



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

RBI/2015-16/370

DNBR.CC.PD.No.078/03.10.038/2015-16

April 13, 2016

To

All NBFC-MFIs,

Dear Sir/Madam,

**Non-Banking Financial Company-Micro Finance Institutions (Reserve Bank) Directions, 2011 – Acting as Channelizing Agents for Schemes operated by Central/State Government Agencies**

Please refer to the Non-Banking Financial Company -Micro Finance Institutions (NBFC-MFIs)(Reserve Bank) Directions, 2011(the Directions) issued by Reserve Bank of India (the Bank) vide [Notification DNBS.PD.No.234/ CGM \(US\)- 2011 dated December 02, 2011](#) as modified from time to time.

2. In terms of the directions, one of the eligibility criteria for loans granted by NBFC-MFIs to be treated as “Qualifying Assets” is that the variance between the maximum and minimum interest rate charged should not exceed four percent. Various Government Agencies that provide loans to targeted socio-economic sections of the population have been approaching the Bank to allow them to use the NBFC-MFIs to channelize such loans. Since these loans are provided at concessional interest rates, it has been requested to exempt such loans from the regulation regarding maximum permissible variance in the interest rates.

3. With a view to facilitate the use of NBFC-MFI network to distribute such targeted loans, it has been decided that

(i) Loans disbursed or managed by NBFC-MFIs in their capacity as channelizing agents for Central/State Government Agencies shall be considered as a separate

business segment. These loans shall not be included either in the numerator (qualifying assets) or the denominator (total assets) for the purpose of determining the minimum qualifying assets criteria, at present, 85 percent;

(ii) consequent to (i) above, the interest charged on such loans shall be excluded for determining the variance between the maximum and minimum interest rate;

(iii) the cost of such funds shall not be reckoned for arriving at average cost of funds as well as interest rates charged to borrowers as per NBFC-MFIs directions.

4. In the circumstances, the NBFC-MFIs are hereby granted general permission to act as channelising agents for distribution of loans under special schemes of Central/State Government Agencies subject to following conditions:

(i) accounts and records for such loans as well as funds received/ receivable from concerned agencies shall be maintained in the books of NBFC-MFIs distinct from other assets and liabilities, and depicted in the financials/ final accounts/balance sheet with requisite details and disclosures as a separate segment;

(ii) such loans shall be subject to applicable asset classification, income recognition and provisioning norms as well as other prudential norms as applicable to NBFC-MFIs except in cases where the NBFC-MFI does not bear any credit risk;

(iii) all such loans shall be reported to credit information companies (CICs) to prevent multiple borrowings and present complete picture of indebtedness of a borrower.

5. Notification No. DNBR 041/CGM (CDS)-2016 dated April 13, 2016 amending the Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) - Directions, 2011, is 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 041/CGM (CDS)-2016 dated April 13, 2016**

The Reserve Bank of India, (the Bank) 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](#)) ('the Directions'), in exercise of the powers conferred by sections 45-JA and 45-L 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. After sub clause (e) of clause (C) of paragraph 4 of the Directions, the following clause (f) shall be inserted, namely-

“(f) MFIs acting as Channelizing Agents for Schemes operated by Central/State Government Agencies

- i) With a view to facilitate the use of NBFC-MFI network to distribute such targeted loans, it has been decided that

(a) loans disbursed or managed by NBFC-MFIs in their capacity as channelizing agents for Central/State Government Agencies shall be considered as a separate business segment. These loans shall not be included either in the numerator (qualifying assets) or the denominator (total assets) for the purpose of determining the minimum qualifying assets criteria, at present, 85 percent;

(b) consequent to (i) above, the interest charged on such loans shall be excluded for determining the variance between the maximum and minimum interest rate;

(c) the cost of such funds shall not be reckoned for arriving at average cost of funds as well as interest rates charged to borrowers as per NBFC-MFIs directions.

ii) The NBFC-MFIs are hereby granted general permission to act as channelising agents for distribution of loans under special schemes of Central/State Government Agencies subject to following conditions:

(a) accounts and records for such loans as well as funds received/receivable from concerned agencies shall be maintained in the books of NBFC-MFI distinct from other assets and liabilities, and depicted in the financials/ final accounts/balance sheet with requisite details and disclosures as a separate segment;

(b) such loans shall be subject to applicable asset classification, income recognition and provisioning norms as well as other prudential norms as applicable to NBFC-MFIs except in cases where the NBFC-MFI does not bear any credit risk;

(c) all such loans shall be reported to credit information companies (CICs) to prevent multiple borrowings and present complete picture of indebtedness of a borrower.”

**(C.D. Srinivasan)**  
**Chief General Manager**