



**NBFC** *FinSight*

*Credit to Credibility...*

*Business &  
Compliance*

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## Newsletter





NBFC businesses do not fail. NBFC business models fail.

Sustainability, Longevity & Attrition

## NBFC businesses do not fail. NBFC business models fail.

**“This distinction is not merely semantic-it is strategic”**

The Non-Banking Financial Company sector has consistently demonstrated resilience across economic cycles. From liquidity shocks to regulatory overhauls led by the Reserve Bank of India, from digital disruption to governance tightening, NBFCs have adapted, evolved, and endured. The institution survives. What collapses is the structure on which it was built. At its core, an NBFC is not a product; it is a framework of risk assessment, capital allocation, trust, and discipline. When sustainability weakens, longevity is threatened. When governance dilutes, profitability becomes cosmetic. When culture erodes, attrition rises. And when business models fail to recalibrate, even strong balance sheets begin to tremble.

**Sustainability** today is no longer confined to capital adequacy ratios or provisioning norms. It is about building a liability profile that matches asset maturity, designing underwriting systems that are data-intelligent rather than volume-driven, and embedding compliance as a growth enabler rather than a regulatory burden. Sustainable NBFCs do not chase expansion; they engineer endurance.

**Longevity** is built on governance depth. The sector has witnessed cycles where rapid growth masked structural fragility. Institutions that survived were those that invested in board oversight, internal controls, transparent disclosures, and ethical lending practices. Longevity is not a function of size-it is a function of discipline. Profitability must be quality-driven. Yield without risk calibration is illusionary. True profitability in NBFCs lies in optimized cost of funds, calibrated risk-based pricing, diversified portfolios, and operational efficiency enabled by technology. Margin expansion that ignores asset quality is deferred loss.

**Attrition**, often overlooked in financial discourse, is equally strategic. Talent stability directly influences credit quality & collection efficiency.

High-performing NBFCs build cultures where accountability coexists with growth opportunity. In a sector driven by human judgment, people are the real balance sheet.

The evolving regulatory architecture signals a decisive shift- scale-based regulation, tighter governance standards, enhanced disclosure norms, and greater supervisory intensity. This is not constraint; this is consolidation of credibility. The future belongs to NBFCs that align strategy with regulatory foresight rather than react to it. As we reflect on the sector's trajectory, one truth becomes evident: failures attributed to NBFCs are rarely failures of the concept. They are failures of over-leveraged models, mispriced risk, weak governance frameworks, or aggressive expansion without capital buffers. Correct the model, and the institution revives. Strengthen the structure, and the cycle stabilizes.

The NBFC sector remains a vital pillar of financial inclusion, credit penetration, MSME empowerment, and last-mile funding. Its role in bridging formal finance gaps is irreplaceable. But its continued relevance depends on structural maturity.

***In finance, evolution is not optional-it is survival.***

Warm regards,

**Dinesh Gupta**  
Chief Editor- NBFC FinSight





# Closing the Regulatory Gap Between Banks and NBFCs

## IRAC Alignment: Closing the Regulatory Gap Between Banks and NBFCs

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

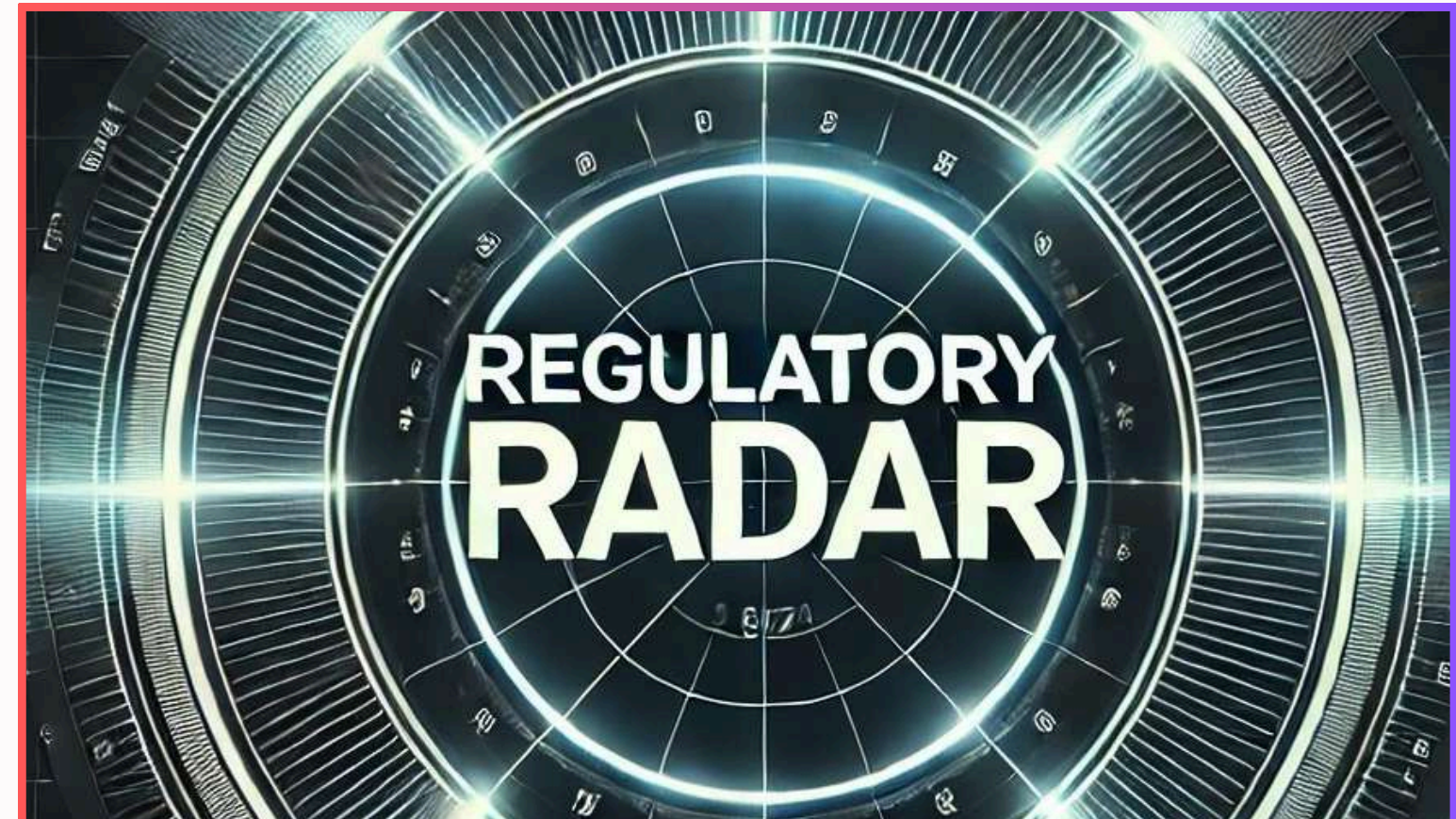
The decision by the Reserve Bank of India to align IRAC norms across banks and NBFCs marks a decisive step toward regulatory convergence and systemic discipline. IRAC - Income Recognition, Asset Classification and Provisioning - lies at the heart of credit risk management. Historically, NBFCs operated under slightly differentiated recognition and provisioning frameworks compared to banks. While this flexibility supported sectoral growth and credit expansion, it also created regulatory arbitrage and inconsistency in asset quality reporting. The new alignment aims to eliminate those gaps and bring uniformity in how stress is identified, classified, and provided for across the financial system. Under the strengthened framework, NBFCs must follow tighter norms for NPA recognition, day-count based overdue classification, and provisioning requirements similar to banks. This reduces discretion in asset tagging and ensures that stressed exposures are recognized early rather than deferred. For investors, lenders, and rating agencies, this means improved comparability of balance sheets between banks and NBFCs. For the broader system, it reduces opacity in credit risk reporting. The deeper implication is structural. As NBFCs have grown in size and interconnectedness - with many now borrowing significantly from banks and capital markets - their health directly impacts financial stability. If asset stress in NBFCs is under-reported or provisioned inadequately, it can transmit shocks across the system. IRAC alignment strengthens transparency and reduces the probability of hidden balance sheet risks building up over time. This move also signals the RBI's philosophy that regulatory intensity must reflect systemic relevance. Large NBFCs today perform quasi-banking functions - including retail lending, MSME finance, vehicle finance, and infrastructure exposure. When entities operate at near-bank scale, regulatory expectations naturally converge toward banking standards.

Ultimately, this reform is not merely about compliance - it is about credibility. A harmonized IRAC regime positions India's shadow banking sector on stronger footing, ensuring that growth is built on realistic asset recognition and adequate buffers rather than regulatory flexibility.

### Two Key Takeaways

**Transparency and Comparability Improve System Confidence:** Uniform IRAC norms eliminate regulatory arbitrage, ensure timely stress recognition, and allow apples-to-apples comparison between banks and NBFCs. This strengthens investor trust and systemic transparency.

**Short-Term Profit Pressure, Long-Term Stability Gain:** Higher provisioning and stricter asset classification may compress margins initially, but they enhance capital resilience, risk discipline, and long-term financial stability across the credit ecosystem.



Transparency and Comparability Improve System Confidence

Short-Term Profit Pressure, Long-Term Stability Gain





# Governance Standards Move Closer to Banking Norms

## Governance Standards Move Closer to Banking Norms

By: CA Kanika Gupta

Stronger Board Oversight and Independence

Formalized Risk and Compliance Frameworks

Executive Accountability and Transparency

Governance standards across financial services are increasingly aligning with the rigorous frameworks long associated with the global banking sector. Driven by regulatory scrutiny, investor expectations, and lessons learned from past financial crises, institutions beyond traditional banks including asset managers, fintech firms, insurers, and private credit providers are adopting governance models that mirror banking norms in structure, oversight, and accountability. In the years following the 2008 global financial crisis, regulators strengthened oversight of major banks through frameworks such as enhanced capital requirements under Basel Committee on Banking Supervision guidelines and stress testing regimes supervised by central banks. These reforms elevated board accountability, formalized risk governance, and tightened internal control systems. Today, many non-bank financial institutions are voluntarily and in some jurisdictions mandatorily moving toward similar standards.

**A key catalyst for this shift is systemic risk.** As private markets and non-bank lenders grow in size and interconnectedness, regulators are concerned about potential spillover effects during market stress. Institutions that were once lightly regulated now face expectations for independent risk committees, formalized internal audit functions, and clearer delineation of executive responsibilities. Governance is no longer viewed merely as a compliance requirement but as a strategic safeguard against reputational and financial damage.

### 1. Stronger Board Oversight and Independence

Boards across financial firms are becoming more structured and specialized. Independent directors with deep risk, regulatory, and financial expertise are increasingly required, mirroring banking board composition standards. Dedicated risk committees once primarily a banking feature are now common in asset management and fintech firms.

Regulators and investors alike expect boards to actively oversee capital adequacy, liquidity management, cybersecurity resilience, and operational risk. This shift reflects a broader understanding that governance failures often precede financial distress. Enhanced director training and performance evaluations are also becoming standard practice.

### 2. Formalized Risk and Compliance Frameworks

Risk management functions are gaining prominence across non-bank institutions. Chief Risk Officers (CROs) now often report directly to the board or an independent committee rather than solely to executive management. Compliance teams are expanding in scope, incorporating anti-money laundering (AML), sanctions screening, data governance, and environmental, social, and governance (ESG) oversight. Stress testing historically associated with large banks is being adopted in other sectors to assess exposure to market shocks, credit deterioration, and liquidity events. Scenario analysis and recovery planning frameworks, once reserved for systemically important banks, are increasingly viewed as best practice across the financial ecosystem.

### 3. Executive Accountability and Transparency

Executive accountability standards are tightening, with clearer role definitions and documentation of individual responsibilities. Compensation structures are being linked more directly to risk outcomes and long-term performance metrics. Clawback provisions and deferred compensation models, common in banking, are becoming more widespread.

Transparency is also expanding. Stakeholders demand more detailed disclosures on risk exposures, governance structures, and decision-making processes.





# Calibrated Tightening with Selective Relief: RBI's Balanced Regulatory Approach

By: CA Isha Gandhi

India's central bank, the Reserve Bank of India (RBI), has adopted a nuanced regulatory strategy that combines calibrated tightening in high-risk areas with selective relief to sustain growth and innovation. In an environment marked by rapid credit expansion, fintech disruption, and global economic uncertainty, the RBI's approach reflects a careful balancing act between prudence and progress.

In recent years, India's financial system has demonstrated resilience, supported by stronger bank balance sheets, improved asset quality, and robust capital buffers. However, certain pockets of the market particularly unsecured consumer credit and segments of non-bank financial companies (NBFCs) have exhibited accelerated growth. Rather than imposing broad-based restrictions, the RBI has chosen targeted interventions designed to moderate excesses without dampening the broader credit cycle.

One notable measure has been the adjustment of risk weights on unsecured retail loans and select NBFC exposures. By increasing capital requirements in these segments, the RBI effectively signaled caution, encouraging banks to reassess risk pricing and underwriting standards. This move underscores a preventive philosophy: acting early to curb overheating rather than responding after stress emerges.

At the same time, the RBI has maintained liquidity support mechanisms to ensure that tightening in specific areas does not translate into systemic constraints. Liquidity operations, refinancing tools, and measured regulatory flexibility during transitional periods have helped sustain credit flow to productive sectors. This dual strategy demonstrates that risk containment need not come at the expense of economic momentum. Beyond credit moderation, governance and compliance have become central to the RBI's supervisory agenda.

Boards and senior management teams are expected to strengthen internal controls, risk oversight, and accountability structures. Enhanced scrutiny of digital lending models, outsourcing arrangements, and cybersecurity frameworks reflects growing recognition that operational and technology risks are as consequential as traditional credit risks. Importantly, the RBI has not positioned itself as an obstacle to innovation. Through regulatory sandboxes and structured digital lending frameworks, the central bank has encouraged responsible fintech growth. Clearer guidelines around data protection, customer consent, and transparency aim to foster trust while enabling technological advancement. The RBI's regulatory posture also aligns with global trends favoring macroprudential vigilance. In a world of interconnected capital flows and external volatility, maintaining financial discipline is essential to insulating domestic markets from external shocks. Yet, India's growth trajectory requires a supportive financial ecosystem. By differentiating between speculative excess and productive credit deployment, the RBI has sought to preserve both stability and expansion.

## Key Takeaways

- 1. Precision Over Blanket Tightening:** The RBI's targeted measures such as higher risk weights in specific credit segments reflect a calibrated response aimed at moderating localized risks without stifling overall lending.
- 2. Stability and Liquidity in Tandem:** While tightening in risk-heavy areas, the RBI has sustained liquidity support and transitional flexibility, ensuring that financial stability measures do not derail economic growth.
- 3. Governance as a Growth Enabler:** Stronger board oversight, compliance expectations, and digital risk supervision highlight a forward-looking approach where institutional discipline underpins sustainable innovation.

Strengthening  
Digital Consent  
Mechanisms

Stability and Liquidity in  
Tandem

Governance as a  
Growth Enabler





# Focus on Systemic Stability Over Micro Supervision

## Focus on Systemic Stability Over Micro Supervision - By Dinesh Gupta, Founder & Chief Consultant- DSB Law Group

Standardized  
RBI-Prescribed  
Format

Mandatory Evaluation  
Period for Borrowers

The evolving supervisory stance of the Reserve Bank of India reflects a clear strategic shift - from granular, entity-by-entity micromanagement toward a broader, system-oriented stability framework. As India's financial ecosystem deepens and NBFCs grow in scale, complexity, and interconnectedness, the regulator's priority is increasingly centered on safeguarding systemic resilience rather than monitoring every operational detail of smaller institutions.

This shift does not imply lighter supervision. Instead, it represents smarter supervision. The RBI is reallocating regulatory intensity toward institutions that pose higher systemic risk - those with significant balance sheet size, interconnected borrowings, complex structures, or large retail exposure. Smaller, low-risk NBFCs are gradually seeing proportionate compliance expectations, while systemically important entities face deeper scrutiny, stress testing, governance evaluation, and risk assessment. The rationale is grounded in macro-prudential philosophy. Financial crises rarely originate from isolated small entities; they typically stem from interconnected institutions whose distress can cascade across lenders, investors, and markets. By focusing on contagion channels, leverage concentrations, liquidity mismatches, and governance standards of large NBFCs, the RBI strengthens shock absorption capacity at the system level. This approach also aligns with global regulatory thinking. Modern financial supervision recognizes that excessive micro-level oversight can consume regulatory bandwidth without proportionate systemic benefit. Instead, regulators worldwide are moving toward risk-based supervision frameworks that prioritize institutions capable of transmitting systemic stress. In India, this thinking is visible in the scale-based regulatory architecture and differentiated supervisory layers.

Operationally, this means increased emphasis on capital buffers, liquidity coverage, asset-liability management discipline, related-party exposure monitoring, and board accountability in large NBFCs. Supervisory reviews are becoming more thematic and risk-focused rather than purely checklist-driven. Governance failures, concentration risk, and aggressive growth models are more likely to attract regulatory attention than minor procedural lapses in smaller firms. For the industry, this signals maturity. NBFCs that have scaled into quasi-banking roles are expected to operate with commensurate prudence. The regulatory expectation is clear - growth must be supported by robust risk frameworks, transparent disclosures, and responsible leverage. Entities that contribute more to systemic risk must carry proportionately higher compliance and capital responsibilities. At the same time, the shift supports innovation and credit expansion in segments where systemic risk is limited. Smaller NBFCs, fintech-linked lenders, and niche financiers can function with calibrated flexibility, provided they do not accumulate public funds or create interconnected vulnerabilities.

### Key Highlights

**Risk-Based Supervisory Allocation:** Regulatory intensity is increasingly linked to size, interconnectedness, and systemic relevance rather than uniform oversight across all NBFCs.

**Strengthening Shock Absorption Capacity:** Higher capital, liquidity, and governance standards for large NBFCs reduce contagion risk and enhance overall financial system resilience.

**Encouraging Proportionate Compliance:** Smaller, low-risk entities benefit from calibrated supervision, supporting credit flow and innovation without compromising systemic stability.





# A Shift from Resolution to Prevention

## A Shift from Resolution to Prevention

By: Dr. Wishey Kataria

The strengthening of grievance redress mechanisms (GRMs) in banks is no longer merely a compliance upgrade it is becoming a strategic imperative. Traditionally viewed as a backend function designed to resolve customer complaints, grievance systems are now being reimagined as critical components of governance, reputation management, and consumer protection frameworks. Across banking systems, regulators have pushed for faster turnaround times, centralized complaint tracking, and stronger board oversight of customer service standards. Yet the evolving landscape suggests a deeper transformation: grievance redress is shifting from a defensive mechanism to a forward-looking risk management tool.

### A Shift from Resolution to Prevention

Historically, banks focused on resolving complaints after escalation. Today, institutions are being encouraged to identify systemic issues through complaint analytics. Patterns in grievances whether related to digital transaction failures, mis-selling of products, or delays in service can reveal structural weaknesses in processes, controls, or employee conduct. By analyzing complaint data at scale, banks can detect early warning signals before they evolve into regulatory breaches or reputational crises. This data-driven approach positions grievance redress as part of operational risk management rather than an isolated customer service function.

### Governance and Accountability at the Core

An important development has been the elevation of grievance oversight to senior management and board levels. Periodic reporting on complaint volumes, resolution timelines, root-cause analysis, and compensation payouts now forms part of governance dashboards in many institutions. Clear accountability structures including designated grievance officers and escalation matrices ensure that unresolved complaints do not linger within operational silos. Some regulators have also strengthened ombudsman frameworks, providing customers with

independent review channels when internal resolution mechanisms fall short. This layered structure improves transparency and reinforces trust in the system.

### Digital Banking and the New Complexity

The rapid expansion of digital banking has significantly altered the grievance landscape. With real-time payments, mobile apps, and algorithm-driven lending decisions, customer expectations for instant resolution have increased. At the same time, digital channels introduce new forms of complaints cybersecurity breaches, unauthorized transactions, and data privacy concerns.

Banks are responding by integrating AI-based ticketing systems, chatbots for first-level resolution, and centralized complaint management platforms. However, automation must be balanced with empathy. A purely digital grievance process risks alienating vulnerable customers who require personalized support. Thus, the future model blends technology efficiency with human oversight.

### Consumer Trust as Competitive Advantage

In competitive banking environments, grievance redress quality can differentiate institutions. Transparent policies, quick compensation for service failures, and simplified complaint submission processes enhance brand credibility. Conversely, unresolved grievances can quickly escalate on social media, amplifying reputational damage.

Forward-looking banks are therefore embedding “customer fairness” principles into product design, ensuring clarity in terms and minimizing triggers for disputes. Proactive communication during service disruptions such as system outages further reduces complaint volumes.



Consumer Trust as Competitive Advantage

Digital Banking and the New Complexity





## Disciplined Growth: RBI Tightens Oversight on NBFC Branch Expansion

- By CS Sagrika Jayee - DSB Law Group

### RBI Tightens Oversight on NBFC Branch Expansion

The evolving regulatory framework for Non-Banking Financial Companies (NBFCs) reflects their growing role in India's credit architecture. Recent Branch Authorisation Directions issued by the Reserve Bank of India (RBI) signal a calibrated move toward strengthening oversight while preserving operational flexibility. As NBFCs continue expanding into semi-urban and rural markets, regulators are focusing on ensuring that physical growth aligns with sound governance, risk management, and consumer protection standards.

Unlike the earlier regime, which allowed relatively liberal branch expansion, the updated framework **introduces structured reporting and accountability mechanisms**. Well-governed NBFCs that meet prescribed capital adequacy, asset quality, and compliance benchmarks may continue to open branches without seeking prior approval in each instance. However, the onus now lies squarely on boards and senior management to ensure that expansion decisions are backed by robust internal controls, adequate staffing, grievance redress mechanisms, and technology systems capable of monitoring dispersed operations.

The directions also underscore the importance of transparency. NBFCs are required **to maintain updated records of branch openings and closures**, report changes to the regulator within stipulated timelines, and display essential customer information at branch premises. This strengthens supervisory visibility while reinforcing customer trust at the local level. In particular, NBFCs engaged in microfinance and retail lending must ensure fair practices, appropriate documentation, and grievance handling processes at every branch. Importantly, the framework reflects regulatory proportionality. Larger and systemically important NBFCs face tighter governance expectations, whereas smaller entities are provided operational space, subject to compliance with baseline norms.



This tiered approach recognises the diversity within the NBFC sector while addressing systemic risk considerations. From a strategic standpoint, the branch authorisation directions encourage disciplined growth rather than unchecked expansion. Physical presence remains relevant even in a digital-first financial ecosystem, especially in markets where personal engagement drives credit access. However, expansion without adequate supervision can expose institutions to operational lapses, reputational risk, and asset quality deterioration. For NBFCs, the message is clear: **geographic growth must be accompanied by governance maturity**. Boards must treat branch expansion not merely as a business development decision but as a risk-managed strategic initiative. In doing so, the sector can continue to deepen financial inclusion while maintaining stability and regulatory confidence.

In essence, the revised directions strike a balance between enabling outreach and ensuring accountability reinforcing the idea that sustainable expansion is rooted in strong institutional frameworks.

Maintain updated Records of Branch Openings and Closures

Geographic Growth must be accompanied by Governance Maturity





# Regulatory Boost for Structured Credit Models: RBI Clarifies DLG Treatment

By- VK Sareen, Executive Director- Credifin Limited

## Regulatory Boost for Structured Credit Models

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Non-Banking Financial Companies-Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026, introducing important clarifications on provisioning treatment for loan portfolios covered by Default Loss Guarantee (DLG) arrangements. These amendments modify the Reserve Bank of India (Non-Banking Financial Companies-Income Recognition, Asset Classification and Provisioning) Directions, 2025 and come into effect immediately.

DLG arrangements, which are typically treated as synthetic securitisation and therefore prohibited under the extant regulatory framework, were earlier permitted in limited contexts. RBI had first allowed DLG structures in digital lending arrangements through its circular dated June 08, 2023. Subsequently, similar treatment was extended to co-lending arrangements under Directions issued on August 06, 2025. With the growing use of such structures, the need for harmonised prudential treatment across NBFCs became evident.

Upon review, RBI has now introduced specific provisions to ensure consistency in application of prudential norms under the Expected Credit Loss (ECL) framework. Exercising its powers under Chapter III B of the Reserve Bank of India Act, 1934, the central bank has inserted new paragraphs 36A, 36B and 36C in the 2025 Directions to formalise provisioning norms for portfolios backed by DLG arrangements. Under newly inserted paragraph 36A, NBFCs may consider the benefit of DLG while determining provisions under the ECL framework across all asset stages, provided certain conditions are satisfied. The DLG arrangement must be integral to the contractual terms of the underlying loan and should not be recognised separately, in accordance with Indian Accounting Standards (IndAS). This ensures that provisioning benefits flow only where the guarantee structure is embedded within the loan arrangement itself and accounted for in line with applicable accounting principles.

Paragraph 36B mandates that NBFCs comply with disclosure requirements as prescribed under IndAS 1. This reinforces transparency and ensures that financial statements adequately reflect the impact of DLG arrangements on credit risk and provisioning assessments.

Importantly, paragraph 36C introduces a dynamic provisioning requirement. Since the DLG cover reduces upon every invocation event, NBFCs are required to recompute Expected Credit Loss (ECL) provisioning across stages after adjusting for the reduced DLG cover. This ensures that provisioning remains aligned with the actual residual credit protection available and prevents any overstatement of credit risk mitigation benefits.

In addition, consequential amendments have been made through the Reserve Bank of India (Non-Banking Financial Companies-Credit Facilities) Amendment Directions, 2026 dated February 13, 2026, to ensure regulatory coherence across related frameworks.

The amendment represents a calibrated regulatory step that balances flexibility in credit risk-sharing structures with prudential discipline. By allowing recognition of DLG under clearly defined accounting and contractual conditions, RBI has provided operational clarity to NBFCs engaged in digital lending and co-lending models, while simultaneously reinforcing transparency and dynamic risk assessment.

DLG arrangements into Expected Credit Loss Provisioning

Mandatory Disclosures under IndAS 1 Enhance Transparency

### Key Highlights:

- NBFCs may factor DLG arrangements into Expected Credit Loss provisioning across all stages, subject to IndAS requirements and contractual integration.
- Mandatory disclosures under IndAS 1 enhance transparency of DLG-linked credit risk treatment.
- ECL provisioning must be recalculated after every DLG invocation, ensuring prudential alignment with reduced guarantee cover.





# NBFC Sector-Q3 Trends & Key Takeaways

## NBFC Sector-Q3 Trends & Key Takeaways

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

The NBFC sector delivered a steady and reassuring performance in Q3, reflecting stabilising credit momentum and a visible pivot toward secured lending. While certain unsecured segments remain in recovery mode, the broader narrative is one of resilience, disciplined growth, and portfolio recalibration.

Gold finance emerged as the strongest performing segment this quarter. Elevated gold prices increased collateral values, enabling higher ticket sizes and stronger disbursements. Companies such as Muthoot Finance and Manappuram Finance continue to benefit from structural demand in rural and semi-urban markets. Asset quality remained stable, reinforcing the defensive appeal of this segment.

### Overall Sector Performance

Metric	Q3 Trend	Commentary
Aggregate AUM Growth	18% YoY / 5% QoQ	Healthy expansion led by secured segments
Disbursements	Sequential improvement	Momentum returning after prior moderation
Credit Trend	Stabilising	Asset quality broadly manageable

Aggregate Assets Under Management (AUM) grew 18% year-on-year and 5% sequentially, indicating steady demand and controlled expansion. Disbursement trends improved during the quarter, suggesting confidence returning across lending categories. Importantly, credit costs appear to be stabilising, reducing concerns of sharp deterioration.

### Gold Finance-The Outperformer

Indicator	Q3 Performance
AUM Growth	39% YoY
Asset Quality	Stable
Key Driver	Elevated gold prices

### LAP-The Most Consistent Growth Engine

Indicator	Q3 Performance
Growth Momentum	Strong & broad-based
Risk Profile	Secured, improving mix
Demand Drivers	MSME and self-employed borrowers

Loan Against Property (LAP) continues to be the most consistent growth driver across NBFCs and Housing Finance Companies (HFCs). The focus on secured lending has accelerated portfolio shifts toward LAP, which offers better yield-risk balance. The segment has gained traction across diversified NBFCs and standalone HFCs alike.

### Housing Finance-Moderation Persists

Indicator	Q3 Performance
Prime HFC Growth	12% YoY
Pricing Pressure	Ongoing from banks
Demand Trend	Softer vs LAP

Simplified Branch Expansion

Continued Regulatory Oversight



# NBFC Sector-Q3 Trends & Key Takeaways

Vehicle Finance- Gradual Recovery

LAP-The Most Consistent Growth Engine

Prime housing finance companies reported moderate 12% YoY growth. Competitive intensity from banks continues to compress spreads. Core housing demand remains relatively softer compared to LAP, as borrowers seek flexibility and quicker turnaround times offered by NBFC products.

### Diversified NBFCs-Balanced Resilience

Metric	Q3 Trend	Commentary
AUM Growth	21% YoY	AUM Growth
Key Drivers	Unsecured + LAP	Key Drivers
Portfolio Mix	Balanced	Portfolio Mix

Diversified NBFCs delivered 21% YoY growth, supported by expansion in unsecured retail and LAP portfolios. Firms like Bajaj Finance illustrate how portfolio diversification enhances resilience. Balanced exposure across secured and unsecured lending is helping manage volatility.

### Vehicle Finance-Gradual Recovery

Indicator	Q3 Performance
Growth	Mid-teens
QoQ Trend	Improving
Headwind	GST-led pricing deflation

Vehicle finance reported mid-teen growth, with sequential improvement visible. However, GST-led pricing adjustments and moderation in vehicle ticket sizes have limited stronger acceleration.

### LAP-The Most Consistent Growth Engine

Indicator	Q3 Performance
AUM Trend	Decline YoY, positive QoQ
Disbursement	Recovery visible
Outlook	Gradual improvement

The microfinance segment showed early signs of stabilisation. While AUM declined year-on-year, sequential recovery and improving disbursement trends indicate stress may be bottoming out. Recovery is expected to be gradual rather than sharp.

### Secured MSME Lending-Quiet Strength

Secured MSME lending grew 21% YoY, despite stress in lower-ticket loans. The secured nature of lending continues to attract capital allocation and investor preference.

*Q3 clearly reinforces one structural theme: secured lending is leading sector growth. LAP, and secured MSME loans are driving expansion, while unsecured retail and microfinance are moving through a measured recovery phase. The sector's recalibration toward secured assets, coupled with stabilising credit trends, positions NBFCs for sustainable growth heading into next few quarters.*





# Applications Under India Microfinance Equity Scheme

Focus on Financial Inclusion

Flexible Capital Instruments

## Department of Financial Services Invites Applications Under India Microfinance Equity Scheme

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

The Department of Financial Services, Government of India, has invited applications from eligible entities under a focused initiative aimed at empowering smaller and socially oriented NBFC-MFIs, MFIs, and NBFCs. The scheme seeks to strengthen financial inclusion and accelerate poverty alleviation by providing equity and quasi-equity support to qualifying institutions. Managed by SIDBI, this initiative is designed to enhance the capital base of institutions serving underserved and low-income communities across the country. The program lays out clear and structured eligibility norms to ensure that support reaches credible and performance-driven entities. For NBFC-MFIs and MFIs, the number of borrowers should be up to 3,75,000 in the case of NBFC-MFIs, while a minimum outreach of 3,000 members is mandatory. Additionally, institutions must possess a minimum MFI grading of Beta+ from M-CRIL or an equivalent rating from other recognized agencies. These criteria aim to ensure that participating organizations demonstrate both operational reach and sound governance standards.

In the case of NBFC-ICCs, eligibility is defined by specific portfolio and borrower parameters. Institutions must have up to 50,000 borrowers. At least 60 percent of their portfolio should be in the “MUDRA segment,” as defined periodically. Furthermore, NBFC-ICCs should have a bank loan rating of BBB or below, although unrated NBFCs are also eligible to apply. These provisions are intended to support institutions that cater primarily to small borrowers and micro-enterprises.

The scheme also emphasizes institutional stability and regulatory compliance. Applicants must have a track record of either five years of existence or three years of successful microcredit operations. In addition, both NBFCs and NBFC-MFIs are required to maintain a minimum Capital Adequacy Ratio (CAR) of 15 percent, or as prescribed by the Reserve Bank of India from time to time.

Under the “Quantum of Assistance & Instruments” component, eligible entities can generally receive assistance of up to ₹5 crore. Institutions demonstrating satisfactory performance may receive support of up to ₹10 crore. The assistance may be provided through a range of financial instruments including subordinated debt, OCPS, CRPS, equity, and other suitable mechanisms. This flexible structure enables institutions to strengthen their capital framework in a manner aligned with their operational needs.

For detailed eligibility criteria and access to the application form, interested entities may visit the SIDBI website under the India Microfinance Equity Scheme section. The initiative is managed by SIDBI, which continues to play a pivotal role in strengthening India’s microfinance ecosystem.

Highlight	Key Detail
<b>Significant Financial Support</b>	Assistance up to ₹5 crore, extendable to ₹10 crore for strong performers
<b>Focus on Financial Inclusion</b>	Supports smaller, socially oriented NBFC-MFIs, MFIs & NBFCs to strengthen outreach to underserved communities
<b>Flexible Capital Instruments</b>	Funding through Equity, Subordinated Debt, OCPS, CRPS, and other structured instruments





NBFC Compliance Calender

March-2026

Mar-26	Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance
02-Mar	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Jan 2026				
07-Mar	Monthly TCS Payment	Taxpayers collecting TCS for the month of Feb 26				
	Monthly TDS Payment	Taxpayers collecting TDS for the month of Feb 26				
10-Mar	Income Tax Return	Income Tax Returns for Non -Corporates who needs Audit and Corporates for FY 2024-25				
11-Mar			GSTR-1 Filing (Monthly):	For taxpayers with annual turDecer > ₹1.5 crore or who have opted for monthly filing.		
13-Mar			Quarterly GSTR-1 IFF (QRMP scheme):	Filing for Feb 26 (Optional)		
15-Mar	ESI Challan	Employers registered under ESI Act for the month of Feb 26			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 Feb 26				
	Advance Income Tax	Advance Income tax for Jan to Mar 2026 (3rd Installment)				
	Form 13	(Nil/Lower TDS ) for FY 2025-26				
20-Mar			GSTR-3B (Monthly)	For taxpayers with: Annual turover > ₹5 crore, or Opted for monthly filing		
			CMP 02	Composition Scheme for FY 2026-27 (Duration end)		
25-Mar			GST (Quaterly Filers)	GST Challan Payment if no sufficient ITC for Feb 2026		
30-Mar	TDS Payment	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Feb 2026			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-Mar	Updated ITR	Last date for updated ITR for FY 2024-25				





NBFC Compliance Calender

April-2026

Apr-26	Income Tax/PF /ESIC		GST		RBI	
Dates	Return	Compliance	Return	Compliance	Return	Compliance
07-Feb	Monthly TCS Payment	Taxpayers collecting TCS for the month of Jan 26				
	Monthly TDS Payment	Taxpayers collecting TDS for the month of Jan 26				
11-Feb			GSTR-1 Filing (Monthly):	For taxpayers with annual turDecer > ₹1.5 crore or who have opted for monthly filing.		
13-Feb			Quarterly GSTR-1 IFF (QRMP scheme):	Filing for Jan 26 ( Optional)		
15-Feb	ESI Challan	Employers registered under ESI Act for the month of Jan 26			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 Jan 26				
	Form 16A	Issue of TDS Certificates in Form 16A for Oct to Dec 2025				
20-Feb			GSTR-3B (Monthly)	For taxpayers with:		
				Annual turnover > ₹5 crore, or Opted for monthly filing		
25-Feb			GST (Quarterly Filers)	GST Challan Payment if no sufficient ITC for Jan 2026		
28-Feb					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





# 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

# Editorial & Contributor Panel



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DSB Law Group



**CA Kanika Gupta**  
Chief Executive Officer  
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**VK Sareen**  
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Corporate Governance Officer  
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**CA Isha Gandhi**  
Chartered Accountant  
DSB Law Group



**CS Sagrika Jayee**  
Company Secretary  
DSB Law Group

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Trusted Legal Advisors. Strategic Business Partners.

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Founded in 1967 by Shri K.M. Gupta, DSB Law Group has evolved from a specialized taxation practice into a full-service legal and business advisory platform. Since 1984, under the guidance of Shri Dinesh Gupta, the firm has broadened its focus to include corporate law, banking, NBFC regulations, and governance frameworks, merging legal accuracy with strategic insight. With a commitment to innovation and adaptability, DSB Law Group has consistently stayed ahead of industry trends, ensuring that clients receive forward-thinking solutions tailored to their unique needs. This evolution reflects our dedication to not only understanding the complexities of law but also the dynamic nature of business environments.

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- 2. CA Kanika Gupta, Chartered Accountant**
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