Translating Digital Credit Transaction Data into Consumer Protection Supervision

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Toolkit-Annexes-for-Translating-Digital-Credit-Transaction-Data-into-Consumer-Protection-Supervision.zip

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The toolkit is aimed at addressing the opportunities and challenges of using digital credit transaction data for consumer protection market monitoring. Digital credit adoption has increased in lower- and middle-income countries over the past decade. These products have differentiated themselves from traditional lending in three primary ways; they are "instant, automated, and remote." These differences may drive financial inclusion and benefits to borrowers including access to formal credit, reduced transaction costs, and resilience to risk. However, these same attributes may also place consumers at higher risk. In particular, because digital credit is easier to obtain, consumers may find themselves taking on loans they cannot afford or with fees they do not understand.

The increase of digital credit also presents researchers, regulators, and financial service providers with an opportunity to more easily monitor consumer protection outcomes. With the automation of these services, providers' transaction records record everything from the time that loans were disbursed to what fees were charged.

The toolkit explains the reasons for consumer protection supervision, the advantages and limitations of administrative data for supervision, as well as organizational prerequisites for its use. From there, the toolkit outlines how digital credit transaction data can be analyzed to monitor consumer protection issues, presents data security issues associated with an information request and recommends tools for keeping data safe within this process, and provides a guide for obtaining data.

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