

Panel Discussion on “Regulation of Microfinance”

Tuesday, 10 April 2007, 3 p.m. – 5:30 p.m., Conference Room 7

Due to the expansion of microfinance (MF) through new institutions, downscaling of services by regulated banks, and transformation of small non-governmental service providers into major financial institutions, it has been increasingly recognized that MF activities need to be brought under the financial sector’s regulatory framework. In many countries, this framework is underdeveloped, in others partially applied. Retail financial institutions are often frustrated by the incompatibility of the existing regulatory framework with their growth trajectory. The legal, regulatory and supervisory frameworks are challenged to not only keep up with, but lead the way for the development of inclusive finance. Policy makers and regulators need to identify the opportunities for inclusion while respecting the fundamental principles of safeguarding the stability of the financial system and protecting funds deposited in regulated financial institutions. There is a rich literature on issues and guiding principles of regulation and supervision of MF. Nevertheless, it is recognized that existing analytical tools do not enable the generation of a set of detailed regulatory guidelines based on universal principles.

Biographical Notes