

FIDC

Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs - AFCs)
101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077 (India)
Tel: 022 21027324/9820035553 • E-mail: maheshthakkar45@yahoo.in website: www.fidcindia.org

October 13, 2015

Shri Nitin Gadkariji

Minister for Road Transport & Highways
Transport Bhawan
1, Parliament Street
New Delhi 110001

Hon'ble Sir,

RE: Meeting held in your office on October 08, 2015

We would like to convey our sincere **thanks** to you for sparing your valuable time and giving us a patient hearing during our meeting held in your office on October 08, 2015. As advised by you, we are submitting herewith a note on the key issues discussed during the meeting.

Introduction

Finance Industry Development Council (FIDC) is a Self-Regulatory Organization (SRO) cum Representative Body of the NBFCs, registered with the Reserve Bank of India and engaged in Asset Financing. FIDC was formed 11 years ago, and is the recognized face of NBFCs, specially, those engaged in asset financing. We have been engaged in regular interactions both with Reserve Bank of India and Govt. of India, which include pre-budget meetings and also important policy related meetings with RBI.

Almost all the leading NBFCs and a large number of small and medium sized NBFCs are our members.

Role of NBFCs

NBFCs have been recognized for their role in credit delivery in remote corners of India and have carved a niche for themselves in the semi-rural and rural segments

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of the country. Asset Financing NBFCs are also playing a vital role in furthering the cause of Financial Inclusion and in credit dispensation to the poor states/credit starved areas for over 7 decades. They specialize in financing of productive assets in the Transportation, Agricultural, infrastructure and SME segments and their customer segments include, First time buyers, Small Road Transport Operators (SRTO), Agricultural and Weaker sections of the society, involving people who normally either cannot approach banks for their credit requirements or are unable to provide appropriate documentary proofs of their creditworthiness to the banks. Considering that such are the customers being catered to by the NBFCs, it is acknowledged time and again that they are thus playing a vital role in enabling the informal segment customers, who are “unbanked”, to move away from the Money lenders to an Organised financier and over a period of time move them into the formal segment which enables these customers to be recognised and serviced by the Banking segment as well and thus become “bankable”.

A recent study has shown that some of the NBFCs have outgrown some of the scheduled commercial banks in terms of their overall balance sheet size. This clearly demonstrates the great potential and promise that this sector holds, specially, in an era where Indian economy is on the verge of becoming the fastest growing economies of the world.

Key Issues

1. Request For Statutory and Policy Support in Financing of Automobiles

Sir, Financing of vehicles, both new and second hand, ranging from heavy commercial vehicles to three wheelers and two wheelers has been the trade mark of NBFCs, specially those engaged in asset financing. All the expert committees/task force set-up by government of India and RBI have unanimously acknowledged and appreciated the role of NBFCs in the development of transport sector.

The Motor Vehicles Act, 1988 is perhaps the only legislation in the country which recognizes and gives such clear rights to the financiers. We thank you for carrying forward the same in the Road Transport & Safety Bill. However, there are some

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areas of concern in the Road Transport & Safety Bill for which we have already submitted our detailed representation to your ministry.

Suggestion

We hereby request for enhanced statutory and policy support to NBFCs enabling us to further penetrate into rural and semi-urban areas for financing of vehicles.

2. Use of Technology at the RTO Level can be a Game Changer

Use of technology at the RTO levels can be a game-changer in preventing frauds and prevent corruption. Use of tracking devices and online database on the ownership, transfer, licenses, financing and other details of all the vehicles is needed. This would further save the time, resources and energy to a large extent.

Suggestion

Availability of online database on ownership, transfer, permits, road tax and financing of all vehicles coupled with inter linking of all RTOs across the country shall go a long way in not only saving time and resources but also checking frauds and corruption

3. VAHAN – National e-Register of Vehicles – NBFCs are Not Eligible

“VAHAN” which is the National Register providing e-Services of all the registered vehicles pertaining to all the important parameters, has been a very useful initiative. However, the list of eligible applicants for login ID creation includes banks, insurance companies, transporters, state transport undertakings, individual employers and automobile manufacturers but does not include NBFCs. This deprives NBFCs from having access to these services online.

Suggestion

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All NBFCs registered with RBI should also be included in the list of eligible applicants for login ID creation at VAHAN (www.vahan.nic.in)

4. Risk Weight on Financing of Automobiles Should be Reduced – Request for Support

As per the prevailing RBI regulation, all assets financed by NBFCs, irrespective of their type are assigned a uniform risk weight of 100. The leading rating agencies have categorized automobiles, specially, commercial vehicles as “Low Risk” in the risk compendium prepared by them. As such there is a need to reduce the risk weight on financing of automobiles.

Suggestion

We hereby seek the support of Road Transport Ministry in requesting RBI to reduce the risk weight as mentioned above. This will encourage more fund flow to NBFCs at cheaper rates there by enabling them to further lend to the Small Road Transport Operators (SRTOs) in the remote areas of the country at affordable rates.

We hope that the above said issues shall receive your sympathetic consideration. We shall be glad to provide any other information/clarification in this regard.

We hope to receive a favourable reply from your end. Assuring you of our full cooperation always and thanking you in anticipation

Yours faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

Raman Aggarwal

Chairman

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