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STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
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IMPLICATION OF REGULATION ON THE DEVELOPMENT OF MICROFINANCE IN THE NIGERIAN ECONOMY

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ABSTRACT

The paper examines the impact of regulation and regulatory framework on the performance of microfinance banks in Nigeria. Findings reveal inconsistency in policy implementation and inflexibility by the Regulators have had adverse effects on the performance of regulated Institutions thereby impeding their capacity to perform statutory roles in the economy. The paper therefore recommends improvement in regulation through progressive policies , flexible regulation, microfinance friendly policies, better policy execution and a more friendly business environment for microfinance institutions to thrive. As the potentials of Microfinance are enormous for the growth and development of the economy through access to finance and also at the same time facilitating financial inclusion. And it is only in a well coordinated environment that these microfinance institutions can thrive to achieve the envisaged goals and objectives. Obviously there is a linkage between regulatory framework and performance of Microfinance Institutions, while over regulation stifles growth and competitiveness on the other hand a liberal and market friendly or progressive regulatory environment build up the systems.

KEYWORDS

Microfinance, Microfinance Policy, Regulatory and Supervision Framework, Regulation, Microfinance Banks, Performance, Economic development.

INTRODUCTION

Microfinance is the provision of financial services such as loans, savings insurance or transfer services to low income households and small business owners who lack access to finance to do their business. It involves the provision of financial services to the economically active poor individuals and micro or small scale enterprises. The target market is those who are financially excluded from the conventional banking sector. It is reported that over 80 percent of households do not have access to financial services due to their inability to satisfy credit requirements of the conventional banking systems, this has resulted into socio economic problems like poverty, health hazards , unemployment, starvation, malnutrition, diseases, crimes and violence among developing countries. Considering the statistical data from the world bodies on the level of poverty and related issues in the globe. Obviously there is need for unconventional approach to address the global problem of poverty in the world. The World has deep poverty amid plenty, out of world's 6 billion people, 2.8 billion almost half live on less than $2 a day, and 1.2 billion a fifth live on less than $1 a day (World Development Report 2000/2001). The global poverty has spur discussions and programmes that would help reduce the level of penury and poverty in the world. The goal of such discussion is reducing income poverty and human deprivation especially among developing nations. The Millennium Development Goals (MDG) is equally directed at solving this problem with Microfinance as a tool for attaining the Millennium Development Goals. Briefly stated the goals of the MDG include; eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS malaria and other diseases, ensure environmental sustainability, and develop a global partnership for development.

The microfinance services to the poor are not only for business investment in their microenterprises but also to invest in health and education, to manage household emergencies and to meet the wide variety of other cash needs that they encounter. Elizabeth Littlefield et al (CGAP Focus Note January 2003).These services include loans, savings insurance payment transfer, and even micro pension. Evidence from the millions of microfinance clients around the world demonstrates that access to financial services enables poor people to increase their household income, build assets, and reduce their vulnerability to the crises that are so much part of their daily lives. It should be noted that access to financial services translates into better nutrition and improved health outcomes such as higher immunization rates for beneficiaries of microfinance clients. There is huge demand for microfinance across the Globe due to the failure of the formal financial system to meet the financial requirements of the neglected groups in many development. The mismanagement of economic resources and corruption has partly contributed to the problem of poverty in the World today. It is estimated that there are more than 3 billion potential clients in the microfinance market and only about 500 million people are currently being served by socially oriented financial institutions ranging from cooperatives to postal savings banks that extent financial services beyond the traditional clients of commercial banks, nonetheless a significant number of potentials clients remain un served CGAP (2003). Basically the problem of unemployment, economic poverty and low standard of living globally is caused by financial exclusion whereby many economic active poor or low income people are not able to access finance for productive activities. This account for the growing realization and recognition of Microfinance as a potent tool for poverty alleviation. Microfinance has therefore been accepted all over the world as one of the tools to attack poverty especially in the developing countries of the World.

Empirical evidence from research work has shown that Microfinance has significantly contributed to development of economies of the world through financial empowerment of the low income group and small scale businesses around the globe. The proponents of Microfinance believe that the importance of Microfinance cannot be overemphasized as a tool to drive the economy of any nation especially with the failure of the formal financial system to give the necessary financial support to the active poor and small business firms across the world particularly the economically poor nations.

The debate on the significance and sustainability of Microfinance has divided its proponents into two major camps. Microfinance, in the 1990s was marked by a major debate between two leading views, the financial system approach and the poverty lending approach. (Ademu 2012). The financial systems approach are in support of the commercialisation of Microfinance for sustainability and wider outreach. Its emphasis is on large scale outreach to the economically active poor who has the capacity to repay loans. The goal of the financial systems approach is institutional self-sufficiency which is key to regular supply of service and expansion. To this group every Microfinance Institution must develop products for savings mobilisation and adequate funding of loan products accordingly. On the other hand, the Poverty lending approach focuses on credit disbursement for poverty alleviation only whether by the private sector, government agencies or donor groups. The aim is to extend micro credits to the poor to overcome poverty and gain employment. Under the Poverty lending approach savings mobilisation is not the key factor except where the savings is mandatory. The private sector is key to the sustainability of financial leading approach because the private sector is driven by profit making. Unfortunately the Poverty lending group are not comfortable in allowing the industry to be dominated by profit operators. Sustainability of Microfinance industry is imperative and this is a function of viability, more so as Microfinance business cannot survival mainly on donors and government subsides. Often times Government funding and grants are politically motivated which might further endanger the operations of Microfinance Institutions.

Microfinance service providers can be classified into three categories namely formal Microfinance institutions, semi-formal Micro finance Institutions and informal microfinance sectors. The major distinction is the level and extent of external regulation. (Craig C, Cheryl F, 2006). ***The formal Microfinance Institutions*** *are subject not only to general laws, but also to specific regulation and supervision by the Central Bank , Ministry of Finance or an agency thereof like commercial banks, Development banks ,Savings banks, Non-bank financial Institutions, Finance companies, leasing companies and Insurance companies.* ***The semiformal Microfinance institutions*** *are registered entities subject to all relevant general laws, but not usually subject to oversight by a banking or Finance authority. Though authorised by governments but are monitored by their board of directors, a federation or other stakeholders. Like non- governmental organisations, Community based organisations, credit unions, savings and credit cooperatives and private companies.* ***Informal microfinance services*** *providers are typically not* *registered nor recognized by government bodies and are motivated only by their members or the community they serve, like village banking self-help groups, Financial Service Associations, ROSCAs, ASCAs, Burial societies, Pawn shops, and individual money lenders.*

Globally Microfinance industry has equally evolved models or approaches for outreach and sustainability over these decades. These business models are; ***Individual Lending Methodology*** *- Loan given on individual basis.* ***Group Solidarity Lending Methodology /Grameen Group lending*** *- loan given to members on group basis or individual in a group.* ***Village banking*** *- Villagers organisers themselves and raise money and management committees to give loans to members of the Village community.* ***Cooperative System*** *– People coming together to support each other through shareholding and profit sharing arrangement.*

THEORETICAL CONCEPT AND LITERATURE REVIEW

Regulation in its simplest meaning is control. Governments regulate businesses to ensure uniformity in standards and practices. Generally there are reasons for business regulation which include, to exercise powers over a defined territory, people and resources, to protect her citizens from exploitation from foreigners who dump inferior and expired products to kill infant industries, to ensure that competitors in business enterprises understand the rules and regulations concerning each method of business operations to avoid unfair competition, to ensure that revenues due to the government in form of taxes are paid , to ensure compliance with International best practices in business operations, to prevent domination of business environment by foreign firms and to protect local infant business firms.

The Banking sector are the most regulated Institutions all over the world due largely to their intermediary role of payments systems and provisions of credits in the economy. (Nwankwo 1990) stated that the objectives of regulation is to ensure a sound and healthy banking and financial system , protect depositors effectively, address the indigenous community's savings and investment requirements and accelerate the economic development of the country . Furthermore the objectives of financial systems regulation is developing the banking habit , the financial system and manpower for the banking industry. Timothy (1991) identified four fundamental reasons for Bank regulation namely, (i) safety and soundness of banks and financial instruments, (ii) Provision of monetary stability, (iii) Provision of an efficient and competitive financial system and (iv) Protection of consumers from abuses by credit granting institutions. According to Ezike, (2003) Economic regulation embraces all types of controls which government imposes on economic and business activities in an attempt to foster competition and improve economic efficiency.

The aim of bank regulation is to provide sound and stable operating guidelines and policies that will help bank directors and management to operate in a friendly economic environment. **However it is important to note that regulation alone cannot prevent bank failure , it cannot eliminate the risk in the economic environment or in a bank's normal operations , nor does it guarantee that bankers will make sound management decisions.**

"The literature on Microfinance identifies the legal and regulatory framework as one factor that influences the emergence of different kinds of institutional providers of microfinance and especially , their development into self sustaining, commercial microfinance capable of reaching growing number of poor clients especially in rural areas " . While regulation is desirable for the development of the Microfinance in any particular economy , however the nature and content of such regulatory framework is more important as to its ability to facilitate growth of microfinance. This is rightly noted that "diversity of microfinance finance institutions and microfinance products is facilitated by a flexible regulatory environment in which they can develop innovative methodologies for reaching different markets not banked by commercial banks "(Williams F.S et al 2003).

Financial institutions are generally subject to prudential and non prudential regulation (Austin H , 2010) as such regulation provides legal and operational framework to ensure stability and growth of the financial system. Microfinance regulation is intended to facilitate financial soundness of the microfinance institutions and secure public confidence in the microfinance subsector.

Regulation of microfinance involves licensing, supervision, monitoring and issuing prudential and non prudential guidelines. Microfinance regulation has cost implications both on the regulators and operators. Regulation increases costs, limits operations and reduce the feasible scope for microfinance institutions generally. Hence the need for regulations of microfinance to be friendly to achieve the greater objectives for the economy. Regulatory framework alone cannot stop failure of a financial institution as there are other endogenous and indigenous variables like board oversight functions, management competence, socio economic environment , Government policies , infrastructure all add to the survival and sustainability of the system.

Microfinance regulation is gradually evolving into a more flexible regulatory framework that accommodate the peculiarities of operating environment with the goal of creating enabling business environment for the sustenance of microfinance institutions for formal Microfinance institutions, semi formal Microfinance institutions and the informal Microfinance sector. This is what is known as progressive regulation.

FINANCIAL REGULATORY AGENCIES IN NIGERIA

In Nigeria the institutions charged with financial regulation include, Central Bank of Nigeria, (CBN), Nigeria Deposit Insurance Corporation (NDIC), Securities and Exchange Commission (SEC), Nigerian Stock Exchange, National Insurance Commission (NAICOM), National Pension Commission (PENCOM), Nigerian financial Intelligence Unit and Federal Ministry of Finance (FMF). Apart from the above stated bodies there are other statutory bodies like Corporate Affairs commission, Federal Inland Revenue Service or the their State counterparts, Financial Reporting Council that have reporting relationship with financial institutions. The Central Bank of Nigeria is the primary Regulatory Apex body of banking/ Financial industry- Monetary Regulation. The Capital Market is being regulated by the Securities & Exchange Commission. The Insurance sector is under the supervision of the National Insurance Commission while the National Pension Commission regulates Pension matters or business in the Country.

MICROFINANCE REGULATION IN OTHER NATIONS

Ghana with a population of over 18 million people ,which has been growing at about 3 % per year operates a tiered approach for microfinance regulation. The overall Policy framework for microfinance is informed by the poverty reduction strategy which seeks to balance growth and macroeconomic stability with human development and empowerment in such a way as to positively reduce the country's poverty level in the medium term. Ghana has evolved different licensing and regulatory structures for different segments of the financial system including rural and microfinance and administering them in a flexible manner with periodic revision of regulatory standards and introduction of new legislation with relatively high tolerance for traditional financial mechanism and NGOs that are behaving in a responsible manner. (Williams F.S et al 2003).

The microfinance sector in Kenya has faced a number of constraints due mainly to lack of specific legislation and set of regulation to guide the operations of the microfinance sector. Microfinance institutions in Kenya are registered under eight different Acts of Parliament before the proposed Amendment Bill on Microfinance to streamline the industry. The rationale for regulation and supervision of microfinance institutions under the proposed Amendment Bill is to enhance quality growth, broaden the funding base of the microfinance institutions that eligible to mobilize and administer deposits, credit facilities, other financial services and initiate the process of integrating these institutions into the formal financial system. The Government of Kenya is proposing a 3 tiered approach for the microfinance sector for deposit taking microfinance institutions, credit only microfinance institutions (under the purview of the Ministry of Finance) and informal sector microfinance institutions not to be supervised by an external agency of the Government. (George Omino 2005).

In South Africa, Microfinance institutions are only indirectly regulated and all subject to regulatory requirements of the Exemption Notice under the Usury Act, they are subject to the very strict interest rate ceilings of the Usury Act . One of these regulatory requirements is registration with an approved regulatory institution, the Microfinance Regulatory Council (MFRC) – (Stefan Staschen, 2003)

Tanzania has 17 commercial banks , 10 non bank financial institutions, 1 Regional Bank, 2 Rural unit banks which are under the regulation of the Bank of Tanzania by the provision of the Bank of Tanzania Act (1995). Bank of Tanzania exercises prudential oversight on the licensed banks providing microfinance services in the form of savings deposits and microfinance loans directly to individuals and households and indirectly through SACCOs. In regulating and supervising microfinance operations, Bank of Tanzania is mandated to apply the same fundamental principles that it applies to other parts of the financial system principally the protection of depositors and of the financial systems through the application of prudential financial standards. There are two categories of institutions providers of microfinance which are not subject to prudential regulation namely Savings and credit cooperatives societies SACCO and the financial NGOs. (Bikki R, Joselito G , 2003)

The National Bank of Ethiopia is the regulatory body for microfinance institutions in the country. There are different government policies, laws and directives in Ethiopia which affect directly or indirectly the development of microfinance industry such as Proclamation No 83/1994, Proclamation No 84/1994, Proclamation No 40/1996. Proclamation No 84/1994 focuses on licensing and supervision of incorporated institutions for microfinance business. In Ethiopia microfinance institutions are exempted from Income and Sale tax in order to protect the infant industry (Getaneh G, 2005)

Uganda has a population of nearly 24 million and 86% of its working population is self employed. Close to 1.5 million people or 90% of the non farming active population are employed in micro and small enterprises which is a significant market for microfinance . Microfinance in Uganda has been built on the foundation of entrepreneurship clients. Microfinance in Uganda has followed a typical pattern of market development .It progressed smoothly from an emerging market to a growth market and is now poised to reach the developed microfinance stage. Bank of Uganda is the regulatory agency for licensing, and supervision of microfinance in the country. The Regulatory body uses four tier microfinance sector that focuses on the development of microfinance deposit taking institutions (Ruth Goodwin –Groen, Till Britt, Alexia Latortue, CGAP , 2004)

REGULATION OF MICROFINANCE IN NIGERIA

Nigeria with a population of over 170 million people comprising of 36 Federating states and the Federal capital Territory and with official 774 Local Government Areas. The Financial system consists of 21 Commercial banks, 5 Development banks, 2 Merchant banks, 795 Microfinance banks , 2,920 Bureau De Change, 3 ,Discount Houses, 64 Finance companies, 40 Primary mortgage banks and 1 Non interest bank. As at 2009 there are over 5000 branches of Commercial banks alone in the country. The SMEs coordinating agency, Small and Medium Enterprises Development Agency (SMEDAN) reported in 2012 there are 17,261,753 micro enterprises (SMEs) in the country employing 34.4 million people Nationwide.

The Federal Government of Nigeria, through the Central Bank of Nigeria introduced the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria in December, 2005 and later revised it in 2011 "to enhance the access of micro entrepreneurs and low income households to financial services required to expand and modernize their operations in order to contribute to rapid economic growth " (Revised CBN Microfinance Regulatory Policy ,2011). It is therefore expected that the revised National Microfinance Policy framework would facilitate the delivery of **diversified microfinance services** on **a sustainable basis** for the **economically active poor and low income households** in the country. The Regulatory Authority recognises the contributory role of the small and medium enterprises towards the economic development, according to CBN , the microfinance policy provides the window of opportunity and promotes the development of appropriate (safe, less costly and easily accessible) savings products that would be attractive to rural clients and improve the savings level in the economy. The policy objectives as stated in the policy guidelines include among others; (i) Provision of timely, diversified affordable and dependable financial services to the economically active poor, (ii) Creation of employment opportunities and increasing the productivity and household income of the active poor in the country, thereby enhancing their standard of living, (iii) Promotion of synergy and mainstreaming of the informal microfinance subsector into the formal financial system, (iv) Enhancement of service delivery to micro, small and medium enterprises (MSMEs), (v) Mobilisation of savings for intermediation and rural transformation, (vi) Promotion of linkage programmes between microfinance institutions (MFIs), Deposit money Banks (DMBs), Development Finance Institutions (DFIs) and specialized funding institutions, (vii) Provision of dependable avenues for the administration of the microcredit programmes of government and high net worth individuals on non recourse basis and (viii) Promotion of a platform for microfinance services providers to network, exchange views and share experiences.

In order to achieve the aforementioned Policy objectives the Regulatory framework highlighted the following strategies towards realising its policy goals and mission . The followings are the summarised steps as enumerated in the Policy documents ,(i) Licensing and Supervision of Microfinance service Providers, (ii) Continuous Professional Development. (iii) Promotion of savings and banking culture among low income households, through Financial literacy and consumer protection programmes, (iv) Government Participation by encouraging the three tiers of Government to devote at least one (1%) of their annual budgets to microcredit initiatives, (v) Participation of NGO Microfinance Institutions , (vi) Collaboration with Development Partners, (vii) Clearly defined roles of Microfinance Stakeholders in the Microfinance policy, (viii) Submission of periodic returns by Microfinance Banks , (ix) Institutional Linkage among Deposit Money Banks, Development Finance Institutions, NGO- MFIs and MFBs as well as other micro enterprise finance institutions to increase the flow of funds to clients.

Under the Microfinance policy , the Central Bank of Nigeria is charged with the responsibility of regulating and supervising all deposit taking institutions that are involve in the provision of microfinance services. The Policy recognizes the existence of credit only , membership based microfinance institutions which are not required to come under the regulatory and supervisory purview of the CBN. They are however supervised by the appropriate Ministry/Agency but still required to forward periodic returns on their activities to the CBN primarily for statistical purposes.

The CBN is fully responsible for the implementation of the Microfinance Policy , Regulatory and supervisory framework for Nigeria. Both the Apex Bank and NDIC carry out monitoring and supervisory directly on the MFBs in the country.

Other regulatory institutions having Statutory or oversight responsibility on Microfinance banking institutions in Nigeria are Nigerian Deposit Insurance Corporation (NDIC), Federal Inland Revenue Service , Relevant State Revenue Authority, Corporate affairs commission (CAC), Securities & Exchange commission/ Nigerian Stock Exchange (for only Quoted MFBs) and Nigerian Financial Intelligence unit,

ROLES AND RESPONSIBILITIES OF REGULATORS IN THE POLICY DOCUMENT

The roles and responsibilities of respective stakeholders shall include but not limited to those performed by Government , Central Bank of Nigeria, apex association of microfinance banks and institutions, It is noteworthy that under the role for stakeholders , there was no specific mention of Nigerian Deposit Insurance Corporation as a stakeholder which is a serious oversight.

GOVERNMENT

Government shall be responsible for; Ensuring a stable macroeconomic environment, providing basic infrastructure (electricity, water, road, telecommunications etc) political and social stability. Creating an efficient land administration system to facilitate ease of transfer of land titles and other property rights to serve the collateral needs of borrowers and financial institutions. Promoting policy in support of consumer protection and financial literacy for microfinance clients. Setting aside an amount not less than 1% of annual budgets at Federal ,State and Local Governments levels for Microcredit initiatives.

CENTRAL BANK OF NIGERIA

Continue to oversees the operations of the National Microfinance Policy Consultative committee. Ensure the implementation of the microfinance policy framework to achieve the stated objectives, targets and strategies. Ensure the emergence of a sustainable microfinance subsector through appropriate institutional regulatory and supervisory framework. Establish the Microfinance Development Fund to provide wholesale funding for on-lending activities of microfinance institutions. Develop and support appropriate capacity building programmes for regulators, directors, operators and practitioners in the subsector, in collaboration with other stakeholders. Promote financial literacy and consumer protection in partnership with relevant public and private sector development institutions, as well as Civil Society Organisations (CSO) . Undertake periodic reviews of the Microfinance Policy and the Regulatory Guidelines to address emerging issues.

PUBLIC SECTOR POVERTY ALLEVIATION AGENCIES

The Microfinance policy framework recognises the roles of public sector MFIs and poverty alleviation agencies such as the National poverty eradication Programme (NAPEP), Small and Medium Enterprises Development Agency of Nigeria. National Directorate of Employment (NDE) etc in the development of the subsector. Their roles include; Provide non commercial (social security) resources targeted at difficult to reach clients and the vulnerable groups, Support capacity building for stakeholders. Nurture new MFIs to sustainable levels. Collaborate or partner with other relevant stakeholders to achieve the objectives of this policy.

DEVELOPMENT PARTNERS

Development Partners that provide capital and support for the development of the microfinance industry in Nigeria shall be required to operate within the relevant provisions of this policy.

OBSERVATIONS ON NIGERIAN MICROFINANCE REGULATION

(1) Multiple regulatory authorities might be counterproductive and hinder the development and growth of the industry.
(2) The CBN seems to be overloaded with much regulatory functions considering its oversight roles on the number of financial institutions being supervised by the Apex bank apart from their branches. The regulatory capacity of the Apex Bank is definitely overstretched and the consequential effects is on the economy under performance.
(3) Over regulation of the microfinance industry is already killing market innovativeness
(4) Failure of Regulators and Public Stakeholders (Government agencies) to fulfil their statutory obligations as stipulated in the Microfinance Policy guidelines.
(5) A critical assessment of the justification or rationale mentioned by the Apex Bank for the revision of Microfinance Regulatory framework in 2011 have not been addressed till date. The issues raised are still common today simply due to regulation deficiency.
(6) The multiplicity of reporting relationship for Microfinance institutions may not fast track the development of the industry, and in fact it poses a serious challenge for the subsector in terms of cost and resources usage.
(7) The constrictive guidelines for the microfinance hinders organic growth and expansion of the sector.
(8) Non availability of incentives like as it is practice in Ethiopia where Microfinance are exempted from revenue and sale taxes does not auger for the system. The microfinance sector needs protection for stability and growth at the same time.

A lot of institutional reforms and recommendations have been suggested by different scholars and researchers on how to reposition the Microfinance industry in Nigeria for optimal performance for economic growth and development through poverty reduction. The following suggestions should be considered along with other options;

(i) Progressive/flexible regulation. Regulatory constraints in forms of over regulation and rigidity or multiple reporting relationship might endanger this fragile industry that has the potentials of revolutionizing the economy.
(ii) There is the need for tiered regulation for the formal microfinance , semi formal microfinance and the informal microfinance sectors.
(iii) Urgent need to separate monetary regulation from Financial Regulation. It is not compulsory to commit both monetary and financial regulation in the same Institution. This might be possible or feasible in smaller economies with lesser population. The Apex bank is presently having too much functions and it is absolutely impossible to expect maximum efficiency from the executive management of CBN with this overload function.
(iv) Establishment of a Financial Regulatory Authority of Nigeria (FRAN) to regulate , license ,supervise and monitor financial Institutions in the country. The FRAN should be responsible for designing appropriate regulatory framework for Banking Institutions Commercial banks, Merchant banks, Microfinance banks, Mortgage Banks, Discounts Houses, Non banking Finance Institutions, Development Finance institutions, or specialised finance institutions , venture capital firms etc. A fragmented financial systems is obviously needed to drive the Nigerian economy.
(v) Limiting the Central Bank of Nigerian to monetary regulation and management would considerable improve the performance of the Central Bank of Nigeria . Let the Apex body focuses on its traditional functions of central banking, monetary and fiscal policies, management of economic and development functions, and financial advisers to the Government. The financial regulation function presently saddled with the CBN is causing distractions and the economy is worst for it.
(vi) Government should create an enabling environment for business to thrive through infrastructural development and provision of necessary social amenities thereby reducing cost of doing business generally.
(vii) Establish the Microfinance Development Fund (MDF) as stipulated in the Policy Regulatory Framework.
(viii) Public awareness campaign should be jointly carried out on regular basis by all the stakeholders.
(ix) Regulators should encourage mergers or acquisition of distressed MFBs instead of outright liquidation.
(x) Government through the regulators should invite and encourage International funding for the subsector. Microfinance industry is ripe for external funding and both the Apex Bank and the Government must take the lead to encourage the Development Partners to attract such needed financial resources.
(xi) A review of the yearly International microfinance conference programme by allowing its impact to reach rural people. If it must be held both the content and location should be reconsidered.
(xii) Refinancing window is needed for the subsector.
(xiii) The legal systems should be strengthened to protect all the stakeholders in the subsector
(xiv) There is the need to periodically measure the performance of the sector with regulatory objectives and targets so as identify challenges that should promptly be addressed.

CONCLUSION

Microfinance is a tool that can assist to bridge the finance gap for the low income economic active as well as the micro enterprises. Microfinance is also an instrument to realise the 8 points agenda of the Millennium Development Goals. The potentials of microfinance are numerous such as access to financial services, poverty reduction, positive effect on productivity, employment generation, improved standard of living, wellness of individuals and family units, rural economic transformation and other benefits. It is therefore needful for this sector to be effectively supervised through appropriate regulation but not over regulation, and provision of an enabling environment. The Government through its various agencies should render all support for the survival and sustainability of the Industry.

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