

To the Editor

Re: Many Borrowers of Microloans Now Find the Price Is Too High ([Letters to the Editor](#))

From: Joan Trant

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Neil MacFarquhar raises excellent points about what seem to be extraordinarily high interest rates on microfinance loans. However, the issue requires more nuanced dialogue than it has received here, or anywhere else. Many microfinance institutions need to do a better job controlling their costs so as not to pass that burden to borrowers. But high interest rates are also a reflection of the host country's interest rate environment, and of the elevated risks lenders take by making loans in often unclear legal and regulatory frameworks to individuals who can offer little or no collateral. If providing financial services to the neediest among us is to be more than a well-meaning concept, microfinance needs to attract investment in addition to philanthropy, since charity alone cannot supply enough funding to meet the demands of the unbanked. Interest rates on microborrowers' loans must be commensurate with the risks to entice the capital required to reach unserved communities. The characterization that new investors in the industry are "seeking profits on the backs of the poor" does not portray the true motivations of the vast majority of investors; a sincere analysis demonstrates an interest in both financial returns and socioeconomic advancement for the financially excluded.