

Peoples' Proposals to Bring Justice to Victims of Predatory Practices of Microfinance

On behalf of the victims of microfinance loans across the country and their organizations, we present the following proposals to the Government of Sri Lanka and all political parties with the expectation of serving them justice.

Proposals to be implemented immediately:

1. Cancel all debt: The main reason behind the microfinance crisis is the ad hoc and unregulated issuance of credit at extremely high-interest rates by micro-finance companies (MFIs). Therefore, steps should be taken to write off all loans that have been issued without adhering to the recognized basic standards, and at higher interest rates than the ones stipulated by the government.
2. No Bailout Packages to MFIs: Neither the government nor the people are bound to pay back debt and interest accrued as exploitative lending practices have already enabled unjust enrichment to these companies. Therefore, the government should not use people's tax money to compensate these companies.
3. Government Initiated Welfare Credit: The primary reason for the rural debt crisis is the deprivation of livelihoods with the breakdown of the rural agrarian economy. To prevent these women turning to predatory money lenders to meet their short-term credit needs which will further aggravate the crisis, the government should step in with a welfare credit program to relieve these women of the burden of the cost of living in the short run.
4. Strengthen the Social Function of the State Banks: The social function of the state banks should be strengthened to extend financial services to low-income households. Also, Samurdhi Bank, Sanasa and Co-Operative Rural Bank, which have consolidated peoples' funds should be re-structured to facilitate easy loans to the low-income people. The objective of these financial institutions should not be to maximize profit.
5. Regulate Micro-Finance Institutions: Mandatory registration of all MFIs to regulate interest rate as well as their functions. A fully pledged state mechanism should be created to receive complaints against such companies, to investigate them and to take legal action including the cancellation of the registration of such companies. Until a proper regulatory structure is put in place, operation of MFIs engaged in predatory practices should be suspended.
6. A State Institution to Ensure Financial Consumer Protection: An institution at the village level to stop oppressive practices by companies to force debt repayment, receive complaints of such oppressive practices and take action. Such a mechanism could also provide legal aid to those victims who are facing legal action instigated by the MFIs.
7. Remove Microfinance Victims from the CRIB: Once the loans are written off, the names of those who have already been entered into the black-list of the Credit Information Bureau should be removed, and a policy decision should be taken not to black-list any person who is unable to settle microfinance loans in the future.

Long-term Proposals:

1. Reverse the Effects of 40 Years Long Economic Policy: Decline of the rural economy is a significant reason behind the indebtedness of rural communities. Microfinance is a substantial component of rural debt. This is an outcome of the economic policies that have been practised during the past 40 years. Therefore, macro-economic policies that would improve the rural economy and serve to protect the rights of rural communities and uplift their livelihoods should be implemented.
2. Protect Small-Scale Producers: Livelihoods of rural communities (of women in particular) should be developed by increasing investments in sectors such as small-scale agriculture, fisheries, cottage industries which are the foundation of the rural economy. Such policies will be instrumental in eliminating rural poverty and women's indebtedness in the long run.
3. Establish Women's Co-Ops: A low interest, concessionary loan scheme that could fulfil the credit needs of rural women should be implemented through women's groups in collaboration with state banks. Women's participation should be guaranteed in planning and decision making, and a system that invests the profits back into the community should be devised. Furthermore, a concessionary loan scheme for the small-scale manufacturers and women should be designed through state banks.
4. Community-Entrepreneurship Instead of Individual Entrepreneurship: A well planned rural economic revival programme based on the collective and community economic activities should be designed instead of providing loans to individuals.
5. Ensure Rights to 'Public Things': Ownership of natural resources such as land, seeds, water, coastline and forests which are essential to ensure market access and livelihood safety of women should be protected.
6. Safeguard Universal Basic Rights: Fundamental Rights of people such as health care, education, social security and other economic, social and cultural rights should be enshrined in the Constitution as fundamental rights and state investments on them should be increased.
7. Upgrade and Assure the Autonomy of Social Security Programmes: Social protection programmes such as Samurdhi and rural development programmes such as Grama Shakthi which should cater to fulfilling the basic needs of the poorest people in the community must be implemented without political interferences. Proper study on the feasibility of these programmes to eliminate poverty and continuous follow-up should be carried out to upgrade the programmes appropriately.

Collective of Women Victimized by Microfinance

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