To What Extent Is Industry Self-Regulation Applicable to Microfinance? Insights from the Tanzania Association of Microfinance Institutions (TAMFI)

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Extended Abstract, First draft (please, do not quote)

Abstract

Given the harsh debates shaking nowadays microfinance and including legitimacy concerns and risks of mission drift, questioning the classical regulatory choice between the traditional "*command and control*" or "*laissez-faire*" of market competition seems now a necessity. This research seeks to shed some light on the potential interest of industry self-regulation in microfinance, namely the association of microfinance institutions through an industry-level organization to control their collective action, and the conditions for it to be efficient. Based on a qualitative fieldwork carried out during a 3-month stay in Tanzania in 2019, we studied the case of TAMFI, the Tanzania Association of Microfinance Institutions. Our results show the identification of tensions at different levels, including the organization, the association and the industry. We argue that these tensions may eventually prevent a microfinance association to play a relevant and efficient self-regulatory role in a local microfinance industry.

Key Words: microfinance, self-regulation, professional association, qualitative research, Tanzania.

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1. Introduction

For some decades, microfinance has been rapidly developing. In a short period, the number of clients and the credit portfolio rose impressively, the range of products widened significantly, and all sorts of national and international actors have paid more attention to the industry. In parallel, the sector has recently gone through troubles, along its way to commercialization. At the center of the debates, doubts about the actual impact of microfinance, critics about client protection issues, and diverse crises have emerged in the industry (Banerjee et al., 2015; Guérin et al., 2018). Today, academics, practitioners, regulators and development NGOs are no longer unanimous on the supposedly positive contributions of microfinance.

After beginnings where regulation was relatively absent, a consensus has formed around the idea that regulation is needed for microfinance institutions (MFIs) to formalize and protect clients (Arun, 2005). Two types of regulation are often considered: formal regulation and market regulation (competition). Yet, none of them is optimal to allow MFIs achieve their financial and social missions. On the one hand, it has been shown that competition in microfinance can actually turn bad (Morduch, 1999; McIntosh & Wydick, 2005; Assefa et al., 2013). On the other hand, laws to control MFIs have emerged in many areas (Labie, 2007) but can also be suboptimal (Helms & Reille, 2004; Hartarska & Nadolnyak, 2007; Dayson & Vik, 2014).

In such a context, this paper discusses the potential of a third type of regulation, relatively uncovered in the microfinance literature: industry self-regulation and the role of associations. Associations have overlooked microfinance for years with a significant influence (Lapenu et al., 2009), including in regulatory systems (Gathe, 2007). The aim of this paper is to explore the extent to which industry self-regulation is relevant in microfinance, and to identify some factors that may be favorable or detrimental to the regulatory role of MFIs associations. It is empirically based on a three-month qualitative field work carried out at the Tanzania Association of Microfinance Institutions (TAMFI).

The rest of the paper is structured as follows. The second section suggests a review of the literature on industry self-regulation, both in general and in the microfinance field. In the third section, we introduce the Tanzanian microfinance industry and its regulatory landscape. Then, section 4 describes the methodology used for the qualitative study. In the fifth section, we highlight the results of the empirical research, before discussing them and concluding in the sixth and seventh sections.

2. Literature review

2.1 Industry self-regulation in the literature

Regulation stands for defining rules or standards determining acceptable or permissible conduct of those regulated and setting constraints to their actions (Arun, 2005). While it often refers to the intervention of the state to alleviate market failures (Stiglitz et al., 2018), regulation is however not restrained to public authorities. Any entity or organization may also define rules to frame its own behaviors, this way practicing "self-regulation" (Gunningham & Rees, 1997) or "decentered regulation" (Black, 2001). It may materialize at different levels including the organization (micro-level), the industry (meso-level), or businesses in general (macro-level) (McAllister, 2003). Although these levels may interact in the perspective of self-regulation (Xu et al., 2012), we are interested here in industry self-regulation, the voluntary association of organizations willing to control their collective action by setting, monitoring and/or enforcing rules and standards in a given economic sector (Omarova, 2010).

In practice, industry self-regulation manifests especially through a sector-level organization determining rules or standards to frame the members' conduct and/or supervising them in their interest (Gugerty, 2008). This is typically the case of professional associations, sometimes also called "mediating structures" (Gupta & Lad, 1983). Yet, industry self-regulation is "a highly malleable term which may encompass a wide variety of instruments" (Sinclair, 1997:532). In more direct schemes, the government may delegate a real regulatory power to associations for licensing, establishing or enforcing standards while, in more indirect frameworks, they may rather play a role of advocate, defending the sector's interests and participating in a way or another to the decision-making process (Omarova, 2010).

In addition to the presence of an association, another key aspect to consider when defining self-regulation is that each firm generally participates voluntarily (Grajzl & Baniak, 2009) or that some initiatives come from within the industry itself (Omarova, 2010). In any case, this implies that players must cooperate (Gupta & Lad, 1983). In this, self-regulation differs from governmental regulation but also from "a pure market approach in which consumer preferences drive company behavior" (Culnan, 2000:20), that is, where competition would play a regulatory role. Also, self-regulation should not be assimilated to deregulation, namely the reduction or removal of formal regulation[2] (Cooper & Argyris, 1998; Omarova, 2010), nor does it aim at replacing governmental control as self-regulation may also appear when current formal requirements are to be complemented or surpassed (Wotruba, 1997). In any case though, industry self-regulation always coexists with some form of formal regulation and "is neither nonexistent nor ubiquitous" (Gupta & Lad, 1983:419).

Given the above features, regulation is thus not only endorsed by public authorities; any market may be subject to other regulatory forces. However, the concept of self-regulation is unclear (Omarova, 2010). Either voluntary (self-regulation) or de facto (the influence of competition), Other forces generally co-exist with formal regulation. Therefore, most authors agree to classify regulatory regimes based on the degree of involvement of both the regulators and the regulatees, and to speak about "co-regulation" (Garvin, 1983; Gupta & Lad, 1983; Rees, 1988 and 1990; Huyse & Parmentier, 1990; Grabosky, 1995; Gunningham & Rees, 1997; Sinclair, 1997; Wotruba, 1997; Black, 2001; Haufler, 2001; Gugerty, 2008; Omarova, 2010). Although plenty of typologies of regulatory configuration exist in the literature, we detail here Garvin's (1983) classification, as we find that it best demonstrates this idea of degree of involvement in the regulation and its counterpart in terms of autonomy. This classification suggests that there is nothing like a dichotomy between self-regulation and formal regulation. Rather, most regulatory regimes would be located on a continuum of public-private combinations between these two extremes (Omarova, 2010). According to Sinclair (1997), a strict binary view of regulation would reduce the options for policy makers, while different combinations may be relevant in different circumstances. On this point, Gunningham & Rees (1997) speak about "responsive regulation" and explain that the regulatory choice adopted should be tailored to the circumstances. Understanding these circumstances in the microfinance industry is part of this research.

The position along the continuum conditions the degree of involvement of the formal regulator: the more the regulator frames the market, the less there is room for a self-regulatory body to influence the regulation. In such a context, the intervention of the private sector in the regulation may materialize under different forms. Gugerty (2008) mentions for instance three types of industry self-regulation that may find a place on this continuum. First, *umbrella membership associations* are based on the idea that the government requires – so, there is no voluntary choice in this case – each market actor to join a national association that will set standards and/or supervise the members on the behalf of the government. This would cope with what is called "self-regulation embodied in state statutes" in figure 1. Second, *voluntary clubs* follow a similar idea, except that members adhere voluntarily to standards set by an association, which then monitors their compliance. The source of regulatory power comes here from the ability of the association to provide a benefit to the members and to distinguish them from non-members. Third, industry-wide *voluntary codes* are then based on a voluntary adherence but do not require the creation of an association between adherents. These last two cases would be more on the left side of the continuum. As developed further, the form of the self-regulatory body matters a lot when it comes to enforce standards commonly defined and to provide self-regulation with credibility and accountability (Haufler, 2001).

In any case, formal regulators will ultimately choose the regulatory option (Grajzl & Murrel, 2007) and, therefore, their involvement and support appear as major variables to consider in order to understand how self-regulation materializes.

Some authors nowadays consider self-regulation as part of an efficient regulatory framework, alongside classical regulation modes, namely governmental action and market discipline (Omarova, 2010). As Black (2001:107) explains, whether public or private, "no single actor has all the knowledge required to solve complex, diverse, and dynamic problems, and no single actor has the overview necessary to employ all the instruments needed to make

[2] In this paper, "governmental", "formal", "official" or "state" regulation are considered as synonyms.

regulation effective". Self-regulation may thus contribute to alleviate some drawbacks of the formal or market regulations.

On the one hand, some undesired aspects of formal regulation are reported by the literature. Beside the commonly shared ideas that formal regulation is costly, complex for non-specialist and generally lacks capacity to oversee an entire market effectively (Alan, 1986; Haufler, 2001), the main reason promoted by the proponents of self-regulation is its potential – when mixed with traditional regulation – for being context-specific and best tailored to the circumstances of an industry (Sinclair, 1997). As set by practitioners for practitioners, self-regulation may potentially be more flexible and responsive to changes occurring in the sector than laws or regulations (Omarova, 2010) and likely to allow for controlling an industry while caring for its development. Also, because economic actors know their market better than regulators do, they may have more knowledge to regulate it and understand the potential dangers ahead[3]. Black (2001) calls this the "information failure", also commonly known as the asymmetry of information between regulatees and regulators which, may eventually lead to too strict or too lax regulation (Grajzl & Baniak, 2009). This may be even truer when considering financial services, a sector characterized by a relatively significant regulatory burden and rapid (technological) changes and innovation (Omarova, 2010). In microfinance, the number, the diversity and the hybrid character of the MFIs may even add to the difficulty, as detailed further (Ménard, 1998). Besides, by nature, self-regulating consists in setting standards that are not directly demanded by formal regulators. Therefore, some authors argue that it may go beyond what could be required by laws (Gunningham & Rees, 1997). Also, self-regulation would intervene "before the harm is done" (Grajzl & Baniak, 2009:360), preventing inappropriate behaviors from happening instead of punishing them. Finally, the members of an industry may be more inclined to respect them when involved in the definition of the rules governing their behavior, contrarily to the constraining character of formal regulation that eventually results in opposing private and public actors. This way, self-regulation may be more efficient to generate or promote values – other than commercial – within the industry (Omarova, 2010).

On the other hand, counting on pure market discipline is not an optimal solution either. Although competition has been commonly positively considered (Vandenbrink, 1982), its advantages have been debated for a certain time (Petersen & Rajan, 1995; Casu & Girardone, 2006; Bolt & Humphrey, 2010). Either when too limited or too intense, competition may entail significant troubles. In financial markets, competition may exacerbate risk-taking and generate financial instability, which, at the end of the day, harms the society in general (Matutes & Vives, 2000; Berger et al., 2009; Van Leuvensteijn, et al., 2013). Given these drawbacks, self-regulation may thus be interesting to consider.

Formal regulation is certainly necessary but may be more effective in combination with initiatives from the private sector, depending on the situation. Still, beyond the arguments presented here, the enthusiasm for such a framework should be nuanced, as it may be difficult to render self-regulation fully effective. Indeed, the need for short-term economic gains may contradict with other societal, long-term interests of various stakeholders including clients, employees or the society in general, making it difficult for an industry to effectively and credibly self-regulate (Gunningham & Rees, 1997). In that respect, this potential gap between the interests of an industry and the ones of the public is a concern in the literature (Garvin, 1983) and some authors even refer to the traditional issue of conflict of interest (Gugerty, 2008). For instance, being fully accountable for their own behaviors, economic actors may establish limits to entry or collude solely in their interests, leaving room for negative externalities to emerge (Wotruba, 1997). They may give the impression of being regulated, while actually favoring personal interests, possibly in contradiction with publicly desirable goals (Omarova, 2010). When it comes to social enterprises, the tensions emerging from combined commercial and social objectives (Battilana & Dorado, 2010) may result under certain circumstances in the prioritization of their commercial aims to the detriment of the social ones. This issue is known as *mission drift* (Armendáriz & Szafarz, 2011).

Yet, the most discussed issues may be more related to the functioning of industry self-regulation and the challenges of collective action (Gupta & Lad, 1983). In particular, the *free rider problem* has been one of the most common issues studied throughout social sciences. In a context of collective action, free riding happens when it is possible to individually benefit from a collectively shared or public resource while avoiding bearing the cost

[3] Still, Omarova (2010) explains that this does not mean that the private sector has perfect knowledge and/or understanding.

for accessing it (Olson, 1965). In such a situation, the aforesaid resource would result in being un(der)provided, overused or degraded, known as the famous "tragedy of the commons" (Ostrom, 1990). If the association of the members of an industry through an organization is seen as a collective action, then free riding from industry self-regulation may be described as follows: "Although each individual enterprise may benefit from collective action if other enterprises also participate […], each will benefit even if it does not participate, provided that the others do. It is rational therefore, for individual enterprises to "free ride"; to defect or engage only in token compliance, in effect seeking to benefit from the collective scheme without paying, or by imposing costs on others without compensation" (Gunningham & Rees, 1997:393). In that respect, free riding may materialize in two forms. A first option appears when a participant can feign the compliance to a self-regulatory scheme, for instance by remaining a member of an association without respecting its standards or paying the membership fees (Lenox & Nash, 2003). In a second configuration, a non-participant could still benefit from self-regulation, for instance when an industry's reputation improves beyond the sole members of the association (Gugerty, 2008).

At the origin of the problem, the intrinsic informational asymmetry surrounding the principal-agent relationship between the members and the association (Grigoryan, 2018) inevitably affects the credibility and effectiveness of industry self-regulation. Especially, it may generate adverse selection and moral hazard (Lenox & Nash, 2003). Benefiting from a kind of "accountability stamp" as members of an association, there is a chance that the participating firms are actually the ones needing to improve their reputation and consequently poor performers (adverse selection). Moreover, because self-regulation generally lacks screening, monitoring and enforcement (Loyd & De Las Casas, 2008), it may be difficult to force members to comply with standards required by the association (moral hazard). These undesired effects happen because of a major characteristic shared by most self-regulatory schemes: they are voluntary (Mello et al., 2008). Just like individuals, organizations may be better inclined to act based on their own will rather than under constraint (Grabosky, 1995). Therefore, the voluntary character of self-regulation may make emerge innovative regulatory tools, this way generating potentially high results. Still, in the meantime, because membership is voluntary, strict monitoring, rules and sanctions may lack credibility.

This first section allowed to understand what industry self-regulation is and how it materializes. Now that the foundations have been set, we can turn to microfinance with more assurance in the next section. Yet, as the academic literature on self-regulation in microfinance is still relatively quiet, our review will be based on a mix of academic and "grey" literature[4].

2.2 Self-regulation in the microfinance sector

For some decades, microfinance has been rapidly developing worldwide. In a short period, the number of clients and the credit portfolio rose impressively, the range of products widened significantly and all sorts of national as well as international actors have given more attention to the industry. In the meantime, the sector has also recently gone through troubles and crises, along its way towards commercialization. Following some famous impact studies (Banerjee et al., 2015), some doubts about the actual impact of microfinance on poverty started spreading. Other fears about client protection have also emerged. High interest rates, lack of transparency, poor governance, client over-indebtedness, unhealthy competition and mission drift are now sources of debate (Armendáriz & Szafarz, 2011; Sandberg, 2012; Pouchous, 2012; Guérin et al., 2018). Today, academics, practitioners, regulators and development NGOs are no longer unanimous on the supposedly positive contributions of microfinance.

After that the absence of regulation had long been the reality in the field, a consensus formed around the idea that regulation is needed to lead MFIs towards formalization (and commercialization) and to protect clients (Arun, 2005). When speaking about regulation, two "modes" are generally considered: formal regulation (the intervention of the state) and market regulation (the de facto influence of competition). However, in any sector, governmental as well as market failures exist (Stiglitz et al., 2018). In microfinance, these channels may be sub-optimal to allow MFIs achieve their financial and social missions. On the one hand, although generally perceived as a beneficial force, it has been demonstrated that competition in microfinance can actually turn bad. In particular,

[4] "Grey literature" refers here to non-academic literature, including, for instance, reports of NGOs or main stakeholders and other sources.

Morduch (1999) explains that competition may generate information asymmetry and reduce the possibility for MFIs to cross-subsidize. In addition, competition might lead MFIs to lessen their screening standards, engage in too risky refinancing processes and concentrate on wealthier clients (Navajas et al., 2003; McIntosh & Wydick, 2005; Assefa et al., 2013). On the other hand, formal rules imposed by governments or other public authorities have emerged in many countries (Labie, 2007) but may also be suboptimal (Dayson & Vik, 2014). A consensus exists about the content of these rules (Christen et al., 2003). Mainly, this consensus promotes that *prudential regulation*[5] should be imposed either when the players of a financial industry are subject to systemic risk (meaning that the failure of one player would impact significantly the whole industry) or when deposits are collected. In microfinance, systemic risk at the level of the industry does not really stand, most of the players being relatively small. In addition, apart from large institutions collecting deposits, most MFIs are credit only institutions and, therefore, should not be subject to prudential regulation (Rosengard, 2011). Beside the general arguments that we gave earlier, formal regulation does not seem to help MFIs achieve better financial or social results. On the contrary, maladaptations or inappropriate regulations may lead to problematic issues, including higher interest rates, larger loan sizes and the targeting of wealthier clients (Hartarska & Nadolnyak, 2007; Rosengard, 2011). Such rules are also sometimes easily subverted. An illustration of this is the use of interest rate caps (Helms & Reille, 2004).

There are thus reasons to think that regulation needs to consider the specificities of microfinance (Labie, 2004), and that industry self-regulation through microfinance associations may be interesting to consider for different reasons. First, developing countries generally suffer from a weak government and regulation, and a lack of information on the private sector (Haufler, 2001). In an industry like microfinance, where most players started as informal organizations with a lack of understanding and reporting, accounting and information management standards, state regulation generally faces significant obstacles (McGuire, 1999). Second, in addition to their financial objective, most MFIs have a social mission (Battilana & Dorado, 2010). The clients they deal with and the methodologies they use thus induce higher costs and different standards than those of the banking sector (Lelart, 2002). Therefore, even though it happens for some institutions (see Patten et al., 2001 about BRI in Indonesia), "copy-pasting" banking laws may be irrelevant when it comes to MFIs. Third, within a microfinance sector, MFIs are very diverse in terms of size, type, product, target, funding structure or mission (Kleynjans & Hudon, 2016). Believing that a "one-size-fits-all regulatory solution" exists is thus not reasonable (Pouchous, 2012), especially in the current fast-changing environment (Coetzee, 2019). On top of that, formal regulators generally lack resources and understanding to regulate and supervise all microfinance operators (Wehnert, 2011). In such a context, an industry-level organization may be more efficient at monitoring MFIs (McGuire, 1999). It may also bring flexibility in the regulation and better fit different MFIs with different requirements and contexts (Rozas, 2014). Fourth, as mentioned above, most MFIs do not take deposit and are too small to cause financial instability at the industrial scale. Hence, they do not require prudential regulation. Non-prudential regulation, including consumer protection issues, could thus be operated in cooperation with an industry-level organization (Grigoryan, 2018). In an industry where relationships between MFIs and regulators are not particularly good, this would help making consumer protection « voluntary-driven » instead of « compliance-driven » (Coetzee, 2019). Indeed, consumer protection should be incentivized, rather than constrained.

All in all, given the huge diversity and specificities of the microfinance industry, we argue that industry self-regulation is at least to consider, alongside the traditional regulation modes mentioned above. As said by Rosengard (2011:159), "Just as there are many different types of MFIs, there are also many options for regulating and supervising [them].".

As showed previously, a lot has been written on industry self-regulation in diverse sectors, including traditional financial services (Omarova, 2010). Yet, while self-regulation of MFIs is a reality in the field (CGAP, 2011), the microfinance academic literature has been relatively quiet so far. Only few researchers tackled this issue and, in most cases, they focused on organizational level schemes but not on industry self-regulation as we defined it, especially through associations.

[5] Prudential regulation refers to the rules designed to protect depositors and the stability of the financial system (Christen et al., 2003). It is generally "heavier" than non-prudential regulation.

A recent study conducted by Kleynjans & Hudon (2016) compared the content of codes of conduct of Mexican MFIs with the ones of traditional companies. For the authors, "It is well known that these codes may be helpful in addressing the responsibilities of institutions and curbing unethical behavior" (Kleynjans & Hudon, 2016:398). Although their study does not address the efficacy of these codes and mainly focuses on self-regulation at the organizational level, some of their conclusions are relevant for our research. Kleynjans & Hudon (2016) argue that MFIs' codes generally emphasize more socially oriented principles and terms such as "people" or "common goods" than traditional firms. Also, MFIs' codes would emphasize more the social aspects of MFIs' double bottom line than their financial counterpart. Especially, engagement, integrity and transparency are among the main principles that MFIs seem to promote in their codes. However, although these codes address present sector-related concerns such as client protection and over-indebtedness issues, they leave somewhat behind critical debates just like the interest rate levels or the profitability issue.

Then, unlike this first research, Dayson & Vik (2014) studied the *effectiveness* of self-regulatory practices in the European microfinance industry. This research is considered by the authors as "the most extensive review of existing practices of self-regulation in microfinance to date" (Dayson & Vik, 2014:3). In their paper, they identified and reviewed 72 "self-regulatory frameworks" based on four criteria: the ability to compare the frameworks; the production of a rating or score associated to the frameworks; the ability of the frameworks to account for the diversity of the sector; and the enforcement and compliance. These frameworks included guidelines, standards or manuals (45); individual codes of conduct of MFIs (16); and benchmarking and rating tools (11) promoted by the industry at its wider level, such as the Consultative Group to Assist the Poor (CGAP)[6] or other international organizations. According to Dayson & Vik (2014), self-regulation schemes are focused – since recent years though – on consumer protection but seem to be deficient for four reasons. A first reason lies in the fact that such frameworks fail to account for the diversity existing among MFIs (institutional and legal forms, target markets, service offers,…), especially when established at the international level. Second, external validity and the possibility to compare institutions applying different self-regulatory schemes has not really been feasible so far. Third, most frameworks studied by Dayson & Vik were not associated to any score/rating to judge MFIs' progress. Fourth – and this may be the most critical point – non-compliance is generally not tackled by these frameworks, a major impediment to enforcement.

In another recent research, Afonso et al. (2017) analyzed self-regulation in the Dominican Republic, where microfinance is particularly competitive. They consider self-regulation as focusing on "procedural mechanisms, such as the use of both formal (including credit bureaus) and informal sources of information in the screening process, adequate training and incentive schemes to the staff and respectful and adequate recovery procedures" (Afonso et al., 2017:921). They also consider initiatives such as the SMART Campaign's Client Protection Principles (CPP) as self-regulation. They argue that all these mechanisms have not been sufficient to protect clients from over-indebtedness in the Dominican Republic. Especially, despite incentives schemes and trainings on good recovery practices, "the institutional perspective, being the interest of the MFI (and its owners), prevails. […] Clients seem to come second" (Afonso, 2017:923). These mechanisms would in fact allow for reducing the risk of default but they would not efficiently protect clients. The authors argue that the cause of this may be two-fold: a lack of clear standards (different frameworks overlap at the organizational, national and international levels); and difficulties of enforcement. Especially, they say that self-regulatory mechanisms do not have the force of Law and that this is a key reason of their failure. While we agree with this argument, we think that self-regulation should be considered at the level of the sector, especially through an association of MFIs, rather than through organizational-level initiatives such as the CPP. Indeed, associations may have greater impact, visibility and resources for establishing self-regulation than individual institutions (SEEP, 2012). In this perspective, we are in line with Omarova (2010:698) who explains that "the underlying dynamics and the key factors determining potential success or failure of self-regulation may operate differently on the level of an entire industry, as opposed to an individual enterprise". We thus believe that associations of MFIs could have a role to play, either by clarifying the standards to apply, by bringing more enforcement capacity (when supported by formal regulators), or by practicing a more indirect self-regulatory role through their advocacy actions.

[6] See for instance CGAP's 2003 "Microfinance Consensus Guidelines".

Besides, only few authors studied industry self-regulation through MFIs associations, mainly through case studies. A first interesting paper is the one of Grigoryan (2018), who was interested in studying what would be the best approach for the Russian MFIs association to implement industry self-regulation. The author mentioned four obstacles to self-regulation in the Russian case: there are information asymmetries between the association and its members, the former being imperfectly aware of the members' behavior and situation, and the latter being unaware of the roles of the association; free riding also happens in microfinance ("low sense of unity"); members do not meet enough to create linkages; there is a lack of sanction for non-compliance. Facing these obstacles, Grigoryan (2018) calls for a hybrid and balanced regulation where the government backs up the association.

Moreover, an unfortunately famous case has also been the crisis that hit Andra Pradesh (India) a decade ago. In a case study analyzing the crisis, Gathe (2007) describes the response brought by Sa-Dhan, the main microfinance network in India, to improve consumer protection. As a reminder, the crisis happened because of three factors among others (Ghate, 2007; CGA, 2010): the harsh competition between MFIs; their consequently unprofessional lending practices (rush to grow, over-lending, non-transparency, unethical collection practices, profiteering); and the (very) active intervention of the State in the sector (provision of microfinance services; high competition with private players). Facing this situation, Sa-Dhan, after sector-wide consultations, created an industry code of ethics targeting consumer protection. In addition to this code, an ombudsman organization was set up thanks to the promulgation of the Microfinance Bill 2007 by the State, in order to complement the self-regulatory scheme endorsed by Sa-Dhan. This mediating organization would be charged of collecting grievances, managing a reporting system and enforcing compliance with the standards. In this case, a mediating structure was given a (self-) regulatory power by the Reserve Bank of India (RIB). All this intensified in 2014 when the RBI recognized industry associations as self-regulatory organizations (Suran & Viswanathan, 2014). This was subject to conditions: an eligible association should not be "overly dependent on subscriptions from its members" and have at least one third of independent directors in its board. Initially, associations were only endorsing advocacy roles towards regulators. With this measure, they thus were charged to monitor and report to the RBI. However, according to Suran & Viswanathan (2014), questions remain about a potential conflict of interest, as associations are run by the regulatees themselves, the MFIs. For the authors, a proof of this problem is that associations have not lighted up the root causes of this crisis, high interest rates and unhealthy competition, while they were supposed to lead the sector.

While the scheme used in India did not prevent the crisis (Rozas, 2016a), it has raised a number of questions regarding the appropriate way to use MFIs associations as industry self-regulators in microfinance (CGAP, 2010). At different occasions, Rozas[7] (2013; 2014; 2016a; 2016b; 2016c; et al., 2018) came back on self-regulation and the case of the Cambodia Microfinance Association (CMA). Although this framework is fascinating in many respects, the most interesting element is certainly its sector-wide dynamic and the involvement of all actors in the self-regulatory scheme. Facing market saturation, multiple borrowing, refinancing issues, and unprofessional practices, various actors united in order to prevent an over-indebtedness crisis in the country. This resulted in a very singular self-regulatory scheme built upon 4 main elements. First, some lending guidelines have been defined by the CMA (clear and concrete standards, in the form of a code of conduct) and each member is supposed to agree and implement them. Second, an independent monitoring system run by the Credit Bureau of Cambodia in collaboration with the CMA has been established to make sure the members follow the guidelines, especially in terms of refinancing and multiple borrowing. Third, some major funders such as Proparco, FMO, AFD, ADA, BIO or Incofin help in the enforcement as they ask to the Cambodian MFIs to comply with the standards in order to be eligible for funding. Fourth, although this was not established especially for the self-regulatory scheme, the National Bank of Cambodia has made it compulsory for any registered MFI to be member of the association and, consequently, to adhere to the common standards. Although self-regulation and codes are not new, the Cambodian case is innovative. Indeed, in a context where the efforts of an association are generally considered as insufficient (Rozas, 2016a), all actors (the association, members, regulators and main stakeholders) have here a role to play. Although too recent to analyze its effectiveness, CMA's framework seems to meet the two conditions for self-regulation to work would be met: clear standards and enforcement capacities (Rozas, 2013).

[7] Daniel Rozas is an independent microfinance consultant and expert. He has collaborated with the CMA on the lending guidelines and the self-regulatory scheme implemented in the Cambodian microfinance sector.

In another article published by the CGAP, Mazer (2012) considers the role of industry self-regulation in microfinance. His main argument is that formal regulation and self-regulation in microfinance should be compared on an issue-by-issue basis and that a balance between both should be operated depending on the aspects that are to be regulated. This is the general opinion of the CGAP and, given what has been explained so far, this may be a complex but rational way to overcome the main issues faced today regarding self-regulation (CGAP, 2011). Mazer (2012) provides some examples. For instance, on the pricing transparency and disclosure issue, associations generally struggle to reach consensus among their members. Indeed, it is – at first sight – tempting for MFIs to charge fees, commissions and penalties and to blur the client's understanding. Some members may even get competitive advantage when not applying collectively defined standards of transparency[8]. As opposed to self-regulation, transparency rules may have a wider scope if implemented by formal regulators. Mazer gives the example of the National Bank of Cambodia that prohibits the use of flat interest rate computation, which, typically, a professional association may struggle to achieve. Contrarily to transparency issues, self-regulation may be more suited that formal regulation for influencing collection practices, for instance (Mazer, 2012). Regarding this issue, formal regulators would typically only set basic rules about what are abusive behaviors or how collaterals should be managed. However, associations may be more likely to help regarding "translating ideas into specific rules regarding collections staff and agents, training and internal controls to ensure compliance". In the meantime, according to Mazer (2012), some issues would be better regulated by a public/private cooperation such as complaints resolution and financial education. On the question of complaints, customers should be listened as fast as possible and complaints should be handled as close as possible from clients. Formal regulators could not endorse such a role and should deal with the most severe problems. Still, information sharing about complaints between private and public actors is key to prevent industry-wide client protection issues. In this case, cooperation between the two would thus be relevant.

All in all, although most of the few studies presented above are not directly centered on our research concerns, they still allow to draw important conclusions. First, when applied to microfinance, self-regulation generally aims at tackling "social concerns" just like over-indebtedness and other client-related issues. Second, in microfinance, self-regulation often appears as a response to crises, just like in the Indian case, or general concerns formulated by the public or major stakeholders. These two first points seem in line with what happens in other sectors (Gunningham & Rees, 1997). Third, studies tackling self-regulation in microfinance mainly focus on schemes implemented at the level of the MFI. Fourth, at this level, such mechanisms do not seem sufficient – although we acknowledge that only few studies have tackled this issue – as they often fail to take into account the diversity within the microfinance industry and seem to lack of explicit ways to deal with non-compliance. Fifth, in order to be efficient, a self-regulatory organization may need to cooperate with formal regulators or other external stakeholders and – sixth – the public/private combination required in a given microfinance market may not be relevant in other circumstances. Seventh, the role and potential of MFIs associations in industry self-regulation remain relatively uncovered by the academic literature. The last section of this literature review covers this issue.

2.3 Microfinance associations

Associations of MFIs started developing in the late 90s' and early 2000s'. On all continents, MFIs felt the need to get together and build actors able to support and strengthen their industry as unified national markets (Lelart, 2002). In 2019, the Small Enterprise Education and Promotion Network (SEEP), the "network of networks", counted nearly 100 MFIs associations or networks (SEEP, 2019). Nowadays, such organizations have a significant influence in the industry (Lapenu et al., 2009).

In his paper "*An Architectural Plan for A Microfinance Institutional Network"*, Dasgupta (2011) presents the environment of microfinance through a mapping of the major stakeholders and their interactions. In this framework, MFIs associations are identified as "apex level training and research institutions" in charge of capacity-building, governance, business project and analytical activities (Dasgupta, 2011:1099). They are

[8] This is the typical issue of free riding discussed previously: non-members and non-complying members would benefit from the efforts conceded by others.

considered as having interactions with different stakeholders, including developing human capital with their member MFIs and their promoter, and providing feedback to the government and the microfinance authority.

This perspective is interesting as a first approach of associations and their position in the industry. Yet, associations may have many (other) roles in microfinance and be run based on different models. Especially, USAID (2006) compared MFIs associations in different countries (Uganda, Nigeria, Kenya, South Africa, Bolivia, the Philippines, India, Azerbaijan and the Arab World) and described their main models and characteristics. First of all, associations develop generally as NGOs or non-profit organizations and are member-based. In some associations, members are exclusively MFIs while, in others, various practitioners, development organizations, donors or investors may integrate the membership. In any case, associations are headed by a board which establishes the strategy and delegates the operations to the secretariat. Regarding funding, (targeted) donations or grants, membership dues and occasional service fees are, by order of importance, their classical sources of funds. Based mainly on USAID (2006), ADA (2010 and 2019) and other desk research, table 1 in appendix identifies 8 main roles endorsed by some associations in the field. Although most associations are likely to endorse several of the roles presented in table 1, the mix may be different from an association to another. Also, this mix may change overtime and the focus may be put on different areas (ADA, 2010), depending on the association's strategy, the needs expressed by the members, and the need for adapting to the environment or to funders' demands. However, this brief outlook of some main MFIs associations shows that, above all, associations very often appear to represent and advocate on behalf of the sector (SEEP, 2015a). In such a context, self-regulation is a real phenomenon in the field, as most associations endorse it in a way or another. Especially, when associations do not have the right or capacity to directly set rules or norms, most of the time they still have among their priorities to influence policy makers to contribute to elaborate a conducive environment for their members. This advocacy role may appear for different reasons, such as a lack of comprehension from the regulators regarding microfinance activities, a negative doctrinal conception, a politicization of the actors of the industry, or a negative image disseminated by the sector (ADA, 2010). Advocacy can thus be seen here as a "strategic process aligned with the mission of the network in order to solve a specific problem" (ADA, 2010:16). The goal is to include the MFIs in the decision-making process. In some cases, meetings will be organized with the regulators while, in other cases, reviews of regulations by the association will be taken into account by the regulators. Strategies exist for implementing advocacy actions at the level of an association, but this goes beyond the perimeter of this paper[9].

In addition, associations often position themselves as legitimate to establish and promote standards, which makes them key facilitators of the incorporation by the microfinance industry of the concept of social performance (Lapenu et al., 2009). Promoting standards of sustainable practices is usually a way to defend the interests of the members towards regulators (CGAP, 2004), which shows once again their involvement in self-regulation. On the whole, microfinance associations are nowadays unavoidable to formalize the microfinance industry. It is even sometimes argued that advocacy might be their most significant point influence on a market (Hossenmamode, 1998).

The few ideas presented above mainly come from the grey literature and thus directly from the field. Together with the findings highlighted in our literature review, they provide a background on industry self-regulation and associations in general, as well as regarding microfinance. Wrapping up our literature review, we suggest below a series of questions (figure 1) providing a quick overview of some factors that may influence the self-regulatory role of MFIs associations. As shown, these factors are all interrelated and affect self-regulation in different ways. This scheme led the way in our empirical research, especially as it helped us design a first interview guide. At the end of section 5, we come back to this scheme to conclude on the regulatory potential of MFIs associations. Logically, the next section presents our empirical research.

[9] See ADA (2010) for more details about this issue.

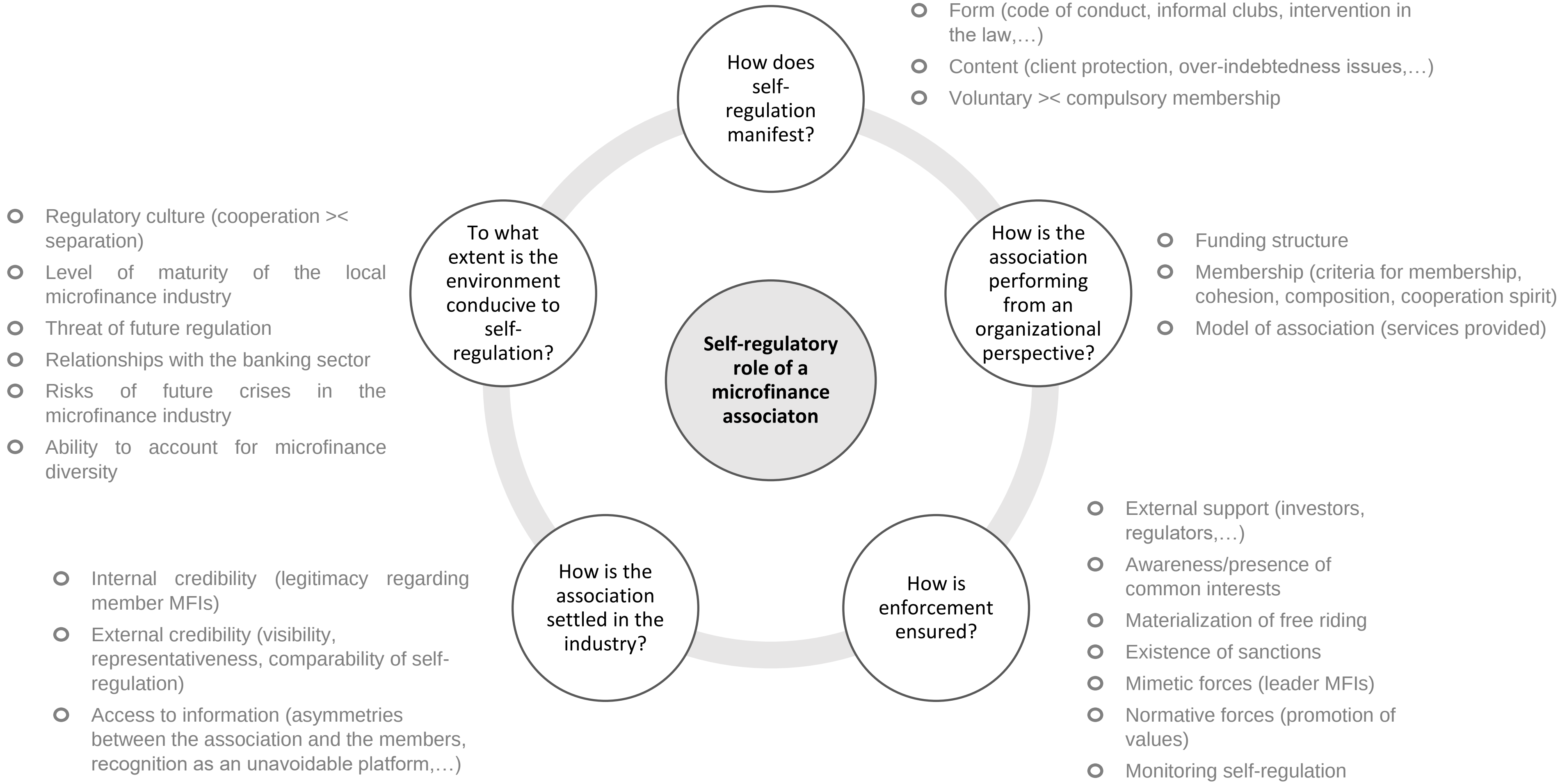

Figure 1: Summary of the literature review – Source: the author

3. The Tanzanian microfinance sector and its regulatory landscape

The Tanzanian microfinance sector developed in the 90s'. Although it is not a young sector, it has long remained "under the radar", relatively unregulated and unreported. In 2017, 61 banks of which 39 provide microfinance services were reported (BOT, 2018), as well as 292 non-bank financial institutions and NGOs (MFP, 2017), and almost 6000 SACCOS (NCFI, 2017). However, there has been no real, nation-wide, publicly available survey to consolidate figures about the industry since 2005 and a study conducted by the BOT (2005). Therefore, the number of MFIs may be actually much higher today, not to mention the numerous informal operators active in Tanzania.

Based on a survey carried out by TAMFI (2017)[10], the Tanzanian MFIs presented a relatively small gross loan portfolio of 500 billion Tanzanian Shillings (around 220 million USD), and served around 4 million clients, mostly in urban areas in 2017. On the whole, based on this survey and what we encountered in the field, the Tanzanian microfinance sector may be characterized by five major aspects. First, the involvement of commercial banks in the industry is significant. Second, beside banks, the microloan portfolio appears as concentrated on large players such as ASA Microfinance, BRAC, JUMO Tanzania, Maboto Enterprises, or Platinum Credit. Third, there is a huge number of (very) small MFIs, a large majority created after 2010. Fourth, operators are very diverse in terms of form and terminology (commercial banks, microfinance banks, non-deposit taking institutions, NGOs, SACCOS, VICOBAs (community microfinance groups), informal groups, mobile network operators,….) and in terms of legal frameworks to which they relate when regulated (Banking and Financial Institutions Act 2006, Cooperative Societies Act 2003 in Tanzania Mainland and 1985 in Zanzibar, Non-Govermental Organizations Coordination Act 2002, Companies Act 2002, Societies Ordinance, 1954). Likewise, different umbrella associations exist. Fifth, the impact of microfinance is publicly considered as low (Mirondo, 2016; MFP, 2017), and it is believed that poor people borrow mainly from informal sources (The Citizen, 2014).

Regarding the current regulatory landscape of microfinance in Tanzania, most MFIs do not even need a license to operate – unless they are deposit-taking institutions or SACCOS[11] (MFP, 2017) – and have had no reporting obligation so far, a unique situation in all EAC[12]. A first attempt of regulation was launched in 2000 with the Microfinance Policy established by the Ministry of Finance and Planning (MFP). However, this policy only provided general guidelines and was not followed by any enactment. The lack of (appropriate) regulation may harm a microfinance market through institutional vulnerability and mismanagement, legal uncertainty, competitive disadvantage towards banks, growth difficulties, funding issues, corruption, and resulting coercive actions from regulators (ADA, 2010; Wehnert, 2011). In Tanzania, the absence of regulation has led to the proliferation of MFIs (especially, a plethora of one-branch MFIs), accompanied by a certain lack of professionalism, poor performance, unhealthy competition, and limited access to funding (Sumila, 2014). More concretely, insufficient disclosure of terms and conditions, high interest rates, reckless lending and collection practices, and multiple borrowing have spread. As a result, a lack of consumer protection, public complaints about the conduct of the MFIs and a raise of non-performing loans have been observed (MFP, 2017).

In 2017, after many years of pressure from TAMFI and other stakeholders (MFP, 2017), the Microfinance Policy was reviewed, based on a bill proposal from TAMFI (The Citizen, 2015). Just like its predecessor, the policy contains guidelines to lead the industry but, this time, the legislative power followed, and the Microfinance Act was taken in November 2018 (BOT, 2018). The executive side (regulation and supervision) was expected for July 2019. However, only drafts have circulated so far, and the sector is still waiting for the official enforcement of the regulations[13]. The main objectives of these measures are to formalize the sector by establishing a legal and regulatory framework and enhancing information sharing in the industry, and to strengthen client protection (MFP, 2017). Consequently, the coming regulation is likely to present major changes for the Tanzanian MFIs. In line with this formalization, a first major specification of the Microfinance Act 2018 is to categorize microfinance

[10] TAMFI collected detailed information on MFIs in Tanzania but this survey is not comprehensive. The information mentioned hereafter only relate to the MFIs that agreed to participate to the survey. It is important to know that due to the relatively low level of maturity of the industry, it is very difficult to access accurate and comprehensive data on the Tanzanian industry.

[11] Savings and Credit Cooperatives Society

[12] East Africa Community

[13] As an indication, the Microfinance Act of 2018 was actually planned for 2015 (Masare, 2016).

operators into 4 tiers and to clarify the regulation they will relate to (MFP, 2018; BOT, 2019). Tier 1 will include deposit taking institutions having a microfinance window, namely banks and "microfinance banks". In 2017, 39 commercial banks were reported as active in microfinance (BOT, 2018). These were previously regulated through the banking and financial institutions act. The policy allows to clarify the regulations applied to their microfinance activities but, basically, there seems to be no drastic change for these institutions. Tier 2 will then include non-deposit taking institutions, just like credit companies and other financial organizations offering mainly microcredit. This is the main change, as they will be from now on directly regulated by the BOT. Tier 3 will include SACCOS. Their registering, licensing, regulation and supervision will be delegated to the Tanzania Cooperative Development Commission (TCDC). Finally, Tier 4 will include community financial groups (village and community microfinance groups) as well as informal microfinance providers. Local governments will be charged of regulating them. Previously, only institutions which today belong to Tier 1 were regulated. From now on, all categories will be licensed, regulated and supervised to a certain extent, either directly by the BOT or through delegations to other bodies. Each tier will follow specific requirements related to minimum capital and liquidity requirements, provision rates, definition of specific policies,… which was not the case before. The transformation from one tier to another (especially Tier 2 to 1) is also tackled.

The reporting obligation will be a second major change. Indeed, registered MFIs will have to periodically report about their activities and a database will be built by the BOT, which has not been the case so far. MFIs will be required to share credit information (borrowers' history, debts, payment habits,…) to the BOT (for Tier 1) or to report monthly to credit bureaus (for tiers 2, 3, 4). In addition, in line with consumer protection issues, the regulator will now require from MFIs to disclose information in their loan agreements including loan amount, interest rates (nominal, effective and computation method), fees and charges, recovery process. They will also be required to set up a complaint handling mechanism (MFP, 2019). Specific requirements are also mentioned about financial education but these seem relatively superficial.

Thirdly, the policy defines the roles of specific stakeholders, including an "Apex body" (MFP, 2017:47). Although it is not clear whether this refers to TAMFI, this apex body will have to develop an appropriate code of conduct for the industry, register the members, build a data base related to their information, provide capacity building activities and lobby, advocate and represent the members.

In this context, just like many MFIs associations, TAMFI describes itself as a member-driven organization seeking to "facilitate the creation of an enabling environment for the development of a sustainable microfinance industry in Tanzania" (TAMFI, 2019). The association was initiated by the industry in 2001 as a result of internal as well as external pressures. The aim was that MFIs in Tanzania, but also external stakeholders can have an organization to turn to when dealing with microfinance in the country. However, due to sustainability and institutional logic issues, as detailed further, the association failed in 2005. In 2009, a group of main MFIs decided to revive TAMFI. Nowadays, although it is still not self-sufficient (in 2016, only 40% of its expenses were self-financed) – like most professional association of MFIs – TAMFI counts 152 member institutions of all kinds, most of which have joined in recent years, representing 1.2 to 1.5 million clients. Any organization being somehow related to microfinance in Tanzania can join TAMFI. Membership entails rights and obligations, including the sharing of information and a financial participation through subscription and annual fees, the latter being dependent of the size of members' loan portfolio, but remaining rather low.

Thanks to its board (composed of 7 directors), its 3 employees (an executive secretary, a finance officer and a secretary) and the support of funders (ADA, Citi Foundation), networks (EAMFINET , SEEP) and other partners (SBFIC , FSDT), the association aims at endorsing various roles. First, advocacy and lobbying are the major roles of the association. TAMFI collaborates with public authorities in order to influence the regulation in the interest of the sector through consultations, reviews of policies, acts or regulations, and meetings with the MFP or the BOT. A recent example is the association's review of the Microfinance Policy 2017 and the related act and regulations. Also, this policy designates TAMFI as having to set standards of behavior for the members. In 2011, TAMFI designed a general Code of Conduct with around 10 principles that each member must agree on and commit to respect when joining TAMFI (TAMFI, 2011). Although this code covers major issues related to MFIs, its implementation has met significant impediments, as detailed further. Second, the association also organizes capacity building activities (mainly trainings) to develop skills and awareness in the sector on diverse topics such as delinquencies, transparency, risk, performance management,... In that respect, the association is also supposed to conduct a needs assessment every year. Third, networking is also mentioned by the association. TAMFI organizes meetings, annual assemblies and conferences to promote communication and experience sharing in the industry. Fourth, the collection and consolidation of data for reporting and researching purposes is also part of the roles of the association.

Now that the context of the research has been highlighted, we present in the very next section the methodology used for the qualitative study carried out in Tanzania.

4. Methodology: a qualitative and inductive approach

Our empirical research is based on a qualitative fieldwork carried out during a 3-month internship at TAMFI, in Dar es Salaam, where most of the Tanzanian MFIs are located. Although there is a huge diversity among qualitative research methods, the qualitative approach can basically be described as "research that involves analyzing and interpreting texts and interviews in order to discover meaningful patterns descriptive of a particular phenomenon" (Auerbach & Silverstein, 2003:3). We chose to use an inductive method inspired from the Grounded Theory Method (GTM), allowing to formulate hypotheses (or theories) based on materials collected from the field (Lejeune, 2014). GTM is based on two principles: questioning rather than testing; and generating hypotheses by coding (Auerbach & Silverstein, 2003).

We used this method for three main reasons. First, for a poorly documented topic such as industry self-regulation and the role of professional associations in microfinance, qualitative research appears as an appropriate way to explore the subject, based on a deep immersion in the life of an association of MFIs. Second, qualitative analysis allows to focus on the participants – here some main actors of the Tanzanian microfinance industry – and to understand how they interact and perceive a phenomenon, in this case, the potential of self-regulation and their experience with the professional association. This would allow to better understand, from the perspective of the actors themselves, whether self-regulation is applicable and relevant to the specific microfinance sector or, at least, to identify some important contingent facilitating factors and impediments. Third, the qualitative approach (especially through a medium-term fieldwork) allows to contextualize and understand the different facets of a phenomenon (Zainal, 2007).

We followed the methodology suggested by Auerbach & Silverstein (2003). First, based on a preliminary literature review, we identified some research issues, namely left out perspectives and initial assumptions that could be challenged. In the academic literature on microfinance, the role of the state in regulating the sector has been well documented but the potentially regulatory role of microfinance associations has been little studied, while such organizations are present in the field in many countries. Consequently, we highlighted two potential research issues: identifying some factors that may facilitate or deteriorate the self-regulatory role of a microfinance association; and studying the relationships between a microfinance association and diverse stakeholders, especially the member MFIs. Second, we identified the research concerns, namely investigating the experience of some field actors, relevant for the researched phenomenon. In our case, we investigated the experience of Chief Executive Officers (CEOs) or top managers, as they are the representatives of the MFIs towards the formal regulator as well as the link between their institution and the association. However, thanks to our fieldwork, we were also able to observe the dynamics in place on the market and to be in contact with plenty of major actors of the market, namely the association itself, other international partner NGOs, regulators (Bank of Tanzania), scholars, and other people among MFIs than CEOs. This allowed to triangulate the information. Third, we designed a first guide for interviews, that is, some main areas of question allowing participants to share their experiences on the research issues. Through semi-structure interviews, we followed this guide but let the possibility to the participants to come up with unanticipated subjects, in order "to obtain both retrospective and real-time accounts by those people experiencing the phenomenon of theoretical interest" (Gioia et al., 2012). Fourth, we defined our sample based on the principles of convenience, theoretical sampling and theoretical saturation. In total, we carried out 17 interviews of some of main actors of the industry including TAMFI's representatives (1 executive secretary and 3 board members); 1 partner organization (SBFIC); 1 university professor; 10 CEOs of member MFIs; 2 investment officers; and 1 representative of the BOT. For convenience, the first interviews were carried out with the executive secretary of the association – who was supposed to have a substantial knowledge of the market and its regulation – and some CEOs that first answered positively to our call. Then, in line with the principle of theoretical sampling (Lejeune, 2014), each contact with the field, especially through interviews, was done by targeting specific actors with the aim to shed some light on specific areas of the research. Thanks to the help of the association and some perseverance, we contacted the potential respondents. We also did networking during some events that we attended on behalf of TAMFI to find respondents that fitted our research. Also, we contacted external stakeholders through ADA. Table 2 in appendix shows the details of our interviews and the interests that they represented for the research. As explained by Lejeune (2014), the idea of theoretical sampling is that the qualitative researcher does not sample individuals but, instead, a phenomenon. Consequently, each interview allowed either to refine the theory or the research question; to go back to the academic literature for a better understanding of a blurred concept; to modify the interview guide for the next interview; or to search for other information sources to deepen the analysis. Interviews continued until the new participants were not providing new data and concepts allowing to refine the theory. This process is known as "theoretical saturation" (Auerbach & Silverstein, 2003). In parallel, a logbook has been held throughout the whole research, in order to be able to retrace the logic and choices that have been made.

The interviews were recorded (when possible) and notes were taken to catch some thoughts and ideas of analysis. Even though it is not suggested by Auerbach & Silverstein (2003), we worked step by step and transcripted[14], coded and did a preliminary analysis after every interview, to be more in line with the GTM approach and to guide our analysis. For this analysis, we followed the 6 steps proposed by Auerbach & Silverstein (2003), which are not so far from what Gioia et al. (2012) also suggest: (1) Explicitly stating the research concerns in order to know what to look for; (2) Selecting the relevant text from the transcripts; (3) Grouping together passages of relevant text that refer to similar/repeated ideas ("first order concepts"); (4) Organizing these ideas into themes ("second order themes"), namely an implicit topic which repeating ideas refer to; (5) Organizing these themes in theoretical constructs, namely larger and more abstract concepts ("aggregated categories"); (6) Expressing the results in terms of themes and aggregated categories.

5. Results and analysis of the qualitative data

The case study that we carried out at TAMFI allowed us to understand the dynamics related to an association of MFIs. The methodology we followed was inductive, meaning that our reasoning is directly grounded on the field. Consequently, the results we propose here after highlight a certain way to express these different dynamics faced by a microfinance association and that may have an influence on its self-regulatory role. Our empirical work allowed to identify some factors that may favor or prevent the proper achievement of the roles of a microfinance association, including this potential regulatory role. As suggested by Auerbach & Silverstein (2003), we organized these factors into different themes. Building a pattern out of these themes, we grouped them into three aggregated categories that help understand how a microfinance association interacts with its most important stakeholders.

The first aggregated category gathers the *key factors manifesting at the industrial level*. These first factors are all related to the relations between the member MFIs and the association. These factors focus on the benefits the members receive from the association, the transfer of information from the MFIs to the association, the implication of the members and the awareness about the association among the industry. It is therefore essential for the association to understand how to position regarding these factors, in a perspective of self-regulation. Then, the second aggregated category, *tensions manifesting at the organizational level*, refers to the association itself. More specifically, we argue that tensions appear at this level, as most factors actually manifest through a need for the association to find a balance between different and somehow contradicting dynamics. For instance, the huge heterogeneity among the members appears to cause difficulties in the services that the association must provide to the MFIs. Also, while membership is voluntary, the need for being inclusive and representative of the whole industry may in the meantime be difficult to meet. Still, in this second category, we also argue that, while the association is made to be member-driven, it is difficult for TAMFI to really be led by the MFIs, as the association itself is somewhat seen as the one that has to light the way. Finally, the third aggregated category we built comprises the *tensions manifesting at the level of the environment* and relates to the relationships between the association and its stakeholders. In this category, the most important tensions we highlighted are the apparent

[14] Each transcript has been sent back afterwards to the related respondent for more transparency.

need for getting support from formal regulators while keeping a distance from them, and the necessity to meet members' needs to make the industry progress while satisfying partners' and funders' requests.

The constructs presented here are based on first order concepts that we detected in the empirical materials collected during our field work. We now detail these first order concepts, especially through verbatims, starting with the first category: *key factors manifesting at the industrial level*. Figure 2 on page 25 then gathers these results in the data structure.

5.1 The industrial level

The first aggregated category highlighted here gathers key factors relating to the relationships between the member MFIs and the association, and that potentially affect its self-regulatory role. These factors include the benefits expected from TAMFI, the access to information, free riding, and the awareness about TAMFI.

- Uniting the members around expected benefits

To begin with, MFIs expect to receive a benefit when taking part in TAMFI and the actors that we interviewed seemed relatively aligned regarding their expectations from the association, which mostly include advocacy and representation towards regulators, and capacity building and networking activities:

> *"If they feel that they are members but that they are not getting any benefit from TAMFI, they will cancel their membership. […] Actually, some members have a very high demand towards TAMFI in terms of expectations and requirements." (Respondent 13).*

> *"TAMFI is uniting the microfinance institutions in Tanzania. So, there are information that maybe we don't have, related to other institutions, or government institutions that we need to know, just like regulations or policies information. And through TAMFI, we can easily access this information. And, of course, for training on microfinance we get also some advantages to be member. And also sharing information about our activities. So, we try to share experiences of our work, so that we can minimize the risks." (Respondent 9).*

However, in the meantime, some members expressed the idea that, regardless of the explicit expected benefits to receive from an association, an MFI is supposed to be member of the local organization representing the market, and that all Tanzanian MFIs share "a common fate" or, at least, influence each other:

> *"You are supposed to work together with other members, you cannot isolate yourself. […] Because the services that are provided by TAMFI or the responses, the dialogues, the network we are creating, it actually benefits to everybody. If we are discussing regulations and we do proposals to the government and the government agrees, you will benefit even if you are not a member." (Respondent 15).*

- A generalized difficulty to access information

As seen in the literature review, a proper access to the information is a first critical element as it is the basis of the relationships with members. However, the Tanzanian industry is still emerging, and this materializes especially in a generalized difficulty to access information on the MFIs:

> *"We were not really doing well in the microfinance sector. But it was because we didn't have enough information about it and so many new things came in, especially the service providers themselves, which were not recognized by the policy." (Respondent 5)*

For any actor of the sector, finding basic and accurate information about the industry is thus not really possible. In such a context, TAMFI, as an umbrella organization, is sometimes seen in an ideal position to collect such information from its members:

> *"TAMFI needs to be a center point of information that members would rely on […]. TAMFI could be a source of collection of the information and dissemination to the public. Because, as you come to the*

market, […] you should supply some information about the operations so that we can consolidate and say: "this is an industry"." (Respondent 15)

Unfortunately, TAMFI is currently not able to do so. A first reason is the rather low level of maturity of the industry, implying that many member MFIs are still very small and informal, making it impossible to report regularly:

"Actually, TAMFI is not able to collect this information from the industry. Some MFIs don't share […] even to TAMFI. […] Actually, very few players are really practitioners, meaning that they are working and focusing on the clients. And the majority are moneylenders, which is why they hide and don't disclose their information. I also worked with another umbrella organization and, each quarter, the members shared their information. But in Tanzania, people don't provide their information." (Respondent 13).

Still, we also very often encountered the idea that there is a real resistance from MFIs to disclose basic data about their operations, even as a member of TAMFI:

"I think this is one of the most important questions of the CEO of TAMFI. She usually complaints about that to MFIs. As a microfinance institution, we are supposed to send data monthly or quarterly but she complaints because most of us are not sending the data. So, it is somehow difficult for them to consolidate the data." (Respondent 10)

"I think that there may be 2 challenges. First, there is the fact that people, here, don't like to share, naturally. So, it's very difficult to engage people. […] And sometimes, people are scared to give data, regarding the fact that they may be given to authorities or something, so those kinds of fear also exist among the MFIs." (Respondent 3).

The limited access to information is a critical obstacle for the association. Without knowing well about the members, their figures and, consequently, their needs, how is it possible to design a proper self-regulatory scheme?

Moreover, sharing data on their operations is also part of their duties towards the association. Not providing such data is thus a clear manifestation of free riding, although it is not the only one. In fact, like many associations, TAMFI also experiences difficulties to get membership dues from its members. While these dues are relatively low and proportional to each member (loan portfolio), many members benefit from TAMFI's services without paying them and without being sanctioned:

"When time comes to pay the membership fees, this is a challenge again. TAMFI has to use a lot of energy to push and remind them about paying." (Respondent 2).

Free riding is also identified when it comes to participating to TAMFI's activities and meetings which, at the end of the day, may affect its internal credibility:

"For instance, when you go to the meetings, you find that most of the CEOs don't attend. But if the most senior people are not there, how do you expect the association to move?" (Respondent 15).

"Is the annual general meeting well representative of the members? If we have 150 members but only 40 representatives, it's a challenge." (Respondent 13).

- Being well-known as an association in the industry

Today, a major challenge for TAMFI is that, not only some MFIs are reluctant to take part in the association, but some may not even be aware of its existence. Linked to this, the awareness issue also manifests when it comes to be known not only among CEOs but also among other staff members:

"If you don't have the tendency to feed back to your staff, the information remains at the level of the CEOs. […] If they know, they may give some inputs and then I can give more feedback to TAMFI. So that they have more input from a broader base of TAMFI members than if it's only about CEOs." (Respondent 15).

"[…] even when they send their officers for trainings, they don't know anything about TAMFI. […] So, it's kind of dull, you know, if your institution is part of an association and you're not even aware. But I think it's also difficult for an institution to say to everybody in the institution that they are part of this network." (Respondent 17).

The lack of awareness somewhat prevents TAMFI from defending well the industry: some MFIs are not member and some information coming, for instance, from mid-management staff may be missing. Moreover, being known among the staff could also be source of opportunities. For example, TAMFI could position as a mediator in the cases of complaint from employees or clients, just like in other countries.

5.2 The organizational level

In this second category, we found out that, at the level of the association itself, TAMFI has to find a balance between different dynamics, which we decided to call "tensions". These tensions are linked to heterogeneities among members, the of voluntary membership to TAMFI, and the organizational dynamic of the association.

- Heterogeneities in the membership

At the image of the microfinance sector, TAMFI's member MFIs are very diverse, which seems to imply difficulties for the association to rule over the industry. Basically, the association can integrate any organization somewhat related to microfinance in Tanzania. Based on what we encountered in the field, this may, to some extent, influence the perception of relevance of the association:

"If you look at the members of TAMFI, if you go through the list, sometimes I think that some are not supposed to be among TAMFI's members. So, there is no clear criteria for who is supposed to be a member of TAMFI. TAMFI stands for "Tanzania Association of Microfinance Institutions" but some of the members are not microfinance institutions." (Respondent 3).

Heterogeneity among TAMFI has different faces. First of all, the heterogeneity in terms of size and maturity of the MFIs was globally perceived as important for knowledge and experience sharing. Still, in the meantime, we felt that such differences can also represent a challenge as small and large institutions definitely have different needs:

"Small institutions learn from the big ones; big institutions learn from the small ones. It's also what is good with such a composition […]. But this is also a problem because then, when you are doing a training, you need to be sure that this training is going to work for everybody. And sometimes you tend to leave some because it's not relevant at all to them." (Respondent 17).

More than a managerial issue, size heterogeneity is a challenge as it makes it difficult for the TAMFI to equally serve the MFIs and unify them around the services it offers:

"Now, when you look at the members, you got an incredible disparity between the big MFIs and the little ones. The big MFIs don't need the association; the little ones don't know how they could use the expertise of an association!" (Respondent 16).

Then, beyond size, heterogeneity also manifests in terms of characteristics, type and regulatory regime, and may also be source of interrogations for some members:

"I say it's a good thing, but it can be improved further if you separate. We are all regulated, now. Remember there was this issue of non-regulated and regulated. These banks were regulated but some were still among TAMFI. Now that we all sit at one platform, it's good to separate those who are deposit-taking, they can go to TBA[15], and those who are not, they can be under TAMFI. […] Things that they talk about are different. […] I'll give you an example: when we speak about liquidity ratio, it is quite

[15] Tanzania Bankers Association

different from deposit-taking institutions than non-deposit-taking ones. We are not on the same page. I would suggest a separation here […].” (Respondent 15).

“This diversity is very important but TAMFI should tailor their products […]. Remember, there are NGOs, private limited companies, community banks, banks,… All these members should have separate groups within the organization.” (Respondent 14).

At the end of the day, such diversity may add to the difficulty when it comes to represent and consolidate the industry. On the one hand, heterogeneities require the association to deeply understand and respond to the specific needs of different members. In the past, TAMFI carried out several training needs assessment surveys. Unfortunately, this has not been generalized nor systematized. As an example, the following quote refers to a member which feels its needs are not fully considered:

“We are not a typical microfinance institution, so it cannot fit really well with what they offer, because we have shifted from providing loans in group […], to providing loans to SMEs. So, we are more inclined to banking programs than microfinance ones.” (Respondent 12).

On the other hand, a risk of “clustering” may appear among members: similar members may informally form sub-groups due to similarities regarding their interests:

“No, we don’t really have contacts with small MFIs. We have some with the largest players.” (Respondent 11).

This phenomenon is also something that we experienced by observing the sector at different occasions, as, for instance, market leaders seem to know each other better than the others, just like smaller MFIs do. Therefore, it may be interesting to elaborate mechanisms helping members with different interests or specificities to share commons. For example, some MFIs mentioned the idea that, while larger MFIs do not need trainings from the association, they can still cooperate by providing trainings/trainers to the association, to the benefit of smaller ones:

“This is a good idea. […] We have our trainers and if TAMFI organizes a training, they can request support from the big players, and of course we can send our trainers and this would be free of cost. This way we would give trainings to the small ones.” (Respondent 13).

This would imply that TAMFI positions differently with large and small MFIs. While they could be a source of trainings for small members, they could position as an intermediary for larger ones to serve the community. In this case, they would have to disseminate the supportive role that larger members should endorse in the industry.

- Being representative while remaining a voluntary initiative

In the field, it clearly appeared that TAMFI has the desire to be inclusive and represent the whole Tanzanian sector. These last years, TAMFI has integrated more and more members, which is essential given its low revenues. Yet, membership remains voluntary-based. It might thus make it more difficult to be representative and gain internal as well as external credibility:

“If all practitioners were members, then even our voice, if we have a position, it could be easily put forward. […] We should expect TAMFI to include not only the practitioners but even other fields, like auditors that are providing audits to microfinance companies, accountants which are keeping their books, lawyers who are also sometimes helping the formation of microfinance. All those who could be members of TAMFI to have a diverse group of people who can share whatever experience they have in different fields.” (Respondent 7).

In addition, one of the aspects of representativeness that respondents spontaneously talked about was the issue of geographical disparity. Because of the large size of the country, it is difficult for the association to be represented in all regions, even more as most MFIs are located in Dar es Salaam, Tanzania’s economic center. However, it seems that some members have the feeling that it is necessary to increase the presence of the association in other parts of the country:

> *"And remember, we speak about the whole country so there should be members from Zanzibar and the mainland of Tanzania. […] However, for the moment, most members are today from Dar Es Salaam. So, is it really a representative organization and representative of the voices of the microfinance institutions in Tanzania?" (Respondent 14).*

In a lesser extent, this also raises the issue of the gap between urban and rural areas. Most members of TAMFI are mainly active in urban areas. There may thus be a risk that TAMFI mostly represents the interests of this segment, even though they try to increase the number of initiatives focusing on rural aspects:

> *"The other critical issue is the gap between the urban and rural, because we are located in [Dar Es Salaam], even though I know that [the executive director] goes to Arusha a lot, but between those two points, is there anything in the middle […]?" (Respondent 16).*

In order to bridge this geographical disparity gap, TAMFI thought about creating a secondary office in Mwanza, another economically active region. Unfortunately, due to a weak financial position, the idea did not materialize. Some MFIs are supposed to represent the association there, but we do not know to what extent it works.

When discussing the representativeness of TAMFI, the question of the inclusion of commercial banks in the association was often spontaneously brought by the respondents. These commercial banks are active in the provision of microfinance services in Tanzania but only a few are members of TAMFI. This brought a lot of comments from our respondents, especially regarding the representation of MFIs in the banking association and vice-versa:

> *"I think TAMFI should have a link with this association and have a representative. And when we have a meeting, they should have a representative of the banks so that in TAMFI, we know what is happening in these banks. And remember, these banks are lending to these small institutions and they are lending the same people we are lending. (Respondent 14)."*

Still, some MFIs communicated to us the feeling that commercial banks may sometimes consider the Tanzanian microfinance as a secondary sector:

> *"That is a good idea, if it can be worked out or accepted. But for me, from what I've seen is that the commercial banks have their own club and they look at the MFIs at the little ones. In fact, I doubt it would work because we would speak to someone who does not speak our language." (Respondent 2).*

- An organizational dynamic based on the association itself rather than on the members

To close this second category dedicated to tensions at the organizational level, we would like to discuss the very organizational dynamic running TAMFI. In any association, members are supposed to be the basis for the operations. However, before collapsing in the early 2000s, TAMFI had initially been set up by donors, not the MFIs themselves. Hence, at that time, it relied on a completely different logic:

> *"You know, when it started, [TAMFI] was driven, pushed by donors, and not members. When we revived it, it was through members, when we saw the needs. We even forgot where assets were. Even when we invited development partners, they should be very specific on some topics and should not for instance be paying the rent or stuff like this. Because, initially, the rent was paid by donors, as well as the executive director. But then, when donors' funds were finished, what to expect? […] Normally, the needs are the ones which push people to organize themselves and to see that they need to do some things, and all contribute." (Respondent 4).*

When it was revived though, a few years later, TAMFI presented itself as a "member-driven organization". Looking at TAMFI's structure, it seems that it is a priori the case: member MFIs elect TAMFI's board, the board defines the strategy on the behalf of the members, as TAMFI's executive staff implements the strategy. However, going deeper, we understood that there may be a certain lack of involvement of the member MFIs in the association:

"This is what is supposed to be: when members decide what the association should do for them. This is typical of an association. But unfortunately, with our members it's the opposite. […] unfortunately, our members sit back and they wait us to do […]. So, I think we need a change of perception and mindset […]." (Respondent 17).

Still, a nuance has to be brought here, as it seems also that the longevity in the membership was generally a sign that members got more involved in the association. For instance, when it comes to the code of conduct that the association created some years ago, initiatives and considerations to apply this code of conduct were mainly observed among the members who participated to its creation:

"It was interesting to see that some people had developed some stuff. […] But what I saw is that those were the MFIs that participated in the creation of the code of conduct. […] But then, as time passes, the people who joined did not participated in this creation and as I said, these people had no professionalism. They knew about lending but not about microfinance and think these things such as code of conduct are too demanding and that they don't need." (Respondent 17).

In such a context, we argue that there may be a balance that TAMFI needs to find between consolidating the association around a core of members who are the most cooperative and cherish these members, and the necessity to involve newcomers and dissipated members.

Moreover, we think that all this may be reinforced by the personification of the association, meaning that the representative of TAMFI could appear in the mind of everyone as *the association*, which is a very different logic. There may be a risk for separating the association and the members, while they are in fact the same thing:

"I don't know how long [the executive director] has been doing the job. I think she is remarkable in terms of her optimism. […] You know, that's it: [the executive director] is the association, rather that the association keeps standing for something, you know." (Respondent 16).

5.3 The level of the environment

The third and last category that we highlighted gathers factors manifesting in the relationships between TAMFI and external stakeholders. In this research, we mostly focused on formal regulators and external partners/funders. Just like for the second category, we found that these factors act as "tensions" between different dynamics.

- Balancing long-term formalization gains and short-term compliance difficulties

As explained earlier, a blur definition of microfinance and the low level of maturity of the industry encouraged TAMFI to intervene in the regulation through the review of the recent regulations, the promotion of standards during trainings, events or meetings. As showed by the next quote, the objective was to formalize the market and avoid future dramatic (regulatory) issues:

"Now, we have the microfinance law in place, which has appeared because of the number of microfinance institutions coming year after year. […] Because microfinance has a development component, it is different than moneylenders, it has a mission and objectives which basically focus on poverty, education, gender balance and all these other things. So, the new law now defines who the players in the microfinance business are." (Respondent 4).

"Also, professionalism was going down. Whoever started a microfinance institution did not have the background. There were bankers, lawyers, doctors,… Just starting microfinance as an income generating activity, not as a profession. […] there comes a time where somebody will just see the negative impact on borrowers. Especially politicians may say "close those things" overnight. But if they are there legally, based on an act, it is not possible to say this, there will be procedures. This is why we thought it is high time to have regulation." (Respondent 17).

However, some fears were expressed regarding a loss of autonomy, future difficulties for the smallest players and a potential reduction of the number of TAMFI members:

> *"I am assuming that many players may come out of the industry because they won't be able to fulfill all the requirements. […] But if the small MFIs cannot comply with the regulations, their operations will be closed. […] so TAMFI will lose members." (Respondent 13).*

- Regulation as a unifying factor

As mentioned earlier, all MFIs in Tanzania are not necessarily members of TAMFI. However, many MFIs joined TAMFI recently, when discussion about regulations started. Especially, they were afraid or, at least, had interrogations:

> *"[…] most of the institutions have join TAMFI in order to share information on what is going on, what is the regulation about, how will we manage those policies […]." (Respondent 9).*
>
> *"I can tell you that with the coming regulations, we are going to be closer. The importance of TAMFI is going to be better felt by members than before because there will be a lot of things we will need to discuss. Things will change from non-regulated to regulated so a lot of people will feel TAMFI will be useful. […] I think that people now feel that regulations are going to bite them and so they want to hear what others say. So, there is now an interest." (Respondent 15).*

And what is expected is that TAMFI will benefit from the future regulations. Not only they should gain in importance – which may play a role on their representativeness and credibility – but they will also get access to information through the BOT:

> *"Now that we have a new law in place and we are bringing on board people who were not used to be asked to write report, everyone knows now what the importance of TAMFI is. So, that is basically the environment which is pushing the majority of them to be now active. Maybe the regulator will require some standards and when TAMFI organizes trainings, it is setting these standards, this is a key element. Maybe the standards are voluntary, but the regulation is going to enforce them." (Respondent 4).*

In a way, the context makes it favorable for TAMFI and regulators to work together:

> *"And the Act says it clearly that there will be a database at the central bank to collect those data. But together with data, […] I'm sure there are some information which the database will not be getting from the service providers. And because of that, I really support the idea of having something else at TAMFI so that TAMFI and the central bank can work together in case there are some information we need, then we can get them from TAMFI. But regarding TAMFI, they can take information from the central bank. […] I think that TAMFI are the ones who will be closer to the members. We will be with them because we are regulators but you know as a regulator there could be some things that you miss. So, I think that TAMFI will be able to bridge that gap of information." (Respondent 5).*

In the current Tanzanian microfinance sector, there was a need for TAMFI to initiate the regulation for formalizing the market, so that everyone operates from the same groundings. Once this is done, there may be more room for promoting the social aspect of microfinance through self-regulation, for example by reviving the industrial code of conduct. In any case, the support from regulators must be discussed.

- Needing support from regulators while keeping a distance

The association intervened by initiating and reviewing some regulatory materials, is regularly invited by the BOT for defending the interests of the industry, and seems clearly respected by the regulators on that matter:

> *"TAMFI had really a big role because at every stage, from the beginning, the policy has been circulating to the members to go through if there is anything they don't understand or if they want to give their views. Also, TAMFI asked the members who can represent, can go even to the parliament to give their views*

> *about the policy. So, from the initiation of the policy to today, TAMFI has been playing a big role to link the members [to the regulator]." (Respondent 14).*

Still, in the perspective of self-regulating and promoting standards in the industry, official support is perceived as necessary. In particular, some respondents think that requiring MFIs to be member of (or get an approval from) TAMFI before receiving a license from the BOT would provide TAMFI with more strength and credibility:

> *"I know that [TAMFI] works very closely to the government and we suggested in the beginning to include TAMFI in the system of registration. For example, before a microfinance institution is registered, it would need to be a member of TAMFI and it would need to get a certification from it, in order to get a license or apply for one. That would give them strength and people would see that there is a need to be part of [TAMFI] because, by law, they couldn't avoid it." (Respondent 1).*

Yet, unfortunately, it is not sure that formal regulators have plans about sharing the regulatory power with TAMFI given, first, the regulatory culture of the country – public and private sectors seem globally well separated in Tanzania – and, second, because of the way the recent regulation has been brought to the market:

> *"[…] the way Tanzania operates is not like in other countries. In other countries, the government works hand in hand with the private sector, but not in Tanzania. Here, it is said but not done in practice. Most of the time, the public will not really work with the private. In other countries, yes, the association have been given the self-regulatory aspect." (Respondent 17).*

> *"They could do better, because it [the recent regulations] was done in a rush. We were told in a week to give our views, our opinions, but in a rush. I could not even do it because I was away, but I think we needed more time to get engaged and discuss." (Respondent 12).*

In the meantime, such a support was nevertheless perceived by some members as potentially deteriorating the voluntary character of the membership to TAMFI:

> *"[making membership compulsory] would not be fair. […] The voluntary character and the kind of "going there by their own will" would not be there anymore, because there would be the law. So, it would not add value." (Respondent 12).*

Therefore, we could argue that there may be a balance to find between cooperating with the regulators to strengthen the association, while keeping a distance to make sure they do not intervene and let the association be autonomous:

> *"You don't want the government to interfere, but you want them to help you. It's just tactics. You don't want interference, but you want to make sure that no one is left behind because the more you leave people behind, the weaker the association becomes. […] there is a clear separation between the members and the government." (Respondent 15).*

- Aligning members and partners

Finally, we found that tensions also appear between the association and its partners. Like many associations, TAMFI is not self-sufficient. Even if members were all paying the fees – which is not the case – it would still need some financial support:

> *"the microfinance industry is small in Tanzania and it cannot support the running of a more sophisticated or more advanced organization." (Respondent 12).*

In microfinance, and this is the case with TAMFI, funders and external partners are generally important to impulse or support the development of social aspects just like transparency, social performance, codes of conduct, etc. However, tensions may appear when it comes to aligning the priorities of the partners and the ones of the member MFIs and, a fortiori, of the association:

> *"How much is the association driven by the main donors? […] They are main players, and, in some way, they set the agenda for the association, because of the funding. If the funding is not there, it does not happen." (Respondent 16).*

> *"[…] what are the priorities of TAMFI? This is where you can miss the point. You know, when you work with a partner, this is the biggest challenge. For me, if I look at TAMFI, the first priority of TAMFI is the capacity of members, in terms of financial management, product development, etc. But when others come, they will talk of client protection because this is their agenda. And client protection is part of TAMFI's agenda, but in order to have a proper client protection, you must build the capacity of the institutions." (Respondent 14).*

In such a context, pushing too much in the sense of external partners rather than members may, in certain cases, be detrimental to the association and the perceptions of its members:

> *"I would have loved to see TAMFI doing more than what they are doing. For example, most of the trainings and the capacity building programs have been prepared by other stakeholders, and not TAMFI themselves. Sometimes, you would like to see TAMFI as an association looking at the needs of the members and preparing something which is really tailored to the members' needs, rather than just someone coming in and giving you capacity building programs, which probably it is not your need." (Respondent 3).*

We have now detailed most of the ideas that we discovered through our interviews. We illustrated most of them with verbatims. In order to close this section on our results, figure 2 compiles the results we mentioned above in a comprehensive data structure.

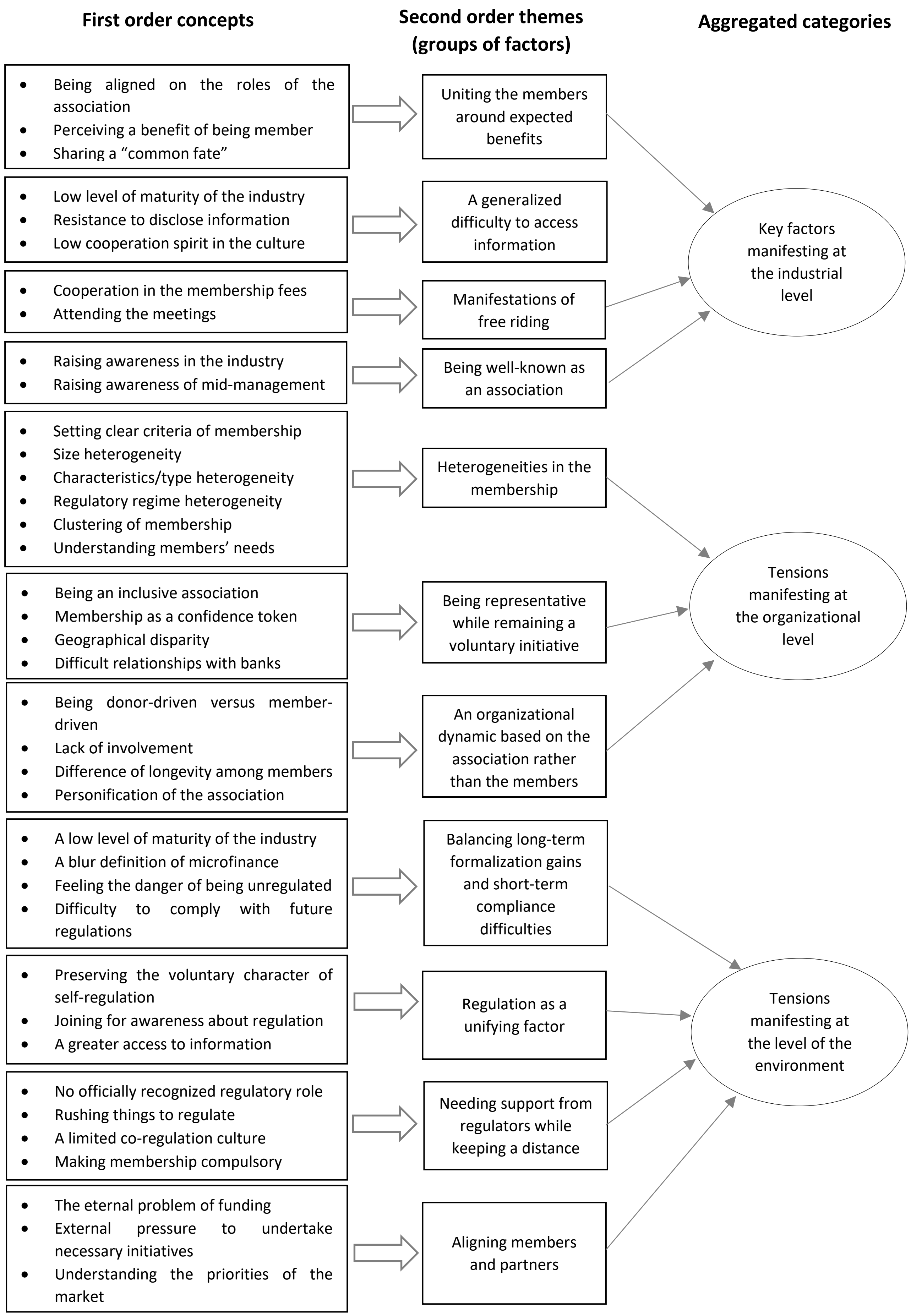

Figure 2: Results (data structure) – Source: the author

6. Discussion

To discuss these results and before concluding this paper, we put them here in the perspective of the framework that we presented on page 11. In this framework, the first question we raised was *how does self-regulation manifest?*. In the case of TAMFI, self-regulation materializes under two forms. First, TAMFI has intervened significantly in the regulation for some years, in the perspective of its advocacy role. Not only TAMFI has initiated the recent regulation of the sector, but it has also been following and influencing concrete formal rules that will soon see the light of day. TAMFI's interventions aimed at formalizing the sector, in order to make sure that client protection enters the industry, and to raise the sector's credibility towards regulators and external organizations. Still, at the end, formal regulators concentrate all the regulatory powers. In the meantime, the association has also established some years ago an industrial code of conduct that each member is supposed to apply. Unfortunately, members do not seem to pay a lot of attention to it. One of the main reasons is surely the limited resources and capabilities of TAMFI to disseminate and monitor the application of this code, which is linked to the second question that we mentioned: *how is the association performing from an organizational perspective?*. In the case of TAMFI, members seem aligned on the roles that the association should play. This is fundamental when it comes to making sure that the positioning of the association is relevant. However, the tensions related to the organizational functioning of TAMFI that we detailed above may be major obstacles to overcome to run an industrial self-regulation initiative. Especially, members are all different and TAMFI faces difficulties meeting their diverse needs. Also, while TAMFI is supposed to be led by its members, MFIs lack involvement, wait for the association to come to them and, at the end of the day, the association is not "member-driven".

Thirdly, after reviewing the literature on industry self-regulation, we understood that it is essential to look at *how is enforcement ensured?*. As said previously, self-regulation is currently not really enforced by TAMFI. When it comes to its code of conduct, there is no way to sanction non-complying members. When it comes to "indirect self-regulation", for instance through TAMFI's interventions in the regulation with meetings, discussions, draft proposals to regulators, and other core activities, the implication of the members is very limited. In such a context, the voluntary character of the membership to TAMFI may have a role to play in this lack of enforcement. While TAMFI is part of the private sector and is committed to remain independent, it may also need formal support. Right now, even though it respects TAMFI, the government does not recognize it as a self-regulatory organization and does not provide it with any formal authority. In such a context, any self-regulatory scheme could not be enforced "the hard way". The only way is then to render TAMFI inevitable for Tanzanian MFIs, which is currently not the case given the various issues tackled in the paper. Still, this may change a bit with the future regulations.

These difficulties at the level of the association and this inability to enforce a proper self-regulation scheme have a significant importance to discuss our fourth question: *how is the association settled in the industry?*. Internally, it seems that the association does not elicit unanimity. We observed that most members are not fully satisfied by its services, that free riding appears and is known, that severe information asymmetries exist, and that the association is not necessarily known among the whole industry. At the end of the day, these elements may somewhat prevent the association to be considered as legitimate and credible. Externally, the association may also lack credibility. Indeed, TAMFI does not include all the MFIs operating in the sector, either because they are not willing to integrate the association or because they are not aware of it. Also, external stakeholders like investors are not able to verify to what extent the code and values promoted by TAMFI are effectively applied. As a result, TAMFI may still not be, at this time, really established as an inevitable actor when stakeholders need to get enter in contact with the industry.

Finally, *to what extent is the environment conducive to self-regulation?* was the last part of our framework. In the Tanzanian case, the relatively low level of maturity of the industry somehow imposes to the association to be very active in terms of capacity building, limiting the resources that can be allocated to the establishment of a strict self-regulatory scheme. In the same way, meeting funders' and partners' objectives appears in some circumstances as irrelevant for the members of the association, which may eventually result in a loss of legitimacy of the association. Adding to this the fact that formal regulators do not really provide the association with any official support, we argue that, although the environment is not preventing industry self-regulation as such, it is not particularly conducive.

7. Conclusion

The aim of this paper was to explore the extent to which industry self-regulation is relevant in microfinance, and to identify some factors that may be favorable or detrimental to the regulatory role of MFIs associations. In section 2, we reviewed the academic literature to acquire a theoretical background on industry self-regulation and associations both in general and in the microfinance industry. Facing a lack of research on microfinance, we completed this with some pieces of grey literature. Closing this first part, we summarized our review around five main questions: *how does self-regulation manifest?; how is the association settled in the industry?; how is enforcement ensured?; how is the association performing from an organizational perspective?;* and *to what extent is the environment conducive to self-regulation?*. In sections 3, 4 and 5, we presented an empirical case based on a three-month qualitative field work carried out at TAMFI. Through an inductive process, this fieldwork allowed us to reflect around industry self-regulation in the Tanzanian microfinance sector and to highlight many factors influencing the self-regulatory role of TAMFI. We basically identified three categories of factors. We named the first category "*key enablers manifesting at the industrial level*", as it gathers factors intervening in the relationships between the association and its members. Especially, the benefits to withdraw from being a member, the access to information on the members, the manifestations of free-riding, and the awareness about the association appeared as highly influencing these relationships. We then referred to a second category as "*tensions manifesting at the organizational level*". Here, we explained that tensions appear at the level of the association itself because it is in between different dynamics. Mainly, we argue that the association needs to find a balance between the different members and needs, and to acquire an organizational dynamic based on the members rather than on the representatives of the association. As a third and final category, we observed "*tensions manifesting at the level of the environment*". Once again, in the relationships with external stakeholders, the association is in between two dynamics, especially when it comes to be supported by the regulators while remaining independent, and when it comes to aligning the objectives of members and funders/partners. Finally, section 6 discussed these results in the light of our literature review. Thanks to this discussion, we can now shed more light on our research concerns.

All in all, we think that industry self-regulation has potential in microfinance and that MFIs associations have a regulatory role to play. In the Tanzanian case, it is clear that TAMFI initiated the coming regulations, which will certainly allow for a (needed) formalization of the industry. Yet, the appropriate framework to set up self-regulation must be cleverly defined and will be contingent to the circumstances. The results detailed above help better understand some of the factors that should be considered.

To conclude, we suggest keeping in mind three elements which propose avenues for further research. First, an emerging microfinance market such as the Tanzanian one may not be that conducive to industry self-regulation. Lacking fundamental capacities, Tanzanian MFIs need above all basic knowledge. Further research may thus be useful to understand which level(s) of maturity is/are more favorable to self-regulation. Second, this paper only focused on microfinance associations. However, self-regulation may also manifest at the level of the MFI (for instance, through incentives to employees, individual codes of practice,...) or through more global initiatives (the SMART Campaign is an example), which could be related (Xu et al., 2012). Yet, few research focused on the potential interactions between different levels of self-regulation. This may thus be an interesting research area to dive in. As an illustration, the Cambodian case briefly detailed earlier shows that there is room for the local association, the member MFIs and external organizations and regulators to cooperate for an efficient self-regulatory framework. Third, in a context where formal regulators do not directly support self-regulation, generating and disseminating a common interest is key to attract the players in a self-regulatory scheme and enforce it (Lenox, 2006). Although we did not dig on this literature, the research on *common goods*, including the work of Elinor Ostrom and others, may interesting for further research on self-regulation in microfinance. On this topic, a recent study from França Filho et al. (2018) provides early promising elements.

In any case, the complexity of the microfinance sector increases, as well as the regulatory possibilities available to frame the industry. In such a context, cooperation and interactions between traditional regulation modes and innovative regulatory options appear as needed. As last words, we thus would like to keep in mind Rosengard's (2011:159) words about the regulation of the microfinance industry: "Just as there are many different types of microfinance institutions, there are also many options for regulating and supervising MFIs. Oversight is a many-splendored thing, with a long menu of options from which to formulate an appropriate mixture of MFI regulatory and supervisory regimes – one size certainly does not fit all.”

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9. Appendices

Appendix 1: Main roles of MFIs associations on the field

Role	Description	Examples
Advocacy, promotion of best practices and self-regulation	Associations aim at influencing the regulation in the interest of the member MFIs. In practice, this translates into different activities such as advising or being consulted by formal regulators, promoting best practices, establishing standards (for instance, through industry codes of conduct), or monitoring the sector on behalf of the government. Depending on the circumstances, other activities may be endorsed by associations. In the most direct schemes, associations may even intervene in the licensing of MFIs.	AMFI (Kenya); PMN (Pakistan); AMFIU (Uganda); CDMR (Nigeria); MCPI (Philippines); ACDFI (India); SANABEL (Arab World); ASOMIF (Nicaragua) CMA (Cambodia); TAMFI (Tanzania); AMFA (Azerbaijan); VMFWG (Vietnam); LMFA (Laos); AEMFI (Ethiopia); APIFM (Madagascar)
Capacity building and technical assistance	Associations provide (either directly or indirectly) trainings, workshops or technical assistance services in order to improve the capacity of the members and raise awareness in the industry.	CDMR (Nigeria); MCPI (Philippines); CMA (Cambodia); TAMFI (Tanzania); ESMA (Egypt); AEMFI (Ethiopia)
Knowledge management	Associations are platforms for centralizing, accessing and disseminating consolidated data on the industry. This translates into collecting data from the members, publishing reports, hosting databases, doing research, analyzing data, reporting to organizations such as the MIX, etc.	FINRURAL (Bolivia); SANABEL (Arab World); LMFA (Laos); AISFD-CI (Ivory Coast); CMA (Cambodia); TAMFI (Tanzania); AEMFI (Ethiopia)
Representation and networking	Associations link MFIs and stakeholders (governments, donors, investors, development organizations,…). Stakeholders can speak to the industry at once, rather than contacting individual MFIs. They also encourage local MFIs to join (when not compulsory) and share their information in order to be representative of the sector and improve transparency. This may also be done through forums, conferences, regular meetings....	ACDFI (India); MCPI (Philippines); CMA (Cambodia); TAMFI (Tanzania); VMFWG (Vietnam); LMFA (Laos); AEMFI (Ethiopia); APIFM (Madagascar)
Communicating news of the industry	Associations relate news, innovations and trends of the microfinance industry at the local and international levels. Raising external awareness about microfinance also enters in this aspect.	ACDFI (India); AEMFI (Ethiopia); APIFM (Madagascar)
Conflicts resolution	Few associations report dealing with conflicts at the level of the client, the institution or other levels.	CMA (Cambodia); LMFA (Laos)
Financing sources	Associations can support members in their search for funders (either donors or investors) thanks to their network.	ACDFI (India)
(Financial) Education	Associations have recently started promoting or being active in (financial) education in the industry, especially at the client level.	CMA (Cambodia)

Table 1 – Main roles of MFIs associations – based on Amha (2000), De Gobbi (2003), USAID (2006), ADA (2010), Caballero-Montes (2019), TAMFI (2018) and a desk review of the author

Appendix 2: Extract of the logbook – Respondents description and interest for the research

#[16]	Date	Name	Role - Organization	Duration	Interest for the research
1	22nd May	Winnie Terry	Executive Director at TAMFI	64’	As the executive director of TAMFI, interviewing Winnie was a way to dive in the Tanzanian market and explore the field. She has been in place for almost 10 years.
2	23rd May	Martin O’Reilly	Professor – Kampala International University; Director of the Centre for Professional Studies	60’	As a trainer and given his long experience of microfinance (he ran the Microfinance Center in Uganda for 12 years), Martin works a lot with different stakeholders of the Tanzanian market, including TAMFI. Especially, he trains MFIs on behalf of TAMFI. He was recommended as a relevant person to contact in order to have more knowledge about the market. He also helped us refine the research in the first days.
3	3rd June	Julius Charles Mcharo	CEO – Victoria Finance PLC	61’	This interview was the opportunity to explore the experience of CEOs “in all directions” and direct the research in some directions instead of others, for the following interviews.
4	4th June	Prosper Mzee	CEO – Planet Microfinance Fund	66’	Like the previous one, this interview was planned following the principle of convenience, as Mr. Mzee quickly agreed to meet us.
5	7th June	Syed Humayun Kabir	Program Manager – BRAC; TAMFI Board member	65’	BRAC is known for achieving to target clients among the poorest in the world. In a country where microfinance is “more about business”, it was useful to get their views. Syed is also board member of TAMFI, which was very interesting for the research.
6	12th June	Reginald Massawe	CEO – African Microfinance Limited (AML)	24’	AML is a medium player in Tanzania. However, compared to other MFIs of its range, AML’s interest rates seem to be among the highest. Regarding the interrogations we had about social performance in microfinance in Tanzania, we decided to contact them.
7	20th June	Newja Shah	CEO – ASA Microfinance Tanzania	40’	After our interview with BRAC, Mr. Humayun suggested to put us in contact with ASA Microfinance, another leader on the Tanzanian microfinance market. ASA is also one of the only Tanzanian MFIs that has carried out a social performance audit through SPI4.
8	25th June	Mpulaki Mpulaki	Senior Loan Officer – Adroit Financial Services Ltd	56’	We met Mpulaki at a Citi event on 14th June. After discussing together about the microfinance sector and their relationships with TAMFI, we found it interesting to interview him and his CEO. As Adroit joined TAMFI recently, their perceptions were interesting to contrast with other older members. Adroit Financial is a “medium” MFI. As these new institutions may suffer more from the future regulations, interviewing Adroit allowed to dig on this issue too.
9		Cynock Lyimo	CEO – Adroit Financial Services Ltd		

[16] This numbering is not the one we used for presenting our results in part IV. The number we attribute in part IV have been changed for anonymity purposes.

10	2nd July	Philippe Massebiau	Investment Officer - Solidarité Internationale pour le Développement et l'Investissement (SIDI)	69'	Philippe is Investment Officer at SIDI and is experienced in the Tanzanian market. During the previous interviews, we understood that MFIs associations may link members to investors. We thus searched for investors to understand what their perceptions of TAMFI were and how they considered the Tanzanian market.
11	3rd July	Bartholomew Kway	CEO – Wezesha Tanzania	31'	Wezesha is a relatively small MFI. In our previous interviews, we have found that all members may have diverse opinions and interests about TAMFI and that this may have an influence on the association.
12	8th July	Olivia Fechner	Investment Officer – ADA	39'	Olivia is Investment Officer and covers East Africa for ADA. We had contacts with Olivia, who's based in Kenya and currently prospecting on behalf of ADA for finding MFIs to finance in East Africa. Facing difficulties to find MFIs matching with ADA's criteria for investment, we thought it could be interesting to investigate on this question. This was more of an informal discussion, even though we had specific questions.
13	15th July	Nangi Massawe	Principal Bank Officer – BOT, Microfinance Department	38'	Rapidly, the aspect of the regulatory environment appeared as essential. Therefore, we decided to contact the regulator, namely the BOT. This also allowed us to hear their views about their relationships with TAMFI and the recent regulation of the market.
14	16th July	Altemius Millinga	CEO – Yetu Microfinance & Vice Chairman at TAMFI	55'	Mr. Millinga has been among the pioneers of the sector and founded Yetu 20 years ago. He has been supporting TAMFI since its early days, and is still part of the board. For these reasons, it was interesting to have his views for knowing more about the beginning of TAMFI, and to confront his thoughts to the ones of other players. Also, due to its long presence in the Tanzanian market and its local character, Yetu may have acquired the position of an "institution", more than an "organization".
15	17th July	Boaz Ackimu	CEO – Chakarika Credit Facility	41'	At the end of the research, Mr. Ackimu proposed to meet us, responding to the original call we made to find respondents to our research. Chakarika is a small but proactive MFI in the association. It was interesting to dig deeper with this respondent on the services offered by TAMFI and the actual needs that may not be covered.
16	21st July	Lawrence Muze	Board Member – TAMFI	36'	Mr. Muze has been active in microfinance for a number of years, especially regarding SACCOs in Tanzania and as a board member (ex-chairman) of TAMFI. However, his main occupation is nowadays not related to microfinance. Therefore, we were curious to interview someone who comes from the outside of the microfinance market, for instance because he may be less under the influence of the interests of the industry.
17	22nd July	Kalunde Kapaliswa	Banking and Microfinance Advisor at SBFIC	28'	As this was important to have an overview of the external dynamics in place, we felt the need to discuss with external actors. We thus met with this main partner of TAMFI.

Table 2 – Extract of the logbook – Respondents description and interest for the research