MUDRA refinancing: FIDC seeks favourable eligibility norms for NBFCs

KR Srivats Updated on January 20, 2019

Wants all RBI-registered NBFCs to be eligible for refinance

On the heels of the RBI Governor Shaktikanta Das' meeting with NBFC honchos, the Finance Industry Development Council (FIDC) has called for more favourable eligibility norms for NBFCs looking to avail MUDRA refinancing.

Some of the changes suggested include replacing the current external credit rating criteria by prescribing some additional financial parameters to be met, which may be more realistic and doable.

Also, all RBI-registered NBFCs should be eligible for refinance as against the current regime of allowing only those who meet the entry level Net-Owned Funds criteria prescribed by RBI, the FIDC Chairman Raman Aggarwal said in a letter to RBI Governor Shaktikanta Das.

FIDC has also urged RBI to allow MUDRA to refinance big NBFCs for on lending to small and medium NBFCs. Systemically important NBFCs should be allowed to act as aggregators for availing refinance from MUDRA for on lending to small and medium sized NBFCs.

Cap on spreads

MUDRA prescribes a cap on the lending rates, by prescribing a maximum spread between borrowing and lending rates of NBFCs. This has discouraged large, small and medium sized NBFCs, since any such cap makes the business uncompetitive and in some cases unviable.

FIDC has, therefore, suggested that the cap of 6 percent on the maximum spreads allowed should be done away with, since market forces ensure that the rates are within acceptable limits.

Minimum holding

FIDC has also urged the RBI to amend the securitisation guidelines to do away with the prescribed minimum holding period (MHP) and Minimum Retention Requirement (MRR) norms. It may be recalled that the RBI had, in August 2012, prescribed MHP and MRR norms to prevent unhealthy practices surrounding securitisation.

"With the crying need to provide immediate liquidity to the NBFC sector, it is perhaps time to review the need for the MHP and MRR norms as they are now being seen as restrictive in nature. Moreover, with the prevailing liquidity crunch, such restrictions are affecting NBFCs' ability to generate liquidity," Aggarwal said in the letter.

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