

# Farmers facing harassment from micro-finance firms, says MP Raju Shetti

ASEEM GUJAR

PRINT · T+

Share

Save

Share

2

MFIs deny using coercive measures to recover dues



**Mumbai, June 20:**

Micro-finance companies are harassing borrowers, especially women, in rural Maharashtra, according to farmer leader and Lok Sabha member Raju Shetti.

Shetti, an ally of the BJP at the Centre, was involved in the talks with the State government which eventually led to the announcement of the massive loan-waiver of Rs. 30,000 crore by the Chief Minister.

Speaking to *BusinessLine*, Shetti said that many women are facing harassment by the recovery agents of micro-finance companies.

“In most farmer families, the husband is already indebted, so the women take these loans. They are attracted (towards micro-finance companies) because they give out loans without collateral...they illegally charge huge interest of up to 40 per cent on these loans,” said the MP, over the phone.

These micro-finance firms have a business of Rs.8,000 crore in Maharashtra itself, he said. The recovery agents often come late at night and harass the families.

They misbehave with the women, and collect random objects from the houses, claimed Shetti. It has become a menace in rural districts, especially in the Vidarbha region, he said.

In his home constituency of Hatkangale, near Kolhapur, he said he ensures that the police maintain extra vigil.

“I am also carrying out these *morchas* for that very purpose. We need laws like in Andhra Pradesh and Tamil Nadu to stop

this harassment,” he asserted.

## Allegations denied

Micro-finance companies, however, deny any such allegations. In fact, Microfinance Institutions Network (MFIN), a body of micro-finance institutions, clarified in an emailed response that micro-finance as a model does not lend easily for agricultural purposes.

Instead, in rural areas it supports allied agricultural activities such as purchase of livestock or equipment and predominantly micro-enterprises such as running a grocery outlet or a very small business.

And as far as allegations of exorbitant interest rates are concerned, the CEO of MFIN, Ratna Vishwanathan, said interest rates are charged within the pricing framework prescribed by the RBI.

“Both RBI and MFIN, as a self-regulatory organisation, monitor the pricing of NBFC-MFIs on a quarterly basis,” she said.

Vishwanathan also denied coercive measures are being used for repayment. She said that all registered MFIs are mandated to follow the RBI's Fair Policy Code and the industry's Code of Conduct.

### **Grievance redress system**

"MFIs go through several independent audits, ratings, assessments as well as RBI inspection where this dimension is carefully scrutinised.

"There is also a three-layer customer grievance redress system within the industry, consisting of NBFC-MFIs, MFIN and the RBI," she said, suggesting that the cases being reported might actually be unregistered NBFCs, pretending to be MFIs.

The MFIs in Gujarat also claim to follow the code of conduct.

"We are strictly governed by the RBI and we have a very strong association of 50 members from across India. It has been repeatedly discussed not to use harsh means to recover outstanding money from the borrowers.

"I don't think we have ever experienced any such practice," said Jayendra Patel, CEO of BSE-listed Arman Financial Services, adding that sometimes, farmers take shelter by playing victim of abuse or harsh treatment by the MFIs to avoid repayment.

"We follow a very strict internal code of conduct. Our staff get regularly trained on collection practices. There hasn't been a single instance of coercive recovery practice reported to us," said Rajeev Yadav, CEO of DishaMicroFin.

(With inputs from Rutam Vora in Ahmedabad and K Ramkumar in Mumbai)

---

***Interest rates are charged within the pricing framework prescribed by the RBI, says CEO of MFIN, Ratna Vishwanathan***

---

(This article was published in the Business Line print edition dated June 21, 2017)