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*Empowering SME's and Going Beyond..*



## Digital Payments in India: Growth and the Next Phase of Transformation

India today stands at the forefront of a digital payments revolution that has reshaped the way individuals, businesses, and institutions transact. What began as an experiment with mobile wallets and online banking a decade ago has now matured into a vast and inclusive ecosystem powered largely by the Unified Payments Interface. In the last financial year alone, digital transactions crossed ₹200 trillion in value, a number that reflects both the depth of adoption and the confidence that consumers now place in technology-driven financial solutions.

The success of this journey has been built on three pillars. Regulatory and policy support has given clarity and direction, allowing banks and fintechs to innovate without fear of uncertainty. Low-cost digital infrastructure, particularly Aadhaar-based authentication and affordable mobile internet, has enabled millions of first-time users to participate in the formal economy. Equally important has been the shift in consumer habits, where digital payments have become the default choice for day-to-day spending, from groceries and transport to education and travel.

Yet this rapid progress is not without challenges. As transaction volumes rise, so do the risks of fraud, data breaches, and cyber incidents. Regulators are now placing far greater emphasis on governance and security, and payment aggregators face new obligations relating to authorization, capital, escrow management, and reporting. Cross-border commerce is expanding as well, and with it comes the need for tighter settlement rules and stronger monitoring mechanisms.

Rural and semi-urban areas, while showing encouraging adoption trends, still require sustained efforts in financial literacy and connectivity to truly match the scale of urban markets.

Looking forward, three themes will define the next phase of India's digital payments journey. The first is security and trust. For consumers to continue embracing digital platforms, they must feel confident that their money and data are safe. This requires ongoing investment in fraud detection, cyber defense, and grievance redressal systems. The second theme is integration and scale. Payments will increasingly converge with credit, savings, and insurance, creating a more holistic digital financial experience. The expansion of UPI into cross-border corridors and its linkage with merchant ecosystems will drive further growth. The third is regulatory calibration. The challenge for policymakers is to balance innovation with prudential safeguards, ensuring that growth is not stifled while also maintaining systemic stability.

Digital payments in India have moved well beyond being a convenience; they are now the backbone of financial transactions and economic activity. The coming years will test our ability to deepen inclusion, strengthen resilience, and maintain the trust of millions of consumers who rely on these platforms daily. If these priorities are met, India will not only sustain its digital payments momentum but also emerge as a model for the world in building a secure, inclusive, and scalable financial ecosystem.

As one industry leader aptly put it:

***“The future of finance is not digital versus physical, it is digital with trust at the core. Without trust, technology cannot scale; with trust, it can redefine economies.”***

Warm regards,

Dinesh Gupta  
Chief Editor- NBFC FinSight



# GST 2.0

## Key Sectoral & Process Reforms

## Economic & Sectoral Impact

## Why NBFCs Stand to Benefit



# GST Highlights 2.0

## 56<sup>th</sup> Meeting held on 03<sup>rd</sup> September, 2025

### 1. Basic Highlights

- Two-Slab Structure:
- The Goods and Services Tax (GST) has been simplified into two primary slabs: 5% (merit/essentials) and 18% (standard goods).
  - a. The earlier 12% and 28% slabs have been eliminated.
  - b. A 40% “sin/luxury” slab will apply to high-end goods such as luxury cars and tobacco.
  - c. Effective Date: September 22, 2025, ahead of the festive season.

### 2. Key Sectoral & Process Reforms

- **Essentials & Consumer Goods:** Household staples including soaps, packaged foods, bread, and medicines are now taxed at **5% or nil**, reducing everyday costs.
- **Automobiles & Appliances:**
  - Small cars and two-wheelers ( $\leq 350$  cc), ACs, and TVs: reduced from **28% to 18%**.
  - Electric vehicles (EVs): continue to attract **5%**.
- **Construction Materials:**
  - Cement, marble, bricks, and other materials now fall under 5–18% GST, boosting affordability and construction sector growth.
- **Healthcare & Insurance:**
  - GST-exempt: Life and health insurance policies (including reinsurance).
  - Nil GST: 33 lifesaving drugs.
  - 5% GST: Many medical goods.
- **Simplified Compliance:**
  - **Automated registration** for low-risk businesses (effective November 1, 2025).
  - **Faster refunds** processing.

- **Appellate Tribunal proposed** for reducing litigation burden, especially for MSMEs.

### 3. Economic & Sectoral Impact

- **Boost in Demand:** Lower tax rates are expected to drive consumption, particularly during the festive season.
- **Revival in Lending:** Consumer lending, including fintech and NBFC channels, is projected to rise by 5–20%.
- **NBFC Sector Sentiment:** Despite cautious outlooks, the broader financial ecosystem is expected to benefit from stabilised lending conditions.

### 4. Why NBFCs Stand to Benefit

#### A. Indirect Boost via Demand & Credit Expansion

- **Stronger Consumer Credit Demand:** Lower GST on consumer goods and durables will enhance affordability, encouraging credit uptake. NBFCs engaged in retail and consumer loans will benefit directly.
- **Improved Business Environment:** Revitalised consumption will support financial services growth, leading to higher lending volumes.

#### B. Structural Tax Relief (Under Consideration)

- **GST Exemption on Co-Lending Fees:** The government is considering aligning NBFC treatment with banks, potentially exempting NBFCs from 18% GST on co-lending service fees.
- **FD Interest Tax Parity:** A proposal is under review to extend the ₹1 lakh senior citizen FD interest exemption (currently available to bank deposits) to NBFC fixed deposits.

If implemented, both measures could significantly improve NBFC competitiveness and margins in retail and co-lending operations.



# Amendment to KYC Directions, 2025 - What It Means for REs and Customers

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

## Amendments KYC

The Reserve Bank of India issued the RBI (Know Your Customer (KYC)) (Amendment) Directions, 2025, bringing significant tweaks to the existing KYC regime under the 2016 Master Direction. These changes aim to improve customer convenience, extend regulatory flexibility for low-risk accounts, and enhance procedural discipline across regulated entities (REs).

One of the most consequential modifications concerns low-risk individual customers. Under the new amendment, for such customers, REs are permitted to allow transactions to continue and defer the KYC updation requirement until one year after its due date or up to 30 June 2026, whichever is later. This relief applies even if the periodic updation has already become overdue.

Another important change enables banks to use Business Correspondents (BCs) for KYC updation in specific scenarios. If a customer's KYC information remains unchanged, or only the address has changed, the RE can accept a self-declaration via the BC. This must follow biometric e-KYC authentication, and the self-declaration (is to be processed electronically. Until such electronic systems are fully operational, physical documents may be accepted, but prompt digital integration is expected.

In order to ensure that customers stay informed and compliance is systematic, the amendment mandates robust communication protocols. Each RE must issue three advance notices (at least one by letter) before the due date, and if the customer fails to update, three reminders thereafter (again with at least one being a letter). These communications must clearly explain instructions, escalation paths, and consequences of non-compliance, and the RE must log these notices for audit trail purposes. These requirements must be implemented by 1 January 2026.

## KEY HIGHLIGHTS OF THE INCOME TAX ACT, 2025

### 1. Structural Overhaul

- **Reduced Complexity:** The new Act contains 536 sections, 23 chapters, and 16 schedules, replacing the bulky and frequently amended Income Tax Act, 1961.
- **Logical Organization:** Provisions are grouped by theme (e.g., all TDS rules in one chapter), making navigation easier for taxpayers and professionals.

### 2. Introduction of 'Tax Year'

- Replaces the confusing terms "Previous Year" and "Assessment Year" with a single, clear term: Tax Year.
- A Tax Year is defined as a 12-month period beginning on April 1st and ending on March 31st of the following year. It replaces the earlier terms "Previous Year" and "Assessment Year", which were used in the Income Tax Act, 1961.
- Aligns with global standards and simplifies compliance for individuals and businesses.

### 3. Digital Integration

- **Faceless Assessments:** Strengthens transparency and reduces human interface in tax scrutiny.
- **E-filing Mandates:** All returns and communications are digitized, streamlining the compliance process.
- **Digital Asset Recognition:** Defines and includes Virtual Digital Assets (VDAs) such as cryptocurrencies and tokenized assets within the tax net.

### 4. Simplified Language & Drafting

- Legal language has been modernized to be clear, concise, and accessible.
- Obsolete provisions and redundant clauses have been removed, reducing ambiguity and litigation.

## Structural Overhaul

## Introduction of 'Tax Year'





# REIMAGINING TAXATION: THE INCOME TAX ACT, 2025

By: CA Isha Gandhi

## TAXATION

### Understanding Income Tax

**Income Tax** is a **direct tax** collected by the Government of India on the income earned by individuals, businesses, and other entities. Income tax in India is presently governed by the Income Tax Act, 1961, and will henceforth be regulated under the Income Tax Act, 2025, which is slated to come into force from April 1, 2026.

#### UNDERSTANDING INCOME TAX – A Civic Contribution

Explanation: Income tax is not just a financial obligation-it's a contribution to the nation's progress. Whether you earn through a salary, business, or investments, a portion of your income goes toward building public infrastructure, funding education, healthcare, and national security.

- The more you earn, the higher your tax rate-this is called a progressive tax system.
- You can reduce your taxable income through eligible deductions like insurance premiums, retirement savings, or education expenses.
- Every year, you file an Income Tax Return (ITR) to declare your income and settle your tax dues.

#### BACKGROUND

##### Legacy of the 1961 Act

- The Income Tax Act, 1961 served India for over six decades.
- It has undergone approximately 65 rounds of amendments, resulting in over 4,000 individual changes., leading to a complex, fragmented, and often contradictory legal framework.
- Frequent changes created confusion for taxpayers and professionals, and increased litigation.

##### Need for Reform

- The law had become too bulky, with over 800 sections and outdated terminology.

- It lacked provisions for modern economic realities like digital assets, global mobility, and e-commerce.
- Compliance was burdensome, especially for small businesses and individual taxpayers.

##### Government's Vision

- In July 2024, the Finance Ministry announced a comprehensive review of the tax code.
- A Departmental Committee was formed to simplify language, reduce litigation, and remove redundant provisions.
- The committee consulted stakeholders, industry bodies, and global tax experts (e.g., UK, Australia) to align with international best practices.

##### Legislative Journey

- The original Income Tax Bill, 2025 was tabled in Parliament in February 2025.
- After extensive feedback, a revised version-Income Tax (No. 2) Bill, 2025-was introduced and passed in the Monsoon Session.
- It received Presidential assent in August 2025, and will be effective from April 1, 2026.

##### Economic Context

- India is undergoing rapid digitization, globalization, and formalization of its economy.
- The new Act supports these shifts by:
  - Recognizing Virtual Digital Assets (VDAs) like crypto and tokenized assets
  - Enabling faceless assessments and digital compliance
  - Rationalizing exemptions and deductions to reduce tax disputes





# Old vs New Act

- Schedule III – Income of HUFs and partnerships
- Schedule IV – NRE interest and foreign income exemptions
- Schedule V – Virtual Digital Assets (crypto, NFTs)-includes reporting and taxation
- Schedule VI – Capital gains exemptions and start-up incentives.

## 6. Dispute Resolution & Appeals

- Introduces Alternate Dispute Resolution (ADR) mechanisms for faster resolution of tax disputes.
- Appeals and revisions are streamlined with faceless and time-bound procedures.

## 7. Special Provisions for NPOs and Start-ups

- Replaces the traditional “trust” framework with a modern Non-Profit Organisation (NPO) regime.
- Start-up-friendly provisions for capital gains, ESOPs, and angel investments. For Example: Exemptions on capital gains for eligible start-up investments.

## 8. Compliance & Enforcement

- Updated penalty and prosecution clauses for digital non-compliance.
- Strengthened provisions for search, seizure, and recovery- especially for digital transactions.

## 9. Policy Continuity

- No change in tax rates or slabs-ensuring stability for taxpayers. Focus remains on clarity, efficiency, and modernization, not on altering the tax burden

Dispute Resolution & Appeals

Special Provisions for NPOs and Start-ups

Topic	Income Tax Act, 1961	Income Tax Act, 2025	What's Changed
Income from Salaries	Sections 15-17	Sections 15-18	Definitions clarified; perquisites and allowances streamlined
Income from House Property	Sections 22-27	Sections 19-22	Language simplified; self-occupied and let-out rules retained
Profits & Gains of Business or Profession	Sections 28-44	Sections 23-55	Broader scope; includes digital transactions, presumptive income, R&D incentives
Depreciation	Section 32	Section 41-48	Retained with updated asset classification and digital asset inclusion
Presumptive Taxation	Sections 44AD, 44ADA, 44AE	Sections 49-55	Thresholds updated; digital receipts emphasized
Capital Gains	Sections 45-55	Sections 56-70 +Schedule VI	Simplified structure; startup incentives and IFSC benefits added
Income from Other Sources	Section 56	Section 71-75+Schedule V	Expanded to cover Virtual Digital Assets (crypto, NFTs)
Deductions (Chapter VI-A)	Sections 80C-80U	Section 76-95	All deductions consolidated into one schedule for clarity
Set-Off & Carry Forward of Losses	Sections 70-80	Sections 96-110	Rules retained; now grouped under one chapter
Audit & Books of Account	Sections 44AA, 44AB	Sections 111-115	Audit limits revised; digital record-keeping mandated
TDS/TCS	Sections 192-206C	Chapter XIX + Consolidated Table	Unified structure; all rates and thresholds in one place
NPOs & Charitable Trusts	Sections 11-13, 80G	Part B of Chapter XVII + Schedule IX	Streamlined registration, audit, and exemption rules

**INCOME HEADS & KEY PROVISIONS OLD VS NEW ACT: A COMPARISON**





# Implication Implication for Stakeholders

Taxpayers

Businesses & Start-ups

Government &  
Regulators

The Income Tax Act, 2025 retains the core structure but reorganizes and simplifies provisions for modern compliance. Each topic now sits in a logical sequence, making it easier for professionals, taxpayers, and digital platforms to navigate.

### IMPLICATION FOR STAKEHOLDERS

The Income Tax Act, 2025 brings wide-ranging implications for various stakeholder groups, reshaping how they interact with the tax system:

#### Taxpayers (Individuals & HUFs)

- Benefit from simplified language, pre-filled returns, and clearer deduction rules.
- Reduced compliance burden through faceless assessments and digital filing.
- Greater clarity on exemptions and income classification, especially for digital assets.

#### Businesses & Start-up's

- Presumptive taxation and depreciation rules are modernized to reflect digital operations.
- Start-up's gain from clearer capital gains exemptions and incentives under Schedule VI.
- Audit thresholds and reporting formats are streamlined, reducing administrative overhead.

#### Non-Profit Organizations (NPOs)

- Registration and compliance consolidated under Schedule IX.
- Easier navigation of exemption rules and reporting obligations.
- Enhanced transparency and accountability through digital audit trails.

#### Tax Professionals & Advisors

- More predictable advisory environment with unified sections and thematic grouping.
- Reduced litigation risk due to clearer definitions and dispute resolution mechanisms.

- Opportunity to shift focus from compliance-heavy tasks to strategic tax planning.

#### Government & Regulators

- Improved revenue forecasting and monitoring through real-time data integration.
- Enhanced ability to detect evasion and enforce anti-avoidance rules like GAAR.
- Stronger alignment with global tax standards and digital economy frameworks.

### IMPLEMENTATION AND FUTURE UPDATES

- As of now, the Income Tax Act, 2025 has been enacted and is set to take effect from April 1, 2026. However, the detailed Income-tax Rules, which will outline procedures, forms, and compliance mechanisms, are yet to be notified by the Ministry of Finance and CBDT.
- It's also important to note that certain provisions of the Act may undergo amendments or clarifications before or after implementation. These updates may come through official notifications, circulars, or budget announcements.

### STRATEGIC TAKEAWAY

The Income Tax Act, 2025 marks a major shift toward a simplified, transparent, and technology-driven tax system. By reorganizing income heads, consolidating exemptions and deductions, and introducing digital compliance mechanisms, the Act replaces outdated complexity with modern clarity. Professionals will benefit from streamlined reporting formats, faceless assessments, and a unified structure that reduces ambiguity and litigation risk. With the inclusion of new concepts like Virtual Digital Assets, a standardized "tax year," and enhanced dispute resolution mechanisms, the Act aligns India's tax framework with global best practices. This reform is not just a legislative update-it's a strategic move toward a more efficient, equitable, and taxpayer-friendly regime.





# CKYCRR - Process for Claiming Incentives for CKYCRR Transactions

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

CKYCRR Transactions

This is to bring to your attention the recent communication from the Central KYC Records Registry (CKYCRR) regarding a new incentive framework for Regulated Entities (REs), aimed at encouraging timely and accurate compliance with CKYC requirements.

### Key Highlights:

Incentive Payouts (Effective from January 1, 2025):  
₹0.50 per new KYC upload  
₹0.25 per KYC update

**Quarterly Payments:** Incentives will be credited directly to REs' registered bank accounts on a quarterly basis, subject to timely submission of monthly invoices.

**Dedicated Module:** A 'Billing Management' module is now live on the CKYCRR portal to streamline account registration, invoice submissions, and payment tracking.

**Incentive Eligibility:** Includes both new CKYC uploads and updates performed via the portal by NBFCs/HFCs and other REs.

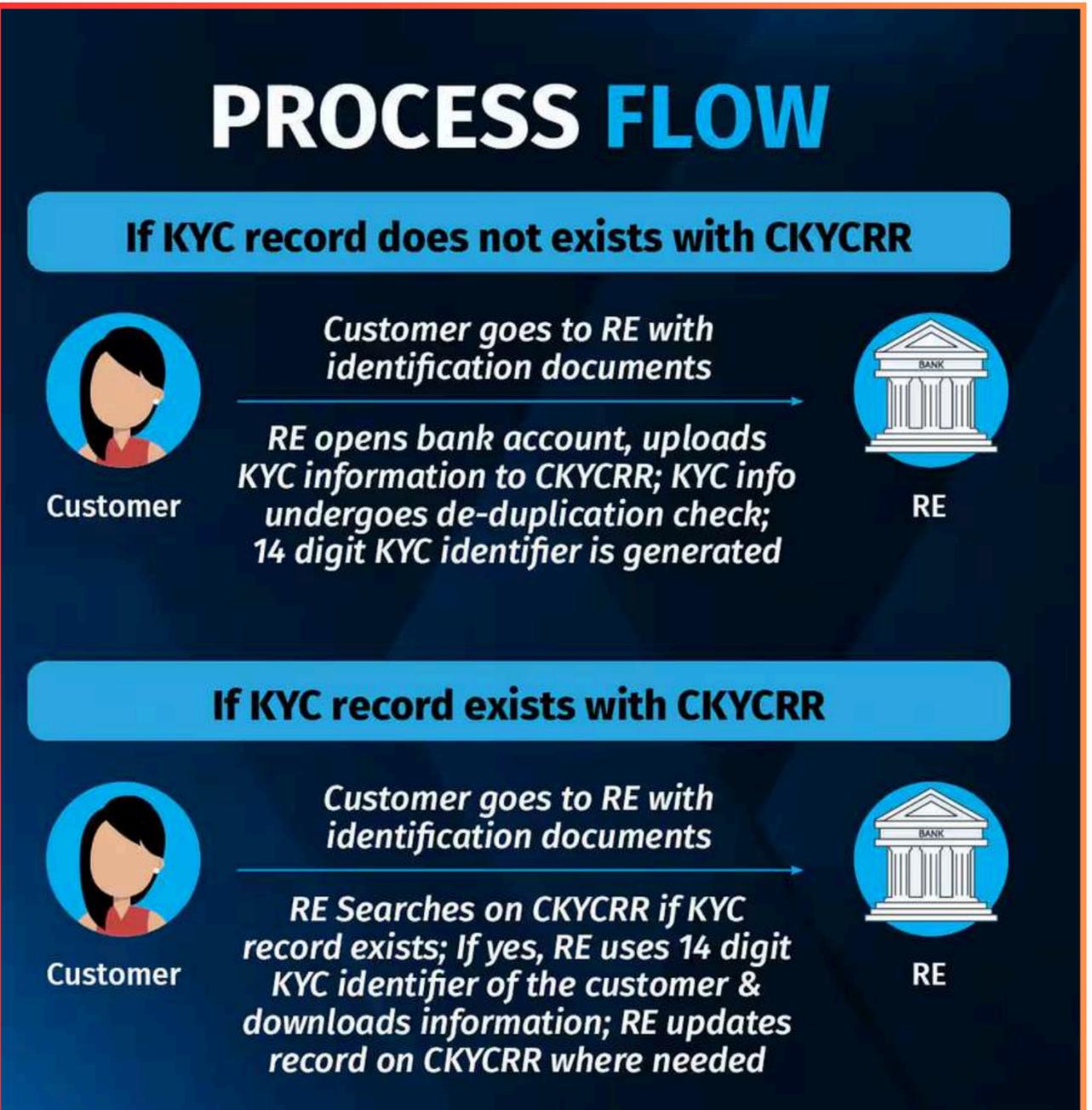
-Support for Claim Processing: In case of rejections, REs are allowed to resubmit corrected claims within 15 days.

### Implications & Benefits for NBFCs:

- Direct financial benefit for every verified CKYC transaction.
- Improved KYC compliance standing with the regulator.
- Operational streamlining via the automated billing and tracking system.
- Encourages standardized KYC practices across all branches and systems.

### Next Steps:

- Ensure registration of our bank account on the CKYC portal.
- Begin submission of monthly invoices as per the format.
- Monitor and follow up on rejected claims within 15 days to avoid delays.



*This initiative demonstrates the regulator's strong push towards digitization and incentivized compliance, offering tangible benefits for proactive adoption.*

Quarterly Payments

Dedicated Module





# Reserve Bank of India (Project Finance) Directions, 2025

By- VK Sareen, Executive Director- Credifin Limited

Detailed Prudential Conditions

Benefits from DCCO

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Project Finance) Directions, 2025 on June 19, 2025, creating a harmonised framework for financing projects in both infrastructure and non-infrastructure sectors, including commercial real estate (CRE) and CRE-residential housing, by regulated entities (REs). These directions apply to all commercial banks (including small finance banks but excluding payments banks, local area banks and RRBs), all NBFCs (including housing finance companies), all primary urban cooperative banks, and all India financial institutions.

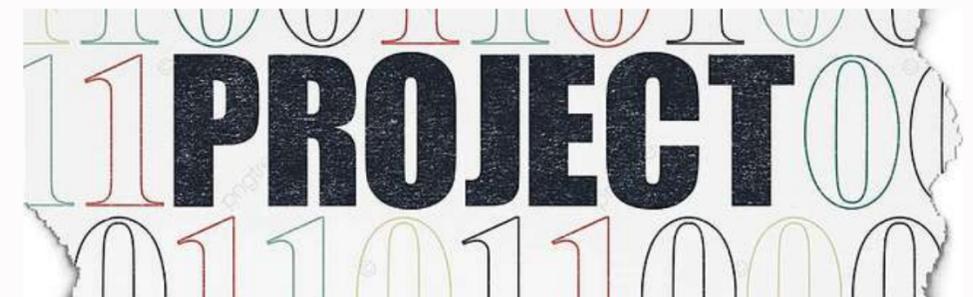
The framework introduces **detailed prudential conditions for sanction** and monitoring of project finance exposures. Financial closure and the original date of commencement of commercial operations (DCCO) must be achieved and clearly documented before disbursement. For a given project, the original, extended, or actual DCCO must remain uniform across all lenders. In case of infrastructure projects under the PPP model, disbursement can only begin after the **‘Appointed Date’** is declared. If the appointed date changes before disbursement, the original DCCO may be modified through a supplementary agreement subject to viability reassessment, with a techno-economic viability (TEV) study mandated if the aggregate exposure is ₹100 crore or more.

**On resolution involving DCCO extension**, a credit event during the construction phase triggers a collective resolution process, where the term ‘default’ is interpreted as ‘credit event.’ NBFCs must conduct a prima facie review within 30 days. A project finance account can retain its ‘standard’ classification if a resolution plan extending the DCCO is implemented within permitted limits-up to 3 years for infrastructure projects and up to 2 years for non-infrastructure projects (including CRE and CRE-RH).

Financing of cost overruns up to 10% of original cost plus IDC is allowed under a standby credit facility (SBCF), and for infrastructure projects, additional funding without a pre-sanctioned SBCF must be priced at a premium. Changes in project scope leading to a 25% or more increase in outlay are permitted for DCCO extension if viability is reassessed and external ratings remain stable or decline by no more than one notch, with unrated projects above ₹100 crore exposure requiring investment grade ratings. This benefit is allowed only once per project. Failure to implement the resolution plan as per these conditions results in immediate downgrade to NPA.

For provisioning, standard assets benefiting from DCCO deferment must carry additional provisions: 0.375% per quarter of deferment for infrastructure project loans and 0.5625% per quarter for non-infrastructure loans. These are reversed once commercial operations commence. Existing projects with financial closure before the effective date are exempt, unless there is a fresh credit event or a material change in loan terms.

**Finally, regulated entities must maintain detailed, project-specific electronic databases covering debtor profile, project profile, DCCO changes, and other parameters, updating changes within 15 days. Disclosures on implemented resolution plans must also be made under ‘Notes to Accounts’ in financial statements. These directions will come into effect from October 1, 2025.**





# CKYCRR - Information Security Audit Periodicity

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

Information Security

CYCRR Scope of Audit

Enhancing Protection of KYC Data

The Central KYC Records Registry (CKYCRR) has recently issued a communication emphasizing the mandatory requirement for Information Security Audits by all Reporting Entities (REs). This directive reinforces the responsibility of REs to safeguard sensitive KYC data and ensure compliance with regulatory expectations.

### Key Highlights

- All Reporting Entities are required to conduct Information Security Audits in accordance with the guidelines prescribed by their respective regulatory authorities.
- These audits must be undertaken at least once every year.
- The **scope of the audit** must explicitly include:
  - a. Infrastructure used to access CKYCRR.
  - b. Systems involved in the storage, retrieval, and usage of CKYCRR data.
  - c. Security measures, processes, and controls surrounding CKYCRR connectivity and data handling.
- Compliance must align with sector-specific regulatory guidelines (RBI, SEBI, IRDAI, PFRDA, etc.), ensuring consistency with broader information security standards.
- Findings from the audits should be documented, with corrective measures implemented promptly to strengthen the security environment.

### Significance

- Enhances protection of sensitive KYC data, ensuring confidentiality, integrity, and availability.
- Builds resilience against cyber threats and operational vulnerabilities
- Demonstrates adherence to regulatory requirements, reducing the risk of supervisory action or penalties..



- Establishes a consistent, proactive approach towards information security across all entities accessing CKYCRR.

### Way Forward

Reporting Entities must integrate the Information Security Audit requirement into their annual compliance frameworks, ensuring timely scheduling, engagement of certified independent auditors, and comprehensive coverage of CKYCRR-related infrastructure, systems, and controls. REs are encouraged to adopt continuous monitoring, vulnerability assessments, and staff awareness programs to build resilience against evolving threats. Transparent engagement with regulators, coupled with alignment to sectoral guidelines and global best practices such as ISO 27001 and NIST, will not only ensure compliance but also strengthen trust, governance, and the overall security posture of the CKYCRR ecosystem.





# Deendayal Antyodaya Yojana-National Rural Livelihoods Mission

- By CA Kanika Gupta

## Background

The Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM) was launched in 2013 by restructuring the earlier Swarnajayanti Gram Swarozgar Yojana (SGSY). It was later renamed DAY-NRLM in 2016. The mission seeks to reduce rural poverty by building strong institutions of the poor, particularly women, and enabling them to access financial services, livelihood support, training, markets, and social entitlements.

## Key Features of the Master Circular

- **Self Help Groups (SHGs):** Women SHGs form the foundation of the program. Groups usually consist of 10-20 members, with flexibility in tribal and remote areas. Federations at village and cluster levels are encouraged for sustainability.
- **Financial Support:**
  - Revolving Fund (RF) of ₹10,000-₹15,000 to eligible SHGs.
  - Community Investment Fund (CIF) routed through federations to support SHG lending and collective activities.
  - Interest subvention on SHG loans up to ₹3 lakh, bringing down the effective interest rate for women groups.
- **Credit Norms:**
  - Banks must provide collateral-free loans to SHGs, with no margin requirement for loans up to ₹10 lakh.
  - Multiple doses of credit are encouraged, with loan sizes linked to SHG performance.
  - Loans may be sanctioned as Term Loans or Cash Credit Limits with progressive enhancement over time.
- **KYC and Accounts:** SHGs are required to open savings or current accounts with banks. Usual KYC norms apply, and Business Correspondents may assist in account opening.

- **Governance and Monitoring:** Banks are required to set up dedicated cells for DAY-NRLM monitoring. Regular reporting on credit flow, repayment, and performance is mandated at branch, district, and state levels.
- **Financial Inclusion & Capacity Building:** Special focus is placed on financial literacy, the use of ICT tools, and engaging “Bank Mitras” or Business Correspondents to ensure outreach in rural areas.

## Implementation and Funding

DAY-NRLM is a centrally sponsored scheme with cost-sharing between the Centre and States, and full central funding in Union Territories. Implementation is phased through “intensive blocks” with full interventions and “non-intensive blocks” with limited support in the initial stages.

## Recent Performance

- Cumulative disbursements to women SHGs under DAY-NRLM have crossed several lakh crore rupees, reflecting the strong credit flow into rural livelihoods.
- The program has maintained relatively low levels of non-performing assets, indicating strong credit discipline among SHGs.
- Continuous training, workshops, and joint initiatives between banks and State Rural Livelihood Missions are strengthening implementation.

## Way Forward

Banks and financial institutions are expected to align fully with the Master Circular, ensuring timely credit to SHGs, strict adherence to interest subvention norms, and transparent monitoring. Proactive implementation will not only ensure compliance but also foster inclusive growth, empower women, and strengthen the rural economy.

Deendayal Antyodaya Yojana

Financial Support

Enhanced Accessibility & Verification Flexibility





## Risk Weights

## Microfinance Loans

### Reduction in Risk Weights

### Differentiated Risk Weights

# REVIEW OF RISK WEIGHTS ON MICROFINANCE LOANS

By- Dr. Wishey Kataria

Risk weights are regulatory multipliers used in computing the Capital to Risk Weighted Assets Ratio (CRAR) under Basel norms and RBI guidelines. They determine the amount of regulatory capital financial institutions must hold against different classes of exposures.

Microfinance loans are a critical channel for advancing financial inclusion in India, reaching millions of low-income households. However, given that these loans are typically unsecured and sensitive to economic or climatic shocks, the Reserve Bank of India (RBI) assigns specific risk weights to ensure prudential safeguards. The RBI is currently reviewing these risk weights to strike a balance between systemic stability and the need for affordable credit flow.

### Current Regulatory Position

- Microfinance loans presently attract a standard risk weight of 75-100 percent, depending on borrower profile and classification.
- A higher risk weight translates into higher capital requirements for lenders, impacting lending capacity and cost of funds.
- These measures are intended to protect the sector from default contagion and maintain financial stability.

### Why a Review is Timely

Several factors have prompted the RBI to re-examine this framework:

- Sector Expansion: The outstanding microfinance portfolio has crossed ₹3.3 lakh crore in FY 2024-25.
- Institutional Diversification: Microfinance is now provided not only by NBFC-MFIs but also by banks, small finance banks, and fintech players.
- Asset Quality: Portfolio at Risk (PAR >30 days) has improved since the COVID-19 disruption, though stress remains in certain regions.
- International Comparisons: Some emerging markets have reduced risk weights after observing strong repayment cultures. India continues with relatively conservative norms.

### Possible Regulatory Approaches

The review may lead to one of three broad outcomes:

#### 1. Reduction in Risk Weights (to 50-75 percent)

- Would lower capital requirements, enhancing credit outreach.
- Potential reduction in borrowing costs for end-clients.

#### 2. Status Quo (retain 100 percent)

- Maintains capital strength but constrains growth.
- Ensures lenders remain insulated against regional shocks.

#### 3. Differentiated Risk Weights

- Assigns lower risk weights to institutions with strong governance and asset quality.
- Encourages discipline and prudent growth in the sector.

The implications of this review are far-reaching. For lenders, a reduction would enhance capital efficiency and returns but would also place greater responsibility on risk management and underwriting quality. For borrowers, the outcome could directly influence interest rates and access to credit, particularly in underserved regions. For regulators, the challenge is to calibrate policy in a way that sustains financial inclusion without compromising systemic resilience.

Whatever the final decision, one fact remains clear: microfinance institutions must continue to strengthen their practices. Investments in advanced credit scoring models, portfolio diversification, digitized collections, and transparent pricing will be essential to ensure that any regulatory relaxation translates into sustainable growth.

**The review of risk weights, therefore, is not merely a technical adjustment it is a signal of how the sector will be positioned in India's broader financial architecture over the coming decade.**





# RBI Issues New Master Direction on Payment Aggregators- 2025

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

The Reserve Bank of India (RBI) has issued a comprehensive Master Direction on Payment Aggregators (PAs), consolidating earlier circulars and establishing a uniform regulatory framework. This move is intended to enhance consumer protection, strengthen governance, and ensure secure and transparent operations in the payments ecosystem.

## Key Regulatory Provisions

### Authorization and Capital Norms

Non-bank entities must obtain a Certificate of Authorisation (CoA) from RBI. The minimum net worth requirement is ₹15 crore at the application stage, rising to ₹25 crore within three years of authorization.

### Governance Standards

Payment Aggregators must be professionally managed, with promoters, directors, and senior management required to meet fit and proper criteria. Any change in control or ownership requires prior RBI approval.

### Risk and Security Compliance

Entities must implement robust information security frameworks, undergo periodic system audits (including by CERT-In auditors), and comply with PCI-DSS/PCI-SSF standards. Data breaches and security incidents must be reported promptly.

### Escrow and Settlement Framework

All customer funds must be routed through designated escrow accounts with scheduled commercial banks. Cross-border PAs are required to maintain separate inward and outward collection accounts. No inter-mixing of funds is permitted.

### Reporting and Audit Obligations

Quarterly auditor certifications, monthly transaction reports, and annual net worth audits are mandatory. Internal, external, and cybersecurity audits must be carried out in line with prescribed timelines.

## Capital Requirement Snapshot

- ₹15 crore net worth at time of application.
- ₹25 crore by third financial year post-authorisation.
- Ongoing requirement to maintain minimum ₹25 crore.

## Implications for Stakeholders

For non-bank Payment Aggregators, the most immediate challenge is meeting higher capital and compliance standards. Smaller players may need to strengthen systems, raise additional equity, or consider consolidation. Merchants can expect clearer settlement timelines and more transparent fee structures, while banks will have more defined oversight responsibilities in escrow and settlement arrangements. Consumers, meanwhile, should benefit from enhanced security standards, faster refunds, and improved grievance redressal processes.

## Strategic Outlook

The Indian digital payments market processed transactions worth over ₹200 trillion in FY 2024-25, with Payment Aggregators handling an estimated ₹40-45 trillion of this volume. The sector is projected to grow at a 20-25 percent CAGR over the next five years, driven by e-commerce, UPI growth, and cross-border digital trade.

The new Master Direction ensures that this growth is underpinned by strong regulatory discipline. Larger players with capital backing and robust compliance frameworks are expected to consolidate market share, while smaller PAs may need to collaborate or specialize to survive. For the ecosystem, the framework is a step towards building a more resilient, secure, and globally benchmarked payments infrastructure.



NBFC Compliance Calender

September-2025

Sept-25	Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance
07-Sep	Monthly TCS Payment	Taxpayers collecting TCS for the month of Aug 25				
	Monthly TDS Payment	Taxpayers collecting TDS for the month of Aug 25				
11-Sep			GSTR-1 Filing (Monthly):	For taxpayers with annual turnover > ₹1.5 crore or who have opted for monthly filing.		
13-Sep			Quarterly GSTR-1 IFF (QRMP scheme):	Filing for Aug 25 (Optional)		
15-Sep	Income Tax return Filing	Income Tax return for individuals , Non Corporates who are not -liable to tax audit for FY 24-25			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
	Advance Income tax	Advance Income tax for July to Sept 2025 (2nd Installment)				
	ESI Challan	Employers registered under ESI Act for the month of August 25				
	PF Challan (ECR)	Employers registered under EPF Act for the month of August 25				
19-Sep			CMP 08	Filing for April-June 2025 quarter (Compsition Scheme)		
20-Sep			GSTR-3B (Monthly)	For taxpayers with:		
				Annual turnover > ₹5 crore, or Opted for monthly filing		
25-Sep			GST Challan Payment	GST Challan Payment if no sufficient ITC for Aug 2025 (for all Quarterly Filers)		
27-Sep	AOC 4	Filing By One Person Company for FY 2024-25				
30-Sep	DIR 3	KYC for Directors of Company's and LLP's			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
	AGM	Annual general meeting for Companies'			Capital Adequacy Ratio (CAR ) Reporting	All NBFCs relating to reporting minimum Capital Adequacy Compliance
	Form 3CB-3CD and 3CA -3CD	Audit Report in Form 3CB-3CD and 3CA -3CD for Non -Corporate's and Corporate's for FY 2024-25			Balance Sheet & Profit/Loss Statement	All NBFCs-Submission of annual financial statement
	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Aug 2025				





# NBFC Compliance Calender

## October-2025

Oct-25	Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance
07-Oct	Monthly TCS Payment	Taxpayers collecting TCS for the month of Sep 25				
	Monthly TDS Payment	Taxpayers collecting TDS for the month of Sep 25				
11-Oct			GSTR-1 Filing (Monthly)	For taxpayers with annual turnover > ₹1.5 crore or who have opted for monthly filing.		
13-Oct			Quarterly GSTR-1 (QRMP scheme)	Filing for July to Sept 25		
14-Oct					AD-1	Filing with ROC for Appointment of an Auditor for Companies
15-Oct	ESI Challan	Employers registered under ESI Act for the month of Sept 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 Sept 25				
	TCS Return	TCS return in form 27EQ for July to Sept 25				
18-Oct			CMP 08	Filing for July-Sep 2025 quarter (Composition Scheme)		
20-Oct			GSTR-3B (Monthly)	For taxpayers with:		
				Annual turnover > ₹5 crore, or Opted for monthly filing		
21-Oct					Financial Details Return (DNBS02)	Base Layer NBFC for Reporting financial position, asset classification, and liabilities
					DNBS-01, DNBS-03 Returns	Middle Layer and Upper Layer NBFC for financial performance, risk, and deposits
					DNBS-4A Return	Base Layer NBFC with Asset Size of 100 Crore and Above & Middle Layer NBFC relating to Short term Dynamic Liquidity
					Return of Overseas Investments (DNBS13)	Base Layer NBFC For Overseas Investment
22-Oct			GSTR-3B	Filing for July-Sept 2025 quarter for South India		
24-Oct			GSTR-3B	Filing for July-Sept 2025 quarter for North India		
29-Oct					AOC4	Filing of audited financial statements by Companies for FY 24-25
30-Oct	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Aug 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
	Issue of TCS Certificates	Form 27D for July to Sept 2025			FORM 8	Filing of Statement of Account & Solvency by LLP to ROC for FY 24-25
31-Oct	TDS Return filling	Q2 of FY 2025-26 ( July to Sept 25)			FDI Compliance Certificate (FDI-SAC)	HFCs with Foreign Direct Investment
	Income Tax Return	Income tax return for NON -corporates who needs Audit and Corporates for FY 24-25			Loan Securitization & Borrowing Compliance	NBFCs engaged in loan securitization for Ensuring adherence to RBI securitization & direct assignment guidelines
					Interest Rate Futures (IRF) Transaction Statement	NBFCs engaging in derivatives





# NBFC Compliance Calender

## Compliance Required

S No.	In addition to:	COMPLIANCE REQUIRED
1	Statutory Compliance Board Meetings	<b>All NBFC</b> -Quarterly meetings discussing regulatory updates-4 times a year as per Companies Act
2	FEMA Foreign Investment Reporting	<b>NBFCs with FDI</b> -Report any foreign direct investment (FDI) transactions to RBI on Monthly Basis as per FEMA and RBI FDI Guidelines
3	Customer Complaint Tracking	<b>All NBFC's</b> -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)	<b>NBFCs engaged in secured lending</b> -reporting securitization and asset reconstruction transactions on Weekly Basis as per SARFAESI Act
5	CKYC Uploads	<b>All NBFCs</b> 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)	<b>All NBFCs</b> -Submission of suspicious transaction reports to FIU-IND on Weekly basis as per Prevention of Money Laundering Act
7	DNBS10 (Statutory Auditors Certificate)	<b>All NBFCs &amp; Asset Reconstruction Companies (ARCs)</b> - 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	<b>Base Layer NBFC with Asset Size of 500 Crore and Above, Middle Layer NBFCs</b> -Return for Large Credits & SMA to be filed on or before Wednesday of the following week



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