

Regulate Microcredit to Protect Borrowers

Aneel Karnani

Stephen M. Ross School of Business  
University of Michigan

Ross School of Business Working Paper  
Working Paper No. 1133  
September 2009

This work cannot be used without the author's permission.  
This paper can be downloaded without charge from the  
Social Sciences Research Network Electronic Paper Collection:  
<http://ssrn.com/abstract=1476957>

# Regulate Microcredit to Protect Borrowers

## **Abstract**

Private for-profit companies are playing an ever-larger role in the microcredit industry. The volatile combination of profit seeking companies, minimal competition, and vulnerable, ill-informed, ill-educated borrowers has opened up dangerous potential for exploiting the poor. Expecting microcredit organizations to exercise self-restraint and self-regulation is naively optimistic and will not work. Regulation is needed to protect the microcredit clients in three areas: transparency, interest rate ceiling, and loan recovery practices.

Keywords: Microcredit, regulation, transparency, interest rate ceiling.

Since Muhammad Yunus pioneered the concept of microcredit in 1976, and founded the Grameen Bank in Bangladesh, microcredit has become a major movement today.

Worldwide, 3,552 microcredit institutions provided loans to 155 million clients, finds the *State of the Microcredit Summit Campaign Report 2009*.<sup>1</sup> Grameen Bank alone disbursed over \$5 billion in microloans over the last 10 years, and it now has 7.7 million borrowers. According to the Grameen Bank Web site, microcredit is “offered for creating self-employment for income-generating activities and for housing for the poor, as opposed to consumption.” The poor are expected to invest the micro-loans to start up or grow a micro-business and thus climb out of poverty. Microcredit is the newest silver bullet for alleviating poverty.

In his popular book *Fortune at the Bottom of the Pyramid*, CK Prahalad argues that there is much untapped purchasing power at the bottom of the pyramid (BOP), and that private companies can make significant profits by selling to the poor, while simultaneously bringing prosperity to the poor.<sup>2</sup> Focusing on efficiency and low default rates, Prahalad cites microcredit as a good example of the BOP proposition. In the past few years, hundreds of for-profit companies have begun financing and marketing loans to the poor in developing countries. In an ironic twist on the BOP proposition, private companies are indeed making a fortune in microcredit – by exploiting the poor! “Now poor people are turning into one of the world’s least likely sources of untapped profit, primarily because they will pay interest rates most Americans would consider outrageous, if not usurious.”<sup>3</sup> MFTransparency, a new self-monitoring industry association, states that private companies have been attracted to microcredit “by near-monopoly lending environments

and misleading pricing systems compounded by borrower's frequent lack of understanding of the financial details of credit transactions.”<sup>4</sup>

Whether fair or not, recently a few high profile events have galvanized criticism of the microcredit industry. When Banco Compartamos in Mexico went public in April 2007, the initial investors' stake of \$6 million was valued at \$1.5 billion – a return of roughly 100 percent a year compounded over eight years. This profitability is due to the fact that Compartamos charges interest rates that exceed 100% per year on their loans to the poor. Yunus was particularly critical of Compartamos and said, “Microcredit was created to fight the money lender, not to become the money lender.”<sup>5</sup>

In the Indian state of Andhra Pradesh over 200 people committed suicide allegedly because of intimidation by microfinance institutions (MFIs). Government authorities closed down 50 branches of two major MFIs and charged them with exploiting the poor with usurious interest rates and intimidating the borrowers with forced loan recovery practices. Chief Minister Y.S. Rajasekhara Reddy said “MFIs were turning out to be worse than moneylenders by charging interest rates in excess of 20 per cent.”<sup>6</sup> There has been growing criticism of MFIs by government officials and politicians in many countries including Bangladesh, Cambodia, India, Pakistan, and Sri Lanka.<sup>7</sup>

Recently many critics of microcredit have argued that microcredit does not significantly alleviate poverty. I argued in an earlier article in this magazine that the vast majority of microcredit clients are caught in subsistence activities and compete in over-crowded

markets; they usually have no specialized skills, no paid staff, own few assets, and operate on too small a scale to achieve efficiencies, and so do not earn enough to rise out of poverty (see “Microfinance Misses Its Mark” in the summer 2007 issue of the *Stanford Social Innovation Review*). In March 2009 the World Bank published *Moving out of Poverty*, one of the most thorough field studies of the dynamics of poverty – how people fall into and rise out of poverty – based on narratives from 60,000 poor or formerly poor people in 15 countries of Asia, Africa, and Latin America. An “important insight” from this study is that “the tiny loans usually provided under microcredit schemes do not seem to lift large numbers of people out of poverty.” Regardless of this debate about its effectiveness, microcredit has grown dramatically in the last thirty years, and become increasingly commercialized. The volatile combination of profit seeking companies, minimal competition, and vulnerable, ill-informed, ill-educated borrowers has opened up dangerous potential for exploiting the poor. This article argues for the need to regulate microcredit to protect the poor borrowers; the regulation needs to focus on three issues: lack of transparency, high interest rates, and abusive loan recovery practices.

### **Deny the Problem**

One response of the microcredit industry to the mounting criticism has been to deny there is a problem. In an open letter to address their critics, Carlos Danel and Carlos Labarthe, the co-founders of Compartamos, argue “In an open and free market, we are convinced our clients are in the best position to make the right choices for themselves and their families.”<sup>8</sup> The first problem with this assumption is that the microcredit organizations do not operate in free and competitive markets, and in fact are often quasi-monopolies.

The Consultative Group to Assist the Poor (CGAP), a consortium of development agencies and private foundations dedicated to promoting microcredit, states, “In most countries, the microcredit market is still immature, with low penetration of the potential clientele by MFIs and little competition so far.”<sup>9</sup> Nimal Fernando, a microfinance specialist working for The Asian Development Bank concurs “in many countries in the region [Asia], the majority of microcredit is provided by a few leading institutions, and competition among them is mostly on non-price terms.”<sup>10</sup>

Later in their open letter, Danel and Labarthe essentially concede that microcredit is not a competitive market when they justify the high interest rates and high profitability on the grounds that they “wanted to build an industry, ... to draw in investors and competition.” The promise is that “competition will make for more and better products at better prices in the future.” The monopolists exploiting the poor today are doing a service for the consumers of tomorrow! This is a rather disingenuous defense of exploiting the poor: exploitation today will draw in competition in the future that will then reduce exploitation. By this logic we should be grateful to the loan sharks of the last few centuries for charging usurious interest rates that have now attracted microcredit organizations into the market.

The second, and bigger problem with the ‘free market’ defense is the assumption that the clients of microcredit are rational economic actors and “in the best position to make the right choices.” Even in a rich country like the USA, there are many laws to protect consumers of financial services, and there is now a strong trend to increase consumer

protection. The Credit Card Accountability Responsibility and Disclosure Act of 2009 is a recent example of this trend. The Obama Administration in June 2009 proposed to create a new, strong, independent agency – Consumer Financial Protection Agency – with broad authority to protect consumers of financial services from abusive, deceptive and unfair practices. The Obama Administration justified regulatory reform on the grounds that “financial products are complex, and it is often difficult for even the most financially astute consumers to recognize the risks financial products can present.”<sup>11</sup> Michael Barr, the US Treasury Department’s assistant secretary, said “it isn’t enough to provide consumers with more disclosure and more information, since people often get overwhelmed and make mistakes.”<sup>12</sup> If financial literacy is a problem in the USA, it is a much bigger problem for microcredit clients in poor countries. In fact, poor people are often illiterate and innumerate. Adult illiteracy rate in India is 39%, and clearly much higher among the poor. This problem is exacerbated for microcredit clients who are overwhelmingly female, who have an even higher illiteracy rate, given the unfortunate and pervasive sexist biases.

There are very few empirical studies on financial literacy, especially in developing countries. What studies there are suggest low levels of financial literacy across the world. A survey of clients of two microfinance organizations in India finds, not surprisingly, very low levels of financial literacy.<sup>13</sup> The great majority of the respondents could not even identify the interest rates on their loans (this is also partly due to lack of transparency, an issue I will discuss below). Arithmetic ability is the foundation for financial literacy. The survey also found that only 17% of the respondents were able to

correctly solve the arithmetic problem ‘divide 8000 by 10’, and only 3% of respondents solved the problem ‘multiply 4500 by 18’. Given such low levels of numeracy it is difficult to see how microcredit clients are able to make good financial choices, such as comparing two loans with different terms.

In a less extreme response than outright denial, the microcredit industry has tried to downplay the problem of consumer exploitation. The CGAP argues, “it is a mistake to assume that Compartamos’ interest rates are typical of the industry, or even a substantial part of the industry.”<sup>14</sup> Clearly we should not wait till exploitation has become pervasive before implementing consumer protection regulation. There are laws against stealing even though most people are not thieves. In developed countries there are laws regulating loan recovery process even though abusive practices are not widespread. Moreover, high interest rates are not as rare as the CGAP implies. By their own analysis, 5% of microcredit loans worldwide are at interest rates higher than 50% per year; and this does not take into account fees and compulsory savings which would significantly increase the effective interest rates. Lack of transparency is almost universal. Chuck Waterfield, founder of MFTransparency organization, states that the true price of microcredit loans has “never been accurately measured nor reported. ... this is hard to imagine and even harder to explain.”<sup>15</sup>

### **Self-regulation: Too little, too late**

Many industry participants do acknowledge the problem of consumer exploitation and plead with microcredit organizations to act more ethically, or argue that the industry



should self-regulate itself. These responses are at best naively optimistic and will not work.

Jonathan Lewis, founder of MicroCredit Enterprises, in an article suggestively titled ‘Microloan Sharks’, recognizes “the power of the marketplace to exploit the poor” and focuses the problems of high interest rates and lack of transparency.<sup>16</sup> Lewis then appeals to microcredit organizations to “act ethically and in accordance with our values.” Commercial organizations given opportunities for increasing profits usually act in their self-interest. In a survey on corporate social responsibility (CSR), *The Economist* magazine concluded that for most public companies, “CSR is little more than a cosmetic treatment.”<sup>17</sup> Appeals for self-restraint on the grounds of ethics and values have not been effective in the business world, and there is no reason to believe commercial microcredit organizations will be any different.

An appeal on ethical grounds is complicated by the fact that industry participants do not agree on a common set of values. A group of leaders in microfinance signed ‘The Pocantico Declaration’ in an attempt to develop a common ground and set of principles.<sup>18</sup> Unfortunately, the Declaration is full of vague statements and platitudes, and no consensus on specific issues; in fact, it indicates explicit dissent when it states “we also recognize that we hold diverse views about the appropriate levels and usage of profit.”

There has been much discussion about the microcredit industry self-regulating itself; for example, Alex Counts, CEO of Grameen Foundation, proposes a third-party certification

scheme.<sup>19</sup> The major drawback is that there is no authority to ensure compliance. For example, 37 microfinance organizations have formed the association Microfinance Network, and signed the Pro-Consumer Pledge that includes a clause that “members will price their services at fair rates. Their rates will not provide excessive profits, but will be sufficient to ensure that the businesses can survive and grow to reach more people.”<sup>20</sup> Compartamos is one of the members of this Network; apparently all rates are ‘fair’ and no profits are ‘excessive’! Vague and platitudinous appeals for self-restraint by companies and self-regulation by the industry are not effective at protecting the microcredit clients.

On a larger scale, the American experiment with self-regulation of the financial services industry has been a failure, and the USA is on a path towards greater government regulation. There is little reason to believe that self-regulation will succeed in the context of the microcredit industry in developing countries facing much less competition, less scrutiny, and more vulnerable consumers. Government regulation is the best way to protect microcredit clients. Muhammad Yunus, the founder of Grameen Bank, agrees with the need for regulation and said “The Bangladesh government has created a microcredit authority based on our suggestions.”<sup>21</sup> The three critical areas that regulation needs to focus on are: lack of transparency, high interest rates, and abusive loan recovery practices.

## **Lack of transparency**

At a Microcredit Summit Campaign conference in July 2008, a new self-monitoring organization, MFTransparency, was launched to be the industry's policeman; since then 183 industry leaders have endorsed the organization.<sup>22</sup> The MFTransparency website states "due to complications of market conditions and lack of regulation, the true price of our loan products has never been accurately measured or reported." I agree with their diagnosis of the causes of lack of transparency – 'complications of market conditions' seems to be an euphemism for market failure, which is consistent with my argument above.

The effective interest rate that a borrower pays for microcredit is very different from the stated interest rate due to the terms of the loan. Microcredit organizations routinely hide the actual interest cost by using 'creative' practices such as: charging interest on the original value of the loan rather than on the declining balance, up-front fees, collection of a security deposit (deducted from the loan amount), compulsory savings (collected with loan installments), and charging an insurance premium. With such hidden charges it is common for the effective annual interest rate to be over 100% even though the stated interest rate is only 15%. Finance Professor Subrata Mitra calculates the effective interest rate for an actual product of an Indian MFI; the terms of the loan are:<sup>23</sup>

- Loan amount: Rs. 1000
- Interest rate: 17.5% per year flat
- Repayment in 47 weekly installments
- Interest for one year = 17.5% of 1000 = Rs. 175. Total repayment = 1000+175 = Rs. 1175. Weekly payment = 1175/47 = Rs. 25
- Security deposit of 10% of the loan is deducted upfront, and refunded with 5% interest at the end of the year

- Savings: borrower must deposit Rs. 10 per week and can withdraw after one year with 5% interest
- Insurance premium of 2% is charged, and deducted upfront of the loan amount

With these terms, the effective annualized interest rate is 121% even though the stated interest rate is only 17.5%. Given the low levels of numeracy and literacy, let alone financial literacy, it is impossible for microcredit clients to compare two loan products with a plethora of confusing terms.

The recent book *Portfolios of the Poor* applauds MFI for charging up-front fees as a good way to reduce risk.<sup>24</sup> In fact, up-front fees, and all the other complicated terms, serve only to reduce the effective amount of the loan and to increase the effective interest rate charged – which increases the MFI's profits but is not good for the poor. It is ironic that the 'savings' feature of microcredit loans is touted as serving the savings need of the poor. The poor clearly need savings facilities, but bundling together savings with microcredit in a non-transparent manner is not good for the poor. If the security deposit is increased to 20% in the above loan example, the effective interest rate jumps to 194% per year.

An essential condition for an open and free market is the ability to compare competing products, which requires pricing transparency. Regulation is needed that mandates microcredit organizations to explicitly state the effective interest rate calculated using a standard and prescribed approach, and to describe all the loan terms in simple language.

## **High Interest Rates**

Criticism of the microcredit industry for charging high interest rates has intensified in recent years, especially with the growth of for-profit MFIs. The CGAP argues “it is fair to criticize an MFI’s interest rates as unreasonable only if its profits or some controllable element of its costs is unreasonable.”<sup>25</sup> I will empirically demonstrate that interest rates, profits, and controllable costs are unreasonably high for a significant part of the microcredit industry. Therefore, there is a need to regulate an interest rate cap for microcredit.

Based on data from 555 sustainable MFIs in 2006, the above CGAP paper shows that the median interest rate is 28% per year.<sup>1</sup> Even this number is understated because it does not include the impact of compulsory savings, which increases the effective cost of the loan to the borrower. Muhammad Yunus argues that if the microcredit interest rate is more than 15% above the cost of funds, then it is “too high.... You are moving into the loan shark zone.”<sup>26</sup> Generously allowing 10% for cost of funds implies that more than half of MFIs charge interest rates that Yunus would consider too high. In Sub-Saharan Africa and Latin America, 5% of MFIs charge interest rates above 70%; for the world, 5% of MFIs charge interest rates above 50% per year. While Compartamos charging interest rates exceeding 100% might be exceptional, interest rates exceeding 50% are certainly not rare.

Many MFIs are very profitable. In the CGAP study, MFIs earned 2.1% return on assets annually, which is well above the 1.4% earned by banks in the same countries. MFIs are

usually not as highly leveraged as banks, thus lowering their return on equity. In spite of this, 10% of worldwide microcredit loans earned return on equity above 35% in 2006. These are high profits by any business criteria. The CGAP study concludes that MFI profits are high because “the microcredit market is still immature, with low penetration of the potential clientele by MFIs and little competition so far.” Monopoly rents and vulnerable consumers are the cause of high prices and profits in microcredit.

The industry response is that the high interest rates are due not to high profits, but rather because of high costs. Due to fixed costs in servicing a loan, it is proportionally more expensive to service a microloan than a larger loan. Moreover, the poor infrastructure in developing countries leads to high costs as well. But this argument is not consistent with the empirical evidence. Chuck Waterfield analyzes 22 MFIs in Mexico (thus holding the infrastructure environment constant) and shows “a very wide range of prices (from 38% to 90%) within a similarly sized loan product” (see Graph 1).<sup>27</sup> Analysis of 48 MFIs in the Philippines and 31 MFIs in Ecuador yields similar results. Since this analysis holds the loan size and environment constant, the price differential is likely due to local monopoly power and leads to high profits. Costs measured by operating expenses as a percentage of loan portfolio also vary widely – ranging from 25% to 55% -- for Philippine MFIs with similarly sized loan products. Once again, since the analysis controls for loan size and the environment, the cost differential is likely due to some MFIs having unreasonably high controllable costs. In a competitive industry such wide differentials in costs and prices would not persist, and firms with inefficient operations and high prices would be penalized. This is further evidence that microcredit is a

---

<sup>1</sup> MFIs are classified as sustainable if their adjusted return on assets is positive.

monopolistic industry, and supports the position that regulated interest rate caps are needed.

Nimal Fernando of the Asian Development Bank argues that interest rate ceilings will reduce the availability of microcredit.<sup>28</sup> The CGAP concurs that interest rate ceilings “often hurt rather than protect the most vulnerable by shrinking poor people’s access to financial services.”<sup>29</sup> The flaw in this argument is the implicit assumption that microcredit is a competitive industry. Price controls in a competitive industry will lead to reducing supply; but that is not true in a monopolistic industry. Graph 2 depicts the supply and demand curves for a monopolist with and without price controls. An unregulated monopolist produces output  $y^*$  at price  $p^*$ . Regulation imposes a price ceiling at  $p^\wedge$ . The outcome of the regulation is that price falls to  $p_0$  (from its original value at  $p^*$ ) and output increases from  $y^*$  to  $y_0$ . Even at this lower price, the monopolist is still earning positive economic profits. The intuition behind this is that the unregulated monopolist maximizes profit by restricting output (compared to a competitive market) and charging high prices. The regulated monopolist increases output (compared to the unregulated monopolist) and charges the maximum price allowed by regulation (so long as the price is above the marginal cost). Setting an appropriate interest rate ceiling will actually expand the availability of microcredit given the current monopolistic nature of the industry. This should not be difficult since the gap between the competitive price and the monopoly price prevailing today is so big.

The above CGAP paper also argues that interest ceilings can “lead to less transparency about the cost of credit, as lenders cope with interest rate caps by adding confusing fees to their services.” Well, the industry already exhibits no transparency and adds many confusing fees even in the absence of interest rate ceilings. Moreover, as I have argued above, the industry should also be regulated with regard to pricing transparency.

### **Abusive loan recovery**

Microcredit is also coming under increasing criticism for its debt collection practices. While there is no systematic evidence, there is much anecdotal evidence that some MFIs use coercion to enforce loan repayment. France 24 (an international news television channel) reporters in Bangladesh found that microcredit has been plunging some poor people deeper into debt. The web site for France 24 offers a dramatic video on the negative aspects of Grameen’s debt collection practices.<sup>30</sup> In Kalihati, one of the first Bangladeshi villages to benefit from Grameen’s low interest credit scheme, the villagers who have taken a loan are unable to reimburse their credit, and claim to be harassed by Grameen Bank representatives. Korshed Alom, a former debt collector, was put into early retirement for having questioned the Grameen Bank’s methods: “Their technique is to scare borrowers and insult them. We tell them to sell their clothes, that they have no other choice. I’m not proud of myself, but several times, I had even been obliged to say ‘sell your children’”.

Some MFIs in Andhra Pradesh, India, were charged with intimidating borrowers with forced loan recovery practices. “As consumer lending soars to record levels, India’s



banks face mounting criticism and government sanctions for their aggressive loan recovery tactics, which sometimes include using hired thugs.”<sup>31</sup> One delinquent borrower was violently beaten by a thug working for a collection agency on behalf of ICICI Bank. The Delhi Consumer Commission fined ICICI Bank for what the judge called “the grossest kind of deficiency in service and unfair trade practice.” In Mexico, clients of Azteca who slip behind on repayment “receive frequent visits from motorcycle riding collection agents. Default rates are minimal.”<sup>32</sup> Much microcredit relies on group liability. Sometimes the coercive practices are undertaken not by the MFI but by the group members. Anecdotal evidence includes “group members removing defaulter’s nose ring and anklets or damaging her house until the member repaid.”<sup>33</sup>

Exploitation can occur even without an MFI using coercive loan recovery practices; all that is needed is for the borrower to believe *a priori* that coercion will be used. A survey of clients of two microfinance organizations in India finds that 53% of respondents believed “it is alright” for an MFI to confiscate assets such as cows, house, land, and machinery if the borrower is unable to repay the loan.<sup>34</sup> This is particularly disturbing since the crux of microfinance is uncollateralized lending. The survey results do not imply that assets are in fact confiscated by the MFI in the event of default. But, the borrower’s belief, even if mistaken, acts as an effective deterrent to default. The threat of confiscation (or any other threat), even an empty threat, is intimidating and abusive.

This is not to suggest that most MFIs use unethical debt collection practices. Rather, there is potential for exploitation, and some microcredit organizations do exploit the poor.

The microcredit clients are vulnerable and ill informed about their rights as borrowers.

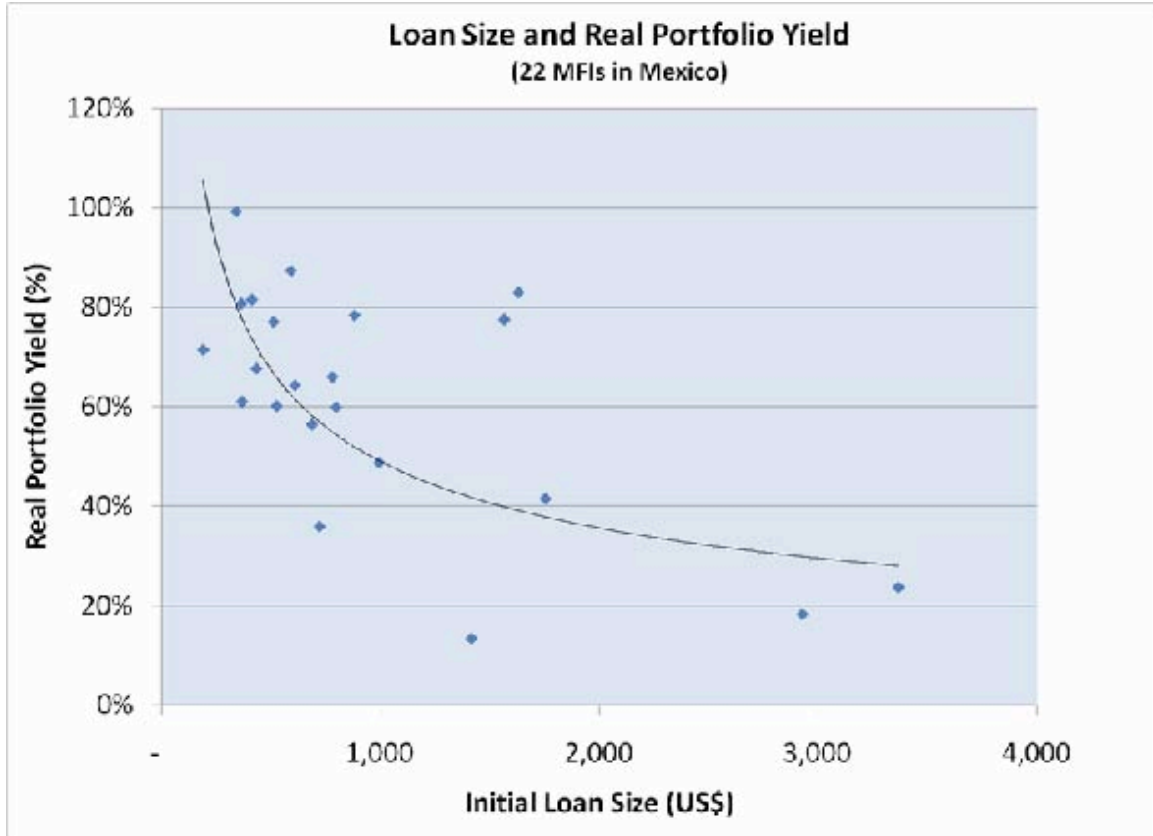
There is need for regulation to protect consumers from coercive loan recovery practices and greater transparency on borrowers' rights.

## **Conclusion**

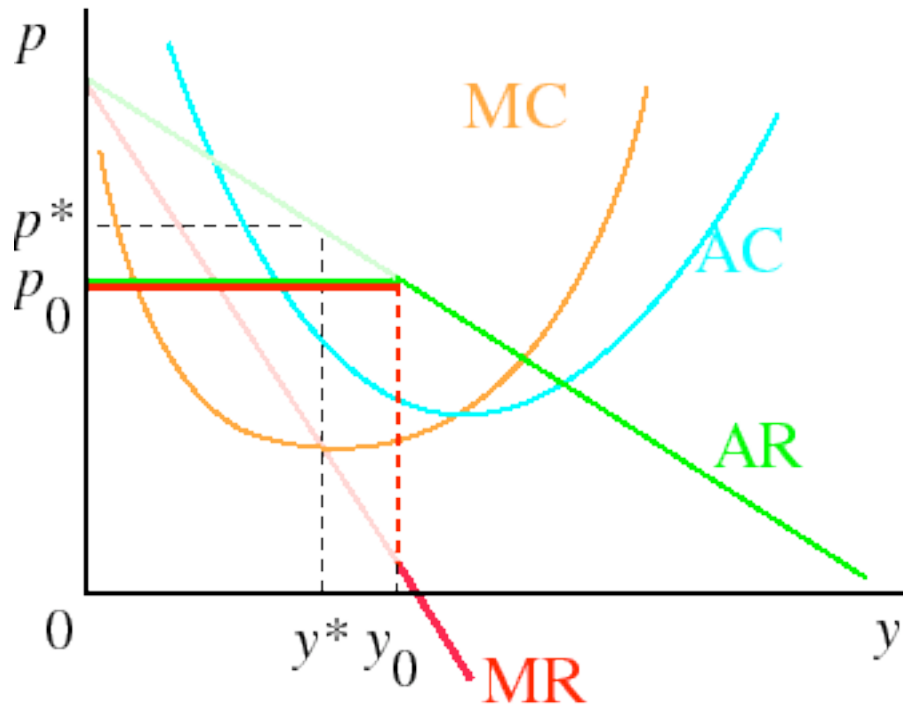
The microcredit industry is an attractive industry: high growth rates, low levels of penetration, minimal competition, vulnerable consumers, high interest rates and low default rates. It is not surprising that private for-profit companies are playing an ever-larger role in the industry. This has led to some poor people being exploited by microcredit organizations, and, more importantly, potential for further exploitation.

Expecting MFIs to exercise self-restraint and self-regulation is naively optimistic and will not work. Regulation is needed to protect the microcredit clients in three areas: transparency, interest rate ceiling, and loan recovery practices.

**Graph 1**



Graph 2: Price controls on a monopoly



- 
- <sup>1</sup> Sam-Daley-Harris, 'State of the Microcredit Summit Campaign Report 2009.' Available at [http://www.microcreditsummit.org/uploads/socrs/SOCR2009\\_English.pdf](http://www.microcreditsummit.org/uploads/socrs/SOCR2009_English.pdf).
- <sup>2</sup> CK Prahalad, *Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* (Wharton School Publishing, 2004).
- <sup>3</sup> Keith Epstein and Geri Smith, 'The ugly side of microlending.' *Business Week*, December 13, 2007.
- <sup>4</sup> Reuters India. 'Microcredit lenders urged to improve transparency.' July 28, 2008. Available at <http://in.reuters.com/article/domesticNews/idINJAK5066620080728>. [Accessed on May 24, 2009]
- <sup>5</sup> 'Online Extra: Yunus blasts Compartamos.' *Business Week*, December 13, 2007. Available at [http://www.businessweek.com/magazine/content/07\\_52/b4064045920958.htm](http://www.businessweek.com/magazine/content/07_52/b4064045920958.htm). [Accessed on May 24, 2009]
- <sup>6</sup> Sudhendar Shirma, 'Death by microcredit.' *The Times of India*, 16 September, 2006.
- <sup>7</sup> Nimal A. Fernando. 'Understanding and dealing with high interest rates on microcredit.' Asian Development Bank, May 2006.
- <sup>8</sup> Carlos Danel and Carlos Labarthe, 'A letter to our peers.' June 2008. Available at <http://www.microfinanceinsights.com/oldsite/Download/Alettertoourpeers.pdf>. [Accessed 25 May, 2009]
- <sup>9</sup> Richard Rosenberg, Adrian Gonzalez, and Sushma Narain. 'The New Moneylenders: Are the Poor Being Exploited by High Microcredit Interest Rates?' Occasional Paper 15, Consultative Group to Assist the Poor, Washington D.C., February 2009.
- <sup>10</sup> Nimal Fernando. 'Understanding and Dealing with High Interest Rates on Microcredit.' Asian Development Bank, Manila, May 2006.
- <sup>11</sup> Strengthening Consumer Protection. Available at [http://financialstability.gov/docs/regulatoryreform/strengthening\\_consumer\\_protection.pdf](http://financialstability.gov/docs/regulatoryreform/strengthening_consumer_protection.pdf). [Accessed 24 June, 2009]
- <sup>12</sup> Jane Kim. 'Plain-vanilla financing could melt bank profits.' *Wall Street Journal*, 26 June 2009.
- <sup>13</sup> Akhand Tiwari, Anvesha Khandelwal, and Minakshi Ramji. 'How do microfinance clients understand their loans?' Center for Micro Finance, Institute for Financial Management and Research, Chennai, India, October 2008.
- <sup>14</sup> Richard Rosenberg, Adrian Gonzalez, and Sushma Narain. 'The New Moneylenders: Are the Poor Being Exploited by High Microcredit Interest Rates?' Occasional Paper 15, Consultative Group to Assist the Poor, Washington D.C., February 2009.
- <sup>15</sup> Chuck Waterfield. 'Implementing pricing transparency in microfinance.' Available at <http://www.mftransparency.org/media/pdf/e-mfp-newsletter1.pdf>. [Accessed 25 June, 2009]
- <sup>16</sup> Jonathan Lewis. 'Microloan Sharks.' *Stanford Social Innovation Review*, Summer 2008.
- <sup>17</sup> Crook Clive. 'The good company,' *The Economist*, 20 January, 2005.
- <sup>18</sup> The Pocantico Declaration is available at <http://www.accion.org/Document.Doc?id=442>. [Accessed 15 July 2009]
- <sup>19</sup> Alex Counts. 'Reimagining Microfinance.' *Stanford Social Innovation Review*, Summer 2008.
- <sup>20</sup> Available at <http://www.mfnetwork.org/images/stories/workinggroups/proconsumer/MFN%20Pro-consumer%20Pledge%20English.pdf>. [Accessed 15 July 2009]
- <sup>21</sup> Muhammad Yunus. 'Lifting People Worldwide out of Poverty.' Knowledge@Wharton, May 27, 2009. Available at <http://knowledge.wharton.upenn.edu/article.cfm?articleid=2243>. [Accessed June 26, 2009]
- <sup>22</sup> See their website <http://www.mftransparency.org/about/>.
- <sup>23</sup> Subrata Kumar Mitra. 'Exploitative microfinance interest rates.' *Asian Social Science*, Vol. 5 (5), May 2009, pages 87-93.
- <sup>24</sup> Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven. *Portfolios of the Poor*. Princeton University Press, Princeton, 2009, page 143.
- <sup>25</sup> Richard Rosenberg, Adrian Gonzalez, and Sushma Narain. 'The New Moneylenders: Are the Poor Being Exploited by High Microcredit Interest Rates?' Occasional Paper 15, Consultative Group to Assist the Poor, Washington D.C., February 2009.
- <sup>26</sup> 'Muhammad Yunus: Lifting People Worldwide out of Poverty.' Knowledge@Wharton. Available at: <http://knowledge.wharton.upenn.edu/article.cfm?articleid=2243>. [Accessed 15 July 2009]

---

<sup>27</sup> Chuck Waterfield. 'Why we need transparent pricing in microfinance.' Presentation available at: <http://www.mfransparency.org/>. [Accessed 15 July 2009]

<sup>28</sup> Nimal A. Fernando. 'Understanding and dealing with high interest rates on microcredit.' Asian Development Bank, May 2006.

<sup>29</sup> Brigit Helms and Xavier Reille. 'Interest rate ceilings and microfinance: the story so far.' Occasional Paper 9, Consultative Group to Assist the Poor, Washington D.C., September 2004.

<sup>30</sup> France 24. 'The crushing burden of microcredit.' Available at: <http://www.france24.com/en/20080404-bangladesh-burden-microcredit-caring-grameen-bank-mohammed-yunnus>. [Accessed 23 July, 2008].

<sup>31</sup> Wall Street Journal. 'In the shadows of India's loan boom.' *Wall Street Journal*, January 8, 2008.

<sup>32</sup> Keith Epstein and Geri Smith. 'The ugly side of microlending.' *Business Week*, 13 December 2007.

<sup>33</sup> Adam Ross and Paula Savanti. 'Empirical analysis of the mechanisms of group lending.' Center for Micro Finance, Institute for Financial Management and Research, Chennai, India, August 2005.

<sup>34</sup> Akhand Tiwari, Anvesha Khandelwal, and Minakshi Ramji. 'How do microfinance clients understand their loans?' Center for Micro Finance, Institute for Financial Management and Research, Chennai, India, October 2008.