

## Case study – KRRS/LVC India

### Women's struggle against indebtedness and microfinance companies in Karnataka, India

This case study documents the experiences of rural women (farmers and farm workers) in the district of Haveri in Karnataka, India as they fight indebtedness exacerbated by drought and harassment from microfinance companies. This experience is not specific to Haveri but is spread out through the State of Karnataka with women from different parts reporting similar experiences. Haveri is taken as one specific case.

### **Socio-Political-Economic Context**

#### Gender

Women make up the majority of the agricultural workforce and yet are invisible. Women make up around 20% of land ownership in the State and this has a severe impact on accessing credit. With a predominantly patriarchal set up women are left to bear the burdens of both family and work.

#### Drought

Karnataka has been declared drought ridden for 11 of the past 16 years and yet there is no comprehensive drought management policy in place that can kick off immediately to address rural distress. 139 out of 176 Taluks have been declared as being under severe drought this year. This has had a massive impact on rural Karnataka with farmers and farm workers suffering massive crop losses and being unable to repay loans taken for agricultural purposes. Part of the process of dealing with this is the self-help groups where women have started to access credit for agricultural needs.

#### Self Help Groups:

Women's self help groups (SHG) were launched by the Government of Karnataka in 2000-2001 under the name of Stree Shakti with the stated objective of improving the financial conditions for rural women enabling them to gain more control over their lives through access to credit, income generating activity trainings and building a community based support system that ensures compliance. A Self Help Group is a group of 10-20 women, usually very poor, from the same neighbourhood who know each other and come together. They save money regularly (weekly, fortnightly, monthly) and this pooled savings becomes the source of credit for them and these SHGs have been linked to nationalized/public sector banks. This system enables women to take more control over their lives through financial independence while simultaneously fostering a sense of community providing an impetus to rural economies and helping curb the migration to cities. As Farida says, "what used to be individual savings earlier in one's own kitchen becomes a community saving and this can be used for the community as well"

As of 2012, Streeshakthi group members have saved Rs. 1118.05 crores since inception. 120155 groups have availed bank loans to the extent of Rs.1305.97 crores and have done internal lending of Rs. 3215.88 crores to take up various income generating

activities.

Over the past decade these women's self help groups have been approached by private financiers offering them better access to credit services if they banked with them. Their attractive offers coupled with the lack of access to government schemes/credit for women enabled the easy moving over from nationalized banks to private ones. One of the biggest players in the field the Shri Kshethra Dharmasthala Rural Development Project is associated with a temple that enabled it to quickly build trust among the rural populations.

Having now moved their savings these women have been accessing credit for various reasons which include agricultural investments such as expenditure on seeds, fertilisers etc; educational needs; health costs at private hospitals. Over the past few years with successive droughts these self help groups have started to default on repayment. The failure of crops, the lack of compensation for crop loss, the lack of a drought management policy, no disbursement of insurance amounts for crop loss, within the State of Karnataka, leaves these women unable to pay their monthly installments. The past year conditions have worsened and these companies have been harassing these women into trying to get them to repay loans in whatever way possible with extremely threatening behaviour. These tactics include turning up at odd hours of the night, verbally abusing the women in front of others, pressurizing all the women from the self help group, locking up houses till the women pay up etc. What has to be understood is the shame and mental agony/emotional and physical distress that such non-payment of loans brings to a family especially a woman. Farmers' suicides have been happening with the shame and ignominy that comes with debt and several districts have started to register suicides by rural women on account of these micro finance institutions although data is difficult to come by.

### **Names of Corporations involved**

There are some 23 officially registered micro finance companies in Haveri district and some of them are:

- Shri Kshethra Dharmasthala Rural Development Project
- Gramshakti, Fullerton India
- Grameen Koota Financial Services Pvt Ltd
- Spandana Sphoorty Financial Limited ('SSFL')
- Bharat Financial Inclusion Ltd (formerly SKS Microfinance ltd)
- Navchetana Microfin services pvt ltd
- Belstar Investment and Finance Private Limited (BIFPL) from Hand in Hand
- L&T Financial services
- Equitas Microfinance/ Equitas Holdings Limited
- Muthoot Fincorp Mahila Mitra

Legally – these micro finance companies come under the RBI fair practices code wherein they are not allowed to use coercive methods in loan collection and cannot engage in harassment. Staff, from these organisations, have to be trained to engage with defaulters in a non-coercive way. Although this code is in place the shame of the debt stops the women from reaching out to authorities such as the police who are known to not respond favourably to women and to poor women at that.

Other issues that crop up with these companies is discrepancies with regard to what is collected by the field officer and what is deposited in the microfinance bank; unpaid insurances not handed over to families on the death of the loan taker such as for Guttyamma whose brother died and who is yet to see the insurance payment.

In December 2016 KRRS carried out a campaign to demand a complete loan waiver for farmers which included covering these loans taken by women's self help groups. This was a demand that was articulated especially within the context of drought due to changing climatic conditions. This campaign has met with limited success, such as the more time granted for repayment of loans which doesn't amount to much.

On 9<sup>th</sup> March 2017 the women's wing of KRRS took out a protest rally in Haveri and blocked the road near Siddappa circle. Their demands included the stopping of forcible collection of loans and harassment by the agents of the micro finance companies; access to credit from public banks at 0% interest; information dissemination about government schemes; access to such schemes; an increase in funds available to self help groups via nationalized banks. The women from KRRS spoke to the press about the harassment they were facing and asked the government to issue a circular stopping the forcible collection of loans and the harassment.

On 7<sup>th</sup> april the women's wing met with the Deputy Collector, Haveri who issued a warning to the micro finance companies that they would be taken to task legally if they indulged in unfair collection practices targeting women from self help groups. This happened at a meeting of the Tehsildars, police officers, representatives of micro finance companies and KRRS women's wing representatives. All financial organisations have been asked to put on hold collection of loans till January 2018. Bringing together all arms of the government for a talk and solution has been a successful step for the farmers' movement, especially the women's wing in Karnataka.

This issue has been covered in the local language newspapers although limited to only the meetings and the protest. There has been no effort made to document individual cases of harassment or an investigation into possible suicides by rural women here because of the torture of the micro finance companies. This has completely bypassed the English press which is predominantly urban centric.

*This has been put together based on inputs from Faridabanu, Manjula Akki, Guttyamma, Sharada – all members of KRRS women's wing in Haveri.*