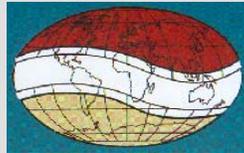


FINAL REPORT

DFID Department for
International
Development

FINAL REPORT

Uganda Microfinance Consumer Education Programme Learning Exercise



REEV CONSULT INTERNATIONAL
APEX HOUSE NTINDA, PLOT 897 KIRA ROAD
P.O. BOX 28224 KAMPALA UGANDA
Tel: +256 41 287779/+256 77 2402609
EMAIL: reevconsult@infocom.co.ug

SEPTEMBER 2007

Acknowledgement

The Consulting Team for the Uganda Microfinance Consumer Education Programme is greatly indebted to all organizations and persons who assisted in the execution of the study. The first goes to officials of DfID for all the necessary information and support to the study team. Special appreciation goes to the Mr Paul Rippey of Financial Sector Deepening Uganda (FSDU) for the guidance provided to the Consultants. We are also grateful to the Communication Development Foundation Uganda (CDFU), Association of Micro Finance Institutions of Uganda (AMFIU) Officials for their constant support to the survey team. Special thanks go to Mr. Daniel Muhumuza of Straight Talk Foundation (STF) for the constant support he provided to the Consulting Team. We are indebted to all the stakeholder- respondents who included: households; and financial Institutions; who sacrificed their valuable time to furnish us with information. The Consulting team is grateful for the tremendous contribution of all Research Assistants who meticulously assisted in the collection of data from various respondents. We are also grateful to Mr. Michael Gensi our statistician for the work done in data entry and management. All errors and unquoted ideas is the responsibility of the Consulting team.

Augustus Nuwagaba (Ph. D)
MANAGING CONSULTANT AND TEAM LEADER

Acronyms

| | |
|--------|--|
| AMFIU | Association of Microfinance Institutions of Uganda |
| BoU | Bank of Uganda |
| CDFU | Communication for Development Foundation Uganda |
| CFE | Consumer Financial Education |
| CP | Country Programme |
| FEW | Financial Extension Workers |
| FSDU | Financial Sector Deepening Uganda |
| GoU | Government of Uganda |
| KAP | Knowledge, Attitudes and Practices |
| MDD | Music, Dance and Drama |
| MDG | Millennium Development Goals |
| MFOPPS | Micro Finance Opportunities |
| MoFPED | Ministry of Finance Planning and Economic Development |
| NGO | Non-Governmental Organization |
| NIMES | National Integrated Monitoring & Evaluation Strategy (NIMES) |
| PAF | Poverty Action Fund |
| PEAP | Poverty Eradication Action Plan |
| RFP | Request For Proposal |
| SACCOs | Savings and Credit Cooperatives |
| STF | Straight Talk Foundation |
| TOR | Terms of References |
| UCPA | Uganda Consumer Protection Association |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Programme |
| UNFPA | United Nations Population Fund |

Table of Contents

| | |
|---|-----|
| ACKNOWLEDGEMENT ----- | I |
| ACRONYMS ----- | II |
| TABLE OF CONTENTS ----- | III |
| LIST OF TABLES AND FIGURES ----- | 5 |
| LIST OF TABLES ----- | 5 |
| LIST OF FIGURES ----- | 5 |
| EXECUTIVE SUMMARY ----- | 6 |
| INTRODUCTION ----- | 11 |
| 1.1 BACKGROUND ----- | 11 |
| 1.2 THE PURPOSE OF THE SURVEY ----- | 11 |
| 1.3 COMMENTS AND SUGGESTIONS IN THE TERMS OF REFERENCE (TOR) ----- | 11 |
| 1.4 APPROACH AND METHODOLOGY ----- | 12 |
| 1.4.1 APPROACH TO THE STUDY ----- | 12 |
| 1.4.2 AREA OF STUDY ----- | 12 |
| 1.5 DATA MANAGEMENT/ ANALYSIS ----- | 13 |
| 1.6 ORGANIZATION OF THE REPORT ----- | 13 |
| 2 STORY OF MICRO FINANCE CONSUMER EDUCATION IN UGANDA ----- | 15 |
| 3 EVALUATION OF THE NATIONAL ROLL-OUT ----- | 26 |
| 3.1 INTRODUCTION ----- | 26 |
| 3.2 SOCIO-ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS ----- | 26 |
| 3.3. KNOWLEDGE, ATTITUDE AND PRACTICE ABOUT SAVINGS ----- | 27 |
| 3.3.1 KNOWLEDGE AND AWARENESS OF FINANCIAL AND CREDIT INSTITUTIONS ----- | 27 |
| 3.3.2 ATTITUDES AND PRACTICES ABOUT SAVING ----- | 28 |
| 3.3.3: REASONS FOR HOLDING ACCOUNTS ----- | 30 |
| 3.4 ATTITUDE AND UTILIZATION OF FINANCIAL AND CREDIT INSTITUTIONS ----- | 30 |
| 3.5 PRACTICE OF CONSUMER RIGHTS AND RESPONSIBILITIES ----- | 31 |
| 3.5.1 LOAN BORROWING AND PAYMENT TERMS ----- | 31 |
| 3.6: MULTIPLE BORROWING FROM FINANCIAL INSTITUTIONS ----- | 32 |
| 3.7: DISCLOSURE OF INFORMATION ON MULTIPLE BORROWING ----- | 32 |
| 3.8 EXPERIENCING PROBLEMS WITH FINANCIAL INSTITUTIONS ----- | 33 |
| 3.9 LOANS AND CREDIT UTILIZATION ----- | 34 |
| 3.10 INFORMATION AND COMMUNICATION ABOUT LOANS ----- | 35 |
| 3.11 ATTITUDE TOWARD LOANS AND CREDIT ----- | 35 |
| 3.12 KNOWLEDGE, ATTITUDES AND PRACTICES OF SACCO MEMBERS ----- | 35 |
| 3.13 MANAGEMENT OF SACCOS ----- | 36 |
| 3.14 KNOWLEDGE OF RIGHTS AND RESPONSIBILITY OF SACCO MEMBERS ----- | 37 |
| 3.16 KNOWLEDGE OF RESPONSIBILITIES OF SACCO MEMBERS ----- | 39 |
| 3.17 PRACTICES OF SACCO MEMBERS REGARDING THEIR RIGHTS AND RESPONSIBILITIES ----- | 40 |
| 3.18 KNOWLEDGE ON THE OPENING BALANCE OF THE FINANCIAL INSTITUTION ----- | 40 |
| 3.19 KEY LEARNING POINTS FROM THE EVALUATION OF CEP ----- | 41 |
| 4 EMERGING ISSUES AND RECOMMENDATIONS ----- | 42 |
| 4.1 INTRODUCTION ----- | 42 |

| | | |
|-----------|--|----|
| 4.2 | EMERGING ISSUES ----- | 42 |
| 4.3 | RECOMMENDATIONS AND WAY FORWARD ----- | 43 |
| ANNEX I | LIST OF KEY INFORMANT RESPONDENTS ----- | 44 |
| ANNEX II | INDEX OF MATERIALS USED IN CEP (TO BE POSTED ON THE WEB SITE)----- | 45 |
| ANNEX III | TABLES ----- | 47 |

LIST OF TABLES AND FIGURES

List of tables

- 3.1 Sex of the Respondents
- 3.2 Distribution of the Respondents Level of Education by District
- 3.3 Distribution of Respondents Level of Education By Sex
- 3.4 Occupation/Source of Income by District
- 3.5 Occupation/Source of Income by Sex
- 3.6 Source of Information about Financial Institutions
- 3.7 Holding Account with Financial Institution
- 3.8 Reason for Holding Accounts
- 3.9 Preference of Financial Institutions
- 3.10 Disclosure of Information
- 3.11 Experience of Problem with Financial Institutions
- 3.12 Loans and Credit Utilization
- 3.13 Information and Communication about Loans
- 3.14 Client Treatment by Loans Officers
- 3.15 Viable Means of Meeting Recurrent Expenditure
- 3.16 Management of SACCOs
- 3.17 Participation of Members in SACCO Activities
- 4.1 Evaluation of Dissemination Channels

List of Figures

- 3.1 Age of the Respondent
- 3.2 Marital Status of the Respondents
- 3.3 Awareness of Financial Institution
- 3.4 Proportion of Respondents Holding savings Account by District
- 3.5 Possibility of Saving
- 3.6 Respondents who have ever Borrowed
- 3.7 Multiple borrowing from Financial Institutions
- 3.8 Rate of Borrowing
- 3.9 Areas for Redress
- 3.10 Membership of SACCOs
- 3.11 Rights and Responsibilities
- 3.12 Right to Information
- 3.13 Right to Participate in Decision Making
- 3.14 Responsibilities of SACCO Members
- 3.15 Awareness of Opening Balance

EXECUTIVE SUMMARY

This report presents a documentation of history of Consumer Education in Uganda and the findings of the Uganda Microfinance Consumer Education Programme Learning Exercise. The Mid-term Assessment Exercise was conducted between July and August 2007 in 4 districts of Mukono, Lira, Kumi and Bushenyi the selection of which was based on regional population distribution of Uganda. The purpose of the exercise was to Assess Mid-Term gains given the fact this is a relatively a new practice. Also the research team was tasked with the documentation of the population's experience in the field of Consumer Education, which included identifying and creation of channels to facilitate the dissemination of lessons and materials; and evaluating the MFI channel. Quantitative and qualitative techniques were employed to collect data. The Team administered questionnaires for 1047 households as well as in depth interviews with selected key informants. In special cases, a comparative approach was used in analysing the data and presenting findings using the baseline indicators of survey carried out in January 2007 to reach a conclusion in the level of change in consumer knowledge and practices.

Overview of the Findings

A Major Findings

A1 History of Consumer Education

- Since 2002, there has been intensive education in Uganda. The programme has been funded by DFID and executed by FSDU with over 400,000 Pounds spent on the whole exercise. The programme utilized two major channels namely: the MFI channel and the Media channel. A number of institutions both government and NGOs were involved. The former included the Ministry of Finance and Economic Development (MoFPED) under the Microfinance outreach. The latter included the following organizations: STF; CDFU; AMFIU; RURAL SPEED.
- The feed back from consumer education as indicated by both the evaluation and the key informant interviews show that the CEP has been largely successful. This is manifested in testimonies of the people exposed to the CEP. It was apparent that radio was highly impactful in influencing behavior toward a better saving culture. Similarly, the drama was reported to be an effective medium of communication. It is apparently clear that drama as an alternative communication tool is powerful in reinforcing this unwavering goal of reaching the poor of the poorest. Many stakeholders share the optimism that consumer education is going to play big role in bringing about informed consumers of micro finance services. It is envisaged that CEP has great potential for closing the gap that has existed before leading to consumer exploitation. However the main challenge remain:
 - Who is going to finance the sustainability of CEP
 - What should be the role of Government in CEP given that most times Government politicizes such programmes
 - What should be the role of MFIs particularly AMFIU

It is pertinent to note that CEP is a costly venture but like many stakeholders have emphasized, the results greatly surpass the short term financial sacrifices. Therefore the onus is on the Government and MFIs to ensure the sustenance of CEP.

A2 Evaluation of Consumer Education in Uganda

Knowledge, Attitude and Practices about Savings

- The overall findings show that the overwhelming majority of the households have been influenced by consumer education with 82.8% associating their current knowledge and attitude about where to save and borrow. An indicator of high awareness of financial institutions available to them. The study also reveals that some districts had high rates of awareness. The high rate of awareness through intense consumer education that has led to an increase in the number of people who are saving especially in financial institutions compared to the insignificant number in pre-consumer education. To underscore the impact of consumer education is the finding of 93% of the respondents who currently hold savings accounts in the financial institutions compared to 23.4% who operated saving accounts during the baseline study.
- In addition, the public's experience with the campaign is that the Consumer Education is not preaching at the people, but rather leading the people to formulate their own value system based on understanding of the whys and how. For example, when asked if it was possible to save, 83.1% of the respondents responded that it is possible to save compared to 16.9% in the pre-exposure study who said that it was not possible. It is very clear that Consumer Education is having impact on both Micro-Finance service providers and the consumers' knowledge, attitude and practices about savings

Attitude and Utilization of Financial and Credit Institutions

- With regard to preference of the type of financial institution, 88.8% of the respondents prefer a place where they can both save and borrow, while 7.6% prefer where to save and 3.6% a place where to borrow.

Practice of Consumer Rights and Responsibilities

- The research also reveals a shift in attitude in regard to rights and obligations. Based on the understanding of which, there is an increasing demand for microfinance services in terms of short-term loans. This is a complete departure from the pre-exposure period which was marked by consumers' skepticism of MFIs' services. Responses from interviews with key stakeholders such as FSDU, DFID, AMFIU, RURAL SPEED, MoFED and some MFIs, reveal optimism and conviction that the consumers are getting empowered through the Consumer Education and are protected by the bidding a regulatory instrument -- the "Consumer Code of Practice for Microfinance Institutions in Uganda".
- Practice of consumer rights regarding signing of the contract is relatively high with 76.1% percent of the respondents who had borrowed reporting that had signed a contract. Similarly, this has led to an increased respect for contractual understanding of details before signing as illustrated with 60.1% of the respondents of those who had borrowed reporting as having first read and understood the contract before signing.

This is a confirmation of improved consumer/service provider relationship with the majority of the respondents acknowledging that were given information regarding saving opportunity in the process of borrowing and the charges of borrowing and debt servicing. The study further reveals that 89.7% were fully explained to and made aware of the interests and fees that they had to pay. Also 85.1% of those who had ever borrowed reported to have been treated in a dignified way. This is an indication that these financial institutions are fulfilling their responsibility to their consumers. This is commendable for the sustainability of the financial institutions.

Loan and Credit Utilization

- With regard to loan and credit utilization, about 30% of the respondents reported that loans were utilized to expand business. Expanding business rather than starting it is a good indicator of good loan and credit utilization. However a substantial number are borrowing to meet their day-to-day financial needs such as paying of school fees, this is mostly prevalent in poverty-stricken Districts. This is one area that runs contrary to Consumer Education teachings, thus the need for more consumer education tailored to needs of such communities so that loans are invested in their rightful and justified projects.

Knowledge, Attitudes and Practices of SACCO Members

- The percentage of respondents who belong to SACCOs has doubled from 18% during the pre-exposure to 38.8% in the mid-term study. Again the study reveals that it is the most poverty stricken areas that have high membership and participation in SACCOs. The team observed that the all members are quite informed of their roles as owners of the SACCOs.

Knowledge of Rights and Responsibility of SACCO members

- A majority of members (80%) interviewed are aware that they have equal rights like all other members. This is a positive reflection that over 80% of respondents are aware of their rights i.e. to information, to be served with dignity.
- There is high level of clients' responsibility to pay back as 84.7% reported that they are aware that it is their responsibility to pay back the loan they obtain from financial institutions. However when compared with the baseline, this percentage has reduced from the reported 98.9%.

Practices of SACCO Members Regarding their Rights and Responsibilities

- There is anomalous relationship between levels of awareness and application of the acquired knowledge into practice. Though there is high awareness of their rights, only 53% of SACCO members have been involved in different SACCO activities since they became members. This seems to be taking a down ward trend compared to the baseline where 76.6% were involved in different activities.

B Emerging Issues

B1 Access to Information

- There is need to increase consumer education. Due to lack of information, some ‘quack’ MFIs such as COWE and some SACCOs who have exploited some unsuspecting people resulting into fear and mistrust of all MFIs. This was re-iterated by all Key respondents interviewed in Kampala. This therefore calls for more sensitization, education and regulation as people don’t know where to seek redress when cheated.
- There is a misrepresentation of some MFI’s about correct information regarding their operations e.g. the security required and the percentage interest rates which some MFI’s charge later. For example, some MFI’s say they need no security and charge 1% interest but only to realize that one needs security and interest rates being much higher.
- Lack of information and knowledge about where to seek redress in case of a problem due to lack of a “voice” (influence).

B2 Training

Due to lack of information, some MFIs/SACCOs have exploited some unsuspecting people resulting into fear and mistrust of good MFIs. This therefore calls for more sensitization, education and regulation as people don’t know where to seek redress when cheated.

B3 Impact of Household Poverty on CEP

Abject poverty was a great issue that created a likelihood of diversion of money, exclusion; lack of communication; vulnerability and exploitation by MFIs.

B5 Politicization of MFI Schemes and Services

There is politicization of MFI’s credit schemes particularly due to lack of information among potential borrowers. For example, there is a thinking that loans from SACCOs are being perceived as “*ebyaffe*” literally meaning payment of reward in return of political support to the government.

B6 Management of SACCOs

The assessment reveals that there are SACCOs whose management is efficient that researchers recommend a replication of their good management practices in other regions. A good example, is that of Barr Association in Erute North where members have attributed the success in management to consumer education training and materials.

B7 Sustainability of CEP in Uganda

Consumer Education has been useful but the question arises as echoed by DFID officer, “who is going to pay for this sustainability of consumer education?”

C Recommendations and way forward

- Need to consolidate and sustain the gains of high level of awareness of rights and responsibilities of Consumers of MFI services. This is because any slight reduction might lead to a slid back with negative effect.
- Need for multiple channels of communication. This is necessary given the diversity of users and potential users of MFI services. This approach also serves to re-inforce various sources of information.

- While knowledge of MFIs operations and users' rights and responsibilities seem to be relatively high, there still exists relatively low utilization of MFI services. This implies the need for deepening knowledge of MFI services that can influence practice.
- While there seems to be higher awareness of rights and responsibilities, there are apparent gaps regarding deeper elements such as compound interest, loan processing fees and other critical elements of the contract for a loan. There is therefore need for Consumer education to provide deeper insights on the above.
- There seems to be lack of financial literacy in some districts which had been hoped to be provided by the Financial Extension Workers (FEWs), hence Consumer education should strengthen financial extension work (FEWs). This should aim at inculcating self assessment, prudent financial decision making and building confidence among MFI users.
- It is pertinent that there is a clear separation of politics from economic management of programmes such as Consumer education.
- There is need to balance the expansion of MFIs and consumer education strategies

INTRODUCTION

1.1 Background

Since 2003, stakeholders in Uganda have carried out a number of largely coordinated activities designed to educate Consumers of Micro Finance Institutions. The motivating factor for these activities has been a firmly held belief that in the long run, the pro-poor financial sector will be stronger and make a greater contribution to economic development if Consumers have the information they need to make good choices about the use of financial services. The program in Uganda has had a number of separate activities funded by DfID's Financial Sector Deepening Uganda (FSDU) project. In addition, there have been a number of allied Consumer education efforts not funded through FSDU, notably a savings mobilization campaign run by USAID's Rural SPEED project.

In 2003, FSDU and the Association of Micro Finance Institutions in Uganda (AMFIU) discussed the possibility of launching a Consumer education campaign. This campaign was inspired in part by visits carried out to the Micro Finance Regulatory Council in South Africa and in part by the perception of some of the key figures in microfinance in Uganda that Ugandan Consumers were ill-informed and sometimes exploited as a result. There has been recurring negative reporting on microfinance, mixed with very positive reports, in the Ugandan press. Therefore, in 2003, FSDU launched a Consumer education pilot project, initially in two districts, Mbale and Masaka. In 2005, based on the perceived success of the pilot project, stakeholders decided that there was justification to roll the Consumer education programme out nationally, and agreed that some messages were better delivered through mass media, while others could be effectively delivered through Micro Finance Institutions (MFIs) and training institutions. Thus, the programme was split into the mass media channel and the MFI channel.

1.2 The Purpose of the Survey

The purpose of this survey was to document Uganda's experience in the field of Consumer education; identifying and facilitating the dissemination of lessons and materials; and evaluating the MFI channel.

1.3 Comments and Suggestions in the Terms of Reference (TOR)

The Consultant understood the TOR as comprising: preparing and submitting the technical proposal for carrying out the Uganda Microfinance Consumer Education Programme (CEP) Learning Exercise. The Consultant will focus on documenting Uganda's experience in the field of Consumer education, identifying and facilitating the dissemination of lessons and materials. The consultant has interpreted the TOR to comprise:

- To document Uganda's experience in the field of Consumer Education Learning Exercise.
- Carry out field work to evaluate the results of the National Rollout against objectives set out in the Financial Consumer Education Strategy.
- To conduct a review of the MFI channel.
- To identify and facilitate the dissemination of lessons and materials that will be useful to others in Uganda and elsewhere in Africa and the world.
- Assemble all available materials developed during the two phases of the campaign in print and web-ready formats to facilitate their wide distribution.

1.4 Approach and Methodology

1.4.1 Approach to the study

The study included both quantitative and qualitative data collection techniques. Both primary and secondary data were collected from identified respondents from the field. The latter was based on previous studies as well as existing relevant materials. This constituted secondary sources which comprising relevant survey reports, service statistics and population data (and other relevant documents). Primary sources mainly comprised Key informant interviews.

1.4.2 Area of Study

The study was carried out in selected districts of Mukono, Bushenyi, Kumi and Lira. As per the FSDU recommendations, the districts from where the mid-term assessment *was* conducted are the same districts where the baseline study was conducted. These communities formed the nucleus of primary respondents for the study. Project officials from: DFID; AMFIU; FSDU; CDFU; STF; and USAID were also targeted to give technical information on the implementation process of the project.

a) Sampling of Respondents

A total of four (4) districts¹ (one district selected from each region) were covered during the study. These were the same districts covered in the baseline and covered by National Roll-Out program. It was however necessary to ensure scientific representation of the sample so as to derive accurate results. The sample size comprised one thousand (1,000) ²respondents. Proportionate random sampling technique was then used to select household respondents corresponding to the number of people in the area. The following equation was used to select households for subsequent interview;

$$n_1 = \frac{N_1}{N} \times n$$

¹ These include: Bushenyi, Kumi, Mukono and Lira

² This number has been derived statistically using the following equation;

$$Z^2 pq / d^2 N > 10,000$$

Where; z=the standard normal deviation
p=the population of the sample population with particular characteristic of concern
q=1.0-p
d=degree of accuracy that determine the power of the research

Substituting in the figures in the equation

$$N = \frac{1.96 \times 1.96 \times 0.5 (1.0 - 0.5)}{0.05 \times 0.05}$$

Note that 0.5 is used for the value of "P" because we do not empirically know the proportion of the population were targeted by the programme.

$$\text{So; } n = \frac{1.96 \times 1.96 \times 0.25}{0.00025}$$

= **384 Household Respondents.** This number was scaled up by 261% derive 1,002 household respondents. These were rounded off to 1,000 respondents so as to match with the baseline survey. This equation is usually applied when the survey population (N) is more than 10,000

Where;

n_1 = Population Sub-sample required from each area/district

N_1 = Survey Sub-population that together constitute the entire Population elements

N = Number of the entire Population elements in the entire study area.

n = Total sample required.

c) Selection of Key Informants

The key informant interviews involved persons with specialized background and who have extensive knowledge and understanding of the issues raised by the questionnaire (interview schedule) especially those involved in the implementation of the pilot project and implementation of the learning exercise. Selection of key informants was based on guidelines to provide the research team with background information, visions and aspiration of each participating stakeholder as groups and as individuals as to enrich the total experience. The indicative key informants included:

- AMFIU officials
- MFI officials
- Officials of: FSDU, CDFU, STF, and SPEED Project
- Uganda Cooperative Alliance (UCA)
- Send Money Home
- Rural Business Culture

The actual number of the Key Informants was got after ascertaining the actual number of stakeholders involved in the implementation of the project.

1.5 Data Management/Analysis

All variables have been fully labeled along with their value codes. Any transformations were done particularly for the scale questions. Data quality steps included checking the questionnaire for internal consistency (in accordance with a scrutiny note), scrutinizing for filter errors, non-response/missing, range checks, logical checks and so on. For open-ended qualitative responses a list of responses was collected from a sample of questionnaires. These responses have been assigned codes and punched accordingly. Post coding and new variable generation/ merging the baseline data and follow-up data set have been undertaken. Separate variable for each response has been generated for multiple response questions. The data analysis was done using the SPSS program. Bivariate and multivariate analysis was conducted for report preparation. Qualitative data collected through key informant interviews was analyzed qualitatively using thematic analysis.

1.6 Organization of the Report

This report is divided into five chapters. **Chapter one** presents the introduction which comprises: background information; appreciation of the terms of reference; goals and objectives of the survey; methodology and approach used in data collection and management. **Chapter two** presents the Story of Consumer education in Uganda. This chapter highlights key factors and decisions including graphic timeline. **Chapter three** presents results of the evaluation of the National Roll-Out. The results are presented in accordance to the objectives of the national Consumer education strategy. Discussed under this chapter are: the Knowledge, Attitude and Practice about Savings; Practice of Consumer Rights and Responsibilities; Awareness/Sensitizations; Knowledge, Attitudes and Practices of SACCO Members; Knowledge Regarding Rights and Responsibility of

SACCO members; Practices of SACCO members regarding their rights and responsibilities and review of MFI channel. **Chapter Five** concludes the report with emerging issues, key learning points and recommendations.

2 Story of Micro Finance Consumer Education in Uganda

2.1 Introduction

This chapter presents the genesis of Micro Finance Consumer Education Programme (CEP) in Uganda. The programme was implemented in two phases. The chapter presents the literature review and field research of Consumer education, the content of the education, delivery channels and institutional arrangements for the Consumer education.

2.2 Background to the Micro Finance Consumer Education in Uganda

Literature review and field research established the following:

- MFIs and their customers did not always fully trust each other, and sometimes mislead each other.
- Many clients did not fully understand the complicated interest and fee structure of their loans.
- Others provided false information to their loan officers, especially about other debts, in order to qualify for the loan.
- There were reports of some customers falling into debt trap, taking multiple loans from different MFIs and borrowed more than they could pay back. Some MFI staff sometimes willingly let this happen.
- Many customers would have been better off saving instead of borrowing, but they either did not have access to secure liquid savings' opportunities, or they were led progressively into a series of loans without regard to their ability to invest the money profitably.
- Some MFI workers did not let people fully understand their legal rights and denied them access to some information.

Though there was growth in the micro finance industry, availability of micro finance products and services, but this growth was not matched with a well educated clientele. Many actors in the micro finance industry identified Consumer Education as a way to build a healthier industry. Consumer Education was initiated to help customers and the financial institutions to work together, each from a position of honesty, strength and confidence, so that clients got the financial products they needed.

2.3 Phase I

Faced with the findings about the Micro Finance Consumers, a group of stakeholders held a week-long workshop in 2004 to develop a Consumer Education strategy. The strategy was developed with the goal of giving Consumers necessary knowledge about their rights, obligations and choices, so that they negotiated with financial institutions for appropriate products for their needs in an atmosphere of trust. After the workshop, they launched a pilot project in two districts of Mbale and Masaka. In August 2005, an assessment of changes in the knowledge, attitudes and practices of Consumers in the two districts was carried out. The findings revealed that the key objectives of micro finance Consumer campaign were achieved and 79.6% of all respondents who had heard or seen microfinance Consumer messages indicated that the messages disseminated during the campaign period influenced their attitude change concerning their position in relation to microfinance institutes. The pilot exercise provided useful insights about the perceptions of Consumers and was later used to scale up Consumer education leading to a national roll-out campaign.

2.4 Phase II

In 2005, based on the recorded success of the pilot project, stakeholders decided that there was a justification to launch a national roll-out of the Consumer Education programme. A baseline study was carried out by STF/CDFU in four districts with a district from each region. The baseline results found that there was limited knowledge on: savings; interest rates; debt repayment etc. Similarly, there was a gap in knowledge and the application of the knowledge into practice. Phase II of implementation covered the whole country. It mainly used two channels of communication i.e AMFIU Channel and the Mass media Channel. The government through its organ MofPED initiated a personnel group tasked to work as FEWs. Phase II was designed to address the following key issues:

- Rights and responsibilities
- Identifying the right MFI and products
- Promoting member-based MFI (SACCO)
- Savings

2.5 Content of Consumer Education

The Consumer Education campaign included messages that were carefully chosen after a weeklong stakeholders' workshop to meet the identified gaps in meeting the ordinary consumer in Uganda. Most of the recommendations of the participants in the workshop focused on three critical areas the consumer would be honestly informed and served.

- Knowledge of their rights, responsibilities
- Types and uses of different financial products
- Differences between various types of financial institutions and groups

Both AMFIU and STF/CDFU had pre-recorded radio and live talk shows focusing on a wide range of topics which included:

- Financial institutions and services
- How to identify a good SACCO merged with Functioning of a SACCO
- Functioning of village associations and loan associations
- Savings
- Rights and responsibilities
- Procedures of getting a loan merged with loan management

2.7 PARTNERS

Consumer Education in Uganda has been made possible by a large number of stakeholders actively participating. These include: Government of Uganda under the Ministry of Finance, Micro Finance Outreach Plan/Rural Business Culture, DFID, Financial Sector Deepening Project (FSDU), Association of Micro Finance Institutions of Uganda (AMFIU)

2.7.1 Government of Uganda

The Government of Uganda has provided Financial Extension Workers (FEWs), this is a complementary resource in consumers education. The FEWs play a very active role as a transmission channel for financial education through harmonizing of all the communication channels. The FEWs are still active in the field and carry out community *follow-up* education talks and are a point of reference for the communities. The programme furnished them with flipcharts, which are widely appreciated as an effective tool for Consumer Education.

The FEWs' work and contribution toward CEP cannot be underestimated as illustrated in the findings that the grassroots highly acknowledges their input as a more socially accessible channel. In spite of their obvious influence (140 respondents) and potential for a sustainable follow-up communication structure, FEWs future services are threatened by lack of financial funding.

2.7.2 DFID and Financial Sector Deepening Uganda (FSDU)

DFID's Financial Sector Deepening Project (FSDU) provided funding and consistent moral and technical support for Consumer Education, as the most pro-poor intervention with a an overarching goal of balancing the exchange relationship between the MFIs and Consumers in light of the mushrooming Microfinance business companies in Uganda.

2.7.3 Association of Micro Finance Institutions of Uganda (AMFIU)

Association of Micro Finance Institutions of Uganda (AMFIU) is the national umbrella organization that was formed to create and maintain cohesion in microfinance industry given the rate at which Microfinance business companies are spreading out nation-wide. It is estimated that there is over 1000 registered MFIs in operation. AMFIU membership covers approximately 75% of the MFI portfolio of Uganda. AMFIU members serve over 900,000 savers and over 350,000 borrowers (Microfinance Guide Book: Sound Practices in Microfinance 2005). AMFIU has developed a Consumer Code of Conduct covering the following:

- Information and conditions
- Financial assessment for lending
- Data protection and confidentiality
- Operation of client account
- Complaint procedures
- Supplier of other goods and services

All the members are signatory to AMFIU's code of conduct and are obligated to abide by it while transacting business with their customers. The Consumer Code of Practice (CCP) sets out standards of sound practices for the micro finance industry in Uganda. It is intended to define fair practices so as to ensure that microfinance services are provided in a manner that benefits and respects both clients and MFIs. Its major objective is to promote transparency between the MFIs and Consumers within the microfinance industry in Uganda. It lays a general duty on MFIs to build relations with their customers on a basis transparency, a fair balance between the interests of both. The CCP generally aims at:

- Informing and assuring customers about the institutions business aims
- Setting out institutional procedures in dealing with customer issues
- Giving information about contacting the institution and other organizations relating to consumer issues in the industry
- The promotion of fair competition in the industry

In addition, AMFIU carried out training of trainers of different stakeholders in financial education with themes of savings, debt management, banking services, financial negotiation and financial services. The people trained came from different organization that extends financial services to the people. AMFIU also commissioned a writing of MDD Play Script which is performed to reinforce the training sessions for trainers of trainers and SACCO members. The play that combines music,

dance and drama drawing its themes from the training themes and was delivered by three local dance troupes in local languages.

2.7.4 Straight Talk Foundation (STF) and Communication for Development Foundation (CDFU)

DFID signed an accountable grant agreement with Straight Talk Foundation (STF) which in turn sub contracted components of the programme to CDFU, a Ugandan NGO specializing in behavioral change communication and were tasked to implement Consumer Education using the mass media channel. In joint venture, CDFU/STF developed a newspaper called Money World that is translated into four local languages namely: the 4Rs or Runyakitara; a cluster of -Rukiga, Runyakole, Rutooro, Runyoro; Luo; Ateso; and Luganda. In addition, they implemented radio programmes and print materials such as Posters, Leaflets and Flyers. The purpose of these materials was to educate consumers about their rights and responsibilities.

2.7.5 USAID-Rural SPEED Project

The Rural SPEED Project under USAID played an important role in consumer education especially on savings. The Rural SPEED project promoted savings, transparency and good governance for SACCOs and other MFIs, through member education and mass media campaigns. Rural SPEED provided alternative communication strategy in form of road side shows. The project highlighted the importance of savings and disseminated materials to consumers about savings. Rural SPEED produced Saving Bags, Flyers and Leaflets on saving using local examples that identified with people in Agricultural Sector.

2.6 Communication Delivery Channels and Feedback on Impact

2.6.1 Media Channel

a) Radio

Channels used included Radio programmes broadcasted in 9 local languages i.e. English, Luo, Ateso, Luganda, Lusamia, Lugbara, Lumasaba, Lukonzo, and Runyankole Rukiga/Runyoro Rutoro (4Rs). Programmes included Radio spots bringing out different themes like interest, benefits and savings that ran for one minute for 6 months. There were also pre-recorded programmes from the local people done by journalists for 30 minutes. Live talk shows broadcasted on 11 radio stations for 6 months on Voice of Teso, Voice of Toro, Akabozi, Radio Buddu, Radio Parcis in West Nile, Mega FM in Gulu and Radio Hoima. The radio is reported to be the most effective channel reaching 98% of the people (Official of Straight Talk Foundation, August 2007). The channel is cost effective as it reaches a large population with minimal cost. Further more, some people can hear their languages on the radio though they may not be fluent in those languages. Many listeners have given testimonies through live shows about how they have benefited from the easy to follow radio programs. For example an official from CDFU shares a feedback from a listener from Katakwi District in Eastern region:

The radio channel is cost effective as it reaches a large population with minimal cost. Further more, some people can hear their languages on the radio though they may not be fluent in those languages.

The radio programme has equipped us with knowledge about how to save. I have started my own saving group with others. We listen to the programme every Sunday and we wish the

programme would extend it to Kitgum District my home district (Official of CDFU, August 2007)

b) Posters and Flyers

AMFIU developed posters on the Consumer Code of Conduct. Flyers were also produced covering all the thematic areas of the campaign. These simple materials with pictorial illustrations help to reinforce simple headline messages.

c) Flipcharts

Flipcharts were developed and used mainly training local communities focusing on good operations of financial institutions and the rights and obligations of consumers. This chart has become popular with diverse users because of its clear pictorial illustrations and the accompanying thematic messages. The chart has become a prize commodity in every SACCO office. Because of the flipcharts' potential impact, the Ministry of Finance, Planning and Economic Development (MoFPED), requested its translation into additional local languages, and printed and distributed to FEWs in seven other districts where the Ministry had stationed FEWs.

d) Money World

Money World newspaper is a quality paper that captures the panorama of activities in regard to MFI services, savings and borrowing with its major focus on consumer education. In the first 6 months of the consumer education, CDFU/STF initiated Money World newspaper with a people orientated reporting. The paper is printed and circulated in volumes and so far volume one has been printed and circulated in English language with 200,000 copies and with additional 260,000 in translations. Money World newspaper takes on the structure of a community newspaper. It is very informative and people centered paper with the objective of delivering information in highlighting the good practice of borrowing and saving. It underscores success stories to which one can return for reference. Its impact is reflected in the letters written to the editor appreciating its messages for example the readers have given the following feedback.

"I am so grateful for financial education and sensitization through money world. ...for having thought of such educative programme. I have learnt to save for the following reasons: preparation for the future life especially during my old age, to invest and pay school fees. To realize this important goal I have opened a savings account with our local bank." Money World reader's response, Kampala District, May 17, 2007.

"In reference to your money World Vision dated 1st May 2007, you wrote encouraging us people to learn how to save and make savings a habit. I appreciate that so much. I too have started to save in order to set up a private business to generate more income for my family. I have made a wooden box where I drop coins on daily basis and I have joined a SACCO in my locality." Masindi District, June 29, 2007.

" I received this Newspaper Money World Vol I No. I May 2007 to pass it on to my boss the district production officer. I was very eager to read it as it s headlines and lay out caught my eye. After reading it, I realized I have to do something about my saving habit. Now I can say I am also a money saver I leave Ug. Shs 20,000 as a fixed saving. This will help me to pay school fees for my children without borrowing." Resty, Masaka, June 8th 2007.

With the above written testimonies, it is clearly indicative of a well thought out newspaper which is people centered, educative and with capacity to influence behaviour of readers as reiterated by the official of STF. "Money World newspaper is fast influencing the saving culture of many people." Although its readership is still small, the response shows that the newspaper impact is promising particularly in cultivating positive saving habits.

e) Brochures and Leaflets

A number of brochures and leaflets have been produced and distributed through out the country during and after trainings. They are also distributed through various institutions like banks, schools and NGOs. The brochures and leaflets have eye catching messages influencing saving habits, taking responsibility for loans. They are accessible to all because it has simplified message mapping and illustrations. The presentation of brochures and leaflets is in a variety of forms touching on the various elements of consumer education campaign, which in it self reinforces the radio and other channels of communication.

The brochures and leaflets have eye catching messages influencing saving habits, taking responsibility for loans. They are accessible to all because it has simplified message mapping and illustrations.

2.6.2 AMFIU Channel

a) Music Dance and Drama

AMFIU commissioned the scripting of a play to carry messages of savings, debt management, transparency and consumer rights and obligations. The MDD program which is a reinforcing medium has staged 22 performances by three local dance troupes.

Drama as an alternative communication channel is reported to be having desirable impact in a way spectators are able to recall the message in a verbatim manner. From the findings, it was evident that the issues in the drama were reflective of CEP and the sampled listeners clearly appreciated the message of MFIs vs. Consumer relationship and operational procedures. AMFIU recently commissioned Wilsken Agencies Ltd to conduct a mid-term assessment of MDD performance in the campaigns. The findings have been very promising and indicative that MDD was indeed, was not only having but it was reinforcing the other communication channels. The report emphasizes the levels of understanding acquired among the audiences exposed to MDD thematic play. The Wilsken assessment points out that: "The participants could in post exposure narrate issues with more clarity than in their pre-exposure state." This also is portrayed by the increase in the proportion of respondents at the post event interviews on issues to do with transparency highlighted in the drama. For example, before the drama, only 50% of the members reported that SACCOs are owned by members compared to 70.7% who said so after the drama. In the same study, it was found that more members (27.5%) observed after the drama shows that SACCOs should mobilize their own savings before getting a loan compare to 11% before.

A study conducted found that participants could in post exposure narrate issues with more clarity than in their pre-exposure state.

This is because the concepts are packaged in such a way that even the novice in financial transactions is able to follow. The team observed that during performance, the audience watched with keen interest and responded to humour at moments when it was humorous. The play is well orchestrated taking the audience from the unknown to known practices [SACCO] with an over-arching message of “rights and obligations.” The later is clearly the mission of all the stake holders as emphasized in their responses when interviewed by the researchers. For example an official of FSDU had this to say:

“I will only be satisfied if a good percentage of the poor can attain operational literacy in financial matters in a symbiotic relationship; that would enable them to demand and efficiently utilize the MFI services. (Paul Rippey, August 2007)

It is apparently clear that drama as an alternative communication tool is powerful in reinforcing this unwavering goal of reaching the poor of the poorest. Definitely other stakeholders share this optimism. Adrian Stone of DFID in similar tone is urging MFIs to invest in the education of consumers saying thus: *“In short term consumer education appears to be an expensive venture but nothing compares with having informed consumers.”* (August 2007) It is this informed consumer the whole exercise is focused on and drama plays its part of simplifying the complex messages into comprehensive information with the aim of reaching the other wise left out groups. The potency and validity of drama as a communication channel is unquestionable in this noble campaign, because of the following reasons:

- Drama messages are focused to the spectators/audience as opposed to channels that lack immediate feedback of actor – audience spontaneous response.
- Drama has high appeal to both educated and non-educated audience
- The physicality of drama gives it an added advantage creating *communitas* necessary for information ownership.

Key Learning Point

The success of drama in carrying MFIs vs. consumer messages stems from the people’s oral culture, a fact reflected in the research findings that showed the impact of different channels; with Radio ranking highest with 385 respondents while next in influence was interpersonal communication or word-of-mouth with 335 respondents and the Financial Extension Workers trailing with 140 respondents. In essence this clearly shows that an Oral Communication Strategy stands a chance in environments of oral driven communication. Hence there is a possibility of drama facilitators to extend its boundaries to exploit the people’s communication structure by adapting *Forum Theatre* approach, which integrates the people’s rich culture, socio-economic, and socio-political experience in presentation of complex Micro-finance vs. Consumer rights and obligations.

b) TOTs

AMFIU in association with a US partner, Micro Finance Opportunities, developed Ugandan versions of modules on Budgeting, Savings, Bank Services, Financial negotiations and Debt management. Training financial literacy trainers targets loans officers of partner organization who train their clients and SACCO members. AMFIU also encourages creativity in the modules by

including them in the drama. AMFIU has so far trained 129 trainers and SACCO members reported to have benefited from the trainers.

2.8 Achievements of the Channels

As reiterated in the fore going sections of this report, two major channels of communication were used in consumer education i.e the Media and MFI channels. Table 3.1 presents the achievements of the channels.

Table 2.1 Evaluation of dissemination channels

| Channel | Area of coverage | Quantity Distribution | Visibility/Accessibility | Technical Quality and Suggestions |
|---------------------------|---|--|--|---|
| Radio Spot | In almost all the regions of Uganda. Specify the regions | Regular radio spots on selected 11 local FMs. A total of 20,600 radio spots | Translated in local languages on regional basis (9 languages) | Appropriate message packaging |
| Radio Talk /Call-in shows | Talk shows are conducted on selected FM radios in different regions | Follow program schedule of the 22 radio station for 30 minutes. 244 call-in shows running for 1 hour and 220 prepared shows | The program operates on a tripartite arrangement with a moderator, a guest and audience participation through call in arrangement. | The guest is given opportunity to prepare for each show to keep focused on the issues of consumer education. In return, this too controls the callers to keep on the subject. |
| Money World News Paper | Urban Centers mainly the Banking Institutions, Post Offices | 200,000 copies in English and 260,000 copies translated in 4 other local languages in circulation namely: Lugbara, Luganda, Ateso, Luo and 4Rs. A total of 460,000 copies of the first print has been circulated | Presently, translated into 6 major language blocks (4 languages i.e. Lugbara, Luganda, Ateso, Luo and 4Rs). | Good Prospects, but with minimal impact due to poor readership culture |
| Posters | The posters cover a wide population mostly in SACCO centers | 15,600 copies of SACCO posters and poster used in pilot 20,000 copies | Posters have been translated into various languages and they are very visible at microfinance offices as well as SACCO centers | Appropriate and very communicative. The choice of illustrations is very appropriate. Even without the text, the message is self evident |
| Flyers | Limited because of nature of information and the language in which it is produced | Sufficient for the chosen venues. 33,600 copies each of flyers and handouts | Accessible to the elite clients and Microfinance providers. | Good production standards but with information overload |
| Brochures | Wide coverage and easy distribution packaging | Sufficient | Accessible to all because it has simplified message mapping and illustrations. | Appropriate quality and content which is easy for distribution and sharing. |
| Flip chart | Very limited but | Distributed in form of | Not accessible to many | Excellent illustrated information |

| | | | | |
|--|----------------------------|--|--|---|
| | represented in poster form | loose posters. For the fixed Chart (200) 292 Flip Charts | SACCOs visited yet an efficient tool for information discussion | especially appropriate for training purposes. |
| Leaflets | Wide coverage | Sufficient | Accessible but mostly targeting the elite. | Good quality and presented in a variety of forms. |
| Interpersonal communication (meetings, workshops, public events conducted by FEWs) | Highest coverage | Complements radio communication channels in terms of the population percentage reached | Follows cultural norms of oral communication. | The FEWs were recruited by the MoFPED. The FEWs were a successful transmission channel for financial education but have encountered constraints of funding. |
| Microfinance Directory | Limited coverage | Distribution is by request | Accessed at administrative level | Good quality and a good reference book |
| Microfinance guide book (sound practices in Microfinance) | Limited coverage | Distributed by request | Accessed at administrative and operational levels | Good quality and a good resource in sound Microfinance practices. |
| Drama (MDD) | Limited Coverage | 22 MDD shows have presented to-date | MDD has accessible visibility because of the use of traditional media. | |

Source: Program Documents and field Survey August 2007.

2.8 Constraints to Consumer Education

- The multiplicity of microfinance institutions, whose motivation is profit, sends contradictory messages to the public regarding borrowing. This has made an impression that it is easy to borrow and pay back.
- Weak structure of enforcing the code of ethics and monitoring of defaulting MFIs.
- Politicization of Microfinance services or activities (Bona Bagagawale) where by the recipients of loans takes it as free money given by the Government for their political loyalty. This attitude keeps away many prospective clients from embracing the economically viable arrangement of poverty eradication as they continue speculating for the implied “Free Money”.
- The literacy levels of the prospective clients are low, coupled with high levels of poverty.
- Negative attitudes towards saving culture
- Speculation of benefits and high expectations from borrowers

2.9 Key Learning Points on the History of CEP

LEARNING TO LEARN

Learning to learn is the key message we get out of this unique history. The phases and steps taken by AMFIU and the Stakeholders before the implementing a National Roll-out of CEP were critical. There is also a revelation that CDFU/STF the organizations that were contracted to carry out the designing of materials and identifying of channels of communication have done an excellent job in the first phase of the national roll-out. That there has been active participation of funding and managing organizations that have ensured the recorded success.

- Consumer education is still limited in coverage, implying the need to continue CEP activities. This implies the need for the MFI industry to increase investment in Consumer Education. This requires a Consumer Education curriculum for the entire MFI sector.
- The MFI channel has not been effective given that the training given to MFIs did not percolate through to TOTs.
- Sustainability of the Consumer Education is a critical issue given that FSDU is winding out its operations in Uganda.
- Apex bodies such as AMFIU are best positioned to effect and develop standards for Consumer education
- Government investment in strengthening Consumer Education through FEW's is a viable approach to extending Consumer education to grass level

3 Evaluation of the National Roll-Out

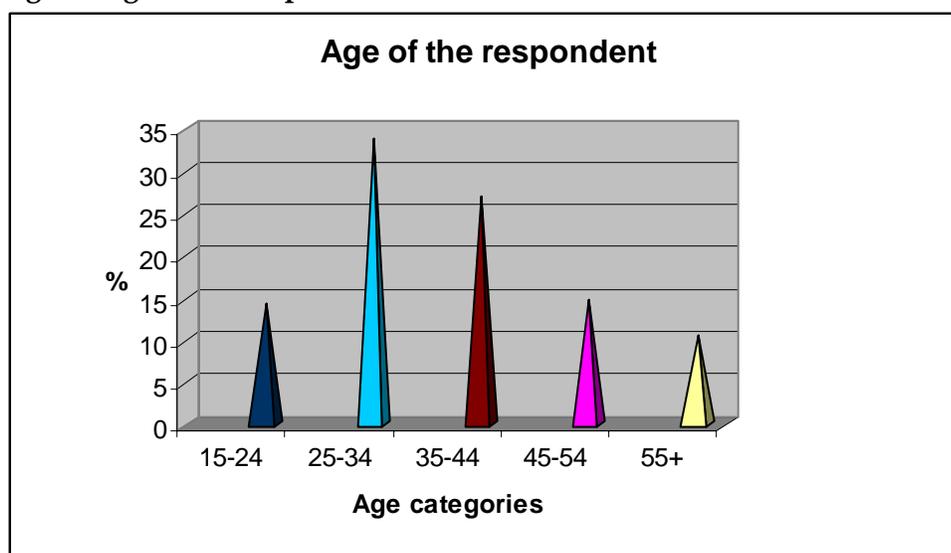
3.1 Introduction

The National Roll out program covered the Mass media channel and the MFI channel as was used in the national wide Consumer Education. The Mass media channel used mainly radio programs that were transmitted in different languages and the Money World newspaper that was also in different languages. These channels were supposed to raise awareness about savings, borrowing, debt management and raising awareness about Consumer rights and responsibilities. This chapter provides an assessment of Consumer knowledge, Attitudes and practices about savings, financial institutions, and their rights and responsibilities.

3.2 Socio-Economic and Demographic characteristics of respondents

The Micro Finance Consumer Education Learning Exercise was carried out in the four districts of: Bushenyi, Mukono, Kumi and Lira. It collected information on the background characteristics of respondents, including demographic and socio economic information. This chapter presents information concerning their demographic and socio economic background. Table 3.1, 3.2 (Annex III) and Figure 3.1 show the distribution of respondents by age and sex.

Fig. 3.1 Age of the respondent



Source: Field Data: Consumer Learning Exercise August 2007

With regard to age, respondents aged 15-24 years comprised 14.2%, while those aged 25-34 were only 33.6%. Furthermore, 26.8% of those interviewed were aged 35-44 years; 14.8% aged 45-54 years while those above 55 years were about 10.5%. The purpose of capturing this age distribution was to assess the level of knowledge of consumer education across the different age groups. The findings relating to the sex distribution of respondents show that there were more males in the study (53.8%) than females (46.2%). There are variations in educational level attainment of the respondents as presented in Table 3.2 (Annex III). More of the respondents had attained only primary education (40.9%) compared to 8.2% who had a university degree. This varied from district to district with majority (14.1%) of those who never went to school coming from Lira district. The findings also indicated that more females (13.6%) than males (8.7%) reported never to

have gone to school. The table also shows that majority of the people are not highly educated thus the need to prepare less complicated messages that are aggregated into local and relevant content. It further calls for intense consumer education especially on consumer rights and obligations.

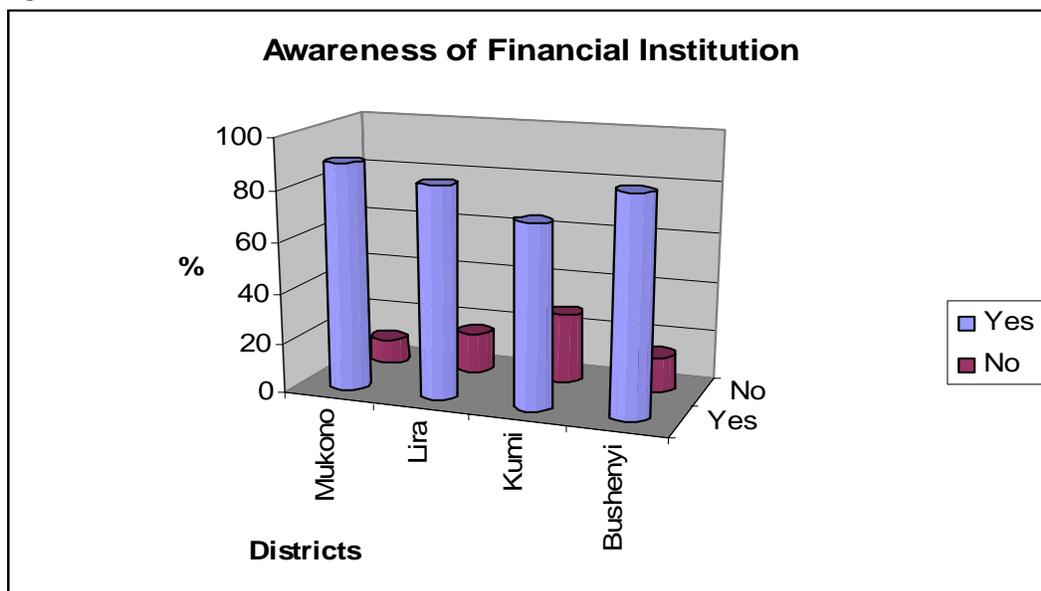
With regard to occupation, many respondents work in agriculture, Fisheries and Forestry (20.4 %). Another major source of income was service work and sales work (21.4%). In particular, Mukono district had the highest proportion of individuals working in agriculture (39.1%) while Bushenyi had the least at 9.5% while Legislator, Manager and Professional constituted 11.7%. Crafts and related work employed only 6.6% of the respondents and those employed in armed forces were only 1.7%, but exhibited wide regional variations ranging from 46.1% in Kumi to 2.6% in Bushenyi (Refer to table 3.4, Annex III). The contribution of plant machinery operator is minimal averaging 1.1% in households from all the four regions as indicated in Table 3.5 Annex III. There are slightly more women employed in agriculture and in Service and sales work compared to males. At the same time there were more males than females in professional jobs, crafts and related work and armed forces.

3.3. Knowledge, Attitude and Practice about Savings

3.3.1 Knowledge and Awareness of Financial and Credit Institutions

There is high awareness of financial institutions. This could be attributed to the multiple communication channels (print and electronic media, handbills, flyers, posters etc.) and a deliberate organized commitment by the MFI stakeholders. Similarly, the growing number of MFIs country wide (over 1,000) has had impact on disseminating of knowledge. This is a good benchmark for enhancing a healthy MFI industry.

Fig 3.3 Awareness of financial institution



Source: Field Dat: Consumer Learning Exercise August 2007

Respondents were asked whether they knew of any place where people can save. In response to the question, 82.8% said that they knew of some places where one can save and borrow compared to 17.2% who said that they do not know. The awareness is high across all the districts. There has

been improvement in the awareness of the presence of financial institutions in the area from 67.2% before the consumer Education Program was launched to 82.8%. This is a big achievement in the 6 months of the program implementation. High awareness levels among participants about where one can save and borrow is a positive indicator provided there are good saving patterns and meaningful projects to invest in. Asked about the source of information about financial institutions, 385 respondents mentioned the radio while 335 mentioned friend. Financial extension workers have also played a significant role in increasing the awareness about the available institutions with 140 respondents reporting to the FEWs as the source of the information. This is a considerable number given that FEWs are not in every district as yet. The contribution of FEWs in the area of consumer education should not be under estimated. Their interaction with Consumers produces significant positive results which need to be enhanced. This is further presented in table 3.6 Annex III It is apparent that the radio and interpersonal communication represent the most effective media channels of communicating about financial institutions. This is a reflection of the appropriate packaging of information, given the widespread distribution of FM stations in the country. This also underscores the oral nature of African societies in information transmission. Therefore in consumer education, channels that are dependant on the oral mode of communication should be emphasized alongside other media.

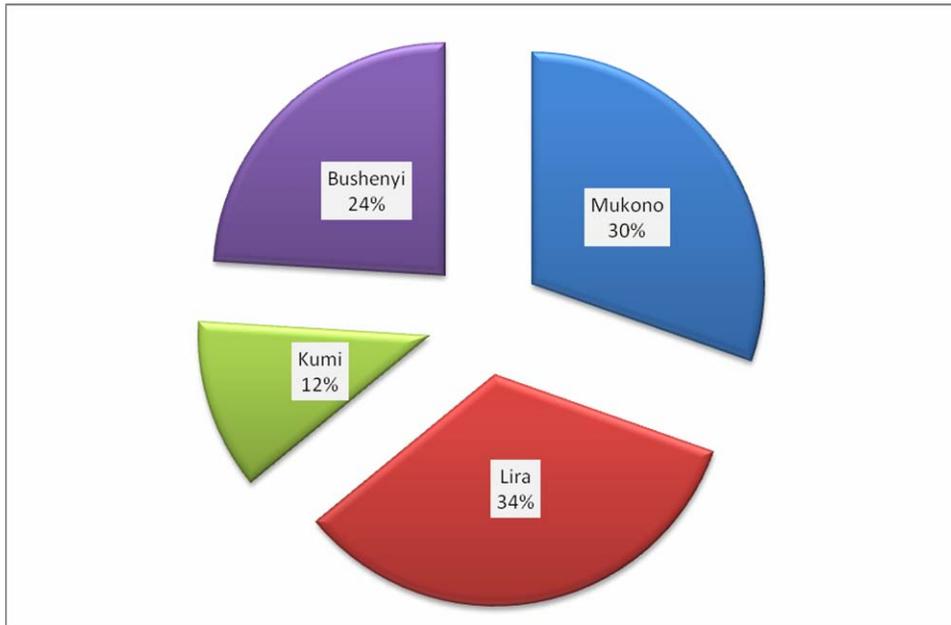
High awareness levels among participants about where one can save and borrow is a positive indicator provided there are good saving patterns and meaningful projects to invest in.

3.3.2 Attitudes and Practices about Saving

Respondents were asked further if they have an account in any of the financial institutions and 58.4% responded in affirmative. Mukono (72%) and Lira (69.9%) have an account in the financial institutions while Kumi has the least (30.3%) as indicated in Table 3.7, Annex III. In Kumi, this could partly be explained by the nature of the occupation as the biggest percentage of the respondents in Kumi were involved in elementary occupation than in other districts. A further analysis by gender does not show a significant difference in holding accounts as 58.1% of males and 58.7% of females have accounts. Respondents were asked about the type of accounts they hold and it was found that: 4.2% hold current accounts; 92.9% hold savings account; 1.7% hold fixed deposit account; and 1.1% hold investment account. This is a significant achievement in six months as the baseline had established that that only 23.4% of the respondents were operating a savings account. The results seem to indicate that a saving culture has been cultivated in the people. Further inquiry was made to establish the differences in saving culture across districts and Figure 3.4 shows the findings.

Consumer Education is not preaching at the people, but rather leading the people to formulate their own value system based on understanding of the whys.

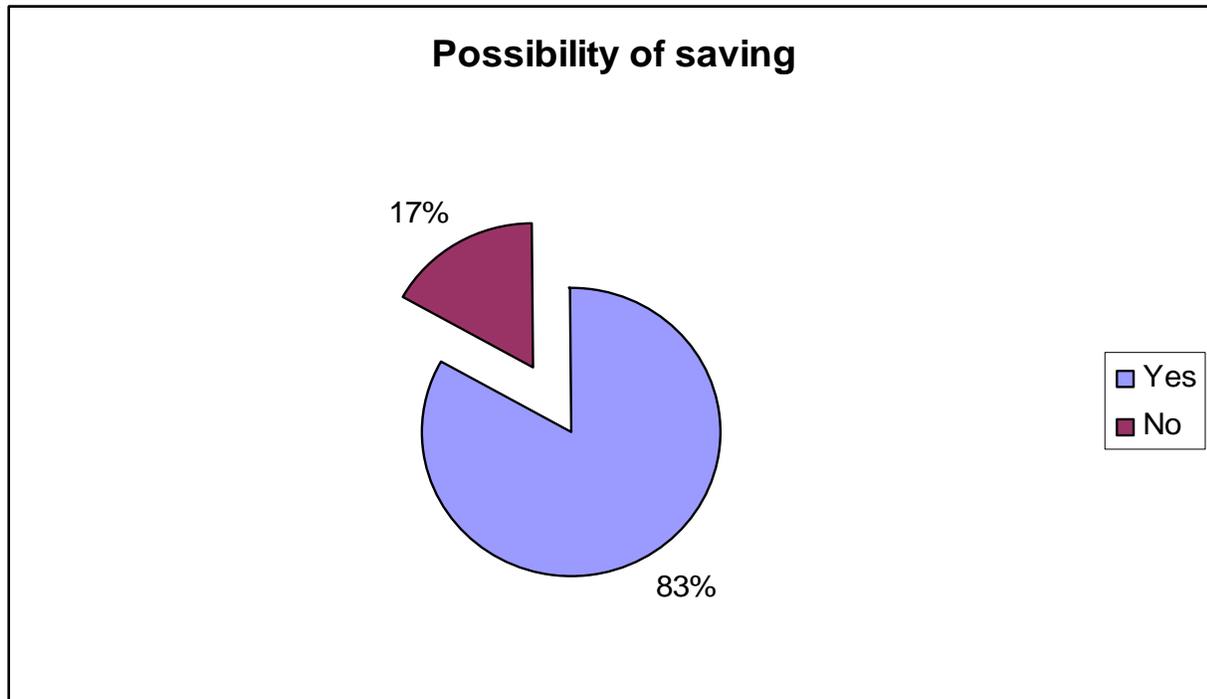
Fig 3.4: Proportion of Respondents Holding Savings Account by District



Source: Field Data: Consumer Learning Exercise August 2007

By district, Lira had the highest number of respondents operating a savings account (34%) followed by Mukono (30%) and Bushenyi (24%) and Kumi (12%). By gender, 62.7% of those who currently operate a savings account were males compared to 37.3% females. This implies that males are almost two times likely to operate a saving account compared to females. Like wise savings account was more associated with those who attained higher levels of education. The savings culture was also more prominent among those employed in the formal sector like service work. Those employed in other forms of livelihoods apart from service work have a less score on this particular aspect. This shows that their saving and expenditure patterns have not moved to desired levels. It further shows, a tendency where holding savings accounts is a male domain which leaves the females in a disadvantaged position in terms of resource ownership. Respondents were further asked to indicate how possible it is to make savings and the findings are indicated in Figure 3.5.

Fig 3.5 : Possibility of saving



Source: Field Data: Consumer Learning Exercise August 2007

It is apparent that 83.1% reported that it is possible to save compared to 16.9% who said it is not possible. This is a slight improvement from the baseline indicator of 81.2% who reported that it was possible to save. The frequently mentioned reason as why it is not possible to save were; lack of money to save (household poverty), low knowledge about savings, and negative attitude towards saving the same reasons that were advanced during the baseline. This implies that much as people could be willing to save, they may not do so because of the afore mentioned reasons. It is therefore pertinent that these barriers for saving be addressed through continuous consumer education.

3.3.3: Reasons for Holding Accounts

Respondents were asked to indicate the primary reason for saving, and results show that many people (43%) are saving primarily to access money whenever they want it, and 8.3% are saving in order to get a loan. On the other hand 39.6% are saving because they both want to save and later borrow when they need money. This is further presented in Table 3.8, Annex III. It is apparent from the table that a few people with savings account hold them for a good purpose, although there are still those who believe in borrowing before saving. This seem to indicate a growing consumer realization of the value of saving money to access it when need arises rather than just saving to be able to borrow.

3.4 Attitude and Utilization of Financial and Credit Institutions

The program sought to educate Consumers and potential Consumers about the dangers of borrowing in order to promote savings rather than credit driven Consumers. To ascertain the achievement of this objective, respondents were asked to mention what is more important to them; having a place where to save or having a place where to borrow or both. 88.8% reported that it is

important to have a place where to do savings and borrowing, 7.6% said that it's important to have a place where they can save while 3.6% reported that it is important for them to have a place where they can borrow. This shows that there are still a number of people who believe that savings go hand in hand with borrowing. This also has slightly improved from the baseline survey where more people (15.9%) wanted only a place where to borrow than 7.6% who were in favour of a place where to save. This indicates that majority of Consumers prefer places where they can save and borrow if need arises. It should be noted that these people may be persuaded to open savings accounts in different financial institutions so that they can be able to borrow without the original motive to save. This points to the need for continuous consumer education to promote saving as good option than borrowing.

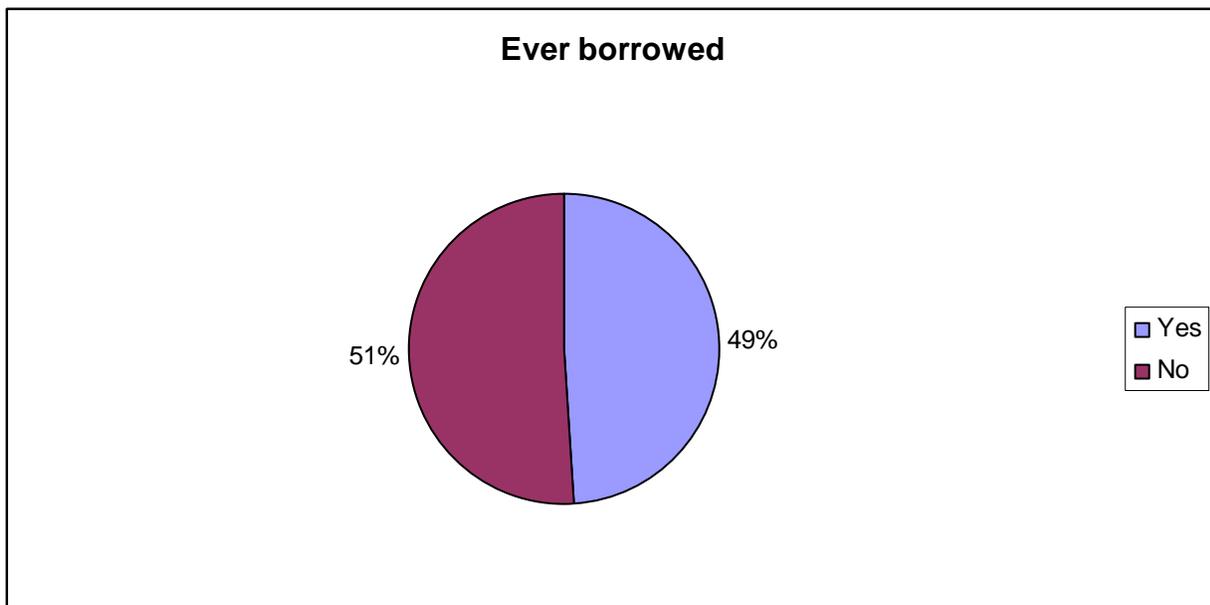
3.5 Practice of Consumer Rights and Responsibilities

As part of the joint implementation of the Consumer Education Program, AMFIU, STF, CDFU educated Consumers about loans in order for them to be informed Consumers of their rights and responsibilities. The consulting team made effort to establish whether the Consumers of MFIs services were acting on the knowledge and the understanding of the operations of the financial institutions or they were still acting on impulse. The knowledge comprehension areas were the MFIs service operations procedures and consumer rights and responsibilities. In assessment of knowledge, the team considered the rate of borrowing and the practice of consumer rights and responsibilities in the process.

3.5.1 Loan Borrowing and Payment Terms

In order to find out how financial services Consumers are practicing their rights and responsibilities, respondents were asked whether they have ever borrowed from any financial institution and the results are presented in figure 3.6

Fig 3.6: Proportion Distribution of Respondents who have ever borrowed from Financial Institutions



Source: Field Data, Consumer Learning Exercise August 2007

Regarding borrowing, the study found that 49.3% of the respondents have ever borrowed from a

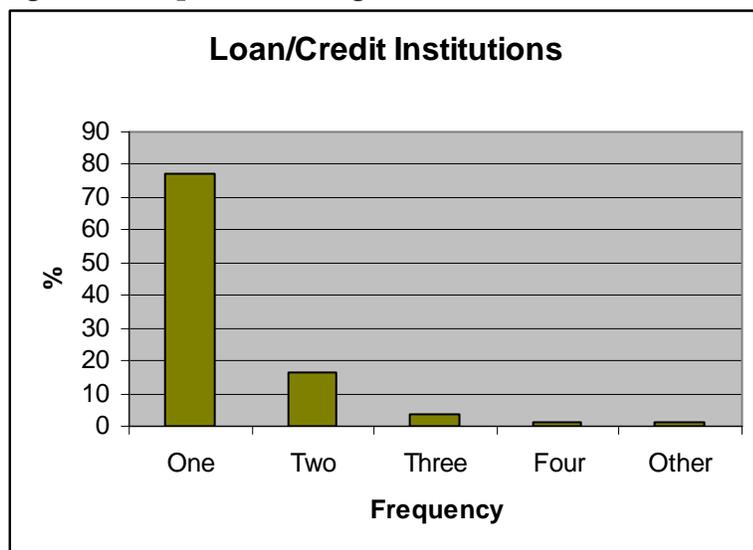
financial institution compared to 17.1% of the baseline. Further analysis by occupation indicated that the biggest number of borrowers were service workers (62.2%) and legislators (61.5%) compared to the lowest borrowers in elementary occupation (33.3%). This can be attributed to the education that people have learnt to borrow what is within their capacity to pay back in comparison to their earning. When the district disaggregated data was analysed, it was found that, more respondents in Mukono (64.3%) and Bushenyi (54.9%) than in Kumi (25.9%) are borrowing. It was also found that among those who have ever borrowed, 22.8% had borrowed from more than one financial institution compared to 17.3% of the baseline as shown in figure 3.7. It was further revealed that 76.1% of those who had borrowed signed the contract and 60.1% first read and understood the contract before signing compared to 21% who signed the contract straight away. Like wise 87.7% were fully explained and made aware of the interest rate and fees. However, the indication that many people had borrowed from many financial institutions projects in the negative direction as it seem to imply that the relationship between these institutions and Consumers is loose. This is particularly pertinent as regards multiple borrowings and failure to repay the borrowed loans. The proceeding section analyses the issue of multiple borrowings.

People have learnt to borrow what is within their capacity to pay back in comparison to their earning.

3.6: Multiple borrowing from Financial Institutions

To estimate the level of consumer responsibility and awareness about the implications of borrowing, respondents were asked how many institutions they have gotten a loan/credit. The predominant number of respondents has borrowed from one financial institution. However, a significant proportion (16%) is still involved in multiple borrowing with its dangers of falling into a debt burden. This is likely to make debt servicing difficult especially for those borrowing from multiple financial institutions. More sensitization about the dangers of multiple borrowing are still needed if Consumers are to overcome that burden.

Fig 3.7: Multiple borrowing from Financial Institutions



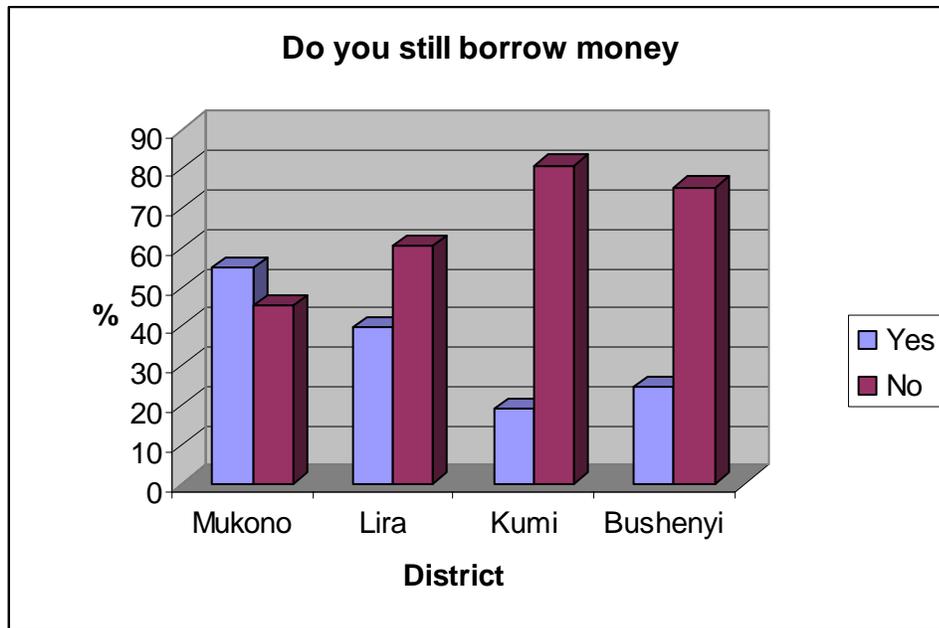
Source: Field Data, Consumer Learning Exercise August 2007

3.7: Disclosure of Information on Multiple Borrowing

As part of the consumer responsibility, they are supposed to disclose all their debts and give the information required of them when applying for a loan in order for them not to fall in debt traps.

Consumers were educated through the newsletters, drama etc about the importance of giving full and correct information while applying for loans. When asked whether they disclosed all the information, a significant proportion (24.4%) confessed not disclosing all their debt and giving the required information compared to 75.6% who do (refer to table 3.10, Annex III). This rather important information being kept secret compromises the ability of the consumer to service the acquired loans since he/she can be presumed to have no debt at time of asking for a loan. Respondents were asked to indicate whether they still borrow and Figure 3.8 indicates the decline in the rate of borrowing.

Fig 3.8 Rate of Borrowing



Source: Field Data: Consumer Learning Exercise August 2007

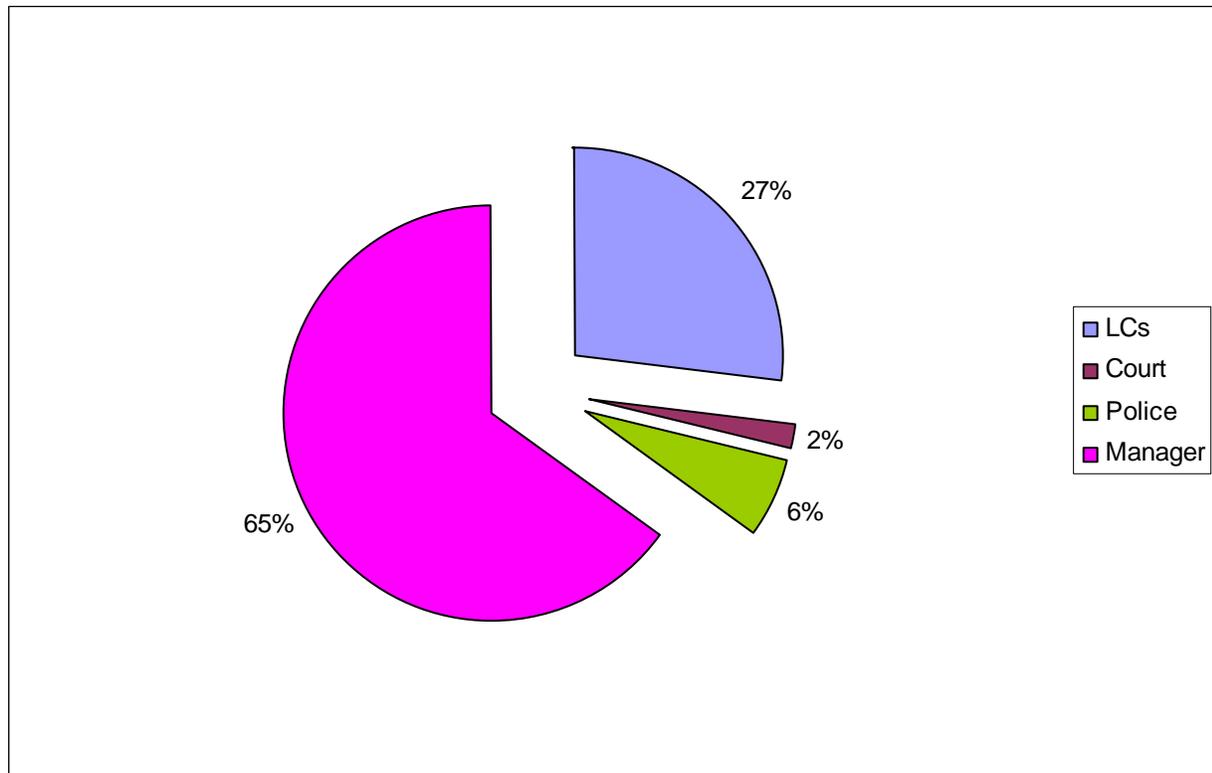
It is apparent from Fig.3.8 that people have reduced on the borrowing habits and are abstaining from debts. When asked whether they still borrow money from financial institutions, only 36.8% responded in affirmative compared to 63.2% who said they no longer borrow. Those who stopped borrowing were asked the reason why and most of them said it was because of the high interest rates of the financial institutions. This shows high awareness among the Consumers of their rights and awareness about the structure of the interest rates.

3.8 Experiencing Problems with Financial Institutions

Respondents were asked whether they had experienced any problems with financial institutions in the course of transacting business and the findings as shown in Table 3.9, Annex III indicate that 53.3% of the respondents that had transacted with financial institutions have had a problem. However, it is pertinent to note that only 30.2% of those had sought redress compared to 69.8% that didn't. The commonly cited reason for not seeking redress was that people did not know where to go. This seem to indicate an information gap as far as seeking redress is concerned. It implies the need for more awareness about consumer rights especially about different problems likely to be encountered and where to seek redress in case of any mishaps.

Furthermore, the respondents were asked to indicate where they seek redress. This was important because of the need to assess the utilization of the existing resource systems in the area. The findings relating to the institutions for redress are shown in Fig. 3.9

Fig 3.9: Areas for redress



Source: *Field Data: Consumer Learning Exercise August 2007*

It is apparent from the Fig.3.9 that most of the respondents sought redress from the Manager of the financial institution. This is crucial as indicates the level of confidence among the borrowers to demand their rights from the management of the financial institutions. It also crucial to note that the existing resource systems in the communities such as LCs are used in case of conflict.

3.9 Loans and Credit Utilization

As already noted, 49.3% of the respondents have ever borrowed but in order to assess the reasons for borrowing and the actual utilization of the loan/credit, obtained from financial institutions, respondents were asked what they use the borrowed for. The most commonly mentioned reason for obtaining the loan was to expand business. This reason was apparent in almost all the districts apart from Lira where the loans are used to pay school fees.

Borrowing to expand rather than starting business is a good indicator. However, a significant number of people are using the loans for things that do not generate more money. Many people used the borrowed money for paying school fees while others used loans constructing for a house. This was found inconsistent with the terms of borrowing let alone the failure to service the loans. Indeed, some respondents are still using the loans to pay back other loans. This posits to the cobweb of loans and failure to repay which constrains the MFI industry.

Continuous training is needed to inform people about the best choices for loan utilization and to enable them make informed decisions.

Continuous training is needed to inform people about the best choices for loan utilization and to enable them make informed decisions. Further, people need to be educated about why and when to acquire loans such that these loans are invested in their rightful and justified projects.

3.10 Information and Communication about Loans

It is important to note that consumer education involves not only emphasizing the obligations of the clients but also giving consideration for a healthy engagement between MFIs and the Consumers of MFI services/clients. Respondents were asked whether they were furnished with information on savings opportunity, interest rates and debt servicing. Majority of respondents agreed that they were given information regarding: saving opportunities; cost of borrowing; debt servicing; and personal financial management. It is manifest in this study that majority of the respondents (89.7%) were fully explained to and made aware of the interests and fees that they had to pay. This is an indication that these financial institutions are fulfilling their responsibility to a great extent in making the Consumers aware of their rights and responsibilities. This is commendable for the sustainability of the financial institutions. Similarly, respondents were asked as to how they were treated when they went to ask for loans from the MFIs and as shown in Table 3.14 (Annex III), a good proportion of respondents reported to have been treated in a dignified way to a tune of 85.1%. This shows that financial institutions have put in effort to establish a good relationship with the clients through respect for each other.

Consumer education involves not only emphasizing the obligations of the clients but also giving consideration for a healthy engagement between MFIs and their clients. 85% of respondents reported to have been treated in a dignified way. This shows a clear manifestation of emerging healthy relationship.

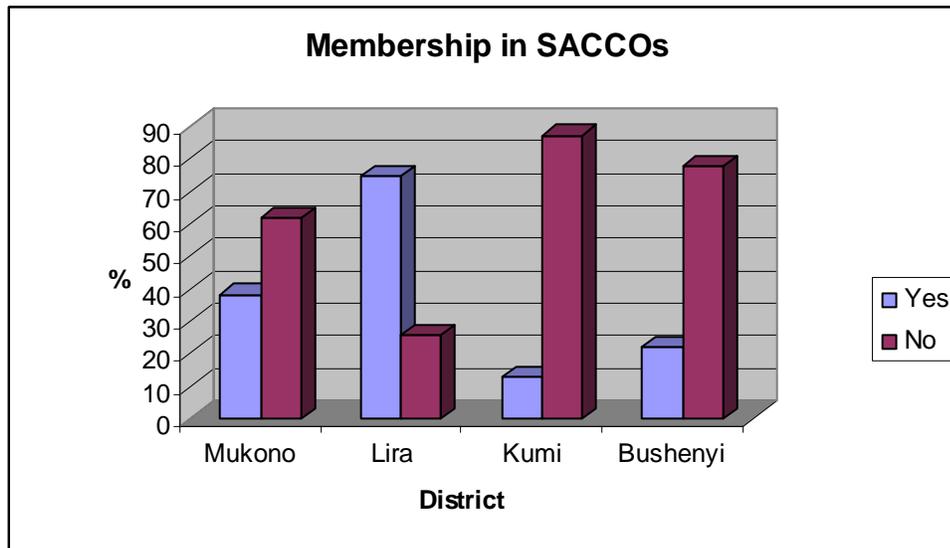
3.11 Attitude toward Loans and Credit

Attitude toward loans and credit was one of the important TOR for the study. This is important as the attitude toward loans determines not only the utilization but also the commitment to repayment of the borrowed money. Respondents were invested to establish what they thought was the most viable means of meeting recurrent expenditure. Only 32.6% hold that the best way to meet recurrent expenditures is by savings, compared to 64% who said that it is by both savings and borrowing while 3.4% said that it is by borrowing only. Savings are often the best way to pay for recurrent costs like school fees as savings gives more assurance to meet such costs. However, it was established that many people endeavor to save so that they can borrow. This means that Consumers will be encouraged to borrow regardless of the level of their savings which is not a good practice. People need to be educated further about the dangers of borrowing and the debt trap as well. The findings are further presented in table 3.15, Annex III.

3.12 Knowledge, Attitudes and Practices of SACCO Members

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 of financial services. Consumer Education Programme included information targeting SACCO members. The study explored the awareness of SACCO members on the various aspects of Consumer education and their attitudes and practices regarding savings and borrowing. Respondents were asked to mention whether they belong to any SACCO. Results (Fig.3.10) show that 38.8% of the total sample belonged to a SACCO. Comparing with the baseline, membership in SACCO has doubled from 18% in January 2007 to 38.8% in August 2007. When data was disaggregated by district, it was found that Lira has the highest number of respondents who are in SACCO with 74.5%. There was no significant difference in the membership of SACCOs by gender.

Fig 3.10 Membership of SACCOs



Source: Field Data, Consumer Learning Exercise August 2007

On trends of membership in SACCOs, it was established that there was an increment in numbers of members from 18% as shown by the baseline study to 38.8% in the districts of Mukono, Lira, Kumi and Bushenyi. This seems to indicate positive impact as far as consumer education and relevance of SACCOs to the lives of people is concerned. However, though there is improvement in membership of SACCOs, more consumer education is required to sensitize the members on their roles and responsibilities. This is particularly important given the expectations of SACCO members that may be inconstant with the objectives of the SACCO.

3.13 Management of SACCOs

Respondents were asked as to whom they attribute as the owner of the SACCO they belong to and almost all (91.8%) respondents are aware that it belongs to members (Table 3.16, Annex III). This was positive as compared to a smaller percentage (52.6%) when the baseline study was carried out. Only 5.9% mentioned government and 2.3% district council. Compared with the baseline indicators, a significantly higher percentage advance it against the baseline 52.6%. It is also impressive to find that there are no members who say they do not know who owns the SACCO as it was during the baseline period. This implies progress in the level of knowledge and awareness which can be attributed to the ongoing consumer Education Program.

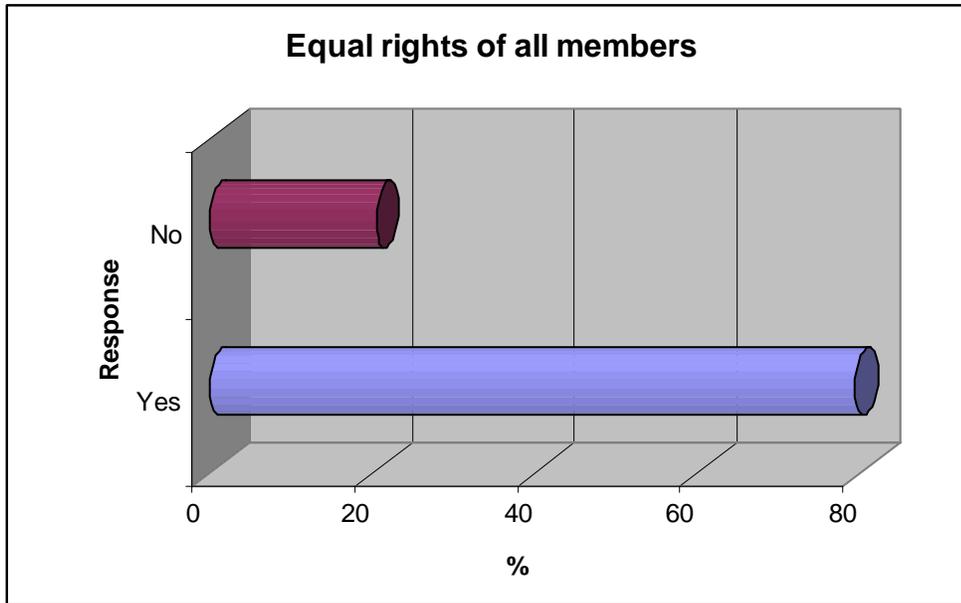
It is positive that 89.3% of respondents are aware that it is their responsibility to manage the SACCOs which is an upward trend compared to the baseline study where it was found that only 31.6% of the SACCO members knew this responsibility. The current study also revealed that 64.9% of the SACCO members disclosed that their SACCOs had ever conducted a sensitization of members on how the SACCO operates - a slight increment from 58% during the baseline study. The above information shows improvement in the general picture of the people’s knowledge, attitude, and practice of SACCO members though more efforts are needed in specific areas of increasing SACCO membership, and their role in the running of SACCO activities. It important to note that a significant number of respondents who belong to SACCOs (80.8%) had ever attended SACCO meeting and 70.1% had attended the last membership meeting. This shows continued

large involvement of SACCO members in the SACCO activities which empower them further to know their roles, modify their practices and attitudes accordingly.

3.14 Knowledge of Rights and Responsibility of SACCO members

It is important that SACCO members are aware of their rights and responsibilities. The knowledge of rights and responsibilities ensures that the relationship between the MFIs and clients is harmonized since each party will be knowledgeable of the expectations from each other. Fig 3.11 shows the level of awareness of rights and responsibilities among the respondents.

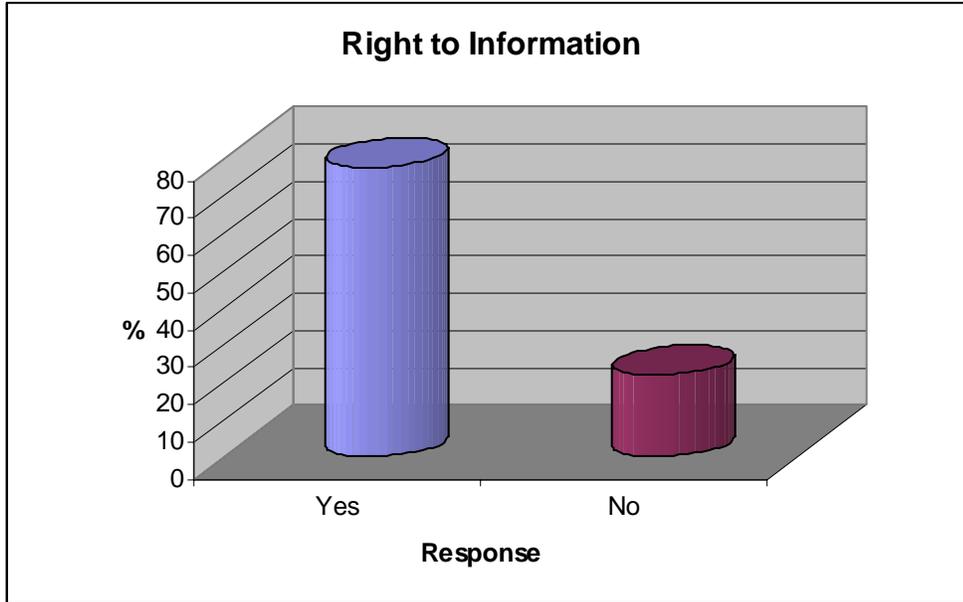
Fig. 3.11 Rights and Responsibilities



Source: Field Data, Consumer Learning Exercise August 2007

It is interesting to note that 80% of SACCO members are aware of their rights particularly where SACCOs are recently established societies (late 2006). The current findings are contradicting the baseline study where 94.2% were aware of their rights and 5.7% were not. This shows a reduction in the awareness level among Consumers. Though there is this variance, the percentage is still significantly high attributable to maintained consumer education. Respondents were asked to reveal their awareness of their right to information and the findings are indicated in Fig.3.12

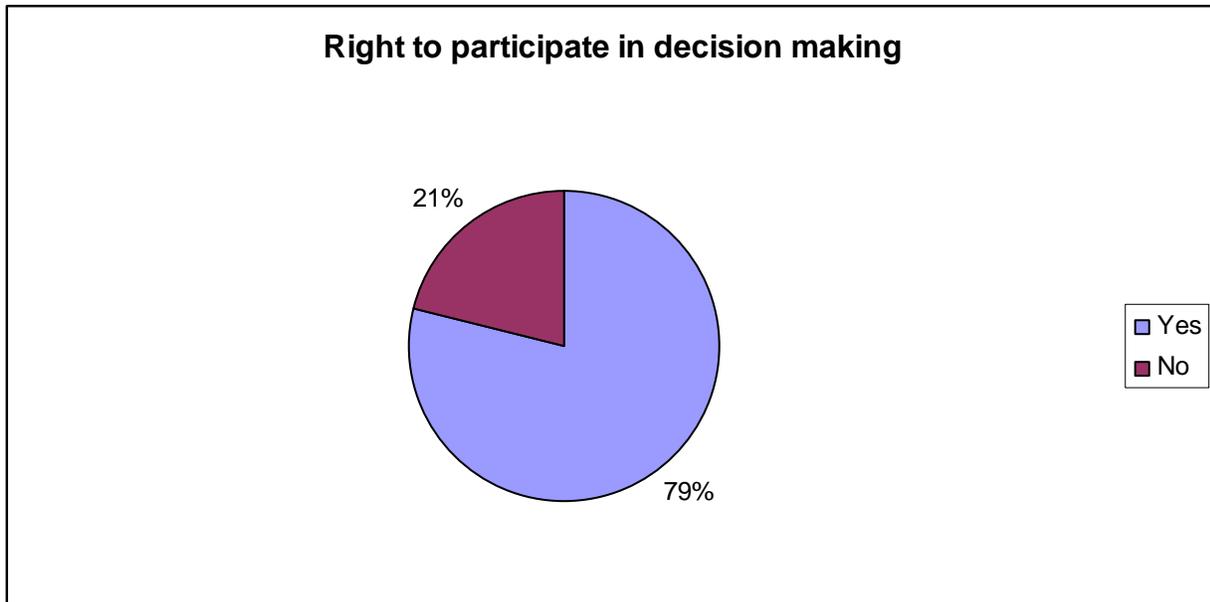
Fig 3.12 Right to information



Source: Field Data, Consumer Learning Exercise August 2007

It is positive that over 80% of respondents are aware of their right to information. This indicates a slight improvement (77.9%) as indicated in the baseline study-an indication of high levels of awareness. However, this high level of awareness is inconsistent with the finding that only 30.2 % of those who got problems in their transactions with financial institutions sought redress (Table 3.9 Pg 25). This therefore implies a gap regarding the application of the acquired knowledge into practice. It is ironic that despite the relatively high levels of awareness of ones rights, these rights are compromised. This issue was investigated further to determine the awareness of the right to participate in decision making and the findings are indicated in Fig 3.13.

Fig 3.13 Right to Participate in Decision Making



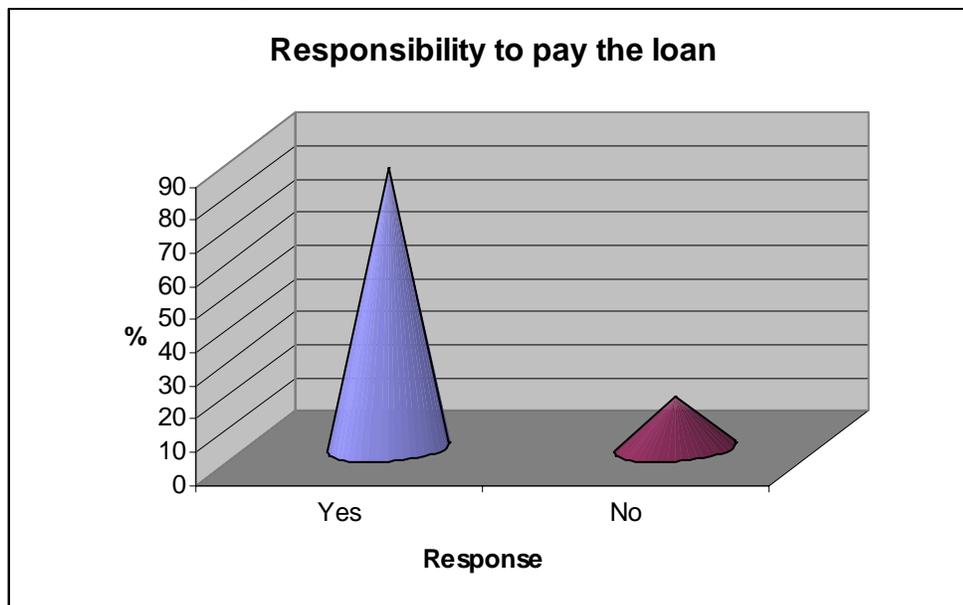
Source: Field Data, Consumer Learning Exercise August 2007

Fig 3.13 clearly indicates the level of empowerment of SACCO members in running the affairs of the organization. It is even more pertinent that this level is progressively increasing. This seem to be largely attributable to consistency in the message packaging and actions in consumer education. This gives hope for sustenance of the activities. It was revealed in the study that a high percentage (79.3%) of the people are aware of their right to participate in making decisions that affect their SACCOs. However, this is contradicted by misrepresentation of profit motivated MFIs. AMFIU needs to strengthen its control systems so that there are relevant, consistent and streamlined messages to put to the public by MFIs. It was revealed that 81.4% of the participants acknowledge that it is their responsibility to ensure that they attend SACCO membership meetings and 78.2% agreed that it is their responsibility to seek information regarding the internal operations of the SACCO they belong to. The good practices in Consumer education exercise need to be upheld to encourage spill over to places neighboring the target areas.

3.16 Knowledge of Responsibilities of SACCO members

The knowledge of the responsibilities of SACCO members was among the important issues under investigation. This is because one will always find it rational to behave in particular way if one is knowledgeable of the implications of ones actions. Fig 3.14 shows the level of knowledge of the responsibilities of SACCO members.

Fig.3.14 Responsibilities of SACCO members



Source: Field Data, Consumer Learning Exercise August 2007

The fact that there is high level of clients' responsibility to pay back (84.7%) is a positive development as this counteracts previous practices of debt defaulting that stunted most financial institutions. This seems to confirm that the consumer education has cultivated not only rights but also responsibilities among MFI users. There was evidence that most respondents believe that loans given out under SACCOs is a political reward in return for the support of the incumbent government. This is similar to earlier interventions such as 'Entandikwa' (or seed capital) a scheme established by government in 1997 but later collapsed due to politicization of the scheme. Other ensuing efforts by the government have encountered the same constraints, which inadvertently

has created skepticism among the population. This posits to ensure a clear separation of politics from economic development programmes.

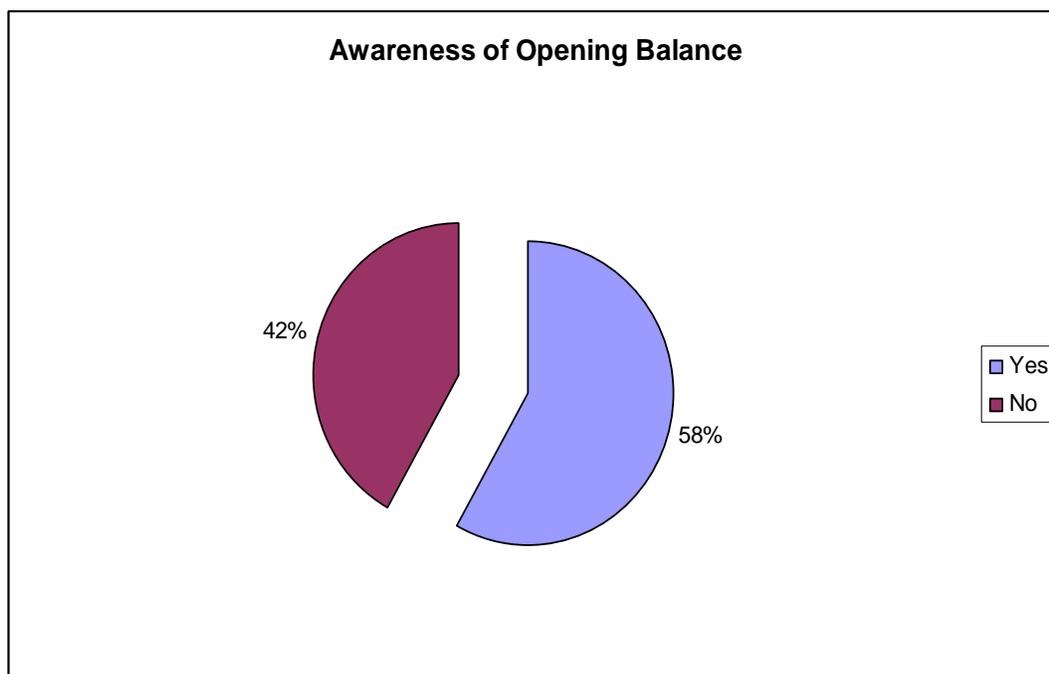
3.17 Practices of SACCO members regarding their rights and Responsibilities

It was apparent from the preceding findings that there was an anomalous relationship between levels of awareness and application of the acquired knowledge into practice. The results show that 53% of the SACCO members have been involved in different SACCO activities since they became members. The activities commonly mentioned were; membership meetings (37%) and mobilization of members and resources (33.6%). This implies the need for further efforts to ensure sustained participation of members in all SACCO activities. It was also established that more males (59.2%) than females (45.5%) were involved in different SACCO activities. This seems to indicate improvement in women participation which is a positive development as far as participation of women and their decision making practices are concerned. From the current study, it was revealed that 33% of the SACCO members had taken a loan from the SACCOs they belong to compared to 56.1% of the members in the baseline study. 33.3 % noted that they had taken a loan whereas 66.7% acknowledged accumulated savings as their benefits from SACCOs as members. This is a positive development towards reduction of progressive borrowing levels that increase series of loans without regard to ability to invest the money profitably and reduction of the debt burden among SACCO members - a value that should be applauded.

3.18 Knowledge on the Opening Balance of the Financial Institution

Since SACCOs are managed by members, it is a rule that members should be aware of the financial statements of their SACCOs. To find out if it is the norm in all SACCOs especially after the consumer education that involved training of SACCO members, members were asked if they know the opening balance of their SACCOs and the findings are indicated in Fig 3.15.

Fig 3.15 Awareness of Opening Balance



Source: Field Data, Consumer Learning Exercise August 2007

It is pertinent to note that 58% of the respondents are always aware of the opening balance of their SACCOs compared to 42% who are always not aware. As already noted in the preceding sections of this report, not all members attend the membership meetings yet ,it is during these meetings that they are informed of the financial standings of their SACCOs. The implication for consumer education is that members need to be encouraged to attend the meetings and should be empowered to demand for accountability. A case study was carried out on the SACCO members who received training from one of the AMFIU trained ToT in Lira district.

CASE STUDIES ON EMPOWERING GROUP SAVINGS

Model Case I

A clear statement of mission is critical in the daily operations of a SACCO

Barr Rural Development Bank

Members of Barr SACCO, in Erute County - South in Lira District are a good example of empowered and self-propelling SACCO with a good social base. This group's strength lies in its clear mission. For example, their mission statement states: "Barr SACCO was formed as well as its direction to which it is moving for the provision of high quality finance of services, secure meeting members savings needs affordable and easy accessible credit facilities." Their goal is "To achieve medium and long term targets." Equally the goal of this group is precisely a reflection of their mission and their adopted mode operandi which has been to mobilize membership to strengthen their socio-economic base through registration fees, savings and transparency in loan processing and recovery procedures. This group generates its financial capital from its members, which the management committee avail for loaning to its members. To promote trust and to safe guard against corruption, and suspicion, the committee members are not allowed to borrow at this stage when the economic base is still weak.

Source: Field Data, Consumer Learning Exercise August 2007

3.19 Key Learning Points from the Evaluation of CEP

- It is apparent that there is high level of awareness of consumer rights and responsibilities regarding borrowing and saving. This seems to indicate positive contribution of CEP.
- There was however a gap between the awareness of the rights and responsibilities and their application.
- It was noted that for those who save, get attracted to do so because they want to borrow implying that people are saving for the wrong reasons.
- It was important to note that most people are knowledgeable about management and ownership of SACCOs. It is hoped that people will not misinterpret the objectives of SACCOs to mean political rewards just like the predecessor programmes.

4 Emerging Issues and Recommendations

4.1 Introduction

This chapter focuses on the issues that emerged from the study both positive and negative; basic recommendations and conclusions.

4.2 Emerging Issues

4.2.1 Access to Information

- There is an unmet need for consumer education. Due to lack of information, some 'quack' MFIs/SACCOs have exploited some unsuspecting people resulting into fear and mistrust of good MFIs. This therefore calls for more sensitization, education and regulation as people don't know where to seek redress when cheated.
- One respondent has not yet taken a loan but still fears because he does not have enough knowledge about loans and what to use it for. There is misrepresentation of some MFI's about correct information regarding their operations e.g. the security required and the percentage interest rates which some MFI's charge later. For example, some MFI's say they need no security and charge 1% interest but only to realize that one needs security and interest rates being much higher.
- Lack of information and knowledge about where to seek redress in case of a problem due to lack of a "voice" (influence).

4.2.2 Utilization of CEP by gender

- Women continue to be the largest consumers of loans and therefore are more committed to bring up their families.

4.2.3 Training

- Due to lack of information, some 'quack' MFIs/SACCOs have exploited some unsuspecting people resulting into fear and mistrust of good MFIs. This therefore calls for more sensitization, education and regulation as people don't know where to seek redress when cheated.

4.2.4 Impact of household poverty on CEP

- Abject poverty was a great issue that created a likelihood of diversion of money, exclusion; lack of communication; vulnerability and exploitation by MFIs.

4.2.5 Politicization of MFI schemes and services

- There is politicization of MFI's credit schemes particularly due to lack of information among potential borrowers. For example, there is a thinking that loans from SACCOs are being perceived as "*ebyaffe*" literally meaning "*ours*" and therefore repayment may be difficult.

4.2.6 Management of SACCOs

- There's still limited knowledge about rights, management and operations of SACCOs which calls for more training.

4.3 Recommendations and way forward

- Need to consolidate and sustain the gains of high level of awareness of rights and responsibilities of Consumers of MFI services. This is because any slight reduction might lead to a slid back with negative effect.
- Need for multiple channels of communication. This is necessary given the diversity of users and potential users of MFI services. This approach also serves to re-enforce various sources of information.
- While knowledge of MFIs operations and users' rights and responsibilities seem to be relatively high, there still exists relatively low utilization of MFI services. This implies the need for deepening knowledge of MFI services that can influence practice.
- While there seems to be higher awareness of rights and responsibilities, there are apparent gaps regarding deeper elements such as compound interest, loan processing fees and other critical elements of the contract for a loan. There is therefore need for Consumer education to provide deeper insights on the above.
- There seems to be lack of financial literacy which had been hoped to be provided by the Financial Extension Workers (FEWs), hence Consumer education should strengthen financial extension work (FEWs). This should aim at inculcating self assessment, prudent financial decision making and building confidence among MFI users.
- It is pertinent that there is a clear separation of politics from economic management of programmes such as Consumer education.
- There is need to balance the expansion of MFIs and consumer education strategies

ANNEX I List of Key Informant Respondents

1. Mr. Paul Rippey Executive Director-FSDU
2. Mr. Charles Kilibo Former Programme Officer-AMFIU
3. Mr. David Baguma Executive Director-AMFIU
4. Ms. Zainabu Asimwe Consumer Specialist-AMFIU
5. Mrs. Scovia Swabula Mulindwa Public Relations Officer-FINCA
6. Mr. Peter Makawa Assistant Manager Branch Operation-FAULU
7. Mr. Paul Mugenyi FAULU
8. Mr. Daniel Muhumuza Straight Talk Foundation
9. Mr. Basil Tushabe Executive Director -CDFU
10. Mr. Adrian Stone DFID
11. Helton Achanye Micro Finance Outreach Program
12. Ms. Grace Kasisira Bank of Uganda

ANNEX II Index of Materials used in CEP (to be posted on the web site)

| Document Name | Type |
|---|--------------|
| Consumer Education Flip Chart | Pdf |
| Know About your Financial Institution-Leaflet | Pdf |
| Consumer Education Flyer | Pdf |
| Money World News Paper Vol 1. No.I | Pdf |
| Money World News Paper Vol 1. No.2 | Pdf |
| USAID Rural SPEED Saving Campaign 3x1 Banners | JPEG Image |
| USAID Rural SPEED Saving Campaign 4x1 Banners | JPEG Image |
| USAID Rural SPEED Saving Campaign 6x3 Banners | JPEG Image |
| USAID Rural SPEED Saving Campaign benefits poster | JPEG Image |
| USAID Rural SPEED Saving Campaign billboard family | JPEG Image |
| USAID Rural SPEED Saving Campaign billboard man | JPEG Image |
| USAID Rural SPEED Saving Campaign coin purses | Bitmap Image |
| USAID Rural SPEED Saving Campaign family poster | JPEG Image |
| USAID Rural SPEED Saving Campaign Note pads | Bitmap Image |
| USAID Rural SPEED Saving Campaign sticker | JPEG Image |
| USAID Rural SPEED 3 Radio adverts | Pdf |
| USAID Rural SPEED 3 Radio skit scripts | Pdf |
| USAID Rural SPEED live theatre script | Pdf |
| Consumer Code of Practice | Pdf |
| Press release-Micro Finance Consumer Education Strategy Launch (2005) | Ms.Word |
| Strategy presentation for Micro Finance Consumer Education | Power Point |
| Knowledge Attitudes and Practices of Consumer Micro Finance services in the Districts of Masaka and Mbale | Ms.Word |
| Knowledge Attitudes and Practices of Consumer Micro Finance services. A formative Research Report by Wilsken Agencies Ltd | Ms.Word |
| Spot script | |
| Implementation Guidance Manuals | Pdf |
| Trainers Guides | Pdf |

| | |
|--|-------------|
| TOT Manuals | Pdf |
| Working papers on Financial Education | Pdf |
| AMFIU Videos | |
| Adult Learning | Power Point |
| Assessment of Changes in Micro Finance Customers' Knowledge, Attitudes and Practices by Isaac Musoke | Ms.Word |
| Letter of Mutual Understanding | Ms.Word |
| Drama Script | Ms.Word |
| Jinja presentation "Place of the Consumer in Financial System and Proposed Consumer Education pilot project 2003 | Power Point |
| Proposed Consumer Education Pilot Project by Paul Rippey FSDU 2003 | Ms. Word |
| Micro Finance Consumer Education project | Ms.Word |
| Insight on the MFRC's Education and Communication Initiatives June 2004 | Power Point |
| Draft Consumer Education Communication Strategy | Ms Word |
| Evaluation Report of AMFIU Music Dance and Drama Communication Channel by Wilsken Agencies | Ms Word |
| Radio Scripts | Ms Word |
| Radio Spots | Ms Word |
| Money World T-shirt | Pdf |
| Consumer Code of Practice | Pdf |

ANNEX III TABLES

Table3.1: Sex of the respondents

| Sex | Mukono | Lira | Kumi | Bushenyi | Total |
|--------|--------|-------|-------|----------|-------|
| Male | 44.2 | 55.5 | 57.8 | 57.3 | 53.8 |
| Female | 55.8 | 44.5 | 42.2 | 42.7 | 46.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.2: Distribution of the Respondents according to the level of Education by district

| Level of education | Mukono | Lira | Kumi | Bushenyi | Total |
|--------------------------|--------|-------|-------|----------|-------|
| Primary | 45.2 | 32.0 | 52.5 | 34.0 | 40.9 |
| Vocational and Technical | 38.7 | 28.1 | 22.6 | 30.1 | 29.8 |
| Never went to school | 6.5 | 14.1 | 10.1 | 13.1 | 11.0 |
| University Degree | 3.2 | 13.7 | 5.1 | 10.8 | 8.2 |
| Diploma Holder | 4.4 | 6.6 | 6.6 | 8.5 | 6.6 |
| Post Graduate | 1.6 | 4.3 | 2.7 | 1.5 | 2.5 |
| Other | .4 | 1.2 | .4 | 1.9 | 1.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.3 Distribution of the Respondents according to the level of Education by sex

| | Male | Female | Total |
|--------------------------|-------|--------|-------|
| Primary | 37.5 | 44.8 | 40.9 |
| Vocational and Technical | 32.6 | 26.5 | 29.8 |
| Never went to school | 8.7 | 13.6 | 11.0 |
| University Degree | 8.7 | 7.6 | 8.2 |
| Diploma Holder | 8.0 | 4.9 | 6.6 |
| Post Graduate | 3.3 | 1.7 | 2.5 |
| Other | 1.1 | .8 | 1.0 |
| Total | 100.0 | 100.0 | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.4 Occupation/Source of income by District

| Occupation/source of income | Mukono | Lira | Kumi | Bushenyi | Total |
|-------------------------------------|--------|-------|-------|----------|-------|
| | % | % | % | % | % |
| Service Worker and Sales worker | 22.2 | 14.8 | 10.2 | 41.6 | 21.1 |
| Other | 18.1 | 40.0 | 18.4 | 4.7 | 20.5 |
| Agriculture, Fisheries and Forestry | 39.1 | 21.0 | 9.8 | 9.5 | 20.4 |
| Elementary occupation | 9.7 | 2.9 | 46.1 | 2.6 | 16.9 |
| Legislator, Manager, Professional | 7.3 | 11.4 | 10.2 | 20.0 | 11.7 |
| Crafts and related worker | 2.8 | 5.2 | 3.1 | 17.9 | 6.6 |
| Armed forces | .4 | 3.3 | 2.0 | 1.1 | 1.7 |
| Plant, Machinery operator | .4 | 1.4 | .4 | 2.6 | 1.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.5 Occupation/Source of Income by Sex

| Occupation/source of income | Male | Female | Total |
|-------------------------------------|-------|--------|-------|
| | % | % | % |
| Service Worker and Sales worker | 20.9 | 21.3 | 21.1 |
| Other | 19.1 | 22.1 | 20.5 |
| Agriculture, Fisheries and Forestry | 19.1 | 21.8 | 20.4 |
| Elementary occupation | 15.6 | 18.5 | 16.9 |
| Legislator, Manager, Professional | 13.1 | 10.1 | 11.7 |
| Crafts and related worker | 8.2 | 4.8 | 6.6 |
| Armed forces | 2.9 | .2 | 1.7 |
| Plant, Machinery operator and as | 1.0 | 1.2 | 1.1 |
| Total | 100.0 | 100.0 | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.6 Source of information about financial institutions

| Source of information about financial institutions | Responses |
|--|-----------|
| Radio | 385 |
| Friend | 335 |
| Financial Extension workers | 140 |
| Newspapers | 65 |
| Approached by a provider | 60 |
| TV | 26 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.7: Holding Account with Financial Institutions

| Holding accounts with any of the financial institutions mentioned | District | | | | |
|---|----------|-------|-------|----------|-------|
| | Mukono | Lira | Kumi | Bushenyi | Total |
| Yes | 72.0 | 69.9 | 30.3 | 58.4 | 58.4 |
| No | 28.0 | 30.1 | 69.7 | 41.6 | 41.6 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.8 Reasons for Holding Accounts

| Reasons for holding Accounts | Responses | Percentage (%) |
|----------------------------------|-----------|----------------|
| Save and later be able to borrow | 339 | 39.6 |
| Save only | 78 | 9.1 |
| To get a loan | 71 | 8.3 |
| Access Money | 368 | 43 |
| Total | 856 | 100 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.9 Preference of financial institutions

| Type of preference of Financial Institution | Percent (%) |
|---|-------------|
| Place to do both savings and borrowing | 88.8 |
| Place where one can save only | 7.6 |
| Place where to borrow only | 3.6 |
| Total | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.10 Disclosure of Information

| Disclosing information | Percent (%) |
|------------------------|-------------|
| Yes | 75.6 |
| No | 24.4 |
| Total | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.11 Experience of problems with financial institutions

| Experienced with the financial institution | Percent (%) |
|--|-------------|
| Yes | 53.3 |
| No | 46.7 |
| Total | 100.0 |
| Seeking Redress in case of problem | |
| Yes | 30.2 |
| No | 69.8 |
| Total | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.12: Loans and Credit Utilization

| Utilization of Borrowed money | Mukono | Lira | Kumi | Bushenyi | Frequency |
|-------------------------------|--------|------|------|----------|-----------|
| Expand business | 65 | 32 | 19 | 38 | 154 |
| Paying school fees | 27 | 67 | 9 | 34 | 137 |
| Starting a business | 34 | 35 | 16 | 21 | 106 |
| Constructing a house | 14 | 22 | 6 | 5 | 47 |
| Other | 13 | 3 | 8 | 1 | 25 |
| Bought land | 4 | 11 | 1 | 6 | 22 |
| Paying a loan | 4 | 9 | 1 | 6 | 20 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.13: Information and Communication about Loans

| Information given in the process of borrowing money | Frequency |
|---|-----------|
| Savings opportunity | 151 |
| Information about cost of borrow | 140 |
| Debt servicing | 116 |
| Borrowing opportunity | 112 |
| Personal financial management | 84 |
| Legal rights | 53 |
| Other | 4 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.14: Client Treatment by Loans Officers

| Nature of Treatment received by clients | Percent (%) |
|---|-------------|
| Dignified Treatment | 85.1 |
| Ignored | 4.0 |
| Carelessly attended to | 10.9 |
| Total | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.15 Viable means of meeting recurrent expenditure

| Means of meeting recurrent expenditure | Percent (%) |
|--|-------------|
| Savings | 32.6 |
| Both savings and borrowing | 64.0 |
| Borrowing | 3.4 |
| Total | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.16 Management of SACCOs

| View on management of the SACCOs | Percent (%) |
|----------------------------------|-------------|
| Members of SACCO | 91.8 |
| Government | 5.9 |
| District Council | 2.3 |
| Total | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007

Table 3.17 Participation of members in SACCO activities

| Involvement in different SACCO activities since you became a member | Mukono | Lira | Kumi | Bushenyi | Total |
|---|--------|-------|-------|----------|-------|
| Yes | 48.7 | 52.9 | 78.6 | 36.4 | 53.0 |
| No | 51.3 | 47.1 | 21.4 | 63.6 | 47.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Field Data, Consumer Learning Exercise August 2007