

FIDC

Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs)

ANNEXURE - III

Access to Funding

Refinancing Mechanism for NBFC-AFCs

The Indian economy is heavily dependent on road transport. It has been said that Road Transport is the lifeline of the Indian Economy. It is therefore appropriate that Road Transport Finance be accorded high priority similar to Housing Finance. For many years now, NBFC-AFCs have been demanding a Refinancing Mechanism on the lines of Housing Finance companies (HFCs).

We would like to draw your kind attention to the 45th Report of the Parliamentary Standing Committee on Finance (dt. June 2003) on The Financial Companies Regulation Bill, 2000. The committee comprised of many eminent parliamentarians who are cabinet ministers in the current government, including the Hon'ble Prime Minister. The committee in its report had strongly recommended setting up of a new Refinance Institution for NBFCs providing Road Transport finance, similar to National Housing Bank for HFCs.

The second stimulus package announced by the government on January 02, 2009 made mention of a special line of credit for NBFCs from public sector banks for financing of commercial vehicles. This was a very welcome step in the direction to provide refinance to NBFC-AFCs. However, we regret to state that in spite of several joint meetings convened by your ministry officials with Indian Banks Association (IBA) and FIDC, it remains a non starter. As such, there has been no progress made in this direction till date, due to the delay in issuance of suitable directions by IBA to their member banks in this regard.

It has also been a long standing plea of the industry that It would be a great support if SIDBI and NABARD could extend long term loans against the assets financed by NBFC-AFCs.. SIDBI and NABARD could set up an exclusive refinancing window for NBFC-AFCs, similar to that of NHB for the housing finance companies. This would go a long way towards addressing the long term funding needs of NBFC-AFCs.

