



AMFIU

Concept Note

The Association of Microfinance Institutions in Uganda (AMFIU)

CONSUMER CODE OF PRACTICE FOR MICROFINANCE INSTITUTIONS

Introduction

Consumer codes of practice lay down acceptable standards of behavior in a given industry. They are statements on how institutions in a given industry relate and deal with customers with the major purpose of informing and assuring customers about the institutions business aims, setting out institutional procedures in dealing with customer issues. Codes of practice further aim at giving information about contacting the institution and other organizations relating to consumer issues in the industry and informing customers about the institutions approach to working practices.

Whether statutory or not, the purpose of the code is to lay a general duty on MFIs to conduct relations with their customers on a basis which achieves transparently, a fair balance between the interests of both.

Therefore, the Consumer Code of Practice (CCP) is there to guide operations of MFIs or financial institutions involved in delivery of Micro Finance Services in Uganda. The CCP guarantees substantial protection to customers, consequently should be able to give the consumers the protection they need and deserve.

The code value lies in it being a relatively straight forward and easy to understand account of the relationship between MFIs and the customers. At the beginning 42 MFIs adopted the CCP and it has since become policy that any new MFI to qualify to be an AMFIU member must subscribe to CCP among other requirements..

Why a Consumer Code of Practice for MFI's (CCP)

Unlike other financial service providers in other jurisdictions, MFI's in Uganda do not have a unified voluntary code of practice for the industry. There are many MFIs service providers registered under different laws and operating in a different way. Some are companies, NGOs, SACCOs, MDI's, formal Banking institutions, money lenders etc.

There are no set standards currently within such a diverse industry. A set standard in the industry could set a precedent of uniformity towards customers; after all they are the “kings of the industry”.

The Micro financial services industry underestimates the importance to consumers of perceived fairness and responsiveness of MFI's. It has been found out that the key area governing customer satisfaction with the financial services industry is access to information and products in addition face-to-face contact at branches is also important to customers. It has also been revealed that “satisfaction with personal customer service” is the most important factor that determined whether a consumer was satisfied overall with their financial provider. “Personal customer service” includes being treated as a valuable customer and responsive service to complaints and inquiries.

The CCP for MFIs therefore sets out to reassure consumers of doing business with a reputable organization and re enforces the adoption of sound practices by MFIs. It also lays down a general duty on MFIs to conduct relations with customers in a transparent way and governs all consumer services provided by MFIs. The CCP sets out key commitments and principles which MFIs are expected to follow as they conduct business with consumers and recognizes the need to set a minimum standard of performance and operations. It also informs and assures customers about the institutions business aim, sets out institutional procedures in dealing with customer issues and gives information about contacting the institution. The CCP further informs customers about MFI approach to working practices and helps re-enforce some provisions in the AMFIU membership code of conduct.

AMFIU ably recognizes that the microfinance industry is dynamic and henceforth put into consideration a review process of the CCP on a regular basis. A review process is essential to maintaining an effective code and is seriously in the design of the CCP.

Conclusion

The Micro financial services industry in Uganda is dynamic and progressive. Consumers can choose from an increasing amount of products and services which cater to their financial needs. However beyond this, it is essential to establish basic standards of fairness and transparency in MFIs' dealings with customers. A substantive code of practice for the industry would establish such standards. A consumer code of practice forms part of consumer protection that is inclusive of disclosure requirements, financial education, etc that are very key to a developing industry