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Regulatory Arbitrage in the Retail Lending Market

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ABSTRACT

The **aim** of the article is to analyze the features of regulatory arbitrage between credit and microfinance organizations in the retail lending market in Russia and to develop proposals to improve existing regulations on the activities of professional lenders. The work employed the **methods** of analysis, synthesis, generalization, as well as comparative legal research. The author **found** that regulatory arbitration might aim to get benefit from imperfect legislation. Signs of regulatory arbitration may indicate the inefficiency and redundancy of current legislation concerning the regulation of consumer lending. The author developed the following **recommendations**: to reduce redundant regulation regarding the limits of the full loan value for point-of-sale loans and installment loans; to switch to licensing system of financial organizations, considering the scale of their activities and the produced risks.

Keywords: regulatory arbitrage; microfinance organizations; credit organizations; retail lending; POS loans; banking regulation; microfinance regulation; full loan value

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INTRODUCTION

Subject to certain regulatory limits, financial institutions may use methods of circumventing regulatory requirements consistent with current legislation to obtain certain advantages and benefits from different regulations in various market segments. The Russian retail lending market faces this problem, particularly, in the segment of POS loans. In general, it comes to affiliated microfinance organizations created by credit organizations (hereinafter — MFOs), which poses risk of using differences in regulation in these markets.

Regulatory arbitrage may testify to an organization's desire to increase its profits unfairly. However, such behavior can be forced due to imperfect regulation and deficiencies in legislation. The situation in the retail lending market is largely in favor of the second option. Before we proceed to analyzing the problems of regulatory arbitrage, it is necessary to discuss the differences in regulatory requirements that give rise to these contradictions. Yet, continual and often unsystematic complication of legislation, reporting and regulatory requirements, as well as increasing complexity of regulation, may lead to regulatory arbitrage.

The problem is not unique to Russia: the USA faces an increase in the regulatory burden on banks almost exponentially [1, p. 93]. Yet, the new requirements may not consider all the circumstances of the retail market functioning, and in some cases lead to a violation of existing mechanisms and good practices.

In general, the relevance of this issue is that, although consumer lending has less direct economic effect on GDP growth than the corporate one [2, p. 30], in modern conditions it is an important factor contributing to an increase in the slowdown in economic growth in Russia. Microfinance is viewed as an important element to fight against poverty [3, p. 191].

According to the Bank of Russia, in 2019 H1, unsecured consumer lending contributed to maintaining positive GDP dynamics[1]. At the same time, according to the Bank of Russia, increased risks for the banking system are associated with this form of lending[2].

Existing studies of regulatory arbitrage are mainly about the formation of bank capital due to deficiencies in the regulation of certain types of assets and liabilities [4, 29], as well as to unequal banking regulation in different countries. This allows for territorial regulatory arbitrage due to the choice of the transaction place by the financial institution, depending on the most favorable regulation [5, 26]. The issue of regulatory arbitrage between various forms of financial organizations is better addressed directly by regulators, perhaps due to the less specific nature and innovation of its modern forms.

In her speech at the European Money and Finance Forum in Helsinki in 2017, former Chair of the Supervisory Board of the ECB Danièle Nouy indicated that, besides territorial regulatory arbitrage and exploiting loopholes within one market legislation, banks may use the so-called cross-jurisdiction arbitrage. They can do it through the differences in the regulated and unregulated or poorly regulated sector of non-credit financial institutions[3]. In October 2019, at the Banking public-private sector regional policy dialogue in Washington, Fernando Restoy, the Chairman of the Institute for Financial Stability, Bank for International Settlements, pointed to blurring the distinctions between regulated and unregulated banking. They are different in form, but similar to the activities of fintech companies and startups that allow for exploit-

[1] Bank of Russia's policies in consumer lending push banks to build up capital to ensure resilience. Moscow, 2019. The official website of the Bank of Russia. URL: https://www.cbr.ru/Content/Document/File/72621/20190628_dfs.pdf (accessed on 17.10.2019).

[2] Financial stability review. No. 1 (14) • Q4 2018 – Q1 2019. Official website of the Bank of Russia. URL: http://www.cbr.ru/publ/? PrtId=stability (accessed on 17.10.2019).

[3] The official website of the European Central Bank. URL: https://www.bankingsupervision.europa.eu/press/speeches/date/2017/html/ssm.sp170915.en.html (accessed on 17.10.2019).

ing regulatory arbitrage by changing the form of a financial organization[4].

Discussions regarding regulatory arbitrage between individual financial market participants are also underway in Russia. In 2017, at the meeting of the Association of Russian Banks, Bank of Russia Governor Elvira Nabiullina stated that this issue had been discussed for a long time. To solve the problem, it is necessary to understand the exact difference between the products suggested by banks and by MFOs[5].

POS LOANS: FEATURES AND MECHANISM

A POS loan is a type of consumer lending[6]. Such loans can be provided both with overpayments for goods (classic loans) and without overpayments (installments).

Today, microfinance organizations can use soft limits on marginal interest rates. For better understanding, we consider the installment lending mechanism.

With the installment plan, the merchant actually subsidizes purchasing its own goods on credit: the customer is provided with a discount of interest paid to the lender. POS-lending under the installment plan consists in the fact that the customer purchases the goods without overpayments at the price offered by the merchant. The professional lender, who had signed the POS loan agreement with the customer, gives the merchant the money amounting to the price of the purchased goods minus the discount provided by the merchant, which amounts to the margin of the professional lender. The discount is not given to the customer when purchasing goods without non-leveraged money. With this discount, the customer does not overpay the original (before the discount) order value, since the total of all regular payments under the loan agreement is equal to the order value. It is also essential that usually the merchant pays the lender for the issuance of installments, and therefore, compensates a small part of the customer's "interest" payments (due to the lack of major overpayment for such products). With POS-lending, the merchant actually shares some income with the lender for financing the purchase of the product/service by the customer and transferring credit risk to them, which is similar to factoring (see *Appendix*).

The relevance and demand for installment products are associated with the following factors:

- an increase in the non-food retail turnover amid a decrease in real household disposable income[7], which leads to an increase in the credit turnover of trading enterprises;
- increased competition for the customer related to entering and scaling in the market of strong players with a clear advantage in the product economy due to the non-market value of funding (PAO Pochta Bank, PAO Sberbank);
- improving financial literacy of the population, and as a result, increasing the requirements of potential borrowers to the characteristics and quality of products offered by lenders.

Thus, this segment of consumer lending represents the relationship between the lender, seller and buyer, who are also the borrower. When regulating this industry, the Bank of Russia considers only the relationship between the lender and the borrower. The seller's role is almost missed, despite the fact that the trade relations, for which loan is just a means, result in the loan agreement. This restraint is the basic reason for defacing the regulatory

[4] Official site Bank for International Settlements. URL: https://www.bis.org/speeches/sp191017a.htm (accessed on 17.10.2019).

[5] Newspaper "Vedomosti". URL: https://www.vedomosti.ru/finance/articles/2017/05/29/691831-tsb-stoimost-kredita (accessed on 17.10.2019).

[6] Point-of-Sale are targeted consumer loans provided by transferring borrowed funds to the merchant to pay for goods (services) if there is a corresponding agreement with the merchant (including POS-loans).

[7] According to the Federal State Statistics Service. URL: http://www.gks.ru (accessed on 17.10.2019).

objectives and, ultimately, for the possibilities of regulatory arbitrage.

CURRENT REGULATION OF CONSUMER LENDING IN RUSSIA AND THE BASIC ASSUMPTIONS OF REGULATORY ARBITRAGE

Marginal cost of loan is a key feature of consumer lending in Russia. Part 11 of Art. 6 of the Federal Law dated December 21, 2013 No. 353-FZ (hereinafter — Law No. 353-FZ) limits the maximum total cost of a consumer loan (hereinafter referred to as "CL") determined on the date of the consumer loan agreement. The maximum total cost of a consumer loan of a certain category equals to the lowest of the following values: 365% annual interest or calculated in the previous calendar quarter, the average market value of the total cost of a consumer loan of the corresponding category increased by one third. The purpose of introducing this norm is to limit the ability of a professional lender to lend money at an unreasonably high, non-market interest rate. Additional regulatory requirements that do not consider the economic substance of the relations between the merchant, lender and buyer-borrower amid the installment plan, may lead to a change in these relations to avoid excessive regulation. However, the result will also be leaving the legal framework that protects the borrower [6, p. 145]. In particular, the installment mechanism can be implemented directly by the merchant through a hire purchase agreement. A bank or an MFO will do scoring, then purchase from the merchant concluded agreements with a discount considering the discount rate for interest, similar to factoring. However, such agreements will not be considered consumer loan agreements. Therefore, the rules on the protection of the borrower provided for by Law No. 353-FZ, particularly, on the marginal cost of loan, will not apply to such agreements.

The example above makes it clear that solely restrictive measures imposed without a full analysis of the economic relations will only lead to new forms of circumvention. Given the accelerated development of the financial sector technologies, the boundaries between individual financial products will blur. It will be more and more difficult to raise new regulatory barriers. Therefore, regulation should develop considering the essence of economic processes and repose on the dialogue with supervised organizations, since the complex mechanisms of market functioning often go out of sight of the regulatory body.

Another important feature of consumer lending is that CL marginal rates for banks and MFOs differ [7, p. 31]. This seems justified, since customers and MFO products traditionally have a higher risk, which determines the different cost of borrowed funds provided by such companies [8, p. 214].

As illustrated above, the cost of loan in the POS-lending depends on the merchant's discount. Thus, in installments, the margin of a professional lender (interest under the POS loan agreement) is determined not by an agreement with the borrower, the consumer of financial services, but with the merchant. This is because the margin of a professional lender depends on the discount that the merchant agrees to provide for the delivered goods (services). At the same time, the merchant may provide a larger discount than the maximum CL allows for credit organizations for the loan term. Moreover, the difference in regulatory norms between banks and microfinance organizations leads to the fact that MFOs are able to receive the entire amount of the discount with a similar loan. This contributes to an increase in the risks of regulatory arbitrage, i.e. a circumvention of legislative norms due to the various regulatory climate in various areas [9, p. 334; 10, p. 58].

The fact that some POS-lending credit organizations, such as PAO Sberbank, AO OTP Bank, AO Tinkoff Bank, have created corresponding MFOs is an indirect indicator of such tactics. Given the US experience and the so-called shadow banks [11, p. 472; 12, p. 85; 13, p. 51], two factors influence the emergence of new financial organizations exploiting the difference in regulation: new technological opportunities, to which such organizations adapt their business models faster than big players, and the difference in the regulation of certain categories of such financial organizations.

Another problem of CL marginal values in POS-lending is that, according to Law No. 353-FZ, the CL average market values are calculated for the entire category of POS loans, regardless of whether there is an overpayment for the goods or not. Installment and classic loans have disparate economic models of interest rate formation (for classic loans — risk/income; for POS loans — the maximum discount added to the model that the partner merchant may provide for the goods/service). Therefore, a common calculation of weighted average values for the POS category is unreasonable. Since interest rates on installments are limited by the amount of the discount, they may lead to a bias in the weighted average values, especially given that organizations affiliated with banks operate in this segment and can have a significant impact on MFO rates due to the volume of issued installments. Since CL limits are imposed for the entire category of loans based on the weighted average values, low interest rates on installment products may lead to a general decrease in interest rates in this segment. Thus, rates in the category of POS microloans have sharply decreased since the beginning of 2018, while rates in other categories of microloans have not decreased so much or, conversely, have increased (*Table*).

INTERNATIONAL PRACTICES OF CONSUMER LENDING REGULATION: GETTING THE BALANCE BETWEEN MARKET GROWTH AND PROTECTION OF CONSUMERS OF FINANCIAL SERVICES

Let us view this problem in the context of international practices. Approaches to such limits vary among countries, and sometimes within countries. For example, some of the US states have the so-called "usurious laws" that determine interest rate cap for various types of borrowers (individuals and legal entities) and various types of relations (loans issued with or without a written agreement, penalties, etc.)[8].

In 2014, the Reserve Bank of India has removed the 26% (per annum) interest rate cap on loans for microfinance companies. Instead, microfinance companies got the opportunity to set the rate at the their cost of funds plus a maximum 12% margin, or the average base rate of the five largest commercial banks by assets multiplied by 2.75 times, whichever is lower[9].

The maximum allowed legal rate in China is 36 percent annualized[10].

In some European countries, such as Denmark, Sweden, Austria, Croatia, Latvia, Luxembourg, Romania and Ireland, there are no marginal interest rate restrictions [14].

In France, any contractual loan granted at an annual percentage rate, which, at the time of its granting, is more than one third higher than the average percentage rate applied by the credit organizations during the previous quarter for loans of the same type presenting a similar risk factor, is considered usurious and prohibited by law. This wording gives more freedom due to putting loans into risk categories, which is comparable with the Russian practice[11].

In Germany, there are no interest rate restrictions on loan and borrowing rates; however, in legal practice, rates that are more than double the average market rates are ille-

[8] Legal portal Findlaw. URL: https://statelaws.findlaw.com/consumer-laws/details-on-state-interest-rate-laws.html (accessed on 17.10.2019).

[9] The Economic Times. URL: https://economictimes.indiatimes.com/news/economy/finance/rbi-removes-26-interest-rate-cap-on-mfi-loans/articleshow/30004542.cms (accessed on 17.10.2019).

[10] Reuters News Agency. URL: https://www.reuters.com/article/us-china-regulations-loans/china-cracks-down-on-online-micro-lending-firms-with-new-rules-idUSKBN 1DV4OU (accessed on 17.10.2019).

[11] French Consumer code. P. 133. URL: https://www.legifrance.gouv.fr/Traductions/en-English/Legifrance-translations (accessed on 17.10.2019).

Table

Dynamics of CL individual values, 2018 — Q2 2019

POS microloans	Change in CL weighted average values, %
POS microloans up to 30 thousand rubles inclusive	−22
POS microloans over 30 thousand rubles up to 100 thousand rubles inclusive	−18
POS microloans over 100 thousand rubles	−14
POS microloans over 365 days	−20
Microloans from 31 to 60 days inclusive, up to 30 thousand rubles inclusive	−1
Microloans from 61 to 180 days inclusive, up to 30 thousand rubles inclusive	7
Microloans from 181 days to 365 days inclusive, up to 30 thousand rubles inclusive	−4
Over 365 days, over 100 thousand rubles	10

Source: according to the Bank of Russia. URL: https://www.cbr.ru/analytics/consumer_lending/inf/ (accessed on 17.10.2019).

gal. This is a restriction based on the average level of rates in the market [14].

In the Netherlands, the interest rate cap is 14% a year, regardless of the loan term [14].

Italy, Portugal, Slovakia, Slovenia, and Estonia also have different rate restrictions depending on average market levels [15].

England has a system with rates limited only to high-risk payday loans with initial cost cap of 0.8% per day and a total cost cap of 100%[12].

In general, according to study [16], developed economies tend to use interest rate caps to prevent usury, while in developing economies interest rate caps are used to regulate cost of credit. Moreover, restrictions can be applied both to certain types of loans, such as credit cards and payday loans, and to all types of loans.

APPROACHES TO REGULATORY ARBITRAGE IN THE RETAIL LENDING MARKET

Approaches to the problem of regulatory arbitrage can be divided into those that seek to establish uniform restrictions for all participants in the credit market, and those who regulate certain forms of loans (usually high-risk), or individual lenders. The first solution, which essentially comes to combining CL interest rate caps for banks and MFOs, has several disadvantages: it may lead to the fact that MFO high-risk products, such as payday loans, which do not overlap with banking products, become unprofitable. While such changes will solve the problem of regulatory arbitrage, this will create significant difficulties for MFOs and in fact will be equal to a ban on microfinance activities. The negative consequences are obvious: MFOs will withdraw into the shadows, the number of illegal and unregulated lenders will grow, as well as denials of commodity loans in the POS-lending segment. The decrease in delinquencies and household debt load, the positive result of this solution, does not guarantee the same increase in delinquencies of former MFO customers in banks [17, p. 101]. Here is a paradox: the merchant is ready to finance the purchase of its products/services on credit, but the lender is not able to issue the loan because the CL marginal values do not allow for a rate sufficient to compensate for the corresponding transaction risk. Thus, the negative consequences, as well as the difficult decision (it will be necessary to amend all legal acts related to consumer lending) significantly exceed the positive effect.

In this regard, other countries apply particular interest rate caps depending on their form. For example, South Africa has 7 separate ceilings for mortgages, credit lines, unsecured credit operations, development loans, short-term operations, other credit and other loan agreements [18, p. 108–110]. A more productive approach to regulatory arbitrage, in the light of these practices, seems to have a more detailed division of the credit market segments, based on their semantic component.

Specified in Part 11 of Article 6 of Law No. 353-FZ, limits the maximum total cost of a consumer loan do not apply to consumer loans, which do not belong to any of the categories defined by the Bank of Russia in accordance with Part 9 of Article 6 of Law No. 353-FZ[13]. Therefore, this restriction does not apply to consumer purpose loans secured by a pledge, provided to a borrower who is not a payroll customer of a credit institution. POS-lending under the installment plan stimulate sales, which, in turn, leads to a positive multiplier effect for the economy as a whole. At the same time, they do not imply any overpayment by the borrower. A solution to regu-

[12] Financial Conduct Authority. URL: https://www.fca.org.uk/news/press-releases/fca-confirms-price-cap-rules-payday-lenders (accessed on 17.10.2019).

[13] Categories of consumer loans by Bank of Russia Ordinance No. 4927-U of 08.10.2018 “On the List, Forms and Procedure for Compiling and Presenting Reporting Forms of Credit Organizations to the Central Bank of the Russian Federation” (code of the reporting form of credit organizations under OKUD 0409126).

latory arbitrage may be eliminating the obligation of professional lenders to calculate the average market and weighted average values of the total cost of a consumer loan for such POS loans. As a result, they will not be subject to the restrictions specified in Part 11 of Article 6 of Law No. 353-FZ.

This solution also removes the contradiction of the calculation methodology for the CL marginal values for POS-lending: with abolition of restrictions for installment loans, the calculation will exploit only classic loans where the restrictions fulfill the envisioned consumer protection role. This approach will also contribute to the positive dynamics of economic growth through an increase in sales and consumer lending due to the product that has a lesser effect on delinquencies than classic loan products since there is no overpayment by the consumer.

Another problem of regulatory arbitrage in the installment segment is the requirement to credit institutions to calculate debt burden ratio (hereinafter — DBR) when issuing loans that came into force on October 1, 2019[14]. According to these documents, DBR is calculated as the ratio of income and payments of the customer on outstanding loans. Increased DBRs imply premiums to risk ratios when calculating bank capital adequacy ratios and downgrade MFO's internal funds. This initiative is relevant, since according to the Bank of Russia[15], the share of loans issued with DBR 80+ amounted to 9.7% in Q1 2019. Depending on the DBR, capital restrictions should reduce the growth rate of unsecured lending, as well as prevent a further increase in delinquencies and deterioration of the socio-economic situation of lenders with high DBR [19, p. 65].

Nevertheless, this approach does not consider that in case of installments, the merchant compensates part of the loan to the buyer in the form of a discount, thereby distorting the economic meaning of DBR. Depending on CL, premiums on risk ratios impose more stringent requirements for banks than for MFOs. Additional pressure on the capital of banks and MFOs operating in the installment segment will lead to a reduction in this form of lending and, as a result, to a deterioration in the availability of such financial services for the population [20, p. 959].

Another way to address the risks of regulatory arbitrage is to divide lenders and their affiliates into large and small. The US Consumer Financial Protection Bureau sets a criterion for classifying financial institutions as small lenders. Such organizations are not subject to a number of restrictions that large lenders must comply with, in particular, restrictions on high-risk lending. Since the definition of a small lender exploits information about affiliated parties, one big bank cannot create many individual small lenders. Thus, the issue of regulatory arbitrage can be resolved without detriment to the financial availability and multiplication of illegal lenders. Independent regulation will correspond to the risk-based approach imposing more significant regulatory requirements on organizations, whose asset size generates greater risk, since banks that developed from microfinance organizations have a lower level of interest and currency risks, due to portfolio diversification, and lower liquidity risk [21, p. 130].

Implementing these changes will aim to determine the asset size threshold. A financial institution beyond this threshold will be considered a large lender. There is an opinion

[14] Bank of Russia Ordinance of 02.04.2019 No. 5115-U "On Economic Standards for a Microfinance Company Attracting Money from Individuals, Including Individual Entrepreneurs and (or) Legal Entities in the Form of Loans, and a Microfinance Company Issuing and Placing bonds" for MFOs. Bank of Russia Ordinance No. 4892-U of 31.08.2018 "On Types and Characteristics of Assets for Which Risk-based Capital Buffers are Set and on the Methodology for Applying These Buffers to the Said Types of Assets for Credit Institutions to Calculate Their Capital Adequacy Ratios" for credit institutions.

[15] Accelerated growth of consumer loans in the structure of bank lending: causes, risks and measures of the Bank of Russia. The official website of the Bank of Russia. URL: https://www.cbr.ru/Content/Document/File/72621/20190628_dfs.pdf (accessed on 17.10.2019).

that the aggressive growth of microfinance companies leads to loss-making activities [22, p. 211]. However, if the threshold is set at a relatively low level, this will facilitate competition between numerous small companies. The ability of such companies to improve work efficiency will be limited by their size. A relatively high threshold may lead to creation of full-fledged banks in the form of small lenders, which will use more lenient regulation. Yet, they will not lose the advantages of a large financial organization.

In modern Russian practice, credit and microfinance organizations differ by the size of their funds. There are independent subcategories in the form of various types of banking licenses. Microfinance organizations also have their own subcategories. Russian legislation divides MFOs into two types: microfinance companies (hereinafter — MFCs) and microcredit companies (hereinafter — MCCs). The key difference is that MFCs have the right to raise funds from individuals who are not founders, but they are also subject to more stringent regulatory requirements, in particular a higher minimum level of equity and capital adequacy. Moreover, all MFOs are governed by self-regulatory organizations, representing a separate regulatory circuit [23, p. 119].

The introduction of appropriate restrictions seems appropriate, however, with the following reservations.

First, we advise to apply these standards only to organizations that finance their activities by the funds raised from individuals.

Second, these measures are primarily aimed at organizations engaged in unsecured consumer lending, characterized by increased risk.

Third, a financial organization's transition to another category should be voluntary, i.e. the organization should be able to remain in the current category through voluntary restrictions on portfolio growth.

Fourth, the threshold should be set based on the market size, but it should be dynamic, i.e. regularly reviewed, around the needs of each category for financial services.

CONCLUSIONS

Considering the international practices, the solution to the issue of regulatory arbitrage in the retail lending seems multifaceted. This problem is on planes of both the banking regulator (Bank of Russia) and beyond its competence (retail). When changing the regulation, we advise to consider the experience of China; in particular, the interagency company for regulating Internet finance [24, p. 8]. The company achieved success due to the coordinated interaction of various supervisory and regulatory bodies. On the one hand, all forms of credit relations where arbitrage may arise should be studied thoroughly to learn how much the existing restrictions consider the economic meaning of regulated relations.

CL restrictions on loans under installment plan miss a whole layer of contractual relations between the seller and the lender, while the most effective regulatory system considers market relations at their most [25, p. 35]. It is advisable to remove the restriction that fails to do its part due to insufficient elaboration. Contrary to protecting consumers, it restricts the possibility to get credit products. Accordingly, regulatory arbitrage may indicate excessive and ill-conceived regulation.

If, after the detailed study, the risks of arbitrage exceed the possible consequences of regulatory tightening, we recommend to amend the legislation considering that financial institutions fill in existing niches based on the need for these products and services; therefore financial availability should not be harmed by such restrictions. In the retail lending market, the lender decides on the loan issuance considering not only the risk profile of the borrower, but also the risk and economic feasibility of the transaction, as well as the costs associated with servicing the loan. Consequently, loans for small amounts and short terms may be impractical, since the cash flow from the return of the main debt and interest does not compensate the expenses of credit organizations for their servicing.

A certain combination of a person's need for a short-term loan with a large down payment or a small amount, issuing a loan to the same borrower with an appropriate risk may be economically inexpedient for a credit organization within the established CL restrictions. As a result, the list of CO loan products is reduced, since the profitability required for such borrowers/goods/sales channels does not meet the CO's requirements for economic feasibility.

MFOs lending to customers with such parameters is an alternative source of lending. Restrictions on the activities of such organizations should note that loans under certain conditions will not comply with the requirements of corporate bonds, and some customers will be unable to buy goods on credit/by installments, which will negatively affect financial availability.

Thus, distinguishing between financial institutions engaged in consumer lending (accordingly, regulatory requirements, including CL marginal values and restrictions when accounting for DBR), depending on the asset size, considers ensuring financial availability and reduces the risks of regulatory arbitrage. However, implementing such changes requires significant amendments to the current legislation on licensing financial organizations and their admission to financial markets. This will require consultation of supervisory authorities with both credit and microfinance organizations.

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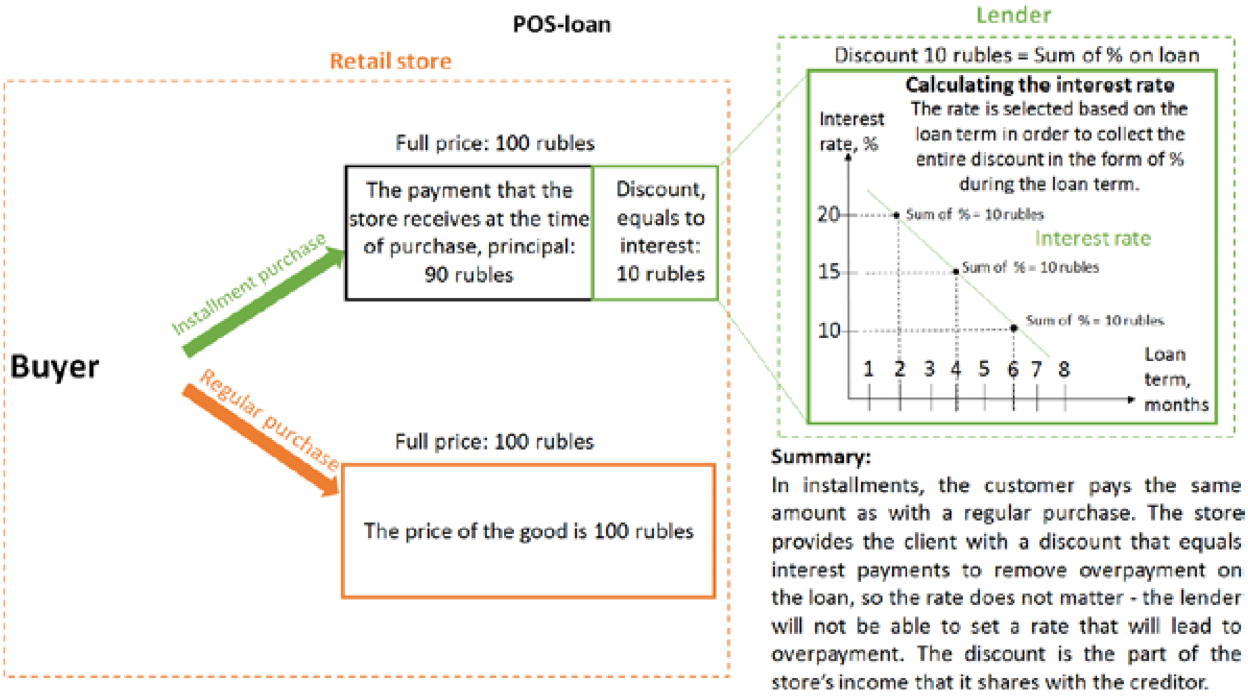
Appendix

POS lending mechanism



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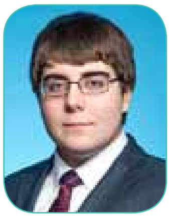

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