



Microfinance Distance Learning Course for Non-Specialists

**The Future of the Industry:
Where do we go from here**

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The Changing Landscape

The Microfinance Industry is undergoing fundamental changes, in three key areas, which will shape the future of industry in Africa. These are:-

- ◆ **Type of institutions,**
- ◆ **Funding Sources, and**
- ◆ **Legal Environment**

Type of Institution

- **The traditional dominance by NGOs, as the only operators, is disappearing.**
- **Other types of institutions, such as credit unions, have emerged as significant players in the sector.**
- **NGOs are transforming into banks & financial institutions.**
- **Commercial banks & financial inst. are getting into the sector, more committed than before.**

Institutional Form

- **These changes have begun to address some of the key issues facing MFIs constituted as NGOs, namely:-**
 - ◆ **Ownership**
 - ◆ **Governance and**
 - ◆ **Management capacity.**

The Regulatory Environment

- **Traditionally NGO-based MFIs operated outside a legal framework, specifically formulated for the type activities they engaged in.**
- **On one hand, this situation allowed for innovation & development of the sector.**
- **On the other, it deprived MFIs of the legal recognition and capacity to serve as financial institutions.**



The Regulatory Environment

- **Some 3 years ago, regulatory authorities were strongly urged to establish legislation for regulating MFIs.**
- **The ‘Rush to regulate’ was stalled in favor of careful process of establishing an enabling legal & regulatory environment for MFIs.**
- **Today, many countries in Africa are working with MFIs & Networks to craft appropriate legislation.**



The Regulatory Environment

- In the coming few years, well thought-out legislation, that provides a better legal legal framework for the development of the industry.



The Regulatory Environment

- This is likely to:-
 - ◆ Address the ownership & governance issue.
 - ◆ Increase the visibility, accountability and legitimacy of MFIs.
 - ◆ Enable MFIs to source funding from the local financial markets.
 - ◆ Mainstream MFIs, as part of their respective financial system.