

Ref. No.: CP/RBI/Citifinancial-Naik/08-06/349

August 14, 2006

**Dr. Y. V. Reddy**

Governor

Reserve Bank of India

Central Office, Mint Road,

**Mumbai 400 001.**

Dear Sir,

**MICRO-FINANCING – EXPLOITATION OF THE INDIAN POOR BY MNC**

1. Shri Shrikrishna Govind Naik, a poor factory worker in Mumbai and earning daily wages of Rs. 124/-, urgently needed loan for eye surgery of his old widow mother and was referred to Citifinancial by a finance-broker 'Mahalaxmi'.
2. Citifinancial Consumer Finance India Ltd. advanced unsecured loan of Rs. 16,774.69 on paper but actually handed over cheque for Rs. 15,035/- which was credited to the worker's bank a/c on 29-10-04.
3. As on 13-02-06, he had already repaid Rs. 11,644.61 and wanted to pay the balance in full (foreclosure of the loan). He was shocked when Citifinancial asked him to pay a further sum of Rs. 20,492/- i.e. for an actual loan of Rs. 15,035/- for about 15 ½ months, he was required to pay a total of Rs. 15,035/- + Rs. 20,492/- = Rs. 35,527/-!!!
4. The Account Repayment Statement of Citifinancial - A/c no. 4512186 dt. 01-11-04 shows monthly installment of Rs. 926/-, commencing from 05-01-04 & ending on 05-11-07.
5. **The above figure reveals how the MNC is exploiting the Indian Poor by charging exorbitant interest of about 55 to 65 % p.a. & that too in an urban area. God help the rural poor from such micro-financing companies.**
6. The above is despite the Usurious Loans Act, 1918 & the Bombay Money Lenders Act, 1946, both in force.
7. When Shri Naik approached us with the complaint and the supporting documents, we, as a Consumer Protection NGO served notice on Citifinancial Consumer Finance India Ltd., Mumbai 400001 vide ref. no. CP/Citifinancial-Naik/06-06/001 dt. 19-06-06 and received by them on 20-06-06.

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***All Good Wishes for the Independence Day***

Co-ordinator: समन्वयक

Kewal Semrani केवल सेमलानी

[ ] 52, Jolly Maker Chambers, 2, Post-Box 11688, Nariman Point, Mumbai- 400 021

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letter ref. no. governor-rbi/citifinancial-naik/08-06 dt.14-08-06 from *mahadhikar*, mumbai 21  
to dr. y. v. reddy, governor, reserve bank of India, mumbai-1

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8. Copy of the said Notice was also sent to Mr. Sandeep Soni, Mg. Director, Citifinancial Consumer Finance India Ltd., No. 3, Local Shopping Centre (LSC), Pushp Vihar, New Delhi 110062. There is no response to the said notice till date, either from the Mumbai office or the MD's office.
9. On 12th instant at about 5.30 p.m., a recovery agent of Citifinancial, who gave his name as Ashok Giri & Mobile No. as 9322774348 visited the house of Shrikrishna Naik, who was away on duty. He threatened Smt. Shubhangi, wife of Shrikrishna Naik that if her husband does not pay a sum of Rs. 25, 000/- within 3 days, she will be packed to Pandharpur with her two kids, who were present in the house.
10. **The serious issue here is whether we should allow the MNCs operating in India to exploit our helpless poor, in the name of micro-financing.**
11. We hope you will take immediate steps to curb such exploitation of the poor Indian, at the hands of the MNC. Copies of the following documents are enclosed:
  - i) Agreement Status as on 11-02-06 - 3 pages.
  - ii) Account Repayment Statement dt. 01-11-04 - 2 pages.
  - iii) News item appeared in Mumbai Mirror dt. 29-03-06 captioned 'The dirty secret of the micro-finance industry'.
  - iv) 'Brief Write-up' & 'List of Workshops' conducted by **MAHADHIKAR**.

Thanking you,

Yours truly,

Kewal Semlani  
Co-ordinator

Encl.: a/a

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