

Microfinance Policies

Key aspects. Comparative approach

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Basic Approaches

- “Classical” models: Bangladesh, Bolivia, etc.
- Role of government:
 - Absence of regulations vs. “rush to regulate”
 - Classical “microfinance strategies” (African countries)
 - Search for an appropriate regulatory environment
 - “Balanced” approach.

A qualitative jump

- The case for a significantly increased impact
 - A “proactive” role of government.
The cases of Colombia and Philippines.
 - Using technology to increase access to finance

The frontiers of traditional banking

- “Light” branches.
 - High costs due to
 - Reputational risk
 - Safety and cash handling
 - Staffing and related costs

Contrast with “agents”

Using technology to increase access to finance

- “Branchless Banking”
 - The non banking agents.
 - Mobile banking
- Banking led and “telco” led models

Practical steps to set up an efficient “branchless banking” scheme

General models for the delivery of “branchless banking” services and potentially usable technologies

- Agents can be used in a context of:
 - bank-based models
 - non bank-based models
- Technological tools that could be used:
 - Mobile phones
 - POS devices and plastic cards
 - Combination of the above instruments
 - Any potential new instrument capable of transmitting data in a safely and cheap manner as to allow the bb schemes to operate within reasonable levels of risk.

Outsourcing “banking” functions

- Delegation of banking functions
 - Authorized/forbidden by the Law
 - Special case of deposit taken function

Law vs. Regulation. (Country examples).

Business case. Interaction: public and private sector.

Principal/Agent relationship

- **Regulatory aspects**
 - Basic responsibility of the Principal in front of final user.
 - Permitted operations
 - Basic technological and safety related aspects
- **Contractual aspects**
 - “internal” relations and compensations/ fees/ operational arrangements.
 - Agents’ administrators?

AML/CFT norms.

- Evaluation of legal flexibility/ reform (precondition)
- Regulatory aspects
 - Requirements adapted to the specific conditions of agents (limited financial and technical capabilities)
 - Delegated checks of IDs and KYC
 - Flexible ID requirements
 - Limits on transactions, and balance thresholds

Transparency and customer protection (regulatory aspects)

- Information from agent to any potential customer. (identification of “principal” standing behind the operation, essential accountability scheme, basic services and fees)
- Appropriate system for receiving complaints, problem resolution and grievances redress.
- Privacy protection
- Financial literacy

Other regulatory areas

- Retail payment systems and basic gross payment structure in the respective country
- Competition in payments systems schemes and the delivery of financial services
- E-money and other stored value instruments

Some key challenges ahead

- Generate “proportional” regulation that allows the BB schemes to progress and innovations to flourish within reasonable level of risk for the involved parties
- Contribute to the creation of appropriate institutional environments on which the different agencies involved (at the policy making and regulatory levels) act with the necessary coordination and clarity of purposes.
- Contribute to the generation of appropriate business environments through the adequate interaction and contribution from both the governmental action and the private sector activity.

The role of postal banks.....

Thanks very much.