

Knowledge, Attitudes and Practices of Consumers of Micro- finance Services

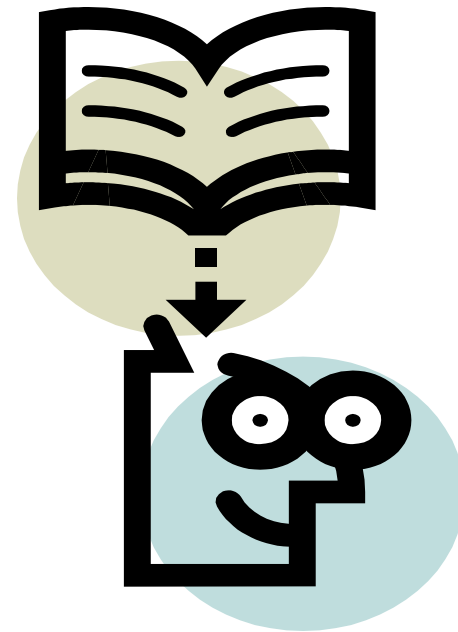
**Formative Communication
Research Report
by**

**Isaac Musoke
Wilsken Agencies Ltd**



Highlights of Presentation

- **Microfinance Consumer Research Objectives**
- **Study Design and Methodology**
- **Consumer Survey-Key Findings**
- **Provider Survey-Key Findings**
- **Information Requirements**
- **Conclusions**



Partners in the Survey process

1. **DfID Financial Sector Deepening Unit-FSDU**
2. **Communication for Development Foundation Uganda-CDFU**
3. **Wilsken Agencies Ltd**
4. **Microfinance Institutions in Masaka & Mbale**

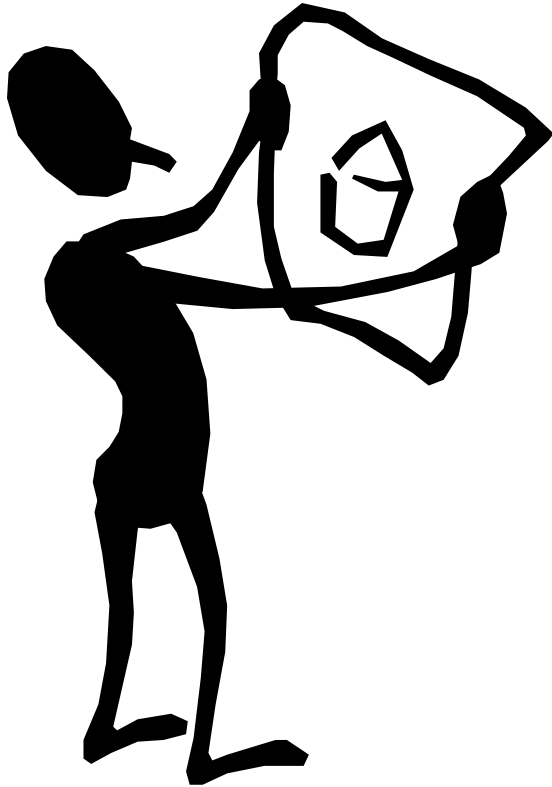
Microfinance Consumer Research Objectives

- **Establish level of consumer awareness as regards financial services and products available on the market;**
- **Establish extent of consumer knowledge regarding rates, penalties, fees access and eligibility related to microfinance services and products;**

Objectives cont'd

- **Establish consumer practices as regards financial planning & management, developing financial solutions, utilization of financial institutions and services and provider shopping;**
- **Establish existing channels, sources and mechanisms of communication and access to information as regards, financial services, products and institutions including assessment of credibility, frequency of use and value attachment to various sources of information;**

Objectives cont'd



Establish attitudes of consumers towards financial institutions and services such as level of trust, satisfaction with utility, benefit and appropriateness of services and products, satisfaction with customer care and feelings of empowerment in the negotiation process.

Study Design & Methodology

Quantitative & Qualitative Study Utilizing

- a pre-coded questionnaire translated into Luganda and Lumasaaba & administered to respondents at the household level and bank exit points in a face-face interview approach; and
- an open-ended self administered questionnaire completed by top/mid-level managers in financial institutions in Masaka and Mbale.

Respondents' Demographic summary

Sample size	358	Age distribution	
Sample distribution		15 -17yrs	0.6%
Masaka	49.7%	18– 24yrs	20.7%
Mbale	50.3%	24-34yrs	41.6%
Urban	52.2%	35-44yrs	21.2%
Rural	47.2%	45-54yrs	11.2%
Male	36.6%	55yrs and older	4.7%
Female	63.4%	Education	
Current Clients	51.4%	No formal education	5.9%
Potential Clients	48.6%	Primary level	38.0%
Seen/heard message about financial services in 12 months		Secondary	39.4%
Urban	67.6%	Technical School	10.3%
Rural	81.2%	University	4.5%

Further Summaries

	Urban	Rural	Male	Female	Masaka	Mbale
Current clients	60.6%	41.2%	51.9%	51.1%	49.4%	53.3%
Potential clients	42.7%	28.4%	33.3%	36.9%	20.7%	43.7%



Languages Spoken & Read

Luganda and English were spoken and read by the majority of respondents.

Speak

English	58.7%
Luganda	76.5%
Lumasaaba	42.2%

Read

English	53.4%
Luganda	59.5%
Lumasaaba	20.9%

Education of respondents

Education levels	Urban N=188	Rural N=170	Total N=358
Never attended school	5.9	5.9	5.9
Primary level	26.6	50.6	38.0
Secondary level	47.3	30.6	39.4
Technical school/Teacher Training College	13.2	11.2	10.3
University	6.9	1.8	4.5

Radio/TV ownership and radio listenership

- **89.4% respondents owned a working radio set in their households.**
- **The largest percentage of households with radios (92%) was in the urban areas.**
- **Masaka district had a higher ownership (93.8%) compared to Mbale (85%).**
- **48.1% respondents mostly listened to radio on Sunday.**
- **TV ownership was much lower than radio with only 26.8% of the total sample owning a TV. In urban areas, 40.4% households had TVs while only 11.8% of rural households had TVs.**

USAGE & AWARENESS OF FINANCIAL INSTITUTIONS

- 51.4% respondents currently use or have used within the past 12 months a financial institution;

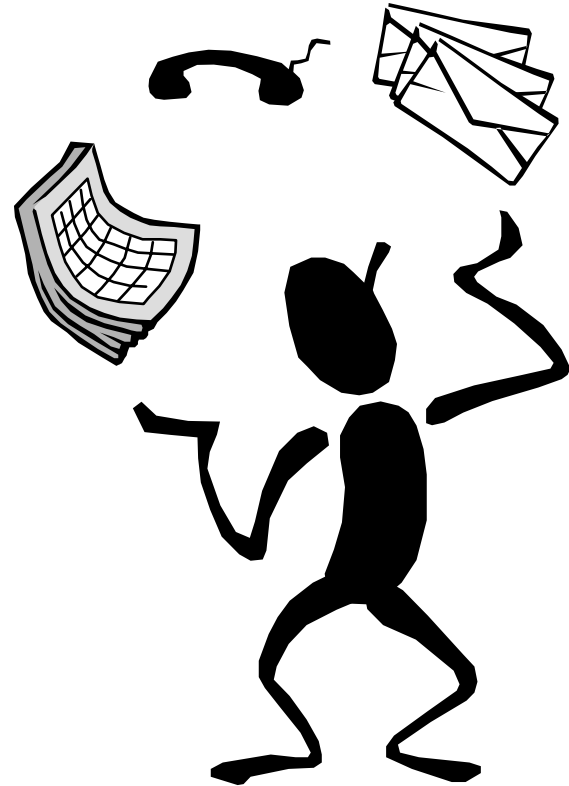
Reasons for starting to use a financial service provider

- **20% of the consumers thought it is safe keeping money with financial service providers;**
- **While a lower percentage of 7.5% were approached by the providers.**



Reasons for stopping to use a financial service provider

- **22.0% of the potential consumers stopped using the providers because of poor business progression;**
- **Thus Consumers in rural areas are more likely to experience bad business progression**



How did users of financial services come to know about the providers available?



- **40.2% both in the urban and rural areas - peer information ('word of mouth');**
- **Seminars/workshops (25.0%) for rural and urban areas**

Are microfinance services consumers made aware of all the interests and fees?

- 58.1% of current clients were not explained to and made aware of all the interest and fees that they had to pay prior to obtaining loan money.
- This is a concern that was voiced equally by both rural and urban microfinance service users.

Knowledge of rates, penalties, fees and eligibility related to financial services & products



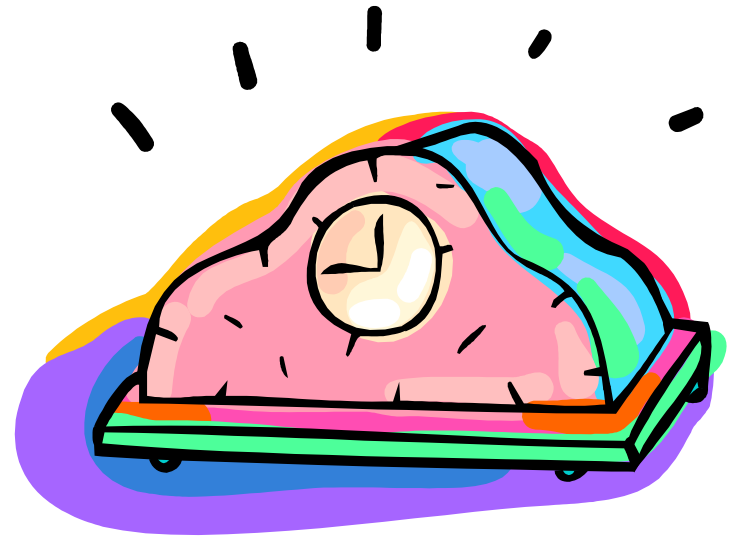
Low levels of awareness (32.9%) in the rural areas regarding eligibility related to accessing loans from financial institutions

Microfinance Service Provider 'shopping'

- respondents who had taken some form of loan/credit, only 26.1% approached more than one institution for the money.
- provider shopping is low both in urban and rural areas,
- rural areas have a comparatively higher rate of provider shopping.
- 31.0% of the respondents who took out loans in the rural areas approached more than one financial institution compared to only 23.7% of respondents who took out loans in the urban areas.

Client behaviour during loan application/processing

- 40.2% do not disclose all their other debts and do not provide the other information the providers ask for;
- Mainly occurs in the rural areas (42.9%) compared to urban areas (38.6%);
- 45.1% feared not getting a loan.



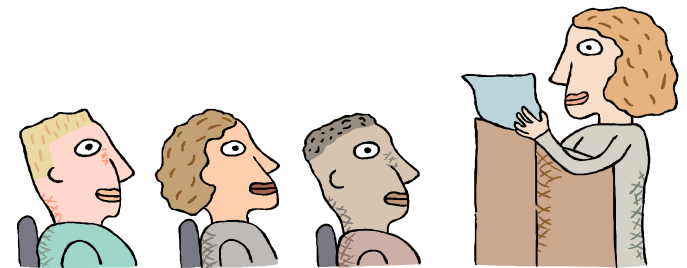
Is it more important being able to get a loan or open a savings account?

59.3% of the current clients said it is more important to be able to open a savings account where they can keep their money in a secure savings account where they can withdraw their money easily than being able to get a loan under similar conditions.

Information or training needs of current and potential clients

- **Being made aware of borrowing opportunities: 31.6%**
- **Information or training about personal financial management: 24.7%**
- **Legal rights in relation to the microfinance sector: 17.8%**
- **Information about the cost of borrowing: 12.6%**

- **Potential clients indicated a strong need for awareness building regarding what microfinance service providers do;**
- **46.8% of the potential clients called on the services providers to conduct seminars and workshops to teach them about what they do.**



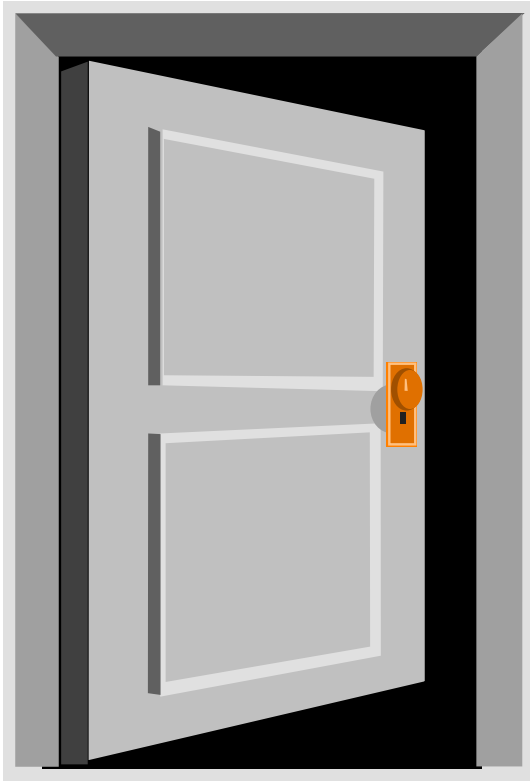
Findings & Discussions-Providers

- **determine the communication approaches undertaken by the providers and thus be able to identify the gaps in their strategies;**
- **assess whether providers have in place monitoring and evaluation mechanisms that may help them identify consumer needs and gaps in knowledge;**
- **determine what the providers would like to see communicated to their customers as well as potential clients;**
- **obtain findings that would act as a benchmark for analyzing consumer knowledge, attitudes and practices regarding the consumption of microfinance services.**

Communication strategies employed by providers

- Outreach, then training and education about obtaining loans/credit
- Encouraging listenership groups and group activity
- Field mobilization through credit officers
- Distribution of organizational profiles and brochures

More information....



- **Opening up outreach offices/posts**
- **Utilizing visual print media such as posters**
- **Periodical village meetings**
- **Invitation to seminars**
- **Mobilization through local leaders**
- **Creation of homogenous village 'cells'**

What providers would like to see communicated to customers/potential customers

- **Usefulness of microfinance to pensioners;**
- **Services and Products offered by SACCOs;**
- **Usefulness of microfinance in poverty alleviation and eradication;**
- **Encouragement in order to build trust in MFIs;**
- **Engagement in IGAs;**
- **Ways of promoting a saving culture among the population that uses MFI services;**

- **Proper utilization and management of loans/credit obtained from the providers;**
- **Timely and committed culture of loan repayment;**
- **How to obtain profits from appropriate utilization of loans obtained;**
- **Legal rights as consumers;**
- **Self sustenance -being able to comfortably deal with socio-economic problems without necessarily involving providers;**
- **The effect and implication of interest rate charges;**

- **Build interest in joining microfinance service providers;**
- **Develop popular versions of documents (lending policies and guidelines) used for education and awareness building;**
- **Benefits of utilizing microfinance services;**
- **Encourage provider shopping in order to build informed choices while considering who to deal with; and**
- **Ways of expressing dissatisfaction to the providers.**

SPECIFIC RECOMMENDATIONS

- **Create awareness among microfinance service providers about the need to build and prioritize consumer education and awareness;**
- **Service providers should develop tailor made staff training programs aimed at improving customer care among the staff. Professional treatment of clients can be a viable step towards building consumer confidence and trust.**

- **Before FSDU/CDFU carry out any form of consumer awareness communication within particular areas, all financial service provider staff should be informed about the motive for communication and the messages in the communications;**
- **Develop and adapt consumer awareness participatory monitoring and evaluation tools to be accessed by all microfinance service providers;**

- Product piloting in financial institutions should be integrated with consumer education and awareness;
- The rural-urban disparities in microfinance information availability need to be addressed during the development and implementation of the microfinance consumer communication strategy.

End of Presentation

Thank you