VI NON-BANKING FINANCIAL INSTITUTIONS

Non-banking financial companies (NBFCs) expanded credit strongly in 2023-24. Credit quality improved and balance sheets were strengthened with improved profitability and strong capital buffers. Housing finance companies' (HFCs) credit also grew in double digits amidst structural changes in the aftermath of the merger of a dominant HFC with a bank. Disbursements by all India financial institutions (AIFIs) rose steadily along with higher profitability.

1. Introduction

VI.1 Non-banking financial institutions (NBFIs) are an important constituent of India's financial system. Entities regulated by the Reserve Bank[1] include non-banking financial companies (NBFCs), housing finance companies (HFCs)[2], all India financial institutions (AIFIs), and standalone primary dealers (SPDs) [Chart VI.1].

VI.2 NBFCs are registered companies, both government and non-government, which engage in credit intermediation and facilitate last-mile credit delivery to unbanked and underbanked sectors. They are also at the forefront of the digital transformation of the lending space, leveraging technology to offer tailor-made credit offerings to customers. HFCs provide housing credit to individuals, co-operative societies and corporates. The five AIFIs, namely, the National Bank for Agriculture and Rural Development (NABARD), the Export-Import Bank of India (EXIM Bank), the Small Industries Development Bank of India (SIDBI), the National Housing Bank (NHB) and the National Bank for Financing Infrastructure and Development (NaBFID)[3] are apex financial institutions providing long-term funding to important sectors like agriculture, foreign trade, small businesses and infrastructure. Primary dealers (PDs) underwrite issuances of government securities (G-secs) and act as market makers in the G-sec market.

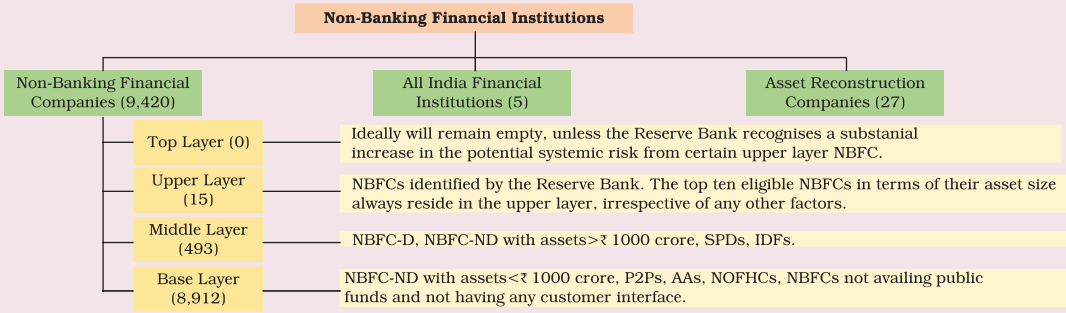
VI.3 This chapter covers the performance of NBFIs in 2023-24 and the first half of 2024-25. Section 2 provides an assessment of the NBFC sector, with a focus on the NBFCs in the upper layer (NBFC-UL) and the middle layer (NBFC-ML). Section 3 discusses the performance of the HFCs. Sections 4 and 5 evaluate the performance of AIFIs and PDs, respectively. Section 6 contains concluding observations.

[1] Although merchant banking companies, stock exchanges, companies engaged in the business of stock-broking/sub-broking, nidhi companies, alternative investment fund companies, insurance companies and chit fund companies are NBFCs, they have been exempted from the requirement of registration with the Reserve Bank under Section 45-IA of the RBI Act, 1934.

[2] The Finance (No.2) Act, 2019 (23 of 2019) amended the National Housing Bank Act, 1987, conferring certain powers for regulation of housing finance companies (HFCs) with the Reserve Bank of India. HFCs are now treated as a category of NBFCs for regulatory purposes.

[3] NaBFID has been set up as a Development Financial Institution (DFI) and shall be regulated and supervised as an AIFI by the Reserve Bank under Sections 45L and 45N of the RBI Act, 1934.

Chart VI.1: Structure of NBFIs under the Reserve Bank's Regulation
(As on March 31, 2024)



Notes: 1. Figures in parentheses indicate the number of institutions (provisional).
2. NBFCs, viz., NBFC-ICC, NBFC-MFI, NBFC Factors, and NBFC-MGC could lie in any of the layers depending on the parameters of SBR. NBFC-CICs, HFCs, and IFCs could lie either in the upper or middle layer.
3. Government-owned NBFCs are placed in the base or middle layer.

Sources: RBI and NHB.

2. Non-Banking Financial Companies (NBFCs)

VI.4 NBFCs regulated by the Reserve Bank are a group of heterogenous financial entities operating with diverse business strategies. The Reserve Bank's scale-based regulation (SBR) framework categorises NBFCs into top, upper, middle and base layers, based on their size, activity, and perceived riskiness. The SBR framework is progressive in that it is built on the principle of proportionality, with regulations commensurate with the size and interconnectedness of the NBFCs (Chart VI.1 and Table VI.1). Smaller and/or less complex NBFCs are relatively lightly regulated, while larger and more systemically important NBFCs are subjected to enhanced regulatory scrutiny.

VI.5 Given the inherently diverse and dynamic nature of these entities, applications were invited by the Reserve Bank for recognising self-regulatory organisations[4] (SROs) for the NBFC sector in June 2024. This establishes principles for self-regulation, which complement the extant regulatory/statutory framework and incentivise enhanced professionalism, compliance, innovation and ethical conduct.

VI.6 NBFC-UL and ML dominate the NBFC sector in terms of assets. In terms of number, NBFCs in the base layer (NBFC-BL) constituted 96.2 per cent of the total, while accounting for only six per cent of total assets (Table VI.2).

VI.7 Credit extended by NBFCs[5] was 13.6 per cent of gross domestic product (GDP) during 2023-24. At end-March 2024, it accounted for 24.5 per cent of the outstanding credit of SCBs (Chart VI.2).

VI.8 The number of registrations and cancellations of certificates of registration (CoRs) of NBFCs declined in 2023-24 (Chart VI.3). The surrender of CoRs by NBFCs and their subsequent cancellations were on account of factors such as the entities exiting NBFI business

[4] An omnibus framework for recognising SROs for regulated entities of the Reserve Bank was issued in March 2024.
[5] Subsequent analysis in this section focuses on NBFCs in the upper and middle layers excluding CICs, HFCs and SPDs (the latter two are covered in separate sections).

Table VI.1: Classification of NBFCs by Activity under the Scale Based Regulatory Framework

Classification	Activity	Layer
1	2	3
1. Investment and Credit Company (NBFC-ICC)	Lending which supports productive/economic activities, offer consumption/personal finance and acquisition of securities for investment.	Any layer, depending on the parameters of the SBR.
2. NBFC-Infrastructure Finance Company (NBFC-IFC)	Infrastructure loans.	Middle or upper layer, as the case may be.
3. Core Investment Company (CIC)	Investment in equity shares, preference shares, debt, or loans to group companies.	Middle or upper layer, as the case may be.
4. NBFC-Infrastructure Debt Fund (NBFC-IDF)	Refinance post commencement operations date (COD) infrastructure projects which have completed at least one year of commercial operations and finance toll operate transfer (TOT) projects as the direct lender.	Middle layer
5. NBFC-Micro Finance Institution (NBFC-MFI)	Providing collateral free small ticket loans to economically disadvantaged groups.	Any layer, depending on the parameters of SBR.
6. NBFC-Factors	Acquisition of receivables of an assignor or extending loans against the security interest of the receivables at a discount.	Any layer, depending on the parameters of SBR.
7. NBFC-Non-Operative Financial Holding Company (NBFC-NOFHC)	Facilitation of promoters/ promoter groups in setting up new banks.	Base layer
8. Mortgage Guarantee Company (MGC)	Undertaking of mortgage guarantee business.	Any layer, depending on the parameters of SBR.
9. NBFC-Account Aggregator (NBFC-AA)	Collecting and providing information about a customer's financial assets in a consolidated, organised, and retrievable manner to the customer or others as specified by the customer.	Base layer
10. NBFC–Peer to Peer Lending Platform (NBFC-P2P)	Providing an online platform to bring lenders and borrowers together to help mobilise funds.	Base layer
11. Housing Finance Company (HFC)	Financing for purchase/ construction/ reconstruction/ renovation/ repairs of residential dwelling units.	Middle or upper layer, as the case may be.
12. Standalone Primary Dealer (SPD)	Underwrites issuances of government-dated securities and participate in primary auctions.	Middle layer

Source: RBI.

or ceasing to be a legal entity after amalgamation, merger, dissolution or voluntary strike-off. In exercise of powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, the Reserve Bank cancelled CoRs of 143 NBFCs due to the surrender of CoRs, violation of guidelines,

Table VI.2: Composition of NBFCs
(At end-March 2024)

(Share in per cent)

Layer	Number	Assets
1	2	3
NBFC-UL	0.1	25.2
NBFC-ML	3.7	68.8
NBFC-BL	96.2	6.0
Total	**100.0**	**100.0**

Note: Data excludes HFCs, CICs and SPDs.
Source: RBI.

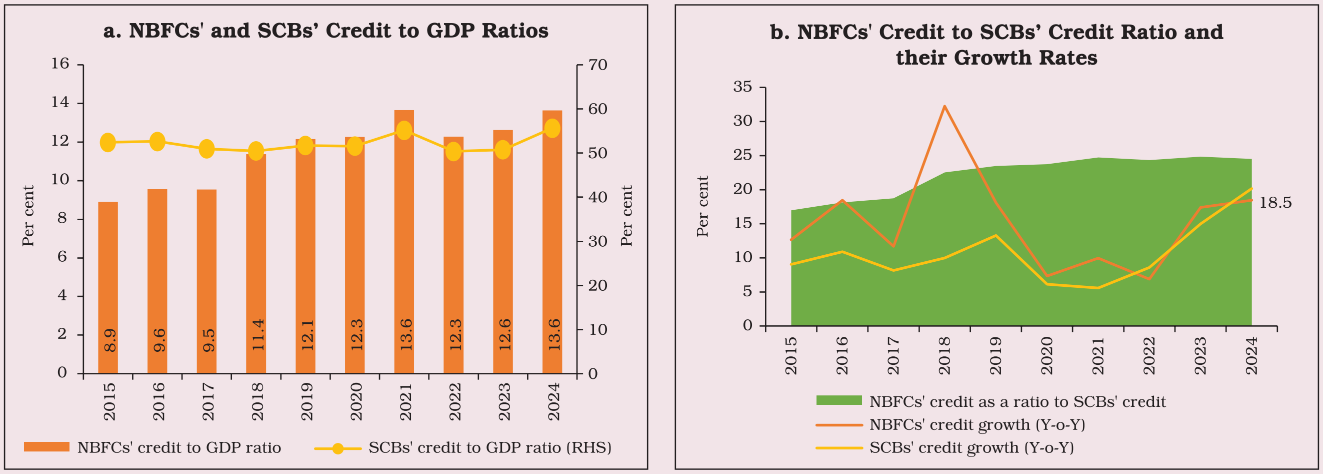
including those related to data confidentiality and security of customer information, code of conduct in outsourcing of financial services and the fair practices code (FPC).

2.1. Ownership Pattern

VI.9 The NBFC sector is dominated by non-government companies, with a share of 93.1 per cent by numbers at end-March 2024. Government companies, *albeit* much less in number, had a substantial share in total assets of the NBFC sector (Table VI.3). Owing to their large size and concentration of funding towards the infrastructure sector, the prompt corrective action (PCA) framework was extended to the

Chart VI.2: NBFCs' Credit *vis-à-vis* SCBs' Credit and GDP

(At end- March)



Sources: Report on Trend and Progress of Banking in India, various issues; Handbook of Statistics on the Indian Economy, various issues.

government companies (except those in the base layer) from October 1, 2024.

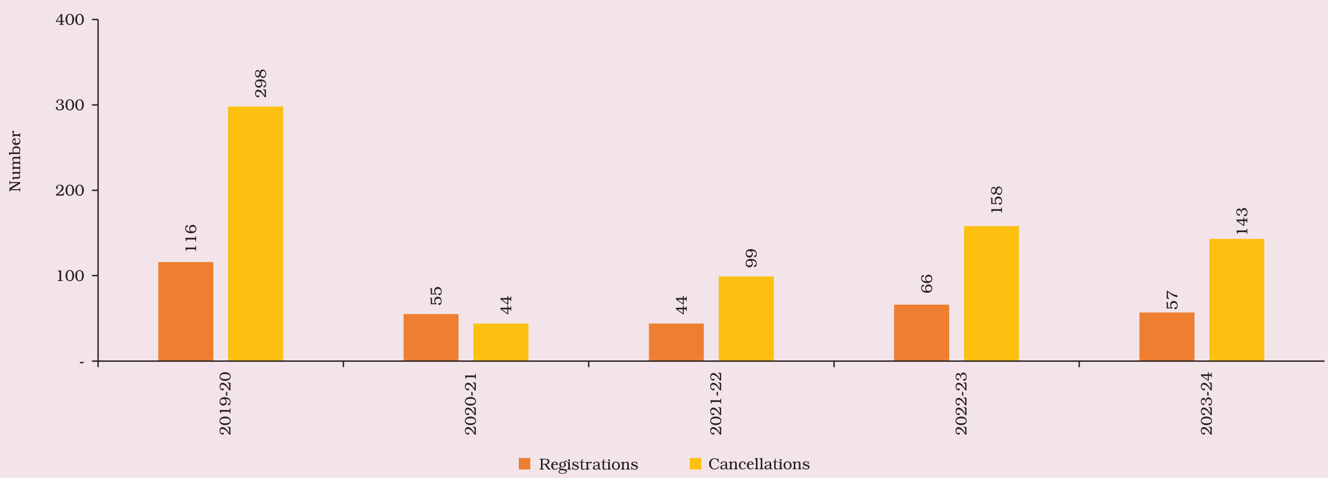
VI.10 Out of nine NBFC-UL, three are deposit-taking while the rest are non-deposit taking. Post identification as NBFC-UL, NBFCs must get listed within three years.

VI.11 In terms of assets, NBFCs-ML dominate the NBFC sector, with a share of 73.2 per cent in the total assets. Most of these companies are private limited companies in contrast to NBFCs-UL (Table VI.3).

2.2. Balance Sheet

VI.12 During 2023-24, the balance sheet of the NBFC sector expanded in double digits (16.3 per cent as compared with 17.2 per cent in the preceding year). On the liability side, NBFCs' borrowings from banks decelerated, while funds raised through debentures picked up, reflecting

Chart VI.3: Registrations and Cancellations of Certificates of Registration of NBFCs



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Table VI.3: Ownership Pattern of NBFCs
(At end-March 2024)

(Amount in ₹ crore)

Type	NBFC Sector			NBFC-UL			NBFC-ML		
	Number	Asset Size	Asset share in per cent	Number	Asset Size	Asset share in per cent	Number	Asset Size	Asset share in per cent
1	2	3	4	5	6	7	8	9	10
A. Government Companies	23	19,01,090	37.5	-	-	-	23	19,01,090	51.3
B. Non-government Companies (1+2)	308	31,67,517	62.5	9	13,59,521	100.0	299	18,07,995	48.7
1. Public Limited Companies	45	14,76,379	29.1	6	10,23,139	75.3	39	4,53,240	12.2
2. Private Limited Companies	263	16,91,138	33.4	3	3,36,382	24.7	260	13,54,755	36.5
C. Total (A+B)	**331**	**50,68,607**	**100.0**	**9**	**13,59,521**	**100.0**	**322**	**37,09,086**	**100.0**

Note: Data are provisional.
Source: Supervisory Returns, RBI.

inter alia the impact of the increase in risk weights on banks' lending to NBFCs, effective November 2023. On the asset side, growth in loans and advances accelerated to 18.5 per cent in 2023-24 from 17.4 per cent in 2022-23, driven by upper layer NBFCs (Table VI.4). NBFC-MLs' credit growth was relatively muted on account of contraction in unsecured loans (Chart VI.4). Aggregate credit continued to expand in double digits even though unsecured lending contracted

Table VI.4: Abridged Balance Sheet of NBFCs

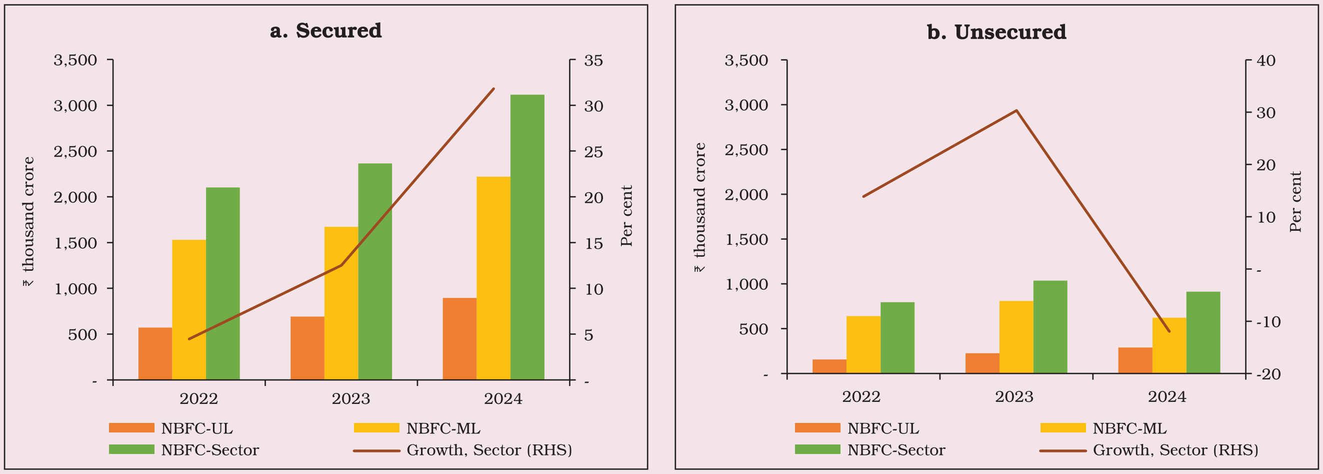
(Amount in ₹ crore)

Items	As at end-March 2023			As at end-March 2024			As at end- September-2024		
	NBFCs	NBFC-UL	NBFC-ML	NBFCs	NBFC-UL	NBFC-ML	NBFCs	NBFC-UL	NBFC-ML
1	2 (3+4)	3	4	5 (6+7)	6	7	8 (9+10)	9	10
1. Share Capital and Reserves	9,62,763 (21.3)	1,99,283 (26.3)	7,63,480 (20.1)	11,54,950 (20.0)	2,54,221 (27.6)	9,00,729 (18.0)	12,41,007 (22.0)	2,52,505 (17.9)	9,88,502 (23.2)
2. Public Deposits	85,254 (20.8)	64,797 (36.1)	20,457 (-10.9)	1,02,994 (20.8)	83,102 (28.2)	19,893 (-2.8)	1,12,512 (16.9)	92,707 (22.6)	19,805 (-3.9)
3. Debentures	11,05,943 (9.8)	2,25,415 (14.1)	8,80,528 (8.8)	12,28,997 (11.1)	2,71,444 (20.4)	9,57,553 (8.7)	13,28,203 (16.2)	2,76,674 (15.0)	10,51,529 (16.5)
4. Bank Borrowings	11,23,748 (23.6)	3,25,197 (27.6)	7,98,551 (22.0)	13,31,619 (18.5)	4,13,073 (27.0)	9,18,545 (15.0)	13,94,324 (16.3)	4,12,473 (14.6)	9,81,851 (17.0)
5. Commercial Papers	83,529 (21.8)	39,550 (61.4)	43,979 (-0.2)	1,05,374 (26.2)	54,146 (36.9)	51,228 (16.5)	1,16,143 (2.3)	48,326 (-15.6)	67,816 (20.6)
6. Others	9,95,882 (14.5)	2,16,808 (32.5)	7,79,074 (10.4)	11,44,673 (14.9)	2,83,535 (30.8)	8,61,139 (10.5)	12,61,403 (17.2)	2,91,100 (22.9)	9,70,303 (15.6)
Total Liabilities/Assets	**43,57,119 (17.2)**	**10,71,050 (26.6)**	**32,86,069 (14.4)**	**50,68,607 (16.3)**	**13,59,521 (26.9)**	**37,09,086 (12.9)**	**54,53,592 (17.4)**	**13,73,785 (16.0)**	**40,79,806 (17.9)**
1. Loans and Advances	33,99,655 (17.4)	9,18,302 (26.3)	24,81,353 (14.4)	40,27,478 (18.5)	11,85,621 (29.1)	28,41,857 (14.5)	42,92,708 (16.0)	11,94,234 (15.4)	30,98,474 (16.2)
2. Investments	5,16,141 (18.6)	75,479 (48.9)	4,40,663 (14.7)	6,24,260 (20.9)	95,189 (26.1)	5,29,071 (20.1)	6,93,397 (33.7)	89,520 (24.8)	6,03,877 (35.1)
3. Cash and Bank Balances	1,73,802 (3.4)	46,946 (3.2)	1,26,856 (3.5)	1,72,422 (-0.8)	43,228 (-7.9)	1,29,194 (1.8)	2,01,157 (11.6)	56,110 (25.9)	1,45,047 (6.9)
4. Other Assets	2,67,520 (21.5)	30,323 (34.1)	2,37,197 (20.1)	2,44,446 (-8.6)	35,483 (17.0)	2,08,963 (-11.9)	2,66,330 (9.1)	33,921 (2.1)	2,32,409 (10.2)

Notes: 1. Data are provisional.
2. Figures in parentheses indicate y-o-y growth in per cent.
3. Layer-wise identification of NBFCs is based on their position at end-March 2024.

Source: Supervisory Returns, RBI.

Chart VI.4: Nature of NBFCs' Loans and Advances
(At end-March)



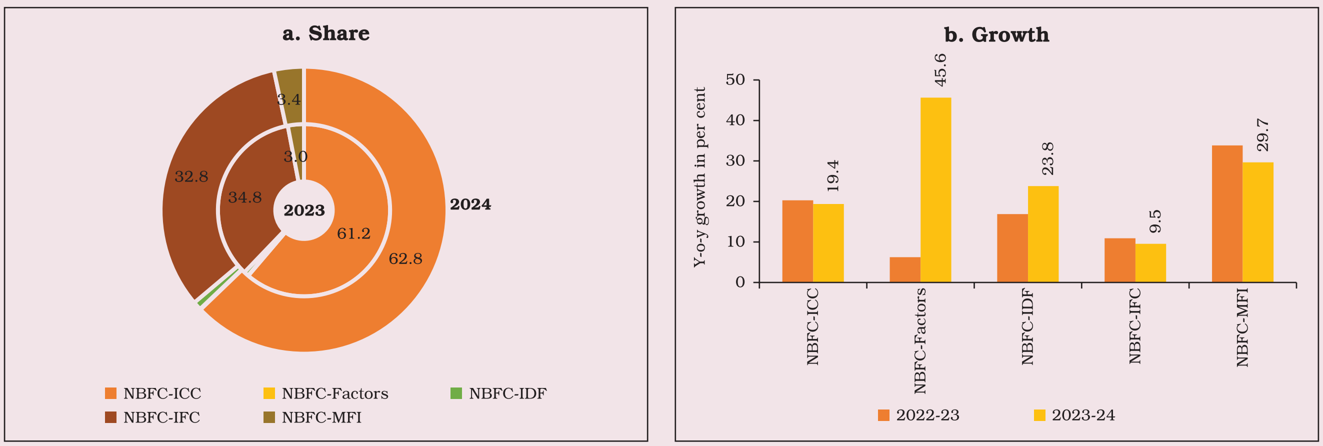
Note: Data are provisional.
Source: Supervisory Returns, RBI.

at end-September 2024 (Appendix Tables VI.1, VI.2 and VI.3).

VI.13 At end-March 2024, NBFC-ICCs and IFCs together accounted for 95.6 per cent of the assets of the sector (Chart VI.5a). Upper layer NBFCs are primarily NBFC-ICCs, which mainly cater to the retail segment. Most of the NBFC-IFCs are government-owned, mainly providing credit to the infrastructure sector. NBFC-MFIs, which are crucial for last mile credit delivery, have been growing their share in aggregate assets of the sector. Growth in the assets of the NBFC-Factors outperformed the sectoral average (Chart VI.5b).

VI.14 High growth in loans and advances of NBFC-ICCs, the largest category, was sustained in 2023-24 (Table VI.5). The pace of expansion of NBFC-IFCs, the second largest category, decelerated as lending by a major entity in the

Chart VI.5: Total Assets of NBFCs, by Classification
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Table VI.5: Major Components of Liabilities and Assets of NBFCs by Classification

(Amount in ₹ crore)

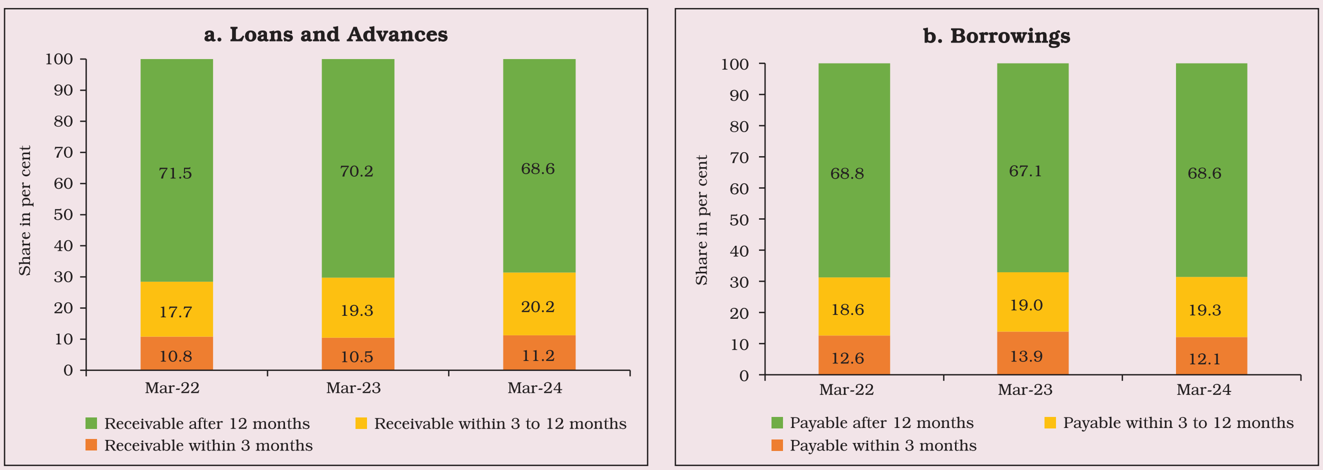
	As at end-March				As at end-September		Percentage Variation	
	2023		2024		2024		(March over March)	
Liabilities	Borrowings	Total Liabilities	Borrowings	Total Liabilities	Borrowings	Total Liabilities	2023	2024
							Borrowings	
1	2	3	4	5	6	7	8	9
NBFC-ICC	16,11,815	26,67,598	19,37,105	31,84,714	21,40,886	34,89,254	20.1	20.2
NBFC-Factors	1,308	2,664	2,560	3,880	2,847	4,255	12.8	95.8
NBFC-IDF	31,985	39,023	40,122	48,310	44,385	53,083	18.0	25.4
NBFC-IFC	12,29,875	15,15,824	13,40,429	16,60,542	13,86,069	17,39,872	11.4	9.0
NBFC-MFI	99,050	1,32,010	1,25,807	1,71,161	1,18,485	1,67,127	37.8	27.0
Total	**29,74,034**	**43,57,119**	**34,46,024**	**50,68,607**	**36,92,670**	**54,53,592**	**16.8**	**15.9**
Assets	Loans and Advances	Total Assets	Loans and Advances	Total Assets	Loans and Advances	Total Assets	Loans and Advances	
NBFC-ICC	18,83,195	26,67,598	23,38,506	31,84,714	25,52,461	34,89,254	21.3	24.2
NBFC-Factors	2,047	2,664	3,425	3,880	3,839	4,255	4.7	67.3
NBFC-IDF	36,506	39,023	44,612	48,310	48,383	53,083	23.9	22.2
NBFC-IFC	13,68,506	15,15,824	14,99,348	16,60,542	15,51,439	17,39,872	10.9	9.6
NBFC-MFI	1,09,402	1,32,010	1,41,587	1,71,161	1,36,586	1,67,127	40.3	29.4
Total	**33,99,655**	**43,57,119**	**40,27,478**	**50,68,607**	**42,92,708**	**54,53,592**	**17.4**	**18.5**

Note: Data are provisional
Source: Supervisory Returns, RBI.

category, which lends to railway infrastructure projects, recorded a marginal contraction. Two NBFC-IFCs engaged in lending to the power sector, on the other hand, recorded higher disbursements in 2023-24 than a year ago.

VI.15 NBFCs maintained comparable maturity profiles on both sides of their balance sheets during 2023-24. At end-March 2024, more than two-thirds of the aggregate credit exposures and total borrowings were long-term *i.e.*, more than 12 months (Chart VI.6).

Chart VI.6: Maturity Profiles of Receivables and Payables

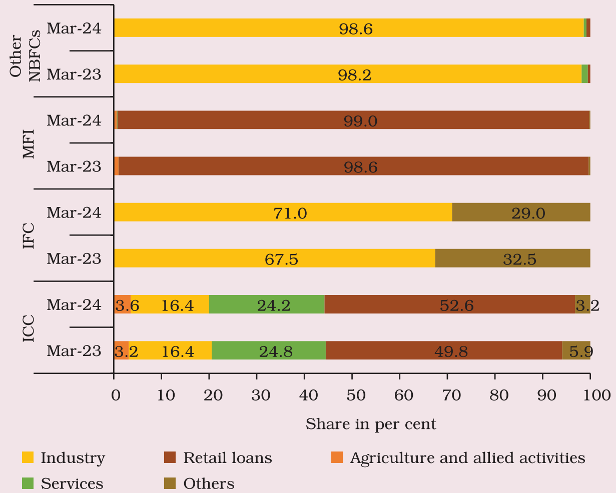


Note: Data are provisional.
Source: Supervisory Returns, RBI.

2.3. Sectoral Credit of NBFCs

VI.16 NBFC-ICCs have a relatively diversified lending portfolio, dominated by retail loans. IFCs lend mainly to industries (mostly power and railways). MFIs primarily cater to the credit needs of retail customers through collateral-free small ticket loans (Chart VI.7). At end-March 2024, NBFC-ICCs, IFCs and MFIs together provided 99 per cent of the total credit disbursed by the sector.

Chart VI.7: Sectoral Distribution of Credit, by Classification
(At end-March)

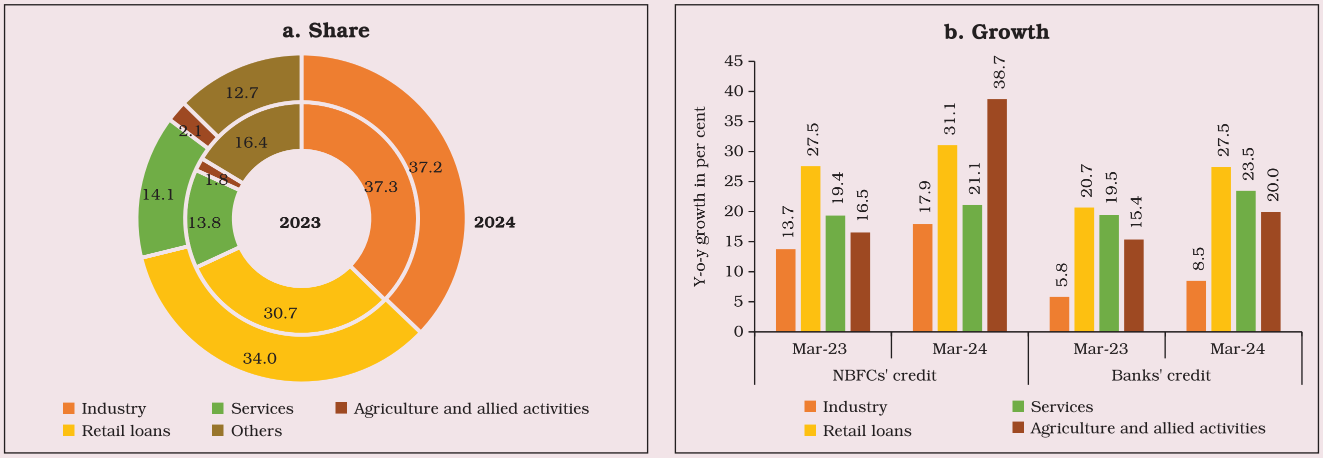


Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.17 Industry and retail sectors receive a dominant share of NBFCs' credit (71.2 per cent of the total loan portfolio at end-March 2024). During 2023-24, NBFCs recorded higher growth of credit to all sectors (except services) relative to banks. NBFCs' credit to agriculture and allied activities has also grown at a robust pace in the past two years, resulting in a rise in its share in total lending (Chart VI.8).

VI.18 At end-March 2024, credit to the power sector accounted for 75.2 per cent of total credit to industries, driven by large government-owned NBFCs (Table VI.6). Concentration risk and climate-related financial risks were taken into consideration by the Reserve Bank while issuing draft guidelines on the 'disclosure framework on climate-related financial risks' for regulated entities (REs) [including all top and upper layer NBFCs] in February 2024. Credit growth to major sectors remained robust on a year-on-year basis at end-September 2024.

Chart VI.8: Distribution of NBFCs' Credit
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Table VI.6: Sectoral Credit Deployment by NBFCs

(Amount in ₹ crore)

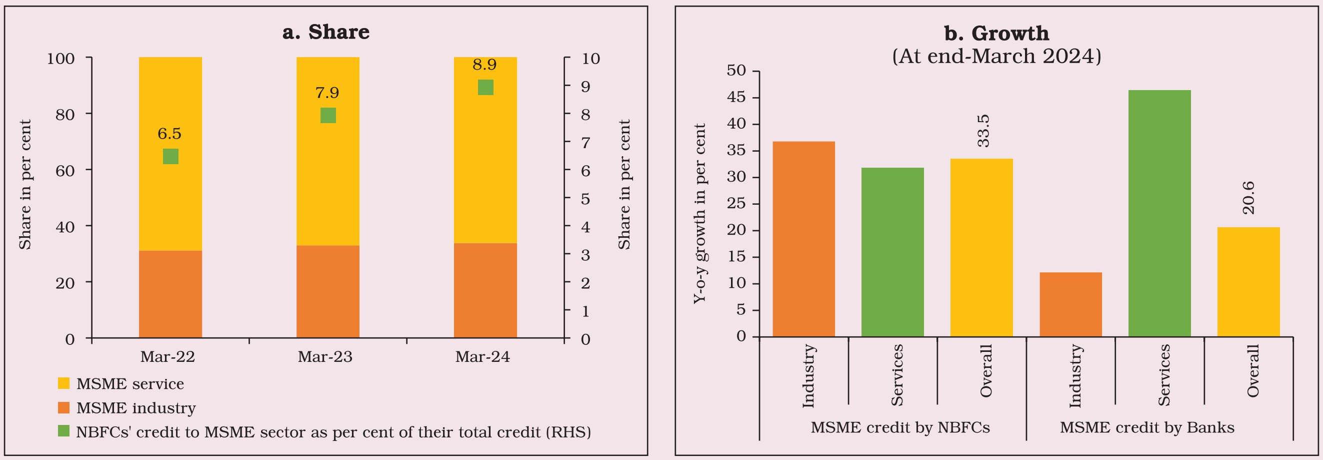
Items	End-March 2023	End-March 2024	End-September 2024	Percentage Variation 2022-23	Percentage Variation 2023-24
1	2	3	4	5	6
1. Agriculture and Allied Activities	**60,674**	**84,175**	**89,800**	**16.5**	**38.7**
2. Industry, *of which*	**12,69,175**	**14,96,425**	**15,90,339**	**13.7**	**17.9**
2.1 Power	9,40,408	11,25,725	11,89,784	14.5	19.7
2.2 Others	3,28,767	3,70,700	4,00,555	11.5	12.8
3. Services, *of which*	**4,68,009**	**5,66,932**	**6,08,246**	**19.4**	**21.1**
3.1 Transport Operators	1,20,245	1,32,810	1,41,289	16.4	10.4
3.2 Trade	69,520	92,324	1,05,415	39.5	32.8
4. Retail Loans, *of which*	**10,45,168**	**13,69,820**	**15,02,697**	**27.5**	**31.1**
4.1 Vehicle/Auto Loans	3,82,825	4,74,839	5,17,092	17.3	24.0
4.2 Advances to Individuals against Gold	1,28,774	1,53,481	1,74,325	8.7	19.2
4.3 Micro Finance Loan/SHG Loan	1,15,187	1,48,503	1,44,162	51.1	28.9
5. Others	**5,56,630**	**5,10,176**	**5,01,626**	**8.2**	**-8.3**
Gross Advances (1 to 5)	**33,99,655**	**40,27,528**	**42,92,708**	**17.4**	**18.5**

Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.19 NBFCs have steadily expanded their share in total credit extended by banks and NBFCs to MSMEs (11.7 per cent of total credit at end-March 2024), with those engaged in services cornering a larger share than their industry counterparts (Chart VI.9). NBFCs' 'digital first' approach, *e.g.*, utilisation of account aggregator framework, is helping in flow of credit to MSMEs. This is expected to get a boost from the proposed unified lending interface[6] (ULI).

VI.20 Vehicle loans, loans against gold and microfinance loans have been the stronghold of NBFCs, together accounting for 56.7 per cent of their retail portfolio at end-March 2024

Chart VI.9: NBFCs' Credit to MSME Sector



Note: Data are provisional.
Source: Supervisory Returns, RBI.

6 FinTech Innovations for India @100: Shaping the Future of India's Financial Landscape - address by Governor, RBI on August 28, 2024.

(Appendix Table VI.5). The growth of unsecured retail credit by NBFCs moderated after the tightening of macroprudential measures in November 2023 (Box VI.1).

Box VI.1: Impact of Recent Regulatory Changes on NBFCs' Unsecured Retail Lending

The Reserve Bank increased risk weights on consumer credit exposures of NBFCs [excluding loans to categories like housing, vehicles, education, gold and microfinance/ self-help group (SHG) loans] in November 2023 to 125 per cent from 100 per cent (Chart VI.1.1). In order to curtail NBFCs' excessive reliance on bank borrowings, risk weights on exposures of SCBs to NBFCs were increased by 25 percentage points in those cases where the extant risk weight as per external rating of NBFCs was below 100 per cent.

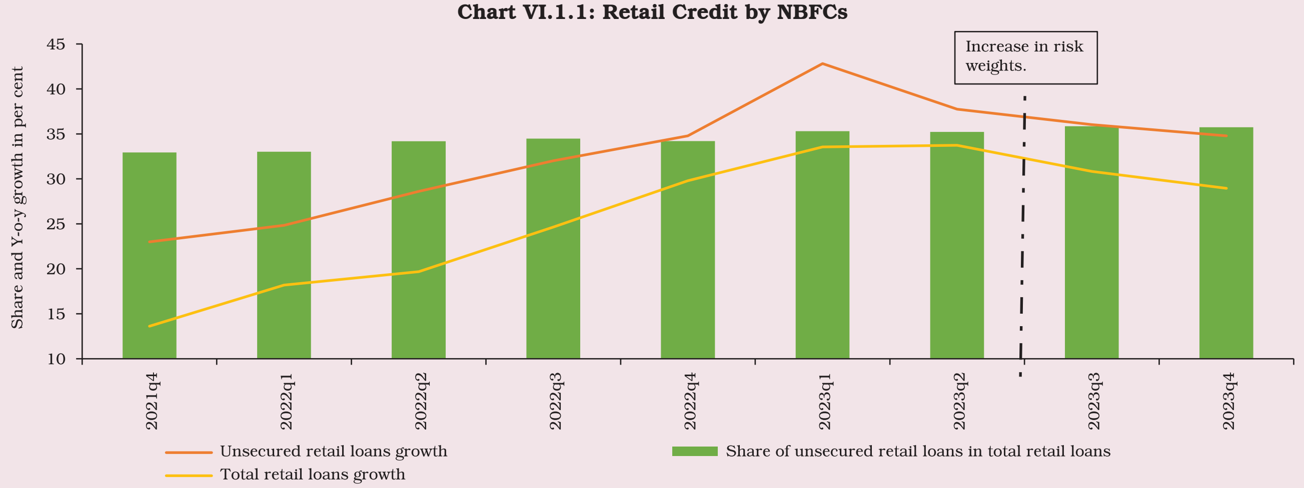
The impact of the changes in the risk weights on credit of NBFCs is formally explored in a panel regression framework using quarterly supervisory data for 95 NBFCs for the period December 2022 to March 2024[7]. These NBFCs operate in the retail space and represent 74 per cent of the NBFC sector's retail credit[8]. The following regression is estimated by using the system generalised method of moments (GMM) approach:

$$Y_{i,t} = \beta_0 + \beta_1 Y_{i,t-1} + \beta_2 Policy_t + \beta_3 Ex\text{-}Ante\ Share\ of\ Bank\ Borrowings_i + \beta_4\ Ex\text{-}Ante\ Share\ of\ Bank\ Borrowings_i * Policy_t + \beta_c X^c_{i,t-1} + \alpha_i + \varepsilon_{i,t}$$

where the dependent variable $Y_{i,t}$ is defined as the four-quarter log difference growth of unsecured retail credit[9]. $Policy_t$ is a dummy variable that takes the value 1 in the period after the Reserve Bank increased the risk weights, *i.e.*, the quarter ending December 2023 onwards and 0 in the period before that. $Ex\text{-}Ante\ Share\ of\ Bank\ Borrowings_i$ is a categorical variable which takes the value 0 if the share of bank borrowings in total borrowings by the NBFC in the period before the implementation of the policy is below the 25th percentile value (1 otherwise). $X^c_{i,t-1}$ is the vector of controls, which includes NBFC-specific variables like return on assets (RoA) (defined as a ratio of net profits to total assets), CRAR (defined as the ratio of total capital funds to risk-weighted assets) and gross non-performing assets (GNPA) ratio of the unsecured retail portfolio (defined as the ratio of non-performing assets of this segment to total unsecured retail credit). Nominal gross domestic product (GDP) growth is also included to control for the macroeconomic environment.

The negative coefficient of the policy dummy indicates that the growth rate of unsecured retail loans fell in the

Chart VI.1.1: Retail Credit by NBFCs



Source: Supervisory Returns

(Contd.)

7 95 NBFCs were used based on the availability of continuous data.

8 At end- March 2023.

9 All those categories of retail loans by NBFCs for which risk-weights were increased are considered unsecured retail loans.

Table VI.1.1: Regression Results

VARIABLES	Model 1	Model 2	Model 3
	Unsecured Retail Credit Growth	Unsecured Retail Credit Growth	Other Retail Credit Growth
Lag (Unsecured Retail Credit Growth)	0.671*** (0.0866)	0.587*** (0.120)	
Policy (Post=Dec 2023 onwards)	-0.159*** (0.0568)	0.108 (0.119)	0.00761 (0.0218)
Ex-Ante Share of Bank Borrowings (Base= Low share)		0.434 (0.559)	
Policy * Ex-Ante Share of Bank Borrowings		-0.359** (0.163)	
Lag (Size)	0.330* (0.176)	0.407* (0.227)	-0.0141 (0.0962)
Lag (CRAR)	0.00666 (0.00803)	0.0117 (0.0121)	-0.00491* (0.00266)
Lag (RoA)	-0.00521 (0.0498)	-0.00270 (0.0568)	0.00646 (0.0141)
Lag (Unsecured Retail Credit GNPA Ratio)	-0.0438*** (0.0115)	-0.0375*** (0.0127)	
Lag (Nominal GDP Growth)	-0.00101 (0.00361)	-0.00136 (0.00434)	0.00377* (0.00218)
Lag (Other Retail Credit Growth)			0.474*** (0.0841)
Lag (Other Retail Credit GNPA Ratio)			-0.0303* (0.0155)
Constant	-2.744* (1.596)	-3.850* (2.211)	0.385 (0.903)
Observations	542	530	542
Number of NBFCs	95	93	95
AR (1)	0.00	0.00	0.00
AR (2)	0.55	0.42	0.58
Hansen Statistic	0.47	0.53	0.49

Robust standard errors in parentheses
*** $p<0.01$, ** $p<0.05$, * $p<0.1$
Note: Data are provisional.
Source: Supervisory Returns, RBI; RBI staff estimates.

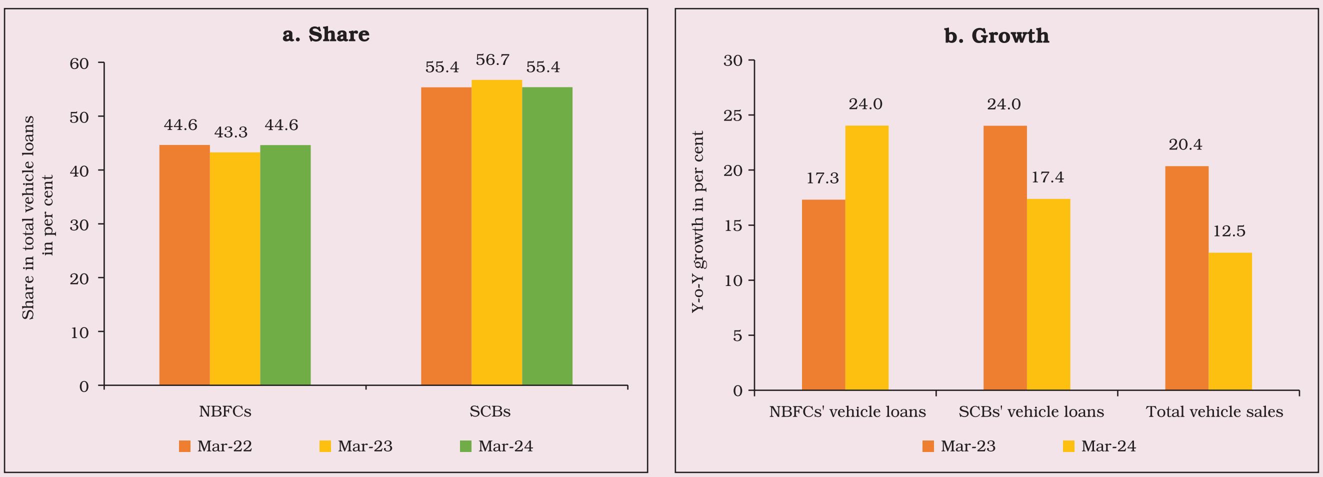
aftermath of the increase in the risk weights (Model 1). The negative coefficient of the term representing the interaction between the *ex-ante* share of bank borrowings with the policy dummy suggests that the fall in growth of unsecured retail credit was driven by NBFCs with higher *ex-ante* dependence on bank borrowings (Model 2). NBFCs with lower *ex-ante* dependence on bank borrowings did not experience any statistically significant change. Among NBFC-specific controls, unsecured retail credit growth is positively related to NBFC size and negatively related to the GNPA ratio of the segment. For robustness, Model 3 focuses on retail credit not subject to increase in risk weights, *i.e.*, 'other retail credit growth' defined as total retail credit excluding the unsecured component. The estimates indicate that such loans were not impacted by these measures. Overall, the empirical analysis suggests that the countercyclical prudential measures undertaken by the Reserve Bank dampened the growth of unsecured retail lending, consistent with the policy objective.

Reference

RBI. (2023, November 16). Regulatory measures towards consumer credit and bank credit to NBFCs. Retrieved from https://rbidocs.rbi.org.in/rdocs/notification/PDFs/REGULATORYMEASURES8785E7886A044B678FB8AF-2C6C051807.PDF

VI.21 Vehicle loans remain the largest component of NBFCs' retail loan portfolio, with a share of 34.7 per cent at end-March 2024. NBFCs' vehicle loans grew at a higher rate than SCBs in 2023-24 (Chart VI.10).

Chart VI.10: Vehicle Loans- NBFCs *vis-à-vis* SCBs

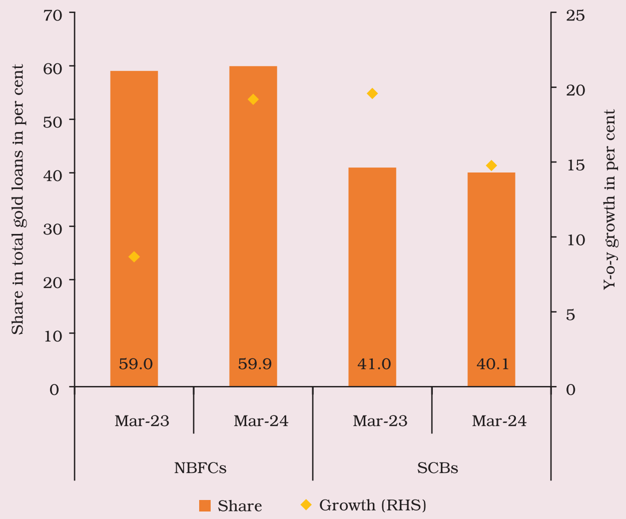


Note: Data are provisional.
Sources: Supervisory Returns, RBI; and Society of Indian Automobile Manufacturers (SIAM).

VI.22 NBFCs maintained their dominance in loans against pledge of gold ornaments and jewellery, with a share of 59.9 per cent of total gold loans (banks and NBFCs together) at end-March 2024 (Chart VI.11). Considering irregular practices of certain supervised entities (SEs), the Reserve Bank advised SEs on September 30, 2024 to comprehensively review their policies, processes and practices on gold loans to identify gaps and take remedial measures.

VI.23 NBFC-MFIs– dominant players in the Indian microfinance space– ease credit constraints on traditionally underserved communities by giving them access to a host of financial services. The share of micro-credit in the total retail lending portfolios of NBFCs stood at 10.8 per cent at end-March 2024. NBFCs (including MFIs) have maintained their share in total micro-credit loans (Chart VI.12). SROs for MFIs have put in place safeguards like limiting the number of microfinance lenders to a borrower to four and capping total indebtedness to ensure market discipline and borrowers' welfare.

Chart VI.11: Advances against Gold by NBFCs and SCBs

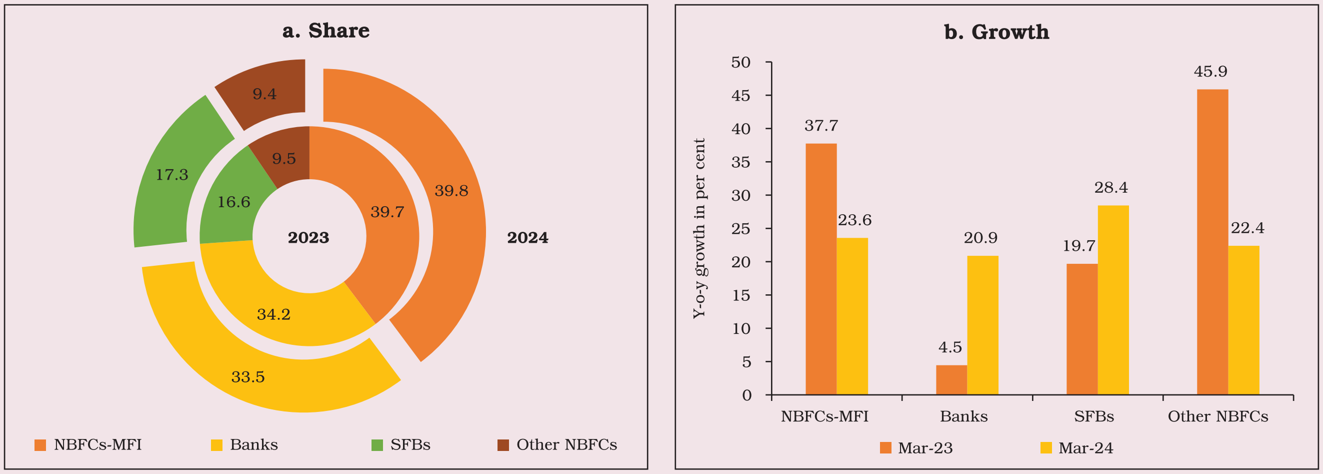


Note: Data are provisional.
Source: Supervisory Returns, RBI.

2.4. Resource Mobilisation

VI.24 NBFCs mobilise funds from a wide range of sources led by borrowing from banks and issuance of debentures. For NBFCs-D, public deposits remain an important source of funds. More recently, asset sales and securitisation have emerged as important funding sources, particularly because of their role in facilitating liquidity management.

Chart VI.12: Micro-credit Outstanding across Regulated Entities
(At end-March)



Sources: Microfinance Institutions Network (MFIN).

Table VI.7: Sources of Borrowings of NBFCs

(Amount in ₹ crore)

Items	End-March 2023	End-March 2024	End-September 2024	Percentage Variation	
				2022-23	2023-24
1	2	3	4	5	6
1. Debentures	11,05,943 (37.2)	12,28,997 (35.7)	13,28,203 (36.0)	9.8	11.1
2. Bank borrowings	11,23,748 (37.8)	13,31,619 (38.6)	13,94,324 (37.8)	23.6	18.5
3. Borrowings from FIs	86,289 (2.9)	1,11,753 (3.2)	1,09,005 (3.0)	30.5	29.5
4. Inter-corporate borrowings	1,01,924 (3.4)	1,04,788 (3.0)	1,17,369 (3.2)	21.0	2.8
5. Commercial papers	83,529 (2.8)	1,05,374 (3.1)	1,16,143 (3.1)	21.8	26.2
6. Borrowings from government	18,781 (0.6)	18,282 (0.5)	18,352 (0.5)	1.2	-2.7
7. Subordinated debts	71,457 (2.4)	75,313 (2.2)	78,237 (2.1)	0.4	5.4
8. Other borrowings	3,82,363 (12.9)	4,69,898 (13.6)	5,31,037 (14.4)	19.3	22.9
Total borrowings	**29,74,034**	**34,46,024**	**36,92,670**	**16.8**	**15.9**

Notes: 1. Data are provisional.
2. Figures in parentheses indicate share in total borrowings.

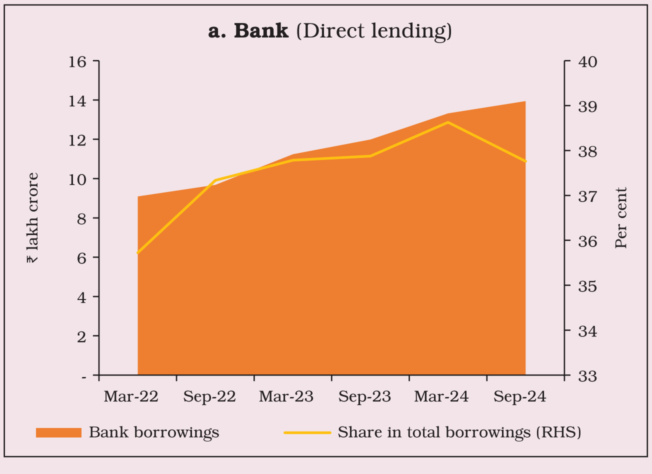
Source: Supervisory Returns, RBI.

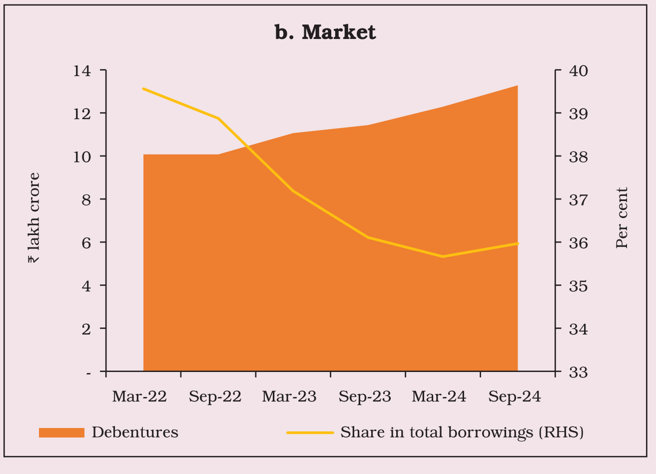
2.4.1 Borrowings

VI.25 In the immediate aftermath of the IL&FS episode in 2018, NBFCs encountered significant challenges, including an erosion of confidence, rating downgrades, and liquidity constraints that limited their ability to borrow from the market. Exacerbated by the COVID-19 pandemic, this led to increased dependence of NBFCs on banks for funding. In 2023-24, the growth of borrowings from banks moderated due, *inter alia*, to higher risk weights on bank credit to NBFCs. The moderation in borrowings from banks continued at end-September 2024 (Table VI.7).

VI.26 Bank borrowings remain the primary source of funds for NBFCs. In fact, the reliance of NBFCs on market borrowings has declined in recent years (Chart VI.13).

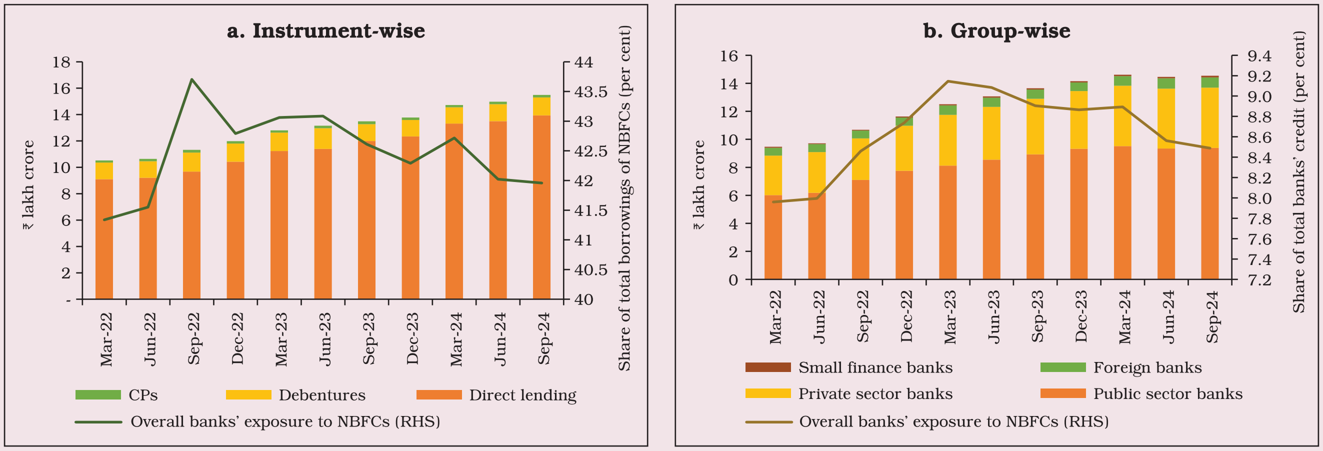
Chart VI.13: Major Sources of Borrowings





Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.14: Banks' Exposure to NBFCs

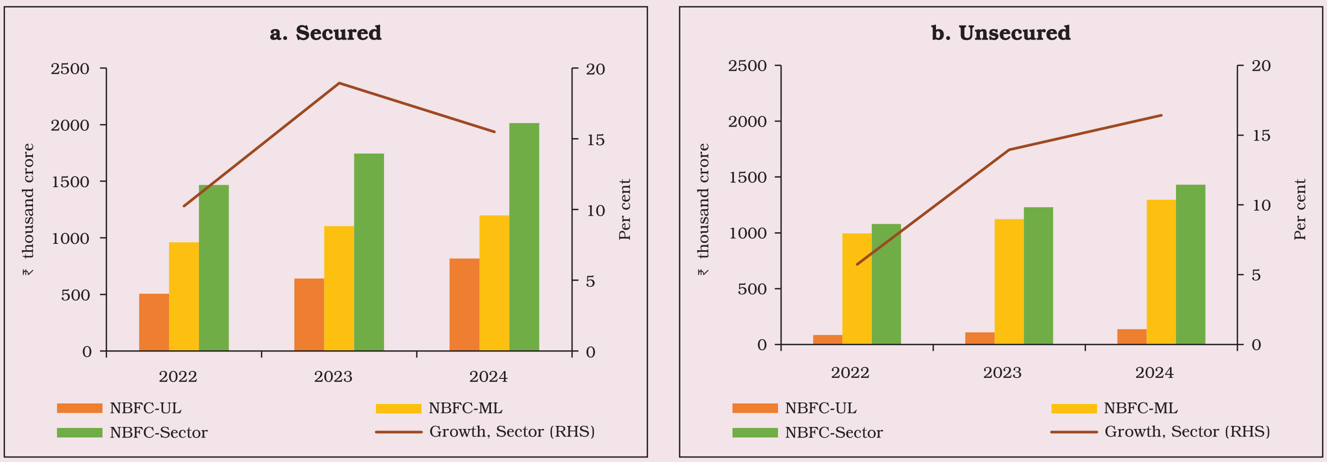


Note: Data are provisional.
Source: Supervisory Returns, RBI.

VI.27 Apart from lending directly to NBFCs, banks also subscribe to debentures and CPs issued by NBFCs. With decline in subscription to debentures by banks, overall banks' exposure as a share of NBFCs' borrowings moderated from 43.1 per cent at end-March 2023 to 42.7 per cent at end-March 2024 (Chart VI.14a). Overall bank exposure to NBFCs as share of total bank credit also declined in 2023-24 (Chart VI.14b). The reduction in NBFCs' reliance on banks for funds bodes well for overall financial stability.

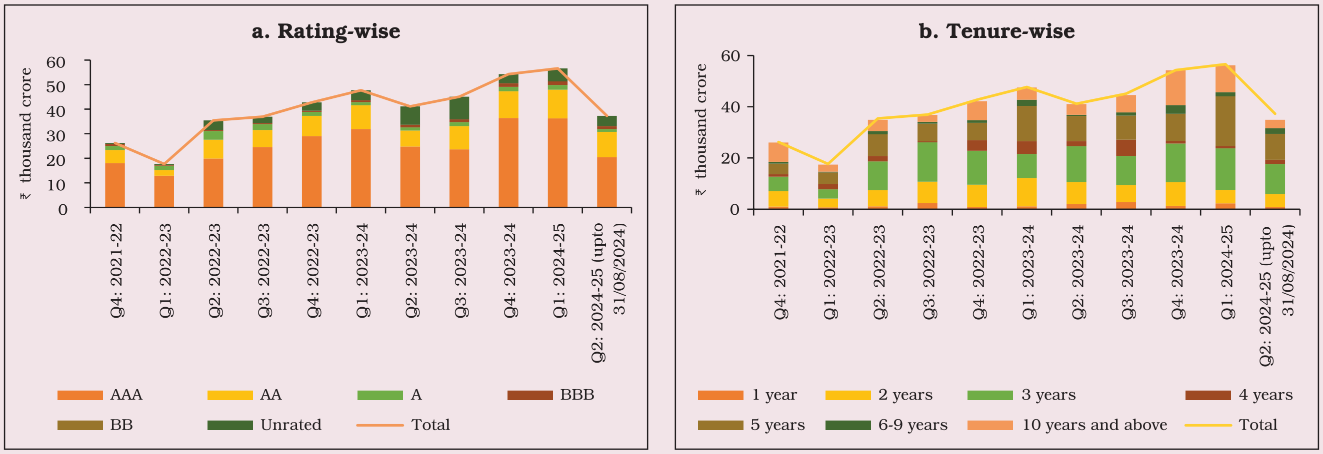
VI.28 Growth in secured borrowings of NBFCs decelerated during 2023-24, while unsecured borrowings picked up on the back of market borrowings (through the issuance of debt instruments, *viz.*, debentures and commercial papers) [Chart VI.15]. Across layers, NBFC-ML mobilise more unsecured funds mainly because of the presence of government NBFCs.

Chart VI.15: Nature of NBFCs' Borrowings
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

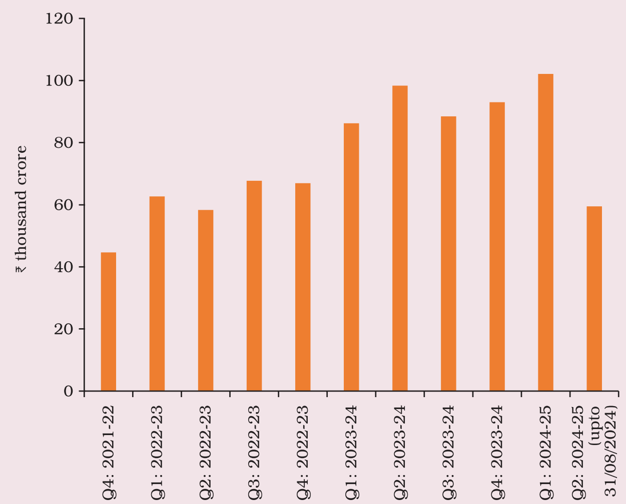
Chart VI.16: NCD Private Placements of Private NBFCs



Sources: 1. Staff calculations.
2. PRIME database.

VI.29 Funds mobilised by NBFCs through issuance of non-convertible debentures (NCDs) increased in 2023-24, with more than 80 per cent of issuances being highly rated (AAA or AA) (Chart VI.16). Borrowing by NBFCs *via* CPs also increased in 2023-24 (Chart VI.17).

Chart VI.17: Issuance of CPs by Private NBFCs

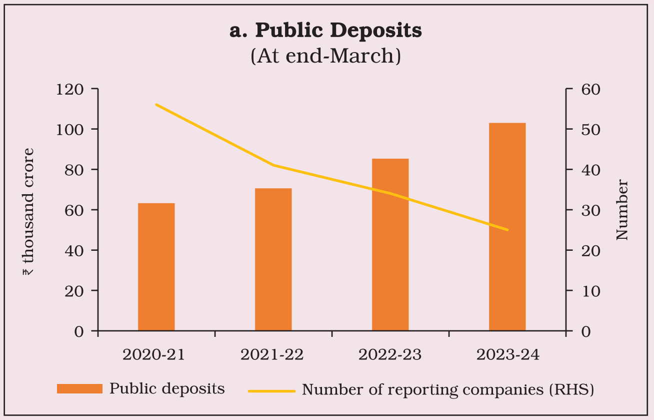


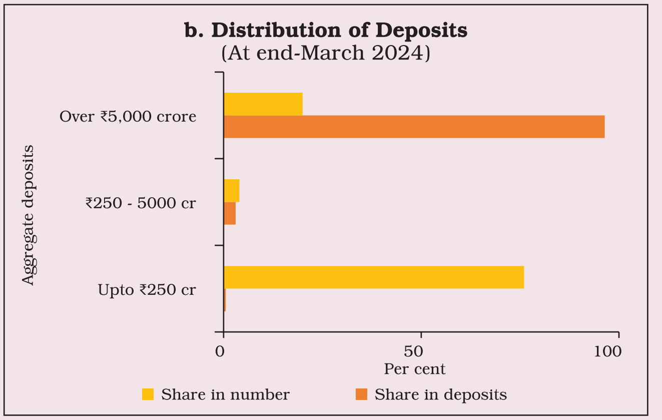
Sources: 1. Staff calculations.
2. PRIME database.

2.4.2 Public Deposits

VI.30 The balance sheet of NBFCs-D expanded by 21.6 per cent in 2023-24, with robust growth in both deposits and credit (Appendix Table VI.4). Notwithstanding a reduction in the number of NBFCs-D to 25 at end-March 2024 from 36 a year ago, their deposits recorded double digit growth (20.8 per cent) in 2023-24 (Chart VI.18a). Five NBFCs accounted for 96.4 per cent of total deposits (Chart VI.18b). The Reserve Bank has undertaken a cautious approach towards deposits mobilised by NBFCs-D, as they are not insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC). As per the extant regulatory requirements for acceptance of deposits, these NBFCs should have at least an investment-grade rating of 'BBB–' on their fixed deposits from any SEBI-registered credit rating agency. Furthermore, the quantum of deposits should not exceed 1.5 times their net owned funds (NOF) for terms ranging from 12 to 60 months and interest rates capped at 12.5 per cent.

Chart VI.18: Public Deposits with NBFCs-D





Notes: 1. NBFCs-D have been grouped into different buckets based on the size of their aggregate public deposits. No NBFCs-D had deposits in the bucket of ₹ 250-500 crore and ₹ 500-1,000 crore.
2. Data are provisional.

Source: Supervisory Returns, RBI.

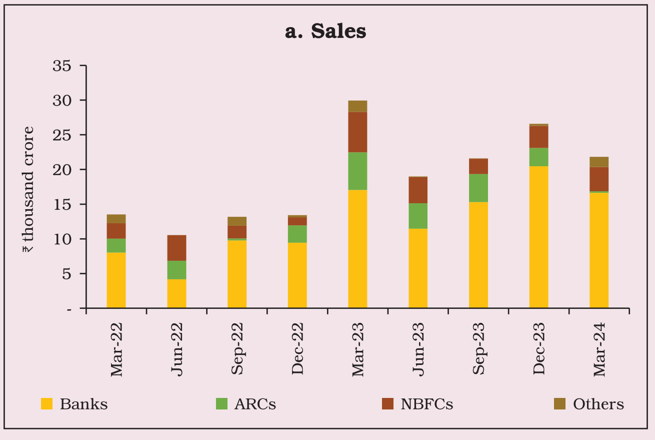
2.4.3 Loan Sales and Securitisation

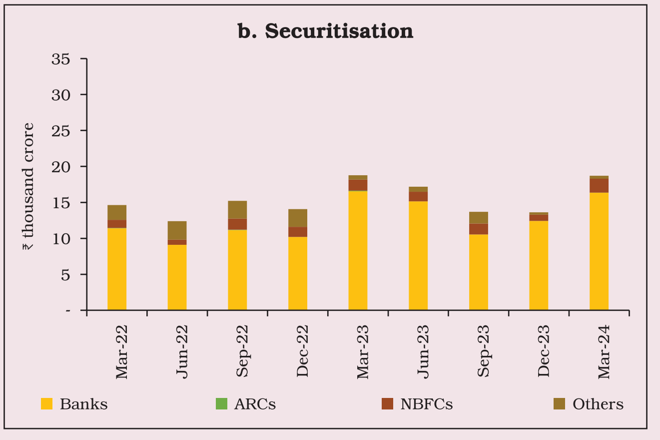
VI.31 NBFCs raised a higher volume of funds through loan sales than securitisation during 2023-24[10]. Banks are a major participant in both segments. The cumulative funds mobilised through these methods witnessed growth during this period (Chart VI.19).

2.4.4 Foreign Liabilities

VI.32 Apart from the domestic market, NBFCs also secure funds from foreign sources, mainly through external commercial borrowings (ECBs) and issuance of debentures at competitive rates. At end-March 2024, foreign liabilities stood at 8.8 per cent of the aggregate liabilities of the

Chart VI.19: Loan Sales and Securitisation by NBFCs
(During the quarter)





Note: Data are provisional.

Source: Supervisory Returns, RBI.

[10] Loan sales and securitisation are resorted to by lending institutions for reasons like liquidity generation, rebalancing of exposures or strategic sales and regulatory compliance.

Table VI.8: Foreign Liabilities of NBFCs

(Amount in ₹ crore)

Items	End-March 2023	End-March 2024	End-September 2024	Percentage Variation	
				2022-23	2023-24
1	2	3	4	5	6
1. Equity shares	39,331	46,931	54,637	-25.0	19.3
i) Foreign Institutional Investors	*1,351*	*1,861*	*2,193*	*2.6*	*37.7*
ii) Foreign Direct Investment	*37,980*	*45,070*	*52,444*	*-25.7*	*18.7*
2. Borrowings (ECBs)	2,02,724	2,56,772	3,24,830	19.1	26.7
3. Bonds/Debentures	1,26,349	1,24,130	1,20,221	-3.8	-1.8
4. Others	14,080	19,045	17,384	-16.1	35.3
Total Foreign Liabilities	**3,82,484**	**4,46,877**	**5,17,071**	**3.1**	**16.8**

Notes: 1. Data are provisional.
2. Foreign liabilities of NBFCs are part of total liabilities mentioned under balance sheet.
Source: Supervisory Returns, RBI.

sector, led by ECBs (57.5 per cent of total foreign liabilities) [Table VI.8].

2.5. Asset Liability Profile of NBFCs

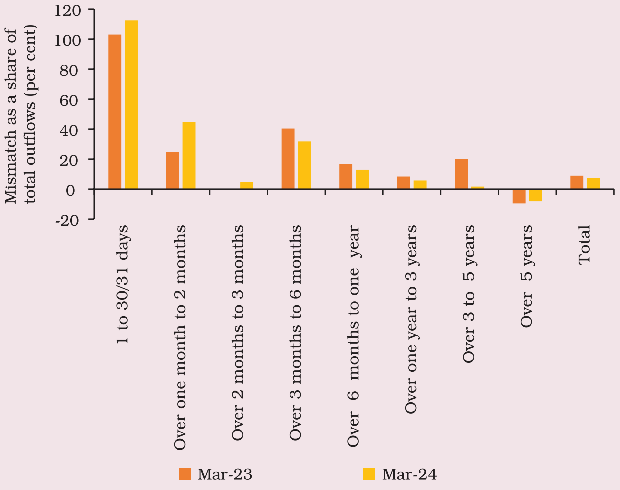
VI.33 The structural liquidity position of NBFCs is arrived at by deducting cash outflows from cash inflows across various time buckets[11]. Within the critical 1-30/31 days bucket, NBFCs had more than 100 per cent positive mismatch as a share of total outflows at end-March 2024. All buckets, except over five years maturity, maintained a positive mismatch at end-March 2024 (Chart VI.20).

VI.34 The liquidity coverage ratio (LCR)[12] was extended to NBFCs[13] to promote short-term resilience to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. With effect from December 1, 2020, NBFCs are required to maintain a minimum stipulated LCR and progressively attain the required level of 100 per cent by December 1, 2024.

2.6. Financial Performance

VI.35 About 90 per cent of NBFCs' income accrues from fund-based sources, mainly *via* interest and investment earnings, while fee-based income contributes the rest. During 2023-24, the aggregate income growth of NBFCs accelerated to 25.8 per cent from 23.2 per cent in 2022-23, with both fee and fund-based income

Chart VI.20: Structural Liquidity Statement of NBFCs
(At end- March)



Notes: 1. Data are provisional.
2. Mismatch is defined as inflows minus outflows.
Source: Supervisory Returns, RBI.

[11] A positive mismatch highlights a comfortable structural liquidity position which can be attributed to either an increase in cash inflows or a decrease in cash outflows in the corresponding time bucket, whereas a negative mismatch points towards shortage of cash inflows *vis-a-vis* cash outflows in the corresponding time bucket.

[12] LCR is represented as the ratio of the stock of HQLAs to total net cash outflows over the next 30 calendar days.

[13] All non-deposit taking NBFCs with asset size of ₹5,000 crore and above and all deposit taking NBFCs irrespective of the asset size, excluding CICs, Type 1 NBFC-NDs, NOFHCs and SPDs.

Table VI.9: Financial Parameters of the NBFC Sector

(Amount in ₹ crore)

Items	2022-23			2023-24			H1:2024-25		
	NBFCs	NBFC-UL	NBFC-ML	NBFCs	NBFC-UL	NBFC-ML	NBFCs	NBFC-UL	NBFC-ML
1	2	3	4	5	6	7	8	9	10
A. Income	4,64,021 (23.2)	1,41,310 (25.1)	3,22,712 (22.4)	5,83,957 (25.8)	1,82,115 (28.9)	4,01,842 (24.5)	3,29,583 (29.1)	1,01,219 (19.6)	2,28,365 (33.7)
B. Expenditure	3,32,638 (12.8)	1,02,181 (18.5)	2,30,457 (10.4)	4,09,765 (23.2)	1,30,395 (27.6)	2,79,370 (21.2)	2,35,161 (31.6)	71,939 (18.3)	1,63,223 (38.5)
C. Net Profit	1,06,107 (72.5)	28,756 (44.3)	77,351 (86.0)	1,37,133 (29.2)	38,618 (34.3)	98,515 (27.4)	76,189 (27.0)	22,017 (24.4)	54,171 (28.1)
D. Total Assets	43,57,119 (17.2)	10,71,050 (26.6)	32,86,069 (14.4)	50,68,607 (16.3)	13,59,521 (26.9)	37,09,086 (12.9)	54,53,592 (17.4)	13,73,785 (16)	40,79,806 (17.9)
E. Financial Ratios (as per cent of Total Assets)									
(i) Income	10.6	13.2	9.8	11.5	13.4	10.8	12.1	14.7	11.2
(ii) Expenditure	7.6	9.5	7.0	8.1	9.6	7.5	8.6	10.5	8.0
(iii) Net Profit	2.4	2.7	2.4	2.7	2.8	2.7	2.8	3.2	2.7
F. Cost to Income Ratio (Per cent)*	71.7	72.3	71.4	70.2	71.6	69.5	71.4	71.1	71.5

*: Cost to Income Ratio = Total Expenditure / Total Income.

Notes: 1. Data are provisional and financial ratios for H1: 2024-25 have been annualised.

2. Figures in parentheses indicate y-o-y growth in per cent.

Source: Supervisory Returns, RBI.

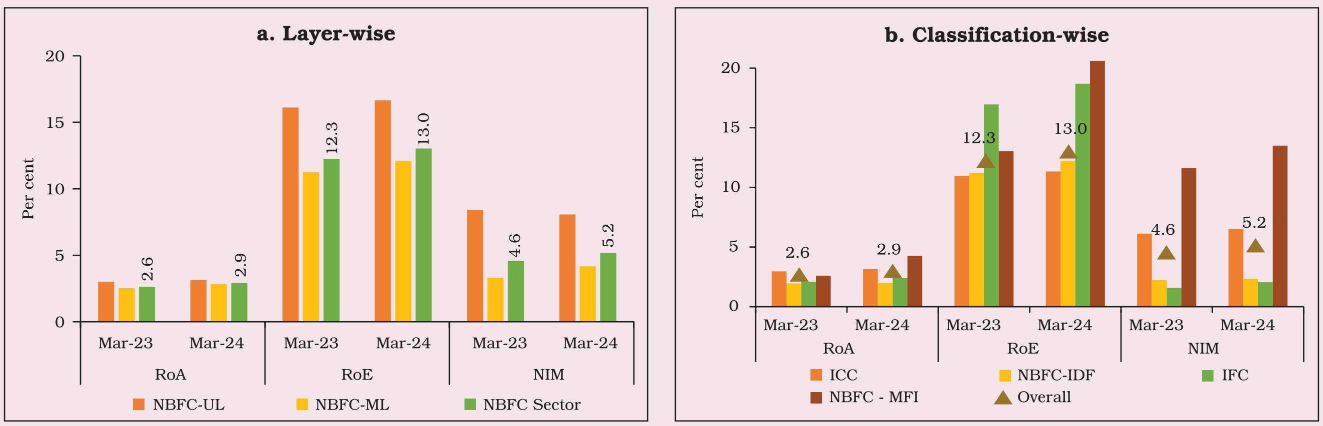
growing in double digits. Aggregate expenditure grew in 2023-24, *albeit* at a slower rate than total earnings. Interest expense was the largest expenditure component (59.0 per cent of the total at end-March 2024). Other financing costs along with operating expenditure constituted the rest of gross expenditure. Cost-to-income ratios fell across both layers, boosting profitability. Growth of net profit remained robust in H1:2024-25 (Table VI.9 and Appendix Tables VI.6 and VI.7).

VI.36 Key indicators of financial performance, *viz.*, return on assets (RoA) and return on equity (RoE), improved during 2023-24 across all layers and classifications of NBFCs, benefitting from operational efficiency gains and effective risk management (Chart VI.21).

2.7. Soundness Indicators

VI.37 The Reserve Bank's prompt corrective action (PCA) framework assesses the health and resilience of an NBFC with focus on asset quality

Chart VI.21: Profitability Ratios of NBFCs



Return on Assets (RoA) = Net Profit/ Average Total Assets. Return on Equity (RoE) = Net Profit/ Average Total Equity.

Net Interest Margin (NIM) = Net Interest Income/Average Total Assets.

Note: Data are provisional.

Source: Supervisory Returns, RBI.

and capital adequacy as the key monitorable metrics. At an aggregate level, the NBFC sector achieved an improvement in both asset quality and capital adequacy during 2023-24.

2.7.1 Asset Quality

VI.38 The share of standard assets in aggregate credit increased further in 2023-24, strengthening the quality of NBFCs' assets (Chart VI.22).

VI.39 Within standard assets, incipient stress in loan accounts is identified by classifying loans as special mention accounts (SMAs). While the share of SMA-2 accounts has come down, NBFCs need to be vigilant about the rise in the shares of SMA-0 and SMA-1 accounts in 2023-24 (Chart VI.23).

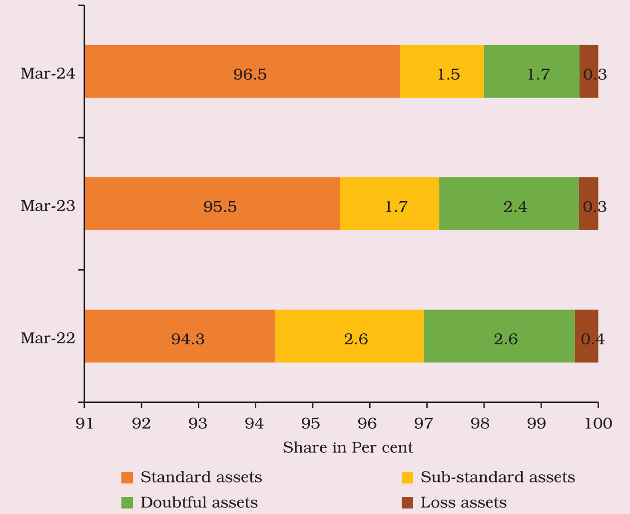
VI.40 The asset quality of NBFCs across different classifications improved further in 2023-24, indicating effective resolution of bad assets. NBFCs have also maintained adequate provisions against outstanding non performing assets (NPAs) [Chart VI.24]. This trend continued in H1: 2024-25, with gross and net NPA ratios declining to 3.4 per cent and 1.1 per cent, respectively, as at end-September 2024.

VI.41 GNPA and NNPA ratios declined across NBFC-UL and ML in 2023-24. NNPA ratio of NBFC-ML was lower than that of NBFC-UL due to higher provisions (Chart VI.25).

VI.42 Sector-wise, asset quality improved for vehicle loans, transport operators and agriculture and allied activities, while it deteriorated marginally for credit card receivables and loans against gold (Chart VI.26).

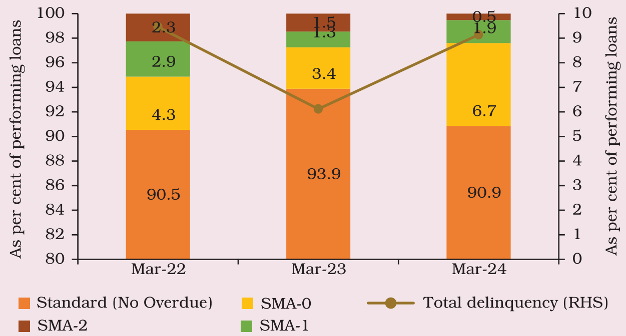
VI.43 Gross advances under larger borrowal accounts (exposure of ₹5 crore and above) grew by 14.1 per cent during 2023-24 (13.5 per cent in the previous year). Asset quality of these accounts exhibited significant improvement during the year, bringing down their share in total NPAs (Chart VI.27). The GNPA ratio of large borrowal accounts, however, stood higher than that of the overall NBFC sector.

Chart VI.22: Classification of NBFCs' Loans & Advances
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

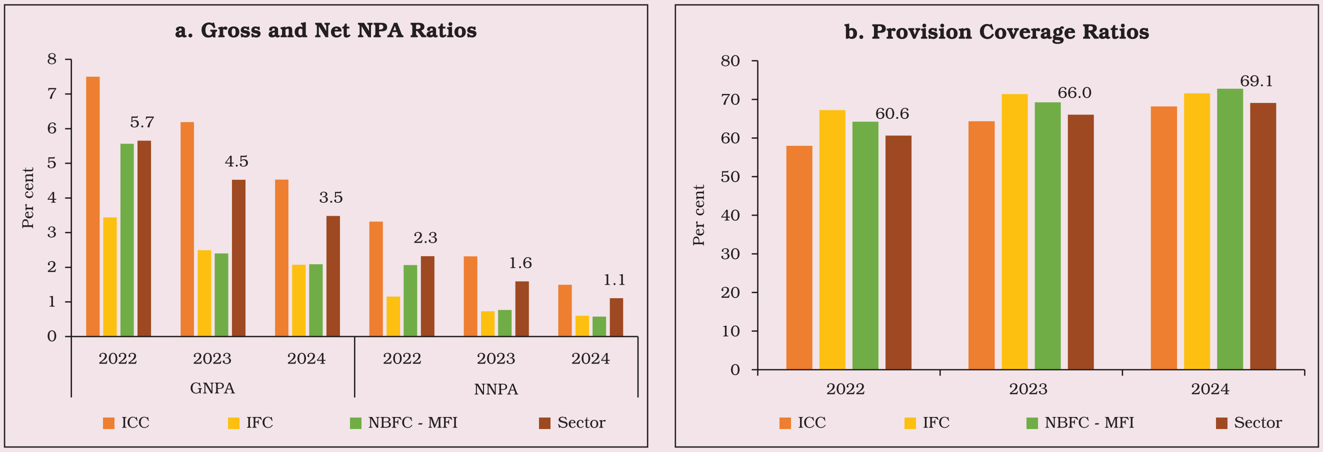
Chart VI.23: Portfolio Analysis of Performing Loans & Advances
(At end-March)



Notes: 1. SMA-0, where principal or interest payment was not overdue for more than 30 days, but the account showed signs of incipient stress.
2. SMA-1, where principal or interest payment was overdue for 31-60 days.
3. SMA-2, where principal or interest payment was overdue for 61-90 days.
4. Data are provisional.

Source: Supervisory Returns, RBI.

Chart VI.24: Asset Quality of NBFCs, by Classification
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

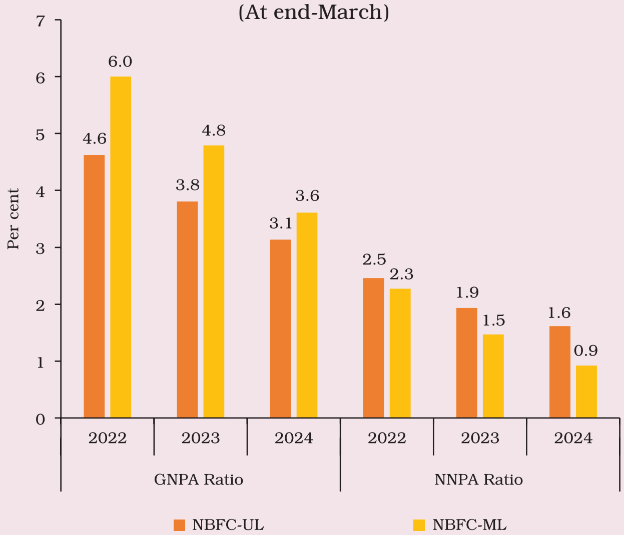
2.7.2 Capital Adequacy

VI.44 At end-March 2024, the NBFC sector maintained capital to risk-weighted assets ratio (CRAR) of 26.9 per cent, well above the regulatory requirement (Chart VI.28). Under the SBR, NBFCs [except core investment companies[14] (CICs)] in the upper layer are required to maintain common equity tier 1 capital (CET 1) of a minimum of nine per cent of risk-weighted assets, within the overall CRAR of 15 per cent. At end-September 2024, CRAR of the sector stood at a comfortable level of 26.1 per cent.

2.8. Exposure to Sensitive Sectors

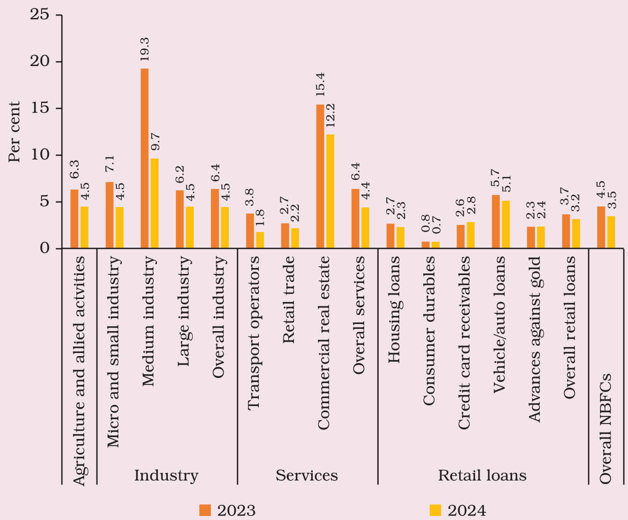
VI.45 Lending and investments in capital markets and commercial real estate are susceptible to fluctuations, with implications for

Chart VI.25: NPA Ratios, by Layer
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

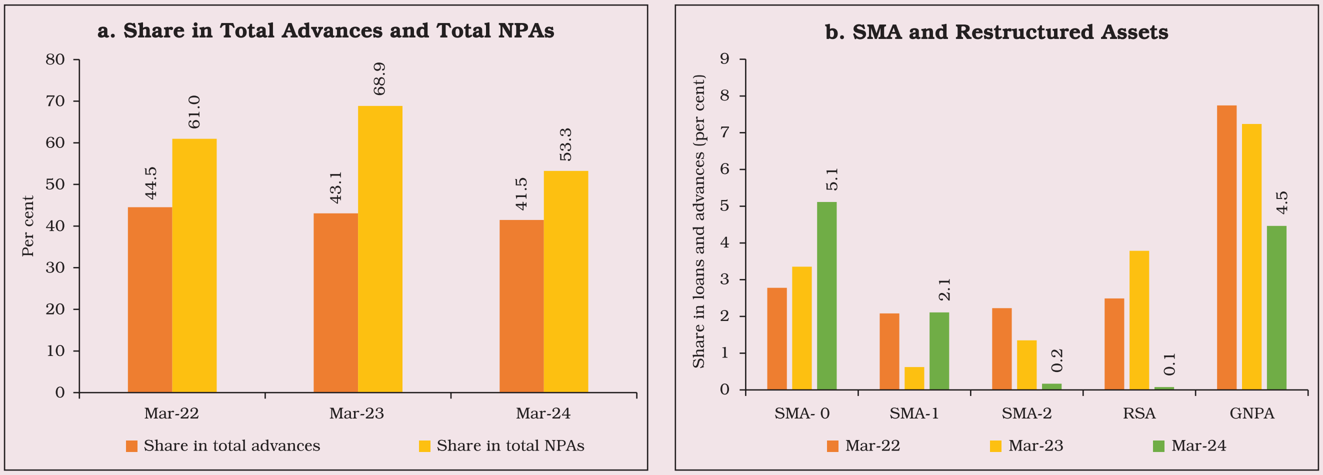
Chart VI.26: Sectoral GNPA Ratios
(At end-March)



Note: Data are provisional
Source: Supervisory Returns, RBI.

14 CICs shall maintain adjusted net worth of minimum 30 per cent of their aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items.

Chart VI.27: Stress in Large Borrowal Accounts



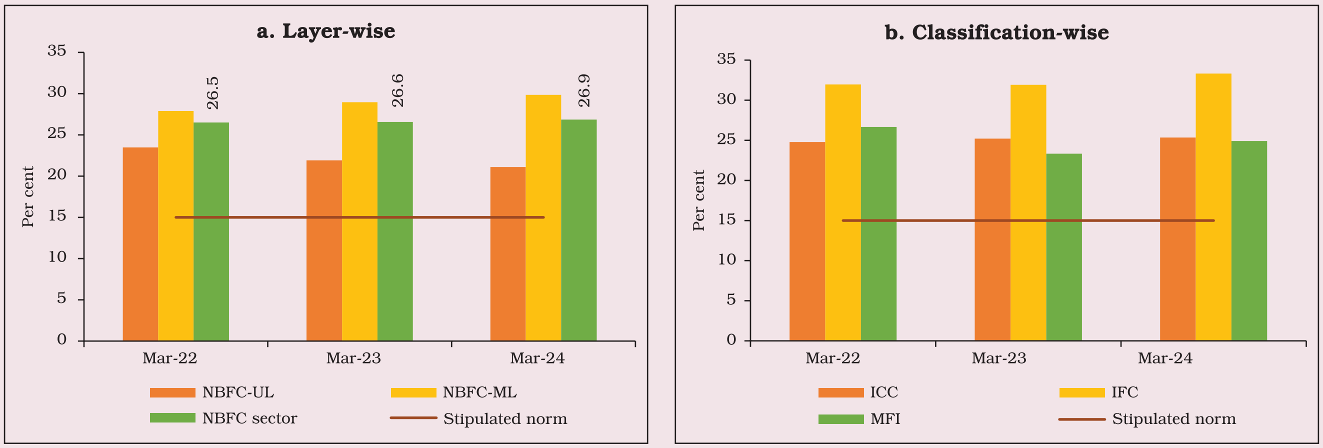
Note: Data are provisional.
Source: Central Repository of Information on Large Credits (CRILC) database.

financial stability and are, therefore, classified as sensitive sectors. NBFCs' exposure to sensitive sectors increased to 23.8 per cent of their total assets at end-March 2024 from 21.2 per cent at end-March 2023, driven by lending to the capital market (Chart VI.29).

3. Housing Finance Companies (HFCs)

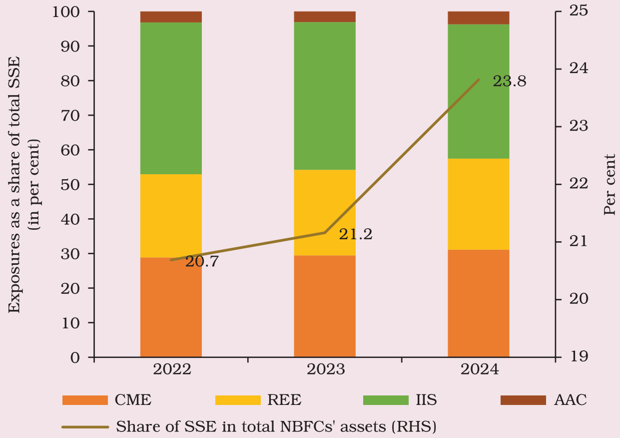
VI.46 HFCs are specialised institutions and complement other primary lending institutions, *viz.*, public sector banks and private sector banks in providing housing finance. Effective August 09, 2019, the Reserve Bank took over the regulation of HFCs from the NHB. HFCs are now treated as a category of NBFCs for regulatory purposes. Supervisory responsibilities and grievance redressal remain with the NHB. Under the SBR framework, HFCs are placed either in the middle or the upper layer. Out of the 93 HFCs registered with NHB, five HFCs were placed in

Chart VI.28: CRAR of NBFCs
(At end-March)



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Chart VI.29: Exposure to Sensitive Sectors
(At end-March)



CME: Capital market exposure; REE: Real estate exposure; IIS: Investment in securities; AAC: Advances against commodities; SSE: Sensitive sector exposure.
Note: Data are provisional.
Source: Supervisory Returns, RBI.

the upper layer by the Reserve Bank. A major development in the sector during 2023-24 was the merger of a large HFC with a bank on July 1, 2023, resulting in reduction in the aggregate assets of the HFCs.

VI.47 Considering the specialised nature of HFCs, the Reserve Bank has sought to harmonise the regulations applicable to HFCs and to align them with those applicable to NBFCs in a phased manner. To this end, the Reserve Bank released revised regulations in August 2024 pertaining to *inter alia* acceptance of public deposits by eligible HFCs and participation of HFCs in various financial instruments for hedging purposes (Paragraph III.22).

VI.48 One HFC is government-owned, with a share of 8.9 per cent in the total asset size of the sector at end-March 2024 (Table VI.10). This government-owned HFC registered growth of 15.6 per cent in its assets, while the rest of the

Table VI.10: Ownership Pattern of HFCs
(At end- March)

(Amount in ₹ crore)

Type	2023		2024	
	Number	Asset Size	Number	Asset Size
1	2	3	4	5
A. Government Companies	1	83,054	1	95,990
B. Non-Government Companies (1+2)	96 (95)	16,04,245 (8,65,326)	92	9,78,455
1. Public Ltd. Companies	74 (73)	15,95,917 (8,56,998)	71	9,66,912
2. Private Ltd. Companies	22	8,328	21	11,542
Total (A+B)	**97 (96)**	**16,87,300 (9,48,381)**	**93**	**10,74,445**

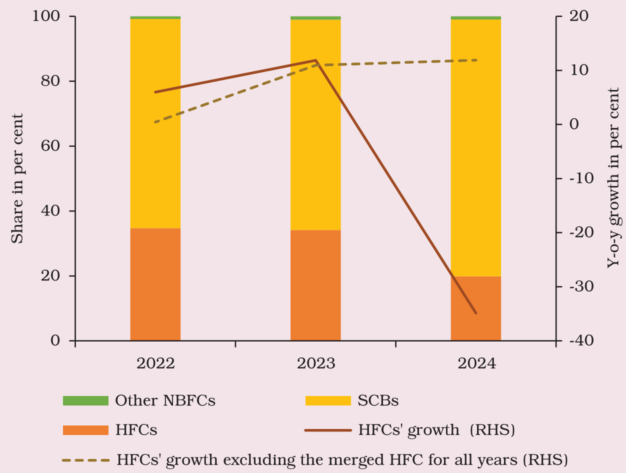
Notes: 1. Data are provisional.
2. Data for 2024 reflect the impact of the merger of an HFC with a bank. Figures in parentheses for 2023 exclude data for the merged entity.

Source: NHB.

HFCs (after adjusting for the merger[15]) recorded growth of 13.1 per cent.

VI.49 The share of HFCs in total credit to the housing sector (banks, HFCs and other NBFCs combined) was 34.1 per cent at end-March 2023; post-merger, the share of HFCs was 19.9 per cent at end-March 2024 (Chart VI.30).

Chart VI.30: Credit to Housing Sector by HFCs, SCBs and other NBFCs
(At end-March)



Note: Data are provisional.
Source: NHB.

[15] For comparison, HFCs' growth rates for 2023-24 are calculated excluding the merged HFC for the year 2022-23.

3.1. Balance Sheet

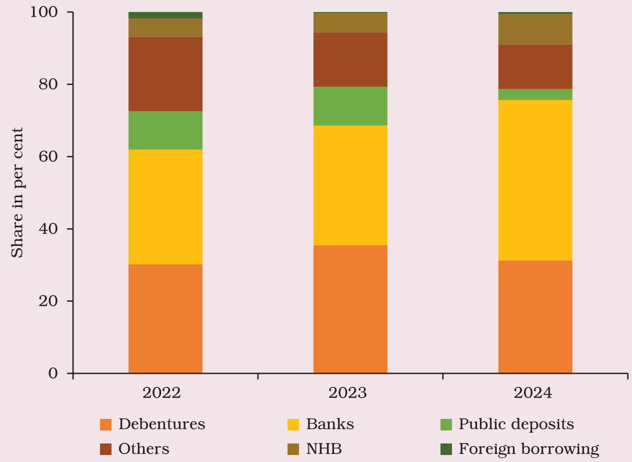
VI.50 During 2023-24, the balance sheet of HFCs increased by 13.3 per cent, driven mainly by loans and advances extended by the middle layer HFCs (Table VI.11). On the liabilities side, borrowings *via* banks picked up, while those through debentures slackened. Rising income, push for urbanisation and increased demand for home ownership have sustained the demand for credit in the housing market. The objectives of housing for all under *Pradhan Mantri Awas Yojana* (PMAY) and subsidised credit for affordable housing have also supported housing credit demand.

3.2. Resource Profile of HFCs

VI.51 Debentures and borrowings from banks are the major sources of funds for HFCs (75.7 per cent of total resources mobilised at end-March 2024) [Chart VI.31].

Chart VI.31: Resources Mobilised by HFCs

(At end-March)



Notes: 1. Data are provisional.
2. Data for 2024 reflect the impact of the merger of an HFC with a bank.

Source: NHB

VI.52 Public deposits for deposit-taking HFCs rose by 3.3 per cent during 2023-24 (adjusted for the effect of the merger) as compared with 7.9 per cent in the previous year. Public deposits

Table VI.11: Consolidated Balance Sheet of HFCs

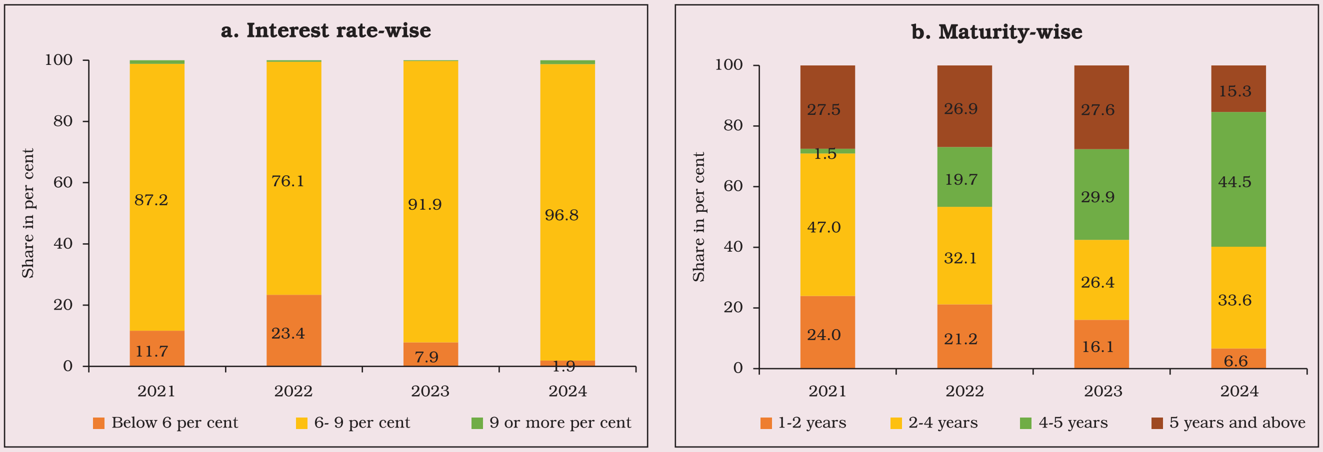
(Amount in ₹ crore)

Items	At end-March 2023			At end-March 2024			Percentage Variation (Sector)	
	ML	UL	Sector	ML	UL	Sector	2022-23	2023-24
1	2	3	4(2+3)	5	6	7(5+6)	8	9
1. Share capital	13,956	28,817	42,773	14,721	30,562	45,283	6.0	6.8
2. Reserves and surplus	59,570	1,95,598	2,55,168	76,540	74,324	1,50,865	13.6	24.1
3. Public deposits	4,903	1,30,280	1,35,183	5,076	19,689	24,764	7.9	3.3
4. Debentures	42,952	4,04,211	4,47,163	59,642	1,96,411	2,56,053	25.5	10.3
5. Bank borrowings	1,44,893	2,73,608	4,18,501	1,86,614	1,76,984	3,63,598	11.7	17.8
6. Borrowings from NHB	37,375	29,892	67,267	47,549	20,792	68,341	13.0	27.2
7. Inter-Corporate Borrowings	26,085	50,430	76,516	2,577	8,833	11,411	-38.8	-67.8
8. Commercial papers	4,203	57,643	61,847	10,241	20,734	30,975	23.2	58.2
9. Borrowings from Government	-	431	431	-	-	-	-83.3	0.0
10. Subordinated debts	4,173	10,227	14,401	4,575	6,520	11,095	-6.3	-2.7
11. Other borrowings	29,168	11,397	40,565	45,448	7,231	52,680	-43.2	29.9
12. Current liabilities	9,326	19,113	28,439	10,784	9,304	20,088	-1.7	11.5
13. Provisions	4,652	26,142	30,794	6,526	13,517	20,043	-8.9	12.4
14. Other	6,852	61,401	68,253	4,548	14,703	19,250	264.3	-16.1
Total Liabilities/Assets	**3,88,109**	**12,99,191 (5,60,272)**	**16,87,300 (9,48,381)**	**4,74,841**	**5,99,604**	**10,74,445**	**10.5**	**13.3**
1. Loans and advances	3,51,770	11,06,072	14,57,842	4,36,062	5,25,390	9,61,452	9.8	14.8
2. Investments	11,713	1,29,377	1,41,089	10,044	32,753	42,797	34.9	-3.7
3. Cash and bank balances	15,098	12,597	27,695	16,480	11,006	27,486	-30.7	3.8
4. Other assets	9,528	51,145	60,673	12,255	30,455	42,710	11.8	6.5

Notes: 1. Data are provisional.
2. Data for 2024 reflect the impact of the merger of an HFC with a bank. Figures in parentheses for 2023 exclude data for the merged entity.
3. Growth rates for 2023-24 are calculated by excluding the merged entity from 2022-23.

Source: NHB.

Chart VI.32: Distribution of HFCs' Public Deposits
(At end-March)



Notes: 1. Data are provisional.
2. Data for 2024 reflect the impact of the merger of an HFC with a bank.
Source: NHB.

constituted three per cent of total resources mobilised by HFCs at end-March 2024 as compared with 10.7 per cent a year ago, reflecting the merger's impact.

VI.53 Deposits are concentrated in the 6-9 percent interest rate bracket (96.8 per cent deposits at end-March 2024). Maturity wise, the deposits in the 4-5 years segment dominate (Chart VI.32).

3.3. Financial Performance

VI.54 Income of the HFCs expanded on account of both fund and fee income in 2023-24. With expenditure increasing marginally more than income, the cost-to-income ratio inched up in 2023-24. RoA remained same during the year, adjusted for the effect of the merger (Table VI.12).

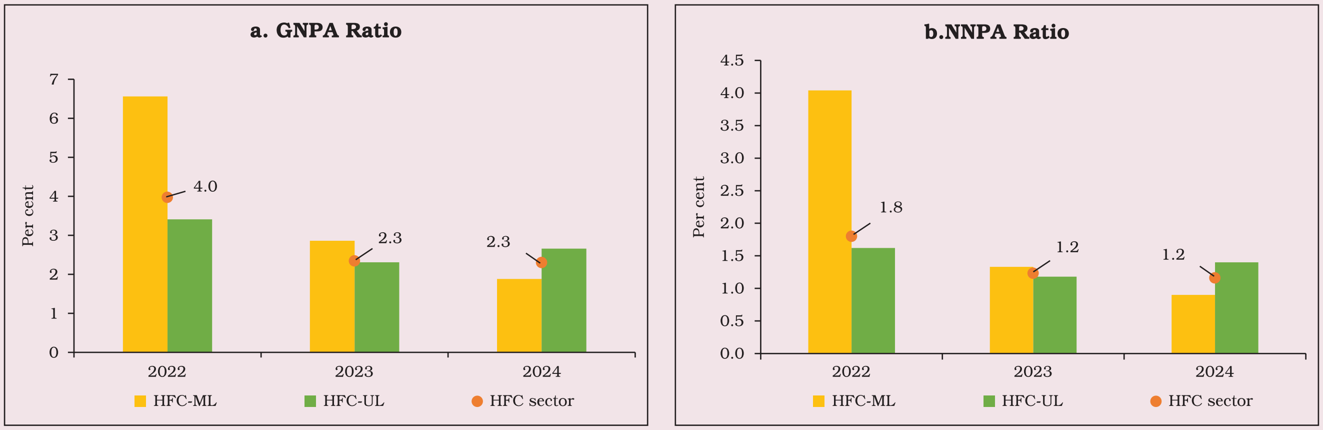
Table VI.12: Financial Parameters of HFCs

(Amount in ₹ crore)

Particulars	2021-22	2022-23	2023-24	Percentage Variation	
				2022-23	2023-24
1	2	3	4	5	6
Total Income	**1,25,425**	**1,55,197** **(94,973)**	**1,07,639**	**23.7**	**13.3**
1. Fund Income	1,22,998	1,45,086	1,02,451	18.0	18.4
2. Fee Income	1,376	1,950	2,366	41.8	48.1
Total Expenditure	**1,00,264**	**1,14,841** **(74,632)**	**85,292**	**14.5**	**14.3**
1. Financial Expenditure	74,467	87,425	61,796	17.4	19.4
2. Operating Expenditure	10,638	13,963	14,733	31.3	24.7
Tax Provision	4,766	1,798	826	-62.3	-34.2
Net Profit (PAT)	**20,395**	**28,692** **(12,453)**	**18,139**	**40.7**	**45.7**
Cost to Income Ratio	79.9	74.0	79.2		
Return on Assets (RoA)	1.3	1.7	1.7		

PAT = Total Income – (Total Expenditure + Tax Expenses); Cost to Income Ratio = Total Expenditure/Total Income;
Return on Assets (RoA) = PAT/Total Assets
Notes: 1. Data are provisional.
2. Data for 2024 reflect the impact of the merger of an HFC with a bank. Figures in parentheses for 2022-23 exclude data for the merged entity.
3. Growth rates for 2023-24 are calculated by excluding the merged entity from 2022-23.
Source: NHB.

Chart VI.33: Asset Quality of HFCs, by Layer
(At end-March)



Notes: 1. Data are provisional.
2. Data for 2024 reflect the impact of the merger of an HFC with a bank.

Source: NHB.

3.4. Soundness Indicators

VI.55 The asset quality of HFCs remained broadly stable in 2023-24, with improvement in the middle layer and some slippage in the upper layer segment (Chart VI.33). The CRAR for the sector is well above the mandated requirement of 15 per cent (Chart VI.34).

Chart VI.34: Capital Adequacy
(At end-March)

Notes: 1. Data are provisional.
2. Data for 2024 reflect the impact of the merger of an HFC with a bank.

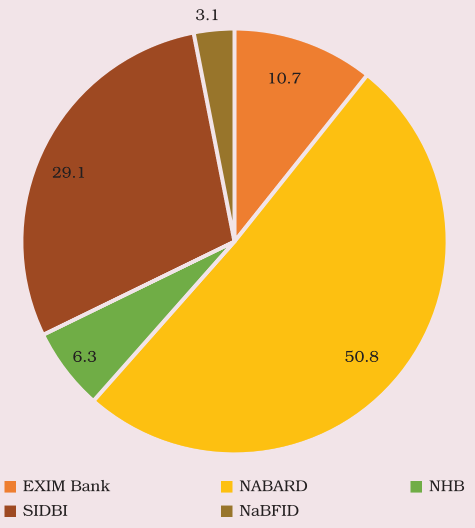
Source: NHB.

VI.56 To sum up, post-merger, the asset quality of the HFCs has remained healthy, supporting double-digit credit growth. HFCs are expanding to Tier II and III cities and rural areas, which offer growth opportunities. The recent move towards harmonisation of regulations for HFCs will act as a catalyst for sustainable growth of the sector. Going forward, HFCs need to adjust to the changing landscape to maintain their relevance in the Indian financial system.

4. All India Financial Institutions

VI.57 All India Financial Institutions (AIFIs) play an important role in fulfilling long-term funding requirements of many sectors. At end-March 2024, five AIFIs (NABARD, SIDBI, NHB, EXIM Bank and NaBFID) were registered, regulated and supervised by the Reserve Bank. As an apex development financial institution, the NABARD aims to facilitate agricultural and rural development. The SIDBI is tasked with the promotion, financing and development of the MSME sector. The NHB is the principal agency for promoting housing finance companies and

Chart VI.35: Distribution of AIFIs, by Asset-Size
(At end-March 2024)



Source: Respective Financial Institutions

providing financial support to such institutions. The EXIM Bank aims to promote India's international trade by providing financial assistance to exporters and importers. The recently established NaBFID is focussed on addressing the long-term financing requirements of the infrastructure sector in India. NABARD is the largest AIFI, accounting for over half of the assets of all AIFIs (Chart VI.35).

4.1. AIFIs' Operations[16]

VI.58 Financial assistance sanctioned and disbursed by AIFIs grew by 19.3 per cent and 15.6 per cent, respectively, in 2023-24. NHB, however, underwent a decrease in sanctioned and disbursed amounts during the year, attributable to the earlier noted merger of a large HFC with a commercial bank. NaBFID, which saw its first full year of operation in 2023-24, registered robust growth in both sanctions and disbursements (Table VI.13 and Appendix Table VI.8).

Table VI.13: Financial Assistance Sanctioned & Disbursed by AIFIs

(Amount in ₹ crore)

Institutions	Sanctions		Disbursements	
	2022-23	2023-24	2022-23	2023-24
1	2	3	4	5
EXIM Bank	79,764	1,06,312	68,787	89,073
NABARD	3,84,319	4,42,649	3,64,832	4,36,584
NHB	42,905	35,671	35,701	32,085
SIDBI	2,88,137	3,02,590	2,80,787	2,94,942
NaBFID	18,560	83,280	10,045	26,243
Total	**8,13,685**	**9,70,501**	**7,60,153**	**8,78,927**

Notes: 1. Data are provisional.
2. NHB data for 2023-24 reflect the impact of the merger of an HFC with a bank.

Source: Respective Financial Institutions.

4.2. Balance Sheet

VI.59 The consolidated balance sheet of AIFIs grew by 20.1 per cent in 2023-24, marginally higher than 19.8 per cent in the preceding year. While growth in loans and advances moderated, primarily due to the deceleration in loans extended by the SIDBI and the NHB, investments by AIFIs surged by 31.8 per cent. On the liabilities side, bonds and debentures rose by 18.9 per cent, driven by NABARD, which *inter alia* issued India's first AAA-rated rupee-denominated social bond in 2023-24[17]. Borrowings and deposits - the largest sources of funds for AIFIs (61.9 per cent of all liabilities at end-March 2024) - continued to grow at a robust pace in 2023-24 (Table VI.14).

VI.60 Resource mobilisation by all AIFIs expanded by 27.9 per cent in 2023-24. The share of long-term resources increased to 45.1 per cent in 2023-24 from 37.0 per cent in

[16] The financial year for EXIM Bank, SIDBI, NABARD and NaBFID is from April to March, while for NHB, it is from July to June.

[17] NABARD mobilised ₹1,040.5 crore through these social bonds in FY2024, championing the cause of environmental, social and governance (ESG) investing in India. The funds raised by this issuance will be utilised to refinance drinking water projects under GoI's *Jal Jeevan Mission*.

Table VI.14: AIFIs' Balance Sheet
(At end-March)

(Amount in ₹ crore)

	2022	2023	2024	Percentage Variation	
				2022-23	2023-24
1	2	3	4	5	6
1. Capital	55,008	55,008	55,008	0.0	0.0
2. Reserves	86,658	99,638	1,15,568	15.0	16.0
3. Bonds & Debentures	3,40,616	3,62,319	4,30,847	6.4	18.9
4. Deposits	4,36,057	4,94,762	5,58,894	13.5	13.0
5. Borrowings	2,59,406	4,11,113	5,50,613	58.5	33.9
6. Other Liabilities	68,614	70,230	81,687	2.4	16.3
Total Liabilities / Assets	**12,46,359**	**14,93,070**	**17,92,616**	**19.8**	**20.1**
1. Cash & Bank Balances	43,371	46,041	87,711	6.2	90.5
2. Investments	1,16,334	1,00,427	1,32,375	-13.7	31.8
3. Loans & Advances	10,69,116	13,17,700	15,39,223	23.3	16.8
4. Bills Discounted /Rediscounted	3,058	5,290	6,401	73.0	21.0
5. Fixed Assets	1,268	1,260	1,268	-0.6	0.6
6. Other Assets	13,212	22,352	25,639	69.2	14.7

Note: Data are Provisional.
Source: Respective Financial Institutions.

the previous year, driven by NABARD. AIFIs' reliance on short-term resources fell to 51.6 per cent in 2023-24 from 58.9 per cent in 2022-23 (Table VI.15).

Table VI.15: Resources Mobilised by AIFIs in 2023-24

(Amount in ₹ crore)

Institution	Total Resources Raised				Total Outstand-ing
	Long-Term	Short-Term	Foreign Currency	Total	
1	2	3	4	5	6
EXIM Bank	11,300	37,093	29,042	77,434	1,54,611
NABARD	2,13,832	2,25,343	0	4,39,175	7,60,865
NHB*	25,504	9,200	0	34,704	94,407
SIDBI**	1,23,340	1,85,818	0	3,09,158	4,76,978
NaBFID	25,219	0	0	25,219	25,219
Total	**3,99,195**	**4,57,454**	**29,042**	**8,85,690**	**15,12,079**

* Short-term resources figure represents borrowings through transactions in the overnight Tri-Party Repo Dealing System (TREPS) on a roll-over basis (gross amount on roll-over basis).
** Short-term under total resources raised also include short-term loans from banks.
Note: Long-term rupee resources comprise borrowings by way of bonds/ debentures; while short-term resources comprise CPs, term deposits, ICDs, CDs and borrowings from the term money market. Foreign currency resources largely comprise borrowings by issuing bonds in the international market.
Source: Respective Financial Institutions.

VI.61 Borrowings through commercial paper (CP) accounted for 56.1 per cent of resources raised by AIFIs from the money market at-end March 2024. While CP issuances of EXIM Bank, NABARD and NHB increased in 2023-24, those of SIDBI recorded a decline. AIFIs mobilise resources from the money market based on a specified umbrella limit, which is linked to their net owned funds (NOF). The utilisation of this limit rose to 65.3 per cent in 2023-24 from 63.9 per cent a year ago (Table VI.16).

4.3. Sources and Uses of Funds

VI.62 In 2023-24, funds raised and deployed by AIFIs increased by 52.5 per cent. External sources replaced internal funds as the dominant source, driven by SIDBI's borrowings (growth of over 100 per cent for the second consecutive year). In 2023-24, around three-fourths of the mobilised funds were used to repay past borrowings (Table VI.17).

Table VI.16: Resources Raised by AIFIs from the Money Market
(At end-March) #

(Amount in ₹ crore)

	2022-23	2023-24	Percentage Variation
1	2	3	4
Instrument			
A. Total	1,54,707	1,79,181	15.8
i) Term Deposits	8,709	12,632	45.0
ii) Term Money	1,942	2,508	29.1
iii) Inter-corporate Deposits	-	-	
iv) Certificate of Deposits	49,560	63,595	28.3
v) Commercial Paper	94,496	1,00,446	6.3
Memo:			
B. Umbrella Limit ^	2,42,208	2,74,407	13.3
C. Utilisation of Umbrella limit (A as percentage of B)	63.9	65.3	-

#: End-June for NHB.
^ : post adoption of accounts by the Board
Note: The umbrella limit is applicable for five instruments– term deposits; term money borrowings; certificates of deposits (CDs); commercial paper (CPs); and inter-corporate deposits.
Source: Respective Financial Institutions.

4.4. Maturity Profile and Cost of Borrowings

VI.63 The weighted average cost of rupee resources raised by all AIFIs increased further in 2023-24 (Chart VI.36a). Among all AIFIs, resources raised by NaBFID had the highest weighted average maturity, given its focus on infrastructure financing (Chart VI.36b). Long-term prime lending rates (PLRs) increased for EXIM Bank and NHB, while they remained constant for SIDBI and NaBFID (Chart VI.37).

Table VI.17: AIFIs' Sources and Deployment of Funds

(Amount in ₹ crore)

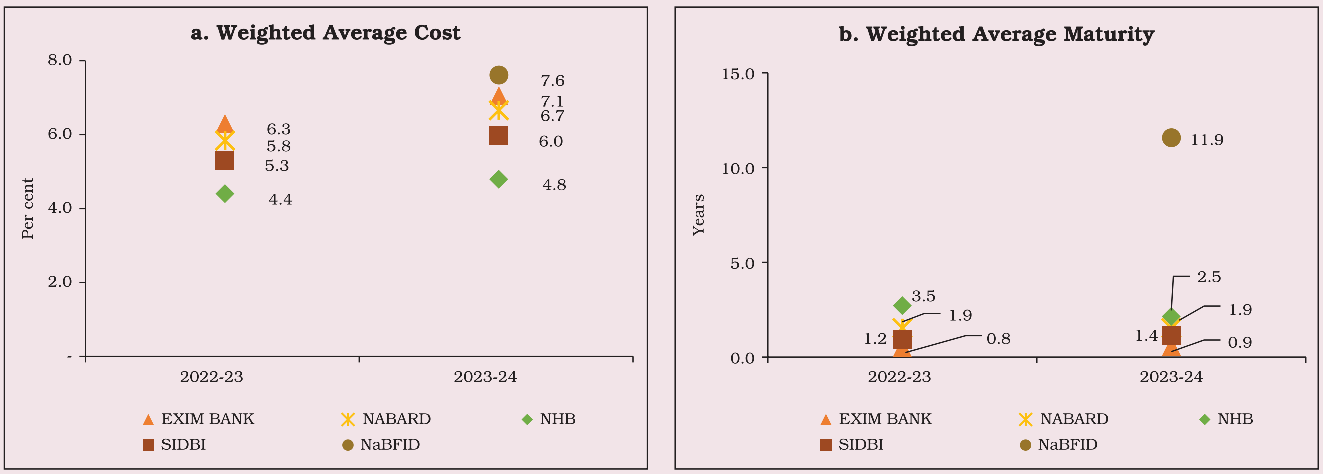
Items	2022-23	2023-24	Percentage Variation
1	2	3	4
A. Sources of Funds (i+ii+iii)	**57,92,482**	**88,34,046**	**52.5**
i. Internal	34,74,360	39,25,315	13.0
ii. External	22,48,393	48,09,252	113.9
iii. Others@	69,729	99,479	42.7
B. Deployment of Funds (i+ii+iii)	**57,92,482**	**88,34,046**	**52.5**
i. Fresh Deployment	15,33,679	15,75,117	2.7
ii. Repayment of Past Borrowings	35,62,866	63,64,347	78.6
iii. Other Deployment	6,95,937	8,94,581	28.5
of which: Interest Payments	52,845	72,978	38.1

@: Includes cash and balances with banks and the Reserve Bank of India.
Note: Data are provisional.
Source: Respective Financial Institutions.

4.5. Financial Performance

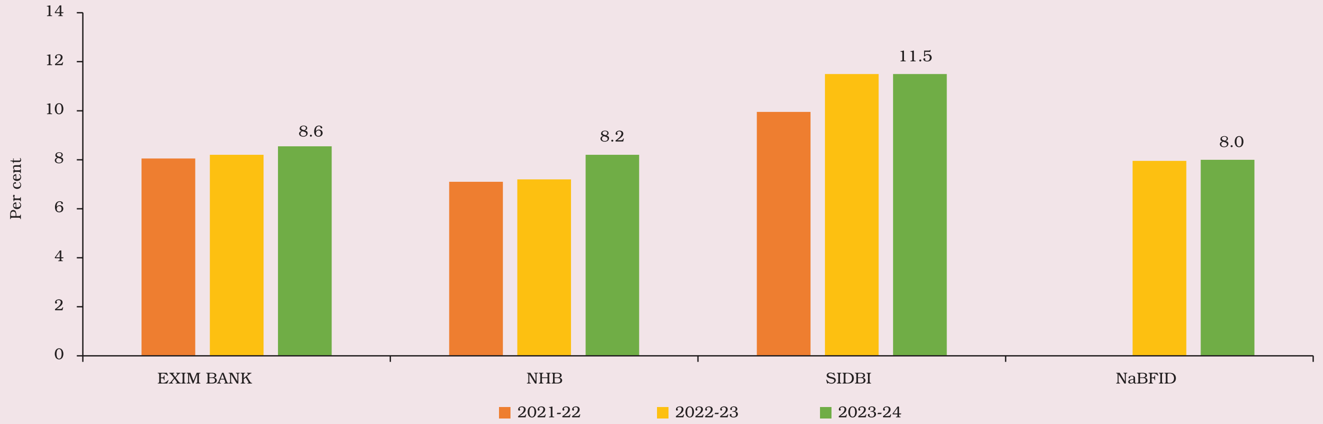
VI.64 The income of AIFIs increased steadily in 2023-24, buoyed by interest income, particularly of NABARD and SIDBI. On the expenditure side, the growth in interest expenses of AIFIs accelerated, again mainly due to NABARD and SIDBI. AIFIs also recorded a steady growth in

Chart VI.36: Weighted Average Cost and Maturity of Rupee Resources Raised by AIFIs



Note: Data are provisional.
Source: Respective Financial Institutions.

Chart VI.37: Long-term PLR Structure of Select AIFIs



Note: 1. EXIM Bank is using long-term minimum lending rate based on the base rate.
2. Not applicable for NABARD.
3. Data are provisional.

Source: Respective Financial Institutions.

operating profit and net profit during the year (Table VI.18).

VI.65 The ratio of interest income to average working funds improved for all AIFIs during 2023-24. Operating profits as a proportion of average working funds dipped for EXIM Bank, SIDBI and NaBFID (Table VI.19).

Table VI.18: Financial Performance of AIFIs

(Amount in ₹ crore)

	2021-22	2022-23	2023-24	Percentage Variation	
				2022-23	2023-24
1	2	3	4	5	6
A) Income	**59,145**	**75,411**	**1,05,875**	**27.5**	**40.4**
a) Interest Income	57,666	73,982	1,04,276	28.3	40.9
b) Non-Interest Income	1,479	1,429	1,599	-3.4	11.9
B) Expenditure	**43,674**	**56,679**	**82,396**	**29.8**	**45.4**
a) Interest Expenditure	40,281	53,353	76,395	32.5	43.2
b) Operating Expenses	3,393	3,326	6,001	-2.0	80.5
of which Wage Bill	2,269	1,991	3,914	-12.3	96.6
C) Provisions for Taxation	**4,064**	**3,230**	**4,631**	**-20.5**	**43.4**
D) Profit					
Operating Profit (PBT)	14,862	17,347	21,059	16.7	21.4
Net Profit (PAT)	9,817	12,568	15,913	28.0	26.6

Note: Data are provisional.
Source: Respective Financial Institutions.

VI.66 The profitability of EXIM Bank, NABARD and NHB, as reflected in their return on assets (RoAs), improved in 2023-24 (Chart VI.38).

4.6. Soundness Indicators

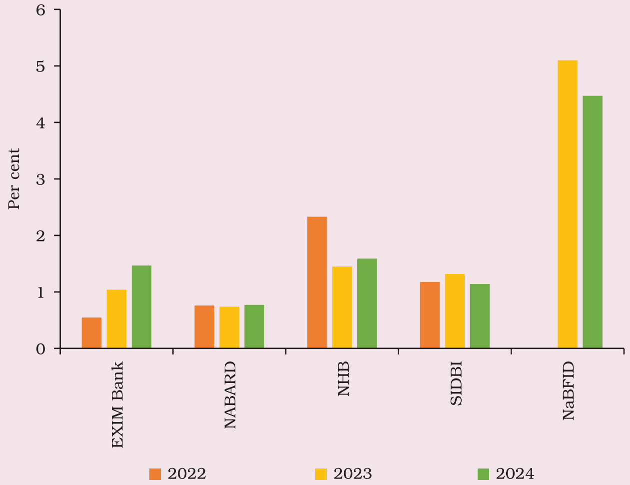
VI.67 Considering the important role played by AIFIs in promoting the flow of credit to various sectors, the Reserve Bank extended the Basel III Capital Framework to AIFIs with effect from April 2024. AIFIs are required to maintain a minimum CRAR of 9 per cent. At end-March 2024, the capital position of all AIFIs remained healthy, with CRARs well above the regulatory requirement (Chart VI.39a). At end-March 2024,

Table VI.19: AIFIs' Select Financial Parameters

	As a per cent of Average Working Funds						Net Profit per Employee (₹ crore)	
	Interest Income		Non-interest Income		Operating Profit			
	2023	2024	2023	2024	2023	2024	2023	2024
1	2	3	4	5	6	7	8	9
EXIM	7.8	9.0	0.4	0.3	2.6	2.3	4.3	7.1
NABARD	5.4	6.1	0.03	0.01	1.0	1.1	1.7	1.9
NHB	5.6	6.2	0.2	0.1	2.0	2.3	6.3	7.8
SIDBI	5.4	6.7	0.2	0.1	1.6	1.5	3.2	3.7
NaBFID	5.3	7.9	0.02	0.7	5.2	4.8	23.3	19.8

Note: Data are provisional.
Source: Respective Financial Institutions.

Chart VI.38: RoA of AIFIs
(At end-March)



Notes: 1. RoA refers to Return on Average Assets.
2. Data are provisional.

Source: Respective Financial Institutions.

nearly all assets of AIFIs were standard, except for EXIM Bank, whose doubtful assets edged up slightly during 2023-24. Net NPA ratios of all AIFIs, except EXIM Bank, were zero (Chart VI.39b).

5. Primary Dealers

VI.68 As at end-March 2024, there were 21 Primary Dealers (PDs), 14 functioning departmentally as bank PDs and seven as standalone PDs (SPDs) registered as NBFCs under Section 45-IA of the RBI Act, 1934.

5.1. Operations and Performance of PDs

VI.69 PDs are mandated to underwrite issuances of central government dated securities and participate in primary auctions. They are also mandated to achieve a minimum success ratio (bids accepted as a proportion to bidding commitment) of 40 per cent in primary auctions of Treasury Bills (T-bills) and Cash Management Bills (CMBs), assessed on a half-yearly basis. In 2023-24, all PDs achieved more than their minimum bidding commitments and subscribed to 69.6 percent of the total quantum of T-Bills issued during the year, marginally higher than 68.9 percent achieved in the previous year. In 2024-25 (up to September 2024), the share of PDs in the total quantum of T-Bills issued stood at 76.4 per cent. PDs' share in allotment in the primary issuance of dated securities rose from 56.6 per cent in 2022-23 to 63.5 per cent in 2023-24. This increased further to 67.0 per cent in H1:2024-25 (Table VI.20).

Chart VI.39: Soundness Indicators of AIFIs
(At end-March)

Note: Data are provisional.

Source: Respective Financial Institutions.

Table VI.20: Performance of PDs in the Primary Market

(Amount in ₹ crore)

Items	2021-22	2022-23	2023-24	H1:2024-25
1	2	3	4	5
Treasury Bills and CMBs				
(a) Bidding commitment	15,37,735	16,27,045	16,40,785	5,50,745
(b) Actual bids submitted	37,21,906	36,47,564	35,46,730	13,18,661
(c) Bids accepted	9,59,380	9,74,028	9,96,891	3,67,511
(d) Success ratio (c) / (a) (in Per cent)	62.4	59.9	60.8	66.7
(e) Share of PDs in total allotment (in Per cent)	76.9	68.9	69.6	76.4
Central Government Dated Securities				
(f) Notified amount	10,80,000	14,37,000	15,43,000	7,50,000
(g) Actual bids submitted	22,22,924	25,55,668	29,79,456	17,23,480
(h) Bids of PDs accepted	5,33,201	8,03,600	9,79,036	4,95,320
(i) Share of PDs (in per cent)*	47.3	56.6	63.5	67.0

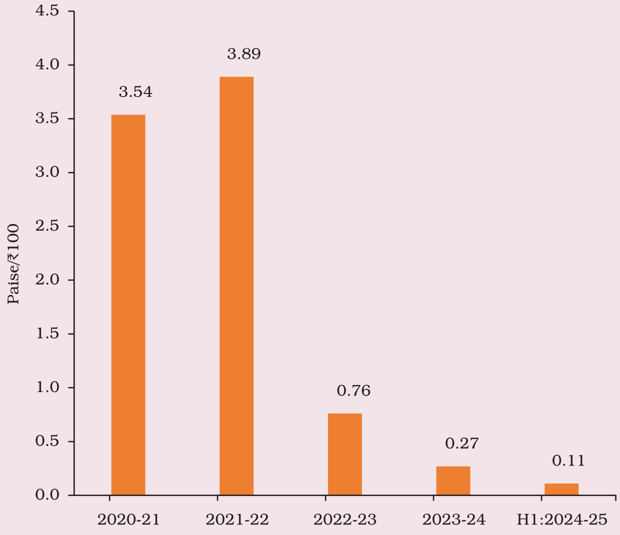
Notes: 1. Data are provisional.
2. *Calculated with respect to the total issued amount

Source: Returns filed by PDs

VI.70 The underwriting commission paid to PDs (exclusive of GST) during 2023-24 was ₹41.1 crore as compared with ₹91.1 crore in the previous year; it was ₹8.34 crore in H1:2024-25. The average rate of underwriting commission decreased from ₹0.76 paise/₹100 in 2022-23 to ₹0.27 paise/₹100 in 2023-24 and further to ₹0.11 paise in 2024-25 (up to September 2024) [Chart VI.40].

VI.71 The turnover target to be achieved by PDs in the secondary market has been fixed as a specific percentage of the average of the previous three years' outright market turnover in G-secs and T-bills, taken on an aggregate basis. Accordingly, the target was fixed at 1.5 per cent for 2023-24 as compared to one percent for 2022-23. All the PDs individually achieved the minimum stipulated annual turnover ratio. The target for 2024-25 has been fixed at two per cent.

Chart VI.40: Average Rate of Underwriting Commission of PDs



Source: Returns filed by PDs.

5.2. *Performance of Standalone PDs*

VI.72 SPDs' turnover increased in both outright and repo segments, resulting in an increase in their overall share in the secondary market turnover (Table VI.21).

Table VI.21: Performance of SPDs in the G-secs Secondary Market

(Amount in ₹ crore)

Items	2021-22	2022-23	2023-24	H1:2024-25
1	2	3	4	5
Outright				
Turnover of SPDs	25,91,788	36,02,796	51,02,936	29,60,959
Market turnover	87,98,428	1,01,21,207	1,34,32,806	82,45,716
Share of SPDs (Per cent)	29.5	35.6	38.0	35.9
Repo				
Turnover of SPDs	95,60,700	1,32,57,623	1,87,85,160	99,25,332
Market turnover	2,55,25,641	3,40,48,195	3,83,50,154	1,95,81,992
Share of SPDs (Per cent)	37.5	38.9	49.0	50.7
Total (Outright + Repo)				
Turnover of SPDs	1,21,52,488	1,68,60,419	2,38,88,096	1,28,86,291
Market turnover	3,43,24,069	4,41,69,402	5,17,82,961	2,78,27,709
Share of SPDs (Per cent)	35.4	38.2	46.1	46.3

Notes: 1. Data are provisional.
2. Total Turnover for Market Participants / Standalone PDs includes Outright and Repo 1st Leg settlement volumes.

Source: CCIL.

Table VI.22: Sources and Application of SPDs' Funds

(Amount in ₹ crore)

	2021-22	2022-23	2023-24	H1:2024-25	Percentage variation 2023-24 over 2022-23
1	2	3	4	5	6
Sources of Funds	**86,670**	**1,25,165**	**1,58,667**	**1,59,108**	**26.8**
1. Capital	1,849	2,368	2,368	2,512	0.0
2. Reserves and surplus	7,426	9,724	11,243	12,738	15.6
3. Loans (a+b)*	77,394	1,13,074	1,45,057	1,43,857	28.3
(a) Secured	61,188	96,432	1,25,026	1,23,944	29.7
(b) Unsecured	16,207	16,643	20,031	19,913	20.4
Application of Funds	**86,670**	**1,25,165**	**1,58,667**	**1,59,108**	**26.8**
1. Fixed assets	70	91	104	100	14.3
2. HTM investments (a+b)	3,937	6,273	5,151	7,035	-17.9
(a) Government securities	3,755	6,082	4,904	6,781	-19.4
(b) Others	182	191	248	254	29.8
3. Current assets	79,861	1,18,397	1,54,122	1,51,329	30.2
4. Loans and advances	6,753	4,839	4,526	9,135	-6.5
5. Current liabilities	3,900	4,377	5,077	8,341	16.0
6. Deferred tax	-44	-48	-141	-133	193.8

Notes: 1. Data are provisional.
2. * Outstanding borrowing of SPDs.

Source: Returns submitted by SPDs.

5.3. Sources and Application of SPDs' Funds

VI.73 Funds mobilised by SPDs increased by 26.8 per cent in 2023-24, dominated by secured borrowings (78.8 per cent of total). Current assets (97.1 per cent of SPDs' assets) grew by 30.2 per cent during the year (Table VI.22).

5.4. Financial Performance of SPDs

VI.74 SPDs' profitability registered a significant improvement in 2023-24 on the back of higher interest and discount incomes. SPDs made trading profits in 2023-24 after registering losses in the previous two consecutive years (Table VI.23). Consequently, their return on

Table VI.23: Financial Performance of SPDs

(Amount in ₹ crore)

Items	2021-22	2022-23	2023-24	H1:2024-25	Variation 2023-24 over 2022-23	
					Amount	Per cent
1	2	3	4	5	6	7
A. Income (i to iii)	**4,030**	**5,382**	**10,270**	**6,221**	**4,888**	90.8
(i) Interest and discount	4,143	5,816	9,158	5,468	3,342	57.5
(ii) Trading profits	-224	-495	1,060	701	1,555	-314.1
(iii) Other income	112	61	52	51	-9	-14.8
B. Expenses (i to ii)	**2,625**	**5,074**	**8,422**	**4,949**	**3,348**	66.0
(i) Interest	2,238	4,664	7,897	4,666	3,233	69.3
(ii) Other expenses including establishment and administrative costs	386	410	524	282	115	28.0
C. Profit before tax	**1,254**	**485**	**2,237**	**1,751**	**1,752**	**361.6**
D. Profit after tax	**942**	**342**	**1,663**	**1,308**	**1,321**	**385.9**

Notes: 1. Data are provisional.
2. Figures may not add up due to rounding-off.

Source: Returns submitted by SPDs.

Table VI.24: SPDs' Financial Indicators

(Amount in ₹ crore)

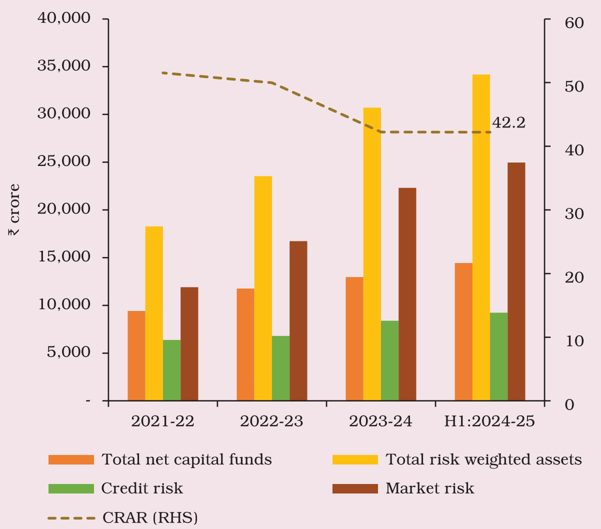
Indicators	2021-22	2022-23	2023-24	H1:2024-25
1	2	3	4	5
(i) Net profit	942	342	1,663	1,308
(ii) Average assets	79,068	1,01,642	1,40,388	1,58,257
(iii) Return on average assets (Per cent)	1.2	0.3	1.2	0.8
(iv) Return on net worth (Per cent)	10.5	3.2	12.9	9.1
(v) Cost to income ratio (Per cent)	21.6	57.1	22.1	18.2

Note: Data are provisional.
Source: Returns submitted by SPDs.

assets and return on net worth increased in 2023-24. In H1:2024-25, their return on assets and return on net worth declined, even though their cost-to-income ratio decreased (Table VI.24 and Appendix Table VI.9).

VI.75 The combined CRAR of SPDs declined to 42.2 per cent in 2023-24 from 50 per cent in 2022-23 on account of an increase in risk-weighted assets of SPDs. The CRAR of all the SPDs remained above the stipulated norm of 15 per cent (Chart VI.41 and Appendix Table VI.10).

Chart VI.41: Capital and Risk-weighted Asset Position of SPDs



Source: Returns submitted by SPDs.

6. Overall Assessment

VI.76 During 2023-24, the NBFC sector remained healthy, with sustained double digit balance sheet growth. The importance of NBFCs in domestic credit intermediation is rising. Innovative approaches like the first loss default guarantee (FLDG) framework and the co-lending model have the potential to help NBFCs in expanding their footprint. The HFCs also exhibited double-digit growth in credit, adjusted for the merger. Asset quality of NBFCs improved further across layers. The consolidated balance sheet of AIFIs grew at a marginally higher pace in 2023-24. All PDs exceeded their minimum bidding commitments in 2023-24 and individually achieved the minimum stipulated annual turnover ratio.

VI.77 Going forward, besides the challenges emanating from cybersecurity threats, NBFCs need to be mindful of the evolving concentration risk and climate-related financial risks associated with credit to certain sectors. The dependence of NBFCs on banks remain high, notwithstanding some moderation; NBFCs need to further diversify their sources of funds as a risk mitigation strategy. An imprudent 'growth at any cost' approach would be counter-productive, and a robust risk management framework should be implemented. Moreover, they need to strengthen their initiatives to address customer grievances, adhere to fair practices and avoid recourse to usurious interest rates so as to ensure their relevance in a fast-changing financial landscape.