the smart campaign

Keeping clients first in microfinance

Responsible Treatment of Clients: Practicing Non-discrimination

Responsible treatment of clients

Financial service providers should treat clients (including potential clients) with honesty, fairness, and respect. Due to their low social status, many low-income clients receive poor treatment when interacting with mainstream business or government organizations. This is not acceptable for pro-client financial service providers.

Financial service providers discriminate when they treat people differently and less favorably because of characteristics that are not related to their ability to meet the requirements of the financial institution. Client selection and treatment should not involve discrimination on the basis of personal characteristics or personal affiliations.

Non-discriminatory treatment is important for providing access to financial services for all clients who can use them and for building client confidence in the fairness of the provider.

Identifying the difference between targeting and discrimination

Targeting clients for inclusion in a program often means that other people are excluded because they do *not* have certain characteristics. This type of targeting is sometimes called "discrimination in favor of a group" or "affirmative action." For example, a youth savings program excludes adults (exclusion on the basis of age), and a program targeting women borrowers excludes males (exclusion based on gender).

Institutions may aim to reach *previously excluded*, or *typically excluded* people without committing harmful discrimination.[1] For financial service providers, such a product, service, or program should have:

- **Social objectives** that include correcting an *existing problem* of discrimination or exclusion—e.g. young people are typically not allowed to open savings accounts in Nigeria;
- **Transparent criteria** for inclusion in the program—e.g. male and female youth between 12 and 18 years old;
- **Stated objectives** for these criteria—e.g. to encourage good savings habits among Nigerian youth; and
- **A clear strategy** for reaching the targeted clients—e.g. advertising in popular youth magazines.

Identifying harmful discrimination

Unlike the targeting described above, institutions practice harmful discrimination by treating a client—including a potential client—differently and less favorably based on one or more of the following characteristics or affiliations:

- Gender
- Race/ethnicity/origin
- Political and/or religious affiliation
- Disability
- Sexual orientation

Discrimination of this kind includes:

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[1] For more information on "discrimination in favor of a group" or "affirmative action", see The International Convention on All Forms of Racial Discrimination, Article 2.2, available here: http://www2.ohchr.org/english/law/cerd.htm#2 and "Affirmative Action: A Global Perspective (Global Rights, 2005), available here: http://www.globalrights.org/site/DocServer/AffirmativeAction_GlobalPerspective.pdf?docID=2623

- Excluding people from financial services—e.g. not allowing a person to open a savings account.
- Excluding people from benefits—e.g. not paying an insurance claim.
- Allowing people access to financial services, but with inferior terms—e.g. lending at a higher interest rate.
- Verbally or physically mistreating people—e.g. insulting a client.

Examples of institutionalized discrimination

Discrimination of this kind may be institutionalized through policies or “unofficial” but widespread practice, or may be perpetrated by individual representatives of the financial service provider, even when institutional policies do not support their behavior. Institutionalized discrimination may be more harmful, as victims cannot report the abuse nor appeal to someone else within the institution for recourse.

These are a few examples of institutionalized discrimination:

- Women must have the approval of a husband or male relative to take a loan, while men do not require such approval.
- People with disabilities cannot physically access the financial service provider due to the design of the building.
- The institution denies loan requests from people living in “Muslim neighborhoods.”
- Pregnant women are routinely turned away from business loans.
- Application forms ask applicants to state their political affiliation, thereby allowing credit officers to use this information during the loan approval process.
- The institution fails to provide sufficient guidance to employees on appropriate and inappropriate treatment of clients and potential clients.
- The institution fails to investigate and/or sanction cases of known discrimination by employees.

Examples of individual discrimination

Even if a financial service provider does not practice institutionalized discrimination, individual employees may still discriminate against clients. Such cases of discrimination should be examined and sanctioned by the institution.

These are examples of discriminatory behavior by individual employees:

- A cashier refuses to touch money handed to her by a Hindu client.
- A credit officer denies a loan to a person in a wheelchair, assuming she will not be able to use the loan productively.
- An employee makes disparaging comments about a client's skin color.
- A credit officer grimaces while shaking the hand of homosexual client.

Call to action

Most financial service providers intend to treat clients responsibly. At the same time, few institutions check their policies and behaviors for discriminatory practices. Greater intentionality is needed to ensure that all clients are treated with respect. Providers may consider the following steps:

- **Strengthen the institutional Code of Ethics[2]**—Replace general statements with *specific* guidance on how employees must treat clients and potential clients. Address discrimination based on gender, race/ethnicity, political/religious affiliation, disability, and sexual orientation. Specify sanctions for mistreatment of clients. Formally introduce the improved Code of Ethics to staff and provide training.
- **Train staff on non-discrimination**—Use the Code of Ethics, plus "real-life" examples of discriminatory practices. Focus on building staff awareness about unintended discrimination in particular. Involve staff by asking "how might our institution/employees discriminate against people without intending to?"

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[2] The Smart Campaign offers many tools for institutions that want to develop or strengthen their Code of Ethics: http://smartcampaign.org/tools-a-resources/2/84, and http://smartcampaign.org/tools-a-resources/44

- **Review key policies for discrimination (including unintended discrimination)—** Review key documents and practices, asking of each: "how might this lead to discrimination?" Examine client recruitment practices, loan application and interview questions, staff incentives, the institution's buildings and other facilities, and the way information is presented (e.g. the language used for official documents). Also, ask: **"**Who *doesn't* use our products, and why not?" This question might reveal unintended forms of discrimination.
- **Check employee behavior and sanction discrimination—**As part of routine monitoring, the internal auditor (or equivalent employee) should check for discriminatory practices among employees. If discrimination is suspected, the case should be examined and discriminatory practices sanctioned.
- **Make reasonable accommodations[3]**—Clients with disabilities should not be excluded from using financial services. Make reasonable accommodations such as changes to buildings to allow access for clients with disabilities; sign language interpretation and large-font documents for clients with vision problems; and documents in Braille, audio information, and information sent via email, for deaf clients. Some religious women will need to work with a female, rather than a male, credit officer. Reasonable accommodations like these ensure that the institution does not exclude clients based on personal characteristics.
- **Actively recruit clients and staff from underrepresented groups[4]**—Beyond ensuring that policies and staff behavior do not discriminate against potential clients, consider taking positive action to recruit potential clients who are commonly excluded from financial services. Examples of such action include

[3] For more information on reasonable accommodations, see: 1) the United Nations Convention on the Rights of Persons with Disabilities, Article 27—Work and Employment: http://www.un.org/disabilities/default.asp?id=287 and 2) Article 3 (e to i)—General Obligations: http://www.un.org/disabilities/default.asp?id=264

[4] For more information on recruiting excluded people: 1) the United Nations Convention on the Rights of Persons with Disabilities, Article 27—Work and Employment: http://www.un.org/disabilities/default.asp?id=287 and 2) Article 5.4—Equality and non-discrimination: http://www.un.org/disabilities/default.asp?id=265

advertising financial services to racial minorities, recruiting clients from typically excluded neighborhoods, and seeking out clients and staff with disabilities. Train staff to look for people with these characteristics when recruiting new clients.

- **Provide clients with an accessible mechanism to make complaints[5]**—Ensure that clients who are mistreated can complain to the institution and have their complaint addressed. The mechanism should be easy for clients to use and clients should be advised on their right to complain. It should be accessible to clients with disabilities.

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[5] The Smart Campaign offers many tools for institutions that want to develop or strengthen their complaint mechanisms: http://smartcampaign.org/component/taxonomy/term/list/25/12