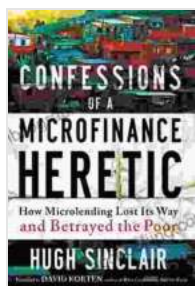


How Microlending Lost Its Way And Betrayed The Poor

Microlending, the practice of lending small amounts of money to poor people, has been hailed as a silver bullet for poverty alleviation. But a growing body of evidence suggests that microlending has lost its way and is actually ng more harm than good.

One of the biggest problems with microlending is its high interest rates. Microlenders typically charge interest rates of 30% or more, which makes it very difficult for borrowers to repay their loans. In many cases, borrowers end up trapped in a cycle of debt, unable to repay their loans and incurring even more debt.



Confessions of a Microfinance Heretic: How Microlending Lost Its Way and Betrayed the Poor

by Hugh Sinclair

★★★★☆ 4.4 out of 5

Language : English
File size : 3189 KB
Text-to-Speech : Enabled
Screen Reader : Supported
Enhanced typesetting : Enabled
Word Wise : Enabled
Lending : Enabled
Print length : 289 pages

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Another problem with microlending is its short loan terms. Microlenders typically require borrowers to repay their loans within a year, which can be very difficult for borrowers who are struggling to make ends meet. This short loan term can lead to borrowers taking out multiple loans to cover their expenses, which can further increase their debt burden.

Finally, microlenders often use aggressive collection practices to collect on their loans. These practices can include harassing borrowers, threatening them with legal action, and even seizing their assets. These aggressive collection practices can be very damaging to borrowers, both financially and emotionally.

The combination of high interest rates, short loan terms, and aggressive collection practices has led to microlending becoming a major source of debt and exploitation for the poor. Microlending is not a silver bullet for poverty alleviation. In fact, it can actually make poverty worse.

The Rise of Microlending

Microlending emerged in the 1970s as a way to provide financial services to the poor who were unable to access traditional banking services.

Microlenders typically target women, who are often seen as more reliable borrowers than men. Microlending has been hailed as a success story, and has been credited with helping millions of people lift themselves out of poverty.

However, there is a growing body of evidence that suggests that microlending is not as effective as it is often made out to be. A study by the Center for Global Development found that microlending had no significant

impact on poverty reduction. Another study by the World Bank found that microlending actually increased poverty in some cases.

The Dark Side of Microlending

The dark side of microlending has been well-documented. Microlenders have been accused of charging exorbitant interest rates, using aggressive collection practices, and targeting the most vulnerable members of society.

One of the most well-known cases of microlending abuse is the case of SKS Microfinance. SKS Microfinance was one of the largest microlenders in India, and it was accused of charging exorbitant interest rates and using aggressive collection practices. In 2010, SKS Microfinance was forced to write off billions of dollars in bad loans, and its founder was arrested.

SKS Microfinance is not an isolated case. There are many other microlenders that have been accused of similar abuses. The microlending industry is largely unregulated, and this has allowed some microlenders to engage in predatory practices.

The Impact of Microlending on the Poor

Microlending can have a devastating impact on the poor. High interest rates, short loan terms, and aggressive collection practices can lead to borrowers taking on more debt than they can afford. This can lead to financial ruin, and can even force borrowers into destitution.

In some cases, microlending can even lead to death. In 2010, a woman in India named Anjamma Thomas committed suicide after she was unable to repay her microlending loan. Thomas's death sparked outrage in India, and led to a crackdown on microlending abuses.

The Future of Microlending

The future of microlending is uncertain. The industry is facing increasing scrutiny from regulators, and there is a growing awareness of the potential for abuse. Some microlenders are beginning to adopt more responsible practices, but it remains to be seen whether the industry as a whole will change its ways.

One thing is for sure: microlending cannot be a silver bullet for poverty alleviation. If microlending is to have a positive impact on the poor, it needs to be reformed. Microlenders need to be regulated, and they need to adopt more responsible practices. Only then can microlending truly become a force for good.

Microlending has the potential to be a powerful tool for poverty alleviation. However, the industry has been plagued by abuse, and this has led to microlending becoming a major source of debt and exploitation for the poor. If microlending is to have a positive impact on the poor, it needs to be reformed. Microlenders need to be regulated, and they need to adopt more responsible practices. Only then can microlending truly become a force for good.



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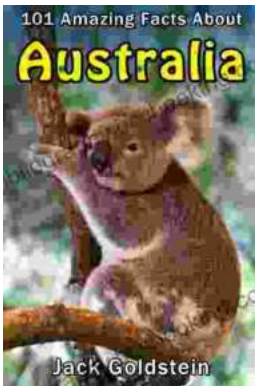
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