



RBI/2014-15/544

DNBR.CC.PD.No.027/03.10.01/2014-15

April 08, 2015

To
All NBFC-MFIs

Dear Sirs,

**Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) –
Directions – Modifications**

The captioned directions contained in the [notification DNBS.PD.No.234/CGM \(US\)-2011 dated December 2, 2011](#) and subsequent modifications were issued to NBFC-MFIs in the backdrop of the Andhra Pradesh-MFI crisis. The sector has largely moved forward since then. Accordingly certain modifications as given below are being introduced.

2. In terms of para 3(ii)(a) of the aforesaid Notification, loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs. 60,000 or urban and semi-urban household income not exceeding Rs. 1,20,000 would be eligible to be defined as qualifying asset. In order to widen the scope, it has been decided that loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs. 1,00,000 or urban and semi-urban household income not exceeding Rs. 1,60,000 would be eligible to be defined as a qualifying asset.

3. In terms of para 3(ii)(c) of the aforesaid Notification, NBFCs-MFI while disbursing loans were required to ensure that the total indebtedness of the borrower does not exceed Rs.50,000. In partial modification of the above, the limit of total indebtedness of the borrower has been increased to Rs.1,00,000. Education and medical expenses will be excluded while arriving at the total indebtedness of a borrower.

4. In terms of para 3(ii)(b) of the aforesaid Notification, loan amount should not exceed Rs. 35,000 in the first cycle and Rs. 50,000 in subsequent cycles. In light of the revision to the limit on total indebtedness, it has been decided to revise the limit on disbursement of loans. Henceforth, the loan amount should not exceed Rs. 60,000 in the first cycle and Rs. 1,00,000 in subsequent cycles.

5. In terms of para 3(ii)(f) of the aforesaid Notification, aggregate amount of loans given for income generation should constitute at least 70 per cent of the total loans of the NBFC-MFI so that the remaining 30 per cent can be for other purposes such as housing repairs, education, medical and other emergencies. The limits so prescribed are henceforth revised to 50:50 i.e. loans given for income generation should constitute at least 50 per cent of the total loans of the NBFC-MFI and the remaining 50 per cent can be for other purposes as stated above.

6. Notwithstanding the above, all NBFC-MFIs are expected to be prudent and responsible in their lending activity besides educating their borrowers on the dangers of wasteful conspicuous consumption.

7. Notifications of date amending the Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) - Directions, 2011, Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 and Non-Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 are enclosed.

Yours faithfully,

(C.D.Srinivasan)
Chief General Manager

**RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING REGULATION
CENTRAL OFFICE, CENTRE I, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI 400 005**

Notification No.DNBR.013/CGM(CDS)-2015 dated

April 08, 2015

The Reserve Bank of India, having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Banking Financial Company – Micro Finance Institutions (Reserve Bank) Directions, 2011([Notification DNBS.PD.No.234/CGM\(US\)-2011 dated December 02, 2011](#)) (hereinafter referred to as ‘the said Directions’), in exercise of the powers conferred by Section 45-JA, 45-K, 45-L and 45-M of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said Directions shall be amended with immediate effect as follows, namely –

1.In paragraph 3, sub-paragraph (ii),

A. for clause (a), the following clause shall be substituted, namely,-

“ (a) loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs. 1,00,000 or urban and semi-urban household income not exceeding Rs. 1,60,000”

B. for clause (b), the following clause shall be substituted, namely, -

“(b) loan amount does not exceed Rs. 60,000 in the first cycle and Rs. 1,00,000 in subsequent cycles”

C. for clause (c), the following clause and proviso shall be substituted , namely,-

“(c) total indebtedness of the borrower does not exceed Rs.1,00,000

***Provided** that loan, if any availed towards meeting education and medical expenses shall be excluded while arriving at the total indebtedness of a borrower”.*

D. for clause (f), the following clause shall be substituted, namely, -

“(f) aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs”

(C.D. Srinivasan)
Chief General Manager

**RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING REGULATION
CENTRAL OFFICE, CENTRE I, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI 400 005**

Notification No.DNBR.014/CGM(CDS)-2015 dated

April 08, 2015

The Reserve Bank of India, having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 ([Notification DNBS.PD.No.008/CGM\(CDS\)-2015 dated March 27, 2015](#)) (hereinafter referred to as 'the said Directions'), in exercise of the powers conferred by Section 45-JA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said Directions shall be amended with immediate effect as follows, namely –

- 1. In paragraph 2, sub-paragraph (xiii), for the purpose of clause (ii), the explanation provided for the term “Qualifying assets” shall be substituted by the following –**

“Qualifying assets” shall mean a loan which satisfies the following criteria:-

- i. loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs. 1,00,000 or urban and semi-urban household income not exceeding Rs. 1,60,000;
- ii. loan amount does not exceed Rs. 60,000 in the first cycle and Rs. 1,00,000 in subsequent cycles;
- iii. total indebtedness of the borrower does not exceed Rs.1,00,000;

Provided that loan, if any availed towards meeting education and medical expenses shall be excluded while arriving at the total indebtedness of a borrower.

- iv. tenure of the loan not to be less than 24 months for loan amount in excess of Rs.15,000 with prepayment without penalty;
- v. loan to be extended without collateral;
- vi. aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs;
- vii. loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower.

(C.D. Srinivasan)
Chief General Manager

**RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING REGULATION
CENTRAL OFFICE, CENTRE I, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI 400 005**

Notification No.DNBR.015/CGM(CDS)-2015 dated

April 08, 2015

The Reserve Bank of India, having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 ([Notification DNBS.PD.No.009/CGM\(CDS\)-2015 dated March 27, 2015](#)) (hereinafter referred to as 'the said Directions'), in exercise of the powers conferred by Section 45-JA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said Directions shall be amended with immediate effect as follows, namely –

1. In paragraph 2, sub-paragraph (xii), for the purpose of clause (b), the explanation provided for the term “Qualifying assets” shall be substituted by the following –

“Qualifying assets” shall mean a loan which satisfies the following criteria:-

- i. loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs. 1,00,000 or urban and semi-urban household income not exceeding Rs. 1,60,000;
- ii. loan amount does not exceed Rs. 60,000 in the first cycle and Rs. 1,00,000 in subsequent cycles;
- iii. total indebtedness of the borrower does not exceed Rs.1,00,000;

Provided that loan, if any availed towards meeting education and medical expenses shall be excluded while arriving at the total indebtedness of a borrower.

- iv. tenure of the loan not to be less than 24 months for loan amount in excess of Rs.15,000 with prepayment without penalty;

- v. loan to be extended without collateral;
- vi. aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs;
- vii. loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower.

(C.D. Srinivasan)
Chief General Manager