



FEDERATION OF INDIAN HIRE PURCHASE ASSOCIATIONS

Date: 14.10.2022

To

The Governor
Reserve Bank Of India,
Mumbai .

Respected Sir ,

Sub : **Request for review and relaxation in Type I NBFC- ND to permit customer interface**

Introduction of FIHPA

Federation of Indian Hire Purchase Associations (FIHPA) is a 50 year old body in existence and is an apex body of 28 regional associations which has more than 10000 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. FIHPA is the largest and only representative body for asset financiers in India, nurturing the interest of Automobiles/assets financiers across the length and breadth of the country.

In this representation, we are predominantly representing small NBFCs who pose no systemic risk to the economy and are operating in their niche areas with their own funds and help the economically weak and self employed get financial assistance without difficulty.

The core competence of most of our members is in their granular footprint into the remotest corners of our vast geography. They have a complete understanding of semi urban or rural business cycles in each segment in which they are located in. They mostly fund the self employed, small shopkeepers, small businesses, small road transporters, small industries and small households and others who are at the bottom of the pyramid. They play a vital role towards financial inclusion and last mile credit delivery thereby supporting the government's efforts and initiative in GDP growth. Small NBFCs are a crucial tool in boosting consumption & reviving the economy at the grass root level.

Relaxation sought for Type I NBFC- ND

We laud the move of RBI for introducing scale based regulations categorising NBFCs into Base, Medium , Upper and Top layer .

We refer para 3.1(a) of your circular dated October 22nd 2021 on scale based regulation where there is a category of base layer NBFCs without Public funds and no customer interface.

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|--|--|--|---|--|---|
| President Meghraj Lunawat 98842 09999 info@induscity.in | Vice President Deepak H. Mehta 98410 96222 deepakmehta.h@gmail.com | Vice President Jaggaram Choudhary 94192 644444 choudharyjr@gmail.com | Vice President Josekutty Xavier 98470 20213 jose_k_xavier@yahoo.com | Vice President Pavan Jain 98290 71648 pawanbwr648@gmail.com | Secretary General Dinesh Kothari 93840 40000 dk@prashantinvestments.com |
| Joint Secretary Chinnam Radhakrishnan 98405 49494 nradhakrishnan@sakthifinance.com | Joint Secretary Kushal Doshi 94483 85052 kushalrajdoshi@gmail.com | Joint Secretary Nathmal Rathore 70410 40552 jain_niraj_912@yahoo.co.in | Joint Secretary Sanjay Bhansali 98410 26264 dfsanjay@gmail.com | Treasurer Om Prakash Agarwala 98314 47705 opagarwala@gmail.com | |



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Our Association has been getting numerous requests from our member NBFCs to request Reserve Bank of India to **consider allowing Customer Interface in this category of Type I NBFC- ND** since such companies pose no systemic risk to the Financial sector as they would not have public funds and operate with their own funds only.

Our plea in this representation is to allow customer interface to **Type I NBFC- ND**

Why Customer interface should be allowed for Type I NBFC- ND at the base layer with NOF of 2 crores with no Public funds.

- By permitting customer interface these small NBFCs would be able to continue the last mile credit delivery and financial inclusion vision and reach out to the economically downtrodden
- This category of **Type I NBFC- ND** with **customer interface** would create Self employment opportunities for the informal sector and alleviate unemployment in a big way and discourage anti social activities.
- Small ticket funding encourages entry level borrowing in refinance and funding of used motor vehicle assets, this could be catered in a big way by providing **customer interface** to **Type I NBFC- ND** who are in the know of the business cycles, geographical needs of these borrowers. This in turn would promote manufacturing and sale of new vehicles .
- While permitting **customer interface** these NBFCs shall create borrowers who would graduate into disciplined borrowers and move up the value chain in becoming bigger entrepreneurs and enhance economic activity in a systematic manner.
- Through Customer Interface these **Type I NBFC- ND** with their expertise in small ticket lending would be able to customize the loan products as per the cash flow of small and marginal borrowers, which covers seasonal and geographical requirements.
- We wish draw your attention that these small NBFCs are having very negligible complaints from borrowers since they cater to a very close circle of borrowers.

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In Conclusion

As the **Type I – NBFC ND** companies shall have no Public funds and shall be doing business with their own funds catering to requirements of niche category of borrowers, they may be allowed to have **customer interface**. As such companies would become the engines of growth by providing last mile credit facilities, contribute to the GDP growth and generate employment at grass root levels.

Once these companies are permitted to have **customer interface** it would nurture organic growth in the financial sector without any kind of risk. This would also put capital to best use in enhancing economic activity.

We are sure that you shall consider our request and permit **customer interface** to **Type I NBFC- ND** companies who shall not be having any kind of public funds and operate purely with their own funds only.

We request your good selves to give us an appointment to present our views in detail in person.

Thanking You

Yours Faithfully,

For FEDERATION OF INDIAN HIRE PURCHASE ASSOCIATIONS


T. R. Achha

Chairman, RBI Coordination Committee,
Desabandhu Plaza, 1st Floor, Nahar Hall,
47, Whites Road, Royapettah,
Chennai-600014
9841053233
Tel. No. 28593527



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| President Meghraj Lunawat 98842 09999 info@induscity.in | Vice President Deepak H. Mehta 98410 96222 deepakmehta.h@gmail.com | Vice President Jaggaram Choudhary 94192 644444 choudharyjr@gmail.com | Vice President Josekutty Xavier 98470 20213 jose_k_xavier@yahoo.com | Vice President Pavan Jain 98290 71648 pawanbwr648@gmail.com | Secretary General Dinesh Kothari 93840 40000 dk@prashantinvestments.com |
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