



# REGULATORY ARCHITECTURE FOR MICROFINANCE IN ASIA

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In Asia, microfinance is recognized as a vital instrument to encourage microenterprise development through providing critical financing to meet the liquidity and investment requirements of millions of microentrepreneurs and poor households. Microfinancing contributes to economic growth, employment generation, and poverty reduction. The total amount of money mobilized from deposits of microentrepreneurs and the poor and the number of institutions involved in microfinancing in the Asia-Pacific region are significant.

Understanding the current status of microfinance and the emerging legal and regulatory frameworks is critical for various stakeholders in rural development and poverty alleviation. Against this background, in November 2003 the APO commissioned 10 experts to conduct a survey to study the legal and regulatory framework for microfinancing in nine selected member countries: Bangladesh; Japan; Lao PDR; Malaysia; Nepal; Pakistan; the Philippines; Sri Lanka; and Vietnam. The survey was conducted during 2004 and 2005. This volume reports the results of the survey with an analytical review of the findings by chief expert Gilberto M. Llanto, Vice-President, Philippine Institute for Development Studies.

The regulatory architecture for microfinance is expected to enhance the ability of microfinance institutions to become sustainable and to protect the huge volume of deposits from millions of people mobilized by these institutions. However, there are diverse views on the effectiveness and negative consequences of such regularization of the operations of microfinance institutions.

This volume contains an integrated report and the nine papers discussing the emerging and established regulatory structures for microfinance in the surveyed countries and presents the comprehensive analytical overview. The major findings of the survey can be summarized in two simple but powerful messages: determine an appropriate regulatory framework and build up the ability to apply that framework uniformly to all microfinance operations.

Policymakers involved in developing appropriate frameworks for microfinance and those attempting to facilitate socioeconomic development by addressing related issues should find this volume useful. The publication is available in both hard copy and e-edition on the APO's Web site ([www.apo-tokyo.org](http://www.apo-tokyo.org)).

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