

Uganda's experience with Microfinance Consumer Education

Distributing MoneyWorld Newspaper in an IDP camp in Gulu



Uganda's Three Year Experience Educating the Consumers of Financial Services

Why Educate Consumers?

Literature review and field research in Uganda showed the following issues which stakeholders thought could be addressed by the education of consumers.

- MFIs and their customers do not always fully trust each other, and sometimes mislead each other.
- Many clients do not fully understand the complicated interest and fee structure of their loans.
- Others provide false information to their loan officers, especially about other debts, in order to qualify for a loan.
- Some customers fall into a debt trap, taking multiple loans from different MFIs and borrow more than they can pay back. Some MFI staff willingly let this happen.
- Many people would be better off saving instead of borrowing, but they either do not have access to secure savings opportunities, or they are led into a progressively increasing series of loans without regard to their ability to invest the money profitably.
- Customers do not understand the differences between types of institutions, and indifferently call them all "banks".

Questions from Call-In Shows

The questions asked during the call-in shows provide a window into consumers' minds. Some of the questions asked were these:

After forming a group, do we automatically get loans from the MFIs or are there other steps to go through?

According to the government, the loans are meant to help the poor fight poverty, why is it that it is the rich who are benefiting from these loan facilities then?

A woman borrows money from an MFI, but her husband takes the money. Who goes to jail?

Consumer Education in Uganda

Faced with those findings, a group of stakeholders (see page 2) held a week-long workshop in 2004 to develop a consumer education strategy.

After the workshop, they launched a pilot project in two districts of Uganda, Mbale and Masaka. In August 2005, they commissioned an assessment of changes in the knowledge, attitudes and practices of consumers in those two districts, which found that "the key objectives of the microfinance consumer education campaign were achieved" and that "79.6% of all respondents who had heard or seen microfinance consumer messages indicated that the messages passed during the campaign made them change the way they do certain things." (REFERENCE)

After the pilot phase, the stakeholders agreed to carry out a nationwide campaign. The new campaign uses nine languages, and added new messages particularly for members of savings and credit cooperatives (SACCOs). It also used additional channels, including a newspaper called "MoneyWorld"; AMFIU conducted a series of Training of Trainers workshops for MFIs and other resource people, and introduced the use of Music, Dance and Drama (MDD) to reinforce other channels of communication. The programme was coordinated with a savings mobilisation campaign run by USAID's Rural SPEED project. The Ministry of Finance's Financial Extension Workers (FEWs) played a key role in disseminating information.

Key Messages	Rights and Responsibilities	Types of Product and Institution
<p>The consumer education campaign included messages that were carefully chosen after the week-long stakeholders workshop to meet the identified gaps in the understanding of Uganda Consumers. Most of the recommendations of the participants in the workshop came down to four areas where consumers showed a lack of knowledge or understanding: Knowledge of their rights, responsibilities, types and uses of different financial products, and the differences between various types of financial institution and group.</p>	<h3>Rights</h3> <p>Customers have a right to transparent information, particularly concerning any contract they sign with a financial institution.</p> <p>In case of problems, they have a right to redress and eventually legal appeal. They should not have to make “undocumented payments” to get a loan. They should be treated with respect, and protected from pressure and overaggressive marketing.</p>	<h3>Products</h3> <p>Much emphasis has been placed on microcredit, but for many consumers, saving regularly is a better, and more desired option. However, before saving, one should assess the safety of the institution where one is keeping ones money. Some institutions are beginning to offer insurance to rural people. Many people also rely on money transfers; the cost of these services varies enormously.</p>
	<h3>Responsibilities</h3> <p>Above all, consumers should understand, and respect any contract they sign, and should be transparent with their financial institution, particularly concerning other debts and obligations.</p>	<h3>Institutions</h3> <p>No institution is right for everyone. Regulated institutions offer security and a variety of products, but may not be able to serve poor, or remote, populations. Village groups, though limited, offer suitable services to many people. Well managed SACCOs frequently offer good services to their members.</p>

Delivery Channels

The Consumer Education Campaign uses a variety of channels to deliver its messages.

Rural Radio: this is often the least expensive way to reach large numbers of rural people, especially in local languages. The radio campaign consists of short prepared radio spots, longer prerecorded shows, and call-in shows in which a local expert responds to listener questions. Each format has its advantages.

Posters and Flyers: These printed materials help reinforce simple “headline” messages for consumers.

Flipcharts: The flipchart has a provocative, interesting picture on one side, and behind each picture is a set of questions for the trainer, designed to elicit participation from the group.

MoneyWorld newspaper was added in the second phase. The newspapers were produced in five languages.

Music, Dance and Drama. AMFIU commissioned a script for a play dealing with savings, debt management, member rights, transparency and government programmes, which has been offered so far 22 times by three local dance troupes.

TOTs AMFIU worked with a US partner MicroFinance Opportunities to develop Ugandan versions of modules on Budgeting, Bank Services, Negotiation, Debt Management, and Savings and has trained 129 trainers to deliver them.

Road Shows USAID’s Rural SPEED project has promoted savings through mobile live theatre, which is reinforced by flyers, coin purses and outdoor advertising.

Institutional Arrangements

Consumer education in Uganda involves a large number of actors.

DFID’s Financial Sector Deepening Project (FSDU) provided funding and moral and technical support for the consumer education campaign. (www.fsdug.or.ug)

The Association of Microfinance Institutions of Uganda (AMFIU) is a membership organisation of leading MFIs. It has taken a farsighted view on consumer education, believing that educating consumers is in the best interests of its members. (www.amfiu.org.ug)

AMFIU’s Consumer Code of Practice

Consumer Protection is not quite the same thing as Consumer Education, but the two complement each other, and AMFIU has taken a lead in both areas. 42 AMFIU member financial institutions have signed a voluntary code of practice, committing them to pro-consumer action in the areas of information disclosure, financial assessment for lending, Client Data Protection & Confidentiality, Operations of Client Account, and Complaint Handling Procedures. AMFIU is now working with their members to put these good intentions into operation, by holding a series of regional workshops with their members.

Communications for Development Foundation Uganda (CDFU) is an NGO with long experience in behaviour change communication. (StraightTalk Foundation (STF), is a non-profit with expertise in using newspapers and other media to communicate messages massively to large numbers of people.

Microfinance Outreach Plan/Rural Business Culture: these government programmes made the Financial Extension Workers available to the programme. (www.mfoutreach.org)

USAID’s Rural SPEED project promoted savings, transparency, and good governance, for SACCOs and other MFIs, through member education and mass media campaigns. (www.speeduganda.org)

REEV Consult is carrying out the end of project Learning Exercise designed to provide information that will be useful for carrying consumer education forward in Uganda and elsewhere (www.reevconsult.org)

Measuring Impact

The impact of Consumer Education programmes should be felt in three areas, often called "KAP" for Knowledge, Attitudes and Practices:

Knowledge, what people have learned as a result of the programme.

Attitudes, or how they feel and what they think about financial services and products. And, most important,

Practices, or what they actually do as a result of the programme.

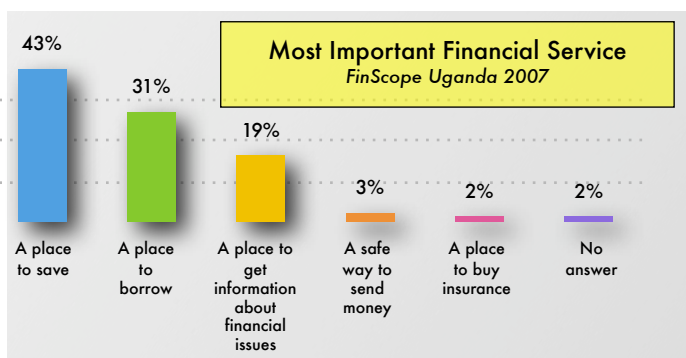
KAP evaluations are important because, if there is limited change in practices, but greater change in knowledge or attitudes, then one can examine what factors kept the new knowledge from changing attitudes, or stopped the change attitudes from affecting behaviour.

Measurement of KAP in the case of financial consumer education is difficult because we do not yet have widely agreed upon easily measurable indicators for the changes we desire.

In addition, there are problems of attribution. In Uganda, microfinance is a popular area, and many other programmes are constantly giving consumers advice. In some cases, MFIs consider the pre-loan orientation that they give to clients to be education or training.

In Uganda, we have conducted five large surveys which include questions relevant to consumer education. While they agree on large trends, there is much variation in the responses to the same question asked at different times to different people, and it is very difficult to say with confidence what the impact of the programme has been. As this is written, we are analysing the data from the most comprehensive study yet, interviews with 1000 people in four districts, who participated in a baseline survey nine months earlier.

Some noteworthy results from our studies:



Importance of Consumer Education

3,000 respondents were asked what was the most important financial service to them. Surprisingly, almost one in five said that a place to get information on financial issues was the most important.

Lack of Communication between MFIs and their Customers

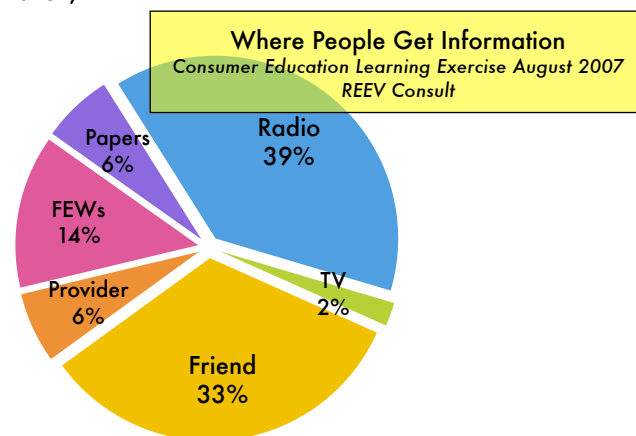
The field research prior to the pilot project showed that 68% of consumers were not fully aware of interests and

fees before they took their current loan, and 40% admitted not disclosing all information required by the MFI, principally other debt to MFIs.

Pilot Project Baseline Study, Wilsken Associates, 2003.

Where people get information about financial institutions

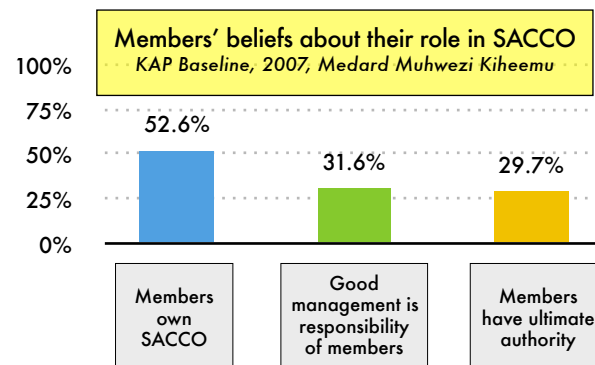
Radio remains the principal source of information for the largest number of people. However, friends are close behind as a source of information. As this survey was taken,



only some of the MoneyWorld newspapers had been delivered to the areas surveyed, so the importance of newspapers as a source of information is probably understated. Also, it should be noted that Financial Extension Workers were only present in two of the four districts interviewed, so their importance also is almost certainly underrated.

Special Issues Around Savings and Credit Cooperatives

The government of Uganda has placed a special emphasis on encouraging the formation of Savings and



Credit Cooperatives (SACCOs) as a means of expanding rural outreach. Therefore, we included information targeting SACCO members in the national roll-out of the consumer education campaign. During the baseline study, we discovered a surprising lack of understanding of the nature of SACCOs on the part of members, with only slightly more than half reporting that they knew the SACCO belonged to the members. Our emphasis on this issue complements efforts being carried out by the government and others to put SACCO members in charge of their organisations.

Continuing Consumer Education

A number of studies and reviews have recommended that the Ugandan Consumer Education Programme should be continued. Most recently, a Learning Exercise of the Consumer Education Programme came up with these recommendations.

- Consolidate and sustain the gains of awareness of rights and responsibilities of consumers of MFI services. Even a slight reduction in effort might lead to a slide back with negative effect.
- Need for multiple channels of communication given the diversity of users and potential users of MFI services.
- While knowledge of MFIs operations and users' rights and responsibilities has grown, there still exists relatively low utilization of MFI services. This suggests the need for deepening knowledge that can influence practice.
- There are apparent gaps in consumer knowledge regarding elements such as compound interest, loan processing fees and other critical elements of the loan contract. There is therefore need for consumer education to provide deeper insights on these areas.
- The Financial Extension Workers (FEWs) are a remarkable innovation. They need better training and materials, and the number is too small for the demand.
- There is need for a clear separation of politics from economic growth programmes including financial services.

Funding Consumer Education in Uganda

FSDU, a technical donor project, has invested over 400,000 pounds in consumer education in Uganda, as follows:

Pilot project	GBP 43,223
National roll-out	277,223
AMFIU support, MDD, TOTs	99,536
Other	20,000

Consumer education is scalable: increased funding buys increased services. For this investment, we had 20,600 radio spots, 244 call-in shows, and 220 prepared shows. We also printed and distributed 93,000 each of flyers and handouts, 920,000 copies of MoneyWorld newspaper in five languages, and 292 flipcharts. Finally, we have made 22 MDD presentations to date and have trained 129 trainers.

Funding consumer education is a challenge. If financial institutions fund consumer education, they will want to control the messages. As a loan officer in an MFI in Western Uganda said to AMFIU, "I appreciate the messages you want to give, but if I have a client in my office, I'm not going to tell her to 'shop around'! You need to do that!" Consumer education is a public good, and it is appropriate for donors to include it in their microfinance portfolios. Enlightened governments may also want to invest in education of consumers of microfinance, just as they invest in agricultural extension, or health education. One of the options being considered in Uganda is integrating financial consumer education with agricultural extension.



A Financial Extension Worker using a Flipchart in Makinde

Transparency • Negotiation • Trust

A Financial Consumer Education Campaign by AMFIU, StraightTalk Foundation, CDFU and FSDU