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ON

Mass-Market Loans will keep growing. ...

MASS-MARKET LOANS WILL KEEP GROWING

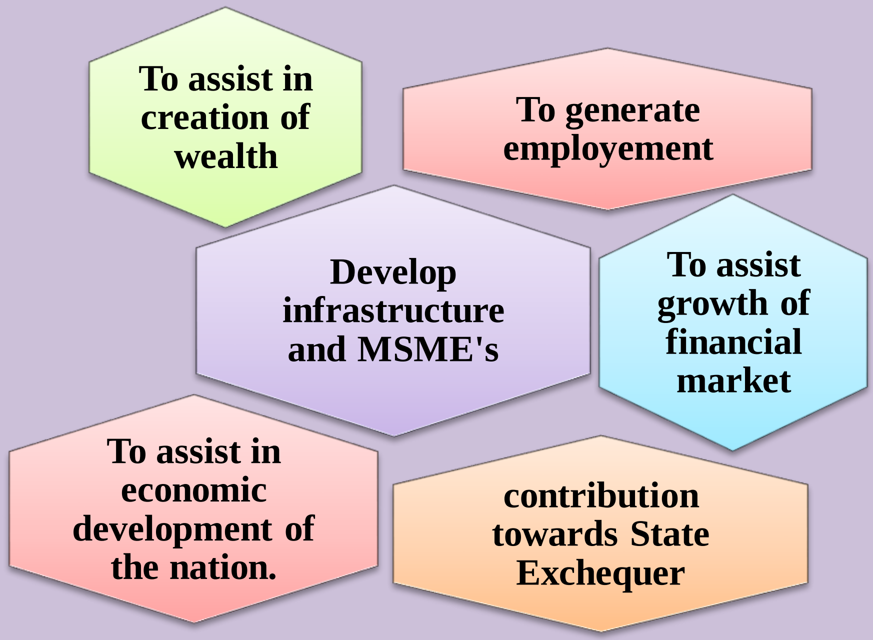
A Non-Banking Financial Company (NBFC) is registered under the Companies Act, 1956 NBFC's operate their business in loans and advances, acquisition of shares, bonds, debentures securities issued by Government or civic authority and marketable securities like leasing, hire-purchase, insurance business, chit business, Currency Exchange, Peer to Peer Lending.

NBFC's cannot engage in agricultural activity, industrial activity, purchase and sale of any goods and services excluding securities. NBFC's license and functions are regulated and governed by RBI. NBFCs provide various banking and non-banking services only to a certain extent. NBFC's act as a substitute for banks and financial institutions the primary business objective of the NBFCs is to raise capital funds from public depositors and investors and then lend them to those who need them. The NBFC in India has massive growth. NBFC's are important to the economy and country so they receive a lot of attention from the government.

Characteristics of NBFC regulations at the time of investment

- Accept and renew public deposits for a minimum period of 12 months and a maximum period of 60 months.
- NBFCs cannot offer interest rates higher than the ceiling rate advised by RBI from time to time. The present ceiling rate is 12.5 per cent pa.
- NBFCs cannot offer gifts and incentives or any other additional benefit to the depositors.
- NBFCs should have the least investment-grade credit rating.
- The deposits with NBFCs are not insured.

Functions of NBFC



Types of NBFCs

The NBFCs can be categorized:

- On the basis of the nature of their activity
- On the basis of deposits held

On The Basis of The Nature of Their Activity

Asset Finance Company (AFC): Asset Finance Company is a financial institution carrying on as its principal business the financing of physical assets supporting productive or economic activity Asset finance company is either deposit-taking or non-deposit taking. It has a constraint that income arising from the number of physical assets supporting the economic activity should not be less than 60% of its total assets and total income.

Investment Company (IC): An investment company is a financial institution carrying on as its principal business the acquisition of securities, managing and holding securities for investment. Only. These companies invest funds on behalf of their customers who, in return are expected to share the profits and losses.

Loan Company (LC): A loan company is a financial institution carrying on as its principal business the providing of finance whether by making loans or advances or otherwise for any activity other than Asset Finance Company. A financial company would only be considered as a loan company if their 50% of total assets are in lending and 50% of total income arises from the assets which are lent.

Infrastructure Finance Company (IFC): Infrastructure Finance Company is a non-banking finance company that employs at least 75 per cent of its total assets in infrastructure loans, has a minimum Net Owned Funds of Rs 300 crore and has a minimum credit rating of ‘A ‘or equivalent of CRISIL, FITCH, ICRA, CARE or by a similar credit rating agency.

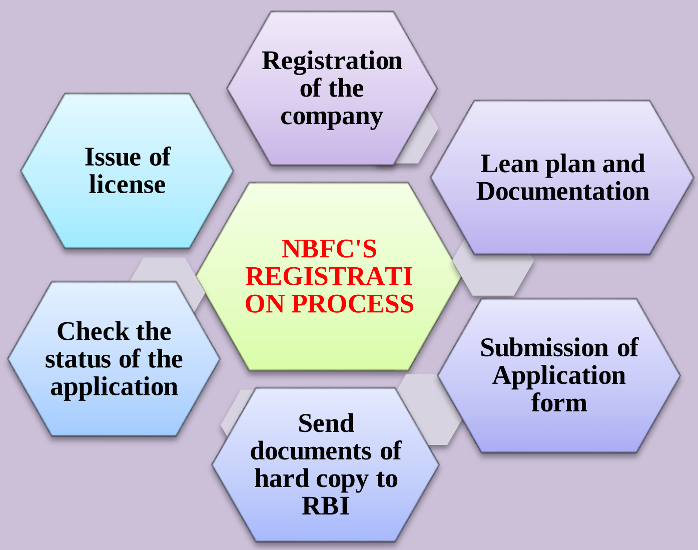
Core Investment Company: Core Investment Companies are non-banking financial companies doing the business of acquisition of securities and shares, they hold 90% of its asset in the form of bonds, equity shares and preference shares. These companies need to invest more than 60% in the equity shares of group companies.

On The Basis of Deposits Held

a) **The Deposit Accepting NBFCs:** Deposit accepting NBFC is required to register themselves with RBI as per the regulations laid down in the RBI act, 1934. NBFCs before establishment need to register themselves under The Companies Act, 2013 and also get a certificate of registration from RBI and if the company accepts deposits from the public, they need to follow certain regulations prescribed by RBI. A certain type of deposit accepting NBFCs are:

- Asset Finance Companies
- Loan companies
- Investment Companies
- Non-Deposit Accepting NBFCs

b) **Non-deposit accepting NBFC:** There is a misunderstanding that NBFCs not accepting public deposit need not register themselves, RBI and NBFC operate without registration as per their recent guidelines. The only difference between NBFCs accepting deposits and NBFCs not accepting deposits is that the prior has to follow certain extra guidelines after registering themselves.



DIFFERENCE BETWEEN BANK AND NBFCs

The most essential financial institutions in any financial system are banks and non-bank financial corporations (NBFCs). The distinctions between banks and non-banking financial organizations can be perplexing to a layperson or newbie to finance and banking. The operations of banks and NBFCs are extremely similar because they both lend and invest in a number of industries. However, there are substantial differences between these two financial intermediaries. In this article, we'll look at banks and non-bank financial companies. The distinctions between banks and non-bank financial companies will be discussed later.

WHAT IS BANK?

Banks are financial institutions that have been granted permission by the government to conduct banking services. They provide public banking services. As a result, banks engage in a wide range of banking activities, including receiving deposits, managing credit and withdrawals, paying interest, clearing checks, and providing other basic utility services to the public. Furthermore, they are the country's top financial institutions, which control the entire ecosystem. They are referred to as financial intermediates since they function as go-betweens for depositors and borrowers. As a result, their principal responsibility is to ensure that money flows freely. There are several types of banks in India, including public sector banks, cooperative banks, private sector banks, and foreign banks.

Their key responsibilities include:

- Providing financial assistance.
- Creating credit.
- Mobilization of deposit.

WHAT IS NBFCs?

Companies registered under the Companies Act of 1956 or the Companies Act of 2013 are referred to as NBFCs. They are governed by the Reserve Bank of India, which is governed by the RBI Act of 1934. Despite the fact that NBFCs are not banks, they still engage in banking activities such as lending loans and advances. Acquisition of securities (public or private), such as shares, bonds, stocks, debentures, and other negotiable instruments

- Finance for leasing and trade
- Asset Management is the management of assets.
- Money market instruments are traded.

NBFCs are privately owned financial institutions that are regulated and supervised by the RBI and other government agencies such as the Ministry of Corporate Affairs and the IRDAI. In their particular domains, both banks and NBFCs function exceedingly well. However, a comparison of NBFCs and banks is always useful in understanding many aspects of monetary policy and the interests of the public.

Here are the key differences between Banks and NBFCs in India

- ❖ Banks are government-licensed financial institutions that offer banking services to their clients. NBFCs, on the other hand, are businesses that provide banking services to the general public without holding a bank license.

- ❖ NBFCs are governed by the 1956 Companies Act. Banks, on the other hand, are governed by the Banking Regulation Act of 1949.

- ❖ NBFCs can accept and renew public deposits for a set length of time ranging from 12 months to 60 months. Banks, on the other hand, have no such time limits. Furthermore, there are distinctions between bank fixed deposits and NBFC fixed deposits.

- The important difference is that NBFC fixed deposits are rated by the agencies. This is not the case with bank demand deposits. It is therefore advisable to examine the ratings before making a deposit with an NBFC. In terms of safe and timely interest payments, AAA-rated NBFCs thrive.

- They are also unable to accept demand deposits, which are repayable on demand (neither current account nor savings account). Demand deposits have a high level of liquidity. Banks, on the other hand, can accept demand deposits, which include both current and savings accounts.

- Demand Drafts cannot be issued by non-banking financial companies. Banks, on the other hand, can issue demand draughts.
- 8. NBFCs are not permitted to write checks drawn on themselves. Banks, on the other hand, have license to do so. When a bank writes a check, it multiplies the amount of money in circulation.

- The issuance of credit cards is another significant distinction between NBFCs and banks. NBFCs rarely issue credit cards, although banks do it on a regular basis.

- NBFCs are authorized to invest up to 100% in foreign direct investment. Alternatively, the banking sector's maximum FDI ceiling is 74 percent.

- NBFCs are not required to lend to priority sectors. Banks, on the other hand, must adhere to PSL targets. Varying banks have different PSL targets, such as 40% for public sector banks, 75% for regional rural banks, and 5% for small finance banks.

- While NBFCs do not play a significant role in credit creation, banks do.

- Unlike banks, most NBFCs do not offer transaction services. Overdraft, traveler’s check issuance, and fund transfer are just a few of the transaction options available.

- In terms of financial regulation, whereas banks are closely controlled by the RBI, NBFCs are regulated but in a less stringent manner.

Characteristics of Mass marketing Loan

A marketing loan is a variation of the non-recourse loan whereby, for specified commodities, a producer may repay the loan at a lower rate than the loan rate, equivalent to the prevailing world market price. Under the 1985 Food Security Act, marketing loans were implemented for cotton, rice, and honey; under the Farm Act of 1990, they were implemented for soybeans and other oilseeds, some cotton and rice, and are now mandatory for wheat and feed grains; the 1996 FAIR Act retained the provisions for some commodities. Non-banking finance companies (NBFCs) are dominating the mass market loan space that includes small-ticket personal loans, consumer durables loans, two-wheeler loans, and loans for affordable houses and commercial vehicles, according to a report.

Opportunities of Mass Marketing loan

Non-banking companies finance companies (NBFCs) are dominating the mass market loan space that includes small-ticket personal loans, consumer durables loans, two-wheeler loans, and loans for affordable houses and commercial vehicles, according to a report. A report by credit bureau CRIF High Mark, according to The Times of India, says private banks have built up their presence in these mass-market loans. in the two-wheeler loan segment, they have an impressive i29% of the market share.

Public sector banks, on the other hand, dominate the affordable housing loan space, wherein their market share is 37%. State-owned banks also have the lion's share in business loans at 59%. According to *the* Times of India report, nearly 40% of India's population is not covered by banking as of today, and therein lies a huge opportunity for mass consumer banking. It added that lenders are increasingly turning their focus on middle- and lower-income strata of the population and young borrowers who have small but often irregular credit needs.

"This segment of lending referred to as the mass market is small in terms of value in overall lending but caters to large and growing middle class/lower-income sections of the society. however, this segment is expanding exponentially in terms of volume or count of loans. lenders, especially Farnon-traditional ones, are leveraging this opportunity to reach borrowers far and wide, thereby strengthening their borrower base," the CRIF report said.

The commercial vehicle segment accounts for the maximum delinquencies in mass-market loans, with i14.7% of borrowers by value failing to make timely payments, said the news report.
Small-ticket personal loan borrowers (12.7%), two-wheeler loans (11.8%), business loans (7.6%), consumer durables (4%), and affordable housing (3.7%) were next on the list.
Borrowers in the age group below 25 and the 26-35 age bracket form a big chunk of small-ticket loans, consumer durable loans, and two-wheelers. older borrowers' avail of affordable housing, business, and commercial vehicle loans.

NBFC Thrive on Mass-Market Loans

Non-banking finance companies (NBFCs) have built up their presence in mass-market loans, with the biggest inroad in the two-wheelers segment where they have 29% of the market, says the CRIF High Mark report. They also dominate the small-ticket personal loans, loans for consumer durables, two-wheelers, affordable houses, and commercial vehicles.

Mumbai: Mass market loans are turning out to be the biggest lending opportunity for non-banking finance companies (NBFCs). All product segments in the mass market, except business loans, are dominated by finance companies. These include small-ticket personal loans, loans for consumer durables, two-wheelers, affordable houses, and commercial vehicles. According to a report by credit bureau CRIF High Mark, private banks have built up their presence in these mass-market advances. Public sector banks on the contrary have a minuscule share in mass-market products except affordable housing, where they have a 37% share, and business loans where they have a 59% share.

According to CRIF the middle-class account for 28% of India's population. India is also one of the youngest countries in the world with more than 62% of the population in the working-age group (15-59 years), adding around 12 million people to this section every year. However, nearly 40% of India's population remains unbanked today, presenting a huge opportunity for mass consumer banking.

Current scenario of Mass marketing loans about NBFC's

The Times of India has been particularized with the mass marketing loans, where Mumbai plays its pivotal role with mass marketing loans and NBFCs are dominant in providing loans to the mass marketers. Since mass marketing loans are being the biggest lending assistance, it provides a major opportunity in lending to NBFC's. The loans included are personal loans, consumer durables, two-wheelers, affordable houses, and commercial vehicles.

The credit bureau reports that CRIF high mark private banks are involved up to a majority of collaborating with mass marketing loan advances. Therefore, the report states that the major equivalent capturers are two-wheelers withholding 29% of the concerned market. The public sector banks have a massive share in mass marketing products, where 37% of the share is contrary to minuscule shares.

Times of India deeply states that there are CRIF account holders with a percentage of 28% of India's demography, where India is the youngest country with a working-age group of 15 to 59 years. India holds a huge opportunity for mass marketing, where lenders focus on the income strata of the young budding generations. The majority of delinquencies in mass-market loans are in the commercial vehicle segment of around 14.7% of borrowers that fail to make payments. The overall information the study of mass marketing loans portrayed is that affordable housing loans, business loans, and commercial vehicle loans are availed by previous borrowers in a category of 36 to 50 years.

The public sector banks are withholding dominance of affordable housing loan space, the market share collides of 37%, the state-owned banks have the kings shares in the business loans at 59%. Concerning the Times of India report, around 40% of India's population is not covered by banking, and there lies a massive opportunity for mass consumer banking.

The Bajaj markets state that mass marketing loans are regarded to the higher loan amount, with an extended loan tenure with a medium interest rate and the documentations have a rigid and prolonged process, the credit history will be a convincing role in the loan approval process, where the lenders are dependent on adequate security in the form of collaterals, the approval and the disbursement process of mass marketing loans is an extensive time-consuming process. The Bajaj FinServ is quite dependent on the MSME loan, and it would require quite a prolonged period to enter into the mass market loans.

Therefore, the mass marketing loans haven't crossed the threshold of entering into the market, but shortly mass marketing will have its position on a substantial basis of leading the markets.

TYPES OF MASS MARKET LOANS

1. **Housing Loan**

Buying a house Is an expensive affair, and an average middle-class individual in India can barely afford to pay for a house in a full cash. So, in this case the bank agrees to lend the amount and the borrower agrees to pay the money back bit by bit along with the interest amount over a period of several years.

Top Home Loan Schemes and Offers Offered by The Banks

- SBI bridge home loan- Best for short term requirement
- Canara Bank housing loan- best interest rate for woman
- Axis Bank home loan-provides best interest rates for salaried employees
- SBI home loan- Joint home loan

2. Personal Loan

Personal Loans are the unsecured loans which is established by financial institutions like employment history, repayment capacity, income level, professional and credit history. Personal Loan is also called as a consumer loan and it is a multi-purpose loan, which can be used to meet any of the immediate needs.

3. Two-wheeler loan:

A Two-wheeler loan is a best way of financing a bike of your choice. People can buy a scooter or motorcycle with two-wheeler Loan. If Individuals are salaried or self Employed. It helps to purchase two-wheeler, without having to worry about the Entire cost at Once.

Individuals can repay the borrowed amount and the Interest, through equated monthly Installment or EMI. Banks shall sanction the Loan based on the cost of the two-wheeler and EMI. Individuals can pay The Interest Component on Their EMI, reduce with each monthly repayment.

Types Of Two-Wheeler Loan:

- **Secured loans**: This is a type of loan that you get against the security. It can be a piece of your land, home, or valuable like gold. Most lender secure the two-wheeler loan against the bike. This means that the bike becomes the collateral. If you cannot repay your loan, the lender has a legal right to size your bike.
- **Unsecured loans**: This type of loan is the opposite of secured loans. These loans are not secured against any assets. These are basically like personal loan that you can use to buy a bike.

Critical Resources for Mass-Marketing Fraud Operations:

To function, viable mass-marketing fraud groups need a number of tools, including the ability to target and connect with potential victims, receive, and launder criminal proceeds, and avoid discovery and investigation by law authorities. These include the following:

1. **Legitimate Business Service:** Operators of mass-marketing fraud schemes are increasingly using genuine and semi-legitimate businesses to execute crucial functions, whether or not they are aware of the underlying fraud Functions. The usage of mailing houses by fraudsters has been revealed by law enforcement information.
2. **Lead lists:** Fraudsters buy customized "lead lists" – often called as "sucker lists" by fraudsters – that contain people's names and contact information based on a variety of demographic characteristics, from direct sources. Some marketing firms and lead list brokers undertake little or no work.
3. **Payment Process:** Payment processors, often processors who are well aware of the true nature of the boiler rooms' operations, are frequently used by illegal boiler rooms to enable the collection of victim payments via non-cash methods. Bank debits, remotely produced checks, and credit card charges are all examples of procedures.
4. **Communications Tool:** Regardless of their level of skill, all mass-marketing fraud groups require communication tools and networks. Investigations by law enforcement have shown that the criminals used calling cards and cellular phones . The disposable nature of phones and pre-paid SIM cards obstructs police enforcement. Attempts by law enforcement to determine the identities of users. Fraud groups in West Africa . Use free web-based email accounts, go to several Internet cafés, and Instantaneous Internet connections are provided via Internet phones and other technologies.

5. **Fraudulent Identification Documents:** . Fraudulent identification documents are among the most essential tools in a fraudster's arsenal. Counterfeit passports, driver's licenses, and work permits enable perpetrators to open bank accounts under assumed names, collect packages from courier services, obtain telephone service to contact victims, and rent properties to house fraud operations.

Technology will change everything – becoming a potent enabler of increased service and reduced cost; innovation is imperative:

Analogies with other industries suggest that 'digital' will drive huge shifts in industry value – compressing revenues, enabling new attackers, redefining service, and crippling the laggards. We are in the middle of a multiwire trend where digital is first focused on optimizing current products and services.

Every bank will be a direct bank. branch banking will be undergoing a significant transformation. As technology enables every aspect of banking to go online, and as cash usage falls away, traditional branches are no longer necessary. Banks have already reduced staff levels, closed the most uneconomic branches, and started experimenting with new branch concepts. Digital capabilities will improve, so that branch service officers and bank customers use the same platforms.

Banks that are behind this trend will start to struggles. Banks that are behind this trend will start to struggle, due to structurally uncompetitive economics. The smart device will grow in importance as the primary medium for consumer payment. The customer will be able to select between account providers (e.g., credit providers, deposit accounts) or locally stored value.

Acceptance will be universal (with common cross-network payment protocols) and value-transfer instant. Multi-currency capabilities will become normal.

Mass Marketing Characteristics

Scams or consumer frauds generally fall into four categories

1. Pretend to sell what you don't have and get paid.

2.An act of supplying goods or services of lower quality than the consideration or refusal to provide the goods or services requested

3.Convince customers to buy something they don't really need.

4.Hiding your identity to commit fraud

Alternatively, Mass Market Fraud May Be Classified As:

1."Internet Fraud", "Mail Fraud" and "Telemarketing Fraud" depending on the communication mechanism.
2. It is based on the central scheme of scams such as “lottery scam”, “insurance scam”, “credit scam”, “mobile tower scam” and “quiz scam”.

Victim reports show that Internet inquiries are the most common. In the United States, websites and email accounted for 60% of registered contacts in 2009, and in Canada, the number of Internet-related complaints increased by 46 between 2008 and 2009. Percent. The US State Department's mass marketing scams generally fall into three main categories:

(a) Prepayment fraud.

(b) Banking and financial account schemes

(c) Investment opportunities.

The most popular prepaid scam. This type of plan is based on the concept that the victim will be promised significant benefits, such as a $1 million prize, winning the lottery, a significant inheritance, or other items of value. A fee must be paid in advance before the victim can receive this benefit.

Cell phones, the Internet, and electronic media have provided distinct advantages to mass-market scammers:

1. Low installation cost and wide reach

2. Fraud from afar

3. Ease of financial transactions

MASS MARKETTING FRAUD

Mass marketing scams (or mass market scams) use mass communication media such as telephone, internet, mass mailing, television, radio, and face-to-face contact to make money, money, or multiple jurisdictions. Other valuable items from the victim. Scams in which victims offer cash, prizes, services, and money with promises of high profits are part of mass market scam

Trends of Mass Market loan:

- Nowadays, Mass Market loans are becoming the largest lending opportunities for non-banking financial institutions. With the exception of corporate lending, all mass market product segments are dominated by financial firms.

- In the year 2022, Mass Marketing or Mass Marketing loan has become a marketing strategy in which a company decides to reach the entire market with one proposal or one strategy that supports the idea of ignoring differences in market segments and spreading the message to as many people as possible.
- Mass market loan will continue to grow. We are already seeing of Indian clients fulfilling short term loans with small tickets through various digital lending platforms.
- From the lenders point of view, they are digitally connected, so they can serve this segment of customers.

- The cost of acquiring the customers has been reduced due to the large amount of data available in real time and at a nominal unit price through the API. The transaction figures show that buy now pays lenders later and short-term pocket loans have found a strong fit for the market and expected to grow more in the upcoming years.
- This mass market loan helps the peoples especially for the underdeveloped areas to access credit, this leads to help the underdeveloped peoples to succeed in their lives and also helps for development of the country.
- The mass marketing helps in the growth of the employment opportunities in the country.

CONCLUSION

The vast national railroad system, along with inventions such as the refrigerator train car and electrical power, spurred mass-market growth, reaching out to rural communities, and creating a national market with national selling now dominating local and regional selling. The ability to generate customers is what makes a company successful. Generally, the more customers a company has, the more successful it will be. People have to know that your product exists; if nobody knows your product exists, then no one will purchase your product or service.