afi Alliance for Financial Inclusion
Bringing smart policies to life

Policy note

Formalizing microsavings
A tiered approach to regulating intermediation

About this note

AFI's series of policy notes are made specifically for policymakers and focus on the key policy solutions that have been proven to promote financial inclusion in developing countries. Drawing on existing research, they define the policy solution, identify the critical issues for decision-makers and give practical examples from developing countries. The notes also identify policy champions who are at the forefront of implementation, and give an overview of relevant reading material.

At a glance

Formalizing microsavings

In virtually every country in the world, the existing supply of savings services falls short of the demand from low income populations. Poor people need more and better access to savings accounts. In some countries, there is a growing sector of unregulated microcredit organizations that are well positioned and motivated to offer those services, but are not yet licensed to do so. Regulators in these countries can enable microcredit organizations to integrate into the financial system as financial intermediaries with a tiered, risk-based approach to licensing, regulating and supervising savings-based microfinance.

Policy questions

Industry readiness: When is the right time for a specialized license for microfinance deposit institutions?

Protecting deposits: What does (and does not) require regulation and supervision?

Capital requirements: What is an appropriate level of minimum capital for this new tier of institutions?

Eligibility: Which MFIs should be eligible to operate with a specialized license?

Unique risk profile: How are prudential regulations adapted to address core risks of microfinance?

Risk-based approach: How can tiered microsavings be supervised effectively?

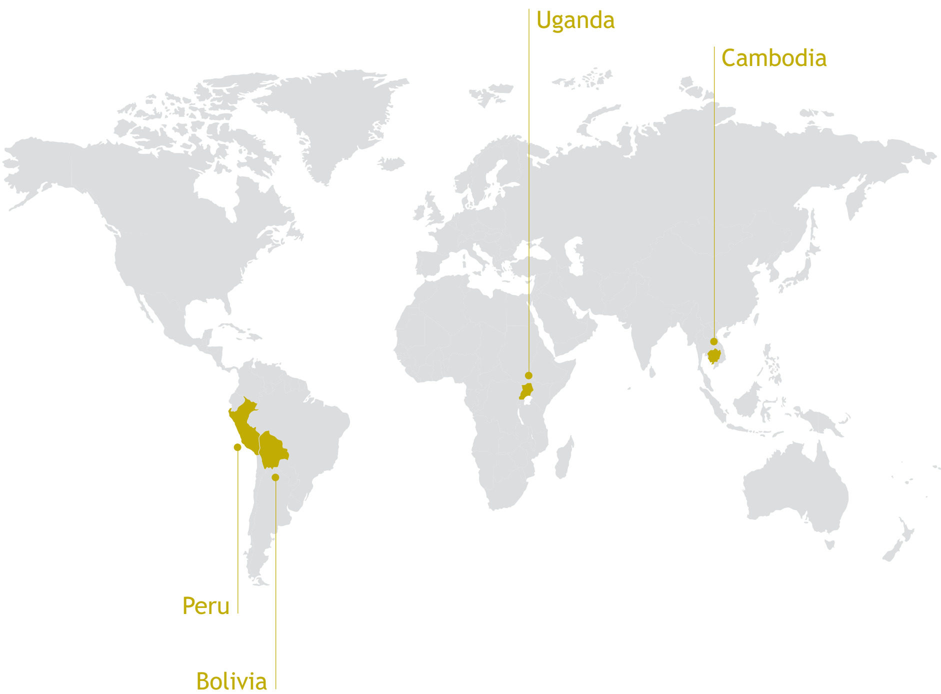
Accountability: How do reporting and disclosure requirements contribute to sustained performance?

Access through diversity: How can a range of microfinance providers be allowed to operate?

Cost: What are the costs and how are they justified?

Demonstrated success

A number of countries have developed innovative solutions to formalize microsavings.



Formal savings in financial inclusion

Savings is a foundational pillar in an inclusive financial system. Savings contributes to financial inclusion at the client, microfinance institution (MFI) and industry levels: Savings services strengthen the finances of low-income households, savings deposits strengthen the funding base of MFIs, and are the basis for a competitive, efficient and sound microfinance industry.

On a macro level, there is of course an extensive body of academic research to explain how much a well-developed (deep) financial market contributes to economic growth in a country, an industry, and in individual firms (Levine 2005). Furthermore it shows that financial development reduces income inequality in general, has a disproportionately positive impact on the income of the poor, and that it contributes to poverty alleviation (Beck, et.al., 2007).

Consumer impact: poor people need access to savings services

Poor people can and do save money. Even long after non-profit organizations began offering credit services, the poor have had to use informal providers and their own social networks to save money. A 2009 study, for example, documented that poor households in Bangladesh, India and South Africa, struggle to find a savings vehicle that can accommodate small periodic contributions and still be available when required and turn to friends, family and informal service providers (Collins, et.al., 2009). Furthermore, they are willing to pay substantial fees and incur significant risk to access such services. Similar lessons are observable in the handful of MFIs that have developed savings services.

The advantages of *formal* savings options are particularly relevant to the poor. The least formal options— family, friends, or hiding money under the mattress — are insecure and often result in loss. Options such as rotating savings clubs, are more organized but also impose costs and risks associated with the rigidity of the club rules and periodic group breakdown. In many countries, the poor even resort to paying private savings collectors. A sound, institutional savings service is typically less costly and more secure — obvious advantages to all of these suboptimal options.

Institutional capacity: MFIs that intermediate deposits are best positioned to sustain growth and innovation.

MFIs that are funding growth by mobilizing local savings as regulated financial intermediaries have derived benefits from deposit-based funding in at least three ways.

First, deposits tend to be a more stable and scalable funding source relative to other options. Microcredit organizations typically face challenges with wholesale funding related to finance costs, term structure, currency risk, administrative effort, and, ultimately, getting enough capital to fund growth that keeps up with demand. Also, the recent international financial crisis has demonstrated the liquidity risks associated with over dependence on foreign debt funding.

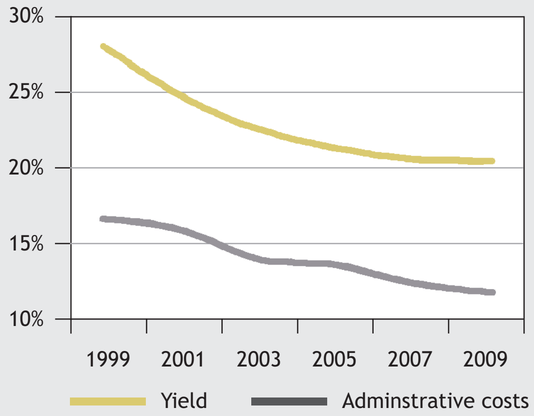
Bolivia

In 1995, Bolivia established a regulatory framework to enable the non-profit microcredit organizations to integrate into the regulated, deposit-taking financial market. By 2009, eight organizations have acquired licenses to operate as a regulated intermediary, and one of those has graduated to a banking license. Bolivia today has one of the most competitive and efficient microfinance industries in the world. Countries like Uganda, Peru, and Cambodia have taken a similar course.

In addition to the stability of savings, in most markets it is also a less expensive funding source.[1] As the Bolivian case illustrates, the lower funding costs can also result in lower lending rates charged to credit clients (see Figure 1).

[1] This is clearly evident, for example, in the evolution of funding costs over time in markets such as Bolivia, Peru, Uganda and Cambodia where deposit taking institutions can be compared to MFIs that fund with debt.

Figure 1: Interest yield and administrative costs in Bolivian MFIs



Interest rates and administrative costs have declined continuously since the early 1990s, with significant improvements since the launch of savings-led growth.

Source: Boletín Informativo No.83. ASOFIN. October 2009

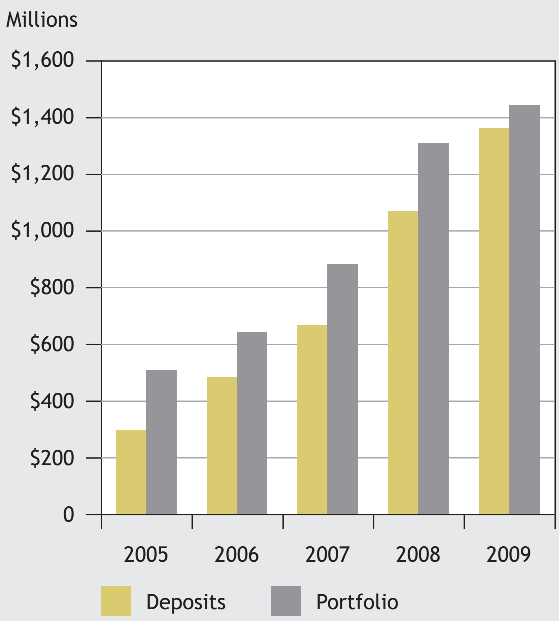
The second benefit manifests in incentives that drive an MFIs approach to growth and expansion. Deposit-based institutions link their asset growth to deposits and therefore growth is based on service to savers and the perception of savers of the integrity of the MFI. These MFIs tend to be disciplined, service-oriented and cautious about their reputation. Deposit funding also links the MFIs evolution to local economic realities, since the MFI can only grow if they are successful in intermediating effective market demand for savings and credit.

Finally, deposit-based MFIs enjoy customer loyalty since customers that save in an institution have a sense of trust and ownership that credit clients do not necessarily have. For some customers, savings may be the first step to accessing credit and other services later on (see Figure 2).

Industry development

The benefits that accrue to deposit-taking MFIs are amplified at an industry level. The regulation and supervision typically associated with deposit-taking institutions create conditions conducive to sustained deepening of the market. In simple terms, microfinance industries with appropriately regulated, deposit-taking MFIs are showing capacity for sustained and sound growth.

Figure 2: Deposit and portfolio growth of Bolivian MFIs



MFIs have funding sustained growth in Bolivia with deposits. The loyalty of their savers has provided stability during the international liquidity crisis and domestic political unrest.

Source: Boletín Informativo No.83. ASOFIN. October 2009

How it works

The need for licensing, regulation and supervision arises from the general mandate of regulators to ensure the safety of depositors and the integrity of the financial system. This applies as well to microfinance institutions that aspire to intermediate savings.

The rationale for *special licensing* for such institutions, however, arises from a policy interest in cultivating competition and innovation that leads to financial market deepening. The collective microfinance experience has demonstrated that it is unique and distinct from conventional consumer and business banking. This uniqueness can be accommodated with appropriate modifications to the existing prudential regulatory regime. But that does not mean that existing licensed financial intermediaries are sufficiently motivated to innovate at the access frontier. In fact, experience has shown that in most countries the conventional commercial banks, public and private, do not move aggressively down market. In most markets, innovation is driven first by unregulated microcredit organizations. Over time, these organizations develop into a promising service sector that is ultimately limited by its focus on credit services. The emerging policy solution is one that transitions these credit institutions into regulated intermediaries in a way that fosters competition in the low-income segment of the market.

Finally, the need for *specialized regulation and supervision* is simply an application of a risk-based approach to regulation of the sector. Microfinance entails unique risks that can be adequately addressed with appropriate regulation. And supervisors can develop specialized capacity to monitor and regulate those risks with a focus on the service providers' capacity to manage them.

The case of Cambodia

The Government of Cambodia's primary policy instrument for enabling the development of inclusive financial service has been the regulatory and supervisory regime of the National Bank of Cambodia (NBC). The NBC engaged the emerging microfinance industry in its early stages and has continually adapted the regime to enable the development of the institutions and their integration into the formal financial system.

In 2000, the NBC issued Prakas (regulations) that created two ways for non-profit credit organizations to be formally associated with the NBC. Organizations that are structured legally as a limited liability company or a cooperative, and have USD60,000 in capital, are eligible for an MFI license, and then subject to regulation, reporting requirements, and off and on-site supervision. Alternatively, organizations can register with the NBC, though with a more limited operating mandate.

In 2007, the NBC issued regulations that created the Microfinance Deposit Taking Institution license. This allowed licensed MFIs with a minimum of USD2.4 million, and meeting other requirements, to collect savings and fixed deposits.

These specialized microfinance licenses complement the existing tiers in the banking system, which are also accessible to microfinance organizations that grow to the point of qualifying for the requirements. The Rural Credit Specialized Bank also has a minimum capital requirement of USD2.4 million. These "narrow bank" options are particularly important as the minimum capital for a full commercial banking license will be raised to USD36 million in 2010 to encourage a consolidation of the banking system.

In addition to the tiered licensing regime, the NBC has also issued Prakas that align regulations and supervision with international best practice for related to microfinance operations (e.g. loan classification and loss provisioning).

At the end of 2009, the Cambodian microfinance sector consisted of one commercial bank, two newly licensed Microfinance Deposit Taking Institutions, 16 licensed Microfinance Institutions, and 26 registered rural credit operators. The evolution of the sector has been well guided by the commitment of the National Bank of Cambodia to continually employ its regulations and supervision capacity to support a deepening of the financial market.

Policy questions

This policy solution applies the basic rationale for introducing specialized (narrow) banks into a financial system to foster competition and innovation (Hawkins, 2006), with some lessons drawn from international experience in the application of regulatory principles to microfinance practice:

- Regulation and supervision of savings intermediation are required to protect depositors and system integrity.
- Strong organizations with competent and motivated shareholders are the foundation of a vibrant and sound industry.
- Communication and cooperation between the regulator and the service providers is key to the long term development of a well regulated and supervised industry.
- Regulation and supervision should be proportional to real risk potential, and practical appraisals of the costs and benefits of supervision should prevail.
- Public disclosure of service provider performance is the driving force in long term industry development and consumer protection.

In practice, however, the application of this policy solution encounters special challenges in each market, depending on the types of financial service providers that serve low income populations, their level of development, and the current licensing options available to them. The following paragraphs summarize these challenges and explore options for addressing them.

1. When is the right time for a specialized license for microfinance deposit institutions?

Both the MFIs and the regulator will expend significant effort and resources, and the benefits will only justify the costs if there are sufficient MFIs that are capable of operating and thriving under a regulatory and supervisory regime. In practice, this policy solution is only likely to achieve satisfactory results where there is a critical mass of high-performing microcredit organizations that are poised to launch deposit services and meet the demands of regulation and supervision (Christen et.al., 2003).

So how can policy makers determine whether the MFI industry is ready?

It is extremely important for regulators and industry leaders to establish a dialogue early in the process. This helps to clarify expectations, identify key challenges, and develop consensus solutions (Loubière, et.al., 2004).

The regulator can determine the level of industry capacity by conducting a robust appraisal of the leading microcredit organizations. This due diligence appraisal should also include an assessment of their current legal and tax status and ownership structure, and the corresponding applicable laws and regulations.

2. What does (and does not) require regulation and supervision?

The specialized license is a solution for policymakers committed to a risk-based approach to protecting deposits with prudential regulation. But policymakers will still face trade-offs. At times, the challenge and the cost of regulating and supervising some activities may be greater than the potential benefits. And excessive regulation can be difficult to supervise and impede innovation at the early stage of market development. Policy makers will have to determine whether each activity constitutes a significant risk to the most basic prudential concern — the risk to small depositors. The policy makers that have applied this principle successfully to situations commonly encountered in emerging microfinance industries have generated some useful lessons:

Microcredit only — Organizations that do not intermediate deposits from the public do not require prudential regulation and supervision (Christen et.al., 2003). Policy makers may have other reasons for regulating credit organizations, and some do so. But the prudential regulator is entitled to consider whether the effort will detract from the more fundamental mandate to protect deposits and financial system integrity.

Obligatory deposits — In many countries, unregulated microcredit organizations require borrowers to make obligatory deposits, which the organization channels into loans. Strictly speaking, this is intermediation. However, in many cases this practice does not expose clients to enough risk to justify the costs of full regulation and supervision. Most of the clients, for most of the period of their loan, will actually owe the organization more than they have on deposit.

Member-operated savings and loan groups — Regulation and supervision of member-operated savings and loan groups (or Self-help Groups) is difficult and costly, and unlikely to improve their performance. The sheer number of such groups generates daunting challenges and expense. As in the case of obligatory savings, a practical assessment of the real risks to savers will often justify a policy of allowing this practice without regulation and supervision. The group members themselves are best positioned to monitor the placement of their own savings. They are also capable of deciding whether their closed savings and lending group is a better alternative to their other options.

The choice to not regulate certain providers or services can be made deliberately with constructive results for the industry — There is benefit to clarifying the status of providers and services that will not be subject to the new license regime. These organizations can often reach otherwise neglected sectors, develop new products and services that are then adopted by other providers, and some of these institutions may eventually grow into the regulated sector. A very large portion of the innovation that has driven the microfinance industry has originated in non-regulated organizations. A license regime is in effect formalizing the success of the unregulated sector by providing a channel for an orderly integration into the regulated world of financial intermediation. This dynamic can continue with clear rules about what needs to be prudentially regulated, and what does not.

3. What is an appropriate level of minimum capital for this new tier of institutions?

Proper entry requirements can establish conditions for healthy competition and gradual growth of the industry. Entry requirements ensure that institutions begin with sufficient resources to perform well and manage risk. And the requirements can be used to effectively ration the licenses to an optimal number of providers in the industry.

The minimum capital for specialized MFIs is typically smaller than for banks, and in the best cases sufficient to ensure that they enter the market with adequate physical and information management infrastructure, capital to cover operating losses prior to achieving profitability, and funds to cover typical risks associated with financial intermediation.[2] Policy makers will likely encounter contrasting views on the appropriate level of minimum capital required for a license. There are, however, compelling reasons for setting the minimum at a level than ensures that all entrants will have adequate resources to support a financially viable business model and the extra costs associated with supervision. This also serves to moderate the pace at which organizations enter the market and add to the burden of the supervisor (see Figure 3).

Figure 3: Minimum capital requirements for deposit-taking MFIs

	Population (millions)	# of MFIs	Min capital (USD)
Bolivia	9.7	5	$985,000
Peru	29	23	$232,000
Uganda	32	3	$250,000
Nigeria	148	899	$130,000
Indonesia	230	2,296	$52,000 - $520,000

In Bolivia, Peru and Uganda, their respective license regimes formalized highly specialized and well capitalized institutions with a proven track record in microfinance. In Nigeria and Indonesia, regulators are challenged to supervise a vast sector of mostly small institutions with limited resources.

Sources: Websites of the central banks and supervisory authorities of respective countries

4. Which MFIs should be eligible to operate with a specialized license?

The legal structure, ownership regulations, and eligibility requirements for shareholders need to strike a practical balance between the current reality of the existing microcredit organizations and the need for a sound governance structure. Almost all countries restrict intermediary licenses to limited liability, shareholder-owned companies. Existing non-profit organizations have adapted to this structure by exchanging their portfolio, or cash repayment stream for their portfolio, for shares in a licensed entity. Regulators have good reason for caution on allowing non-profit organizations to be major shareholders of a licensed intermediary. Non-profit organizations can face governance challenges and their boards of directors are not motivated by the same incentives, or penalties for poor performance, as investors. In practice, however, most of the successful licensed MFIs in the world were started by, and are majority-owned by, non-profit organizations. In many markets, they have been the first to build financially viable business models, and they are the first willing to invest in a commercial model for microfinance. Regardless of the tax status of shareholders, policymakers can create a foundational level of capital strength in their microfinance industry by ensuring that shareholders have the resources to bring extraordinary support to the institution if necessary (Braun and Hannig, 2006).

Some of the restrictions and prudential regulations that narrow the risk profile of the special license MFIs also serve to discourage investors that might otherwise seek the special license to arbitrage the regulatory requirements for typical commercial banking activities. For example, risk concentration guidelines typically limit the maximum loan to a very low percentage (between one and five percent) of regulatory capital. Insider lending is often prohibited.

2 The ASBA 2009 guidelines present an encyclopedic list of recommendations from Latin American regulators on how to adapt regulations to microfinance.

5. How are prudential regulations adapted to address core risks?

Microcredit operations are subject to specific kinds of risk and therefore require regulations that are in some important areas different from those that govern commercial bank lending. The distinguishing risks, and common regulatory solutions, are summarized as follows:

Capital adequacy requirements — Capital adequacy requirements can be higher than for banks, especially in the early stages of industry development. This provides an adequate cushion to absorb the financial risks of newly licensed institutions, and the inherent risks in microcredit portfolios that can degrade very quickly.

Limiting activities — The scope of services and limits on risk exposure are commonly much more conservative than for commercial banks. Typically, special purpose intermediaries are prohibited from high risk activities like foreign exchange trading, equity investing and even site deposits. Loan concentration to individuals, or groups, or to insiders, is limited to between one and five percent of capital. These restrictions serve multiple purposes. They are the most effective way of ensuring a business focus on microfinance services, and they eliminate categories of risk that a small intermediary has neither expertise nor capital to manage. The limits also deter arbitrage opportunists from acquiring a special license to lend to shareholders or a special interest group.

Provisioning — Loan classification, provisioning and write off regulations address the primary risk in MFIs, portfolio performance (Christen and Flaming, 2009). MFI regulations typically require an aggressive provisioning and write-offs schedule for loans that fall into arrears (see Figure 4).

Figure 4: Provisioning rates for MFIs

Day in arrears	CGAP Guide-line	Bolivia	Colombia	Mexico EACPs LI & LII
Current	0%	1%	0%	1%
1 - 7	10%	1%	0%	4%
7 - 30	10%	5%	0%	50%
31 - 60	25%	20%	1%	50%
61 - 90	25%	50%	20%	50%
91 - 120	50%	100%	50%	90%
121 - 180	50%		100%	90%
Over 180	100%			100%

Bolivia and Mexico both have provisioning rates adapted to microcredit standards. Colombia's rates delay provisioning well beyond the point that microcredit portfolios can deteriorate.

Sources: Loubière, et. al., 2004

Information management systems — Regulators typically qualify the capacity of the MFIs information and loan management systems. Microfinance relies heavily on relationship management, as opposed to collateral or documentation, so institutions must have very robust information management infrastructure and policies and procedures.

6. How can microsavings be supervised effectively?

The strengths of a risked-based approach to supervision can be particularly beneficial to regulators who are building or strengthening their capacity to supervise microfinance institutions. In simple terms, in a risk-based approach the supervisor focuses on identifying the critical risks of a financial institution, assessing management of those risks, and assessing the company's financial ability to withstand adverse effects of those risks. This differs from the more conventional approach to supervision that periodically measures the current status of performance and compliance. Many regulators have already adopted the risk-based approach for supervision of commercial banks and have benefited from more efficient and effective supervision processes.[3] The strengths of the model make it particularly effective at addressing the peculiar risks associated with young microfinance institutions. Microfinance operations are highly-specialized and microfinance institutions face risks associated with short term, unsecured loans that can deteriorate rapidly. In a risk-based approach, the supervisor develops specialized capacity to assess both the risk and the MFIs management capacity.

The risk-based approach requires significant commitment and resources, however. The single biggest challenge to regulators is developing specialized capacity to supervise microfinance operations (Loubière 2004). Effective supervision of microfinance requires in depth operational knowledge as well as specialized techniques for off and on-site inspection.[4] Most successful regulators have created special supervisory units that are dedicated to the microfinance sector.

7. How do reporting and disclosure requirements contribute to sustained performance?

Recent research on regulation and supervision provides compelling reasons for subjecting financial institutions to robust reporting and disclosure requirements (Barth, et.al., 2006). In the microfinance world, voluntary disclosure of performance indicators, financial statements and ratings reports by MFIs on the Microfinance Information Exchange (MIX)[5] have been a driving force in increasingly demanding industry benchmarks for performance. Information disclosure exposes MFI managers to the scrutiny and influence of a broad range of constituents and funders whose interest in performance complements the mandate of the regulator.

Bolivia and Peru

The supervisors of Bolivia and Peru, as well as the local MFI associations, have a track record for publishing historical data on institution and market performance on their web sites.

3 For example, see FSA 1998 for that agency's account of the benefits of risk based supervision.

4 For a detailed account of the supervision process for microfinance institutions, see Braun and Hannig, 2006. For an example of the special techniques required to inspect or audit a microfinance portfolio, see Christen and Flaming 2009.

5 www.themix.org

8. How to create space for a diversity of institutions to provide microfinance?

Though this policy solution focuses on creating specialized microfinance intermediaries, a regulatory regime that facilitates the microfinance services throughout the financial system will be the most successful in increasing overall access of finance.

It is important to ensure that any regulated financial service provider can operate a microfinance business line subject to the same regulations and supervisory regime (Loubière, et.al., 2004). This means that the prudential norms that apply to lending operations — particularly loan classification, provisioning, and collateral requirements — should apply to all financial institutions, not just the specialized licensed MFIs. This levels the playing field and allows any institution to provide services to lower income populations. Regulations governing branchless banking channels merit the same consideration. In recent years, commercial banks and other service providers have increased access by innovating with branchless channels like mobile phone payment services and agent banking.

It is also important to clarify the role of the microcredit providers that are not prudentially regulated. Most countries have a vibrant sector of microcredit organizations, and in many countries these organizations have led the expansion of financial services to the low income population. In such countries, this policy solution provides a framework for eventual integration of the microcredit sector into the regulated system for financial intermediation.

Finally, this policy solution may also be applicable in modified form to other forms of non-bank financial intermediaries such as mutual societies and credit unions that serve low income populations, and want to adapt the regulatory and supervisory structure to improve their performance.

9. What are the costs associated with opening a new tier of deposit taking institutions?

The initial cost of regulating and supervising specialized microfinance institutions is likely more than the emerging industry can afford to cover in fees. One experienced supervisory agency calculated that the cost of supervising specialized MFIs was equal to two percent of the combined assets of the sector. This is about 30 times the ratio of supervision costs to commercial bank assets (Christen et. al 2003).

Typically, regulated financial institutions pay for some or all of supervisory costs. In a well developed banking system, the larger banks pay higher amounts and the system finances the costs of supervising the smaller or newer institutions. Most microfinance industries, however, will take considerable time to grow to a size that could support the full costs of supervision. For example, Peruvian MFIs only covered around 6.5 percent of their supervisory costs in 2000 (Braun and Hannig 2006). Policymakers may expect the costs to diminish over time relative to the size of the microfinance industry and its ability to contribute to regulatory costs, but costs will certainly need to be subsidized initially.

The MFIs themselves will also incur substantial costs associated with regulation and supervision. Costs may be as high as five percent in the first years, stabilizing at one percent per year over time (Christen, et.al 2003).

Regulators use a variety of mechanisms to fund regulatory and supervisory costs.[6] The general justification for bearing those costs is based on the value of the public good served by ensuring that the deposits of the public are safe and that financial system integrity is sound. In broader scope, financial intermediation is fundamental to economic growth. All of these justifications apply as well to the costs associated with the regulation of microfinance. In addition, the sector's contribution to poverty alleviation, income equality and economic development counts as a public benefit that justifies public expenditure.

[6] See Janson et. al 2003 for a review of sources of regulatory funding in Latin America.

References and further reading

This policy note summarizes a vast body of microfinance experience, much of which can be studied in greater detail in readily available sources.

For a comprehensive review of the literature that explores the relationship between financial markets and economic growth, see Levine, Ross (2005). And for recent research on how financial development positively impacts income equality, see Beck, Thorsten, Asli Demirgüç-Kunt and Ross Levine (2007).

See Devaney, Patricia Lee for a review of the research literature on the demand for and impact of access to savings among poor people. The work of Rutherford (1999) and Collins, Daryl et. al (2009) deserve special mention for the rich insights into how poor people manage money.

Perhaps the most concrete research on the changes that occur in MFIs as they transform into regulated, deposit-taking intermediaries is Fernando, Nimal (2004). Flaming (2009) presents an interesting analysis of the costs and limits associated with debt funding. Elser, Hannig and Wizniwski (1999) and Hannig and Wizniwski (1998) document the experiences of well known MFIs with their savings services.

The prerequisites for a vibrant and sound microfinance industry have been studied from different perspectives. Porteous, David (2006) identifies the core prerequisites and then explores the implications on the evolution of interest rates over time. Loubière, et. al. (2004) discuss the characteristics of a liberalized and enabling market and compare the experience in three Latin American countries.

This same document, as well as the forthcoming ASBA (2009) guidelines, list the basic requirements and specific recommendations for sound regulation and supervision of microfinance operations. Barth, et.al., 2006 makes a research-based case for the importance of performance reporting and disclosure in any financial regulatory regime. The Christen, Lyman and Rosenberg (2003) offers a comprehensive treatment of policy issues and specialized regulation issues associated with microfinance. Christen and Flaming (2009) provide a detailed guide for due diligence of microfinance portfolios, developed specifically for auditors and supervisors. Braun and Hannig (2006) cover both specialized regulations and the components of risk-based supervision.

ASBA (2009). *Guiding Principles for Effective Regulation and Supervision of Microfinance Operations*. Pending publication.

Barth, J.R., G. Caprio and R. Levine (2006). *Rethinking Bank Regulation: Till Angels Govern*. Cambridge University Press. New York.

Beck, Thorsten, Asli Demirgüç-Kunt and Ross Levine (2007). *Finance, Inequality and the Poor*. Forthcoming publication. http://www.econ.brown.edu/fac/Ross_Levine/Publication/Forthcoming/Forth_3RL_Fin%20Inequalily%20Poverty.pdf

Braun, Gabriela and Alfred Hannig (2006). "Regulation and Supervision: The Policy Framework" in Ledgerwood, Joanna and Victor White, *Transforming Microfinance Institutions*. World Bank.

Christen, Robert Peck and Mark Flaming (2009). *Due Diligence Guidelines for the Review of Microcredit Loan Portfolios*. CGAP.

References and further reading continued

Christen, Robert Peck, Timothy Lyman and Richard Rosenberg (2003). *Microfinance Consensus Guidelines: Guiding Principles on Regulation and Supervision of Microfinance*. CGAP.

Christen, Robert Peck and Richard Rosenberg (2000). *The Rush to Regulate: Legal Frameworks for Microfinance*. CGAP Occasional Paper.

Claessens, Stijn (2005). *Access to Financial Services: A Review of the Issues and Public Policy Objectives*. World Bank Policy Research Working Paper 3589.

Collins, Daryl, Jonathan Morduch, Stuart Rutherford and Orlanda Ruthven (2009). *Portfolios of the Poor*. Princeton University Press.

Devaney, Patricia Lee (). *Microsavings Programs: Assessing Demand and Impact: A Critical Review of the Literature*. Iris Center.

Elser, Laura, Alfred Hannig and Sylvia Wisniwski (1999). *Comparative Analysis Of Savings Mobilization Strategies*. CGAP Working Group on Savings Mobilization.

Fernando, Nimal (2004). *Micro Success Story? Transformation of Nongovernment Organizations into Regulated Financial Institutions. Asian Development Bank.*

Flaming, Mark (2007). *Guaranteed Loans to Microfinance Institutions: How do They Add Value?* CGAP Focus Note No.40.

FSA (2008). *Risked Based Approach to Supervision of Banks*. Financial Services Authority, Bank of England.

Hannig, Alfred and Sylvia Wisniwski (1998). Mobilizing Microsavings: The Experience Of Seven Deposit-Taking Institutions (Draft). Office of Development Studies. UNDP.

Janson, T., R. Rosales and G. Westley (2003). *Principios y Prácticas para la Regulación y Supervisión de las Microfinanzas*. Inter-American Development Bank, Washington, D.C.

Hawkins, Penelope (2006), *Financial access and financial stability*. BIS.

Levine, Ross (2005). *Finance and Growth: Theory and Evidence*, in Philippe Aghion and Steven Durlauf, eds. *Handbook of Economic Growth*. The Netherlands: Elsevier Science.

Loubière, Jacque Trigo, Patricia Lee Devaney and Elisabeth Rhyne (2004). Supervising & Regulating Microfinance in the Context of Financial Sector Liberalization: Lessons from Bolivia, Colombia and Mexico. Report to the Tinker Foundation.

Porteous, David (2006). *Competition and Microcredit Interest Rates*. CGAP Focus Note No.33.

Reille, Xavier (2009). *The Rise, Fall, and Recovery of the Microfinance Sector in Morocco*. CGAP Brief.

Rutherford, Stuart (1999). *The Poor And Their Money: An Essay About Financial Services For Poor People*. Institute for Development Policy and Management. University of Manchester.

About AFI

The Alliance for Financial Inclusion (AFI) is a global network of central banks and other financial inclusion policymaking bodies in developing countries. AFI provides its members with the tools and resources to share, develop and implement their knowledge of financial inclusion policies. We connect policymakers through online and face-to-face channels, supported by grants and links to strategic partners, so that policymakers can share their insights and implement the most appropriate financial inclusion policies for their countries' individual circumstances.

Alliance for Financial Inclusion

AFI, 399 Interchange Building, 24th floor, Sukhumvit Road, Klongtoey – Nua, Wattana, Bangkok 10110, Thailand
t +66 (0)2 401 9370 **f** +66 (0)2 402 1122 **e** info@afi-global.org www.afi-global.org

AFI is funded by the Bill & Melinda Gates Foundation and administered by the GIZ (German International Cooperation).