

NON BANKING FINANCIAL COMPANIES AND INDIA'S RURAL ECONOMY - WITH REFERENCE TO SAHARA GROUP

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ABSTRACT: *Sahara India Group has diversified business in the areas like finance, real estate, media and entertainment, tourism and services. Its business in finance, as usual, comes under the purview of Reserve Bank of India (RBI) jurisdiction. Its two financial institutions (FIs) – Sahara India Investment Corporation Ltd (SIICL), a non-banking finance company (NBFC) and Sahara India Financial Corporation Ltd (SIFCL), a residuary non-banking finance company (RNBC) have been coming under RBI scanner. While the registration of SIICL has been recently cancelled by RBI in spite of a net profit in 2006-07 against a loss in 2005-06, SIFCL has been under the threat of winding up the business owing to regulatory concerns of RBI. Thus time will come when Sahara India Group will no more be there in the financial sector. However, it will not allow the resources withdrawn from these two FIs to be idle. As it has been a prominent player in the real estate industry of India, it is clearly visible that it will reallocate the resources in favour of real estate. That way, the profitability of Sahara India Group will never be undermined. But can we say with confident that the economy will never lose anything by this 'move by coercion' of Sahara India Group? Certainly no, because other FIs are yet to penetrate into rural areas what SIICL and SIFCL had been doing successfully. Therefore the twin objective – Mobilization of rural savings and eradication of rural poverty will definitely be in jolt because of this. This paper tries to analyze critically this 'move by coercion' of Sahara India Group in the perspective of rural poverty, the ultimate problem of Indian Economy.*

KEY WORDS: *financial institutions; financial sector; real estate; rural economy; rural poverty.*

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1. INTRODUCTION

News flashes like Indian stock markets crashed and rupee touching all time lows have been very familiar for last couple of weeks or so. Before trying to uncover the ways to divest ourselves of those, it is apparent to explore what is happening in the market that is pulling the sensex downhill and forcing rupee to touch unprecedented lows as this scrutiny may endow with better elucidation for the current predicament in the Indian economy.

One of the most important causes behind the present market catastrophe in India is the extraction of Foreign Institutional Investments (FIIs) causing substantial outflow of Dollar and demand crunch in equity market. Many foreign institutions and hedge funds have become bankrupt in their domicile countries forcing them to vend Indian assets at offhand prices pulling our market down and depreciating our currency. Now the point is “Why do we rely on them so enormously that any setback of them creates identical or even further knotty state of affairs for us?” The answer is so simple. In the pursuit of growth and development we covet to be in leading edge but our domestic savings and investment volumes are not adequate for the reason. So there is no way out to accomplish our intent of elevated growth rate except for soaring dependence on foreign investment. Foreign investment in the form of Foreign Direct Investment has been proved advantageous for Indian economy in many fronts but foreign institutional investment has been daunting lot many negatives in our economy as compared to positives. And our economy in recent years has been a very superior destination of foreign institutional investors because of incredibly strong macroeconomic rudiments catering favorable ambiance for them. As we have invited those, it is our duty to endure any sort of adversities there from.

On the exterior any one can effortlessly say that we are short of domestic savings and investments but if we strive to envisage intuitively, we may unearth the reality which may diverge radically from the accessible piece of information. It is not that the size of savings we do have now accurately represents our optimum latent. In rural areas still people are there who have savings potential but because of non-availability of financial institutions and/or lack of financial transaction habits they don't go for ceremonial savings. As an alternative they prefer hoarding or conspicuous consumption which is economically and socially unwanted for them, which can also be treated as an economic waste. Some instances are there where miniature depositors in rural areas keep their slight leftover earnings with their professed masters/zamindars who in return charge something from them. That is how emblematic reverse interest rate becomes operative. If we could give our savings potential the shape of savings and channelize those in proper way probably our dependence on foreign investment would have been nil or miniscule and hence the present crisis would have been easily avoided. In this context the financial institutions (FIs) have a massive responsibility to execute. But most of our FIs fancy to concentrate in urban and sub-urban areas as business in those areas are safer and cost effective as compared to business in rural areas. On the other hand, the FIs concentrating in rural areas, examples are the Sahara India Group led two institutions – Sahara India Investment Corporation Limited (SIICL) and Sahara India Financial Corporation Limited (SIFCL), are alleged to

function not in line with the Reserve Bank of India's guidelines. So those will die out from Indian financial market because of the RBI scanner. With the egress of FIs like SIICL and SIFCL, not only the problems of equity market and exchange rate will be unsolved but more intensively the hitch of poverty will exacerbate as they were working for the deprived and by the deprived too. While our focus now is on financial inclusion and micro finance in order to alleviate poverty, the sudden termination of institutions working for the same purpose, i. e., mobilization and channelization of surplus earnings of rural masses, will definitely furnish a gust to our splendid objective.

The idea of this paper is not to appraise the role of RBI being ruthless on those FIs rather on the economic upshot there from. In fact, this paper will explicitly focus on the effect of the immature demise of SIICL and SIFCL due to regulatory concerns of RBI on poverty alleviation and current market problem. It is a fact that those who are not in line can never be tolerated but can't we think of something without going for their absolute desertion. Can't we imagine of bringing them in line as opposed to banning them? If the response is even very small yes, then we have to put all our efforts to stumble on the ways behind that yes so that we can contribute something in fulfilling a composite objective - poverty easing, exchange rate stabilization and equity market stabilization.

The sketch of this paper is as follows. While section-2 of this paper highlights Sahara India Group (specifically SIICL and SIFCL) as a catalyst in lessening reliance on FII and eradicating poverty, section-3 heaves light on facts concerning RBI scanner on SIICL and SIFCL. However, the Effects of RBI scanner on Sahara India Group and on economy are sited in section-4. Last but the imperative facet of this paper, i.e., conclusion and suggestions are incorporated in section 5 of the paper.

2. SAHARA INDIA GROUP AS A CATALYST

Indian conglomerate Sahara India group with the market value of assets at more than \$50 billion has been a major unit in the corporate world and has diversified business in the areas like finance, real estate, media and entertainment, tourism and services. However its business in financial sector is the center of attention of this paper. Its two FIs – SIICL and SIFCL, which have been under sturdy surveillance of RBI, can precisely be interpreted as a catalyst in shrinking India's reliance on FII and fighting out poverty.

2.1. Sahara India Investment Corporation Limited (SIICL)

SIICL, a non-deposit taking non-banking finance company (NBFC), is one among a handful investment companies in India which had been operational in rural and semi-urban areas in collecting investment resources. In the vicinity of financial investment, it is not that uncomplicated for a private unit to mark its identity where many gigantic public players are already there. Because for winning the confidence of people, some deep-rooted agency or body is required in order to be professed as the guaranter of people's investible funds. In case of public units, government is

considered as the guarantee in the mind of customers. Therefore, without having a deep-seated body as the guarantee, SIICL started its investment business with preliminary losses as it was unable to be appreciated by people. But slowly and steadily it entered into the market and started gaining people's confidence and reported a net profit in 2006-07. In the process of mobilizing investible funds, it was also catering a good amount of employment opportunities to educated youth of rural areas in the form of agents, who were otherwise unoccupied. Thus it was channelizing both capital and manpower in prolific lines. Although the contribution of SIICL to economy's investable fund and employability was very insignificant, on the basis of the way it was marching, something immense could have been anticipated in near future. But before establishing its credibility and at a very precipitate stage, the exit door had been shown to it, the detail story of which is elucidated in next section.

2.2. Sahara India Financial Corporation Limited (SIFCL)

SIFCL, a residuary non-banking finance company (RNBC) that accepts public deposits, is the earliest RNBC of India to be granted a certificate of registration by the RBI. In raising public deposits, the RNBCs have an exceptional track record and so also in customer service. Many types of investors prefer them to banks albeit they do not get tax concessions or a significantly higher interest rate. The following table clearly exhibits how the RNBCs are having edge over other FIs in raising public deposits.

Table 1. Data on performance of RNBCs in India

Item	Rs crore	
	NBFCs	Of which RNBCs
Number of Reported Companies	466	3
Total Assets	57453	21891 (38.1)
Public Deposits	22842	20175 (88.3)
Net Owned Funds	6663	1183 (17.8)

Source: Trend and Progress of Banking in India, RBI-November 14, 2006.

Note: 1. Figures in brackets indicate percentages to respective total of NBFCs. 2. NBFCs include miscellaneous non-banking companies, unregistered and un-notified nidhis.

As evident from the table, while a very small number of RNBCs (although 3 in number, in reality, only two - Sahara & Peerless) has merely 17.8% of Net Owned Funds of NBFCs, they have bagged 88.3% of the total public deposits of NBFCs. It clearly shows two things. First, they are easily reaching to the people who are deprived of accessing modern banking facilities. Second, people are having tremendous confidence on them.

For the investors' security, the company maintains the invested scrips in safe custody with a nationalized bank and withdrawal takes place only for emancipation of liabilities to the depositors. It does not prefer speculative investment in order to afford definite return to the investors. It has invested only less than 1% of its total assets in

listed equity shares. Again its attention on red carpet investment has been proved useful as it has only 0.04% non-performing asset ratio. Most imperative facet of its burly rudiments, which congregates the poise of public, is its capital adequacy ratio. While the statutory requirement of capital adequacy ratio is only 12%, SIFCL has been able to uphold it at 28.78% as on 31.03.2008. Its strong and strict fundamentals as mentioned above are mainly responsible for its wide popularity. It has already been well-accepted by the public and has also offered very good number of employment in the economy. With the help of 6.85 lakh workers in business promotion and 1508 service centers, it has been able to create 3.94 crore deposit accounts.

The target investors of the SIFCL are the common man – middle class, lower middle class and lower class of the society. The company has succeeded largely in inculcating the savings behavior among the common man even with a bare minimum daily deposit of Re 1. It has also been contributing to the national economy for the overall development of the country through money invested in government securities, banks and institutions.

SIFCL as a catalyst in solving the problems of poverty and present market munch can be well decorated on the basis of facts mentioned above. In the perspective of deposit accretion, SIFCL is a very proverbial name among the common masses as it gets to the depositors' doorstep through its large number of trained agents and collects the deposits from them at their convenience, that too, after proper motivation. In fact, because of this innovative scheme of collecting deposits, it has been succeeded winning the hearts of the public. The amount the SIFCL is collecting as deposits from common masses has zero opportunity value as the next best use of that would be either wasteful consumption or expenses on unsocial activities like gambling. By doing this, the company is securing the future of the poor as the amount kept with it may be spent by the depositors during their rainy days and restraining them from doing unsocial acts. Addiction to anything insists to do many things. As people are now captivated with the saving habits initiated by SIFCL, they are trying to keep up that habit by earning more. It is a reality that minute depositors in rural areas are competing themselves to deposit more and that is mostly because SIFCL. In this way they are adding a lot in their productivity and lessening their unnecessary spare time. That way SIFCL is a genuine catalyst in mitigating poverty among common man.

By the way of providing employment to rural educated youth in the shape of agents, the company is contributing to the society in three ways – reducing the unemployment problem, lessening the pinch of poverty and most importantly denouncing the unsocial and anti-social activities. Educated unemployed are proved hazardous as they use their intelligence in disparaging activities out of poverty and annoyance. Most of the unsocial and anti-social activities including terrorism are happening because of this community. For the sake of meager earning they are easily getting ready to do anything and the terrorist organizations are taking the advantage of that by making use of them for their reason. By recruiting some of them in business promotion activities of the company, SIFCL is helping them and the society too.

If the companies like SIFCL come forward and try to tap the unexplored section then huge amount of deposits, which are otherwise idle or waste, can be extracted and diverted towards investment – both direct and institutional. If it happens,

time will come when we will be no more relying on foreign investment and facing the problems inherited there from. So the job of SIFCL is not only praiseworthy but also to be imitated for the sake of macro economic benefit.

3. SIICL AND SIFCL UNDER RBI SCANNER

As the monetary authority of the country RBI has the responsibility of ensuring the smooth functioning of the monetary sector. Smooth functioning also includes making out whether the depositors' money are protected or not with the FIs. In order to do this, RBI has been watchful on the operation of all FIs. Specifically it keeps an eye to know whether the private players in financial markets are doing their jobs within the framework prescribed. If it finds any anomaly in their way of working, it becomes harsh on them and forces them to quit the market. Two of the FIs of Sahara India Group is now the victim of RBI scanner.

3.1. Scanner on SIICL

On the basis of scanned result, on August 11, 2008 RBI cancelled the registration of Sahara India Investment Corporation for carrying on the business of a non-banking financial institution as it felt that the company was more like a paper company. Since there is cost involved in regulating NBFCs, RBI feels that it is just to spend on those which are adhering the RBI guidelines and not to allow others. Therefore all NBFCs were merely asked to file their annual statements so that the credibility of the companies can easily be traced. In fact, to distinguish the paper companies from the companies in reality, RBI initiated that step. Because of this, many of the NBFCs voluntarily exited and SIICL also did the same. It is because; the assets of SIICL were not immediately available. RBI' step in cancelling the registration of SIICL is justified as it has been done to keep public money safe.

3.2. Scanner on SIFCL

On the other hand, Residuary Non-Banking Companies (RNBCs), a special type of NBFCs, are treated as a perplexing breed in the Indian financial system with almost certainly sparse RBI custody. While the monetary authority had approved them the liberty to take public deposit in the form of daily deposits, recurring deposits and fixed deposits devoid of any limit, the financial markets have been reasonably scratchy with their survival as the markets are oblivious of their financial status. As per the RNBC regulations, these companies are allowed to access borrowing from banks, financial institutions and corporate but they have only tapped public deposits and are performing stupendous in gathering public deposits. The maneuver of these companies had caused supervisory concerns to the RBI in the past. As RBI feels that they are not moving in line with the directions meant for them, it has become harsh for them by outlawing them to collect public deposits and withdrawing their discretionary investment power. The RNBCs are not free in the context of investment pattern like other NBFCs. They are required to invest only in the directed line of investments.

Earlier, the discretionary investments of RNBCs were 20% but because of unscrupulous expansion in deposit accretion, the RBI, apprehending unfavourable circumstances for the depositors in the future, has denied them to have any discretionary investments. In fact, the idea of withdrawing RNBC's discretionary investments power was to channelize their investment in approved securities to lessen treacherous & grievous consequences.

There are three RNBCs in India out of which one is a miniature setup and the rest two are giants in their size. So while anybody speaks of RNBCs, they only mean these two giants; Sahara India Financial Corporation Ltd., Lucknow and Peerless General finance & Investment Company Ltd., Kolkata. They are now required to invest 100 per cent of their deposits in approved securities which comprise government bonds, fixed deposits with banks and mutual funds. In continuation with the extraction of discretionary investments power and the banning of raising public deposits, the RBI has also asked the two RNBCs to put forward alternative business plans. Peerless has already streamlined its alternative courses of action but for the sake of wrapping up the business of RNBC and finalizing a suitable new business model, it had asked the RBI to allocate some more time. And Sahara has made representations to the RBI for relaxation of its norms. But the RBI is determined to mess up the two RNBCs to assure depositors of their principal, if not interest.

However, RBI has asked SIFCL to have zero liability by June, 30, 2015 and has permitted the company to go for investing deposits that mature in three years.

4. EFFECTS OF RBI SCANNER

SIICL has already exited the market and SIFCL is just counting its days. Their untimely demise, when they were in full swing, will definitely have some effect on the Sahara India Group and on the economy too.

4.1. Effects on Sahara India Group

Like any private business house, being motivated by profit appropriation, Sahara India Group will never tolerate the assets deployed in these two FIs to be redundant. It will undeniably come across the alternative mode to channelize the resources withdrawn or to be withdrawn in near future in a healthier way. From its up to date courses of action it is clearly discernible that the Group will revolutionize its objective from finance to real estate, where in it has been a prominent player in India as it has a massive land reservoir in the country. Under its possession 217 townships ranging from 100 acres to 300 acres each are in the course of development. It has its own three entertainment television channels, one national news channel, 36 regional news channels and various newspapers and magazines in Hindi, English and Urdu as well. Thus it has scores of alternatives to fit the spare resources from these two FIs. Keeping the prospective of different sectors and the competency of Sahara India Group in mind, any one will certainly foretell that the Group (i.e., Sahara India Group) will reallocate the resources in favour of real estate. That way, the profitability of Sahara India Group will never be undermined.

In order to compensate the loss of business in the form of losing two of its FIs, the Chairman of Sahara India Group Subrata Roy has recently visited UAE to explore business and investment opportunities in that country. During the visit he had also met there prominent business people and industrialists and eyed at potential projects in various sector. Thus, the problem the Sahara India Group faced due to the RBI Scanner is just temporary and it would never impose any negative effect on the Group as many alternatives are open for it. It is just a matter of time. The group just needs some time to wind up the business in financial sector and to concentrate in best possible alternatives. It is now passing through a transition period and it will stretch for little more time as wrapping up a long-drawn-out business is not that simple. Materially it may not lose anything but definitely some real cost it has to put up with until it exits the financial sector.

4.2. Effects on Indian Economy

4.2.1. Shrink in employment opportunities

As mentioned in previous subsection of this section, if the Sahara India Group will not keep the resources withdrawn from those FIs idle and will go for reallocation of those, from exterior, one may question: how can it shrivel employment opportunities? But in reality, it can. May be the amount of funds reallocated will be the same as the amount withdrawn but the employment opportunities in new heads of investment may not be as much as it was in financial sector. If the Group reallocates the withdrawn resources, as guessed, in real estate where it has already a recognized set up, definitely it will try to apt the economies of scope and hence very nominal employment opportunities may be created. Thus, there will be a sizeable shrink in the employment opportunities of the economy.

Again, this move of the Group from financial sector to real estate sector will cause a shift of employment opportunities from rural and semi-urban to urban areas. Basically in financial business of the Group, educated youth of rural areas, who are very conversant with the rural living style, get employment. As the Group changes the sector, for the sake of corporate social responsibility, it may try to help the old employees out. But its trial may not take the real shape for two reasons. First, employees of financial sector may not be fitted into the real estate sector, i.e., the problem of accommodation from the Group's side. Second, Even though the Group takes the responsibility to train them afresh in new line of requirements then also the objective may not materialize as the rural educated youth may not adapt themselves to the city life and may not cater as per the requirements of city jobs, i.e., the problem of accommodation from the employees' side. As in India, the incidence of poverty is highly concentrated in rural areas, if we want to reduce the gravity of poverty from the economy; we have to focus on employment generation in rural areas, where as this shifting of sector by the Group goes against it.

In the backdrop of the problems mentioned above, it is obvious that the transformation of the Group's objective towards real estate leaving the financial sector, which is just a move by coercion (from RBI's side on regulatory ground), will certainly

have threats on livelihood of lakhs of people. That way it will aggravate the rural poverty too.

4.2.2 Distortion in Deposit accretion

We feel proud for the fact that our country has been performing considerably well since last couple of years in our economic front. It is genuine as our rate of growth is getting augmented year by year and the country's foreign exchange reserve is accumulating rapidly. At the same time, we should not forget to attribute our economic success to the foreign capital which is the main factor behind it. Our dependence on foreign capital fingers two alternatives. Probably our domestic savings & investments are not enough to accumulate sufficient capital so as to meet the huge demand of massive population. Or probably we do have potentials to save & invest but our financial system is not well-diversified to mobilize those. But in our context both these alternatives are non-mutually exclusive. That means we lack in savings or saving potentials and also whatever small potential we do have is not properly tapped. Our limited saving potentials, as is inherited from our massive poverty & huge population, needs lot of things to do for its improvement. But mobilizing the existing potential is not a great task and can be easily done by a sound financial system. If we are unable to do so that means there is something lacking in our financial system. We speak a lot on retail banking and up gradation of banking services in India. But the point to see is whether all these are conducive for mobilization of saving potentials of the country. If we consider FIs excluding RNBCs, probably our answer will be no. That can be substantiated from the following facts.

As per the RBI's Handbook of Statistics on the Indian Economy (2006-07), there were 30,639 rural branches of Scheduled Commercial Banks (SCBs) in 2007, which were 4,750 less than the number in 1993. In an average, 26 bank branches in rural areas blackout each month. In other words, on every working day there is closure of one bank branch in rural areas. But branches in metros shot up from 5,753 to 11,826 in the same period, where as in other urban areas, the number climbed from 8,562 to 12,792 in this period. It clearly depicts that, modern banks for the sake of maximizing profits, are providing updated services with competitive offers to their sophisticated customers of urban areas neglecting the rural masses. They are least bothered about the savings of rural areas. Their expansion seldom solves the problem of mobilization of resources.

Deposit accretion will definitely be lowered after the exit of SIFCL from the financial market. Slow deposit accretion will in turn be a cause of poverty because when FIs are not available and/or not interested to collect deposits from the surplus income holders how can they be encouraged to give loans to the needy people over there in rural areas. Therefore the poor but potential investors will be deprived of getting funds and hence the supply side of the market in those areas will be sticky. Further, the spending of surplus income, which were supposed to be saved, on consumption heads owing to lack of savings facilities will be resulted in augmentation in consumption demand. While in one hand, the supply in rural market will deteriorate because the potential investors can not go for production due to lack of funds resulted

from less deposit accretion, the demand in rural market will surge for extra spending by the surplus income holders. This mismatch between the market demand and supply will stimulate the cost of living and undermine the standard of living of rural people. Thus the poor will be poorer. Further, it will have negative impact on the efficiency of rural depositors too. For the sake of depositing considerable amount, some of the rural people might have fascinated to earn more by improving their efficiency and reducing their wasteful leisure time. In that way they must have acquainted with the financial transactions through the agents or advisors who know them very well. When they miss the services they were getting previously and don't find the FIs to deposit their surplus income, their zeal to earn more will definitely be spoiled. By this, they will lose their competence and will also involve themselves in many unsocial and anti-social activities as they will get much spare time to use for those purposes. However, the concept of micro finance may to some extent neutralize this effect and can help the poor but to what extent it can manage alone, that the time will say.

5. CONCLUSION

If anything is established as bad, that is to be banned. If it is doing bad but the hope of improvement is there, that is to be regulated. But if it is doing well but not in proper line then that is to be promoted for development by bringing that into the predetermined track or by determining a track specifically for that so as to cope up with its line of functioning. FIs of Sahara India Group, particularly SIFCL and SIICL are coming under last type. They are doing well so far as their services & confidence of the customers are concerned. But only problem with them is that they are not in line with the norms of the authority. If bankers and other financial institutions, in spite of functioning in proper line, are not able to do something which is important that these two FIs are doing with their interest and are also succeeding, the authority of the country should give them the status that is given to other FIs or it should create a special status for them with the power of raising deposits and discretionary investments.

As RNBCs like SIFCL are a good source of mobilizing the resources which are otherwise idle, they are to be encouraged. Encouragement to them does not mean to make them free. Rather they are to be given the facilities that are appropriated by other FIs and at the same time they are to be regulated by the regulatory authority. To solve the composite problem of resource mobilization, poverty alleviation and safety of the deposits of the public, the RBI should go for two authorities – development authority and regulatory authority. For the development of RNBCs and other FIs, the development authority should cater all possible facilities without any discrimination and to forbid any sort of deviation and exploitation in their functioning, the regulatory authority should apply all possible checks without hampering their development. However regulation should follow development. But the recent move of the RBI in the context of SIICL and SIFCL does not foresee development, nor dare to confirm regulations but strong enough to spoil. This is the right time for the RBI to think over the issue in order to show the concerns for development.

SIICL has already been stopped and if RBI is determined to stop SIFCL for its careless approach towards the RBI guidelines, nobody will find any scope to utter a word against the authority, provided it does this after arranging some alternatives by which the rural segment will not impede. While we speak a lot on financial inclusion and its importance in Indian context, where maximum inhabitants are rural and are excluded financially for one or other reasons, by denouncing the FIs like SIICL and SIFCL, we are fairly favouring financial exclusion. Although micro finance is one means of financial inclusion, there is doubt in its sustainability as in this way we are trying to help the rural poor without taking the help of their untapped resources, which may lead to sub-prime crisis. So this is the right time for the authority to focus on rural areas through bilateral transactions. Because of exhaustion of corporate clients, the Indian banking sector is as such facing problem in finding borrowers. Still the banks are not keen to bank upon rural sector because of lack of credit worthiness. In the name of modernization most of the banks are expanding urban branches and catering ultra modern facilities but at the cost of rural branches. Thus if the banks prefer to be away from the rural sector for risk reason and the NBFCs and RNBCs are forced to be away from it for regulatory reasons, then how can we fight out poverty, the basic problem of Indian economy.

Poverty eradication is the ultimate challenge before the policy formulators of India. While the incidence of poverty is primarily concentrated in rural areas, poverty in urban sector is due to the emergence of slum population in towns and cities which is due to the migration of rural population to urban areas for sake of living and livelihood. To combat poverty, the focus of our government should be on rural areas. Accordingly many programmes have been initiated for the purpose but looking into the gravity of pauperization, the effort puts forth seems inadequate. As the rural sector have the maximum resource reservoir of the country, without making use of those, how long and how effectively the government can keep on helping the poor. This way of doing something for the poor is also backed by many allied problems like inflation, laziness and may be unsocial activities. Therefore, it is essential to utilize the resources of rural sector to upgrade its standard of living. Sahara India Group with its two FIs was doing the same. They were tapping the potential of rural sector in financial front. If they are banned because of their misaligned functioning, they are to be well substituted by some other institutions what has not happened so far in India. If at all the RBI encouraged and gave green signal to any institute to carry on the job of Sahara India Group in financial sector but under the RBI guidelines, who can guarantee that the new player will abide by every checks and balances? As an alternative, if the authority put efforts to bring the banned and would be banned FIs back to the track prescribed by it then we can give justice to the rural underprivileged and guiltless employees.

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