

Timeline

May-June 2020

Study Type

Other

Research Implemented by IPA

Yes

Consumer Protection Survey of Digital Finance Users in Kenya

Researchers

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Abstract

According to the 2019 FinAccess survey, 8.4 percent of mobile money users in Kenya report having lost funds on their mobile money accounts—and 70 percent of these cases were due to third-party phone or SMS fraud. Yet no one has unpacked why certain consumers suffer from fraud, nor why they often don't use formal complaints channels when they suffer loss of funds or fraud. Similarly, FinAccess found that 42 percent of mobile money users could not correctly interpret the price disclosure screen, and 19 percent of digital borrowers report issues with transparency of fees. Yet little is known how this influences financial decisions and what new information or delivery channels may impact knowledge and choice. This survey will answer these and other key questions on consumer protection in digital finance to help inform further experimentation and policy development. We will also leverage this existing survey to provide governments and organizations responding to the COVID crisis information about the financial impacts of the pandemic by measuring recent changes in financial resiliency, use of mobile money and phone-based loans, and instances of digital fraud.

Project Outcomes of Interest

Have sufficient emergency funds to cover unplanned expenses; have enough money to pay for regular living expenses each month; mobile money and mobile loan usage; experiences with digital fraud; experiences with fraud during COVID-19.

Partners

Competition Authority of Kenya

Key Findings

Redress and Complaint Handling:

- More educated and better off segments are more likely to report experiencing challenges. Further research is needed on why this discrepancy exists and if targeted outreach is needed to particular DFS user populations.

Scams and Fraud

- Attempted scams are common—although consumers are aware and cautious. The strategies consumers use for avoiding scams could form the basis of consumer education campaigns for other consumers who may not be as aware or vigilant to protect themselves.
- 57% of respondents have experienced attempted scams or fraud since COVID-19 began.

Transparency and Consumer Choice:

- Consumers are generally price aware of the mobile money and digital credit products they use. However, pre-transaction disclosures could be made more salient.
- Price is not a leading factor in choice of providers, and borrowers generally do not know the prices of lenders they do not use. Interventions may be needed to improve consumer awareness of the range of choices in DFS to encourage comparison shopping and switching.

Digital credit

- Consumers may be borrowing from one lender to repay another, or taking on additional debt when already in a situation of debt stress.
- New monitoring tools could be developed to monitor the market for warning signs of overindebtedness in the digital credit market through indicators such as multiple borrowing, late and non-payment, and outcomes from borrowing. This could include a combination of consumer survey data like the questions asked in this survey and administrative data from digital credit providers.
- Reducing information asymmetries through greater information sharing across digital credit providers could help improve consumer switching and reduce multiple borrowing and related non-payment of debts.

Link to Results

[Kenya Consumer Protection in Digital Finance Survey](#)

Impact Goals

- Build resilience and protect the financial health of families and individuals

Project Data Collection Mode

- CATI (Computer-assisted telephone interviewing)

Link to Public Data

<https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/F8ZRPF>

Results Status

Results