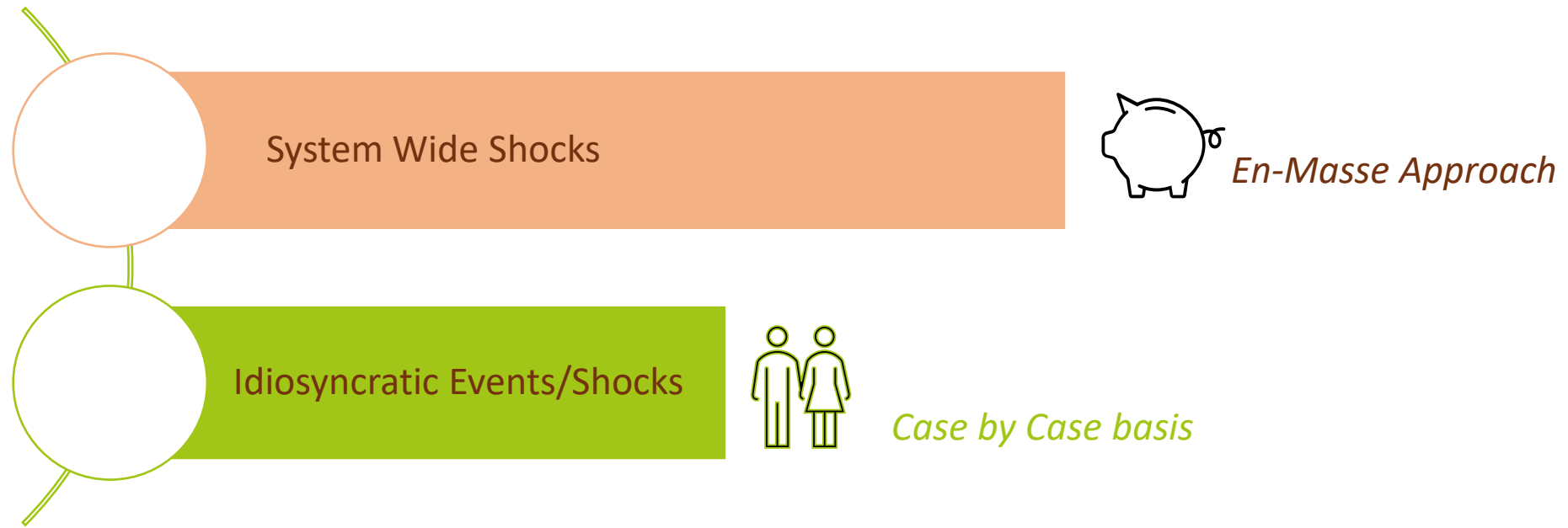


6th Dvara Research Conference on Making Credit Work for the Poor

in collaboration with CGAP

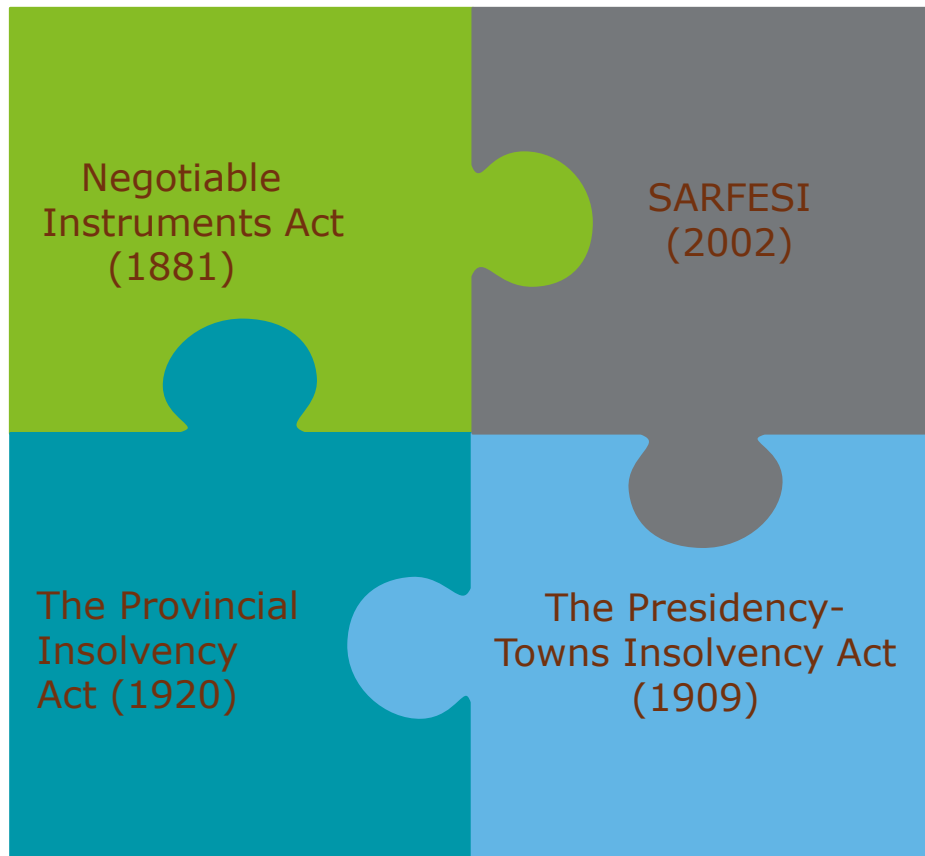
*Theme-3: “An Overview of Approaches to
Alleviate Debt Distress”*

Not All Distress are Equal



Balancing Clemency and Moral Hazard

Presently Available Statutory Remedies



Traversed a Long Path, from Debt Slavery to Death Penalty (1813, UK) and beyond

Rational-Legal Principles

Many Questions Remain Unresolved

Is there a case for clemency?

The minimum level of dignity that needs protection?

Which debts to be forgiven? Credit Card or Student?

Transitioning to the IBC

Insolvency

Cashflow trapping and loan restructuring managed by an insolvency professional

Bankruptcy

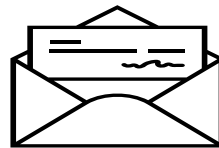
Liquidation of the debtor's asset barring some "excluded" assets to repay (most of her) liabilities

The Fresh Start

Mimics the bankruptcy process for asset light, low-income and low-debt borrowers



No Home Ownership



Ann. Income < INR 60,000 (\$750)



Assets < INR 20,000 (\$250)



Total Debt < INR 35,000 (\$438)

What is the Impact of Fresh Start?

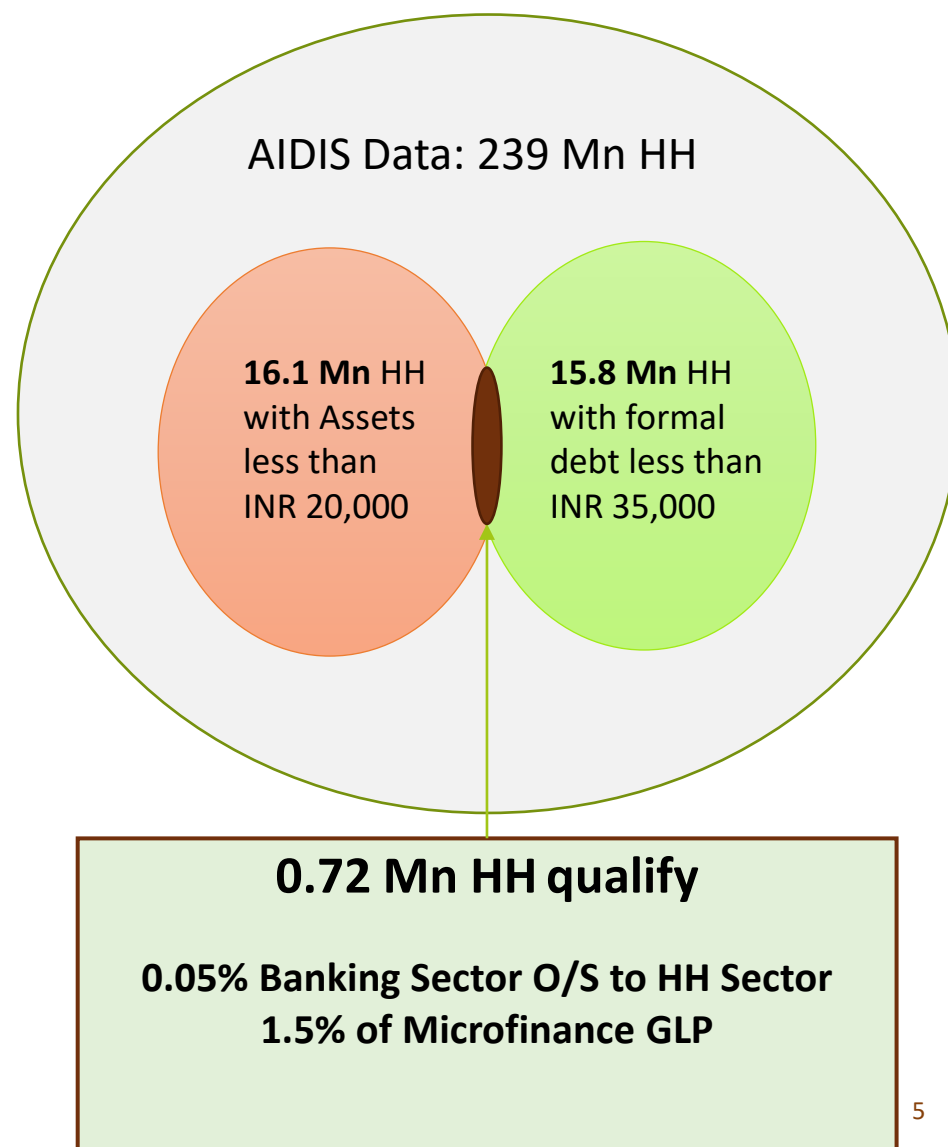
Qualifying HH under Asset Criterion

- ① All Assets
- ② All Assets excluding Productive
- ③ All Assets excluding Productive & Residential
- ④ All Assets excluding Productive, Residential & Gold

Qualifying HH under Debt Criterion

- ① All Debts
- ② All Debts excluding Money Lenders (ML)
- ③ All Debts excluding ML and other informal

Estimation from AIDIS 2013



Reimagining Fresh Start

Qualification Criteria for Fresh Start



No Home Ownership



Assets < INR 20,000 (\$250)



Income < INR 60,000 (\$750)



Debt < INR 35,000 (\$438)

Why must we protect some more than others?

Who must be protected?

A need to harmonise Asset Protection?

Answering these questions is a precondition for the implementation of the IBC