



NBFC *FinSight*
Credit to Credibility...

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NBFCs in 2025: Strengthening Trust, Technology, and Transparency

As we move through 2025, the Non-Banking Financial Company (NBFC) sector stands at a transformative crossroads. Over the past decade, NBFCs have proven to be essential pillars of India's credit delivery system - bridging the gap between formal banking and underserved markets. Today, the sector confronts a dynamic environment shaped by technological acceleration, shifting customer expectations, and evolving regulatory frameworks. This moment demands more than incremental change; it calls for a renewed commitment to resilience, responsibility, and innovation.

The first major shift influencing NBFC operations in 2025 is the deepening integration of digital lending. Institutions are embracing AI-driven models, alternative credit scoring mechanisms, and embedded finance partnerships. This wave of digital transformation has significantly improved outreach, especially to first-time borrowers and MSMEs. However, the promise of technology also comes with heightened responsibility. Strong data protection practices, robust cybersecurity measures, and ethical AI deployment are no longer optional. NBFCs must ensure that technology enhances customer trust rather than eroding it.

At the same time, the RBI's continuous strengthening of regulatory norms reflects a clear focus on stability and consumer protection. The scale-based regulatory framework has reshaped priorities by encouraging NBFCs to adopt stronger governance standards, maintain healthier liquidity buffers, and improve risk management systems. With increased scrutiny on retail unsecured lending, lenders are now expected to demonstrate disciplined underwriting and responsible product design. Importantly, these regulations are not hurdles but tools to build a more durable and credible financial ecosystem.

Another key factor driving sectoral change is the evolving credit appetite of Indian consumers. Rising urban consumption, robust infrastructure investment, and the recovery of small businesses continue to fuel loan demand. NBFCs are uniquely positioned to serve these segments with speed and flexibility. But growth cannot come at the cost of overextension. Portfolio diversification, prudent capital planning, and early warning systems will play a crucial role in ensuring long-term sustainability.

Funding patterns are also witnessing a shift. NBFCs increasingly rely on diversified sources such as securitisation, co-lending partnerships, and market borrowings. Strengthening relationships with banks and institutional investors will be vital for maintaining liquidity in a competitive environment. As interest rate cycles evolve, the ability to manage cost of funds efficiently will differentiate resilient players from the rest.

Looking ahead, the NBFCs that will thrive in 2025 and beyond are those that combine strong governance with customer-centric innovation. Transparent communication, fair pricing, simplified processes, and grievance redressal mechanisms will define customer loyalty. Internally, continuous staff training, enhanced board oversight, and adoption of sustainable lending practices will determine the sector's credibility.

In essence, the NBFC landscape of 2025 is shaped by both opportunity and obligation. By embracing technology responsibly, adhering to robust regulatory standards, and placing the customer at the centre of every decision, NBFCs can continue to drive India's financial inclusion journey with confidence and purpose.

Warm regards,

Dinesh Gupta
Chief Editor- NBFC FinSight



RBI Recognises Self-Regulated PSO Association as SRO for Payment System Operators

- By Dinesh Gupta, Founder & Chief Consultant- DSB Law Group

The Reserve Bank of India (RBI) has officially recognised the Self-Regulated PSO Association (SRPA) as the Self-Regulatory Organisation (SRO) for Payment System Operators (PSOs)- a landmark step in India’s payments ecosystem. This recognition makes SRPA the first SRO in the payments domain, underscoring the RBI’s commitment to fostering industry-led governance, transparency, and sustainable growth in the digital payments space.

Payment System Operators are entities authorised by the RBI to set up, operate, and manage payment systems such as card networks, prepaid instruments, and UPI-based platforms. The creation of an SRO aims to promote structured self-regulation, encourage best practices, and enhance compliance culture among operators at a time when India’s payment ecosystem is witnessing exponential expansion.

The recognition is granted under the RBI’s “Framework for Recognition of a Self-Regulatory Organisation for PSOs” (October 2020) and the “Omnibus Framework for Recognition of SROs for Regulated Entities” (March 2024). These frameworks collectively aim to empower industries to take proactive responsibility for internal discipline, ethical conduct, and market integrity- complementing the RBI’s regulatory oversight.

Area	Details
Recognised Entity	Self-Regulated PSO Association (SRPA)
Recognised By	Reserve Bank of India (RBI)
Date of Recognition	November 11, 2025
Category	Self-Regulatory Organisation (SRO) for Payment System Operators
Primary Mandate	Promote professional standards, monitor compliance, and facilitate self-regulation
Governing Frameworks	SRO Framework for PSOs (Oct 2020) Omnibus SRO Framework (Mar 2024)
Expected Benefits	Stronger industry accountability, dispute resolution mechanism, support for smaller PSOs, and improved regulatory alignment

Way Forward

The recognition of SRPA is expected to pave the way for a more collaborative and transparent regulatory environment.

Going forward, SRPA is likely to focus on:

- Establishing industry-wide codes of conduct and operational standards.
- Creating an efficient grievance redressal and dispute resolution mechanism for PSOs.
- Enhancing capacity-building programs for smaller and emerging operators.
- Facilitating continuous dialogue between the RBI and industry participants for policy refinement.
- Promoting innovation and interoperability while maintaining strong consumer protection norms.

This milestone signifies the RBI’s broader vision of nurturing a responsible, self-sustaining, and resilient digital payments ecosystem.

Payment System Opera

PSO Association as SRO

Promoting Professional Standards

Improved Regulatory Alignment





India's Financial Sector Strength Recognised in 2024 FSAP by IMF-World Bank

- By Dinesh Gupta, Founder & Chief Consultant- DSB Law Group

FSAP by IMF

Corporate Debt Market Development Fund (CDMDF)

Digital Public Infrastructure (DPI)

India's financial system has undergone a comprehensive review under the Financial Sector Assessment Program (FSAP), jointly conducted by the International Monetary Fund (IMF) and the World Bank (WB) in 2024. The FSAP provides an in-depth evaluation of a country's financial sector stability, resilience, and regulatory effectiveness. Since September 2010, the FSAP exercise has been mandatory every five years for 32 jurisdictions with systemically important financial sectors, including India. The last FSAP for India was completed in 2017, following which the IMF published the Financial System Stability Assessment (FSSA) and the World Bank released the Financial Sector Assessment (FSA).

The World Bank's FSA report highlights that India's financial system has become more resilient, diversified, and inclusive since the last assessment in 2017. The report commends the wide-ranging financial sector reforms undertaken over the past decade, which have strengthened the sector's ability to withstand domestic and global shocks including the disruptions of the pandemic.

It also notes that India's ambition to become a USD 30 trillion economy by 2047 will require continued reforms to deepen capital markets and mobilize private investment.

In the area of banking and non-banking financial company (NBFC) supervision, the World Bank acknowledged the expansion of regulatory oversight to cooperative banks, the tightening of prudential norms, and the implementation of scale-based regulation for NBFCs, which recognises the diverse risk profiles within the industry. It recommended further enhancement of credit risk management frameworks for both banks and NBFCs to strengthen supervision.

Oversight in securities markets was assessed as robust, supported by significant reforms such as enhanced collateral management, business continuity frameworks, liquidity requirements for mutual funds, and the establishment of the Corporate Debt Market Development Fund (CDMDF).

The report commended India's globally recognized Digital Public Infrastructure (DPI) and government-led financial inclusion initiatives, which have significantly improved access to banking and financial services for both men and women. It recommended promoting greater account usage, particularly among women, and expanding the availability of credit and financial products for individuals and MSMEs.

In the insurance sector, India's progress was rated as being in line with global peers, with a sound observance of Insurance Core Principles (ICPs). The report highlighted strong regulatory practices in licensing, suitability norms, enforcement, and disclosure.

The climate risk assessment underscored the resilience of India's agriculture and banking sectors to short-term shocks but recommended granular data collection and a national Climate Finance Taxonomy to help channel sustainable investments.

It encouraged the establishment of an MSME data observatory to enhance transparency and access to finance.

Finally, the report highlighted that India's capital markets have grown substantially, from 144% of GDP in 2017 to about 175% in 2024, supported by a robust market infrastructure and a diverse investor base.

India remains committed to adopting international best practices in regulation and supervision while tailoring them to domestic priorities to support sustainable and inclusive economic growth.





Survey on Computer Software and Information Technology Enabled Services Exports

By: CA Isha Gandhi



The Reserve Bank of India (RBI) released the results of its annual Survey on Computer Software and Information Technology Enabled Services (ITES) Exports for the financial year 2024–25. The survey provides a comprehensive overview of the performance of India’s software and ITES sector, which continues to be one of the largest contributors to the country’s export earnings and a key driver of India’s digital economy.

According to the data, India’s software services exports (excluding overseas commercial presence) are estimated at USD 204.7 billion for 2024–25, marking a 7.3% increase over the previous year. When exports through foreign affiliates and subsidiaries are included, total software services exports rise to USD 218.6 billion, registering a growth of 6.5% year-on-year. The continued growth underscores India’s global leadership in software development, IT consulting, business process outsourcing, and digital solutions.

The survey covered 6,766 companies, of which 2,206 firms including most of the large enterprises responded. These companies together accounted for about 90% of total software and ITES exports. The findings reaffirm that the Indian software sector remains resilient and adaptable in an evolving global business environment.

Key Findings

- **Sectoral Composition:** Computer services accounted for about two-thirds (67.4%) of the total exports, amounting to roughly USD 138 billion. The remaining 32.6% came from IT-enabled services such as business process outsourcing, engineering services, and knowledge process outsourcing.
- **Company Type:** Private limited companies recorded robust growth of around 11.6%, while public limited companies registered more moderate growth of about 1.3%, highlighting stronger momentum among mid-sized and newer players.

- **Geographical Distribution:** The United States remained the largest destination, accounting for 52.9% of total exports. However, Europe saw faster growth at 14.3%, raising its share to 32.8%. The data reflects an ongoing diversification of export markets, reducing dependence on any single region.
- **Mode of Delivery:** The off-site mode continued to dominate, representing about 90.7% of total exports, as firms increasingly leverage India’s remote delivery capabilities.
- **Invoicing Currency:** The US dollar remained the principal invoicing currency, accounting for around 72% of total exports, followed by the euro (9.6%) and the Indian rupee (7.1%).
- **Mode of Supply:** The cross-border supply (Mode 1) accounted for 84.8% of total exports, demonstrating India’s continued strength in remotely delivered digital services.

Way Forward

The sustained growth in software and ITES exports demonstrates India’s competitiveness in global technology markets and its strong foundation in digital infrastructure, human capital, and service innovation. The increasing contribution from private players and the growing presence in European markets indicate a healthy broadening of the sector’s export base.

Looking ahead, there is significant potential to enhance value creation by moving up the technology chain through investments in artificial intelligence, data analytics, cloud services, and cybersecurity. Strengthening export linkages with emerging markets, fostering research and development, and supporting mid-sized firms will be crucial for maintaining the growth momentum.

IT Enabled Services Exports

90% Software & ITES Exports

Accelerating the Performance





NBFCs: Driving Growth Amid Shifting Regulations and Robust Fundraising

By: CA Kanika Gupta

NBFCs: Driving Growth

As 2025 draws to a close, India's Non-Banking Financial Companies (NBFCs) navigate a pivotal moment shaped by expansion, evolving regulatory strategies, and a sharp focus on asset quality. With over 9,400 registered NBFCs managing assets that are expected to surpass ₹48 lakh crore by the end of this financial year, the sector has cemented itself as a formidable pillar in the financial system, providing critical credit to segments often left out by traditional banking channels.

The rapid growth of NBFCs is evident in both their increased outreach and the types of products offered. Nearly 58% of NBFC lending now supports retail customers, including those seeking consumer durables, gold, and personal loans. Investments remain strong, with private sector inflows hitting a record \$9 billion in the first half of 2025. Underpinning this expansion is a shift toward disciplined, technology-driven credit assessment - between June 2023 and June 2025, the share of very low-risk borrowers in NBFC-fintechs jumped from 20% to 29%, showcasing improved portfolio quality and risk controls.

Regulatory adjustments have played a crucial role in this transformation. In 2025, the Reserve Bank of India (RBI) rolled back some risk weights for bank lending to NBFCs, directly easing lending conditions and boosting credit flow. The new scale-based regulatory regime targets differentiated oversight, pushing NBFCs for stronger capital buffers and risk discipline, while encouraging consolidation within financial groups for better transparency and efficiency. Borrowings, with 39% still coming from banks, are balanced by a growing diversity of funding channels, including foreign direct investment, co-lending, securitization, and private equity infusions.

The sector's ability to attract global investment is clear, with more than \$7 billion flowing into banks and NBFCs in 2025 alone, signaling international confidence and prompting further regulatory refinements.



Asset quality remains a key watchpoint, especially for NBFC-MFIs (Microfinance Institutions). FY2025 witnessed a 12% contraction in AUM due to overleveraging and operational challenges, yet forecasts for FY2026 are optimistic, projecting a 10-15% rebound driven by risk-sensitive, technology-enabled lending models.

To sum up, NBFCs continue to drive credit growth, financial inclusion, and market innovation even as regulatory expectations rise. The present landscape is defined by:

- A surge in retail lending, robust asset management, and a clear pivot to disciplined borrower assessment.
- A regulatory climate that rewards prudent capital management, transparency, and diversification of funding sources.
- Persistent monitoring of asset quality, particularly in microfinance, with industry outlooks indicating cautious optimism for FY2026.

With the sector set for 15-17% annual growth through FY2028, NBFCs remain at the cutting edge of India's financial ecosystem - powering new credit, enabling entrepreneurship, and adapting to a fast-changing regulatory and investment landscape.

Shifting Regulations

Cutting Edge





Regulatory Governance & Internal Control Framework Update for NBFCs

- By Dinesh Gupta, Founder & Chief Consultant- DSB Law Group

Regulatory Governance & Internal Control

Board-Level Governance Architecture

Real-time Risk Surveillance

The governance and internal-control environment for Non-Banking Financial Companies (NBFCs) in India continues to strengthen as the Reserve Bank of India (RBI) enhances supervisory expectations across risk management, technology governance, board accountability, and compliance architecture. With NBFCs becoming increasingly significant in systemic credit intermediation, the regulatory focus has shifted toward ensuring that entities adopt resilient, well-documented, and effectively monitored governance frameworks aligned with the Scale-Based Regulatory (SBR) structure.

The operationalisation of the Master Direction - NBFC Scale Based Regulation (SBR) Directions, 2023 has set the tone for sharper governance mandates across all layers. These directions require NBFCs to establish comprehensive internal policies on credit, liquidity risk, operational risk, and internal controls, all of which must undergo periodic review and approval by the Board. Clear demarcation of responsibilities between risk, compliance, and business units is now a regulatory expectation rather than a best practice. NBFCs are also required to strengthen monitoring systems, ensure robust compliance reporting, and maintain documentation trails for supervisory review.

A major technical development impacting governance structures is the introduction of the Master Direction on **Information Technology Governance, Risk, Controls, and Assurance**. This framework underscores the criticality of technology oversight within NBFCs, particularly those in the Middle and Upper Layers. The directives mandate institution-level IT governance committees, cyber-security audits, strengthened data-protection controls, and detailed oversight of outsourcing arrangements. With the sector's rapid digitisation, IT governance has emerged as a central pillar of overall risk management and internal-control robustness.

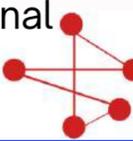
Regulatory communications from the RBI, including supervisory observations and public statements, have highlighted the importance of **real-time risk surveillance**.

NBFCs are required to reinforce governance systems for managing liquidity risk, concentration risk, group exposure limits, and credit expansion. The regulator has specifically indicated that asset-liability mismatches (ALM), tenor risks, and over-dependence on short-term funding require stronger board-level scrutiny. Enhanced internal early-warning systems (EWS) and data-driven monitoring tools are expected to become standard across larger NBFCs.

- **Board-Level Governance Architecture:** Implementation of clear oversight structures, committee frameworks, and defined escalation protocols for all material risks.
- **Internal Audit & Control Enhancement:** Strengthened audit cycles, risk-based internal audit (RBIA), and systematic closure of audit observations supported by documentation and tracking.
- **IT Risk & Cyber Governance:** Mandatory adoption of enterprise-wide IT governance policies, cyber-resilience testing, vendor-governance frameworks, and robust information security practices.

Internal governance for NBFCs has transitioned from checklist compliance to a more integrated, enterprise-wide control architecture. The emphasis today is on establishing a risk culture where decisions are aligned with defined risk appetite, supported by transparent reporting and proactive supervisory engagement.

Going forward, the regulatory trajectory indicates increased focus on digital governance, outsourcing risk, customer fairness, group-level oversight, and stress-testing capabilities. NBFCs that invest early in strengthening their governance and internal-control frameworks will not only ensure compliance but also gain competitive advantage through stability, investor confidence, and long-term institutional credibility.





Enterprise Control Transformation in Family-Owned Businesses

- By Dinesh Gupta, Founder & Chief Consultant- DSB Law Group

CKYCRR
Transactions

Family-owned enterprises (FOEs) are entering a phase where governance quality, internal-control reliability, and risk oversight strength are becoming as important as financial performance. As these businesses expand in scale and complexity, regulators, lenders, and investors expect them to transition from informal, promoter-centric decision models to structured, transparent, and institution-grade governance frameworks. This shift is reshaping how FOEs manage authority, operational discipline, and strategic continuity.

A central governance vulnerability in FOEs is the concentration of **decision-making power within the promoter group**. While this ensures agility and rapid execution, it creates dependency risks, limits independent oversight, and exposes the enterprise to disruption during leadership transitions. Modern governance expectations require FOEs to implement clearer delegation frameworks, establish defined oversight committees, and strengthen second-line management capacity to reduce key-person concentration and ensure continuity.

Internal-control modernisation has also become a technical necessity. Many FOEs operate with legacy processes that lack formal documentation or standardisation. As businesses scale, fragmented controls lead to operational inconsistencies, financial inaccuracies, and compliance gaps. Strengthening internal controls now requires enterprise-wide SOPs, risk-based internal audit cycles, segregation of duties, and increased automation in financial and operational processes. These reforms are increasingly monitored by banks, auditors, and rating agencies during due diligence.

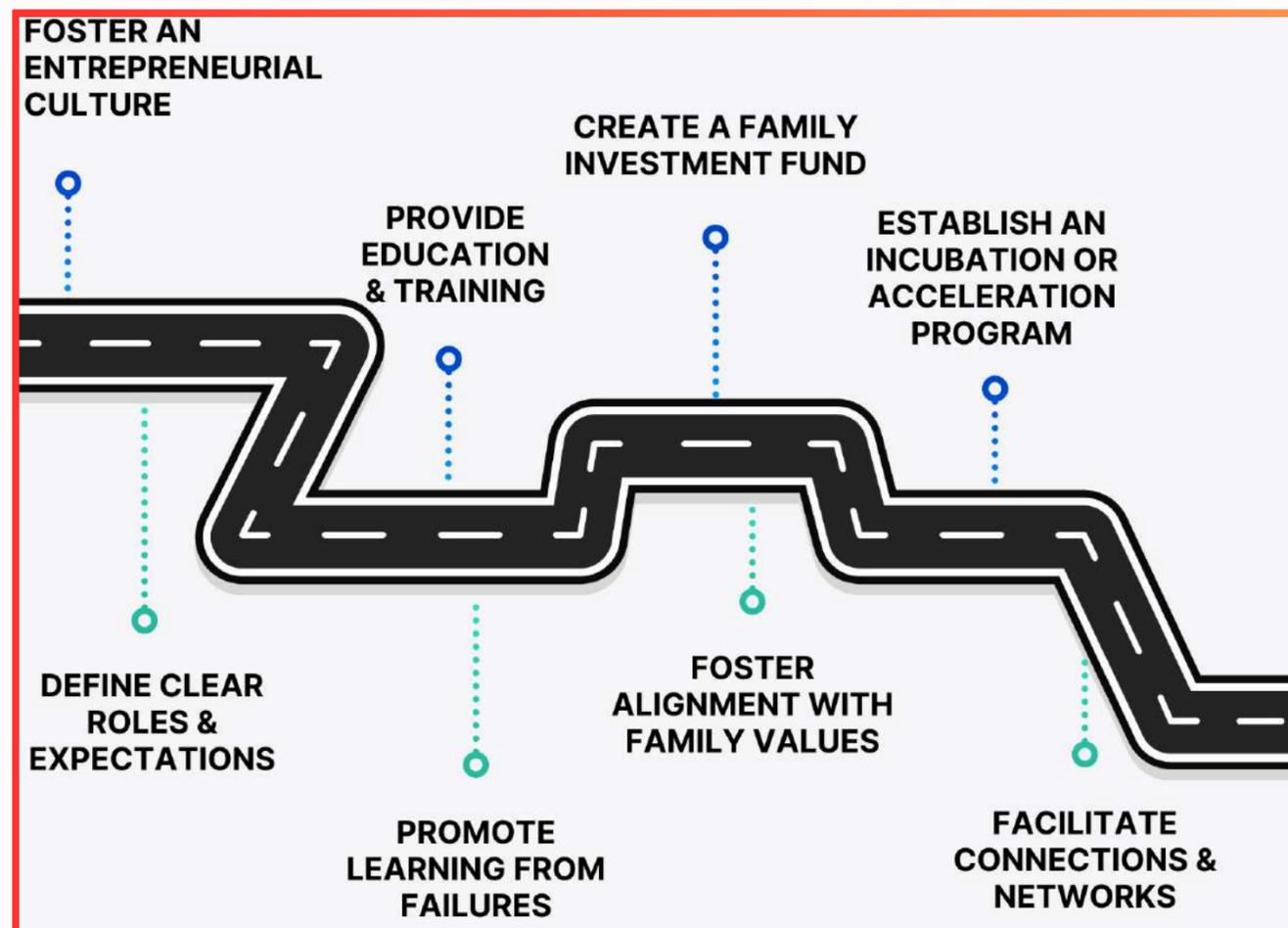
The inherent overlap between family interests and business activities demands strong documentation, independent valuation mechanisms, and transparent approval workflows **to ensure arm's-length principles are maintained**.

Succession planning remains an area where FOEs face significant governance exposure. The absence of structured transition plans, defined future leadership roles, and competency-based assessments can destabilise business continuity. Technical governance expectations now favour documented succession frameworks supported by leadership development initiatives.

FOEs that proactively strengthen governance, formalise controls, and professionalise management will enhance institutional credibility, attract capital more easily, and sustain long-term resilience in increasingly regulated and competitive markets.

Quarterly Payments

Dedicated Module





Role of RBI in Strengthening Corporate Governance in NBFCs

By- VK Sareen, Executive Director- Credifin Limited

Strengthening
Corporate
Governance

Scale-Based
Regulatory (SBR)

Data protection, Fair
Practices, Prevention of
Misconduct

Corporate governance plays a crucial role in ensuring transparency, accountability, and ethical conduct within financial institutions. For Non-Banking Financial Companies (NBFCs), which have become an essential part of India's credit system, strong governance is vital to safeguard public trust and maintain financial stability. Over the last decade, the Reserve Bank of India (RBI) has played a proactive role in strengthening corporate governance norms for NBFCs, especially after several high-profile failures highlighted weaknesses in management practices and risk controls.

One of RBI's major initiatives is the implementation of a **Scale-Based Regulatory (SBR)** Framework, which categorizes NBFCs based on their size, complexity, and systemic importance. This allows RBI to apply stricter governance requirements to larger NBFCs, particularly those in the Upper and Top Layers. These requirements include board independence, enhanced disclosure norms, and robust risk management systems. By tailoring regulations in this way, the RBI ensures that systemically important NBFCs follow high standards of governance, reducing the risk of financial instability.

RBI has mandated several board-level guidelines to enhance accountability. NBFCs must have a well-structured board with qualified, independent directors who bring expertise and balanced judgment. RBI requires the formation of committees such as the **Audit Committee, Nomination and Remuneration Committee, and Risk Management Committee**. These committees oversee key areas like financial reporting, internal controls, appointment of senior management, and risk mitigation practices. Along with this, RBI has also emphasized strengthening the risk management culture in NBFCs by introducing regular stress testing and detailed risk policies to ensure preparedness for financial shocks.



The central bank regularly assesses the background, integrity, and competence of NBFC leadership. Any adverse findings can lead to disqualification. This measure ensures that NBFCs are led by individuals who can uphold high ethical standards and manage risks responsibly. RBI has also tightened rules related to related-party transactions to avoid conflicts of interest. NBFCs must disclose such transactions transparently and get board approval, ensuring fairness and preventing misuse of funds.

NBFCs are required to implement technology-driven reporting and internal audit mechanisms that provide early warning indicators on risks. Frequent reporting enables the RBI to monitor NBFCs closely and take timely corrective action whenever necessary.

In recent years, RBI has strengthened governance standards for digital lending NBFCs, focusing on **data protection, fair practices, and prevention of misconduct**. This ensures that technological growth does not come at the expense of consumer protection.

In conclusion, the RBI's governance reforms aim to create a safe, resilient, and trustworthy NBFC sector. By enforcing stricter oversight, board professionalism, transparency, enhanced risk management, and responsible leadership, RBI ensures that NBFCs operate efficiently and ethically, contributing positively to India's financial system.



Green Finance and Sustainable Lending Initiatives in NBFCs

- By Dinesh Gupta, Founder & Chief Consultant- DSB Law Group

Green Finance and Sustainable Lending

Redefining Credit Assessment

Upgrading Risk Management Protocols

India's Non-Banking Financial Companies (NBFCs) are increasingly embracing green finance as a core strategy to foster sustainable economic growth and address climate change challenges. With environmental concerns gaining prominence globally, NBFCs are evolving beyond traditional lending by integrating sustainability principles into their financial products and risk management frameworks. At the heart of this transformation is the alignment with Environmental, Social, and Governance (ESG) criteria. Regulatory bodies like the Reserve Bank of India are encouraging NBFCs to enhance transparency around their climate-related financial risks and adopt sustainable lending practices. This push is complemented by growing investor demand for sustainable investment options, which has encouraged NBFCs to tap into green finance markets.

One significant development is the introduction of green bonds and sustainability-linked loans. These instruments are designed to fund projects that have positive environmental impacts, such as renewable energy installations, electric vehicle adoption, waste management systems, and green building initiatives. By issuing green bonds, NBFCs can access new pools of capital from impact investors and international funds focused on sustainability. Sustainability-linked loans further incentivize borrowers to meet predefined environmental performance targets, tying the cost of capital directly to sustainability outcomes.

NBFCs are also **redefining credit assessment** by including environmental impact evaluations alongside traditional financial metrics. Before extending credit, many institutions assess borrowers' adherence to energy efficiency standards, carbon emissions levels, and environmental compliance history. This approach helps NBFCs reduce long-term credit risks associated with environmental liabilities and regulatory penalties.

Despite the progress, challenges remain. The absence of standardized frameworks for measuring and reporting environmental impact can hinder credibility and investor confidence. NBFCs are investing in advanced data analytics and partnerships with fintech firms to improve climate risk assessment and reporting accuracy. Additionally, government initiatives and incentives aimed at promoting green financing are helping to ease funding costs and stimulate market confidence.

Another growing area is financing for clean technology adoption among small and medium enterprises (SMEs) and retail consumers. NBFCs are crafting specialized loan products for rooftop solar panels, energy-efficient appliances, and electric two-wheelers, expanding access to green technologies at the grassroots level.

Looking ahead, NBFCs that successfully integrate sustainable lending will not only enhance their resilience to climate-related risks but also gain a strategic advantage in attracting investments and expanding market share. Their role in mobilizing capital for India's green transition is set to grow, making sustainable finance a key pillar in the sector's future.

In summary, green finance and sustainable lending are reshaping NBFCs' business models. By innovating financial products, **upgrading risk management protocols**, and fostering greater transparency, NBFCs are driving environmental goals while supporting inclusive economic growth.





Stand Up India: A Government Initiative for Financial Inclusion

- By CA Kanika Gupta

Stand Up India

Strong Ecosystem for Entrepreneurship

Fostering a Culture of Innovation

The Stand Up India Scheme is one of the most significant government initiatives aimed at promoting entrepreneurship, financial empowerment, and inclusive growth in India. Launched by the Government of India in 2016, the scheme is designed to facilitate bank loans between ₹10 lakh and ₹1 crore to members of the Scheduled Castes (SC), Scheduled Tribes (ST), and women entrepreneurs. Under the scheme, every bank branch in India is mandated to support at least one SC/ST borrower and one woman borrower to establish a green-field enterprise. This scheme plays a crucial role in enabling historically disadvantaged groups to participate in economic activities, build sustainable businesses, and contribute to national development.

The primary objective of the Stand Up India Scheme is to create a **strong ecosystem for entrepreneurship** among underrepresented sections. It recognizes that while India has a vast potential for small businesses, many aspiring entrepreneurs face barriers such as lack of credit history, insufficient collateral, limited business exposure, and societal constraints. By ensuring easy access to institutional finance, the scheme helps bridge this gap and encourages first-time entrepreneurs to take bold steps toward self-employment.

The focus on green-field enterprises is a key feature of the scheme. This means that the business established must be a first-time venture in the manufacturing, trading, services, or agri-allied sectors. By emphasizing new enterprises, the government aims to broaden the entrepreneurial base and promote innovation. Borrowers can choose to set up businesses in diverse fields such as food processing, small manufacturing units, handicrafts, retail trade, logistics, beauty and wellness, agro-processing, and more.

One of the strengths of the Stand Up India Scheme is the comprehensive support it offers. Beyond providing loans, the scheme also helps entrepreneurs with handholding assistance, which includes support in preparing business plans, obtaining licenses, securing registrations, and managing compliance requirements. The Stand Up India portal acts as a centralized platform through which beneficiaries can receive guidance, connect with bankers, and access necessary resources. This holistic support structure ensures that loan recipients not only receive financial assistance but also develop the skills to run their enterprises effectively. **To make the scheme more convenient and accessible, credit is provided in the form of a composite loan, which includes both term loan and working capital.**

The scheme also encourages partner-owned enterprises, where at least 51% of shareholding and controlling stake lies with an SC/ST or woman entrepreneur.

The impact of the Stand Up India Scheme has been substantial. It has enabled thousands of entrepreneurs to start their businesses, especially in rural and semi-urban areas where economic opportunities are limited. By empowering women and SC/ST communities, the scheme supports social upliftment and reduces economic inequality. It contributes to job creation, local economic growth, and the overall entrepreneurial culture in India.

In conclusion, the Stand Up India Scheme is a transformative initiative that empowers marginalized communities by giving them access to finance and entrepreneurial opportunities. **Through its targeted support, simplified processes, and commitment to inclusivity,** the scheme has become a vital tool in promoting financial independence and **fostering a culture of innovation** among India's aspiring entrepreneurs.



The New Pillars of MSME Credit Transformation

By- Dr. Wishey Kataria

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of India’s economic and industrial landscape, contributing significantly to employment, exports, and GDP. However, for decades, access to timely and affordable credit remained a major challenge for MSMEs due to lack of collateral, inadequate financial records, and high perceived risks. In recent years, India has witnessed a major shift toward MSME credit transformation, driven by technological advancements, regulatory reforms, and new lending models. Several new pillars are emerging to reshape MSME financing and bridge the long-standing credit gap.

1. Digital Public Infrastructure: The Most Powerful Catalyst

One of the most transformative developments has been India’s digital public infrastructure, especially Aadhaar-based e-KYC, UPI, GST data, and the Account Aggregator (AA) framework. These tools have revolutionized the way lenders assess creditworthiness. GST returns, digital invoices, and bank statement data shared through AA networks allow lenders to evaluate MSMEs quickly and accurately. This shift from collateral-based to cash-flow-based lending marks a new era where even small businesses with thin credit files can access formal finance. Digital KYC and e-documentation also reduce onboarding time, making credit accessible within hours instead of weeks.

2. Fintech-NBFC Collaboration: A New Hybrid Lending Model

Another major pillar of transformation is the collaboration between fintech platforms and NBFCs. Fintech companies bring technology, alternative data, and quick underwriting models, while NBFCs provide lending expertise and capital. Together, they offer innovative products like instant invoice financing, embedded credit, POS-based loans, BNPL for businesses, and digital supply-chain financing. This partnership has expanded credit access to sectors such as kirana stores, small retailers, and micro-enterprises that previously relied on informal lenders.

3. Government Initiatives and Credit Guarantee Support

Government schemes such as ECLGS, CGTMSE, PMMY (MUDRA loans), and SIDBI support programs form the third pillar of MSME credit reform. By providing credit guarantees, interest subvention, and risk-sharing mechanisms, these initiatives encourage banks and NBFCs to lend more confidently to MSMEs. The revised CGTMSE scheme, with enhanced coverage and reduced guarantee fees, further promotes collateral-free loans. These reforms lower borrowing costs and stimulate entrepreneurship, particularly for first-generation business owners.

4. Supply Chain Financing and Anchor-Based Credit Models

Modern MSME finance is increasingly shifting toward supply chain financing, where lending decisions are based on the strength of large corporate anchors. Programs like TReDS (Trade Receivables Discounting System) enable MSMEs to discount invoices digitally at competitive rates. This ensures better cash flows and reduces dependency on costly informal sources. Anchor-based financing also minimizes credit risk for lenders, making it a sustainable financing model.

5. AI, Machine Learning, and Alternative Data

The use of AI-driven credit scoring, behavioural analytics, and alternative data sources such as payment history, utility bills, and digital footprints is enabling better risk assessment. These technologies expand lending access to informal or semi-formal businesses and reduce NPAs through predictive monitoring.

The new pillars of MSME credit transformation-digital infrastructure, fintech-NBFC collaboration, government-backed guarantee schemes, supply chain financing, and AI-driven credit assessment-are reshaping India’s lending ecosystem. Together, they create a more inclusive, transparent, and efficient credit landscape, enabling MSMEs to scale, innovate, and contribute more strongly to India’s economic growth.



Liquidity Risk Management in NBFCs Post-IL&FS Crisis

- By Dinesh Gupta, Founder & Chief Consultant- DSB Law Group

Liquidity Risk Management

Close Monitor Short-Term Liquidity Gaps

IL&FS Crisis

The collapse of Infrastructure Leasing & Financial Services (IL&FS) in 2018 was a turning point for India's financial sector, particularly for Non-Banking Financial Companies (NBFCs). The crisis exposed structural weaknesses in the sector, especially excessive reliance on short-term borrowings to fund long-term assets - a classic case of asset-liability mismatch. After the IL&FS default triggered widespread panic and liquidity tightening across the NBFC ecosystem, the Reserve Bank of India (RBI) implemented far-reaching reforms to strengthen liquidity risk management. These measures have reshaped how NBFCs manage cash flows, assess risks, and ensure financial stability.

One of the most significant changes was the **introduction of the Liquidity Coverage Ratio (LCR) for NBFCs**. Earlier, this requirement applied only to banks. After the crisis, large NBFCs were mandated to maintain a sufficient stock of high-quality liquid assets - such as government securities - that could be quickly converted into cash during stress periods. This reform ensures that NBFCs remain resilient even when market funding dries up, reducing the risk of sudden failures.

Next, RBI strengthened the Asset-Liability Management (ALM) guidelines. NBFCs must now conduct detailed maturity profiling of their assets and liabilities across multiple time buckets, ranging from 1-7 days to 1 year. This allows them to closely monitor short-term liquidity gaps and avoid excessive dependence on volatile sources of funding. In addition, stress testing has been made mandatory. NBFCs must simulate various adverse scenarios - such as interest rate hikes, market disruptions, or delayed repayments by borrowers - to evaluate how their liquidity position would respond during shocks.

RBI also introduced stricter norms for securitization and loan sell-downs to ensure that NBFCs do not use these mechanisms merely to roll over assets or hide liquidity stress.

Another crucial reform was the implementation of the Scale-Based Regulation (SBR) Framework in 2021. Under this model, larger NBFCs - especially those in the upper layer - face tighter liquidity regulations similar to commercial banks. These firms must maintain enhanced governance practices, risk controls, and disclosure norms. This reduces systemic risk because large NBFCs have significant interconnectedness with banks, mutual funds, and financial markets. Moreover, **post-crisis, NBFCs have diversified their funding sources**. Instead of depending mainly on short-term commercial papers, they now raise long-term funds through bank loans, non-convertible debentures, and even external commercial borrowings. Improved credit assessment, cash-flow-based lending, and responsible growth strategies have also become central to liquidity management practices.

Importantly, the IL&FS crisis heightened investor and lender awareness. Banks and mutual funds now conduct stricter due diligence before extending funds to NBFCs. This market discipline encourages better risk management, stronger governance, and greater transparency.

In conclusion, liquidity risk management in NBFCs has undergone a major transformation since the IL&FS crisis. Through LCR norms, ALM reforms, stronger governance, and scale-based regulation, the RBI has ensured that NBFCs operate more responsibly and remain prepared for periods of financial stress. These reforms not only safeguard the stability of individual NBFCs but also contribute to the overall resilience of India's financial system.





NBFC Compliance Calender

November-2025

Nov-25	Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance
07-Nov	Monthly TCS Payment	Taxpayers collecting TCS for the month of Oct 25				
	Monthly TDS Payment	Taxpayers collecting TDS for the month of Oct 25				
11-Nov			GSTR-1 Filing (Monthly):	For taxpayers with annual turnover > ₹1.5 crore or who have opted for monthly filing.		
12-Nov					Prudential Norms Information (Schedule-II Return)	Housing Finance Companies (HFCs)-Reporting capital adequacy, provisioning, NOF, and asset classification
					ALM-II Statement	Deposit-taking & Large NBFCs-Reporting liquidity and interest rate sensitivity
13-Nov			Quarterly GSTR-1 IFF (QRMP scheme):	Filing for Oct 25 (Optional)		
15-Nov	ESI Challan	Employers registered under ESI Act for the month of Oct 25			DNBS-4B Return	Base Layer NBFC with Asset Size of 100 Crore and Above & Middle Layer NBFC relating to Short term Dynamic Liquidity-Return of Structural Liquidity & Interest Rate Sensitivity
	PF Challan (ECR)	Employers registered under EPF Act for the month of Oct 25				
	Form 16A	Issue of TDS Certificates in Form 16A for July to Sep 2025				
20-Nov			GSTR-3B (Monthly)	For taxpayers with: Annual turnover > ₹5 crore, or Opted for monthly filing		
25-Nov			GST (Quarterly Filers)	GST Challan Payment if no sufficient ITC for Oct 2025		
29-Nov					Mgt 7/7A	Filling for Companies & OPC for FY 2024-25
30-Nov	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Oct 2025			DNBS08 - CRILC-Main	Base Layer NBFC with Asset Size of 500 Crore and Above & Middle Layer NBFC relating to Short term Dynamic Liquidity-Return for Large Credits & SMA
					Labour License	Renewal of Labour License for Calender year 2025-26





NBFC Compliance Calender

December-2025

DEC-25	Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance
07-Dec	Monthly TCS Payment	Taxpayers collecting TCS for the month of Nov 25				
	Monthly TDS Payment	Taxpayers collecting TDS for the month of Nov 25				
10-Dec	Income Tax Return	Income Tax Returns for Non - Corporates who needs Audit and Corporates for FY 2024-25				
11-Dec			GSTR-1 Filing (Monthly):	For taxpayers with annual turnover > ₹1.5 crore or who have opted for monthly filing.		
13-Dec			Quarterly GSTR-1 IFF (QRMP scheme):	Filing for Nov 25 (Optional)		
15-Dec	ESI Challan	Employers registered under ESI Act for the month of Nov 25			DNBS-4B Return	Base Layer NBFC with Asset Size of 100 Crore and Above & Middle Layer NBFC relating to Short term Dynamic Liquidity-Return of Structural Liquidity & Interest Rate Sensitivity
	PF Challan (ECR)	Employers registered under EPF Act for the month of Oct 25				
	Advance Income tax	Advance Income tax for Oct to Dec 2025 (3rd Installment)				
20-Dec			GSTR-3B (Monthly)	For taxpayers with: Annual turnover > ₹5 crore, or Opted for monthly filing		
			GST (Quarterly Filers)	GST Challan Payment if no sufficient ITC for Nov 2025		
30-Dec	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Nov 2025			DNBS08 – CRILC-Main	Base Layer NBFC with Asset Size of 500 Crore and Above & Middle Layer NBFC relating to Short term Dynamic Liquidity-Return for Large Credits & SMA
31-Dec	Belated and Revised Return	Due Date for Belated and Revised Income Tax Filing for FY 2024-25 for individuals, Non -Corporates and corporates.(Audit and Non-Audit)	GST Annual Return (GSTR-9, 9C)	All NBFC-Annual tax return submission for GST	Capital Adequacy Ratio (CAR) Reporting	All NBFCs relating to reporting minimum Capital Adequacy Compliance
					AOC4	Filing of audited financial statements by Companies for FY 24-25
					MGt 7/7A	Filling for Companies & OPC for FY 2024-25





NBFC Compliance Calender

Compliance Required

S No.	In addition to:	COMPLIANCE REQUIRED
1	Statutory Compliance Board Meetings	All NBFC -Quarterly meetings discussing regulatory updates-4 times a year as per Companies Act
2	FEMA Foreign Investment Reporting	NBFCs with FDI -Report any foreign direct investment (FDI) transactions to RBI on Monthly Basis as per FEMA and RBI FDI Guidelines
3	Customer Complaint Tracking	All NBFC's -Maintain records of customer grievances and resolutions as per RBI guidelines on Monthly Basis as per RBI Fair Practices Code
4	CERSAI Reporting (Central Registry of Securitization and Asset Reconstruction)	NBFCs engaged in secured lending -reporting securitization and asset reconstruction transactions on Weekly Basis as per SARFAESI Act
5	CKYC Uploads	All NBFCs onboarding new customers-Reporting new customer onboarding under Central KYC on Weekly Basis as per CKYC RBI Circular
6	FIU-IND Reporting (Suspicious Transaction Reporting – STR)	All NBFCs -Submission of suspicious transaction reports to FIU-IND on Weekly basis as per Prevention of Money Laundering Act
7	DNBS10 (Statutory Auditors Certificate)	All NBFCs & Asset Reconstruction Companies (ARCs) - Confirmation of Compliance with RBI Norms -Within 5 days from the approval of financial Statement by the Board of Directors but not maximum by 31st of December, 2025
8	DNBS09 – CRILC-Weekly	Base Layer NBFC with Asset Size of 500 Crore and Above, Middle Layer NBFCs -Return for Large Credits & SMA to be filed on or before Wednesday of the following week



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