



# Kenya Consumer Protection in Digital Finance Survey

March 2021

Innovations for Poverty Action  
Competition Authority of Kenya

Associated survey dataset available here: <https://doi.org/10.7910/DVN/F8ZRPF>

William Blackmon (Innovations for Poverty Action)  
Rafe Mazer (Innovations for Poverty Action)  
Shana Warren (Innovations for Poverty Action)



# IPA Consumer Protection Research Initiative

Four-year program to support policymakers, financial service providers, and civil society to develop and test consumer protection solutions in four emerging markets: Bangladesh, Kenya, Nigeria, and Uganda.

This report presents results from a survey of digital finance users in **Kenya**.



# Understanding the challenges Kenyan consumers face with digital finance

IPA has collaborated with the Competition Authority of Kenya to conduct a survey on key themes in consumer protection, including:

- Fraud and loss of money
- Complaints handling and redress
- Pricing transparency and consumer choice
- Borrowing behavior

Survey responses identify which issues may be of greater or less concern, to inform future policy actions.

Reports from similar surveys conducted in [Nigeria](#) and [Uganda](#) allow for comparison across countries.





# Contents

- 05:** Methodology
- 06–12:** Respondent Profile
- 13–19:** Access and Usage
- 20–33:** Challenges
- 34–38:** Financial Stress
- 39–48:** Competition and Choice
- 49–52:** Transparency and Knowledge
- 53–57:** Redress Process
- 58:** Policy Takeaways



Photo by: Tugela Ridley





# Methodology

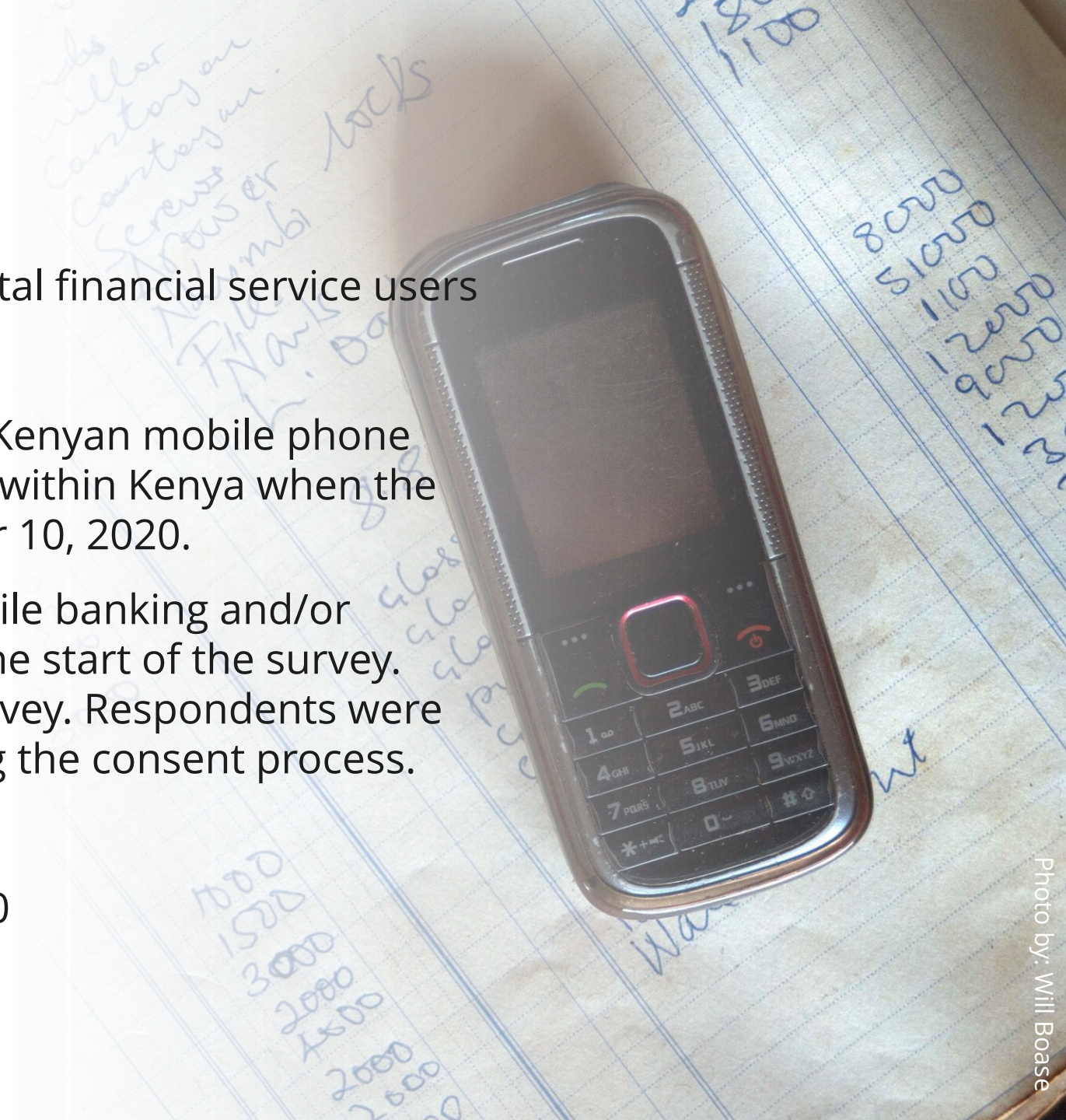
Random-digit dial (RDD) phone survey of digital financial service users

Sampling frame:

- All possible mobile numbers following the Kenyan mobile phone number allocation system that were active within Kenya when the RDD samples was generated on September 10, 2020.
- Survey limited to adult mobile money, mobile banking and/or mobile loan consumers through filters at the start of the survey. No further filtering occurred during the survey. Respondents were made aware of the survey's purpose during the consent process.

Sample size: 793

Conducted: September 14 – October 18, 2020



# Respondent profile

- Respondent sample more male, younger, wealthier, and better educated than Kenya's overall adult population.
- Some of this is due to filtering for digital financial service users, and some is due to the constraints of random digit dialing.
- Individuals who do not have phones or reside within coverage areas are more likely to be older and more poor, but they are also less likely to use digital financial services.



# Geography

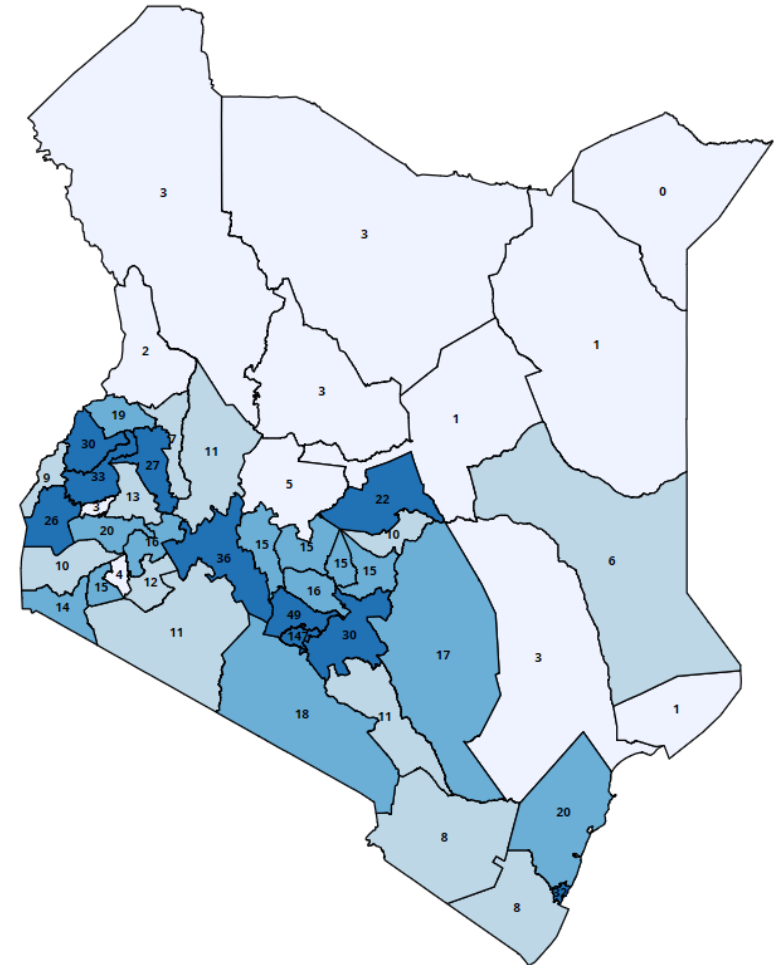
## URBAN/RURAL ESTIMATION

Because surveys were conducted by phone, respondents' urban/rural status was estimated based on the population density of the constituency in which respondents reported residing. A cutoff of 600 individuals/km<sup>2</sup> was selected so that the urban population approximately matched the World Bank urban population estimate for 2009, the latest year where constituency-level population statistics are available. Because of changes in constituencies between 2009 and today, we were able to generate an urban indicator for 71% of respondents. Approximately 36% of respondents were categorized as residing in urban areas using this method (compared with 23% of the population according to the World Bank 2009 estimate).

## FORMER PROVINCES

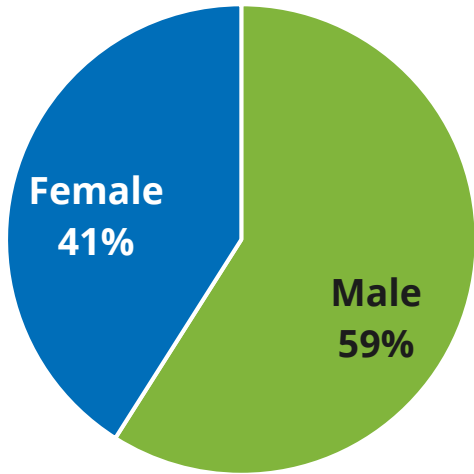
Province	Survey	Census
Rift Valley	23%	25%
Nairobi	19%	11%
Eastern	14%	15%
Central	14%	13%
Nyanza	11%	12%
Western	9%	10%
Coast	9%	9%
North Eastern	1%	4%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

## COUNTIES

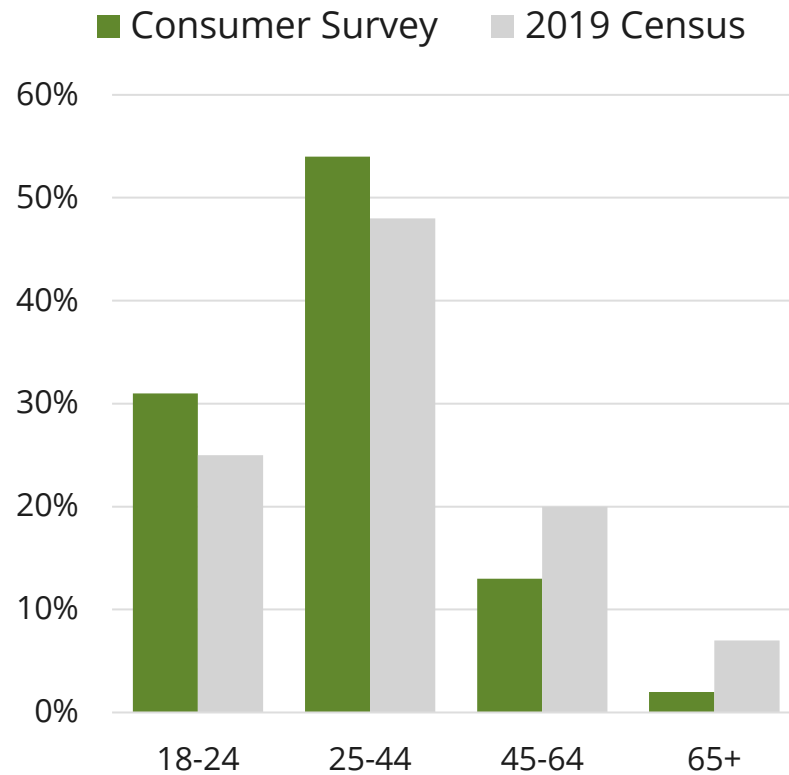


# Gender, age, and education

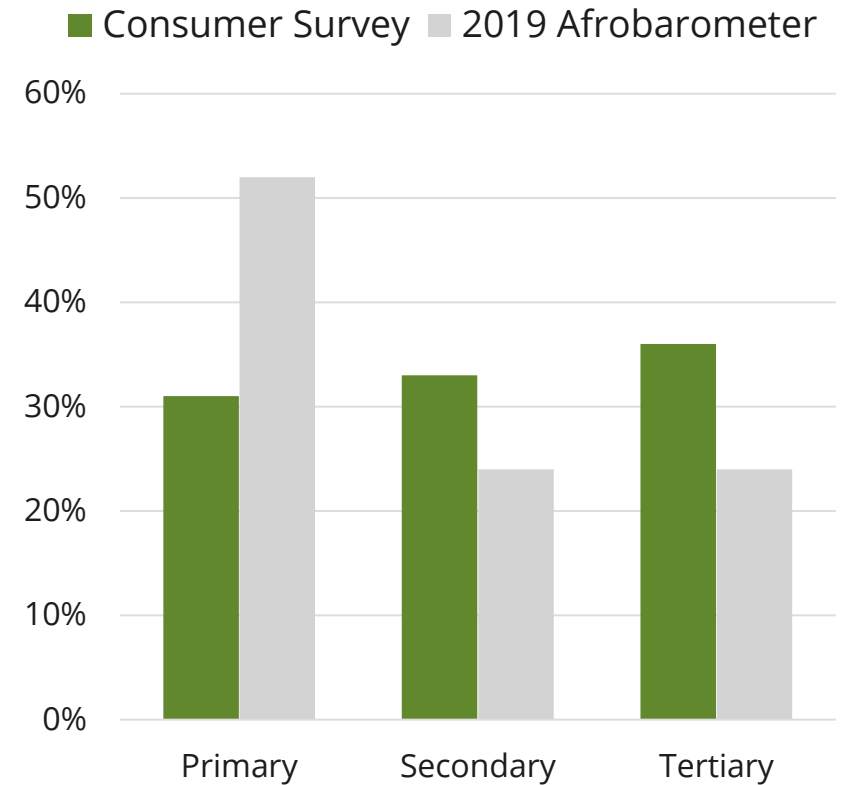
**Gender (n=793)**



**Age (n=793)**



**Education (n=792)**



Afrobarometer is non-partisan, pan-African research institution conducting public attitude surveys on democracy, governance, the economy and society in 30+ countries repeated on a regular cycle.

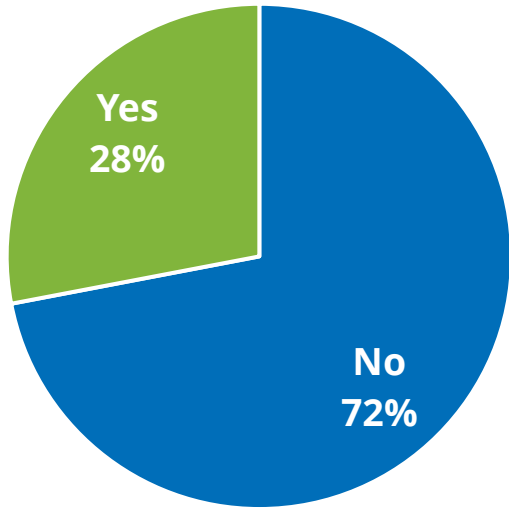
**Sources:** Afrobarometer: <https://www.afrobarometer.org/data/kenya-round-8-data-2019>; Census: <https://www.knbs.or.ke/?p=5621>



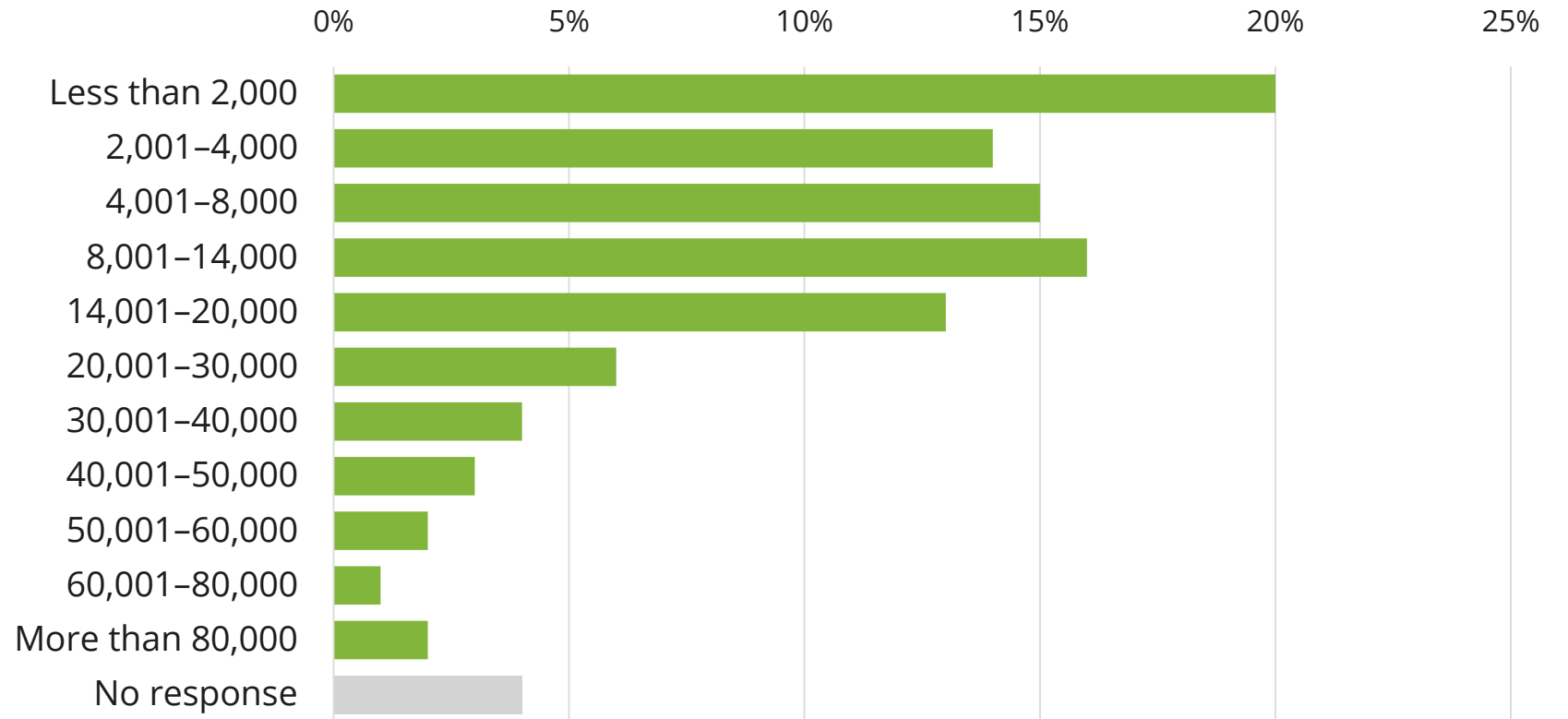


# Economic background

**Household member with formal employment (n=791)**



**Monthly income (KES) (n=758)**

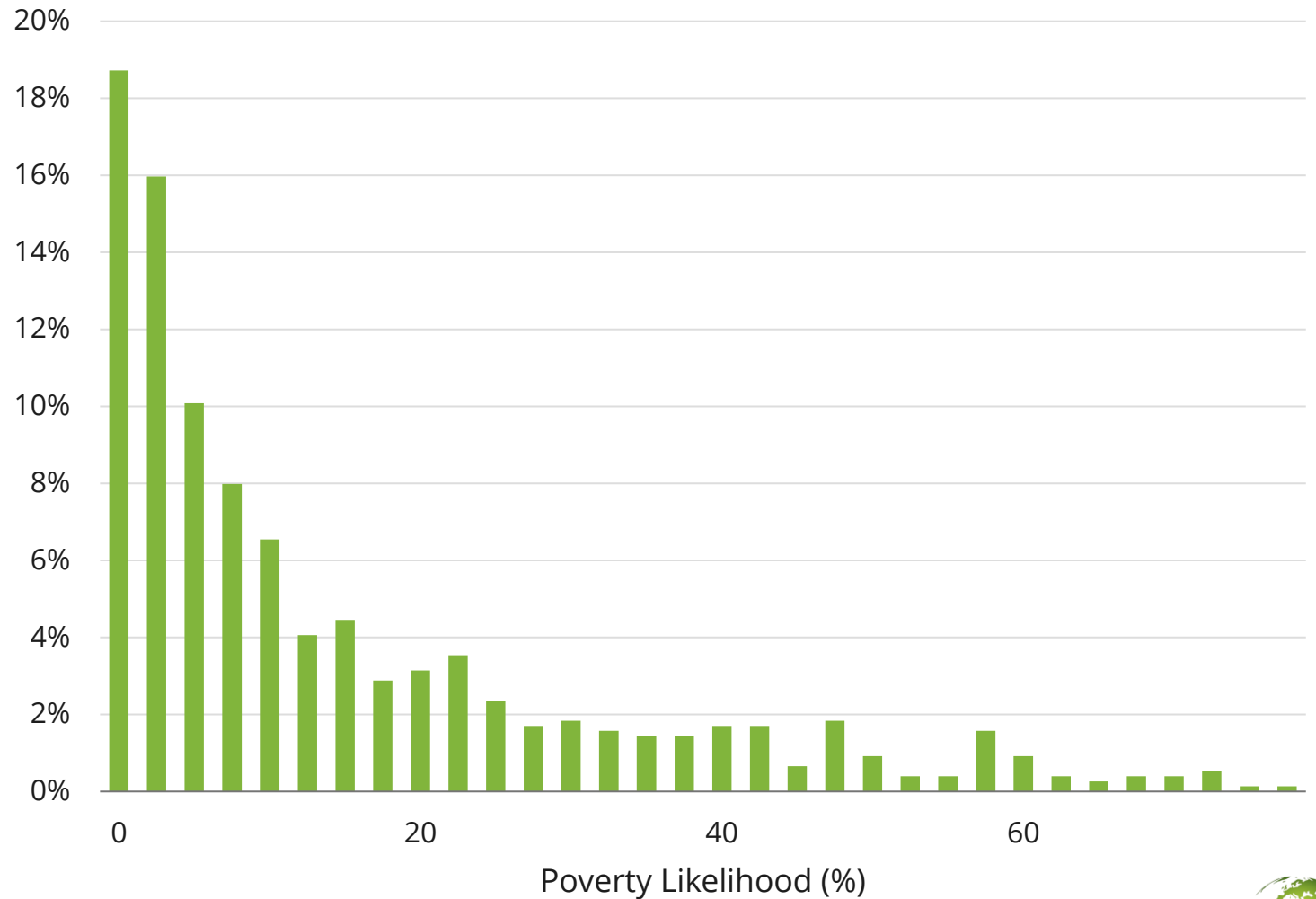


# Poverty probability

**The Poverty Probability Index (PPI)** is a poverty measurement tool provided by Innovations for Poverty Action. The PPI uses machine learning techniques to estimate households' poverty likelihood based on 10 questions. Households are assigned a poverty likelihood between 0-100%. Kenya's PPI is built from the 2015/2016 Kenya Integrated Household Budget Survey.

<https://www.povertyindex.org/about-ppi>

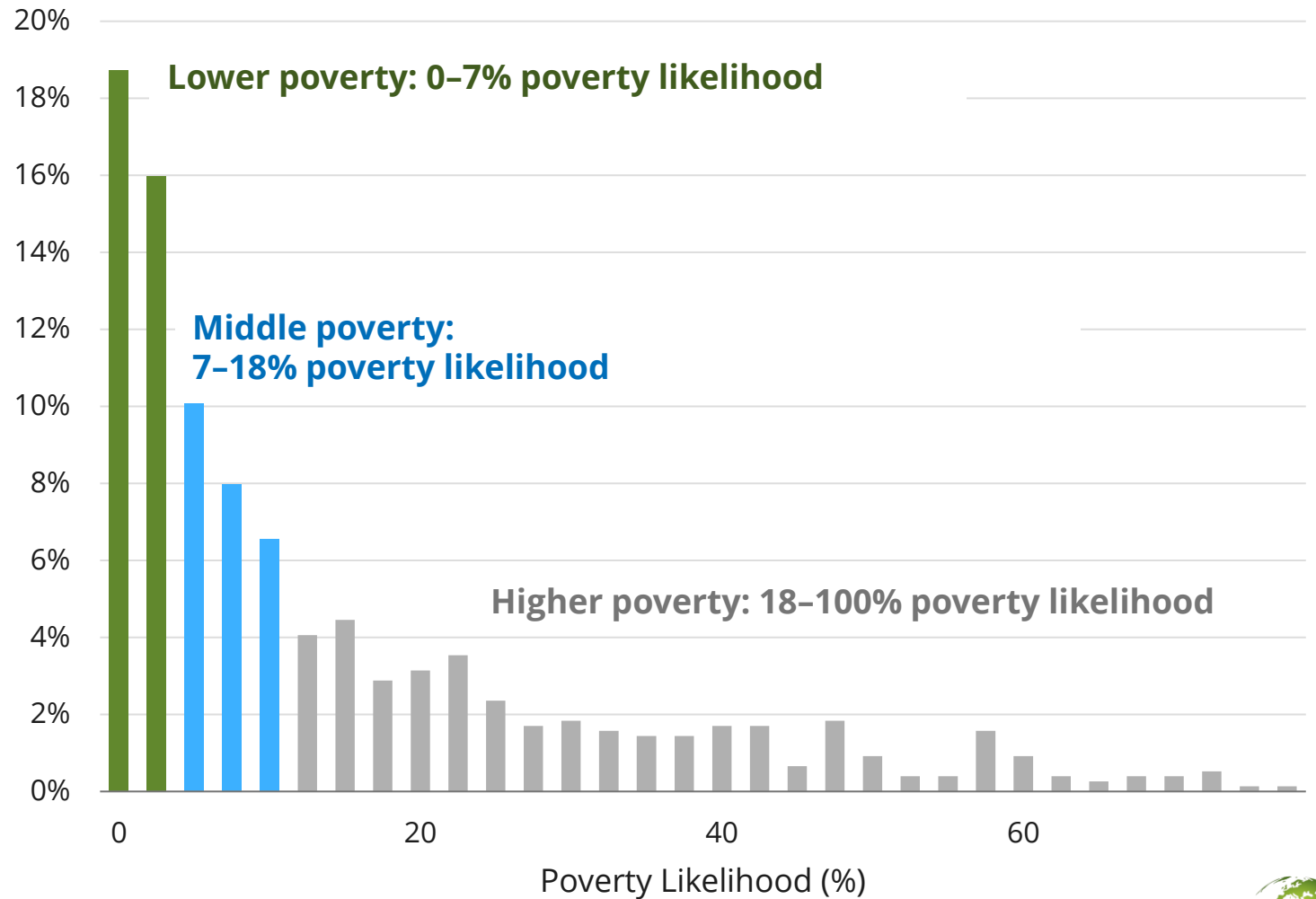
**Poverty Probability Index (PPI) (n=764)**



# Poverty probability

PPI scores are used to split the sample into three equally sized groups representing relatively low, middle, and high poverty probabilities. Later sections disaggregate results using these groups.

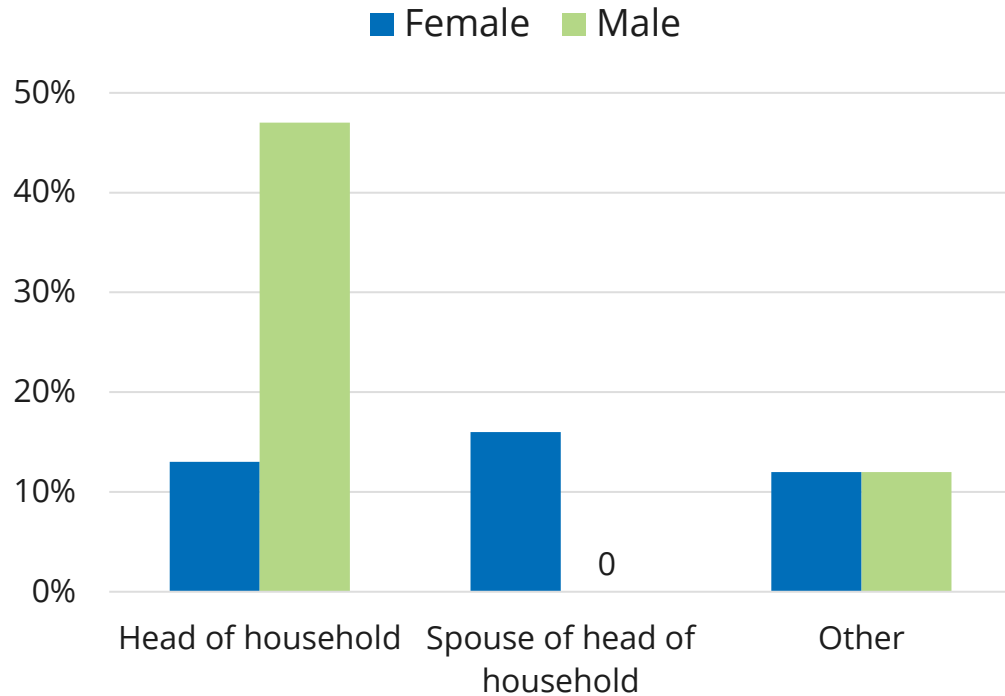
### Poverty Probability Index (PPI) (n=764)



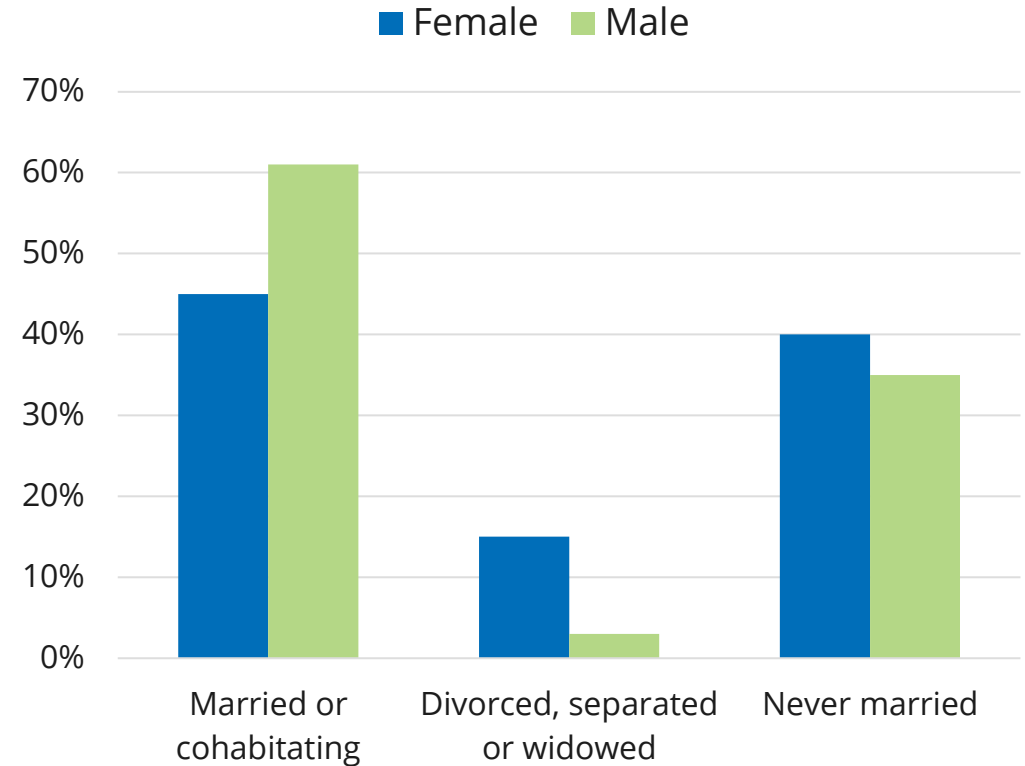


# Household composition

### Relationship to head of household (n=789)



### Marital status (n=789)

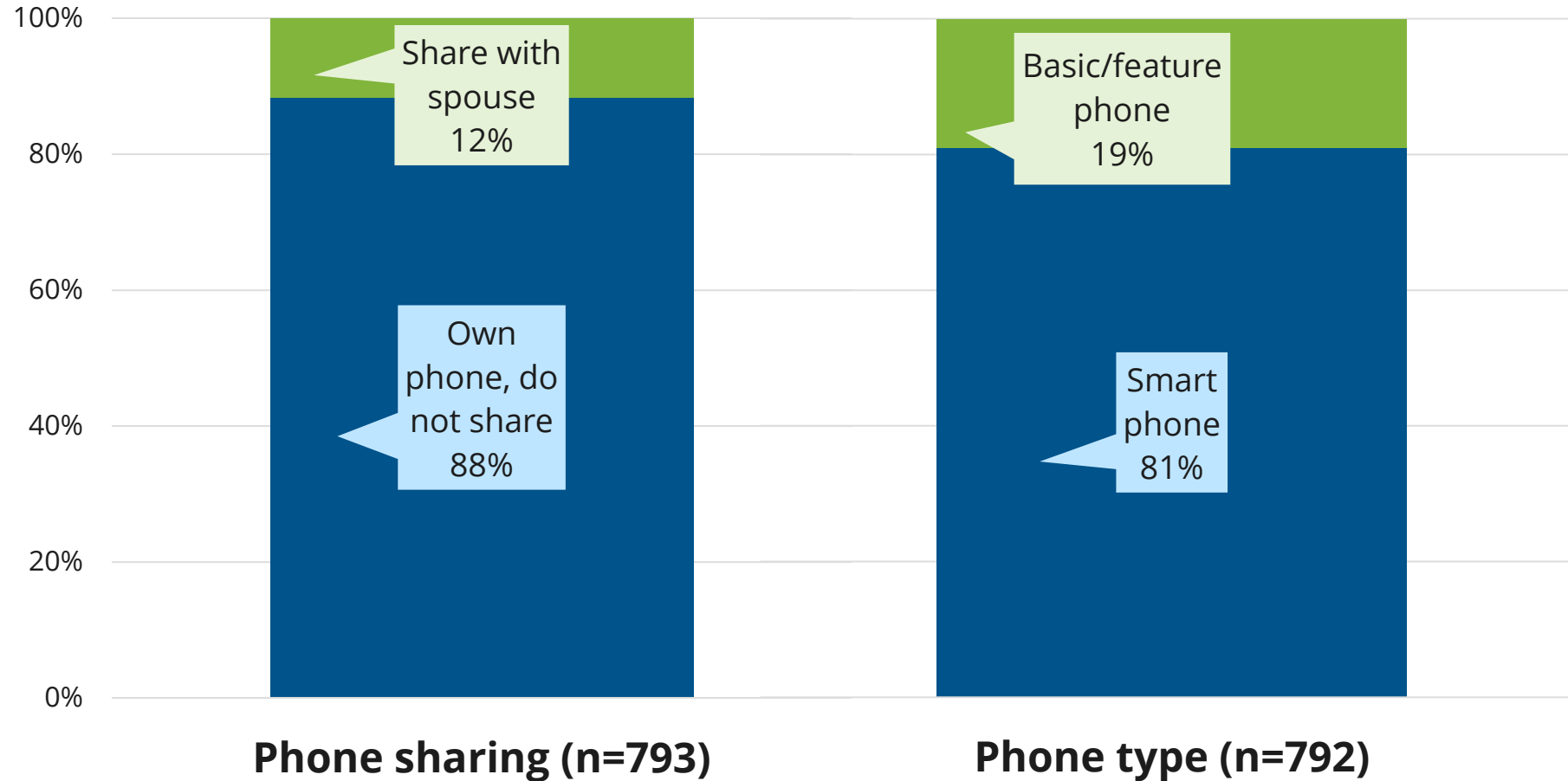


# Access and usage of digital financial services

- Kenya is a global leader in DFS usage with 79% of adults using mobile money in 2019, and a sharp increase in digital credit usage in recent years. (Source: Kenya FinAccess Survey, 2019)
- Survey respondents' reported usage patterns demonstrate that access has been concentrated almost exclusively on the M-Pesa platform in mobile money, and that this impacts their choice of digital credit providers.
- Most use of digital loans is concentrated in hands of a small set of lenders, despite an estimated 100+ digital lenders active in Kenya prior to the COVID-19 pandemic.



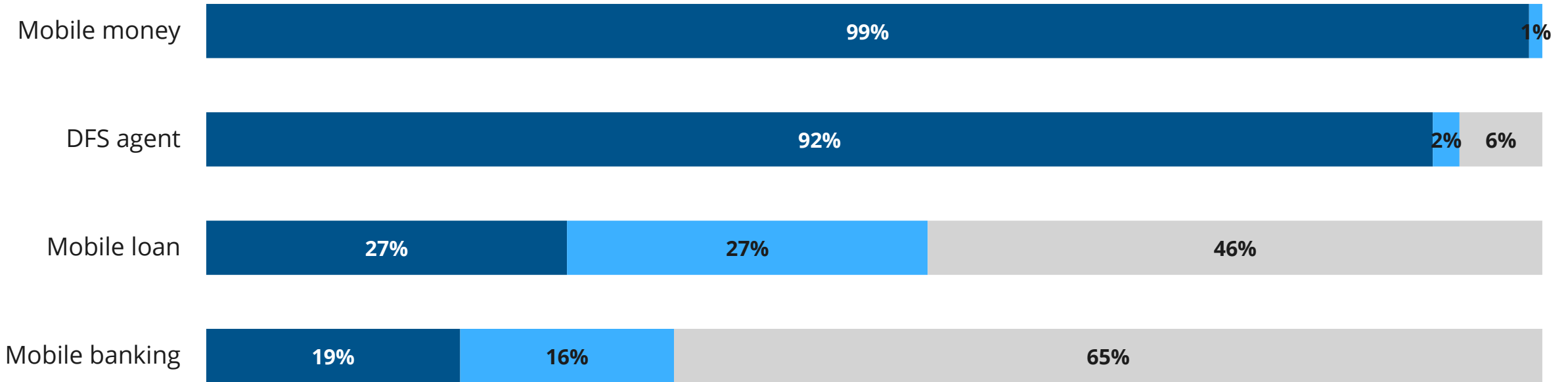
# Phone ownership





# Digital financial service usage, by service type

■ In the last 90 days ■ More than 90 days ago ■ Never



99%

of respondents have ever used **mobile money**

94%

of respondents have ever used a **DFS agent**

54%

of respondents have ever used **mobile loans**

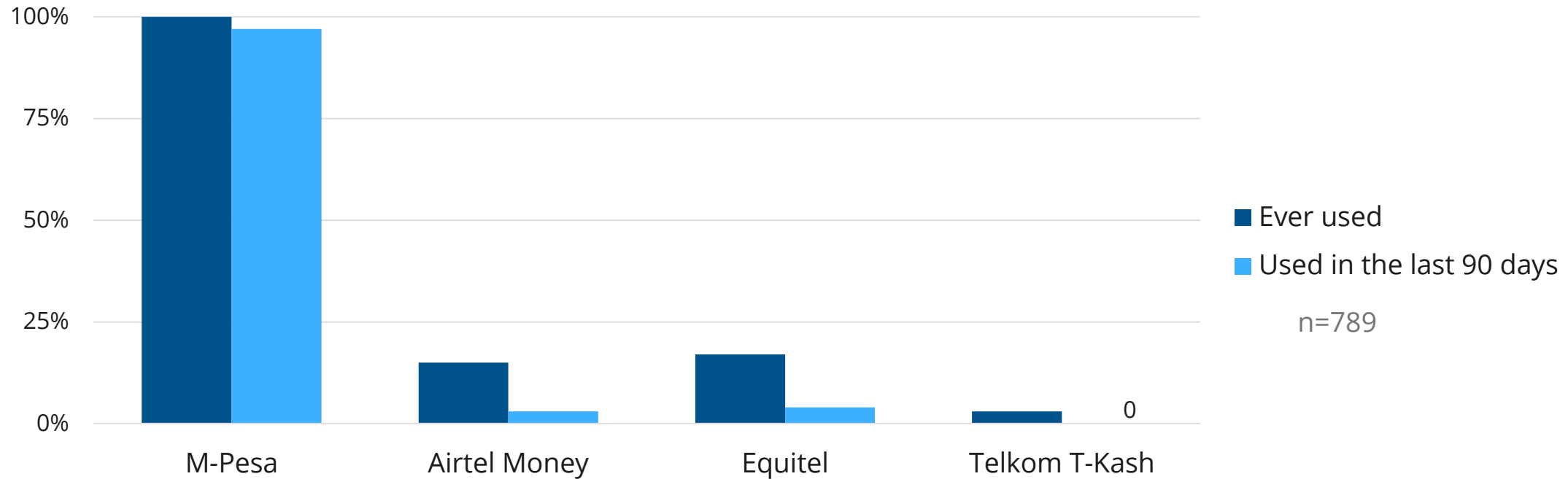
35%

of respondents have ever used **mobile banking**

Notes: n=793; Data exclude respondents who have not used DFS in the last 90 days.



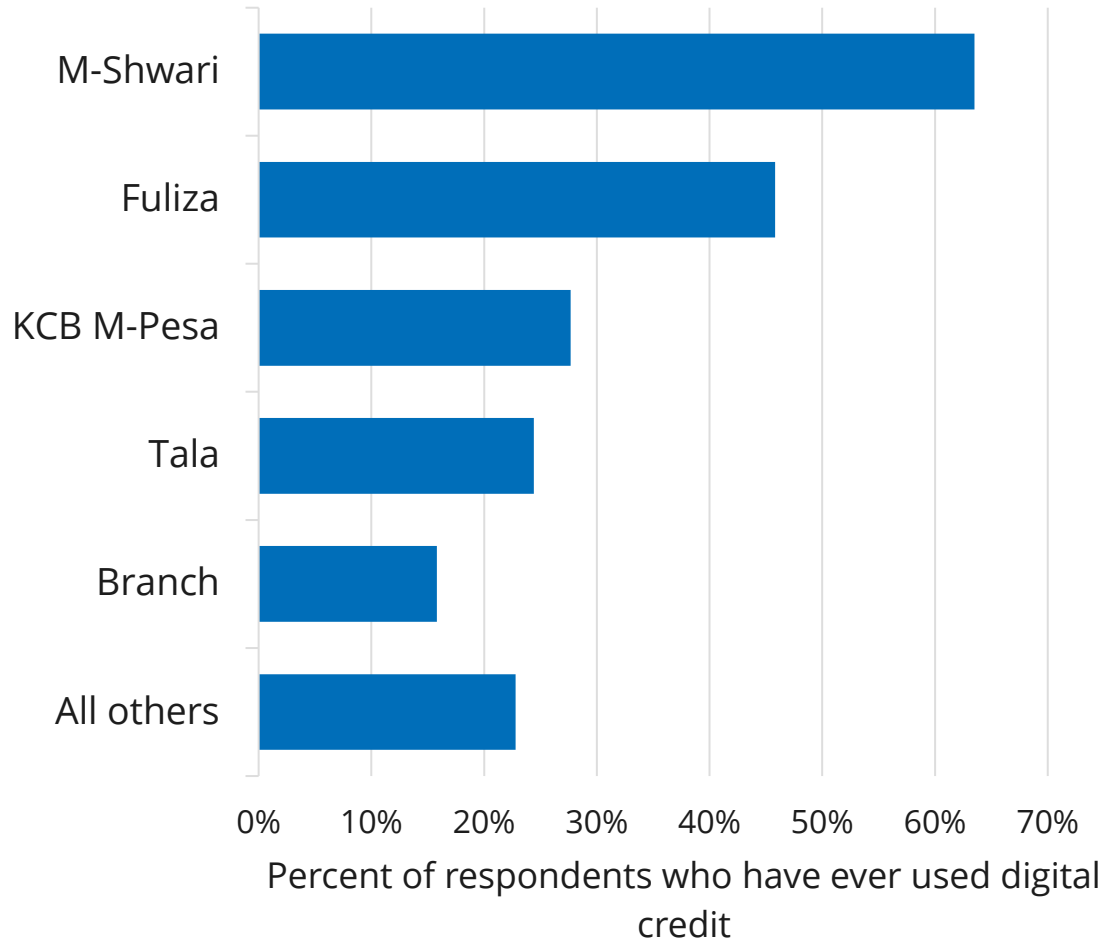
# Mobile money providers used by respondents



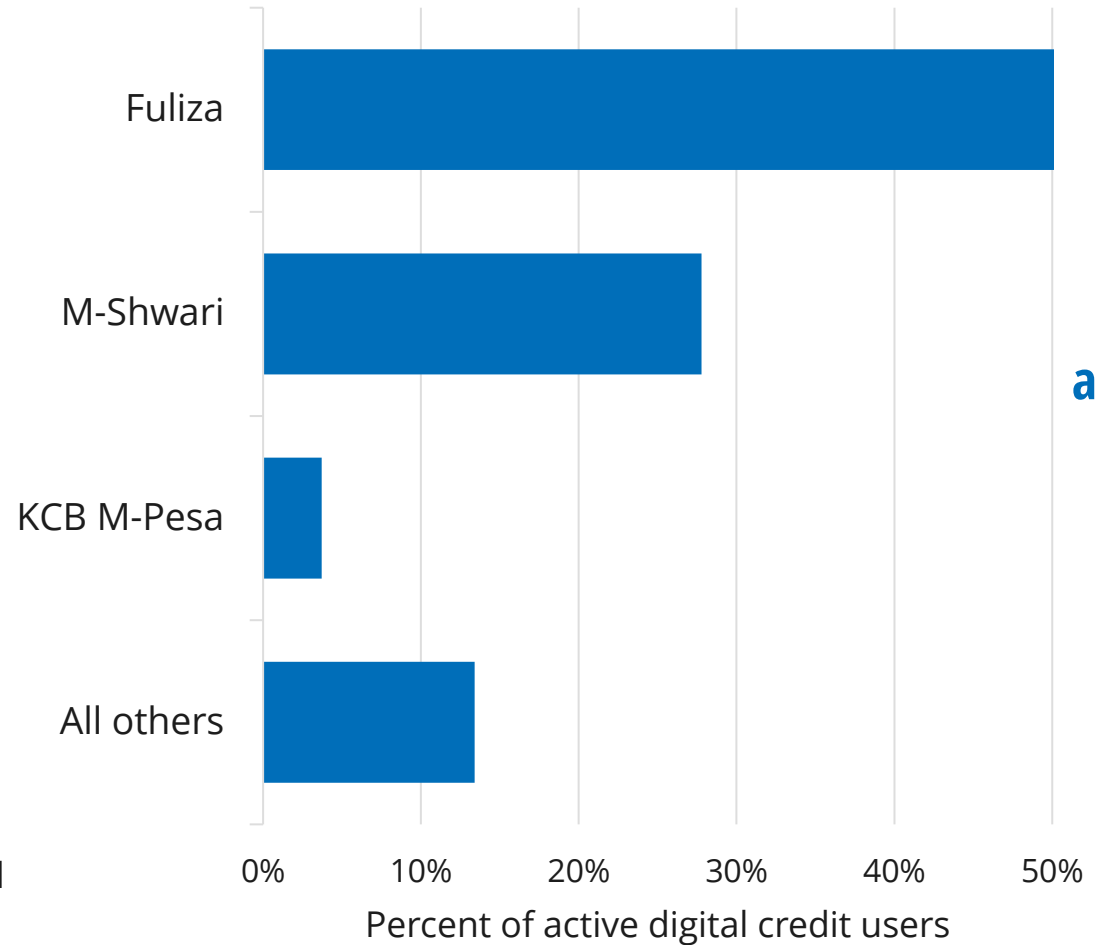
**Nearly all survey respondents using mobile money do so via M-Pesa. While users have accessed competitors very few have done so recently. M-Pesa faces little competition in practice.**

# Mobile loan providers

### Providers ever used



### Provider used most often in the last 90 days

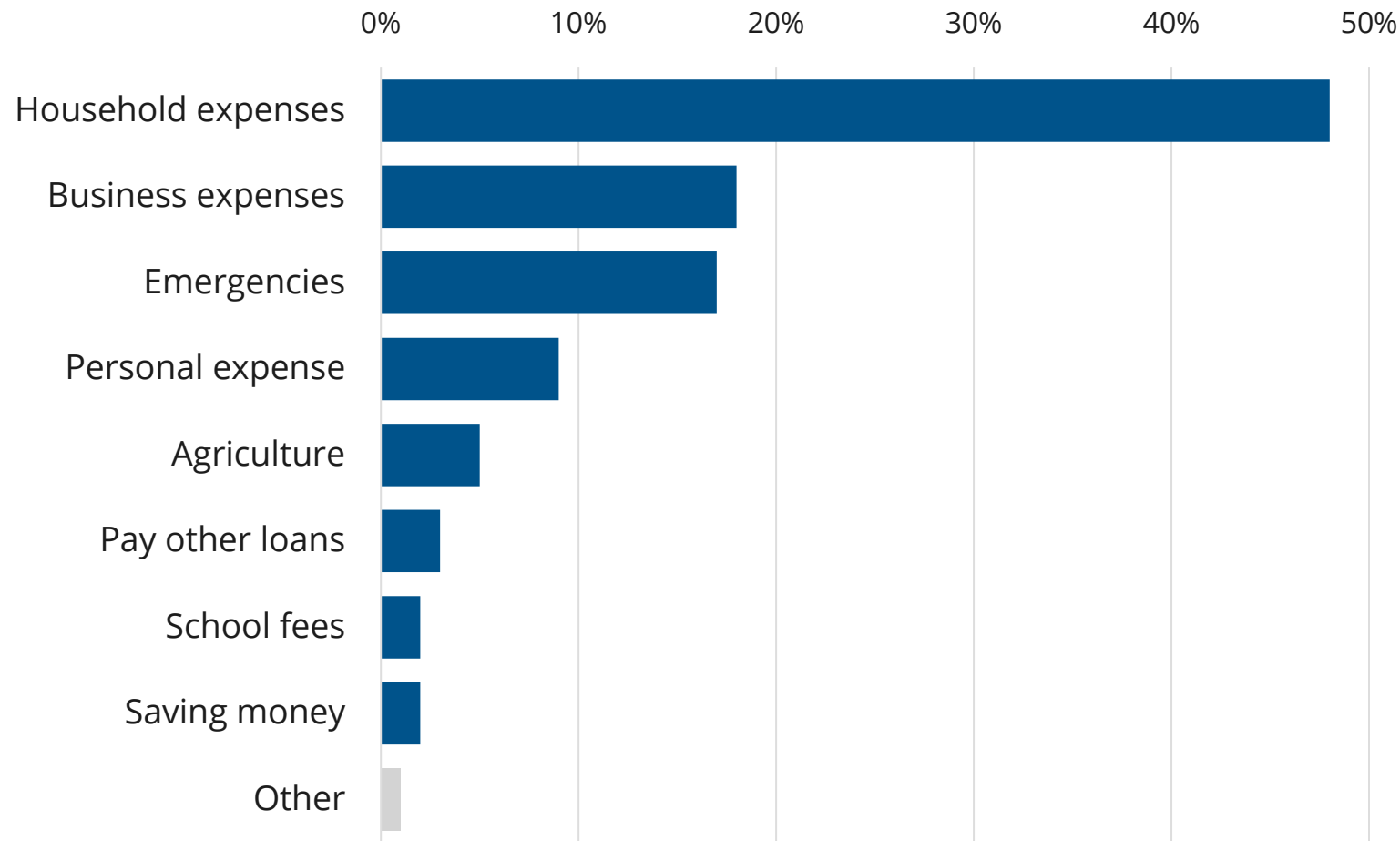


**Top 3 loan products all linked with M-Pesa**





# Mobile loan uses



N=216

**57%**

Percentage of respondents who use mobile loans for household or personal expenses

**23%**

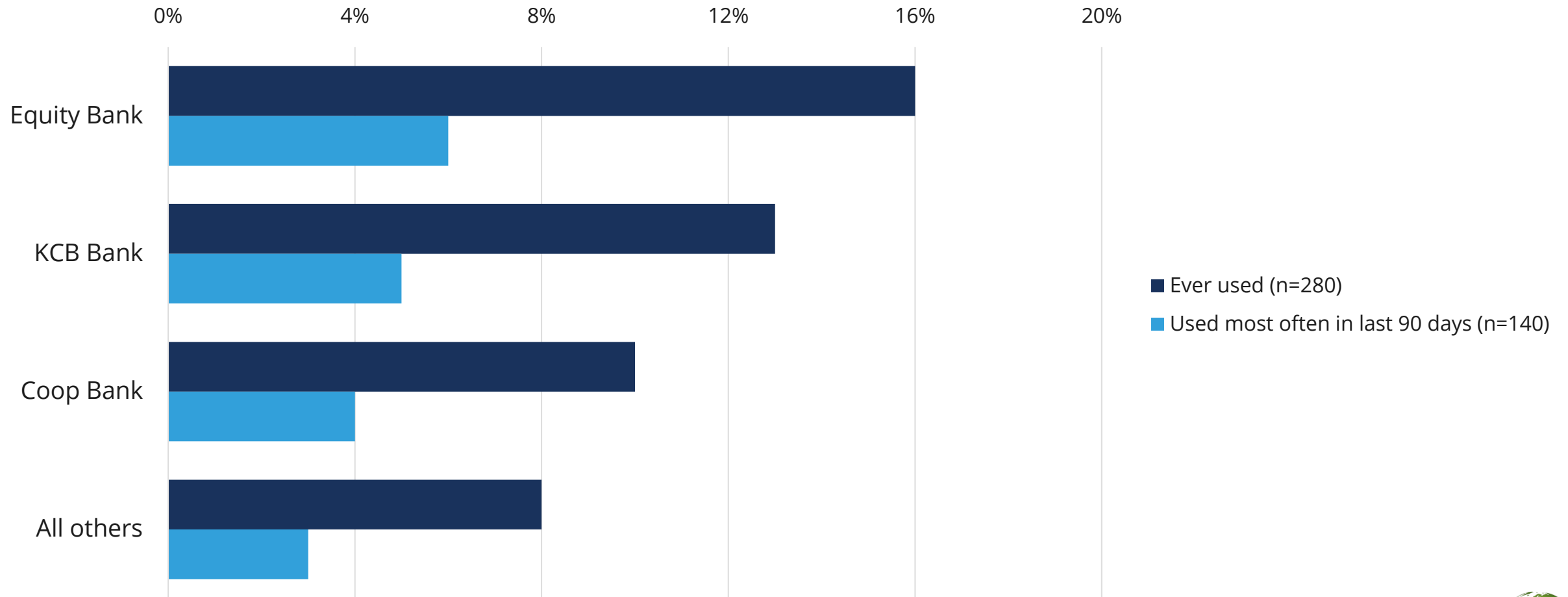
use mobile loans for business or agriculture expenses

**17%**

use mobile loans for emergencies

# Mobile banking providers

## Percent of all respondents



# Challenges experienced using DFS

The survey asked consumers about a set of common DFS challenges, to understand how many consumers may experience these issues across two periods:

- Any challenges experienced since January 2020
- The most significant challenge ever experienced—to not miss any issues which may have caused substantial difficulty or harm in the past.

Men, wealthier, and more educated consumers report higher rates of incidences—is this due to deeper usage, more awareness of challenges, greater willingness to report issues, or other reasons?





## Key takeaways

Phishing scams were the most common challenge faced—but most consumers do not report having fallen victim to these attempts.

Poor customer care and unexpected charges are areas where providers could improve consumer experience through simple adjustments to transparency and redress.

Many consumers send money to the wrong person—despite innovations by providers to help reduce this error like Safaricom’s “Hakikisha” solution.

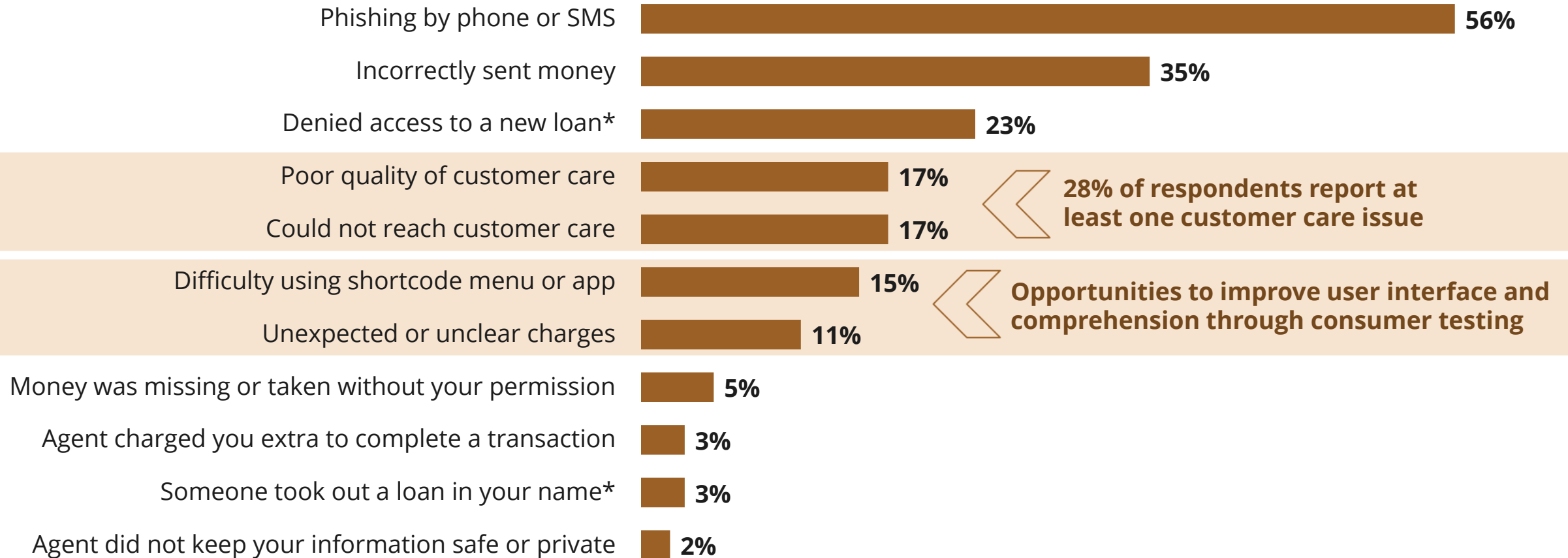
Digital loans raise several concerns:

- Majority of borrowers report reducing consumption to service debt
- 77% have not paid a loan back on time at some point
- Limited evidence of comparing costs of different loan providers



# Which challenges are most common for consumers

Percent of respondents, reporting consumer protection challenges:



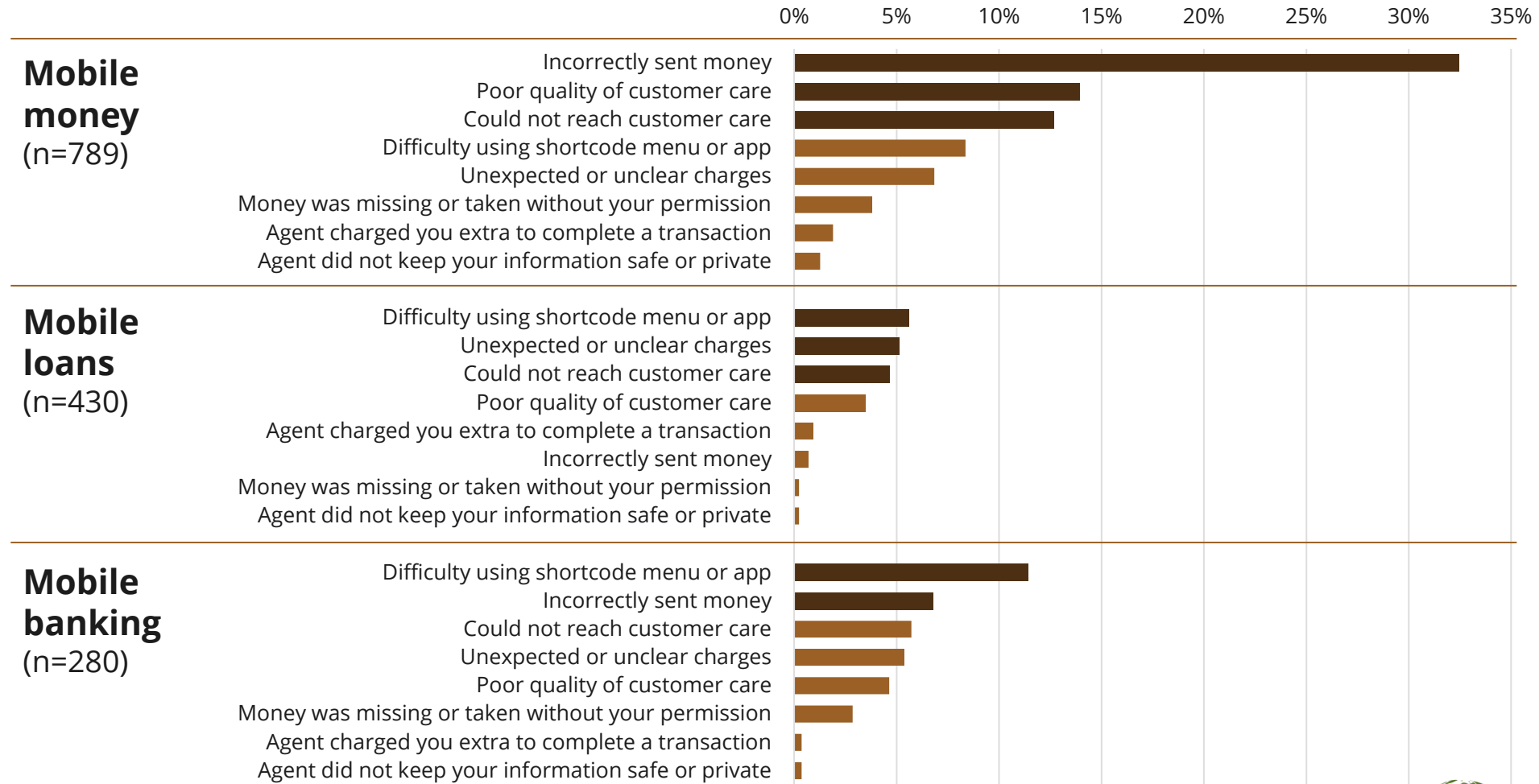
\* For these challenges, percent of mobile loan users reported



# Challenges by service type

## Percent of mobile money, mobile loan, and mobile banking users reporting each challenge

Respondents are most likely to experience challenges with mobile money, apart from difficulty using shortcode menus or apps, which is the most common issue for mobile banking and mobile loan users.



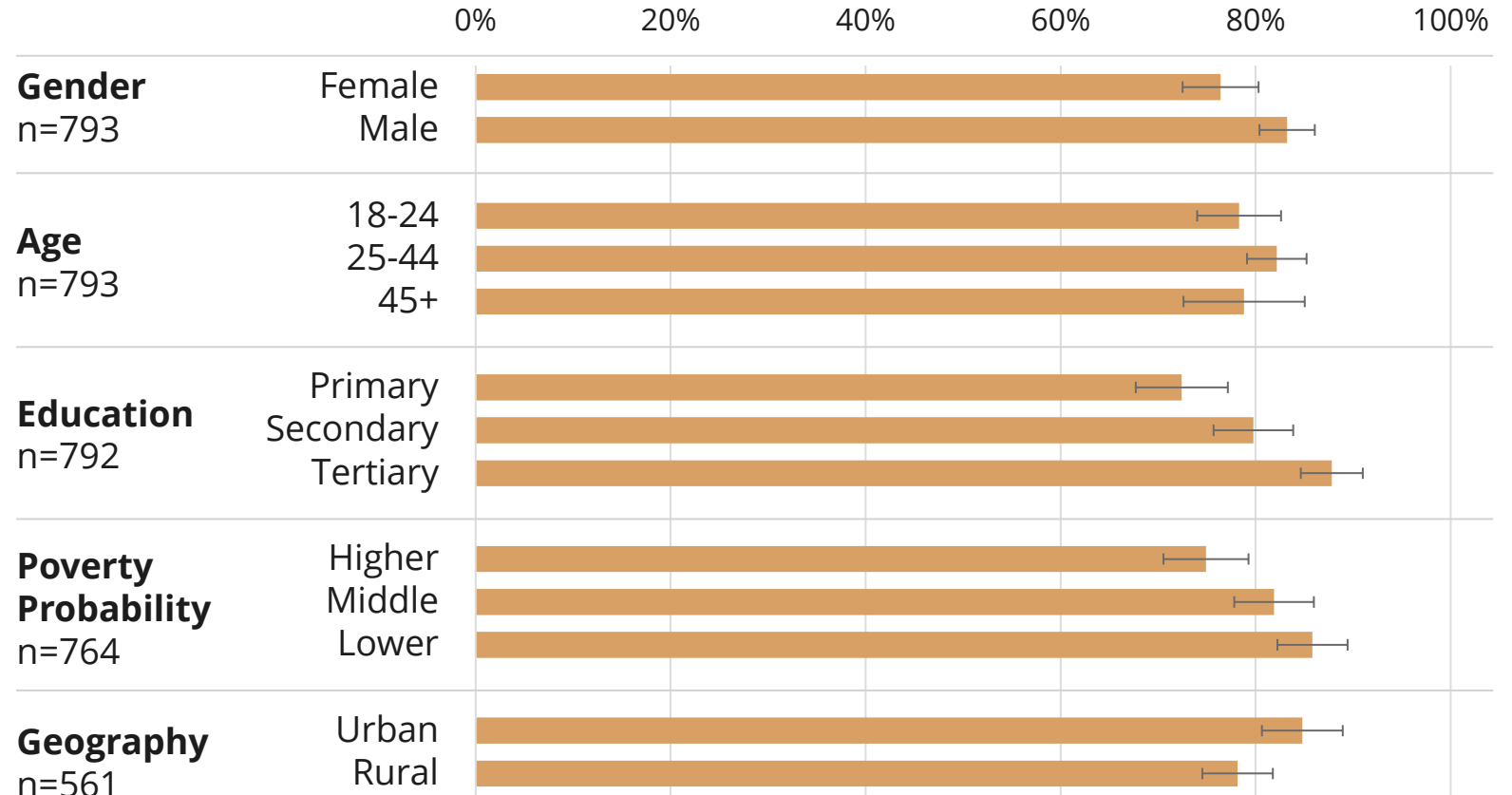
# Challenges by consumer segment

Male, better educated, better off, and more urban respondents report more challenges at a statistically significant level.

While these segments may be more likely to experience challenges, differences could also be partially driven by higher DFS usage\*, higher awareness of these issues occurring, or greater willingness to report these issues to surveyors. Unpacking the causes for these differences could be an area for further future research.

\*Survey restricted to DFS users, but there may be differences in DFS usage intensity (e.g., transactions per month) by consumer segment

Percent of each respondent type reporting any challenge

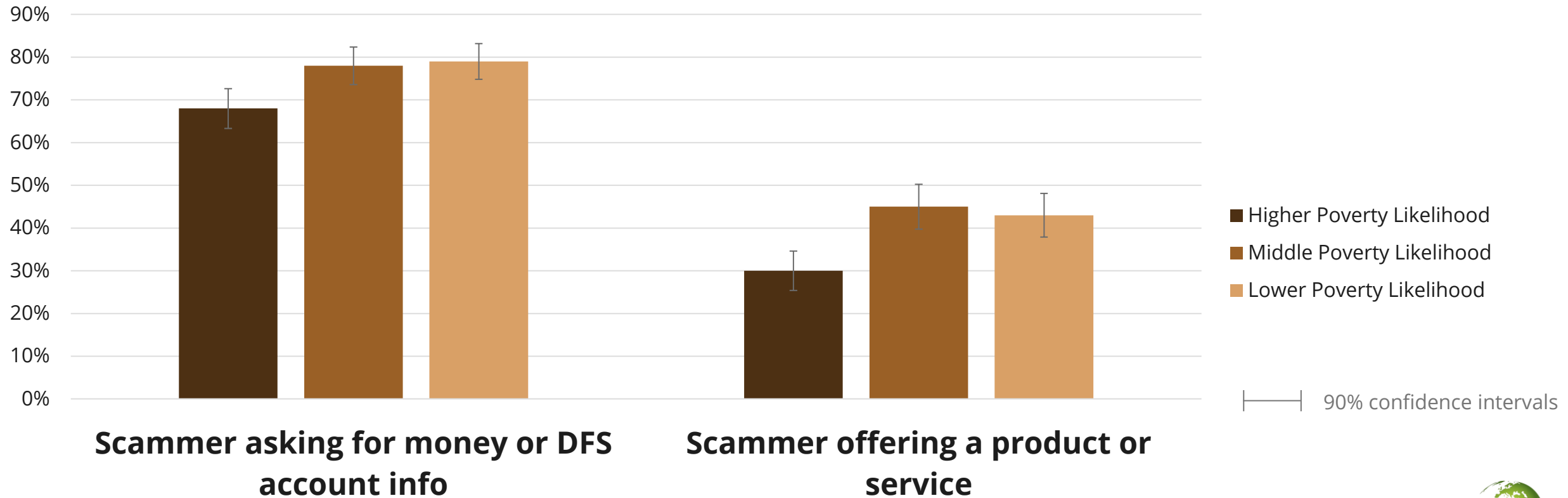


90% confidence intervals



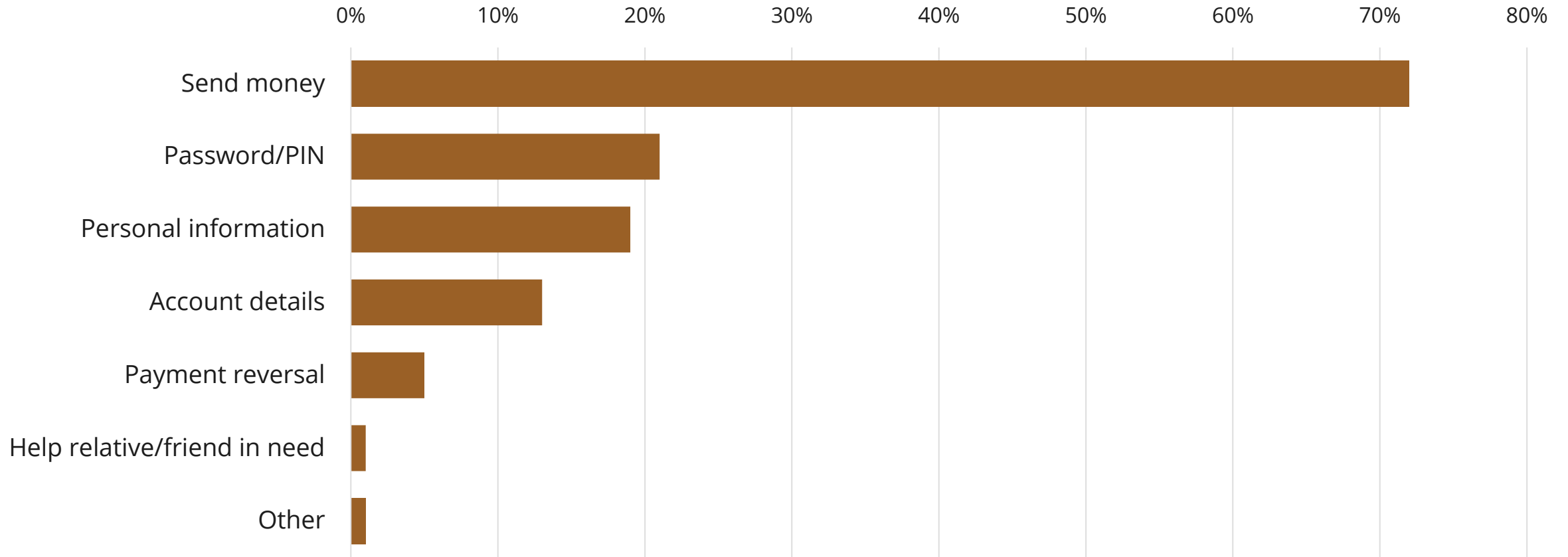
# Scammers are more likely to ask for money or information than offer a product or service

Percent of respondents who have ever reported calls or SMSs from unknown parties and what the scammer asked them to do...



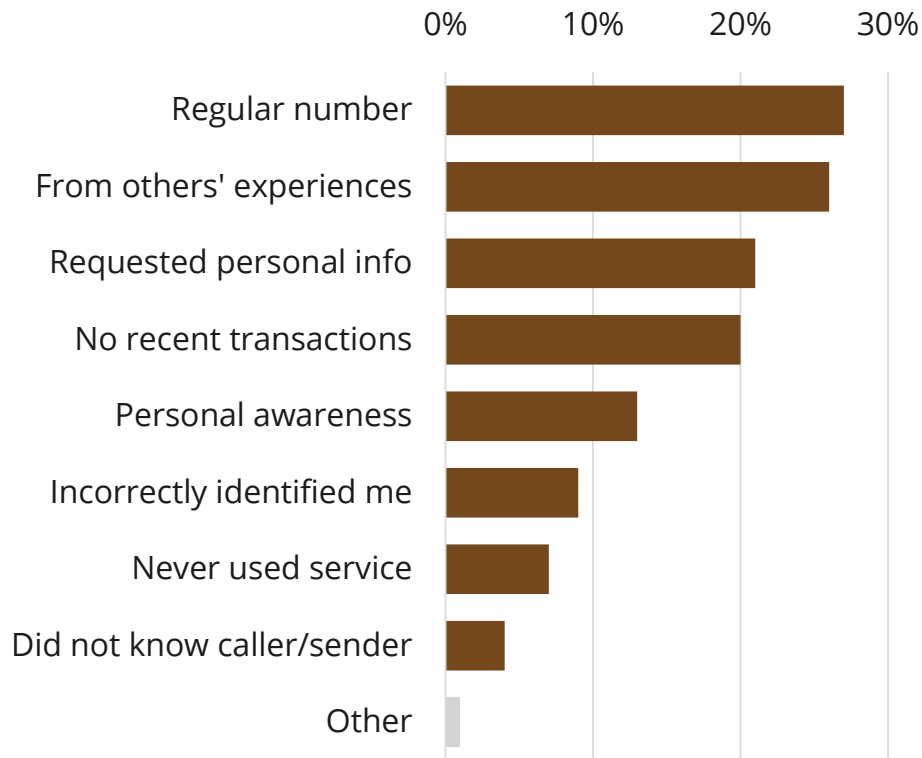


# What do scammers seek when they contact DFS users?

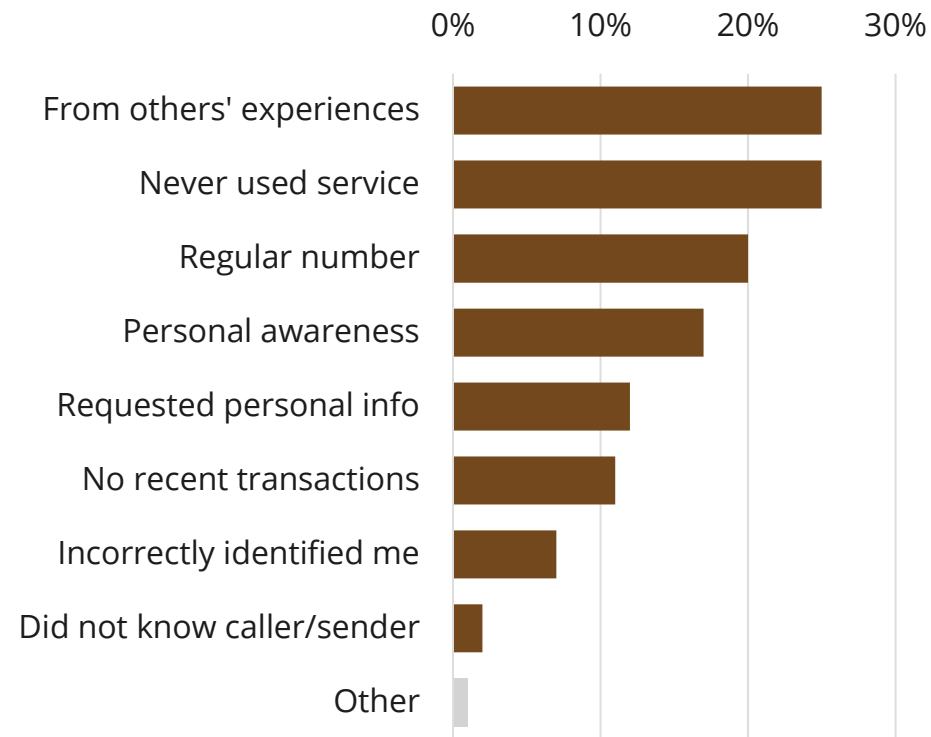


# Scam attempts: How consumers identify scams

**How the scam was identified when it involved a request for money or account information (n=420)**



**How the scam was identified when it involved offering a product or service (n =259)**



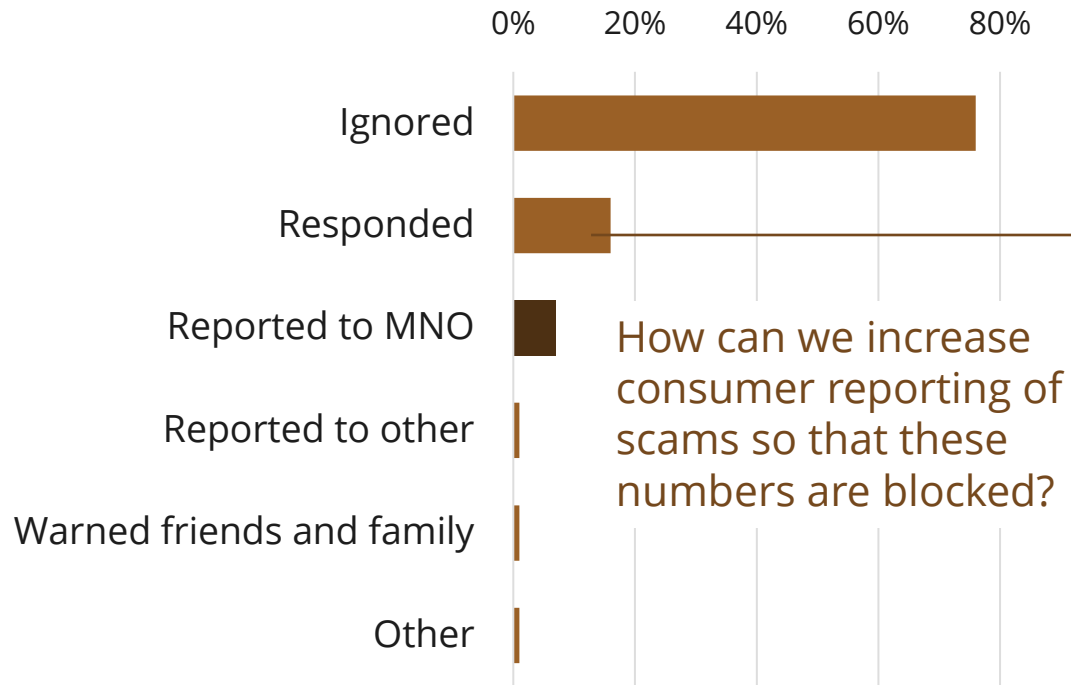
Calls from regular numbers and warnings from peers are key to consumers avoiding scams.

These indicators of a scam could be shared with the broader population—remember, our respondents are the ones who realized this was a scam, others may not know what to look for.

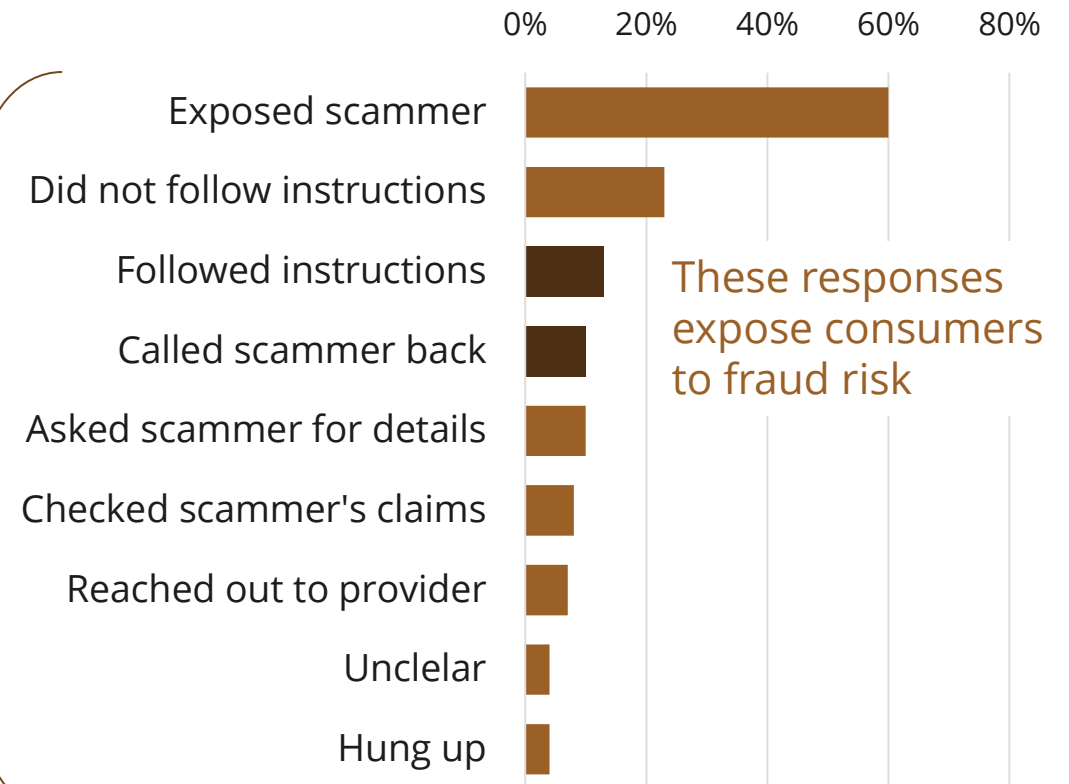


# Scam attempts: How consumers respond

### Consumers' action after scam (n=649)

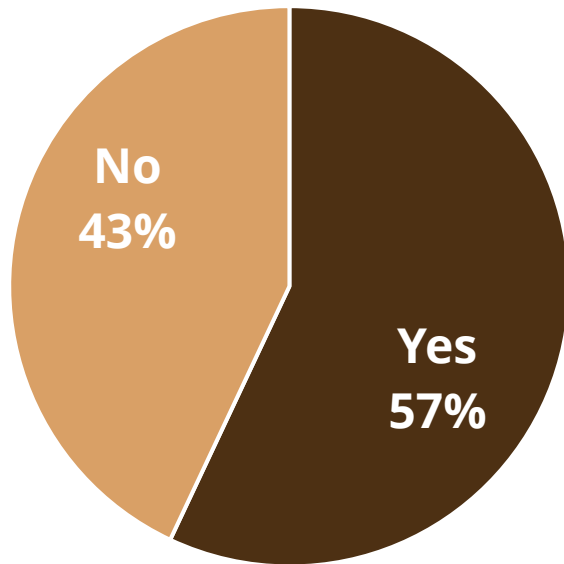


### Consumers' action if they responded to the scam (n=131)

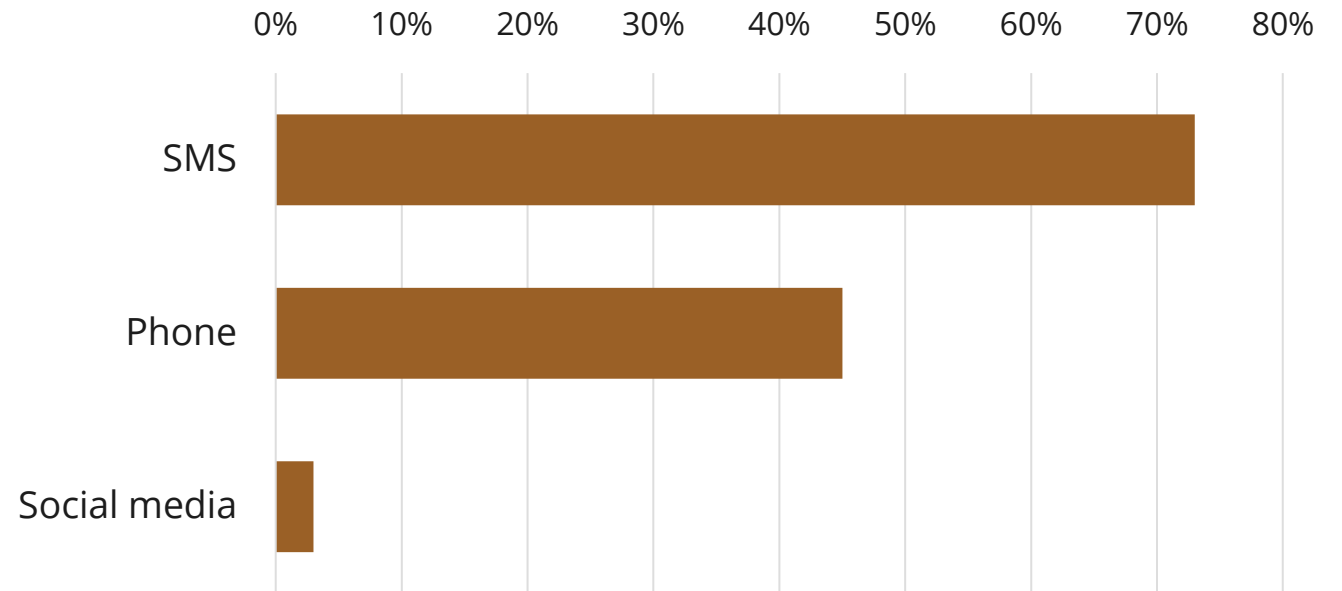


# Scams are quite common during the pandemic

Percentage of respondents who experienced attempted scams or fraud since COVID-19 began (n=792)

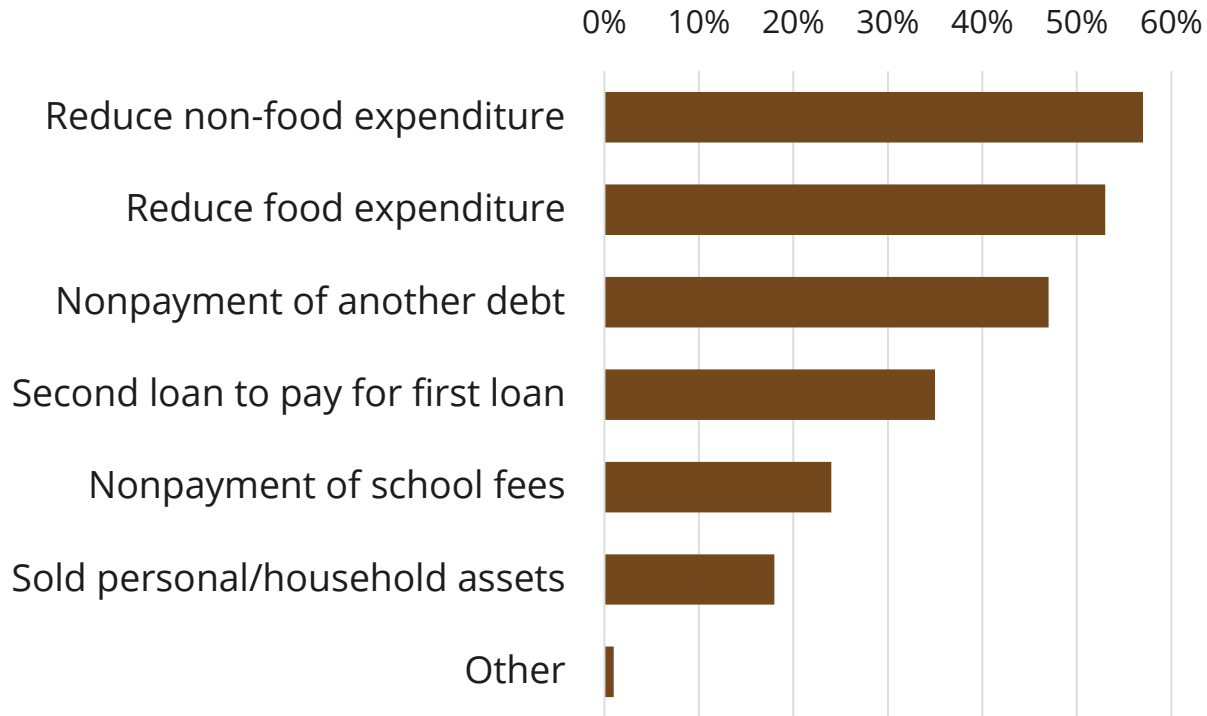


Mode of scams received (n=449)

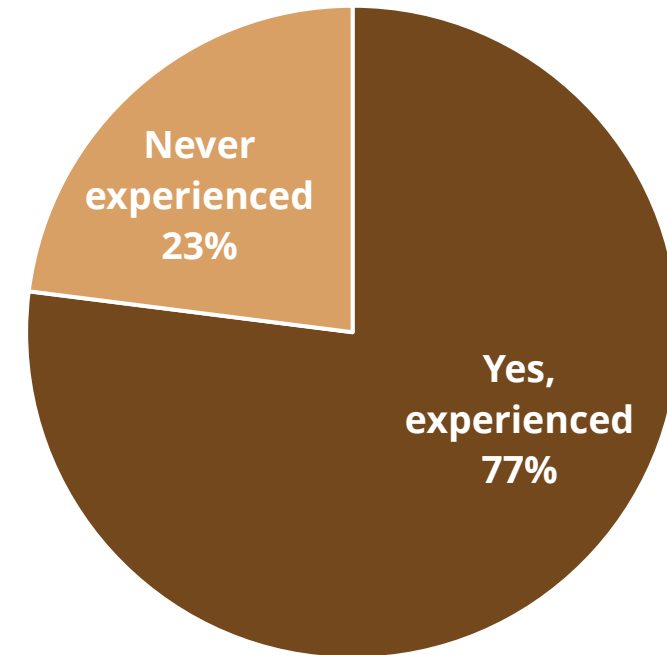


# Mobile loan users exhibit concerning signs of stress

**Percentage of mobile loan users who reported making sacrifices to repay mobile loan (n=430)**



**Mobile loan users who reported ever experiencing the inability to repay a mobile loan on time (n=430)**



# Financial loss: Where and how it occurs

## Where money was lost (n=297)

**93%** Mobile money

**6%** Mobile banking

**2%** Mobile loans

## How money was lost (n=297)

**91%** Sent to the wrong number

Very few respondents gave another cause for how money was lost

**38% of respondents reported losing money on a DFS service in the past 90 days**

By far the most common cause of lost money while using DFS is sending money to the wrong person while using mobile money. Addressing sender errors requires different interventions than when money is lost due to fees or fraud.

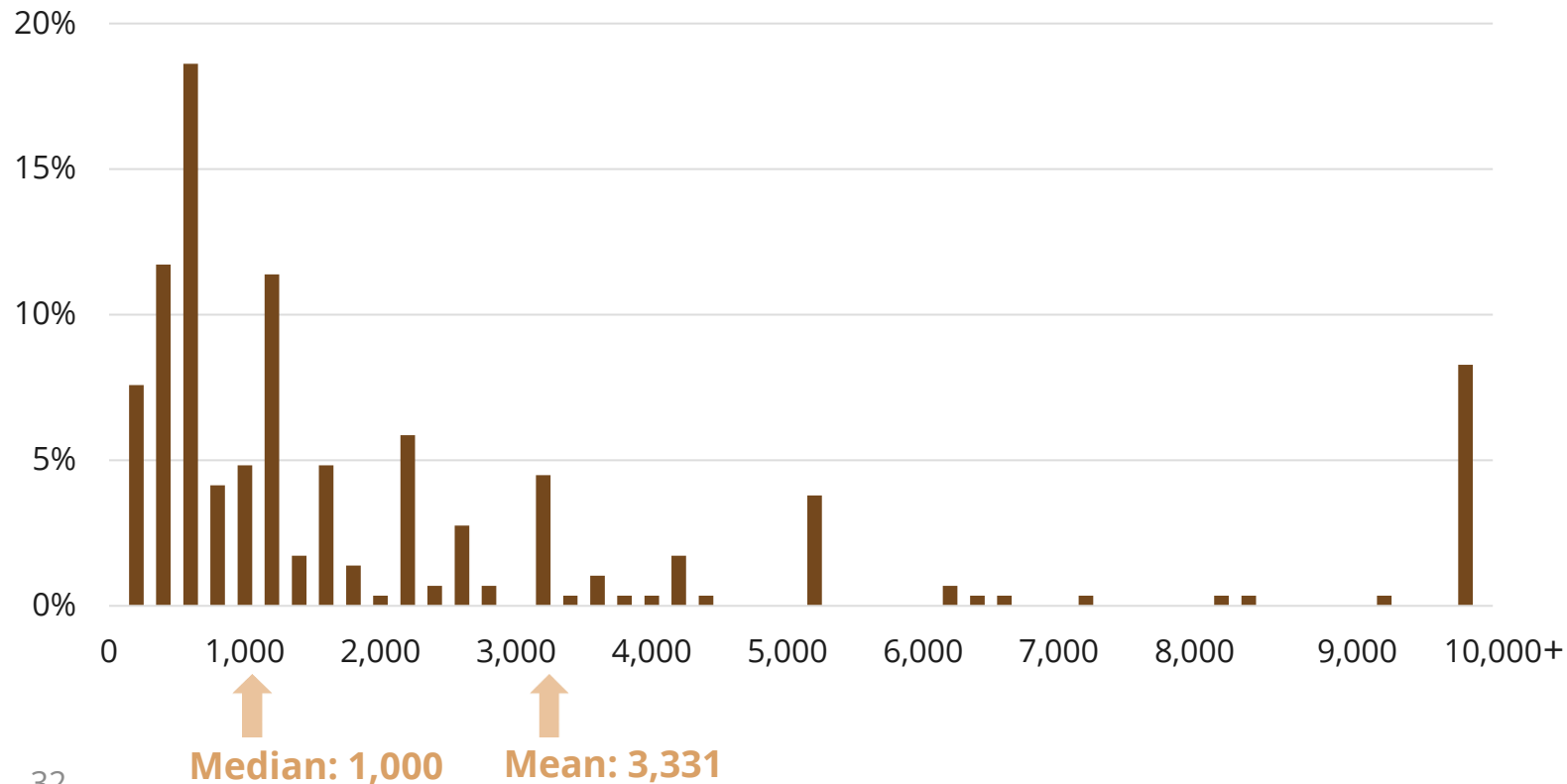




# Financial loss: What it costs consumers

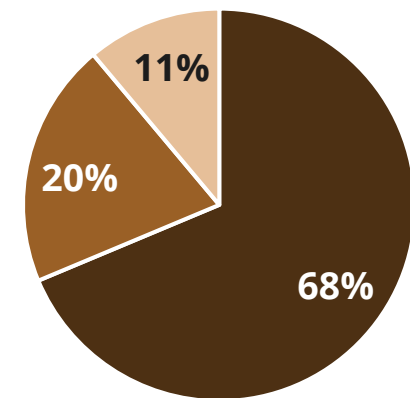
Financial losses are significant, more than a typical daily wage, though a majority (64%) of consumers who lost money reached a resolution they were satisfied with. Consumers do seem to be learning lessons, but a sizable minority continue to struggle.

### Amount of money lost in last incident (KES) (n=290)



### Frequency with which money was ever lost via phone (n=293)

Once    Twice    Three or more



Challenges experienced using DFS

# Consumers often blame themselves for the largest challenges they experienced in DFS

When probed about any challenges ever faced, only 54% cited any incidence, and most cited similar issues to 2020.\*

**Largest challenge ever experienced (n=425)**

**40%** Incorrectly sent money

**22%** Denied access to a new loan

**11%** Missing money

**Person or entity consumer blamed for challenges experienced (n=407)**

**49%** Myself

**19%** Mobile money provider

**11%** Mobile money agent

**61 percent of respondents took some action to try to resolve their largest challenge.**

\*Note: Largest challenge question did not include phishing as an option.



# Financial stress

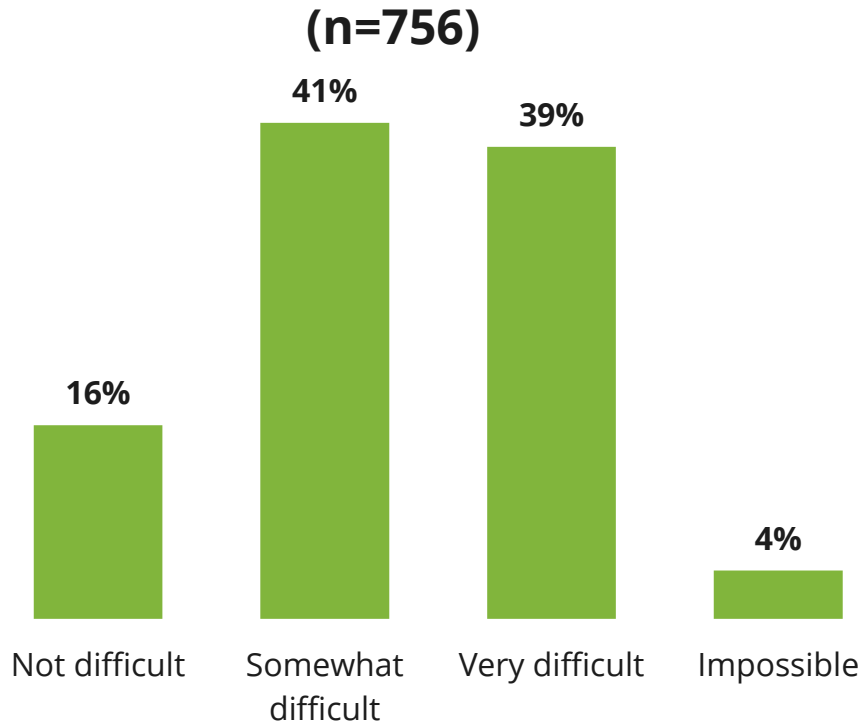
- This survey took place several months into the COVID-19 pandemic.
- To understand the context of COVID-19 we asked a series of questions on financial well-being and financial stress.
- There is clear evidence of household financial stress and risks like loan default



# Financial stress during COVID-19

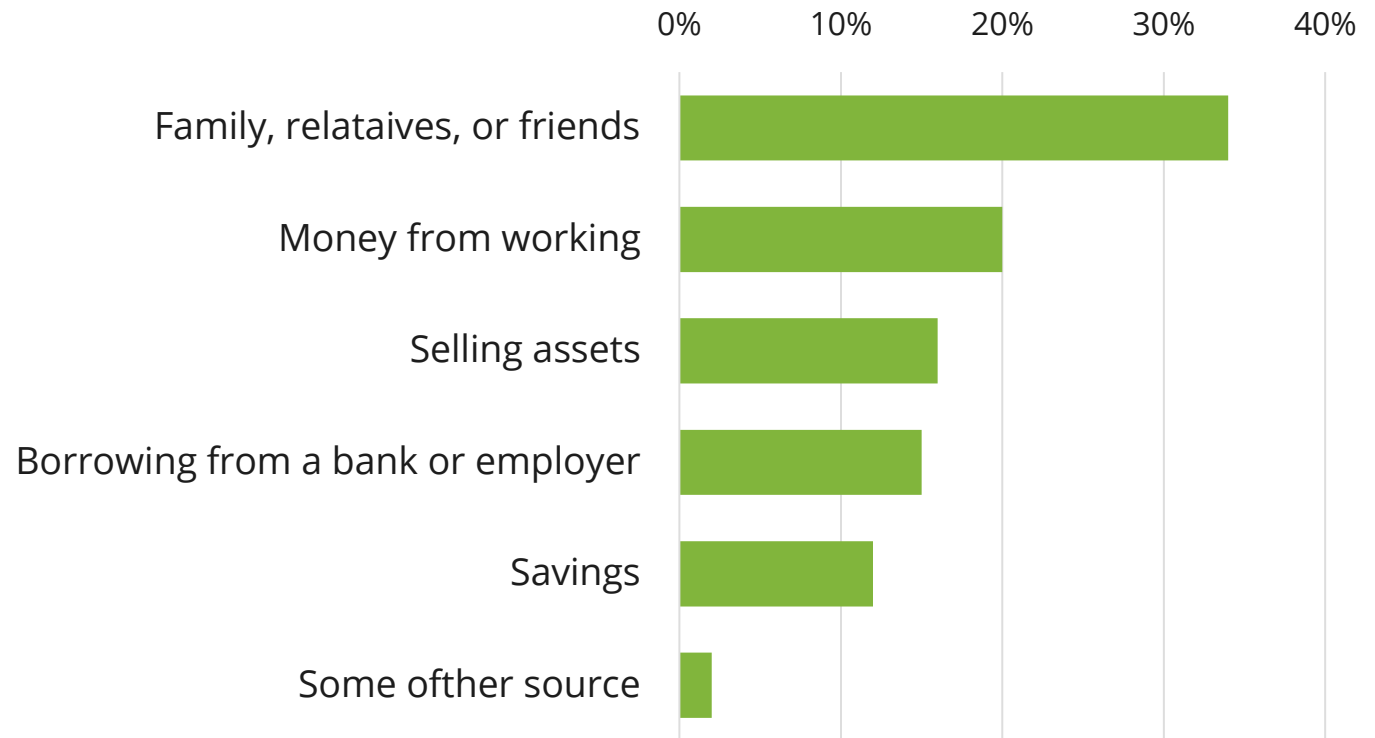
Few Kenyans have access to formal safety nets—and so rely on social networks and work

### Respondents rate difficulty of coming up with emergency money (n=756)



KES 10,000 (~1/20<sup>th</sup> GNI) in 30 days

### Source of emergency funding (n=743)



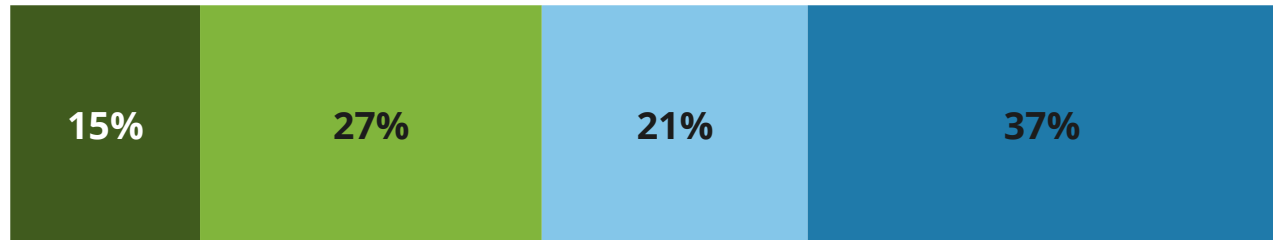
# Many Kenyans don't feel prepared for an emergency

■ Strongly agree   ■ Somewhat agree   ■ Somewhat disagree   ■ Strongly disagree

Sufficient emergency funds (n=793)

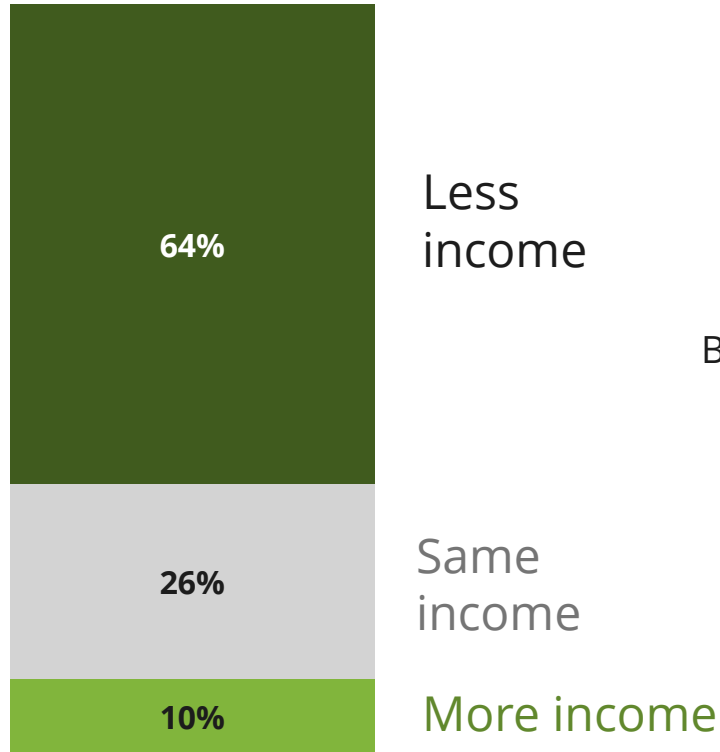


Enough money for living expenses (n=791)

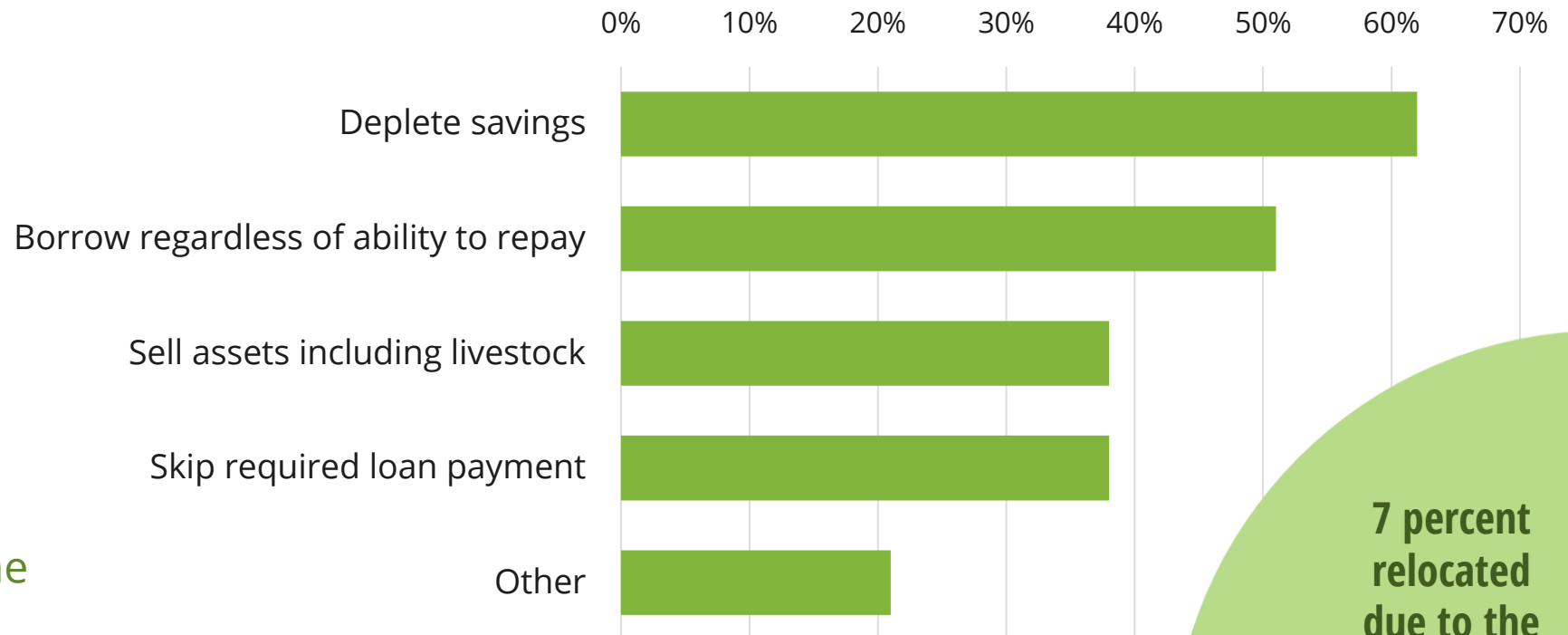


# Pandemic had a profound impact on income

Change in income since start of pandemic (n=788)



Actions taken to pay for food, healthcare, or other expenses during the pandemic (n=791)

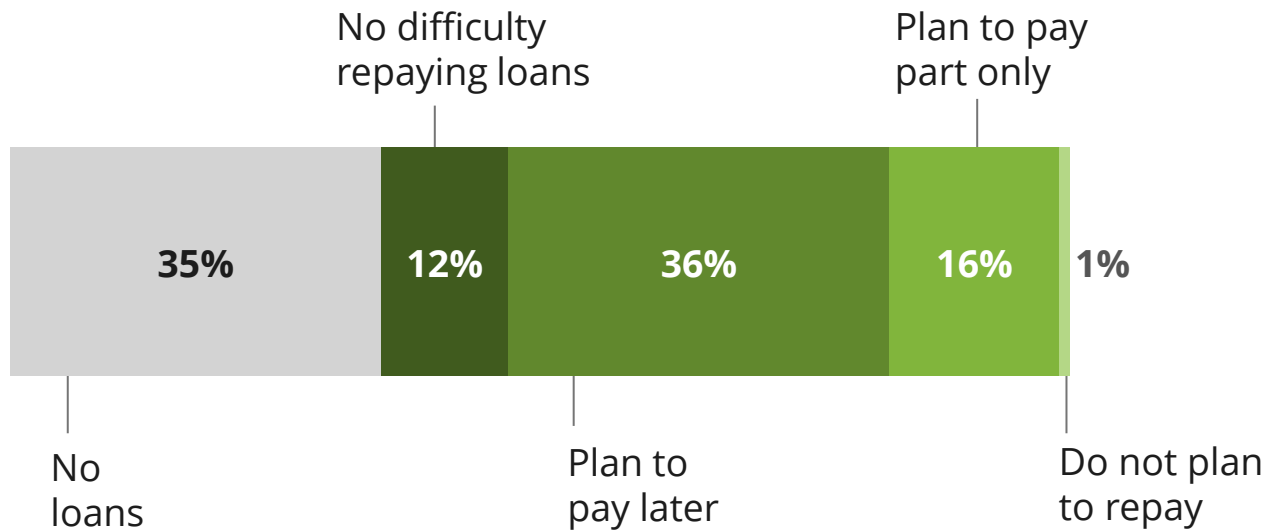


7 percent relocated due to the pandemic

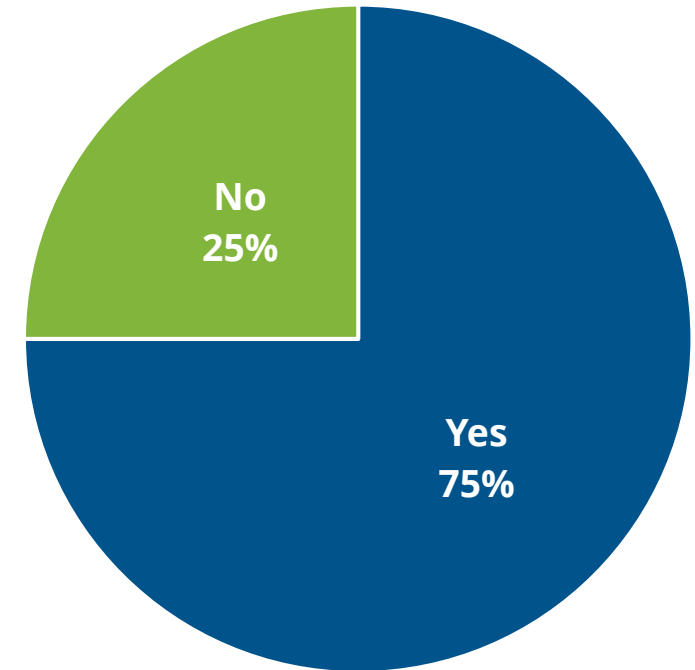


# Loan repayment has suffered during the pandemic

Loan repayment since start of pandemic (n=792)



Anticipate not being able to make debt payments on time due to pandemic? (n=514)



# Consumer choice and decision-making

DFS market is heavily concentrated with small set of providers in Kenya

- Over 95% of mobile money consumers have used M-Pesa in the past 90 days, less than 5% have ever used any other provider
- NCBA's Fuliza and M-Shwari are the most utilized mobile loan products, and top 5 loan products account for large majority of all consumer borrowing activity



# Consumer choice and decision-making

Price appears to be of limited importance for choosing providers of DFS:

- Network quality and provider reputation matter most for mobile money
- Link to existing bank account matters most for mobile banking provider choice; reputation is also important
- Speed of disbursement and ease of repayment matter most in mobile loans

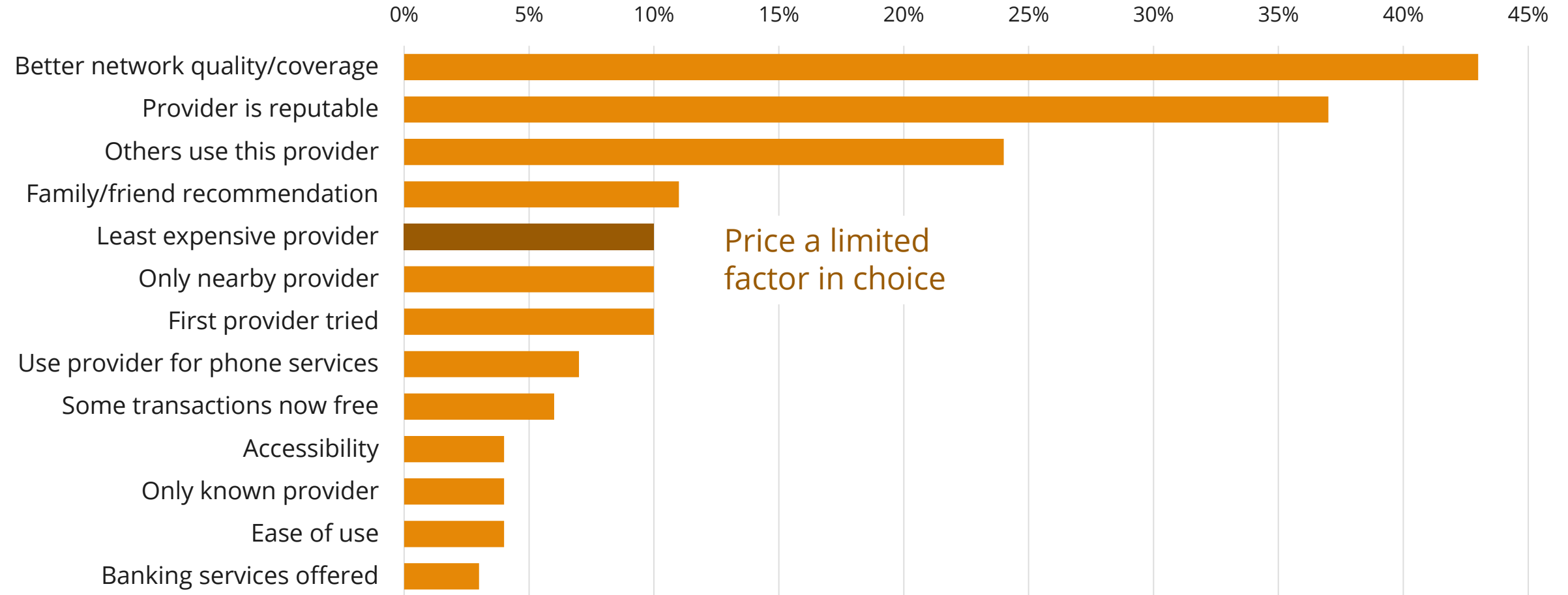
Does integration of multiple products on platforms impact consumer switching and competition?

Are there policy solutions which could drive more robust competition in DFS in Kenya?



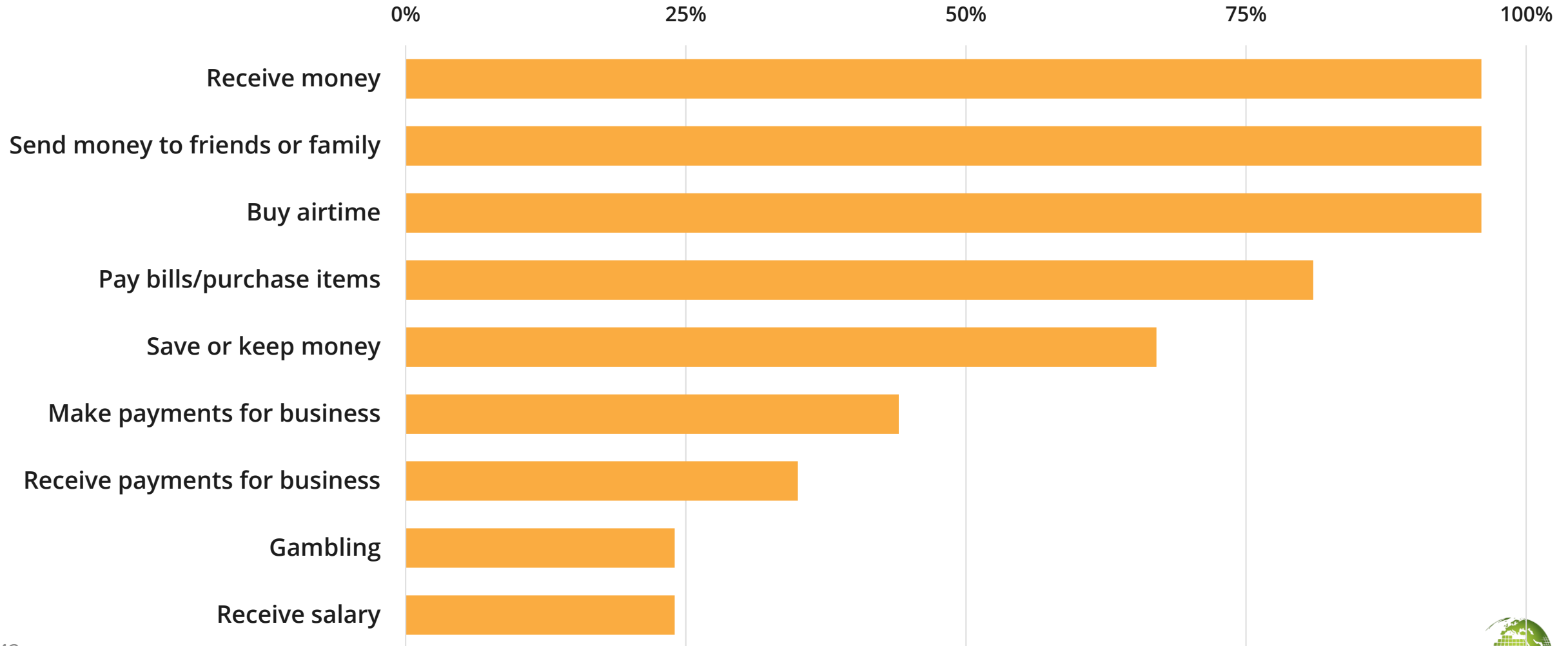
# Mobile money

Reason for choosing mobile money provider (n=786)



# Mobile money

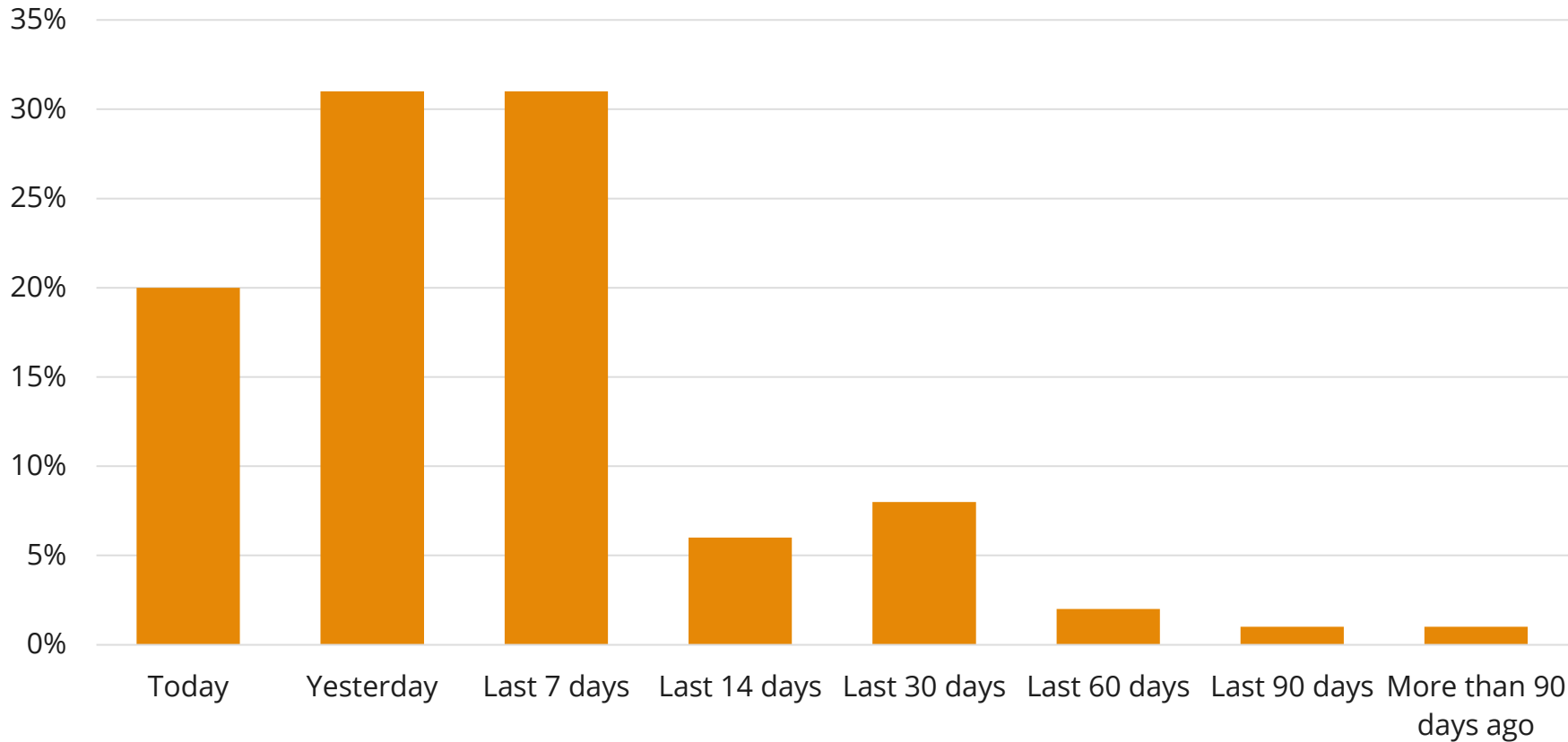
Uses for mobile money account (n=789)



# Mobile money

Change in mobile money vs cash since pandemic started (n=782)

Date of last mobile money transaction (n=780)



51%

More mobile money use now

23%

No change

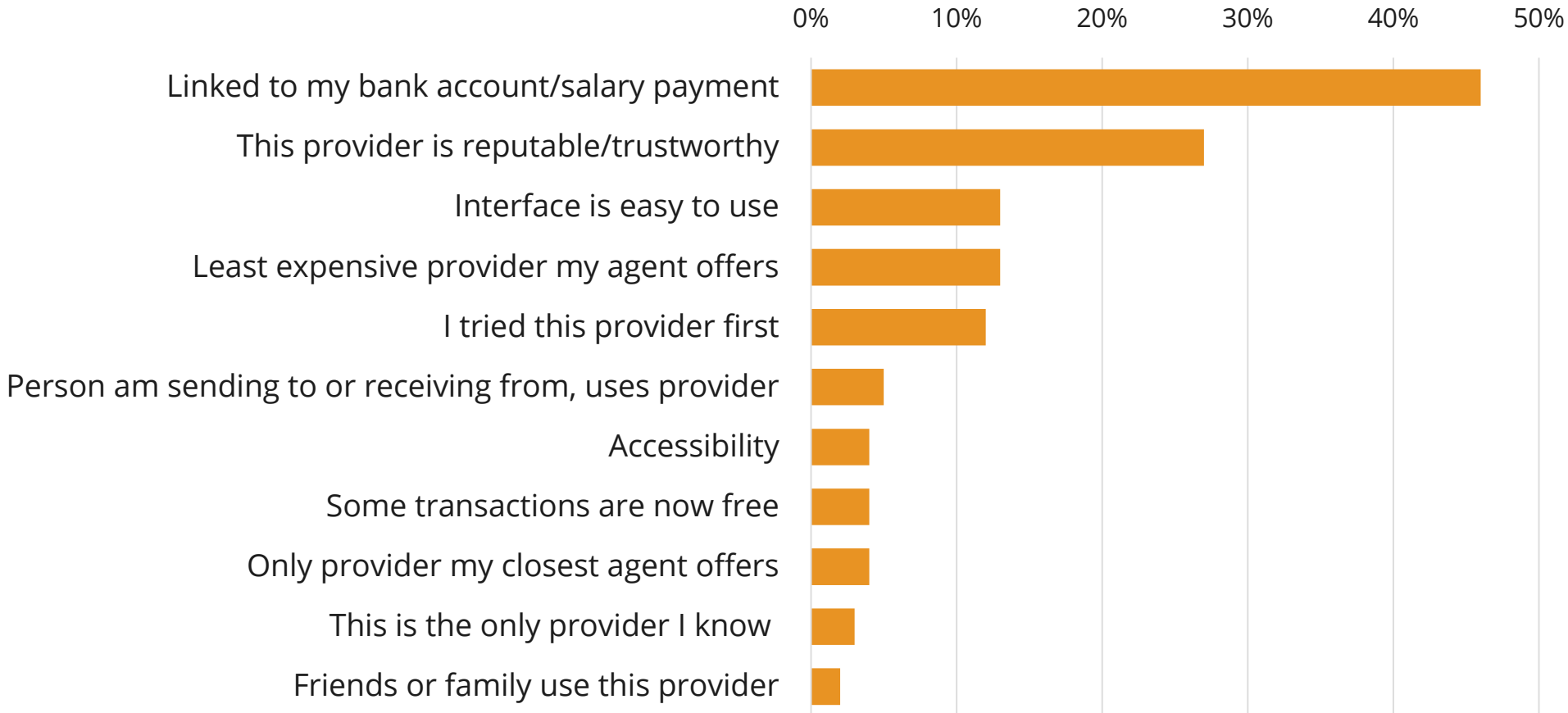
25%

More cash use now



# Mobile banking

Reasons for using mobile banking provider (n=146)



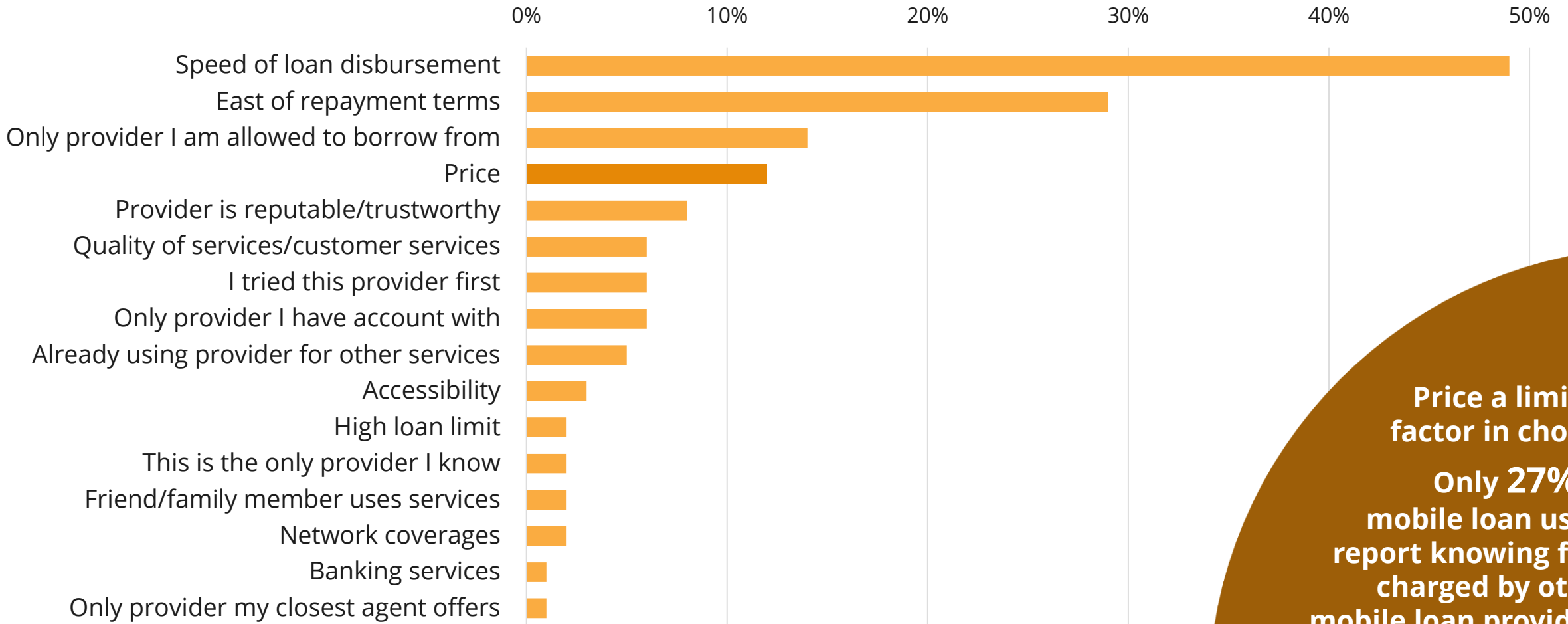
Mobile banking security (n=146)





# Mobile loans

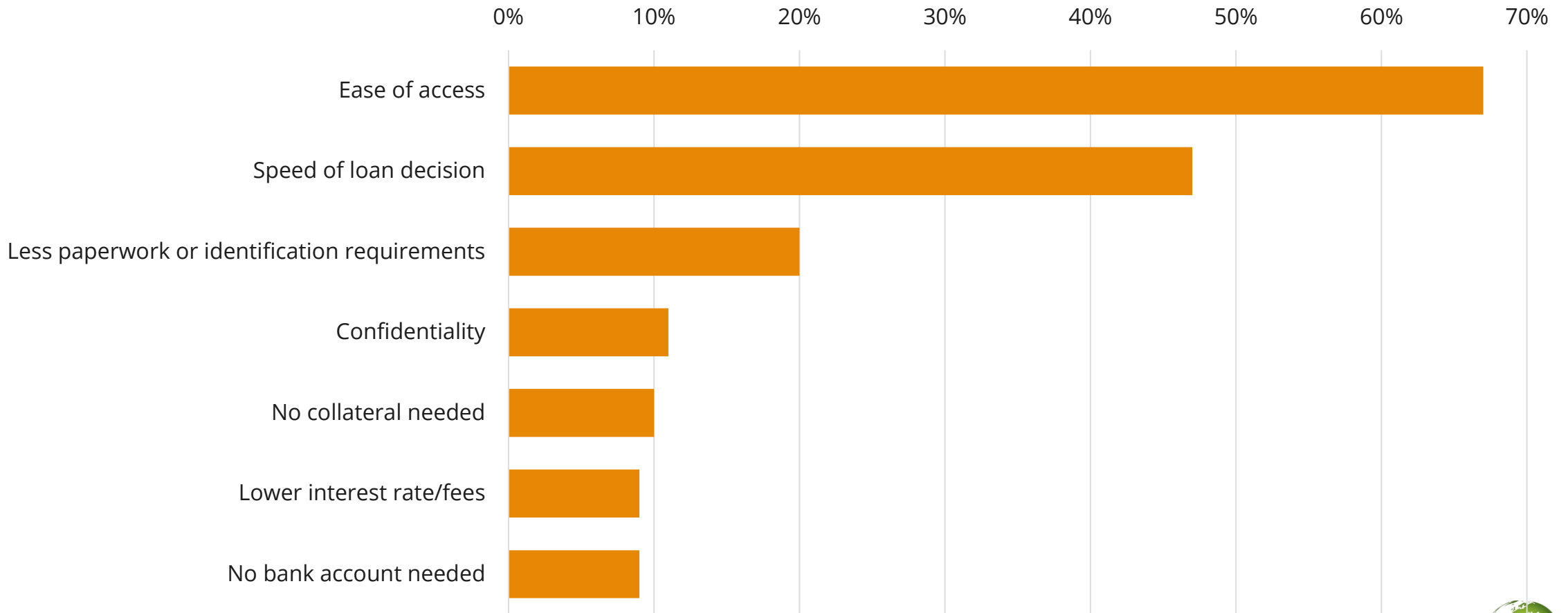
Reasons for using mobile loan provider instead of traditional loan (n=217)



**Price a limited factor in choice.**  
**Only 27% of mobile loan users report knowing fees charged by other mobile loan providers**

# Mobile loans

Reasons for using mobile loans instead of traditional loan (n=217)

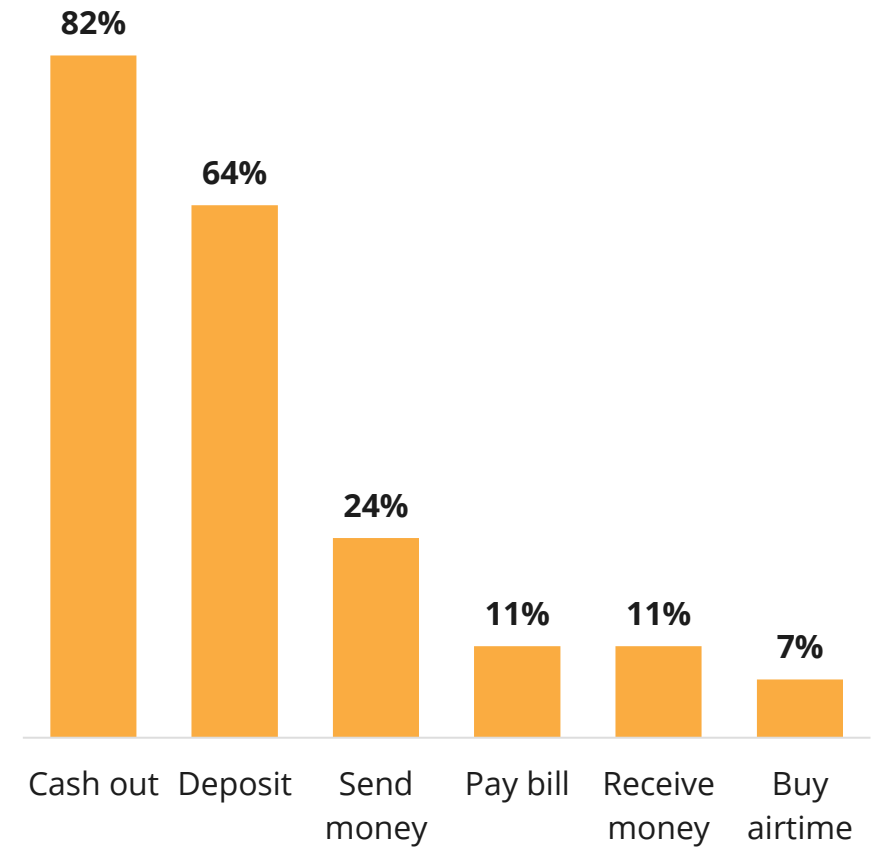


# Agents

### How agents are chosen (n=764)



### How agents are used (n=773)

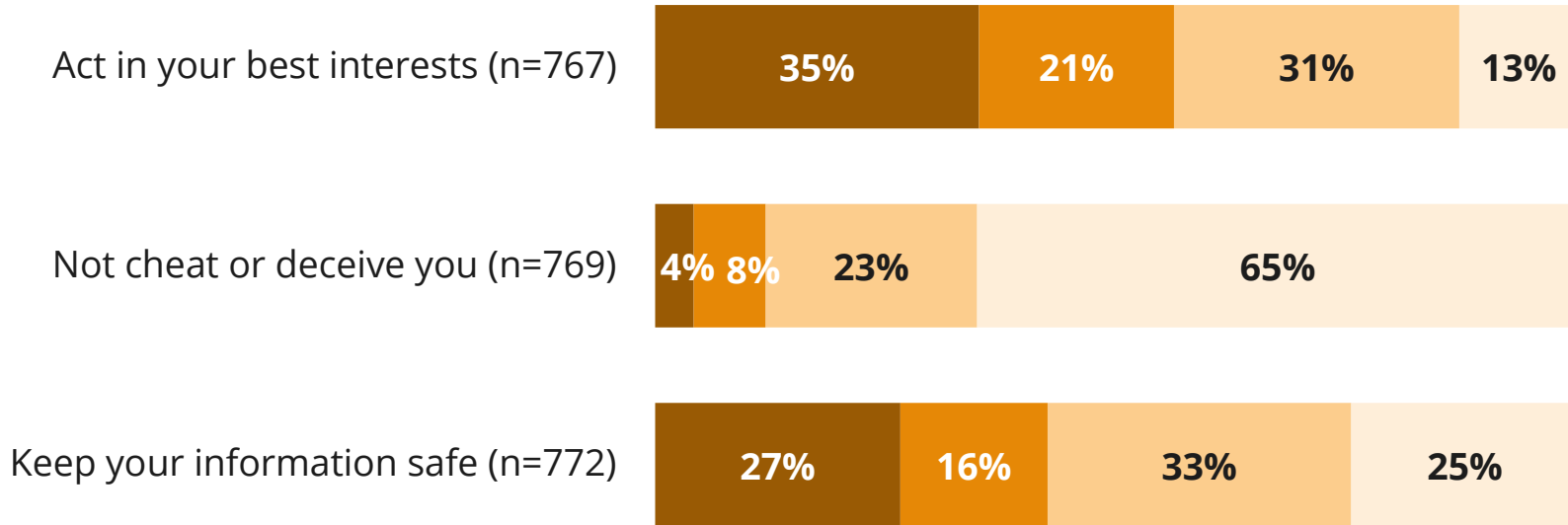


# Agents

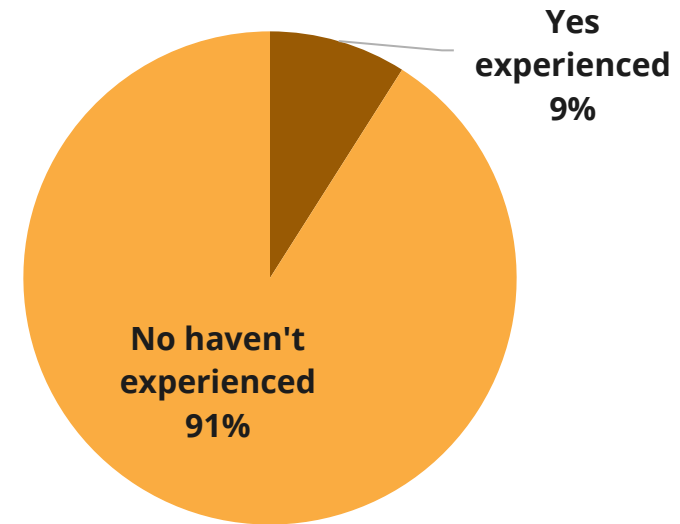
Consumers show a healthy amount of caution regarding their information compared to other perception questions on agents

## Respondents' perception of agents

■ Completely ■ Mostly ■ Somewhat ■ Not at all



## Respondents who experienced agents withdrawing cash for them without respondent being physically present (n=773)



2 percent of DFS users have shared a PIN number or other account details with an agent (n=773)



# Price awareness and transparency

- Unexpected or unclear charges ranked low amongst DFS challenges experienced
- Consumer knowledge of costs of two of the most popular services: M-Pesa and M-Shwari, showed signs of price awareness
- Most consumers identify costs through post-transaction receipt—not pre-transaction disclosure. This may be an area for improvements in pricing transparency.



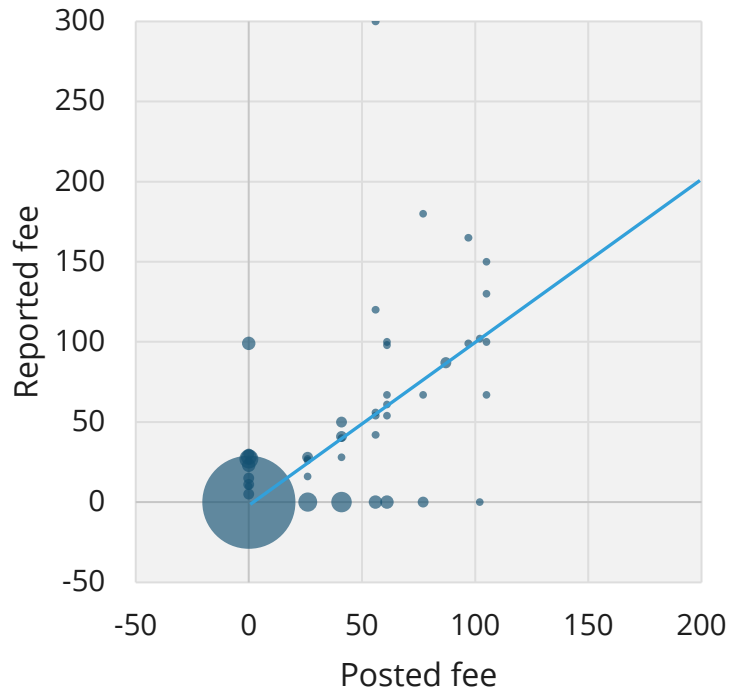
# Self-reported versus posted fees

## Consumers perform well in price recall

### Mobile Money (M-Pesa)

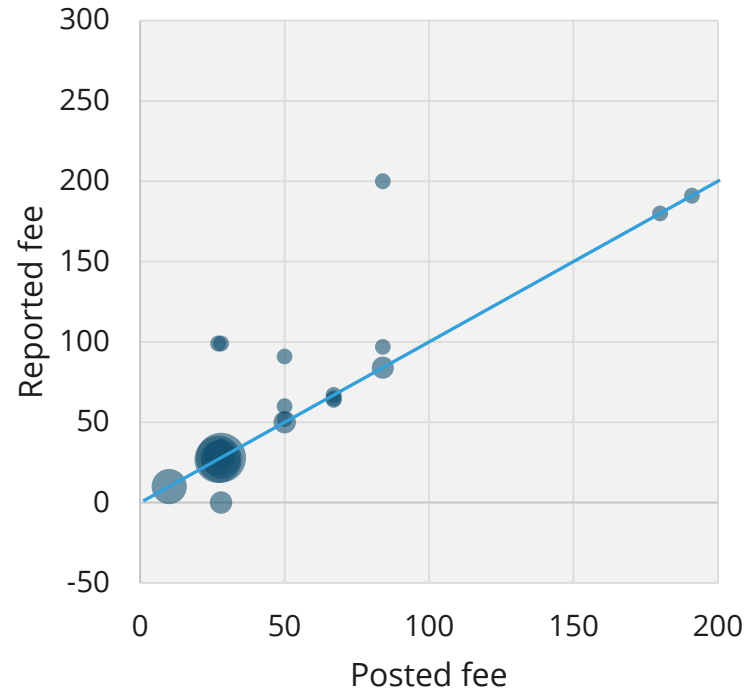
### Mobile Loans (M-Shwari)

Transfer fees (n=225)



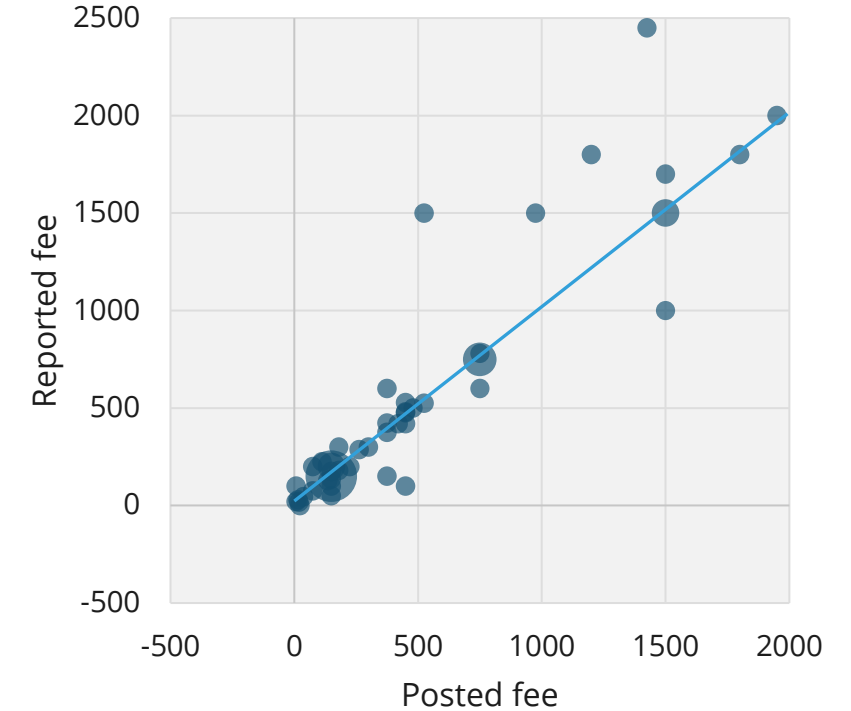
Note: Excludes 14% of respondents who reported not knowing transfer fee

Withdrawal fees (n=61)



Note: Excludes 7% of respondents who reported not knowing withdrawal fee

Loans (n=174)



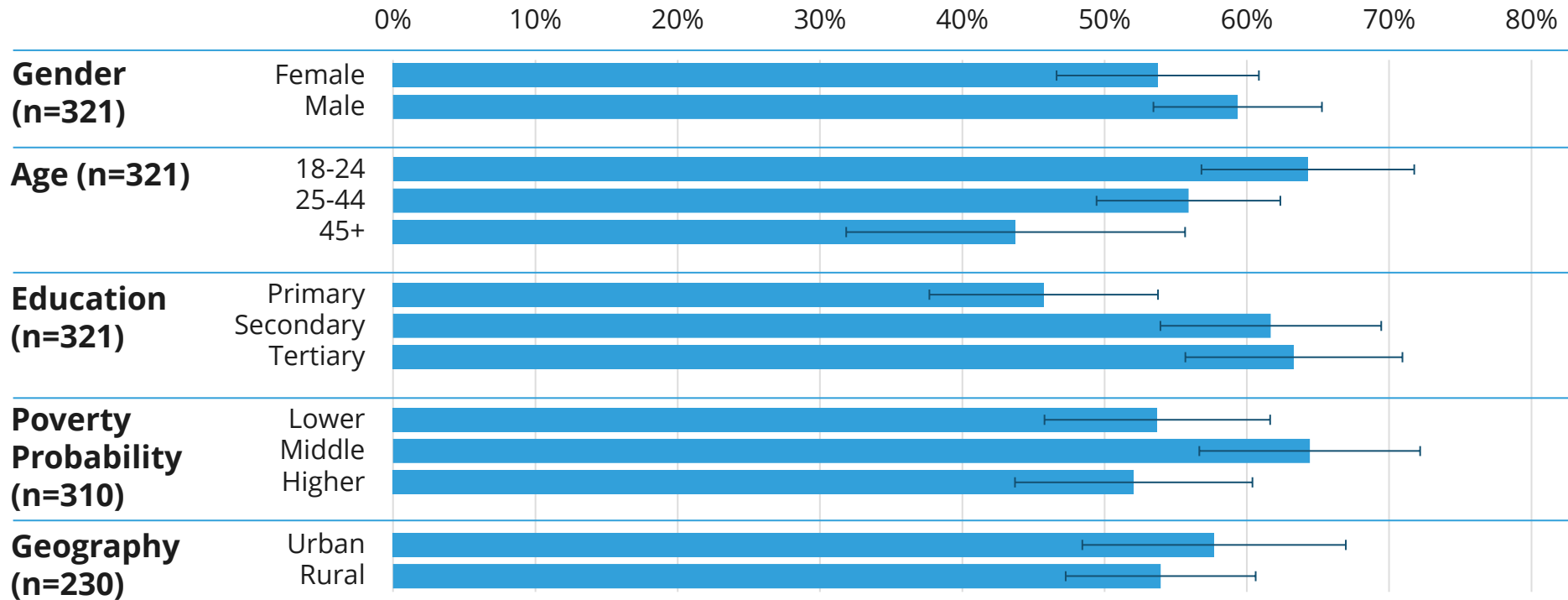
Note: Excludes 9% of respondents who reported not knowing M-Shwari fee

50 Marker size represents number of observations. Points lying on the orange lines represent correct responses. Only M-Pesa transfers and withdrawals and M-Shwari loans included. Other transaction types and providers either had few observations or variable pricing. Transfers assumed to be in-network, withdrawals assumed to be from agents (not ATMs), and loans assumed to be paid back on time, but not early (no early repayment discounts or rollover fees).



# Young, better educated respondents know mobile money fees best

Percent reporting correct mobile money transaction fee by transaction type and respondent characteristics



**40%**

Percent of respondents reporting correct mobile loan fees (+/-5%) (n=174)

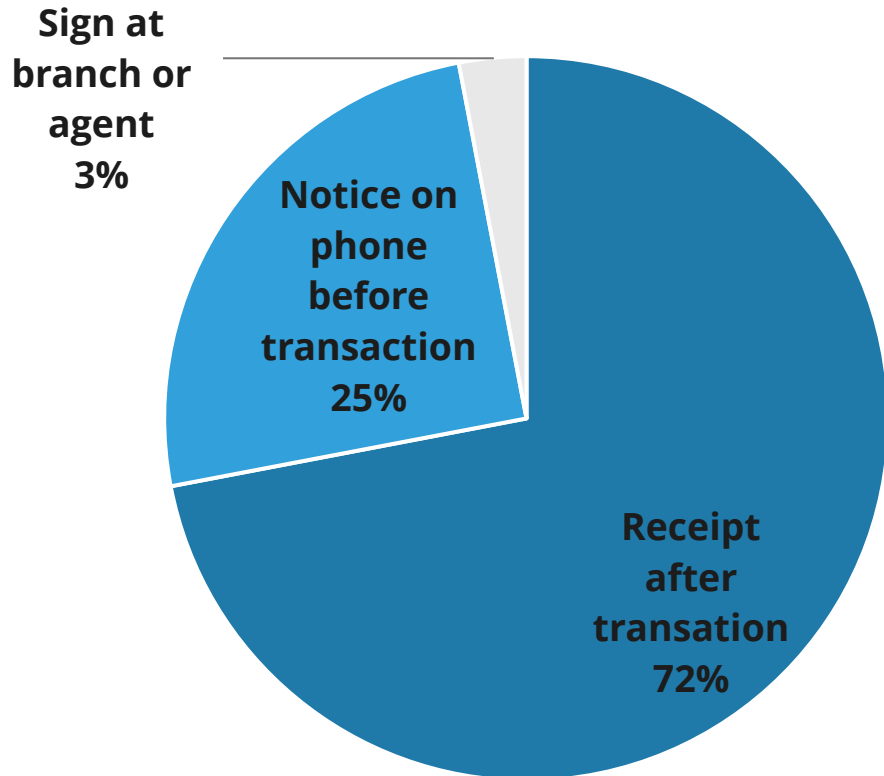
Note: Actual rate likely higher, as this analysis ignores the possibility of early repayment discounts or rollover fees. Small samples prevent segmentation analysis.



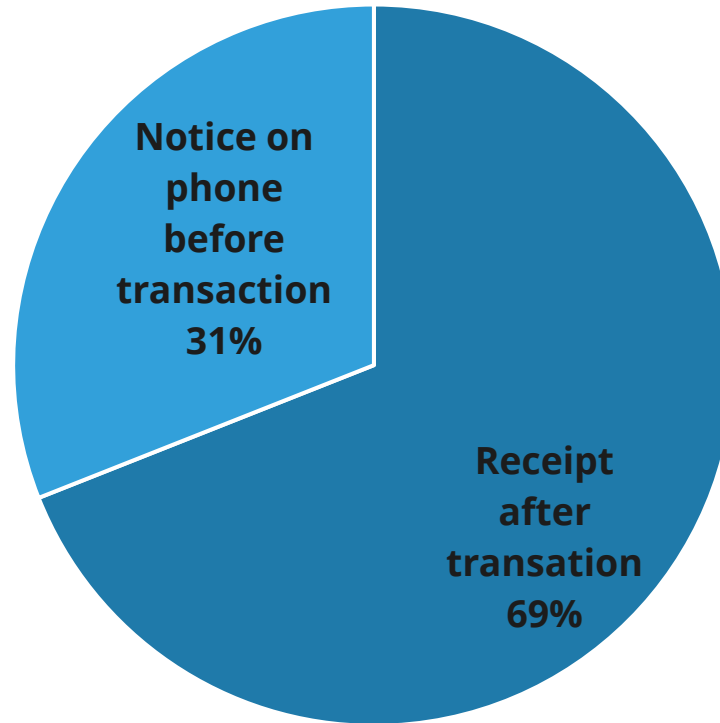


# How do consumers learn about fees they are charged?

Mobile money fees (n=589)



Mobile loan fees (n=162)



27%

The portion of mobile loan users who know of other loan providers' fees beyond those of the provider from which they borrow (n=216)



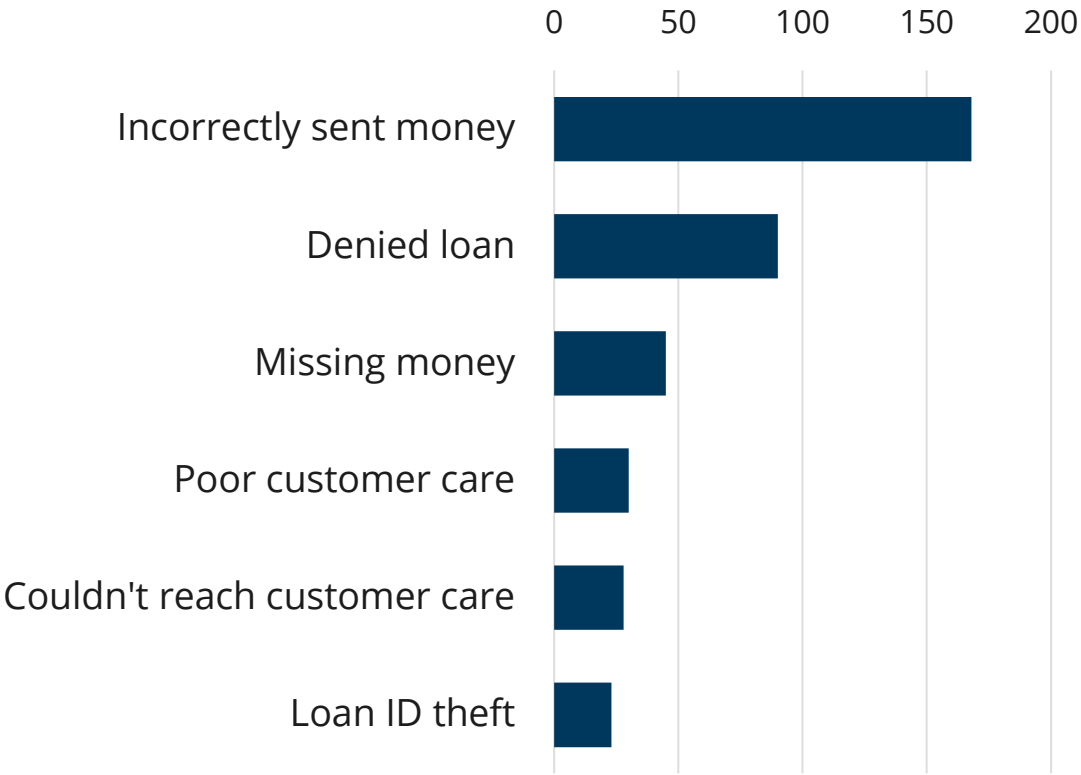
# Complaints handling and redress

- Those who had experienced key DFS challenges were asked about any actions taken to address these challenges
- Majority of consumers attempted to resolve their issue — although 39% took no action
- Providers' customer care hotlines are by far the most common channel used for redress by consumers
- 48% of consumers who tried to resolve their issue were successful
- Most consumers who did not resolve the issue did not change usage as a result

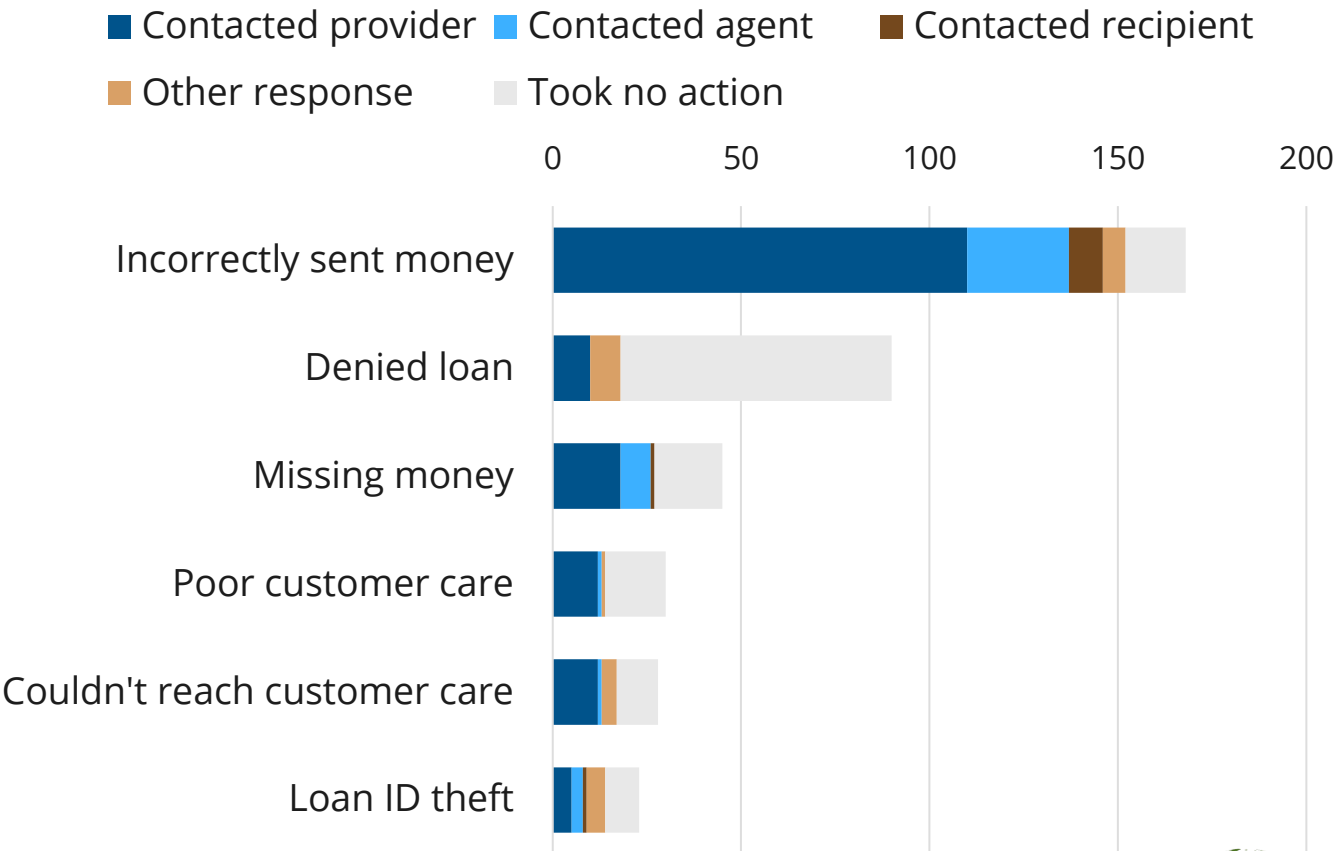


# How consumers use/don't use formal redress channels

Number of consumers experiencing each challenge



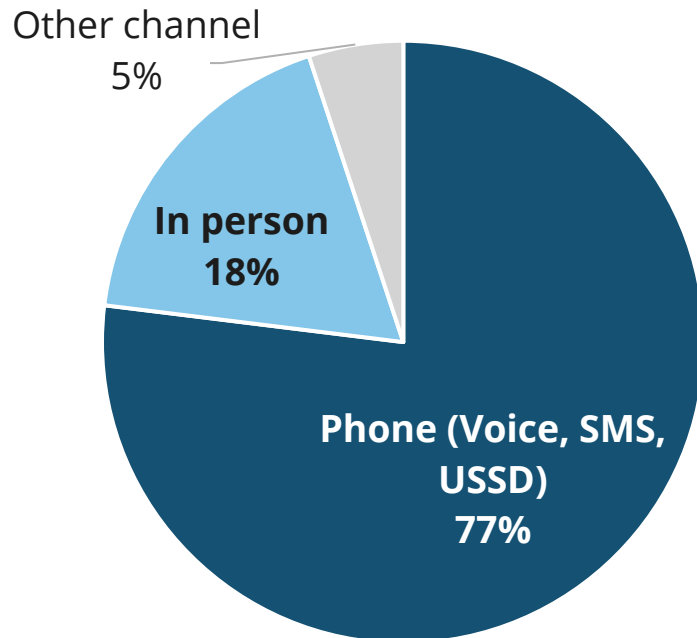
Type of action in response to challenge, by number of consumers



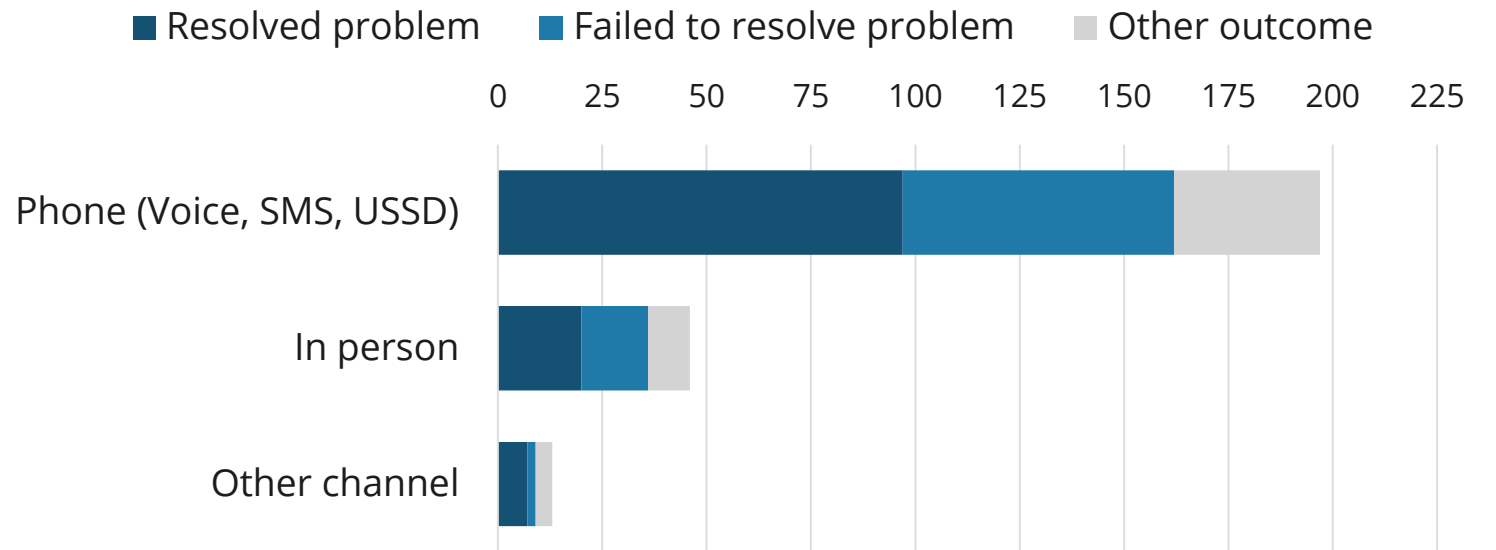
# When consumers took action, most issues were resolved

However, this varied significantly by channel used to present the challenge

### Type of channel used by those who took action (n=256)

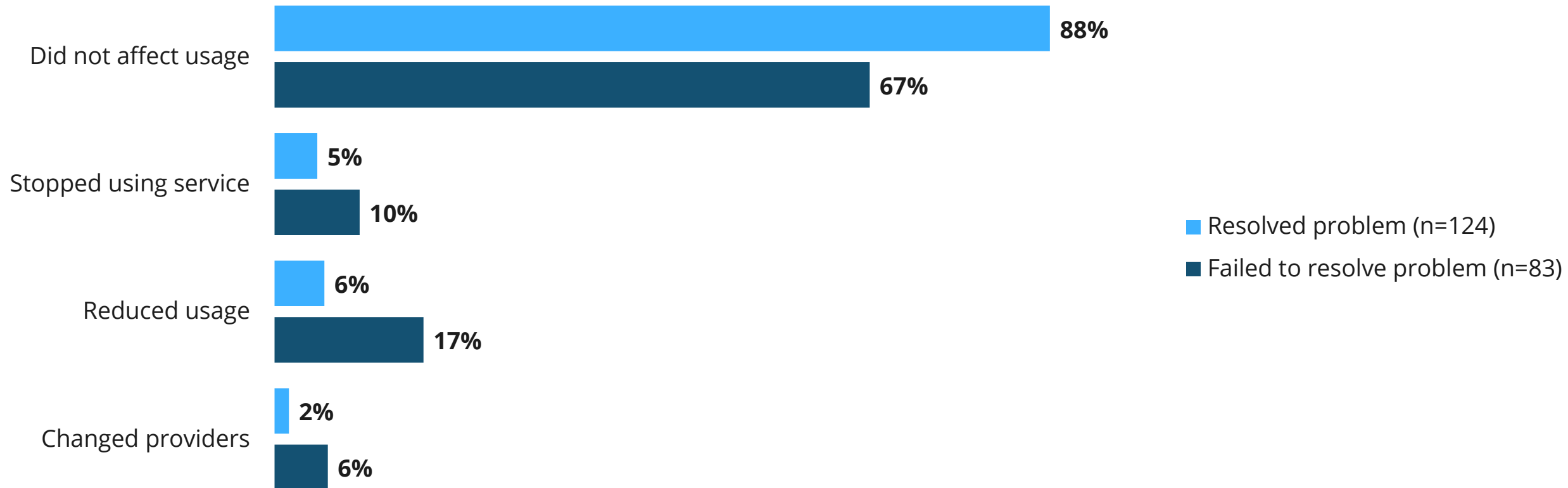


### Consumers reporting whether or not the issue was resolved, by channel



# 1/3 of consumers whose problems were not resolved changed their usage of that service

Consumers' behavior change as a result of problem resolution



# When financial loss occurs, consumers are likely to use redress channels

Of respondents who experienced a problem involving a financial loss (n=297)

88%

reported taking some action to try to resolve the issue

86%

reported resolution took a day or less

81%

Contacted provider via phone or SMS

77%

of those who tried to resolve their issue were successful

25%

reported having to spend additional money as part of the resolution process



# Policy takeaways from consumer survey

## Redress and complaints 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.

## 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.



# Policy takeaways from consumer survey

## 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 here 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.





Thank you



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