

Peer-to-peer (P2P) lending companies are changing their business model as they migrate to becoming [non-banking finance companies](#) (NBFCs). Last October, after the Reserve Bank (RBI) came out with new regulations for these companies, most of them had almost stopped lending. RBI had created a special category called NBFC-P2P, in view of the proliferation of [P2P](#) entities. While mandating Rs 20 million as minimum net worth, RBI had also imposed a Rs 1-mn cap for individual lending on such platforms. So far, a couple of these entities have got an NBFC licence from RBI. Faircent says it got the licence about 20 days earlier. “We already have a nearly 40 per cent increase in the volume of lenders and borrowers. We expect these to translate into disbursements soon. This year, we are expecting a three to four-fold increase in business,” said Rajat Gandhi, founder and chief executive officer. Some of the other [P2P](#) companies have substantially tweaked their business model to meet RBI requirements. For example, [RangDe](#) has stopped regular [P2P](#) lending, and converted it into a donation-led loan platform. Lenders, instead of giving loans, ‘donate’ the money on the platform. The donor gets the tax benefit and has the independence to choose the next borrower, after the money gets paid back. The company will restart regular P2P lending on a separate platform, while it seeks to apply for an NBFC licence over the next few days, said Ramakrishna NK, co-founder. [ALSO READ: Lending on peer-to-peer platforms is fraught with higher risks](#) The company has met the criterion of Rs 20 mn net worth through a group of wealthy investors. “We have shied away from taking commercial equity, as we are not promising high returns and want to continue with the philosophy of social return,” said Ramakrishna. MicroGraam, another P2P lender, has slowed its lending. “We had stopped for the past three to four months, as we were busy meeting RBI requirements and technological aspects for (an) NBFC (licence).

The limit of Rs 1 million on a lender has a limiting impact on P2P lending,” said Rangan Varadan, founder.

CHANGING THE GAME

* P2P firms had almost stopped lending after RBI changed the rules last October * It had put a Rs 1 mn cap on individual lending, beside other requirements, such as a Rs 50,000 cap of a single lender to the same borrower * P2P firms have been changing their structure and business models to meet the new rules. That includes raising of money to meet a higher net worth requirement