Client Voices
Benin Country Report

Vulnerable Clients in a Lightly Regulated Market: Consumer Protection in Microfinance in Benin

October 2015

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the smart campaign

Keeping clients first in microfinance

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Most importantly, we are grateful to the many Beninois people who shared openly their experiences and challenges in working with microfinance.

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Foreword

At the Smart Campaign, a global campaign to embed a set of client protection principles into the financial inclusion industry, we realized several years ago that there was an important voice missing from the discussions—the clients! In creating the seven Client Protection Principles (CPPs) we had made a series of assumptions of the risks, worries and problems clients experience with financial institutions. It was therefore crucial to address this issue.

We designed a Client Voices project to hear directly from clients in four markets—Benin, Georgia, Pakistan and Peru. The research was designed to have an initial open-ended qualitative component so as not to prime clients with the CPPs but rather hear what issues and concerns they would bring up spontaneously. Then, with potential issues and problems sufficiently identified, the research team would return with a more targeted quantitative survey to measure the incidence in a larger sample. Going into the study we wondered:

- If asked in an open-ended way, would clients identify issues that aligned with the CPPs?
- Would the main issues identified across the four markets be similar?
- How candid would clients be about their good and bad experiences with financial institutions?
- What percentage of clients would it take to highlight an issue as problematic? 2%? 5% 10%?

The Smart Campaign selected Benin as the African market for the Client Voices project for several reasons. First was the need for more demand-side research in Francophone West Africa, as relative to Anglophone East Africa. The Campaign also believed that the relevance of the Benin findings would likely extend beyond the country itself to the other seven members of the West African Economic and Monetary Union (WAEMU) given their operating under a common regulatory regime. Finally, Benin was selected because of the engagement of local stakeholders such as the Consortium Alafia—a 34-member local microfinance association. Such engagement is crucial in order for the research findings to act as catalysts for local action and response for improvements of the client protection ecosystem.

This report presents key client protection issues as relayed to us by current and former microfinance clients in Benin. Compared to Georgia, Pakistan and Peru, the issues uncovered in Benin struck us as the most extreme—with both higher percentages of clients reporting harms and more troubling harms. Problems such as fraudulent or 'disappearing' financial institutions, collections that involved the police and inadequate understanding of compulsory savings simply did not appear in the other markets.

Yet before we rush to judge the microfinance market in Benin, it is important to put the findings in context. Through this research as well as an earlier project *What Happens to Microfinance Clients Who Default?*, the Smart Campaign has come to recognize the clear influence of the local environment on the quality of treatment that clients receive from financial institutions. When one compares the level of financial market infrastructure (i.e., credit bureaus, regulation and market conduct supervision) with the other research sites, Benin has the weakest foundation. When such a foundation is absent or impaired it creates a vacuum wherein financial institutions face greater challenges and have fewer incentives to treat clients well. Additionally, many non-financial organizations serving the microfinance demographic are rife with consumer protection issues—lowering client expectations of the level of quality they should receive. This report lays out the findings from Benin and makes suggestions on what industry, regulation and even clients themselves can do to create the incentives for a more functional financial consumer protection ecosystem. The Smart Campaign believes that all actors have a crucial role to play in fostering a culture of client protection—and provides standards and tools for improvement.

The Smart Campaign

Transparency, fair and respectful treatment of clients, and mechanisms for complaint resolution emerge as the Client Protection Principles that resonate most as priorities for client protection in Benin. Addressing these concerns requires a market-level approach that takes into consideration the unique role that regulators, the MFI industry, and clients themselves each must play.

1 Introduction

About the Client Voices Project

This report presents key findings from qualitative and quantitative research for the Smart Campaign's Client Voices project. This ambitious research project aims to understand what MFI clients consider both problematic and good treatment by MFIs, and to assess how common problems are in four markets: Pakistan, Benin, Peru, and Georgia. The Smart Campaign[1] promotes the seven Client Protection Principles[2] in its standards, tools, and training programs for financial institutions around the world. With the Client Voices project, the Smart Campaign sought input from end-users of microfinance services in order to take a more consultative and client-centric approach to the Client Protection Principles. The Campaign hopes that the project will both affirm and challenge the underlying assumptions made in drafting the Client Protection Principles about the risks, issues, and harm that microfinance clients experience. In addition, the project is designed to act as a catalyst for local actors including regulators, microfinance associations, consumer advocacy groups, and others in each of the four markets to improve the client protection ecosystem. Box 1 presents the research questions we defined at the beginning of the project.

The research in Benin took place from May through October, 2014. First, BFA and Centre pour L'Environment et le Développement en Afrique, Benin (CEDA Benin) carried out qualitative research using focus group discussions and individual interviews to solicit clients' ideas about what constitutes good and bad treatment from all institutions that they interact with in their daily lives, including but not limited to MFIs. The qualitative phase of the research took an inductive approach, letting clients express their priorities rather than asking them to react to the Client Protection Principles or other assumed priorities.[3]

A central objective of the qualitative research was to probe widely for the types of consumer protection problems that might be occurring in Benin specifically. Focus group discussions included a ranking exercise in which clients classified the institutions they interact with by how well they treat customers, as well as a role-playing exercise in which clients acted out good and bad treatment from MFIs. Individual interview respondents also took photographs to represent positive and negative experiences with MFIs, some of which are included in this report. Please see Annex 2 for a description of qualitative and quantitative research methods used in the Client Voices project.

Second, BFA and CEDA Benin used a national survey of 1,733 Beninois (1,028 current MFI clients, 526 former clients, and 179 non-clients) to evaluate the prevalence of the problems mentioned in the qualitative research at a national level in Benin. Enumerators applied a 45-minute face-to-face survey to clients selected using a random walk methodology in 90 arrondissements in all 12 departments in Benin.[4] We report results from both the qualitative and quantitative research in this report. More detailed reports from the qualitative and quantitative findings are available http://smartcampaign.org/tools-a-resources/1075.

The most concerning problems that the Client Voices research project uncovered in Benin include clients being unable to withdraw their savings, lack of understanding of the costs associated with borrowing, and clients not being informed of where they can complain if something goes wrong.

Benin Key Findings: Client Voices Around Consumer Protection in Microfinance

1 Microfinance Institutions (MFIs) not returning savings (often from compulsory saving necessary to access a loan) is the most common problem clients report in their dealings with MFIs: 9 percent of current clients and 17 percent of former clients report that they were unable to withdraw part or all of their savings.

2 Microfinance clients who pay late are more likely to experience consumer protection problems in Benin. Generally, clients are satisfied with MFI services: 19 percent report being very satisfied with MFI services and 49 percent report being somewhat satisfied. Our national survey of 1,733 microfinance clients found that 13 percent of clients experienced one of the consumer protection violations that our methodology identified. Among clients who had ever been late in making a repayment (16 percent of clients), however, 30 percent report that they suffered a problem related to consumer protection, implying that those who pay late are 17 percentage points more likely to experience problematic treatment.

3 Clients' understanding of the costs and terms and conditions of their loans is limited. One-third of clients do not know how much they will pay for their loan in total and only 12 percent of clients know the percentage interest rate on their loan or can come close to estimating it.

4 Recourse processes are not working well from the clients' perspective, and clients do not know where to complain: 86 percent of clients report that the MFI did not inform them of where they could complain if they had a problem with MFI services.

5 Clients report excessive delays and bureaucracy in the loan application and disbursement processes. The reported average time between applying for a loan and receiving the funds is 4.7 weeks.

BOX 1

Client Voices Research Questions

- What do microfinance clients view as their most important worries and most negative experiences in dealing with microfinance providers?
- How common are experiences of consumer protection problems at the national level?
- What attributes are most important to clients in determining a positive customer experience?
- How do these priorities compare to assumptions the industry has made about what clients want (especially as reflected in the Smart Campaign Client Protection Principles)?

Consumer Protection in Benin's Microfinance Sector

Consumer protection is a fairly new concept to both clients and MFIs in Benin. Regulation for MFIs is set at the regional level through the West African Economic and Monetary Union (WAEMU) and enforcement has been fairly lenient in Benin. An important exception occurred around the PADME crisis in 2008, when authorities intervened in the operations of the second-largest MFI in the country, suspending the Director and the Board under allegations of mismanagement and fraud.[5] This crisis shook confidence in the sector.

The fact that regulations are set at a distance through the *Banque Central des Etats de l'Afrique de l'Ouest* (BCEAO, the central bank for the West Africa Monetary Union) with offices based in Bamako, Mali may contribute to challenges in regulating the microfinance sector in the region. However, over the last few years, regulators have tried to develop a more comprehensive framework for the sector. Several regulatory changes targeting stability and covering licensing, prudential ratios, accounting standards, and reporting, were enacted by BCEAO in 2008. The Benin BCEAO office, meeting its responsibility to enforce the recommendations and regulations issued at the headquarters office, adopted a parallel national law in 2012, giving MFIs in the country two years to comply. Nonetheless, enforcement has been an issue and currently, the government's interest in a separate consumer protection law appears low. Encouragingly, all MFIs in the region are now required to have and implement a BCEAO-recommended code of conduct for staff, covering such topics as fair and respectful treatment of clients. It is not clear how uniformly institutions have adopted these codes of conduct across the region. In addition, a sector-wide credit bureau has been delayed at both the regional and national level and while progress has been made it is unclear when it will be in use. This permissive regulatory environment in Benin gives context to the problems uncovered in the Client Voices research.

The most concerning problems that the Client Voices research project uncovered in Benin include clients being unable to withdraw their savings, lack of understanding of the costs associated with borrowing, and clients not being informed of where they can complain if something goes wrong. Transparency, fair and respectful treatment of clients, and mechanisms for complaint resolution emerge as the Client Protection Principles that resonate most as priorities for client protection in Benin. With low education levels and little experience with financial services—68 percent of the sample is illiterate and only 5 percent of the sample reported they have a bank account[6]—extra effort and care is needed to explain the characteristics and consequences of financial products to clients in Benin.

Key Findings

2

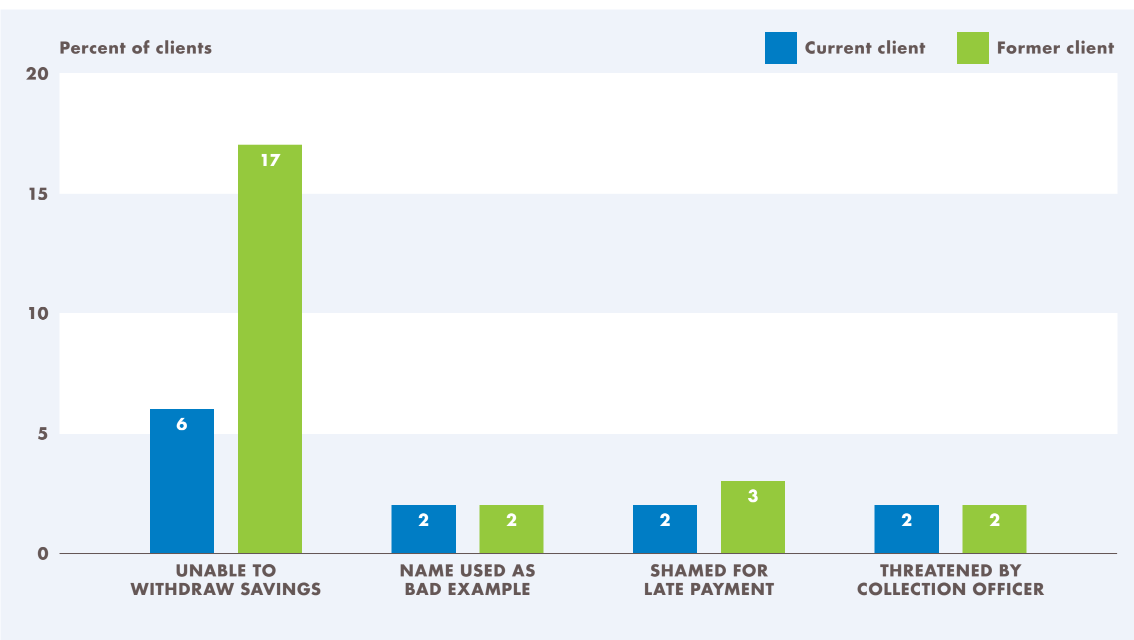
Being Unable to Recoup Savings is the Most Common Consumer Protection Problem Among MFI Clients in Benin

Our research reveals that clients are confused about how much of their savings they can withdraw and when. As in many markets where clients have limited collateral to guarantee loans, MFIs in Benin commonly require clients to save over a period of a few months to demonstrate repayment capacity before the MFI issues an initial loan. These savings, which we refer to as compulsory savings, are often held as a guarantee during repayment in case of default.

In our quantitative survey, 9 percent of all clients (6 percent of current clients and 17 percent of former clients) report that they have been unable to withdraw their savings (33 percent had savings with MFIs at some point). As shown in Figure 1, this problem is more common than other consumer problems included in the quantitative survey.

FIGURE 1

Percent of Current and Former Clients Reporting Consumer Protection Problems



One man in the capital city of Cotonou described how he had observed less sophisticated clients being taken advantage of for not knowing that they could recover savings deposits they had made as part of their repayment:

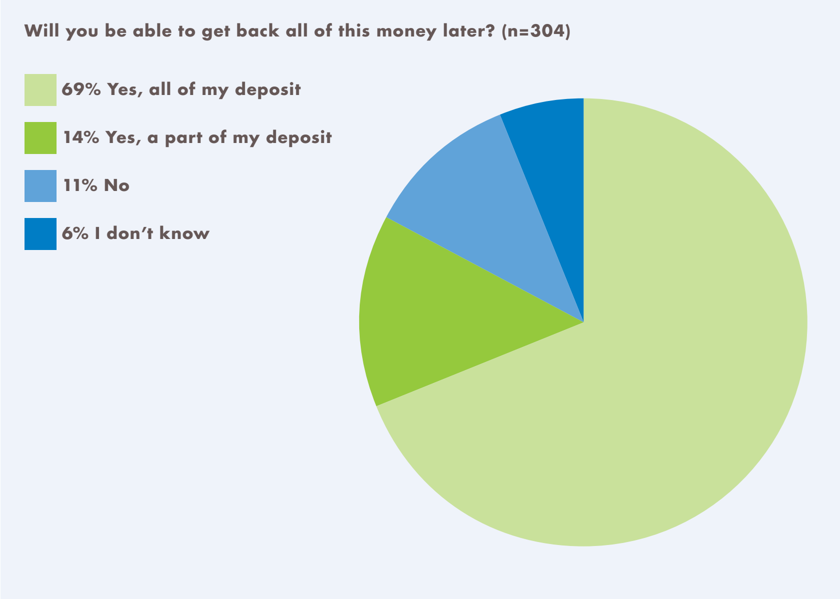
"A small sum always comes back to the borrower at the end of the repayment period. But the illiteracy of many means that many [clients] don't know they have a rebate to collect taken from what they repaid. So they don't collect it."
MAN, CURRENT CLIENT, COTONOU

Another client has not withdrawn his savings out of fear that doing so would end his relationship with the MFI.

"It should be noted that when I paid money to [the MFI], part of it was for me…each time I made a repayment, [part] was supposed to be a guarantee for the loan coming afterwards or I could take it when I wanted. But I never went [back for] it…[If I had taken it back], I wouldn't be a partner any more, I wouldn't be able to borrow again."
MAN, CURRENT CLIENT, COTONOU

FIGURE 2

Percent of Clients Reporting They Will Be Able to Withdraw Savings



Lack of transparency about savings deposits versus fees causes confusion about savings balances

Confusion between fees and savings used to guarantee loans reflects MFIs' failure to disclose these charges in a way that clients understand. Some clients are aware of deductions from their savings balances, while others are confused about which payments are compulsory savings, and which are fees. As shown in Figure 2, a combined 31 percent of clients report that they would not get their savings back at the end of the loan cycle, that only a part will be returned to them, or that they were unsure if they could recoup savings.

Some clients only learn that their savings will be held after beginning repayment. Of those reporting that their savings would not be returned in full, 55 percent only learned of this fact after beginning loan repayments. When asked whether they were surprised by anything in their dealings with MFIs, 8 percent reported being surprised by the fact that they could not withdraw their savings.

One man from Parakou, the largest city in Northern Benin, described his confusion between petty cash—a fee with an unclear purpose and questionable validity—versus savings:

"If you've finished constituting the file…you'll pay 12,000 CFA (USD $25) and some other fees, called petty cash. That is not included in the amount that you will repay. If you finish repayment and want to take back the petty cash because you do not want to continue borrowing, [the MFI] will start to go round in circles. In the end, it will be impossible to get back those compulsory savings."
MAN, FORMER CLIENT, PARAKOU

The fact that more former clients have problems withdrawing their savings suggests that this problem occurs most frequently when clients wish to end their relationship with the MFI. Because we did not speak with MFIs as part of the Client Voices research, we do not know their explanation for deductions or withdrawal of savings. Nonetheless, it is clear that MFIs are not effectively communicating the difference between fees, guarantees, and savings to clients. As we see later in the report, low literacy rates in Benin makes conveying loan terms especially challenging. The failure to convey rules and restrictions around withdrawing compulsory savings is bad for business because when clients fear that they will not be able to access their savings, they lose trust in keeping money at the MFI, and through word of mouth this lack of trust can reduce savings deposits.

In some cases non-registered or fake MFIs may contribute to savings being retained illegitimately. Clients struggle to differentiate between legitimate and non-registered MFIs.

Although Benin's MFI sector is not large in term of the absolute monetary value of disbursements,[7] there are many MFIs in Benin. Respondents named over 100 different MFIs, only 56 of which are registered,[8] suggesting a proliferation of institutions as the sector has grown. Because legitimate MFIs take savings before granting clients loans, some fraudsters have seen an opportunity to collect deposits and promise loans in the future, only to disappear with clients' money.

In the quantitative survey, we are not able to distinguish between those who lost savings to fraudulent MFIs, those who lost savings due to MFI staff corruption, and those who lost savings to legitimate fees and deductions in licensed institutions.[9] However, from the qualitative research it was clear that clients perceive that fraudulent and disappearing MFIs is a widespread problem. Figure 3 describes one such example.

Another man from Parakou described a similar situation:

> **"[The MFI] was correctly installed, being quite visible, having radio communiqués, well made publicity panels, etc. But in reality, none of that was approved, not even the legal documents… After having taken the population's money, they disappeared."**
>
> **MAN, FORMER CLIENT, PARAKOU**

Non-registered MFIs that collect deposits only to close down presents a real threat to clients, and currently there is no good way for clients, many of whom are new to the formal financial system, to assess the legitimacy of these institutions. The fact that no clients mentioned an authority where they could report these problems or check for the legitimacy of institutions is indicative of the

FIGURE 3

Photo Taken by a Client to Show an Example of an MFI that Disappeared and Defrauded Community Members

RESPONDENT: "With the hope of being able to get a loan, several people saved their money [here] and then one day, we learned that it had just disappeared.

The risks are on our side as well as with the MFIs. We run the risk of seeing our money disappear, while the MFIs risk the non-payment of their loans. There are risks because most of us are illiterate and we don't know who tells the truth."

WOMAN, CURRENT CLIENT, PARAKOU

lack of government or consumer protection organizations currently addressing such issues in the country.

Borrowers Who Pay Late are More Likely to Experience Problematic Treatment

Among all current and former clients, 13 percent report experiencing one of the consumer protection problems we identified in qualitative research and included in the quantitative survey. However, the incidence of problems is much higher among clients who report having paid late at least once. Clients who have paid late were 17 percentage points more likely to have experienced at least one of the problems included in the survey than punctual clients. In other words, of the

FIGURE 4

Differences in Percentage of Clients Who Experienced Problems, by Whether or Not They Have Ever Paid Late

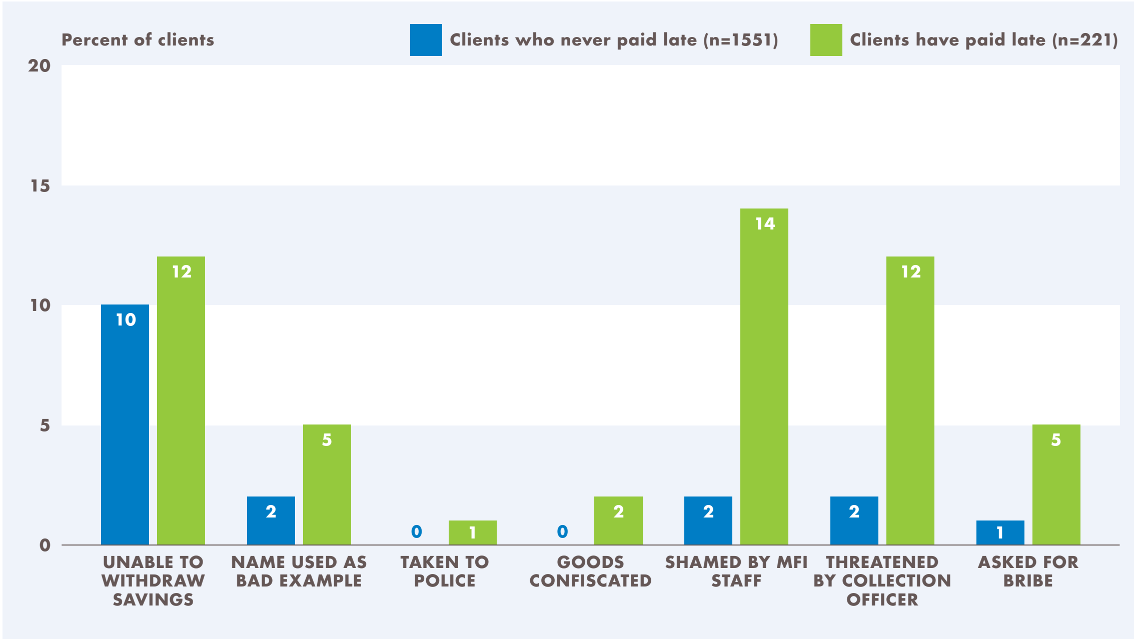
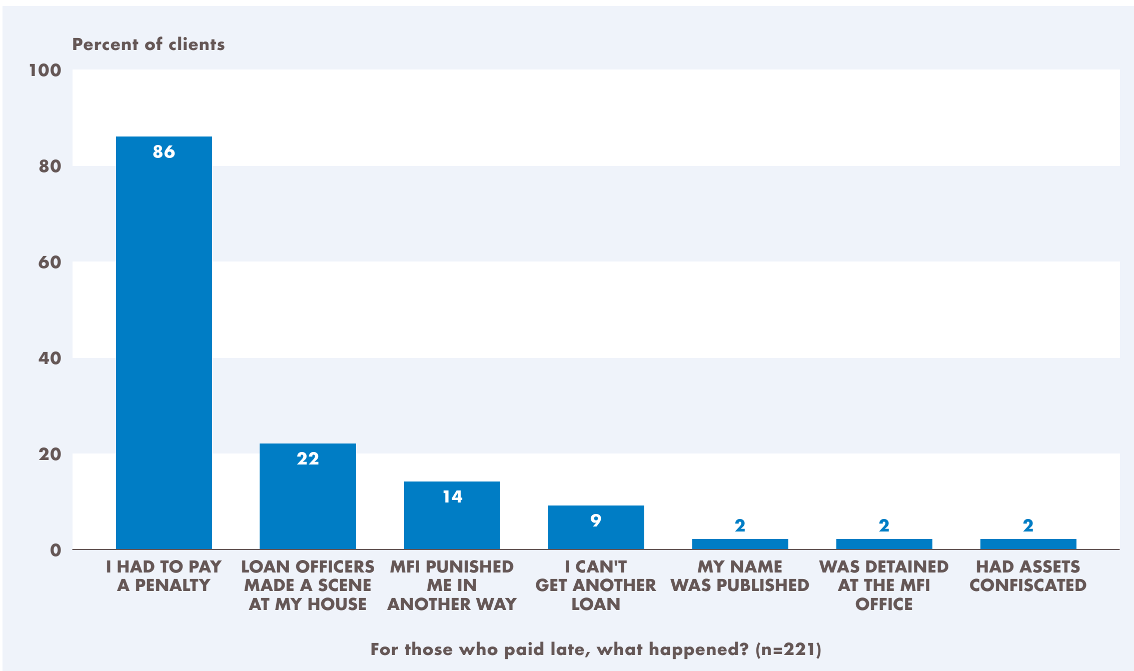


FIGURE 5

Consequences of Late Payments[10]



16 percent of clients who have ever been late with a repayment, nearly one in three experienced problematic treatment, suggesting that MFIs resort to negative treatment during collection of past due payments. Figure 4 shows that the incidence of all consumer protection problems asked about in the survey is higher among clients who have ever paid late.

When asked about the consequences of paying late, the most common is paying a fee, locally referred to as a "penalty." Clients reported that the late penalty is about CFA 3,000 or approximately $5 with the median loan sizes in the sample being $300 for individual borrowers and $100 for group borrowers. These penalties may increase daily or over time if client continues to be unable to pay the installment. However, one in five clients who paid late also reported that loan officers made a scene at their house, as shown in Figure 5.

One client took a photo of such a scene, shown in Figure 6, stating:

"This is a living illustration of the shame one can suffer when borrowing money… the MFI agent had made a surprise visit to this group of women who had borrowed money and promised to pay back in six months. The group had repaid for three months and then stopped paying. One of these women (the one who's shouting because she was surprised by this news) has always paid her share to the head of the group (the lady who is a bit behind the others and will not repay)."

MAN, FORMER CLIENT, TOGBA

In the case of group borrowing, the obligation to cover payments for fellow group members results in similar treatment. In our sample, 9 percent have covered a payment for a group member who could not pay, or when serving as a guarantor or co-signer for another borrower. Among this group, MFI staff making a scene at their house is the most common practice that clients defined as a consumer protection problem as seen in Figure 7.

Clients view MFIs' lack of flexibility in repayment as overly harsh

On a related note, clients report that MFIs are overly inflexible about repayment deadlines, even in the case of legitimate emergencies. With no leeway to negotiate extensions, more clients may be pushed into the category of late borrowers who are more likely to experience negative treatment. In the quantitative survey, 89 percent of all clients reported that even in the case of an emergency, MFIs do not allow them to pay late without penalty. Of the 17 percent of clients who were surprised by something about their interaction with an MFI, nearly one in four (24 percent) were surprised by the lack of flexibility in case of an emergency. Clients generally report that this builds ill will toward the MFI when clients face genuine crises.

Respondents expressed the preference that MFIs be more lenient with clients who have experienced a sickness or death in the family or an accident that affects their ability to repay:

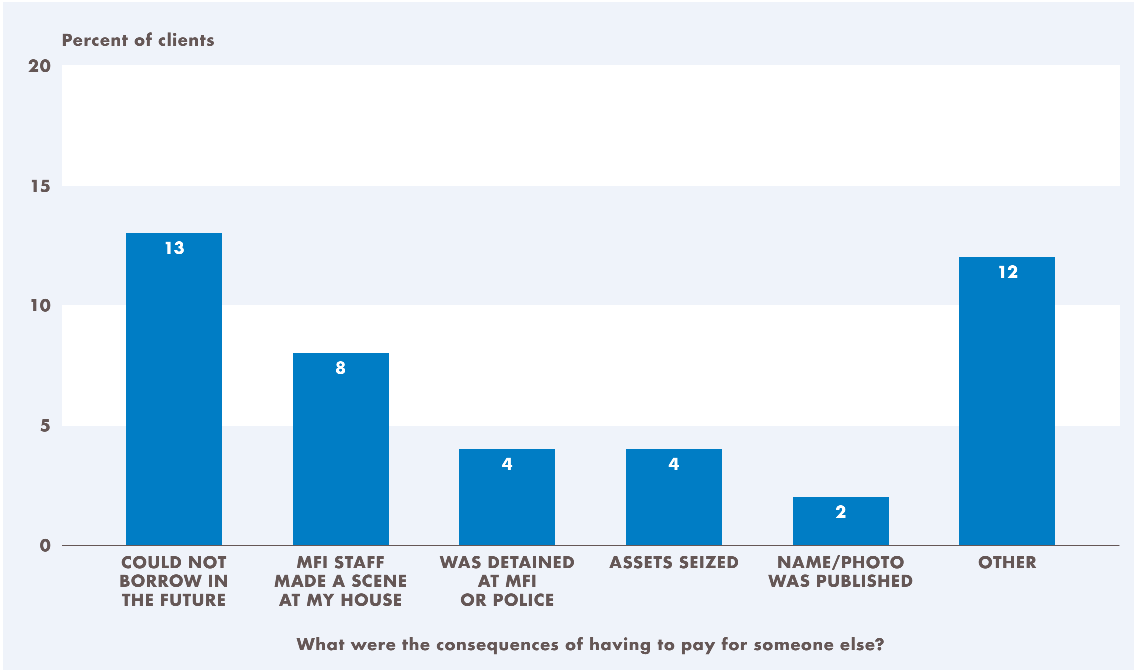
"When someone who is known for being good in making repayments has just got into such a situation, they (the MFIs) ought to understand and be a bit flexible, giving a moratorium

FIGURE 6

Photo Taken by Client to Show Shame Being Used in Collection Practices

FIGURE 7

Consequences of Having to Cover Another Group Member's Payment or Payment as Guarantor (n= 129)



(delay) so that the person can straighten things out, but that's not often the case."
MAN, FORMER CLIENT, PARAKOU

One client took the photo in Figure 8 to show the type of crises that can limit borrower's ability to pay on time.

Clearly MFIs cannot grant blanket extensions to every client who says that he or she has an emergency, but adding an incentive of some grace period for long-term clients who have a proven track record of paying on time would engender good will among clients.

While the incidence of extreme practices is low, the consequences may be severe for those who are publicly shamed or detained at the police station or MFI office

Our quantitative survey found that 13 percent of clients experienced at least one consumer protection problem. The details of such negative treatment that clients elaborated in qualitative research suggest that these experiences are traumatic for some. For example, one client described how MFIs sometimes involve the police in collections:

"If we borrow money from an MFI and we have a problem (delay) in repaying, their staff are violent and put us on their motorbikes and take us to the police. At the police station, the policemen keep us there saying they will hold us there until we have paid what we owe. After all, we are women and we deserve a better treatment. They treat us like savages."
WOMAN, FORMER CLIENT, PAOUIGNAN

Although detentions at the MFI office or police station affected a small percentage of clients (2 percent of all clients who had paid late and 4 percent of group borrowers who had to pay for another person), the practice is scarring for those who have been through it. One man described the aversion he felt to seeing delinquent borrowers made to sit at the police station.

"It's there [the police station] that the [MFI] staff take the people who don't repay on time or don't repay at all. And it is a house of shame.... What I find upsetting about borrowing is the public shame heaped on those who can't repay."
MAN, CURRENT CLIENT, PAOUIGNAN

Another woman is still haunted by the time over 10 years ago that an MFI published her photo after the person for whom she had co-signed did not pay. She was incensed that the MFI did not try to contact her first and she found out from her social circle that the MFI had posted a photo of her.

"I submitted this photo [the photo she shared during the photography exercise] when I served for a guarantor for one of my friends who borrowed from the MFI. She finished repaying the loan and, without telling me, she took a second loan and then ceased repaying. One day, one of my clients came to tell me that my photo was pasted up on the [MFI] notice board in [the neighborhood] on the side of the street and that many people were looking at it. They went on to say that they were certain that I had borrowed money and had not repaid.

This situation took place in 2003, but I have never forgotten it. Every time I look at the photo, it upsets me and I remember the degrading remarks that my customers made."
WOMAN, FORMER CLIENT, COTONOU

MFIs undeniably need to recover payments, but such extreme treatment of clients, while rare, is troubling and also may result in negative word of mouth about the MFI from clients who had problems repaying, ultimately reducing the pool of potential clients: 21 percent of clients who paid late report being somewhat dissatisfied or very dissatisfied with MFI services, whereas only 8 percent of those who have never paid late report being somewhat or very dissatisfied.

FIGURE 8

Photo Taken by Client to Reflect Lack of Flexibility in Repayment in the Case of Emergencies

INTERVIEWER: "Why did you take this photo?"
RESPONDENT: "Because the lady in the photo is an MFI client who took a loan for her activities. But ...the car had an accident in which she lost all her tomatoes, which were broken or crushed by other cars overturned on the road....

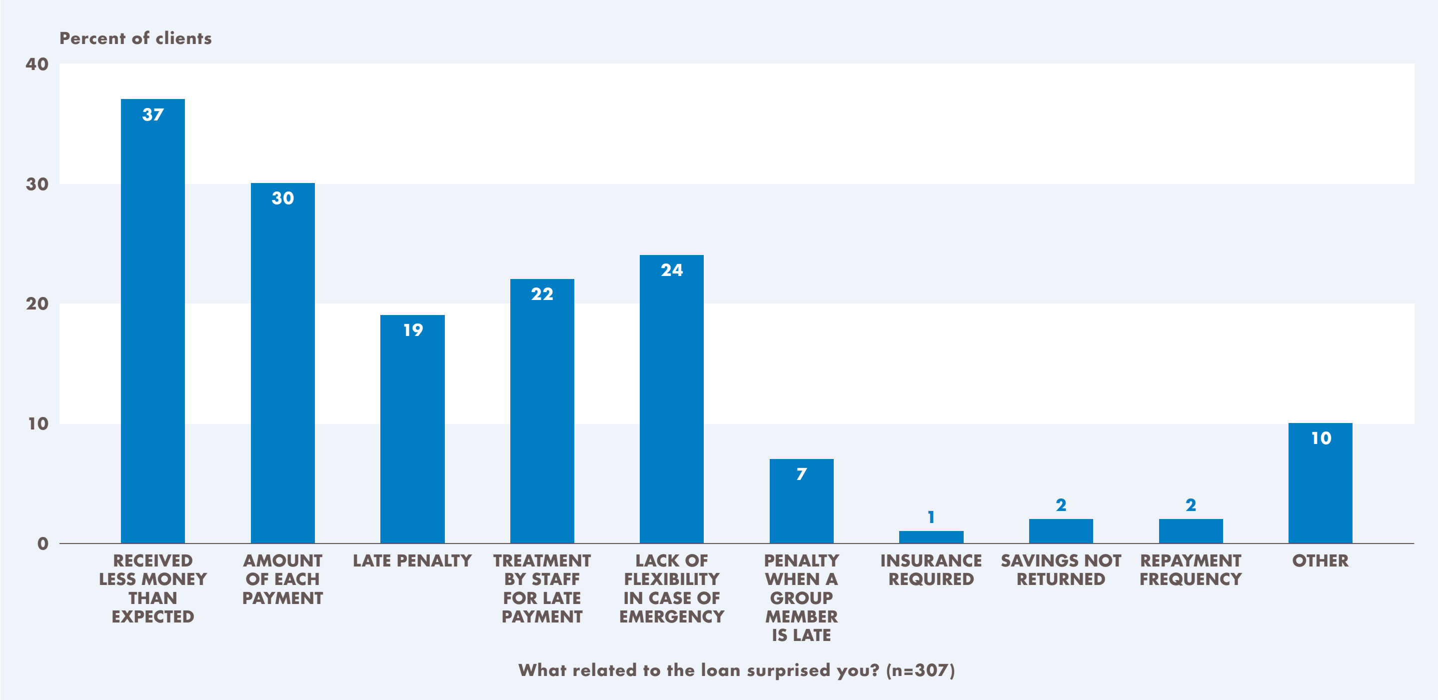
Some risks can be avoided but not others. Can one really avoid a road accident? Not necessarily. It is a risk which the MFIs should understand and be flexible with us by giving us a few days extra."
WOMAN, FORMER CLIENT, PAOUIGNAN

Clients Lack Basic Information About the Terms and Conditions of Their Financial Products

In Benin many clients have a limited understanding of the total cost of their loans and the fees they pay. Although 67 percent of borrowers report that they know how much they will pay in total (principal plus interest), 33 percent of clients could not report more information about the costs of their loans other than their monthly repayment value. One farmer described how understanding

FIGURE 9

Reasons Clients Were Surprised About Costs of a Loan (17% of all clients)



how much he will pay is more important to him than knowing the interest rate:

"We are farmers. The best arrangement for us is to be told, in relation to the amount of the loan, how much we actually have to repay. The surplus on the amount would be spread out as follows and at the same time, be told what part of the surplus would be for us [savings]. I think that [this is] better than mixing us up with percentages."

MAN, CURRENT CLIENT, PAOUIGNAN

Insisting that clients can state the percentage interest rate is unlikely to translate to meaningful understanding of loan costs. But the fact that only 12 percent of clients know the percentage interest rate is indicative of the very low levels of understanding of loan costs and terms in Benin.

An important consequence of clients being confused or uninformed about how much they will be charged from the beginning of the loan cycle is that clients are unpleasantly surprised by actual costs, and lose trust in the MFI. With quantitative survey results showing that 17 percent of clients were surprised by costs related to the loan process, we can conclude that MFIs have not adequately informed clients about the fees they are paying and the purpose they serve.

Lack of transparency in pricing, especially fees, raises questions about their legitimacy

As we have seen in the case of withheld savings, lack of transparency in pricing and disclosure of fees is a problem among some MFIs in Benin. The quantitative survey found that 86 percent of respondents paid at least one of the fees in Table 1, with total fees reported on average 7 percent of the loan value. Of those who paid fees, 15 percent did not know the exact amount of one of the fees they paid.[11] In qualitative research, clients reported confusion around fees like "processing fee" and "petty cash," and the lack of communication around the purpose of fees leads to questions about the legitimacy of such charges. One client expressed that fees are high relative to the loan amounts.

"I borrowed 50,000 CFA (US $103) from [MFI name]. The interest was a lot. When you add up all that the MFIs take for the formalities, you find you pay [too much].... As an example, a woman paid last time 10,000 CFA (US $21) fees for an application although the loan was for 50,000 CFA (US $103)."
MAN, FORMER CLIENT, COTONOU

In the qualitative research, some clients reported that MFI staff had asked for bribes, although a small portion of the sample reported paying bribes in the national survey.

"When we went to take the loan money, the person at the cash desk, who was to give us the money, took 10 percent off...As far as we're concerned, it was for him. The agent softens us up, just so that we make a gesture."
MAN, FORMER CLIENT, PARAKOU

In addition to fees, 8 percent of respondents say they received less than the loan amount they expected (additional deductions from the loan value at the time of disbursements). Such deductions come as a shock to clients. Thirty-seven percent of clients who reported being surprised by something during their interaction with the MFI were surprised to receive less money than they expected. As a percentage of loan, the reported median difference was 11 percent. Among respondents who reported that they received less than the principal, the median deducted value was CFA 11,656 or US $22.[12]

Among the different fees they are charged, clients seemed to be especially confused about insurance. Most often clients reported that the insurance is to cover repayment in the case of a group member's death. But some clients in the qualitative research reported that they had not been told what the insurance is for. Additionally, some were misinformed and expected insurance fees to cover their own repayments if they did not have the money.

Illiteracy and multiple languages make effective disclosure challenging

Low levels of understanding loan terms suggest that MFIs are not succeeding in conveying this information in a manner that clients with low

TABLE 1

Fees Microfinance Borrowers Pay (Median Loan Value is US $125 for Entire Sample)

FEE TYPE	% RESPONDENTS WHO PAID THE FEE (N=1420)	MEAN AMOUNT
Application fee	69%	CFA 3,391 (US $6.40)
Processing fee	40%	CFA 2,578 (US $4.90)
Insurance fee	35%	CFA 29,897 (US $57)
Petty cash	9%	CFA 8,111 (US $15)
Bribes	3%	CFA 4,440 (US $8.40)
Miscellaneous fees (respondent does not know what for)	9%	CFA 5,010 (US $9.50)
Other fees	9%	CFA 5,806 (US $11)

TABLE 2

First Languages Spoken by Quantitative Survey Respondents

MOTHER TONGUE	PERCENT	MOTHER TONGUE	PERCENT
Fon	27%	Aizo	1%
Bariba	15%	English	1%
Adja	9%	Bialy	1%
Yoruba/nago	8%	Houssa	1%
Mina	4%	Peuhl	1%
Goun	4%	Tori	1%
Dendi	3%	Other	22%
Ditamari	1%		

FIGURE 10

French Literacy Levels in Quantitative Sample

Can you read in French?

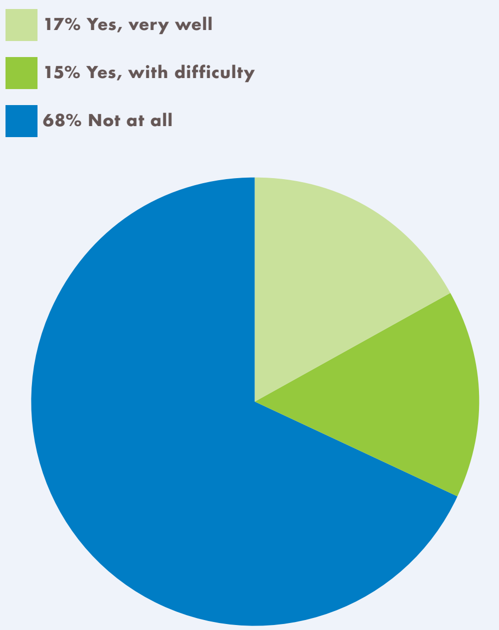
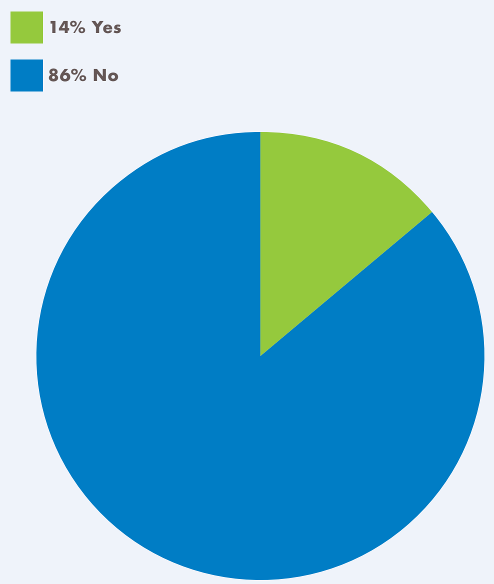


FIGURE 11

The Majority of Clients are Not Informed About Where to Complain

When you became a client at this MFI, did they tell you where you could complain? (n=1551)



levels of education can understand and retain. One illiterate client described his confusion about the terms:

MODERATOR: **"[D]id the MFI explain the interest rate and when you had to borrow to you?"**
RESPONDENT: **"They explain, but when they see you are illiterate, they get you to sign papers which mean that you'll repay more than you should."**
MAN, FORMER BORROWER, PARAKOU

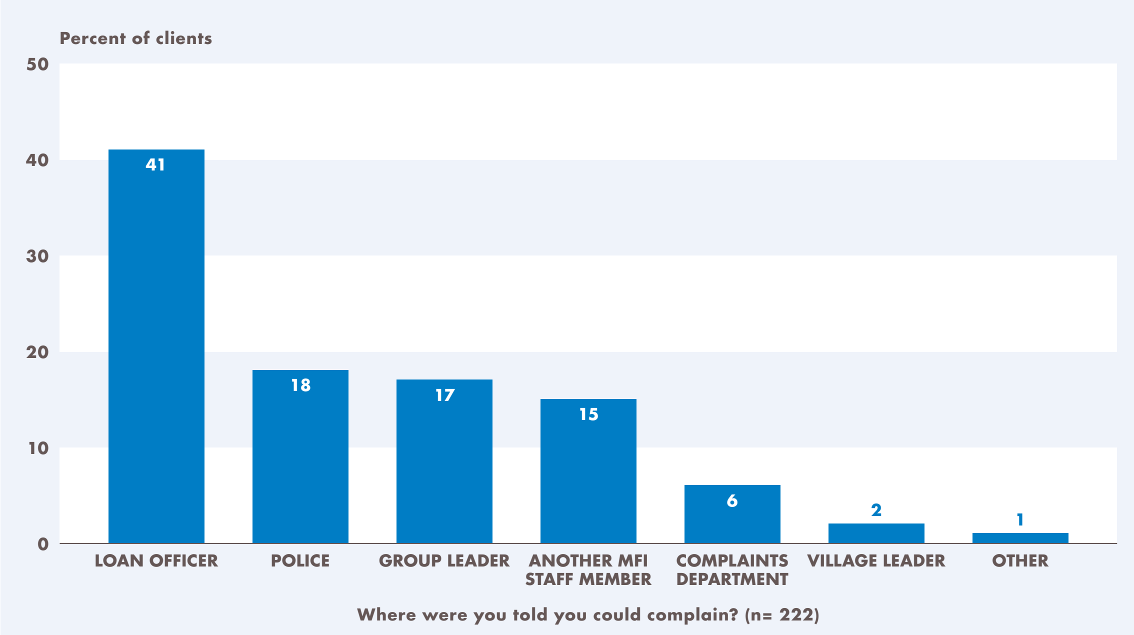
With low literacy and education levels in Benin, providers face an added challenge of explaining terms and conditions so that clients fully grasp the commitment they are making. The fact that Beninois speak many languages (as seen in Table 2) and 70 percent do not read in French (as shown in Figure 10) complicates disclosure. As it is rare for the indigenous languages of Benin to be written outside of linguistic study, providing written materials in vernacular is not likely to be effective in most cases, so MFIs must rely on verbal explanation.

While education levels among borrowers are low—70 percent of women in the quantitative sample reported that they had not attended school at all—this does not mean that clients are not capable of understanding the fees and interest rate structures. The quantitative survey found that MFI borrowers are quite numerate: 73 percent of all respondents correctly answered the math question, "What is 3 times 60?" reporting the answer 180 without difficulty.

Such poor understanding about both the fees and the interest charges among clients indicates that many microfinance clients in Benin cannot accurately compare institutions on the basis of price. Being able to make such comparisons would empower clients to choose appropriate products to meet

FIGURE 12

Clients' Reports of Where They Can Complain



their needs. Improving price transparency is likely to improve the client experience and reduce the incidence of bad surprises during loan repayment.

Clients Report that Complaints Processes are Not Working Well

Clients are not aware of how and where to file a complaint about MFI services

Another area of disclosure that MFIs in Benin could improve upon is informing clients about recourse options, provided institutions have complaints processes in place. As Figure 11 shows, 86 percent of clients report that they were not told where they could complain if they had a problem.

Even among clients who were informed about where to complain, there still seems to be confusion about who can solve problems with an MFI. As shown in Figure 12, 18 percent were told to complain to the police and 2 percent were told to complain to a village leader. While the police and village authorities might be involved in dispute resolution in some cases, they are unlikely to be an effective first point of contact for problems with an MFI. Only 6 percent of clients mentioned complaints departments. There was no mention of complaining to a formal government authority, regulator, or consumer protection agency in Benin.

Many clients who have reason to complain about MFI services do not. Although 14 percent of survey respondents reported that they wanted to complain about a problem related to microfinance, only 4 percent actually complained to the MFI. One client explained that he was afraid complaining would jeopardize his chance to get an additional loan:

"If you go to complain to [the MFI] office, or elsewhere, you won't get another loan."
MALE, FGD BORROWER PARAKOU

Although some clients do not complain because they think it will be ineffective, 61 percent report that they did not complain because they are not informed about where they could. As Figure 13 highlights, failure

FIGURE 13

Reasons Why Clients Did Not Complain to an MFI

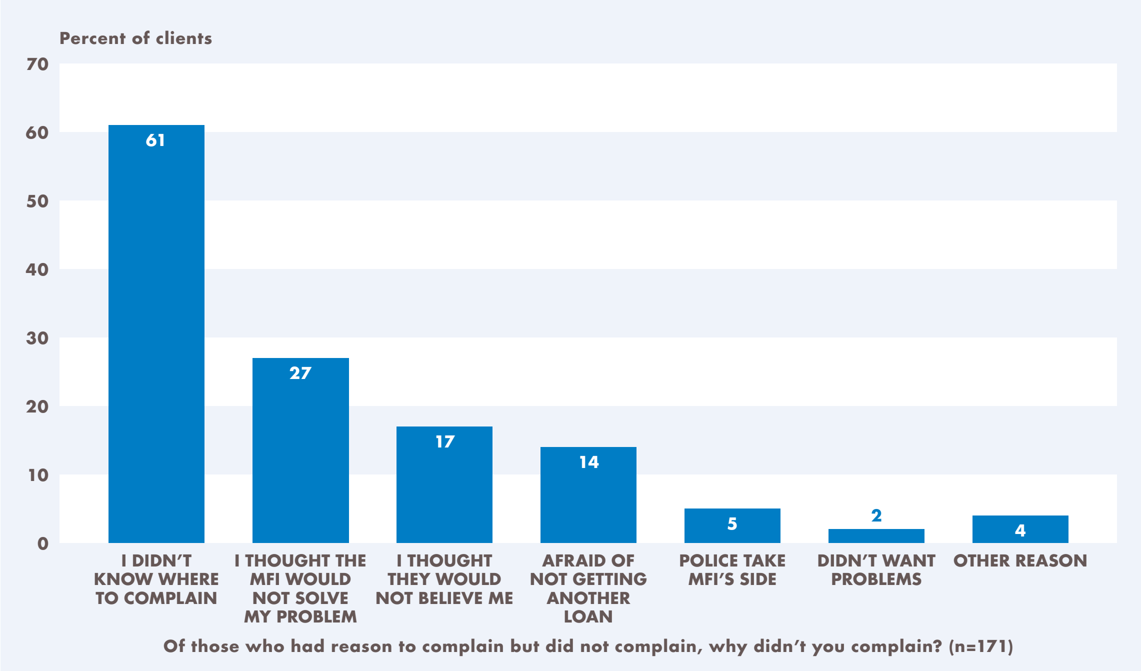
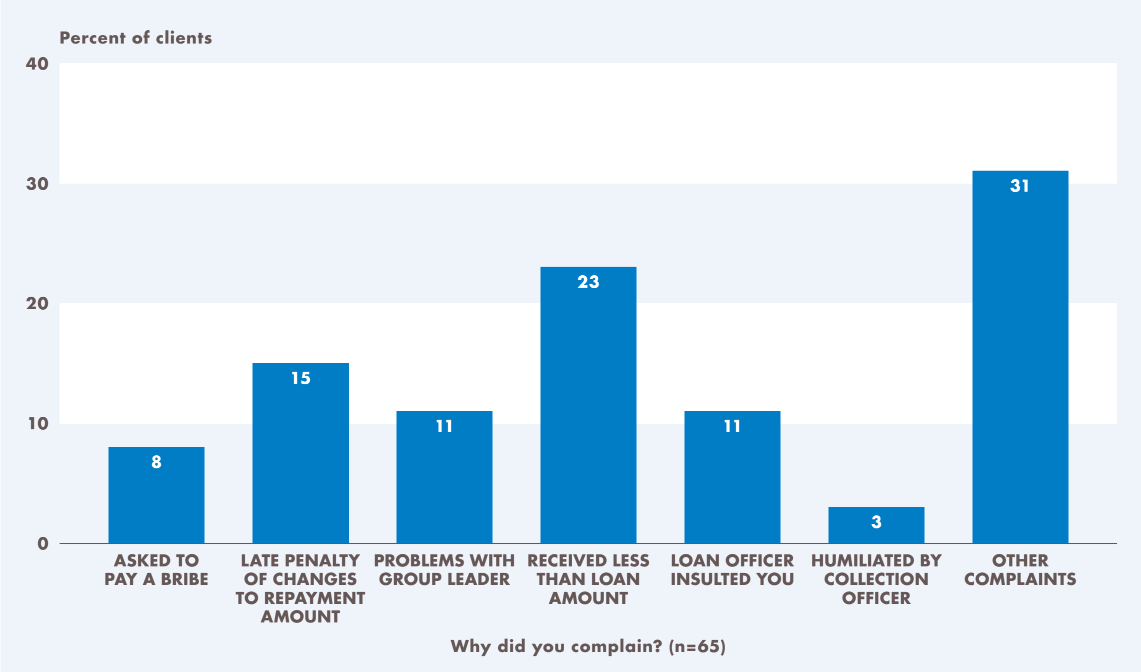


FIGURE 14

Diverse Reasons Why Clients Complained[13]



to inform clients about where to complain when these options are available are the main reasons that clients do not complain when they feel they have a reason to.

For those who have had cause to complain, recourse processes are not working well

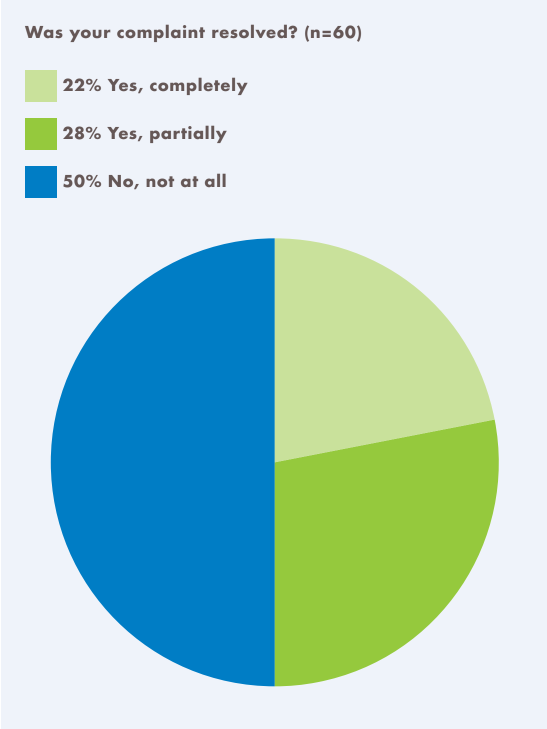
Clients who did complain reported a variety of grievances, including receiving less than the stated loan amount and unfair late penalties, as shown in Figure 14. As mentioned, when the loan officer is the designated point of contact taking complaints, any issues with the officer are likely to be difficult to resolve. This is problematic for the 11 percent of those who complained who felt the loan officer insulted them. Furthermore, some clients feel the loan officer becomes unavailable to hear complaints or questions after issuing the loan:

MODERATOR: If you are worried about something, is there someone you can see?
RESPONDENT: "We have the number of an agent who comes to make us aware of their products, and we can call him to get to get an explanation. When there isn't a contract between you, he's courteous, available, listening to you. But as soon as you fall [take out the loan] he doesn't know you anymore."
WOMAN, FORMER CLIENT, PARAKOU

Among those clients who did complain, fully half reported that the issue they raised was not resolved at all, as shown in Figure 15.

FIGURE 15

Among those Who Did Complain, Was the Complaint Resolved?



Income, literacy, and knowing payment terms are positively correlated with having a reason to complain about MFI services

We find evidence that clients who are wealthier, more educated, and more informed about loan costs are more likely to report having a cause to complain about MFI services. We used probit regression analysis to investigate variables that correlate with clients' likelihood of reporting that they wanted to complain about service from an MFI. In Table 4, the dependent variable is "Ever wanting to complain about service from an MFI," regardless of whether or not the client actually ever complained. Unsurprisingly, those who had made a late payment (variable "ever paid late" in Table 4), or had paid for another group member ("paid for group member") were more likely to want to complain, as indicated by the positive statistically significant coefficients in Table 4.

More interestingly, illiterate clients and clients in the lowest two quintiles in per capita expenses in the last month (variable "poor" in Table 3) are less likely to report wanting to complain about an MFI's services (both correlations significant at the 5 percent confidence level). Clients who know how much they will pay in total were also more likely to report that they wanted to complain than those who did not know the total value of the loan. Clients who are uninformed about their loan terms may not be aware when they are taken advantage of, which may help explain this result.

Since this question asked about having reason to want to complain, and not about actually lodging a complaint, these results suggest that more disadvantaged clients—the poor and illiterate—may have a different threshold for thinking service is worth

TABLE 3

Probit Results, Client Ever Wanted to Complain About an MFI[14]

PROBIT REGRESSION		
Dependent variable: Ever wanting to complain		
Male	-0.0322	(0.102)
Illiterate	**-0.221****	**(0.0930)**
Know how much they will pay	**0.451*****	**(0.0906)**
Ever paid late	**0.343*****	**(0.112)**
Paid for group member	**0.370*****	**(0.140)**
Told where to complain	0.123	(0.119)
Correct response to math problem	-0.134	(0.0877)
Poor	**-0.170****	**(0.0853)**
Group borrower	0.0184	(0.0940)
Experienced any consumer protection problem	**0.832*****	**(0.105)**
Observations	1,733	

STANDARD ERRORS IN PARENTHESES *** $p<0.01$ ** $p<0.05$ * $p<0.1$

BOX 2

Findings from Quantitative Survey on *Tracasseries*

- Average time from when client applied for the loan until they received the payment: 4.7 weeks.
- Clients complain that getting a loan, even when it is not the first loan, is time consuming.
- Mean number of visits to MFI office to get a loan: 2.4, But 25% of people went more than 3 times (max = 15 visits).
- These trips add to the cost of borrowing. For those having to take transport (70% of clients), mean transport costs were CFA 1407= US$ 2.70 round trip.
- 3% of former clients stopped using an MFI because of *tracasseries*.

complaining about. Alternately, experience may lead disadvantaged clients to believe that complaining will be ineffective. It is possible that disadvantaged clients may not realize they have been cheated, as they did not understand the fees and charges associated with the loan.

Clients Report that Engaging with MFIs is Bureaucratic and Slow, Involving What Clients Call *Tracasseries*

In both the qualitative and quantitative research, clients reported that engaging with MFIs in Benin, especially when applying for a loan, involves many trips and dealing with slow bureaucracy.

The French word *tracasseries* ("petty annoyances"[15] or "hassle"[16]) is the one that came up most often during qualitative research. One client described being demoralized by all the trips to the MFI office:

"To get a loan, you have to go at least five times…So with those calculations and all the to-ing and fro-ing [transport costs], one wonders how much the loan value really was."

WOMAN, CURRENT CLIENT, PARAKOU

Quantitative survey respondents confirm that these many trips and the bureaucracy are the main reason it is difficult to obtain a loan from an MFI, as shown in Figure 16. The quantitative survey confirmed that clients need to go to the MFI office on average 2.4 times, and the time period up until loan disbursement is slow: on average client's waited 4.7 weeks before receiving their money, as shown in Box 2.

It is important to note that clients deal with *tracasseries* and slow service in their dealings with other institutions. Clients reported similar problems at hospitals, schools, municipal offices, and other institutions. However, in the case of obtaining a loan these delays can mean that business opportunities pass clients by as they wait for a disbursement. This is especially common with loans for time-sensitive agriculture projects. In focus groups and interviews, male clients especially gave examples of time-sensitive business ventures that they had to forgo because the loan disbursement did not come on time. Figure 17 shows a photo taken by one study participant reflecting the effect of such delays.

FIGURE 16

Among those Reporting it is Difficult to Get a Loan, Why is it Difficult? (Multiple Responses, n=1027)

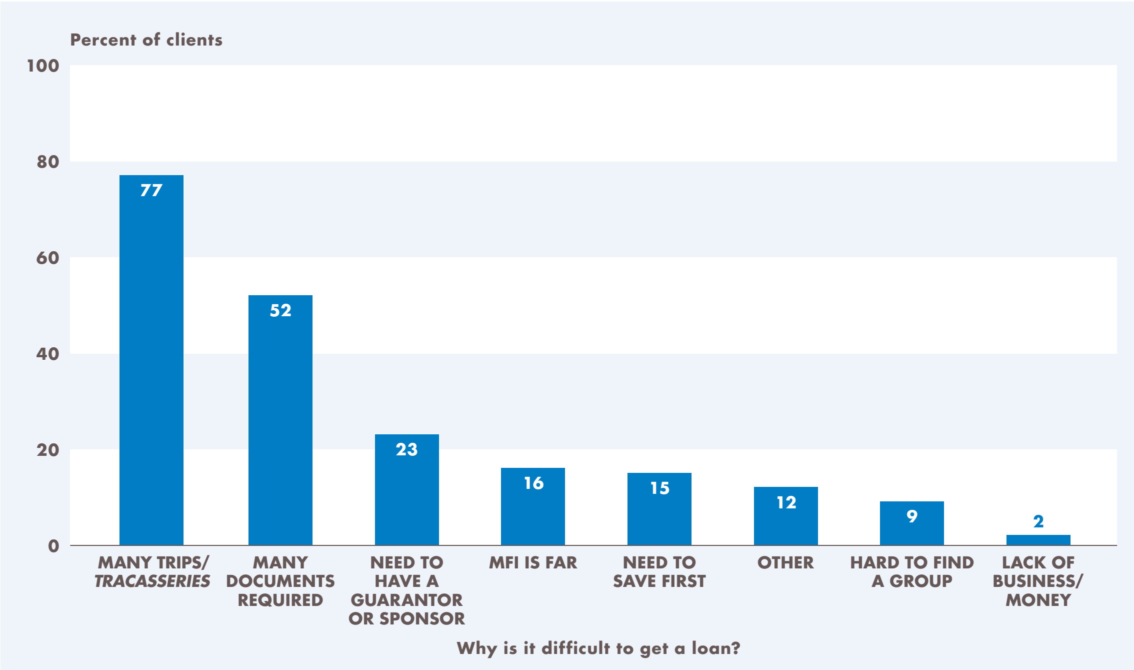


FIGURE 17

Photo Taken by Client Showing a Failed Fishing Project After Delays in Loan Disbursement

"This photo illustrates the failure of a group of six people who [were promised] a loan after presenting a fish breeding project. After waiting for several months and much coming and going without a result…the group decided to abandon the project…in spite of the enormous expenditure and efforts made."

MAN, FORMER BORROWER, TOGBA

3

Fostering a More Protective Client Protection Ecosystem in Benin

Microfinance clients in Benin represent an especially vulnerable group: in our national sample, men had on average 4.9 years of schooling and women had studied for an average of just 1.7 years. Nearly 70 percent of the quantitative sample cannot read French or a local language. The stakes are high for low-income people engaging with MFIs. For clients who tend to be poor and have little physical wealth, relationships, social capital, and their reputation are important assets. Beyond the concerns for client well-being, the key findings also point to deterioration in the relationship between clients and MFIs as well as the potential for reputational risk for the entire sector.

The specific Client Protection Principles that emerge as the priority areas for creating a more protective microfinance industry in Benin include transparency, fair and respectful treatment of clients, and mechanisms for complaint resolution. We present our initial recommendations for the top consumer protection issues in microfinance in Benin, as identified in the Client Voices project, in Table 4.

TABLE 4

Problems and Recommendations

CONSUMER PROTECTION PROBLEM	RECOMMENDATION
Clients being unable to withdraw their savings	MFI regulators should investigate the terms under which MFIs do not return savings to clients, and perhaps require institutions to provide documentation of legitimate cases. As this behavior was quite prevalent in our sample, some MFIs may be wrongfully appropriating funds. Investors and donors investing in MFIs in the region may also wish to look into this practice and consider setting standards for transparency around savings. Providers would do well to improve their explanation of how much savings clients can retrieve, as failing to do so can leave clients with the incorrect impression that MFIs are stealing from them, resulting in negative publicity through word of mouth and loss of confidence in the industry.

TABLE 4

Problems and Recommendations (continued)

CONSUMER PROTECTION PROBLEM	RECOMMENDATION
Reports of fake or fraudulent MFIs. Clients cannot differentiate registered from non-registered MFIs.	Identifying and closing down unregistered institutions that might be fraudulent would benefit both registered MFIs and clients. Clients may group legitimate, licensed MFIs with fraudulent organizations, harming the sector as a whole. Additionally, a credential, sticker, or some other identifying branding tool that easily identifies regulated financial institutions would help clients to identify legitimate institutions. The Smart Campaign and ALAFIA could collaborate to distribute such identifying information to legitimate institutions. There is also an opportunity to highlight to clients MFIs that have completed Client Protection Certification, in addition to making clear which organizations are sanctioned by the government. An important challenge would be educating clients about the meaning and legitimacy of the credential or sticker, as clients are not accustomed to evaluating institutional quality using such tools. If a credential system were implemented, development partners providing technical assistance could assist in how best to explain this.
Late borrowers experiencing Problematic treatment	Even though extreme negative practices such as detentions and public humiliation affect a small number of clients, sensitization with MFIs about more respectful and fair collection practices by the Smart Campaign and other actors such as ALAFIA would be beneficial. Investors, donors, and international microfinance networks also have a role to play in raising awareness. Training of loan officers, and revisiting their incentive structures might change how officers engage with clients who pay late. Although MFI's options may be limited, it is useful for providers to understand that collections are seen as overly inflexible when clients have legitimate emergencies. Small changes in behavior, such as listening to the clients' story, or offering a graduated progression to allow for a grace period for long term clients who pay on time, would help clients to view MFIs more positively. Regulation that clarifies the rules around recovery of loan payments would also help both MFIs and clients. Although unlikely to be implemented in the near term, eventually a credit bureau for MFI reporting will create intrinsic motivation for clients to pay on time, reducing the pressure on loan officers that may contribute to harmful treatment of clients during collection.[17]

TABLE 4

Problems and Recommendations (continued)

CONSUMER PROTECTION PROBLEM	RECOMMENDATION
Lack of understanding of product costs and terms and conditions	The Client Voices quantitative survey reveals that education levels and literacy rates among microfinance clients in Benin are markedly low. MFIs should present clients with information verbally or using other innovative tools. Clear and simple explanations of the total cost of the loan, all fee amounts and what they are for, and the consequences of late payments or default should be the priority. In addition to disclosing the total repayment amount compared to the principal, clients reported that they appreciated it when MFIs explained how much they would pay per CFA 100, including fees. Such standardized metrics allow clients co compare MFIs based on price.
Recourse mechanisms are not working well from the client perspective	More research with providers about the existing recourse processes would be a useful complement to the Client Voices research to understand what options providers offer clients, and the challenges they face in implementing recourse mechanisms. Involvement of the police in resolving disputes is unlikely to be the most effective channel for either clients or institutions. We did not find evidence of a government or other organizational ombudsman or complaints office to which clients can escalate complaints. If there is such an office, clients are not aware of it and raising awareness would be helpful.
Slow service, delays (*tracasseries*)	While comprehensive record-keeping and due diligence is needed in issuing loans, streamlining processes would be beneficial to the MFIs as well. Faster processes would reduce the cost of staff time to the MFIs, while also improving client service and alleviating a major pain point for clients.

FIGURE 18

The Smart Campaign's and Partners' Pillars for Client Protection

Addressing these concerns requires a market-level approach that takes into consideration the unique role that regulators, the MFI industry, and clients themselves each must play. The Smart Campaign and its partners have identified three pillars that are necessary for building a protective client protection ecosystem in individual markets: regulation for client protection and supervision, financial education and capability, and standards and codes of conduct for the industry. Particularly in an environment like Benin where regulatory enforcement and supervision is limited, innovative approaches and partnerships may be needed to address these issues.[18]

Additional potential actions under each of the three pillars include:

Regulation and government recommendations

- Close down non-registered MFIs that may scam clients.
- Improve or draft additional regulations to prevent shaming in collections and to define the legal processes for debts recovery. Lenders and regulators should develop greater clarity on the use of restructuring and flexible debt relief.
- Strengthen government and civil society organizations that collect complaints about financial services including MFIs.
- Advance plans for a credit bureau. Regulators, donors, and banking associations should work together to ensure that quality credit reporting systems exist and cover base-of-the pyramid clients. There are early stage plans to develop a credit bureau in Benin, which is a positive development.

Standards and codes of conduct recommendations

- Incentivize MFIs to develop complaints resolution processes and to inform clients about where to complain.

- Sensitize providers about the damage of public shaming techniques in collections by engaging investors, donors, and international microfinance networks.

- Focus on price structures and transparency in standards and code of conduct to simplify fee structures.

- Help clients to identify legitimate institutions through showing certification credentials.

Financial capability and consumer empowerment recommendations

- Since providers will not be able to address low levels of education among the population of Benin, MFIs should continue to focus on verbal explanations and providing frequent touch points with MFI staff to answer questions.

- Explanation of costs should be simple, using heuristics and simple examples.

- NGOs, consumer protection organizations, and other actors should educate consumers about their rights to complain and demand quality service, especially focusing on the poor and illiterate who may be unfamiliar with this dynamic in dealing with formal financial institutions.

- Encouraging clients to compare their options at a few MFIs could contribute to consumer empowerment by showing clients that they have options and should ask questions to seek out the best products for their needs. Consumer protection groups and civil society organizations would need to communicate this.

- In the long term, mediation and debt counseling mechanisms are needed that work for base-of-the-pyramid clients.

As a follow-up to this research, the Smart Campaign will continue to engage with ALAFIA and national organizations in Benin, as well as with international development partners, investors, and donors to further refine and take action taking into account these findings.

ANNEX 1

Members of the IAC and NAC

International Advisory Council (IAC)

Rafe Mazer,
CGAP

Kim Wilson,
Fletcher School at Tufts University

Monique Cohen,
Board of Microfinance Opportunities

Jhumka Gupta,
Yale University School of Public Health

Susan Johnson,
University of Bath

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Ann Miles,
MasterCard Foundation

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Ernest Gbaguidi,
President of Consumer Association

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Gilles da Costa,
Alafia

Joliette Amegmigan,
Alafia

Ignace Dovi,
Alafia

Valere Houssou,
Alide

ANNEX

2

Description of the Research Methodology

Qualitative research methods

As shown in Table 5, BFA designed and implemented a variety of research methods in the qualitative phase, relying heavily on our local partner CEDA for execution. The target population for this research was current and former microfinance clients who had either saved or borrowed at MFIs. In practice, all respondents had borrowed, but many had saved as well as borrowed.

Qualitative research involved focus group discussions (FGDs) and individual interviews.

Eight Focus Groups (of 9–10 individuals each) and eight individual interviews were conducted in four locations: Cotonou (Littoral Department), Parakou (Borgou), Paouignan (Collines), and Togba (Atlantique). See Figure 20 for a map of these sites.

We chose urban Cotonou and Parakou as research sites due to their high concentrations of borrowers.

The Benin NAC assisted us to select Togba and Paouignan to represent rural areas.

TABLE 5

Research Tools in Qualitative Research

RESEARCH TOOL	OBJECTIVES
Focus group discussions	To understand clients' perspectives and reasons about what they view as good or bad treatment, and to rank the attributes of such treatments and various institutions using a variety of exercises.
Individual in-depth interviews	To gain a deep understanding of individuals' interactions with MFIs, and how experiences are shaped by circumstances. A secondary objective was to obtain personal details and information about financial situation not appropriate for discussion in a group context.
Photography exercise	To incite discussion and better understand clients' views of good and bad treatment, through images and metaphors, contextualized by information from interviews with the individuals.

FIGURE 19

Women in Parakou Act Out a Negative Experience with Microfinance

Quantitative survey

The main objective of the quantitative survey was to understand how common problems with microfinance providers are at the national level in Benin. Furthermore, we attempted to identify which segments of clients are more commonly affected by these problems.

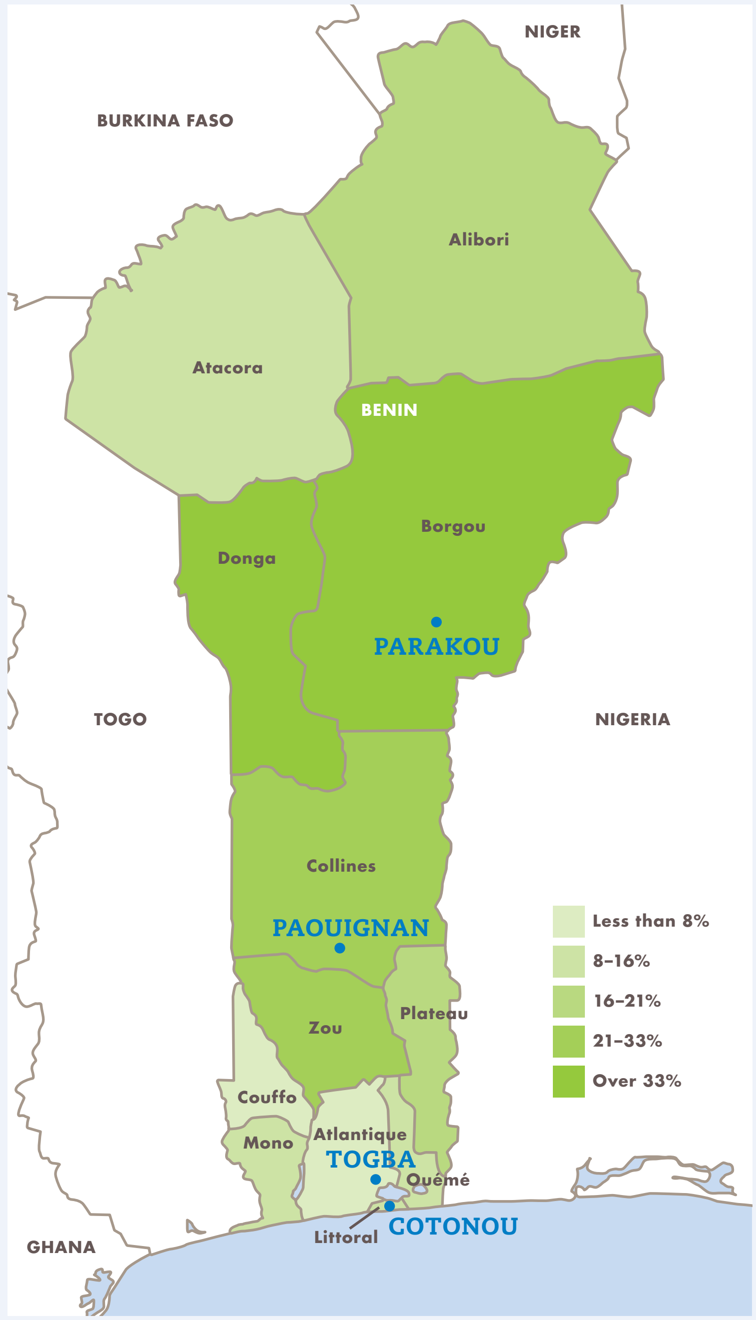
Sampling plan and methodology

Our aim was to consider the universe of current MFI clients (70% of sample) and former clients (30% of sample): savers and borrowers, 18 years old or older, who have had engagement with MFIs ending less than seven years ago (for former clients).[19] These individuals were of interest because those who faced the most or the worst problems or poor treatment by MFIs would likely no longer be using the services. We also wanted to interview non-clients (10% of the sample) to assess the perception of MFIs by those who have not used their services.

There is little information available about where microfinance clients are located in Benin. We obtained data from the ALAFIA network members about the number of their clients in each province and arrondissement.

FIGURE 20

Four Areas Included in Qualitative Research, by Percent of Population with a Loan



Source Mix Market, "Finclusion Lab: Benin Map of Financial Inclusion," available at http://maps.mixmarket.org/benin, accessed March 2014.

TABLE 6

Sample Distribution by Department

DEPARTMENT	NO. OF ARRONDISSEMENTS	DEPARTMENT	NO. OF ARRONDISSEMENTS
Alibori	8	Donga	5
Atacora	7	Littoral	6
Atlantique	13	Mono	4
Borgou	11	Ouémé	10
Collines	6	Plateau	5
Couffo	7	Zou	8
TOTAL DEPARTMENT	12	**TOTAL NO. OF ARRONDISSEMENTS**	90

TABLE 7

Respondent Quotas in the Quantitative Survey

RESPONDENT TYPE	INTERVIEWS PER ARRONDISSEMENT	INTERVIEWS PER CLUSTER (2 CLUSTERS PER ARRONDISSEMENT)	TOTAL DRAWN SAMPLE	TOTAL FINAL IN DATASET
Current MFI user	12	6	1080	1028
Former MFI user	6	3	540	526
MFI non-user	2	1	180	179
Total	20	10	1800	1733

However, we were unable to obtain this level of data from other MFIs. Furthermore, we did not want to involve MFIs intensely in selecting the locations for the survey to preserve objectivity in recruiting respondents. Since it was not possible to use client concentration and location data to construct the sampling plan, we used a large, randomly selected sample of 1,800 clients, from all 12 departments of Benin.[20] After data cleaning, the sample was reduced to 1,733 individual interviews.

In the first stage of the sample selection, we randomly selected arrondissements (the second-tier administrative unit in Benin), from each of the 12 departments of Benin. The number of arrondissements selected from each department was proportional to the population of the department, according to the 2013 National Census. The selected sample included 90 arrondissements. The sampling plan allocated 20 interviews per arrondissement, conducted in two different clusters within the arrondissement (10 per cluster). In the second stage, the researchers used the random walk methodology to select respondent households in the field. Researchers visited every fifth house and determined if there were any eligible adults 18 years old or older. In the event that one household contained more than one eligible member, researchers used a Kish grid to select randomly the respondent from among the eligible members.

Table 7 shows the application of these quotas in the sample.

Respondent type definitions

CURRENT MFI USER: Currently has or in the past six months had a loan or savings with an MFI.

FORMER MFI USER: Not a current user, but had savings or loans with an MFI, between six months and 7 years ago.

MFI NON-USER: Not a current or former user, but has heard of MFIs.

Endnotes

1 See www.smartcampaign.org/about/campaign-mission-a-goals for more details.

2 The Smart Campaign Client Protection Principles (CPPs) are: 1. Appropriate product design and delivery; 2. Prevention of over-indebtedness; 3. Transparency; 4. Responsible pricing; 5. Fair and respectful treatment of clients; 6. Privacy of client data; 7. Mechanisms for complaint resolution.

3 See www.socialresearchmethods.net/kb/dedind.php for a discussion of inductive and deductive approaches in social science research.

4 The department is the second administrative tier in Benin, similar to state or province.

5 In March 2008, the Council of Ministers of Benin decided to intervene in the management and operations of *Projet d'Appui aux Développement des Micro-Entreprises* (PADME), the second-largest MFI in Benin with almost 30,000 active borrowers and an outstanding loan portfolio of USD $31 million. The Council of Ministers cited concerns with the financial and operational management of PADME, including allegations of fraud, and requested suspension of the Executive Board and resignation of the Director. See Mix Market, "MFI Report: Padme," (2012), available at www.mixmarket.org/mfi/padme and CGAP, "Turbulence for Microfinance in Benin," (2008), available at www.microfinancegateway.org/p/site/m/template.rc/1.26.8896/

6 Note that the sample is 73 percent female due to many MFIs targeting women. For more details about the sample please refer to the slide deck presenting the comprehensive quantitative results, available at: http://smartcampaign.org/tools-a-resources/1075

7 Mix market data from 2015 reports about 718,000 MFI clients (savers and borrowers) with USD $183.3 million in disbursements.

8 "In 2012, Benin was home to 56 formal, registered MFIs with 694 points of service. Despite the large number of MFIs, 12 key players in the sector alone serve 1.2 million clients and account for 95 percent of the transactional volumes in the sector." Translated from, "Importance et couverture de la microfinance," CGAP Portail Microfinance, available at www.lamicrofinance.org/resource_centers/profil_benin/profil_benin2

9 However, we do have the list of the most recent MFIs where clients borrowed, and can correlate these with clients who lost savings. With a list of currently licensed MFIs it would be possible to investigate whether clients are losing their savings at legitimate institutions or not, although this was not the focus of this research.

10 Select "Other" responses in Figure 9: Another member paid for me, Reduced loan amount in the future, They asked many questions, MFI staff mocked me, MFI staff threatened me.

11 This may be at least in part due lack of recall, rather than to poor disclosure on part of the MFI.

12 From respondent answers it is not clear whether respondents included the fees in the table above as the amount they reported deducted from their principal.

13 Select other reasons for wanting to complain: other problems with group members, decreased savings balance, delays in disbursement, repayment begins too soon, did not increase loan amount as promised.

14 Definitions of independent variables: Illiterate = cannot read in French; Poor = bottom two income quintiles from survey data asking about monthly expenses; Paid for group member = ever had to cover another's repayment; Told where to complain = MFI had informed client where they could complain; Correct response to math problem = correct answer to 3*60 in survey.

15 Google translate: https://translate.google.com/

16 www.linguee.fr/francais-anglais?query=tracasseries&source=french

17 For more information on the role of credit bureaus, see Soli, Jamie, et al. 2015. "What Happens to Clients who Default?" The Smart Campaign. Available: www.smartcampaign.org/storage/documents/what_happens_to_microfinance_clients_who_default_eng.pdf

18 The microfinance sector's pain points are not entirely unique relative to other sectors and reflect to some extent a country context where governance is poor and supervision weak across industries. The World Bank Group's *Doing Business* report scores the country's business environment poorly, noting painfully slow and costly bureaucracy, an inadequate judicial system, and the government's failure to enforce regulation and contractual obligations. Please see: www.doingbusiness.org/data/exploreeconomies/benin

19 We selected seven years ago to balance wanting to capture problems occurring in the past with wanting to minimize recall problems.

20 The department is the first-tier administrative unit In Benin, similar to a state or province. Departments are in turn divided into arrondissements, which contain the enumeration areas (EAs) used in research.

The Smart Campaign is a global effort to unite microfinance leaders around a common goal: to keep clients as the driving force of the industry. The Smart Campaign consists of microfinance leaders from around the world who believe that protecting clients is not only the right thing to do but the smart thing to do. By providing microfinance institutions with the tools and resources they need to deliver transparent, respectful, and prudent financial services to all clients, the Smart Campaign is helping the industry maintain a dual focus on improving clients' lives while attaining financial sustainability. The Campaign is headquartered at the Center for Financial Inclusion at Accion. Learn more at **www.smartcampaign.org**.

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Keeping clients first in microfinance