

## **A Field Worker's Diary - Part 21**

Between 2003 and 2005, there was a burgeoning of new microfinance institutions (MFI) in the erstwhile united Andhra Pradesh. This phenomenon was mainly due to the success of microfinance experiment conducted by Muhammad Yunus in Bangladesh. Moreover, in a country like India where more than 50% of people did not have access to institutional credit, these companies gained patronage quite organically. Soon, registered Non-Banking Financial Corporations (NBFCs) like Share, Spandana, Asmita, etc., began cropping up in the villages of Guntur District where I had been working at that time.

As we had already formed Self Help Groups (SHGs) with the women from poor households in the area under the Andhra Pradesh Rural Poverty Reduction Project (APRPRP-Velugu Project), these MFIs didn't even have the need to do community mobilization.

Basically, MFIs give out micro credit to poor people for any of their needs without any restrictions. They give small amounts as loans and collect installments every week. Although through our project we had linked all the groups with banks and provided loans to them, those were given only for income generation activities. MFIs, on the other hand, came forward to give out loans for any kind of needs. It was one of the reasons women began taking loans on a large scale from them. To understand the magnitude of how much the MFIs had penetrated into the poor households at that time you have to take a look at the following facts: Each of the microfinance loan officers handled anywhere between 300 to 500 account holders with total loans of more than 20 lakhs each.

The situation, however, changed drastically in 2005. The MFIs, who had given too many loans for their own good, faced difficulties in recovering their loans. So, loan officers started going to the borrowers' houses to demand their money back by making a scene and asking group members to put pressure on them. However, there was a huge uproar after this method of recovering loans led some women in Guntur and Krishna districts to commit suicide in humiliation.

Our Project Director in Guntur district at that time called for an urgent meeting with the Mandal Mahila Samakhya (MS) members. We also invited the family members of the women who committed suicide and made them speak to the MS members about the results of taking out loans beyond their means. During the interaction between family

members of diseased women and MS members who took loans from MFIs, we found that the members had taken loans not only for their essential needs but also for buying TVs, fridges, gold, etc.

It was an instance when people's aspirations touched the sky high due to easily available loans and made them fall into the quicksand of loans and drown in it. The wish of people to live their life well pushes them not just into taking loans but also towards their deaths as well. Even now when I remember that episode I can't help but feel sad as well as angry at the system that is failed in achieving total financial inclusion.

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