

FIDC

Finance Industry Development Council

(A Self Regulatory Organisation for NBFCs in India)

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

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18th March, 2026

Shri Pratyaya Amrit

Chief Secretary

Government of Bihar

Patna.

Respected Sir,

Subject: Bihar Micro Finance Institutions (Regulation of Money Lending and Prevention of Coercive Actions) Bill, 2026 - Request for a Meeting

Introduction to FIDC

Finance Industry Development Council (FIDC) is RBI recognized Self-Regulatory Organization for All Non-Banking Finance Companies (NBFCs) registered with Reserve Bank of India (RBI) and engaged in the business of lending. FIDC is a non-profit association registered under Section 25 of the Companies Act, 1956 with members constituting exclusively of NBFCs registered with Reserve Bank of India (RBI) under the RBI Act, 1934 (As Amended in 1997). The Council's main aim is to aid, help and encourage the business of Non-Banking Financial Companies engaged in the business of leasing, hire purchase, hypothecation, loan securitization, investments, asset management services and to devise and formulate a code of conduct and to set standard practices and systems for the member Finance Companies, which are an integral part of the Indian Financial Sector. The association's main object also includes protecting the interests of member Financing Companies carrying on the business of leasing, hire purchase, hypothecation, loan, securitization etc. Our members play an important part in the Economic progress of the Country and huge amounts are lent to borrowers.

At the outset, we would like to say that FIDC and its members fully support the Government of Bihar's concern for borrower welfare, dignity and fair treatment. We strongly support any effort to prevent harassment, coercion, intimidation or any unfair recovery practice. Borrower protection is important and necessary.

We understand from public reports that the Bihar Bill seeks to regulate microfinance and small-loan activity, prevent coercive recovery practices and improve transparency in lending operations. These are important objectives and we respect the intent behind them.

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Concerns of the NBFCs registered with Reserve Bank of India

Our concern is limited and specific. All our member NBFCs are registered with Reserve Bank of India under The RBI Act, 1934.

1. RBI Regulations for NBFCs Include Provisions for Ethical Practices and Non-Coercive Methods of Recovery

Reserve Bank of India being the regulator, regulates the entire working of NBFCs including recovery mechanisms for collection of money by NBFCs which are scrupulously being followed by NBFCs. They operate under a detailed central framework on lending conduct, fair practices, outsourcing, borrower interface and recovery behaviour. RBI directions already require lenders to follow non-coercive recovery methods, maintain proper grievance redressal systems and ensure that no intimidation or harassment is used by recovery agents.

2. Judgement of the Hon'ble Supreme Court – Clearly Exempts RBI Registered NBFCs from All the Provisions of the State Money Lenders' Act

It is also pertinent to note that the Hon'ble Supreme Court of India in Civil Appeal No.5233 of 2012 between Nedumpilli Finance Company Limited vs State of Kerala and others and several connected appeals filed by various NBFCs (in which FIDC has also intervened) categorically held that Money Lenders Act will have no application to NBFCs registered under RBI Act and regulated by RBI

3. The Concerns Relating to Any Coercive Action of the Financier also covered under Bharatiya Nyaya Sanhita, 2023

We further submit that any action of the financier with an intention to harass the Borrower is punishable under various provisions Bharatiya Nyaya Sanhita, 2023 and such provisions are sufficient to punish the persons who are involved in harassment of the borrowers with criminal intention.

Provisions of Bihar Micro Finance Institutions (Regulation of Money Lending and Prevention of Coercive Actions) Bill, 2026

In this background, some reported provisions of the Bihar measure may create overlap with the existing RBI framework. This is especially in relation to prior state-level permission or registration and the application of recovery-related requirements to lenders already regulated by RBI. Industry commentary

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has referred in particular to Section 2(3), which is understood to extend certain borrower-protection and fair-recovery provisions even to banks and NBFCs when recovery is undertaken in Bihar.

Our submission is not that borrower safeguards should be reduced in any way. On the contrary, these safeguards are essential. Our only concern is that parallel compliance requirements for RBI-regulated entities may lead to uncertainty in interpretation, duplication of process and operational difficulty at the field level. This may also affect lawful credit delivery, especially to financially vulnerable households and small borrowers.

Request

Bihar is an important market for inclusive credit delivery. It is in everyone's interest that borrower protection and credit access move forward together in a balanced way. It is in this spirit that FIDC seeks a constructive dialogue with the Government of Bihar. We believe it should be possible to protect borrowers fully while also avoiding duplication for entities already regulated by RBI. A harmonized approach would be in the interest of borrowers, lenders, regulators and the larger credit ecosystem.

We would therefore be grateful if you could kindly grant FIDC an opportunity to meet you to present the industry's perspective in a balanced and respectful manner. Such a meeting may help in considering suitable clarification, alignment language or an appropriate carve-out for RBI-regulated entities, while fully preserving the policy intent of the Bill.

We look forward to receiving a positive reply from your end. Assuring you of our full co-operation always and thanking you in anticipation

With respectful regards,

Yours faithfully,

For **Finance Industry Development Council (FIDC)**

Raman Aggarwal

Chief Executive Officer

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