



To what extent is industry self-regulation applicable to microfinance?

The case of TAMFI in Tanzania

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Starting points and research issues

Observations

Microfinance: from high hopes...to critics and debates

(Impact; rates; transparency; competition; governance, client protection; mission drift?;...)

The « traditional » regulation of microfinance

→ Two traditional regulation modes (rules/laws – competition)

Contribute to the
regulatory framework

Is it relevant in
microfinance?

Which factors to
consider?

To what extent is
industry self-
regulation applicable
to microfinance?

Research questions

Literature review – A few words about self-regulation

- Industry self-regulation: « *collective action aiming to shape or constrain organizational behaviour through standards and rules of conduct set by an industry-level organization* » (Afonso et al., 2017:923)
- Form of industry self-regulation:
→ Different combinations in different circumstances
- Main obstacles and how to (partly) face them

What about microfinance?

- **Interesting to consider** (together with traditional regulation modes)?
 - **MFIs mostly not subject to prudential regulation**
 - Weak formal regulation/lack of data
 - Double bottom line → ≠ banking regulation
 - Diversity and # of MFIs
- MFIs associations: **significant influence** on regulation but very low attention in academic papers regarding their role in the sector

Summary of the literature review – suggesting a framework

- Regulatory culture (cooperation >< separation)
- Level of maturity of the local microfinance industry
- Threat of future regulation
- Relationships with the banking sector
- Risks of future crises in the microfinance industry
- Diversity of the microfinance industry
- Internal credibility (legitimacy regarding member MFIs)
- External credibility (visibility, representativeness, comparability of self-regulation)
- Access to information (asymmetries between the association and the members, recognition as an unavoidable platform,...)
- Form (code of conduct, informal clubs, intervention in the law,...)
- Content (client protection, over-indebtedness issues,...)
- Voluntary >< compulsory membership
 - Funding structure
 - Membership (criteria for membership, cohesion, composition, cooperation spirit)
 - Model of association (services provided)
- External support (investors, regulators,...)
- Awareness/presence of common interests
- Materialization of free riding
- Existence of sanctions
- Mimetic forces (leader MFIs)
- Normative forces (promotion of values)
- Monitoring self-regulation

The empirical research: the case of TAMFI

An inductive and qualitative approach

- **Three-month fieldwork at TAMFI**: Immersion in the life of the association
- Inspired from *Grounded Theory Method*

Various empirical materials

- 17 semi-structured **interviews** ($\pm 60'$): TAMFI; CEOs of MFIs; Bank of Tanzania; investors; partner NGO (SBFIC); local expert
- **Observations**
- **Internal reports**
- **Public data**
- **Local financial press**



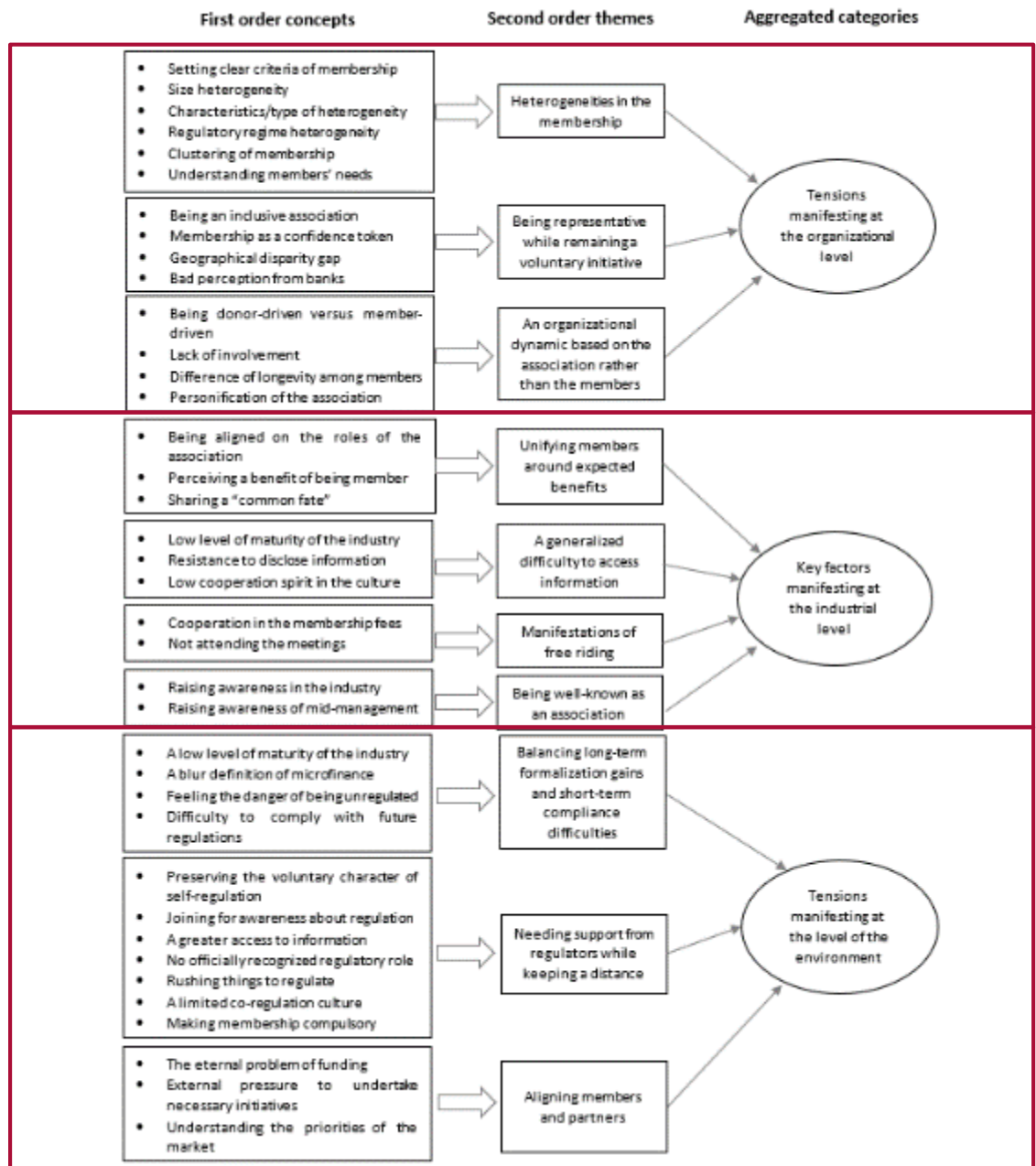
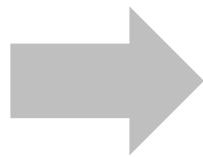
Context of
microfinance
in Tanzania

Regulatory
landscape

Dynamics in
place around
TAMFI

Results: structuring the qualitative data

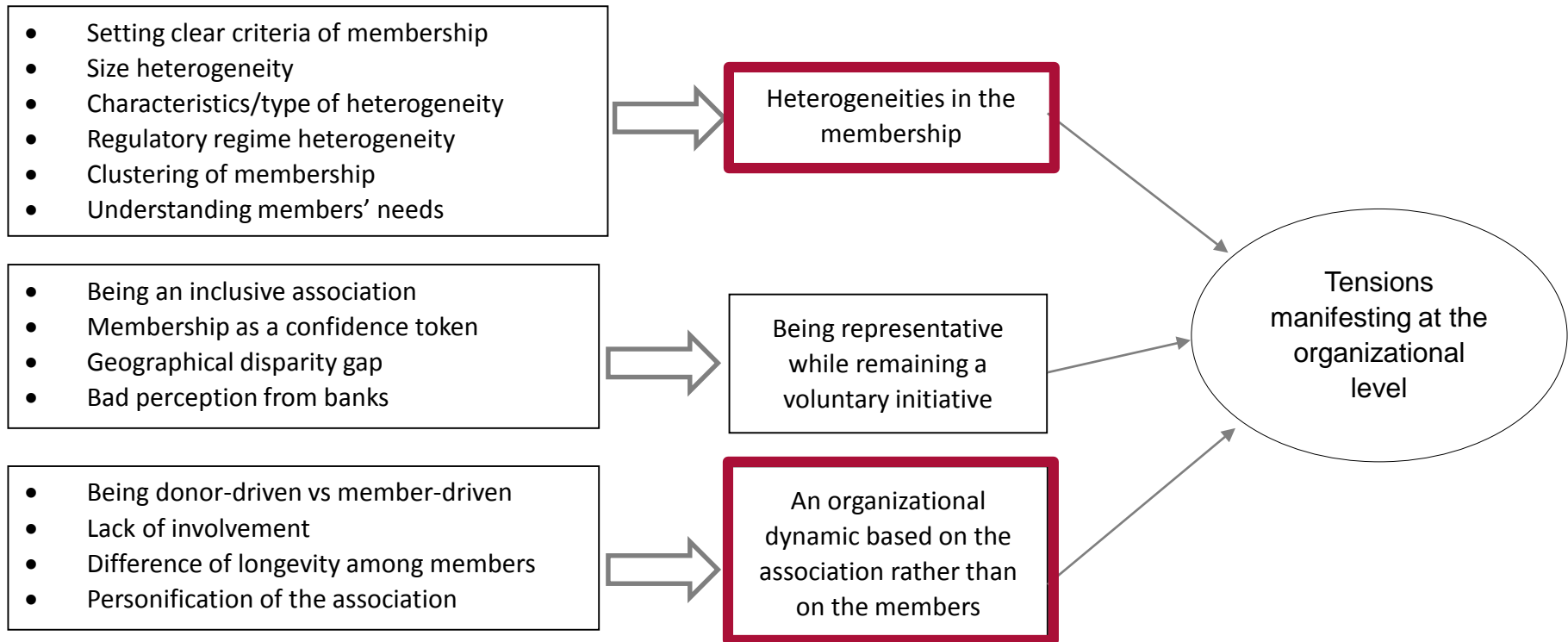
Field work
and
interviews



(Data structure – Source: the author)

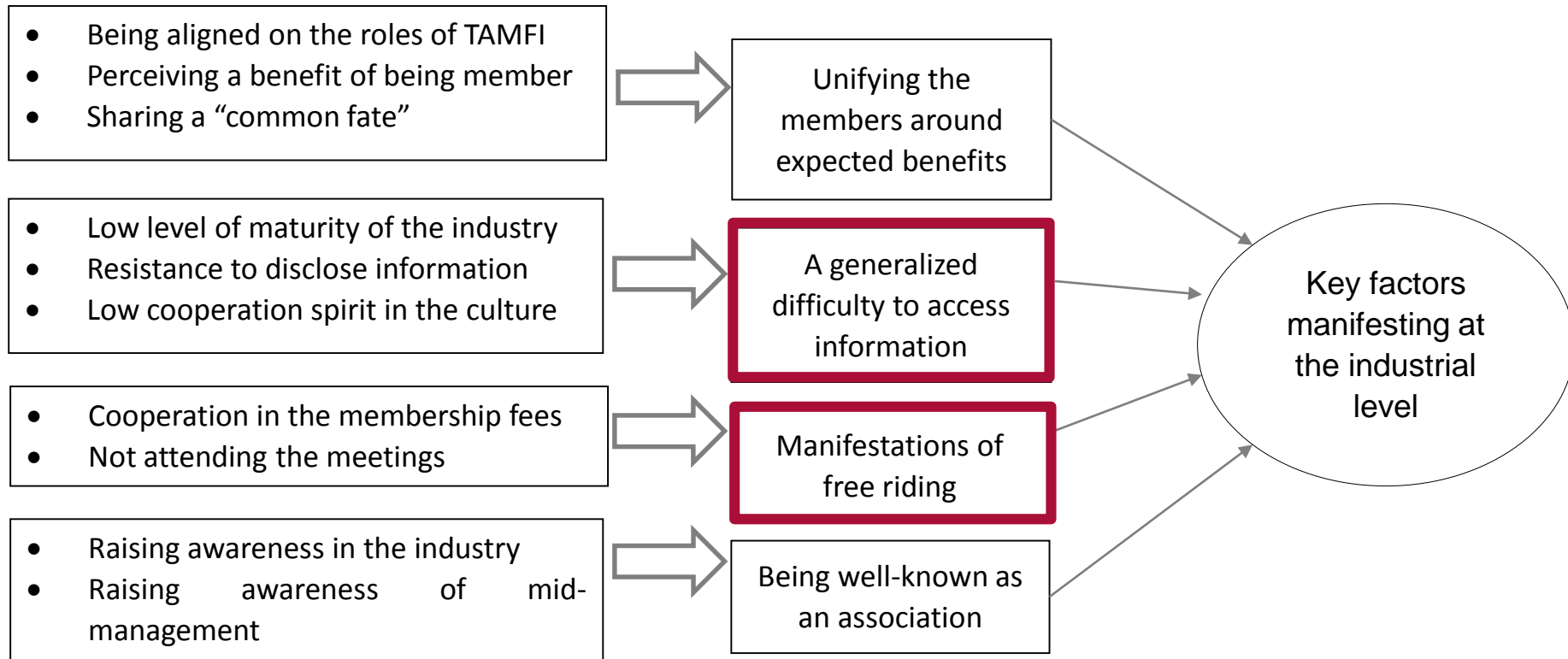
Results: tensions at the organizational level

Data structure part 1 – Source: the author



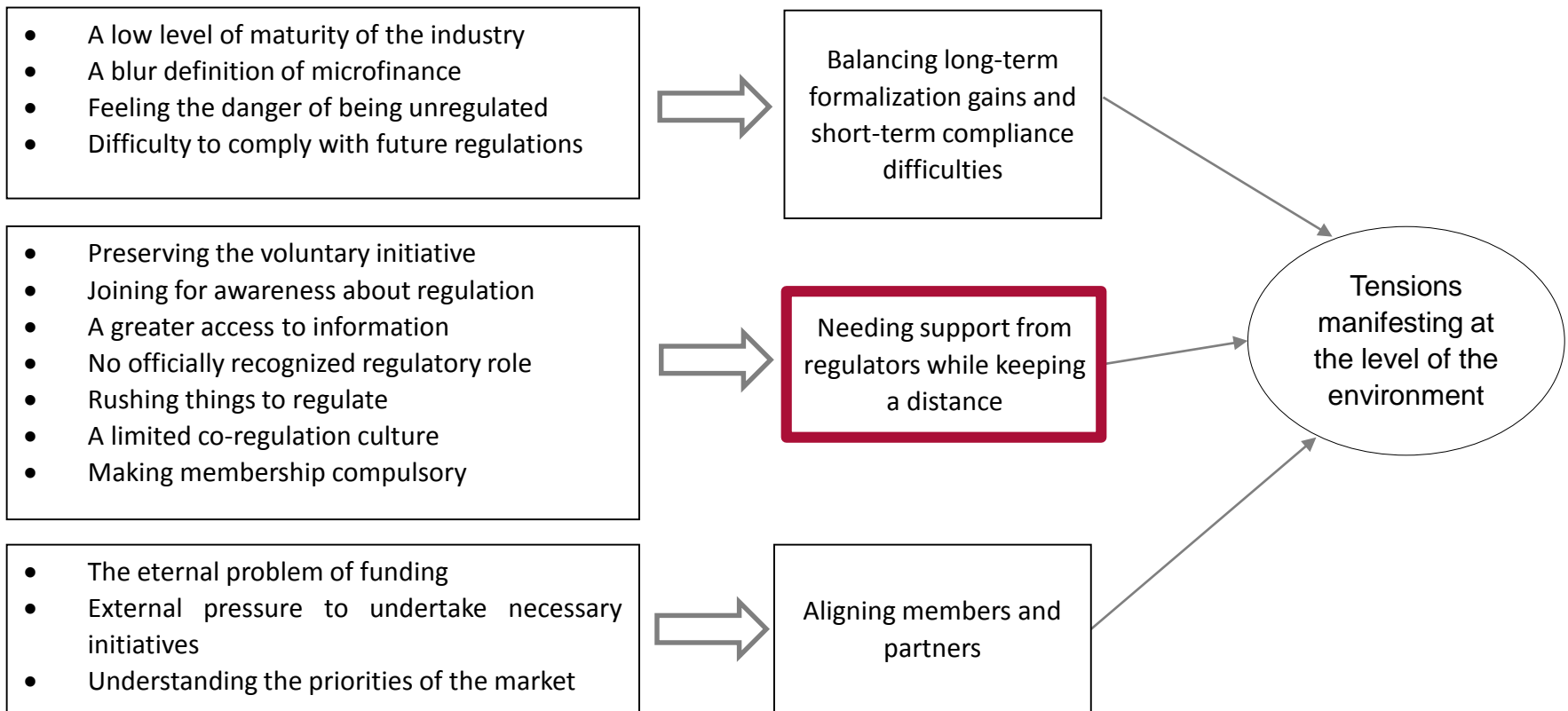
Results: Key factors at the industrial level

Data structure part 2 – Source: the author

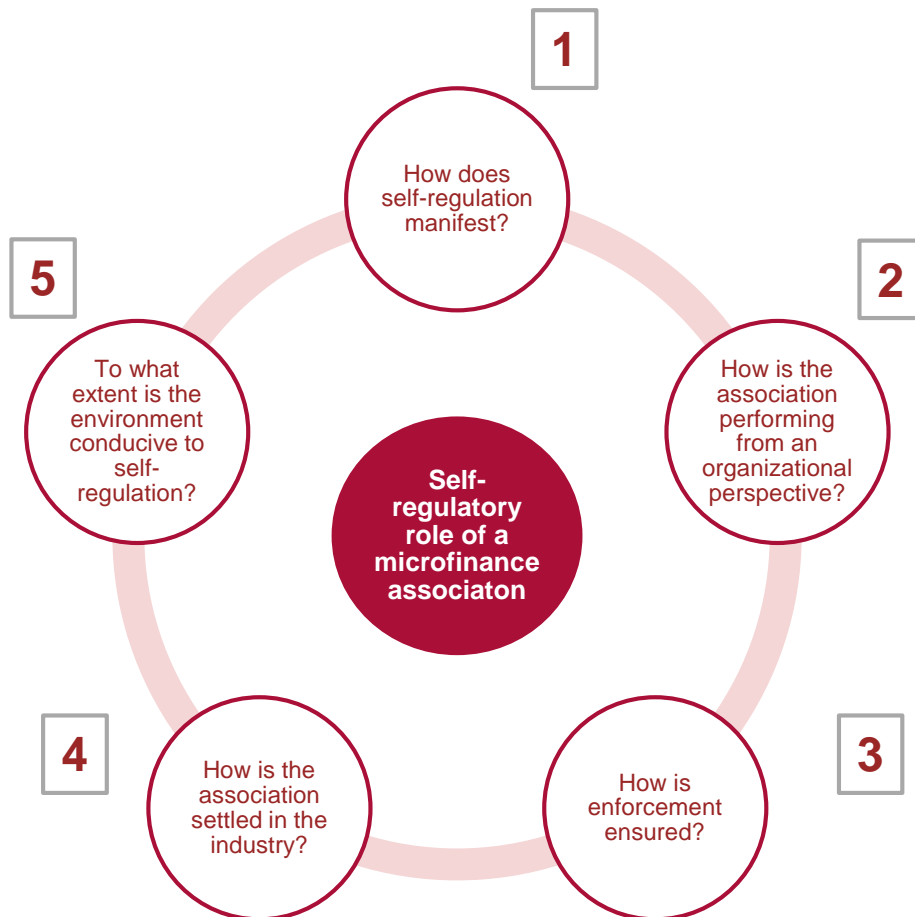


Results: tensions at the level of the environment

Data structure part 3 – Source: the author



Discussion and conclusion



1. Code of conduct (relatively weak)
+ significant influence on the regulation
2. Tensions at the organizational level
→ free riding; lack of involvement
3. Currently no sanction
4. Internally: no unanimity among members
Externally: potential lack of credibility
(mutually reinforcing with point 3)
5. Low maturity of the industry
+ Potential gap between the association's and the partners' objectives
+ No official support

THANK YOU FOR YOUR ATTENTION



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Potential improvements

- Some additional respondents from the regulatory bodies
- To what extent do MFIs really apply the code? → more investigations on their individual practices

Avenues for future research

- Studying other cases in other market circumstances and levels of maturity
- The level of self-regulation: Individual? Industrial? What interactions?
- Using the theories around the « commons » to discuss self-regulation?