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## MFI agents 'forcing' debtors to commit suicide: Study

Jinka Nagaraju, TNN Oct 20, 2010, 06.22am IST

HYDERABAD: In a shocking and disturbing revelation about the methods of the micro finance institutions (MFIs) in disbursing and recovering loans from the rural people of the state, a government study has found that some MFI agents themselves are encouraging the debtors to commit suicide so that their loans are repaid. This happens because the borrowers are covered by insurance.

Till now, there have been at least 45 suicides reported in the state in the last one-and-a-half months allegedly due to the coercive practices employed by the MFIs in recovering the loans. "MFI agents are provoking defaulters to commit suicide as all the borrowers are covered by insurance and if the defaulting member dies, the MFI will get the repayment from the insurance company," said the study that was conducted last week in various villages of the district by Sujata Sharma, project director of District Rural Development Authority (DRDA) of Warangal.

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According to sources, the MFIs draw up an insurance cover for the borrower at the time of loan disbursement. In the eventuality of suicide, they recover the amount under the Loan Protection Fund (LPF) by which 10 per cent of the loan amount is deposited with the RBI which repays the remaining loan amount due from the defaulter. In fact, the study demolishes the theory that the MFIs are improving rural credit and, in fact, conclusively proves that the loans were taken only because of the presence of the MFIs.

In most cases, "there was an element of wasteful expenditure by the poor due to the availability of the easy loan from the MFIs....The presence of easy loan at the doorstep has certainly played a stimulatory role," the study said.

The six major reasons for which the loans were taken from the MFIs were for expenditure on marriages, death ceremonies and certain other rituals, medical expenses for those ailments not covered by Arogyasri, repayment of old dues, children's education, income generating activities including agriculture and male members getting habituated to liquor and not contributing to the family's income.

Explaining the methods adopted by the MFIs to trap the rural folk by doling out loans and, Budithi Rajasekhar, CEO of Society for Elimination of Rural Poverty (SERP), the monitoring body of Self Help Groups (SHGs), said: "A major modus operandi is to lure a greedy SHG group member by bribing her with money and gifts to introduce the MFI agents to other members. For example, in Dubbaka mandal of Medak district, all the MFIs formed a

syndicate to coerce the members to take loans."

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**Joseph Kunnakkattu** (Kasargod)

20 Oct, 2010 11:43 AM

Economic growth is concentrated to certain group of people like politicians, bureaucrats, highly paid employees like ONGC, IOC, etc. There is no limit for a person to earn during his life. He can accumulate the assets in any form like real estate, business organizations.



**abhishek browne** (Bhopal)

20 Oct, 2010 11:11 AM

"there was an element of wasteful expenditure by the poor due to the availability of the easy loan from the MFIs....The presence of easy loan at the doorstep has certainly played a stimulatory role,"

**Sandip** (Kalyani)

20 Oct, 2010 10:56 AM

I'm not shocked about the news, MFI are now becoming money spinners and as most of them lack appropriate technical expertise and lack trouble shooting professionals who can assist the loan takers in times of need. When the things go wrong the MFI authorities show their actual face. I feel we as a country are churning out technical graduates in thousands with only a fraction of them who really have the capacity to deliver when they face the actual reality. The MFI also are seldom good paymasters and hence cannot retain the competent persons. At the end of the day the country as a whole becomes the stage of " Peepli Live"

**Binoe** (Blore)

20 Oct, 2010 09:45 AM

Yes what else could a person do as long as all those Govt sponsored Loan schemes are inaccessible to common man, unless he is rich or has a political connection.

**Abdul Kalam Azad** (Guwahati)

20 Oct, 2010 08:31 AM

"MFI agents 'forcing' debtors to commit suicide"