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Borrowers in Maharashtra, MP and UP stop repaying MFI loans on waiver rumour

By [Shilpy Sinha](#) & [Atmadip Ray](#), ET Bureau | Updated: Dec 01, 2016, 08.40 PM IST

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MUMBAI, KOLKATA: Repayment of micro loans are being severely hurt in Maharashtra, [Madhya Pradesh](#) and [Uttar Pradesh](#) as borrowers are made to arted believe that their loans are being waived off following the demonetisation move.

[Microfinance Institutions Network](#), the industry lobby group, has represented to Maharashtra Chief Minister [Devendra Fadnavis](#) and MP Chief Minister Shivraj Singh Chauhan to intervene and stop rumour mongers. MFIs disbursed Rs 2,024 crore in Maharashtra during April-June, representing 11% of total loan disbursed. MP received Rs 1225 crore of micro loans in the same period.

The MFIN executive is believed to have brought to the states' notice that there are lot of local elements telling poor women that they don't need to repay loans.

Maharashtra's Nagpur, Amravati and Wardha districts are worst hit as unscrupulous people exploiting the demonetisation move to propagate that [microfinance](#) loans are being waived off and some are even organising loan waiver melas for as low as Rs 200 per head.

"In order to address the issues on ground, where women are encouraged not to repay by various elements, we met very senior functionaries in Maharashtra to explain what NBFC-MFI model is all about and how it is important to keep the process going," said Ratna Vishwanathan, chief executive at MFIN.

"We also emphasized that out repayment rate has been 99% which indicates that these women wants to pay back and borrow to keep the liquidity going which sustains their small businesses," she said.

A recent Reserve Bank of India direction giving additional 60 days relaxation on asset classification norms to these lenders has also aggravated the confusion. "People are thinking that RBI has allowed borrowers 60 days of EMI holiday. It's not that. RBI should have issued a statement clarifying the rule," an industry leader said.

"It is happening in Amravati Maharashtra," said a CEO of an MFI operating in this region. "We have been seeing stress in some parts of western UP, some parts of Gujarat and Madhya Pradesh."

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