

## **RBI asked to restore priority sector status for bank loans to NBFCs**

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*Access to cheaper overseas funds, stable policy among NBFCs' demands at pre-policy meet*



Mumbai, April 9:

A stable long-term policy regime and recognising bank loans to non-banking financial companies (NBFCs) as priority sector lending were some of the key demands that NBFCs placed before the Reserve Bank of India on Tuesday.

In their customary pre-policy consultative meeting with the RBI, the NBFCs articulated the problems faced by them and what help they would need from the regulator.

Mahesh Thakkar, Director General, Financial Inclusion Development Council, said, "We requested the RBI to restore the priority sector lending tag for banks lending to NBFCs. This would help NBFCs access funds at cheaper rates from banks."

Earlier, the banking regulator had stripped the priority sector tag for bank lending to NBFCs. Thus, the banks lost the incentive to lend to NBFCs at a cheaper rate. NBFCs, therefore, had no choice but to pass on the high cost of funds to the customers in the form of higher lending rates.

In the meeting, NBFCs also requested the RBI to further liberalise the external commercial borrowing norms to access cheaper funds from overseas markets, Thakkar informed.

### **THORAT COMMITTEE**

The NBFCs have also requested the RBI to put on hold the Usha Thorat committee recommendations on issues and concerns in the NBFC sector, till the economy recovers.

Among other things, the draft guidelines of the Committee suggest that NBFCs be brought on par with banks by reducing the period for classifying loans as non-performing from 180 days to 90 days.

It also suggested that NBFCs maintain a tier-I capital ratio of 10 per cent against the existing 7.5 per cent to equip them better from future financial shocks.

NBFCs have cried foul, saying that like banks they are not allowed to recover loans using the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (Sarfaesi) Act, 2002 or the Debt Recovery Tribunals.

### **LONG-TERM POLICY**

The NBFCs, Thakkar said, conveyed to the RBI that a stable policy is required over the long term to encourage foreign investment in the sector.

"We told the RBI that it needs to frame policies and keep it steady over the long term, say 10 years, unless there is a major change in the world economy," he said.

The RBI has asked NBFCs to revert with suggestions for the long-term policy. "We will get back to them in a month's time," Thakkar said.

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