



Press Release

Addressing recent media reports on the visit made by UN Special Rapporteur

The Lanka Microfinance Practitioners' Association (LMFPA) is the umbrella organization network representing 55 members among which most of the leading providers of micro finance facilities in the country are included. The LMFPA has been actively involved in developing policies for the sector including the introduction of the Microfinance Act in 2016. In addition, it sets guidelines for member organizations to implement responsible microfinance services in the country. We were instrumental in advocating and lobbying for the enactment of the Microfinance Act and are presently working with the authorities to frame the Micro Credit Regulatory Authority Act to streamline and regulate micro lending activities.

Following a visit to Sri Lanka by United Nations Special Rapporteur Mr. Tomoya Obokata, he recently issued an end of the mission statement which highlighted the microfinance industry as a “Contemporary form of Slavery” and that microfinance schemes disproportionately target women living in poverty in rural areas and often lead to high levels of indebtedness. Being a representative body of microfinance practitioners, we found this allegation a serious blow to our industry. The main objective of microfinance is to emancipate low income households from the vicious cycle of poverty. The Microfinance Institutions (MFIs) that have been in operation for a considerable period of time are not only interested in the alleviation of poverty but also in the social empowerment of their customers. In fact, there are thousands of customers who have grown their businesses and improved their standard of living through a long association with MFIs.

The provision of microfinance services in Sri Lanka is catered to by numerous legal entities such as Co-operatives, NGOs, Public and Private companies, Non-Bank Financial Institutions, Commercial Banks & Specialized Banks as well as government programmes such as Samurdhi. The current Microfinance Act focuses only on regulating deposit taking institutions which is a very limited number whereas there are many credit institutions in the country that operate unregulated. There is also a rise in the number of loan sharks that carry the label of microfinance and exploit the grassroots level. The continuation of this trend will only further endanger the sustainability of the entire industry and create more financial instability and social issues. This is one of the main reasons why as a representative body we stand firm in our efforts to establish a regulatory mechanism for micro credit institutions and continue to lobby with authorities for the same.

An infamous claim by several civil societies is that there have been more than 200 suicides due to microfinance over indebtedness. Unfortunately, the parties that proclaim such a number of suicides due to microfinance fail to support their claim with any specific information such as the name of the dead person, when and where, even when LMFPA inquires of them for such information. This raises the question of reliability of such unfounded statements.

Another allegation in the End mission statement stresses that Microfinance companies are connected to sub recruitment agents who facilitate migration for employment abroad, including in counties in the

Middle East. Member MFIs of the LMFPFA do not allow such extra activity for their staff. There is no correlation between microfinance and foreign employment as the microfinance industry focuses on creating job opportunities in the local communities through self-employment activities.

Another allegation that was mentioned in the report was that of sexual harassment of microfinance female borrowers. As a proactive measure to address the issues faced by over indebted microfinance clients, LMFPFA, together with the State Ministry of Microfinance, has established a 'Microfinance Helpline' since August 2021 to report any grievances faced by microfinance borrowers and persuade the stakeholders to take timely corrective measures. This initiative was promoted through the Electronic Media as well as through a poster campaign at the village level in selected seven rural districts. The majority of calls we have received on the Helpline were related only to requests made by microfinance clients to prolong their loan obligations due to the COVID 19 pandemic and its effect on their livelihoods unlike the harassments that civil societies claim that microfinance clients face.

Many recent reports in the media also state that women are the targeted victims of MFIs. However, we strongly believe that MFIs do not victimize their clients. When clients find it difficult to repay loans due to failures in their income generation activities MFIs usually support them. (Eg: loan restructuring, moratorium, interest rebates and waive off, loan write off etc). Despite making losses, LMFPFA members have offered a loan moratorium at the request of the borrowers to overcome the difficulties due to COVID 19 pandemic. MFIs have also provided many relief programmes when there are economic shocks relating to natural hazards.

In order to put many of these allegations and misunderstandings to rest, the LMFPFA had the opportunity to meet with UN Special Rapporteur Mr. Tomoya Obokata virtually on 16th December 2021 and present its feedback on the UN End Mission Statement. Mr. Obokata listened intently and emphasized that the statements made in the End Mission statement were not directed at the association or its members, but rather on observations he made during his visit to Sri Lanka. Similar to the flipside of a coin, Mr. Obokata agreed that the feedback of LMFPFA was valid and that due attention would be given when finalizing his final report on Human Rights in Sri Lanka.