



Role of Regulations on the Performance and Sustainability of Microfinance institutions: Special Focus on Savings and Credit Cooperative societies

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ABSTRACT

This critical review paper explored the role of regulations in the performance and sustainability of microfinance institutions, with particular focus on savings and credit cooperative societies (SACCOS). The poor performance and lack of sustainability of SACCOS motivated this assessment. This paper employed 94 articles retrieved from Google Scholar and Scopus. The analysis included the articles published from 1980 to 2025. The article employed a critical review, using inclusion and exclusion criteria to select relevant articles. The findings showed negative and positive impacts of the regulations on MFIs and SACCOS. The findings demonstrated that rules have not overcome the challenges that jeopardize the performance and sustainability of SACCOS, including a lack of integrity among leaders and staff, low staff and board member skill levels, poor management, and embezzlement of funds. The paper is unique in focusing on the SACCOS, which operates on financial and cooperative principles, a nature that poses challenges for the practical application of regulations aimed at enhancing the performance and sustainability of SACCOS.

Keywords: Microfinance institutions, SACCOS, Regulations, Performance, Sustainability.

JEL Codes: G21, G28, G23

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1. INTRODUCTION

MFIs serve low-income people who previously lacked access to banking and formal financial services (Hasan *et al.*, 2025). Microfinance institutions play an important role in promoting entrepreneurship, thereby creating employment and contributing significantly to poverty reduction. MFIs, moreover, play a significant role in improving livelihoods. Furthermore, MFIs improve clients' livelihoods, assets, productivity, income, housing, health, education, capital, and access to meals (Hasan *et al.*, 2025). Akume and Annicet (2017) argued that microfinance is primarily concentrated on poverty reduction. However, it should balance the social responsibility and financial sustainability overlapping objectives. MFIs are restrained by inadequate capital (Sinha & Ghosh, 2022).

SACCOS are often conceptualized as credit unions in developed countries, and they are most prevalent in developing and Global South countries (Mathuva, 2018). SACCOS are governed by the central bank or a body empowered by the central bank to oversee SACCOS (Akonkwa *et al.*, 2022). In Tanzania, the Central Bank has mandated the Tanzania Development Cooperatives Commission (TCDC) to supervise the SACCOS (TCDC, 2025). SACCOS and credit unions globally face various challenges, including members' noncompliance with regulations (Sangwan *et al.*, 2023). Kozłowski (2016) and French and Mangan (2017) reported that poor loan repayment deteriorated the portfolio quality of credit unions in Poland and the UK. Canadian credit unions faced uncertainty and restructuring challenges. In contrast, in developing countries such as Kenya and Tanzania, credit unions face governance and management weaknesses, as well as embezzlement of funds (Almehdawe *et al.*, 2021). Al-Azzam (2016) reported the challenges posed by corruption to MFIs in developing countries.

Haule and Magali (2023) asserted that, in 2020, TCDC deregistered 40 percent of Tanzanian SACCOS due to poor performance and high non-performing loan accumulation. Haule and Magali (2023) confirmed that the malpractices have restrained the sustainability and performance of SACCOS in Tanzania. However, the study did not ascertain how the regulations influenced the performance and sustainability of MFIs. The regulations protect SACCOS operations, such as loan appraisal and disbursement processes, and the ethical practices of leaders and SACCOS employees; hence, they promote SACCOS transparency and accountability (Mukama, 2020). The cooperative nature of SACCOS makes them susceptible to internal conflicts, poor management due to limited skills, and fraud involving members' funds (Almehdawe *et al.*, 2021). All of these scenarios hinder the performance and sustainability of SACCOS. Therefore, a systematic assessment of the regulatory mechanism is essential to recommend how regulations could foster the performance and sustainability of SACCOS.

2. LITERATURE REVIEW

2.1 Microfinance institutions (MFIs)

Microfinance institutions (MFIs) serve poor and marginalized populations and small, micro, and medium-sized enterprises (Hasan *et al.*, 2025). MFIs enable accessibility of remittances, savings, deposits, microinsurance, and microcredit services (Begum *et al.*, 2023). By providing capital, MFIs play an important role in boosting the national economy (Sinha & Ghosh, 2022).

2.2 Savings and Credit Cooperative Societies (SACCOS)

SACCOS are client-based MFIs that provide microcredit services to their members after mobilizing savings. SACCOS operate by adhering to cooperative principles of open and voluntary membership, democratic decision-making, members' economic gain, autonomy, members' eligibility for training opportunities, members' cohesion and cooperation, and community focus (Kyazze *et al.*, 2020). SACCOS primarily focus on improving the well-being of their members rather than maximizing profits, unlike commercial banks (Boehm, 2022). SACCOS in developing countries promote financial inclusion for low-income individuals, rural dwellers, and informal-sector workers. The cooperative principle of democratic decision-making promotes trust, transparency, and resilience among SACCOS members (Marwa & Aziakpono, 2015). The cooperative nature of SACCOSs fosters social cohesion among members and helps them address social and economic challenges (Said *et al.*, 2019).

2.3 MFI/SACCOS Performance

MFI performance refers to the extent to which the MFI achieves its social and financial objectives, including profitability, outreach, and sustainability. The most widely used operational and financial performance indicators for MFIs are profitability and sustainability, liability management, efficiency, productivity, and asset and portfolio quality (Mustafa & Saat, 2013).

2.4 MFI/SACCOS Sustainability

Sustainability denotes the capacity of MFIs to cover operational costs and remain financially viable without donor support (Blanco-Oliver & Irimia-Diéguez, 2021). Anakpo *et al.* (2024) demonstrated that the ratios of operational self-sufficiency, the protection, effective financial structure, asset quality, rates of return and costs, liquidity and signs of growth (PEARLS) indexes, financial sustainability, return on assets, governance structure, and membership rate are commonly used to measure the performance of MFIs. Furthermore, credit risk, asset returns, efficiency, deposit mobilization, loan management, portfolio at risk, and the regulatory environment determine the sustainability of credit unions.

2.5 MFI/SACCOS outreach

MFI outreach refers to the extent to which MFIs serve poor and marginalized populations. Therefore, the outreach of MFIs is measured by the number of clients served, the extent to which they serve marginalized and poorest groups, and the range of financial services they offer (Mersland & Strøm, 2014). The outreach of MFIs can be measured by their breadth or depth (Mumi *et al.*, 2020). Breadth of outreach indicators is: amount of savings, number of clients with savings, number of credit clients, loan portfolio, and average loan. Depth of outreach sustainability indicators: rural borrowers. Female borrowers, average loan, average loan/Gross domestic product (GDP) per person (Mersland & Strøm, 2014). Pati (2015) asserted that the sustainability and outreach of Indian MFIs were determined by asset quality, capital structure, and operating expenditure.

2.6 The regulations in MFIs and SACCOS

Regulations are the established guidelines, rules, and laws that govern the financial practices and management operations of MFIs (Muithya *et al.*, 2021). Regulations include capital requirements, licensing provisions, ceilings of interest rate, and reporting standards, consumer protection procedures, and sustainability strategies. Appropriate regulations protect against destructive lending, ensure MFIs' stability, and promote community confidence in MFIs

(Mathuva & Chong, 2018). Anakpo *et al.* (2024) stated that the regulatory environment encompasses the roles of stakeholders, such as staff, management, and members, who are key to fostering credit unions' performance and sustainability. Regulations reduce the risk of excessive indebtedness among lower-income and marginalized populations. Moreover, the regulations discourage the exploitation of MFI clients, most of whom are poor (Quartey & Kotey, 2019). Jackson and Islam (2005) argued that, if well designed, regulations reduce risk, attract investors, and promote MFI sustainability.

The major regulations are classified as prudential or non-prudential. The prudential regulations govern capital adequacy, loan-loss provisions, liquidity ratios, and limits on lending and investments (Gallardo *et al.*, 2005). The prudential regulations clearly set out the rules governing board member election procedures, board member roles, auditing requirements, internal controls, transparency, and accountability procedures (Khafagy, 2018).

The non-prudential regulations set out the legal procedures for establishing a SACCOS and for maintaining its operational status. Non-prudential regulations also explain how the SACCOS should be managed to prevent mismanagement and accountability (Mukama, 2020). The non-prudential regulations further guide members' education, fair-lending procedures, grievance-handling mechanisms, and data-privacy procedures (Muithya *et al.*, 2021).

3. METHODOLOGY

3.1 Research Design

This study employed a critical literature review design to examine how regulations affected the performance and sustainability of microfinance institutions. A critical review was conducted to synthesize the studies, with consideration of methodological robustness. This methodological approach consolidated the empirical evidence by identifying diverse MFIs' regulatory approaches in the empirical literature and by justifying the gaps.

3.2 Literature Search Strategy

The literature search was conducted using Google Scholar and Scopus. The used keywords in combinations through Boolean operators were microfinance OR “microfinance institutions regulations” AND “microfinance performance”, “financial regulations” AND “microfinance performance”, prudential OR “non-prudential regulations” AND “microfinance performance”, “microfinance governance” AND “microfinance performance”, “microfinance regulations” AND “microfinance sustainability”, “microfinance regulations” AND “microfinance outreach”, AND “microfinance regulations” AND “microfinance efficiency”. Key articles from the reference list were manually screened to identify relevant studies.

3.3 The studies' Inclusion and Exclusion Criteria

The following studies were included:

- (i) peer-reviewed journal articles or peer-reviewed book chapters;
- (ii) articles that examined the relationship between MFI regulations and performance, outreach, and/or sustainability;
- (iii) MFIs, SACCOS, credit unions, and financial cooperatives; and
- (iv) English published studies.

Studies with the following characteristics were excluded from the analysis:

- (i) not focusing on MFIs, SACCOS, or credit unions
- (ii) lacking a clear discussion on the role of regulations on the performance of MFIs/SACCOS or credit unions

(iii) commentaries, editorials and non-scholarly reports;
 (iv) duplicated findings published in scholarly studies. These criteria extracted 94 articles.
 Table 1 summarizes the data extraction process.

Table 1: Data Extraction Process

Database/Stages of article extraction	Google Scholar	Scopus	Total
1. Identification	820	78	898
2. screening	423	42	465
3. Eligibility	246	35	281
4. Inclusion	121	26	147
Total	74	20	94

Source: Empirical Literature Review

3.4 Data Extraction and Analytical Framework

From each article, the following data were systematically extracted, including regulatory context, performance and sustainability indicators, and key findings. The thematic analysis and comparative method were used to analyze the data. The studies were grouped by regulatory type (e.g., prudential or non-prudential regulations, capital requirements, supervision, and governance rules) and outcome dimension (financial or operational performance, efficiency, outreach, and sustainability). The studies with positive and negative results were also classified into themes. Moreover, the studies that concentrated on SACCOS were also classified as an essential theme of the study. The article's methodological rigour was critically assessed. In including the article, the validity of the measurements, data sources, and data analysis techniques was considered. The researcher also evaluated whether the results were consistent with the methodology; if they were not, the researcher excluded those studies.

3.5 Synthesis and Interpretation

A cross-study comparison was used to synthesize the studies, and the researcher embraced vote counting, thereby enabling a systematic analysis of contradictory results. The critical review identified unresolved debates, dominant regulatory narratives, and under-researched regulatory themes, which were proposed for future study. The Mixed Methods Appraisal Tool (MMAT) was used to assess the quantitative aspects of this critical literature review to assess the methodological excellence of quantitative, qualitative, and mixed-methods articles. The Grading of Recommendations Assessment, Development and Evaluation (GRADE) evaluated the overall quality of the articles by analyzing issues such as inconsistency, bias, indirectness, imprecision, and publication bias.

4. RESULTS

4.1 The roles of regulations in MFIs

The prudential regulations for Australian credit unions prevented them from meeting regulatory capital requirements when raising external capital (Davis, 1994). The prudential regulations reduced risk and increased profit margins for Australian credit unions. The credit unions employed accounting practices to meet capital adequacy regulatory requirements (Hillier et al., 2008). Marakkath and Attuel-Mendes (2015) emphasized that, in Europe, a supportive regulatory environment promoted the financial inclusion of MFIs' clients. Following the introduction of the Microcredit Act in 2010, the effectiveness of MFIs in Bangladesh improved

(Chowdhury, 2014). Profit-based MFIs apply regulations to maintain their profit (Cull *et al.*, 2011).

Regulations on auditing frequency led formal MFIs in Bangladesh to perform better financially than semi-formal and informal MFIs (Haq *et al.*, 2008). Morshed *et al.* (2020) reported that women lending to MFIs in Bangladesh had higher financial status, literacy, and awareness of registered MFIs than of unregistered MFIs. In Asia, banking regulations applied only to formal MFIs. However, the apex organizations regulated the semi-formal MFIs (Haq *et al.*, 2008). Arun and Murinde (2010) stated that African-based legislation can promote MFIs' outreach in Africa. MFIs' regulations in Sub-Saharan Africa reduced credit risk only in low-competitive environments (Karimu *et al.*, 2021). The regulations broadened sustainability rather than deepening it in Sub-Saharan Africa. MFIs were permitted to accept deposits, which promoted their sustainability. The quality of the regulations was essential for improving the MFIs' outreach (Nyanzu *et al.*, 2019).

Gallardo *et al.* (2005) found that the regulatory framework determined the growth and financial sustainability of MFIs in Tanzania. Regulations in Cameroon have promoted MFIs to achieve the social mission of financial inclusion (Singhe & Louche, 2020). In India, the acceptance of subsidy regulations helped MFIs serve the majority of the poorest population (Purkayastha *et al.*, 2014). In the Philippines and Bangladesh, conducive policy and regulatory frameworks for MFIs promoted their sustainability. However, Pakistan had an unsupportive MFI framework (McGuire, 1999). A distinct regulatory framework for MFIs is essential to promoting their growth and sustainability in China (Luo & Rahman, 2010). However, none of these scholars has analyzed empirically how the regulations influence the performance and sustainability of MFIs.

Hussain *et al.* (2021) indicated that rules and government regulations enhanced the efficiency of MFIs in the Philippines, Thailand, Malaysia, Cambodia, and Indonesia. Regulated MFIs in Latin America served their clients more effectively and charged lower individual borrowing rates than unregulated MFIs. In general, regulated MFIs performed better than unregulated MFIs. The findings indicated that unregulated MFIs served poorer clients more than regulated MFIs (Amin *et al.*, 2018).

The regulations and supervision procedures promoted higher financial efficiency in Indonesia, Malaysia, Cambodia, Thailand, and the Philippines. However, the small effect of social efficiency suggests that regulations and supervision were unable to meet social needs (Zainal *et al.*, 2021). Regulations aimed at ensuring the sustainable availability of subsidy capital thereby strengthened the outreach and operational efficiency of MFIs, while also scaling up and professionalizing their operations, thereby stifling MFIs' development in India (Purkayastha *et al.*, 2018). Regulatory status and superior optional governance practices positively influenced the permanence of the MFIs in Bangladesh (Morshed *et al.*, 2022). Regulations positively and significantly influenced MFIs' sustainability and performance, particularly in terms of outreach depth, in Ghana (Salifu & Aye Bofo, 2019). Regulations promoted financial soundness, inclusion, and capacity building, protected depositors, and strengthened customer confidence in Ghana (Ussif & Ertuğrul, 2020). Regulations reduced dependence on donor funds and accelerated MFI outreach in Senegal (Jenkins, 2006). Al-Azzam (2016) designated that regulated MFIs experienced minimal attraction to corruption.

4.2 The negative side of regulations on MFIs

Informal MFIs in Bangladesh lacked governance structures and internal controls. Therefore, regulators were urged to reduce regulatory costs to encourage informal MFIs to pay regulatory charges. Some microfinance regulations in developed countries, such as Italy, have inadvertently shifted the focus of non-profit and cooperative MFIs from social performance to financial performance (Bellazzecca & Biosca, 2022). Jenkins (2006) affirmed that regulations hindered the adjustment of MFIs' interest rates, increased loan defaults, necessitated collateral requirements, and promoted extensive reporting requirements. All of these led to operational inefficiencies for savings and credit cooperative societies in Senegal. Prudential regulations and supervision increased MFIs' costs, deteriorated the quality of their loan portfolios, and negatively affected their profitability and performance in India (Purkayastha *et al.*, 2018; Amma *et al.*, 2019). Regulations in India had negative effects on the growth of small MFIs. Hence, it is better to build MFIs' capacity before they are fully regulated (Jindal, 2008).

Tight regulations resulted in insufficient supervision, preventing MFIs from meeting the criteria for appointing board members with the required qualifications, from maintaining adequate loan documentation, and from meeting liquidity requirements in Cameroon (Singhe & Louche, 2020). Regulations negatively influenced the governance of MFIs in Nigeria and Zambia. The requirements for board composition and the certification of board members had culminated in MFI risks in both countries (Okoye & Siwale, 2017).

In many developing countries, union and SACCOS members face challenges in complying with regulations (Sharma *et al.*, 2007). Regulations did not necessarily promote the MFIs' performance in developing countries (Hartarska & Nadolnyak, 2007). Self-regulated MFIs failed to adequately protect members' interests due to unscrupulous management and a lack of traceability in Bangladesh's formal credit market (Khalily *et al.*, 2014). Regulating the MFI risks and costs has reduced the financial sustainability of MFIs in South Asia (Bibi & Balli, 2023).

Regulations increased MFI costs and increased the lending interest rates in Ghana (Ayayi & Peprah, 2018). Thus, the regulations reduced the number of female borrowers, implying that the regulations retarded the outreach. MFIs faced challenges in complying with regulations that permit them to accumulate deposits and expand their operations (Cull *et al.*, 2011). An analysis of 67 MFIs in developing countries found that regulations reduced outreach to women and other low-income clients. In Cambodia, larger loans were provided by pre-regulated MFIs, whereas unregulated MFIs provided small loans (Aiba, 2018). In this case, MFIs that provided small loans promoted outreach more than those that provided larger loans.

4.3 Effects of MFIs' failure to abide by regulations in promoting performance and sustainability

Sangwan *et al.* (2023) argued that most clients in rural India did not comply with MFIs' rules and their respective regulations. These practices affected the loan assessment, loan repayment plans, and the loan officer's failure to ensure the timely loan repayment. Poor adherence to rules and regulations risked MFIs' operations and deteriorated the value of MFIs' fixed assets in Cameroon (Akume & Annicet, 2017).

Failure by MFIs to comply with regulatory procedures, inappropriate risk management, improper technology, and inadequate Government support were the major hindrances to the implementation of the regulations in Ghana (Ussif & Ertuğrul, 2020). The hindrances were

attributable to increased regulatory burdens, political interference, insufficient staffing, and poor information dissemination. The regulatory procedures for MFIs in Benin, Ghana, and Tanzania did not clearly distinguish between prudential supervision of deposit-taking MFIs and non-prudential oversight of credit-only MFIs (Gallardo et al., 2005).

Regulations do not encourage many borrowers to take loans from the MFIs (Lin & Sung, 2017). Regulations did not determine the MFIs' sustainability or profitability for Indian MFIs (Pati, 2012). Rwekaza and Mrisho (2023) demonstrated that new microfinance institution regulations in Tanzania do not adequately promote the potential of MFIs in the sector. Moreover, these regulations restrict the MFIs' performance, outreach, and sustainability. Regulations did not appear to improve MFI sustainability in Sub-Saharan African countries, except in countries with excessive supervisory practices (Ndambu, 2011). In Indonesia, the dual regulation of micro Waqf banks, which granted them the legal status of Sharia microfinance institutions and cooperatives, has exacerbated operational and legal conflicts (Prananingtyas & Disemadi, 2020). The conflicts were manifested in articles specifying the capital requirements, licensing, and supervision. To overcome the conflict, harmonization was required. Bardhan et al. (2023) found that non-regulated MFIs outperformed regulated MFIs in India.

4.4 Positive Influence of Regulations in SACCOS/Credit Unions

Informal mechanisms enable MFIs to demonstrate accountability and legitimacy in Indonesia. Cooperative compliance, implementation of sector regulations, and engagement with regulators were more effective for formal MFIs (Sumarwan et al., 2022). For small SACCOS in Nairobi, the liquidity increased because mandatory deposit regulations positively promoted SACCOS liquidity (Biwott et al., 2015). Mugilwa et al. (2024) attested that the regulatory regime, structure of funding and corporate governance positively and significantly influenced the performance of the Kenyan SACCOS. The introduction of capital adequacy regulations has stimulated the performance of SACCOS in Kakamega County, Kenya (Nanzala, 2021). Okibo and Chepkwei (2013) witnessed that the regulations promoted the Kenyan SACCOS tax compliance, timely reporting and members' funds protection. Therefore, the Kenyan SACCOS regulatory authority enforced the regulatory compliance (Alukwe et al., 2015).

Hessou (2017) reported that Canadian credit unions adopted Basel III rules for smoothing their operations. The credit unions hold capital exceeding the Basel III recommendation (5 percent of risk-weighted assets). Australian credit unions achieved allocative efficiency and stability through prior regulatory directives (Ralston, 2001). An improved regulatory framework also increased the number of clients, loans, and deposits of credit unions in the UK (Baker, 2008). Black and Dugger (1981) stated that credit union legislation in the 1970s and 1980s expanded credit unions' services and improved their competitiveness in the United States. The statutory provisions of the Credit Unions Act of 1979 have accelerated the growth of credit unions in the UK and the USA (Ryder, 2008). This made the credit union's services comparable to those of commercial banks. Mędrzecka (2022) indicated that Polish credit unions' regulations protected their clients. New Central Bank regulations for Lithuanian credit unions focus on profitability strategies and stricter compliance with regulatory requirements. The lower-growth credit unions' aligned strategies were more financially stable than those of high-growth credit unions (Račkauskas & Levišauskaitė, 2013). Credit unions in Northern Ireland met the mandatory capital reserve requirement. Regulation positively influenced the loan quality

(Forker & Ward, 2012).

4.3 Negative Influence of Regulations in SACCOS/Credit Unions

The Kenyan SACCOS failed to comply with compulsory disclosure requirements (Mathuva & Chong, 2018). Only 20% of SACCOS in Nyeri County met the capital ratio required under the Cooperative Societies Act, 2004. The amount was more than Kenyan shillings (Ksh.) 1 billion for large SACCOS, more than 200 Ksh. million for medium SACCOS and less than 200 Ksh. million for small SACCOS (Ngugi, 2015). The growth of SACCOS in Mount Kenya was constrained by licensing requirements (Mbuko et al., 2022). SACCOS members were dissatisfied with regulations that required members to pressure one another to prevent loan defaults (Biwott et al., 2015). Okibo and Chepkwei (2013) found an inadequate understanding of the cooperative act among SACCOS in Kenya. The SACCOS regulatory framework in Tanzania comprises numerous regulators and laws, which makes it complex and hinders SACCOS from achieving its intended performance goals (Mukama, 2021).

Black and Dugger (1981) argued that the credit unions were still limited in handling the large groups of well-off clients and their operational capacity was diminishing. Baker (2008) indicated that, despite the improved regulatory framework in the UK, the number of credit unions was declining, and many failed to meet regulatory requirements. Ryder (2008) declared that the regulations denied the poorest access to the credit unions' financial services in the UK and the USA. Credit unions in Ghana were subject to numerous regulatory agencies, including the Ghana Co-operative Credit Unions Association and the Registrar of Co-operative Societies (Anku-Tsede & Amankwaa, 2015). Hence, it was recommended that the regulatory and institutional framework be reviewed to promote the efficiency and financial sustainability of credit unions in Ghana.

Mędrzecka (2022) noted that credit unions in Poland were at risk due to their occasional noncompliance with stringent regulatory requirements. The Polish credit unions faced the challenges posed by dual legal regimes: administrative and private law. However, compliance with administrative law threatened the cooperative's principle of autonomy (Bierecki, 2020). Smaller British credit union clients faced the challenges of dual regulation, minimum reserve requirements, and senior managers' certification and approval procedures. Excessive changes to credit unions' legal regimes confused credit unions (Lee & Brierley, 2024). The capital adequacy regulatory framework made it difficult for credit unions to accommodate three classes. This led to the classification of two classes of Irish credit unions as diseconomies of scale (McKillop et al., 2017).

The regulatory framework in the USA emphasized capital adequacy, which reduced the number of credit unions. After the 2000s, when the world experienced an economic crisis, the speed of recovery for U.S. credit unions declined sharply (Goddard et al., 2016). The regulations required credit unions in the USA to maintain a capital of more than USD 5 million or a net worth of 100%. This regulation led credit unions to reduce loan provisions, charge higher interest rates, and increase expenses; consequently, it adversely affected credit unions' performance in the USA (Goenner, 2016).

5. CONCLUSION

The findings indicate that most studies revealed that regulations promote the performance and sustainability of MFIs, but mostly for formal MFIs. A few studies also examine outreach

variables integrated into sustainability research. Most studies focus on the application of prudential regulations rather than non-prudential regulations. Studies have demonstrated that regulations in MFIs promote standard operating practices, good governance, safeguard financial stability, and protect members' interests. However, the literature indicates that the regulations have increased MFIs' operational costs, fostered loan defaults, and imposed cumbersome, unmet requirements, resulting in operational inefficiencies. The regulations have further increased transactional risk. The literature generally holds that regulations have adversely affected the performance and sustainability of MFIs across countries.

However, the findings indicate that noncompliance with regulations negatively affects the performance and sustainability of MFIs. The findings indicate that inadequate adherence to regulations encourages corrupt practices, reduces the efficiency and effectiveness of operational procedures, and limits the potential of new MFI entrants. The findings indicated that excessive regulatory practices lead some MFIs to disregard burdensome regulations. The findings further indicate that, in some countries, dual regulation poses a challenge for MFIs. Political interference and insufficient staffing to implement the regulations constitute regulatory challenges.

The findings further indicate that most studies on regulations have been conducted in developed countries and in Asia, particularly in India and Bangladesh. However, few studies have been conducted in Kenya, Ghana, and Tanzania, which are examples of developing countries in Africa. The review establishes that the regulations have a greater impact on SACCOS/Credit Unions in developed countries than in developing countries. SACCOS are semi-formal MFIs that generally perform poorly, particularly in developing countries such as Tanzania, due to noncompliance with regulations. Some studies have found that regulations adversely affect MFIs and SACCOS, particularly those that impose capital adequacy requirements and regulatory fees. The findings further suggest that most MFIs, particularly in developing countries, have failed to comply with regulations, which threatens their performance and sustainability.

For SACCOS, studies have demonstrated that mandatory deposit regulations positively affect liquidity, disclosure compliance, corporate governance, tax compliance, timely reporting, and the protection of members' funds. However, like MFIs, SACCOS perceive regulations as burdensome because most SACCOS fail to meet capital adequacy requirements, fail to pay mandatory regulatory charges, and perceive themselves as not independent, given regulators' control over their operations. Moreover, SACCOS clients perceive that numerous laws govern them create confusion, and that these laws are not very effective in addressing certain SACCOS procedures that could facilitate the timely resolution of disputes.

Based on the findings, the study recommends that regulators enact laws that do not confuse SACCOS and can be implemented smoothly. Moreover, regulators should grant SACCOS the autonomy to promote creativity and innovative practices through favourable regulations. The regulations should establish a minimum capital requirement that would allow SACCOS with limited capital to be recognized. Regulators should further train SACCOS on the importance of regulatory compliance and raise awareness of their role in SACCOS performance and sustainability. This study is limited to a critical review and does not include a primary field-based, empirical data-driven investigation. Future studies should conduct primary field-based studies to examine the role of regulations in fostering the performance and

sustainability of SACCOS. The studies should further assess how the regulations could impact variables such as efficiency, outreach, loan repayment, clients' livelihoods, and empowerment.

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