

**SAM - Semaine Africaine
de la Microfinance**

Addis-Abeba, ETHIOPIE
9-13 octobre 2017



**SAM - African
Microfinance Week**

Addis Ababa, ETHIOPIA
9-13 October, 2017

RESEARCH MEETS AFRICA

WORKING PAPERS SERIES



ACCOMPAGNER LES PME:
UNE NOUVELLE ÈRE
POUR LA FINANCE INCLUSIVE

CREATING VALUE FOR SMES:
A NEW FRONTIER
FOR INCLUSIVE FINANCE





CONTENTS / SOMMAIRE

	INTRODUCTION	06
	EDITORIAL	08
	PROGRAM / PROGRAMME	12
	OVERVIEW / RESUME	16
01	Relationship lending in microfinance: how does it impact client dropouts? Cécile Godfroid	18
02	Effective human touch in a digital age: implications for MSMEs Alexis Beggs Olsen	24
03	Comment améliorer le rôle de la microfinance dans le financement des MPME au Burundi ? Dr. Ephrem Niyongab Alphonse Nyobewumunsi	30
04	L'impact de l'émergence de la digitalisation financière sur l'inclusion financière de masse et les problématiques juridiques actuelles posées Dr. Manuel Roland Tcheumalieu Fansi	38
05	Towards a consolidated regulation for microfinance institutions in the ECOWAS region: lessons from the WAEMU countries Terfa W. Abraham	44
06	Is microfinance for female empowerment a zero sum game? Dr Samuel Salia Javed G. Hussain Dr IshmaelL Tingbani Dr Oluwaseun Kolade	52
07	Social performance and governance structure in microfinance: a global survey Muluneh Hideto Dato	58
08	Loyalty, trust and glass ceiling: the gender effect on microcredit renewal Mathilde Bauwin Walid Jbili	68



RESEARCH MEETS AFRICA

ORGANISERS



ADA – with the support of the Luxembourg's Cooperation for Development

For 20 years ADA has been a leading player in the field of microfinance in Luxembourg and abroad. The Luxembourgish NGO works to promote inclusive finance worldwide. ADA is convinced that access to financial services can bring about a lasting improvement in the living conditions of poor populations. ADA pursues its goals with the backing of the Luxembourg Development Cooperation, which has extended its mandate by five more years.

www.ada-microfinance.org



Innovations for Poverty Action (IPA) is a research and policy nonprofit that discovers and promotes effective solutions to global poverty problems. IPA brings together researchers and decision-makers to design, rigorously evaluate, and refine these solutions and their applications, ensuring that the evidence created is used to improve the lives of the world's poor. Since our founding in 2002, IPA has worked with over 575 leading academics to conduct over 650 evaluations in 51 countries. This research has informed hundreds of successful programs that now impact millions of individuals worldwide.

<https://www.poverty-action.org/>

SPONSORS



The MasterCard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the largest private foundations its work is guided by its mission to advance learning and promote financial inclusion to create an inclusive and equitable world. Based in Toronto, Canada, its independence was established by Mastercard when the Foundation was created in 2006.

For more information and to sign up for the Foundation's newsletter, please visit www.mastercardfdn.org. Follow the Foundation at @MastercardFdn on Twitter.



The Inclusive Finance Luxembourg Asbl (InFiNe.lu) is the Luxembourg national platform that brings together key stakeholders from the public, private and civil society sectors involved in inclusive finance. InFiNe.lu envisions a society with a universal access to quality and affordable financial services and products. Capitalizing on the Grand-Duchy's leading position in both financial and development sectors, InFiNe.lu mission is to further stimulate financial inclusion as a key for poverty alleviation and empowerment of low-income groups.

For more information, please visit www.infine.lu.



Making Finance Work for Africa (MFW4A) is a Partnership that was launched in 2007 in recognition of the fact that advancing financial sector development in Africa requires collaboration between African Governments, development partners, the private sector and other stakeholders. MFW4A provides a platform for joint action, dissemination of ideas and coordination amongst and between donors and African financial sector stakeholders to address the sector's development priorities. The MFW4A Secretariat was established in 2008 to support the activities of the Partnership and is hosted at the African Development Bank (AfDB) headquarters in Abidjan, Côte d'Ivoire. The Secretariat works to advance the overall goal of the Partnership by (i) Centralizing and disseminating financial sector knowledge; (ii) Convening partners and facilitating dialogue and exchanges on financial sector thematic and challenges, and (iii) Serving as a broker between supply and demand for financial sector assistance to help improve the coordination and efficiency of donor funding to Africa's financial sector.

For more information and to subscribe to our newsletter, please visit our website www.mfw4a.org. Follow us on Twitter @mfw4a

INTRODUCTION EN

ADA has always recognised the key role of research, and it is strongly convinced that innovation comes from the result of synergies between researchers and practitioners from the inclusive finance sector.

ADA, in partnership with Innovations for Poverty Action (IPA), decided to organise the conference Research Meets Africa on October, 9th 2017 alongside the African Microfinance Week in Addis Ababa, Ethiopia. This event aims to encourage collaboration between researchers and practitioners of the inclusive finance sector by involving African and international universities.

The triple aim of Research Meets Africa is:

1. *To promote research activities from African and international universities among practitioners;*
2. *To shed light and provide suitable solutions on the needs of the sector;*
3. *To develop a platform for exchange and dissemination of knowledge to influence inclusive finance policies and practices.*

The organisational committee invited PhDs candidates, researchers and experts to submit research papers on the following topic: what are the solutions or alternatives to respond to the needs of Micro, Small and Medium Enterprises (MSMEs) in terms of growth in Africa?

The scientific committee members, from African and international universities, selected eight research papers on the following topics:

- Access to finance for MSMEs
- Regulation and Governance

- Digital Era
- Women and Entrepreneurship

During the conference, the authors of accepted papers presented their main research results and discussed the key points with the practitioners and the panellists.

The best paper, selected by the scientific committee, will be announced during the closing ceremony of the conference.

This document brings together the eight articles of the selected researchers for Research Meets Africa, to share them within the sector. We deeply thank our partner « Making Finance Work for Africa », an exchange and dissemination platform for financial African sector, for the production of this publication.

We also thank our partner, Innovations for Poverty Action for its support in the organisation of the conference.

Finally, we would like to thank the researchers, our sponsors, the members of the scientific committee, the moderators, the panellists and all the participants of the conference for their precious contribution.

INTRODUCTION FR

ADA a toujours accordé un rôle primordial à la recherche, convaincue que l'innovation provient du fruit des synergies créées entre les chercheurs et les praticiens du secteur de la finance inclusive.

Dans le cadre de la Semaine Africaine de la Microfinance 2017, ADA s'est associée à Innovations for Poverty Action (IPA) pour organiser la conférence Research Meets Africa le 9 octobre 2017, à Addis Abeba en Ethiopie. Cet évènement a pour vocation de mettre en relation les chercheurs d'universités africaines et internationales avec les praticiens du secteur de la finance inclusive dans l'optique de créer un échange constructif et porteur de changement dans les pratiques du secteur.

La mission de Research Meets Africa est triple:

1. *Valoriser la recherche des universités africaines et internationales auprès des praticiens ;*
1. *Apporter un éclairage et des solutions adaptés aux besoins des acteurs de la finance inclusive ;*
1. *Développer une plateforme d'échange et de dissémination du savoir pour influencer les pratiques et les politiques en matière de finance inclusive.*

Les organisateurs ont invité des doctorants, des chercheurs et des experts à soumettre leurs articles de recherche sur le sujet suivant : quelles solutions ou alternatives pour répondre aux besoins de croissance des Micro, Petites et Moyennes Entreprises (MPME) en Afrique?

Les membres du comité scientifique provenant d'universités africaines et internationales ont sélectionné huit articles de recherche regroupés

selon les thématiques suivantes :

- Accès au financement pour les MPME
- Régulation et Gouvernance
- L'ère digitale
- Femmes et Entreprenariat

Durant la conférence, les auteurs des articles acceptés présenteront les principaux résultats de leur recherche, qui seront ensuite discutés avec les panélistes et les praticiens du secteur.

Le meilleur article, sélectionné par le comité scientifique, sera annoncé durant la session de clôture de la conférence.

Le présent document rassemble les résumés des huit articles de recherche des chercheurs sélectionnés pour Research Meets Africa dans un objectif de partage avec les acteurs du secteur de la finance inclusive. Nous remercions notre partenaire MFW4A, plate-forme d'échange et de dissémination des connaissances pour le secteur financier africain, pour la réalisation de cette publication.

Nos remerciements vont également à Innovations for Poverty Action pour son soutien dans l'organisation de cette conférence de recherche.

Nous remercions enfin les chercheurs, nos sponsors, les membres du comité scientifique, les modérateurs, les panélistes, ainsi que tous les participants de la conférence pour leur précieuse contribution.

USING EVIDENCE TO PROMOTE AFRICAN SMES

Small and Medium Enterprises (SMEs) are crucial to the development of strong, dynamic economies, and a significant source of job creation and social mobility. In Africa, SMEs represent more than 90 percent of formal sector enterprises and between 16 to 33 percent of the working population are employed in micro and small enterprises.¹² However, they face important challenges—such as limited access to finance, poor managerial skills, and lack of access to markets and information—which constrain their ability to grow and create jobs. In an effort to unlock the potential of the SME sector, governments, multilateral institutions, and development organizations invest billions of dollars every year in programs aimed at reducing the barriers to growth for SMEs. While there is a pressing need to identify effective solutions that could help steer investments to the areas where they will have the most impact, the evidence on “what works” is still very limited.³

At Innovations for Poverty Action, we bring together academics and practitioners to set a policy-relevant research agenda, conduct cutting-edge research, and share findings and best practices. The SME Program’s work is organized around the three main challenges experienced by SMEs: access to finance, capacity building, and market access.

As firms grow, external sources of financing become critical to promote innovation, reduce risk and facilitate market entry, but access to finance is frequently reported as one of the most binding constraints to SME growth. In Sub-Saharan Africa, for instance, 49% of MSMEs report it as a major constraint.⁴ While the financial industry regards the SME

segment as a promising client base, they often do not know how best to serve them in a cost-effective manner.⁵ The cost of lending to SMEs is typically higher because smaller firms tend to have opaque financial records and lack traditional physical collateral. In many countries, the necessary infrastructure or regulation may be missing—e.g. credit bureaus or movable collateral registries. SMEs need loans that are larger than typical microfinance loans and smaller than those for larger firms, which requires innovative solutions to the problem of the “missing middle”. IPA has been involved in evaluating the impact of solutions aimed at addressing challenges along the SME lending cycle including new ways of screening clients (e.g. using computerized credit scores), flexible financial products (e.g. delayed loan repayment), and means to encourage SME borrowers to repay on time (e.g. relationship banking).

There is a strong positive relationship between the quality of managerial practices and the productivity and profitability of firms.⁶ A survey of African entrepreneurs found that the percentage of those who “believed they have the skills to manage new firms was low: 9 percent in South Africa, 14 percent in Ghana and Nigeria, 19 percent in Ethiopia, 22 percent in Tanzania, and 23 percent in Kenya.”⁷ Management practices are poor among SMEs, owing in part to the way managers are selected and low educational levels.^{8 9} Additionally, because of firm size, SME managers often juggle responsibilities for which they may not be qualified. IPA has been involved in evaluating different capacity building approaches like consulting services and training using “rules of thumb” and finds that the skills that businesses

lack and problems they face are diverse requiring customized solutions.

Finally, reaching new domestic and international markets is the opportunity that SMEs need to grow their business: being able to purchase quality inputs at good prices, selling their products to a reliable buyer, or acquiring new technologies and knowledge to upgrade in the value chain are all significant ways in which SMEs can benefit from market access. Unfortunately, very few SMEs are able to take advantage of these opportunities. A World Bank group survey finds that many markets in Africa exhibit entry barriers and anticompetitive behavior; for instance, individual firms in the region dominate between 25 and 31 percent of key markets, compared to only 8 percent of key markets in high-income countries.¹⁰ The small size of SMEs also makes it challenging for them to negotiate with larger companies and there is an information gap in connecting small firms to opportunities in the value chain. IPA has been involved in evaluating a variety of solutions that help SMEs gain access to markets and finds that solutions like inter-firm networking, export promotion programs and public procurement can have an impact on helping them integrate with other market players and grow.

Across the developing world, billions of dollars are invested in designing programs that alleviate the constraints faced by SMEs, guided by the belief that entrepreneurship will lead to more jobs and higher incomes. Strong research methods are necessary and important to identify the impact of a specific program before advocating for it to a wider audience. At the same time, our experience has shown that research in this space benefits from fluid dialogues with practitioners and other stakeholders. It is only through a close collaboration between the worlds of research and practice that effective policymaking in SME development will be possible.

1 United Nations Economic Commission for Africa's North Africa Office report *SMEs actors for sustainable development in North Africa*. P. 6. <http://repository.uneca.org/bitstream/handle/10855/22263/b10737005.pdf?sequence=1>

2 *Data on employment: Improving the Competitiveness of SMEs through enhancing productive capacity (UNCTAD/ITE/TEB/2005/1)* 30 Jun 2005, 189 Pages, 827.0 KB P. 19 http://unctad.org/en/Docs/teteb20051_en.pdf

3 "Over US\$24.5 billion of development aid is targeted at Small and Medium Sized Enterprises (SMEs) and donor interest is increasing; yet targeting small enterprises is controversial." www.enterprise-development.org/implementing-psd/small-enterprise-development/

4 www.smefinanceforum.org/data-sites/ifc-enterprise-finance-gap

5 Beck, Thorsten; Demirgüç-Kunt, Asli; Martínez

Pería, María Soledad. 2008. *Bank Financing for SMEs around the World : Drivers, Obstacles, Business Models, and Lending Practices*. Policy Research Working Paper; No. 4785. Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/63155> License: CC BY 3.0 IGO." P. 6

6 McKenzie, David, and Christopher Woodruff. 2015. "Business practices in small firms in developing countries." *National Bureau of Economic Research*, August 27.

7 *Accelerating Entrepreneurship in Africa*. Malik Fal, *Innovations: Technology, Governance, Globalization* 2013 8:3-4, P. 156-157. http://www.mitpressjournals.org/doi/pdf/10.1162/INOV.a_001933

8 Bloom, Nick, and John Van Reenen. *Measuring and explaining management practices across firms and countries*. No. w12216. *National Bureau of Economic Research*, 2006. P.25

9 Bloom, Nicholas, Christos Genakos, Raffaella Sadun, and John Van Reenen. "Management practices across firms and countries." *The Academy of Management Perspectives* 26, no. 1 (2012): 12-33. (cited by 206) P. 17

10 The World Bank "Changing Mindsets to Transform Markets: Lessons Learned from the First Annual Awards in Competition Policy Advocacy" (2014) P. 4 <http://documents.worldbank.org/curated/en/609211474266532681/pdf/108251-WP-Competition-Policy-Awards-PUBLIC.pdf>

About IPA and the SME Program

Innovations for Poverty Action (IPA) is a global non-profit organization that discovers and promotes effective solutions to global poverty problems. Since 2002, IPA has worked with over 575 leading academics to conduct over 650 evaluations in 51 countries. The SME Program at IPA has grown over the last five years to include more than 85 studies in 32 countries, leading to valuable lessons learned that can inform the design of more effective policies and programs.

For more information on the SME Program at IPA, please contact sme@poverty-action.org



DES PREUVES POUR APPUYER LA PROMOTION DES PME AFRICAINES

Les petites et moyennes entreprises (PME) sont essentielles au développement d'économies fortes et dynamiques et une source importante de création d'emplois et de mobilité sociale. En Afrique, les PME représentent plus de 90 pour cent des entreprises du secteur formel, et entre 16 et 33 pour cent de la population active est employée dans les micros et petites entreprises. Cependant, elles font face à des défis majeurs, tels qu'un accès limité aux marchés, à l'information et aux financements, ainsi que de faibles compétences en gestion, limitant leur capacité à croître et à créer des emplois. Dans le but de débloquer le potentiel du secteur des PME, les gouvernements, les institutions multilatérales et les organisations de développement investissent chaque année des milliards de dollars dans des programmes visant à réduire les obstacles à la croissance pour les PME. Bien qu'il existe un besoin pressant d'identifier des solutions efficaces pouvant aider à orienter les investissements dans les domaines où ils auront le plus d'impact, les preuves sur «ce qui fonctionne» sont encore très limitées.

À Innovations for Poverty Action, nous rassemblons des chercheurs et des organisations ou des entreprises pour établir des programmes de recherche pertinents, mener des recherches de pointe et partager les résultats et les

meilleures pratiques. Les activités du programme PME sont organisées autour des trois principaux défis rencontrés par les PME: accès au financement, renforcement des capacités et accès au marché.

À mesure que les entreprises grandissent, les sources de financement externes deviennent essentielles pour promouvoir l'innovation, réduire les risques, et faciliter l'entrée sur le marché. Cependant, l'accès au financement est souvent considéré comme l'une des barrières les plus contraignantes à la croissance des PME. En Afrique subsaharienne, par exemple, 49% des MPME le signalent comme une contrainte majeure. Bien que l'industrie financière considère le secteur des PME comme une clientèle prometteuse, ils ne connaissent souvent pas la meilleure façon de les servir de manière rentable. Le coût des prêts aux PME est généralement plus élevé parce que les petites entreprises ont tendance à avoir des dossiers financiers opaques et à ne pas avoir de garantie physique traditionnelle. Dans de nombreux pays, l'infrastructure ou la réglementation nécessaire est inexistante, par exemple des bureaux de crédit ou des registres collatéraux mobiles. Les PME ont besoin de prêts supérieurs aux prêts typiques de microfinance et plus petits que ceux des grandes entreprises, ce qui nécessite des solutions innovantes au problème du «maillon manquant». IPA a participé à l'évaluation de l'impact de solutions

visant à relever les défis du cycle de prêt des PME, y compris de nouvelles méthodes de sélection des clients (par exemple, en utilisant des scores de crédit informatisés), des produits financiers flexibles (par exemple, un remboursement différé des prêts) et des moyens d'encourager les emprunteurs PME à rembourser à temps (p. ex. banque de relations).

Il existe une forte relation positive entre la qualité des pratiques de gestion et la productivité et la rentabilité des entreprises. Un sondage auprès d'entrepreneurs africains a révélé que le pourcentage de ceux qui « pensaient avoir les compétences nécessaires pour gérer de nouvelles entreprises » était faible: 9% en Afrique du Sud, 14% au Ghana et au Nigeria, 19% en Ethiopie, 22% en Tanzanie et 23 % au Kenya. Les pratiques de gestion sont faibles parmi les PME, en partie en raison de la façon dont les gestionnaires sont sélectionnés et des bas niveaux d'éducation. De plus, en raison de la taille des entreprises, les gestionnaires des PME jonglent entre des responsabilités pour lesquelles ils peuvent ne pas être qualifiés. IPA a participé à l'évaluation de différentes approches de renforcement des capacités, comme les services de consultation et la formation, en utilisant des «règles empiriques» et constate que les compétences dont les entreprises manquent et les problèmes qu'elles rencontrent sont diverses, nécessitant des solutions personnalisées.

Enfin, atteindre de nouveaux marchés nationaux et internationaux est une opportunité que les PME doivent saisir pour faire grandir leurs entreprises : la possibilité d'acheter des intrants de qualité à bon prix, de vendre leurs produits à un acheteur fiable, ou d'acquérir de nouvelles technologies et connaissances pour améliorer la chaîne de valeur sont des moyens non négligeables pour lesquels les PME peuvent bénéficier de l'accès au marché. Malheureusement, très peu de PME peuvent profiter de ces opportunités. Une enquête de la Banque mondiale révèle que de nombreux marchés en Afrique présentent des barrières à l'entrée sur le marché et des comportements anticoncurrentiels ; par exemple, les entreprises individuelles de la région dominent entre 25% et 31% des marchés clés, contre seulement 8% des principaux marchés dans les pays à revenu élevé. La petite taille des PME

est également un défi pour négocier avec les grandes entreprises et il existe une insuffisance d'information dans la connexion des petites entreprises aux opportunités de la chaîne de valeur. IPA a participé à l'évaluation d'une variété de solutions qui aident les PME à accéder aux marchés et constate que des solutions telles que la mise en réseau interentreprises, les programmes de promotion des exportations et les marchés publics peuvent avoir un impact sur leur intégration avec d'autres acteurs du marché et leur croissance.

Dans le monde en développement, des milliards de dollars sont investis dans la conception de programmes qui allègent les contraintes auxquelles sont confrontées les PME, guidés par la conviction que l'entrepreneuriat entraînera plus d'emplois et des revenus plus élevés. Des méthodes de recherche rigoureuses sont nécessaires et importantes pour identifier l'impact d'un programme spécifique avant de le préconiser pour un public plus large. Dans le même temps, notre expérience a montré que la recherche dans cet espace bénéficie de dialogues fluides avec les partenaires de mise en œuvre et les autres parties prenantes. Ce n'est que grâce à une collaboration étroite entre le monde de la recherche et la pratique que l'élaboration efficace des politiques dans le développement des PME sera possible.

À propos d'IPA et son programme PME

Innovations for Poverty Action (IPA) est une organisation internationale à but non lucratif qui découvre, explore et promeut des solutions efficaces contre la pauvreté dans le monde. Depuis 2002, IPA a travaillé avec plus de 575 universitaires pour mener plus de 650 évaluations dans 51 pays. Le programme des PME d'IPA a grandi au cours des cinq dernières années pour inclure plus de 85 études dans 32 pays, ce qui a permis de tirer des leçons importantes qui peuvent éclairer la conception de politiques et de programmes plus efficaces.

Pour plus d'informations sur le programme PME d'IPA, veuillez contacter : sme@poverty-action.org

RESEARCH MEETS AFRICA

PROGRAMME

Monday, October 9, 8.30 - 17.30

Lalibela Grand Ballroom 1

8.30 - 8.45

Welcome and Check-in

8.45 - 9.00

OPENING PLENARY

👤 Laura Foschi - ADA - Luxembourg

👤 Rebecca Rouse - Innovations for Poverty Action (IPA)

9.00 - 9.30

PRESENTATION QUALITATIVE STUDY: SMALL AND GROWING BUSINESSES IN ETHIOPIA

👤 First Consult PLC and ADA Luxembourg

9.30 - 10.45

PLENARY 1 : ACCESS TO FINANCE FOR MSMEs

How to improve the role of microfinance in the financing of MSMEs in Burundi?

👤 Alphonse NYOBEMUNSI - Central Bank of Burundi

Relationship lending in microfinance: how does it impact client dropouts?

👤 Cécile GODFROID - CERMi-UMONS - Belgium

Moderator

👤 Kaspar WANSLEBEN - Luxembourg Microfinance and Development Fund (LMDF) - Luxembourg

Panelists

👤 Suleiman ASMAN - Innovations for Poverty Action (IPA)

👤 Syed SUHAIL PERVEEZ - TEBITA Ambulance - Ethiopia

👤 Eléonore Marie Céline COMPAORE GYEBRE - GRAINE Burkina Faso

👤 Zerihun AYALEW - Rorank - Ethiopia

10.45 - 11.00

COFFEE BREAK

11.00 - 12.30

PLENARY 2: REGULATION AND GOVERNANCE

Microfinance Regulation in West Africa: Effect on Small Businesses and the Debates around a Consolidated Legislation

👤 Terfa W. ABRAHAM - National Institute for Legislative Studies (NILS) - Abuja, Nigeria

Association between microfinance social rating scores and governance structure: a global survey

👤 Muluneh Hideto DATO - Université libre de Bruxelles (ULB), SBS-EM, CEB and CERMI Belgium; Universitetet i Agder (UiA), KSBL - Kristiansand, Norway

Moderator

👤 Frédéric KALALA - Protestant University of Congo - DRC

Panelists

👤 Lucia SPAGGIARI - Microfinanza Rating

👤 Sharada RAMANATHAN - Progress out of Poverty Index

👤 Luc VANDEWEERD - ADA Luxembourg

12.30 - 14.00

LUNCH BREAK

14.00 - 14.30

HOW DO WE KNOW WHAT WORKS? USING RANDOMIZED EVALUATIONS TO DISCOVER EFFECTIVE WAYS TO PROMOTE SME GROWTH

Rebecca Rouse - Financial Inclusion Program Director - Innovations for Poverty Action (IPA)

14.30 - 15.45

PLENARY 3: DIGITAL ERA

The emergence of financial digitalization on inclusive finance and legal aspects

Dr. Manuel Roland TCHEUMALIEU FANSI - Strasbourg University and Yaoundé II

Effective Human Touch in a Digital Age: Implications for MSMEs

Alexis Beggs OLSEN - Consultant & CFI Fellow - US

Moderator

Suleiman Asman - Innovations for Poverty Action (IPA)

Panelists

Lonneke Noteboom - FMO - Netherlands

Niladri Roy - Craft Solutions - Kenya

Ed Higenbottam - Verdant Capital

15.45 - 16.00

Coffee break

16.00 - 17.15

PLENARY 4: WOMEN AND ENTREPRENEURSHIP

Is women empowerment a zero sum game? Unintended consequences of microfinance for women's empowerment in Ghana

Salia SAMUEL - University of Wolverhampton - UK

Loyalty, Trust and Glass Ceiling: the Gender Effect on Microcredit renewal

Mathilde BAUWIN - Paris Dauphine University and the French National Institute of Demographic Studies - France

Moderator

Laura Viganò - University of Bergamo - Italy

Panelists

Eléonore Marie Céline COMPAORE GYEBRE - GRAINE - Burkina Faso

Nathalie IRAGI - Hekima - DRC

Teshome Yiheyis - Meklit Microfinance Institution - Ethiopia

17.15 - 17.30

CLOSING REMARKS AND PRESENTATION OF THE AWARD

Linda Szelest - ADA - Luxembourg

Rebecca Rouse - Innovations for Poverty Action (IPA)

Contacts

Linda Szelest - R&D Senior Project officer - ADA - l.szelest@ada-microfinance.lu

Maria Belen ZAMBRANO - Project officer - ADA - m.zambrano@ada-microfinance.lu

Organiser:



Co-organiser:



Sponsors:



RESEARCH MEETS AFRICA

PROGRAMME

Lundi 9 octobre, 8.30 - 17.30

Lalibela Grand Ballroom 1

8.30 - 8.45

■ ACCUEIL ET ENREGISTREMENT

8.45 - 9.00

■ OUVERTURE DE LA CONFÉRENCE

👤 Laura Foschi - ADA - Luxembourg

👤 Rebecca Rouse - Innovations for Poverty Action (IPA)

9.00 - 9.30

■ PRÉSENTATION DE L'ÉTUDE QUALITATIVE : PETITES ET MOYENNES ENTREPRISES À FORT POTENTIEL DE CROISSANCE ET DE CRÉATION D'EMPLOIS EN ETHIOPIE

👤 First Consult PLC et ADA Luxembourg

9.30 - 10.45

■ PLÉNIÈRE 1 : ACCÈS AU FINANCEMENT POUR LES MPME

Comment améliorer le rôle de la microfinance dans le financement des MPME au Burundi?

👤 Alphonse NYOBEWUMUNSI - Banque Centrale du Burundi

La relation client en microfinance : quel impact sur le désengagement des clients?

👤 Cécile Godfroid - CERMI-UMONS - Belgique

Modérateur

👤 Kaspar Wansleben - Luxembourg Microfinance and Development Fund (LMDF) - Luxembourg

Panélistes

👤 Suleiman Asman - Innovations for Poverty Action (IPA)

👤 Syed Suhail Perveez - TEBITA Ambulance - Ethiopie

👤 Eléonore Marie Céline COMPAORE GYEBRE - GRAINE Burkina Faso

👤 Zerihun AYALEW - Rorank - Ethiopia

10.45 - 11.00

■ PAUSE-CAFÉ

11.00 - 12.30

■ PLÉNIÈRE 2 : RÉGULATION ET GOUVERNANCE

La régulation de la microfinance en Afrique de l'Ouest: impact sur les petites entreprises et débats sur une législation consolidée

👤 Terfa W. Abraham - National Institute for Legislative Studies (NILS) - Abuja, Nigéria

Lien entre la notation de performance sociale et la structure de gouvernance des IMF

👤 Muluneh Hideto DATO - Université libre de Bruxelles (ULB), SBS-EM, CEB and CERMI Belgium; Universitetet i Agder (UiA), KSBL - Kristiansand, Norway

Modérateur

👤 Frédéric KALALA - Université Protestante du Congo - RDC

Panélistes

👤 Lucia Spaggiari - Microfinanza Rating

👤 Sharada RAMANATHAN - Progress out of Poverty Index

👤 Luc VANDEWEERD - ADA Luxembourg

12.30 - 14.00

■ PAUSE-DÉJEUNER

14.00 - 14.30

COMMENT IDENTIFIER LES MOYENS EFFICACES POUR ACCOMPAGNER LA CROISSANCE DES PME ? L'UTILISATION DES ÉVALUATIONS D'IMPACT PAR SÉLECTION ALÉATOIRE

14.30 - 15.45

PLÉNIÈRE 3 : L'ÈRE DIGITALE

L'impact de l'émergence de la digitalisation financière sur l'inclusion de masse et les problématiques juridiques actuelles posées

👤 Dr. Manuel Roland TCHEUMALIEU FANSI - Université de Strasbourg et Yaoundé II

Rendre la relation client efficace à l'ère digitale: implications pour les MPME

👤 Alexis Beggs OLSEN - Consultant & CFI Fellow - USA

Modérateur

👤 Suleiman Asman - Innovations for Poverty Action (IPA)

Panélistes

👤 Lonneke Noteboom - FMO - Netherlands

👤 Niladri Roy - Craft Solutions - Kenya

👤 Ed Higenbottam - Verdant Capital

15.45 - 16.00

PAUSE-CAFÉ

16.00 - 17.15

PLÉNIÈRE 4 : FEMMES ET ENTREPRENEURIAT

L'émancipation des femmes est-elle un jeu à somme nulle? Les conséquences inattendues de la microfinance sur l'émancipation des femmes au Ghana

👤 Salia SAMUEL - Université de Wolverhampton - UK

Loyauté, confiance et plafond de verre : la conséquence du genre dans le renouvellement du microcrédit

👤 Mathilde BAUWIN - Université Paris Dauphine et Institut National des Etudes Démographiques - France

Modérateur

👤 Laura Viganò - Université de Bergame - Italie

Panélistes

👤 Eléonore Marie Céline COMPAORE GYEBRE - GRAINE - Burkina Faso

👤 Nathalie IRAGI - Hekima - RDC

👤 Teshome Yiheyis - Meklit Microfinance Institution - Ethiopie

17.15 - 17.30

CLÔTURE DE LA CONFÉRENCE ET REMISE DU PRIX DU MEILLEUR PAPIER

👤 Linda Szelest - ADA - Luxembourg

👤 Rebecca Rouse - Innovations for Poverty Action (IPA)

Contacts

Linda Szelest - Chargée de projets R&D senior - ADA - l.szelest@ada-microfinance.lu

Maria Belen ZAMBRANO - Chargée de projets - ADA - m.zambrano@ada-microfinance.lu

Organiser:



Co-organiser:



Sponsors:



OVERVIEW / RÉSUMÉ

RELATIONSHIP LENDING IN MICROFINANCE: HOW DOES IT IMPACT CLIENT DROPOUTS ?

CÉCILE GODFROID

Client retention has been identified as a critical factor for both social performance and financial sustainability of microfinance institutions (MFIs). Therefore, it seems to be essential to analyze the factors that may explain client dropouts in microfinance. This study focuses on factors linked to the relationship clients have with their loan officer. Using a database from Buusaa Gonofaa, a MFI active in Ethiopia and running a probit regression, our results demonstrate that relationship lending decreases the probability for the client to leave the MFI, showing the importance of close contacts between borrowers and loan officers.

Keywords: *Microfinance, Relationship lending, Client Dropouts, Loan Officers*

EFFECTIVE HUMAN TOUCH IN A DIGITAL AGE : IMPLICATIONS FOR MSMEs

ALEXIS BEGGS OLSEN

Digital financial services, powered by data-driven algorithms are disrupting the field of financial services. This study sought to explore the role of human touch in effective financial inclusion service provision. It was conducted in Kenya, home to a robust financial inclusion market and more than twenty digital lenders. The study involved in-depth qualitative interviews twelve financial service providers as well as with 120 individual customers. It used a customer journey mapping framework to illuminate preferences on technology and human touch. A number of the findings were relevant for MSMEs, including a strong desire for both human touch and speed, the effects of higher interest loans, and the implications of arrears.

Keywords: *Digital Financial Services; Human Touch; Customer Experience; Customer Journey; Financial Inclusion.*

COMMENT AMÉLIORER LE RÔLE DE LA MICROFINANCE DANS LE FINANCEMENT DES MPME AU BURUNDI ?

ALPHONSE NYOBEWUMUNSI

Ce papier a analysé le financement des MPME afin d'apprécier l'apport de la microfinance et dans quelle mesure ce financement pourrait être amélioré. A fin 2016, seulement 13% des MPME étaient clientes des banques, établissements financiers et institutions de microfinance (IMF). Seulement 9% avaient demandé un crédit et 10% avaient un crédit en cours. Ces faibles proportions sont révélatrices des difficultés d'accès au financement pour les MPME. En plus, l'encours moyen de crédit est limité pour permettre d'importants investissements, à quoi s'ajoutent le coût élevé et la durée limitée du crédit. Pour encourager le développement des MPME, les stratégies de développement doivent mieux intégrer les spécificités des MPME et privilégier un financement adapté pour ces entreprises.

Mots clés : *MPME, Microfinance*

L'ÉMERGENCE DE L'INCLUSION FINANCIÈRE PAR L'INNOVATION : LE MOBILE BANKING, LE MOBILE TRANSFER, LES FINTECH ET LES PROBLÉMATIQUES JURIDIQUES ACTUELLES

MANUEL ROLAND TCHEUMALIEU FANSI

Avec l'intrusion des NTIC dans l'industrie de la microfinance, certaines opérations de banque notamment de transferts de fonds et les services de paiement qui relevaient classiquement du monopole des banques et institutions de microfinance sont désormais accomplies par divers acteurs para bancaires tels les opérateurs de téléphonie mobile ou les établissements de paiement. C'est l'ère de la digitalisation financière avec les startups de la Fintech. La technologie numérique et la finance riment désormais ensemble au grand bonheur des populations non bancarisées, principales destinataires de ces services innovants. Quoique salubre du point de vue de l'inclusion financière tant souhaitée, l'immixtion de cette innovation dans la finance est si brutale qu'elle pose au législateur, des défis de réglementation.

Mots clés: *Innovation – Microfinance*

MICROFINANCE REGULATION IN WEST AFRICA: EFFECT ON SMALL BUSINESSES AND THE DEBATES AROUND A CONSOLIDATED LEGISLATION

TERFA WILLIAMS ABRAHAM

The literature on microfinance regulation presents propositions that can be useful to inform coordinated legislation for developing countries/regions towards supporting the growth of small and medium scale enterprises. Empirical evidence testing their validity, however, is lacking. While the debate in the literature seeks to clarify aspects of microfinance institutions that can be regulated and to also point out when it may not be feasible to do so, empirical evidence for the West African region, can help inform legislators in the ECOWAS region on whether or not to regulate microfinance institutions using legislation. Using secondary data collected from World Governance Indicators and the World Development Indicators, this paper examines the effect of microfinance regulation on the cost of doing business, and on domestic credit to the private sector in West Africa. The result shows that microfinance regulation potentially reduces the cost of doing business in the region. However, evidence for the effect of microfinance regulation on domestic credit to the private sector, supports arguments in the literature that regulation of microfinance institutions in an environment that is focused on increasing access to credit, might not be a good idea. These evidence were consistent for the selected Francophone and Anglophone countries in the ECOWAS sub region. The policy implication is that, while regulating microfinance institutions in the Anglophone region could be explored by parliaments in Anglophone West Africa, it remains paramount to address other issues such as the cost of doing business.

Keywords: *Microfinance, Regulation, Small Business*

IS WOMEN EMPOWERMENT A ZERO SUM GAME? UNINTENDED CONSEQUENCES OF MICROFINANCE FOR WOMEN'S EMPOWERMENT IN GHANA

SAMUEL SALIA

JAVED G. HUSSAIN

DISHMAELL TINGBANI

OLUWASEUN KOLADE

Against the background of growing concerns that development interventions can sometimes be a zero-sum game, this paper examines the unintended consequences of microfinance for women empowerment in Ghana. The study employs a participatory mixed-method approach including household questionnaire surveys, focus group discussions and key informant interviews to investigate the dynamics of microfinance effects on women in communities of different vulnerability status in Ghana. The results of hierarchical regression, triadic closure and thematic analyses demonstrate that the economic benefits of microfinance for women is also directly associated with conflicts amongst spouses, girl child labour, polygyny and the neglect of perceived female-domestic responsibilities due to women's devotion to their enterprises. In the light of limited empirical evidence on potentially negative impacts of women empowerment interventions in Africa, this paper fills a critical gap in knowledge that will enable NGOs, MFI's, policy makers and other stakeholders to design and implement more effective interventions that mitigate undesirable consequences.

Keywords: *Microfinance (1); Women Empowerment (2); Unintended Consequences (3); Ghana (4).*

ASSOCIATION BETWEEN MICROFINANCE SOCIAL RATING SCORES AND GOVERNANCE STRUCTURE: A GLOBAL SURVEY

MULUNEH HIDE TO DATO

The recent crisis in microfinance industry has created a sense of distrust among stakeholders. In growing numbers, investors, donors, lenders, and other stakeholders are apparently considering more than the MFI's financials, but MFI's commitment to its social responsibility. Corporate governance is identified as one of the most important factor to monitor an MFI on behalf of stakeholders. Nevertheless, what constitutes effective corporate governance is not well established. We analyze the association between corporate governance and social performance ratings in microfinance. Using microfinance social rating scores—a unique innovation of the microfinance industry, we find that MFIs with higher social performance ratings have significantly larger board size, more international directors and internal auditors reporting to the board. We also find that these MFIs are initiated by international organizations. Compared to shareholder owned MFIs NGO-MFIs are more likely to receive higher ratings. These results add to the growing body of empirical literature on corporate governance and highlight several important characteristics of effective internal and external governance mechanisms.

Keywords: *Boards of Directors, Corporate Governance, Social Performance Rating, Microfinance*

LOYALTY, TRUST AND GLASS CEILING: THE GENDER EFFECT ON MICROCREDIT RENEWAL

MATHILDE BAUWIN

WALID JBILI

Whereas most research into microfinance focus on the impact of access to such services, very little pays attention to what happens over time once a person becomes a client. The paper aims at analyzing the conditions of loan renewals and progressive lending policy with a gender perspective. The work is based on a case study about the main Tunisian microfinance institution. The analysis focuses on the evolution of amounts over credit cycles, correcting the selection bias due to dropouts. The results show that if both men and women benefit from the progressive lending policy, amounts grow more slowly for women. Consequently, as women already start from a lower position, initial inequalities cannot be counterbalanced.

Keywords: *Gender; Loan size*

01

RELATIONSHIP LENDING IN MICROFINANCE: HOW DOES IT IMPACT CLIENT DROPOUTS?

BY

Cécile Godfroid, PhD student, *CERMI-UMONS, Belgique*

cecile.godfroid@umons.ac.be

Keywords:

Microfinance,

*Relationship
lending,*

Client Dropouts,

Loan Officers

■ **ABSTRACT** Client retention has been identified as a critical factor for both social performance and financial sustainability of microfinance institutions (MFIs). It seems thus to be essential to examine the factors that can explain client dropouts in the microfinance sector. This study focuses on factors linked to the relationship clients have with their loan officer to analyze client dropouts. We assume that the higher the ratio between the number of different loan officers a client dealt with compared to the number of loans he received from the MFI, the less intensive the relationship between both actors is. Using a sample of 47,080 observations covering the time period 2005- 2015 from a MFI active in Ethiopia and running an IV probit regression, our results demonstrate that a more intensive relationship between clients and loan officers decreases the probability that clients leave the MFI, showing the importance of close contacts between loan officers and their clients.



INTRODUCTION

Client retention is identified as a critical factor for both social performance and financial sustainability of microfinance institutions (MFIs). Undeniably, retaining clients helps MFIs to reduce administrative costs and loan defaults. Given the advantages offered by client retention, it seems essential to analyze the factors that can explain client dropouts in the microfinance sector. However, this field remains poorly documented in the literature. Among the few studies on this topic, some of them have shown that client exits may be mainly explained by attributes

linked to clients or their business, attributes of the services offered by the MFI, loan officer attributes, group issues or external shocks (Bardsley et al., 2015). This study focuses on factors linked to the relationship between clients and their loan officer in order to analyze client dropouts. We argue that without a close relationship between both actors, microfinance may lose its “raison d’être” and clients may be negatively affected. This close relationship is built up through relationship lending, in opposition to transaction lending. Relationship

lending presents several advantages. It can reduce information asymmetry problems as banks obtain information about the borrower’s repayment history (Diamond, 1991). As asymmetry of information may be particularly problematic when dealing with poor people who are active in the informal economy and often lack collateral, reducing this barrier by relationship lending appears to be essential to include them financially. While studies on relationship lending often consider the relation between the bank and the client without taking the role of loan officer into account, others spotlight the importance of this actor. We argue that when analyzing relationship lending in the microfinance sector, loan officers are particularly crucial as microfinance credit agents represent the key link and often the sole point of contact between the client and the MFI (Canales and Greenberg, 2016). To better understand this topic, we mobilize two strands of literature before applying them to the microfinance industry: relationship lending and client’s fidelity to a service worker.

RELATIONSHIP LENDING

Relationship lending is defined as “the process of collecting private, customer-specific information on potential borrowers, and then using it to engage in profitable banking activities” (Scott, 2006, p. 545), this information being collected through social interactions between the lender and the borrower (Lehmann and Neuberger, 2001; Turvey et al., 2014). Relationship lending is particularly relevant when soft information is required and is consequently mostly used when a bank is dealing with SMEs. It helps reduce information asymmetry and improve access to credit. As soft information is not easy to acquire, loan officers, because of their numerous contacts with borrowers, appear as an essential actor when examining relationship lending. Actually, their activities are based on the production of soft information (Scott, 2006) because of their direct contact with the borrower (Uzzy and Lancaster, 2003; Akhavein et al., 2004; Uchida et al., 2012; Fiordelisi et al., 2014). Uchida et al. (2012, p.98) argue that “the ‘relationship’ in relationship lending is indeed the loan-officer-entrepreneur relationship, not the bank-entrepreneur relationship”.

CLIENTS’ LOYALTY TOWARD A SERVICE WORKER

The notion of personal loyalty, the “customer’s level of attachment to and exclusive use of a service individual” (Bove and Johnson, 2002) is particularly predominant in the literature on relationship marketing. Relationship marketing is defined as “attracting, maintaining and in multi-service organizations, enhancing customer relationships” (Berry, 1983; p.25). This concept is indeed particularly interesting as it is argued that it is less costly (Reichheld and Sasser, 1990) and more revenue generating (Schlesinger and Heskett, 1991; Reichheld, 1996) to retain existing customers rather than to attract new ones. Moreover, relationship marketing helps companies to better understand customers’ needs and thus respond to them (Berry, 1983). Gwinner et al. (1998) explain that users involved in a long-term relationship may benefit from higher confidence in the service provider, from social benefits such as the impression of being unique, and from a special treatment in terms of price reduction for example. Palmatier et al. (2006) showed that a relationship established between a client and a service worker made relationship marketing more effective than if the relationship was established with the firm. Close relationships with a service worker are known to particularly develop in service firms and in small companies (Barnes, 1997). Beatty et al. (1996) shown

in their study that clients affirmed to be loyal in the first instance to their service worker rather than to the firm. Personal loyalty may have substantial benefits for the firm. Clients involved in a strong relationship with their service worker are more likely to evaluate the firm positively (Brown, 1995), to spend more (Reynolds and Beatty, 1999), and to repurchase several time (Costabile, 2000). However, as the loyalty to a service worker can be higher than the loyalty to a firm, customers may be tempted to leave the firm when the service worker quits the firm (Beatty et al., 1996), is promoted or is transferred to another department

(Bendapudi and Leone, 2002). Even if the client faces some difficulties to leave the firm in the short term because of high switching costs, he will be tempted to move to a competitor afterwards (Anderson and Robertson, 1995; Bendapudi and Leone, 2002) to follow the service worker. In the same vein, Bove and Johnson (2002) demonstrated that personal loyalty may represent an important factor justifying customer dropouts.

PERSONAL LOYALTY AND RELATIONSHIP LENDING TO EXPLAIN DROPOUTS IN MICROFINANCE

Microfinance represents a particularly interesting sector to explore when it comes to study personal loyalty and relationship lending. Microfinance, the delivery of financial services to poor people who are excluded from the traditional banking sector, differs from the latter for several reasons. Microfinance borrowers present a particularly high information opacity, increasing asymmetric information problems for microfinance institutions (MFIs). To mitigate these problems, MFIs rely, among other techniques, on relationship lending. They often use the progressive lending technique, increasing the credit amount only if the previous loan was correctly repaid (Armendáriz and Morduch, 2009). Moreover, as loan terms are generally short and reimbursements frequent in microfinance, borrowers are required to have frequent contacts with their MFI (Giné et al., 2010), and more particularly with their loan officer. Canales and Greenberg (2016) argue that microfinance loan officers are often the “sole points of contact” between the client and the MFI. They have numerous contacts with clients as they are in charge of finding new ones (Fisher and Sriram, 2002), advising them (Siwale and Ritchie, 2012) during loan application, monitoring them by visiting their house, and enforcing reimbursement (Ito, 2003; Siwale and Ritchie, 2012). Regarding their informational role, loan officers are responsible for detecting and monitoring relevant information to select clients and for transferring this information to the credit committee (Siwale and Ritchie, 2012). Loan officers can also acquire soft information within the borrower’s social environment where they diffuse information about non-repayments. According to Shchetinin and Wollbrant (2013), credit officers decide themselves which part of the information they will transmit to the microfinance institution. In microfinance, loan officers have a large discretion particularly in the screening and allocation processes (Agier and Szafarz, 2013), and in the way they choose to enforce rules (Piore, 2011; Canales and Greenberg, 2016). As borrowers in microfinance seem to build a close relationship with their loan officer, loan officers’ turnover may be particularly detrimental. However, there are very few studies that examine the impact of loan officers’ turnover and rotation in microfinance. One of them is the one conducted by Canales and Greenberg (2016). They demonstrate that when a borrower faces a change of loan officer, he will be more likely to miss repayments.

RESEARCH OBJECTIVES

As explained above, relationship lending may be particularly beneficial for borrowers in microfinance who often presents a high level of information opacity. Moreover, we argue that loan officers appear as an essential actor when examining relationship lending. This is particularly true in microfinance because borrowers tend to consider their loan officer as the unique representative of the institution as this one is often their sole point of contact. Borrowers may even develop a kind of loyalty toward their loan officer. As a consequence, even if microfinance borrowers do not have many other opportunities to obtain a credit if they cease their relationship with their MFI, they could be tempted to quit the MFI when they face a change in their loan officer.

This study tries thus to answer the following research question: “What is the impact of relationship lending on client dropouts in microfinance?”

METHODS

In this study, we used a sample of 47,080 observations covering the time period 2005-2015, collected at the Ethiopian microfinance institution Buusaa Gonofaa. To examine the influence of loan officers' turnover on microfinance client dropouts, we used a probit model defined as follows:

$$\Pr(Y_i=1 | Z_i) = \Phi(\beta_0 + \beta_1 Z_{1i} + \beta_2 Z_{2i})$$

where:

Y_i is the eventual departure of the client defined as a binary variable which takes the value 1 if the worker has left the MFI, and 0 otherwise.

Z_{1i} is the variable to proxy the relationship between the client and the loan officer, computed as the ratio between the number of loan officers a client dealt with during its relationship with the microfinance institution and the number of loans received by the client.

Z_{2i} is a vector of control variables associated to each borrower i , namely his gender, his year of birth, whether he lives in an agricultural or in a rural area, the number of dependent family members, and a dummy variable that takes the value 1 if the borrower was in default at minimum on time during his/her relationship with the MFI and control variables associated with the loans, like the amount of the loans or the number of transactions.

As endogeneity issues were suspected, we conducted an IV probit regression.

RESULTS

The results show that the coefficient of the ratio between the number of loan officers and the number of transactions is positive and significant at the 1% level. This suggests that microfinance borrowers are more likely to drop out when they face a higher number of changes of loan officer. Moreover, the coefficient for the variable called rural is negative and significant, meaning that rural borrowers tend to drop out less. The results also demonstrate that the probability of female borrowers to leave the microfinance institution is lower than the one of male borrowers. Having a large number of dependent family members reduces the probability to drop out. The

results also show that younger borrowers have a lower probability to leave the institution. Contradictory with what we can think, people in defaults are less likely to leave than essential to favor customer retention (Reichheld, 1993). Based on these results and as suggested by Reichheld (1993), we recommend to microfinance practitioners to avoid the rotation of loan officers through different branches. However, this practice, more and more used by microfinance institutions, can be useful to limit fraud. Therefore, when the risk of fraud from loan officer is relatively high, the managers should analyze the benefits that loan officers' rotation can bring compared to the cost it can represent. Managers should also find solutions to avoid a high turnover rate among loan officers, like setting up an adequate incentive scheme. Our results also show that rural clients tend to drop out less than urban borrowers. Indeed, due to the lack of competition in the microfinance sector in these regions, clients may face difficulties to find another MFI. As a consequence, we argue that relationship lending may be particularly attractive in rural areas because of the high level of information asymmetries in these regions.

Our study presents some limits.

First of all, theoretically, we assumed that client dropout was negative for microfinance institutions. However, we can argue that it may also be an indicator that the loans borrowers have received have enabled them to emerge from poverty and to have access to credit from the traditional banking system. This may be confirmed by our results showing that more transactions increase the probability of dropping out. In this case, client dropouts can be positive for the microfinance sector.

Then, empirically, we had no data on the nature of social interactions within each group of borrowers. This could have been another factor influencing dropouts. Furthermore, data about loan officers' features and about clients' satisfaction with microfinance products are also lacking. It should be interesting to conduct interviews with clients to better understand their reasons of dropping out.

We also observe that after a certain amount of transactions, borrowers are more likely to leave the microfinance institution. However, the total amount of loans received by a borrower tends to decrease the probability of dropping out.

DISCUSSION

Client retention becomes a concern for many microfinance institutions. Indeed, in this sector, long relationships between a microfinance institution and its borrowers appear to be essential to face information asymmetry. By using the lending relationship technique, microfinance institutions can obtain the soft information required to serve this poor population. Loan officers are the staff members in charge of obtaining this information because of their several contacts with the borrowers. As the literature in marketing shows that clients develop a closer relationship with a service worker than with the firm he represents, we may argue that when this relationship is destroyed because a loan officer leaves the microfinance institution or is rotated, it can push clients to drop out. This is particularly detrimental for the microfinance institution as, by losing clients, all the efforts made to build a strong relationship with them in order to acquire soft information cannot be valued anymore.

It may also be harmful for clients who leave the microfinance institution without being sure that they will find a funding alternative, and for remaining clients who will probably trust less their new loan officer. While relationship lending seems to present several advantages, there are very few studies examining the effect of loan officers' turnover or rotation in microfinance. Consequently, the aim of this study was to test the hypothesis according to which the microfinance borrowers are more likely to drop out when they face a higher number of changes of loan officer. Our results from an IV probit regression show that the higher the number of loan officers a client dealt with compared to the number of credits he received, the higher his probability to drop out. Our results are in line with some studies demonstrating the negative consequences of loan officers' turnover in the case of relationship lending in microfinance, regarding default rate and credit offer (Drexler and Schoar, 2014; Canales and Greenberg, 2016). Our results also support the view of some scholars arguing that employee retention is essential to favor customer retention (Reichheld, 1993). Based on these results and as suggested by Reichheld (1993), we recommend to microfinance practitioners to avoid the rotation of loan officers through different branches. However, this practice, more and more used by microfinance institutions, can be useful to limit fraud. Therefore, when the risk of fraud from loan officer is relatively high, the managers should analyze the benefits that loan officers' rotation can bring compared to the cost it can represent. Managers should also find solutions to avoid a high turnover rate among loan officers, like setting up an adequate incentive scheme. Our results also show that rural clients tend to drop out less than urban borrowers. Indeed, due to the lack of competition in the microfinance sector in these regions, clients may face difficulties to find another MFI. As a consequence, we argue that relationship lending may be particularly attractive in rural areas because of the high level of information asymmetries in these regions. Our study presents some limits. First of all, theoretically, we assumed that client dropout was negative for microfinance institutions. However, we can argue that it may also be an indicator that the loans borrowers have received have enabled them to emerge

from poverty and to have access to credit from the traditional banking system. This may be confirmed by our results showing that more transactions increase the probability of dropping out. In this case, client dropouts can be positive for the microfinance sector. Then, empirically, we had no data on the nature of social interactions within each group of borrowers. This could have been another factor influencing dropouts. Furthermore, data about loan officers' features and about clients' satisfaction with microfinance products are also lacking. It should be interesting to conduct interviews with clients to better understand their reasons of dropping out.

■ REFERENCES

- > Agier, I., & Szafarz, A. (2013). Microfinance and gender: Is there a glass ceiling on loan size? *World Development*, 42, 165-181.
- > Akhavein, J., Goldberg, L. G., and White, L. J. (2004). Small banks, small business, and relationships: An empirical study of lending to small farms. *Journal of Financial Services Research*, 26(3), 245-261.
- > Anderson, E., and Robertson, T. S. (1995). Inducing multiline salespeople to adopt house brands. *The Journal of Marketing*, 59(2), 16-31.
- Armendáriz, B., & Morduch, J. (2000). Microfinance beyond group lending. *Economics of transition*, 8(2), 401- 420.
- > Bardsley, A., B. Gray, & M. Gash. (2015). Deconstructing Drop-Out: Uncovering the Reasons behind Attrition among Village-Banking Microfinance Clients. *Freedom from Hunger*.
- > Barnes, J. G. (1997). Closeness, strength, and satisfaction: examining the nature of relationships between providers of financial

- services and their retail customers. *Psychology and Marketing*, 14(8), 765-790.
- > Beatty, S. E., Mayer, M., Coleman, J. E., Reynolds, K. E., & Lee, J. (1996). Customer-sales associate retail relationships. *Journal of Retailing*, 72(3), 223-247.
- > Berry, L. L. (1983). Relationship Marketing. in L. L. Berry, G. L. Shostack, and G. D. Upah (Eds), *Emerging Perspectives of Services Marketing*, Chicago, IL : American Marketing Association, 25-28.
- > Bendapudi, N., & Leone, R. P. (2002). Managing business-to-business customer relationships following key contact employee turnover in a vendor firm. *Journal of Marketing*, 66(2), 83-101.
- > Bove, L. L., & Johnson, L. W. (2002). Predicting personal loyalty to a service worker. *Australasian Marketing Journal*, 10(1), 24-35.
- > Brown, S. P. (1995). The moderating effects of insupplier/outsupplier status on organizational buyer attitudes. *Journal of the Academy of Marketing Science*, 23(3), 170-181.
- > Canales, R., & Greenberg, J. (2015). A matter of (relational) style: Loan officer coherence and consistency in contract enforcement in microfinance. *Management Science*, 62(4), 1202-1224.
- > Costabile, M. (2000, September). A dynamic model of customer loyalty. In 16th IMP-conference, Bath, UK.
- Diamond, D. W. (1991). Monitoring and reputation: The choice between bank loans and directly placed debt. *Journal of Political Economy*, 99(4), 689-721.
- > Drexler, A., and Schoar, A. (2014). Do relationships matter? Evidence from loan officer turnover. *Management Science*, 60(11), 2722-2736.
- > Fiordelisi, F., Monferrà, S., & Sampagnaro, G. (2014). Relationship lending and credit quality. *Journal of Financial Services Research*, 46(3), 295-315.
- > Fisher, T. & Sriram, M.S. (2002). *Beyond Micro-Credit: Putting Development Back into Micro-Finance*. New Delhi: Vistaar Publication.
- > Giné, X., Jakiela, P., Karlan, D., & Morduch, J. (2010). Microfinance games. *American Economic Journal: Applied Economics*, 2(3), 60-95.
- > Gwinner, K. P., Gremler, D. D., and Bitner, M. J. (1998). Relational benefits in services industries: the customer's perspective. *Journal of the academy of marketing science*, 26(2), 101-114.
- > Ito, S. (2003). Microfinance and social capital: does social capital help create good practice? *Development in Practice*, 13(4), 322-332.
- > Lehmann, E., & Neuberger, D. (2001). Do lending relationships matter? Evidence from bank survey data in Germany. *Journal of Economic Behavior & Organization*, 45(4), 339-359.
- > Palmatier, R. W., Dant, R. P., Grewal, D., and Evans K. R. (2006). Factors influencing the effectiveness of relationship marketing: a meta-analysis. *Journal of marketing*, 70(4), 136-153.
- > Piore, M. J. (2011). Beyond Markets: Sociology, street-level bureaucracy, and the management of the public sector. *Regulation & Governance*, 5(1), 145-164.
- > Reichheld, F. F., and Sasser, W. E. Jr. (1990). Zero defections: Quality comes to services. *Harvard Business Review*, 68(5), 105-111.
- > Reynolds, K. E., and Beatty, S. E. (1999). Customer benefits and company consequences of customer-salesperson relationships in retailing. *Journal of Retailing*, 75(1), 11-32.
- > Schlesinger, L. A., and Heskett, J. (1991). Breaking the cycle of failure in services. *MIT Sloan Management Review*, 32(3), 17-28.
- > Scott, J. A. (2006). Loan officer turnover and credit availability for small firms. *Journal of Small Business Management*, 44(4), 544-562
- > Shchetinin, O., and Wollbrant, C. E. (2013). The intermediary role of microloan officers: Evidence from Ethiopia.
- > Siwale, J. N., and Ritchie, J. (2012). Disclosing the loan officer's role in microfinance development. *International Small Business Journal*, 30(4), 432-450.
- > Turvey, C. G., Xu, X., Kong, R., and Cao, Y. (2014). Attitudinal asymmetries and the lender-borrower relationship: survey results on farm lending in Shandong, China. *Journal of Financial Services Research*, 46(2), 115-135.
- > Uchida, H., Udell, G. F., and Yamori, N. (2012). Loan officers and relationship lending to SMEs. *Journal of Financial Intermediation*, 21(1), 97-122.
- > Uzzi, B., & Lancaster, R. (2003). Relational embeddedness and learning: The case of bank loan managers and their clients. *Management science*, 49(4), 383-399.

02

EFFECTIVE HUMAN TOUCH IN A DIGITAL AGE: IMPLICATIONS FOR MSMES

BY

Alexis Beggs Olsen , *Consultant & CFI Fellow, USA*
alexisbeggsolsen@gmail.com

■ ABSTRACT

The rapid migration of financial services toward digital interface has brought a host of new questions. One of these is how and when human interface needs to be integrated into digital products to effectively serve customers, and particularly those at the “base of the pyramid” (BoP). This research focuses on human touch needed for digital value-added services such as loans, savings, and insurance in Kenya. Using qualitative interviews with 104 respondents, we found that while Kenyans’ comfort levels for conducting transactions digitally is high, other key aspects of the customer journey are not adequately handled by digital means alone. Customers want human interaction to establish the legitimacy of the product, to understand the product, and to solve problems.

Keywords:

Digital Financial Services;

Human Touch; Customer Experience;

Customer Journey;

Financial Inclusion

¹ This research was generously funded by the Center for Financial Inclusion Research Fellows program and insightfully supported by Elisabeth Rhyne, Sonja Kelly, John Lwande, and Tess Johnson. Thanks go to Veronicah Viata Zakayo, my research associate who co-labored on this project and brought deep expertise in fieldwork in Kenya. Thanks also to the FSPs who shared insights and/or customer contacts with us: Tala, GetBucks, 4G Capital, Musoni, Britam, APA, CIC, ACRE Africa, and MicroEnsure, as well as a number of individuals who provided valuable guidance including Geraldine O’Keeffe, Michael McCord, Mariah Mateo Sarpong, Monique Cohen, Dr. Juliet Ongwae, Buhle Goslar, Claudia McKay, Julie Zollman, and Leah Seppanen Anderson.



INTRODUCTION

Kenya is arguably digital financial inclusion's most mature market. It continues to lead the world in mobile account ownership, with a penetration rate of 58 percent; this compares with 12 percent in Sub-Saharan Africa, and 2 percent globally. It is home to numerous innovators, who are now focusing on a robust set of digital financial services encompassing loans, savings and insurance. The success of M-Shwari—the first large-scale product to offer unbanked customers a value-added saving and loan account—attracted a significant flow of tech investment capital to Nairobi, and Kenya is now home to more than 20 digital loan products, along with several digital incubators and accelerators.

Because of the deep penetration and market maturity, Kenya provides an interesting place to understand how more sophisticated digital financial products—beyond payments—are viewed and experienced by a population that has had several years to get used to them. In contrast to traditional financial products that offer “high touch” customer interface at a physical branch or in the field, through humans – tellers, loan officers and other

staff – customers of “low touch” products interface with their financial service provider (FSP) primarily or exclusively through their phones. App-based FSPs typically provide only low touch interfaces, such as in-app chat, email, Facebook, and Google Play Store communication. Traditional banks, too, although they continue to offer “high touch” products, also offer low touch products with similar low touch interface options – with the important addition of live voice customer care.

How do consumers react to these choices? Account and usage numbers show that many low touch products are succeeding in the market. But we do not know what mix of low and high touch would be ideal, or would draw in still more users, nor do we know (although we do hypothesize) whether products that mix low and high touch – we call them centaur products – would be even more successful.

² Kenya-Global Financial Inclusion (Global Findex) Database 2014. The World Bank. Created on October 28, 2015. <http://microdata.worldbank.org/index.php/catalog/2442>

RESEARCH OBJECTIVES

Given this context, the goal of this paper is to analyze what characterizes effective human touch in Kenya, and to explain who wants it, when and why. The paper also looks at innovative ways that FSPs marry tech and human touch to serve their customers. This research provides a snapshot as of mid-2017. The situation is clearly in flux, and what we see today will not be the same as what we see in five years, though our findings can help point the way.

- This research specifically answers questions including:
- How are financial services providers integrating human touch into digital products? Is it working?
- Where is human touch critical throughout the customer journey?
- Who within the target population will want and need that human touch more than others?
- What are these customers trying to accomplish at moments when they desire human contact?
- How should financial service providers build it into their process?

While the research had a particular emphasis on customers who are new to the formal financial system or with lower levels of education, a number of the overall findings were consistent across the sample—from “micro” to larger MSMEs.

METHODS

To answer the questions above, we engaged in a two-pronged qualitative research approach: the first part focused on interviews with operations and customer experience directors at FSPs who live and breathe these questions daily. We conducted interviews with 10 financial service providers across the spectrum from high touch to low touch.

The second prong of the research approach involved in-depth qualitative interviews with 104 individual respondents. Two-thirds of the respondents were customers recruited by six of the financial service providers interviewed (each FSP was asked to provide eight customer contacts--four active and four inactive.) The other third of respondents were sourced independently as intercept interviews.

Customer interviews included a scan of current and past use of savings, loans, and insurance products, what stands out about each provider, when each product was most recently used, and for former or inactive products, the reason the respondent stopped using it. We then selected one product salient to the research focus and engaged in a customer journey mapping exercise. The concept of a “customer journey” as articulated by then FROG innovation specialist Adam Richardson in Harvard Business Review, has been a useful lens to examine motivations

⁴ Harvard Business Review articles by Adam Richardson published November 15, 2010; October 28, 2010; December 2, 2010;

for and barriers to digital financial inclusion.

The exercise involved asking a series of questions for each stage of the customer journey which interviewers then drew on a series of sticky notes. The drawings allowed interviewers to delve more deeply into “wow factors” and “pain points,” and the role of human touch in the experience.

Sample of a customer journey map created during a respondent interview.

We also asked respondents whether they prefer to talk to a person or access services using their phone for each of the phases of finding and using financial services and the reasons behind



the preferences.

While not a statistically representative sample of the Kenyan population, we sought diversity in gender, age, education, geographic location (urban and rural from the eastern, central and western parts of the country), and income level.

RESULTS

We find that customers who use digital products are—in general—enthusiastic about them. Digital loans provide valued liquidity for urgent expenses or the additional funds needed to accomplish a larger goal. And digital products in general outperform human interaction in a number of ways: digital services are more convenient (once you learn how to use them), more predictable and consistent (with the exception of loan approvals and rejections, which are often opaque), and during collections they are less stressful. However, when discussing their finances overall, most Kenyans, and even most users of digital products, would prefer to interact with a person face to face at key stages in their customer journeys. While Kenyans’ comfort levels for conducting transactions digitally is high, other key aspects of the journey are not adequately handled by digital means alone.

Respondents across every demographic segment—men, women, urban, rural, smartphone and feature phone users—had strong preferences (in varying degrees) for human interaction when getting product information or resolving a complaint. Six of every ten smartphone users preferred to get product information from a person, compared to almost nine out of every ten feature phone users. Nine in ten rural dwellers preferred to resolve problems face to face but even urban dwellers had a strong preference – five out of six urban dwellers prefer face to face.

For several specific functions, particularly signing up for a product or service or asking a question, certain groups – women,

rural dwellers and feature phone users – remained deeply uncomfortable with digital means. More than three quarters of women prefer to ask a question in person. Smartphone users, men, urban dwellers and customers in their twenties were more likely to prefer their phone for signing up for an account, performing transactions and asking questions.

While we tend to equate high touch with face-to-face interactions and low touch with fully automated interfaces, there is a middle range of technology-mediated personal touch, which includes call centers, personal emails and texts, and in-app chats. These mid-range services feature person-to-person exchanges, though not face-to-face.

DISCUSSION

Why Kenyans want human touch:

Kenyan customers reach out (or want to reach out) to a human being for three main reasons during the financial service journey:

To establish the legitimacy of the product

In Kenya, fear of fraud is a major concern. While fraudsters operate through both low and high touch, that is, through the phone and in person, most respondents feel more confident in their ability to spot a scam face to face. Almost three quarters of our respondents would prefer to interact with a human to get information about loans or savings products. Only about one fifth of respondents would prefer to interact on a mobile phone. While some respondents noted that a known brand, such as Safaricom, provides immediate legitimacy, others expressed doubt that they could distinguish a fake Safaricom text from a real one. The phone feels riskier, particularly when larger amounts of money are involved.

“When it comes to smaller amounts, the smart-phone has taken it all. But for larger amounts I will not trust [the phone]. Money is sensitive. There is a lot of personal detail. If it is not done face to face there will somehow be fear.”
—Eunice, 31, owner of a clothing boutique in Nairobi

To fully understand the product

Respondents also said that they want to talk to a person face to face to get a “clearer picture” of the product, because the communication is more complete and accurate and can address their specific questions. They expressed a stronger comfort level in being able to “fully exhaust” their questions during a face-to-face interaction and to “leave satisfied.”

“I would go [in person] to receive hard information first. It has a thinner margin of error. And I could ask questions about the hidden specifics of the product.”
—Peter, 34, farmer and produce seller in rural Western Province

“Talking to a person at a branch gives [me] a very satisfying feeling that everything will be explained properly.” —Rosemary, shoe seller, 35, rural Eastern Province

To resolve problems

Most respondents see all electronically mediated forms of communication (including call centers) as ineffective in resolving problems. Unless a concern is expressed face to face, they perceive that the issue will not be taken seriously or acted upon. More than three quarters of our respondents prefer to resolve a problem or complaint in person and only 13 percent prefer to use their mobile phone.

“When it comes to money matters, be there. I'd rather be there and then follow up with a phone call. There are things you just don't do over the phone. You can forget about a phone call. But you can't forget face-to-face.”
—Leah, 43, owner of a plumbing parts retailer in Nairobi.

While some respondents had positive stories with customer care, others had abysmal experiences. One respondent's bank made an “over-deduction” to his payroll account in repayment for a digital salary loan. After five unsuccessful calls to customer care, he went to a branch to get help, but because his loan was classified as digital, branch staff would not attend to him and directed him to a customer care phone in the lobby. Another respondent with a successful business was denied a loan and discovered he was listed at the CRB for a digital KES 1,000 (USD \$10) loan from a different provider that he had forgotten about. When he attempted to pay the loan, he was told by customer care that he couldn't because it had been “written off.”

It's important to interpret these results in context. M-Shwari alone currently serves 17 million Kenyans. Clearly many users of digital products appreciate them enough to forgo in-person communication with a service provider. Many prospective customers find that friends and family can be substitute experts they trust to help them choose and understand products, reducing the need for FSP staff presence. And yet, when thinking about their financial services overall—beyond the small, fast loans they associate with digital offerings – many Kenyans express a desire or need to interact with a human during key phases in their customer journey.

RECOMMENDATIONS

Based on our demand-side findings, as well as our conversations with several customer-centric innovators seeking to marry tech

and touch, we envision a powerful combination of human and digital interfaces that could be better for consumers and providers alike. Without good human touch offerings, FSPs may miss out on opportunities to attract and keep more customers.

These findings remind us of “centaur chess,” developed by Grand Master Garry Kasparov after his iconic 1997 defeat by IBM’s Deep Blue computer program. Centaur chess teams include a computer (which analyzes all possible moves) and a human (who chooses the final move). Centaur teams consistently perform better than human-only or computer-only competitors. “Humans have certain strengths and weaknesses. Computers have certain strengths and weaknesses,” said Murray Campbell, a Deep Blue developer. “Computers plus humans do better than either one alone.” If that true in the clean, closed world of chess, it’s even more true in the open, messy world of providing financial services at the base of the pyramid.

As has been well documented, digital provides FSPs larger outreach and valuable cost efficiencies. Technology can also provide important checks and balances to inconsistent or flawed human interaction.

Human interaction provides FSPs clarity on the context of the customer. For example, is repeat borrowing a sign of a growing business or is it a continual grasp at liquidity to stay afloat? What environmental factors, yet to hit the digital realm, might affect customers’ ability to repay?

For customers, human interaction provides an opportunity for in-person verification of trustworthiness. It connects them to a person who can explain the product in a way they can understand. It facilitates conversation that is paced to allow for questions. It helps customers to obtain reassurance when they need it. And it gives them a person to go to when they have a problem, including problems generated through interactions with digital interfaces.

While it will continue to make sense for some FSPs, especially those with very simple services, to specialize at the low touch end of the spectrum, we think most FSPs, their customers and the financially excluded would benefit from leveraging the best of both worlds.

Here’s how we envision it:

Boost agents’ support capacity

Agents are an under-utilized asset in helping people cross both the digital and the financial services divide. In Kenya, most financial transactions occur through mobile network operator (MNO) agents who cannot provide any support beyond sending money. And internationally, most agents focus on cash in-cash out, struggle to balance liquidity, and are minimally profitable. For agents to provide meaningful support for products beyond basic payments, they must be well-selected, well-trained, well-supervised, and well-motivated. Larger FSPs will need to prioritize the cost of this and smaller FSPs may need to band together using agent network aggregators to share costs to achieve a broader physical footprint (and to free agents from the juggling act of balancing separate

e-values for each client). Putting well-equipped agents in closer physical proximity to underserved populations would allow for the human interface needed to explain products to customers in a way they can understand (i.e., conversational approach, pacing that allows for questions, local language).

Improve the quality of call centers

For Kenyans to trust disembodied forms of communication to resolve problems, they must consistently be met by friendly, knowledgeable and caring customer service agents with excellent communication skills and a tenacious commitment to solving their problem. Much of the population will require live voice support. Improving call centers will require a significant investment in continual training and close supervision, including follow-up contact to ensure customers are satisfied with the help they received. However, FSPs will benefit from increased efficiencies and customer trust.

Use “branches” strategically

We think it will be important for most FSPs to offer a lean but strategic physical footprint to facilitate the more advanced aspects of servicing value-added products as well as providing assurance of face-to-face-support to customers who are not able to solve problems in other ways. Freed of the need to handle cash transactions, branches need not be expensive and could be as simple as a kiosk in a market. This footprint will also reduce risk to the FSP, as staff members can provide contextual verification (or modification) of credit analysis for larger loans derived from mobile data.

Form partnerships

Partnerships will drive the next generation of financial services and will provide ample ground for innovation in offering the human touch necessary for excluded populations to access them. For example, ACRE Africa provides digital index-based crop insurance to maize farmers that is strongly buttressed by human education and support. The insurance is paid for by Duma 43—a high quality certified seed company—and is offered in partnership with ACRE (which provides product design and customer training), Safaricom (which processes registrations and payouts), and UAP (the insurer). Because of the human interface offered by ACRE, respondents who use the product trust it and have a clear understanding of how the product works, what it covers, and what it doesn’t.

For smaller financial inclusion FSPs or those not in relationship with telcos (the vast majority of FSPs), field staff will continue to extend the reach of financial services to financially excluded populations, providing welcome differentiation based on human-insight driven credit assessment and stronger human relationships. Digital field applications and digitized workflows will dramatically both improve field staff productivity and customer data.

These “centaur” solutions, which involve the best of both tech and touch, will help the segment of the population that is so very uncomfortable with digital services cross the initial “hump” into the segment that uses them—and it will make digital users even happier, too. The market potential is enormous.

⁵ Cassidy, Mike. “Centaur Chess Shows Power of Teaming Human and Machine.” *Huffington Post*. December 30, 2014, http://www.huffingtonpost.com/mike-cassidy/centaur-chess-shows-power_b_6383606.html
Seigel, Robert. “20 Years Later, Human Still No Match for Computers on the Chessboard.” *National Public Radio. All Tech Considered*. October 24, 2016.

⁵ Agent Network Accelerator (ANA) Programme: *What Have We Learned?* Helix Institute of Digital Finance. June 2017.

REFERENCES

- Cook, Tamara and Claudia McKay. (April 2015) How M-Shwari works: The story so far. Access to Finance Forum. Report by CGAP and its partners. <http://www.cgap.org/publications/how-m-shwari-works-story-so-far>
- Financial Inclusion Insights. (January 2015) Value-added financial services in Kenya: M-Shwari. Findings from the nationally representative FII Tracker Survey (Wave 1) and a follow-up telephone survey with M-Shwari users. <http://finclusion.org/uploads/file/reports/FII-Kenya-M-Shwari-Report.pdf>
- GSMA. (2016) The Mobile Economy Africa 2016. <http://www.gsma.com/mobileeconomy/africa/>
- Honts, Rob, Dave Klimeck and Shawn Meyer. (2016) Digital disconnect in customer engagement. AccentureStrategy <https://www.accenture.com/us-en/insight-digital-disconnect-customer-engagement>
- Levin, Phil. (July 2013) "The customer journey to regular usage." Presented at MMU Global Event in Nairobi. July 9, 2013. https://www.slideshare.net/GSMA_Mobile4Development/customer-journey-mmu-global-event-2013
- McKinsey Global Institute (September 2016) Digital finance for all: Powering inclusive growth in emerging economies. <http://www.mckinsey.com/global-themes/employment-and-growth/how-digital-finance-could-boost-growth-in-emerging-economies>
- PriceWaterhouseCoopers. (2011) "The new digital tipping point." <https://www.pwc.com/gx/en/banking-capital-markets/publications/assets/pdf/pwc-new-digital-tipping-point.pdf>
- Stuart, Guy and Monique Cohen. (September 2011) Cash in, Cash out Kenya: The role of M-PESA in the lives of low income people. Financial Services Assessment.
- Sweetwood, Adele K. (August 2016) "How one company used data to rethink the customer journey." Harvard Business Review. Reprint HO32PO
- Verint White Paper. "The digital tipping point: How do organizations balance the demands for digital and human customer service?" <http://www.verint.com/digital-tipping-point/>
- Villasenor, John D, Darrell M. West, and Robin J Lewis. (August 2016) The 2106 Brookings Financial and Digital Inclusion Report <https://www.brookings.edu/research/the-2016-brookings-financial-and-digital-inclusion-project-report/>
- Wessel, Maxwell and Clayton M. Christensen. (December 2012) "Surviving disruption: It's not enough to know that a threat is coming. You need to know whether it's coming right for you." Harvard Business Review. Reprint R1212C.
- Wills, Adam. (September 2015) Customer Journey Framework. Mobile for Development. <http://www.gsma.com/mobilefordevelopment/topic/operational-best-practices/the-customer-journey-framework>

03

COMMENT AMÉLIORER LE RÔLE DE LA MICROFINANCE DANS LE FINANCEMENT DES MPME AU BURUNDI ?

By

Dr. Ephrem NIYONGAB, *Expert Conseiller de Direction Chargé de la Politique Monétaire et du Marché Financier, Banque de la République du Burundi*
eniyongabo@brb.bi

Alphonse NYOBWUMUNSI, *Chef de Service Microfinance, Banque de la République du Burundi*
anyobewumunsi@brb.bi

■ ABSTRACT

Ce papier a analysé le financement des MPME afin d'apprécier l'apport de la microfinance et dans quelle mesure ce financement pourrait être amélioré. A fin 2016, seulement 13% des MPME étaient clients des banques, établissements financiers et institutions de microfinance (IMF). Seulement 9% avaient demandé un crédit et 10% avaient un crédit en cours. Ces faibles proportions sont révélatrices des difficultés d'accès au financement pour les MPME. En plus, l'encours moyen de crédit est limité pour permettre d'importants investissements, à quoi s'ajoutent le coût élevé et la durée limitée du crédit. Pour encourager le développement des MPME, les stratégies de développement doivent mieux intégrer les spécificités des MPME et développer un financement adapté pour ces entreprises.

JEL :
G21, G23.

Mots clés :
MPME,
microfinance



■ INTRODUCTION

Le rôle économique des micros, petites et moyennes entreprises (MPME) et leur contribution à la croissance sont désormais reconnus chez l'ensemble des acteurs de la vie économique. La part des PME formelles et informelles confondues, représente 60 à 70% du PIB dans le monde (BIT, 2015). Elles représentent plus de 90% des entreprises dans la plupart des pays développés et ceux en développement, et génèrent plus de la moitié des emplois (Criscuolo et al, 2014 ; Ayyagari et al, 2011).

Au Burundi, 66% des entreprises formelles privées sont des PME (BAD, 2012). Les micros entreprises informelles ont été évaluées à 249 277 en 2014, sans tenir compte du secteur agricole (ISTEEBU, 2015). Leur poids se traduit dans la part du secteur informel dans l'économie, avec une part de 94,5% des activités du secteur primaire, 46,8% des activités du secteur secondaire et 37,7% des activités du secteur tertiaire ; 62,1% du total TVA et 56,2% du total PIB réel en 2014 (ISTEEBU, 2016).

Malgré leur importance économique, les MPME sont confrontées à de sérieuses entraves à leur développement, parmi lesquelles vient en tête l'accès limité à un financement formel adéquat

(BIT, 2015). C'est ainsi que ce papier aborde la problématique de comment améliorer la contribution de la microfinance au financement des MPME au Burundi. L'objectif est d'évaluer le financement des MPME par les IMF et d'autres institutions prêteuses ainsi que le degré d'adéquation de ce financement afin d'identifier des éléments pouvant être envisagés dans la politique publique pour améliorer le financement des MPME.

La suite de ce papier est articulée en quatre parties. Premièrement, le contexte des MPME au Burundi pour étayer leur définition, leur contribution à l'économie ainsi que le cadre institutionnel, légal, réglementaire et politique de leur développement. Deuxièmement, les résultats sur l'apport des différentes institutions prêteuses aux MPME. Troisièmement, la discussion sur l'adéquation du financement offert aux besoins de développement des MPME. Quatrièmement, la conclusion et les implications de politiques.

MÉTHODOLOGIE ET SOURCES DE DONNÉES

Cette recherche s'est faite à partir d'une analyse de données de six sources principales. Premièrement, la compilation d'ouvrages et articles de référence sur le rôle économique des MPME dans le monde et leur caractérisation. Deuxièmement, les données sur les MPME au Burundi, principalement à partir d'enquêtes, comme celles de l'Institut de Statistiques et d'Etudes Economiques du Burundi (ISTEEBU, 2015 ; 2012). Troisièmement, les données sur le financement des MPME extraites de l'enquête de la Banque de la République du Burundi sur l'inclusion financière en 2016 (BRB, 2017). Quatrièmement, les résultats d'une enquête effectuée auprès des MPME en 2015 lors d'une étude sur l'harmonisation des cadres réglementaires affectant les MPME dans la Communauté Est Africaine (NIYONGABO, 2015). Cinquièmement, les points de vue des dirigeants des banques et IMF sur les raisons de l'inefficacité de leur offre de financement envers les MPME (NDIKUMANA, 2013 ; NIYONGABO et Van MANEN, 2012). Sixièmement, les résultats d'interviews organisées en 2012 avec les demandeurs et bénéficiaires de crédit dans le cadre de l'évaluation de l'accord entre la coopération belge au Burundi à travers le projet d'appui au développement agricole en province de Kirundo (PADAP) et l'UCODE-Microfinance, qui avait pour but de réduire les contraintes d'accès au crédit agricole.

1. Contexte des MPME au Burundi

1.1. Définition des MPME

Il n'existe pas de définition unique des MPME, leur définition varie selon les pays. Les critères souvent pris en compte comprennent le chiffre d'affaires, le capital, le nombre d'employés, la valeur ajoutée, la capacité de production, les fonds propres, l'actif total. La variable la plus fréquemment considérée est le nombre d'employés.

Dans un grand nombre de pays de l'OCDE, la limite la plus fréquente est de 200 à 250 employés pour les moyennes entreprises, moins de 50 employés pour les petites entreprises, entre 5 et 10 employés pour les microentreprises (OCDE, 2002). Selon la banque mondiale, pour être considérée comme micro, petite ou moyenne, une entreprise doit satisfaire deux des trois critères retenus, à savoir nombre d'employés, actifs, ou chiffre d'affaires annuel.

Tableau 1. Définition des MPME selon la Banque mondiale

TAILLE	NOMBRE D'EMPLOYÉS	ACTIFS	CHIFFRE D'AFFAIRE ANNUEL
MICRO	<10	<USD 100 000	<USD 100 000
PETITE	<50	<USD 3 MILLIONS	<USD 3 MILLIONS
MOYENNE	<300	<USD 15 MILLIONS	<USD 15 MILLIONS

Source : Abouddrar et al (2012).

Au Burundi, selon la Direction du développement industriel, il n'existe aucune définition officielle des MPME. Deux institutions gouvernementales, à savoir l'Office Burundais des Recettes (OBR) et l'ISTEEBU ont défini deux critères différents qu'elles tiennent en compte pour définir la taille des entreprises, respectivement le chiffre d'affaires pour l'OBR et le nombre d'employés pour l'ISTEEBU.

Tableau 2. Définition des MPME au Burundi

TAILLE	NOMBRE D'EMPLOYÉS	CHIFFRE D'AFFAIRES (\$SD/ BIF=1704,4 AU 18 MAI 2017)	CHIFFRE D'AFFAIRE ANNUEL
MICRO	1-5	0-24 MILLIONS (14 081 \$US)	<USD 100 000
PETITE	6-10	24-50 MILLIONS (14 081-29 336 \$US)	<USD 3 MILLIONS
ENTREPRISES	11-50	100 MILLIONS 1 MILLIARD (58 673-586 728 \$US)	<USD 15 MILLIONS
GRANDE	PLUS DE 50	PLUS DE 1 MILLIARD (586 728 \$US)	

Source : Auteurs à partir des critères de l'OBR et de l'ISTEEBU

1.2. Contribution à l'économie

Les domaines où opèrent les MPME sont nombreux, elles couvrent aussi bien la production, la transformation, la distribution, la commercialisation (ISTEEBU, 2015 ; ISTEEBU, 2012). L'effectif des PME du secteur privé formel est estimé autour de 2000. En effet, une évaluation menée par la Banque mondiale en 2009 a dénombré 3000 entreprises du secteur privé formel (Banque mondiale, 2009) dont les PME sont estimées à 66% (BAD, 2012). En 2013, l'OBR a recensé 2273 entreprises, parmi lesquelles 1496 pourraient être considérés comme des MPME. Quant aux micros entreprises du secteur informel, elles ont été estimées à 249 227 en 2013, sans tenir compte du secteur agricole l'ISTEEBU (2015).

L'évaluation de la contribution des MPME à l'économie est quelque peu difficile. Elle peut être faite à travers leur chiffre d'affaires et leur contribution au PIB et à l'emploi. Le montant total du chiffre d'affaires des MPME définies à partir de la liste établie par l'OBR en 2013 et de l'enquête de l'ISTEEBU (2015) peut être évalué à 374,3 milliards de BIF (217,6 \$US millions au taux de change \$US/BIF= 1719,4 au 24 mai 2017). Ceci revient à 9% du PIB (en dehors des micros entreprises du secteur agricole).

Les données pour analyser la contribution des MPME au PIB et à l'emploi se limitent au secteur informel. Au cours de la période 2006-2014, la part du secteur informel dans les activités des différents secteurs est passée de 97,8% à 94,9% pour le secteur primaire, de 66,9% à 46,8% pour le secteur secondaire et de 67,2% à 37,8% pour le secteur tertiaire. Sa part dans le total TVA est passée de 80,5% à 62,1% et sa part dans le PIB réel est passée de 73,7% à 56,2% (ISTEEBU, 2016). En ce qui concerne l'emploi, en 2013, le nombre d'employés était de 522 481 dans le secteur informel non agricole, ce qui équivaut à 83,1% de l'emploi total dans le pays (ISTEEBU, 2015).

Tableau 3 : Part de l'informel dans l'économie et par secteur d'activité (en %)

	SEC- TEUR PRI- MAIRE	SEC- TEUR SECON- DAIRE	SEC- TEUR TER- TIAIRE	VA- LEUR AJOU- TÉE	PIB RÉEL
2006	97,8	66,9	67,2	80,5	73,7
2007	94,8	69,5	58	74,2	68,3
2008	96,8	68,4	50,7	70,6	64,8
2009	98,1	54	47,1	68,5	62,7
2010	97,6	53,7	48,1	68,8	61,9
2011	95,9	42,7	45,4	65,2	58,5
2012	94,7	41,3	42	62,9	56,6
2013	96,7	44,5	42	64,8	58,3
2014	94,9	46,8	37,8	62,1	56,2

Source : ISTEEBU (2016), Comptes nationaux 2014, Bujumbura.

1.3. Cadre institutionnel, légal, réglementaire et politique

Le cadre institutionnel affectant les MPME comprend des institutions publiques et privées. La plupart des institutions

publiques ont été créées à partir de la seconde moitié des années 2000. Il s'agit notamment de l'Agence de promotion de l'investissement, l'autorité de régulation du secteur du café, le tribunal du commerce, le guichet unique pour la création d'entreprise, le guichet unique pour l'octroi de permis de construire, l'Office Burundais des Recettes. Il existe aussi d'anciennes institutions, notamment le Bureau Burundais de Normalisation et le Centre National de Technologie Alimentaire, ainsi que la Direction du développement industriel logée au Ministère du Commerce et de l'Industrie.

Les institutions privées sont des organisations professionnelles à savoir, la Chambre fédérale de commerce et d'industrie du Burundi, l'Association des employeurs de Burundi, l'Association des industriels du Burundi, et l'Incubateur d'Entreprises au Burundi. L'appartenance à ces organisations ne distingue pas la taille des entreprises. Certaines MPME ne sont affiliées à aucune de ces organisations, en raison de l'ignorance de leur existence (Niyongabo, 2015). En outre, les propriétaires de MPME considèrent que celles-ci ne tiennent pas compte de leurs intérêts, les discussions sont axées sur les grandes entreprises.

Concernant le cadre légal et réglementaire, il s'inscrit dans les réformes ambitieuses initiées depuis la deuxième moitié des années 2000 pour créer ou renforcer un cadre juridique propice au secteur privé. Il s'agit notamment de lois touchant la faillite, le code des investissements, les incitations fiscales, la taxe sur la valeur ajoutée, le code du commerce, la loi sur la concurrence, le code des entreprises privées et des sociétés à participation publique, la loi sur l'impôt sur le revenu.

Ces réformes ont permis certaines améliorations dans l'environnement des affaires, mais la situation reste lacunaire (TMEA, 2015) et affecte négativement les MPME, comme c'est illustré par un certain nombre de points. Premièrement, le code des investissements n'accorde pas de traitement particulier aux MPME alors que celles-ci sont souvent incapables de remplir certains critères d'éligibilité aux avantages fiscaux. Deuxièmement, la taxation est perçue comme étant encore lourde, instable et imprévisible. Troisièmement, les exigences douanières restent pesantes sur les MPME impliquées dans le commerce international. Quatrièmement, l'importance de la dette de l'Etat envers les entreprises alourdit l'activité des MPME. Cinquièmement, certaines réglementations récentes pourraient avoir une incidence sur l'avenir des MPME. C'est le cas, par exemple, de la loi sur la concurrence qui n'accorde aucune priorité aux MPME alors que le principe «Priorité aux PME» s'observe dans des politiques de concurrence de nombreux pays développés (Chaput, eds., 2010).

Sur le plan politique, le Burundi n'a actuellement aucune politique spécifique visant les MPME. Leur développement est guidé par les stratégies globales et sectorielles de développement à moyen et long terme affectant le secteur privé comme le CSLP II (2012-2016), la Vision 2025 du Burundi, et la stratégie de développement du secteur privé (MCIPT, 2013). Les axes de ces stratégies sont plus généraux, alors que les MPME rencontrent des difficultés spécifiques. L'absence d'une politique ciblant les MPME illustre la marginalisation dans le cadre institutionnel appuyant le secteur privé et l'inefficacité de ce cadre.

2. Résultats sur le financement des MPME par les banques, établissements financiers et IMF

Le secteur financier burundais compte 10 banques commerciales, 2 établissements financiers, 6 compagnies d'assurance, 2 institutions de sécurité sociale et 33 IMF. Les banques dominent le secteur avec 79% de l'actif total des institutions financières.

Concernant le secteur de microfinance, il s'est fort développé au cours des deux dernières décennies, ce qui se traduit dans l'évolution des indicateurs financiers et non financiers. Il est très varié avec quelques grandes institutions de couverture nationale, et de nombreuses petites structures avec des activités locales ou régionales uniquement.

Les produits offerts aux MPME comprennent principalement des produits financiers (crédit et épargne). Dans des cas limités, certaines institutions proposent la formation en gestion de projet.

2.1. Effectif de clientèle de MPME des institutions prêteuses

L'effectif de MPME peut être estimé à près de 2000 PME formelles et 249 277 unités du secteur informel (exclu le secteur agricole), soit un total de 251 277 MPME. A fin décembre 2016, 11 IMF, 9 banques et les 2 établissements financiers ont dénombré 32 774 MPME dans leur clientèle, dont 11 092 pour les banques et établissements financiers (33,8%) et 21 682 (66,2%) pour les IMF.

Ainsi seuls près de 13% des MPME formelles et informelles, sont financées par des banques, établissements financiers et IMF. Cette conclusion est cohérente avec les résultats de l'enquête sur le secteur informel (ISTEEBU, 2015), qui relève qu'en raison de la difficulté d'accès au financement formel, les micros entreprises recourent à des sources informelles de financement, tels que le crédit fournisseur, les tontines et le financement familial, qui représentent plus de 84% de leur financement. Aussi, le financement des MPME par les IMF est concentré, deux IMF totalisent 95% du financement avec des parts respectives de 72,5% (15 740 MPME) et 22% (4922 MPME) (BRB, 2017).

2.2. Effectif des MPME ayant demandé des crédits

Les MPME qui ont demandé des crédits en 2016 sont au nombre de 2 940, soit seulement 9% du total des MPME qui sont clients des institutions prêteuses. L'effectif est de 1260 (42,9%) pour les banques et établissements financiers et 1680 (57,1%) pour les IMF. Au sein des banques et établissements financiers, les MPME ayant demandé du crédit sont au nombre de 1260, soit 11% de la clientèle de MPME. Au sein des IMF, il s'est élevé à 1 680, soit 8% de leur clientèle totale de MPME.

La faible demande de crédits est probablement un indicateur de la difficulté d'accès au financement, les MPME pouvant s'auto exclure en raison de leurs perceptions négatives sur l'accès au financement. Une enquête conduite une décennie plus tôt relevait que près de trois quarts des entreprises sont volontairement maintenues en dehors du marché financier formel, en raison principalement de quatre facteurs jugés sévères: le niveau des taux d'intérêt, les exigences de garantie élevées, la complexité des demandes et des formalités et, le taux de refus de financement par les banques qui atteint 53% de toutes les demandes dans le secteur formel (EEC, 2006).

2.3. Nombre de comptes crédit et crédits en cours

Le nombre de crédits en cours a été utilisé comme proxy de MPME ayant obtenu un crédit. A fin décembre 2016, celui-ci s'est élevé à 3 432, soit 10% de la clientèle totale de MPME. Pour les banques et établissements financiers, les comptes crédits étaient au nombre de 1802 (52,5%) contre 1630 (47,5%) pour les IMF. La proportion est de 16,2% de l'ensemble de la clientèle de MPME au sein des banques et établissements financiers contre 7,5% au sein des IMF. L'encours total des crédits aux MPME s'est élevé à 142 508 236 884 BIF, soit 82 882 253 USD (au taux de USD/BIF=1719,4 au 24 mai 2017). Les banques et établissements financiers ont totalisé 141 377 590 703 BIF (99,2%), soit 82 224 957\$US tandis que dans les IMF, l'encours crédit s'est élevé à 1 130 646 181 (0,8%), soit 65 758 182\$US.

2.4. Nombre de compte dépôts des MPME

Le nombre total de comptes dépôts des MPME s'est élevé à 30 417 à fin décembre 2016. Il a atteint 8 808, soit 29% du total pour les banques et établissements financiers contre 21 609, soit 71% du total pour les IMF. L'encours des dépôts des MPME s'est élevé à 133 027 490 931 BIF (77 368 554 \$SD), avec 130 927 590 232 BIF (76 147 255 USD), soit 98,4% du total dans les banques et établissements financiers contre 2 099 900 699 (1 221 299 USD), soit 1,6% dans les IMF.

3. Discussion sur l'adéquation de l'offre de financement aux besoins des MPME

Comme annoncé dans la méthodologie, l'analyse de l'adéquation de l'offre de financement aux besoins des MPME a été faite en complétant les données de l'enquête sur l'inclusion financière (BRB, 2017), par des résultats d'une enquête sur les MPME (Niyongabo, 2015), les points de vue des dirigeants de banques (Ndikumana, 2013) et d'IMF (NIYONGABO et Van MANEN, 2012).

L'analyse de l'adéquation de l'offre à la demande de financement a été faite en comparant les caractéristiques des produits offerts et la demande des MPME. L'accent a été mis sur quatre éléments à savoir le coût du crédit, le montant du crédit, la durée du crédit et la fréquence de remboursement (concernant les flux de trésorerie de l'activité investie).

En général, les propriétaires de MPME ont une perception négative de l'offre de financement qui leur est proposée. La plupart des propriétaires de MPME se sont concentrés sur les trois premiers aspects comme des obstacles importants. Par exemple, des MPME opérant dans la production de divers produits de jus de fruits ont mentionné la nécessité d'un financement plus important et à moyen terme pour acquérir des équipements adéquats pour étendre leurs activités et moderniser les entreprises aux normes requises afin de pouvoir exporter vers d'autres pays de la région Afrique de l'Est et même en Europe. En effet, certaines d'entre elles ont déjà négocié des partenariats dans ces régions mais pour l'exportation, elles sont confrontées à de sérieuses contraintes telles que le manque d'emballage approprié, le manque de matériel approprié pour la fabrication de produits aux normes requises, le manque de laboratoires locaux capables de tester les produits.

Le financement des MPME ne s'améliore pas au regard de la situation d'il y a déjà dix ans. A cet égard, une enquête sur les

entreprises menée en 2006 avait mis l'accent sur la difficulté d'accéder au financement comme une contrainte majeure ou sévère pour la plupart des entreprises, atteignant 87% des entreprises manufacturières (EEC, 2006).

Les obstacles auxquels sont confrontées les MPME pour accéder au financement tiennent aux exigences de prêt spéciales à ces entreprises, y compris la faisabilité technique et financière des projets, l'adéquation des garanties, le degré de risque (du projet et de l'investisseur). L'investisseur doit présenter un plan d'affaires indiquant le niveau de rentabilité du projet à entreprendre, ce qui comporte plusieurs défis (NDIKUMANA, 2013).

Premièrement, de nombreux propriétaires de MPME sont incapables d'élaborer des plans d'affaires. Les études de marché et les plans de financement lorsqu'ils existent, les comptes et les documents financiers sur la base desquels l'analyse du risque est faite sont souvent peu fiables. Par conséquent, ils sont souvent incapables de prouver la faisabilité technique et financière de leurs projets. La plupart des demandeurs de crédit ne disposent pas de connaissances adéquates en matière de gestion.

Deuxièmement, la taille des MPME est souvent si limitée qu'elle ne leur permet pas de croître et de générer des flux financiers suffisants pour pouvoir rembourser le crédit.

Troisièmement, il existe une série de problèmes qui ont un impact négatif sur la rentabilité des projets et, par conséquent, sur la qualité des plans d'affaires. Il s'agit notamment du manque de technologie qui rend les MPME incapables de respecter les normes requises. Par exemple, les MPME agro-industrielles sont obligées d'utiliser des emballages de récupération. Aussi, l'environnement commercial est l'un des plus défavorables malgré les améliorations récentes (par exemple, les déficiences de l'électricité).

Quatrièmement, pour les MPME, en particulier celles en démarrage, la contribution personnelle est insignifiante alors que le risque doit être partagé par la contribution personnelle et celle de l'institution de financement.

Cinquièmement, ces lacunes poussent les intermédiaires financiers à exiger des garanties solides, dont manquent la majorité des MPME.

CONCLUSION ET IMPLICATIONS DE POLITIQUE

Au Burundi, les MPME opèrent dans divers domaines des secteurs primaire, secondaire et tertiaire, particulièrement dans le secteur informel dont la contribution à l'économie est importante, bien qu'en baisse au cours de la dernière décennie. En 2014, sa part s'est établie à 62,1% du total de la valeur ajoutée et 56,2% du PIB réel. Les petites entreprises du secteur informel représentaient 83,1% de l'emploi total dans le pays en 2013.

La non prise en compte des spécificités des MPME dans les réformes de l'environnement des affaires perpétue des entraves au développement de ces entreprises. La faible défense de leurs intérêts, qui explique en partie l'absence d'une politique nationale ciblant leur développement de ces entreprises, reflète un dysfonctionnement du cadre institutionnel appuyant le secteur

privé, focalisé uniquement sur les grandes entreprises.

En matière de financement, 9 banques, 2 établissements financiers et 11 IMF déclarent avoir des clients qui sont des MPME. Mais leur classement n'est pas appuyé sur des critères formels, ce qui tient en partie en l'absence d'une définition officielle des MPME. Un effectif de 32 774, soit environ 13% des MPME, ont été identifiées comme clients de ces institutions prêteuses. Au niveau des IMF, le financement des MPME est concentré puisque deux IMF totalisent 95% du financement total.

En outre, seulement 9% des MPME ont demandé un crédit au cours de l'année 2016, avec 11% pour les banques et établissements financiers et 8% pour les IMF. Cette faible demande de crédit est potentiellement révélatrice de la difficulté d'accès au financement, les MPME se maintenant en dehors du marché financier formel, en raison de leurs perceptions négatives sur l'accès aux services financiers.

Concernant le nombre de comptes ayant un crédit, il a été révélé que seuls 10% des MPME avaient un crédit en cours à fin 2016. La proportion est de 16,2% de l'ensemble au sein des banques et établissements financiers et contre 7,5% au sein des IMF.

Au sein des banques et établissements financiers, l'encours moyen de crédit par MPME s'est élevé à 112 204 437 BIF (65 258\$U) contre 673 004 BIF (391\$US) dans les IMF. La taille de l'encours laisse penser que les banques et établissements financiers transigent avec les moyennes entreprises alors que les IMF traitent avec les micros et petites entreprises.

De manière globale, les MPME sont contraintes dans l'accès au financement de leurs investissements, vu le coût élevé du crédit, les montants et la durée limités des crédits. Les principaux défis auxquels elles font face sont liés à la faisabilité technique et financière de leurs projets, les garanties exigées par les institutions de prêt, le degré de risque, la taille limitée des entreprises et d'autres facteurs qui impactent négativement leur rentabilité.

En vue de favoriser le développement des MPME, les politiques publiques devront agir tant sur les aspects des stratégies globales de développement que sur la question spécifique du financement. Les stratégies globales de développement devraient mieux intégrer les spécificités des MPME dans le cadre institutionnel, légal, réglementaire et politique. Des actions clés, qui ne pourraient pas être détaillées dans les limites de ce papier, incluent entre autres, la création d'une institution publique dédiée à la promotion des MPME, la formulation d'une politique de développement des MPME, la prise en compte des intérêts des MPME dans le code des investissements et les exigences de l'environnement des affaires.

En matière de financement, plusieurs actions sont envisageables, qui ne pourraient pas être détaillées ici. Premièrement, réduire le coût du crédit, à travers l'amélioration du cadre macroéconomique et de l'environnement juridique, mais aussi la mise à disposition de refinancement à moindre coût dans des secteurs productifs où opèrent les MPME.

Deuxièmement, créer un fond spécifique pour le développement des MPME. Cela nécessite une spécialisation dans le financement

des investissements des MPME, soit au niveau des institutions financières existantes, par exemple grâce au développement de nouveaux produits financiers, soit l'exploration de solutions structurelles avec la création d'une institution spécialisée pour financer la création et la croissance des entreprises.

Troisièmement, soutenir le développement de nouveaux produits dans le secteur de la microfinance, tel que le financement de chaînes de valeur, le crédit warrantage et la micro-assurance indiciaire agricole, à l'instar des récents en cours en matière de crédit-bail.

Cinquièmement, résoudre le problème des garanties pour faciliter l'accès des MPME au financement à moyen terme. Il s'agirait d'établir un fonds de garantie pour soutenir les investissements des MPME, en partageant, avec les établissements prêteurs les risques. Quelques tentatives pour la mise en place d'un fond de garantie ont été initiées par le Gouvernement, la coopération belge, l'Association des Banques et Etablissements Financiers, mais sans aucune concrétisation. La mise en place d'un fond de garantie constitue donc un véritable enjeu économique, et requiert que certains choix stratégiques soient opérés en tenant compte des meilleures pratiques internationales, en matière de capitalisation, de levier de garantie, de prime de garantie, de niveau de couverture, etc.

Sixièmement, renforcer les synergies entre les banques et les IMF. Plusieurs modèles sont envisageables (Fall, 2011), il s'agirait donc d'identifier lesquels permettraient mieux à ces institutions d'exploiter leurs avantages mutuels pour un financement adéquat des MPME.

De nouvelles pistes de recherche sont envisageables pour proposer des actions concrètes de mise en œuvre de certaines recommandations. Ainsi, une recherche ultérieure consistera à proposer des critères de choix d'IMF pouvant être éligibles au refinancement de la Banque Centrale.

■ REFERENCES

- ABOUDRAR, S., ABARGAZ, M., BENDORA, M. (2012), Relation Banque/ PME. Cas des PME de la région SMD au Maroc, Mémoire de licence en Sciences Economiques et Gestion, Université Ibn Zohr d'Agadir.
- AYYAGARI, M., DEMIRGUC-KUNT, A., MAKSIMOVIC, V. (2011), Small vs young firms across the world: Contribution to employment, job creation, and growth, document de travail de recherche de la Banque mondiale sur les politiques, no 5631, Washington DC.
- BAD (2012), Burundi document de stratégie pays 2012-2016, Tunis.
- BRB (2017), Enquête Nationale sur l'Inclusion Financière au Burundi 2016, Bujumbura.
- BIT (2015), Les petites et moyennes entreprises et la création d'emplois décents et productifs, Rapport IV, Conférence internationale du Travail 104ème Session., ILC.104/IV, Genève.
- CHAPUT, Y. (dir.) (2010), Les PME et le droit de la concurrence-Analyse critique, comparative et prospective, Yves CHAPUT (dir.), CREDA, collection droit des affaires, Litec, 422 p.
- CRISCUOLO, C., GAL, P.N., MENON, C. (2014): The dynamics of employment growth: New evidence from 18 countries, documents de travail de l'OCDE sur la science, la technologie et l'industrie, no 14(2014).
- EEC (2006), Burundi: une évaluation du climat des investissements, Banque Mondiale, Région Afrique, Washington DC.
- FALL, F. (2011), La complémentarité Banque/ Microfinance dans les économies en développement: une perspective théorique, Revue d'Économie Industrielle, N°133, p31-56
- ISTEEBU (2012), Recensement Général des Entreprises au Burundi Edition 2009, Bujumbura.
- ISTEEBU (2015), Emploi et secteur informel au Burundi en 2014, Bujumbura.
- ISTEEBU (2016), Comptes de la Nation 2014, Bujumbura.
- NDIKUMANA, M.J. (2013), "Financing instruments available to the SMEs in the manufacturing sector", communication at the workshop Overview of the draft action plan for implementing the EAC industrialization strategy, Bujumbura, 31st January.
- NIYONGABO (2015), A study on harmonization of regulations impacting on the development of small and medium enterprises (SME) in EAC region. Burundi Country Report, EAC Secretariat.
- NIYONGABO, E., VAN MANEN, B. (2012), BTC Burundi-Programme PAIOSA. Renforcer l'accès à la microfinance agricole, PAIOSA, Ministère de l'Agriculture et de l'Elevage, Bujumbura.
- OECD (2002), Small and medium enterprise outlook, Paris.
- REPUBLIQUE DU BURUNDI, MINISTERE DU COMMERCE, DE L'INDUSTRIE, DES POSTES ET DU TOURISME (2013), Stratégie nationale de développement du secteur privé, Bujumbura.
- TMEA/BURUNDI (2015), Impact on Burundi enterprises of trade-related Government measures and the trade environment in Burundi, Bujumbura.

04

L'IMPACT DE L'ÉMERGENCE DE LA DIGITALISATION FINANCIÈRE SUR L'INCLUSION FINANCIÈRE DE MASSE ET LES PROBLÉMATIQUES JURIDIQUES ACTUELLES POSÉES

Par

Dr. Manuel Roland TCHEUMALIEU FANSI, *Chargé de Cours à l'Université de Yaoundé II (SOA), Avocat au Barreau de Paris*

Mots clés :
*innovation,
inclusion financière*

■ ABSTRACT

Avec l'intrusion des NTIC dans l'industrie de la microfinance, certaines opérations de banque notamment de transferts de fonds et les services de paiement qui relevaient classiquement du monopole des banques et institutions de microfinance sont désormais accomplies par divers acteurs para bancaires tels que les opérateurs de téléphonie mobile ou les établissements de paiement. C'est l'ère de la digitalisation financière avec le start up de la Fintech. Technologie numérique et la finance riment désormais ensemble au grand bonheur des populations non bancarisées, principales destinataires de ces services innovants. Salulaire du point de vue de l'inclusion financière, l'immixtion de l'innovation dans la finance est si brutale qu'elle pose au législateur des défis de réglementation, notamment en zone CEMAC.



■ INTRODUCTION

Ces dernières années, l'innovation technologique a fait une intrusion spectaculaire dans le secteur de la finance et notamment en Afrique. Jadis très sous bancarisée¹, l'Afrique est en train de combler son retard grâce aux nombreuses start-up qui opèrent dans le domaine de la Fintech², du mobile banking³ ou du

1 Le taux de bancarisation est globalement faible mais très variable selon les pays (de 4,89 % au Niger à plus de 25 % en Côte d'Ivoire et jusqu'à 80 % à Maurice) ; on estime que 80 % d'adultes (sur un total de 330 millions) n'ont pas accès aux services bancaires classiques. Steve FOGUE, « Finance digitale en Afrique : le chaînon manquant ? », Cf, <https://www.lesechos.fr/idees-debats/cercle/cercle-166881-finance-digitale-en-afrique-le-chainon-manquant-http://www.jeuneafrique.com/225068/economie/mobile-money-un-marche-de-250-millions-de-clients-en-afrique-subsaharienne-d-ici-2019>.

2 L'expression FinTech combine les termes « finance » et « technologie » : elle désigne une start-up innovante qui utilise la technologie pour repenser les services financiers et bancaires.

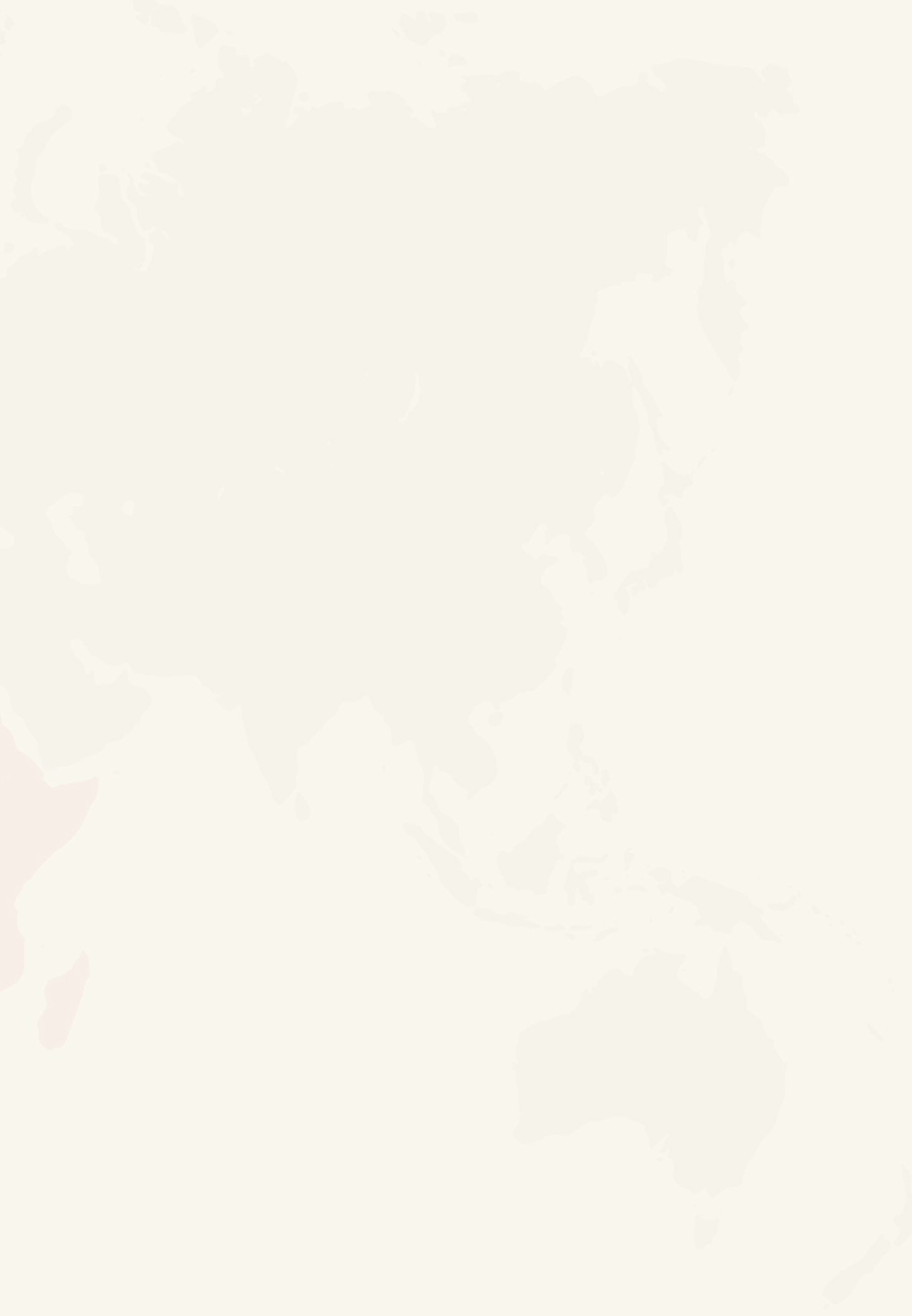
Cf, <http://blog.bolden.fr/les-fintech-definition-evolutions-ambitions>.

3 Appelé aussi m-banking, le mobile banking regroupe toutes les techniques permettant de réaliser des opérations bancaires à partir du support d'un téléphone mobile (consultation, gestion, paiements, etc.). Cf, <http://www.banque-info.com/lexique-bancaire/m/mobile-banking>; <https://www.rachat-ducredit.com/definition-mobile-banking-en-france>.

*mobile transfer*⁴. L'Afrique affiche désormais des chiffres impressionnants en matière d'inclusion financière. C'est ainsi qu'en 2000, on comptait un téléphone pour 50 personnes. En 2015, on dénombrait 600 millions d'abonnés sur une population totale de plus d'un milliard. On comprend dès lors le potentiel du continent en matière de *mobile money*: plus de la moitié des comptes de paiement sur mobile dans le monde se trouvent en Afrique. En effet, suivant les analystes, 10 % des adultes déclarent détenir un compte de paiement sur mobile, contre 2 % en moyenne sur les autres continents. Parallèlement, l'usage d'internet s'est considérablement accru : 16 % des Africains y ont accès en 2016 et l'Afrique compte 60 millions d'internautes réguliers. Le cabinet McKinsey estime que ce taux devrait passer à 50 % en 2025⁵. Selon les données de la Banque mondiale, près de deux milliards de personnes sur la planète n'ont pas de compte bancaire. Trois quarts d'entre elles vivent dans un pays d'Afrique

4 Le mobile transfer c'est le transfert d'argent via le téléphone portable (téléphone classique aux fonctionnalités basiques, smartphones ou iPhones). <http://www.slateafrique.com/83079/le-transfert-d%E2%80%99argent-tel%C3%A9phone-portable-devient-monnaie-courante>.

5 Steve FOGUE, « Finance digitale en Afrique : le chaînon manquant ? », Cf, <https://www.lesechos.fr/idees-debats/cercle/cercle-166881-finance-digitale-en-afrique-le-chainon-manquant-2068486.php>.



où, en raison d'infrastructures bancaires limitées, la téléphonie mobile s'est muée avec succès en système de micro paiement⁶. Grâce à divers start-up de la Fintech et opérateurs qui ont conçu leurs produits et services et leur mise en œuvre sur l'utilisation du téléphone portable et la connexion internet⁷, la généralisation de l'inclusion financière est désormais une réalité. Selon la banque mondiale, le financement participatif a permis de lever plus de 125 millions de dollars dans 4 régions africains en 2015 et avec cette dynamique, les plateformes de crowdfunding africaines devraient arriver à collecter plus de 15 milliards de dollars en 2025⁸. C'est ainsi que les start-up de financements participatifs ou « crowdfunding » se sont multipliées afin de contribuer au financement des projets des individus ou des MPME basés en Afrique.⁹ Les plateformes de *mobile banking* ou de *mobile transfer* sont très sollicitées par les MPME et les consommateurs individuels. Le dispositif a fait son entrée en Afrique par le Kenya et s'est vulgarisé progressivement dans d'autres pays tel un phénomène de mode.¹⁰ C'est le cas du mécanisme mis sur pied par l'opérateur de téléphonie sud-africain MTN et Airtel dans 9 pays africains¹¹ ou du dispositif mis en place grâce au partenariat entre MTN et la banque panafricaine Ecobank dans 12 pays africains¹². Ces moyens modernes de paiement modernes ainsi que ces modes de financements participatifs conjugués constituent les sources essentielles de micro financement des MPME et auto-entrepreneurs. L'immixtion de l'innovation

6 Le continent, qui a littéralement sauté l'étape d'Internet et de la téléphonie fixe, montre aujourd'hui un appétit considérable pour le mobile. En 2014, le taux de pénétration de la téléphonie mobile avoisinait les 70%, d'après les chiffres publiés par la banque Natixis, Cf, Mehdi ATMANI, « La téléphonie mobile, moteur de l'innovation bancaire en Afrique », <https://www.letemps.ch/economie/2015/05/25/telephonie-mobile-moteur-innovation-bancaire-afrique>.

7 En 2015, on recensait déjà en Afrique, plus de 200 millions d'utilisateurs d'Internet et 79 millions sur les médias sociaux du continent. Cf, <http://kapital-plusplus.com/2016/12/22/financement-participatif-afrique>.

8 Cf, <http://kapital-plusplus.com/2016/12/22/financement-participatif-afrique>.

9 Il s'agit par exemple des plateformes de « crowdfunding » comme « Smalaandco », ou « Cofundy » l'ancêtre de Smalaandco, des start-up « Africafunding », « It'saboutmyafrica » ou « KissKissBankBank ». Cf, Sinatou SAKA, In <http://www.rfi.fr/hebdo/20151009-afrique-financement-participatif-plein-boom-crowdfunding>.

10 Cf, Christian ETZENSPERGER, « Révolution du secteur de la microfinance en Afrique orientale », www.responsability.com, 2013, p.8. Le phénomène s'est par la suite vulgarisé progressivement partout en Afrique comme on a pu constater sa mise en œuvre au Cameroun depuis novembre 2011 à travers le « mobil payment » et en 2013 au Sénégal, Mali et la Côte d'Ivoire à travers « Orange Money ». Les initiatives de mobile banking se sont multipliées sur le continent africain. Cf, « Orange Money : Un service de paiement et de transfert d'argent mobile pour l'Afrique », www.orange.com, Dossier de presse, 24 novembre 2011.

11 L'opérateur indien de télécommunication « Barith Airtel » et la banque panafricaine « Ecobank » transnational incorporated se sont mis en partenariat pour offrir des services de M-Banking dans 9 pays d'Afrique où les deux sont présents. Cf, « Airtel et Ecobank en partenariat pour offrir le m-Banking en Afrique », In <http://www.agenceecofin.com>, Octobre 2013, Version en ligne consultée le 25 mai 2017.

12 Cf, « MTN et Ecobank lancent une offre mobile-banking commune dans 12 pays africains », <http://www.agenceecofin.com>, Mars 2014, version en ligne consultée le 25 mai 2017.

dans le secteur financier a accentué l'inclusion financière tant souhaitée des destinataires de ces produits et services innovants.

La digitalisation financière actuelle, bien que salubre pour le développement des MPME, laisse en parallèle des problématiques juridiques sans réponse car elle pose en toile de fond pour les juristes, la difficulté qu'il y a pour tout législateur de courir après l'innovation. Notre projet qui concerne le Cameroun et la zone CEMAC en priorité, sera conduit autour de l'impact des start-up de la finance sur l'inclusion financière et l'accès au micro financement des MPME d'une part; et d'autre part, sur les défis de la réglementation qui se posent au législateur qui doit désormais faire face aux problématiques de supervision et de contrôle des produits et services inclusifs innovants. Ainsi, la problématique de recherche abordée dans ce papier est la suivante : quelle est la portée de l'émergence de la digitalisation financière sur l'inclusion financière de masse, sur l'accès des MPME au financement et quelles sont les problématiques juridiques que ce phénomène entraîne ?

■ OBJECTIFS DE LA RECHERCHE

Tout projet de recherche est conçu autour d'une problématique qui sert de fil conducteur et à laquelle le projet a vocation à apporter une réponse. Bien qu'elle soit indispensable pour une inclusion financière de masse et pour une émergence des MPME, la digitalisation financière actuelle peut-elle continuer sans encadrement juridique alors même que les problématiques juridiques qu'elle entraîne sont nombreuses ? Lorsque l'innovation précède la réglementation comme c'est le cas en l'espèce, les défis de la réglementation s'imposent. Le régulateur doit suivre le rythme¹³. Toutefois, un dosage judicieux s'impose car la réglementation peut être un frein à l'innovation financière de même que l'innovation sans régulation peut déboucher sur des situations incontrôlables. Ce projet sera conduit autour de deux objectifs principaux de recherche.

Premier objectif de recherche : étudier l'impact de la digitalisation financière sur l'inclusion financière de masse et l'accès au financement des MPME.

L'innovation technologique voire numérique ou digitale dans le secteur financier bancaire a donné lieu à des applications innovantes qui ont rendu possible l'offre des services bancaires de base et même complexes via les téléphones portables. C'est l'ère du mobile banking qui permet à tout utilisateur d'ouvrir un compte, de vérifier son solde, de régler des factures ou de transférer de l'argent par SMS de manière quasiment instantanée. Même célérité au niveau de l'accès au crédit, car il faut « plusieurs semaines pour obtenir un petit crédit en agence, contre une à deux heures avec un compte mobile¹⁴ ». Les services financiers complexes ne sont pas du reste car les portefeuilles digitaux ouvrent la voie inédite vers les produits tels que l'assurance et l'épargne qui étaient jusqu'ici inaccessibles aux non bancarisés. L'effet de levier ne s'est pas fait

13 Laurent LHERIAU, « Les régulateurs peuvent-ils suivre l'innovation en microfinance ? », <http://ideas4development.org/les-regulateurs-peuvent-ils-suivre-linnovation-en-microfinance>.

14 Cf, Steve FOGUE, « Finance digitale en Afrique : le chaînon manquant ? », Cf, <https://www.lesechos.fr/idees-debats/cercle/cercle-166881-finance-digitale-en-afrique-le-chainon-manquant-2068486.php>.

attendre. Au Kenya par exemple, M-Pesa a fait augmenter le taux de bancarisation du pays en transformant la carte SIM en un porte-monnaie et un compte bancaire digital, utilisable pour tous types de dépense. En effet, « Dans un pays peu bancarisé mais où 54 % de la population possédait un téléphone mobile, les premiers résultats ont largement dépassé les attentes. En huit mois, M-Pesa avait conquis 1 million d'utilisateurs et ce chiffre avait triplé en juin 2008. Aujourd'hui, l'application revendique 30 millions d'utilisateurs réguliers dans le monde, dont 18 millions au Kenya, soit 70 % de la population adulte du pays¹⁵ ». Cette mutation financière numérique est devenue un véritable phénomène de mode en Afrique avec les opérateurs de téléphonie tels que Orange¹⁶, MTN¹⁷ et Airtel qui ont développé les applications de mobile transfer et de mobile banking où les utilisateurs, à travers leur « compte money » ou « compte digital », peuvent envoyer ou recevoir de l'argent, transférer de l'argent pour le paiement de leur facture de téléphone, d'électricité ou chez des commerçants partenaires du réseau¹⁹. Le numéro de compte bancaire fonctionne ici comme un compte bancaire.

Deuxième objectif de recherche: identifier les problématiques juridiques que la généralisation de la digitalisation financière pose au législateur sous forme de défis de réglementation.

L'entrée des acteurs de la digitalisation financière dans le champ des opérations de banque autrefois réservées aux seuls banques et établissements de microfinance n'est pas sans problème juridique. En effet, l'intrusion de l'innovation en matière financière a été indubitablement brutale, ce qui n'a pas laissé du temps au législateur de poser les jalons d'un cadre juridique idoine d'implémentation avant l'exécution des opérations. Cette situation pose désormais partout des défis de réglementation au législateur aussi bien dans les zones UEMOA, CEMAC et même au Kenya pays pionnier de la digitalisation financière sur le continent. Les organes de supervision et de contrôle de l'activité bancaire à l'instar de la COBAC en zone CEMAC ou de la Commission bancaire en zone UEMOA ont hésité à légiférer au préalable, puis ont laissé faire. Maintenant, vu l'ampleur du phénomène, les enjeux d'encadrement, de contrôle et de supervision du phénomène sur le plan communautaire s'imposent. En effet, les agréments dont disposent les opérateurs de téléphonie ne leur confèrent pas les compétences pour accomplir toutes les opérations de banque d'envergure comme c'est le cas actuellement. Le contrôle des opérations de banque accomplies par ces entités para bancaires

15 Laure BROULARD et Mark ANDERSON, « Mobile banking : une success-story nommée M-Pesa », In <http://www.jeuneafrique.com/mag/421063/economie/mobile-banking-success-story-nommee-m-pesa/>

16 « Orange Money : Un service de paiement et de transfert d'argent mobile pour l'Afrique », www.orange.com.

17 <https://www.letemps.ch/economie/2015/05/25/telephonie-mobile-moteur-innovation-bancaire-afrique>

18 Cf. « Airtel et Ecobank en partenariat pour offrir le m-Banking en Afrique », In <http://www.agencecofin.com>, Octobre 2013.

19 C'est le dispositif « Retail payment » mis en œuvre par MTN au Cameroun. Cf. « Au Cameroun, les abonnés MTN pourront régler leurs achats par téléphone dans les supermarchés », In <http://www.agencecofin.com>, décembre 2013, voir aussi, « Cameroun : MTN lance le paiement des frais universitaires par Mobile Money », <http://www.agencecofin.com/mobile/1009-13499-cameroun-mtn-lance-le-paiement-des-frais-universitaires-par-mobile-money>, 10 septembre 2013.

est quasi inexistant tandis que les banques et IMF qui disposent des agréments pour accomplir ces opérations sont soumises à des contrôles très stricts. Deux poids, deux mesures.

Par ailleurs, les autorités de contrôle et de supervision doivent veiller à ce que les circuits de la digitalisation financière ne soient empruntés à des fins de blanchiment de capitaux et du financement du terrorisme. L'intervention du législateur a pour but de sécuriser davantage les circuits de cette finance digitale.

■ MÉTHODES DE RECHERCHE

Plusieurs méthodes ont été mises à contribution en l'espèce. La méthode exégétique a été explorée. C'est ainsi que quelques textes importants formulés en CEMAC et en UEMOA qui régissent l'activité bancaire et microfinancière ont été recensés et analysés. Cette méthode nous a permis de s'attarder sur le recensement de la législation et de la littérature existant sur cette thématique. Ce projet s'est adapté en outre partiellement à la méthode empirique, compte tenu de l'expérience de l'auteur en matière d'enseignement de la finance inclusive. Les mémoires d'étude des étudiants de master professionnels portant sur ces thématiques dont l'auteur assure la supervision académique lui ont permis de mesurer le degré de pénétration de l'inclusion financière du mobile banking et mobile transfer développés au Cameroun par les opérateurs de téléphonies comme MTN et Orange. La participation de l'auteur à des colloques portant sur les thématiques portant sur des questions d'inclusion financière par l'innovation lui ont permis d'échanger avec d'autres spécialistes, d'exposer la pertinence ainsi que les limites de la situation d'échanger²⁰. Cette situation nous a permis d'envisager la méthode analytique afin de mieux analyser les données recueillies pour quantifier le degré de pénétration des produits financiers digitaux au sein de la population. Cette analyse a permis également de proposer des solutions pour parer aux limites et imperfections constatées. Enfin, la méthode comparative a permis de déterminer le degré de pénétration des produits financiers digitaux d'une sous-région en comparaison avec une autre sous-région ou d'un pays à l'autre, d'une zone urbaine par rapport à une zone rurale. Cette méthode comparative a permis de démontrer que l'Afrique affiche en matière de *mobile transfer* un taux de pénétration plus impressionnant que tous les autres continents.

■ RÉSULTATS DE LA RECHERCHE

Les résultats ici sont exposés sous deux angles.

Sous le premier angle, il est question de montrer, d'une part, que la digitalisation financière est nécessaire et indispensable pour accroître l'inclusion financière et d'autre part, qu'elle

20 Manuel Roland TCHEUMALIEU FANSI, « Zoom sur le domaine de la réglementation bancaire en CEMAC », In Actes Colloque GERDIIC sur la régulation et intégration bancaires dans la CEMAC, Université de Dschang (Cameroun) du 10 au 11 décembre 2015, presses universitaires d'Afrique, Yaoundé, Février 2017, pp-153-175, voir aussi ; « Les imbrications entre les groupements tontiniers du secteur informel et les banques, IMF/EMF du secteur formel », in, Actes du Colloque sur l'effectivité du droit économique dans l'espace OHADA, Université du Luxembourg du 20 au 21 novembre 2014, L'Harmattan, Paris, Juillet 2016, pp 235-254.

impacte positivement sur l'accès au financement des MPME. Ce premier résultat conduit à un constat certain : l'enracinement de ce dynamisme dans les mœurs. Il faut juste sa pérennisation à travers les politiques financières appropriées compte tenu que l'innovation a précédé la réglementation ici. La réglementation à venir doit tenir compte des acquis actuels pour éviter le séisme.

Sous le second angle, notre résultat conduit à l'urgence qu'il y a pour le législateur d'encadrer la digitalisation financière exacerbée actuelle afin qu'elle ne débouche sur des situations incontrôlables et irréversibles. Les enjeux de protection de ces circuits financiers digitaux sont très grands car il est question d'éviter qu'ils ne soient considérés comme des circuits permissifs et vulnérables pour des opérations de blanchiment des capitaux et de financement du terrorisme. La réglementation doit aussi définir la ligne de partage entre les opérateurs de téléphonie mobile et les banques et revoir au besoin les agréments afin d'éviter les peurs ou les craintes légitimes actuelles des investisseurs de ces start-up d'une part, des banques et IMF et établissements de paiement d'autre part. Le législateur doit préciser s'il y a les compétences exclusives, inclusives ou partagées, ce qui rassurera chacune des parties.

■ DISCUSSION

La pertinence de ce projet sous l'angle de l'inclusion financière et de l'accès au financement des MPME est freinée par diverses limites. Il s'agit entre autres des limites structurelles, déficits normatifs comme déjà signalés, limites socio-culturelles et éducatives. Quant aux limites structurelles, il faut relever que l'émergence de la digitalisation financière est largement tributaire du niveau de développement du réseau de connexion électrique et de la couverture du réseau Internet par fibre optique. Le réseau électrique reste peu performant, la couverture Internet par fibre optique reste encore faible en Afrique, ce qui freine l'évolution de la courbe de pénétration de l'inclusion financière. Les défis didactiques sont justifiés par le fait que les applications numériques de mobile banking et du mobile transfer sont conçues avec les langues étrangères notamment anglaise et française. Cette situation est un handicap pour les nombreux potentiels clients analphabètes qui sont obligés de se faire assister. Les limites normatives viennent de la relative absence d'interconnexion entre les produits et services financiers digitaux émanant des opérateurs concurrents. Cette interconnexion est à ce jour repensée mais son amorce reste timide. Les limites socio-culturelles viennent de la préférence de la monnaie fiduciaire par rapport à celle scripturale et immatérielle. C'est la prééminence du palpable sur le virtuel²¹. Dans ces conditions, le secteur informel avec les tontines leur semble toujours attractif. Ce qui est une limite à la dématérialisation financière en marche. L'autre limite découle de la faiblesse de l'interopérabilité entre les réseaux mis en œuvre par les différents opérateurs de la finance digitale.

21 Manuel Roland TCHEUMALIEU FANSI, *Droit et pratique bancaire dans l'espace Ohada*, Op.cit, p.331.

■ RÉFÉRENCES BIBLIOGRAPHIQUES

ATMANI (Mehdi), « La téléphonie mobile, moteur de l'innovation bancaire en Afrique », In <https://www.letemps.ch/economie/2015/05/25/telephonie-mobile-moteur-innovation-bancaire-afrique>;

BROULARD (Laure) ANDERSON (Mark), « Mobile banking : une succes-story nommée M-Pesa », In <http://www.jeuneafrique.com/mag/421063/economie/mobile-banking-succes-story-nomme-m-pesa/>;

ETZENSPERGER (Christian) in « Révolution du secteur de la microfinance en Afrique orientale », www.responsability.com, 2013 ;

FOGUE (Steve), « Finance digitale en Afrique : le chaînon manquant ? », In Cf, <https://www.lesechos.fr/idees-debats/cercle/cercle-166881-finance-digitale-en-afrique-le-chainon-manquant-2068486.php>.

LHERIAU (Laurent) « Les régulateurs peuvent-ils suivre l'innovation en microfinance ? », <http://ideas4development.org/les-regulateurs-peuvent-ils-suivre-linnovation-en-microfinance>, 3 février 2015 ;

Précis de réglementation de la microfinance, AFD, 2009 ;

SAKA (Sinatou), In <http://www.rfi.fr/hebdo/20151009-afrique-financement-participatif-plein-boom-crowdfunding>;

TCHEUMALIEU FANSI (Manuel Roland), Droit

et pratique bancaire dans l'espace OHADA, Harmattan, Paris, octobre 2013, 448 P ;

La modernisation des instruments financiers de paiement : étude comparative Europe-Afrique, Editions universitaires européenne, Février 2011, 379 P ;

« Zoom sur le domaine de la réglementation bancaire en CEMAC », In Actes Colloque GERDIIC sur la régulation et intégration bancaires dans la CEMAC, Université de Dschang (Cameroun) du 10 au 11 décembre 2015, presses universitaires d'Afrique, Yaoundé, Février 2017, pp-153-175 ;

« Les imbrications entre les groupements tontiniers du secteur informel et les banques, IMF/EMF du secteur formel », in, Actes du Colloque sur l'effectivité du droit économique dans l'espace OHADA, Université du Luxembourg du 20 au 21 novembre 2014, L'Harmattan, Paris, Juillet 2016, pp 235-254.

Sites web

<http://kapital-plusplus.com/2016/12/22/finance-participatif-afrique>.

« Airtel et Ecobank en partenariat pour offrir le m-Banking en Afrique », In <http://www.agenceecofin.com/mobile/1009-13499-cameroun-mtn-lance-le-paiement-des-frais-universitaires-par-mobile-money>.

05

TOWARDS A CONSOLIDATED REGULATION FOR MICROFINANCE INSTITUTIONS IN THE ECOWAS REGION: LESSONS FROM THE WAEMU COUNTRIES

By

Terfa W. Abraham, Ph.D, *National Institute for Legislative Studies (NILS),
Abuja - Nigeria*
Lorenzcurve@yahoo.com



Keywords:

*Microfinance,
Regulation,
Small Business*

■ ABSTRACT

Although the literature on microfinance regulation presents propositions that can be useful to inform whether or not putting in place a coordinated legislation for regulating microfinance institutions (MFIs), empirical evidence testing their validity is lacking due to insufficient data on microfinance regulation and its effect on countries where such regulation is operational. This paper examines the debates for and against microfinance regulation and whether or not regulation improves the performance of MFIs and small businesses alike. Due to the challenge of having specific data for microfinance regulation, the research design used in the paper involves reviews from existing literature and descriptive analysis of available data for African countries. The conclusions reached include: (1) Whereas there are more credit





unions in Ghana than in Togo, Senegal and Benin Republic combined, the penetration of the credit unions in these respective countries, are higher than in Ghana; (2) Data from World Council of Credit Unions' 2015 annual Statistical Report showed that credit unions in Senegal give out loans more than the savings they accumulate. While the situation is moderate in Mali, the case in Benin and Togo shows that, loans given out are less than savings. Relative to these francophone countries however, the case in Ghana, shows that credit union loans to members are often about 50% of the total savings they accumulate; and (3) Relative to these francophone countries however, the case in Ghana, shows that credit union loans to members are often about 50% of the total savings they accumulate compared to Senegal with over 105%. It therefore appears that having a place a PERMEC-type law for the rest of the ECOWAS region would be important to allow for better access to finance by medium and small scale businesses..

■ 1 INTRODUCTION

Various policies on microfinance institutions in West Africa have brought in numerous players in the microfinance space. Despite these efforts, small businesses still have poor access to finance amidst other challenges that constraint their ability to grow from small to medium and to large businesses. While studies have examined the role of cultural and institutional factors (see Allaire, Ashta, Attuel-Mendes and Krishnaswamy, 2010) as well as regulation (see Ashta and Fall, 2012) in driving the success of microfinance institutions, the focus is to try to explain the role of such factors in the success stories of microfinance institutions. This paper departs from that line of thought. It argues that beyond examining the factors that inform the success of microfinance institutions, these institutions are in themselves businesses, with a profit motive. Considering the growth of microfinance institutions in West Africa (as affirmed in Ashta and Fall, 2012), and the effect the growth of microfinance institutions could have on the overall growth of financial markets in the region (see Buera, Kaboski and Shin, 2012), it is important for policy makers to show interest in the

regulation of microfinance institutions.

Omino (2005) noted that the lack of a specific legislation and set of regulations to guide the operations of the microfinance sub-sector, is a major impediment to the development of microfinance business in Kenya. For instance, According to Omino (2005) while microfinance institutions in Kenya are registered under eight different Acts of Parliament, some of these forms or registrations do not address issues regarding ownership, governance, and accountability. They have also contributed to a large extent to the poor performance and eventual demise of many MFIs because of a lack of appropriate regulatory oversight (Omino, 2005). Hence, this have made it difficult to address constraints to small business growth such as: diversity in institutional form, inadequate governance and management capacity, limited outreach, unhealthy competition, limited access to funds, unfavorable image and lack of performance standard. Although there are several innovations in the microfinance space to help small business bloom, the lack of effective legislation/oversight, makes it difficult to domesticate such innovations.

Muganga (2010) examined the model and contribution of the South African Regulatory Framework to the Microfinance sector's development, to find out whether Regulation enables or creates barriers to increasing access to financial services and reaching the unbanked population in South Africa. Using data collected through interviews and questionnaires to a selected MFIs, Microfinance banks and key Regulators, it was found that regulation contributes to the development of the South African microfinance market and also enhances growth of the industry, by setting standards, increasing efficiency and promoting fair competition while strongly protecting consumers.

In the case of the francophone West Africa for instance, Lolila-Ramin (2005) and Jenkins (2006) provides evidence showing how despite the need for regulation and supervision of microfinance institutions in the West African Monetary Union, how the PARMEC Law impeded access to finance for SMEs and the poor. To this extent, Zoom Microfinance (2015) conceptualized issues on how to advance the cause of regulating microfinance institutions in West Africa. According to Zoom Microfinance (2015), the willingness to regulate should be seen as part of a process which foresees microfinance integrating into the wider financial system in four steps, namely: Creation, Expansion, Consolidation and Inclusion. The study particularly alluded this kind of process as responsible for the growth and development of SMEs in the francophone region anchored by the Central Bank of West African States (BCEAO). There are two concerns at the heart of the regulating process: (1) The notion of proportionality, which requires that a balance should be struck between the benefits and risks of regulating in relation to the specificities of the sector; and (2) Facilitating local savings, which impacts the volumes collected and decreases the dependence of the country or region concerned vis-à-vis external resources. According to Zoom Microfinance (2015), the situation in the WAEMU zone, provides a clear example when in 1993, the zone adopted the PARMEC law which was specifically drawn up for savings and credit cooperatives and mutual institutions, but ended up constraining growth of microfinance institutions in the sub region until in 1996, when an extension of the law was passed. While these studies show evidence of a relationship between microfinance legislation, regulation and growth of SMEs, the continuous need for credit by small businesses in Anglo phone West African countries, despite the presence of microfinance institutions, underscores the need for carrying out study on this subject matter in the sub-region. For Gallardo et al (2005), the debate about microfinance regulatory regimes is about how the overall regulatory for microfinance regulatory institutions in countries should seek to integrate microfinance institutions into the financial system. Though this premise is dominant in the literature, it downplays the need for regulating microfinance institutions.

Beyond seeking to provide access to financial services to small scale businesses, microfinance institutions are in themselves businesses that require regulation. Considering the growth of microfinance institutions in West Africa, and the effect microfinance institutions could have on the overall growth of financial markets in the region, it is important therefore for policy makers to show interest in the regulation of microfinance regulation.

The objective of this paper therefore is to examine the debates for and against microfinance regulation and whether or not regulation improves the performance of MFIs and small businesses alike.

■ 2 CONCEPTUAL AND EMPIRICAL LITERATURE

Although microfinance and microfinance institutions could mean different things to different people, the general view is that a microfinance institution is any organization that offers financial services (loans, insurance, deposit and other services) to low income populations engaging in small scale businesses. According to Ocasio (2012), many microfinance institutions adopt the social objective of helping the poor become more self-sufficient in order to improve their livelihood. The activities of the institutions involved in this kind of service delivery and at the same time concerned with profitability cannot therefore be left, unregulated. Following Buera et al (2012), this paper conceptualizes microfinance institutions as those direct concerned with the business of providing credit to small-scale entrepreneurial activities of the poor who may otherwise lack access to financing. While country specific apex banks often play the role of the regulator of the microfinance space, the practice of selective credit targeting by the apex bank to choice sectors depending of the executive preference of the ruling political administration, is another matter that distorts the flow credit and can also be addressed through legislation by parliament. For instance, through the Anchor borrowers program of the Central Bank of Nigeria, credit is offered to choice sectors (particularly agriculture) as a way of strengthening access to finance and boost farming activities. Despite the PARMEC Law, Lolila-Ramin (2005) also noted that such regulatory challenges exist in the UMOA region of West Africa as the role of regulation and supervision of MFIs is conferred to the Ministries of Finance in each member state hence, failing to adequately address enhance access to credit to the poor.

Whether or not microfinance institutions should be regulated and to what extent, has been the focus of several theoretical discourse. The UN (2013) argued that while reforms in the financial sector in the mid-1990s were focused on strengthening regulatory, supervisory and payments systems, there was also a general acceptance of microfinance as an essential market segment of the financial sector, hence, consolidating the realization that strengthening the legal, regulatory and supervisory frameworks for microfinance as well, is critical not only for the advancement of microfinance and the soundness of the institutions but also for the health of the financial sector as a whole. Ashta and Fall (2012) examined why microfinance institutions develop in some countries more than others. In identifying the institutional factors that can be introduced to enable microfinance to succeed in a country, they found that while the success of microfinance is linked to its economic performance, in terms of both levels of per capita income and growth, regulatory and public governance also matters. According to UN (2013), while savings and credit cooperatives are assumed to be self-regulating, as deposit-taking increases, the need for prudential supervision becomes important to safeguard the health of the financial sector, hence, the need for regulation. But there are also arguments against the

regulation of microfinance institutions.

Allaire et al (2010) examined the success factors strengthening the growth of microfinance institutions in Morocco. They also sought to identify controllable institutional factors which can be introduced in regulation to enhance the performance of Microfinance institutions in a country. Employing the use of correlation analysis, they found that the success of Microfinance is linked to population density, smallness of a country's geographical size and its poverty as well as the amount of international donor funds it has received. They also found that the reliance on oil exports as a major source of revenue to a country, creates lag in the development of microfinance in such countries. Among other things, they argued that establishing a specific legal framework for Microfinance, might help spur the growth of Microfinance. While this finding is critical to supporting the growth of microfinance, its implicit assumption is that microfinance growth is constrained certain factors for which harnessing cultural and regulatory factors can help address. The other aspect for which consolidating regulation for a specific region in other to ensure that microfinance institutions are not in themselves the reason why credit is not getting to those who should get it, is left out. As a result, the authors call for further studies to examine the relationship between the success of microfinance and with other qualitative and institutional factors such as violence, corruption, women's rights, political risk and economic sanctions. The deduction in the paper that carrying out such studies will lead microfinance institutions to lobby for specific laws, seek more initial direct donor funding, lobby for less government apex distribution and better information databases, confirms the implicit assumption that microfinance institutions are not the problem.

Others (e.g. Vento 2010 and Chiumya, 2010) have argued that while regulation would contribute to enforcing international financial standards and making microfinance safer, it could also make it too complex for small MFIs to operate. This would then lead to a reduction in microfinance supply. Considering the extent of poor level of access to formal microfinance institutions, such regulation would therefore not be good for advancing the course of expanding access to financial services. It has also been argued that a too strict regulation of MFIs, would limit the capability to innovate. Since several microfinance institutions are investing into various innovations to expand access the financial services, constraining such innovation through tight regulation should therefore be checked. Chiumya (2010) therefore opined that the objectives of microfinance regulation should include: financial system stability; depositor protection; customer protection; effective and efficient use of investors' funds; the setting of minimum standards; promotion of industry encourage growth; and clarification of the legal position of MFIs. Vento (2010) therefore argued that the regulatory framework for microfinance should depend on a number of criteria, are discussed below.

Despite having microfinance laws, the continuous intervention of the government in the small and medium enterprise space by providing credit facilities through various schemes is a sign of poor microfinance penetration hence the use of public funds, through government agencies such as the CBN to salvage small and medium scale enterprises particularly small farmers. According to Yaron, Benjamin and Piprek (1997), while the new paradigm of microfinance remains growth and income

expansion as well as poverty reduction purpose through the introduction of modern technologies with concessionary credit, the role of government have significant changed. Rather than intervene directly by controlling the credit sector, the focus now is to create a favourable policy, regulatory and general business environment for microfinance institutions to thrive, while minimizing direct intervention. UNCDF and UNDESA (2006) summarizes the framework for regulation as follows:

- *The case for regulation is clear when: (1) savings are mobilized from the general public that are then intermediated (on-lent) and (2) membership boundaries are so "open" in the case of cooperatives that a "member" is not different from a public "depositor". In other words, the further away the client is from his or her savings, the greater the need to protect the client through prudential regulation.*
- *The case for regulation is a grey area when: (1) savings are deposited in regulated financial institutions ("frozen"), (2) Clients "top-up" their compulsory savings, i.e., deposit more than is required by the loan contract, and (3) member-based organizations are very large and not able to supervise themselves;*
- *Thirdly, there is no need to introduce prudential regulation when: (1) compulsory savings are mobilized as loan collateral and clients remain net borrowers, (2) institutions are small and community based, where the cost of supervision outweighs the benefit*

In the case of the West African Economic and Monetary Union (WAEMU), the BCEAO (La Banque Centrale des Etats de l'Afrique de l'Ouest) Regional Decentralized Finance Support Programme (PRAFIDE) has three main areas of focus pertaining to microfinance regulation:

- *to improve the regulatory framework. Where the BCEAO will finalize and roll-out an MFI-specific accounting framework; work with the regional OHADA (Organization for the harmonization of Business Law in Africa) Commission to finalize new legislation on cooperatives; and amend the so-called PARMEC law that serves as the framework for all microfinance operations in the region. This is consistent with the argument of Lolila-Ramin (2005) and Jenkins (2006) which showed that the PARMEC Law impeded access to finance for SMEs and the poor, hence the need for effective regulation.*
- *Strengthen supervision of MFIs. Where the BCEAO will consolidate responsibility for supervision of the largest MFIs in the region; conduct an increasing number of inspection missions; provide training and coaching for staff from the BCEAO and national Ministries of Finance; and establish national Microfinance Committees that will review licensing, supervision, and sanctions.*
- *Improve information on the sector such that the BCEAO will continue to publish annual monographs on each country, a regional summary, monthly updates of its activities, and an annual study on a relevant topic.*

The summary from the above arguments implies that it is not

possible to conceive a single regulatory approach for microfinance industries continent-wide. Nevertheless, it could be possible to consider such regulation for a specific region that have common objectives of achieving economic integration.

3 METHODS

In examining the effects of regulation on microfinance in West Africa, Zoom Microfinance (2015) noted that while embarking on such cause is a welcome idea, it was argued that due to the recent implementation of the new regulation in the WAEMU countries, insights on the effect of regulation or its benefit, requires examining several trends and relatively widespread perceptions of existing risks associated with regulating microfinance institutions, as it will help to provide useful insight on way forward.

Furthermore, a review of the literature identifies the use of correlation analysis to investigate the relationship of regulation and the performance of the microfinance (see; Allaire et al, 2010; and Ashta and Fall, 2012). Although this method helps to measure the level of association between regulation and the success of microfinance, the use of regression models would also help to identify the direction of the relationship. Nevertheless, the unavailability of a robust data for microfinance regulation however, limits the application of such approach. The descriptive approach employed in Zoom Microfinance (2015) therefore becomes imperative to achieve the objectives of this paper.

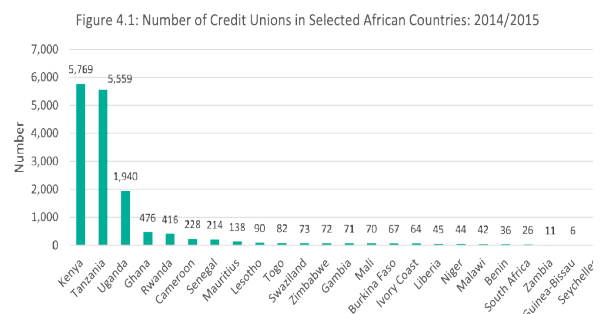
As such, secondary data were collected from the World Development Indicators (WDI) and World Governance Indicators (WGI) from 1981 to 2015, as well as data from World Council of Credit Unions' 2015 annual Statistical Report. Although other aspects of the discussion draws insight from all the WAEMU countries, Senegal, Benin Republic and Cote D'Ivoire are used as proxy for the francophone countries, while Nigeria, Ghana and Sierra Leone are the proxy for Anglophone West Africa. The choice of these countries is informed by the availability of data for the concerned variables as contained in WDI and WGI database. The variables for which data were collected are: Time Required to Start Business (days); Domestic credit provided by financial sector (% of GDP); Business regulatory environment (i.e. CPIA business regulatory environment rating); cost of business start-up procedure (% of GNI per capita); borrowers from microfinance banks (per 1,000 adults); new businesses density (i.e. new registrations per 1,000 people ages 15-64); new businesses registered (i.e. number); rule of law¹, and Regulatory quality².

4 DISCUSSION

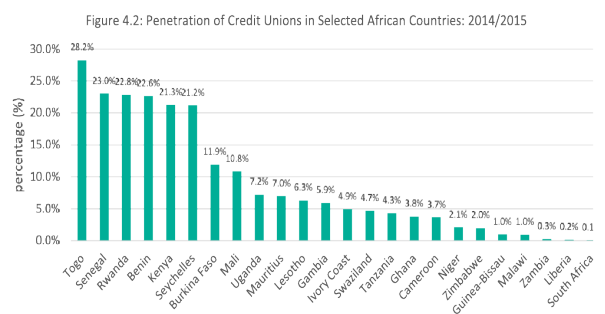
¹ According to the WGI, Rule of Law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.

² Regulatory Quality on the other hand captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.

According to UNOSAA (2013), the phenomena of cooperatives and federations of cooperatives is widespread in francophone West Africa and they are often the largest providers of microfinance services in countries where they have presence. Using data from World Council of Credit Unions' annual Statistical Report (2015), Figure 4.1 shows that there are more credit unions in Ghana for instance compared to Senegal. In terms of penetration however, it is surprising to see that whereas Ghana have more credit unions than Togo, Senegal and Benin Republic combined, the penetration of the credit unions³ in these francophone West Africa countries, is higher than in Ghana (see Figure 4.2).



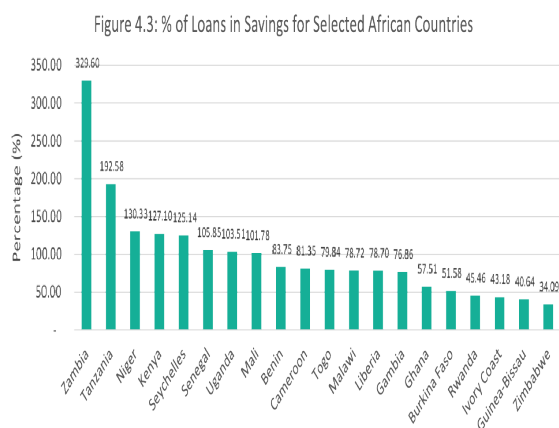
Source: World Council of Credit Unions' 2015 annual Statistical Report



Source: World Council of Credit Unions' 2015 annual Statistical Report

Furthermore, data from World Council of Credit Unions' annual Statistical Report (2015), showed that credit unions in Senegal give out loans more than the level of savings they attract. While the situation is moderate in Mali, the case in Benin and Togo shows that, loans given out are less than savings. Relative to these francophone countries however, the case in Ghana, shows that credit union loans to members are often about 50% (compared to Senegal with 105% for instance) of the total savings they accumulate (see Figure 4.3).

³ UNOSAA (2013) noted that Credit Unions or Savings and Credit Cooperative Organizations (SACCOs) or Federation of Cooperatives (as in the French-speaking countries), are cooperative financial institutions that provide savings and credit services to their members. Membership is usually based on the principle of a common bond such as a common workplace, community or producers of a particular commodity. Although, they do not specifically target a specific income group, they generally serve the lower income markets. In many such cooperatives in Africa, the core financial product is savings, but credit is also provided.



Source: World Council of Credit Unions' 2015 annual Statistical Report

Despite the low level of penetration in countries like Ghana, credit registries/ credit bureaus in Ghana and Nigeria are privately owned, while credit registries and credit bureaus in a large number of WAEMU countries are public credit registries (see CGAP, 2009). From the CGAP 2009 Report however, only three countries allow MFIs to participate in existing private credit bureaus. Precisely, Rwanda and South Africa allows for all lenders, while Uganda allows for microfinance deposit-taking institutions only. The case is different elsewhere. MFIs participate in public credit registries in three countries (Burundi where MFIs must report to the registry, Mozambique where MFIs can access borrower information, and Tanzania, once in place).

The differences in these countries can be attributed to type of microfinance laws available in these countries. As shown in Table 4.1, specialized microfinance laws are operational in CEMAC countries, WAEMU countries and a number of countries such as Burundi, Ethiopia, The Gambia, amongst others. In countries like Nigeria, Ghana and Sierra Leone, MFIs implicitly or explicitly fall under the broader banking or non-banking financial institutions legislation

Table 4.1: List of African Countries by Type of Microfinance Laws

Type of Legislation	Countries
Specialized Microfinance Laws	Burundi, CEMAC countries (6), Comoros, DRC, Djibouti, Ethiopia, The Gambia, Guinea, Kenya, Madagascar, Mauritania, Mozambique, Rwanda, Sudan, Uganda, WAEMU countries (8), Zambia
Drafting Specialized Microfinance Laws	Cape Verde, Liberia, Malawi, Sierra Leone, Zimbabwe
MFIs implicitly or explicitly fall under the broader banking or non-banking financial institutions legislation	Angola, Botswana, Ghana, Lesotho, Liberia, Malawi, Mauritania, Namibia, Nigeria, Sao Tome, Sierra Leone, Somalia, South Africa, Tanzania, Zimbabwe
No Legislation/ No Framework	Eritrea, Swaziland, Seychelles

Source: CGAP: SSA Microfinance Analysis and Benchmarking Report 2009, adapted from UNSA (2013) report

According to a study by Women's World Banking (WWB), 2003, there are certain features about a microfinance operations that when observed in certain countries, would require some form of policy, regulatory or legal framework to address. They include: high transaction costs and lack of conventional collateral by clients. Since the high transaction cost will definitely be transferred to businesses, this will affect the cost of doing business for such start-ups. It is also likely that this will constrain the access to credit for other businesses. It is upon such considerations that this paper makes a case for the regulation for microfinance institutions.

Studies (e.g. Lolila-Ramin, 2005) argued that in spite of the PARMEC law for francophone West Africa, there are still irregularities in microfinance practices in the UMOA region. Hence, by way of recommendation, the paper called for the need to introduce varied financing options to allow the sustainable growth of the microfinance industry in the region. Other Challenges that should be tackled, according to Lolila-Ramin (2005), include regulatory obstacles within the PARMEC Law that continue to hinder development of a vibrant financial market, as well as addressing the role of regulation and supervision of MFIs conferred to the Ministries of Finance in each member state.

Table 4.4: WAEMU Countries, PERMEC-Law and Possible Effect on Savings and Loan Portfolio

Countries in WAEMU Zone	Year the PERMEC Rule was adopted	Overview Period	Number of Savings and Loan Institutions	Branches	Number of Clients	Savings collected (Euro)	Loan Portfolio (Euro)
Senegal	2008	End-2013	238	958	2,816,397	315,554,221	363,560,416
Guinea Bissau	2008	End-2010	5	NA	7,000	263,737	315,569
Ivory Coast	2011	End-2012	72	460	1,226,488	208,748,439	128,849,909
Mali	2010	End-2013	125	784	1,811,912	89,685,757	98,649,759
Niger	2010	End-2013	52	242	350,643	37,060,356	34,270,539
Burkina Faso	2009	End-2013	76	654	2,039,668	204,495,112	142,753,260
Benin	2012	End-2013	56	738	2,284,028	114,092,845	139,170,708
Togo	2011	End-2013	92	790	2,150,542	207,071,500	179,493,473

Source: Zoom Microfinance (2015)

Although looking at the case of the WAEMU countries, while Senegal adopted the PERMEC rule in 2008 and by end of 2013 had recorded a loan portfolio of over 363 million Euros, it is not clear while Guinea Bissau that adopted the rule in 2008 as well, had only recorded a loan portfolio of over 315 thousand Euros. Meanwhile, Republic of Benin that adopted the rule in 2012, had recorded a loan portfolio by end-2013 of over 139 million Euros (see Table 4.4).

■ 5 CONCLUSION

Although the literature on microfinance regulation presents propositions that can be useful to inform coordinated legislation for developing countries/ regions, empirical evidence testing their validity is lacking due to insufficient data on microfinance regulation and its effect on countries where such regulation is operational. While there is the argument that countries within the ECOWAS region can put in place a consolidated microfinance regulation law can initiate one in other to address regulatory challenges for those on the supply and the demand side, it appears that addressing other issues such as the transaction cost of MFIs and putting in a place a framework that restrains MFIs from transferring such cost on clients remain crucial.

Whereas there are more credit unions in Ghana than in Togo, Senegal and Benin Republic combined, the penetration of the credit unions in these respective countries, are higher than in Ghana. Empirical evidence also suggests that there may be other factors driving the loan disbursement of MFIs in WAEMU countries and not just the adoption of the PERMEC law alone. This was deduced from the World Council of Credit Unions' 2015 annual Statistical Report which showed that, that credit unions in Senegal give out loans more than the savings they harvest. While the situation is moderate in Mali, the case in Benin and Togo shows that, loans given out are less than savings. Relative to these francophone countries however, the case in Ghana, shows that credit union loans to members are often about 50% of the total savings they accumulate compared to Senegal with over 105%. It therefore appears that having a place a PERMEC-type law for the rest of the ECOWAS region would be important to allow for better development of small scale businesses.

■ REFERENCES

Allaire, V., Ashta, A., Attuel-Mendes, L & Krishnaswamy, K. (2010). Institutional Analysis to Explain the Success of Moroccan Microfinance Institutions. Cahier du CEREN, Vol. 29, pp. 6-26 Presented at The First European Research

Conference on Microfinance, Brussels, 2-4 June 2009 and Revised for publication on 26th January, 2010. Access on the September, 2017 on: https://papers.ssrn.com/sol3/papers.cfm?abstract_

id=1472751

Ashta, A. & Fall, N.S. (2012). Institutional Analysis to Understand the Growth of Microfinance Institutions in West African Economic and Monetary union. *Corporate Governance*, 12 (4): 441 - 459

Buera, F.J, Kaboski, J.P & Shin, Y. (2012). The Macroeconomics of Microfinance. National Bureau of Economic Research (NBER) Working Paper Series 17905

Business day newspaper article by Ignatius Chukwu titled 'Notore Group to Float Food company to off-take surplus produce' that samples the views of the General Manager/ Group Head, Shared services of Notore, Raymond Agbi, page 30 Thursday, 27th April 2017

Chiumya, C. (2010). The Regulation of Microfinance in Zambia. Paper presented at the International Conference on Microfinance "Microfinance Regulations: Who Benefits?"

Organized by the Microcredit Regulatory Authority, Dhaka, Bangladesh, March

Christen, R.P., & Rosenberg, R. (2000). Regulating microfinance – the options. *Small Enterprise Development*, vol. 11, n.4, December

CGAP (2009). Sub Saharan Africa (SSA) Microfinance Analysis and Benchmarking Report. Consultative Group to Assist the Poor (CGAP), 2009

CGAP (2012). 2011 Sub-Saharan Africa Regional Snapshot. Microfinance Information Exchange (MIX) and Consultative Group to Assist the Poor (CGAP) Analysis of key Trends (February, Report)

Gallardo, J, Ouattara K, Randhawa B, & Steel W.F. (2005). Comparative Review of Microfinance Regulatory Framework Issues in Benin, Ghana and Tanzania' World Bank Policy Research Working Paper 3585 (April)

Honohan, P. & Beck, T. (2007). Making Finance Work for Africa. Washington, D.C., World Bank

Jenkins, H.P (2006). The Impact of Regulation of MFIs on Micro Lending in Senegal' CSAE 2006 Conference Paper accessed from:

<https://www.csae.ox.ac.uk/conferences/2006-EOI-RPI/papers/csae/Jenkins.pdf>

Lolila-Ramin, Z. (2005). Regulation and Supervision of MFIs in the West African Monetary Union: How the PARMEC law impedes access to finance for SMEs and the poor' The Essays on Regulation and Supervision series No. 5, commissioned for the Microfinance Regulation and Supervision Resource Center, funded by the Consultative Group to Assist the Poor (CGAP) and implemented by the IRIS Center.

Meagher P. (2002). Microfinance Regulation in Developing Countries: A Comparative Review of Current Practice, IRIS Center, University of Maryland, mimeo, October.

Muganga, D. (2010). The Role of Regulation and

Supervision of Microfinance Institutions: evidence From South Africa and its Implications for the Development of Non-Deposit Taking Microfinance Regulation in Kenya' Publication of the State University of Bergamo – Italy (4th Edition)

Nigerian National Assembly and UKaid (2016), 'Comprehensive Review of the Institutional, Regulatory, Legislative & Associated Instruments Affecting Businesses in Nigeria' A Publication by the Nigerian Senate, Nigerian House of Representatives and the UKaid (February)

Ocasio, V.M. (2012). Essays on the Role of Microfinance Institutions in Financial Deepening, Economic Growth and Development' a Published PhD Dissertation, of the Department of Economics, Colorado State University Fort Collins, Colorado

Omino, G. (2005). Regulation and Supervision of Microfinance Institutions in Kenya. Essays on Regulation and Supervision of the Central Bank of Kenya (March)

UN (2013). Microfinance in Africa: Overview and Suggestions for Action by Stakeholders. A Publication by the United Nations Office of Special Adviser on Africa (February)

UNCDF and UNDESA (2006). Building Inclusive Financial Sectors for Development. (The Blue Book), New York, United Nations, May

UNOSAA (2013). Microfinance in Africa: Overview and Suggestions for Action by Stakeholders. A Publication of United Nations Office of Special Adviser on Africa (UNOSAA), February

Vento, G. (2010). Recent Trends in Microfinance Industry: Regulation, Supervision and the Principles of the Basle Committee. Paper presented at the International Conference on Microfinance "Microfinance Regulations: Who Benefits?" Organized by the Microcredit Regulatory Authority, Dhaka, Bangladesh, March

WWB (2003). Women's World Banking: Policy Change – Experience in the Women's World Banking Network' Apublication of Womens World Banking (WWB) Network, Vol 1, No. 3., October

Yaron Y., Benjamin M & Piprek G. (1997). Rural Finance: Issues, Designs, and Best Practice. Washington, DC: World Bank. 1997

Zoom Microfinance (2015). The effects of regulation on microfinance in West Africa. Publication of Zoom Microfinance (January) Issue 43.

06

IS MICROFINANCE FOR FEMALE EMPOWERMENT A ZERO SUM GAME?

By
Dr SAMUEL Salia, *University of Wolverhampton, UK*

s.salia@wlv.ac.uk

Prof. JAVED G. Hussain, *Birmingham City University, UK*

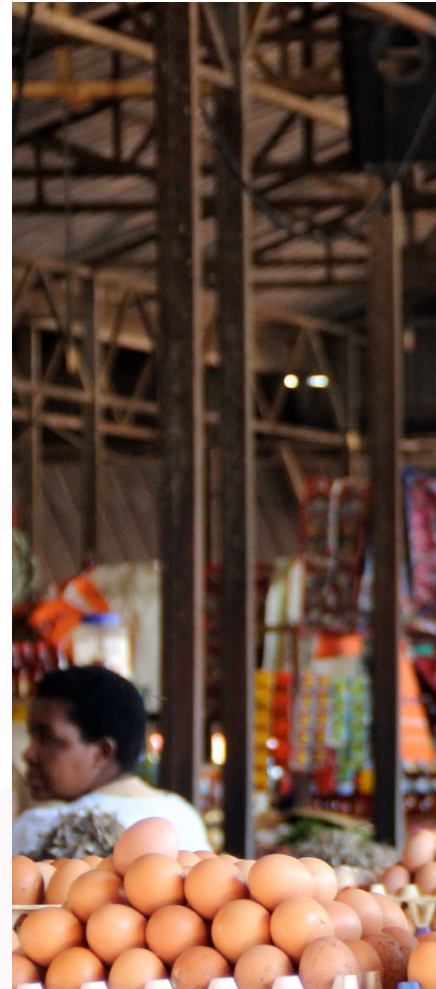
javed.hussain@bcu.ac.uk

Dr ISHMAEL Tingbani, *Bournemouth University, UK*

itingbani@bournemouth.ac.uk

Dr Oluwaseun Kolade, *University of Wolverhampton, UK*

seun.kolade@wlv.ac.uk



■ ABSTRACT

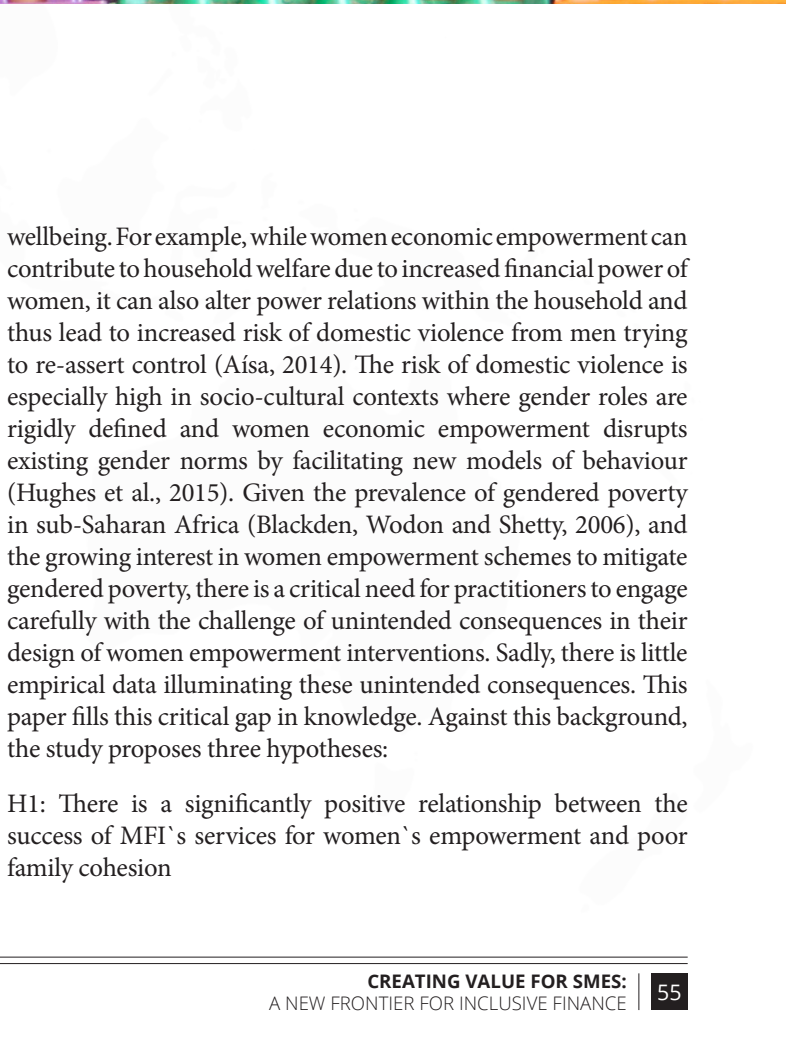
Keywords:
*Microfinance (1);
Women
Empowerment (2);
Unintended
Consequences (3);
Ghana (4).*

Microfinance interventions are often hailed to have significant positive consequences for women empowerment. However, in the last decade, the significance of microfinance has been contested due to unintended consequences that undermine women's wellbeing. This paper sets out to examine whether microfinance empowers women or is it a zero-sum game. The paper deploys a participatory mixed-method approach including household questionnaire surveys, focus group discussions and key informant interviews to investigate the dynamics of microfinance effects on women in communities of different vulnerability status in Ghana. The results of hierarchical regression, triadic closure and thematic analyses demonstrate that the economic benefits of microfinance for women is





also directly associated with conflicts amongst spouses, girl child labour, polygyny and the neglect of perceived female-domestic responsibilities due to women's devotion to their enterprises. In the light of limited empirical evidence on potentially negative impacts of women empowerment interventions in Africa, this paper fills a critical gap in knowledge that will enable NGOs, MFI's, policy makers and other stakeholders to design and implement more effective interventions that mitigate undesirable consequences.



■ INTRODUCTION

Microfinance has proven to be an effective tool for poverty reduction. Like some development tools it has sufficiently penetrated the poorer strata of poor countries. Therefore, while there is no question that development tools are intended to address problems it is as intuitive that they can end up aggravating existing ones. For example, whilst publicly funded transfer programmes with 'consumption smoothing' can alleviate livelihood shocks, they may also constitute residual welfarist intervention that promotes dependency. Similarly, interventions aimed at improving the lives of slum dwellers are sometimes used to justify state-sponsored evictions of slum dwellers and their settlements (Meth, 2013). Within this framework some practitioners have expressed concern that, if not well designed and carefully implemented, development interventions can be a zero sum game where what is gained in one area is lost, in equal or greater measure, in other areas.

One of the areas of growing concerns, especially in sub-Saharan African contexts, is women economic empowerment schemes. Within the past decade, there is increasing awareness that interventions aimed at improving poor women's financial conditions can have negative, undesirable consequences on women

wellbeing. For example, while women economic empowerment can contribute to household welfare due to increased financial power of women, it can also alter power relations within the household and thus lead to increased risk of domestic violence from men trying to re-assert control (Aisa, 2014). The risk of domestic violence is especially high in socio-cultural contexts where gender roles are rigidly defined and women economic empowerment disrupts existing gender norms by facilitating new models of behaviour (Hughes et al., 2015). Given the prevalence of gendered poverty in sub-Saharan Africa (Blackden, Wodon and Shetty, 2006), and the growing interest in women empowerment schemes to mitigate gendered poverty, there is a critical need for practitioners to engage carefully with the challenge of unintended consequences in their design of women empowerment interventions. Sadly, there is little empirical data illuminating these unintended consequences. This paper fills this critical gap in knowledge. Against this background, the study proposes three hypotheses:

H1: There is a significantly positive relationship between the success of MFI's services for women's empowerment and poor family cohesion

H2: The level of recipient education positively moderates the relationship between poor family cohesion and MFI's services for women's empowerment

H3: Microfinance initiatives contribute to the demand for child-labour and impact negatively on school attendance for girls

EMPIRICAL CONTEXT

Although Ghana is largely a matrilinear society, much of the power is still appropriated by men, both at home and in society. For example, in ancient Asante Kingdom, the only political office open to women is the queen mother. Aside from this, women past the age of menopause are allowed to occupy some spiritual leadership roles (Akyeampong and Obeng, 1995). Some have argued that Ghanaian women actually fared better in pre-colonial times, and that the marginalization of women in the distribution of power was worsened by the advent of colonialism as colonial administrators disregarded existing political arrangements and assigned more political power to native males (Bawa and Sanyare, 2013). This trend has continued to postcolonial times, where women are left on the periphery of political and economic power. The most visible- and arguably the most significant- manifestation of women's disadvantaged position in Ghana is economic disempowerment. Women, particularly those in rural areas, often spend most of their times attending to domestic duties at home, and have little or no opportunities for profitable commercial activities. Their vulnerability to poverty is associated with, and usually worsened by, unequal gender relations (Awumbila, 2006). It is in recognition of this problem that the United Nations declared, in the sustainable development goals (SDGs) that "... the achievement of full human potential and of sustainable development is not possible if one half of humanity continues to be denied its full human rights and opportunities", and that it "will work for a significant increase in investments to close the gender gap and strengthen support for institutions in relation to gender equality and the empowerment of women at the global, regional and national levels" (United Nations, 2015).

METHODOLOGY

A mixed method approach was used to investigate the impact of microfinance on family cohesion of 260 recipients in beneficiary communities in Ghana. Following a qualitative exploration and existing experiments of entrepreneurial analysis (Adomako et al., 2016), the study moderated hierarchical regression analysis to estimate the relationship between microfinance success for women's enterprise (empowerment) and poor family cohesion in beneficiary communities. We adopted the approaches of this previous entrepreneurial study to develop an interactive model used to estimate the moderating impact of education on the success of MFI services for women's empowerment and family cohesion. To test the robustness of the model the data was tested for multicollinearity, heteroscedasticity, and serial correlation. The correlation matrix for all the continuous variables suggested that none of the variables had coefficients greater than the threshold of 0.87 or 0.97, consistent with the results reported by Field (2005). Using the robust standard error, the models (1) and (2) were checked for the presence of heteroscedasticity and serial. The

models.

$$COH = \beta_0 + \beta_1 X + \beta_2 Z + \varepsilon \quad (1)$$

$$COH = \beta_0 + \beta_1 X + \beta_2 Z + \beta_3 XN + \varepsilon \quad (2)$$

Where:

COH is the main dependent variable and X denotes the independent variable (MFS). Z represents control variables (Firm Size, Education, Location and Age) that may influence family cohesion (COH). XN represents the interaction between access to MFS and education (EDU). ε represents the idiosyncratic shocks. β_1 and β_2 are vectors of the parameters to be estimated. To gain a deeper appreciation of emerging issues from our qualitative exploration of 30 microfinance recipients, 260 questionnaire surveys were administered to women entrepreneurs to collect statistical evidence to corroborate the findings reported from the interviews, following the example of Skovdal (2010).

RESULTS

The regression results in Table 1 present the results of estimation of the relationship between poor family cohesion (COH) and the successful use of microfinance services (MFS) by women. The table also shows evidence of the moderating impact of education upon the relationships between microfinance services and poor family cohesion. The results of Model 1 show a positive and significant (35.54, $p < 0.01$) relationship between MFS on COH indicating that the outcomes of female access and use of MFI services could result in poor family cohesion (COH). This result confirms our hypothesis (H1).

In terms of the control variables, the study finds a significantly (-0.694, $p < 0.01$) negative relationship between the level of education of women and poor family cohesion. The results suggest that more educated females are able to minimise the factors of poor family cohesion and this is in line with our hypothesis (H2). We also find FIRMSIZE to be significant and negatively (-0.701, $p < 0.01$) related to COH. However, the study did not find any significant relationship between age (AGE), location (LOC) and COH.

However, in the second section of Table 1 (Model 2), we estimate the moderating impact of education on the relationship between poor family cohesion (COH) and microfinance services (MFS). Our argument is that entrepreneurial education enables women to maximise the services of MFI's and relationships between highly educated women and positive family cohesion is more pronounced. Consistent with our hypothesis (H2), we find education to be significant and positively (0.812, $p < 0.01$) moderate the relations between poor family cohesion (COH) and microfinance services (MFS) for women's empowerment. We also find the direct relationship between poor family cohesion (COH) and microfinance services (MFS) to be significantly positive (23.41, $p < 0.01$) which is consistent with evidence of Model 1. In terms of the control

variables, education and firm size remain negatively significant (-2.895, $p < 0.01$; -0.793, $p < 0.01$) respectively. We also find

location to be significantly positive (1.815, $p < 0.05$) in Model 2. However, the study did not find any significant relationship between AGE and COH.

The face-to-face interviews corroborate the findings that access to microfinance fostered economic and social benefits for women. Participation in employment and support from MFI's inspires women to be empowered. However, further exploration through the interviews revealed profound weaknesses in microfinance programs that impact negatively on female general wellbeing. All thirty women respondents in the survey reported that their school age girls assisted them with their businesses. Furthermore, they delegated household responsibilities to the girls thus, affecting their education. These findings confirm our hypothesis (H3). In cases where the women did not use the services of their daughters, they brought in young girls from other poor families to support the business and family responsibilities. Furthermore, fourteen of the respondents reported that the use of housemaids led to domestic disputes. Nine respondents reported that these disputes were normally associated with husbands suspected of having relationships with house maids. Seven women in the sample reported their husbands getting married to maids that led to spousal disputes and family breakdown. As one respondent observed,

“My husband is always fighting me because of my continuous stay in the shop. I leave the house for the shop by 6:00 am and come back home after 7:00 pm. To make matters worse my husband has married my housemaid as a second wife because he thinks I am no longer able to satisfy his physical or domestic needs.” Respondent E

Table 1: Regression Analysis for Microfinance Relationship with Poor Family Cohesion

	(1)	(2)
VARIABLES	COH	COH
MFS	35.54***	23.41*
	(7.90)	(6.44)
AGE	0.0354	0.0238
	(0.98)	(0.74)
MFS * EDU		0.812*
		(4.71)
EDU	- 0.694**	- 2.895**
	(-9.35)	(-5.94)
LOCATION	1.076	1.815***
	(1.26)	(2.61)
FIRMSIZ	-0.701***	-0.793***
	(-7.19)	(-9.43)
CONSTANT	-47.48***	-15.95*
	(-4.70)	(-1.85)
OBSERVATION	260	260
R-SQUARED	0.689	0.791

DISCUSSION

This study found that microfinance promotes female entrepreneurship in Ghana. Female empowerment is generally suggested as a key driver for MFI's reaching out to women clients. However, the findings of this study in comparison with the existing literature (Mazumder and Wencong, 2015) suggest there is an resurgence of polygyny practice due to availability of microfinance. Also, women's success with microfinance destabilises the family power structure and creates conflict due to the neglect of domestic responsibilities. This is attributed to women spending more time on their business instead of their domestic responsibilities. The male spouses feel threatened by female independent decision making which gives rise to family conflict. Besides, the traditional role of men is challenged and to exert that authority they find alternative solutions through a second marriage or divorce. These outcomes are similar to Stam and Meier zu Selhausen (2014) who found that whilst microfinance empowers women to be more independent, it can encourage intimate partner violence and theft in patriarchal societies. Moreover, these results are consistent with Olowu (2011) argument that MFIs focus on microfinance loans, mentoring and training to empower women tends to overlook broader family dynamics and associated negative outcomes. The microfinance group-lending approach and the accompanying pressure have led to power struggles within families and amongst clans (Ali, 2014). The findings of this study that suggest in most cases, employing children in microenterprise activities increased child-labour and reduced school enrolment. However, the adverse effects are more pronounced for girls than boys.

Consistent with evidence from the microfinance literature, the results of this study demonstrates that level of education; firm size and family cohesion are interlinked. Also, there is a strong relationship between level of education and benefits of the loan for recipients in Ghana. Karlan and Valdivia (2011) reported that education improves the managerial preparedness of micro entrepreneurs and this impacts positively on family cohesion. Meanwhile, the study shows female microfinance clients in Ghana with a lower level of education are susceptible to severe incidences of poor family cohesion. Those with a higher level of education are relatively resilient. Evidence from (Bonomo et al., 2015) has shown that larger microenterprises are able to leverage their greater resource advantage to reduce cases relating to poor family cohesion.

■ REFERENCES

- Aisa, M. G. (2014) Conditional Cash Transfers and Intimate Partner Violence among Mexican Couples: the Impact of Oportunidades on Psychological Abuse Prevalence,.
- Adomako, S., Danso, A. and Damoah J. O. (2016) 'The moderating influence of financial literacy on the relationship between access to finance and firm growth in Ghana'. *Venture Capital* 18(1), 43-61.
- Akyeampong, E. and Obeng, P. (1995) Spirituality, Gender, and Power in Asante History, *The International Journal of African Historical Studies*, 28(3), pp. 481-508.
- Ali, H. A. (2014). 'Blaming the Poor and Legitimizing Coercive Loan Recovery Strategies: Unveiling the Dark Side of NGO Practices in Bangladesh'. *Anthropologica*, 56(1), 177-191.
- Awumbila, M. (2006) Gender equality and poverty in Ghana: Implications for poverty reduction strategies, *GeoJournal*, 67(2), pp. 149-161.
- Bawa, S. and Sanyare, F. (2013) Women's Participation and Representation in Politics: Perspectives from Ghana, *International Journal of Public Administration*, 36(4), pp. 282-291, [online] Available from: <http://www.tandfonline.com/doi/abs/10.1080/01900692.2012.757620>.
- Blackden, C. M., Wodon, Q. and Shetty, S. (2006) Gender, time use, and poverty in Sub-Saharan Africa: Foreword, World Bank Working Paper.
- Bonomo, M., Brito, R. D., and Martins, B. (2015) 'The after crisis government-driven credit expansion in Brazil: A firm level analysis'. *Journal of International Money and Finance*.
- Edged Sword of Biological Control, *Conservation Biology*, 18(1), pp. 50-53.
- Frey, C. B. and Osborne, M. A. (2015) The future of employment: How susceptible are jobs to computerisation?, *Technological Forecasting and Social Change*, 114(1), pp. 254-280.
- Field, A., (2005) 'Discovering statistics using SPSS'. Second ed. London: Sage Publications Ltd.
- Hughes, C., Bolis, M., Fries, R. and Finigan, S. (2015) Women's economic inequality and domestic violence: exploring the links and empowering women, *Gender and Development*, Taylor & Francis, 23(2)(July), pp. 279-297, [online] Available from: <http://dx.doi.org/10.1080/13552074.2015.1053216>.
- Karlan, D., and Valdivia, M. (2011) 'Teaching entrepreneurship: Impact of business training on microfinance clients and institutions'. *Review of Economics and Statistics*, 93(2), 510-527.
- Louda, S. M. and Stiling, P. (2004) The Double-Edged Sword of Biological Control, *Conservation Biology*, 18(1), pp. 50-53.
- Mazumder, M. S. U., and Wencong, L. (2015) 'Does Microfinance Impact on Rural Empowerment in Bangladesh? Differences Between Governmental and Non-Governmental Microfinance Programs'. *Sustainable Development*, 23(3), 135-152.
- Olowu, D. (2011) 'Mainstreaming women, equating men: Charting an inclusionary approach to transformative development in the African decade for women'. *Law, Democracy and Development*, 15, 1-22.
- Skovdal, M. (2010) 'Community relations and child-led microfinance: a case study of caregiving children in Kenya'. *AIDS care*, 22(S2), 1652-1661.
- Stam, E., and Meier zu Selhausen, F. (2014) 'Husbands and Wives. The powers and perils of participation in a microfinance cooperative for female entrepreneurs' (No. 2014/20).
- United Nations (2015) Transforming our world: the 2030 agenda for sustainable development,



07

SOCIAL PERFORMANCE AND GOVERNANCE STRUCTURE IN MICROFINANCE: A GLOBAL SURVEY

By

Muluneh Hideto Dato, *CERMi, Université Libre de Bruxelles (ULB), SBS-EM, Belgium, and School of Business & Law, Universitetet i Agder (UiA), Norway, Belgium*
mulunehh@uia.no



■ ABSTRACT

This paper addresses empirically whether there is an association between the design of a firm's corporate governance and its corporate social performance. Inconsistencies in the findings of former studies exist in part because majority of the studies have considered limited social measures and have treated these measures as being equally important across firms. Questions remain as to the effectiveness of the link between social performance and corporate governance in microfinance institutions (MFIs). The aim of the paper is to test whether governance influences MFI social ratings—a unique innovation of the microfinance industry. We use dataset from a global sample of 199 MFIs. The findings suggest that larger boards, high number of international directors, and existence of internal auditors predict high social ratings. It was also found that NGOs are more likely to receive higher social ratings. These findings are discussed in terms of their relevance to the theories of corporate governance, social enterprises, and microfinance.

Keywords:

Boards of directors;

*corporate
governance;*

*social performance
rating;*

microfinance



1 INTRODUCTION

Interest in corporate governance and social responsibility is increasing in both academic and non-academic literature (e.g., McWilliams & Siegel, 2001; Margolis & Walsh, 2003; Orlitzky et al., 2003). Governance has also been a high priority on the microfinance industry's agenda recently (CSFI, 2011, 2015); however, the governance literature has predominantly focused on relationships between governance and the financial performance of the firm, but as noted by Labie and Mersland (2011) and others, the mission of the microfinance institution (MFI) is not only to generate sufficient profit to remain financially stable but also to generate positive social outcomes (Labie & Mersland, 2011; Hudon & Sandberg, 2013). Thus, the governance system should also guard the social performance of the MFI. In this regard, it is interesting that MFIs are increasingly being evaluated by specialized third party rating agencies not only for their financial performance but also for their social performance with so-called social ratings.

While researchers have studied the association between the financial rating of an MFI and its corporate governance system (Beisland et al., 2014a; Beisland & Mersland, 2012), thus far,

the association between the corporate governance system and the MFI's social rating score awarded by the rating agency has not been studied. The specialized third-party social rating assessment, which is a unique transparency innovation of the microfinance industry (Beisland et al., 2014b), attempts to summarize the overall social performance of an MFI into one collective grade or rating score; however, the specific association between governance mechanisms and these rating scores, if it exists, remains unknown. Therefore, in this paper, whether a significant relationship exists between the corporate governance structure and the social rating score of an MFI is examined.

Microfinance aims to solve social problems that are not effectively addressed by mainstream banking institutions by providing banking services to poor families for their income generating activities (Hudon & Sandberg, 2013). These institutions are social enterprises; that is, like banks, they should earn profits or at least be financially sustainable, and as nongovernmental organizations, they should serve the neediest and increase the outreach of credit to those excluded from such services (Hudon & Périlleux, 2013; Battilana & Dorado, 2010). Until recently, the

microfinance industry has been celebrated for its development effects; however, the industry has come under public scrutiny and media attack (Bateman, 2010; Cull et al., 2014).

Major concerns include commercialization, over-preoccupation with profitability at the expense of poverty reduction and other development goals, extraordinarily high interest rates, and harsh collection methods (Cull et al., 2007). Increasingly, concerns are being raised as to whether there is a “mission drift” among MFIs with more focus on financial sustainability at the cost of social performance (Mersland & Strøm, 2010; Armendariz & Szafarz, 2011). Consequently, there is now a stronger focus on measuring the social performance of the MFIs, which is after all what distinguishes them from conventional financial institutions. In addition to these concerns, strong public attention and the high growth rate of the industry make corporate governance one of the industry’s major risk factors (CSFI, 2011; Cull et al., 2007; Buchanan et al., 2012).

Corporate governance in microfinance is a nuanced system of mechanisms that should satisfy multiple stakeholders, such as regulators seeking stability, owners and debt-holders seeking profit or financial sustainability, and donors seeking social returns to microbank customers and long-term institutional survival (Beisland et al., 2014a; Labie & Mersland, 2011). MFIs differ substantially in terms of the emphasis they place on financial and social missions, though they may operate in a similar market, which makes governing MFIs more complex (Périlleux et al., 2012; Hermes et al., 2011). Thus, the relationship between corporate governance structure and performance is complex, and the results are often inconclusive when attempting to identify a clear relationship between governance and performance (e.g., Hartarska, 2005; Mersland & Strøm, 2009; Labie & Mersland, 2011). The divergent goals of microfinance stakeholders also make it particularly important to measure performance in a multidimensional fashion.

Not only do MFIs have a wide range of social objectives, but perspectives on what is “social” also vary considerably (Molecke & Pinkse, 2017). Proxies for social performance should be used with the other social metrics and qualitative attributes of the institution to provide a complete understanding of an MFI’s overall social performance. The association between corporate governance characteristics and MFIs’ social performances can be examined using microfinance social rating scores—a unique innovation of the microfinance industry—as a summary of social performance metrics.

The microfinance rating initiative began in the 1990s by offering institutional ratings that are more extensive than conventional credit ratings, as they describe the context where the MFI operates, its detailed business model and management/governance setup, and its financial performance, including financial ratios and complete income statements and balance sheets (Beisland et al., 2014b; Reille et al., 2002). The purpose of the institutional rating reports is to present independent information that various stakeholders, including lenders, donors, investors, or managers, can use to make informed decisions (Beisland et al., 2014a). A new innovation in microfinance ratings that emerged about 10 years ago is a social rating, which is designed to analyze how effective an organization is at translating its social mission

into practice and how the MFI performs within several social performance dimensions. It encompasses an organization’s objectives, systems, services, human resources, and social results as well as its use of performance indicators and other information relevant to assessing the overall social performance of the MFI.

A social rating not only provides an independent analysis of an MFI’s social performance but also provides a deeper evaluation of an MFI’s social results and social commitments within its context. The social rating is meant to give the MFI a value-added tool for identifying and assessing the specific areas in its social performance that need improvement as well as where it is achieving or surpassing its social objectives (Sinha, 2006; MicroRate, 2014; Clark & Sinha, 2013). Given the industry’s entrepreneurial characteristics and novelty (Randøy et al., 2014), corporate stakeholders, such as managers and board directors, need to know which specific governance mechanisms rating agencies consider valuable.

Prior microfinance research has found that institutional rating scores are associated with MFI characteristics such as efficiency, risk, and size (Beisland & Mersland, 2012; Gutiérrez-Nieto & Serrano-Cinca, 2007). More importantly, Beisland et al. (2014a) investigated the association between microfinance institutional rating scores and an MFI’s corporate governance system. This study complements Beisland et al.’s (2014a) study, as the association between the social rating score and an MFI’s corporate governance system was investigated. Thus, this study should be useful in an industry still searching for the “best set-up” of governance mechanisms (Labie & Mersland, 2011). It accordingly fills a knowledge gap that is important to investors/donors and public policy makers.

The empirical evidence is based on a unique dataset from a global sample of 473 microfinance institutions from 77 developing countries for the period from 2000 to 2012. It was found that MFIs with higher social performance ratings have significantly larger board sizes, more international directors, and internal auditors reporting to the board. It was also found that these MFIs with higher social performance ratings are initiated by international organizations. Compared to shareholder-owned MFIs, NGO-MFIs are more likely to receive higher social ratings. These results contribute to the growing body of empirical literature on corporate governance and highlight several important characteristics of effective internal and external governance mechanisms.

In the following sections, the data, the empirical findings and conclusions of the study are described.

2 DATA

In total, the dataset contained information from 199 MFIs. The data was collected from two sources: financial rating reports and social rating reports. Financial rating reports and social rating reports were combined to create the dataset. The rating agencies included the American MicroRate agency, the Italian Microfinanza agency, and the French Planet Rating agency. All these agencies consider the entire world to be their market.

The use of rating data may introduce sample selection bias.

The 199 MFIs in the dataset are probably amongst the largest and best-managed institutions; however, the specialized third-party microfinance social rating score provided a collective measurement of overall MFI social performance. Thus, the rating data represents the high-quality, unique dataset used to examine the link between governance and MFIs' social performance. Sample bias was not considered a problem in this study. As shown in Table 1 (annex) under Panels (a) and (b), the descriptive statistics for 199 MFIs that have been rated and 298 MFIs that have not been rated in the dataset remained relatively similar for the study variables.

The rating reports comprising the database were from the period between 2005 and 2014. Thus, different numbers of observations for different variables and in different years are reported. The descriptive statistics for the variables applied in the study are shown in Table 1.

On a scale of 1 to 10, the average social performance rating score was 5.6. This rating level is equivalent to approximately between 3+ and 2+ for Planet Rating, between BBB and BB for Microfinanza, and between 3 and 2.5 stars for MicroRate.

3 RESULTS AND DISCUSSION

In this section, the results of the main empirical tests are presented. The empirical tests were derived from a general model that represents MFI social ratings as a function of firm characteristics and corporate governance attributes. An ordinary linear regression was estimated to test the predicted relations between corporate governance attributes and social performance rating scores. Table 2 (annex) illustrates the partial and full model, where whether MFI characteristics and governance attributes are associated with MFIs' social performance ratings was jointly tested.

The internal governance attributes were examined first, and it was observed that the board size was highly significant. The positive coefficient for board size indicates that MFIs with a larger number of board members have higher social performance ratings. Though prior research has provided inconclusive results regarding the effect of board size on financial performance, a significant association between board size and social performance was identified in this study (cf. Adams et al., 2010; Beisland et al., 2014a). This is not surprising. As is the case for hybrid organizations, focusing on social performance alongside financial performance involves more complex operations, which require larger boards. These MFIs require a diverse knowledge set from board members, thus, more members are needed (Speckbacher, 2008). Identifying the optimal number of board members for an MFI was attempted by testing for non-linear effects of board size on the social rating score. Unlike Hartarska and Mersland (2010), who found that around nine members is the optimum board size, for financial performance, no squared effect for board size on social rating scores was found.

For the number of international directors, a significant association in Model 9, which is the complete model, was not identified; however, consistent with the findings of Mersland and Strøm (2009) and Mersland et al. (2011), the results of Model 2

confirmed that international directors have a positive influence on MFIs' social performance. Similar to Beisland et al.'s (2014a) study, which investigated the link between financial rating and governance, international exposure was found to enhance MFIs' social rating scores.

No indication was found that MFIs with more board activity in terms of the frequency of annual board meetings received higher social performance rating scores. This result supports earlier findings in the for-profit corporate governance literature that reported a negative or no effect of more board activity on (financial) performance (Vafeas, 1999). Nevertheless, as indicated in the theory section, no association between the number of board meetings and social rating scores was somewhat surprising. It was expected that a socially oriented MFI would require more frequent board meetings because social performance monitoring alongside financial performance monitoring is time-consuming.

The next corporate governance indicator discussed is the size of the top management team. The analysis strongly suggested that the presence of a larger management team leads to a lower social performance rating. The result is interesting because having a large management team may suggest that too much power and authority is concentrated at the top level, which might be considered less favorable for improved social performance. This is the opposite of the expectation; however, the finding is consistent with governance studies on the mainstream banking industry that showed that a smaller and more specialized top management team improves performance. Arguably, there are indications from prior studies that better social performance appears to be more associated with the decisions of operational staff at the branch level (Labie et al., 2015).

The finding regarding the presence of an internal auditor strongly suggests that internal auditing has a positive association with microfinance social performance ratings. This finding is similar to Beisland et al.'s (2014a) findings regarding the association between governance and financial ratings in microfinance. They suggested that installing a system with an internal auditor reporting to the board is the most direct measure of good corporate governance that an MFI can apply. Therefore, it is particularly interesting to note the strong statistical result for this variable, as it seems that internal auditors are not only concerned with monitoring the financial aspects of the operations but also the social aspects. This finding is also consistent with results from the general board literature, indicating that firms with auditing committees report a higher quality of earnings numbers (Klein, 1998; Adams et al., 2010).

Regarding whether an MFI is internationally initiated, a significant and positive association with the social rating score was found in the regression, thus supporting the expectation that international initiation could be an indication of stronger governance structures, at least for better social performance. After all, Mersland et al. (2011) found that international influence in an MFI has little effect on financial performance but a positive effect on the MFI's social performance. This result shows the rating agencies' conviction that an MFI's international exposure contributes to a better social performance.

For the external governance variables, the first external governance variable was a dummy variable for whether an MFI was regulated by national banking authorities. Interestingly, the result was significant but negatively related to social performance. One explanation for this could be that regulating authorities place a disproportionate emphasis on an MFI's financial soundness rather than its social achievements. This finding echoes the debates of the risk of mission drift when regulated, in which case MFIs place less emphasis on social performance when they are regulated (cf. D'Espallier et al., 2017). On the other hand, MFI competition level was not significant. Similarly, the country-specific regulatory environment index reflecting the presence of a legal framework that promotes the development of the microfinance industry was insignificant.

Regarding the type of microfinance ownership, nongovernment MFIs received higher social rating scores than shareholder-owned MFIs and cooperatives. This result is not in line with the results of Mersland and Strøm (2008), who reported that legal status does not affect MFI performance. Nevertheless, this result is reasonable and in line with the expectations explained in the theory section, as nongovernment MFIs tend to embrace more social missions than for-profit MFIs (D'Espallier et al., 2017).

Regarding the other explanatory variables in the specifications, the log of assets was significant and positively associated with the social rating scores in all model specifications. Therefore, larger MFIs receive higher social rating scores on average. On the other hand, the risk variable, PaR30, showed a consistently negative and significant association with the social rating scores in all model specifications. The MFI profitable variable, ROA, was positively associated with the social rating scores in all model specifications, though not significantly. This might indicate that rating agencies do believe that MFIs should be financially sound, though not very profitable.

Like ROA, the age of the MFI was not significantly associated with the social score. Thus, the rating agencies seem to allocate the scores regardless of the age of the MFI. This could imply that MFIs do not become more or less social as they become older, which is an interesting finding considering the mission drift debate (Mersland & Strøm, 2010). Thus, it seems that MFIs do not drift from being socially oriented as they become more experienced. Similar to Beisland et al., (2014a), it was found that the HDI had a significant and positive coefficient in most of the specifications, including in the complete model. Hence, it appears to be easier to obtain good social results in more developed countries, a finding that can hardly be surprising considering the controversies regarding whether external aid has an impact in the least-developed countries with weak institutions (McGillivray et al., 2006).

To test the robustness of the results, traditional social performance variables were introduced into the model as dependent variables instead of rating scores. For this additional analysis, the model was rerun with three metrics as social performance measures: percentage of female clients, average loan size, and the number of active borrowers. In an unreported table, it was observed that the governance variables were generally statistically related to the three social performance variables. More importantly, a consistent association was found between the three social

performance indicators and the board size, international directors, internal audits, and regulated variables. Overall, the conclusions remained qualitatively the same.

4 CONCLUSIONS

The recent crisis in the microfinance industry has created a sense of distrust among stakeholders (Hudon, 2010; Kappel et al., 2011; Bastiaensen & Marchetti, 2011). An MFI's commitment to its social mission has become an important issue in the industry (Mori, 2010). An increasing number of recent studies have highlighted the positive impact of social performance on future firm performance (Desender & Epure, 2015; Eccles et al., 2014; Flammer, 2014; Luo et al., 2015). Likewise, many contributions have investigated the subject of the financial performance of MFIs (Stephens, 2005; Gutiérrez-Nieto & Serrano-Cinca, 2007; Hudon & Lietaer, 2007; Hermes & Lensink, 2007; Vanroose, 2008; Hudon, 2010); however, little research has focused on the firm-level drivers of social performance. This study contributes to filling this gap in the literature by systematically analyzing how variations in internal and external governance mechanisms are associated with MFIs' social rating scores.

To the best of the authors' knowledge, this study is the first to use a composite social performance index in evaluating the drivers of MFI social ratings. Social ratings not only provide an independent analysis of an MFI's social performance but also allows for a deeper evaluation of an MFI's social results and social commitment within its context. It provides MFIs with a tool to assess the specific areas in its social performance that need improving and indicates where it is achieving or surpassing its social objectives (Sinha, 2006; MicroRate, 2014; Clark & Sinha, 2013). Given the industry's novelty (Randøy et al., 2015), corporate stakeholders, such as managers and board directors, need to know which specific governance mechanisms rating agencies consider valuable. Hence, systematic evidence on corporate governance is provided, and several important characteristics of effective governance mechanisms are highlighted.

The results lend support to the theoretical baseline predictions of the association between an MFI's governance and corporate social ratings. The results were robust according to the additional analyses, for which alternative social performance measures were used—average loan balance, total active borrowers, and percentage of women clients. Evidence is provided of a positive association between social rating scores and the governance structures of MFIs. Importantly, it was found that MFIs with higher social performance ratings have more directors on average and a higher percentage of international directors, indicating that these boards are more diverse than MFI boards with weak social performance. Employing internal board auditors and being initiated by international organizations are positively associated with social ratings. The direct association between MFI ownership type and social performance was positive. Institutional arguments imply that NGOs with wider stakeholder bases are more likely to be concerned with their reputations and to promote proactive/positive social performance among MFIs receiving better rating scores (Linck et al., 2009; McGuire et al., 2012; Desender & Epure, 2015); however, publicly traded SHFs may choose to “signal” their commitment to financial performance and shareholder wealth maximization through socially risky behaviors (Klein et al., 2012; Deutsch et al., 2011).

Overall, this work has important academic and policy implications that emerge from a better understanding of the corporate governance drivers of social performance. First, it has been demonstrated that governance mechanisms are strongly associated with good social scores. As previously documented by Webb (2004), it is not clear from the results that a good social score is a precursor to a strong corporate governance structure. The essential takeaway is that if an MFI is rewarded with better rating scores, it seems reasonable to hypothesize that these MFIs should have strong governance structures in place (Webb, 2004; Tirole, 2001). Therefore, future research on the causality between corporate social performance and governance structure using a time series dataset would be a worthwhile contribution to the governance literature.

Second, corporate governance is a multidimensional construct. The corporate governance variables used tap a broad range of transparency and accountability characteristics; however, future research can expand the range of governance variables. For example, there is some evidence that the board of directors plays a particularly important role in shaping an MFI's social agenda (Van den Heuvel et al., 2006; McGuire et al., 2012). Third, as noted, social performance is manifested along several dimensions, which may not be fully captured by the third-party social rating assessments. MFIs could specifically focus their social activities on certain stakeholder groups, such as the clients, communities, or employees, that may represent important sources of support. Although the rating assessment rigorously explored these dimensions, the social scores could therefore be noisy to the extent that they do not capture some impacts of an MFI's social performance activities. Future research could investigate how ownership concentration, ownership type, and governance practices are related to alternative social performance measures.

Furthermore, the finding related to social performance and profitability should attract interest from researchers. It has been shown that a good social score is related to a positive but not significant ROA. This could indicate that MFIs tend to be profit satisfiers and not profit maximizers, as implied by Mersland and Strøm (2013). This topic deserves more attention from researchers. Given the lack of consensus regarding the social and financial performance relationship, further exploration of possible explanations is required. Likewise, the finding that MFIs do not seem to improve or worsen their social scores as they become more experienced should motivate researchers to investigate the lifecycle of MFIs and how their operations and incorporations as well as their financial and social performance change over time. Whether MFIs adhere to their missions is still an unanswered question in the literature (Mersland & Strøm, 2010; Armendariz & Szafarz, 2011).

Finally, this study has limitations. One limitation involves the size of the sample and its representativeness. A second pertains to the use of data issued by rating agencies. These limitations have been documented in detail by Chatterji et al. (2009) and Wood (2010); however, ratings of firms' social performance offer the only means for researchers to obtain data on social performance (Ducassy & Montandrou, 2015).

■ REFERENCES

- Adams, R., Hermalin, B., & Weisbach, M. (2010). The role of boards of directors in corporate governance: a conceptual framework & survey. *Journal of Economic Literature*, 48(1), 58-107.
- Armendariz B. and Szafarz, A. (2011). On mission drift in micro-finance institutions. In B. Armendariz and M. Labie (Eds.), *The handbook of microfinance* (pp. 341-366). Singapur: World Scientific Publishing.
- Bateman, M. (2010). *Why doesn't microfinance work? The de-structive rise of local neoliberalism*. New York: Zed Books.
- Battilana, J. & Dorado, S. (2010). Building sustainable hybrid organizations: the case of commercial micro-finance organiza-tions. *Academy of Management Journal*, 53(6), 1419-1440.
- Beisland, L.A., & Mersland, R. (2012). Do micro-finance rating assessments make sense? An analysis of the drivers of MFI rat-ings. *Nonprofit and Voluntary Sector Quarterly*, 41, 213-231.
- Beisland, L.A., Mersland, R., & Randøy, T. (2014a). The asso-ciation between microfinance rating scores and corporate gov-ernance: a global survey. *International Review of Financial Analysis*, 35, 268-280.
- Beisland, L.A., Mersland, R., & Randøy, T. (2014b). Transparen-cy and disclosure in the global micro-finance industry: implica-tions for practice and policy makers. In Forsbaeck and Oxel-heim (Eds.), *The Oxford handbook of political, institutional and corporate transparency*. New York: Oxford University Press.
- Buchanan, B., Le, O., & Rishi, M. (2012). Foreign direct invest-ment and institutional quality: some empirical evidence. *Inter-national Review of Financial Analysis*, 21(C), 81-89.
- Chatterji, A., Levine, D., & Toffel, M. (2009). How well do social ratings actually measure corporate social responsibility? *J. Econ. Manage. Strategy*, 18, 125-169.
- Clark, H. & Sinha, F. (2013). Social rating guide. The rating initiative, M-CRIL, MicroFinanza Rating, MicroRate, and Planet Rating.
- CSFI (Centre for the Study of Financial Innovation) (2012, 2015). *Microfinance banana skins staying relevant. The CSFI survey of microfinance risk*. New York.
- Cull, R., Demircuc-Kunt, A. and Morduch, J. (2007). Financial performance and outreach: a global analysis of leading micro-banks. *The Economic Journal*, 117, F107-F133.
- D'Espallier, B., Goedecke, J., Hudon, M. & Mersland, R. (2017). From NGOs to banks: does institutional transformation alter the business model of micro-finance institutions? *World Devel-opment*, 89, 19-33.
- Desender, K. & Epure, M. (2015). *Corporate governance and corporate social performance: the influence of boards, owner-ship and institutions*. Barcelona GSE Working Paper Series, Working Paper n° 730.
- Deutsch, Y., Keil, T., & Laamanen, T. (2011). A dual agency view of board compensation: the joint effects of outside direc-tor and CEO stock options on firm risk. *Strategic Management Journal*, 32(2), 212-227.
- Ducassy, I. & Montandrou, S. (2015). *Corporate social perfor-mance, ownership structure, and corpo-rate governance in France*. Research in *International Business and Finance*, 34, 383-396.
- Eccles, R., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and per-formance. *Management Science*, forthcoming.
- Flammer, C. (2014). Does corporate social responsibility lead to superior financial performance? A regression discontinuity ap-proach. *Management Science*, forthcoming.
- Gutiérrez-Nieto B. & Serrano-Cinca C. (2007). Factors explain-ing the rating of microfinance insti-tutions. *Nonprofit and Vol-untary Sector Quarterly*, 36(3), 439-465.
- Hartarska, V. (2005). Governance and performance of micro-finance institutions in Central and Eastern Europe and the new-ly independent states. *World Development*, 33, 1627-1643.
- Hartarska, V. & Mersland, R. (2012). What gover-nance mecha-nisms promote efficiency in reaching poor clients? Evidence from rated microfinance institutions. *European Financial Management*, 18(2), 218-239.
- Hermes, N. & Lensink, R. (2007). The empirics of micro-finance: what do we know? *The Economic Journal*, 117, F1-F10.
- Hermes, N., Lensink, R., & Meesters, A. (2011). Outreach and efficiency of microfinance institutions. *World Develop-ment*, 39(6), 938-948.

- Hudon, M. (2010). Management of microfinance institutions: do subsidies matter? *Journal of International Development*, 22, 890-905.
- Hudon, M. & Lietaer, B. (2007). Natural savings: a new micro-savings product for inflationary environments. *Savings and Development*, 4, 357-381.
- Hudon, M. & Périlleux, A. (2013). Surplus distribution and characteristics of social enterprises: evidence from microfinance. *Quarterly Review of Economics and Finance*, 54(2), 147-157.
- Hudon, M. & Sandberg, J. (2013). The ethical crisis in micro-finance: issues, findings, and implications. *Business Ethics Quarterly*, 23(4), 561-589.
- Klein, A. (1998). Firm performance and board committee structure. *The Journal of Law and Economics*, 41(1), 275-304.
- Klein, P., Mahoney, J., McGahan, A., & Pitelis, C. (2012). Who is in charge? A property rights perspective on stakeholder governance. *Strategic Organization*, 10(3), 304-315.
- Labie, M. & Mersland, R. (2011). Corporate governance challenges in microfinance. In B. Armendáriz & M. Labie (Eds.), *The handbook of microfinance* (pp. 283-300). London: World Scientific Publishing Ltd.
- Linck, J. S., Netter, J.M., and Yang, T. (2009). The effects and unintended consequences of the Sarbanes-Oxley Act on the supply and demand for directors. *Review of Financial Studies*, 22(8), 3287-3328.
- Luo, X., Wang, H., Raitel, S., & Zheng, Q. (2015). Corporate social performance, analyst stock recommendations, and firm future returns. *Strategic Management Journal*, 36(1), 123-136.
- Margolis, J. D., & Walsh, J.P. (2003). Misery loves companies: rethinking social initiatives by business. *Administrative Science Quarterly*, 48(2), 268-305.
- McGillivray, M., Feeny, S., Hermes, N., & Lensink, R. (2006). Controversies over the impact of development aid: it works; it doesn't; it can, but that depends... *Journal of International Development*, 18, 1031-1050.
- McGuire, J., Dow, S., & Ibrahim, B. (2012). All in the family? Social performance and corporate governance in the family firm. *Journal of Business Research*, 65, 1643-1650.
- McWilliams, A. & Siegel, D. (2001). Corporate social responsibility: a theory of the firm perspective. *Academy of Management Review*, 26(1), 117-127.
- Mersland, R. & Strøm R.Ø. (2009a). Performance and governance in microfinance institutions. *Journal of Banking and Finance*, 33, 662-669.
- Mersland, R. & Strøm, R.Ø. (2010). Microfinance mission drift? *World Development*, 38(1), 28-36.
- Mersland, R. & Strøm, R.Ø. (2013). Microfinance costs, lending rates and profitability. In G. Caprio (Ed), *Handbook of key global financial markets, institutions, and infrastructure*. Oxford, UK: Elsevier
- Mersland, R., Randøy, T., & Strøm, R.Ø. (2011). The impact of international influence on microbanks' performance: a global survey. *International Business Review*, 20(2), 163-176.
- MicroRate (2014). Technical guide: Performance and social indicators for microfinance institutions. MicroRate Incorporated.
- Mori, N. & Mersland, R. (2014). Boards in microfinance organizations: do stakeholders matter? *Journal of Management and Governance*, 18(1), 285-313.
- Orlitzky, M., Schmidt, F. L., & Rynes, S. (2003). Corporate social and financial performance: a meta-analysis. *Organization Studies*, 24(3), 403-441.
- Sinha, F. (2006). Social rating and social performance reporting in microfinance: towards a common framework. The SEEP Network for the Argidius Foundation. EDA/M-Cril, Argidius, and the SEEP Network.
- Speckbacher, G. (2008). Nonprofit versus corporate governance: an economic approach. *Nonprofit Management and Leadership*, 18(3), 295-320.
- Stephens, B. (2005). Sustainability in sight: an analysis of MFIs that become sustainable. *MicroBanking Bulletin*, 10, 23-29.
- Périlleux, A., Hudon, M., & Bloy, E. (2012). Surplus distribution in microfinance: differences among cooperative, nonprofit, and shareholder forms of ownership. *Nonprofit and Voluntary Sector Quarterly*, 41(3), 386-404.
- Randøy, T., Strøm, R.Ø., & Mersland, R. (2015). Founder effect in microfinance performance. *Entrepreneurship: Theory and Practice*, 39(4), 927-953.
- Reille, X., Forster, S., & Rozas, D. (2011). Foreign capital investment in microfinance: reassessing financial and social returns. Washington, DC: Consultative Group to Assist the Poor (CGAP).
- Tirole, J. (2001). Corporate governance. *Econometrica*, 69, 1-35.
- Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics*, 53, 113-142.
- Vanroose, A. (2008). What macro factors make microfinance institutions reach out? *Savings and Development*, 3(32), 153-174.
- Webb, E. (2004). An examination of socially responsible firms' board structure. *Journal of Management & Governance*, 8(3), 255-277.
- Wood, D. (2010). Measuring corporate social performance: a review. *Int. J. Manage. Rev.*, 12, 50-84.

ANNEX I

Table 1. Descriptive statistics

PANEL (A): 199 MFIS THAT HAVE BEEN RATED						PANEL (B): 298 MFIS THAT HAVE NOT BEEN RATED					
Variable	Obs.	Mean	Std. Dev.	Min	Max	Variable	Obs.	Mean	Std. Dev.	Min	Max
Social Rating score	440	5.60	1.41	2.00	9.00	Social Rating score	0				
Board size	439	6.77	2.54	2.00	21.00	Board size	1978	7.06	3.32	1.00	23.00
International directors	408	0.16	0.28	0.00	1.00	International directors	1570	0.11	0.22	0.00	1.00
Board meetings	394	7.13	7.08	1.00	52.00	Board meetings	1415	7.30	8.24	1.00	96.00
#Top management team	434	5.10	2.02	0.00	14.00	#Top management team	1856	4.36	1.88	0.00	14.00
Internal audits	424	0.67	0.47	0.00	1.00	Internal audits	1877	0.47	0.50	0.00	1.00
International initiation	437	0.43	0.50	0.00	1.00	International initiation	2009	0.39	0.49	0.00	1.00
Regulation	437	0.43	0.50	0.00	1.00	Regulation	1977	0.31	0.46	0.00	1.00
Competition	438	5.08	1.27	2.00	7.00	Competition	2020	4.45	1.51	1.00	7.00
Controls						Controls					
NGO	438	0.43	0.50	0.00	1.00	NGO	2026	0.52	0.50	0.00	1.00
Regulatory quality	438	4.74	1.39	1.00	7.00	Regulatory quality	1948	4.24	1.57	1.00	7.00
ROA	433	0.03	0.10	-0.71	0.56	ROA	1906	0.01	0.12	-0.99	0.34
Age	437	13.83	7.70	1.00	47.00	Age	2020	9.81	7.09	0.00	79.00
Total assets ('000)	438	23600	36500	237	280000	Total assets ('000)	1995	8182	16800	19	250000
Ln (total assets)	438	16.14	1.32	12.38	19.44	Ln (total assets)	1995	14.95	1.42	9.87	19.33
PaR30	427	0.05	0.07	0.00	0.53	PaR30	1826	0.06	0.09	-0.27	0.97
HDI	438	0.63	0.12	0.06	0.79	HDI	1616	0.61	0.13	0.05	0.81
GDP per capita	438	3391.92	3109.72	190.00	14900.5	GDP per capita	1688	1858.72	1883.74	90.00	11180.0
Economic freedom	438	58.10	5.99	39.60	70.40	Economic freedom	1568	56.47	5.98	29.40	78.00

ANNEX II

Table 2 . Multivariate analysis: governance and social performance rating score

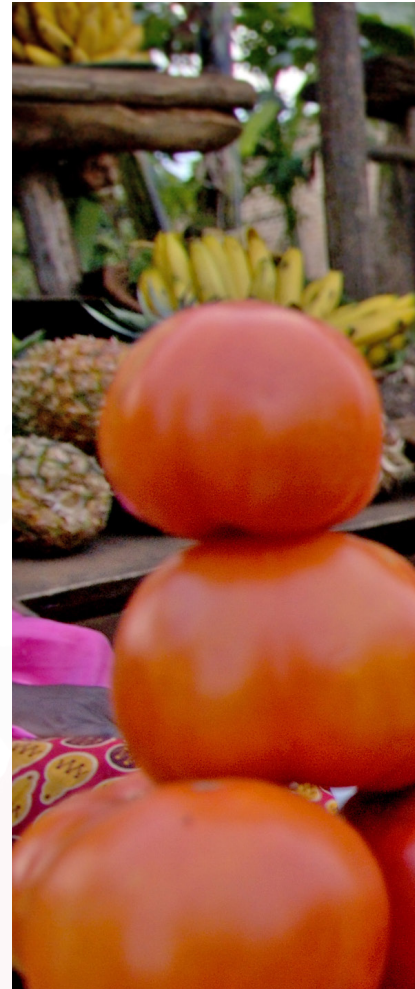
	DEPENDENT VARIABLE: SOCIAL RATING								
	1	2	3	4	5	6	7	8	9
BOARD SIZE	0.08 **								0.08 **
INTERNATIONAL DIRECTORS		0.13 ***							0.07
BOARD MEETINGS			0.002						-0.01
TOP MANAGEMENT TEAM				-0.09 **					-0.13 ***
INTERNAL AUDITS					0.331 *				0.34 *
INTERNATIONAL INITIATION						0.326 **			0.37 **
REGULATED							-0.54 **		-0.45 **
COMPETITION								-0.15 *	-0.16 *
CONTROLS:									
NGO	0.56 ***	0.56 ***	0.62 ***	0.64 ***	0.65 ***	0.61 ***	0.39 **	0.69 ***	0.41 **
REGULATORY QUALITY	-0.02	0.02	-0.08	-0.05	-0.02	-0.02	-0.03	0.03	0.03
ROA	0.41	0.67	0.67	0.32	0.26	0.38	0.42	0.38	1.45
AGE	-	0.005	-	-	0.001	0.003	-	0.001	-
LN(TOTAL ASSETS)	0.003		0.009	0.003			0.006		0.006
PAR30	0.15 **	0.19 **	0.21 ***	0.21 ***	0.15 **	0.15 **	0.23 ***	0.19 ***	0.301 ***
HDI	-4.41 ***	-3.23 **	-3.85 ***	-4.12 ***	-3.98 ***	-3.93 ***	-3.9 ***	-4.60 ***	-3.39 **
GDP PER CAPITA	1.08	1.67 **	0.77	0.96	0.95	1.26 *	0.61	1.62 *	1.41 *
ECONOMIC FREEDOM	0.0	0.0	-0	-0	0.0	0.0	0.0	-0	-
_CONS	0.002	-	0.009	0.002	0.001	0.002	-	0.005	0.006
F	2.02	1.31	1.65	2.22 *	2.41 *	2.25 *	2.21 *	1.84	0.31
	5.69	5.95	4.73	5.45	5.14	5.39	5.73	5.30	5.11

08

LOYALTY, TRUST AND GLASS CEILING: THE GENDER EFFECT ON MICROCREDIT RENEWAL

By **Ms Mathilde Bauwin**, *INED – PSL Paris Dauphine University, DIAL, IRD Paris, France*
mathilde.bauwin@gmail.com

Mr Walid Jbili, *Enda inter-arabe Tunis, Tunisia*,
walid.jbili@endatamweel.tn



■ ABSTRACT

Keywords:

Gender;
Loan size.

Whereas most research into microfinance focus on the impact of access to such services, very little pays attention to what happens over time once a person becomes a client. The paper aims at analyzing the conditions of loan renewals and progressive lending policy with a gender perspective. The work is based on a case study about the main Tunisian microfinance institution. The analysis focuses on the evolution of amounts over credit cycles, correcting the selection bias due to dropouts. The results show that if both men and women benefit from the progressive lending policy, amounts grow more slowly for women. Consequently, as women already start from a lower position, initial inequalities cannot be counterbalanced.



■ INTRODUCTION

Attention has been focused for about a decade on ‘financial inclusion’, that is to say on the number of people holding a bank account, with microfinance becoming a tool to help increase this number. However, the progress made towards financial inclusion does not only illustrate the increasing reach of microfinance worldwide, with even more new clients or ‘banked’ people every year, it also illustrates another concomitant phenomenon, which is the retention of older clients. Once people get access to microfinance, they remain ‘financially included’, meaning that they keep returning to these products and services.

So far, client retention, or client loyalty, in the microfinance sector has not appeared as a major issue of interest for researchers. Nonetheless, it is inherent to microfinance’s modus operandi, and applying a progressive lending policy is a way for MFIs to foster client retention.

Another common presupposition about microfinance concerns women, who are often considered as MFIs’ main target and who would be necessarily favoured in the microcredit allocation process. However, some recent studies have shown that it is not always the case.

RESEARCH OBJECTIVES

This paper therefore focuses on the conditions of loan renewals, adopting a gender perspective. In particular, the objective is to analyse the policy of progressive lending of the main Tunisian MFI to check if it is fairly applied towards men and women, by examining the evolution of loan amounts over credit cycles for these two groups. Given that all clients do not renew their loans, the selection bias is corrected and the determining factors of dropouts are analysed.

DATA

We use a panel dataset containing information about all new clients of the main Tunisian MFI from June 2012 to December 2013 and about all the loans they received from June 2012 to March 2016. The whole dataset consists of 69 301 clients (63.5 per cent of whom are women) who received a total of 183 109 loans.

The data shows that female clients start with smaller projects, but if some financial indicators relative to their projects evolve less quickly than for men (such as fixed assets), some others evolve more quickly (such as current assets and profits). However, the gap between loan amounts granted to men and women increases.

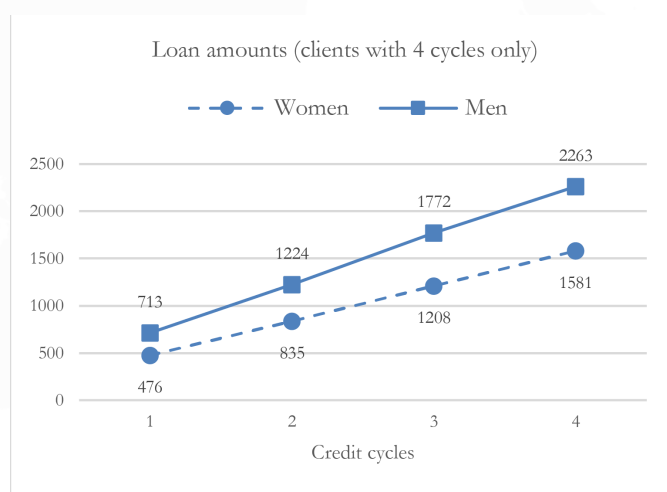


Figure 3: Evolution of loan amounts over cycles

Consequently, an econometric analysis is necessary to determine whether this increasing gap may be explained by objective characteristics or not. If a gap remains unexplained, it would reflect discriminatory practices towards women in terms of amounts granted.

METHODS

Before analysing the conditions of loan renewals, the first step consists in focusing on the probability of a loan being renewed. Indeed, 46% of clients in our data set left the MFI before the end of our period of study; if most dropouts leave the MFI after the first loan, not all of them do. Therefore, we include credit characteristics as well as socio-demographic, project and financial characteristics in the analysis.

To take all these parameters into account, we estimate a sequential probit model, i.e. a structural equation model where one equation corresponds to the estimation of the probability of renewing a loan at the end of a specific credit cycle. We include five equations, meaning that we estimate the probability of renewing a loan at the end of the first five credit cycles. Indeed, the sixth cycle concerns only 199 clients, which is too few for us to include a sixth equation. Such a model enables us to allow correlation between the errors of each equation as unobserved individual effects could indeed be correlated over time.

The second analysis focuses on the progressive lending policy itself. Our variable of interest is loan amounts over credit cycles from the second cycle, in level and in growth rate, the growth rate being defined in two ways: as the evolution from one credit to the next one on the one hand, and as the overall evolution from the first loan on the other hand.

Whatever the variable of interest, the selection bias should be corrected. To do that, we follow Wooldridge's procedure (Wooldridge 1995; Semykina and Wooldridge 2010) to correct selection bias in panel data models.

This procedure is composed of three steps: the first consists in estimating the probability of being selected for each t (t =a credit cycle), which means in our case the probability of renewing a

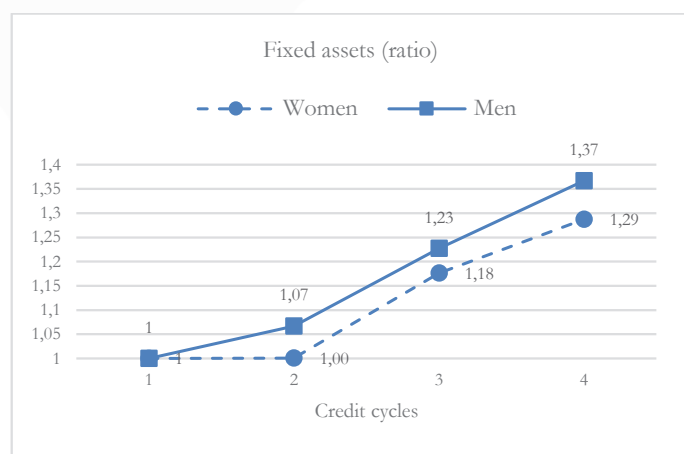


Figure 1: Evolution of fixed assets over cycles

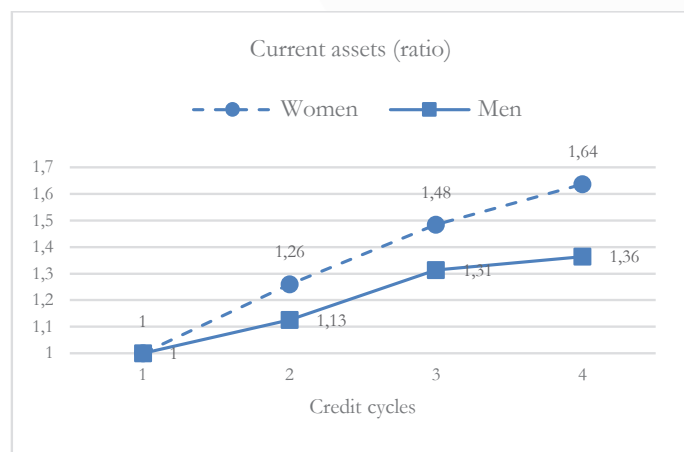


Figure 2: Evolution of current assets over cycles

loan at each credit cycle taken separately. Therefore, the first step corresponds to the first analysis described previously.

After estimating the first equation with T standard probit models, the second step consists in computing T inverse Mills ratios when selection is positive. We afterwards include these ratios in subsequent equations to correct the selection bias. Moreover, this implies that an exclusion variable, highly correlated with the probability of renewing a loan but not to the amount granted, is included in the equation. This exclusion variable is the fact that the last repayment of the previous loan was made during the last week of the month, as in this case, the probability of a loan being renewed is much lower. However, if the loan is renewed, the fact that the last instalment was paid during the last week of the month has no effect on the newly granted amount.

RESULTS

The first part of the analysis interestingly reveals that contrary to a common belief within the Tunisian MFI and in the microfinance sector in general, female clients are not more likely than men to renew their loans: all things being equal, there is no gender effect on the probability to renew a loan or to leave the MFI. In other words, women are not more loyal clients than men that the increase in loan amounts is not only due to the evolution of projects and financial characteristics from a cycle to another, but also to an increasingly generous lending policy from the MFI. This reflects the increasing trust between the MFI and its clients all along clients' credit history, and illustrates the form relationship lending can take in microfinance.

However, the results also show that if loan amounts increase for both men and women, they do so more slowly in the case of female clients, and a gap between amounts granted to men and women remains unexplained especially from the third cycle, all other objective characteristics being equal.

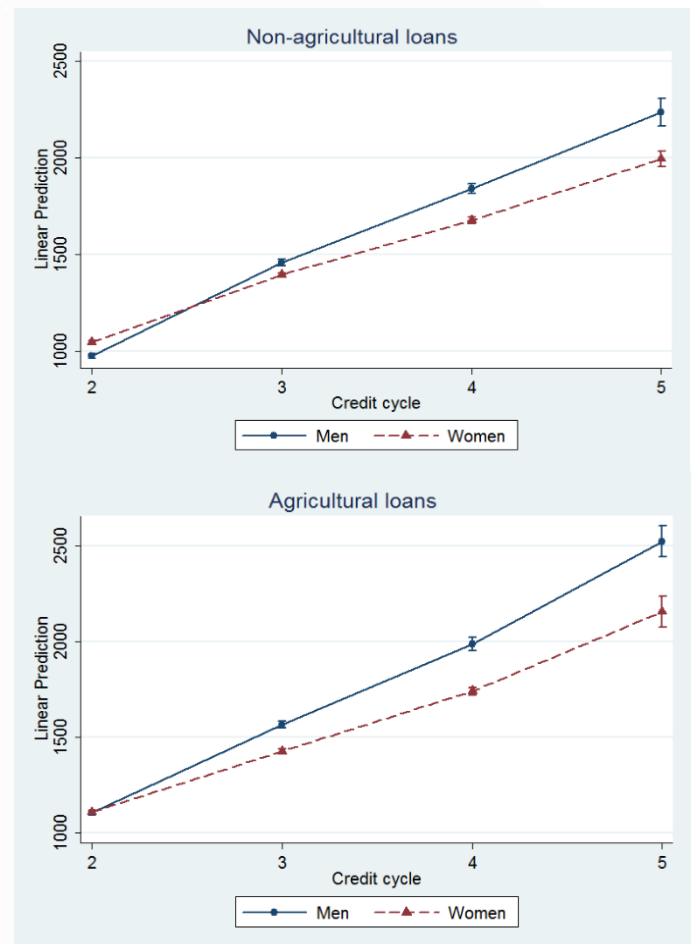


Figure 4: Predictions of amounts granted from cycle 2 by gender and type of loan

DISCUSSION

In the microfinance sector, progressive lending is a very commonly applied policy as it enables the burden of transaction costs to be reduced and favors client retention as it is a good dynamic incentive. It also helps MFIs to avoid large losses by testing clients' repayment behavior before lending high amounts. However, the way such a progressive lending policy is applied has rarely been analyzed and this paper has attempted to fill

this gap, by adopting a gender perspective. The most striking result is that the progressive lending policy appears to be less favorable to women, all other things being equal.

Four explanations for this result remain plausible and are neither exclusive nor exhaustive: first, stereotypes on women, their projects, and their ability to fulfil their roles of project manager and housekeeper at the same time persist over time, leading officers to apply slower progressive lending policy to female applicants all other things being equal, because they think that women need or are able to manage smaller loans. A second explanation would be that because of such statistical discrimination, women invest less in their projects, which develop less and remain on average smaller than those of men, which confirm the initial stereotypes shared by loan officers, who keep granting lower amounts to women because their

representations are confirmed by their observations a posteriori. A third explanation is that, since the common belief within Enda is that women are more loyal than men (even though this is not true), it might be possible that officers make more effort to attempt to keep male clients than female clients: they would offer higher amounts to men to encourage them to keep resorting to their services. The fourth possible explanation could be that despite the observable characteristics of their projects, their better repayment behavior and their lower propensity to default, female clients may still convey a bad signal about their projects by accepting to get lower amounts for similar projects: indeed, this would signal that they want to invest less in their projects, that their projects are of lower quality or less profitable. Such a signal, even if it does not reflect the real quality of their projects, could reinforce existing stereotypes.

Whatever the reasons behind this unexplained gap, the consequence is that existing inequalities between men and women can only be reproduced: indeed, women already start from a lower position as they tend to run smaller projects in terms of assets and profits, and then tend to request lower first amounts. If this Tunisian MFI actually attempts to counterbalance these starting inequalities by favoring women in terms of access to credit as showed in a previous study, they fail to do so entirely, as we still observe a gap between amounts granted, which increases over time due to a less favorable progressive lending policy towards women. As a consequence, if women keep receiving lower amounts, their projects will evolve less quickly too, and catching up with men in terms of economic power will become

almost impossible.

However, this unfair application of the progressive lending policy is probably involuntary and the consequences, in terms of reproduction of inequalities, unknown, as this kind of longitudinal analysis is not systematically achieved by credit officers. That is why we tend to support initiatives consisting in improving information systems in order to better manage, use, and analyze clients' data from a longitudinal perspective. We would recommend that MFIs carry out such longitudinal analyses in a more systematic way to get a better view of the evolution of clients and then to adapt their progressive lending policy accordingly. The inclusion of new indicators in rating agencies' tools would also encourage MFIs to adapt their progressive lending policies by making their granting procedures more objective over credit cycles. We would also recommend taking account of the characteristics of MFIs' progressive lending policies in future research works, particularly in impact assessment studies, as the growth rate of loan amounts could have a more significant impact than time alone.

■ REFERENCES

Agier, I., and A. Szafarz (2013). 'Microfinance and Gender: Is There a Glass Ceiling on Loan Size?'. *World Development*, 42: 165–181.

Armendariz, B., and J. Morduch (2010). *The Economics of Microfinance*. (2nd ed). Cambridge, MA: MIT Press.

Banerjee, A.V., E. Duflo, R. Glennerster, and C. Kinnan (2009). 'The Miracle of Microfinance? Evidence from a Randomized Evaluation'. Working Paper, IFMR Research, Centre for Micro Finance. Retrieved from: <https://pdfs.semanticscholar.org/689e/4c2e75a1ae6c2e8f2f8683e6e991a6d31901.pdf> (accessed on 22

April 2017).

Banerjee, A., E. Duflo, R. Glennerster, and C. Kinnan, C. (2015). 'The Miracle of Microfinance? Evidence from a Randomized Evaluation'. *American Economic Journal: Applied Economics*, 7(1): 22–53. <https://doi.org/10.1257/app.20130533>

Bauwin, M. (forthcoming). 'Defeating the Purpose: Targeting versus Favoring Women in Microfinance'.

Chliova, M., J. Brinckmann, and N. Rosenbusch (2015). 'Is Microcredit a Blessing for the Poor? A Meta- analysis Examining Development Outcomes and Contextual Considerations'. *Journal of Business*

Venturing, 30(3): 467–87.

Convergences (2015). 'Microfinance Barometer 2015'. Retrieved from: http://www.european-microfinance.org/docs/news/BMF-2015-ENG_web.pdf (accessed on 1 April 2017).

Convergences (2016). 'Microfinance Barometer 2016'. Retrieved from: [http://www.convergences.org/wp-](http://www.convergences.org/wp-content/uploads/2016/09/BMF-EN-FINAL-2016-Version-web.pdf)

[content/uploads/2016/09/BMF-EN-FINAL-2016-Version-web.pdf](http://www.convergences.org/wp-content/uploads/2016/09/BMF-EN-FINAL-2016-Version-web.pdf) (accessed on 1 April 2017).

Epstein M.J., and K. Yuthas (2013). 'Rural Microfinance and Client Retention: Evidence from Malawi'. *Journal of Developmental Entrepreneurship*, 18(01): 1350006.

Khandker, S.R. (2005). 'Microfinance and Poverty: Evidence Using Panel Data from Bangladesh'. *The World Bank Economic Review*, 19(2): 263–86.

Khandker, S.R., M.A.B. Khalily, and Z.H. Khan (1995). *Grameen Bank: Performance and Sustainability*. Washington, DC: World Bank.

MAFFEPA (Ministère des Affaires de la Femme, de la Famille, des Enfants et des Personnes âgées) (2005). *Profil Genre Tunisie 2014*. Retrieved from: http://www.eeas.europa.eu/archives/delegations/tunisia/documents/page_content/profil_genretunisie_2014_longue_fr.pdf (accessed on 22 April 2017).

Morduch, J., and J. Bauchet (2010). 'Selective Knowledge: Reporting Biases in Microfinance Data' *Perspectives on Global Development and Technology*, 9(3–4), 240–69.

National Institute of Statistics, Tunisia (n.d.). 'Employment Data'. Retrieved from <http://www.ins.tn/en/themes/emploi> (accessed on 1 April 2017).

OECD (2007). *Effect of Microfinance Operations on Poor Rural Households and the Status of Women*. Special Evaluation Study No. SST: REG 2007-19. Paris: OECD.

Pearlman, S. (2014). 'Dropouts, Defaulters, and Continuing Microfinance: Continuing

Economies, <https://doi.org/10.1111/deve.12055>

Borrowers: Dropouts,

Client Exit from Defaulters, and

Borrowers'. 52(4):

The Developing 301–21.

Roodman, D., and J. Morduch (2014). 'The Impact of Microcredit on the Poor in Bangladesh: Revisiting the Evidence'. *The Journal of Development Studies*, 50(4): 583–604.

Semykina, A., and J.M. Wooldridge (2010). 'Estimating Panel Data Models in the Presence of Endogeneity and Selection'. *Journal of Econometrics*, 157(2): 375–80.

Social Performance Task Force (2014). 'The Universal Standards for Social Performance Management'. Retrieved from: www.ada-microfinance.org/download/878/-universal-standards-guide.pdf (accessed on 1 April 2017).

Weber, O., and A. Ahmad (2014). 'Empowerment through Microfinance: The Relation between Loan Cycle and Level of Empowerment'. *World Development*, 62: 75–87.

Wooldridge, J.M. (1995). 'Selection Corrections for Panel Data Models Under Conditional Mean Independence Assumptions'. *Journal of Econometrics*, 68(1):115–32.

World Bank Group (2014). 'The Global Findex Database 2014: Measuring Financial Inclusion around the World'. Policy Research Working Paper 7255. Washington, DC: World Bank.

World Bank (n.d.). 'Data: Countries and Economies'. Retrieved from: <http://data.worldbank.org/country> (accessed on 1 April 2017).

Avec le soutien de :



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Affaires étrangères
et européennes

Direction de la coopération
au développement et
de l'action humanitaire

Organisateurs :



Sponsors :



Entrepreneurial
Development
Bank



La banque de l'UE



CENTER for
FINANCIAL
INCLUSION



Microfinance & Social Business



Supports :



Organisation des Nations Unies
pour l'alimentation et l'agriculture



(Web et écrans TV seulement)

Sponsors du Salon de l'innovation :



Entrepreneurial
Development
Bank

ENABLING INNOVATIVE PAYMENTS

mastercard
foundation

Sponsors de la Foire aux investisseurs :



Sponsors de Research Meets Africa :



mastercard
foundation

Making Finance
Work for Africa

InFiNe
Inclusive Finance Network
Luxembourg

Co-organisateur de Research Meets Africa :



ipa
INDICATORS FOR
POVERTY ACTION

Partenaires médias :



With the support of:



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs

Organisers:



Sponsors:



Supporters:



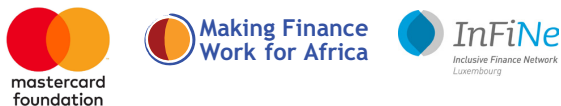
Innovation Fair sponsors:



Investor's Fair sponsors:



Research Meets Africa sponsors:

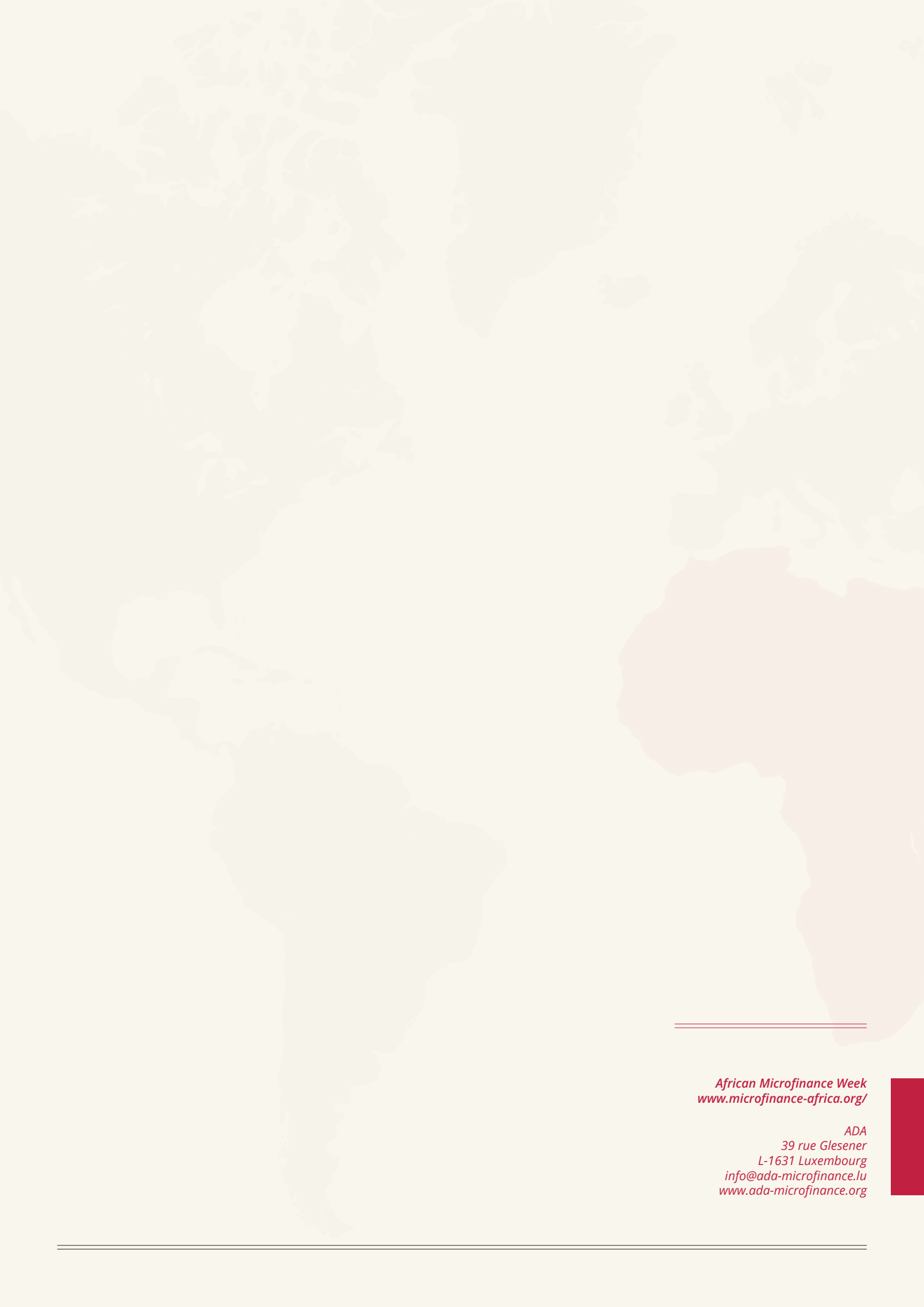


Research Meets Africa co-organiser:



Media partners:





African Microfinance Week
www.microfinance-africa.org/

ADA
39 rue Glesener
L-1631 Luxembourg
info@ada-microfinance.lu
www.ada-microfinance.org
