Press Clippings

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Flush-out and after

JULY 2007 marks the 10th anniversary of one of the biggest clean-up operations in central banking history. Over 30,000 small non-banking finance companies were forced to shut shop following a registration process initiated by the Reserve Bank of India. The template for the reforms was the Khanna committee report on monitoring NBFCs. Besides weeding out over 30,000 corner store type of finance companies, the regulatory overhaul also saw some of the big names fade away while many others got merged with banks.

The big names then include Apple Finance, SRF Finance, which was acquired by GE Capital, Ceat Finance (CFL Financial Services), 20th Century Finance (merged with Centurion Bank) and Ashok Leyland Finance (merged with IndusInd Bank). Several large regional players were forced to shut shop by RBI following the cancellation of their registration.

According to the RBI report on trend and progress of banking in India, the central bank received 38,244 applications for grant of certificate of registration (CoR) as NBFCs till end-March 2006. Of these, RBI approved 13,141 applications (net of cancellation), including 423 applications (net of cancellation) of companies authorised to accept/hold public deposits. The total number of NBFCs registered with the Reserve Bank were 13,014 at end-June 2006, of which 428 were public deposit accepting companies.

Today it's the foreign players that are taking centre stage when it comes to non-banking finance activities. Citigroups Financial Services, GE Capital, Fullerton India are among the leading foreign players. AIG group, which has acquired a couple of small players including Weizmann, has also got ambitious plans. Development Bank of Singapore is making its presence felt through a stake in Cholamandalam. In terms of market capitalisation the largest NBFC players are Reliance Capital, Indiabulls Financial Services, India Infoline, JM Financial, Shriram Transport Finance, Mahindra and Mahindra Financial Services. Another area where the NBFC story is being played out again is the microfinance business where a number of lenders are positioning themselves as NBFCs. While in the earlier years, NBFCs raised retail deposits to extend commercial loans, MFIs are looking at institutional funds for individual loans.

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