

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO. 1229

TO BE ANSWERED ON THE 9TH FEBRUARY 2018/MAGHA 20, 1939 (SAKA)

Non-Banking Financial Companies

1229. SHRIMATI KOTHAPALLIGEETHA:

Will the Minister of FINANCE be pleased to state:

- (a) whether Non-Banking Financial Companies (NBFC) have captured the retail banks share of credit in the Indian market especially in specific sectors such as home loans and commercial vehicle loans, if so, the details thereof and the reasons therefor;
- (b) whether the growth in market share of NBFCs is due to their being more rooted to the ground and the market and their closer connection with customers, if so, the details thereof;
- (c) whether NBFCs have targeted unbanked sectors thereby increasing their parameters of financial inclusion and their sector specific expertise has helped the NBFCs to dominate the retail banking market and acquire majority share in commercial vehicle market, loan against property market and consumer durable market, if so, the details thereof; and
- (d) whether the first-time buyers draw comfort from being in touch with senior managers of NBFCs and this is not usually possible with larger banks, if so, the details thereof?

ANSWER

The Minister of State in the Ministry of Finance
(SHRISHIV PRATAPSHUKLA)

(a) and (b): As per RBI data, in the Indian market, as on 31.3.2017, the total outstanding loan amount for NBFCs for retail loans in housing, vehicle and consumer durable segments has registered negative growth of 5.27% year-on-year, whereas the total outstanding loan amount for Scheduled Commercial Banks for retail loans in these segments has increased by 14.59%. As such, the relative share of NBFCs for the aggregate outstanding loan for the said credit segments in the Indian market has reduced vis-à-vis the share of Scheduled Commercial Banks.

(c): RBI has apprised that NBFCs complement banking and bring diversity and efficiency to the financial services industry, making it more responsive to the needs of the customers. With expertise in providing customized products and door-step delivery, NBFCs fill credit gaps in underserved segments, like small-ticket consumer financing and finance to higher-risk counterparties or those without a credit history.

(d): Buyers choose lenders on the basis of a variety of factors, such as interest rates, loan turnaround time, and ease of the loan process, including in terms of their service experience. There is considerable variation in these across NBFCs and banks. It may not be possible to identify any single reason for the choice exercised by buyers in selecting lenders.
