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RBI seeks details of select NBFCs' loan book growth

Outstanding product-wise portfolio, annualised interest on them on radar

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The Reserve Bank of India (RBI) has sought granular data from select non-banking financial companies (NBFCs) on their loan book growth.

The details sought are on the outstanding product-wise portfolio and the annualised interest charged on them. The annualised interest slabs mentioned are as follows: less than 10 per cent, 10-20 per cent, 20-30 per cent, 30-40 per cent, 40-50 per cent, and above 50 per cent.

Business Standard has seen a copy of the central bank communication to NBFCs.

Senior NBFC officials said that the RBI is seeking to know whether the growth in product categories is in keeping with systemic hygiene so that it does not lead to a credit bubble. And if the interest rates being charged are usurious, in violation of the far practices code.

The move by the banking regulator to seek details on the loan book of select NBFCs builds on its recent measures.

Last November, RBI asked regulated entities (REs) to review their exposure limits for consumer credit and put in place board-approved limits for various sub-segments, specifically unsecured consumer credit exposures, by February 29, 2024.

The Financial Stability Report of June 2024 had pointed out concerns in the consumer credit segment. First, delinquency levels among borrowers with loans below ₹50,000 remain high. In particular, NBFC-fintech lenders, which have the highest share in sanctioned and outstanding amounts, also have the second highest delinquency levels, only below that of small finance banks. Second, vintage delinquency, which is a measure of slippage, remains relatively high in personal loans at 8.2 per cent. (Vintage delinquency is defined as the percentage of accounts that have anytime become delinquent (90-plus days past due) within twelve months of origination and is a commonly used industry metric to assess the efficiency of the loan underwriting process. Third, a little more than a half of the borrowers in this segment have three "live loans" at the time of origination and more than one-third of the borrowers have availed more than three loans in the last six months.

NBFCs' book growth may moderate going ahead.

In a recent note, ICRA Ratings said while bank loans to NBFCs is expected to register an overall credit expansion of around 12 per cent in this financial year (FY25), resulting in an incremental bank credit of about ₹19-20.5 trillion, it is still lower than the ₹22 trillion credit expansion in FY24. The impact of tightening regulatory norms for bank funding is already visible over the last few months. Incremental direct bank credit to the NBFCs in Q1FY25 was a modest ₹75 billion compared to ₹920 billion in Q1FY24.

ILLUSTRATION: AJAY MOHANTY

UNDER THE LENS

- Officials said RBI wants to know whether the growth in categories is in keeping with systemic hygiene
- Regulator eyes data on growth in product categories, and whether interest rates charged are usurious, and in violation of far practises code
- In November 2023, the RBI asked regulated entities to review exposure limits for consumer credit and put in place board-approved limits for various sub-segments