

Malawi Chamber of Commerce and Industry (MCCCI) says there are policy alternatives that can protect borrowers from excessive interest rates instead of introducing interest rate caps which could not offer sustainable solutions.

While acknowledging that high cost of finance remains an obstacle to doing business in Malawi, MCCCI Chief Executive, Chancellor Kaferapanjira said capping interest rate is not the best mechanism to address the challenge.

“We think that interest rates should indeed go down, but putting it in a law means that we are putting up a permanent structure and the law will be very difficult to change.

“We agree that there is high rate of borrowing; but the challenge is on how RBM is going to intervene in making sure that the commercial banks are not just adding unnecessary risk premiums,” said Kaferapanjira.

He said for example RBM Governor can come up with a reference rate to achieve a purpose within specific time frame and can revoke it when the purpose has been achieved.

Member of Parliament for Dedza North West Alekeni Menyani moved a motion in Parliament in 2016 proposing a law to introduce interest rate capping, after noting exorbitant interest rates on loans obtained from banks and other lending institutions which resulted in property loss due to non-payment.

Earlier, Bankers Association of Malawi President Paul Guta concurred with MCCCI that the proposed bill could be solving symptoms instead of the root cause of high interest rates in Malawi.

“Let us find solutions of what should be done to the economy to have affordable interest rates. The high rates are as a result of so many factors that include; operational factors such as

electricity and connectivity as well as inflation,” He said.