

**RESERVE BANK OF INDIA**www.rbi.org.inwww.rbi.org.in/hindie-mail: helpprd@rbi.org.in**PRESS RELATIONS DIVISION**, Central Office, Post Box 406, Mumbai 400001
Phone: 2266 0502 Fax: 2266 0358, 2270 3279

July 24, 2007

**RBI invites feedback on the 'Report of the Technical Group
Set up to Review Legislations on Money Lending'**

The Reserve Bank had announced in paragraph 153 of the 'Annual Policy Statement for the year 2006-2007' the setting up of a Technical Group to review legislations on money lending for (a) reviewing the efficacy of the existing legislative framework, which governs money lending, (b) reviewing the enforcement machinery in different states and (c) making recommendations to State Governments for improving the legal and enforcement framework in the interest of rural households.

Accordingly, a Technical Group was constituted under the Chairmanship of Shri S. C. Gupta, the then Legal Advisor-in-Charge, RBI comprising of Secretaries from three select State Governments and senior RBI Officers. The Group also included invitees from eleven other States.

The Technical Group, through an extensive consultative approach, has studied the practices of money lending activity prevailing in different parts of the country; ascertained some ground realities through surveys; explored the possibility of linkages of money lenders with formal financial institutions; and reviewed the international practices in regulating money lending activities.

The Technical Group has recommended a model law for the consideration and adoption by the State Governments that do not presently have a comprehensive legislation in place for governing money lending. The proposed model law reflects the significant elements of similar legislation, available internationally and domestically. The Technical Group has also recommended some modifications to the existing legislation to facilitate quick, informal and easy dispute resolution; and better enforcement. The model legislation proposed by the Technical Group provides for the following:

- a simple and hassle free procedure for compulsory registration and periodical renewal of their registration by money lenders;
- a simplified dispute resolution mechanism to ensure better enforcement;
- adoption of the rule of Damdupat restricting the maximum amount of interest chargeable by the money lender; and
- periodical fixing of the maximum rate of interest in line with market rates.

The Group has also explored establishment of a link between the formal and informal credit providers, whereby a money lender who is an 'Accredited Loan Provider' may serve as an additional credit delivery channel for the formal sector, provided there are safeguard measures.

The Group has since submitted its Report, which is now placed on the Reserve Bank of India's website (www.rbi.org.in). The views expressed in the report are of the members of the Technical Group and do not necessarily reflect those of the organisations to which they belong.

All stakeholders are requested to furnish their feedback on the recommendations made by the Technical Group within a period of four weeks from the date of this Press Release, to Shri G. Srinivasan, Chief General Manager, Rural Planning and Credit Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Marg, Mumbai-400001 or through [e-mail](mailto:helpprd@rbi.org.in).

G. Raghuraj
Deputy General Manager**Press Release : 2007-2008/114**