

FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

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

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www.fidcindia.org.in

November 23, 2023

The Chief General Manager,
Department of Regulation,
Central Office,
Reserve Bank of India,
12th Floor, Central Office Building,
Shahid Bhagat Singh Marg, Fort,
Mumbai – 400 001

Respected Sir,

SUB: “Circular on Regulatory measures towards consumer credit and Bank Credit to NBFCs”

Ref: Circular RBI / 2023-24 / 85 / DOR.STR.REC / 21.06.001 / 2023-24 dated November 16, 2023

RBI vide circular under reference has decided to effect certain measures to curtail the high growth in certain components of consumer credit in order to address the build up of risks, if any, and institute suitable safeguards , in the interest of the Banks and NBFCs.

We welcome the move by the RBI to regulate the growth of consumption oriented credit and welcome the move to differentiate that from credit intended for industrial and commercial growth and for the purpose of productive asset creation. This we believe would redirect credit flow towards capital expenditure and aid in greater degree of funds flow towards meeting working capital needs especially of the MSME and self-employed sectors.



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We would, however, request the RBI to re-evaluate the sharp increase in risk weights assigned to bank loans to NBFCs. While we understand the purpose of the Bank to regulate credit flow to the consumer sector, this measure inadvertently, also has the potential to sharply reduce flow of credit to MSMEs, self-employed and other sectors which rely upon credit from NBFCs. The cost of funds to these critical sectors is also likely to increase sharply, especially at a time when the MSME and self-employed segments are emerging out of the Covid impact and are looking ahead to increase capital expenditure through modernization and expansion of productive capacity.

We would request the RBI to kindly restore the risk weight on bank loans to NBFCs where majority of the NBFCs' loan book consists of MSME loans, vehicle loans and other categories of loans that have been excluded from the purview of the aforesaid circular.

We would be grateful if you could give us an opportunity to discuss with you the aforesaid matter.

Thanking you,

Yours sincerely,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

**MAHESH THAKKAR
DIRECTOR GENERAL
9820035553**



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