

Benchmarks >

Nifty  LIVE
11,162.90 -26.30

NSE Gainer-Large Cap >

BEL
98.70 5.95

Precious Metal >

Gold (MCX) (Rs/10g.)
34,659.00 -50.00

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Market Watch

NBFC liquidity crunch is putting the squeeze on fintech

BY PRATIK BHAKTA, ET BUREAU | UPDATED: JUL 30, 2019, 07.06 AM IST

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A liquidity crunch in the non-banking finance space has started to spill over into the new-age fintech sector, which relies on banks and NBFCs for capital to use for onward lending. Multiple industry insiders told ET that many fintech players have seen credit turn expensive, with rates going up by 75-150 basis points across categories.

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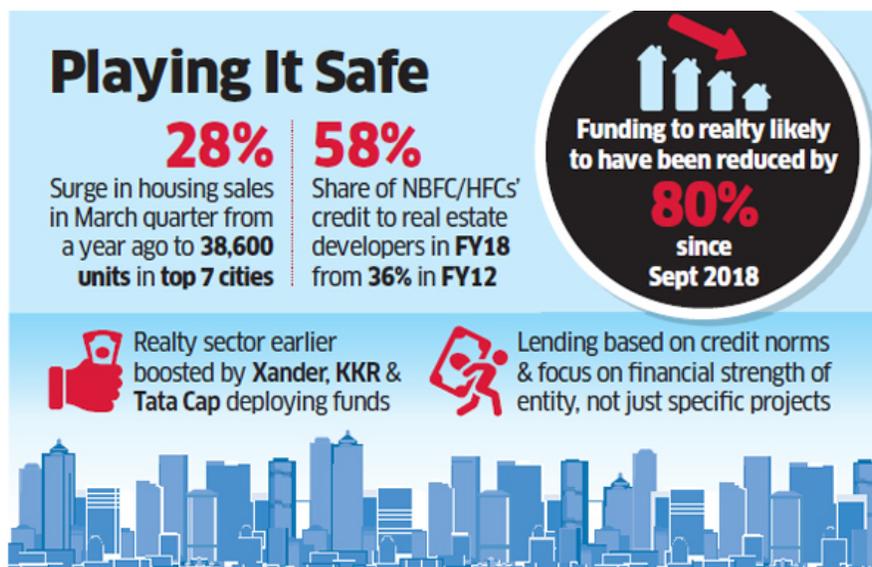
"We need to raise debt from banks and larger NBFCs for onward lending; now if we cannot borrow funds at lower rates, then our lending rates also tend to go up and eventually the consumer ends up paying more," said the founder of a fintech lending startup on condition of anonymity.

Banks are traditionally cheaper sources of capital, but their credit checks tend to be more rigorous. So, most new-age lenders source funds from larger traditional NBFCs.

ET understands that rates have gone up from less than 10% to as high as 14% in some cases, depending on overall asset quality and size of the fintech lender. This means [fintech companies](#) can lend only at around 16%- 17%, indicating how expensive these loans have become for consumers with tardy credit scores.

"Refinancing is also a major problem now; if we were getting a credit line of ₹10 crore in the past, now it is being halved to Rs 5 crore, with more credit checks," said another Bengaluru-based founder of a lending startup.

"Also, early stage players with whom banks were ready to experiment with a small credit line to start with even six months back, are facing difficulties accessing these lines." There has been an overall liquidity problem and rating agencies too have come under severe scrutiny because of the failure of highly-rated companies in repaying loans. This has also made it difficult for banks to extend debt, said another top executive at one of the largest fintech NBFCs.



"Government banks were anyway not lending to us, even private banks with some exposure to this sector already are tightening their [purse strings](#) to ensure their asset quality does not worsen," he said.

ET reported in its May 28 edition that fintech startups were facing challenges in raising equity funding from prospective investors, since questions were being raised on the asset quality of these players.

“While they innovated on technology to lend, they did not learn from our experience in collections, which I think is being put into question now,” said a top executive at a traditional [NBFC](#).

It is a double whammy for these players as their go-to market strategy revolved around quick access to loans for customers who were just below prime or sub-prime. If they have to strengthen their credit evaluations, then they will only get prime customers who are served by banks.

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