FIAFA DIGEST

(Voice of Asset Financiers)

JULY 2026 **PUBLISHED BY** VOLUME - 6

FEDERATION OF INDIAN ASSET FINANCIERS ASSOCIATIONS

Dear Members and Industry Colleagues,

DINESH KOTHARI
President - FIAFA

The Asset Financing Industry continues to play a pivotal role in India's economic development by facilitating the acquisition of commercial vehicles, construction equipment, agricultural machinery and other productive assets. By extending credit to transporters, small entrepreneurs and businesses across urban and rural India, our industry contributes significantly to employment generation, economic activity and national growth.

The vehicle financing sector, in particular, serves as the backbone of India's transportation ecosystem, supporting the movement of goods and passengers across the country. As India advances towards becoming a developed economy, the contribution of asset financiers will become even more critical in enabling financial inclusion and infrastructure development.

Over the past year, FIAFA has actively represented the interests of the industry before various regulatory and governmental authorities. We have made strong representations to the Ministry of Road Transport & Highways seeking equitable access to the VAAHAN database for all eligible financiers. Such access is essential for strengthening due diligence, improving operational efficiency, enhancing risk management and promoting greater transparency within the financing ecosystem.

FIAFA has also represented to the Reserve Bank of India on the need to streamline the credit rating framework applicable to NBFCs. We have advocated for the adoption of a single recognised credit rating for regulatory and compliance purposes instead of multiple ratings from different agencies, thereby reducing costs, avoiding duplication and bringing greater clarity and efficiency to the system.

As FIAFA celebrates its Golden Jubilee Year, we remain committed to being the collective voice of the Asset Financing Industry and to pursuing reforms that promote growth, ease of doing business and sustainable development.

It gives me immense pleasure to invite you to the 29th National Convention and Golden Jubilee Celebrations of FIAFA, scheduled to be held on 1st October 2026 at ITC Grand Chola, Chennai. This landmark event will bring together industry leaders, policymakers, regulators, bankers, manufacturers and financial institutions on a common platform to deliberate on emerging opportunities, regulatory developments, technological advancement and the future roadmap of the industry.

The National Convention is not merely a gathering—it is an opportunity to exchange ideas, build meaningful partnerships, gain valuable insights and collectively shape the future of asset financing in India. I earnestly request all members and stakeholders to participate in large numbers and make this historic Golden Jubilee Convention a grand success.
I look forward to welcoming you to Chennai.

With warm regards,

Dinesh Kothari
President
Federation of Indian Asset Financiers Associations (FIAFA)

Golden Jubilee Celebration 1972-2022

Federation of Indian Asset Financiers Association (FIAFA)

The office bearers, President, Shri Dinesh Kothari, Vice Presidents, Shri Deepak Mehta and Shri Hemant Chordia, Past President, Shri TR Achha , Secretary General, Shri Devang Chordia of FIAFA Holds Fruitful Meeting with Hon'ble Finance Minister, Smt. Nirmalaji Seetharaman at Chennai on RBI NOF Norms and Other Key NBFC Issues

DEVANG CHORDIA
Secretary-General

The Federation of Indian Asset Financiers Associations (FIAFA) had a highly productive and meaningful meeting with the Hon'ble Union Finance Minister, Government of India to discuss several important issues concerning the Non-Banking Financial Company (NBFC) sector, particularly the challenges arising from the enhanced Net Owned Fund (NOF) requirements prescribed by the Reserve Bank of India.

During the meeting, FIAFA highlighted the difficulties being faced by small and medium sized asset financing NBFCs across the country in meeting the increased NOF norms within the stipulated timeframe.
It was emphasized that many long-standing and well performing NBFCs, which have been instrumental in financing commercial vehicles, construction equipment, tractors and other productive assets are under significant pressure despite maintaining sound business practices and strong repayment records.

FIAFA requested the Hon'ble Finance Minister to consider appropriate relief measures, including relaxation in NOF requirements, extension of timelines or the introduction of a differentiated regulatory framework for smaller asset financing companies.

The delegation stressed that such measures would help preserve financial inclusion and ensure uninterrupted credit flow to transport operators, MSMEs, farmers and other underserved sectors of the economy.

The Federation also discussed various other issues affecting the NBFC industry including regulatory compliance challenges, the need for a more facilitative business environment and measures to strengthen the contribution of asset financiers towards India's economic growth.

The delegation reiterated that NBFCs play a vital role in last mile credit delivery and have been instrumental in supporting entrepreneurship, self employment and economic development, especially in rural and semi urban India.

The Hon'ble Finance Minister patiently heard the concerns raised by FIAFA and assured the delegation that the issues would be examined sympathetically.

The meeting reflected the Government's commitment to engaging with industry stakeholders and addressing genuine concerns to foster a robust, inclusive and sustainable financial ecosystem.

FIAFA also strongly advocated for the establishment of a separate and dedicated regulatory framework or an independent regulator exclusively for the NBFC sector.

The Federation submitted that NBFCs operate under a fundamentally different business model compared to commercial banks and there fore require regulations that are more aligned with their unique operational realities, risk profiles and customer segments.

A specialised regulatory mechanism would enable focused policy formulation, faster resolution of industry specific issues and balanced supervision that promotes growth while maintaining financial stability.

FIAFA further emphasized that the NBFC sector has emerged as a critical pillar of India's financial ecosystem by catering to segments that often remain outside the reach of traditional banking institutions.

A dedicated regulator would not only provide a stronger institutional voice to the sector but also facilitate innovation, enhance ease of doing business and support the Government's broader objectives of financial inclusion and economic development.

The Federation expressed confidence that such a step would significantly strengthen the long-term sustainability and contribution of NBFCs to the nation's growth story.

FIAFA remains committed to representing the interests of the asset financing industry and will continue to work closely with policymakers and regulators for the growth and development of the sector.

The office bearers of the federation presented a detailed memorandum to Hon. Finance Minister with regard to the above concerns raised by FIAFA.

Devang Chordia
Secretary General
Federation of Indian Asset Financiers Associations (FIAFA)

Editor Note

Dear Members,

As Chairman of the FIAFA Weekly Digest, our primary objective remains to bring our members relevant insights and developments from the Asset Finance Industry, including both NBFC and Non-NBFC participants. We also endeavor to cover key economic, regulatory, and market trends that influence the operating environment and growth prospects of the industry.

Alongside this core focus, we occasionally share broader financial perspectives that may be relevant to our members as business leaders, entrepreneurs, finance professionals, and investors.

C.A VIPUL MEHTA
Editor- FIAFA Digest

Market Volatility: A Normal Part of Investing

In our previous edition, we briefly discussed gold as an investment avenue. Continuing that theme, I would like to share a few observations on equity markets and the opportunities available to investors today.

The past decade has witnessed several events that tested investor confidence—from demonetisation and the COVID-19 pandemic to rising interest rates and geopolitical conflicts across various regions. Each of these events created uncertainty and market volatility. Yet, history demonstrates that markets have consistently shown resilience and recovered over time.

A review of the last 25 years reveals an important fact: there has not been a single year in which equity markets did not witness a correction at some point during the year. The Nifty has experienced average intra-year declines of around 18%, with corrections ranging from about 4% in stable years to nearly 60% during the Global Financial Crisis of 2008. Despite these fluctuations, the index has delivered annualized returns of approximately 12–13% over the same period.

The lesson is simple—volatility is inevitable, but long-term wealth creation has historically rewarded patient and disciplined investors. Often, time in the market is more important than timing the market.

The Power of Digital Investing

One of the most significant developments in recent years has been the democratization of investing. Today, a smartphone and a few digital platforms provide access to a wide range of investment opportunities that were once available only to institutions and high-net-worth investors.

Investors can access stocks, mutual funds, ETFs, index funds, and sector-specific investment products with ease. Whether one's preference is banking, financial services, manufacturing, healthcare, technology, infrastructure, or consumer businesses, there are efficient investment vehicles available to participate in these growth stories.

Beyond Equities

Investment opportunities today extend well beyond traditional equity markets.

Those seeking exposure to real estate can consider REITs and InvITs, which provide access to professionally managed real estate and infrastructure assets without the need to purchase physical property. Similarly, investors seeking exposure to gold can consider Gold ETFs and other regulated digital investment avenues, offering convenience, transparency, and ease of ownership.

International diversification has also become increasingly accessible. Through international mutual funds and fund-of-fund structures, investors can gain exposure to leading global markets, particularly the United States, including major technology companies and broad-based indices such as the S&P 500 and Nasdaq. Opportunities to participate in other developed and emerging markets are also gradually expanding through regulated investment products.

Technology and AI in Investing

Technology is transforming the way investment decisions are made. Modern platforms allow investors to automate transactions, set alerts, establish investment triggers, and implement disciplined investment strategies.

For example, investors can define rules to invest additional amounts when markets decline by a predetermined percentage, systematically accumulate investments over time, or rebalance portfolios when allocations move beyond desired limits. Artificial intelligence and advanced analytics are increasingly helping investors make informed decisions while reducing emotional biases.

A Balanced Approach

While technology has simplified access, successful investing still requires discipline and diversification. Every asset class carries its own risk-return profile, and a balanced allocation across equities, fixed income, gold, real estate, and international investments remains essential.

The availability, accessibility, transparency, and security offered by today's financial ecosystem should be effectively utilized. In many cases, the challenge is no longer access to opportunities but the willingness to learn, participate, and remain invested through market cycles. Failing to leverage the opportunities available today may mean missing out on avenues that can contribute meaningfully to long-term wealth creation.

As always, we hope the FIAFA Weekly Digest continues to serve as a valuable source of industry knowledge and broader financial perspectives. We remain committed to bringing you relevant updates from the Asset Finance ecosystem while sharing insights that help our members navigate an increasingly dynamic financial landscape.

Warm Regards,

Vipul Mehta

Editor– FIAFA Weekly Digest

REPRESENTATION SUBMITTED TO AUTHORITIES

(The following are draft of representation's being submitted to the concerned authorities for their consideration. The same is reproduced below for the reference of readers)

Representation No.1

Appeal to Finance Minister for NBFCs NOF requirements and Creation of a Regulator for smaller companies.

Subject: Appeal for Regulatory Support and Recognition of Small NBFCs Serving Last-Mile Credit

A Balanced Approach

We, the Federation of Indian Asset Financiers Associations (FIAFA), an Apex body of 28 regional associations which has more than 20000 small and medium Non-Banking Finance Companies (NBFCs), Proprietorship Concerns and Partnership firms as members. Combined investment of our members is more than 3.5 Lakh Crores approx. FIAPA is the largest and the only representative of asset financiers in India, nurturing the interest of Automobiles / Assets financiers across the length and breadth of the country.

As you are aware that credit delivery is very critical in economic growth of the country. Credit in India is being delivered by the following

(i) Commercial banks,
(ii) Small Finance banks,
(iii) cooperative banks,
(iv) cooperative societies,
(v) Bigger Non-Banking Finance companies (NBFCs)
(vi) small non-Banking finance companies
(vii) Unincorporated money lenders which are either proprietorship concerns or partnership firms.

Government data show that by 2021, about 96% of households had at least one member with a bank account. An analysis by Mr. Chaudhuri's team of data from the Centre for Monitoring Indian Economy (CMIE) found that between 2018-19 and 2022-23, the number of borrowers from the economically weaker sections of society who borrowed from formal channels such as banks and non-banking financial companies (NBFCs) contracted by 4.2%.

On the other hand, this segment, which earns Rs 1-2 lakh a year, saw a growth of 5.8% in the number of households borrowing from informal or non-institutional sources of credit including money lender, chit funds or friends.

This trend can be seen among borrowers in the low-income category (2-5 lakh a year) as well. The data show that while this category saw 10.4% growth in the number of borrowers availing themselves of institutional credit, the growth in the number of borrowers going for non-institutional credit was an even faster 12.6%.

Even among the middle-income group (5-10 lakh), the growth in the number of non-institutional borrowers surpassed the growth in the number of institutional ones.

From this it is very clear that informal credit delivery players in India are playing a big role in credit delivery. Very small NBFCs which can be categorized as SME segment of NBFCs are also delivering the credit in very efficient manner as these small NBFCs also have very close relationship with the lower pyramid of borrowers in the similar way as Unincorporated bodies are having.

We, on behalf of FIAFA, respectfully submit this appeal to highlight the challenges being faced by small Non-Banking Financial Companies (NBFCs) and such unincorporated bodies following recent regulatory changes. We sincerely urge the Ministry of Finance to consider a structured, proportionate, and inclusive policy approach that ensures continuity for these institutions that have been deeply embedded in last-mile financial access.

Small NBFCs and unincorporated lenders have long played a constructive role in providing critical financial services to underserved communities, including self-employed individuals and micro-entrepreneurs in semi-urban and rural areas. These institutions have enabled livelihood creation through self-employment by extending loans to first time borrowers, micro enterprises, gig workers and informal sector participants segments that typically lack access to formal credit due to limited documentation, credit history or remote geography and also for two-wheelers, load vehicles, retail businesses, and various micro-enterprises for asset creation and thereby contributing meaningfully to financial deepening. These NBFCs are also catalysts for local economic growth who empower micro businesses, agricultural linked enterprises, local trade and self-employment creating measurable impact on GDP at the grassroots.

These small NBFCs directly support key government priorities, including financial inclusion, MSME development, entrepreneurship promotion and rural empowerment and also support much needed employment generation both directly and indirectly.

The recent directive increasing the Net Owned Fund (NOF) requirement from Rs 2 crores to Rs 10 crores, and draft Banning of Unregulated lenders Act (BULA) though well-intentioned, has unintentionally placed the future of many of these entities in jeopardy. While we fully support the broader goals of financial stability and sound regulation, we believe a more calibrated approach is necessary to protect the functioning and contribution of small NBFCs and unincorporated bodies.

We respectfully submit the following policy suggestions for your kind consideration:

Establish a separate regulatory category or framework i.e. a dedicated authority for small NBFCs, for NBFCs having NOF between 2 to 10 crores. This would help recognize their distinct and essential role in promoting financial inclusion at the grassroots level. This is required as RBI is very busy in handing bigger roles including of Banks and Bigger NBFCs which are categorized as Middle and upper layer of NBFCs and may not be interested in regulating smaller entities

Permit phased or conditional compliance with the revised NOF norms. Regulatory implementation can be made proportional to the size, risk exposure, and compliance history of the NBFC, instead of enforcing a one-size-fits-all policy.

Type-I NBFC which are currently not allowed to borrow any type of public fund and also not allowed to lend may be permitted to lend solely with their own funds. Such NBFCs do not take public funding or raise public deposits, and comply fully with RBI norms but not allowed to deliver the credit to unserved borrowers with relaxed NOF requirements of 2 crores Presently, the lack of such permission limits their ability to serve their borrowers efficiently. These NBFCs have not posed any systemic risk and have a responsible track record. We feel there shall not be any stress on regulatory system by allowing such entities to lend.

Allow automatic migration to Type-1 NBFC status with customer Interface for NBFCs who are unable to meet the revised NOF threshold of 10 crores ensuring operational continuity for those with compliant and ethical practices. Denying permission to lend by these entities could create a credit vacuum, inevitably filled by unregulated moneylenders charging exorbitant rates putting borrowers at risk. By allowing this as per our rough estimate around 7000 NBFCs with minimum 2 cores of NOF would be allowed to continue credit delivery to the extent of minimum 14000 crores and help economic growth. We would also like to bring to your notice that when NOF requirement of Rs 25 lakhs to 200 lakhs was increased in 2017 then 1335 NBFCs got closed due to their inability to increase NOF to Rs 200 lakhs.

Ensure consistent messaging in public communications: As RBI continues to advocate borrowing from regulated entities through public campaigns, it is important to safeguard those very entities and not unintentionally push them toward discontinuation and closure and reduce credit delivery.

Avoid using size as the sole survival criterion: Businesses that are not viable will naturally phase out. However, the regulatory environment must encourage genuine, ethical enterprises—regardless of size—to continue contributing to the economy.

Explore alternate regulatory models for smaller NBFCs, such as:

o Prescribing compliance norms that are independently certified by Chartered Accountants or Registered Auditors,

o Delegating supervisory roles to institutions like SIDBI or another simplified oversight framework,

o Introducing a new category such as "Regulated Small Financial Entities (RSFEs)" or "SME Finance Companies" under proportional regulatory norms.

Acknowledge the low-risk profile of small NBFCs: Unlike larger entities that have occasionally failed, small NBFCs have consistently demonstrated resilience and reliability. They serve niche segments and contribute meaningfully to financial inclusion. Failure of one larger NBFC is equal to failure of many small NBFCs the chances of which is very rare.

Integrate small NBFCs within MSME policy frameworks: These companies should be registered under the MSME or SME portals

Maintain balance in regulatory purpose: Regulation should support responsible growth, innovation, and societal benefit while managing risk. A nurturing approach can help these institutions remain viable and impactful.

Support existing small enterprises on par with startups: While the Government rightly fosters entrepreneurship and startups—including those at a very early stage—it is equally important to preserve established small NBFCs that are already delivering results on the ground. Supporting their survival aligns with the national goal of self-reliance and inclusive development

We would like to bring to your kind attention that mainly three reasons are given by RBI for increase of NOF for such small NBFCs

(a) Systemic risk. RBI feels that NBFCs with small NOF may default. Our submission is that if these NBFCs are not allowed to borrow then there is no chance of default.

(b) KYC and anti-money laundering… small NBFCs have been following all norms of KYC and anti-money laundering. Such small NBFCs in fact has got better knowledge and connection with their customers. Study of various press release by RBI reveals that bigger regulated entities with a large customer base miss out on adhering to KYC requirements which results in penalties of non-adhering of KYC and anti-money laundering were levied mainly on bigger NBFCs and banks who has got very sophisticated software but do not have close relationship with their customers. Even advent of C KYC also helps in following such KYC norms without much investment.

(c) 200 lakhs is very small amount and not viable to continue lending business and also to follow regulation. Due to relaxation in regulation by way of scale-based regulation small NBFCs need not to follow very cumbersome regulation. Moreover, these NBFCs lend it by way of very small ticket loan to the extent of Rs 50000 hence they serve almost 400 customers.

A healthy inclusive financial system must include a diverse mix of institutions at large, medium and small to ensure comprehensive credit reach.

Madam, you may be aware that Ministry of Financial services have issue draft Banning of Unregulated lenders Bill which prohibits non NBFCs from lending activities if they are not registered either under Reserve Bank Of India Act or under state Money lenders Act .

Madam, we would like to bring to king attention that lending money under British Raj money lenders act is practically impossible due to practical difficulties like interest rate ceiling like 9%. Even few states are not having money; lenders Act.

Hence the lenders who are not registered as money lenders wants to continue lending and desires to convert themselves to NBFCs are not allowed to convert themselves as NBFCs due to two practical difficulties .. one being minimum requirement of NOF of 10 crores and second if such money lenders have been lending money lenders registration, then RBI does not grant of certificate of Registration of NBFC as RBI feels that they are not having experience of lending although they may be lending sinch generations.

We also request Madam to refer to the Speech of Honorable madam on 9th of July where Madam has referred that shortfall of PSL lending of Banks can be completed by using channel of NBFCs and small NBFCs are best suited for the purpose of PSB_NBFC collaboration due to outreach of such small NBFCs.

Madam, in this period of Amrit Kaal, we appeal for your support in ensuring that these small, responsible, and community-focused financial institutions are not left behind in playing their role in economic development. We believe the intention of the Government and RBI is to nurture and enable such businesses—not to see them wind down. We remain confident that, with thoughtful support, these NBFCs will continue to play a vital role in inclusive nation-building.

We request you for an appointment to discuss the above in person and explain the same in detail for your consideration.

Representation No. 2

Urgent Policy Intervention Required to Protect Small NBFCs, Preserve Last-Mile Credit Access, Promote Financial Inclusion and Establish a Separate Regulatory Framework for Small NBFCs

26-06-2026

To
Srimathi Nirmala Sitharaman
Hon'ble Union Finance Minister

Respected Sir/Madam,

We write this representation on behalf of numerous small Non-Banking Financial Companies (NBFCs) that have served local businesses, transport operators, self-employed individuals, traders, micro-enterprises and underserved borrowers across India for decades.
The issue before us is not merely one of regulatory compliance. It concerns the future of financial inclusion in India and the continued availability of grassroots credit for millions of small entrepreneurs, transport operators, traders, self-employed individuals and first-generation borrowers who remain inadequately served by mainstream financial institutions.

India has always benefited from a diverse financial ecosystem comprising banks, large NBFCs, cooperative institutions and small local finance companies. Each serves a distinct segment of society. However, recent regulatory developments threaten the continued existence of small NBFCs that have historically served borrowers who are often beyond the reach of mainstream financial institutions.

A One-Size-Fits-All Regulatory Approach is Hurting Financial Inclusion

Over the years, the regulatory framework governing NBFCs has progressively become more stringent. While tighter supervision of large, systemically important NBFCs and banks is understandable and necessary, the same regulatory philosophy is now being applied to very small NBFCs which:

- Do not accept public deposits.
- Have little or no external borrowings.
- Pose negligible systemic risk.
- Operate in limited geographies.
- Serve niche and underserved borrower segments.
- Create credit histories for first-time borrowers and convert non-bankable borrowers into bankable customers.

The result is that regulations designed to address systemic risks are increasingly forcing the closure of institutions that contribute significantly to financial inclusion.

Escalating Net Owned Fund Requirements Threaten Survival

The Net Owned Fund (NOF) requirement has increased dramatically:

Period	Minimum NOF
For several decades	₹25 lakh
By 31 March 2017	₹2 crore
By 31 March 2025	₹5 crore
By 31 March 2027	₹10 crore

For many family-owned and regionally focused NBFCs, these thresholds are disproportionate to their size, risk profile and business model.

A company that has operated responsibly for 20–30 years, maintained compliance, and never endangered the financial system should not be forced to shut down merely because it cannot continually infuse additional capital without any corresponding increase in risk.

The consequences are already visible. During FY 2018-19 alone, RBI cancelled the registrations of approximately 1,701 NBFCs. A substantial number of these cancellations were attributable to the inability of such NBFCs to comply with the enhanced Net Owned Fund requirement of ₹2 crore, despite many of them having operated responsibly for years without posing any systemic risk.

RBI's Supervisory Constraints Should Not Lead to the Elimination of Small NBFCs

Senior RBI officials have on several occasions indicated that supervising a very large number of small NBFCs presents practical challenges.

While this concern is understandable, administrative convenience cannot become a justification for the gradual elimination of an entire category of financial institutions, particularly in an era where technology, artificial intelligence, data analytics and Regulatory Technology solutions make large-scale supervision both feasible and efficient.

Unfortunately, the policy direction appears to have shifted from supervising small NBFCs to progressively reducing their numbers through higher capital thresholds and increasing compliance burdens.

The consequence is that institutions which have served local economies for decades are disappearing not because they are unsafe, not because they have caused losses to depositors, and not because they pose systemic risks, but because they no longer fit within RBI's preferred supervisory model.

This approach overlooks the critical role played by small NBFCs in financing transport operators, traders, small businesses, self-employed individuals and first-generation borrowers who often remain outside the focus of larger financial institutions.

The objective of regulation should be to manage risk, not reduce the number of regulated entities.

The Need for a Separate Regulatory Framework and Supervisory Authority for Small NBFCs

We respectfully submit that the time has come for the Government of India to establish a separate regulatory and supervisory framework for small NBFCs, particularly those with net worths between ₹2 crore and ₹100 crore.

The proposed framework may specifically cover small NBFCs that:

- Have net worth between ₹2 crore and ₹100 crore.
- Do not accept public deposits.
- Do not borrow from the public.
- Primarily deploy promoter capital and retained earnings.
- Operate in limited geographies.
- Serve a relatively small customer base.
- Have no systemic significance to the financial system.

These institutions are fundamentally different from banks and large NBFCs.
They primarily use their own capital to provide credit at the grassroots level and often serve borrowers who may not qualify for conventional bank finance. Their local knowledge enables them to assess borrowers beyond purely algorithmic or collateral-based models.
In many cases, these institutions perform an important developmental role by:

- Extending credit to first-time borrowers.
- Creating formal credit histories.
- Supporting micro and small enterprises.
- Financing transport operators and self-employed individuals.
- Transforming non-bankable borrowers into bankable customers.

In effect, they act as a bridge between informal finance and the formal financial system.
The contribution of such NBFCs to financial inclusion and local economic development far outweighs the negligible systemic risk they present.

The central issue is not whether small NBFCs should be regulated. The issue is whether the current regulatory architecture is best suited to supervise thousands of small, non-systemically important NBFCs that play a crucial role in last-mile credit delivery.

If RBI's primary focus is understandably shifting towards banks, deposit-taking NBFCs and large systemically important financial institutions, then the solution should be the creation of a dedicated regulatory framework for small NBFCs rather than policies that gradually force them out of existence.

If RBI believes that supervising thousands of such entities stretches its supervisory resources, the answer should not be the gradual extinction of these institutions through escalating entry barriers and capital requirements.

Instead, India should create a dedicated regulatory authority, board, or specialised supervisory framework exclusively for small NBFCs.
Such an authority could function under the Ministry of Finance or under a separate statutory framework and would be responsible for:

- Registration and supervision.
- Technology-driven monitoring and reporting.
- Risk-based inspections.
- Governance and compliance oversight.
- Consumer protection and grievance redressal.
- Collection of grassroots credit and lending data.
- Development of policy specifically tailored to local credit delivery.

This would allow Reserve Bank of India to focus its resources on:

- Banks.
- Deposit-taking NBFCs.
- Upper Layer NBFCs.
- Systemically important financial institutions.

while ensuring that smaller NBFCs continue to play their crucial role in supporting entrepreneurship, employment generation, financial inclusion, and local economic growth.

The solution to supervisory overload should be regulatory specialization, not regulatory exclusion.

Closure of Small NBFCs Will Reduce Credit Availability

India's economic growth depends not only on large institutions but also on the availability of credit to the smallest entrepreneurs.
Large banks and large NBFCs naturally focus on:

- Larger ticket-size loans.
- Urban and semi-urban markets.
- Lower-risk borrowers.
- Standardized products and processes.

Small NBFCs fill the gaps left behind. They understand local borrowers, assess character and community standing, and provide credit where formal banking often does not reach.
Eliminating these institutions will not strengthen financial inclusion; it will weaken it.

Money Lenders Acts Are Not a Viable Alternative

If small NBFCs are forced to close solely because they cannot meet ever-increasing NOF requirements, many may be compelled to function under State Money Lenders Acts.

This would be a retrograde step.

Money Lenders Acts were designed primarily for individual and unregulated lenders and not for corporate entities that:

- Are registered companies.
- Maintain audited accounts.
- File statutory returns.
- Follow KYC and AML requirements.
- Have remained under RBI supervision for years.

Further, many state laws impose lending rate caps, often around 9%, which are economically unviable when banks themselves lend to small businesses at substantially higher rates.

Such an outcome would neither protect borrowers nor encourage responsible lending.

A Valuable National Credit Infrastructure Should Not Be Allowed to Disappear

Small NBFCs collectively represent a valuable national asset for credit delivery and economic growth.

India currently faces an enormous challenge in expanding access to finance for millions of MSMEs, traders, transport operators, and self-employed individuals.

At such a time, it would be unfortunate if thousands of experienced local lending institutions are forced out of existence not because they failed, but because the current regulatory architecture no longer accommodates their scale.

The nation needs more channels of credit delivery, not fewer.

Our Humble Request

We respectfully urge the Government to:

Constitute a high-level committee under the Ministry of Finance and NITI Aayog to examine the future of small NBFCs.

Defer implementation of further increases in minimum NOF requirements pending completion of such review.

Establish a separate regulatory authority or regulatory framework for small NBFCs with net worths between ₹2 crore and ₹100 crore.

Adopt a risk-based regulatory framework aligned to the size and risk profile of such institutions.

Recognize the critical role of local finance companies in supporting MSMEs, transport operators, traders, and self-employed individuals.

Ensure that financial inclusion remains a central consideration in future regulatory policy.
India's growth story requires both large institutions and small institutions. The financial ecosystem must remain diverse, competitive, and inclusive.

Closing Appeal

The continued existence of responsible small NBFCs is not merely an industry concern; it is a matter of national importance for financial inclusion, entrepreneurship, employment generation, and grassroots credit delivery.
Small NBFCs complement the formal banking system by serving borrowers and communities that often remain beyond the reach of larger financial institutions. Their contribution to local economic development far exceeds the negligible systemic risk they pose.

If RBI finds it increasingly challenging to supervise a large number of small NBFCs, the appropriate policy response is not their gradual elimination through escalating regulatory barriers. Rather, India should create a separate regulatory framework for small NBFCs, enabling RBI to focus on larger and systemically important institutions while preserving an important channel of credit delivery.

We therefore respectfully urge the Government of India to undertake a comprehensive review and establish a dedicated regulatory architecture for small NBFCs so that their future is determined by their contribution to financial inclusion and economic development rather than by the supervisory limitations of the existing regulatory framework.

The objective of regulation should be to manage risk, not reduce participation.
The solution to supervisory overload should be regulatory specialization, not regulatory exclusion.

With highest regards,
Yours faithfully,

(Dinesh Kothari)
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Representation No. 3

Request to Transport Commissioners for Access to VAHAN Portal

18th May 2026

To
Hon'ble Shri Nitin Jairam Gadkariji
Union Minister for Road Transport and Highways
Government of India
New Delhi

Subject: Request for Directions to All State Transport Commissioners and State Transport Departments for Granting Access to Financiers to the VAHAN Portal/System – Reg.

Respected Nitin Gadkariji,

Greetings from the Federation of Indian Asset Financiers Associations (FIAFA).

At the outset, we would like to place on record our sincere appreciation for the visionary reforms and digitisation initiatives undertaken by the Ministry of Road Transport & Highways (MoRTH) under your dynamic leadership. The implementation and expansion of the VAHAN platform has transformed the transport ecosystem in India by bringing transparency, efficiency, accountability and ease of doing business in vehicle registration and transport administration.

We, the Federation of Indian Asset Financiers Associations (FIAFA), an Apex body of 28regional associations which have more than 20000 small and medium Non-Banking Finance Companies (NBFCs), Proprietorship Concerns and Partnership firms as members. The combined investment of our members is more than 3.5 Lakh Crores approx. FIAFA is the largest and the only representative of asset financiers in India, nurturing the interest of Automobiles / Assets financiers across the length and breadth of the country. We humbly submit this representation seeking your kind intervention and support for granting authorised access to financiers to the VAHAN portal / software uniformly across all States and Union Territories.

Sir, vehicle financing plays a crucial role in the growth of the Indian economy, particularly in the commercial vehicle, passenger vehicle, agricultural vehicle and MSME sectors. A substantial percentage of vehicles registered in India are financed by all types of financiers and are therefore important stakeholders in the vehicle registration ecosystem.

At present, some progressive States have already provided access to financiers for various VAHAN-related services and functionalities. The experience in such States has been extremely positive and beneficial for all stakeholders including Transport Departments, financiers, dealers and vehicle owners. The system has resulted in:

Faster processing of registration and hypothecation-related activities;
Reduction in manual intervention and paperwork;
Improved transparency and authenticity of records;

Faster verification and compliance monitoring;
Better customer service and ease of doing business;
Reduction in disputes relating to hypothecation entries and terminations;
Enhanced efficiency for State Transport Authorities;
Promotion of Digital India initiatives of the Government of India.

Sir, despite the success of the system in several States, financiers in many other States are still unable to access the VAHAN portal/system due to absence of uniform directions or implementation at the State level. This creates operational difficulties, delays and avoidable hardship for financiers as well as vehicle owners.

The absence of access creates several practical challenges, including:

Delay in verification of vehicle registration and hypothecation details;
Difficulty in monitoring financed assets;
Delays in endorsement and cancellation of hypothecation;
Increased dependency on physical processes and intermediaries;
Operational inefficiencies and increased costs;
Inconsistency in practices across States;
Delayed customer services and grievance resolution.

Considering that VAHAN is a flagship national digital platform developed under the guidance of the Ministry of Road Transport & Highways, we humbly request your good office to kindly issue suitable directions/advisories to:
All State Transport Commissioners (TCs); and
All State Transport Ministers and Transport Departments,

to facilitate and provide authorised access to registered and eligible financiers/NBFCs/Banks/Asset Financing Companies on the VAHAN portal/system in a uniform and time-bound manner across all States and Union Territories.

We further request that standard operating procedures and uniform guidelines may kindly be issued to all States to ensure seamless implementation and equal access for all authorised financiers.

Such an initiative will greatly support:

- Ease of Doing Business;
- Digital India Mission;
- Financial Inclusion;
- Faster credit flow to transport sector;
- Transparency and efficiency in transport administration;
- Better service delivery to vehicle owners and borrowers.

Sir, financiers are one of the most critical stakeholders in the automobile and transport ecosystem and enabling their access to the VAHAN system will further strengthen the reforms initiated by your esteemed Ministry.

We respectfully submit that the successful implementation already undertaken in certain States clearly demonstrates the effectiveness and practical utility of granting such access. Financiers operating in those States are already enjoying the benefits and efficiencies created through the VAHAN system developed by the Central Government.

In the interest of uniformity, digital governance and operational efficiency across the country, we earnestly request your kind intervention to ensure that all remaining States also extend similar access to financiers at the earliest.

We shall be highly grateful for your kind consideration and positive action in this regard.

Thanking you,

Golden Jubilee Celebration 1972-2022

Asset Finance Industry Updates

Used Vehicle Finance Emerging as the Fastest-Growing Segment

India's used vehicle ecosystem continues to formalize, supported by stronger digital marketplaces, vehicle history databases, and improved financing penetration.

Industry reports indicate that financing of pre-owned vehicles is growing faster than new vehicle financing, with NBFCs increasingly focusing on this segment due to higher yields and expanding demand.

The affordability gap between new and used vehicles is pushing consumers toward financed pre-owned purchases rather than entry-level new vehicles.

Insight: Lenders with strong used-vehicle valuation, repossession, and resale capabilities are likely to

OEM–Finance Partnerships Continue to Strengthen

Following increased foreign investment in Indian vehicle finance companies, several global automobile manufacturers are exploring deeper financing partnerships to improve vehicle sales and customer acquisition.

Financing is increasingly being used as a strategic sales tool rather than a standalone lending product.

Insight: Control of financing at the point of sale is becoming a competitive advantage for both OEMs and lenders.

Auto & EV Investment Activity Remains Selective

Deal activity in the automotive and EV ecosystem remains stable, though investors are showing greater preference for scalable and profitable business models.

Industry data indicates steady transaction volumes despite moderation in overall deal values.

Insight: Capital continues to be available, but investors are rewarding sustainable growth rather than aggressive expansion.

NBFC & Vehicle Financing Updates

Used Vehicle Loan Portfolios Expected to Outpace New Vehicle Financing

Industry estimates indicate vehicle finance AUM of NBFCs may continue growing at a healthy pace through FY27, with used vehicle loans expected to remain the fastest-growing sub-segment.

Improved digital underwriting and resale market transparency are reducing historical risks associated with used-asset financing.

Insight: Diversification into used-vehicle finance could enhance portfolio yields without materially increasing risk.

Regulatory Focus on Risk Sharing in Lending Partnerships

As the new co-lending framework comes into implementation, lenders are strengthening portfolio monitoring, borrower-level asset classification, and partner governance mechanisms.

Market participants are shifting attention from growth volume to portfolio quality and operational discipline.

Insight: Governance standards and technology integration are becoming key differentiators in co-lending arrangements.

Digital Lending & Fintech-NBFC Convergence Continues

More fintech platforms are seeking direct lending capabilities through NBFC structures rather than relying solely on partner institutions.

Recent licensing developments indicate continued convergence between fintech and regulated lending.

Insight: Competitive pressure may increase in retail and small-ticket lending segments as technology-led lenders expand regulated operations.

General Market & Regulatory Updates

Used Vehicle Market Size Continues Expanding

Industry studies project strong long-term growth in India's used-car and used-car financing markets, supported by affordability considerations, rising vehicle replacement cycles, and growing financing penetration.

Insight: Asset financiers should view used vehicles as a structural growth opportunity rather than a cyclical segment.

Auto Component Sector Benefits from New Regulatory Standards

Upcoming fuel-efficiency, emission, and safety regulations are expected to increase technology content in vehicles and create opportunities for automotive suppliers.

Insight: Higher vehicle technology content may influence future financing structures, residual values, and insurance-linked lending products.

Market Preference Shifting Toward Quality Balance Sheets

Investors continue to favor NBFCs with strong capitalization, diversified funding sources, disciplined asset quality, and robust governance structures.

Institutions with scalable retail franchises and prudent risk management are attracting greater market confidence relative to weaker peers.

Insight: Access to capital is increasingly linked to governance quality and balance-sheet resilience rather than growth alone.

Editorial Note

Emerging Theme: The asset finance sector is witnessing a structural shift toward used-vehicle financing, OEM-linked distribution, stronger governance standards, and technology-enabled underwriting. Institutions that combine disciplined risk management with ecosystem partnerships are likely to be the primary beneficiaries of the next phase of industry growth.

CONGRATULATIONS TO THE OFFICE BEARERS OF MAHA

Congratulations to the Newly Elected Office Bearers of the Madras Hire Purchase Association

DINESH KUMARR MEHTA
President

NITESH KUMAR BAGMAR
Secretary

YOGESH KUMAR CHORDIA
Treasurer

FIAFA Techincal Quiz Challenge:-

To make this edition more engaging and interactive, we are pleased to introduce the FIDC Technical Quiz Challenge!

Test your knowledge of the latest developments in the NBFC sector, regulatory updates, technology, AI, risk management, and industry trends covered in this edition.

How to Participate

1. Scan the QR Code provided below or click on the participation link.
2. Log in to Mentimeter (Mentimeter.com) using the Quiz Code mentioned below.
3. You may log in using any of the available sign-in options on the platform.
4. Submit your responses and stand a chance to be featured among our top performers.

Quiz Window

Opens: 18 July 2026

Closes: 31 July 2026

Participants can submit their answers anytime during this two-week period.

Results & Recognition

The Top 3 Winners will be announced and recognized in the next edition of the FIDC Newsletter.

We encourage all readers to participate and help us make this initiative an engaging learning experience for the entire NBFC community.

Happy Quizzing and Best Wishes!

Access to the Quiz :-

Link https://www.menti.com/alq8tbwvp4ud

or you can alternatively login to menti.com and use the code : 5206 5610.

or scan the QR code below and login