

# Digital lenders ask government to relax financing norms

By: [FE Bureau](#) | Mumbai | Published: March 7, 2018 3:46 AM



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An industry association of digital lenders has asked the government to ease financing norms for them by lowering the pre-securitisation holding period and allowing a higher spread over refinancing rates for non-banking financial companies (NBFCs)

under the Micro Units Development & Refinance Agency (MUDRA) scheme.

The Digital Lenders' Association of India (DLAI) has made these recommendations in a whitepaper to the government.

The association has suggested that the minimum holding period for a term loan to become eligible for securitisation be relaxed for loans of less than ₹25 lakh to micro, small and medium enterprises (MSMEs). At present, Reserve Bank of India (RBI) guidelines mandate that term loans of up to two years be held on the originators' balance-sheets for a minimum of three months before they become eligible for securitisation.

Sashank Rishyasringa, co-founder and managing director, Capital Float, said a large number of loans disbursed by digital lenders were short-term in nature. "The challenge today is many of us are originating short-tenure loans. However, the minimum holding period requirement is very difficult to meet for short-tenure loans," he said.

It has also been recommended that the cap on the final rate of NBFCs charge over the refinancing rate under the MUDRA scheme be increased to 10-12% for loans of up to Rs 5 lakh and to 8-10% for loans of the amount between Rs 5 lakh and Rs 25 lakh. At present, the rate is capped at 6% over the rate of refinancing for NBFCs.

Another recommendation is that public-sector banks be mandated to pass on all the leads that have been rejected by them for various reasons to digital lenders.

The Know Your Customer (KYC) guidelines plaguing mobile wallet players is making life difficult for digital lenders as well. Digital lenders are facing resistance to e-signatures on loan agreements during the recovery process, with courts asking for wet signatures on physical loan agreements or police asking for hard copies of agreements. The association has sought a government notification mandating the police to file cases of cheques being dishonoured on the basis of digital loan agreements.