

## RBI must cut risk weightage on low risk assets: SFL's Viji

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Sundaram Finance chairman S. Viji

### **Says regulatory gap between NBFCs, banks narrowing**

The Reserve Bank of India (RBI) should reduce the risk weightage on assets with lower risk profiles, according to S.Viji, chairman, Sundaram Finance Ltd.

Addressing the shareholders at the annual general body meeting here on Thursday, he said such the reduction was necessary to to differentiate them from other classes of assets which carried inherently higher risks.

Assets such as commercial vehicles and cars carried lower lower risk profiles, he said. In his view, the need for such an exercise assumed considerable urgency in the wake of rapidly narrowing regulatory gap between non-banking finance companies and banks.

He termed the introduction of Goods and Services Tax (GST) as a significant step on the reform front. He, however, articulated the short term concerns with regard to the preparedness of businesses, especially in the small and medium segments with which the company dealt extensively.

### **'Teething problems'**

"There are indications of some initial teething problems, especially with respect to the administrative changes that businesses will have to adapt to," he said.

With inter-state check posts becoming a thing of the past, the viability of truck operations was expected to improve, he said. "Ironically, though, this could lead to better utilisation and absorption of existing capacity, in turn leading to subdued demand in the near term," he added. Once the GST-related transition issues were resolved, he hoped the medium and heavy commercial vehicle offtake would see an upturn.