

Business Standard

NBFCs raise interest rate between 50 and 200 bps amidst liquidity squeeze

For the microfinance industry too, the increase in lending rates has been roughly between 50-100 bps

Namrata Acharya | Kolkata December 06, 2018 Last Updated at 20:40 IST



Representative image

among other segments.

For one of the worst-hit segments by the Infrastructure Leasing & Financial Services crisis in the NBFC space - housing finance companies - the liquidity situation has not eased yet.

“The liquidity situation has not eased in the housing finance segment, and we have raised interest rates between 100-150 bps,” said C V Rao, managing director (MD) and chief executive officer (CEO), Nivara Home Finance, a recent entrant in the micro home loan market.

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Non-banking financial companies (NBFCs) have raised interest rates ranging between 50 basis points (bps) and 200 bps across sectors, as their cost of funds rises amidst liquidity squeeze. This includes NBFCs in housing finance, gold loans, microfinance, small and medium-sized enterprises, and farm finance,

“Liquidity conditions have not improved much for sectors like housing finance, despite the Reserve Bank of India (RBI) measures,” said a CEO of a housing finance company.

Several gold loan companies, too, have increased their interest rates.

“There is a certain degree of liquidity pressure, which has led to some impact on interest rates. We have done some revision in gold loans, which is in sync with what has been done by competition. The interest rates have risen by almost 200 bps, and this has been passed to customers,” said Vasu Ramaswami, chief operating officer, Muthoot Fincorp.

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Magma Fincorp, a Kolkata-based NBFC dealing mostly with vehicle finance, the interest rates on average have risen by 50 bps, and on a higher side by 75 bps.

“In general, the liquidity situation has eased. We have increased interest rates; on average by 50 bps, and on a higher side by 75 bps,” said Sanjay Chamria, vice-chairman and MD, Magma Fincorp.

Another NBFC, Srei Infrastructure Finance, raised its lending rates by almost 200 bps in both equipment and infrastructure finance, according to the company’s website.

For the microfinance industry too, the increase in lending rates has been roughly between 50-100 bps, depending upon the size of the firm, said Manoj Nambiar, MD, Arohan Financial Services.

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To tide over the liquidity squeeze, the microfinance industry is expected to come up with a Rs 8-billion pool of saleable securities by the first week of December. This is for the first time that the microfinance industry is coming up with a common pool. Mid- and small-sized microfinance institutions (MFIs) are mostly dependent upon other NBFCs for funds, a source which has substantially dried up. Bigger NBFC-MFIs are dependent upon banks for funds.

In order to ease liquidity pressure, the RBI had recently cut the minimum holding period requirement for NBFCs raising funds via securitisation.