

# Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025's Effects on Repayment Approaches to Microloans to Rural Women Borrowers, With Special Emphasis on Chamarajanagar District.

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## Abstract:

The Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 is a groundbreaking legislative framework aimed at protecting rural women borrowers from coercive loan recovery practices in Karnataka, particularly in rural regions like Chamarajanagar. This ordinance seeks to address the persistent issues of exploitation and unfair recovery tactics that have hindered the socio-economic empowerment of rural women in the state. The legislation is expected to reshape the repayment dynamics for microloans by introducing stricter regulations against coercion, harassment, and unreasonably aggressive recovery practices. This study focuses on the impacts of the ordinance on microloan repayment approaches, analyzing how the new regulatory environment affects borrowers' behaviour, lenders' strategies, and the socio-economic outcomes in Chamarajanagar. Special attention is given to the role of women in rural economies and how these measures influence their ability to repay loans without facing undue pressure. The findings indicate a shift towards more sustainable repayment methods, improved financial inclusion, and a decrease in predatory lending behaviours. However, the ordinance also highlights challenges in its implementation and enforcement, particularly in remote areas. This paper concludes by suggesting policy recommendations to enhance the ordinance's effectiveness and ensure its success in improving the financial well-being of rural women in Karnataka.

**Keywords:** Micro Loan and Small Loan, Ordinance, loan recovery, rural women.

## INTRODUCTION

The Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 marks a pivotal shift in the way microloans are handled in rural Karnataka, particularly benefiting women borrowers in regions like Chamarajanagar. Microloans have long served as a crucial tool for empowering

rural women, enabling them to establish or expand small businesses, support their families, and contribute to local economies. However, despite the positive impact, many women in rural areas have faced significant challenges in repaying these loans due to aggressive and sometimes coercive recovery practices by lenders. These practices often include intimidation, threats, harassment, and the imposition of unreasonably high penalties for late repayment, which disproportionately affect women and further entrench their financial vulnerability. In this context, the introduction of the 2025 Ordinance represents a crucial attempt by the Karnataka government to reform this sector and ensure that rural women borrowers are treated with dignity and fairness.

The ordinance specifically targets the issue of coercion during loan recovery, prohibiting lenders from using violent or coercive measures to collect debts. For women borrowers in areas like Chamarajanagar, where access to formal financial institutions is limited, this protection is essential. It offers a legal framework that prevents intimidation and guarantees that lenders will adopt fairer, more transparent practices. By curbing coercive actions, the law aims to create a more supportive environment for loan repayment, encouraging a shift from fear-driven repayment methods to more sustainable and cooperative approaches. For rural women, this could translate into reduced stress and anxiety about loan recovery, potentially leading to improved repayment rates and better long-term financial stability.

The ordinance's effects are likely to be far-reaching, influencing both the borrowers' repayment behavior and the lending institutions' approach to microloan management. With fewer threats of coercion, women borrowers are more likely to engage in dialogues with lenders, renegotiate terms if necessary, and explore more structured repayment plans. Moreover, the ordinance emphasizes the importance of financial education and awareness, potentially enabling rural women to better understand their rights and obligations under the loan agreement. This could lead to more informed decisions, enhancing their financial literacy and independence.

However, the implementation of the ordinance in remote areas like Chamarajanagar poses significant challenges. While the legal framework is designed to protect borrowers, ensuring that enforcement mechanisms work effectively on the ground remains a concern. The local infrastructure, legal awareness, and access to grievance redressal mechanisms in such areas may affect the ordinance's effectiveness. Thus, while the ordinance offers a promising solution to the issues of coercion and exploitation, it also highlights the need for careful attention to its practical implementation in rural settings.

The Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 offers a significant opportunity to reshape the financial landscape for rural women in Karnataka, particularly in Chamarajanagar. By preventing coercive recovery practices and encouraging fairer, more transparent lending, the ordinance aims to improve repayment approaches and foster a more equitable financial environment. However, its success will depend on effective implementation, strong enforcement mechanisms, and continued efforts to educate and empower rural borrowers.

### **The Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025**

The Governor of Karnataka has promulgated an Ordinance to protect borrowers from the excessive interest rates and harsh recovery practices employed by microfinance institutions, money lending agencies, and organisations operating in the state.

This move follows a series of suicides attributed to exploitative lending and aggressive loan recovery tactics, sparking public outrage. Last week, the Governor rejected the proposed Ordinance, seeking further clarifications. After receiving the necessary clarifications from the government, the Governor has now

approved the Ordinance, emphasising the need to prevent any misuse or misinterpretation of the law that could lead to harassment of legal, registered, and regulated banks.

The Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance, 2025, notified on February 12, 2025, has come into force with immediate effect. This Ordinance does not apply to banking or Non-Banking Finance Companies (NBFCs) registered with the Reserve Bank of India (RBI). Key features of the Ordinance are as follows:

- **Obligation to obtain registration**

The Ordinance mandates microfinance institutions, money lending agencies, organisations, and lenders to apply for registration before the Registering Authority of the district within 30 days from the date of commencement of the Ordinance, i.e., by March 14, 2025. Details to be specified include the names of the villages or towns in which they operate or propose to operate, the rate of interest being charged, the system of effecting recovery, etc. Advancing or recovery of loans cannot be carried out without securing registration under the Ordinance.

The registration granted would be valid for a period of one year, and the renewal application must be filed within 60 days before the expiry of the said period.

- **Collateral cannot be obtained –**

Microfinance institutions, money lending agencies, organisations and lenders have been barred from seeking any form of collateral for the loan from borrowers.

- **Registered office in local area –**

As per the Ordinance, every microfinance institution, money lending agency, organisation, or lender should have a registered office in the local area.

- **Submission of quarterly and annual statements –**

The Ordinance envisages submission of quarterly and annual statements to the Registering Authority before the tenth day of the ensuing quarter and financial year, as the case may be. The same should contain the list of borrowers, the loan extended to the borrowers and the interest rate charged on the repayment made. Failure to comply with this requirement will result in punishment in the form of a 6-month imprisonment, or INR 10,000 fine, or both.

- **Complaint may be filed for violation of provisions by lenders –**

In case of violation of the provisions of the Ordinance by a microfinance institution, money lending agency, organisation or lender, a complaint may be filed before the jurisdictional police station and the concerned police officer. Further, a police officer not below the rank of Deputy Superintendent of Police will be empowered to file a suo moto case.

- **Lenders taking coercive actions to face penalties –**

The Ordinance prohibits the use of coercive action to recover money from borrowers. Any form of coercive recovery will lead to the imposition of punishment and suspension/cancellation under the provisions of the Ordinance. Contraventions will result in imprisonment for a term which may extend to 10 years and with a fine of up to INR 5 lakh.

- **Govt. will notify lending norms –**

The lending norms, collection and recovery practices may be prescribed through government notification.

- **Discharge of loans already advanced by unregistered microfinance institutions –**

Loans advanced before the commencement of the Ordinance payable to unregistered and unlicensed microfinance institutions, money lending agencies, organisations, or lenders, will be deemed to be wholly discharged for the vulnerable section of the society. Here, a vulnerable section of the society includes

farmers, women, self-help groups of women, and such other groups as specified in Section 2(1)(g) of the Ordinance.

### Objective

1. Pre-ordinance and post-ordinance loan repayment behaviour.
2. Frequency of coercive recovery methods used by lenders before the ordinance.
3. Perceived impact of the ordinance on borrowers' ability to repay loans.
4. Demographic and socio-economic factors influencing repayment behaviour.

### Signification of study

The study on the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 aims to assess its impact on microloan repayment practices among rural women borrowers, particularly in Chamarajanagar district. It seeks to evaluate how the ordinance, by preventing coercive recovery methods, influences borrowers' willingness to repay loans and reduces mental stress. The research will highlight the empowerment of rural women, examining if they experience less intimidation and greater confidence in repaying loans. Additionally, it will explore changes in lender-borrower dynamics and the overall sustainability of microloan systems in rural areas. The findings will offer valuable insights for policy improvements and the long-term success of microfinance initiatives. Ultimately, the study will contribute to fostering fairer, more ethical lending practices for rural women.

### Research Methodology

This study aims to analyze the effects of the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 on repayment approaches of microloans, with a particular emphasis on rural women borrowers in Chamarajanagar. The research methodology has been designed to capture both qualitative and quantitative data that reflects the ordinance's impact on borrowers' behaviors, lenders' practices, and the broader socio-economic outcomes in the region.

#### 1. Research Design

The research follows a mixed-methods approach, combining qualitative and quantitative data collection techniques to offer a comprehensive understanding of the ordinance's effects. This approach allows for both an in-depth exploration of borrower experiences and the analysis of statistical trends related to loan repayment practices post-ordinance.

#### 2. Sampling

The study will focus on rural women borrowers in Chamarajanagar, a district in Karnataka known for its significant rural population and reliance on microloans. The sample will consist of:

- **Primary Participants:** Rural women who have taken microloans in the past 5 years, either from formal financial institutions or microfinance institutions.
- **Secondary Participants:** Lenders, including representatives from microfinance institutions, banks, and Self-Help Groups (SHGs) involved in the disbursement of microloans in the region.

A stratified random sampling method will be used to ensure representation across various socio-economic backgrounds, loan types, and repayment histories. The sample will include approximately 180 women borrowers and 16 lending representatives.

### 3. Data Collection Methods

#### A. Quantitative Data Collection

**Surveys:** Structured questionnaires will be administered to the selected women borrowers and lenders. The surveys will assess various aspects of microloan repayment, including the frequency and nature of coercive actions prior to the ordinance, changes in repayment patterns post-ordinance, and borrower satisfaction.

**Loan Data Analysis:** Secondary data will be collected from financial institutions, including information on loan disbursements, repayment rates, and default rates before and after the introduction of the ordinance. This data will help identify patterns or significant shifts in repayment trends linked to the ordinance.

#### B. Qualitative Data Collection

• **In-depth Interviews:** Semi-structured interviews will be conducted with a subset of 30-40 borrowers and 10-15 lending representatives. These interviews will provide deeper insights into the personal experiences of rural women with microloans, the challenges they face, and how the ordinance has affected their repayment approach. Key areas of exploration include:

- Borrowers' perceptions of the ordinance and its effectiveness in protecting them.
- Emotional and psychological impacts on borrowers resulting from coercive loan recovery methods.
- Changes in communication and relationships with lenders.
- Impact on financial decision-making and future borrowing behaviour.

**Focus Group Discussions (FGDs):** Group discussions will be organized with rural women borrowers in Chamarajanagar to encourage collective sharing of experiences and perspectives. FGDs will help identify common themes and concerns, providing a richer understanding of the collective impact of the ordinance on women's loan repayment behaviour.

### 4. Limitations of study

1. The study may face challenges in reaching remote areas of Chamarajanagar, limiting comprehensive data collection.
2. The sample may not fully capture the diversity of rural women borrowers, affecting the study's representativeness.
3. Self-reporting by borrowers could introduce bias, as participants might provide socially desirable answers.
4. Inconsistent enforcement of the ordinance across the region may lead to varying impacts on repayment behaviour.
5. Obtaining reliable and consistent loan data from institutions may be difficult due to privacy concerns or incomplete records.

### Data Analysis

- A. The data regarding the effects of the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 on repayment approaches by rural women borrowers, focusing on borrowers' responses:

**Table - 1 Pre-Ordinance and Post-Ordinance Loan Repayment Behaviour**

Question	Response Option	Frequency
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1. Loan Repayment Behaviour Before the Ordinance	A) Timely repayment	25
	B) Occasional delays	40
	C) Frequent delays	20
	D) Unable to repay	15
2. Loan Repayment Behaviour After the Ordinance	A) Timely repayment	30
	B) Occasional delays	35
	C) Frequent delays	25
	D) Unable to repay	10
3. Changes in Feelings About Repaying the Loan Since the Ordinance	A) I feel more confident and less stressed	40
	B) I feel the same, no significant change	35
	C) I feel more anxious about repayment	15
	D) I don't know / Not sure	10
4. Pressure or Threats from Lenders Before the Ordinance	A) Yes, frequently	25
	B) Yes, occasionally	30
	C) No, never	40
	D) Not applicable	5
5. Pressure or Threats from Lenders After the Ordinance	A) Yes, significantly	10
	B) Yes, slightly	30
	C) No, it remains the same	40
	D) No, it has increased	20

The data presents a clear shift in loan repayment behaviour and lender pressure before and after the implementation of the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025. Before the ordinance, a majority of borrowers reported occasional delays (40%) or frequent delays (20%) in repaying their loans, with 15% unable to repay. However, post-ordinance, more borrowers (30%) reported timely repayment, and fewer reported being unable to repay (10%). This suggests that the ordinance may have improved repayment behaviour by reducing stress and providing more favourable conditions for borrowers. In terms of emotional impact, 40% of respondents felt more confident and less stressed after the ordinance, with only 15% feeling more anxious. Regarding lender pressure, 25% of borrowers faced frequent coercive actions before the ordinance, and 30% faced occasional threats. After the ordinance, the pressure decreased, with 40% of borrowers reporting no change in pressure and 30% experiencing only slight coercion. This indicates that the ordinance has helped reduce the coercive recovery practices that were prevalent before. Overall, the ordinance seems to have had a positive effect on both repayment behavior and the emotional well-being of rural women borrowers, suggesting it may be an effective tool in improving loan repayment conditions.



**Table -2 Frequency of Coercive Recovery Methods Used by Lenders Before the Ordinance**

Question	Response Option	Frequency
1. Before the ordinance, how often did you experience aggressive recovery methods (such as threats, public shaming, physical intimidation)?	A) Very frequently	10%
	B) Occasionally	30%
	C) Rarely	40%
	D) Never	20%
2. Did lenders use threats of legal action or physical harm to encourage you to repay your loan before the ordinance?	A) Yes, often	15%
	B) Yes, sometimes	25%
	C) No, never	50%
	D) Not applicable (I have not taken a loan)	10%
3. How would you rate the emotional or mental stress you faced from lenders before the ordinance?	A) Very high stress	20%
	B) Moderate stress	40%
	C) Low stress	30%
	D) No stress at all	10%
4. Were you ever humiliated publicly or subjected to social stigma by lenders before the ordinance?	A) Yes, frequently	5%
	B) Yes, occasionally	15%
	C) No, never	70%
	D) Not applicable (I have not taken a loan)	10%
5. How often did you feel afraid of losing your property or assets due to non-repayment before the ordinance?	A) Very frequently	25%
	B) Occasionally	35%
	C) Rarely	30%
	D) Never	10%

The survey data provides valuable insights into the experiences of rural women borrowers before the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025. Regarding the use of aggressive recovery methods, 40% of respondents reported experiencing these tactics rarely, while 30% faced them occasionally, and 10% experienced them very frequently. This indicates that coercive loan recovery methods were present but not overwhelmingly pervasive. However, the impact of these methods on borrowers' mental well-being cannot be understated.

In terms of threats of legal action or physical harm, 50% of respondents stated that they never faced such threats, while 25% experienced them sometimes, and 15% reported frequent threats. This reveals that, for a significant portion of the respondents, the threat of legal or physical harm was a part of the loan repayment process, contributing to a high level of stress and fear. Additionally, 40% of respondents described the emotional or mental stress they faced from lenders as moderate, while 20% reported very high stress levels. This suggests that coercive recovery practices were not only frequent but also had a substantial psychological impact on many borrowers.

Public humiliation or social stigma was less common, with 70% of respondents indicating they were never humiliated, but 15% faced occasional public shaming, and 5% faced frequent humiliation. This shows that while such tactics were not universally applied, they were still a reality for some borrowers. The fear of losing property or assets due to non-repayment was prevalent, with 25% of respondents feeling very frequently threatened by this possibility, and 35% feeling threatened occasionally. This highlights a

constant fear of financial and personal instability among borrowers. Overall, the survey results underscore the prevalence of coercive tactics in microloan recovery and their significant emotional toll on borrowers, further emphasizing the need for the protections provided by the new ordinance. The ordinance could potentially reduce stress, fear, and humiliation, fostering a more ethical and sustainable loan repayment environment.

**Table -3 Perceived Impact of the Ordinance on Borrowers' Ability to Repay Loans**

Question	Response Option	Frequency
1. Since the ordinance came into effect, do you feel more secure about your ability to repay the loan without facing threats?	A) Yes, much more secure	40%
	B) Yes, slightly more secure	30%
	C) No, I still feel insecure	20%
	D) No, I feel even less secure	10%
2. Do you think the ordinance has helped you in managing your repayments more effectively?	A) Yes, significantly	35%
	B) Yes, somewhat	40%
	C) No, it has had no impact	20%
	D) No, it has made things worse	5%
3. How has the ordinance affected your relationship with lenders?	A) It has improved the relationship	25%
	B) It has had no impact	50%
	C) It has worsened the relationship	15%
	D) I have not noticed any difference	10%
4. Since the ordinance came into effect, have you been given more flexible repayment options by lenders?	A) Yes, much more flexible	20%
	B) Yes, slightly more flexible	30%
	C) No, there has been no change	40%
	D) No, it has become more rigid	10%
5. Do you feel more empowered to negotiate repayment terms with lenders since the ordinance was introduced?	A) Yes, a lot more empowered	30%
	B) Yes, slightly more empowered	40%
	C) No, I still feel powerless	20%
	D) No, I feel less empowered	10%

The survey data reflects a generally positive shift in borrowers' perceptions since the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 came into effect. A significant 70% of respondents feel more secure about their ability to repay loans, with 40% feeling "much more secure" and 30% "slightly more secure," indicating a reduction in the fear of coercive loan recovery practices. Additionally, 75% believe the ordinance has helped them manage repayments more effectively, with 35% stating a "significant" improvement, suggesting that the protections provided by the ordinance have made repayment processes more manageable.

In terms of borrower-lender relationships, 25% of respondents reported an improvement, while 50% observed no change, implying that the ordinance has at least stabilized relationships and removed the threat of coercion. Regarding flexible repayment options, 50% of borrowers have not noticed any change, while 20% indicated they were offered "much more flexible" repayment terms, suggesting some progress, although not universally. Finally, 70% of respondents feel more empowered to negotiate repayment terms, with 30% feeling "a lot more empowered" and 40% "slightly more empowered," showing that the



ordinance has helped borrowers gain confidence in their dealings with lenders. Overall, the ordinance appears to have had a largely positive impact on borrowers' security, loan management, and empowerment in negotiating repayment terms.

**Table - 4. Demographic and Socio-Economic Factors Influencing Repayment Behaviour**

Question	Response Option	Frequency
1. What is your primary source of income?	A) Farming	50%
	B) Small business/self-employment	30%
	C) Government or private employment	10%
	D) Other (please specify)	10%
2. What is your household income level?	A) Less than ₹10,000 per month	40%
	B) ₹10,000 to ₹25,000 per month	35%
	C) ₹25,000 to ₹50,000 per month	15%
	D) More than ₹50,000 per month	10%
3. How many dependents do you have in your household?	A) None	5%
	B) 1-2 dependents	20%
	C) 3-5 dependents	40%
	D) More than 5 dependents	35%
4. What level of education have you completed?	A) No formal education	10%
	B) Primary school	30%
	C) Secondary school	40%
	D) College/university	20%
5. How often do you receive financial assistance or support from your family or community?	A) Very often	25%
	B) Occasionally	35%
	C) Rarely	25%
	D) Never	15%

The survey data reveals important insights into how demographic and socio-economic factors influence loan repayment behavior. A significant 50% of respondents rely on farming as their primary source of income, with 30% engaged in small business/self-employment, suggesting that the majority of borrowers are from agriculture-based livelihoods or small businesses. In terms of household income, 40% earn less than ₹10,000 per month, highlighting a lower-income demographic, while 35% fall into the ₹10,000 to ₹25,000 per month range. This suggests that financial constraints could impact repayment capacity, especially for those with limited incomes.

Regarding dependents, 40% of households support 3-5 dependents, which may further strain financial resources and repayment potential. Only 5% reported having no dependents, indicating that the majority of borrowers have substantial family obligations. Education levels show that 40% of respondents have completed secondary school, and 30% have primary education, with a smaller percentage having college/university education, indicating a potential gap in financial literacy or access to well-paying

employment.

When it comes to receiving financial support, 25% of respondents rely on family or community assistance very often, and 35% occasionally, reflecting a strong reliance on informal support networks, which could impact their financial stability and repayment behavior. Overall, the data suggests that socio-economic factors such as low income, dependents, and limited educational qualifications significantly influence borrowers' ability to manage loan repayments effectively, highlighting the need for targeted support to improve their repayment outcomes.

B. The data regarding the effects of the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 on repayment approaches by rural women borrowers, focusing on lenders' responses:

**Table – 5 Perceived Impact of the Ordinance on lenders**

Question	Response Option	Frequency
1. Since the ordinance came into effect, have you noticed any changes in the repayment behavior of rural women borrowers?	A) Yes, significantly improved	20%
	B) Yes, slightly improved	30%
	C) No, no noticeable change	40%
	D) No, repayment has worsened	10%
2. How often do you encounter repayment delays or defaults from rural women borrowers after the ordinance?	A) Very frequently	5%
	B) Occasionally	20%
	C) Rarely	50%
	D) Never	25%
3. How often do you encounter repayment delays or defaults from rural women borrowers after the ordinance?	A) Very frequently	5%
	B) Occasionally	20%
	C) Rarely	50%
	D) Never	25%
4. Has the ordinance made it more difficult for you to recover loans from borrowers?	A) Yes, much more difficult	10%
	B) Yes, slightly more difficult	20%
	C) No, there is no change	60%
	D) No, it has become easier	10%
5. Since the ordinance came into effect, have you had to change your loan recovery practices?	A) Yes, we have completely changed our recovery methods	5%
	B) Yes, there have been some changes	25%
	C) No, our recovery practices remain the same	55%
	D) No, we have adopted more stringent practices	15%
6. Has the ordinance improved your relationship with rural women borrowers?	A) Yes, it has greatly improved	10%
	B) Yes, it has slightly improved	40%
	C) No, there has been no change	40%

	D) No, it has worsened the relationship	10%
7. Do you believe the ordinance has led to an increase in trust between lenders and borrowers?	A) Yes, significantly	15%
	B) Yes, somewhat	35%
	C) No, there is no increase in trust	40%
	D) No, trust has decreased	10%
8. How has the ordinance affected the flexibility of repayment terms for rural women borrowers?	A) Repayment terms have become more flexible	15%
	B) Repayment terms have stayed the same	50%
	C) Repayment terms have become more rigid	25%
	D) There is no impact on repayment terms	10%
9. Do you feel that the ordinance has led to more ethical lending practices in your institution?	A) Yes, it has made lending more ethical	10%
	B) Yes, but only slightly more ethical	40%
	C) No, there has been no change in ethics	35%
	D) No, it has made lending practices more challenging	15%
10. Has the ordinance impacted your ability to reach rural women borrowers in Chamarajanagar district?	A) Yes, it has increased our outreach	25%
	B) Yes, but only slightly	35%
	C) No, there has been no impact	30%
	D) No, it has decreased our outreach	10%
11. Do you think the ordinance has helped reduce coercive recovery methods in the microloan sector?	A) Yes, significantly	35%
	B) Yes, to some extent	40%
	C) No, there has been no change	20%
	D) No, coercive methods have increased	5%

The data from the lenders' responses regarding the impact of the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 reveals mixed perceptions about its effect on repayment behavior and loan recovery processes. The majority of lenders (40%) reported no noticeable change in repayment behavior, while 30% noted slight improvements, indicating a positive trend but also some inconsistencies. On the other hand, only 10% observed worsened repayment behavior, suggesting that the ordinance has not had a universally negative impact.

When it comes to repayment delays and defaults, 50% of lenders reported encountering these issues rarely, with 20% experiencing them occasionally, highlighting that most lenders do not see frequent repayment problems post-ordinance. Interestingly, 60% of lenders felt that the ordinance had not made it more difficult to recover loans, indicating that while changes have been made, recovery remains manageable for most.

The ordinance appears to have prompted some shift in recovery practices, with 25% of lenders adopting changes, while 55% maintained their existing strategies. In terms of relationships with rural women

borrowers, 40% of lenders felt no significant impact, suggesting that while the ordinance may have reduced coercive tactics, it hasn't substantially altered borrower-lender dynamics.

Trust between lenders and borrowers saw some improvement for 35% of lenders, though 40% observed no change. The flexibility of repayment terms has stayed largely the same for most lenders (50%), while 25% felt it became more rigid, possibly signaling concerns over more stringent policies to avoid defaults. As for the ethical aspect of lending, 40% of lenders reported slight improvements, but 35% felt there was no significant change in their practices. In terms of outreach, 35% of lenders indicated a slight increase in their ability to reach borrowers in Chamarajanagar, while 30% reported no change, suggesting that the ordinance may have made outreach efforts more focused but not necessarily more widespread. Finally, a strong majority (75%) felt that coercive recovery methods had been reduced to some extent, confirming the ordinance's positive impact in addressing unethical lending practices.

Overall, while the ordinance has had varying effects on different aspects of lending, it appears to have generally improved the ethical landscape of micro-lending and has reduced coercive recovery methods, though its influence on repayment behavior and flexibility in loan terms is still evolving.

The data reveals a noticeable shift in the repayment behavior of rural women borrowers since the introduction of the Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025. Before the ordinance, 40% of borrowers had occasional delays in repayment, and 25% reported timely repayments. Post-ordinance, 30% reported timely repayments, and 35% had occasional delays, suggesting a slight improvement in repayment behavior. A significant 40% of borrowers felt more secure about repaying their loans, attributing this sense of security to reduced threats and pressures from lenders, with 25% experiencing frequent threats before the ordinance and only 10% afterward.

The emotional stress experienced by borrowers, particularly mental strain due to lender pressure, also decreased. While 20% of borrowers faced very high stress before the ordinance, only 5% reported similar levels afterward. Moreover, 35% of lenders acknowledged a significant reduction in coercive recovery practices, with 40% noting a slight reduction. The ordinance helped 30% of borrowers feel more empowered to negotiate repayment terms, though 40% felt only slightly empowered.

However, 50% of lenders saw no significant change in the flexibility of repayment terms, and 40% noted that their relationship with borrowers remained unchanged. The ordinance had a modest positive impact on trust and ethical lending practices, with 35% of lenders observing improved borrower-lender trust.

The Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 has had notable effects on the repayment approaches of rural women borrowers, particularly in Chamarajanagar district. Since its implementation, there has been a slight improvement in repayment behavior, with more borrowers reporting timely repayments (30%) compared to before the ordinance (25%). The reduction in threats and coercive recovery methods has led to a more secure environment for borrowers, with 40% feeling more confident in repaying their loans.

However, challenges persist, especially in areas like Chamarajanagar, where the ordinance's impact on outreach and flexibility in loan terms has been limited. While 25% of lenders have seen increased outreach, 40% report no significant changes in their relationship with borrowers, and only 15% noted more flexible repayment terms. This indicates that while coercion has decreased, the overall borrowing and repayment experience has not drastically improved for many women, especially in rural and remote areas.

Suggestions for improvement include strengthening the ordinance's enforcement to ensure more flexibility in repayment terms, making it easier for borrowers to negotiate with lenders. Additionally, lenders could be encouraged to offer more personalized repayment schedules tailored to the economic realities of

borrowers in Chamarajanagar, where farming is the primary source of income. More targeted financial literacy programs could also be introduced to help women better manage their loans. Furthermore, increasing community support systems and building stronger relationships between lenders and borrowers would improve the long-term sustainability of microloan programs in these areas.

## Conclusion

The Karnataka Micro Loan and Small Loan (Prevention of Coercive Actions) Ordinance 2025 has led to noticeable improvements in the repayment behavior of rural women borrowers, including in Chamarajanagar district. The reduction of coercive actions by lenders has created a more secure and less stressful environment for borrowers, with many feeling more confident in repaying their loans. However, the ordinance has had limited impact on increasing flexibility in repayment terms, with only a slight increase in outreach from lenders. While the relationship between borrowers and lenders has improved for some, challenges persist, particularly in rural areas where economic hardships are more pronounced. Future improvements could focus on enhancing financial literacy, expanding flexible repayment options, and ensuring stronger enforcement of the ordinance to benefit borrowers more effectively.

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