

FIDC

Finance Industry Development Council

(A Representative Body for Assets and Loan Financing NBFCs)

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

Tel: 022 21029898/9820035553 • E-mail:directorgeneral@fidcindia.org website: www.fidcindia.org

February 24, 2020

**Shri Manoranjan Mishra,
Chief General Manager,
Reserve Bank of India,
Department of Regulations(NBFCs),
Main Office Building, 1st Floor,
Shahid Bhagat Singh Road,
Fort, MUMBAI 400 001**

Respected Sir,

SUB: OFFSET TO NDTL FOR THE PURPOSE OF CALCULATING CRR FOR BANKS

We refer to the recent monetary policy of the RBI. We congratulate the Bank for having taken a very creative and decisive step towards increase in credit flow to the retail and MSME sectors by allowing banks to deduct incremental lending to these sectors from the calculation of Net Demand & Time Liabilities (NDTL) for the purpose of calculating Cash Reserve Ratio requirements. We at FIDC believe that this would give a boost to bank lending to these crucial sectors and accelerate GDP growth.

We would humbly submit that since NBFCs play a significant role in providing the last mile connectivity in delivering credit to the retail and MSME sectors, the RBI may kindly consider including the incremental loans given by banks to NBFCs for the purpose of on-lending to the retail and MSME sectors as a deduction from NDTL for the aforesaid purpose. This would significantly boost credit delivery to these deserving sectors and also aid in boosting the ability of NBFCs to provide credit to these sectors.

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Further, the prime objective of CRR is to regulate excess liquidity with banks. In the current scenario where NBFCs are facing a liquidity crunch, increased bank lending to NBFCs enhances the liquidity position not only for NBFCs but also the ultimate borrowers like MSMEs. This truly cannot be construed as “excess” liquidity.

We would also reiterate our request to kindly remove the artificial limit of Rs 20 lakhs per borrower while considering priority sector status for loans given by banks to NBFC for on-lending to the priority sector. This would help banks in fulfilling priority sector obligations and also give a boost to co-origination of priority sector loans by NBFCs and banks.

We request your kind consideration.

Yours Faithfully

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

**MAHESH THAKKAR
DIRECTOR GENERAL
98200 35553**