

# PROPOSED CONSUMER EDUCATION PILOT PROJECT

PRESENTED BY

PAUL RIPPEY - DFID FINANCIAL SECTOR DEEPENING PROJECT

TO THE

AMFIU AGM - JINJA JULY 3RD 2003

“Outreach”, “Deepening”, “Access”, “Penetration” are all used to mean improving access and use of *appropriate* services. “Appropriate” is stressed because services must fit the needs of consumers if the microfinance industry is to be viable in the long term.

We in the industry need to move away from evaluating outreach solely in quantitative terms: “How many clients do you have?” Instead, we should ask the following questions:

- Do people, especially poor people, have choices among savings, debt, insurance and transfer products?
- Do they have the information they need to make intelligent choices including the option of not purchasing financial services?
- Are they making the right choices?

## Analogy with Programmes in Other Sectors

We have in the past compared microfinance programmes with health programmes, which acknowledge the consumer as a key person in the sector. The “ABC” campaign against HIV/AIDS in Uganda has been successful because it presented consumers with a range of options and informed them of the consequences of their actions, to enable them to make informed decisions. In HIV/AIDS education, abstinence is always presented as an option; the corresponding position in microfinance would be to present the option to consumers of “abstaining” from debt, that is, not taking loans from MFIs or other sources.

## Proposed Consumer Education Project

FSDU and AMFIU propose to carry out a trial of consumer education, in the two districts where microfinance committees-DMFC-have been created. The choice of themes and the design of the programmes would be left to local MFIs and consumer representatives working together. FSDU and AMFIU would provide small grants for the programme, and training in designing a programme of Behavioural Change Communication. The MFIs and consumers working together will do the rest.

## Possible Themes

Purely in an indicative way, the following possible themes, no more than suggestions, are offered:

- The range of options available in financial systems - products, and providers
- “Should I take a loan, or should I save?”
- Risks inherent in debt
- “What kind of loan makes sense for me?”
- “Which MFI can best meet my needs?”

## Possible Delivery Channels

Similarly, the following list of possible delivery channels for messages is not intended to be exclusive of other ideas that may be developed:

- Radio/TV/Press
- MFI staff training
- Posters, etc., in MFIs
- Printed materials

## Steps (proposed)

We foresee the following steps in the launching of the programme:

- Inclusion of consumer representatives on the DMFCs. This step will require ingenuity, since there is no obvious group that represents microfinance consumers.
- AMFIU and FSDU will offer a workshop to the DMFCs to explain in detail how the programme will work, the responsibilities of the various parties, and to collect feedback from the DMFCs on the programme to fine-tune it as necessary.
- FSDU will present a workshop to train DMFCs in principles of Behaviour Change Communication
- FSDU and AMFIU will solicit proposals, and select the best to be funded, monitored and evaluated.

## Funding Criteria (draft)

Funding will be based on objective criteria. The following are probable criteria:

- Involvement of consumers as well as financial institutions in design and execution
- Involvement of multiple financial institutions
- Pre-test post-test evaluation
- Appropriate content
- Endorsement by District Microfinance Committee (including consumer representation)

## Evaluation and Way Forward

This test project is not intended to be the first step in a massive donor-supported consumer education programme, but rather an evaluation of a limited test, which might be carried out on a larger scale by the MFIs themselves. For this reason, the sponsoring organisations will invest in careful documentation of the project, including pre-and post-testing of participating consumers, and feedback from participating MFIs.

*FSDU*

*August 4, 2003*