

FIDC

Finance Industry Development Council

(A Representative Body of Assets and Loan Financing NBFCs)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

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Smt. Nirmala Sitharamanji,
Hon'ble Minister of Finance,
Government of India
North Block
New Delhi 110 001

06th July, 2020

Hon'ble Finance Minister Madam,

REPRESENTATION REGARDING INCLUSION OF INDIVIDUALS UNDER ECLGS SCHEME FOR CREDIT ASSISTANCE

We represent the interests of large no of retail NBFCs which are predominantly engaged in financing the MSMEs which are engaged in transportation, civil construction, mining biz and having small trading, C&F agency, shops etc. More than 50% of the customers comprising truck/taxi drivers, machine operators, shop keepers etc who we finance are borrowing first time (FTB) when we give loan to them for their livelihood and we largely operate in the tier III to VI towns in the country.

We appreciate the Government of India's efforts to revitalise the economy and the spirit behind the unprecedented initiatives being taken towards building an "AtmaNirbhar" India. We sincerely thank your kind self for taking steps to support the MSMEs through various interventions one such being through the Emergency Credit Line Guarantee Scheme, which seeks to provide additional credit of up to Rs. 3 Lakh Crore at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses.

More than 75% of our customers take loans in their individual names as they don't have any biz establishment in the name of firm or partnerships and they conduct their business in individual names.

We have been engaging with NCGTC in this regard to issue necessary clarifications for inclusion of individuals in the list of eligible borrowers for assistance under ECLGS. NCGTC has issued the clarifications dt. 2nd July, 2020(copy enclosed) which covers loans availed against vehicles (including construction equipment, vehicles, taxis etc. but limited to loans covered MUDRA scheme. We give lakhs of loans every



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month ranging from Rs. 3-4 lacs to Rs. 25 lacs for purchase of these assets but most of these loans are not refinanced under MUDRA scheme either on a/c of loan amount as it is over Rs. 10 lakhs or the interest spread is higher than mandated to cover the higher operating costs and credit losses. However, all these loans are disbursed exclusively for purchase of vehicles used for commercial purposes and create employment in the informal sector.

We therefore submit for your kind consideration to include all loans given to individuals for purchase of vehicles (including construction equipment vehicles, taxis etc) which are registered for commercial purposes as eligible for assistance under ECLGS.

Madam, the above clarification in time will significantly help us to provide additional credit support to millions of MSMEs who are dependent on NBFCs for meeting their working capital needs and right now, they are in dire need of the same to restart their operations and we commit that it will lead to very large coverage of MSMEs though for small amounts of loans ranging from Rs. 1-5 lakhs towards 20% of their outstandings as on 29th Feb, 2020.

We also seek a meeting with your good self and your officials to provide any clarifications in this regard.

Thanking you once again,

Yours faithfully,

FOR FINANCE INDUSTRY DEVELOPMENT COUNCIL

MAHESH THAKKAR
DIRECTOR GENERAL
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