

# *To What Extent Is Industry Self-Regulation Applicable to Microfinance? The Case of TAMFI in Tanzania*

Tristan Caballero-Montes (PhD Student – University of Mons, Belgium)



14<sup>th</sup> November 2019 - Luxembourg



# Starting points and research issues

## Observations

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

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

**The « traditional » regulation of microfinance**

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

## Research questions

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

Is it relevant in microfinance?

Which factors to consider?

Contribution to the regulatory framework

# Literature review - A few words about self-regulation

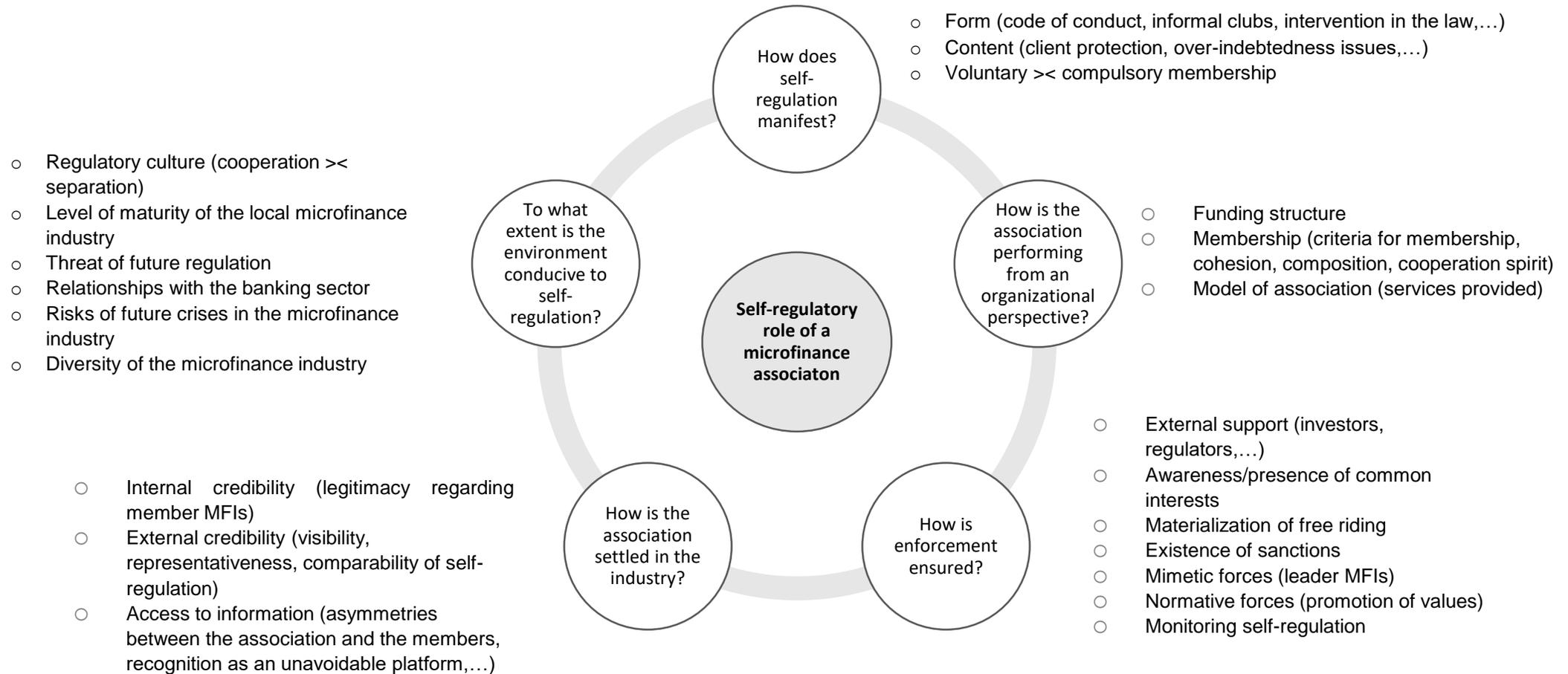
## Self-regulation in the literature

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

## What about microfinance?

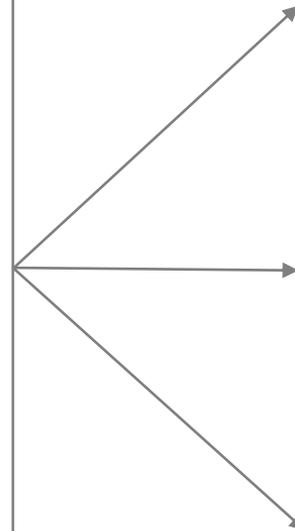
- Interesting to consider (together with traditional regulation modes)?
  - **MFIs mostly not subject to prudential regulation**
  - Weak formal regulation/lack of data
  - Double bottom line → ≠ banking regulation
  - Diversity and # of MFIs
- MFIs associations: significant influence on regulation but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

# Summary of the literature review



# Methodology of the empirical study: an inductive qualitative approach

- **Three-month field work at TAMFI:** Immersion in the life of the association
- Inspired from *Grounded Theory Method*
- **Empirical materials:**
  - 17 semi-structured *interviews* ( $\pm 60'$ ): TAMFI director + 3 board members; 10 CEOs of MFIs; the formal regulator (BOT); 2 investors; 1 partner NGO (SBFIC); 1 local scholar/expert
  - *Observations*
  - *Internal reports*
  - *Public data*
  - *Press*



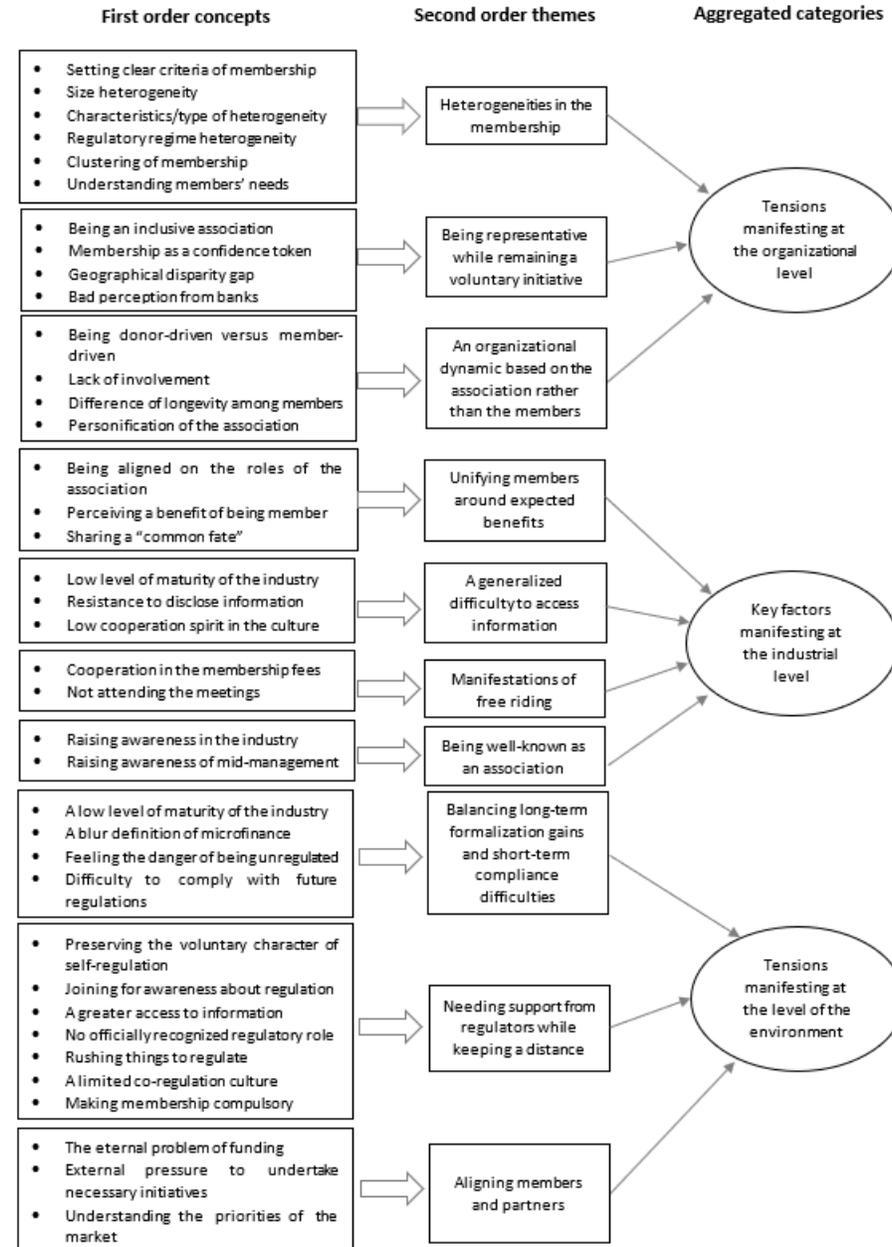
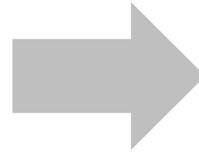
**Context of microfinance in Tanzania**

**Regulatory landscape**

**Dynamics in place around TAMFI**

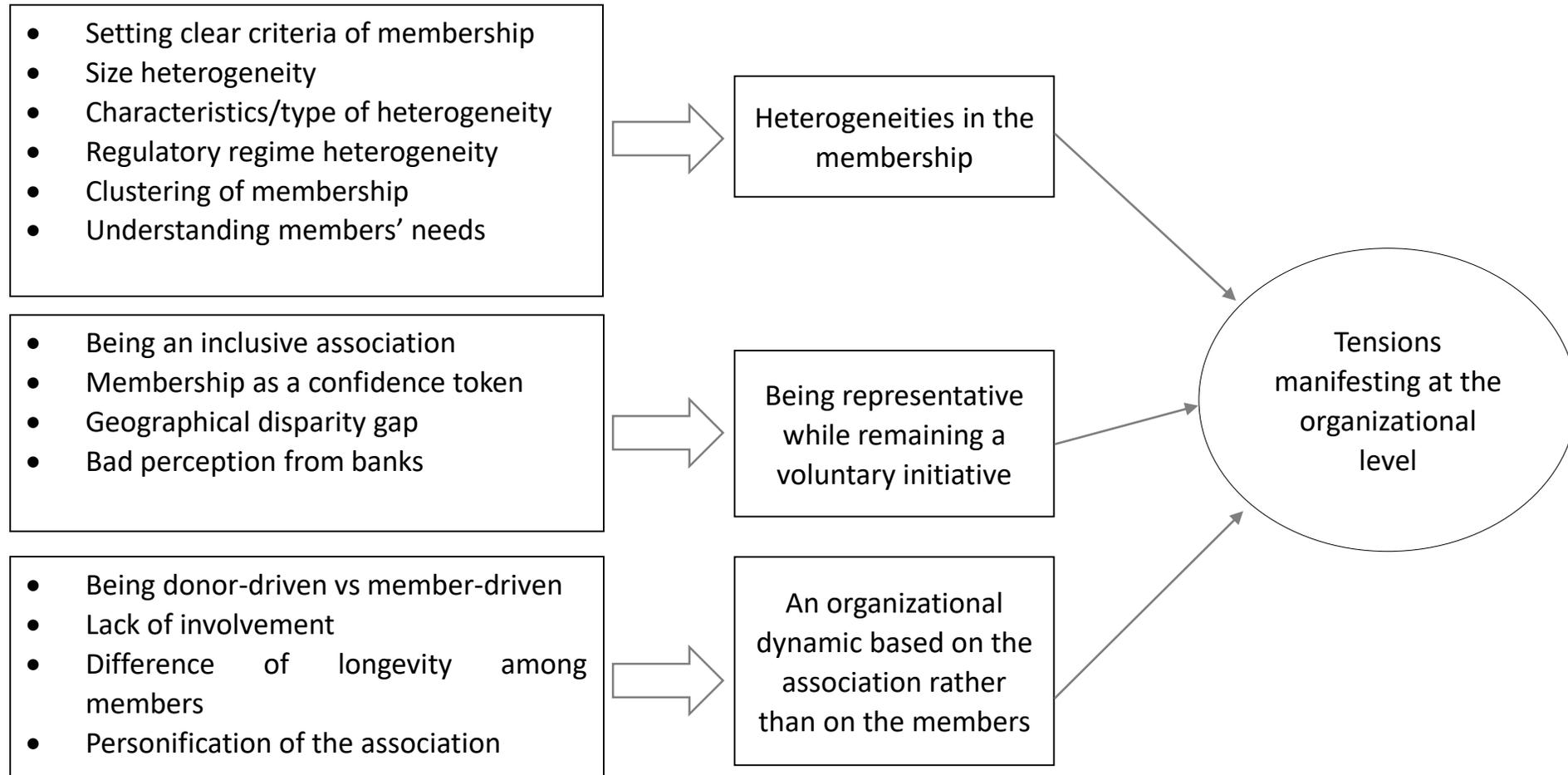
# Results: analyzing the data

Field work  
and  
interviews

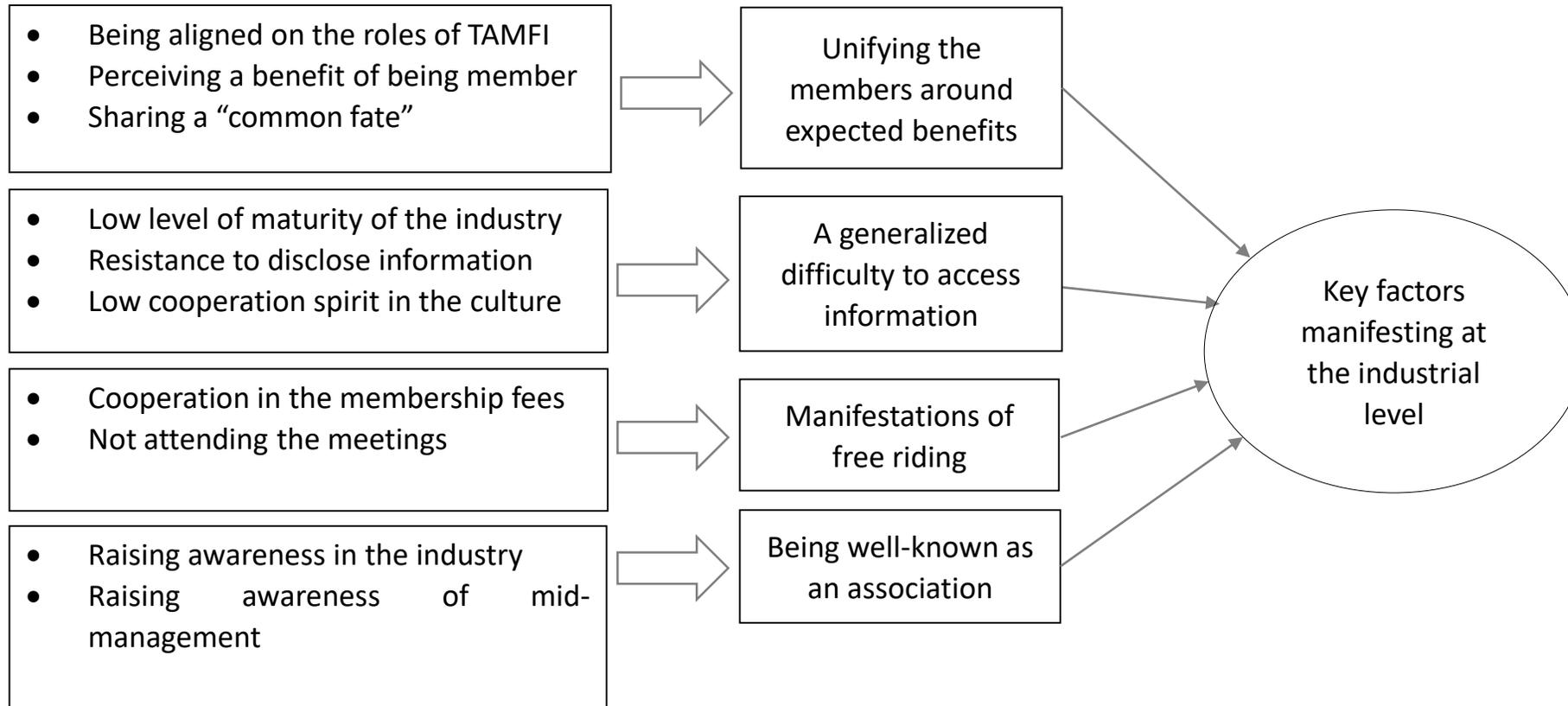


(Data structure – Source: the author)

# Results: tensions manifesting at the organizational level

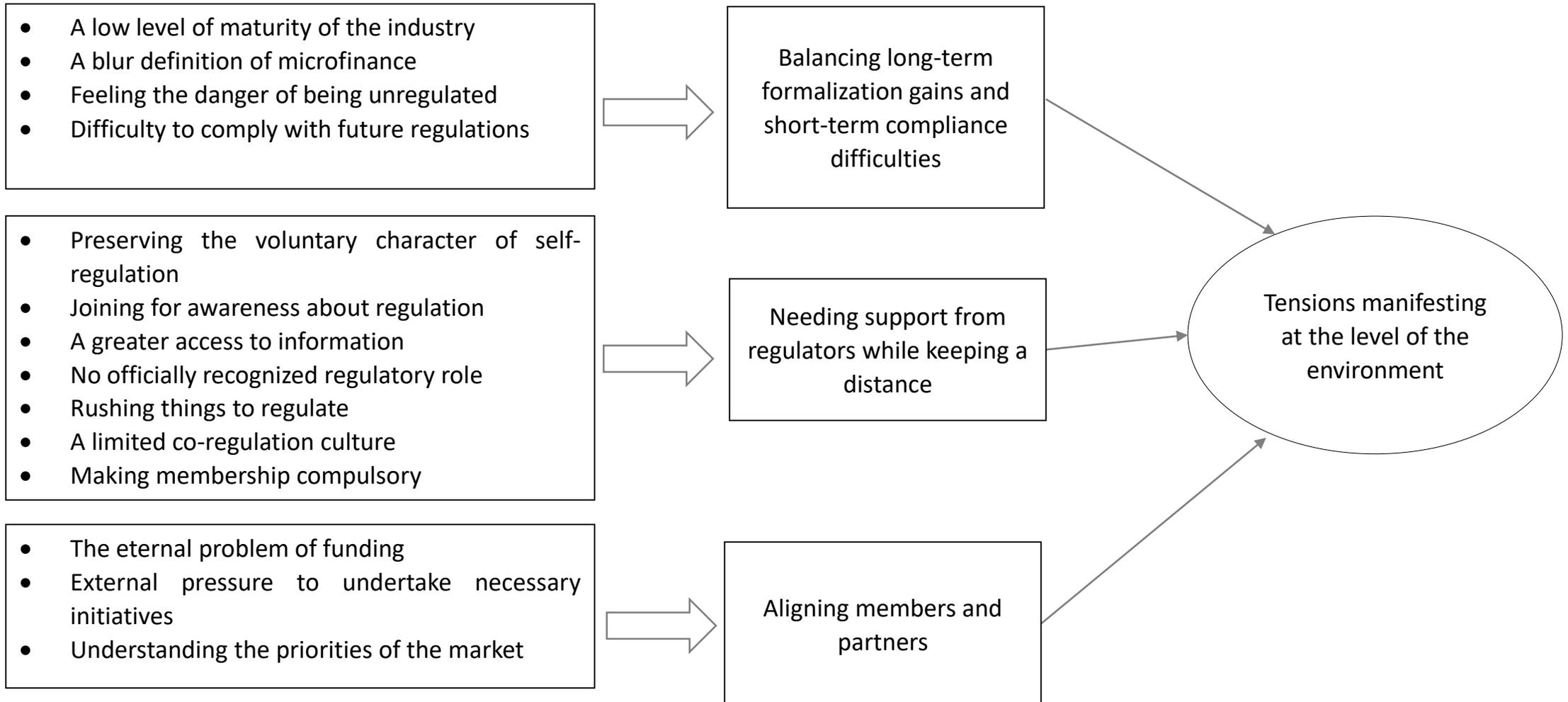


# Results: key factors manifesting at the industrial level

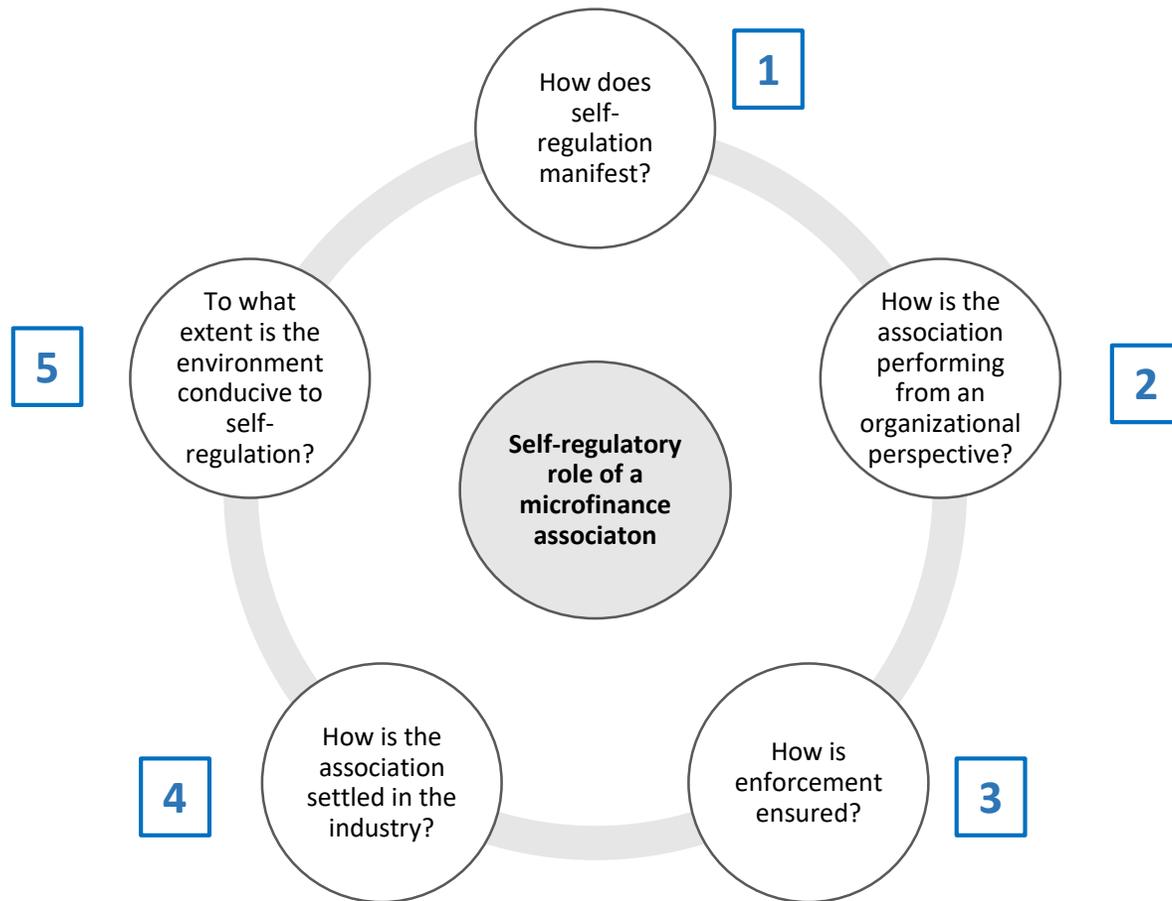


*Data structure part 2 – Source: the author*

# Results: tensions manifesting at the level of the environment



# Discussion and conclusion



*Summary of literature review – Source: the author*

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

Thanks for your attention !



Contact: [tristan.caballero-montes@umons.ac.be](mailto:tristan.caballero-montes@umons.ac.be)