

Rein in enthusiasm to lend: FM to NBFCs

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Union Finance Minister Nirmala Sitharaman on Thursday supported the Reserve Bank of India's (RBI's) move to curb exuberance in lending, saying non-banking financial companies (NBFCs) and small finance banks needed to remain cautious.

Speaking at a Digital Acceleration & Transformation Expo event, she cautioned that NBFCs and small finance banks should not go too far in their enthusiasm. "The RBI is quite conscious of where the thin line actually lies. Enthusiasm is good but sometimes it becomes a bit too far for people to digest. So as a measure of caution the RBI has also alerted small finance banks and NBFCs to be careful that they don't go too far, too soon and face any downside risks later," she said.

Following a surge in unsecured loans, such as personal loans and credit card spent, the RBI on November 16 tightened

the norms for unsecured consumer credit, asking banks and NBFCs to assign higher risk weighting. The RBI increased the risk weighting on unsecured consumer loans and on credit cards by 25 percentage points to 125-150 per cent. This had analysts estimating the capital cost, on banks alone, going up by at least ₹84,000 crore.

RBI Governor Shaktikanta Das on Wednesday said the central bank's tougher stance on unsecured loans was a "pre-emptive" move aimed at ensuring financial stability. Higher risk weighting means that lenders need to set aside more funds as a safety net for consumer loans, which could make such credit more expensive. It restricts banks' lending capacity as they have to set aside more funds for solvency.

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right time and price that works for them.

Anticipating the surge in popularity during BFCM sales in India, NeceSera, an eco-friendly loungewear brand, is gearing up for an impactful weekend, projecting a substantial 70 per cent increase in sales. It is rolling out discounts of up to 50 per cent for the first time.

Anastasia Beverly Hills (ABH), the American cosmetics company best known for its eyebrow products, has seen Black Friday gaining popularity amongst the Indian audience over the last few years.

“Brands have adopted Black Friday as a promotional tool to augment interest and capture the market alongside with the objective to uplift sales,” said Medhavi Nain, head of marketing, Anastasia Beverly Hills India.

Mini Sood Banerjee, assistant director and head of marketing, Amorepacific Group, the South Korean cosmetics brand Amorepacific Group, said the concept of Black Friday is a fascinating opportunity for Indian consumers to explore and experience products they've been eager to try.

Malls are cashing in on the relatively new trend too. Gajendra Singh Rathod, director of Malls, South India, The Phoenix Mills Ltd, said: “Featuring an impressive roster of over 200 brands offering irresistible deals, this Friday is set to be an unparalleled retail spectacle, drawing in a multitude of enthusiastic shoppers.”

Then there are others like the CRED store, the e-commerce leg of fintech firm CRED.

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The finance minister said the government had asked the Securities and Exchange Board of India (Sebi) to seek inputs from stakeholders while drafting norms and rework them if the proposals are perceived to be too restrictive. “Even at the draft stage, take their inputs and go back to the drawing board if there is anything else that has to be tweaked or redrawn, keeping these stakeholders' interests in mind,” she said.

Sitharaman said the public-sector banks needed to be a lot more efficient in wanting to get the deposits coming to the banking sector. “Get deposits, give them good interest rates, but at the same time be possibly conscious that India's

growth depends on bank lending comfortably to people who want to set up businesses and grow in that area. Retail investors are now attracted to the stock market which is very good. They don't even look for mutual funds. Even the IPOs (initial public offerings) of yesterday have really been oversubscribed within a day of their announcement on the back of the retail investors,” she added.

On keeping the digital transactions free through government subsidy, Sitharaman said while she can't predict about future budgets, the intention of the government is to keep that continuing till such a time when the bulk of those who need to have this advantage given to them get it.

Highlighting the key role to be played by account aggregators in the coming days, Sitharaman sought to clarify that they facilitate exchange of financial data but don't own it. “Once you want the benefit of a better banking facility, your details are passed through (by the account aggregator to) that particular bank which has to receive. Initially, there were some apprehensions, possibly account aggregators are going to sit over a data dank. No, they can't hold data,” she said.

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The analysis is based on a common sample of 725 companies from the BSE500, BSE MidCap and BSE SmallCap indices, excluding BFSI, stock broking and public sector oil & gas firms such as Indian Oil, Oil and Natural Gas Corporation, Bharat Petroleum (BPCL), Hindustan Petroleum (HPCL), and GAIL (India). State-run oil & gas companies have been kept out of the study as their revenue and profit cycle is influenced by government policy on fuel prices. The numbers have also been adjusted for the listed subsidiaries of listed holding and operating companies in the sample.

Experts say a deceleration in revenue growth is the key reason for the decline in India Inc's fixed asset-to-turnover ratio, which is arrived at by dividing revenue by fixed assets. The ratio indicates how efficient a company is at generating revenue from its fixed assets.

“A way of looking at capacity utilisation in the economy is through the lens of the ratio of