THE FORTUNE AT THE BOTTOM OF THE PYRAMID IS PEOPLE NOT WEALTH

(with apologies to Prof. C.K. Prahalad)

The SHG-Hybrid model, a tiny innovation of SRFS

Aloysius Prakash Fernandez

Padmashree Awardee 2000

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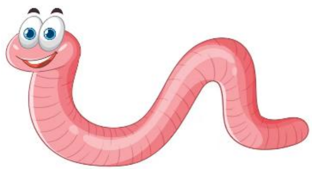

A worm's - eye view

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FOREWORD:

A WORM'S EYE-VIEW

This paper adopts a worm's-eye view of the micro finance sector especially as it operates after 2010. The worm is concerned. It is aware that "financial inclusion" began with the objective of including the marginalised families, whose lives and livelihood activities were in the informal sector, into the formal financial system and growth process. But the worm at the ground sees that today, NBFCs and increasingly Banks, are driven by features of **greed** (*maximise profits, minimise risk*), **speed** *(adopt technology and reduce personal contact, cater to the culture of immediate gratification)* and **standardisation** *(one size fits all; it is not in sync with diversity in the informal sector)*. These three features, including the increasing aversion to take risk which chokes any initiative to innovate, do not provide space for inclusion of the marginalised.

The worm recalls that the original objective of "financial inclusion", described above, motivated the launch of the SHG-Bank Linkage program in 1992 by NABARD with policy support from RBI. The Regulators, like RBI, are aware that this objective has been watered down; they have issued several well intended instructions to reduce greed especially, and to reduce the risk of formal institutions involved in microfinance. While the intention of these instructions is good, the worm identifies unintended impacts on the ground which are different; it finds that they reduce the space for inclusion of the marginalized; they open the door for lending institutions to decrease loans to marginalised families where risk is the highest, and to focus on those already in the growth process, where the risk is limited. This is one unintended impact of the reduction in qualifying assets. The surge in the growth of FINTECS, presented by think tanks as the future model of Banking, excludes marginalized people from the credit process; it is appropriate for those already integrated in the financial system and who operate on digital platforms which enable access to the market, as this provides the data they need.

Prof C.K. Prahalad cares enough to anguish over the failure to address poverty, even with all the technical and managerial expertise at our command. His book presents a theory that the aspiring poor offer an opportunity for private companies to make a profit as well as to lift people out of poverty. He argues that Companies must revolutionise how they do business. He asks: can they create a more just and humane society in partnership with NGOs and civil society institutions? Can this objective be integrated into their Mission (or core activities) ? He admits that this is a development activity; that it is not about serving an existing market more efficiently as some of our FINTECS assume.

RBI and NABARD did revolutionise the way they did business by taking three policy decisions before they launched the SHG-Bank Linkage program in 1992. These were to ask Banks to give a bulk loan to the SHGs allowing the SHG to decide on purpose and size of loans to members, to extend loans to unregistered SHGs provided they function as Associations of Persons and to lend without physical collateral. They made the SHG Bank Linkage Program part of the core business of all Banks. Can private firms follow this example?

Unfortunately, the worm sees that speed, greed and standardisation have continued to drive the micro finance sector even when it invests at the bottom of the pyramid. It sees the fortune there as wealth to be extracted. The worm points out that unless the financial institutions see marginalised people as the fortune at the bottom and build on their strengths, unless they revolutionise their way of doing business, financial inclusion of this sector will continue to elude policy makers. To see people, we must care as Prahalad wants us to. Prahalad calls for an "inclusive capitalism". But capitalism by its nature is competitive and is increasingly driven by the demand to maximise profits as fast as possible.

The worm requests all policy makers to learn from the SHG-Bank Linkage program in which people at the bottom of the pyramid were part of the core process of credit transactions of Banks and financial institutions involved in the priority sector. The worm does not call them 'borrowers' much less 'beneficiaries'; it calls them partners. It presents a SHG hybrid model to accommodate the requirements of regulators as well as to meet the needs of marginalised families.

My sincere thanks to my colleagues from Sanghamithra - Sunil Jadli (CEO), T.P. Shankar (CFO) and M.S. Jayakumar (Head Audit) for contributing to this paper. APF.

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1. A PEEK INTO HISTORY.

After the RBI began regulating the micro finance sector in 2011, the gross loan portfolio increased from approx. Rs.17,000 cr. to Rs.3.93 lakh cr. in 2024 with about 8 crore borrowers. The sector provides about 1.3 crore jobs[1]. Recently, however the dominant model is beginning to seem increasingly inappropriate to cope with the emerging challenges which its own culture and operational model have created over the years. The crises in the past, which originated from external forces like Govt. action in Andhra Pradesh during 2010-11, or religious intervention in some parts of Karnataka, are now originating from structural defects of the model itself which has acquired new features since 2005; three features **speed, greed** (profiteering or maximizing profit) and **standardisation** now dominate its functioning. These features do not promote inclusion of marginalised families living in the informal sector into the financial system; they benefit those already included.

From 1985 to 1992 – During this period, small groups of poor families emerged in MYRADA[2]. They were called Credit Management Groups. NABARD identified these Groups as a possible instrument of financial inclusion. Shri Prakash

[1] These figures differ depending on which sources one accesses.

[2] MYRADA (Mysore Resettlement and Development Agency) an NGO registered in 1968 under the Mysore Societies Registration Act 1960.

Bakshi explained how this happened in the documentary produced by NABARD in 2023 called "Seeds of Change". He says that Shri P.R. Nayak, the then Chairman of NABARD, was looking for an alternative to the Integrated Rural Development Program (IRDP). He commissioned one of his officers (Shri Prakash Bakshi) to tour the country and identify some alternatives. Shri Bakshi identified the Credit Management Groups (CMGs) that had emerged in 1984-85 when the poor families in one of MYRADA's projects reacted to their marginalisation in the Primary Agricultural Credit Societies (PACS), which were controlled by the large farmers. Their interactions with MYRADA resulted in the formation of Credit Management Groups which started with their regular meetings and savings. NABARD gave MYRADA a research grant of Rs.1 million in 1987 to match the savings of the Groups and to train them to build their institutional capacity. NABARD requested a change of name to Self Help Groups in 1987.

Between 1987 and 1992 studies were conducted by NABARD on the impact of this grant on the SHGs. The objective was to extend loans for livelihood activities to SHGs, which self-selected their members from poorer families in the informal (mainly rural) sector; these families did not have access to formal financial institutions. NABARD / RBI and MYRADA realised that the fortune at the bottom of the pyramid, as far as micro finance models were concerned, was people not wealth; they also realised that these people, though poor, had strengths and decided to build on them; building on people's needs makes them dependent and extracts their wealth.

From 1992 to 2004. We need to recall that financial inclusion of the maginalised was originally launched in 1992 by NABARD / RBI through the SHG-Bank Linkage program, after 5 years of preparation. During this period the borrower was king; people and their institutions formed part of the core in credit transactions. The SHG-Bank Linkage program was really the first official program which had the objective of including the marginalised (mainly from the informal rural sector), into the core of credit transactions promoted by financial institutions (initially Banks and later Co-operatives). However, the term "financial inclusion" was not used at that time. The term "financial inclusion" was limited to studies during the 1990s. It became popular and entered into RBI policy and parlance through the Committee on Financial Inclusion chaired by Dr. C. Rangarajan in 2008, of which I was honored to be a member.

The launching of the SHG-Bank Linkage program in 1992 was supported by three policy decisions taken by Dr. C Rangarajan of RBI and Shri P.R. Nayak of NABARD and his successors Shri P. Kotaiah and Shri Y.C. Nanda.
The three policy decisions are:

[i] Banks were allowed to extend one bulk loan to the SHG allowing the group to decide on size, purpose of loans and schedule of repayments to individual members. This made space to cope with diversity in livelihoods.

[ii] Banks could lend to SHGs even though they were not formally registered provided they kept records and accounts and functioned like Associations of Persons. This was in response to SHGs' request, since they expected harassment from officials if they were registered.

[iii] No tangible collateral was required; relations of affinity which bound together the group members and their ownership of the group common fund was adequate social collateral.

The initiative of NABARD to promote an alternate system for financial inclusion of the poor arose from disillusionment with the Integrated Rural Development

Program (IRDP), especially with its lack of flexibility, the component of subsidies which distorted the market and the kickbacks. My own search for an alternate model to IRDP and the PACs arose from experience that it was not enough to teach the marginalised sectors to fish (as we were- taught) to make them self-reliant. My experience in the field proved that even after teaching them to fish, they could not reach the river, due to structural obstacles created by unequal power relations which pervaded traditional society arising from caste, land ownership, control over resources and capture of political power. The marginalised people had to chart out an alternate way to the river without open conflict with the powerful; my experience showed that the SHGs had the potential to do this; the SHG-Bank Linkage program brought them into the credit process on their own terms; it was approved by RBI / NABARD in 1992 and promoted by NABARD throughout the country.

From 2004 to 2012 : This period saw the entry of a new model based on the Grameen Bank of Bangladesh. The World Bank and other major institutions supported it. This period was characterised by rapid but unregulated growth. Young professionals were enthusiastic; they had finally found a career in which they could assist the poor as well as make a living. However, the initial commitment to the poor was soon overshadowed by the entry of private equity which was driven by the culture of maximising profits as fast as possible. A few years ago, I wrote an article entitled: "Is Micro Finance Leading to a Macro Mess? wherein, I pointed out that after 2005, micro finance institutions are increasingly driven by **speed; greed;** and **standardisation;** this has created an operational structure in which borrowers, especially the targets of financial inclusion originally envisioned, have little or no place as they did in the SHG model and in the subsequent linkage with the Banks.

The impact of speed and greed is well documented by the rapid growth of the MFIs after 2004 in the undivided Andhra Pradesh (A.P.); they adopted most features of the Grameen Bank model of Bangladesh and attracted significant investment from private equity players. However, these investments also triggered strong incentives for rapid and high levels of growth which were required to spur higher valuations. The loan portfolios of six leading MFIs in A.P. increased at a compounded growth rate of 89% between 2006 and 2010. The average return on equity of the entire sector was around 27.50% in 2008 and 25.00% in 2009. Investors, mainly from abroad were ecstatic, especially since analysts predicted potential for even greater growth. The fact is that the model adopted by these MFIs is structured not just to make a profit (which is acceptable) but to maximise profit - to profiteer. People and their institutions, the SHGs, previously at the core of credit transactions were marginalised. They required a model that could adjust to their pace, which had room to accommodate diversity of their livelihoods and which, above all did not profiteer but had their interests also as a priority.

Greed was evident in the practice of most NBFC-MFIs in Andhra Pradesh which levied high interest rates; these rates were justified by claiming that they are lower than what private money lenders levy. In fact, data showed that instead of replacing private money lenders, the borrowers who had taken multiple loans from several MFIs had to resort to loans from private sources to repay MFIs in time. Other charges (often hidden), were added by MFIs to every transaction in which the client was involved, even though in a marginal way. Speed and Greed were weaponised with threats from staff of lenders when borrowers failed to repay, according to a uniform (standardised) schedule imposed on them, irrespective of their cash flow. Suicides resulted.

After 2012 regulations increased. Both the State Govt. of Andhra and the RBI intervened. The Govt. of Andhra Pradesh clamped down with an Ordinance in

2010; unfortunately, it threw the baby out with the bathwater. MFI repayment efficiencies fell drastically and a crisis resulted, with many reducing their outreach significantly and struggling with losses. A positive action that resulted was the setting up by RBI of the "Malegam Committee on Microfinance Institutions" in 2010; it recommended a separate category called NBFC-MFIs to be regulated by the RBI. It suggested that the net interest margin (in its narrow sense, viz., the margin between the cost of credit and interest rate on loans) should not exceed 10%, a recommendation which Sanghamithra Rural Financial Services (SRFS), a Not-for-Profit NBFC-MFI based in Bengaluru has implemented. Over the years, regulations increased. They have had both intended impacts which were good and also unintended effects, which in many cases, made inclusion of the marginalised more difficult for them as well as for the lenders; we will explain this later.

The RBI removed the above cap on interest rates in 2022, anticipating perhaps that competition will keep them down, but in fact they have burgeoned. The features of speed, greed; and standardisation continued to drive the microfinance sector. The Deputy Governor of RBI, Shri Rajeshwar Rao, had finally, in June 2025, to openly admonish the NBFC-MFIs and Small Finance Banks (SFBs) for charging excessive interest rates. Mr. Rao cautioned: "Lenders should look beyond the conventional high-yielding business tag". But there is little impact on the ground, and so far no pressure on financial institutions by SROs, viz., Sa-Dhan and MFIN to reduce interest rates.

Another major feature of the dominant NBFC-MFI model is standardisation of loan sizes, schedule of repayments and interest rates. Standardisation cuts cost, saves time and is easily digitalised. No one in the sector dares to question it. No one analyses whether repayment schedules are in sync with the credit flows in the informal sector (rural and semi-rural), where most of the MFI clients have their livelihood activities. This is partly because NBFCs / MFIs avail loans from Banks for on-lending to SHGs as Term Loans with monthly /

quarterly repayments. If NBFCs / MFIs extend a variable loan repayment facility to its clients, then an asset-liability mismatch could materialize. A former practice of some Public Sector Banks to maintain a part of the loan as cash credit was helpful to keep loan repayments in sync with the lumpy characteristic of rural incomes.

In the informal sector, diversity and flexibility of factors which influence livelihood sources and incomes, operate; together they constitute a high degree of risk. Incomes in the rural and informal sector are lumpy and irregular; they depend on the duration of the crop, nature of asset and market forces. Cows and buffaloes, for example, do not give the same milk output throughout their lactation period; it declines during the summer months. Standardised loan repayments, quantum of loan repayments and repayment periods imposed by MFIs are not in sync. The client needs options from which he / she can choose to schedule amounts and periods of repayments. The SHGs catered to this demand for diversity as repayment schedules of loans were customised to cash flows. Evidently customisation which is a major feature of marketing consumer goods has no place in credit policy trying to include people who are in the informal sector. Standardisation in fact increases the risk of repayment in certain categories of loans pertaining to rural livelihoods and compels borrowers to approach private money lenders or several MFIs to maintain cash flow.

The standardised and aggressive approach fueled by greed and speed of NBFC-MFIs has weakened the informal sector and forced families to reduce their holdings in the form of gold, assets and land in order to repay loans. There has been an increase during the past 5 years in gold loans as families pledge their assets to cope with emergencies of various types. There has also been an increase in auctions of unredeemed gold pledged to Gold Loan Companies. Together, these trends indicate that families do not have adequate income resources to redeem their pledged gold, and to increase their non-monetary assets. These assets in which people traditionally saved, helped families absorb shocks from natural causes, market collapse and health issues. The informal sector weathers economic crisis much better than the formal, because of these assets which people have built over time; but these assets, are declining, making the marginalised more vulnerable.

2. SIGNS OF AN EMERGING CRISIS

Signs of a crisis are emerging. This is due to structural defects of the model where the marginalised people have no place in the credit process. It is also due to lack of support from MFIs to equip the borrowers with management and technical skills due to greed to maximise profits. The recent Ordinances enacted by the Governments of Karnataka and Tamil Nadu will add to the stress. The lack of adequate over-all growth in the small scale livelihood enterprises sector is another factor.

The three features of speed, greed and standardisation which drive growth and increase valuations, have been the major causes of the present stress in the Microfinance sector. Collection efficiencies have declined and loan portfolios have followed suit. Non-Performing Assets (NPAs) have risen significantly. The exact level of this increase is difficult to assess since various methods are adopted to conceal the real state of defaults. Estimates range from 16% to 6%. Shri S.A. Raghu in his article in Home News-Opinion dated June 2025 quotes a rating agency which estimates that NPAs have jumped to about Rs.61,000 cr. in March 2025 which is 16% of outstanding; other reports record NPAs between 6% to 10%. However, data on gross outstanding is more reliable. In the same article Shri Raghu records that Gross loans fell from Rs.4,40,000cr (Rs.4.4 trillion) in March 2024 to Rs.390,000 cr. (Rs.3.9 trillion) in December 2024 and further to Rs.280,000 cr. (Rs.2.8 trillion) in March 2025. Delinquencies in the micro credit segment of Small Finance Banks have increased significantly. It is time they realised that their present structure and culture are not appropriate to meet the challenges of a microcredit program for the marginalized!

What about the borrowers? Are they not in some way responsible for the present crisis. Some analysts claim that the prevailing culture of quick gratification fueled by aggressive advertising and quick commerce has raised aspirations beyond what incomes can support. Many have taken several small unsecured loans averaging Rs.50,000, which they are unable to service given their low income or due to unforeseen emergencies. An analysis of the loan portfolio of SRFS shows that about 90% of the loans are small, averaging Rs.50,000. These unsecured loans fall in the vertical of SRFS called General Purpose Loans. These loans are extended by SRFS to its clients to meet urgent need related to health, education, sickness, for food and clothes, to repair a small dwelling, etc. Many of these families borrow to cope with stress not to invest. Stress arises from failure to receive their entitlements in time required for daily expenses; the delays in NREGA payments and in remittances from husbands working in distant places, are well documented. A significant number of loans in this category are for purchasing inputs, viz., seeds, fertiliser, as also certain equipment in agriculture and other farm related activities, where risk is high. This pattern is common among NBFC-MFIs working in rural areas like SRFS.

But there are challenges in this category of General Purpose Loans. NPAs are high. I have gathered adequate evidence of the diversity in livelihood requirements and of the high level of risk in the informal sector in my experience with micro finance since 1985. My response was to promote the SHG model and later the SHG-Bank Linkage program where one bulk loan was given to the SHG allowing it to decide on loans to members. The SHGs were the Facebook of the 1980s and 1990s; they knew each member and their families well. The problems which borrowers face, some of which I have listed above, are also well documented in the archives of MYRADA. However, quoting from an article may look more objective.

An article in Times Business of Tuesday July 1, 2025 provides some examples. Shri Ajit of UP borrowed Rs.40,000 to open a shop. After deductions for *(life)* insurance he received Rs.38,000. His annual cost of funds worked out to 28%. A medical emergency forced him to skip some EMIs as scheduled. (*Medical*

Insurance would have helped). Mamta of West Bengal said "we have been taking loans from micro finance companies for a long time, but this time Govt. run 100 days' work is uncertain and we have no money in hand[3] *(To recall, members of SHGs who could not repay according to the loan schedule for genuine reasons were assisted by an advance from the group's common fund).* In Odisha Ms. Kabita Mahanta finds that interest rates are exorbitant -between 21% and 30% *(SHGs borrowed at interest rates around 11% and lent at 14%).* In Bihar, the TOI report says that Munna Kumar had to pay bribes to "agents"[4] . In Yavatmal, Ms. Vinita Chirote took a Rs.40,000 loan to build a house; repayment installments were Rs.2,100 a month; she is a cotton field laborer with seasonal income and is unable to meet the EMIs (*SHGs would not have given her this loan knowing her job status*). My comments are in italics.

In many cases, the TOI report records, joint liability groups (JLGs) are formed. To recall, JLGs were formed under pressure from NBFCs to speed up the loan process. They found that the lead time required to build SHGs into institutions was too long. NABARD responded by providing funds to train JLGs. Originally the number of one JLG was small- 5 to 8. Many NGOs availed of NABARD's grant and broke up SHGs-which were larger, around 15-18 members into JLGs; these JLGs performed rather well as they had been trained in the SHGs.

However, as pressure to grow with greater speed increased, JLGs were formed from scratch; after a session of training which largely focused on the members' obligations, the JLG was given a loan. Subsequent meetings were brief and reduced to gatherings of 3 to 5 JLGs which the staff of NBFC-MFIs organised,

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3 This is the case is some other States.

4 Agents are those who negotiate the loan and sometimes pay repayment installments when the borrower cannot, but at high cost. The agent is becoming a common feature today since both the MFI staff and the client find the agent useful. In fact, the Agent steps in when a borrower cannot repay in time; he/she has taken the place of the SHG's common fund.

mainly to collect repayments. These JLGs were neither joint or liable, and their influence on borrowers to repay decreased even under threats from MFI staff that if one did not repay the others would not get loans. As a result, the staff had to visit the homes of defaulters and instances of harassment emerged. In most of the cases referred to in the TOI article, the borrowers report harassment from staff representing MFIs. Staff in turn complain that if they did not achieve collection targets set, they were terminated. Given this pressure, can one blame the staff for adopting coercive methods?

3. BORROWERS NEED THE SUPPORT OF THE SHG AND IN MANAGEMENT AND TECHNICAL SKILLS FROM THE LENDER.

There are genuine cases where borrowers delay a few days as income in the informal sector is lumpy. When borrowers are genuinely unable to pay dues on a given date they have either to be classified as defaulters or borrow from private sources at high cost. SRFS initiative to promote the SHG hybrid model tries to cope with this delay. When the SHGs were functioning under the SHG-Bank Linkage program, loan recovery was above 99%; NPAs were low, less than 1%, discipline was buttressed by relations of affinity that united the group and nurtured by a sense of ownership and responsibility. In cases where a member had genuine problems for repayment on time, the SHG drew form its common fund and paid to the Bank; the interest was equal to that of the other loans (about 14%). In the SHG hybrid model, which SRFS is implementing in the General Purpose loan category this feature is being promoted.

Some do borrow to invest; they require larger loans to set up small businesses or buy machinery; but in many cases, they do not succeed, because the borrowers lack technical, management and marketing skills. In such cases, MFIs should provide support services at least to upgrade their equipment, modernise / re-model their approach, improve management skills and provide technical support. But this requires that MFIs create a last mile strategy which extends not only to extend credit and other financial services through digital platforms (which are one way communication channels), but which includes personal visits to the borrower by MFI staff after the loan is extended to help solve problems. SRFS has started to provide training in management and technical skills of borrowers and to mobilise technology where required. This adds to costs, but reduces the risk of both the lender and borrower, as problems can be identified and solved in time.

To meet the demand for these larger loans as well as support services, SRFS has launched a vertical called TIREN (Tiny Rural Entrepreneurs) with dedicated staff who visit the borrowers both before and after the loan is given. TIREN extends loans up to Rs.2.50 lakhs for small businesses, for acquiring tools / equipment / machinery. SRFS also provides grants from CSR funds to upgrade the technical and managerial skills of borrowers. When larger loans are concerned, the lender cannot rest content with providing financial services only through digital platforms; other support services are required.

Then there are cases where repayment schedules are disturbed due to sickness of the borrower. All MFIs deduct a part of the loan towards insurance, but in most cases it is restricted to life insurance of the borrower, because it covers the risk of the lender. It does not cover sickness and hospitalisation which increase the risk both of the borrower and lender. I suggest that MFIs make efforts to register borrowers under Government promoted programs like Ayushman Bharat – Jan Arogya Schemes, to meet these costs; they must also ensure that they get these entitlements. SRFS has taken a small step in this direction. It provides not only life cover but also Hospicash if the borrower is admitted in a hospital – Rs.1,000 per day in general ward and Rs.2,000 per day, if in the ICU.

4. THE STEPS TAKEN BY VARIOUS INSTITUTIONS TO COPE WITH THE CRISIS

Solutions proposed by RBI.

RBI identifies the causes of NBFC-MFI stress as [i]. over indebtedness; [ii]. high interest rates; and [iii]. harsh recovery measures. But surprisingly it has taken the following measures which will primarily reduce exposure of lending institutions to small loans where delinquency is highest, but done little to support the borrower to cope with the stress. For example, RBI lowered the qualifying assets to 60% of total assets from 75% earlier. This measure will not broaden the reach of lending institutions to include those who are excluded. In fact, the *unintended impact* will be to exclude her / him because they carry a higher risk. The decision to lower the qualifying assets gives NBFC-MFIs more space to lend only to those who have a credit score and about whom there is adequate information in the digital universe related to their various financial transactions which can be captured. These have already been included. The number of excluded, largely in the informal sector, whose "financial footprints" are not captured will be reduced, as it requires more staff time which raises cost.

The recent decision of the RBI supports this assumption. Banks including Small Finance Banks and those permitted to take security are now allowed to take security in the form of gold / silver for larger loans, with stricter guidelines. There is an *unintended impact*; it will open doors for Banks / SFBs / NBFCs to move away from smaller unsecured loans which the poorer sectors require and in which delinquencies are the highest. For example, Bandhan Bank reported in July 2025 that slippages at the end of Q1FY26 stood at Rs.1,553 cr., out of which Rs.1,083 cr., was on account of micro loans which are unsecured. Bandhan Bank's management will surely give priority to reduce its exposure in this unsecured category. Once again this protects the lending institutions but does nothing to support the small borrowers.

The RBI decided two years ago to increase risk weightage on unsecured personal loans from 100% to 125%. Credit card loans are clubbed with priority sector loans since both are unsecured. The sharp increase in credit card loans and the increasing defaults, has forced the Regulators to take steps to prevent a financial crisis affecting lending institutions. This is a good step, but there is an *unintended impact.* This increase in weightage raises the cost of Bank loans on all unsecured credit, both credit card as well as priority sector loans. This increased interest cost is passed down to the small borrower in the case of priority sector loans accessed by MFIs. Thankfully, RBI has reduced the risk weightage to 100% for micro finance (priority sector) loans on February 12, 2025. However, the stress caused to small borrowers during those two years cannot be wished away.

The RBI has mandated that the amount to be repaid monthly (EMIs) should not be more than 50% of net monthly income. The intention is good. In fact, traditional money lenders agreed to reduce the amount to be repaid when crops failed. *Comment*: However, it is difficult to assess income in the informal sector where a significant part is non-monetary like crops, vegetables, fruits, milk, etc., and where cash is the normal mode of transactions. This leaves the lending institutions vulnerable to sanctions by Regulators, if they wrongly asses income.

RBI has mandated that the number of MFIs that a borrower can approach be restricted to three. Once again this is well intended. SROs have followed suit. But there is an *unintended impact.* Many small borrowers need money to meet urgent needs; they are not borrowing "voluntarily" but under duress. Those who are unable to keep to strict repayment schedules of NBFC-MFIs are forced to borrow from private sources in order to repay when they are pressurised; these loans are not recorded by Credit Information Bureaus. Further the small loans which NBFC-MFIs extend are often inadequate to meet the entire costs of livelihood assets and activities and therefore they have to borrow from other sources. By putting caps on the number of MFIs that a borrower can approach, the borrowers are forced to approach private sources. The Direct Benefit Schemes of Government which transfer food and cash as grants directly to the poor families does help in such situations of stress.

KYC norms have been tightened by RBI, and digital footprints must now be verified; lenders have to ascertain income from bank statements and employment status more thoroughly. These measures are intended to reduce the risk of lending institutions and reduce personal responsibility of their staff who now have a few extra boxes to tick off to make a borrower eligible. The *unintended Impact* will raise administrative costs of lending institutions which will be passed down to the borrowers. Self-employed and gig workers will find it more difficult to get loans. This also raises the question: "How can FINTECHs offer personal loans to people in the informal sector with limited digital footprints, within 2 to 5 minutes, as their advertisements claim"?

Credit Bureaus and lenders have now been mandated by RBI to update records within 15 days effective from January 1, 2025, This is a welcome step by RBI since there is ample evidence of delays in uploading data. *Comment:* But there appears to be no penalty on the lender for delayed reporting and on Credit Bureaus for not updating in time. Besides, there are still major delays in correcting data when the loan has been repaid after a delay of a few days; data shows that such borrowers continue to be listed as defaulters even after they have repaid; this correction must be uploaded immediately.

The Deputy Governor of RBI recommends the following actions in his talk in June 2025. "Enhance oversight"; "Identify violations"; "Conduct more surprise visits to check collected information".... "This can act as a check against flagrant flouting of regulatory requirements." *There is an unintended impact.* This requires staff who can visit the field. Staff is a constraint with Public Sector Banks which are the major implementers of Govt. schemes operating in the priority and micro finance sectors. Banks have reduced staff. For example, SBI has 2119 customers per employee, while HDFC has 392 customers per employee!. Banks will not be able to conduct surprise visits or enhance oversight. SROs also have staff constraints and will hesitate to identify infringement by their member NBFC-MFIs who provide them with funds for their survival.

He adds: 'impose sanctions for violators'. *Comment*: Experience shows that sanctions are threatened but rarely implemented. On the other hand, the SHGs exercised control of the members in their option for a loan and in repayment. The SHGs, as I said, were the Facebook of the 1980s and 1990s; they knew their members and established rules for behavior, including fines for coming late for meetings, willful delay of repayments for disturbing the meeting; they knew the family's weakness and strengths and extended loans accordingly. People were part of the core process of credit transactions. As a result, loan recoveries were almost 99%, and there were no accusations of harassment. Bank staff also did not have to "control SHGs"; they did not have to go to the SHGs to collect repayments. I recall that under the SHG-Bank Linkage program, each week one member of the SHG in turn would go to the Bank to deposit or draw cash; the expenses for her journey were met from the SHG common fund. The SHG Hybrid model includes these features of management by the SHG.

The regular interactions with Banks created a trusting relationship between SHG members and Bank staff. A survey, done by MYRADA in the late 1990s of SHG members, on what were the benefits of the SHG-Bank Linkage program; it showed that the first benefit was credit on terms that suited the diversity of their livelihood activities and the second benefit was the respect they received from

Bank staff. As a result, the members opened personal accounts in Banks after about two years of being members of SHGs. This was financial inclusion done voluntarily. Several members of SHGs also took loans directly from Banks which accessed their records in the SHGs to give them a 'credit score'. This process, however, took time; fortunately speed to make quick profits had no place in the Bank's agenda in those days.

The Deputy Governor of RBI also urged the lending institutions to adopt an "empathetic approach since the sector is important in the strategy to empower vulnerable communities." *Comment*: Empathy is not based on feeling sorry (or guilty) for the vulnerable communities in the informal sector; it is based on respect for the diversity in their livelihood ecosystem and on helping them to cope with the risk arising from natural causes *(erratic monsoons),* traditional obstacles to empowerment and growth *(structure of traditional society which is usually biased against them)* and market forces *(which they cannot control).* Respect for them requires that the official institutions regulating and implementing the financial sector programs also give the vulnerable sectors due space to influence official policy. Empathy also requires champions among the regulators who adopt policy changes to accommodate people's needs and which supports them to get included both in formal financial institutions as well as in the growth process.

Dr. C. Rangarajan is one of these champions; he gave the lead in RBI by adopting the three policy changes which were the basis of the SHG-Bank Linkage program. This leadership was provided by officials around 1990 like Dr. C. Rangarajan of RBI and Shri P.R. Nayak of NABARD (and several chairmen who followed him like Dr. P. Kotaiah and Shri Y.C. Nanda); they respected the SHG model and adjusted official policy to allow marginalised members to integrate into the core of the official micro finance delivery structure engaged with the priority sector.

The Deputy Governor of RBI also recommends that the lending institutions cultivate a customer centric culture. He adds that a "customer centric culture must be driven from the top and embedded throughout the organisation." *Comment*: But there is ample evidence that initiatives to create a customer friendly culture and solutions are driven by pressure from customers (from the bottom) not from the top of the lending institutions.

In brief, these are top down decisions / suggestions. None of them provide solutions which involve the borrowers. The customer is no longer the king in the microfinance sector. From my experience with SHGs since 1985, I know how important it is to involve the SHGs in the entire loan process of deciding on the size and purpose of loans to each member and on repayment schedules.

Solutions from the IT sector[5] .

Overall, the IT solutions seek to increase use of technology and reduce human contact. While profiteering and standardisation continue to rule in this model, speed has increased and inclusion of the marginalised sectors has decreased. The Govt's initiative to build digital public infrastructure (Aadhar, Bank accounts, Account aggregator) which has had a major impact in improving overall governance and which I wholeheartedly welcome, also provides the supportive infrastructure for IT to enter and dominate the micro finance sector[6].

[5] References to RBI documents in this part are drawn from a paper entitled:" Fintech and the Mirage of Financial Inclusion" – Author unknown

[6] Financial transfers under the DBT scheme have become easier and faster. DBT has facilitated the transfer of Rs 44 lakh cr directly to citizens thus saving about Rs 3.48 lakh cr. in leakages. Digital infrastructure also enabled major changes in transport, communication, health, education, industry, agriculture and entertainment.

The RBI Report of the Working Group on Digital Lending Nov 18, 2021 says: " In the not so distant future lending in general and especially retail... through physical mode may be rendered obsolete ... The FINTECH sector can potentially emerge as a substitute for traditional banking" (pages 30 and 70). However, the RBI Working Group does not provide any statistics to support this claim. The RBI's think tank CAFRAL (Centre for Advanced Financial Research and Learning) projects that fintech lending, which has grown exponentially during the past 4 years, will exceed traditional bank lending by 2030 (CAFRAL, Indian Finance Report 2023 pg. 60). Not to be left behind, Sa-Dhan (the Self-Regulatory Organisation of MFIs) organised a webinar "digital paperwork reduces fraudulent loans" in June 2025; it claims that it simplifies paperwork, helps with airtight compliance and blocks fraudulent JLG loans. But Sa-Dhan does not caution that the unintended impact could be the exclusion of the marginalized sectors, which was the main objective of microfinance.

The Working Group of Digital Lending of the RBI in the report dated Nov 18, 2021, does point out some abuses in the FINTECH model, like high interest rates[7]. On the basis of this report, the RBI issued Guidelines on Digital Lending on Sept 2, 2002 which sought to curb these practices. However, a CAFRAL Report of Nov. 2023 indicates that little has changed (Indian Finance Report 2023: Connecting the Last Mile).

The FINTECH model extends loans to people who are already in the financial and growth stream. FINTECHs require data on potential borrowers which includes data on phone contacts, social media, photo gallery and sensitive personal data often used to harass borrowers if they delay repayments.

7 According to Fintech Association for Consumer Empowerment-FACE- processing fees are between 1.1 % and 5.3 % of the loan and interest rates between 14.5% and 38.3%.). There is also lack of transparency in levying several additional charges, the use of sensitive data by consumer companies to promote their products and the hiring of recovery agents who harass borrowers who delay repayments (pages 58, 59 and 81).

FINTECHs go further, they look at income stability (*fluctuating earnings are suspect*), existing debt, credit behavior, job stability (*is the borrower changing jobs frequently?*), and discrepancies in personal information, etc. FINTECHs also rely on the credit score. This means that the potential borrower is already incorporated in the financial and market system; he/she does not need to be 'included'. The model they adopt has no positive drive to include the marginalized sectors; in fact, it progressively excludes them.

Overall, the RBI seems to be rather soft on the FINTECHs; it suggests they self-regulate. Given the culture prevailing among FINTECHs, they will surely opt to maximise profit as fast as possible. The original objective of microfinance as envisaged by RBI / NABARD and implemented through the SHG-Bank Linkage program which took off in 1992 has been buried under the increasing pressure of micro finance models which prioritise speed, greed and standardization; they also exploit the prevailing culture of the need for immediate gratification which is serviced by quick commerce.

5. SUPPORT FOR A NEW MODEL WITH PEOPLE IN THE CORE OF CREDIT TRANSACTIONS IS INCREASING.

Support for my position, which has guided my involvement in promoting the Self-Help Group, as the appropriate model for financial inclusion of the marginalised since 1984-85, and the SHG-Bank Linkage program since 1992 is gradually gaining ground among analysts. Several writers in recent months, while confirming the crisis in the sector, call for an overhaul. Ms. Neha Juneja, writes in Money Control Opinion of May 14, 2025: "Microfinance remains an essential pillar of economic development but its traditional playbook needs an overhaul".. Her solution? "A shift towards digital integration, better risk management and customised credit products." I agree with the need for customised credit products but not perhaps in the way she envisions. Shri S.A. Raghu in his article of July 18,2025 in Home News Opinion calls for "A Model Revamp" and adds "its mission is still anti-poverty and financial inclusion, but current milieu seems geared more to a commercial credit model". Prof. M.S. Sriram, who we were fortunate to have on the Board of SRFS in the early years, writes on 16th Feb 2025: "we need to remodel".

They however provide no guidelines for a revamped model that can take the place of the present commercial model. Shri Atul provides a guideline in his article in Times of India "Ecopinion by Atul" of Jul 1, 2025 entitled: "The case for building community into Microfinance Operations". He asks the Boards to "consider ways to institutionalise community engagement as a core operational pillar rather than treating it as a peripheral activity". He also writes that "the most sustainable micro finance models have embedded an element of community involvement in them. While this has been the hallmark of the Self-Help Group linked microfinance model, the facilitation required by external agencies in this model makes it expensive". SRFS tries to build on this recommendation in a tiny initiative called the "SHG-HYBRID MODEL" briefly explained below.

Having been in this sector since 1984, I agree with Atul, that any revamp of the model has to place people (borrowers) in the core of the loan process and not just as beneficiaries of the profits made by lending institutions through CSR which is stipulated by Govt. The fortune at the bottom of the pyramid is people who have strengths – they are linked by relations of affinity, they know one another well, they have a tradition of savings; we must build on these strengths. This model has place for profits but not for profiteering or maximizing profits, which is the prevailing feature of present micro finance models, as Raghu points out.

A study by the Association of Microfinance Institutions, West Bengal referred to by Madhu Sudan Chatterjee[8] quotes Tarubala Biswas former Chairperson of the Bankura Zilla Parishad who said that "the major reason behind the economic and social transformation among marginalised women was the establishment of Self-Help Groups (SHGs) during the Left Front in the late 1990s". The study report adds: "The Wire" spoke to the former chairperson of the Purulia Zilla Parishad, Bilasibala Shahis, and the former chairperson of the undivided Medinipur, Pulin Bihari Baske, on the same issue. Both Shahis and Baske credit SHGs, like Biswas. Baske said: "Women received low-interest loans and were trained to manufacture useful items like bags, shirts, chairs, footballs, and imitation jewelry. Though microfinance institutions were present, most women relied heavily on government-sponsored SHGs during that time".

This study further quotes Sudipa Banerjee, Assistant Secretary of All India Democratic Women's Association, West Bengal, ... "However, post-2011, after a change in the state government, there was a decline in the effectiveness of

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[8] In his article ""In Rural Bengal Microfinance Loan Traps are created out of circumstance and Lack of Information.

the state-sponsored SHG initiatives. Though SHGs still exist on paper, their practical reach has been steadily shrinking. Allegations of corruption in SHGs have surfaced in regions such as Sonamukhi, Jhilimili and Joypur in Bankura, Memari and Galsi in Purba Bardhaman, and Kultali in South 24 Parganas. In this vacuum, microfinance companies have mushroomed across the state and women are being forced to depend on them."

Ms. Girija Srinivasan and Shri N. Srinivasan in their book "Springboard for Powering Women - Three Decades of the SAG Movement" have assessed the impact that the SHGs have had and recorded their sustainability even after 30 years[9]. Ms. Girja travelled to the MYRADA Dharmapuri Project to visit 30 year old SHGs which she had visited earlier. She interacted with about 20 of these SHGs which had been functioning for the past 15 years without any NGO support; her findings are recorded in the book on pages 142-145. The women said that they are now proud owners of assets worth Rs.3-5 million; 50% have taken about Rs.2 million each in loans. While almost 80% of them were living in huts or tiled roof houses 30 years ago, they are now living in concrete houses; all houses have sanitation facilities. All the groups have distributed their accumulated savings kept in the group common fund every five to 6 years. They proudly mention that the greatest assets that they have created are well educated children, many of whom are now engineers, doctors, government employees. The women sign off by exclaiming that **"Our Self Help Group is our Family Deity"**. Their experience proves that the fortune at the bottom of the pyramid is really people and their institutions, which given a place in the microfinance model, can ensure growth in a sustainable manner. MYRADA has hundreds of similar examples some of which have been recorded in our RMS papers available on MYRADA website and in several publications.

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[9] Please refer to the Preface, Introduction as well as to the description of MYRADA's involvement (pages 140 to 146).

6. The SHG-HYBRID INITIATIVE OF SRFS THAT BRINGS PEOPLE AT THE BOTTOM OF THE PYRAMID BACK INTO THE LOAN PROCESS.

I recalled the history of the SHG movement earlier and the role that MYRADA played between 1987 and 1992 to test the model with the help of NABARD's grant. MYRADA also actively supported the SHG- Bank Linkage program launched in 1992 by RBI/NBARD and had linked over 500 SHGs with Banks by 1993.

By 1994, however, MYRADA, realised that in remote areas where it was working, the SHG -Bank Linkage program did not function properly. Branches were too far away; transport facilities were poor and travel unsafe. MYRADA approached RBI for permission to start an MFI to fill this space. Permission was granted. Sanghamithra Rural Financial Services was incorporated as a "Not-for-Profit" Company on February 15, 1995. This is the genesis of Sanghamithra (SRFS) which was embedded in the SHG -Bank Linkage program.

SRFS built on NABARD's investment in institutional capacity training of SHGs; it encouraged savings and internal lending before it advanced a bulk loan to the SHG. This required upfront investment in time and money which many MFIs who came later were not willing to do. To quote from the Canara Bank report to the SLBC of July 2025: "The SHG should be practising five core principles viz., "Pancha sutras" i.e., regular meetings, regular savings, regular internal-lending, timely repayment; and have up-to-date books''.

After 2005-06, NABARD's involvement in promoting SHGs diminished gradually. Joint Liability Groups (JLGs) were promoted which were smaller, with 5-7 members, largely under pressure from NBFCs and MFIs to shorten the time and reduce the upfront costs required to nurture a SHG. JLGs were formed quickly, no group savings were required and loans were extended without institutional capacity training. The entire package of 14 modules for capacity building of SHGs was reduced to training in book keeping. The microfinance institutions which emerged around this time, prioritised speed, profiteering and standardisation. The SHGs gradually weakened. This affected the program of SRFS, as the quality and number of SHGs decreased by 2010. Finally, as a result of the demand to trace individual loans immediately from origin by Regulators, the bulk loan to the SHG had to be given up by SRFS, and individual loans had to be advanced directly to individuals. This further weakened the SHGs.

SRFS took some time to cope with this ecosystem. Without a clear strategy of its own after 2010 to manage the General-Purpose Loan vertical (which comprised its entire loan portfolio till 2021), it adopted the JLG approach in some areas, the SHG approach in others and the direct approach without SHG support in new areas. It managed all approaches without equipping staff with the relevant skills and with a common back-up system. But this could not continue. The management realised that a new strategy had to emerge which had elements of the SHG model *(which had provided excellent repayment performance and inclusion not only in finance but also in the growth process*), together with appropriate technology *(which had to be tested and integrated with the SHG approach)*; the strategy also had to involve borrowers in the loan process. But this took time.

Thanks to the efforts of SRFS staff, over the past few years several verticals have emerged[10]. The General-Purpose Loans vertical, however, still constitutes about 90% of SRFS's loan portfolio. This vertical is increasingly adopting the SAG-Hybrid model. In this model the training modules have been reduced from 14 (which were used to train SAGs) to 4; the SHG group common fund, however,

[10] Tiny Rural Entrepreneurs-TIREN- which advances larger loans around Rs.2-3 lakhs; Tatkal which advances small loans between Rs10,000 to Rs 50,000; Loans for water and sanitation carry an interest rate of 20% and loans to Farmer Producer Organisations levy 16% interest. Each of these verticals is managed by dedicated staff who have been trained and backed up by appropriate systems.

continues to play an important role. Meetings, savings and internal lending start from the first month. A group common fund account is opened in a Bank into which savings and other funds are credited. However, instead of a bulk loan to the group common fund (as was the practice under the SHG Bank Linkage program), SRFS transfers loans directly to the accounts of individual members, but only after the SHG has decided on the purpose, size of loans and repayment schedule; these decisions are recorded in the Minutes of the SHG meetings.

Unlike the SHG-Bank Linkage model, SHG members of the hybrid model do not have to travel physically to SRFS's offices to deposit repayment, neither has SRFS staff to go to them. SHG members now use UPI for repayments which are credited first to the SHG group common fund and later accessed by SRFS though e-NACH/NEFT. This model brings the borrower into the loan process as well as incorporates digital features which improve over-all management of SRFS; it also caters to the requirements of Rating Agencies and the Credit Information Bureaus.

The SHG-Hybrid model reduces speed as it initially involves an NGO to form and train SHGs in Institutional Capacity Building (ICB); this takes about 3-4 months during which regular savings and internal lending are promoted, as well as self-governing rules of conduct and management. Costs for this training in ICB are met from CSR funds of SRFS. It is only after 3-4 months that SRFS extends loans to members. True, this model requires greater investment up-front and a longer period before the first loan is extended, but thereafter costs decline, as the SHG takes on several roles that SRFS staff hitherto had to perform.

The SHG-Hybrid model does make profit but does not profiteer or maximise profits. It follows the Malegam Committee's recommendation to keep net interest margin (NIM) within 10%. The only extra charges, besides interest, is loan processing fees (1% on loan disbursed plus GST as applicable) and credit linked life insurance premium charges which is limited to Rs 2.70 per Rs.1,000 per annum. This amount is inclusive of GST. There are no other charges. SRFS continues to work in partnership with NGOs, Community Managed Resource Centers and SHGs. Out of its interest of 22% levied on General-Purpose Loans (currently about 90% of its loan portfolio), it pays 1% to SHGs and 2% to NGOs who are the partners; hence the effective interest rate accruing to SRFS is 19%.

The hybrid model also makes space for diversification, though not as much as I would like it to; it has to cope with operational and regulatory constraints. A review of the pattern of loans in SRFS during the past year shows that in general the SHGs decide to extend the same amount to all (or some) of the members. This is quite different from the SHGs practice from 1984 to 2005 ; during this period the SHGs did not extend loans of equal sizes but according to the need. For example, two members applied for a loan of Rs.20,000 in 1999 to buy a cow each, both of the same quality. One sold an older animal for Rs.5,000 and required only Rs.15,000 as a loan, while the other required the full amount. The SHG knew their situation and decided on a loan of Rs.15,000 to one and Rs.20,000 to the other. Under IRDP, both would have had to take a loan of Rs.20,000 each with subsidy. This practice of the SHG (which is an example of customisation), where the SHG took the lead in deciding the size of loan, has been given up today. SHG-Hybrid model is trying to bring it back.

There are however several cases during the past few years, in the data I scanned, where individual members did not receive the amount recommended by the SHG but a reduced amount which was less than what others in the SHG received. The decision to reduce the amounts is taken by the SRFS management because the total loan amount of the member exceeded Rs.2 lakhs and/or their repayment amount exceeded 50% of the monthly income.

These are limits prescribed by RBI. MYRADA has also placed limits on loan amounts. In the General-Purpose Loan vertical, the cap is Rs.50,000 on the first loan cycle, Rs.75,000 on the second and Rs.1 lakh thereafter; this has forced many borrowers to approach other sources to meet their requirements. A new vertical called TIREN (Tiny Rural Entrepreneurs) is now meeting this demand for larger loans; it supports borrowers with staff visits after the loan is extended and with technical and managerial skills through its CSR funds.

SRFS has taken some steps to provide space for diversification. Over the past 4 years, besides the General-Purpose vertical, it has promoted 5 verticals and each has different interest rates and tenures. The General-Purpose vertical levies interest of 22% with a tenure 2-3 years; Water and Sanitation loans carry an interest of 20% with a tenure 1-2 years; Loans to Farmer Producer Organisations (FPOs) carry an interest of 16%, with a tenure of 30-60 days; Tatkal loans which are below Rs 50,000/- levy an interest of 26% with a tenure 6 -10 weeks; TIREN Loans averaging Rs.2 lakhs for machinery and larger businesses charge 22% with a tenure of 2-3 years[11], and Tribal Loans which carry an interest of 9% (as SRFS receives grants) with a tenure of 30-60 days. SRFS has not introduced a cash credit component with provides a greater degree of flexibility in repayment, in any of its verticals as yet.

Briefly, the steps taken by SRFS to operationalise the SHG Hybrid model are the following:

- SRFS supports NGOs to form new SHGs or renew existing SHGs. SRFS provides funds from CSR. SRFS also trains NGO trainers.

[11] TIREN borrowers are supported by several staff visits after the loan is extended as well as by investment in upgrading management and technical skills; the costs come from SRFS's CSR.

- SHGs are trained for 3 to 4 months in ICB (4 models). During this period, a SHG group develops rules and regulations, opens an account in the bank, starts to save regularly, credits the savings to the account through UPI and starts Internal lending from savings.

- Decisions on loan (purpose, size, repayment schedule) are taken at SHG meetings and recorded in the minutes.

- Based on SHG decisions, SRFS transfers loans to individual SHG member's accounts directly after 3-4 months.

- Repayment of loans is collected by SRFS on due dates from the group's saving account through UPI/e-NACH mode, irrespective of whether all members repay or not. All transactions between SHGs and SRFS are conducted through suitable cashless mode.

- The SHG is encouraged to sanction members for late (wilful) repayments and for failures to abide by the rules; the penalty is credited to the group account.

7. THE FOLLOWING ARE THE ADVANTAGES AND FEATURES OF THIS HYBRID MODEL TO SRFS;

- It brings back basic features of SHGs as all transactions are discussed and proceedings are recorded at SHG meetings.
- It provides greater transparency and participation in decision making and accounting transactions.
- SHGs take greater ownership of the process and the lead in the recovery process.
- It is noticed that in many cases only few members of a SHG take a loan, this approach will encourage all members to take the loan.
- It saves staff time spent for collections; more time for business expansion.
- SRFS gives 1% incentive on the loan amount to SHG (0.5% on disbursement of loan amount and another 0.5% on prompt repayment by SHGs).
- Where NGOs are involved in forming and supporting SHGs, they get 2% incentive (1% on disbursement of loan amount and another 1% on prompt repayment by SHGs).
- Risk is reduced due to decreasing handling of cash and increasing ownership of SHGs.
- It protects the SRFS Board and Senior management to some extent from unwarranted accusations of harassment punishable with fines and imprisonment under the Tamil Nadu and Karnataka Acts.

ALOYSIUS PRAKASH FERNANDEZ
Founder Chairperson
Sanghamithra Rural Financial Services
July 31,2025