# P2P lending grows 10X in a year

Concerns remain over ethics of earning high returns by lending to financially excluded

NAMRATA ACHARYA Kolkata, 15 February

ast month, Nitin, a college student, earned 22 per cent ✓ returns out of his monthly allowances. This was due to the fact that he is a regular investor on peer-to-peer (P2P) lending

Nitin was attracted to P2P lending through an advertisement that promised 24 per cent returns on unused liquidity "by lending to real people".

In the past year, no other sector weathered the slowdown in India like P2P lending — platforms that cater to sub-prime borrowers. The sector grew over 10 times over the previous year on a year-on-year (YoY) basis.

This growth was propelled by recognition from Reserve Bank of India (RBI), which now regulates the sector under a separate category called P2P NBFC (non-banking finance company). Further, in December 2019, the regulator relaxed norms by increasing individual lending limit across platforms from ₹10 lakh to ₹50 lakh.

With no cap on interest rates, one can earn returns ranging between 15-25 per cent annually, or more, by giving small loans to sub-prime borrowers.

However, this unregulated interest rate regime has also sparked a debate over the ethics of ing themselves as alternative



investment platforms".

In a typical rural-centric P2P

model, a website publishes a list of

loan seekers, often financially

excluded customers, who meet

their credit demands from money-

lenders. A prospective lender

chooses the borrower of their

choice, pays through an online

platform and gets monthly or quar-

terly payments on the loan, with

an average return of 16-18 per cent,

In some cases, the P2P compa-

ny ties up with a microfinance

institution or non-goverenmental

organisation to bring the loan seek-

ers on the platform and monitor

the loans. In others cases, they

mobilise borrowers and monitor

going as high as 25 per cent.

**INDUSTRY SNAPSHOT** 

15-25% range of

**12-36%** interest rate paid by borrowers on reducing balance

**20** registered NBFC P2P platforms with RBI

Default rate is less than **2%** 

the loans themselves through field campaigns. The P2P platforms

retain two to five per cent as a fee. For a borrower, depending upon the credit profile, the interest rates could be between 12-36 per cent, on a reducing balance, on an average. The phenomenal growth in the sector has also come with increasing risk.

Rangan agrees that collection is a major concern for the industry. There is no credit insurance cover, apart from life cover in some cases. In the latter case, if the borrower passes away, the insurer pays the money. At present, the default rate is less than two per cent.

RupeeCircle, one of the biggest P2P NBFCs, disburses about ₹3 crore than 10 times in the past year. The average returns for lenders on the platform is about 16-18 per cent, and the company caters mostly to financially excluded people with salaries below ₹25000-30000 per month, according to Abhishek Gandhi, cofounder, RupeeCircle. Most of these clients were serviced by moneylenders, who charged even more.

per month, and has grown more

Finzy, a P2P NBFC, a quick personal loan platform, has also grown 10 times in the past year. According to Amit More, founder of Finzy, clarity in regulations helped the sector grow phenomenally. "We are positioning ourselves by showing that P2P is an instrument where you earn EMI, rather than giving EMI," says More. The company has its own recovery team, and the default rate is 1.02 per cent.

IndiaMoneyMart, another P2P NBFC, has grown around 300 per cent in the past year. "In the last one year, there has been a tremendous rise in interest among lenders. An investor can expect a return between 16-25 per cent," says Mahendra Agrawal, cofounder of the company.

As P2P platforms grow by leaps and bounds by giving high returns with moderate risks, it has attracted many novice as well as seasoned investors. However, staying away from greed could be the need of the hour for sustainable growth of

## Sebi directs CARE to check ex-bosses' past dealings

Mumbai, 15 February

The Securities and Exchange Board of India (Sebi) has directed CARE Ratings to initiate a "fullfledged" inquiry into past dealings of two former officials of

the company. Under question is the conduct of former chairman SB Mainak and former managing director (MD) & chief executive officer (CEO) Rajesh Mokashi.

Both left the company after allegations surfaced against them and forensic reports suggested lapses in the rating process.

"Considering the seriousness observations made in the forensic audit report, the

(CARE) board is direct-Sebi further said stringent action is ed to institute a fullrequired against fledged inquiry in the the ex-CEO as the matter of interference forensic report by the officials of CARE, including a forprima facie mer chairman and suggests erstwhile MD & CEO in interference in the rating process in influencing the the last three years. rating process The board will consti-

tute a committee of independent the top officials isn't just restrictdirectors to oversee the ed IL&FS. inquiry·proceedings," Sebi said in an order to CARE Ratings.

The Sebi order further said stringent action is required against Mokashi as the forensic report prima facie suggests interference in influencing the rating process.

The market regulator has already issued personal showcause notices to both Mokashi and Mainak asking them to explain why they should not be debarred from holding key managerial positions of market intermediaries and listed companies.

Sebi has also asked CARE's board to submit their observations on the forensic report on an urgent basis.

Experts said the regulator's stringent action against CARE will send a strong signal to the market that Sebi won't tolerate any lapses in the rating process.

The Sebi order against CARE four times higher.

highlights some serious irregularities at the rating agency.

There are evidences in the nature of phone conversations, WhatsApp messages and statements of employees, based on which the auditor has not been able to substantiate the charges of interference in the rating process against the ex-chairman.

"The instances of conversations between the former chairman and erstwhile MD regarding certain issuers/clients have been clearly brought out in the forensic report. The former chairman has stated that these were for the purpose of business development. Yet, the conversations between of the alleged violations and the the former chairman and erstwhile MD just before the issuance

of rating does not rule out the possibility of the former having influenced the rating. As a matter of fact, the auditor has brought out the acquaintance of the former chairman with the rated entities," states the Sebi order.

Sources said role of

The ratings process in case of YES Bank and DHFL, too, seems to have been influenced. Analysts said the adverse

findings against CARE will impact its credibility in the eves of investors. Shares of CARE have gone down more than 10 per cent this week. In December, Sebi had slapped

penalty of ₹25 lakh each on ICRA, CARE Ratings and India Ratings & Research.

The regulator had said default by IL&FS occurred due to "lethargic indifference and needless procrastination and laxity" of the rating agencies.

The sources added that the market regulator is planning to review the ₹25 lakh penalty, which had been imposed by its adjudicating officer on the three rating firms. The settlement amount could be revised up to

### Interest on late GST payment will be calculated on net tax liability: CBIC Interest payable on delayed pay-

will henceforth be calculated on net tax liability and the law is being amended to give effect to it, the Central Board of Indirect Taxes and Customs (CBIC) said on Saturday.

Amid worry in the industry regarding CBIC's recent directive to field formations to begin recovery of about ₹46,000 crore of unpaid interest on delayed GST payment, the CBIC, in a series of tweets, clarified that the central and several state governments have prospectively amended the GST Acts to collect interest on net tax liability

The CBIC said GST laws, as of now, permit interest calculation on delayed GST payment on the basis of gross tax liability. This position has been upheld in the Telangana High Court's decision dated April

earning high returns by lending to

the financially excluded. These

concerns have been aired even by

high returns. We enable lending to

individuals who are financially

excluded to sustain their liveli-

hoods. So, it goes against princi-

ples of natural justice for some-

body to earn 30-40 per cent returns

from an individual on such plat-

forms. I had requested RBI to cap

interest rates," said Ramakrishna

Microgram, too, called for a cap.

He said, "Each P2P firm has its own

model. Most of them are position-

Rangan Varadan, co-founder of

NK, cofounder, Rang De.

'This is not an avenue to earn

some players in the sector.

"In spite of this position of law and Telangana High Court's order, the central government and several state governments, on the recommendations of the GST Council, amended their respective CGST/SGST Acts to charge interest on delayed GST payment on the basis of net tax liability,"

## Objective of kick-starting growth not addressed effectively in Budget: Garg

The Budget for 2020-21 does not 'effectively' address the objective of kick-starting economic growth and building momentum, former finance secretary Subhash Chandra

in the broadest sense, the expenditure proposals of Budget 2020-21 present more of consolidation in the face of deteriorating economic and fiscal situation

"The objective of kick-starting growth and building growth momentum which does not seem to have been addressed effectively in the Budget. Infrastructure

grammes have not seen any nominal growth in 2020-21 (in real terms, these would be 8-10 per cent lowsaid. He said that likewise, outlays

ices growth have seen no change

omy," he argued.

electricity connections, LPG connections and now tap water are continuing with their much-needed outlays protected, Garg said.

## **HEALTH**

FIT & PROPER

## Fighting breast cancer



Managing director, Fujifilm India

There's a common expression that goes — prevention is better than cure. Though clichéd, this wise expression has held true for years, inspiring constructive action to address a problem before it's too late. The proverb is most commonly used to encourage people to take proactive health measures; by going for regular tests and checkups to identify any potential infections as early as possible.

According to a report released by Indian Council of Medical Research (ICMR) in 2018, cancer took more than 700,000 lives in India. This whopping number, excludes the over 2 millions Indians who continue to live and suffer from the deadly disease. As per ICMR's estimate, the death toll is expected to rise to 880,000 by 2020.

When it comes to cancer amongst women, the number of breast cancer cases are the highest. According to the ministry of health and family welfare, the incidence of breast cancer is 25.8 per 100,000 women and is expected to rise to 35 per 100,000 women in 2026. Despite the innovations in treatment and various awareness campaigns, the risks associated with breast cancer continues to rise.

Most doctors believe mammography is be the best way for detecting breast cancer at its nascent stage. However, in India, it has still not been widely adopted, unlike other parts of the world. Although it has numerous advantages over other screening methods.

Did you know that a mammogram can detect breast cancer up to two years before in time.

the tumor can be felt by you or your doctor? Hence with regular mammography examicessful treatment and survival rate significantly increases amongst patients.

We can win half the battle against breast cancer by zero stage detection and proper guidance of the doctors. To beat cancer, we cannot

forgo the importance of prevention, detection, and treatment, let's focus on a few reasons why one should consider going for a mammography test. If vou're wondering it's

going to be a long procedure, it's not. The test just takes about 20 minutes, it is extremely safe and the discomfort is minimal for most women. Detecting breast cancer

early reduces the risk of dving from the disease by 25 to 30 per cent, or more. Women should begin mammograms yearly at the age of 40, or earlier if they're at high risk.

Without regular mammograms, tumors can go undetected allowing a breast cancer to grow, and possibly spread to other parts of Since not all breast can-

cers are visible by mammography, it is very important to have annual clinical breast exams by a health care provider and to notify them of any changes detected Screening mammography

saves lives and it's one of the easiest steps women can take to be as healthy as possible, and catch a possible breast cancer early.

It's time to invest in your well-being and health by setting short-term, self-preservation targets. With a positive mindset and an unwavering will, the battle against cancer is winnable. It's our job to encourage women around us to get a mammography examination and get a proper diagnosis of this wretched disease

#### Garg has said. investments in roads, railways and growth stimulus to the Indian econ-Garg, in a blogpost titled 'Will metros have been the major planks Expenditure Proposals of Budget A number of good public welof infrastructure investment by the 2020-21 Stimulate Growth and fare programme like rural roads, government. Improve Redistribution?', said that "The outlays of these prorural housing, toilets, household

er)," the former finance secretary

406 brought from China to be

released next week after test

for promoting industrial and servin character.

"All these expenditures are unlikely to be imparting any fresh

## **Europe suffers 1st virus** death as fatalities move beyond Asia

citizens

released on

weeks in

15 February

An elderly Chinese tourist died in France on Saturday, becoming the first fatality of the coronavirus in Europe and outside of Asia.

The 80-year-old man who ingunder control. died in Paris was one of 11 cas-16 cases of infection, Germany has

the most in Europe. Global infections of 181 French now top 66,000 and the the virus has killed more than Wuhan were 1,500 people worldwide, with only a Friday after two handful of those deaths coming out- quarantine side of China.

Of the cases reported in France, the Chinese tourist French citizens evacuated who died was the only one whose condition was considered serious, the health ministry said on Saturday.

Health officials are struggling to gauge whether the spread of the outbreak is nearing a peak after China upended expectations this week. The released soon. country changed the data and

adding 15,000 more and forcing a dramatic recalculation of where the country stands in containing the spread. Prior to the adjustment, the growth in cases had been slowing, raising hopes that the crisis was com-

Earlier this month a cluses recorded in France. With ter of cases in France, Spain and the UK were

traced to a French The first group ski resort, where the infected people had contact with a evacuated from British man who had just returned from a conference Singapore January that led to infections in at least

five countries. The first group of 181 from Wuhan in China, the epicentre of the epidemic, were released on Friday after two weeks in quarantine and displayed no signs of the virus. A second group of 157 people.

held in another location in

southern France, is due to be

BLOOMBERG

#### mid-January, have been Sufficient catered. found symptomatic for the infection and hospitalised,

While 406 people, including seven from Maldives, are being Health Ministry," PRO of the looked after at the quarantine ITBP facility, rest are at an Army centre at Manesar in Harvana.

the novel coronavirus

outbreak

by up ITBP in New Delhi

Boeing Air India aircraft after

looked after by an expert team

of doctors and medical profes-

sionals. There are seven chil-

and

tre," Pandey said.

Indian nationals who were airlifted from coronavirus-hit Hubei

province of China undergo screening at a quarantine facility set

February 1 and 2 in two 747 dren, including an infant in the

have been seen today (Saturday). Food, bed other basic requirements amount of medicines are also kept at the cen-

group. "No fresh symptoms

The death toll in virus epidemic has The ITBP centre is being climbed to 1,523 with 143 new fatalities reported mostly from the worst-affected Hubei province while the confirmed

### WHO experts set to join battle against coronavirus

Top WHO experts are set to arrive in Beijing this weekend to assist China to contain the

cases jumped to over 66,000.

Saturday. India has so far

reported three confirmed cases

One of the three medical stu-

dents, who had tested positive

for the infection and were treat-

ed at a hospital in Kerala, has

been discharged after recovery.

flights from China, Hong

Kong, Thailand, Singapore,

Japan and South Korea were

being screened for possible

exposure to the respiratory

virus at 21 identified airports

people, out of a large number

of passengers who had arrived

in Delhi from China and other

coronavirus-affected coun-

tries before the screening

at the airport began around

Meanwhile, seventeen

in India.

officials said.

Passengers arriving in

of the virus, all in Kerala.

health officials



Medical workers prepare traditional Chinese medicine at a hospital in Shandong province of China

Commission, was appointed appointment, Hubei a member of Hubei's standannounced a shock adjustment in its method of countprovince's top decision-making infections to include ing body. Days after his those diagnosed with CT

Hubei's total count and dashed hopes the epidemic was coming under control. Hubei has been decimated by the crisis and its med-

ical facilities are at breaking point. While thousands of doctors have been sent from around China to the province to help and two new hospitals were built in a matter of days, it is still struggling with a shortage of supplies and medical staff. There are widespread reports of deaths in Hubei that could have been prevented, but weren't due to a lack of adequate medical care.

#### China banks on traditional medicine to fight COVID-19 "Our efforts have shown to fight the coronavirus has scans, a move that added Beijing, 15 February some good result," Wang said nearly 15,000 cases to

China is administering its

PRESS TRUST OF INDIA

on Saturday.

Monday.

in a statement.

total of 406 people, who

are housed at a quaran-

Latine facility of the ITBP

after being brought back from

China due to coronavirus out-

break, may be released next

week if their final samples turn

out to be negative, officials said

people quarantined at the

Indo-Tibetan Border Police

(ITBP) facility here were col-

lected by a team of doctors on

Friday and the reports are

expected to be received by

reports, a decision will be taken

to discharge the travellers, if

agreed to by the authorities,

which is expected to be done in

next week observing laid down

protocols and due medical pro-

cedures as per the directives of

ITBP Vivek Kumar Pandey said

official said all of them will be

released by next week if the

brought back from Wuhan on

final samples test negative.

A senior home ministry

A total of 650 people were

"Based on the

The final samples of all the

centuries-old traditional medicine on patients affected by the coronavirus (COVID-19) disease, a top health official said. Treatment in Wuhan hos-

pitals combine traditional Chinese medicine, popularly known as TCM, and western medicines, said Wang Hesheng, the new health commission head in Hubei, the province at the centre of the virus outbreak. He said TCM was applied on more than half of confirmed cases in Hubei.

at a press conference on Saturday, without elaborating. Top TCM experts have been sent to Hubei for "research and treatment," he said. No drugs or preventives

have yet been approved against the virus, which has already claimed the lives of 1,523 people in China and affected about 66,500 people. .Inst weeks into the epi-

demic of the novel coronavirus, reports of treatments and vaccines against those infected have caused pockets of excitement. The first reported use of an experimental Gilead Sciences drug

encouraged doctors to support further testing of the medication. Some 2,200 TCM workers have been sent to Hubei, Wang said. Wang is one of the officials at the forefront of an

effort by Beijing to reset its approach to the epidemic, after anger grew across China at a lack of transparency throughout the crisis that has shut down large swathes of the economy. Earlier this week, China sacked the top leadership in the embattled province, including Wang's

head of the National Health

predecessor. ing committee, the Wang, who is also deputy