

FIDC NEWS

FINANCE INDUSTRY DEVELOPMENT COUNCIL
A REPRESENTATIVE BODY OF NBFCs IN INDIA

VOLUME: 17 NO: 2 JUN-JUL 2025 E-EDITION NO: 18

FOR PRIVATE CIRCULATION

NBFC Symposium by Ministry of Finance



FIDC Chairman Mahesh Thakkar & CEO Raman Aggarwal at the Round-table meeting with Hon'ble Finance Minister Smt. Nirmala Sitharaman and her team at MOF at Delhi on 9th July 2025



The Hon'ble Finance Minister Smt. Nirmala Sitharaman addressing the NBFC Symposium organized by DFS, MOF at Bharat Mandapam, Delhi on 9th July 2025

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Printed at Indigo Press, Mumbai

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9th July 2025 marked a red-letter day in the journey of NBFCs in India, as the Ministry of Finance (Department of Financial Services) hosted the **first-ever NBFC Symposium** at the iconic Bharat Mandapam in New Delhi. This was the **first dedicated Government-hosted platform** focused entirely on NBFCs, which reflects the growing institutional recognition of the critical role of NBFCs in India's financial ecosystem.

The chief guest was the Hon'ble Finance Minister **Smt. Nirmala Sitharaman** and the guest of honor was the Hon'ble Minister of State for Finance **Shri Pankaj Chaudhary**. Other key participants included Secretary, Department of Financial Services (DFS), Executive Director, Reserve Bank of India, CMDs and EDs of all Public Sector Banks and Chairman, NABARD and senior leadership from SIDBI.

The NBFC sector saw MDs & CEOs from about 35 NBFCs, about 25 NBFC-MFIs and office bearers of FIDC, MFIN, and Sa-Dhan.

A high-level closed-door session was chaired by the Hon'ble Finance Minister with select MDs/CEOs from NBFCs and MFIs, alongside Chairmen/CEOs of FIDC, MFIN, and Sa-Dhan. The Union Minister of State for Finance, Secretary of the Department of

Financial Services (DFS), and the Executive Director of the RBI were also in attendance. FIDC's Chairman and CEO actively participated in this session, voicing sector-wide issues and suggestions. The discussions focused on key challenges and potential solutions for the NBFC and MFI sectors. Key highlights from the Finance Minister's address:

1. NBFCs are no longer shadow banks.
2. NBFCs have shown remarkable agility despite many challenges. Total credit they disbursed grew from ₹24 lakh crore in 2021 (post-covid) to ₹48 lakh crore in March 2025 - doubling in 4 years.
3. She acknowledged **NBFCs' pivotal role in financial inclusion**, especially in reaching underserved or the excluded segment of borrowers.
4. Cited findings from a recent IMF report highlighting the significance of NBFCs/ NBFIs in India.
5. She urged Public Sector Banks (PSBs) to understand and emulate NBFCs' ground-level outreach and credit expansion strategies.
6. Noted that PSBs are falling short of PSL targets and depositing shortfall with NABARD & SIDBI, while NBFCs continue to face liquidity constraints.

POLICY DIRECTIONS BY THE FM

1. **PSB-NBFC Collaboration:** FM directed PSBs to proactively engage with NBFCs in every state through the lead banks.
2. **Co-Lending:** PSBs to deepen collaboration with NBFCs through co-lending.
3. **RBI Open House Sessions:** FM advised RBI to host open house forums for voicing concerns and sharing ground-level realities.
4. **Ambition for 2047:** Set a national target for NBFC credit to reach 50% of overall bank credit (current 25%) by 2047.
5. **Vision for NBFCs in Viksit Bharat:** Urged NBFCs to themselves formulate a vision document on 'Role of NBFCs in Viksit Bharat' and what support is required from the Govt.

CAUTION & RESPONSIBILITY

1. NBFCs must practice responsible lending while pursuing growth.
2. Financial Inclusion should not lead to Financial Exploitation.
3. Borrower interests must remain paramount, with strict adherence to RBI's Fair Practices Code.
4. Rate cuts and liquidity benefits availed by NBFCs must be passed on to end-borrowers. ■

FIDC requests RBI intervention for solving key challenges faced by HFCs

With a view to fostering a robust, competitive, and inclusive housing finance ecosystem, FIDC has compiled a list of key issues faced by the sector. FIDC was written to RBI Deputy Governor M. Rajeshwar Rao explaining several policy, regulatory, and operational challenges that continue to constrain the ability of Housing Finance Companies (HFCs) to effectively serve

their intended segments. These challenges relate to capital requirements, funding mechanisms, co-lending frameworks, risk provisioning norms, operational compliance expectations, and harmonization of standards across RBI and NHB regulations. FIDC seeks to foster a robust, competitive, and inclusive housing finance ecosystem. Here is a summary of issues:

| No. | ISSUE | CATEGORY |
|-----|---|-------------|
| 1 | Definition of Housing Finance – Harmonization Across Lending Institutions | Policy |
| 2 | Plot Loans – 3-Year Conversion Requirement and Regulatory Disadvantage for HFCs | Policy |
| 3 | Loan-to-Value (LTV) Ratio – Harmonization with Banks | Policy |
| 4 | Valuation Guidelines – Need for Harmonization with Banks | Policy |
| 5 | Applicability of Internal Ombudsman (IO) Framework to Housing Finance Companies | Policy |
| 6 | Principal Business Criteria – Clarification on Net Asset Calculation for HFCs | Policy |
| 7 | Access to Long-Term Liquidity / NHB Refinance Support for HFCs | Funding |
| 8 | Access to ECBs and Patril Credit Enhancement (PCE) for HFCs | Funding |
| 9 | CRILC Reporting – Explicit Clarification for Housing Finance Companies | Operational |
| 10 | Compromise Settlements – Allow window beyond 3 months for one-time settlement flexibility | Operational |
| 11 | Fraud Risk Management – Clarification on service of SCN (Show Cause Notice) | Operational |
| 12 | Timelines for Release of Property Documents post loan closure – Clarification on uniform timelines | Operational |

FIDC's letter to RBI explains each issue in terms of ♦ Regulatory context and specific circular references ♦ Industry-wide impact (on borrowers, HFCs, and systemic stability), and ♦ Specific recommendations/requests for RBI consideration.

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The FIDC Management Meeting with SEBI Chairman Shri. Tuhin Kanta Pandey and his team on 23rd July 2025 at Mumbai



FIDC Interaction with SEBI Chairman Shri Tuhin Kanta Pandey & his team on NBFC related issues on 23rd July 25 at Mumbai

FIDC Representations to SEBI

FIDC has written to SEBI representing issues faced by NBFC pertaining to (i) policy-related issues requiring strategic and structural alignment across regulatory frameworks; (ii) Cross-Regulatory Coordination on issues that require alignment between SEBI, RBI, and other regulators and (iii) Other Regulatory & Operational matters concerning operational harmonization and process efficiency.

A. POLICY-RELATE ISSUES

1. The ₹1,000 crore threshold for HVDLE classification is disproportionately low for NBFCs. FIED recommend a higher HVDLE

threshold of ₹5,000 crore.

2. Issuance of sub-debt and NBFC-PDIs with lower face value (₹10,000) is permitted, but appointment of Merchant Banker is mandated even for private placements – leading to high costs and delays. FIDC requests allowing ₹10,000 face value sub-debt issue under simplified private placement norms without Merchant Banker.
3. Clubbing NBFC-PDIs with bank AT1 bonds in valuation norms and investment exposure caps has dried up demand for PDIs despite lower risk. FIDC requests excluding NBFC-PDIs from 100-year valuation rule and 10% exposure cap

applicable to MFs.

4. PTCs remain unlisted. FIDC requests SEBI to constitute a Working Group for enabling listing and standardization of PTCs, unlocking investor interest in securitized NBFC assets.
5. SEBI's ISIN cap of 9 for plain vanilla NCDs limits NBFCs' ability to tailor issuance across tenors and match ALM needs. FIDC requests enhancement of ISIN cap to 21 per year for large NBFCs.
6. There is no clarity on whether long-tenor bonds funding affordable housing or infra loans can be tagged as infra bonds. FIDC requests allowing NBFCs to designate

7+ year bonds as infra bonds to unlock investor headroom and address ALM.

7. Current disclosure, audit, and legal processes for each tranche lead to high issuance costs and time delays. FIDC requests permission for use of previous quarter's disclosures.
8. Recommendations by foreign proxy firms on Indian AGMs/postal ballots often do not align with Indian laws and regulatory intent, potentially distorting shareholder outcomes. FIDC requests regulatory checks requiring India-context compliance declarations or disclosures by foreign proxy advisors
9. Listing procedures for privately placed debt instruments remain complex and delay treasury execution. FIDC requests SEBI may permit post-issuance listing of pure debt instruments without prior approvals and consider a fast-track route via a small facilitation committee.
10. The 200-investor cap in private placements limits depth in the institutional debt market. FIDC requests increasing the limit to 1000 investors while retaining the ₹1 crore minimum, to deepen debt participation.
11. FIDC requests enabling Loan Against NCDs as a regulatory product, encouraging bond market-making with issuer/SPV support, and permitting put options at periodic intervals to facilitate retail exits.
12. Though SEBI has an ESG bond framework, NBFC adoption is limited due to lack of implementation clarity, market incentives, and streamlined certification/disclosure procedures. FIDC requests clearer guidance on ESG bond issuance for NBFCs, offer incentives (e.g., priority listing, disclosure templates) and encouraging institutional investor allocation mandates.

B. CROSS-REGULATORY COORDINATION

1. In matters of default, fraud investigations, or forensic triggers, data available with SEBI or listed entities could support RBI or other regulatory actions – and vice versa. FIDC requests establishing a secured, confidential sharing framework between SEBI, RBI, and other regulators to enable early detection of market abuse, systemic risks, and investor harm.
2. Investors currently undergo multiple KYC processes under SEBI, RBI, and IRDAI regimes for each financial product or platform. FIDC requests a single, regulator-agnostic KYC process (possibly CKYC or KRAs), minimizing redundancy and enabling faster digital onboarding across financial products.
3. Separate guidelines from different regulators on cyber-risk, ransomware response, and digital infrastructure standards lead to operational fragmentation. FIDC requests a joint, uniform cybersecurity and resilience framework for systemically important financial institutions (including UL-NBFCs), harmonized across SEBI, RBI, and CERT-IN.

C. OTHER ISSUES

1. 3% price movement trigger leads to frequent, unnecessary reviews, especially for large NBFCs. FIDC requests raising the threshold to 5%+ for large-cap NBFCs to avoid operational inefficiency.
2. There is no automated mechanism for payment of past dues to eligible demat holders with updated KYC. FIDC requests enabling auto-credit via RTAs to reduce IEPF transfers and investor grievances.
3. While electronic mode is mandatory for physical holders, demat holders still face inconsistencies. FIDC requests mandating uniform digital payments to demat

holders via SEBI circular.

4. There are difficulties in obtaining accurate KPI data from value chain partners for BRSR reporting. FIDC requests clear timeline and nature of data expected and flexibility for upstream disclosures.
5. There is no parity with equity holders in electronic dissemination of reports. FIDC requests web & email access for debenture holders, as permitted for equity holders.
6. There is disparity between compliance officer/RTA filings for equity vs. debt listed companies; XBRL vs. PDF formats. FIDC requests harmonized reporting and signing requirements under NCS Regs and LODR, including GID/KID formats.
7. Small shareholder base makes media-wide disclosure impractical. FIDC requests permission for direct communication in lieu of bi-monthly public notices.
8. There is confusion due to full TDS deduction irrespective of bond transfer which impacts investor interest. FIDC requests exemption of listed bonds from TDS (as earlier), especially in the secondary market context.
9. Bond applications continue to follow a largely physical or hybrid process. FIDC requests a fully digital, ASBA-like mechanism for primary bond issuance, similar to equity IPOs.
10. The 21-day advance dispatch of annual reports to NCD holders adds cost despite limited AGM voting relevance. FIDC requests relaxed or digital-only dispatch norms for NCD holders unless consent or voting is specifically involved.
11. There is currently no clear regulatory SOP for voluntary buybacks or repurchases of NCDs. FIDC requests SEBI may issue standard guidelines covering required approvals, investor disclosures, execution timelines, and clarification on ISIN reuse after buyback. ■

Key Representations made by FIDC to RBI & DFS

- ◆ **RBI: 26th May, 2025** – Accessibility Related Issues for Persons with Disabilities.
- ◆ **RBI: 6th June, 2025** – Inputs on the Draft Circular on Updation / Periodic Updation of KYC
- ◆ **RBI: 24th June, 2025** – Inputs on the Draft Circular RBI (Co-lending Arrangements) Directions, 2025
- ◆ **DFS (MoF): 25th June, 2025 DFS** – Addressing Discrimination in NBFC Lending in J&K

FIDC participation in Important Meetings & Symposiums

- ◆ 24th June, 2025 with RBI on Clarifications and Queries on Draft Reserve Bank of India (Co-Lending Arrangements) Directions, 2025
- ◆ 8th July, 2025 with RBI for Exploratory Discussion on Regulatory Impact Assessment in Financial Sector
- ◆ 24th July, 2025 with Department of Finance, Gujarat Government on RERA & GST matters

FIDC welcomes 17 New Members who joined between June 1, 2025 & July 21, 2025



COMPANY NAME

PROGFIN

MANN FINANCE & LEASING

DOST FINCAP

CDL FINANCIAL SERVICES

SAMMAN CAPITAL

PRIME HOLDINGS

KIYANSH FINANCE

NUPUR FINVEST

PERFECT FINSEC

ANKUR TRADE LINKS

BAJAJ FINANCE

KISETSU SAISON FINANCE (INDIA)

KOGTA FINANCIAL (INDIA)

INDUSTRIAL INVESTMENT TRUST

PAYME INDIA FINANCIAL SERVICES

VANIK FINANCE

PNB HOUSING FINANCE

ARKA FINCAP

FIDC responds to SEBI Consultation Paper on CRA Regulation

SEBI had issued a consultation paper seeking feedback about permitting CRAs to undertake rating of financial instruments which fall under the purview of other Financial Sector Regulators (FSRs). FIDC discussed this with its members and shared their collective view with SEBI. FIDC supports SEBI's proposal as it will enable wider credit rating coverage for unlisted, privately placed, debt and hybrid instruments issued by NBFCs & HFCs. It also aligns with international best practices based on principle-based oversight. Additionally, it strengthens investor confidence and improves transparency, thereby improving the market depth. FIDC seeks further evaluation to minimize operational challenges and cost increases. FIDC also suggests a separate grievance redressal mechanism for non-SEBI ratings.

CRA SBU CONCERNS

Several CRAs have multiple SBUs, which leads to duplication of due diligence and interactions for issuers that have both listed and unlisted instruments. This increases operational cost and also creates the risk of market confusion resulting from inconsistent ratings from different SBUs for the same issuer. Maintaining distinct marketing materials/websites will fragment credit information and reduce transparency.

FIDC'S KEY RECOMMENDATIONS

1. Replace mandatory SBUs with ring-fencing and internal controls, and disclosure-based governance rather than structural separation.
2. Ensure single-point data submission and allow CRAs to reuse information across all instruments to avoid duplication.
3. Strengthen grievance redressal with an independent panel
4. Increase transparency: Include rating committee date/time and attendance in published ratings.
5. Provide a transition timeline of over 6 months.

SUGGESTIONS FOR STRENGTHENING GOVERNANCE

1. An independent grievance redressal mechanism should be created comprising only SEBI/RBI officials, ex-bankers, and govt nominees to promote principle of natural justice and avoids conflicts of interest.
2. All rating reports should include the date and time of the rating committee meeting and the number of members present when a rating was assigned.
3. Unified disclosures for all instruments of an issuer, rather than fragmented by SBU. ■

EVs, CVs & tractors drive strong mobility in July 2025

The latest Shriram Mobility Bulletin indicates steady momentum in India's mobility sector in July 2025, with stability and selective upticks across key transport segments driven by preparations for the upcoming festive season.

Truck rentals across major national corridors remained largely stable during July, reflecting a balanced demand-supply environment. Most key routes between metro cities saw no change in freight rates from June. However, the Bengaluru-Mumbai corridor recorded a 2.3% MoM uptick. On a yoy basis, routes like Kolkata-Guwahati rose 10%, Delhi-Hyderabad saw 8% growth, and

Mumbai-Chennai grew 9% continuing to exhibit robust long-haul freight demand.

Vehicle retail sales in July reflected both resilience and seasonality. Passenger vehicle sales rebounded 7% mom after 3 consecutive months of decline, signalling early festive readiness. Maxicab sales surged 40% mom, likely on account of increased fleet deployment for seasonal intercity movement. Agricultural tractors rose 15% mom, supported by healthy rainfall and active Kharif sowing activity, while commercial tractors climbed 14%, indicating robust rural and agri-supply chain demand. Meanwhile, 2W wheeler sales declined 7% mom, and earth-moving equipment (-38%)

and commercial construction vehicles (-55%) were impacted by ongoing rains.

EV motor car sales surged 14% mom and over 1300% yoy, while 3W EVs recorded a 19% mom increase, driven by commercial and intra-city transport demand. 2W EVs saw a 4% mom decline, likely due to global supply-side constraints involving rare earth magnets, though yoy performance remained strong. ■



Twin Goals: Driving Loan Enquiries & Social Outcomes

In an era of hyper communications and shrinking attention, marketing communications faces rising challenges. Ankit Chothani, Head – Marketing & Corporate Communications dives deep into how UGRO Capital is pushing ahead:

What strategic initiatives has MarComm undertaken at UGRO Capital in the last 12-18 months?

Ankit Chothani: Over the past 18 months, our MarComm team has brought to life 2 transformative initiatives. One is designed to spark a movement and the other to cement UGRO's role as the trusted voice of MSMEs.

We launched #BharosaMSMEPar as the next chapter of our 'MSME Accha Hai' ethos, premiering the manifesto on YouTube one week before World MSME Day. Our goal was to let its opening line, 'Har gali, har sheher mein... ek sapna pal raha hai' resonate far and wide. In parallel, we rolled out our 'Main MSME Hoon' mini-films on Instagram and Facebook – each giving a 30-second glimpse into the daily grind at an MSME. These drove viewers to our pledge microsite and reinforced the call we raised. The campaign has received more than 15 million impressions and more than 4 million views.

Later this year, our Surya Rath and 'GROW with UGRO' partner meets will carry the same narrative into towns and partner-forums, ensuring every online spark finds an offline home. We measure this campaign not by clicks alone, but by the shifts it ignites – stronger trust in formal finance, a rising willingness among first-time borrowers to step forward, and a deepening of community pride that creates lifelong believers.

Alongside, we deepened our thought leadership in partnership with Dun & Bradstreet India. MSME Sampark, now in its 3rd semi-annual edition, blends D&B's proprietary data with UGRO's field insights revealing that 64% of 45,000 surveyed MSMEs have not only resumed post-pandemic operations but are driving double-digit growth. Our Social Impact Report, co-created with D&B's sustainability arm, benchmarks our alignment with United Nations' sustainable development goals.

It revealed that 88% of our borrowers achieve year-on-year revenue increases, created over 13,000 new jobs, and 42% adopt greener or more socially responsible practices. Going ahead, we are turning these insights into regional webinars and media roundtables. Our goal is to spark policy conversations and



Ankit Chothani expects that in the coming years, MarComm won't just tell stories, it will co-author them with the target customers

empower partners to translate data into action, so that India's 63 million MSMEs have a more inclusive and sustainable future.

What social media metrics does UGRO follow closely?

In my view, social media is where our brand story, leadership voice, and campaign momentum come together. First, we track engagement and consumption such as impressions, completion rates, and average watch duration on YouTube, LinkedIn, and Instagram. When the reach of our manifesto and 'Main MSME Hoon' videos sustain a completion rate of around 70%, we know our narrative is resonating deeply.

Equally important is social listening and sentiment analysis. We monitor 3 things – hashtag usage, share of voice against peers, and the tone of comments across public channels and private MSME forums. When there is a surge in engagement under #BharosaMSMEPar, we know that people are owning the movement. If the social or media tracking mentions our senior leaders, it helps

us gauge how our thought-leadership content (MSME Sampark Insights, Social Impact Report findings, etc) is building credibility in policy circles and among industry influencers.

Our end goal is to tie it all back to real-world impact by measuring shifts in loan inquiries. It confirms that our social storytelling is translating into tangible trust and credit access.

How is creativity evolving within the MarComm community? What major changes do you expect in the next 3 years?

Over the past few years, we have seen MarComm evolve from single, static campaigns into dynamic story ecosystems that adapt in real time. At UGRO, this meant transforming a one-off anthem into ongoing chapters of 'MSME Accha Hain' and #BharosaMSMEPar, where each mini-film or microsite update responds directly to entrepreneur feedback – like when a viewer's 'I Believe' certificate sparks hundreds of peer pledges overnight. We now treat every social insight and view-through pattern as creative fuel, refining narrative moments – whether it is the golden-hour shot of a weaver at her loom or the close-up of solar panels powering a workshop. What we do is keep our stories fresh, relevant, and deeply human.

Looking 3 years ahead, creativity will become genuinely co-creative, hyper-personalized, and multi-sensory. AI will tailor entire story arcs for different MSME segments. Imagine a plastic-molding unit in Aurangabad receiving a version of our manifesto that highlights metal-to-machine success stories, while a dairy cooperative in Himmatnagar sees one focused on cold-chain financing. Our phygital toolkit will expand too. Surya Rath may transform into AR-enabled pop-ups and partner meets will evolve into immersive, 360° brand experiences.

Further, ESG will live at the heart of every narrative, and turn our communications into a dynamic tapestry of impact showing how financing a medical-equipment upgrade or a packaging-line expansion drives both economic growth and sustainable practices. In this new era, MarComm won't just tell stories, it will co-author them with India's 63 million MSMEs. ■

Empowering the Last Mile: How NBFCs are Reshaping India's Financial Architecture

Non-Banking Financial Companies (NBFCs) have emerged as vital conduits of credit in India, particularly for populations that traditional banks have struggled to reach, from gig economy workers, micro-entrepreneurs and self-employed to salaried individuals in Tier 2 and Tier 3 towns. As the financial ecosystem evolves, the relevance and importance of NBFCs has only grown, especially in light of the recent regulatory developments, sectoral trends and deeper penetration of technology, says Raman Aggarwal, CEO, FIDC.

NBFCs have emerged as vital conduits of credit in India, particularly for populations that traditional banks have struggled to reach, such as gig economy workers, micro-entrepreneurs, self-employed and salaried individuals in **tier 2 & 3 towns**. As the financial ecosystem evolves, the relevance and importance of NBFCs has only grown, especially in light of the recent regulatory developments, sectoral trends and deeper penetration of technology.

NOW MORE THAN EVER

The RBI's ongoing recalibration of the regulatory landscape where 'harmonization' is the key, underscores one reality: NBFCs are no longer peripheral players. They have evolved from being the shadow players to now being the **mainstream creditors** in the retail segment. In 2023, NBFCs contributed to 12.6% of India's GDP and accounted for nearly 30% of total non-food credit. They outpaced commercial banks in credit growth during FY 2025, clocking a sharp 20% increase compared to the banking sector's 12% rise, according to a report by BCG. Their growing systemic importance necessitates both deeper scrutiny and greater recognition.

What explains their rise? India's formal banking architecture prioritizes formally documented borrowers, yet over 85% of India's workforce remains informally employed. This structural gap is precisely where NBFCs operate most effectively. According to CRIF High Mark, NBFCs continue to grow their share in **new originations**, particularly in smallticket and 'new to credit (first-time)' borrower segments.

NBFCs differ from regular banks on several counts. While banks have a major share of wholesale lending, giving huge credits to corporates and classes like agriculture and services, NBFCs essentially deal with retail borrowers. They are individuals and small businesses, some of whom may be turned down by banks.



Raman Aggarwal believes that easing capital requirements for banks' lending to NBFCs and the recent cut in monetary policy rates represent a strategic step supporting liquidity flow within the financial sector

As of the end of FY 2024, retail borrowers got just 34% of total bank credit in India. NBFCs, however, had much greater retail exposure, with nearly 48% of their credit going to individuals. This is a conscious effort by NBFCs to serve people who are generally ignored by mainstream banks, such as low-income, informal workers, or those with low / no credit scores. **NBFC credit to MSMEs has grown much faster as compared to banks.**

FINANCIAL INCLUSION IN ACTION

The birth and the growth of NBFCs for the last 7-8 decades results from their higher risk appetite coupled with their ability to reach out to the unbanked / underbanked segment which are perceived as high risk borrowers. NBFCs have thus made credit accessible, faster, and

more inclusive. Their agility lies in their deep-rooted understanding of the ground realities, leveraging alternate data, digital KYC, and behavioral underwriting. These innovations allow them to underwrite a ₹25,000 working capital loan to a kirana store owner in Bareilly or a ₹5 lakh personal loan to a gig worker in Chennai, transactions that most banks would consider too risky or uneconomical.

This is the reason why NBFCs can be called as the authors of financial inclusion story in India. Industry data indicates that **48% of NBFC credit goes to retail borrowers**, far outpacing the proportion extended by traditional banks in this segment. Importantly, digitization enabled through platforms like Account Aggregators (AA), OCEN, and ONDC has improved service delivery and reduced friction for borrowers.

CONTEXTUALIZING THE COST OF CREDIT

Much of the criticism NBFCs face stems from perceptions of high interest rates. But this narrative misses context. NBFCs raise capital at 8-14% (depending on their size), unlike banks that enjoy access to low-cost CASA deposits, and cater to higher-risk profiles. Added to it are higher cost of reaching out to the bottom of the pyramid borrowers with no back stop, non-availability of any tools for direct recovery in spite of lending to the high-risk borrower segment and disparity in taxation matters as compared to the other regulated creditors.

Moreover, the competitive landscape is intense. With 9200+ registered NBFCs and numerous fintech entrants, borrowers today enjoy more choice and transparency than ever before. The availability of comparison tools and RBI's disclosure mandates ensures that the market operates with increasing accountability.

The context of the lending rates of NBFCs gets strengthened by the figures (as reported in the RBI's Financial Stability Report dated 30th December, 2024) of Return on Assets (ROA) being 2.9% and Return on Equity being

12.6% (as on 30th September, 2024) which are very much in tune and sync with the prevailing market dynamics.

BORROWER EXPLOITATION?

Any suggestion of borrower exploitation undermines the agility and awareness of modern-day borrowers, and also negate the most important aspect of NBFC lending, which is the personal touch that NBFCs provide by being flexible and accommodative to borrowers' needs. Research by institutions such as Dvara Research and the Bharat Inclusion Initiative shows that even first-time borrowers demonstrate an understanding of their repayment obligations. In fact, NPA levels for NBFCs in small-ticket loans remain relatively contained, signaling that **risk is being managed prudently**. For many borrowers, the choice is not between high and low rates, but between formal credit and informal lenders - between paying 60% annual interest with rigid conditions and those who provide tailor made services as per their needs.

REGULATORY REALIGNMENT

Over the past few years, RBI has harmonized the regulation of NBFCs with that of banks and FIs. It has also strengthened oversight through the Scale Based Regulatory framework, enhanced capital requirements, stringent governance norms, a forward-looking provisioning regime based on the expected credit loss (ECL) and enhanced transparency by way of greater disclosures. These measures elevate the standards for small and large/ systemically important NBFCs, moving them closer to the regulatory rigor applicable to banks, without losing the sector's core flexibility.

More than just a regulatory compliance measure, ECL adoption equips NBFCs to thrive in a world marked by increasing economic volatility. The ECL framework offers a range of

features that significantly improve risk modelling and asset quality for NBFCs. It shifts credit risk management from a backward-looking incurred loss model, which recognizes losses only after they materialize, to a **forward-looking approach that anticipates potential losses**.

The Reserve Bank of India also rolled back the higher risk weights on bank loans to NBFCs when lending dropped significantly. This aims to rebuild bank confidence in extending credit during the economic slowdown. Easing capital requirements for banks' lending to NBFCs and the recent cut in monetary policy rates represent a strategic step supporting liquidity flow within the financial sector.

This regulatory arc reflects the maturing of the NBFC sector: from being seen as stop-gap alternatives to becoming **central pillars in India's credit delivery architecture**. And this maturity has also caught the eye of apex world bodies like The World Bank and the IMF who not only recognize, but also talk high of the **impact that the NBFCs are making to the financial landscape** of the fastest growing economy in the world today.

RETHINKING THE NARRATIVE

It is time to shift public discourse away from binary portrayals of NBFCs as either saviors or exploiters. A more accurate lens would recognize their role as innovators within a regulated ecosystem. From being coined as shadow banks, NBFCs have steadily evolved into trusted partners of the formal financial system, acting as co-lending and banking correspondents (BCs), especially in underserved regions. In the same spirit, allowing NBFCs to offer credit lines over UPI could unlock the next phase of inclusion. It would support more transparent usage of funds, enable real-time credit reporting, and empower lenders with better control over



disbursals, creating a win-win for consumers and the broader credit ecosystem.

REIMAGINING THE FUTURE:

As policymakers deliberate the next phase of India's financial inclusion journey, the goal must be to balance innovation with safeguards. Promoting borrower education, strengthening disclosure standards, and testing new models through regulatory sandboxes can achieve more sustainable outcomes. With greater use of modern tech backed by AI, it is the **increase in supervision** and not regulation that shall pave the path ahead. We must remember that a tech-enabled NBFC today can assess a borrower, approve a loan, disburse funds, and collect repayments, all in a matter of hours. This isn't just convenience, it's a transformation of access at scale. Increased collaboration between banks and non-banks shall be the order as we march towards building a Viksit Bharat.

CONCLUSION

NBFCs are not outliers to be reined in, they are critical complements to banks, especially in a country as large, diverse, and informally employed as India. Empowering them responsibly may just be the key to building a more inclusive, resilient, and responsive financial system. The time has come to remove the negative connotation of being 'Non-Bank' and address them simply as **Finance Companies (FCs)**. ■

SIDBI's 3rd MSME Outlook finds positive trends

SIDBI's 3rd 'MSME Outlook Survey,' reveals that the Composite MSME Business Confidence Index (M-BCI) for April-June 2025 rose to 63.75 from 60.82 in the previous quarter, reflecting a favourable business environment for MSMEs. Manufacturing and trading MSMEs experienced sharper improvements, while the services sector continues to maintain a strong confidence level above 60. The Composite MSME Business Expectations Index (M-BEI) stands at

62.19 for the next quarter and rises to 67.88 for the corresponding quarter next year.

Over half of the manufacturing and trading MSMEs reported growth in April-June 2025, while 42% of service sector MSMEs recorded sales growth, and 48% reported stable sales. Profitability also showed resilience.

88% of the MSMEs confirmed the availability of overall finance – an increase from 79% in the previous survey. This trend

is especially prominent in the trading sector. With increased sales, capacity utilization, and input costs, there is now greater potential for expanding formal credit to support the sector's financing needs.

The survey suggests a gradual improvement in the interest rate environment with the respondents reporting rise in cost of finance coming down vis-à-vis the previous round. MSMEs nevertheless, remain concerned about the high cost of finance. ■

RBI promotes Kesavan Ramachandran as Executive Director

The Reserve Bank of India (RBI) has appointed Shri Kesavan Ramachandran as Executive Director (ED) with effect from July 01, 2025. Prior to being promoted as ED, he was serving as Principal Chief General Manager in Risk Monitoring Department.

He has over 3 decades of experience in currency management,

banking and non-banking supervision, training and administration. He also served as

Principal of the Reserve Bank Staff College during his career. He served

as, RBI's nominee on the Board of Canara Bank for over 5 years and on

the Auditing and Assurance Standards Board of ICAI for 2 years. As Executive

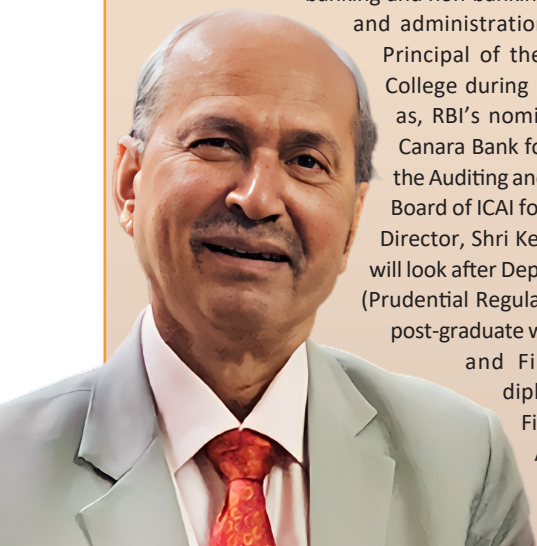
Director, Shri Kesavan Ramachandran will look after Department of Regulation (Prudential Regulation Division). He is a

post-graduate with an MBA in Banking and Finance and holds a

diploma in International Financial Reporting from

ACCA, UK. He is also a Certified Associate of

the IIBF. ■



New gold loan norms may offer boost for NBFCs

The Reserve Bank of India's new regulatory norms on gold loans may provide a major boost for gold loan-focused NBFCs, according to sector analysts. The new framework on gold loans announced by the RBI has raised the loan-to-value (LTV) ratio ceiling, which is expected to provide better cushion for gold financiers to meet LTV requirements, even after factoring in accrued interest in bullet repayment loans. According to credit rating agency Crisil Ratings, the benefit will play out despite the change in LTV computation for bullet repayment loans, which now need to also factor in the accrued interest payable at the time of maturity, rather than just the initial disbursed principal amount. For bullet loans, the LTV at disbursement could increase to 70-75% from around 65-68%, Crisil Ratings said. The new directions are applicable from 1 April 2026, giving NBFCs the required time to reorient their systems and processes to comply with the revised regulations, it added.

Crisil Ratings estimate that loans with a ticket size of less than ₹500,000 comprise close to 70% of the gold loan portfolio for NBFCs. ■



RBI step to relax asset norms to help NBFC-MFIs

The Reserve Bank of India's recent move to relax the qualifying asset norm of NBFC-MFIs is expected to take care of several issues that confront the sector, especially allowing MFIs to diversify asset allocation by assigning a greater proportion of their resources to products and services that extend beyond traditional microfinance. The NBFC-MFIs now need not worry about regulatory repercussions. The new regulatory norm strengthens the NBFC-MFIs' financial stability by improving risk mitigation through reduced reliance on microfinance loans. It also boosts regulatory adherence by taking care of the reasons that contributed to non-compliance among NBFC-MFIs. In addition, if an NBFC-MFI could not maintain the revised threshold for 4 consecutive quarters, it only needs to submit a remediation plan to the RBI, outlining the steps taken to rectify the situation. The step also reduced the qualifying asset (net of intangible assets) threshold from 75% to 60%, allowing the NBFC-MFIs the flexibility to diversify operations by giving credit to more segments and to improve financial stability. ■

RBI FSR June 2025: NBFC Sector Stable with Pockets of Emerging Retail Loan Stress

The Reserve Bank of India's June 2025 Financial Stability Report (FSR) notes that while the NBFC sector has seen a healthy expansion in retail credit over the last few years, there are emerging signs of stress in certain small-ticket retail segments. The overall asset quality of NBFCs continues to remain broadly stable, supported by comfortable capital buffers and strong risk management practices.

The report highlights that the gross NPA ratio for the NBFC sector was 3.1% as of March 2025, which includes housing finance companies, microfinance, and diverse retail portfolios. By comparison, scheduled commercial banks reported a GNPA ratio of 1.2% for their retail loan books, reflecting the difference in borrower segments served: NBFCs cater more to under-served, informal, and emerging segments where risk is structurally higher.

Retail loan growth among NBFCs rose sharply post-pandemic – from near zero in March 2021 to over 35% by late 2022 – driven by strong demand in segments such as personal loans, consumer finance, and microcredit. This growth has since moderated to 21% by March 2025, showing a natural consolidation as lenders recalibrate risk and portfolio quality. The FSR also notes that NBFCs and fintech lenders account for 84.3% of personal loans below ₹50,000, which are predominantly short-tenor, small-ticket loans catering to new-to-credit customers. This specific sub-segment shows a slightly higher risk profile, with about 10% of such borrowers having prior overdue loans and a high degree of multiple borrowings. However, this is a contained pocket of risk and does not reflect the overall NBFC asset book. ■

Jio Financial, Allianz in reinsurance JV



Jio Financial Services has entered into a binding agreement with Allianz Group subsidiary Allianz Europe to set up a 50:50 reinsurance joint venture in India. The joint venture will make use of Allianz's its Allianz Re and Allianz Commercial portfolios in India, alongside its global strengths in pricing, risk selection and portfolio management. It is expected to strengthen India's insurance ecosystem by providing insurers with robust underwriting capabilities and competitive reinsurance capacity and help meet India's national goal of achieving 'Insurance for All by 2047'. Isha Ambani, Non-Executive Director, Jio Financial Services, said the partnership will combine Allianz's global reinsurance expertise with Jio Financial Services' deep understanding of the Indian market and strong digital infrastructure and help to deliver innovative and customized reinsurance solutions to insurers. The joint venture is expected to begin operations soon. The 2 entities have also signed a non-binding agreement to explore additional joint ventures in general and life insurance segments. ■

Shriram Finance, TrucksUp set up logistics financing JV

Shriram Finance has entered into a joint venture agreement with TrucksUp, the Gurgaon-based FTL aggregator platform, aimed at transforming the logistics financing landscape in the country. The strategic partnership aims to empower transporters, fleet owners and businesses with seamless access to a wide array of financial products, including vehicle loans, business loans, loan against property, personal loans and gold loans. TrucksUp users will benefit from Shriram Finance's expertise in financial services and its vast consumer network across India, especially in tier 2 and tier 3 centers. The partnership aims to offer tailored financial products that meet the unique needs of logistics businesses - from supporting vehicle purchases to facilitating business expansion and at the same time empowering entrepreneurs and small business owners. ■

Capri Global Capital partners with insurance tech platform Heph

Capri Global Capital has partnered with insurance tech platform Heph to embed insurance products within its lending infrastructure. This allows Capri Global Capital to offer customized health, life and motor insurance delivered through assisted, direct-to-consumer and embedded channels. The partnership will make use of Heph's white-label SaaS platform, designed to serve the insurance distribution needs of banks and NBFCs. Capri Global Capital, with an AUM of ₹200 billion and a branch footprint across 19 Indian states, will leverage Heph's technology stack to drive faster policy issuance, automate claims and compliance workflows, and open new revenue streams. The company has a corporate agency license for distributing life, general and health insurance, and the new integration with Heph's platform is expected to further accelerate its insurance vertical. ■

Ambit Finvest signs co-lending partnership agreement with DCB Bank

Ambit Finvest has forged a strategic co-lending partnership with DCB Bank to provide tailored business loans to MSMEs. The move is aimed at making effective use of the strengths of both institutions to address the evolving financial needs of the MSME sector. The co-lending partnership is under the Reserve Bank of India's co-lending model, which encourages synergies between banks and NBFCs to enhance credit flow to priority sectors such as MSMEs. This is Ambit Finvest's fourth such collaboration, after finalizing successful partnerships with Union Bank of India, SIDBI and Central Bank of India. This partnership is expected to be highly effective given DCB Bank's strong balance sheet and Ambit Finvest's deep understanding of MSME requirements. It will help quicker loan disbursements and more flexible financing solutions. ■

Paisalo Digital, SBI signs co-lending loan agreement

Paisalo Digital, the NBFC backed by LIC and SBI Life, has concluded a renewed co-lending loan agreement with the State Bank of India. The agreement is expected to boost lending in priority sectors. Paisalo Digital said the agreement will help it to expand affordable and timely credit access to the backbone of the Indian economy, that is, catering to the tier 2, tier 3 and rural markets. Under the co-lending arrangement, both Paisalo and SBI will jointly handle origination, disbursement, servicing and recovery of SME loans through an integrated digital platform, offering better turnaround times and minimised operational friction. The platform already has some 3500 touchpoints across India and has serviced more than 9.4 million customers, primarily in rural regions. Paisalo now seeks to diversify its portfolio beyond microfinance, especially at a time when India's SME sector is in urgent need of structured financial support post-pandemic. ■

IIFL Home Finance gets \$100 million finance from AIIB



IIFL Home Finance, a company operating in the affordable housing finance segment, has secured a \$100 million (₹858 crore) financing from the Asian Infrastructure Investment Bank (AIIB). The partnership will help the company to enhance its operations in the affordable housing finance segment and help economically weaker sections and lower income groups and in promoting the adoption of green building standards across the housing sector. Besides extending home loans to families, primarily from EWS and LIG segments, the company will also finance affordable housing developers, with a focused thrust on projects that integrate green certification standards. The loan will also support IIFL HFL's green housing portfolio. ■

Capri Global Capital raises ₹2000 cr by QIP

Capri Global Capital announced the successful completion of its QIP, raising primary equity capital of ₹2000 crores by issuing approx 136.5 million shares to Qualified Institutional Buyers in compliance with SEBI ICDR Regulations. This is the first QIP by the NBFC in the last decade. Numerous institutional investors including Quant Mutual Fund, 3P Investment, BlackRock, Think Investments, Allspring Global Investments, ICICI Prudential Life Insurance, HDFC Life Insurance, ICICI Lombard General Insurance, SBI General Insurance, HDFC Ergo General Insurance, TATA AIF, MK Ventures Capital participated. Capri Global Capital MD Rajesh Sharma said the capital raised will enable the company to capitalise on growth opportunities across key lending verticals, expand its geo presence, invest in AI & data science capabilities and strengthen the capital base. ■

Muthoot Fincorp floats NCD, aims for ₹290 cr

Muthoot FinCorp has launched secured and redeemable NCDs with a face value of ₹1000. The Tranche VI issue has a base size of ₹100 crore with green shoe option of ₹190 crore, aggregating to ₹290 crore, with tenure options of 24, 36, 60 and 72 months. Effective annual yield ranges from 9.2% to 9.8%. The company aims to use the funds to support lending, financing and for repayment/prepayment of interest and principal on existing borrowings, and other requirements. The NCDs have been rated Crisil AA-/Stable. ■

EarlySalary NCD attracts Franklin Templeton AIF

Fibe's NBFC entity, EarlySalary Services announced that it has successfully concluded its latest NCD issuance, with Franklin Templeton Alternative Investments Fund, India coming on board as the primary subscriber. The funds will be deployed to accelerate the company's growth and boost its lending that is focused on young, tech-savvy and salaried individuals. Said Ashish Goyal, Director at EarlySalary Services: "The participation of Franklin Templeton AIF India is not just a vote of confidence in our long-term vision, but the digital lending sector as a whole. We have always remained focused on maintaining strong asset quality while working to diversify and institutionalize our funding sources." ■

Varthana Finance gets \$18.6 m debt funding

Bengaluru-based Varthana Finance, the largest school loan company in the country, has raised ₹1590 million (approximately \$18.6 million) in debt funding from 3 global investors - BlueEarth Capital, Franklin Templeton



Steve Hardgrave



Brajesh Mishra

Alternative Investments and responsAbility. The funding comprises ₹690 million in external commercial borrowings from Swiss-based BlueEarth Capital, ₹650 million via non-convertible debentures subscribed by responsAbility, and an additional ₹250 million infusion from Franklin Templeton AIF. Varthana proposes to use the funds to improve access to affordable private education across India, improve school infrastructure and integrate sustainable, energy-efficient systems. Founded in 2013 by Steve Hardgrave and Brajesh Mishra, Varthana is today a key player in India's education finance ecosystem, providing low-cost, collateral-free loans tailored for affordable private schools and student borrowers. It offers loans of up to ₹500,000 for higher education, pre-university degrees, certification programs and skill enhancement courses. It has presence in 40 cities across 16 states and has financed more than 12,000 private schools and disbursed over 75,000 loans. ■



Bhavya Taneja is CMO at PNB Housing Finance

PNB Housing Finance has appointed Bhavya Taneja as its CMO. He was been with the company for nearly 6 years and was last its National Head - Marketing. Earlier, he was with IIFL Wealth as VP - Brand Marketing and Communications. He has also worked for HSBC

India and Kotak Mahindra Bank. Bhavya has a PGDBM in Marketing from Sadhana Centre for Management & Leadership Development, Pune, and has completed a certification program in Digital Marketing and Strategy from the IIM, Indore.

Vikram Manwani promoted as CBO at Ambit Finvest

Vikram Manwani has been promoted as CBO - Institutional Lending at Ambit Finvest. He was EVP at the company. Prior to Ambit, he was with Finmax Credit and Finance as SVP. He has also worked for Yes Bank and ABN AMRO Bank. Vikram has a MBA in International Business from Devi Ahilya Vishwavidyalaya.



Lakshmi Iyer joins Bajaj Finserv as Group President

Bajaj Finserv has appointed Lakshmi Iyer as its Group President - Investments. She has over 27 years of experience in financial services across wealth advisory, strategy and product solutions spanning fixed income, real estate and alternates. She was CEO of Investments and Strategy at Kotak Mahindra Asset Management, having joined the group in 1999. Lakshmi has an MBA in Finance from NMIMS.



Vimal Saboo promoted as CEO at Fibe India

Vimal Saboo has been promoted as CEO of Fibe India (formerly EarlySalary). He was CBO at the company, where he had spent more than 9 years. Earlier, he has worked for Edelweiss Financial Services as Business Head - Agri Commodities and Axis Bank as Vice President & Head-Analytics (Consumer Lending). Vimal is a CA affiliated to the Institute of Chartered Accountants of India.



Vijayakumar Gopalan is EVP at MAS Financial Services

Vijayakumar Gopalan has been appointed as EVP - Business Development at MAS Financial Services. He comes to MAS Financial from GRO Digital Platforms where he was CFO. He has also worked as CFO at Dvara KGFS and Hinduja Leyland Finance.

TruCap Finance appoints Saurabh Sethi as Finance Head

TruCap Finance has appointed Saurabh Sethi as its Finance Head. He was Finance Head at Trillionloans Fintech. Earlier, he has worked for Snapmint, IndoStar Capital, Capital First and Deloitte in senior positions. Saurabh is a CA.



Abhik Sinha joins Arka Fincorp as CHRO



Abhik Sinha has joined Kirloskar Group company Arka Fincap as its CHRO. He was SVP & Head - Business HR (Assets) Talent Acquisition & HR Transformation at Equitas Small Finance Bank. He has also worked for Srei Infrastructure Finance as VP & Head - Talent Acquisition, Talent Management, Rewards and HR Operations. Prior to that, he has worked for Tata Motors Finance and HDFC Bank in HR roles. Abhik has an MBA from IBS-Hyderabad and a B.E. in Computer Science from Nagpur University.

Krunal Naik joins SMFG India as VP - Fraud Risk Governance

Krunal Naik has joined SMFG India Credit as VP - Fraud Risk Governance and Compliance. He was with HDFC Bank as Deputy VP. He has also worked for Jio and Vodafone Idea.

Ashok M. appointed CTO at IREP Credit Capital

Ashok M. has been appointed CTO at IREP Credit Capital. He was CIO at Tata Capital Housing Finance. Prior to that he was with Piramal Finance as Head of IT - WS Division. Ashok has a MMS in Marketing and Marketing Management from Rizvi Institute of Management Studies and Research and BE in Chemical Engineering from K.E.S NNP Engineering College, Pen.



UGRO Capital elevates Anuj Pandey as it's CEO



UGRO Capital has elevated Anuj Pandey from Chief Risk Officer to CEO. Anuj, a founder member of UGRO, has been an integral part of the company since its inception. He commands 25 years of diverse experience across ABN AMRO Bank, Barclays Bank and Religare, handling leadership roles in business and product strategy. He is a B. Tech in Mechanical Engg and an alumnus of IIM Lucknow. His appointment comes at a tipping point for UGRO which has crossed ₹12,000 crore AUM in MSME financing, expanded to 300+ branches, and announced a strategic acquisition of Profectus Capital.

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| 2 | Middle Layer | ₹50,000 | ₹2,00,000 |
| 3 | Base Layer (Total Assets of & over ₹100 cr) | ₹10,000 | ₹25,000 |
| 4 | Base Layer (Total Assets under ₹100 cr) | NIL | ₹5,000 |

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- ❖ 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

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- ❖ Membership Application Form duly filled and signed.
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Notable News

Satin Creditcare obtains first 'social term loan' via ECB route

Leading NBFC-MFI Satin Creditcare Network has successfully raised its first syndicated social term loan of \$100 million through the ECB route. The company has made use of the automatic route of the Reserve Bank of India for this purpose. It is expected to use this funding to expand its access to financial services, promote economic participation and drive development in the underbanked regions of the country. The funding is also expected to enhance its ALM position while reducing its cost of funds. The facility was arranged solely by Standard Chartered Bank which also participated in the funding through its Gift City branch. The other participating banks included 6 Sri Lankan banks - Hatton National Bank, National Development Bank, Seylan Bank, Pan Asia Banking Corporation, Commercial Bank of Ceylon and DFCC Bank. H.P. Singh, CMD of Satin Creditcare, said the social loan marks a significant landmark as the company's first syndicated transaction, reflecting the trust and confidence that global financial institutions have placed in the company.

NBFCs had a robust FY 2025, observes study

A recent research report by Devan Choksey Research found that Indian NBFCs are moving away from the traditional way of bank borrowings and are increasingly turning to public deposits and domestic bond markets for substantial capital raising. The study said while NBFCs provide financial services similar to those of banks, they are not commercial scheduled banks since they do not accept deposits like banks. It also noted that NBFCs had a robust financial year 2025 and grew faster than traditional banks in lending activity. And they recorded a credit growth of 20%, much higher than the 12% growth seen in the banking sector.

A big share of this growth came from the rising demand for gold loans, pushing the total loans given by NBFCs to ₹24.5 trillion, it added. The study also noted that the overall size of the NBFC sector grew significantly, with total assets increasing by 20% yoy to ₹28.2 trillion. Borrowings rose by 22% yoy to ₹19.9 trillion. Larger NBFCs saw an 8% rise in profits, but the MFI segment saw a sharp 95% decline in profits due to high levels of stress and increased provisioning.

The study observed that NBFCs had become slightly more efficient in FY25, with their cost-to-income ratio improving slightly from 36.7% in FY24 to 36.2%. Asset quality also improved, with Gross NPAs improving by 10 basis points. However, the MFI segment reported a rise in loan defaults due to ongoing stress.

US situation may impact education loan growth of NBFCs

The growth in education loans of Indian NBFCs may halve in FY2026, mainly on account of the policy uncertainties in the US, according to Crisil Ratings. The rating agency said the asset quality of the portfolio, which stood at Rs 640 billion as of March 2025, is 'stable' as of now, with a gross NPA ratio at 0.15, 'but this remains monitorable'. Crisil also said the education loan segment has grown at around 50% for the last 2 consecutive fiscals, and is estimated to halve to 25% in FY26. Crisil Ratings' Director Malvika Bhotika said policy uncertainties in the US, combined with measures, including reduced visa appointments and the proposed elimination of Optional Practical Training norms, have culled newer loan originations. This has led to a 30% decline in total disbursements to the US geography in the last fiscal year. Crisil also said NBFCs have sharpened their focus on other geographies to offset these headwinds, and are preferring the UK, Germany, Ireland and smaller countries as students opted for alternative destinations.

Unhealthy credit situation in MSME sector

The MSME sector in the country is showing unhealthy credit symptoms. Reports in the May and June editions of the MSME Pulse by TransUnion CIBIL and SIDBI have indicated a worrying situation of early delinquencies in MSME loans. While overall commercial credit portfolio performance remained stable, there is trouble at the bottom tier, with borrowers of aggregate credit exposure of up to ₹1 million. Small business loans overdue for more than 90 days within 12 months origination have risen to 1.9% as of March 2025, as against 1.3% a year ago, the report said. Business loans under ₹1 million had the highest 121-month vintage delinquency, with recent originations seeing delinquency rates exceeding 16% at the end of FY2024 up from 8.7% in FY2023. The uptick in defaults is largely being attributed to overleveraging by MSME borrowers where ambitious expansion plans did not match actual revenue growth. Non-bank lenders believe that the turnover of MSME borrowers has not increased but their debt has caused overleveraging.

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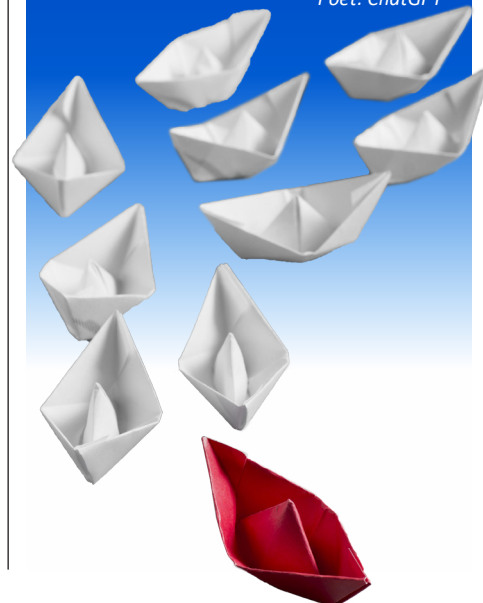
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Poet: ChatGPT





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