NON-BANKING FINANCING COMPANIES: *GAME CHANGER*

The Associated Chambers of Commerce and Industry of India

MESSAGE FROM ASSOCHAM

The canvas of financial system in India portrays a picture of players of different hues and diverse opportunities. Over a past decade the Non-Banking Financial Companies (NBFCs) have emerged as strong financial intermediaries and form an integral part of the Indian Financial system. They have been very instrumental in contributing towards the Government's agenda of Financial Inclusion by facilitating credit to the customers in the relatively under served and unbanked areas. They play a complementary role in banking system by broadening access to financial services, enhancing competition and diversification of the financial sector.

Non-banking financial companies (NBFCs) in India have recorded marked growth in recent years. After their existence, they are useful and successful for the evolution of a vibrant, competitive and dynamic financial system in Indian money market. The success factors of their business has been by making the most of their ability to contain risk, adapt to changes and tap demand in markets that are likely to be avoided by the bigger players. Thus the need for uniform practices and level playing field for NBFCs in India is indispensable.

ASSOCHAM along with Resurgent India Limited have come out with this knowledge paper with an objective to contemplate the issues and challenges being faced by NBFCs and suggest measures that can be taken to optimize their contribution thereto.

We hope that this study would help the regulators, market participants, Government departments, and other research scholars to take a view on NBFCs role in promoting 'Financial Inclusion' for our country.

We acknowledge the efforts made by Resurgent India Limited and the ASSOCHAM team in bringing out this well researched paper. Your valuable suggestions / comments are welcome.

(D.S.Rawat)
Secretary General
ASSOCHAM

MESSAGE FROM RESURGENT

Non-Banking Financial Companies are emerging as an alternative for mainstream banking. Besides, they are also emerging as an integral part of Indian Financial System and have a commendable contribution towards Government's agenda of Financial Inclusion. They have been to some extent successful in filling the gap in offering credit to retail customers in under-served and un-banked areas.

NBFCs are planning an active role of complementing the banking system by increasing the accessibility of financial services, improving competition and also diversifying the whole sector. They are also channelizing savings and investment of the customers, thus resulting in capital formation needed for India's economic growth and development.

NBFCs aspire to emerge as a one-stop shop for all financial services. This is evident in its moderate consolidation activities in recent years, a trend expected to continue in the near future. NBFCs have often led financial product innovation and also quickness in services such as speed of credit delivery and the zeal to expand its reach to the far corners of the country, mainly to the under-served markets. This will take them a long way.

We have come up with this backgrounder, covering various aspects related to NBFCs, present and future role of the segment in Indian Financial Sector and measures to be taken to optimize the contributions of NBFCs to promote "Inclusive Growth".

Jyoti Prakash Gadia
Managing Director/CEO
Resurgent India Limited

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INDIAN FINANCIAL SYSTEM – CONCEPT & COMPOSITION

Indian financial system assists in transfer of funds through financial institutions, financial markets, financial instruments and services. Financial institutions play the role of mediator to accumulate savings, and put those funds into use by way of credit or finance. In addition to this, they also provide various financial services by acting as intermediaries between savers and investors. Financial institutions are further divided into the banking and non-banking enterprises. The difference between the two is that the former is the creator of credit, and the latter as mere purveyor of credit. The banking system includes the commercial banks and co-operative banks. The non-banking financial institutions include Life Insurance Corporation (LIC) and Unit Trust of India (UTI).

Financial markets offer a platform for trading of financial claims and services. The participants on the demand and supply sides of these markets are financial institutions, agents, brokers, dealers, borrowers, lenders, savers, and others who are inter-linked by the laws, contracts, covenants, and communication networks of the land. Financial markets are sometimes classified as primary (direct) and secondary (indirect) markets, where primary markets deal in new financial claims or new securities and, therefore, they are also known as New Issue Markets. On the other hand, secondary markets deal in securities already issued or existing or outstanding. The primary markets accumulate savings and they supply fresh or additional capital to business units, whereas the latter don't contribute directly to the supply of additional capital; they do so indirectly by rendering securities issued on the primary markets liquid. Stock markets have both the primary and secondary market segments.

Financial markets in India are further classified into money markets and capital markets, where money market deals in the short-term claims and the capital market deals in the long-term claims. Commercial banks, for example, belong to both. Whereas intermediaries such as Treasury Bills Market, Call Money Market, and Commercial Bills Market are examples of the money market, Stock Market and Government Bonds Market are examples of the capital market. Financial assets represent a claim to the payment of a sum of money sometime in future and /or a periodic payment in the form of interest or dividend.

FINANCIAL SERVICES IN INDIAN FINANCIAL SYSTEM

Financial Services comprises of hire-purchase and installment credit, deposit insurance and other insurance, Financial and performance guarantees, acceptances, merchant banking, factoring, Credit rating, credit information, technical and economic consultancy, stock holding, discounting and rediscounting, refinancing, underwriting, leasing, funds transfer, credit cards, Safe deposit vaults, brokerage, portfolio management, deposit acceptance, giving credit, loan syndicating, managing capital issues, market making, custodial services and depository services.

Financial system is necessary to optimize the output by moving the economic system towards the existing production frontier, which can be attained by utilizing wealth for more productive forms. It encourages people to curtail their savings in form of precious metals, real-estate, consumer durables, and currency and replace them by assets such as bonds, shares, units, etc. It also facilitates to increase the volume and rate of saving by supplying diversified portfolio of such financial instruments, and by offering an array of inducements and choices to lure the prospective saver. The growth of banking habit among the people also assists in savings and undertakes fresh savings.

A robust financial system helps to amplify the volume of investment, as it becomes possible for the deficit spending units to opt for additional investment, because it would assist them to command more capital. Additionally, it fuels investment activity by decreasing the cost of finance and risk, which is done through offering insurance services and hedging opportunities, and by making financial services such as remittance, discounting, acceptance and guarantees available. Further, it not only encourages greater investment but also raises the level of resource allocation efficiency among different investment channels. It also assists in sorting the investment projects by sponsoring, encouraging, and selectively supporting business units or borrowers through more systematic and expert project appraisal, feasibility studies, monitoring, and by generally keeping a watch over the executing and management of projects.

In a developing economy like India, persons require various alternatives of holding wealth. In the same way, individuals and business, private or public, require funds for their activities, which may be either consumptive or productive. The activities may also need every day working capital for a small firm or any capital intensive company. Institutionalization of savings and investment process is a logical and rational step in the economic expansion, development and capital formation process of a highly industrialized society. Financial intermediation is the process through which the differing needs of ultimate savers, investors and consumers are met.

Financial system is a like a reservoir, when the consumption of households and the economic agents are below their income, the residual amount flow into the reservoir. In the same way, businesses whose expenses are more than its income borrow to meet their excess expenditure. Without these financial intermediaries the economy's savings and investing transactions would be fragmented. Further, the emergence of new forms of credit and new types of financial institutions, have resulted in a surge of the volume of capital of firms by facilitating the mobilization of funds. Financial intermediaries are expected to play a very important role in the development of large-scale industries in India.

INTRODUCTION – NON BANKING FINANCIAL COMPANIES

Non-banking financial companies (NBFCs) comprise of a heterogeneous lot of privately-owned, small-sized financial intermediaries which offer various services that include equipment leasing, hire purchase, loans, investments and chit fund activities. These entities play a vital role in offering credit to the unorganized sector and to the small borrowers at the local level. The largest activities by the NBFCs are that of hire purchase finance. Indian NBFCs have been garnering attention since the early 1990s and the sector has witnessed rapid growth. The differentiating factor between banks and NBFCs has decreased drastically, with the exception of the exclusive privilege that commercial banks exercise in the issuance of cheques. NBFCs are widely spread across the country and their management exhibits varied degrees of professionalism. Furthermore, the depositors have varied degrees of perceptions regarding safety of their deposits while making an investment decision.

DEFINITION OF NBFC

Section 45I of the Reserve Bank of India Act, 1934 defines ‘‘non-banking financial company’’ as–

- A financial institution which is a company;
- Non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;
- Such other non-banking institution or class of such institutions, as the Bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

TYPES OF NBFCs

The NBFCs that are registered with RBI are basically divided into 4 categories depending upon its nature of business:

- Equipment Leasing Company - Equipment leasing or financing of such activity
- Hire purchase finance company - Hire purchase transactions or financing of such transactions
- Investment Company - Acquisition of securities. These include Primary Dealers (PDs) who deal in underwriting and market making for government securities

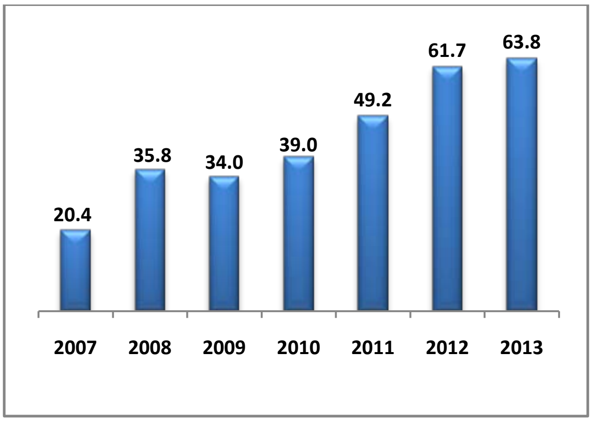
- Loan company - Providing finance by making loans or advances, or otherwise for any activity other than its own; excludes EL/HP/Housing Finance Companies (HFCs)
- Residuary Non-Banking Company – Involved in receiving deposits under any scheme or arrangement by whatever name called, in one lump-sum or in installments by way of contributions or subscriptions or by sale of units or certificates or other instruments, or in any manner. These companies do not belong to any of the categories as stated above

As per the Economic Survey of 2010-11, Indian NBFCs accounted for 11.2 per cent of assets of the total financial system. With growing emphasize on financial inclusion, NBFCs have come to be regarded as important financial intermediaries particularly for the small-scale and retail sectors. In the multi-tier financial system of India, the relevance of NBFCs in the Indian financial system is discussed by various committees appointed by RBI in the past and RBI has been modifying its regulatory and supervisory policies from time to time to keep pace with the changes in the system.

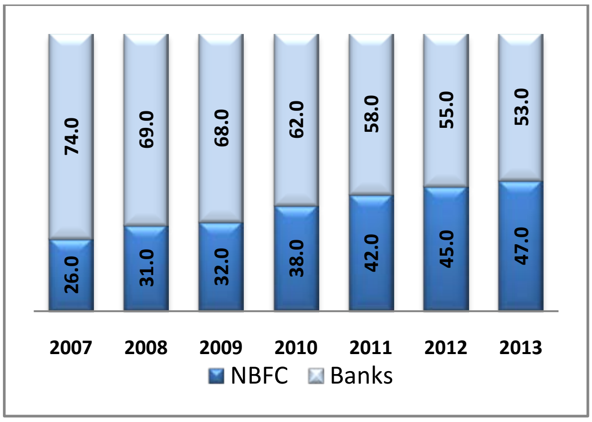
NBFC have emerged as the catalyst of growth and are an integral part of the Indian financial system, thus boosting competition and diversification in the financial sector by spreading risks during financial distress. They have been actively emerging as a complementary entity to the banking system at competitive prices. Indian Banking sector has always been highly regulated, even though lately, simplified sanction procedures, flexibility and timeliness in meeting the credit needs and low cost operations.

NBFCs have been pioneering at retail asset backed lending, lending against securities, microfinance etc and have been extending credit to retail customers in under-served areas and to unbanked customers. They finance more than 80 per cent of equipment leasing and hire purchase activities in India. In FY2012, 12,385 NBFCs were registered with India, with total assets at USD26 billion.

SURGE IN AUM OF RETAIL NBFCS ($ bn)



MARKET SHARE IN RETAIL BANKING (%)



NBFCs are emerging as strong financial intermediaries in retail financing space and have gradually increased their share in retail lending and currently account for 47 per cent of such business in the country. Further, new RBI guidelines on NBFCs with regard to capital requirements, provisioning norms and enhanced disclosure requirements will further boost the growth of the sector as it would help in people understanding the business in a much better manner. This would also lead to greater professionalism in the industry. Vehicle finance is the major segment contributing to more than one-third of the gross assets of NBFCs, followed by loans against property and gold loans. The share of NBFCs in total gold loans has increased dramatically from 13 per cent during FY08 to 27 per cent in FY12. Gold loan NBFCs grew at a CAGR of 89 per cent during FY08–FY12. Total Assets of gold loan NBFCs were $ 9.5 bn in FY12 from $ 0.9 bn in FY08. However this business has taken a hit of late because of the restrictions imposed by the government on import of gold, quantum of loan (LTV) that could be given against gold etc.

In retail NBFC segment, domestic players will continue to be the dominant contributor, whereas in the medium term contribution from foreign players will remain limited. In spite of better operating environment, the overall performance of foreign NBFCs remains muted. Besides, competitive pressure and high delinquencies in the unsecured retail loan portfolios led foreign NBFCs to downsize their operation. On the upside, increasing losses from unsecured portfolios and movement to secured classes is expected to boost growth in future.

DIFFERENCES BETWEEN NBFCs AND BANKS

The differentiating factor between banks and NBFCs is mainly the nature of the liabilities and to some extent the structure of their assets. While liabilities of commercial banks comprise of demand and time deposits, NBFCs do not ordinarily include demand deposits, except for the mutual benefit financial companies. Demand deposits which are withdrawn by cheque are considered to be a component of 'money'; it is the degree of moneyness of the liabilities of the two types of institutions which constitutes a major difference. From the point of view of assets held, it may be said that commercial banks assets includes a wide variety ranging from short-term and medium-term to long term credits and they also use various credit instruments like overdrafts, cash credits, bills, etc. On the other hand, the assets of NBFCs are more specialized. For instance, hire purchase finance companies are involved in financing of transport operations and consumer credit while housing finance companies make loans for housing purpose. It may, however, be stated that the difference in the nature of assets held by commercial banks on the one hand and those held by NBFCs on the other do not clearly demarcate the respective fields of the two because commercial banks also make advances in fields like transport, housing and consumer credit.

MAJOR LIMITATIONS ON NBFC AS COMPARED TO BANKS

- An NBFC cannot accept demand deposits, and therefore, cannot write a checking facility.
- It is not a part of payment and settlement system which is precisely the reason why it cannot issue cheques to its customers.
- Deposit insurance facility of DICGC is not available for NBFC depositors unlike in case of banks.
- SARFAESI Act provisions have not currently been extended to NBFCs. However the discussion paper on stressed assets prepared by RBI does envisage a bigger role for NBFCs.

BELOW TABLE EXPLAINS THE DIFFERENCES AMONG THE TWO ENTITIES IN A CONCISE MANNER:

	BANKS	NBFCs
Definition	Banking is acceptance of deposits withdraw able by cheque or demand; NBFCs cannot accept demand deposits	NBFCs are companies carrying financial business
Scope of business	Scope of business for banks is limited by sec 6 (1) of the BR Act	There is no bar on NBFCs carrying activities other than financial activities
Licensing requirements	Licensing requirements are quite stringent. Transfer of shareholding also controlled by RBI	It is quite easy to form an NBFC. Acquisition of NBFCs is procedurally regulated but no approval required
Major limitations on business	No non-banking activities can be Carried	Cannot provide checking Facilities
Major privileges	Can exercise powers of recovery under SARFAESI and DRT law	Do not have powers under SARFAESI or DRT law
Foreign investment	Upto 74 per cent allowed to private sector banks	Upto 100 per cent allowed
Regulations	BR Act and RBI Act lay down stringent controls over banks	Controls over NBFCs are relatively much lesser
SLR/CRR requirements	Banks are covered by SLR/ CRR Requirements	NBFCs have to maintain a certain ratio of deposits in specified securities; no such requirement for non depository companies
Priority sector lending requirements	Certain minimum exposure to priority sector required	Priority sector norms are not applicable

INFRA FUNDING BY NBFCs

In February 2011, then Finance Minister Shri. Pranab Mukherjee announced the Infrastructure Debt Funds (IDF) concept with tax exemptions. These funds can have two designs: one as a company and the other as a trust. This initiative was targeted at accelerating and broadening the funding sources for the country's $1 trillion infrastructure requirements during the 12th Five Year Plan. Accordingly, RBI said that IDFs can be set up as mutual funds and NBFCs. However, it also said that banks need to stick to the current caps for investment limits in financial services companies and capital market exposure while floating IDFs. The parameters mentioned by RBI to form an IDF-MF stated that NBFC sponsoring IDF-MF should have minimum net owned funds (NOF) of Rs 300 cr and capital adequacy ratio of 15 per cent. Besides, its net NPAs should be less than 3 per cent of net advances and the NBFCs should have been in existence for at least 5 years and earning profits for the last three years, it said.

Under Securities and Exchange Board of India (SEBI) regulations Banks and NBFCs would be eligible to sponsor IDFs as Mutual Funds with prior approval of the RBI. It also stated that SEBI has amended the (Mutual Funds) Regulations to provide regulatory framework for IDF-MFs. This implies that Banks and NBFC-Infrastructure Finance Companies (NBFC-IFCs) can sponsor IDFs as NBFCs after attaining approval from the Central Bank. Once investment is made in the IDF, the sponsor must maintain minimum Capital to Risk Assets Ratio (CRAR) and NOF prescribed for IFCs. The IDF should be assigned a minimum credit rating 'A' or equivalent of CRISIL, India Ratings, CARE, ICRA or equivalent rating by any other accredited rating agencies. Further, minimum Capital Adequacy Ratio (CAR) should be 15 per cent of risk weighted assets.

In this regard, RBI stated that Banks or other firms who sponsor IDFs through the NBFC route need to invest a minimum equity of 30 per cent and a maximum equity of 49 per cent. The IDF should invest only in PPP and post Commercial Operation Date (COD) infrastructure projects which have completed at least one year of satisfactory commercial operation and are a party to a Tripartite Agreement with the concessionaire and the Project Authority for ensuring a compulsory buyout with termination payment. It also stated that maximum exposure that an IDF can take from a borrower or a group of borrowers will be at 50 per cent of its total capital funds. Additional exposure up to 10 per cent is allowed at the discretion of the Board of the IDF-NBFC. Boards of IDFs will be required to frame appropriate policies governing risk, exposure etc. Limited additional exposure over 60 per cent could be taken only with RBI's prior approval.

However, post this for two years no IDF was formed until 2013, thus raising questions on the ability to deliver. India Infradebt (a joint venture between ICICI Bank, Bank of Baroda, Citicorp Finance and Life Insurance Corporation of India) and IL&FS Infra Debt Fund (a joint venture between IL&FS and eight public sector banks including Bank of India and Allahabad Bank) are among those with triple A rating poised to raise funds. But they may well be a drop in the ocean as many issues that held back infra lending still remain.

Further, under the current scenario, debt provided by IDF-NBFCs will be senior to the existing project debt, and financial institutions will not be comfortable with such a structure. This will be a major obstacle for the success of IDF-NBFCs. Further, financing from IDF-NBFCs should be treated equally with existing debt to make it possible for this scheme to get assets to lend to.

As per the regulations, both the IDFs set up last year fall under the category of trust which are known as IDF-MF and are regulated by SEBI. These funds will invest in projects that are running at least for a year and in ones that have a tripartite agreement with the operator which will give the fund the charge in case of a default. Until now, the tripartite agreement is final only for road projects and the fact that it has taken nearly two years to begin the search for assets to invest in, indicates that these funds could hardly meet India's growing needs for infrastructure funding.

IDFs were meant to supplement banks in funding the country's infrastructure by taking over a chunk of Rs.7,86,045 crore loans outstanding as on March 2013. However, the increasing gap in banks' asset liability profile has also compelled policy-makers to find alternate solutions like IDFs as the country has projected an infrastructure investment requirement of about $1 trillion in the 12th Plan with an estimated funding gap of above Rs.5 Lakh crore.

About 53 per cent of the infrastructure investment would be coming from budgetary support and the balance from the private sector. The approach paper of the 12th Plan says that the share of the private sector in investments will have to rise to as much as 48 per cent from 37 per cent in the 11th Plan to achieve this. Even though there are enormous business opportunities, the conflicts remain the same as investors want to buy assets that are generating cash and banks want to sell the ones that are stuck.

PROMOTING INCLUSIVE GROWTH – ROLE OF NBFCs

The focus of financial inclusion is on promoting sustainable development and generating employment for a vast majority of the population especially in the rural areas. In the first-ever Index of Financial Inclusion to find out the extent of reach of banking services among 100 countries, India has been ranked 50. The RBI has aimed to provide banking services through a banking branch in every village having a population of more than 2000.

Out of 19.9 crore households in India, only 6.82 crore households have access to banking services. As far as rural areas are concerned, out of 13.83 crore rural households in India, only 4.16 crore rural households have access to basic banking services. In respect of urban areas, only half of the population has access to banking services and 34 per cent of the India's urban population with annual income less than Rs. 50,000 has access to banking services.

As a result of Financial Inclusion Plan, banking connectivity increased by threefold from 67,694 villages, at the beginning of the plan period, to 211,234 by December 2012. Besides, Basic Savings Bank Deposit Accounts (BSBDA) has gone up from 73.45 mn in 2010 to 171.43 million by 2012. Kissan Credit Cards outstanding have gone up from 24.3 mn in 2010 to 31.7 mn by 2012, while General Credit Cards outstanding have gone up from 1.4 million to 3.1 mn during the same period.

Lastly, financial inclusion has been made an integral part of the banking sector policy in India. RBI is pushing financial inclusion in a mission mode through a combination of strategies ranging from relaxation of regulatory guidelines, provision of innovative products, encouraging use of technology and other supportive measures for achieving sustainable and scalable financial inclusion. Financial inclusion is the gateway for achieving inclusive growth in India. All the commercial banks in India including cooperative banks are actively involved in financial inclusion process through opening of new branches in rural and urban areas thus ensuring that all the Indians should have access to basic banking services for achieving sustainable economic development.

As per the data released by the World Bank it can be concluded that average Indians over the age of 15 years remain considerably under-banked as compared to their global peers. The data also mentions that half the global population ageing more than 15 years has an account at a formal banking channel as compared to 35 per cent in India. The scenario is further inferior when it comes to female population as 41 per cent population globally has an account as against 27 per cent in India.

Indian NBFCs have achieved great success during the past decade and are complementing in meeting the diverse financial needs of the economy. Besides, they are also influencing the direction of savings and investment of the customers and the resultant capital formation is a necessity for India's economic growth and development. NBFCs have been successful in serving the unbanked customers by pioneering into retail asset-backed lending, lending against securities and microfinance. The segment aspires to emerge as a one-stop shop for all financial services, this is evident in its moderate consolidation activities in recent years, a trend expected to continue in the near future. Besides, the new banking license-related guidelines issued by RBI in early 2013 place NBFCs ahead in competition for licenses owing largely to their rural network.

NBFCs have traditionally complemented the banking system and have prevented the concentration of credit risk in banks. Besides, they have also met the needs of a class of borrowers who are often considered un-bankable. This segment of customers is generally not from the high income or middle income brackets, rather may not be able to pass the banks' test of creditworthiness in terms of an adequate credit score.

NBFCs are increasingly filling the gaps left by banks in rural/semi-rural markets and also in some urban centers and they have also created a major impact in developing small and micro businesses through their local presence and strong customer relationships. NBFCs have often led financial product innovation through meeting financing needs of the under-served segments of society such as small enterprises and rural households. They are also leading in providing small ticket personal loans, financing of two wheelers/ three wheelers, farm equipment financing, and loans for purchasing used commercial vehicles/ machinery.

The quickness in services such as speed of credit delivery of NBFCs is comparatively higher than that of banks and they also assist in expanding the reach of credit delivery to the far corners of the country, mainly to the under-served markets,

Though the NBFCs have been around for a long time, they have gained limelight, lately as they facilitate reliable and affordable access to credit for semi-rural and rural India where the reach of traditional banks has not been consistent and this shows that NBFCs will be a vital link in the promotion of financial inclusion.

FOCUS ON MSME

MSMEs play a vital role in Indian economy and also account for 95 per cent of the industrial units. Further, the segment accounts for 40 per cent of the manufacturing output and around 45 per cent of exports. This implies that the growth of this segment is incremental for economic and social development of the country. Although MSMEs are growing in numbers, they lack access to timely and adequate funding needed for working capital. In such a situation NBFCs have emerged as viable financial intermediary in making financial services available to various customer segments including MSMEs. NBFCs have extended credits to MSMEs through various products suiting the needs of MSMEs. In addition to providing loan against property, innovative products introduced include, used vehicle financing, reconditioned vehicle financing, three-wheeler financing, and construction equipment financing and secured and unsecured working capital financing.

MICROFINANCE

Microfinance is a separate category under NBFCs, with approximately 50 micro financing companies being registered with RBI as NBFC-MFI (Microfinance Institutions). MFI offers poor people access to basic financial services such as loans, savings, money transfers and micro insurance and all those services needed to instill saving and investment habits among the poor. Microfinance has tried to fill the gap left between banks and private money lenders and also emerged as enabler for access to financial products. While half of the Indian population does not have access to banking services, MFIs have been successful in creating active borrower accounts close to 15 mn with an outstanding portfolio of close to Rs 15,000 cr.

AFFORDABLE FINANCING

Another area where NBFCs are moving fast is the agenda of inclusive growth through Affordable Housing. Large NBFCs are setting up units to offer small ticket loans to home buyers falling in the low income group. They offer loans of Rs. 2-6 lakh to the borrowers with a monthly income ranging between Rs. 6000-12000, who find it difficult to borrow from the commercial banks.

Lastly, the success in Financial Inclusion could only be achieved by collaborative effort of all the stakeholders involved. Policymakers should facilitate policy framework, infrastructure support and creating an environment, where service providers can experiment with different models to serve the unbanked. There has to be collaboration among service providers with financial institutions partnering with telecom, technology, and consumer product providers to create an enabling environment.

Government and Regulatory bodies should put in place a strategy to provide financial education through standard literacy material. Besides, banks should emphasize on developing simpler financially products to make it easy for the financially less aware population. Technology based initiatives are leading examples for success in Financial Inclusion.

CONCLUSION

NBFCs have been playing a crucial role both from the macro-economic perspective and the structure of the Indian financial system. NBFCs are seen as perfect or even better alternatives to the conventional Banks for meeting various financial requirements of a business enterprise. The services offered are faster and efficient services without making one to go through the complex procedures of conventional banking formalities. However to survive and to constantly grow, NBFCs have to focus on their core strengths while improving on weaknesses. Besides, they will have to be very dynamic and constantly endeavor to search for new products and services in order to survive in this ever competitive financial market.

Currently, NBFCs have been kept outside the purview of SARFAESI Act and a reform in this area is urgently needed. The SARFAESI Act empowers Banks/Financial Institutions to recover their non-performing assets without the intervention of the Court. A suitable legislative change to bring NBFCs under the purview of the Act would go a long way in fortifying the faith of the investors and which in turn would greatly contribute to the growth of this Sector. The future seems to be very crucial for NBFCs and only those who will be able to face the challenge will be standing the test of time and will survive in the long run.

ASSOCHAM

THE KNOWLEDGE ARCHITECT OF CORPORATE INDIA

Evolution of Value Creator

ASSOCHAM initiated its endeavor of value creation for Indian industry in 1920. Having in its fold more than 400 Chambers and Trade Associations, and serving more than 4,00,000 members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.

Today, ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'.

ASSOCHAM is seen as a forceful, proactive, forward looking institution equipping itself to meet the aspirations of corporate India in the new world of business. ASSOCHAM is working towards creating a conducive environment of India business to compete globally.

ASSOCHAM derives its strength from its Promoter Chambers and other Industry/Regional Chambers/Associations spread all over the country.

Vision

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrier less technology driven global market and help them upscale, align and emerge as formidable player in respective business segments.

Mission

As a representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development. We believe education, IT, BT, Health, Corporate Social responsibility and environment to be the critical success factors.

Members – Our Strength

ASSOCHAM represents the interests of more than 4,00,000 direct and indirect members across the country. Through its heterogeneous membership, ASSOCHAM combines the entrepreneurial spirit and business acumen of owners with management skills and expertise of professionals to set itself apart as a Chamber with a difference.

Currently, ASSOCHAM has more than 100 National Councils covering the entire gamut of economic activities in India. It has been especially acknowledged as a significant voice of Indian industry in the field of Corporate Social Responsibility, Environment & Safety, HR & Labour Affairs, Corporate Governance, Information Technology, Biotechnology, Telecom, Banking & Finance, Company Law, Corporate Finance, Economic and International Affairs, Mergers & Acquisitions, Tourism, Civil Aviation, Infrastructure, Energy & Power, Education, Legal Reforms, Real Estate and Rural Development, Competency Building & Skill Development to mention a few.

Insight into 'New Business Models'

ASSOCHAM has been a significant contributory factor in the emergence of new-age Indian Corporate, characterized by a new mindset and global ambition for dominating the international business. The Chamber has addressed itself to the key areas like India as Investment Destination, Achieving International Competitiveness, Promoting International Trade, Corporate Strategies for Enhancing Stakeholders Value, Government Policies in sustaining India's Development, Infrastructure Development for enhancing India's Competitiveness, Building Indian MNCs, Role of Financial Sector the Catalyst for India's Transformation.

ASSOCHAM derives its strengths from the following Promoter Chambers: Bombay Chamber of Commerce & Industry, Mumbai; Cochin Chambers of Commerce & Industry, Cochin: Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi and has over 4 Lakh Direct / Indirect members.

Together, we can make a significant difference to the burden that our nation carries and bring in a bright, new tomorrow for our nation.

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