



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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October 17, 2024

Action against select NBFCs including NBFCs-MFIs

The Reserve Bank of India has today, in exercise of its powers under Section 45L(1)(b) of the Reserve Bank of India Act, 1934, issued Directions to the following NBFCs to cease and desist from sanction and disbursal of loans, effective from close of business of October 21, 2024:

Sl. No.	Name	NBFC-Category	CoR	Registered at
1.	Asirvad Micro Finance Limited	MFI	N-07-00769 dated September 27, 2016	Chennai
2.	Arohan Financial Services Limited	MFI	B-05.02932 dated June 28, 2018	Kolkata
3.	DMI Finance Private Limited	ICC	N-14.03176 dated January 5, 2009	New Delhi
4.	Navi Finserv Limited	ICC	N-02.00270 dated May 18, 2022	Bengaluru

These Directions have been conveyed today to the concerned NBFCs through the Reserve Bank's detailed supervisory orders.

This action is based on material supervisory concerns observed in the Pricing Policy of these companies in terms of their Weighted Average Lending Rate (WALR) and the Interest Spread charged over their cost of funds, which are found to be excessive and not in adherence with the regulations as laid down in the [Master Direction – Reserve Bank of India \(Regulatory Framework for Microfinance Loans\) Directions, 2022 dated March 14, 2022](#) (updated as on July 25, 2022) and [Master Direction – Reserve Bank of India \(Non-Banking Financial Company–Scale Based Regulation\) Directions, 2023, dated October 19, 2023](#) (updated as on March 21, 2024). These are also found to be not in conformity with the provisions laid down under Fair Practices Code issued by the Reserve Bank.

Over the last few months, the Reserve Bank has been sensitising its Regulated Entities through various channels on the need to use their regulatory freedom responsibly and ensure fair, reasonable and transparent pricing, especially for small value loans. However, unfair and usurious practices continued to be seen during the course of onsite examinations as well as from the data collected and analysed offsite.

In addition to usurious pricing, these NBFCs were variously found to be in non-adherence with the regulatory guidelines on assessment of household income and consideration of existing / proposed monthly repayment obligations in respect of their microfinance loans. Deviations were also observed in respect of Income Recognition & Asset Classification (IR&AC) norms resulting in evergreening of

loans, conduct of gold loan portfolio, mandated disclosure requirements on interest rates and fees, outsourcing of core financial services, etc.

These business restrictions have been made effective from the close of business on October 21, 2024 to facilitate closure of transactions in the pipeline, if any. These business restrictions do not preclude these companies from servicing their existing customers and carrying out collection and recovery processes in accordance with the extant regulatory guidelines.

These business restrictions will be reviewed upon receipt of confirmation from the companies regarding suitable remedial action having been taken to adhere to the regulatory guidelines at all times, more particularly their pricing policy, risk management processes, customer service and grievance redressal aspects, to the satisfaction of the Reserve Bank.

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(Puneet Pancholy)
Chief General Manager