Agenda

• Financial Inclusion, Consumer Protection & Consumer Education
• National Financial Education Strategy
Financial Inclusion & Consumer Education

Financial Inclusion seeks to:
• Increase financial outreach to under-served and un-served populations
• Improve access at a reasonable cost to these populations to a range of financial services and products

Consumer Protection Efforts and Financial Literacy Initiatives help bring new customers to the market

(Source: Indian School of Microfinance for Women)
Consumer Protection?

Consumer protection involves the implementation of measures that:

• prevent irregularities or transactions which have negative impact on consumers;
• empower consumers to exercise informed choices and select value-for-money goods and services;
• provide fair access to basic goods and services; and
• open avenues to address consumer interests and concerns

Source: MICROFINANCE INDUSTRY ADVISORY on Consumer Protection in Microfinance, 11 October 2007, Philippines
Three Main Consumer Protection Goals

“There are three main consumer protection goals – regardless of whether the consumer is a fruit vendor in Ghana or a home buyer in the U.S.,” says CGAP expert Kate McKee. “Information given to the customer should be transparent: it should be clear what they are getting. Customers should be treated fairly – and should only be sold products and services they can handle. Last but not least, financial services providers should put easy-to-use systems in place for resolving errors or disputes.”
Microfinance Client Protection Principles

1. Avoidance of over-indebtedness
2. Transparent pricing
3. Appropriate collections practices
4. Ethical staff behavior
5. Mechanisms for redress of grievances
6. Privacy of client data
Consumer/Financial Education

- Financial education addresses weak financial literacy by empowering the poor to make wise financial decisions. May teach people how to save more, spend less, borrow prudently, and manage their debt with discipline. (MF Opps)
- “Financial literacy has been defined as the ability to process financial information and make informed decisions about personal finances.” (IFMR, India, 2008)
- Needed to balance information between consumers and providers of financial services
National Financial Education Strategy

- Awareness
- Comprehension
- Behavior Change
National Financial Education Strategy

Target Groups:
- Consumers
- Microfinance Service Providers
- Donors, Investors & Funders
- MF Networks and Support Organizations
- Governments, Politicians

Content:
- General awareness of financial services
- Consumer rights & Code of Conduct for Providers
- Technical knowledge of all stakeholders
Global Financial Education Initiative

- **Partners**: Microfinance Opportunities, Citi Foundation, Freedom From Hunger
- **Structure**: Training program focused on: Budgeting, Debt Management, Savings, Bank Services, & Financial Negotiations, among others
- **Objective**: global program targeted at those just above and below the poverty line in developing countries
- **Outreach**: 300+ trainers in 37 countries; 125,000 client recipients; 6.7 million people have been exposed through radio, print, dance, drama, etc.
Peru’s Financial Education Program for Secondary Students

- **Partners**: Superintendency of Banking, Insurance Companies and Private Pension Funds of Peru (SBS) and the Ministry of Education
- **Structure**: a national training of trainers program for secondary school teachers
- **Objective**: provide secondary school students with basic financial education tools
- **Outreach**: Currently reaching 200,000+ students via 1175+ teachers and a long-term goal of 100% coverage of all Peruvian students;
Partner to Develop or Distribute Educational Materials

- The SBS (Central Bank of Peru) produces pamphlets about transparency in financial services sector and rights of consumers of credit
Bosnia’s Center for Financial and Credit Counseling

- **Partners**: Leading MFIs, IFC, EFSE, DFID
- **Structure**: Center that provides national credit information helpline, monthly mobile financial education program that travels to cities, Mediation services for over-indebted clients, One-on-one financial and credit counseling
- **Objective**: to address issues of over-indebtedness, provide financial education and counseling, and address the problems of lack of transparency in the BiH financial sector.
Financial Education Partnership for Kenya

- **Partners**: FSD Kenya, Ministries of Finance, Cooperatives, Education, Youth & Sports, etc.
- **Structure**: Active partnership network
- **Objective**: the partnership aims to build a strategy that finds effective ways to improve the nation's knowledge and understanding of personal finances.
- **Outreach**: national outreach, on-going
Insurance Consumer Education-Kenya (ICE-K)

- **Partners:** Microfinance Opportunities & Association of Kenya Insurers (AKI)
- **Structure:** Training of trainers; radio campaign; technical support to organizations
- **Objective:** to expand the Kenyan microinsurance market by improving the risk management capacities of low-income people through insurance education
- **Outreach:** Project currently in-process so outreach unknown
Changing the Perception of Microinsurance in Brazil

- **Partner Institutions**: CNSeg, the Brazilian Insurance Confederation
- **Structure**: a radio soap opera, a short film, street theatre, and printed graphic material.
- **Objective**: focus on raising awareness and educating low-income potential insurance consumers, be they individuals or commercial enterprises, in the formal or informal economy.
- **Outreach**: goal is a significant portion of the nearly 30 million low income people in Brazil
Uganda’s Consumer Education Programme

- **Partners**: FSDU, AMFIU, CDFU, Ministry of Finance
- **Structure**: mass market communication of broad messages across the country; posters, leaflets and flyers, radio call-ins, radio spots, and flipcharts; newspaper inserts, called *Money World* magazine; Training of Trainers for MFIs; theatre performances
- **Objective**: disseminate messages about knowledge of consumer rights and responsibilities, and types of financial institution and product
When you take a loan, make sure you understand the terms.

Respect the contract! Maintain your good reputation.

Ask your Financial Extension Worker or Financial Institution for more information.

Produced by Communication for Development Foundation Uganda (CDFU) for DFID Financial Sector Deepening Project Uganda (FSDU) and Association of Microfinance Institutions of Uganda (AMFIU)
A loan always comes with interest!

Ask about how much you will get and how much you will pay back. Demand for information.

Ask your Financial Extension Worker or Financial Institution for more information.
I save for the future. You can too!

Start saving now.

Ask your Financial Extension Worker or Financial Institution for more information.
Are your savings safe?

Know the status of your financial institution well

Ask your Financial Extension Worker or Financial Institution for more information
- **Partners**: Central Banks, MF Networks, MFIs & Banks, Training Institutions
- **Structure**: Provide trainings, interest rate disclosure mechanisms, legislation recommendations for interest rate disclosure & consumer protection
- **Objective**: to promote transparency in prices & educate microfinance industry on financial capability
- **Outreach**: Global, with country-by-country methodology
A long-overlooked need

“We have made major investments in improving the quality and clarity of information on microfinance institutions. But we have not yet invested as much as we should in making sure costs of financial services for poor clients are clear and fair. **MFTransparency’s initiative is a bold one that promises to fill an important gap.**”

*Elizabeth Littlefield, ex-Director and CEO, CGAP*
How to achieve Responsible Finance?
MFT’s Business Model

1. **Consulting on Legislation & Regulation:** MFT provides recommendations to central banks and regulatory authorities around consumer protection and pricing transparency.

2. **Data Collection & Dissemination:** MFT collects product prices and information to display on its website to facilitate a more transparent market.

3. **Technical Assistance & Training to Service Providers:** MFT provides technical training to MFIs, rating agencies, industry initiatives, and other organizations to improve practices and create standardized practices in the industry.

4. **Consumer awareness, education and “financial capability”:** Provide training materials and resources to improve client consumer literacy.
Effective policy requires building a strong foundation at the Bottom of the Pyramid -- Pricing Transparency and education of all stakeholders creates an enabling environment for a healthy microfinance industry.
MFT Works with all Industry Stakeholders

MFIs

Networks, Associations, Industry Initiatives, Rating Agencies

Regulators, Supervisory Bodies, Consumer Protection Agencies

Donors & Investors
Transparent Pricing in Malawi

Activity 1 • Data Collection & Dissemination

Activity 2 • Develop & Disseminate Educational Materials

Activity 3 • Develop Analytic Reports, Train Central Bank/Regulators

Activity 4 • Provide Technical Assistance & Training to MFIs on Product Pricing & Costing

Activity 5 • Maintain Pricing Data for 1 Year, Produce Evaluative Report
Promoting Transparent Pricing in the Microfinance Industry