

Corporate Governance in Non-Banking Financial Companies in India : A Case of IL & FS

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Abstract

This paper while discussing the evolution, structure, regulatory provisions and corporate governance norms for NBFCs in India, brings to fore the debacle of Infrastructure Leasing and Financing Services (IL&FS) in mid-2018. IL&FS with an enormous debt of about 13 billion US Dollar (₹ 910,913.09 million) in payment obligations of bank loans, term and short-term borrowings, and commercial paper in June-September 2018, made a series of defaults, reminiscent of financial crisis of 2008 which sent shocking waves across the country. The paper also makes policy recommendations to strengthen corporate governance and the asset-liability framework for NBFCs to bring it on par with that of the banks and harmonising it across different categories of Non-Banking Financial Companies (NBFCs).

JEL Code : K10; L50; D20

Keywords : NBFCs, Shadow Banking, Corporate Governance, Financial Crisis, Financial System, Regulatory Provisions.

I. Introduction

NON-BANKING FINANCIAL Company (NBFC) deals in the business of loans and advances, small loans, lease finance, home loans, vehicle loans, hire-purchase and securities. NBFCs started its operations in the 1960s primarily to meet the financial needs of the people who were inadequately covered by the commercial banks. The impact of NBFCs was limited initially which gained good ground during the 1980s and 1990s and started to attract a huge number of investors owing to their customer-friendly reputation.

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