

Micro Fin Cos Keep Small Window Open for Payments, but Wary of Black Money

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Kolkata: Microfinance companies, which work in the grassroots and handle cash more than any other institutions, are in complete quandary on what strategy they should adopt now as far as accepting high value currency notes goes.

Sector leaders like Ujjivan Financial Services has told customers to defer all repay-

ments temporarily while medium sized Village Financial Services has decided to offer one-day window to customers for repaying loans in old ₹500 and Rs 1,000 denominated currency notes, which ceased to be legal tenders post November 8 midnight.

Companies have also stopped loan disbursement in physical cash, creating gaps in borrowers' daily cash credit requirements. There are borrowers who get their loans credited to bank accounts directly but the scheme limits cash withdrawal at Rs 10,000.

"Most of our borrowers repay in high value currency notes with the rise in quantum of loans. So, we have advised our borrowers in the morning not to repay loans for some time," Ujjivan managing director Samit Ghosh told ET.

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Microfinance Institutions Network

(MFIN), the self-regulator for the sector, said it is in touch with Reserve Bank of India for more clarity on the issue of depositing cash in banks.

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company will stop accepting old currency notes from November 10.

"We are accepting old currency notes on Wednesday (November 9) from borrowers who have already arranged cash for repayment. They should not face difficulty."

"As the announcement didn't touch on the granularity of how the institutions should go about depositing money in the banks but has spoken only of individuals, MFIN has sought a suitable clarification from RBI," MFIN chief executive Ratna Vishwanathan said. Village Financial's managing director Kuldeep Maity said his

Kolkata-based Uttrayan Financial Services, on the other hand, has directed its field workers not to accept any pre-payment while it has not place any restriction on loan repayment. "This is an extraordinary situation. People with unaccounted money could try to channel high value currency notes through borrowers in the disguise of pre-payment. We don't want this to happen," Uttrayan's managing director Kartick Biswas said.

"But there is no restriction on repayment as we don't want to let our borrowers go through any hardship. We have bank channels to deposit high value notes." MFIN acknowledged that the microfinance business is predominantly cash driven till now and there are challenges more with reference to disbursement.

"There could be a challenge of adequate money supply of accepted denomination in the system," Vishwanathan said.

