Client Voices
Benin Quantitative Findings

Presented to:

Date: Nov. 26 2014
Key findings

1. Many clients have a generally positive view of microfinance.

2. However, lack of flexibility is a major problem for clients, forcing them to make sacrifices.

3. Clients report withheld savings as the most common harm. This affects 9% of all clients and 17% of former borrowers.

4. Harms impact a greater proportion of clients who have paid late: 13% of all clients have experienced one of the harms included in the survey, compared with 30% of those who have paid late.

5. Although the incidence of harms is low among those who have not paid late, bad perceptions of microfinance persist.
6. Clients report bureaucracy and slow service, called “tracasseries” as one of their main problems.

7. Loans are expensive and clients are un(der)informed about the cost of loans.

8. Clients are unaware of where to complain, and report that complaints processes do not work well.

9. Those who are more informed about their loan are more likely to report paying bribes and complaining.

10. There is some evidence of underreporting of harms.
Report outline

I. Objectives and methodology
II. About the sample
III. Key findings
IV. Analysis of the sample by subgroup
I. Objectives and methodology

• **Objective:** Investigate the prevalence of problems with how MFIs treat clients that emerged from qualitative research.

• **Methodology:** National sample of current and former MFI clients, with a smaller sample of non-users included.

• Objective was to sample 1,800 respondents, 1733 included after data cleaning.

• We did not work with any MFI to locate and identify clients.
Methodology, continued

• The survey firm used a random walk methodology of visiting every 10th household beginning from a random point in the enumeration area to locate clients.

• A Kish grid was used to select between eligible members of the household (current and former clients).

• BFA piloted the questionnaire and trained all 25 enumerators and 4 supervisors in a 4 day training in Cotonou, Benin.
II. Describing the sample

Gender
- Women: 73%
- Men: 27%

Marital status
- Single: 4%
- Separated: 2%
- Divorced: 2%
- Widow(er): 9%
- Married polygamous: 28%
- Married monogamous: 56%

Department
- Alibori: 9%
- Atacora: 8%
- Atlantique (Porto-..): 15%
- Collines: 12%
- Couffo: 7%
- Donga: 8%
- Littoral (Cotonou): 6%
- Mono: 6%
- Oumé: 4%
- Plateau: 6%
- Zou: 9%

Location
- Urban: 16%
- Rural: 84%
In Benin, vernacular languages are not often written. It is becoming more common to write Fon, but older people will not have studied written local languages in school.
Describing the sample: illiteracy is high.

<table>
<thead>
<tr>
<th>Sample description</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average age</td>
<td>41</td>
<td>40</td>
</tr>
<tr>
<td>Mean years of schooling</td>
<td>4.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Percent of sample who have not studied at all</td>
<td>38%</td>
<td>74%</td>
</tr>
</tbody>
</table>

Despite low levels of schooling, clients have basic math skills.
Employment activities: small businesses and agriculture dominate.

What activity(ies) do you do to make a living? (multiple responses)

- Self employed: 72%
- Agricultural activities: 40%
- Fixed employment: 5%
- Casual labor/odd jobs: 4%
- Retired: 1%
- Work in the home/homemaker: 13%
- Not working: 1%
- Other: 6%
65% of the sample borrowed using the group or solidarity model.

- Unsurprisingly, group borrowers are poorer than individual borrowers: 27% have consumption less than US$40 per month, compared to 12% for individual borrowers.
- Loan sizes are much higher for individual borrowers.

<table>
<thead>
<tr>
<th></th>
<th>Value of latest MFI loan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>Individual borrowers</td>
<td>$577</td>
</tr>
<tr>
<td>Group borrowers</td>
<td>$174</td>
</tr>
</tbody>
</table>
Most clients only use MFIs for credit.

- 65% of current and former client’s most recent loan was a group loan.
- Over 60% of clients borrow only, while 10% or less save only.
Financial instruments: MFI loans complement other sources of borrowing, clients use more informal savings than credit instruments.

<table>
<thead>
<tr>
<th>Financial instruments</th>
<th>Percent who have instrument, n= 1720</th>
<th>Amount owed at time of interview (median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loan</td>
<td>1%</td>
<td>CFA 175,000 (US$ 332)</td>
</tr>
<tr>
<td>Money lender loan (<em>usurier</em>)</td>
<td>3%</td>
<td>CFA 30,000 (US$ 57)</td>
</tr>
<tr>
<td>Loan from family and friends</td>
<td>22%</td>
<td>CFA 15,000 (US$ 28)</td>
</tr>
<tr>
<td>Loan from employer</td>
<td>1%</td>
<td>CFA 5,000 (US$ 9)</td>
</tr>
<tr>
<td>Savings in bank</td>
<td>5%</td>
<td>CFA 150,000 (US$ 284)</td>
</tr>
<tr>
<td>Savings in the house</td>
<td>58%</td>
<td>CFA 20,000 (US$ 38)</td>
</tr>
<tr>
<td>Saving with a money guard</td>
<td>17%</td>
<td>CFA 23,500 (US$ 45)</td>
</tr>
<tr>
<td>At least one savings group “tontine”</td>
<td>62%</td>
<td>Median payout amount CFA 40,000 (US$ 76)</td>
</tr>
</tbody>
</table>
III. Key findings
1. Many clients have a positive view of microfinance.
Many clients have a generally positive view of microfinance because it allows them to grow their business.

What is the biggest advantage of borrowing/saving with MFIs? (n=1733)

- Opportunity to start or grow your business: 82%
- Ability to plan for the future: 9%
- Save money securely: 6%
- Other: 3%

- Clients value the opportunity to launch a business or improve their existing business.
- 9% of clients also report that engaging with MFIs allows them to better plan for the future.
Most clients are satisfied with MFI services.

The majority of clients are satisfied with microfinance services.
Non-clients view MFIs positively.

View of microfinance from non-clients (n=179)

- Very positive: 16%
- Slightly positive: 27%
- Neutral: 28%
- Slightly negative: 19%
- Very negative: 10%
Diverse positive responses to the question, “In your own words, what do you and people you know LIKE about microfinance?”

A selection of responses:

- Help the poor
- Give capital
- Help entrepreneurs
- Help groups of women
- Help women to become independent
- Enable self-employment
- Reduce unemployment
- MFIs help us
- Strengthen our activities
- I like their structure
- They want to help
- Many women benefit
- Easy to get a loan
- Offer trainings
- Offer loans at a good time
- Permit us to grow our businesses
- Help us improve our crops/agriculture
- Some don’t require savings to get a loan
- Credit improves well-being
- They save us in an emergency
- Safe place for saving
- Can save a little bit
- Contribute to development
- Give independence
- Allow one to start a new business
- Courteous and have a good ambiance
- Initiative to assist the people
- Financial education and training in business plans
- I like everything they do
- Renew credit quickly
- Better than banks
- Agents treat us well
2. However, lack of flexibility is a major problem for clients, forcing them to make sacrifices.
89% of clients report that the MFI would not grant them flexibility in the case of an emergency.

In the case of an emergency, does the MFI allow you to pay late without a penalty?

- Yes: 5%
- Don't know: 6%
- No: 89%

- 16% of all clients have had to make a late payment.
- Another 16% of former clients stopped using an MFI because repayment conditions were not flexible enough.
Many clients have to make sacrifices in order to meet microfinance payment commitments.

- 56% of clients report needing to take one of the following actions below to make their MFI payment

- Take another loan: 23%
- Reduce food consumption: 28%
- Avoid buying more expensive foods: 16%
- Sell or pawn assets: 19%
- Take payment from savings: 11%
- Delay another important payment: 15%

Have you had to do any of the following to come up with a loan repayment? (n=1,420)
Making a scene at the client’s house and being barred from getting another loan are among the more serious consequences of paying late.

What happened when you paid late? (n=221)

"Other" responses include:
- Another member paid for me
- Deducted from savings
- Reduced loan amount
- They asked many questions
- MFI staff mocked me
- They threatened me
9% of all clients have had to cover a payment for someone else, and report being humiliated or being barred from borrowing again.

Why did you have to pay for another member?

- Group member paid late: 69%
- Group member stopped paying: 14%
- Group member fled: 3%
- Was serving as a co-signer and borrower did not pay: 7%
- Other: 6%

What were the consequences of having to pay for someone else?

- Could not borrow in the future: 13%
- MFI staff made a scene at my house: 8%
- Assets seized: 4%
- Name/Photo was published: 2%
- Was detained at MFI or police: 4%
- Other: 12%
About one third of clients report that privacy is not respected in the case of late payments.

Do you think that MFIs respect privacy of clients who pay late?

- Not at all:
  - All clients: 28%
  - Those who have paid late themselves: 34%
  - Those who had paid for another member: 35%

- More or less:
  - All clients: 55%
  - Those who have paid late themselves: 50%
  - Those who had paid for another member: 47%

- Always:
  - All clients: 17%
  - Those who have paid late themselves: 16%
  - Those who had paid for another member: 19%
3. Clients report that withheld savings as the most common harm: 9% of all clients and 17% of former clients report that they have been unable to withdraw their savings.
Clients report that they will only be able to withdraw about half of any amount they save.

- 33% of clients save with MFIs.
- 60% of these clients were saving in order to guarantee their loan or to get another loan.
- The survey asked clients how much they saved initially, and how much of this they would be able to withdraw.
- On average clients report that they would only be able to withdraw 47% of the value of their initial deposit.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount initially saved</td>
<td>Mean CFA 34,460 (US$ 67)</td>
<td>CFA 10,500 (US$ 20)</td>
</tr>
<tr>
<td>Amount clients report that they will be able to withdraw</td>
<td>CFA 17,571 (US$ 34)</td>
<td>CFA 5,000 (US$ 10)</td>
</tr>
</tbody>
</table>
There is confusion around when clients can recoup savings.

Will you be able to get back all of this money later? (n=304)

- 69% Yes, all of my deposit
- 14% Yes, a part of my deposit
- 6% No
- 11% I don't know

- Of those reporting they will not get their money back, 55% only learned their savings would not be returned to them after starting repayment.
- 8% of all savers report being surprised that they will not get their deposit back.

When can you withdraw all or part of your savings? (n=304)

- 44% After I complete the loan
- 26% If I no longer want to be a client
- 8% After I save a certain amount
- 12% After a certain period of time
- 6% I don't know
- 2% Never
- 1% Other
It was more common for former clients to report being unable to withdraw savings, suggesting clients may be unable to withdraw funds when they want to stop borrowing.

- The most common bad experience was not being able to withdraw savings. Former clients experienced this much more often (perhaps when they stopped being the MFI client).
- More former clients wanted to complain (18%) than current clients (13%), but fewer actually did.
4. Harms impact a greater proportion of clients who have paid late: 13% of all clients have experienced one of the harms included in the survey, compared with 30% of those who have paid late.
Clients who have paid late have suffered more harms than others.

30% of those who paid late have experienced at least one harm included in the survey.

Have you ever experienced any of the following?

- Asked for bribe: 1% (All clients), 5% (Clients have paid late)
- Threatened by collection officer: 2% (All clients), 12% (Clients have paid late)
- Shamed for late payment: 2% (All clients), 14% (Clients have paid late)
- Goods confiscated: 2% (All clients)
- Taken to police: 1% (All clients)
- Name used as bad example: 2% (All clients), 5% (Clients have paid late)
- Unable to withdraw savings: 10% (All clients), 12% (Clients have paid late)
Clients who had paid late and no longer use microfinance are the most dissatisfied with the service.

How satisfied are you with the MFI experience?

- Never paid late, current and former
- Paid late, current and former
- Former client, paid late

<table>
<thead>
<tr>
<th></th>
<th>Very satisfied</th>
<th>Somewhat satisfied</th>
<th>Neutral</th>
<th>Somewhat dissatisfied</th>
<th>Very dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never paid late</td>
<td>19%</td>
<td>50%</td>
<td>22%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Paid late, current</td>
<td>14%</td>
<td>43%</td>
<td>21%</td>
<td>18%</td>
<td>3%</td>
</tr>
<tr>
<td>Former client, paid</td>
<td>11%</td>
<td></td>
<td>23%</td>
<td></td>
<td>7%</td>
</tr>
</tbody>
</table>

- 21% of clients who have paid late say they are very or somewhat unsatisfied with the MFI experience.
5. Although the incidence of harms is low among those who have not paid late, bad perceptions of microfinance persist.
Clients mention many of the same harms from the qualitative research, although only a small portion had experienced these problems.

Select responses to the question: “In your own words, what do people you know NOT LIKE about microfinance?”

- MFI staff favor their friends
- Expensive late penalties
- Repayment is complicated
- Delays and fraud
- Interest is too high
- They annoy you over little problems
- MFIs are greedy
- Too many loans make clients slaves to the MFIs
- Application fee is high, they demand high fees
- With MFIs you don’t have a private life
- MFIs humiliate clients
- High interest rates and harassment of clients
- Have to start repaying too soon
- Delays
- Don’t like when they do judicial proceedings
- Not enough presence in the villages
- Too much pressure for repayments
- They publish client’s names
- MFIs take advantage of the fact we are naïve to implement fraud
- Require collateral
- Difficult to get back savings
- Corruption
- Loans are too small
- MFIs involve the police
- Lack of dignity and trust
- Threaten to take you to the police
- Bullying
- Theft of savings
- They are harsh with clients
- Problems are often the client’s fault
Clients perceive the consequences of defaulting as negative and serious.

<table>
<thead>
<tr>
<th>Consequence</th>
<th>Pay late</th>
<th>Default (stop paying all together)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person will be detained at MFI or police until they pay</td>
<td>8%</td>
<td>21%</td>
</tr>
<tr>
<td>Loan officer will make a scene at their house</td>
<td>7%</td>
<td>23%</td>
</tr>
<tr>
<td>Their assets are taken</td>
<td>8%</td>
<td>21%</td>
</tr>
<tr>
<td>MFI will make a bad example of them</td>
<td>3%</td>
<td>32%</td>
</tr>
<tr>
<td>Other members forced to pay</td>
<td>9%</td>
<td>33%</td>
</tr>
<tr>
<td>Suspend this person from the group</td>
<td>4%</td>
<td>16%</td>
</tr>
<tr>
<td>Their name/ photo is published</td>
<td>16%</td>
<td>19%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Will not be able to borrow in the future</td>
<td>28%</td>
<td>40%</td>
</tr>
<tr>
<td>They pay a penalty</td>
<td></td>
<td>52%</td>
</tr>
<tr>
<td>Will not be able to borrow in the future</td>
<td></td>
<td>55%</td>
</tr>
<tr>
<td>They pay a penalty</td>
<td></td>
<td>84%</td>
</tr>
</tbody>
</table>
And these negative impressions and the fear of indebtedness detract non-clients from engaging with MFIs.

Why have you never borrowed from an MFI? (n= 179)

- Heard about a bad experience: 14%
- Afraid of getting in debt: 35%
- Do not need credit: 6%
- Too young: 3%
- Tried to get a loan and failed: 8%
- Difficult to form a group: 5%
- Do not know how to become a client: 8%
- Unfamiliar with products: 6%

“Other” responses include:
- Interest rates are high
- ICC pyramid scheme (a pyramid scheme that failed and is confused with microfinance)
- Credit is only for women
- Do not have collateral
- Do not have enough to save
- Too many bogus fees
6. Clients report bureaucracy and slow service, called “tracasseries” as one of their main problems.
As we found in the qualitative research, bureaucracy around getting a loan is a problem for many clients.

- Average time from when client applied for the loan until they received the payment: 4.7 weeks.
- Clients complain that getting a new loan after completing one cycle 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”.
Among all respondents, getting a loan is seen as difficult.

How easy or difficult is it to get a loan from an MFI? (n=1,733)

- Very difficult: 14%
- Difficult: 33%
- More or less difficult: 13%
- Neutral: 17%
- Fairly easy: 8%
- Easy: 15%
Clients report that getting a loan is difficult because of the onerous and annoying application process that requires many trips, referred to as “tracasseries”.

Among those reporting it is difficult to get a loan, why is it difficult? (multiple responses, n=1,027)

- Many documents required: 52%
- Need to have a guarantor or sponsor: 23%
- Need to save first: 15%
- Lack of business/money: 2%
- Hard to find a group: 9%
- Many trips/"tracasseries": 77%
- MFI is far: 16%
- Other: 7%

Select “other” answers of why it is difficult to get a loan:
- Obligatory trainings
- Need collateral
- Discrimination
- Long wait time to get money
- Prejudices
- Corruption
- Many expenses associated with the process.
- Only for women
- Need to be young and have a good business
- Need to pay a bribe
- Not suited for agriculture
Obtaining documents required to get a loan is difficult and lack of required documents is the main reason MFIs turn away clients.

Have you ever tried to get a loan and been denied?

<table>
<thead>
<tr>
<th></th>
<th>Current client</th>
<th>Former client</th>
<th>Non-client</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6%</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>

“Other” reasons include
- MFI didn't know my village
- Not convinced of my idea
- Couldn’t assemble big enough group
- Lived too far
- Judged not capable to repay
- Loans only for women
- A group member defaulted
- Discrimination
- Refused for individual loan
7. Loans are expensive and clients are underinformed about the cost of loans.
Most clients receive information orally, which makes sense for a largely illiterate population.

Did the MFI give you written information about the loan term?
(n= 1,420)

- Yes, 8%
- No, I did not receive any explanation, 4%
- No, but they explained it orally, 88%
Clients report that they understood the terms and conditions well.

Were you given information about how much debt to take on before getting a loan? (n=1,420)

- Yes: 93%
- No: 7%

How well did you understand the terms and conditions? (n=1,420)

- Well: 50%
- Fairly well: 35%
- Not well: 13%
- Not at all: 2%
But 1/3 of clients do not know how much they will pay in total and only 12% know or can estimate the interest rate of their loan.

**Do you know how much you will pay in total for the loan? (n=1,420)**

- Yes, 67%
- No, 33%

**Do you know the interest rate in percent terms? (n=1,420)**

- Yes, exactly 6%
- Yes, approximately 6%
- No 88%
There are many fees associated with the loan application process.

- 86% of respondents paid at least one of the following fees.
- Many respondents are not aware of how much they paid for at least one of the fees (15% of payers).

<table>
<thead>
<tr>
<th>Fee type</th>
<th>% respondents who paid the fee (n=1,420)</th>
<th>Mean amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application fee</td>
<td>69%</td>
<td>CFA 3,391 (US$ 6.40)</td>
</tr>
<tr>
<td>Processing fee</td>
<td>40%</td>
<td>CFA 2,578 (US$ 4.90)</td>
</tr>
<tr>
<td>Insurance fees</td>
<td>35%</td>
<td>CFA 29,897 (US$ 57)</td>
</tr>
<tr>
<td>Petty cash</td>
<td>9%</td>
<td>CFA 8,111 (US$ 15)</td>
</tr>
<tr>
<td>Bribes</td>
<td>3%</td>
<td>CFA 4,440 (US$ 8.40)</td>
</tr>
<tr>
<td>Miscellaneous fees (respondent does not know what for)</td>
<td>9%</td>
<td>CFA 5,010 (US$ 9.50)</td>
</tr>
<tr>
<td>Other fees</td>
<td>9%</td>
<td>CFA 5,806 (US$ 11)</td>
</tr>
</tbody>
</table>
Average value paid in fees is 7% of the loan, and more deductions occur at disbursement.

- The percentage of the loan paid in fees is similar for all loan sizes.
- When adding the difference between loan amount and amount received, the cost of receiving the loan is even greater: a median of 6% of the loan.

In addition to fees:
- 18% of respondents say they received less than the loan amount they were meant to be borrowing (additional deductions at the time of disbursements).
- However, it is not clear if some respondents included the fees previously mentioned (in the table in slide 45) in this deduction.
- For the respondents who say they received less than the loan amount the median difference was $22. As percentage of loan, the median difference was 11%.
And 17% of clients were surprised by a cost related to the loan process.

What related to the loan surprised you? (n=307)

- Received less money than expected: 37%
- Amount of each payment: 30%
- Late penalty: 19%
- Treatment by MFI staff in case of late payment: 22%
- Lack of flexibility in case of emergency: 24%
- Penalty when a group member is late: 7%
- Insurance required: 1%
- Savings not returned: 2%
- Repayment frequency: 2%
- Other: 10%
Our calculations show that interest rates are high.*

*Formula used for annual interest rate= (total amount paid by the end of the loan + all fees /initial loan value)^(1/(12/no. of months))-1.

<table>
<thead>
<tr>
<th>All clients</th>
<th>Those with loan period less than or equal to 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean rate: 54%</td>
<td>Mean rate: 69%</td>
</tr>
<tr>
<td>Median: 39%</td>
<td>Median: 51%</td>
</tr>
</tbody>
</table>
Not everyone pays very high interest rates, but some can be considered extreme.

The large fees and interest rates are not confined to a specific loan period. Short and longer term loans include high fees.
8. Clients are unaware of where to complain, and complaints processes do not seem to work well.
Clients report that they were not informed about where to complain.

When you became a client at this MFI, did they tell you where you could complain? (n= 1,551)

- Yes, 14%
- No, 86%

There is confusion about where to complain: 17% would complain to group leader (n=222)

- Loan officer: 41%
- Another MFI staff member: 15%
- Complaints department: 6%
- Group leader: 17%
- Police: 18%
- Village leader: 2%
- Other: 1%
Most clients who experience problems do not complain, and when they do, problems are not often solved.

- 14% of clients reported that they wanted to complain, 4% have actually complained, suggesting many clients avoid complaining when they have a problem.
Not knowing where to complain and thinking the MFI would not solve their problem—rather than the fear of being barred from another loan—is the main reason clients do not complain.

Of those who had reason to complain but did not, why didn't you complain? (n=171)
9. Those who are more informed about their loan are more likely to report paying bribes and complaining.
A small proportion of clients report paying a bribe.

- 3% of all clients (current and former) and 4% of former clients report paying a bribe.
- Those who know how much they will pay for the loan, performed the correct math calculation, and borrowed individually are more likely to report paying a bribe.
- However, those who have paid late are more likely to report having paid a bribe.
- It is possible that the least educated do not realize when they have paid a bribe, or are hesitant to report having paid a bribe.

### Probit regression - has paid bribe

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>-0.0328</td>
<td>(0.164)</td>
</tr>
<tr>
<td>Illiterate</td>
<td>-0.209</td>
<td>(0.263)</td>
</tr>
<tr>
<td>Read French</td>
<td>0.174</td>
<td>(0.170)</td>
</tr>
<tr>
<td>Know how much will pay</td>
<td>0.961***</td>
<td>(0.200)</td>
</tr>
<tr>
<td>Ever paid late</td>
<td>0.638***</td>
<td>(0.155)</td>
</tr>
<tr>
<td>Paid for another member</td>
<td>0.108</td>
<td>(0.245)</td>
</tr>
<tr>
<td>Correct math calc.</td>
<td>0.323**</td>
<td>(0.152)</td>
</tr>
<tr>
<td>Poorest</td>
<td>-0.121</td>
<td>(0.144)</td>
</tr>
<tr>
<td>Group borrower</td>
<td>-0.381**</td>
<td>(0.153)</td>
</tr>
<tr>
<td>Observations</td>
<td></td>
<td>1,733</td>
</tr>
</tbody>
</table>

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1
Those who report problems and know more about their loan terms have complained.

Unsurprisingly, those who have experienced negative treatment, have paid late, or have had to pay for another are more likely to have complained to an MFI.

- Being told where to complain has a positive effect on actually complaining.
- Interestingly, we also find that those who are informed about their loan repayment and are less poor amount are more likely to have complained, suggesting these metrics may correlate with greater empowerment.

### Probit regression: dependent variable ever complained

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>-0.0785</td>
<td>0.166</td>
</tr>
<tr>
<td>Illiterate</td>
<td>-0.104</td>
<td>0.152</td>
</tr>
<tr>
<td>Know amount will pay</td>
<td>0.624***</td>
<td>0.166</td>
</tr>
<tr>
<td>Ever paid late</td>
<td>0.318*</td>
<td>0.164</td>
</tr>
<tr>
<td>Paid for another member</td>
<td>0.645***</td>
<td>0.185</td>
</tr>
<tr>
<td>Told where to complain</td>
<td>0.662***</td>
<td>0.155</td>
</tr>
<tr>
<td>Correct math</td>
<td>0.242</td>
<td>0.147</td>
</tr>
<tr>
<td>Poor</td>
<td>-0.264*</td>
<td>0.144</td>
</tr>
<tr>
<td>Group borrower</td>
<td>-0.148</td>
<td>0.156</td>
</tr>
<tr>
<td>Any harm</td>
<td>0.699***</td>
<td>0.158</td>
</tr>
<tr>
<td>Observations</td>
<td>1,733</td>
<td></td>
</tr>
</tbody>
</table>

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1
Illiterate clients and the poor are less likely to report that they have ever wanted to complain.

<table>
<thead>
<tr>
<th>Probit regression: Ever wanting to complain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Illiterate</td>
</tr>
<tr>
<td>Illiterate</td>
</tr>
<tr>
<td>Know how much they will pay</td>
</tr>
<tr>
<td>Know how much they will pay</td>
</tr>
<tr>
<td>Ever paid late</td>
</tr>
<tr>
<td>Ever paid late</td>
</tr>
<tr>
<td>Paid for group member</td>
</tr>
<tr>
<td>Paid for group member</td>
</tr>
<tr>
<td>Told where to complain</td>
</tr>
<tr>
<td>Told where to complain</td>
</tr>
<tr>
<td>Correct math</td>
</tr>
<tr>
<td>Correct math</td>
</tr>
<tr>
<td>Poor</td>
</tr>
<tr>
<td>Poor</td>
</tr>
<tr>
<td>Group borrower</td>
</tr>
<tr>
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</tr>
<tr>
<td>Experienced any harm</td>
</tr>
<tr>
<td>Experienced any harm</td>
</tr>
<tr>
<td>Observations</td>
</tr>
</tbody>
</table>

-0.0322 (0.102)

-0.221** (0.0930)

0.451*** (0.0906)

0.343*** (0.112)

0.370*** (0.140)

0.123 (0.119)

-0.134 (0.0877)

-0.170** (0.0853)

0.0184 (0.0940)

0.832*** (0.105)

1,733

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

- This provides some evidence in support of the hypothesis that the poor and less educated may be more accustomed to bad treatment from other institutions they interact with. These individuals may feel disempowered for another reason.

- The variable “poor” includes the lower two quintiles of expenses in the month preceding the interview.
10. There is some evidence of underreporting of harms.
Asking about all the harms in a list at the end of the questionnaire may have resulted in some underreporting.

### Examples of inconsistencies:

<table>
<thead>
<tr>
<th>Question</th>
<th>Former clients</th>
<th>Former clients</th>
<th>Those who paid late</th>
<th>Those who paid late</th>
<th>1.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.15.E Paid a bribe? (included in list of fees)</td>
<td>3.4% of all clients</td>
<td>8.11 Have you ever paid a bribe to an MFI staff member?</td>
<td>4.4%</td>
<td>1.9%</td>
<td></td>
</tr>
<tr>
<td>3.4% of all clients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>4.15.E Paid a bribe? (included in list of fees)</td>
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<td></td>
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<td>4.4% of all clients</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>5.15 Answer “The agent made a scene at my house” to “What happened when you paid late?”</td>
<td>22%</td>
<td>8.8 “Have you every been shamed as a result of a late payment?” (Those who have paid late only).</td>
<td>9.5%</td>
<td>4.5%</td>
<td>14%</td>
</tr>
<tr>
<td>22%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>22%</td>
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<td>22%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Differences are statistically significant.
- Respondents were likely tired by the end of the survey, or had other reasons to respond no to the harms. We had the harms late in the survey so as to build trust with respondents first.
- A more experienced survey firm would have caught these inconsistencies (limited options in Benin).
V. Do different client groups experience different harms?

Comparison by segments
Do illiterate borrowers experience more harms?

• We find no evidence that illiterate borrowers experience worse treatment than those who can read.
• Illiterate borrowers are less likely to report paying a bribe (2.1% as opposed to 4.1% among literate borrowers).
• Although the proportion of clients complaining is very low, illiterate clients are about half as likely to report complaining as literate clients. This could mean that they have less information about where to complain, or that they experience fewer problems.
However, illiterate borrowers are more likely to borrow in groups and they are less informed about the cost of their loan.

- Illiterate borrowers borrow in groups in much higher proportions than literate clients (62% as opposed to 37%).
- 57% of literate borrowers know how much they will pay at the end of the loan, compared with 54% of illiterate borrowers, although this difference is not statistically significant.
- We do find a statistically significant difference in knowing the interest rate in percentage terms. About 15% of literate borrowers know the interest rate they pay in percentage terms, compared with 6% of illiterate borrowers (95% confidence interval illiterate: 4.7 - 7.5% literate: 12.4 -18.2%).
Group vs. individual borrowers: individual borrowers shamed for late payment, group borrowers experienced inability to withdraw savings.

65% of respondents are group borrowers.

- 60% of the group borrowers say they prefer this type of loan
- However, only 4% of individual borrowers would like to borrow through a group
- Individual borrowers experienced being shamed more often
- But more group borrowers have had problems withdrawing their savings.
- The levels of satisfaction with MFIs are very similar

Harms for individual vs. group borrowers

- Asked for bribe: 0% vs. 1%
- Threatened by collection officer: 2% vs. 3%
- Shamed for late payment: 1% vs. 5%
- Name used as bad example: 2% vs. 2%
- Unable to withdraw savings: 5% vs. 11%
Agent or group member collects payments.

- Those paying to group leaders/agents are more likely to have had their savings withheld (12% as opposed to 7%).
- Other than savings, we do not find evidence that clients who pay to the group leader or to an agent who collects the payment in their home experience worse treatment or more corruption.
- Those who pay to a group leader or agent are less likely to have paid a bribe. They are also less likely to have complained.
Thank you.