

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 245

Answered on Tuesday, February 4, 2025/ 15 Magha, 1946 (Saka)

Regulation of unsecured loans

245. Dr. KANIMOZHI NVN SOMU:

Will the Minister of Finance be pleased to state:

- (a) whether Government has taken any special measure for the regulation of unsecured loan distribution;
- (b) if so, the details thereof;
- (c) whether Government proposes new guidelines for NBFC institutions;
- (d) if so, the details thereof; and
- (e) by when these new guidelines are likely to be implemented?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (e): Credit related matters of Regulated Entities (REs) are largely deregulated and the same are governed by the Board approved loan policies of the lenders framed under the ambit of relevant regulatory and statutory requirements. Boards of Scheduled Commercial Banks (SCBs) and Non-Banking Financial Companies (NBFCs) have discretion in fixing limits on unsecured exposures while specific limits have been prescribed by Reserve Bank of India (RBI) for unsecured lending by Urban Co-operative Banks (UCBs). Besides, unsecured loans, as a segment, are generally prescribed a higher risk weight as they are characterised by absence or inadequacy of collateral, presenting higher credit risk for banks in the event of a default.

Vide its circular dated 16.11.2023, RBI has advised Banks and NBFCs to review their extant sectoral exposure limits for consumer credit and put in place Board approved limits in respect of various sub-segments under consumer credit, especially for unsecured consumer credit exposures. In addition, RBI increased the risk weights on credit card receivables of SCBs and consumer credit exposure of NBFCs of SCBs and NBFCs. The guidelines required the Risk Management Committee of banks and NBFCs to monitor adherence to the exposure limits on an ongoing basis.

Further, the Reserve Bank continuously monitors potentially excessive risk build-up from high credit growth in segments, including unsecured lending and takes suitable measures in this regard.

The guidelines for NBFCs are periodically issued by RBI, being the regulator for NBFCs, covering the various aspects, including, *inter-alia*, capital adequacy, asset classification, corporate governance, and risk management.
