarfesai Act, absence of tax benefits and funding institutionalities are issues of regulatory reverse arbitrage. Therefore, the same benefits extended to banks should be made available to us."

"For the last 10 years we are asking for risk weights inherent of the assets held. We finance low risk assets such as trucks, construction equipment and others for which the risk weight is 100 per cent while the same assets when held on a bank's book has to make 30 per cent risk weight," added Srinivasaraghavan.

"We need an institutional framework for funding like the way National Housing Bank does for HFCs. Also we are not allowed to raise ECBs despite being in the business of capital formation, even micro-finance companies are allowed to raise funds through ECBs," added Srinivasaraghavan. Sinha said that he will look into the areas of tax concerns while stating that banks are subject to many more restrictive regulations.

falaknaazsyed@mydigitalfc.com

BUSINESS

'NBFCs and Banks are complementary entities in our economy'

Indian Merchants' Chamber organised a Discussion on "RBI's Draft Guidelines based on Usha Thorat Committee Report on Issues and Concerns in the NBFC Sector" on January 7, 2013. "Shadow Banking sector or NBFCs has gathered a lot of significance after the global economic slowdown of 2008," said Mr. Anand Sinha, Deputy Governor, Reserve Bank of India. He was delivering the regulator's view on the RBI guidelines as the chief guest of the event. "NBFC segment is a complementary mechanism to the banking sector and the RBI values their services. Moreover, NBFCs have carved a niche area of operations in the Indian financial system," added Mr. Sinha. "Internationally, after the economic crisis in 2008, G20 leaders in 2010 highlighted the need for strengthening NBFCs across the world for, the contribution of NBFCs is 25 per cent more than the regulated banking sector in the US and developed economies," observed Mr. Sinha. This has initiated the regulator to streamline the NBFC sector in the country, he explained.

Speaking at the discussion, Guest of Honour Ms. Usha Thorat said: "Because of the diversity of NBFC sector, which operates in



different verticals, the draft affects various NBFCs in different ways vis-à-vis the banking sector." She explained to the audience the reasons behind the recommendations made by the Committee headed by her to the RBI.

"If a level playing field generated by the Finance Ministry and the RBI, it will be a boost to the financial sector in the country," said Mr. Niranjan Hiranandani, President, IMC. "With this initiative by the regulator, in future NBFCs will have a new and effective role to play in the Indian financial sector," added Mr. Hiranandani while delivering his welcome address.

Mr. T. T. Srinivasaraghavan, Managing Director, Sundaram Finance Ltd. detailed the problems of NBFCs and what changes they expect from the regulator. "NBFCs in the country need an authenticity

and institutionalisation of funding and also need access to ECBs," said Mr. Sri-nivasraghavan.

"It is necessary to bring NBFCs and Banks on par and window for restructuring to be made available to NBFCs," said Mr. K. V. Srinivasan, CEO, Reliance Commercial Finance.

Earlier, Mr. Mahesh Thakkar, Co-Chairman, Finance and Banking Committee, IMC & Director General, FIDC introduced the topic of discussion and observed; "Life is going to be difficult for NBFCs operating in sensitive areas as per the norms of RBI."

Mr. Shailesh Vaidya, Vice-President, IMC proposed the vote of thanks to all the speakers, well attended representatives of NBFC sector from various parts of the country, financial analysts and officials from the RBI.