

Draft Reserve Bank of India (Non-Banking Financial Companies- Prudential Norms on Declaration of Dividends) Directions, 2025

DRAFT FOR COMMENTS

RBI/2025-26/--

DO.R.ACC.REC.No./ 00-00-000/2025-26

XX, 2025

Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends) Directions, 2025

Table of Contents

Chapter I - Preliminary	2
A. Short title and commencement.....	2
B. Applicability.....	2
C. Definitions.....	2
Chapter II - Declaration of dividend	4
A. Board oversight.....	4
B. Eligibility criteria	4
C. Quantum of dividend payable	5
D. Reporting System	6
Chapter III - Repeal provisions.....	7
A. Repeal provisions	7
B. Application of other laws not barred.....	7
C. Interpretations	7
Annex I - Reporting format for an NBFC declaring dividend	8

Introduction

In exercise of the powers conferred by Sections 45L of the Reserve Bank of India (RBI) Act, 1934, Section 3 read with Section 31A and Section 6 of the Factoring Regulation Act, 2011, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest and in the interest of banking policy to do so, hereby, issues the Directions hereinafter specified.

Chapter I - Preliminary

A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Non-Banking Financial Companies- Prudential Norms on Declaration of Dividends) Directions, 2025.
2. These Directions shall come into effect immediately upon issuance.

B. Applicability

3. These Directions shall be applicable to Non-Banking Financial Companies (hereinafter collectively referred to as 'NBFCs' and individually as an NBFC), excluding Housing Finance Companies (HFCs).

C. Definitions

4. In these Directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below.
 - (i) 'CRAR' means Capital to Risk Weighted Assets Ratio (CRAR) calculated in terms of Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025.
 - (ii) 'Dividends' includes any interim dividend.
 - (iii) 'Dividend Payout Ratio' means the ratio between the amount of the dividend payable (including interim dividend) in a year and the net profit during the year as per the audited financial statements for the financial year for which the dividend is proposed.

- (iv) 'Exceptional profits / income' shall have the same meaning as defined under applicable accounting standards.
 - (v) 'Net non-performing asset (NNPA) ratio' means ratio of NNPA to net advances.
5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the applicable Acts, rules / regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II - Declaration of dividend

A. Board oversight

6. The Board of Directors, while considering the proposals for dividend, shall take into account the following aspects:
 - (i) Supervisory findings of the Reserve Bank on divergence in classification and provisioning for NPAs.
 - (ii) Qualifications in the auditors' report to the financial statements; and
 - (iii) Long term growth plans of the NBFC.

7. The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in this Master Direction.

B. Eligibility criteria

8. An NBFC shall comply with the following minimum prudential requirements to be eligible to declare dividend:

Table 1 : Declaration of dividend: Minimum prudential requirements

Sr. No.	Parameter	Requirement
(1)	Capital Adequacy	An NBFC should have met the applicable regulatory capital requirement for each of the last three financial years including the financial year for which the dividend is proposed. Provided that where an NBFC has been in existence for less than three financial years, the above requirement shall be since registration.
(2)	Net NPA	The NNPA ratio shall be less than six per cent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.
(3)	Other criteria	(i) An NBFC shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934. (ii) An NBFC shall be compliant with the prevailing regulations / guidelines issued by the Reserve Bank. The Reserve Bank shall not have placed any explicit restrictions on declaration of dividend.

C. Quantum of dividend payable

9. An NBFC eligible to declare dividend as per paragraph 8, may pay dividend, subject to the following:
- (i) Proposed dividend shall include dividend on both equity shares and compulsorily convertible preference shares eligible for inclusion in Tier 1 capital.
 - (ii) In case the net profit for the relevant period includes any exceptional and / or extra-ordinary profits / income or the financial statements are qualified (including 'emphasis of matter') by the statutory auditor that indicates an overstatement of net profit, the same shall be reduced from net profits while determining the dividend payout ratio.
 - (iii) The ceilings on dividend payout ratios for the NBFC eligible to declare dividend shall be as under:

Table 2: Ceilings on dividend payout ratio		
Sr. No.	Type of NBFC	Maximum dividend payout ratio (percentage)
(a)	NBFC that does not accept public funds and do not have any customer interface	No ceiling specified
(b)	Other NBFC	50

- (iv) The Reserve Bank shall not entertain any request for ad-hoc dispensation on declaration of dividend.
10. An NBFC which does not meet the applicable prudential requirement prescribed in paragraph 8 [Sr. No. (1) and (2) of Table 1] for each of the last three financial years, may be eligible to declare dividend, subject to a cap of ten per cent on the dividend payout ratio, provided the NBFC complies with the following conditions:
- (i) It meets the applicable capital adequacy requirement in the financial year for which it proposes to pay dividend; and
 - (ii) It has net NPA of less than four per cent as at the close of the financial year.

D. Reporting System

11. An NBFC declaring dividend shall report details of dividend declared during the financial year as per the format prescribed in Annex I, within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank, under whose jurisdiction it is registered.

Chapter III - Repeal provisions

A. Repeal provisions

12. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Prudential Norms on Declaration of Dividend as applicable to Non-Banking Financial Companies stand repealed, as communicated vide notification dated XX, 2025. The Directions, instructions and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
13. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions.

B. Application of other laws not barred

14. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

C. Interpretations

15. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the Reserve Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank shall be final and binding.

Annex I - Reporting format for an NBFC declaring dividend

Details of dividend declared during the financial year beginning on April 1, 20____

Name of the NBFC: _____

Accounting period*	Net profit for the accounting period (in ₹ crore)	Rate of Dividend (in %)	Amount of dividend (in ₹ Crore)	Dividend payout Ratio (in %)
1	2	3	4	5

* Quarter or half year or year ended as the case may be.