FIDC NEWS

FINANCE INDUSTRY DEVELOPMENT COUNCIL
A REPRESENTATIVE BODY OF NBFCS IN INDIA

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Deep Engagement with Base Layer NBFCs in TN

FIDC held a function in Chennai on January 22, 2025 to educate and enroll NBFCs

Speaking at the function, FIDC Chairman Umesh Revankar differentiated between the lending scenario in developed and developing countries. "In developed economies, lending is mostly from banks. The needs of developing economies are different. Banks become centralized and often lose touch with local situations. India, with the world's largest population, needs local touch."

NBFCs bridge that gap between banks and customers. He gave the example of a transport entrepreneur: "Acquiring an asset is the first step in a business building an identity, for example a vehicle for a transporter."

Revankar explained that the functioning of an NBFC does not change much when going from small to large. NBFC as industry does not exist across the globe. There are different forms and set-ups.

He shared data about growth and the regulators need for quality data: "NBFC contribution in lending is 18-20%. For India's growth, credit must grow at around 18%. Banks can grow at only 11-12%. RBI says that data provided by NBFCs cannot be relied upon. RBI and govt wants data about NBFs. They want this data should be structured and uniform so that it can be analyzed. RBI wants more NBFCs to come in. They want the NBFCs to be regulated so as to have a better impact."

Umesh Revankar, Chairman, FIDC, explaining challenges and opportunities, role of NBFCs and need for unity of the Sector

Mahesh Thakkar, Director General, FIDC, explaining benefits of FIDC membership and self-regulation

RBI sees a challenge to communicate with so many NBFCs. They took a decision to have SRO mechanism for this. FIDC volunteered to be SRO, said Revankar. "All of us working together will help the government and regulator so that there are fewer surprises. FIDC as an SRO will help bridge the relationship between FIDC and government and regulators," he concluded.

FIDC Chairman Emeritus TT Srinivasraghavan described the key asset for all NBFCs is trust. "In today's environment, there heightened risk. Just one or two black sheep gives the industry a bad name. Today, the regulatory rigor is stronger than what it has even been. RBI wants NBFCs to be regulated like banks. Regulator is focusing on (i) how we manage risk (ii) how good/weak our governance is," he explained.

He further elaborated on NBFC funding: "Today, no one expects to do business with one's own money. You need debt and capital. In the older days, NBFCs were built largely on deposits. Now it is more of debt and private equity. We are responsible to preserve the money and to make it grow to provide the return to the investor. PE & VC money is not easy money. They do a lot of homework before

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The Meeting begins with welcoming all

T T Srinivasaraghavan, Chairman-Emeritus, FIDC, explaining the need for skill development, governance and compliance

Hemang Mehta, Chief Risk Officer, Vivriti Capital addressing on Funding for base layer NBFCs

Deepak Mehta, President, FIHPA, explaining the members about the legal measures for recovery

Ravindra Kumar Kundu, MD & CEO, Cholamandalam, granting on-the-spot FIDC Membership Certificate

Granting of on-the-spot FIDC Membership Certificate

Sanjay Bhansali, Deccan Finance summing up and giving vote of thanks

Raman Aggarwal, Independent Director, Paisalo Digital, interacting with members

T.R. Achha, Advisor, FIDC & Past President, FIHPA giving practical tips for base layer NBFCs on compliance

Over 140 interactive, enthusiastic and attentive delegates

they give you the money. After they give you the money, they are tough task masters. Setting up an NBFC is easier than setting up a bank, but it is not easy to run an NBFC. GQP = growth, quality and profitability. All 3 are needed to run a business. NBFC business is like a marathon, not a sprint."

He also commented on regulatory actions: "Recent actions against NBFCs is because of poor governance. We have to follow the law in letter and spirit. We need the right people and the right expertise in legal, IT, compliance, etc. There are enough consultants in each of these areas. So need not have all experts inhouse."

CR Achar highlighted several regulations that are important for NBFCs to be aware of and to comply with: "You change from base to middle the moment you cross 1000 cr. But the reverse is not true. NBFCs have to mandatorily increase NOF to ₹5 cr. No RBI approval for appointing independent director. If you are lending to group company, there are regulations. Concentration norms: Can't lend more than 25% to a single company and more than 40% to a group of companies. If an account is NPA, it can be removed from NPA only if complete amount is recovered. Can't charge interest on interest. You can charge penalty."

Deepak Mehra gave guidance on arbitration: "All arbitrations must involve both the borrower and the guarantor, else there is no obligation on guarantor. You can ask for police protection to take secured asset. Arbitrator must past award within 12 months of start of arbitration. Generally courts do not interfere unless there is some material problem. There is a provision for civil arrest, and this helps settle the case much faster. An arbitration award is valid for 12 years. Default risk is contagious. We have recovered money that was awarded 10 years ago. A bad settlement is better than a good litigation."

FIDC Director Raman Aggarwal explained key aspects of FIU: "FIU is global as FIUs in all jurisdictions are co-related. They are tracking bad money across the world. They have gone to RBI to recommend cancellations of registration. RBI has set up regional centers to handle change of management control - Delhi, Chennai, Hyderabad, Bengaluru, etc. There is an online portal for the same."

Other speakers also shared valuable insights to the NBFC audience present at the function. ■

Climate Change Risks

Highlights of the keynote address by Sanjay Malhotra, Governor, RBI, at the Policy Seminar on Climate Change Risks and Finance:

Climate change poses 2 key risks to the financial system: (1) **facilitative risks**, which involve capacity building, ecosystem development, and financing green transitions, and (2) **prudential risks**, which focus on managing financial risks caused by climate change. Central Banks play a dual role in managing these risks - while their role in risk mitigation is well accepted, their involvement in financing green transitions remains debated. Central Banks in advanced economies typically follow an asset-neutral approach, whereas those in emerging markets and developing economies employ directed lending policies, such as India's priority sector lending to renewable energy.

Climate change impacts all major financial risks - credit, market, and operational - through **physical risks** such as natural disasters) and **transition risks** such as loss of asset value due to policy shifts. To mitigate these risks, financial institutions must assess the frequency and severity of climate risks and estimate their financial impact, which remains a complex challenge.

CLIMATE RISK MITIGATION

RBI takes both short- and medium-term approaches to addressing climate-related risks. In the short term, it aims to improve risk estimation through scenario analysis and stress testing. However, the risk management framework in financial institutions is still evolving and requires more technical expertise and standardized assessment methods.

A key challenge in climate risk assessment is **data availability**. To bridge this gap, RBI is developing the **Reserve Bank - Climate Risk Information System (RB-CRIS)**, which will provide standardized hazard, vulnerability, and transition risk datasets. Additionally, international bodies such as the ISSB and BCBS are advancing climate risk disclosure frameworks, and RBI is incorporating these developments into its own guidelines.

GREEN FINANCE INITIATIVES

Technology and finance are critical in transitioning to a low-carbon economy. To encourage innovation, RBI is leveraging its **regulatory sandbox and hackathon initiatives** and plans to introduce a dedicated on-Tap sandbox for climate risks and sustainable finance. A special Greenathon is also in the pipeline.

In April 2023, RBI introduced a Framework on green deposits to enhance funding for green projects, akin to sovereign green bonds. It has also included small-scale renewable energy projects under priority sector lending. However, a key bottleneck in climate finance is the lack of bankable projects. To address this, RBI encourages financial institutions to create a shared pool of viable green projects to enhance knowledge-sharing and risk assessment capabilities.

CALL FOR COLLABORATION

Climate change risks extend beyond finance and affect industries, MSMEs, and agriculture. Hence, RBI recommends a coordinated approach among financial regulators, government agencies, and the private sector. RBI is actively collaborating with the **Network for Greening the Financial System (NGFS)**, which provides technical guidance on climate risk management.

CONCLUSION

RBI acknowledges that while progress has been made, there is still much to be done to address climate risks. It remains committed to strengthening the financial sector's resilience to climate shocks and facilitating India's transition to a sustainable future. RBI urges stakeholders to take responsibility and contribute to climate risk mitigation. ■

Govt approves Mutual Credit Guarantee Scheme for MSME manufacturing sector

The GoI has approved the introduction of the Mutual Credit Guarantee Scheme for MSMEs (MCGS- MSME) for providing 60% guarantee coverage by National Credit Guarantee Trustee Company Limited (NCGTC) to Member Lending Institutions (MLIs) for credit facility up to ₹1 billion sanctioned to eligible MSMEs under MCGS-MSME for purchase of equipment/machinery.

The scheme requires that the borrower be a MSME with a valid Udyam Registration Number. The maximum loan amount guaranteed under the scheme shall not exceed ₹1 billion, though the project cost itself can be higher. A minimum of 75% of the project cost must be allocated to equipment or machinery. Loans up to ₹500 million will have a repayment period of up to eight years, including a moratorium of up to two years on principal installments. For loans exceeding ₹500 million, a longer repayment schedule and moratorium period may be considered. An upfront contribution of 5% of the loan amount must be deposited at the time of applying for the guarantee cover. The annual guarantee fee is waived for the sanction year. For the following three years, it will be charged at 1.5% per annum of the outstanding loan as of March 31 of the previous year, after which it will be reduced to 1% per annum.

The scheme will be applicable to all loans sanctioned under MCGS-MSME during 4 years from the date of issue of operational guidelines of the scheme or till a cumulative guarantee of ₹7 lakh crore is issued, whichever is earlier.

Manufacturing sector currently comprises 17% of the nation's GDP and over 27.3 million workers. The Prime Minister has given a call for 'Make in India, Make for the World' and has signalled that India is ready and keen to increase the share of manufacturing to 25% of GDP. MCGS-MSME is expected to facilitate the availability of credit for the purchase of plant and machinery/equipment by MSMEs and give a major boost to manufacturing and thereby to Make in India, the Ministry of Finance stated in a press release. ■

News - People

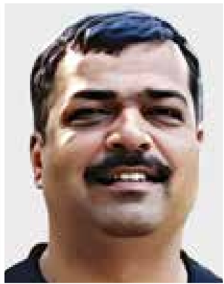
Amit Ranjan is new COO at EZ capital

Amit Ranjan has been appointed as COO and Business Head - Secured Financing at EZ Capi-tal. He was COO at SCL Finance before joining EZ Capital. He has also worked for Save Fi-nancial Services as SVP & Business Head (Loan Against Property), MSME & SME. Amit has an Executive MBA from Indian Institute of Management, Calcutta and has completed Senior Management Certification Program. He is a honours graduate of the Delhi University.

Pradeep Kumar Rangi is new CRO at IIFL Home Finance

IIFL Home Finance has appointed Pradeep Kumar Rangi as CRO. He was CRO at Airtel Payments Bank. He has also held senior positions at Standard Chartered Bank in Singapore and at SC Ventures, Standard Chartered bank's innovation and fintech arm. Pradeep is a CA and an All-India rank holder, with additional certifications in Risk Management and Cybersecurity.

Kamalakar Nayak is new Chief Compliance Officer at Aditya Birla Capital



Kamalakar Nayak has joined Aditya Birla Capital as its Chief Compliance Officer. He was President - Compliance at Piramal Enterprises. He has also worked for IDFC First Bank as Chief Compliance Officer. Kamalakar is a Certified Banking Compliance Professional from Indian Institute of Banking & Finance and has a M.Sc from the University of Agricultural Sciences, Bangalore.

Sammaan Capital appoints Dharmvir S. as CTO

Sammaan Capital has appointed Dharmvir S. at CTO. He was CIO at Spandana Sphoorty Financial. He has also worked for Home First Finance as CTO and Hero FinCorp as VP - IT. Dharmvir has an MBA in IT Strategy & Finance from IIM - Kozhikode and B.Tech in Computer Science and Engineering from Dr A.P.J. Abdul Kalam Technical University.

Bajaj Finance appoints Rajeev Jain as Vice Chairman

Bajaj Finance has elevated its MD Rajeev Jain to the position of Vice Chairman. He will be in the capacity of an ED and will hold office for 3 years. The company also promoted its DMD Anup Kumar Saha as its MD, in place of Rajeev. He has been with Bajaj Finserv, the parent company

Rajeev Jain

Anup Kumar Saha

of Bajaj Finance for more than 10 years. During this period, he transformed the company with a ₹2500 crore turnover to one with ₹21,000 crore turnover. He has also worked for AIG as its Deputy CEO ad for American Express as Business Head - Personal & Business Lending. Rajeev has a Master's degree in Business Administration and Management from TA Pai Management Institute and a B.Com from American College. Anup had joined Bajaj Finance in 2017 and had served 25 years in the financial services industry, of which 14 years were with ICICI Bank and 11 years with non-bank entities. He has an MBA from IIM - Lucknow and B.Tech in Metallurgy from IIT - Kharagpur.

Jayesh Jain is new CFO at IndoStar Capital Finance

Jayesh Jain has been appointed as CFO at IndoStar Capital Finance. He was Group CFO at Balancehero India. He has also worked for Hero FinCorp and PNB Housing Finance as CFO. Prior to that he was with NUS Business School as Chief Strategy Officer, Business Administration and Management. Jayesh is a CA affiliated to the Institute of Chartered Accountants of India.

Joshy Komben George appointed Senior GM at Sakthi Finance

Joshy Komben George has been appointed Senior GM – Enterprise-wide Solutions at Sakthi Finance. He was CTO at Asirvad Microfinance. He has also worked for Manappuram Finance as CTO and CIO. Joshy is a CA affiliated to the Institute of Chartered Accountants of India and has completed a training program on Managerial Effectiveness at the Indian Institute of Management, Kozhikode.

Sanjay Garyali appointed CEO at Fusion Finance

Sanjay Garyali has been appointed as CEO of Fusion Finance. He was Chief Executive - Urban Finance at L&T Finance. Prior to that, he was with Kotak Mahindra Bank, last working as Business Head of Housing Finance and Emerging Markets. He has also worked for HDFC Bank as Regional Sales Manager - Retail Liabilities - North. Sanjay has an MBA in Marketing/Marketing Management from Panjab University and BE in Electronics from BV College of Engineering, Pune.

FIDC Membership 2025-26

FIDC
Finance Industry Development Council
(A Representative Body of NBFCs in India)

Endless Benefits
Join FIDC Today!

01 NETWORKING OPPORTUNITIES
Connect with NBFC leaders & policymakers

02 MARKET INTELLIGENCE
Gain insights from exclusive reports & research

03 ADVOCACY & INFLUENCE
Play a key role in shaping financial policies

04 KNOWLEDGE SHARING
Stay ahead with industry trends & expert guidance

05 PROFESSIONAL GROWTH
Access training, workshops & learning resources

06 REGULATORY ASSISTANCE
Navigate compliance with expert support

07 VISIBILITY & RECOGNITION
Strengthen your brand's credibility

08 COLLABORATIVE INITIATIVES
Engage in projects for industry growth

E-mail : membership@fidcindia.org.in

FIDC invites membership from NBFCs.

Fee Structure: FY 2025-26

Sr No.	Layer	One time Admission Fees ₹	Annual Subscription ₹
1	Upper Layer	₹1,00,000	₹5,00,000
2	Middle Layer	₹50,000	₹2,00,000
3	Base Layer (Total Assets of and over ₹100 cr)	₹10,000	₹25,000
4	Base Layer (Total Assets under ₹100 cr)	NIL	₹5,000

+ 18%GST

FIDC has affiliated associations all over India which cater to the local issues of NBFC sector:

- Finance Companies Association (India), Chennai
- Punjab & Haryana Finance Cos Association, Jalandhar
- Gujarat Finance Companies Association, Ahmedabad
- Delhi Hire Purchase & Leasing Companies Association, Delhi
- FIDC is also part of Managing/BFSI/NBFC Committees at the leading apex bodies like FICCI, CII, PHDCCI and IMC Chamber of Commerce & Industry

Documents Required

- Membership Application Form duly filled and signed.
- RBI Registration Certificate
- The last audited Annual Report
- Annual Return on Deposits (Form NBS - 1), if any
- GST Registration Certificate

For details, please visit **Members Section** at www.fidcindia.org.in

News - Funding

Numerous NBFCs tap funds via NCDs

MSME lender UGRO Capital has launched a public issue of secured NCDs offering yields of up to 11.01%. The issue opened on April 3, 2025, and is scheduled to close on April 21, 2025. The issue has a base size of ₹100 crore and a green shoe option of another ₹100 crore. The NCDs are rated IND A+/Stable by India Ratings and Research and will be listed on both NSE and BSE. The tenors range from 18 to 42 months.

Edelweiss Financial Services offered secured NCDs starting April 8, 2025, at a rate of up to 10.99%. The NCD has a CRISIL rating of A+/Stable. The tenure is from 24 to 120 months. The company has 250 domestic offices, and 3 international offices. As of March 31, 2024, the company has 6117 employees and a revenue of ₹949 crore.

Nido Home Finance offered secured NCDs starting March 13, 2025, with upto 10.99% interest rate. The NCD has a rating of CRISIL A+/Watch Negative and the tenure is from 24 to 120 months. Nido provides LAP and construction finance to real estate developers. As of December 31, 2024, the company had 67 offices in 67 cities in India with 646 employees.

IIFL Finance offered a secured NCD issue starting April 7, 2025 with interest rates up to 10.25%. The company offers home loans, gold loans, business loans, microfinance, and LAS. The base Issue size is ₹100 crores, with listing proposed on BSE & NSE. These NCDs tenure ranges from 15 to 60 months, and are rated CRISIL AA/Stable and ICRA AA (Stable).

Kosamattam Finance offered NCDs in March 2025. The company operates across Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Maharashtra, Delhi, Gujarat, and Telangana. Apart from gold loans, the company provides microfinance, money transfer services, foreign exchange, and agricultural finance. As of December 31, 2024, it had a network of 975 branches and 3697 employees. The issue, sized ₹100 crores, opened on March 26, 2025 and will be listed on BSE. It has a credit rating of IND A-/Stable by India Ratings & Research. Tenure ranges from 18 to 84 months.

Bank credit to NBFCs comes down

The Reserve Bank of India has come out with data which shows that growth in credit to the NBFC sector has gone down to 7.8% year-on-year in the fortnight ending 29 November 2024, compared to a 19% increase during the same period of 2023. RBI has said this slowdown has contributed to a decline in growth of credit to the services sector, which fell to 14.4% from 22.2% year-on-year. The slowdown is largely attributed to the RBI's decision to increase risk weights on bank funding to NBFCs. The NBFCs then decided to diversify their funding sources. Now, they have increasingly turned to the domestic capital market, raising funds through bonds, as well as the overseas market.

The RBI in its latest Trend and Progress Report has highlighted that NBFCs need to further diversify their sources of funding as a risk mitigation strategy, since their dependence on banks remains high despite some moderation in recent times.

Ecofy secures $12.5 million from IFU to accelerate india's green transition

New Delhi, 25th March 2025: Ecofy Finance has secured a $ 12.5 million long-term loan facility from the Investment Fund for Developing Countries (IFU), a development finance institution owned by the Government of Denmark.

Ecofy aims to address the critical last-mile climate finance gap in India's consumer, transportation and small business sectors. With ambitious targets, the NBFC plans to finance over 1 million electric vehicles and more than 1.5 GW of rooftop solar within the next 6-7 years.

This will support decarbonisation of the transportation sector and power consumption of households and small businesses in India. The electric vehicles financed through Ecofy will reduce a range of harmful air pollutants caused by fossil fuel vehicles.

A part of the financing provided by IFU would be directed towards individuals and SMEs, who typically find traditional financing channels less accessible and therefore to a large extent are excluded from acting as green consumers.

Ecofy Treasury Head Vivek Khandelwal said: "This investment is a pivotal moment for both, Ecofy and the green finance ecosystem in India. The long-term capital provided by IFU empowers us to scale our climate-focused lending solutions while breaking down barriers for underserved borrowers. By combining innovative financing models with a strong commitment to sustainability, we aim to enable access to electric vehicles and rooftop solar, and to drive systemic change toward a cleaner, more inclusive economy."

IFU Investment Manager Vibhor Singhal said: "IFU is very pleased to support Ecofy in its pursuit to provide accessible climate finance to the masses. This investment aligns well with IFU's strategy, as India is a core focus country and climate mitigation and access to finance are key impact priorities for IFU."

The financing from IFU, structured as long-term debt capital, is part of the green strategic partnership between India and Denmark, which was established in 2020 when the prime ministers of both nations signed the agreement.

Axis Bank acted as the exclusive financial advisor to Ecofy for the transaction.

News - Partnership

Bharti Airtel, Bajaj Finance in strategic partnership

Telecom company Bharti Airtel has entered into a strategic partnership with Bajaj Finance, to create a digital platform for financial services. Under the agreement, Airtel will initially offer Bajaj Finance's retail financial products like gold loans and EMI cards on its Airtel Thanks App, and later through its nationwide network of stores. A joint statement issued by the 2 companies said this one-of-a-kind partnership brings together Airtel's highly engaged customer base of 375 million, 1.2 million+ strong distribution network, and Bajaj Finance's diversified suite of 27 product lines, and distribution heft of 5,000+ branches and 70,000 field agents. Airtel will initially offer Bajaj Finance's retail financial products on its Airtel Thanks App for seamless and secure customer experience, and later through its nation-wide network of stores. Bajaj Finance's 2 products have been piloted on the Airtel Thanks App and 2 more products of the company will be available to customers on the Airtel Thanks App. The 4 products are gold loan, business loan, a co-branded Insta EMI Card and personal loan. Airtel also added that it will progressively offer close to 10 financial products of Bajaj Finance within this calendar year.

ICICI Lombard signs partnerships with 3 NBFCs

ICICI Lombard General Insurance has teamed up with 3 leading NBFC for insurance distribution. The tie-ups are expected to expand its distribution network and make insurance more accessible to customers across the country. The 3 NBFCs are Aye Finance, Muthoot Mini and Nivara Home Finance. The insurer also has fresh tie-ups with 4 banks. In 2022, IRDAI had thrown open the bancassurance channel for insurers as part of its overall effort to increase insurance penetration in the country. ICICI Lombard now collaborates with over 200 + financial institutions spread across universal banks, small finance banks, payment banks, corporate banks, NBFC, HFCs, MFIs, and others.

Piramal Finance and ICICI Bank join hands for co-lending partnership

Piramal Finance Limited has partnered with ICICI Bank to improve credit accessibility for middle and low-income borrowers, especially in rural and semi-urban regions, focusing on home loans and loans against property.

This collaboration strengthens Piramal Finance's position in India's semi-urban regions, reinforcing its commitment to providing easy and affordable credit solutions to borrowers. Through this partnership, Piramal Finance combines its innovative 'High Tech + High Touch' approach with the financial and banking expertise of ICICI Bank. Piramal Finance's strong presence across 510+ branches in 13,000 pin codes, serving 4.5 million customers in 26 states, will further bolster outreach and accessibility. Jairam Sridharan, Managing Director, Piramal Finance Limited, said, "With rapid urbanisation, rising incomes, and supportive Government initiatives driving growth in the mortgage market, strategic partnerships like this are central to our mission of serving India-making formal credit more accessible and empowering individuals and businesses across the country." This is the 5th co-lending partnership for Piramal Finance, following similar collaborations with Axis Bank, Central Bank of India and RBL Bank and Punjab & Sind Bank.

Credit Fair partners with Utkarsh SFB

L to R: Chanchal Chakraborty, Utkarsh SFB, Aditya Damani & Vikas Agarwal, Credit Fair

Credit Fair, the brand of NBFC K M Global Credit, has signed a partnership with Utkarsh Small Finance Bank as Loan Services Provider (LSP) to source Roof Top Solar Loans for Residential Household under PM Surya Ghar Muft Bijali Yojana Mission. The loan ticket size will extend upto ₹5 lakh and the total limit is ₹50 cr. Founded by Aditya Damani and Vikas Agarwal, Credit Fair's mission is to empower every Indian to go green with affordable financing. Earlier, the company had partnered with Capri Global Capital for solar financing.

News - Numbers

CRIF MicroLend December 2024

Portfolio overview: As of Dec'24, the microfinance portfolio stood at ₹391.5K crore, marking a YoY decline of 4.0% compared to Dec'23 and a QoQ decrease of 5.4% since September 2024. The sector remains in a recovery phase, with preventive measures and a strong focus on collections aimed at stabilizing the portfolio amidst challenging industry conditions.

Decline in originations: Originations faced additional pressure in Q3 FY25, with significant contractions of 34.9% YoY in value and 41.7% YoY in volume compared to Q3 FY24. However, the industry's emphasis on portfolio quality has led to a marked shift towards higher-ticket loans, with loans above ₹50K experiencing growth that outpaced the overall industry.

Market composition: NBFC MFIs and banks continued to dominate the market, collectively holding a 71.3% share. Among lender types, NBFCs emerged as the fastest-growing segment, posting 17.3% YoY growth, albeit from a smaller base, hinting at potential market realignment. Despite this, their QoQ growth dipped slightly by 0.4%. All other lender categories experienced a QoQ decline.

Stress indicators: As reported in the RBI's Financial Stability Report 2024 (Dec), the sector showed signs of stress with rising delinquencies across all ticket sizes and lender types, arrived at based on CRIF High Mark data. Small Finance Banks (SFBs) witnessed the sharpest increase in PAR 31-180 days, which rose from 5.4% in Sep'24 to 7.2% in Dec'24. Similarly, the ₹30K–₹50K loan category experienced the steepest rise in PAR 31-180 days, increasing from 5.3% to 8.1% over the same period.

Green shoots of recovery: Stricter regulatory guidelines, such as caps on the number of lenders per borrower, have significantly reduced portfolio exposure for borrowers with multiple lender associations. Borrowers with five or more lender associations experienced a sharp 36% YoY drop in exposure from Dec'23 to Dec'24. Additionally, performance of early buckets (0 to 90 DPD) has improved, as reflected in the Net Forward Flow rates (%) between Sep'24 and Dec'24.

Gold loan NPAs surge

Gold loan NPAs have risen by 30% to ₹6,696 crore as of June 2024, according to RBI data. These higher level of defaults are creating concern among lenders. The NPAs have reached this level from ₹5,149 crore just 3 months ago. While commercial banks have reported a 62% increase in gold loan NPAs, which rose to ₹2,445 crore in June 2024 from ₹1,513 crore in March 2024, NBFCs saw a smaller but significant 24% increase in NPAs, reaching ₹4,251 crore from ₹3,636 crore during the same period.

The increased levels of NPAs in gold loans are attributed to a slowing economy, which has affected income levels, with borrowers defaulting in their repayments. In addition, with gold prices rising, more people have opted to avail gold loans, leading to gold loan outstanding of banks to rise to ₹1.54 trillion in October 2024 from ₹1.02 trillion in March 2024. Gold loans are an attractive proposition because of their several unique features like no prepayment charges, flexible repayment options and daily repayment facilities.

The RBI has recently said weak monitoring of loan-to-value ratios, incorrect risk assessments and lack of transparency in gold auctions are causing large-scale defaults. Banks and NBFCs have been asked to strengthen their processes and improve financial literacy among borrowers.

Household debt in India now 37% of the GDP

The total household debt in India is now 37% of the GDP, which is a rise from 8% of the GDP in 2010-11, was 8% of GDP, says Pinaki Chakraborty, eminent economist and former Director of National Institute of Public Finance and Policy.

Delivering the Prof I.S. Gulati Centenary Lecture at an international conference on 'Rethinking Public Finance for Emerging Development Challenges recently, he said the global debt - both public and private - too has increased in recent time to 237% of the world GDP. This poses a serious threat even to the existence of common people across the globe, he said.

The total debt of individual households too has increased to 94% of the GDP, he added.

The huge increase in household debt in India is alarming and creates serious issues in the development and investment in the country.

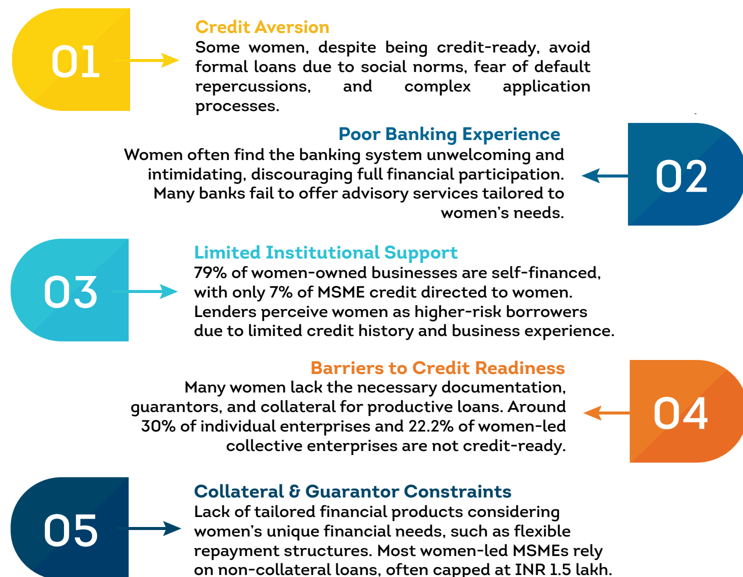
Chakraborty said the sizable increase in private debt affects the size of financial savings in India and the accruing debt is a serious concern, which may create big problems to banking and financial institutions.

Another cause for concern, according to him, is that the volume of direct benefit transfer has dropped in India - from 20% to 15% during the last 5 years - in spite of governments increasing budgetary allocations to social security measures.

Women: From Borrowers to Builders

NITI Aayog, TransUnion CIBIL and MicroSave Consulting have together related report titled 'From Borrorwers to Builders,' a data-driven analysis of women's evolving role in the economy. Key findings:

- Women seeking credit grew 3X between 2019 and 2024, a 22% CAGR.
- 60% of women borrowers from semi-urban and rural areas.
- Women under 30 years of age, account for only 27% of retail credit uptake by women, compared to 40% for men.
- Since 2019, their share in business loans and gold loans has increased by 14% and 6% respectively.
- Personal finance loans grew from 39% in 2019 to 42% in 2024. About 4.3 crore personal loans of value ₹4.8 lakh crore were availed by women borrowers in 2024.
- Gold loans by women grew from 19% in 2019 to 36% in 2024. About 4 crore gold loans of value ₹4.7 lakh crore were availed by women borrowers in 2024.
- While number of accounts opened for business purpose has grown 4.6X from 2019 to 2024, these loans constitute only 3% of overall loans availed by women borrower in 2024.
- Business loans, commercial vehicle & commercial equipment loans and loans against property witnessed about 37 lakh new loan accounts opened by women, with disbursement totalling ₹1.9 lakh crore.



Collection efficiency of unsecure asset classes weaken, says ICRA

Rating agency ICRA has said the collection efficiency for unsecured asset classes has seen a weakening performance in the last few months. These portfolios include microfinance loans, personal loans and unsecured SME loans. This may be as a result of the slowdown in economic activities coupled with the overleveraging of borrowers, says ICRA.

The rating agency pointed out that the microfinance pools' collections dropped to 90% in Q3 2024-25 from a previous high of 97% at the beginning of the financial year. Similarly, collections in the SME segment too weakened in 2024-25, especially in the unsecured asset class, where efficiency ranged between 85-92% in the first 9 months of 2024-25.

ICRA said secured asset classes have, however, shown healthy performance, with collection efficiencies ranging from 91% to 104% in the first 9 months of 2024-25.

It also said the secured SME pools continued to report robust asset quality with collection efficiency above 95%. For personal loans, collections have seen a slight downward trend in the past 2 quarters due to customers' higher spending during the festive season and the relatively low priority of personal loan repayment, being unsecured.

RBI Governor meets MD & CEOs of Select NBFCs at Mumbai

Sanjay Malhotra

On February 13, 2025 RBI Governor Sanjay Malhotra held a meeting with the MD & CEOs of select NBFCs across all layers, including government NBFCs, housing finance companies and micro-finance institutions. Collectively these NBFCs constitute nearly 50% of the total assets of the NBFC sector. Representatives from Self-Regulatory Organizations, Sa-Dhan and Micro Finance Institutions Network (MFIN), as well as from Finance Industry Development Council (FIDC) also participated in the meeting. The meeting was a part of the Reserve Bank's series of engagement with the Boards and senior management of its regulated entities.

The previous such meeting with select NBFCs was held on August 25, 2023. The meeting was also attended by Deputy Governors M. Rajeshwar Rao, T. Rabi Sankar and Swaminathan J., along with Executive Directors-in-Charge of Regulation, Supervision and Financial Inclusion.

The Governor, in his opening remarks, underscored the significant role played by NBFCs in credit intermediation, particularly in making credit available for small businesses and niche segments. Highlighting the collaborative efforts required between the Reserve Bank and the NBFCs, he stressed upon balancing growth aspirations with sound practices for ensuring inclusive development, customer protection and financial stability. He also underscored the significance of ensuring fair treatment to customers and putting in place a prompt grievance redress mechanism. He urged the NBFCs to further their contribution towards financial inclusion, and requested them to become part of Unified Lending Interface (ULI) being put in place by the Reserve Bank. During the interactive session the participants shared their feedback on the sector, various industry level initiatives and their expectations from the Reserve Bank. ■

Curbs on 2 NBFCs withdrawn

The Reserve Bank of India has lifted restrictions imposed on Chennai-based Asirvad Micro Finance and Delhi-based DMI Finance. The RBI said it is satisfied with the actions taken by these companies to adhere to regulatory guidelines. With this, RBI has now lifted restrictions on all the 4 NBFCs imposed in October 2024 for charging exorbitant interest rates to the borrowers. The other 2 NBFCs were Arohan Financial Services and Navi Finserv. The regulator had removed the restrictions on these companies earlier. It had taken the severe action against these companies based on material supervisory concerns observed in the pricing policy in terms of their weighted average lending rate and the interest spread charged over their cost of funds, which are found to be excessive and not in adherence with the regulations.

RBI releases list of NBFCs in the Upper Layer

Reserve Bank of India announced the list of NBFCs in the Upper Layer under Scale Based Regulation for NBFCs for the year 2024-25. The framework categorises NBFCs in Base Layer (NBFC-BL), Middle Layer (NBFC-ML), Upper Layer (NBFC-UL) and Top Layer (NBFC-TL) and gives the methodology to identify the NBFCs in the Upper Layer as per their asset size and scoring methodology. The 2024-25 list of NBFC-UL comprises LIC Housing Finance, 2 Bajaj Finance, Shriram Finance, Tata Sons, Cholamandalam Investment and Finance, L&T Finance, Mahindra & Mahindra Financial Services, Aditya Birla Finance, Tata Capital, Piramal Capital & Housing Finance, PNB Housing Finance, HDB Financial Services, Sammaan Capital, Muthoot Finance and Bajaj Housing Finance.

RBI releases revised Priority Sector Lending guidelines

On 24 March 2025, Reserve Bank of India issued the revised guidelines on Priority Sector Lending (PSL) after a comprehensive review of existing provisions taking into account feedback from stakeholders. The enhanced coverage of the revised guidelines is expected to facilitate better targeting of bank credit to the priority sectors of the economy. The new guidelines which come into effect from April 01, 2025, include the following major changes:

- Enhancement of several loan limits, including housing loans for enhanced PSL coverage
- Broadening of the purposes based on which loans may be classified under 'Renewable Energy'
- Revision of overall PSL target for UCBs to 60% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher
- Expansion of the list of eligible borrowers under the category of 'Weaker Sections', along with removal of the existing cap on loans by UCBs to individual women beneficiaries.

Representations by FIDC

FIDC seeks continuation of foreclosure charges

FIDC has written to CGM, Department of Regulation, RBI, explaining the issues in respect of foreclosure charges for floating rate loans.

(i) The Regulated Entities (RE) incur a cost to acquire the account which is amortized over the tenure of the loan. Removal of foreclosure / pre-payment charges for the loan impacts the recovery of that cost. Hence the request to allow foreclosure charges.

(ii) The REs should therefore transparently disclose the foreclosure charges applicable to the loan account upfront in the KFS and this would ensure fair practice.

(iii) Absence of foreclosure charges benefits the DSAs who would advise the borrower to move his loan from one lender to another either for lower interest rate or higher loan amount and this would only enhance the revenue of the intermediary.

(iv) Aggressive marketing by DSAs is one of the key reasons for overleveraging of customers. Removal of foreclosure charges would negate the financial disincentive for such aggressive marketing.

(v) To ensure recovery of upfront cost and to deter the switch over of loans, it is just and necessary to have a lock-in period for foreclosure. FIDC suggests a higher foreclosure charges where the loan is closed within 2 years and a lower foreclosure charge beyond 2 years.

(vi) A higher frequency of early repayment could also disrupt asset-liability management (ALM), necessitating improved forecasting and liquidity management to maintain financial stability.

(vii) FIDC requests that the foreclosure at the insistence by the RE is purely on account of the performance of the account and hence foreclosure charges be levied as accepted by the customer in the KFS.

FIDC requests that Res may be permitted to have a Board approved policy to levy foreclosure charges on the 'Principal Outstanding', based on the above considerations.

NBFCs seek sops from government

Finance Industry Development Council, or FIDC, the industry body for NBFCs, has sought some interventions by the government for the growth of the NBFCs. Raman Aggarwal, Director of FIDC, met Finance Minister Nirmala Sitharaman, and apprised her of the need for government action in this regard. He said the NBFC sector in India has become the third largest in the world, and hence its future development would need more funds.

Aggarwal said NBFCs are almost one-fourth of the total bank credit, meaning the sector is growing. As such, there is a lot of credit which the sector is dispersing. So it directly means the sector needs more funds so that it can all lend more.

He pointed out that large NBFCs are now borrowing largely from overseas market and a large number of small and mid-sized NBFCs who are dependent on bank borrowings are now borrowing from large NBFCs, which is increasing their cost of borrowing.

He said, it is therefore necessary that a direct refinance window is provided to NBFCs.

Aggarwal also sought exemption of TDS to those who borrow from NBFCs. He said: "It is becoming an operational nightmare. There is no benefit to the government. There is no extra revenue coming to the government. There is no benefit to the borrower or the lender. It is causing an operational nightmare.".

FIDC seeks single window for reporting to CICs

Most of FIDC members are base tier NBFCs. They face the issue of mandatory and parallel reporting to all four Credit Information Companies (CIC) which puts a significant burden on their resources in terms of time and effort. In addition, since a large number of these NBFCs do not have fool proof IT systems and rely upon some degree of manual effort to extract data, even an inadvertent error in file extraction may result in different data being reported to different CICs. To avoid such inadvertent errors as well as to ameliorate the burden on base tier NBFCs, FIDC approached RBI in January with request you to consider a 'single-window' methodology of reporting, whereby the NBFC may submit data to a central database from which each CIC can download relevant data as per their requirements. This would streamline and harmonise reporting requirements as well as ensure data consistency and integrity of reporting.

FIDC Welcomes 29 New Members

Who joined between 1st January, 2025 and 31st March, 2025

Sr No.	COMPANY NAME	Sr No.	COMPANY NAME
1	SAMRAT FINCAP	16	GROWXCD FINANCE
2	CARTHIC CREDITS	17	SUTALIYA FINANCE
3	GOVE FINANCE	18	PRAYAAN CAPITAL
4	DUGAR FINANCE & INVESTMENTS	19	ANIK FINANCIAL SERVICES
5	FINERGY TRANSPORT FINANCE	20	TRIKAAL LEASING & FINANCE
6	R SECURED FINANCE & CAPITAL	21	JAMNALAL PAREKH FINANCE
7	MONEYGEAR FINTECH	22	SAVANI FINANCIALS
8	THANGAM CAPITAL	23	UNNAYAN BHARAT FINANCE CORPORATION
9	SUSEE FINANCE AND LEASING	24	DSP FINANCE
10	SHREE SINGHAM FINANCE	25	CAPITALXB FIN
11	RCF FINANCE	26	ESCORTS KUBOTA FINANCE
12	SAMRUTHI FINCREDIT	27	SINGHI CAPITAL FINANCE
13	SAGAR CREDITS	28	AMU LEASING
14	HEERAA FINANCIAL SERVICES	29	JYOTI INSTALMENTS
15	LAKME INVESTMENT & FINANCE		

Shriram Finance seeks RBI nod to underwrite govt debt

Shriram Finance is seeking to join a select group of firms that underwrite government debt. The NBFC has sought approval from RBI to set up a primary dealership, for which it plans to launch a separate entity. Primary dealers consist of banks and securities firms that underwrite auctions of sovereign debt and ensure sufficient trading liquidity in the market. The initiative highlights the company's desire to deepen its presence in India's fast-growing bond market resulting from the country' growing infrastructure investments. According to the latest data, the outstanding amount of federal government bonds was at ₹112.5 trillion ($1.3 trillion) as of April 7. There are currently 7 standalone primary dealers and 14 banks which have PD departments.

Good growth prospects for NBFCs

Motilal Oswal Financial Services projects loan growth for NBFCs at 15% YoY and 4% QoQ as of March 2025. Gold loan financiers are likely to lead with 29% YoY growth (including non-gold products), followed by diversified lenders (21%), vehicle financiers (20%), and HFCs (9%). However, NBFC-MFIs are expected to see a ~15% YoY decline in AUM, according to the company. Despite stable borrowing costs aided by repricing of EBLR-linked borrowings, the transmission of repo rate cuts through bank MCLRs remains delayed. Vehicle financiers, too, are expected to report significantly higher credit cost compared to previous 4 quarters. HFCs and power financiers are expected to show stable to improving asset quality. In the housing segment, disbursements were subdued in mid-ticket loans, while demand in the affordable segment remained relatively healthy.

FIDC urges EV financing norms to Niti Aayog

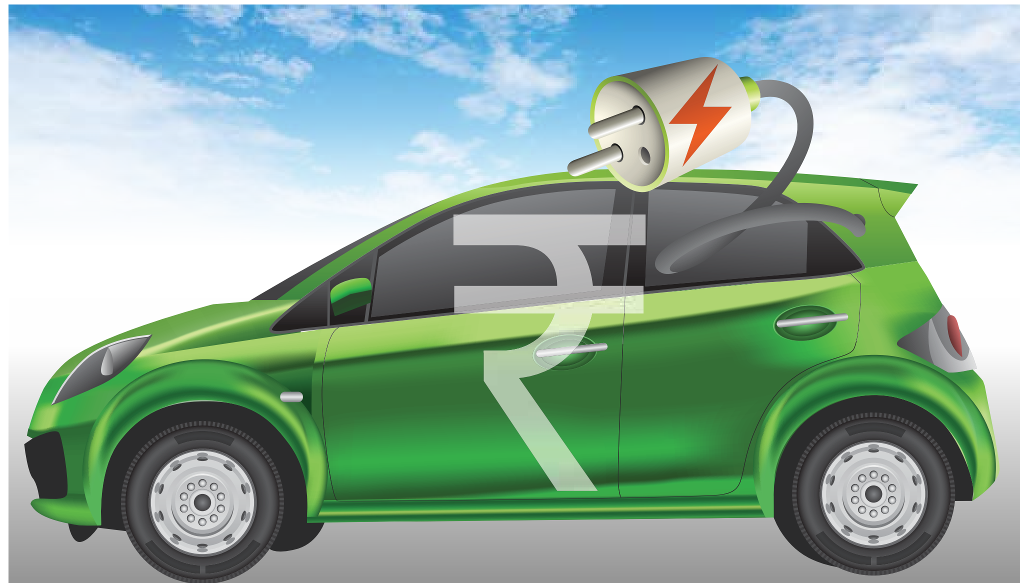
On February 28, 2025, FIDC had a consultation meeting with Niti Aayog to discuss the challenges and way forward for accelerating E V financing in the country under the leadership of Shri Sudhendu J. Sinha, Adviser (Infrastructure Connectivity – Transport & Electric Mobility), Niti Aayog at the office of Niti Aayog, New Delhi. FIDC presented its observations, comments and suggestions for promoting EV financing by NBFCs.

FIDC explained that NBFCs have taken the lead in financing EVs and are today the key players in this space. The association highlighted 7 key challenges in EV financing: (i) Lack of adequate policy and regulatory support (ii) Uncertain residual value & secondary market (iii) Battery risks & technology obsolescence (iv) Inadequate charging infrastructure (v) High cost of capital (vi) Insurance issues and (vii) Low consumer awareness.

FIDC recommends financial incentives such as setting up a dedicated fund with SIDBI or NABARD exclusively for funding NBFCs for EV financing. It also recommends subsidized interest rates and that the EV segment to be categorized under PSL. It further recommends creating a ₹50 billion default guarantee fund to cover 50-70% of defaults for lenders. FIDC also recommends reduction of risk weights on EVs as an asset class

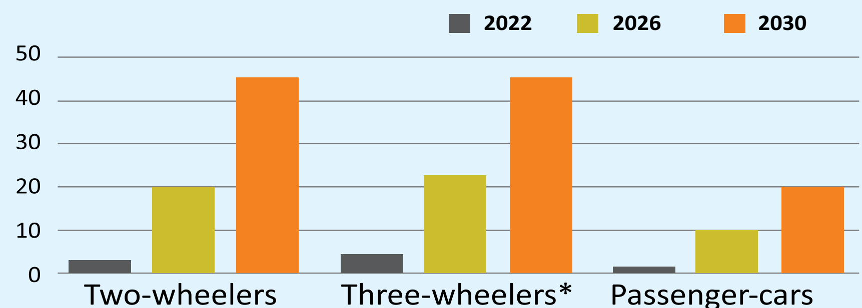
Among non-financial parameters, FIDC recommends strengthening the secondary markets with battery certification and standardization and EV buyback schemes. It recommends infrastructure development (charging hubs), regulatory reforms, legislative reforms, battery health monitoring solutions and national EV awareness campaign.

FIDC urges the Government of India to adopt a holistic approach, combining fiscal incentives, regulatory clarity, and infrastructure development to unlock $50 billion in EV financing by 2030. FIDC views collaborative action as critical to achieving India's net-zero targets and positioning the EV sector as a global leader. ■



India's EV Growth Expected to Focus on 2W & 3W Markets

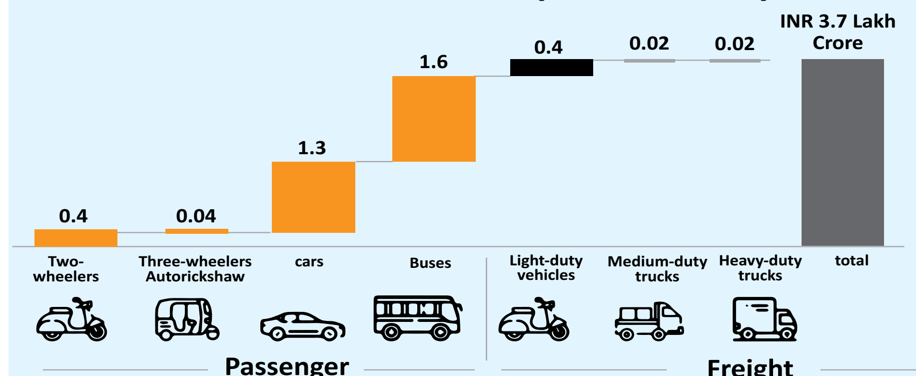
Projected BEV penetration rates for passenger vehicles in india, by vehicle class (in %)



*excludes smaller rickshaws (L3), includes larger cargo three-wheelers (L5)

Source: www.bain.com

Size of India's EV financing market in 2030:
INR 3.7 lakh crore ($50 billion)



Source: www.renewablewatch.in

HFCs Thrive on Technology & Talent

Girish Kousgi, MD & CEO, PNB Housing Finance and Kalpesh Dave, CEO, Star Housing Finance reveal achievements in growth, expansion, funding, digitization and talent:

Briefly describe the changes in your loan portfolio over the last 12 months in terms of total number of customers, loan book, monthly disbursements, tenure, etc.

Girish Kousgi

Kalpesh Dave

Girish Kousgi: Over the last 12 months, we have witnessed substantial growth in our loan portfolio, particularly in affordable housing and emerging markets. As of September 30, 2024, our retail loans asset portfolio has expanded to ₹679.70 billion, a strong 16.2% yoy growth. Our prime segment reached ₹524.67 bn, while the affordable housing and emerging markets businesses grew by an impressive 297.1% yoy and 21.6% respectively. These high-yielding segments now contribute to 31% of the total retail disbursements. The average ticket size for individual housing loans stands at ₹2.9 million, while for retail non-housing loans, it is ₹2.77 million.

Kalpesh Dave: Over the past 12 months, Star HFL AUM has surged from ₹3.19 billion in September 2023 to ₹5.18 billion as of September 2024, marking a robust 62% yoy increase. This milestone underscores our strategic focus on affordable housing finance, particularly targeting the Economically Weaker Sections (EWS) and Low-Income Groups (LIG). The number of active accounts increased from 4340 to over 5117. Monthly disbursements have stabilized at an average of ₹200 million, supported by strong demand in urban and semi-urban markets. The incremental loan sizes average ₹12-13 lakh in urban areas and ₹6-8 lakhs in rural regions.

The average loan tenure primarily falls in the 10-15 year range, with a significant portion within the 61-120 month category. This structure ensures flexibility for borrowers while maintaining manageable risk levels.

How many branches has the company added in the last 12 months? What is the brand expansion plan for next 12 months?

Girish: We have a robust distribution footprint of 303 branches and outreaches across India, along with a wide network of over 14,000 channel partners, serving customers across 20 states. In the Q4 FY24, we added 100 new branches across market segments and aim to widen our footprint to 500 branches by FY27, further strengthening our presence in key growth markets.

Kalpesh: Star HFL has strategically expanded its physical footprint over the last 12 months, adding multiple branches and extending its network to over 36 Points of Presence across 6 key states - Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Tamil Nadu, and the National Capital Region (NCR). Several branches were established in tier 2 & 3 cities. Over the next 12 months, Star HFL plans to add new branches, particularly in southern and western India.

What amount of debt has the company raised in the last 12 months? From which sources? What is the company's credit rating?

Girish: We have successfully raised substantial debt to fuel our growth and diversify our funding mix. Our total borrowings amounted to ₹570.28 bn as on 30th September 2024, of which term loans formed 39.1%, deposits accounted for 31%, while NCDs and CPs constituted 9.9% and 9.5% each. We also received an external commercial borrowing sanction of $125 million in the quarter. During FY'2024, we secured a refinance of ₹30 bn from the National Housing Bank (NHB) at a lower cost, helping us optimise our borrowing expenses. We also raised ₹14.51 bn through NCDs and ₹101 bn through commercial papers (CPs), tapping into long-term funding at competitive rates. Our successful rights issue of ₹24.94 bn in May 2023 boosted our Capital Risk Adequacy Ratio (CRAR). Our strengthened credit rating, which was upgraded to AA+ by CRISIL, ICRA, CARE and Ind-Ra, played a pivotal role in expanding our access to debt markets. It has also helped reduce the average borrowing cost by 8 bps sequentially and 19 bps on a yearly basis.

Kalpesh: Over the past year, Star HFL has successfully raised debt to fuel its growth and operational objectives. As of September 2024, the company's outstanding liabilities stand at ₹3.75 bn, up from ₹2.24 bn a year ago, reflecting a significant increase in lender confidence. Notably, this includes a sanction of ₹500 million from a single lender, the highest-ever single sanction in the company's history. Star HFL's credit rating as BBB/Stable, affirmed by CARE & India Ratings, has strengthened its credibility in the market.

Briefly describe the top 3 digital projects undertaken by the company in the last 12 months in terms of outcome and underlying technologies. What is the size of the IT team?

Girish: We fully integrated Salesforce into our CRM platform to streamline the sales process and improve lead management. This platform facilitates end-to-end sales enablement, offering a unified view of customer interactions and automating workflows. We also introduced a mobile app for our sales agents, enabling real time lead notifications, better lead tracking, appointment reminders, geo tagging, online customer acquisition, instant lead status update which directly flows into the CRM on real time basis. To enhance collaboration and operational efficiency, we launched the 'One PNBHF' platform, consolidating technology, operations, and analytics under a single ecosystem. Cloud-based workloads (SaaS, PaaS, and IaaS) has optimised our infrastructure, ensuring scalability and resilience. This shift has improved our agility, reduced downtime, and enabled 24x7 monitoring with AI/ML-based security. ■

FADA releases FY'25 & March'25 Vehicle Retail Data

FY'25 Retails

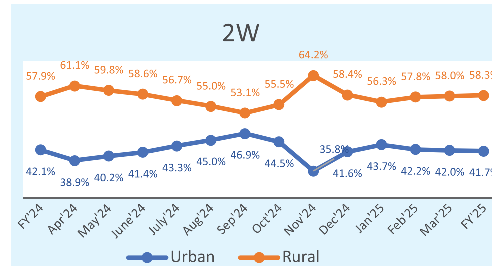
◆ **Overall Growth at 6.46%**

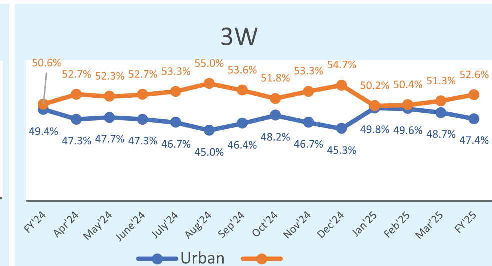
- Passenger Vehicles (PV) grew by 4.87%, closely matching FADA's initial forecast of ~5%.
- Two-Wheelers (2W) ended the year at +7.71%, falling short of the hoped-for double-digit increase.
- Commercial Vehicles (CV) came in nearly flat at -0.17%, underscoring the impact of unpredictable weather, constrained financing, and shifting consumer sentiment.

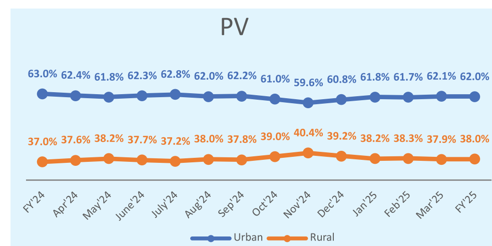
◆ **Rural vs. Urban Performance**

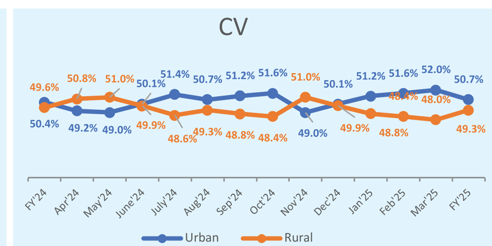
- 2W in rural markets grew by 8.39% vs. 6.77% in urban areas.
- 3W in rural regions rose by 8.70%, significantly outpacing 0.28% growth in cities.
- PV also performed better in rural belts with 7.93% growth, compared to 3.07% in urban markets.

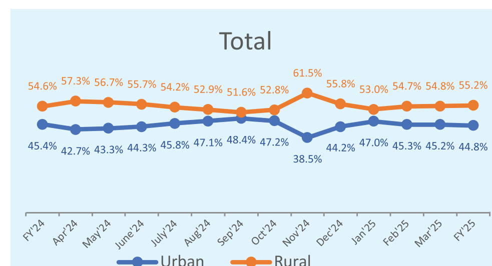
All India Vehicle Retail Strength Index for Feb'25 on basis of Urban & Rural RTOs.

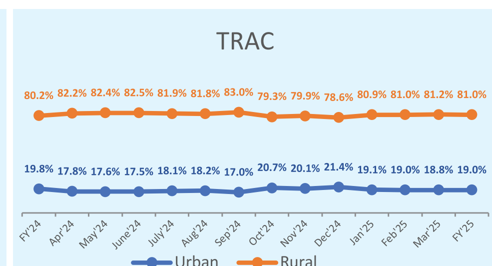












Source: FADA Research

March'25 Retails

◆ **Overall Market**

- Retail sales declined -0.7% YoY but improved +12% MoM.
- Early-month weakness (Kharmas period) was offset by a final-week surge (Navratri, Gudi Padwa, Eid, and year-end depreciation benefits).

◆ **Segment Performance (YoY)**

- **2W:** -1.7%, 3W: -5.6%, Tractor (Trac): -5.7%
- **PV:** +6%, CV: +2.6%

◆ **Dealer Concerns**

- **High Targets:** Many dealers raised alarms over OEM-set targets that lacked mutual agreement.
- **Inventory Pressures:** PV stock levels rose to 50-55 days, raising carrying costs.
- **Financing & Cost Hurdles:** Cautious lending, upcoming OBD2-related price hikes, and weak rural liquidity weighed on sentiments.

Long-Term Outlook (FY'26) is Cautious Optimism

◆ **Growth Projections**

- FADA anticipates mid to high single-digit growth in 2W, and low single-digit growth in PV and CV.
- New model launches, EV expansions, and improved rural incomes are key supportive factors.

◆ **Persistent Headwinds**

- **Financing Constraints:** Dealers emphasize the need for RBI rate cuts to reduce borrowing costs; stringent credit norms remain a major hurdle.
- **Global Tariff War:** Potential stock market turbulence and weaker mutual-fund (SIP) returns could erode disposable incomes, slowing auto purchases.
- **Consumer Sentiment:** Caution persists in PV due to limited product pipelines, while CV operators await more robust freight demand. ■

With great innovation, comes greater regulation

The financial sector is experiencing an unprecedented wave of innovation, riding the wheels of technologies like artificial intelligence (AI), blockchain, digital payments, decentralized finance (DeFi), etc. All these advancements offer greater efficiency, accessibility, and cost savings. However, they also sharpen existing risk and introduce new risks, which can best be managed with robust regulatory frameworks.

Mobile banking apps, AI-driven trading and credit evaluation, peer-to-peer lending platforms – they all have revolutionized the industry, making transactions faster and more accessible. However, these innovations also bring challenges, including cybersecurity threats, fraud, and systemic risks. Regulators are searching for the delicate balance between encouraging innovation and preventing financial instability.

Crypto: The rise of Bitcoin, Ethereum, and other digital assets has transformed how people view money. However, the lack of clear regulatory guidelines initially led to market manipulation, fraud, and illicit transactions. Governments worldwide are now tightening regulations, requiring compliance with anti-money laundering (AML) laws and investor protection standards.

AI: Artificial intelligence is reshaping financial services by enhancing risk assessment, fraud detection, and customer experience. However, the widespread adoption of AI poses concerns about bias, data privacy, and accountability.

Regulatory Response: Regulators are now focusing on ensuring AI-driven financial decisions are transparent and explainable. The European Union's AI Act and similar initiatives in other countries aim to establish ethical guidelines and risk-based regulatory frameworks. In the financial sector, this means banks and fintech companies must implement rigorous governance policies to prevent AI misuse and ensure fairness in automated decision-making.

Policy Response: While excessive regulation does stifle innovation, well-designed policies create a safer and more reliable financial environment. Regulatory measures like the General Data Protection Regulation (GDPR) in Europe and the DPDP Act in India ensure that financial institutions protect user data and maintain operational stability as the digital wave picks up seed.

A DRAMATIC CHANGE

What has changed dramatically since covid is that fraudsters are now turning to innovation in a very big way. They are gaining an in-depth understanding of the financial systems and exploiting it to find ways to defraud banks and

their customers. And they are succeeding in a big way.

As the forces of good and evil continues to innovate, regulators will have to keep pace. Policymakers must embrace a proactive approach, leveraging technology to monitor financial markets effectively. AI-driven regulatory technology (RegTech) is emerging as a solution, enabling real-time compliance monitoring and risk assessment. Regulators must also collaborate with organizations within the jurisdictions and with regulators across jurisdictions to contain the menace. Collaboration can be the force multiplier that maximize the positives of innovation and minimizes the negatives. - Manoj Agrawal

L&T Finance appoints cricket icon as brand ambassador

L&T Finance has named Indian cricketer icon Jasprit Bumrah as its brand ambassador. This partnership is a new milestone for LTF to expand and strengthen its brand presence and engage its diverse customer base spread across the length and breadth of the country.

Jasprit Bumrah will feature prominently in LTF's comprehensive ATL and BTL marketing campaigns, spanning a variety of channels. These campaigns are strategically designed to elevate brand awareness and drive customer engagement, highlighting the diverse portfolio of financial products and services currently offered by LTF.

Kavita Jagtiani, Chief Marketing Officer at L&T Finance welcomed Jasprit Bumrah to the LTF family as our brand ambassador. She said: "This partnership

Kavita Jagtiani, Chief Marketing Officer, L&T FInance with Jasprit Bumrah

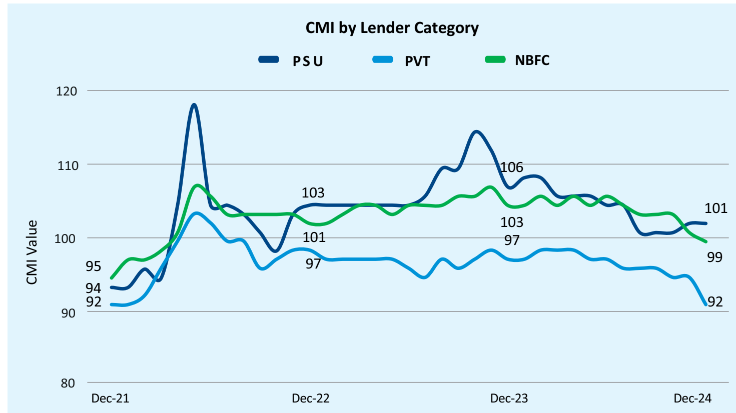
directly aligns with one of our core pillars- heightened brand visibility. Bumrah's stellar performance has propelled him to household name status, making him an instantly recognizable and respected figure. His unwavering discipline and commitment to cricket, fostering deep trust, make him an ideal persona for the LTF brand."

Jasprit Bumrah said he is excited to associate with L&T Finance, a brand renowned for its strong legacy, excellence, and commitment.

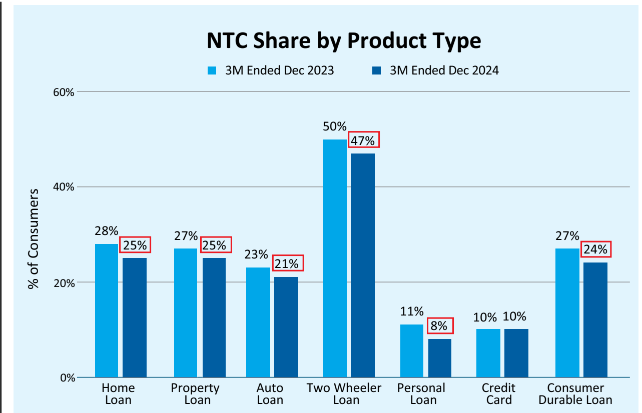
LTF is one of the leading financiers in rural business finance, farm equipment finance, and 2-wheeler finance. The company reaches approximately 2 lakh villages through its 2028 rural branches, 185 urban branches, and over 12,500 distribution touch points. ■

TransUnion CIBIL: Credit Market Indicator

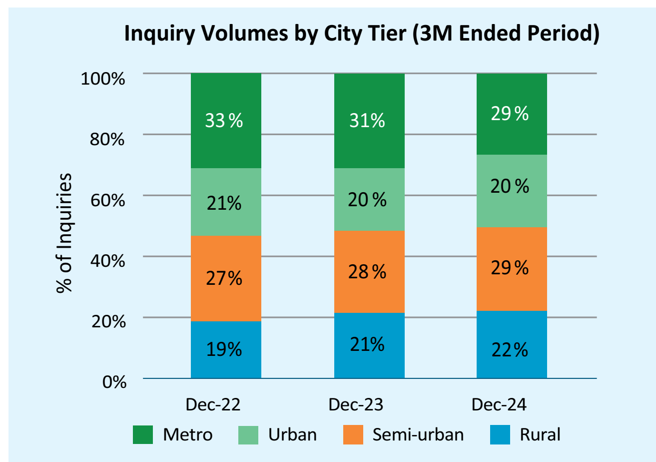
Select graphs indicating key trends in lending among various time periods, product types, customer segments, customer age groups and lender types:



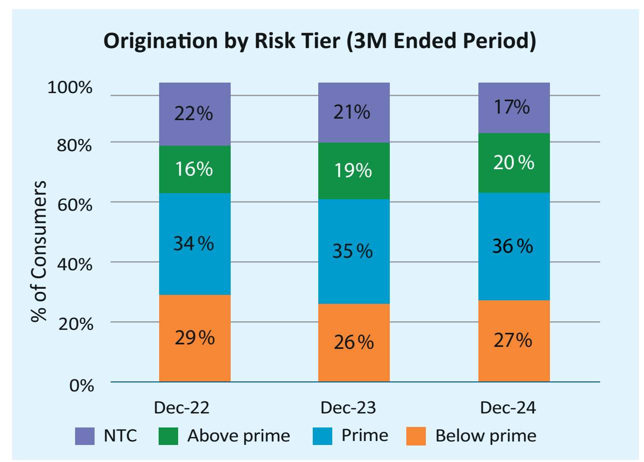
Dec 2024 CMI value is provisional and subject to revision as additional data get reported to the TransUnion CIBIL credit bureau



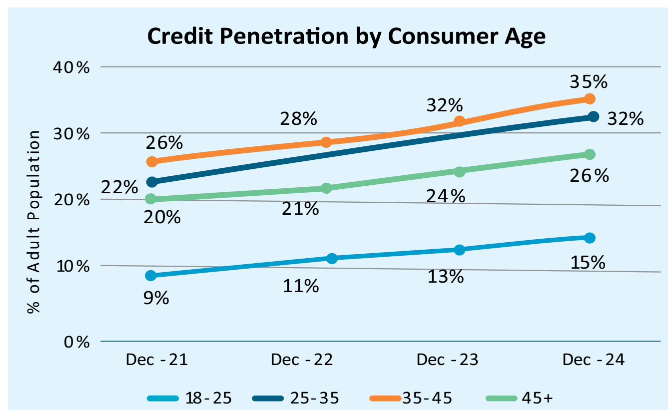
Source: TransUnion CIBIL India



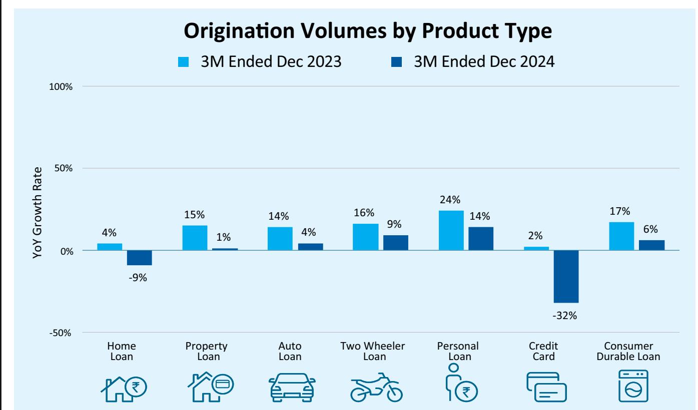
Source: TransUnion CIBIL India



Source: TransUnion CIBIL India



Source for population estimate: World Bank Database



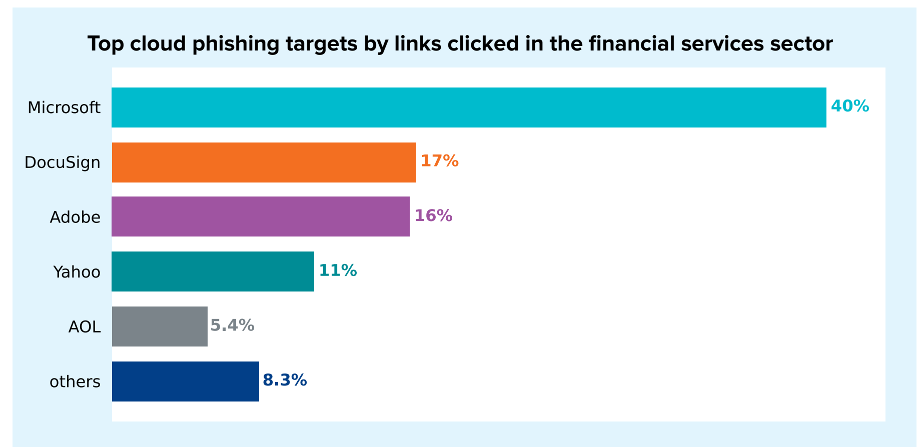
Source: TransUnion CIBIL India

FIs face data security threat from 3 perspectives

A recent report by Netskope Threat Labs highlight the 3 areas where FIs should concentrate to avoid major threats:

More than 1 in 10 employees in financial services institutions have been found to be uploading sensitive data to personal applications, according to a research report by Netskope Threat Labs. The report reveals the scale of use of personal apps and GenAI within the sector and warns about the risk they pose to regulated data.

The firm's research focused on 3 major aspects affecting the financial services sector - personal app use in the workplace, GenAI use and the evolution of social engineering to target employees in the sector.



USE OF PERSONAL APP

It found that 13% of financial services employees upload sensitive work data to personal apps and as much as 74% of personal app data policy violations involved uploads of regulated personal and financial data, and 11% intellectual property. It was also found that LinkedIn, Facebook and Google Drive were in the forefront among applications that saw uploads of sensitive data. ChatGPT was also found to be one of the favorites.

The study said 83% of financial services organizations have controls to actively block their users from uploading data to personal apps. There are also more nuanced controls integrating other technologies, such as Data Loss Prevention (DLP) and real-time user coaching. DLP has long been popular for reducing personal app risk in the financial services sector, where it is used by 70% of organizations, ahead of the global average of 66%. Use of DLP for controlling GenAI has increased from 35% to 52% within the sector over the year.

95% FIRMS USE GENAI APPS

The research found that 95% of financial services firms use GenAI apps and ChatGPT was the most used. It said Microsoft Copilot experienced rapid growth throughout the year, as did Google Gemini, Anthropic Claude, writing assistant Quillbot, and the presentation assistant Gamma. Data policy violations involving GenAI apps impact intellectual property, regulated data and source code at a similar level (35%, 31% and 30% of policy violations respectively), the research revealed.

Another aspect is that 90% of organizations in the sector actively block at least one GenAI app, and the number of apps blocked per organisation continues to grow.

SOCIAL ENGINEERING THREATS

The study found that nearly 1.5 out of every 100 users in the financial services sector click on a phishing link or attempt to download malware each month. And 9.8 out of 1000 users are tricked into downloading malware and 4.7 out of 1000 visit a phishing page.

Netskope said attackers are 'planting' malware in popular business cloud apps workers in financial services are using every day. It cites code-sharing platform GitHub as the most popular cloud application for delivering malware to employees, followed by Google Drive.

The study also brought out that nearly half of the tracked phishing attacks mimicked cloud apps and banking institutions.

Microsoft was the most commonly mimicked brand among cloud phishing attacks, while DocuSign and Adobe baits were also frequently used to steal login credentials for various other services.

SOME POSITIVE POINTS

The study found that personal app use is lowest in banking, where only 8% of users regularly send data to personal apps.

Generative AI use is also lowest in the banking sector, where 8% of organizations have no GenAI use, only 5% of the user population regularly use GenAI apps, and organizations use 8 apps on average.

While social engineering is still prevalent in banking, users getting tricked into downloading malware (8.2 out of 1,000) and visiting phishing sites (4.3 out of 1,000) are lower than in finance and insurance.

The study suggests that financial services organizations should review their security posture to ensure that they are adequately protected against the 3 risks through:

- Inspecting all HTTP and HTTPS traffic (cloud and web) for phishing, malware and other malicious content, ensuring that high-risk file types, like executables and archives, are thoroughly inspected using static and dynamic analysis before downloading, and blocking access to apps that do not serve any legitimate business purpose or pose a disproportionate risk to the organization.
- Blocking downloads from apps and instances not used in an organization.
- Using DLP policies to detect potentially sensitive information - including source code, regulated data, passwords and keys, intellectual property, and encrypted data - sent to personal app instances, GenAI apps, or other unauthorized locations.
- Regularly reviewing AI app activity, trends, behaviors and data sensitivity to identify risks to the organization and configure policies to mitigate those risks.
- Using an Intrusion Prevention System to identify and block malicious traffic patterns.
- Using a behavior analytics platform to identify hidden threats, like compromised devices, compromised accounts, and insider threats.
- Using Remote Browser Isolation technology. ■

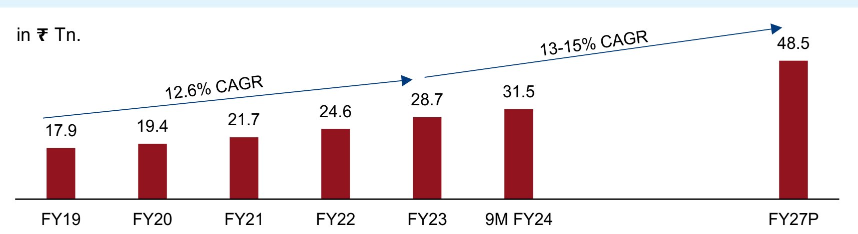
Housing finance market poised for 13-15% CAGR during 2023-27

The housing finance market in India is expected to have a CAGR of 13% -15% from fiscal 2023 to 2027, according to an analysis of the sector in the country done by CRISIL. The study points out that housing finance market clocked a healthy ~12.6% CAGR (growth in credit outstanding) during fiscals 2019 -2023, on account of rise in disposable incomes, healthy demand and greater number of players entering the segment.

The study, carried out for Bajaj Housing Finance, says over the past 2 fiscals, housing finance segment has seen favourable affordability on account of stable property rates and improved annual income of individual borrowers. It says: "The overall housing finance segment credit outstanding is ~₹28.7 trillion as of FY23, which increased during fiscal 2023. The overall housing market grew 16.7%, led by the aspirations of a growing young population with rising disposable income migrating to metro cities and elevated demand in tier 2 and 3 cities as well."

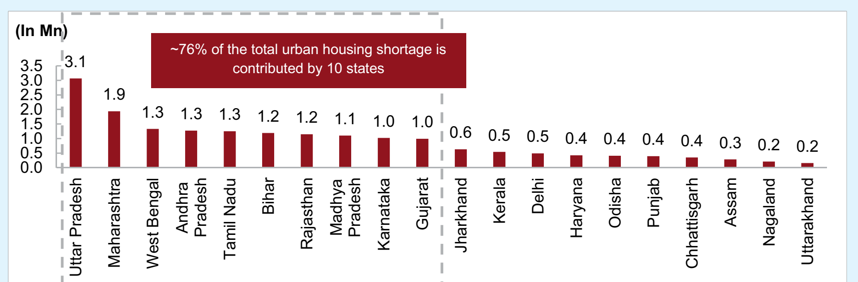
The study notes that demand for home loans remained largely unscathed despite a sudden rise in repo rates. Moreover, the income of the salaried class remained largely intact despite the economic slowdown caused by the covid pandemic and higher inflation, thereby allaying lenders' concerns about any deterioration in asset quality.

Housing finance outstanding witnessed a CAGR of 12.6% CAGR from FY19-23



Source: CRIF Highmark, CRISIL MI&A

State-wise housing shortage



Source: Report of the Technical Urban Group on Urban Housing Shortage (TG-12), CRISIL MI&A

FASTEST GROWTH

The study states that prime housing finance segment witnessed the fastest growth in housing finance from FY19-23. The segment (loans above ₹5 million) had grown at a CAGR of 19.5%, followed by loans in the mass market housing segment (loans between ₹2.5 to ₹5 million) which grew at a CAGR of 15.9%, and affordable housing segment (loans less than ₹2.5 million) growing at a rather slow pace of 5.6% during the fiscals.

It added that market share for the ticket brackets in value terms was equally distributed with both affordable & prime housing segment accounting for 34% market share each and mass market housing with 32% share in overall housing.

URBAN REGIONS TOP

"As of 9MFY24, urban regions accounted for the highest share in overall housing finance credit with 65.6% share, which was followed by rural regions which accounted for 19.6% share, semi-urban regions accounted for 9.1% share in credit outstanding," the study said.

It added that among tier's fastest credit growth during FY19-23 was witnessed in rural regions, which grew at a CAGR of 15.3%, followed by semi-urban regions with a CAGR of 15.0%. Urban regions saw a CAGR of 11.4%.

The study says as of 9MFY24, Maharashtra accounted for the highest share in overall housing finance outstanding with ~22% share, followed by Karnataka, Tamil Nadu, Telangana and Gujarat. In terms of asset quality, among the top 20 states, Telangana had the highest asset quality with 90+ Days Past Due, or DPD at 0.9%, followed by Assam and Rajasthan with 1.0% and 1.3% 90+ DPD respectively. While Tamil Nadu, Delhi and Madhya Pradesh had the lowest asset quality among top 20 states with 4.0%, 3.3% and 3.1% 90+ DPD respectively.

Maharashtra accounted for the highest share in housing finance credit as of 9MFY24, with ~22% share.

PUBLIC SECTOR BANKS LEAD

The study said as of 9MFY24, public sector banks accounted for the highest share in overall housing credit (43.1%), followed by private sector banks with 35.6% share and housing finance companies with 18.8% share.

However, during fiscals 2019-23, among major lenders private sector banks witnessed the fastest growth in housing finance credit with a CAGR of 16%, followed by public sector banks with 13.1% CAGR and housing finance companies with 10% CAGR.

The study said in FY20, GNPAs of the overall housing loan portfolio increased sharply from 1.6% to 2.3% due to slippages as consumer perception of the general economic situation, employment scenario, and household income had plunged.

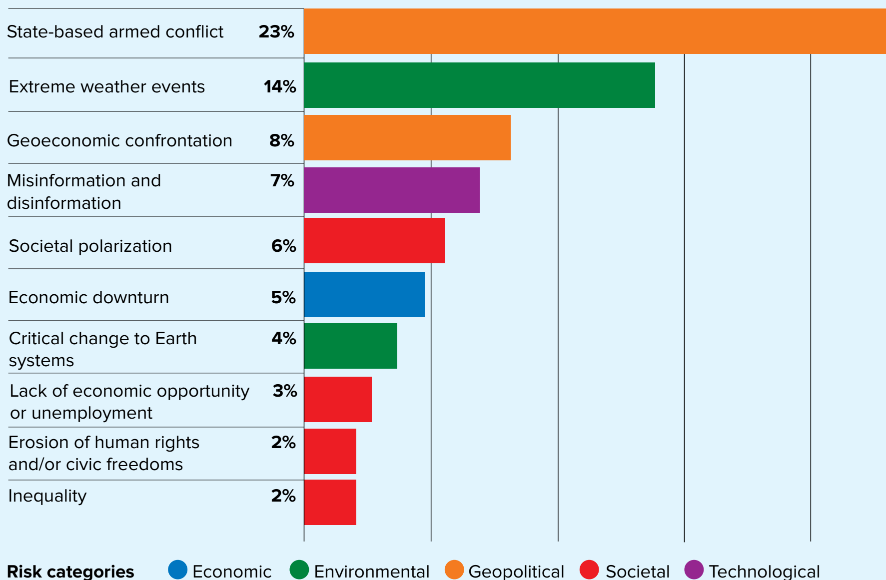
Housing finance companies also faced asset-quality challenges, leading to a peak rise of ~60 bps in GNPAs to 3.9% in FY21. Subsequently, the asset quality of the overall housing finance improved to 2.3% in fiscal 2022, and 2.0% in FY23. ■

State-supported armed conflict is top global risk now

Highlights of the World Economic Forum's Global Risk Report:

State-based armed conflict is the most pressing immediate global risk for 2025, according to the 20th edition of the World Economic Forum's Global Risks Report.

The report, prepared by the Global Risks Initiative at the World Economic Forum's Centre for the New Economy and Society, leverages insights from the Global Risks Perception Survey, which draws on the views of over 900 global leaders across business, government, academia and civil society. It identifies and analyzes the most pressing risks across immediate, short- and long-term horizons.



Source: World Economic Forum, Global Risks Perception Survey 2024-2025

LESS OPTMISTIC OUTLOOK

Nearly two-thirds of respondents expect a turbulent or stormy global landscape by 2035, driven in particular by intensifying environmental, technological and societal challenges.

Over half of respondents say some instability is expected within 2 years, as seen by the widespread fracturing of international cooperation. There will be greater challenges in the long-term, they believe, as mechanisms for collaboration are expected to face mounting pressure.

The respondents are also concerned about illicit economic activity, mounting debt burdens and the concentration of strategic resources and they feel these vulnerabilities could destabilize the global economy in the coming years.

MISINFORMATION, DISINFORMATION

The report lists misinformation and disinformation as the top short-term risks for the second consecutive year. These amount to persistent threat to societal cohesion and governance by eroding trust and exacerbating divisions within and between nations, says the report.

Other short-term risks include extreme weather events, societal polarization, cyber-espionage and warfare. The other prominent environmental risk in the top 10 is pollution, which is also perceived as a leading risk in the short term. Its sixth-place is the serious health and ecosystem impacts as a result of pollutants across air, water and land.

ECONOMIC RISKS SUBSIDE

The report says concern over 2 economic risks - inflation and economic downturn (recession and stagnation), which were in the top 10 ranking last year, have since subsided. There are no economic risks in the top 10. Inflation, which was No 7 last year, has fallen to No 29, with a similar decline for economic downturn, which was No 9 last year and is now No 19. However, there is an ongoing concern about debt among government stakeholders (at No 7), and crime and illicit economic activity among international organizations, private-sector and government respondents (No 6, No 7 and No 8, respectively).

The report mentions about adverse outcomes of frontier technologies, including biotech, and says this is one of the risks with the sharpest rise between the 2-year and 10-year time horizons. It says while global risks stemming from the field of biotech are not top of mind today, they will become more so within a decade. "There are 3 sets of risks in biotech that need to be watched closely over the coming years: rising accessibility of bioweapons; negative health impacts as the flipside of efforts to cure or prevent health issues, and the potential for those with access to leading-edge biotech to cross ethical boundaries," says the report.

SUPER-AGING RISK

The report discusses the risk of super-aging societies and predicts that:

- pension crises will start to bite over the next decade in super-ageing societies as dependency ratios rise further and government finances are stretched;
- labour shortages in several sectors, in particular long-term care, are likely to become a characteristic of super-ageing societies unless policies shift; and
- super-ageing societies will pose global economic and labour-market challenges, even for countries still benefiting from their demographic dividend. ■

Retail Push: New Offerings, New Technologies

In another move to expand offerings, Poonawalla Fincorp has entered into education loan segment with plans to offer loans of up to ₹30 million for students pursuing higher education at international universities. The new offering includes an industry-first feature providing instant sanctions for education loans up to ₹7.5 million. Students can secure financing of up to ₹10 million without collateral, says the lender.

The company has also come out with PL Prime Digital 24x7, a digital personal loan offering, designed to meet the credit needs of salaried professionals. It helps eligible customers to bypass traditional loan processes and avail loans up to ₹1.5 million in just 15 minutes through a completely paperless process, while allowing the flexibility of choosing longer EMI tenures and zero collateral option. The end-to-end digital solution eliminates paperwork and delays, making funds available when they are needed the most.

Meanwhile, the company is growing its unsecured loans portfolio by targeting premium borrowers with unsecured loans of up to ₹1.5 million, disbursed digitally in 15 minutes. Poonawalla Fincorp MD & CEO Arvind Kapil said rather than increasing risk, the company is diversifying its portfolio while attracting high-quality borrowers. While such loans are essentially for the salaried class, the company plans to extend it to self-employed soon. The interest rates start from 12% and is based on credit scores.

Arvind Kapil

TECH FRONTIERS

Poonawalla Fincorp has introduced an AI-powered underwriting solution to automate and streamline its credit evaluation process. Developed in collaboration with IIT-Bombay, the solution helps the company improve the productivity of credit managers by 40% in retail lending.

The company says the tool helps accelerate credit decisions by ensuring an efficient, scalable, and risk-first approach. It does so by analyzing multiple data points from loan applications and allowing credit managers make decisions and enhance the overall risk management framework. The automated and intelligent credit decisioning tool is developed through integration of LLM (Large Language Models) and ML, capable of handling real-world underwriting demands, while keeping the human cognitive model at the core of the architectural design.

Arvind Kapil says that in the next phase of the development of the tool, the existing AI functionality will be evolved into a more sophisticated self-learning model. It will leverage powerful deep learning algorithms, enabling autonomous decision-making, continuous system improvement through pattern recognition, and multi-modal communication capabilities, he added.

On the AI journey, the company partnered with ServiceNow, a cloud-based platform-as-a-service (PaaS) provider, to implement AI-powered solutions for audit and governance. ■

HomeFirst Finance Raises ₹12.5 billion through QIP

HomeFirst Finance, a technology-driven affordable housing finance company, announced recently the successful completion of QIP, garnering strong participation from leading global and domestic institutional investors. The company will allot 1.28 crore equity shares to qualified institutional buyers (QIBs) at an issue price of ₹970 per share (including a premium of ₹968 per share), raising ₹1250 crore. The shares were issued at a discount of ₹49.25 per share to the SEBI-determined floor price of ₹1019.25. The institutional placement saw strong demand, increasing the company's paid-up equity share capital from ₹18.01 crore (9,00,55,540 shares) to ₹20.59 crore (10,29,42,137 shares). The International Finance Corporation has been allotted 35,87,628 shares, 27.84% of the QIP. Other key investors are Capital World (11,08,446 shares allotted, 8.60%), Fidelity Funds (14,07,314 shares allotted, 10.92%) and HDFC Mutual Fund (14,22,680 shares allotted, 11.04%).

MSME Sampark Highlights

Dun & Bradstreet and UGRO Capital released the 3rd Edition of MSME Sampark report on lending ecosystem. Among a sample of 45,000+ MSMEs, the light engineering, electrical equipment, food processing and chemical sectors emerged as the largest borrowers during Q1-Q3 2024. In the last 6 months, the average new debt taken by B2C businesses has been lower than that of B2B businesses across sectors, except in auto components and hospitality. While total loan disbursements have moderated in 2024, the increase in working capital loans indicates a growing preference for short-term financing to meet immediate operational needs, driven by challenges in long-term planning amid increased uncertainty. The lower cash percentage and debt-to-turnover for mature and large businesses (> ₹20 crore) suggests increased formalization of MSMEs. The stability in counterparty and invoice counts across different size of businesses during 2023 and 2024 show that business activity levels remain steady.

30% for EV, 30% for Solar

ADB has invested US$25 million in Vivriti Capital's first climate bond for renewable energy and EV infrastructure. Smitha Jain Arora, Head - Sustainability & Impact, lays the road ahead:

What segments is Vivriti Capital targeting for the funds from ADB?

The proceeds from the green bond issuance are being utilized solely to finance climate projects in the electric vehicle, solar energy, wind energy and waste management segments in India. The funds allocated to suitable loans ensure that each project complies with applicable laws and sustainability criteria. At least 30% of the funds are directed towards projects in the electric vehicle sector, which includes financing for individuals purchasing new electric vehicles. Up to 30% of the funds are allocated to solar energy projects, supporting renewable energy development.

Smitha Jain Arora

What new evaluation capabilities has Vivriti Capital developed for assessing climate related financing?

Preparation of a Sustainable/Green Financing Framework was a necessity and a pre-requisite for the issuance of a green bond. With numerous iterations and additions to our earlier green financing framework, we have created the present 'Sustainable Finance Framework'. The framework had to be revamped to be in alignment with various global guidelines - Climate Bonds Initiative (CBI) requirements for sectoral eligibility, climate mitigation and adaptation & resilience (A&R), Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Green Loan Principles 2023, Social Bond Principles 2023 and Social Loan Principles 2023.

What are Vivriti's long-term business targets for climate finance?

Vivriti's climate reporting roadmap is aligned with TCFD (Task Force on Climate-related Financial Disclosures) and was outlined in 2023-2024. We have a 3-4 year timeframe to chart out the roadmap. We have set short-term and long-term targets for ourselves in order to strengthen our climate commitments on an ongoing basis, to gradually align with the Paris threshold pathways of 1.5°C to 2°C and follow frameworks like the Science Based Targets initiative (SBTi).

Is this the first climate fund raised by Vivriti?

Yes, this is the first green bond raised by Vivriti. Over the past 2-3 years, we have been relentlessly strengthening our sustainability performance in alignment with global best practices, standards and stakeholder demands. ■

Bright Prospects for Solar Financing

The Indian government continues to play a pivotal role in shaping solar financing. Under the Pradhan Mantri Surya Ghar Muft Bijli Yojana, the government aims to support rooftop solar adoption for 1 crore households with subsidies and low-cost financing. RBI has also included renewable energy under its PSL guidelines, allowing banks to lend up to ₹30 crore for renewable energy projects, including solar. This has provided a much-needed credit boost, especially to MSMEs seeking to transition to solar power.

Several private and public sector players issued green bonds specifically earmarked for solar energy generation and infrastructure. Institutions such as IREDA and REC have raised significant capital through these bonds, channelling funds to utility-scale solar parks and off-grid solutions.

Int'l development agencies and climate finance institutions have also increased their footprint. The World Bank, ADB, and KfW

have partnered with Indian banks and NBFCs to offer concessional loans and blended finance models for solar adoption, especially in rural and semi-urban areas.

Beyond traditional bank loans, innovative financing models are emerging to meet diverse consumer needs, such as the pay-as-you-go (PAYG) system, where customers pay for solar electricity on a usage basis without owning the solar panels. This is gaining traction in off-grid areas and among low-income households. Another trend is the rise of solar leasing and operating lease models, particularly in the commercial and industrial segment. Companies can install solar panels without upfront capital investment and pay a fixed monthly fee, making solar adoption more financially viable.

P2P energy trading platforms, still in pilot stages, are also being explored. These allow prosumers (producers + consumers) to sell excess solar power to neighbors or the grid, creating income that could eventually impact financing decisions and return calculations.

Fintech and NBFCs are entering the solar financing space with fast, tech-enabled lending solutions. They use AI-based underwriting and alternate credit scoring models to evaluate small borrowers - especially for residential and SME rooftop installations. Some startups are even offering solar-specific loan products bundled with insurance and maintenance services. As India aims for 500 GW of non-fossil fuel capacity by 2030, the role of smart and inclusive solar financing will be critical.

- Manoj Agrawal

Expanding Geographies, Improving Recoveries

Tanya Chadha, Chief Business Officer - Digital Business & Alliances, UGRO Capital describes the strategies and offerings driving the growth:

The mission at UGRO Capital is to bridge the vast MSME credit gap in India through a data-driven, technology-led approach. Its AUM reached ₹110.67 bn as of December 2024, reflecting an ability to scale rapidly while maintaining portfolio quality. UGRO Capital's distinctive co-lending approach, accounts for 44% of its off-book AUM, and its strategic partnership with 16 co-lending partners, 59 lenders, over 60 fintechs, and 730+ GRO partners, facilitates data-driven, tailored financial solutions for more than 1.35 lakh MSMEs across India. With massive geographical expansion strategies in place, the company is now at 220+ locations and looks to reach over 300 by the end of the next financial year.

Its improving financial performance was further recognized with a rating upgrade from India Ratings to IND A+/Stable (long-term) and IND A1+ (short-term).

UGRO Capital's top-performing regions according to Q3 FY25 results include Tamil Nadu, Maharashtra, and Uttar Pradesh.

Tanya Chadha

Tamil Nadu has emerged as a key market with increasing demand for MSME financing solutions. Maharashtra has seen significant growth, contributing substantially to overall portfolio. Meanwhile, strategic initiatives and rigorous expansion plans in Uttar Pradesh have led to remarkable traction.

The Emerging Markets segment (erstwhile Micro Enterprises business) has experienced outstanding growth, with disbursements reaching ₹20 bn. This has also further boosted the focus on tier 3 & 4 cities in the coming year. The rooftop solar financing solutions have gained traction, offering MSMEs an efficient and sustainable way to move forward in their businesses. Additionally, secured loans continue playing a crucial role in empowering small businesses to meet their capital needs.

For improved recovery, we have a dedicated collections team that combines automated reminders with personalized follow-ups to enhance borrower engagement. We also employ loan restructuring solutions for viable businesses facing short-term cash flow issues. Additionally, our partnerships with fintechs and NBFCs help us leverage advanced technology and shared data insights for better tracking and recovery processes. These measures collectively maintain a healthy portfolio while supporting MSMEs more effectively. ■

NBFCs raise funds through ECB route

Fundraising by NBFCs using the ECB route has touched a 5-year high in 2024, according to data compiled by PRIME Database. NBFCs have taken to the ECB route after banks put curbs on their lending to this sector, following RBI's directives in November 2023. It is estimated that NBFCs raised Rs 3.64 lakh crore in 2024, the highest since 2019. ECBs have become a viable and attractive option following easing of the monetary curbs across the world, with even AA- NBFCs raising substantial funds from the offshore markets.

NBFCs are diversify funding sources and increasingly turned to the domestic capital market, raising funds through bonds, as well as the overseas market, tapping into dollar bonds and syndicated loans. Several NBFCS have in 2024 raised funds through this route. According to data available, Shriram Finance raised $1.277 billion in multiple currencies, including dollar, euro, and dirham (AED), through an ECB transaction.

Likewise, Muthoot Finance raised $400 million through the ECB route by issuing secured notes under its global medium term note program of $2 billion. Cholamandalam

Investment and Finance Co and HUDCO are the other major NBFCs preparing to go for such a fund-raising program.

India's NBFCs are making significant structural improvements such as better asset quality and improved capital buffers. Along with this, tighter regulatory oversight from RBI has helped rebuild trust among overseas investors, leading to increased offshore debt inflows, including from private credit funds, development finance institutions (DFIs), and global asset managers.

With NBFCs offering strong yields, India has emerged as a preferred destination for global private credit funds. Mid-sized NBFCs in particular are attracting attention from global alternative investment firms such as PAG, KKR, and Brookfield, which are deploying structured debt and mezzanine capital, with a focus on high-growth sectors like MSME lending, affordable housing finance, used vehicle finance, and consumer loans.

DFIs such as International Finance Corporation (IFC), FMO (Netherlands), and the US DFC have stepped up debt funding to Indian NBFCs over the past year. Much of this capital is ESG-linked and focused on financial inclusion, women-centric lending, and green financing. In 2023, IFC extended a $100 million loan to IIFL Home Finance for facilitating affordable housing loans and loans for EWS & LIG segments. Similarly, FMO signed multiple debt agreements with NBFCs in sectors like electric vehicle financing and rural credit. RBI has maintained a supportive stance, allowing more NBFCs to access external debt and simplified ECB guidelines. With credit demand rising across retail, SME, and green sectors, offshore debt is set to play an even more strategic role in fueling NBFC expansion.

- Manoj Agrawal

NBFCs are marching towards technology modernization. All leading NBFCs are modernizing their front-end to improve customer experience in terms of speed, language, visuals, voice, etc. They are enhancing back-end systems to add new products, improve collections, manage risks effectively, generate compliance reports, and more.

NBFCs are partnering with various tech and fintech companies and adopting a variety of technologies including AI, ML, cloud, microservices, data fabric, zero trust, etc.

FIDC invites tech and fintech companies to inform the decision makers among NBFCs about their expertise and their offerings. To make announcements and build your brand, please check out the advertising options below:

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