



NBFCs seek exemption for daily stamping of accounts of small borrowers



NBFCs seek exemption for daily stamping of accounts of small borrowers

Non-Banking Financial Companies request the Reserve Bank of India for exemption on the daily stamping of small borrower accounts. NBFCs have sought relaxation for borrowers with loan amounts upto Rs2 crore. The reason being such borrowers don't have stable cash flow.

The industry players have been in constant dialogue with the regulator on the issue of moving NPA to a day stamping. NBFC institutes have reiterated that most of their borrowers are daily, monthly or weekly earners. Therefore it would be tough for such customers to pay back the loan on the exact due date.

In a circular dated 12th November 2021, RBI stated that lending institutions have to mark borrower accounts as overdue as part of their day-end processes for the due date. The notification had also asked the NBFCs to classify the accounts as SMA and NPAs as part of end day process for relevant dates.

The FIC (Finance Industry Development Council), a representative body of NBFCs, had urged the RBI to exempt borrowers with loans up to Rs. 2 crores from the guidelines until the situation returns to normal.

Based on the nature of business and the erratic cash flow of such businesses, many borrowers often cannot make the payment by the end of the respective month. So when they are categorized as NPA, borrowers will impact their borrowing power despite paying most of the overdue.

Usually, the borrowers pay their dues within a few days; However, if their accounts are placed into the NPA category for a day's delay, it will not become standard until all the arrears are cleared.



Ganesh Nair
Legal Researcher
R&D Enterslice