

Microfinance Institutions Network appeals women borrowers to not fall prey to Ponzi schemes

Microfinance Institutions Network (MFIN), the representative microfinance industry body and Self-Regulatory Organisation (SRO) working for the empowerment of unserved and under-served low-income women groups has appealed women borrowers to be vigilant, careful and diligent on the end-use of microfinance loan corpus that they receive from the lending institutions.

MFIN has pointed out that any diversion of the end-use of microfinance loans, other than for the stated purpose, ends up, in women borrowers getting dragged into a financial crisis, thereby impacting their otherwise individual healthy credit bureau record that these women borrowers have carefully nurtured and built over a period of last few years.

MFIN's appeal comes on the backdrop of a major financial fraud in Ambikapur, Chhattisgarh to the tune of more than INR 2 crores, committed by a local resident cheating a few hundred women borrowers of microfinance lenders.

The Ambikapur Police has already registered an FIR against Rajesh Gupta and his accomplices - his father Ayodhya Nath Gupta and agents in September 2020 and arrested them subsequently. Further investigations are underway, currently.

MFIN also announced that they would..

- Undertake literacy programmes in the Ambikapur and nearby regions to educate the customers on the loan processes
- Support women borrowers through community development activities
- Share dos and don'ts with borrowers for safeguarding their money – not sharing their ATM cards, or pins or money with any third person
- Encourage borrowers to approach the SRO Grievance cell at the first given opportunity to share a problem or seek clarification.

Speaking on the incident, Spokesperson for MFIN said: "MFIs have been working in this area for almost a decade serving 75,000 women borrowers in Ambikapur. The kind of disruptions that happened in Ambikapur could have pushed women borrowers to go back to informal credit which may not be of their benefit, as loan terms are unfair and unjust. Also, the return to informal credit would not only defeat the efforts put in by the RBI, development institutions, Banks to take financial inclusion agenda forward but these incidents also give a big setback to the hard work put in by low-income households to build their good credit records to continue receiving the desired liquidity facility from formal regulated institutions like MFIs to meet their livelihood and life cycle needs."

Microfinance lenders offer collateral-free small loans to women borrowers for their entrepreneurial endeavours, for educating their children, house repair and water sanitation.



These microfinance loans are disbursed directly into their respective bank accounts after the lenders' complete initial assessment based on their KYC compliance and credit bureau ratings.

About Microfinance Institutions Network

MFIN is a premier industry association comprising 56 NBFC-MFIs and 35 Associates including Banks, Small Finance Banks (SFBs) and NBFCs. It is also the Self-Regulatory Organization (SRO) for the regulated NBFC-MFI. By virtue of bringing the NBFC-MFIs under one common umbrella, MFIN acts as a bridge between them and the regulators to build a dialogue for greater transparency, better policy frameworks and stronger client protection standards for responsible lending, thus enabling the microfinance industry to partake in meeting the larger financial inclusions goals.