Qualitative and quantitative research for the Smart Campaign's Client Voices project conducted in Benin has revealed a variety of consumer protection problems for a significant minority of microfinance clients, and is outlined in the Smart Campaign Client Voices report. The stakes are high for low-income people engaging with microfinance institutions. For clients who tend to be poor and have little physical wealth, relationships, social capital, and their reputation are important assets. 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 those we surveyed cannot read French or a local language.

Beyond the concerns for client well-being, these 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. 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 current and former microfinance clients found that 13 percent of clients experienced a consumer protection problem.

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.
Key Findings from the Smart Campaign’s Client Voices Project in Benin

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.

“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**

2. Microfinance clients who pay late are more likely to experience consumer protection problems, such as being shamed in collections, being unable to withdraw their savings, or other. While our national survey found that 13 percent of all clients experienced a consumer protection problem, 30 percent of those who have ever been late in making a repayment have experienced such a problem. This implies that those who pay late are 17 percentage points more likely to experience problematic treatment often related to pressure to elicit a payment.

“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 (delay) so that the person can straighten things out, but that’s not often the case.” **MAN, FORMER CLIENT, PARAKOU**

3. Clients lack basic information about the terms and conditions of their financial products. About 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.

“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**

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.

“If you go to complain to [the MFI] office, or elsewhere, you won’t get another loan.” **MALE, FGD BORROWER PARAKOU**

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.

“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**

About the Client Voices Project

The ambitious Client Voices 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. 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.

To read the full report and for more information, visit [www.smartcampaign.org](http://www.smartcampaign.org)