

# Bangladesh Consumer Protection in Digital Finance Survey

June 2022

# IPA Consumer Protection Research Initiative

<https://www.poverty-action.org/program-area/financial-inclusion/consumer-protection-initiative>

## Research focus areas:



Measure consumer protection challenges using new data sources and methods of analysis



Experimentally test solutions that address key challenges for each market

## Indicative research projects:

**Novel data analysis techniques:** Natural language processing and predictive modeling of customer complaints data in Uganda.

**Capacity building:** Expanding the Central Bank of Nigeria's consumer protection Monitoring, Evaluation and Learning capacity

**Unique data sources:** Transaction-level loan data and random-digit-dial consumer survey in Kenya

**Testing new solutions:** Crowdsourcing as a means of monitoring for agent overcharging in Bangladesh

# Understanding the challenges Bangladeshi consumers face with digital financial services

Between 2011 and 2018, financial inclusion in Bangladesh increased by 56%, largely due to increased DFS innovation and adaptation of new technologies.\*

New products—e.g., payments and digital credit, and new channels—e.g., agents or apps, raise new risks for consumers which must be understood and addressed to maximize the benefits of increased access and innovation.

IPA conducted a survey of users of digital financial services (DFS) to understand their experiences, challenges faced, and opportunities for improvements in consumer protection in Bangladesh.

Similar surveys were conducted in Kenya, Uganda, and Nigeria.

# Contents

Demographics

6

Usage

12

Challenges

24

Competition  
and Choice

36

Redress

45

# Methodology

## Phone survey of digital finance service users

### Sampling frame:

- Built from a random subset of respondents (stratified by gender, location, and age) from a separate nationally representative study
- Respondents filtered to include only those that had conducted a financial transaction on their phone or with an agent in the last 90 days
- Sample size: 609 respondents
- Survey dates: November 1–22, 2021

# 1

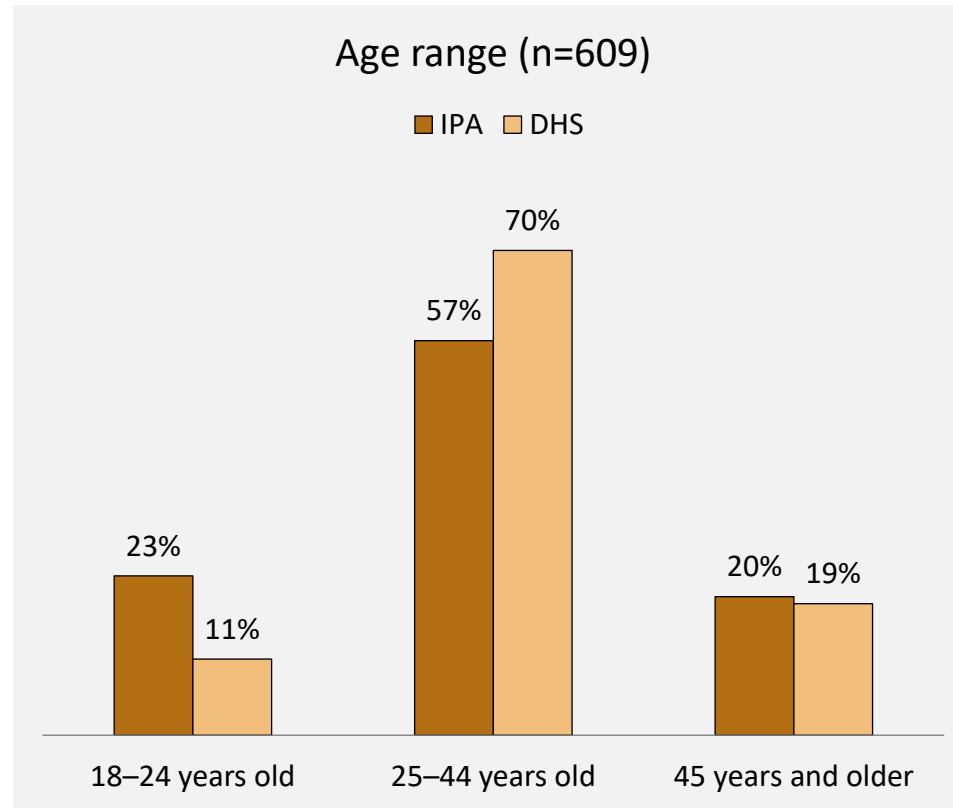
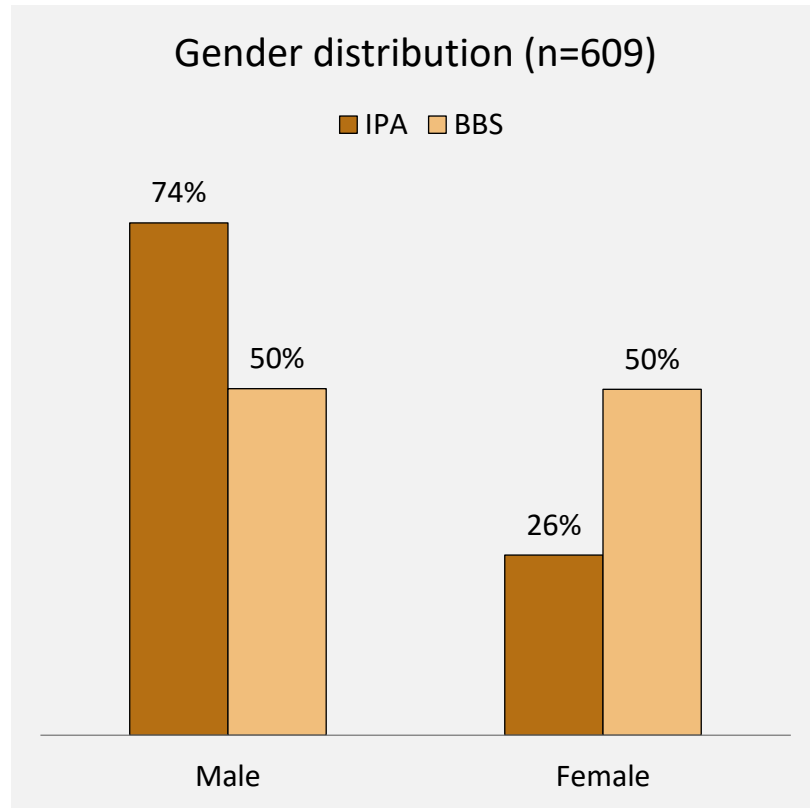
## Demographics

# Key takeaways

- Respondents to the survey were mostly male, aged between 25-44 years, resident in rural areas, and mainly primary or secondary school graduates.
- We were more likely to reach male respondents than female respondents. Underrepresentation of females in phone surveys may be a concern.

# Gender and age

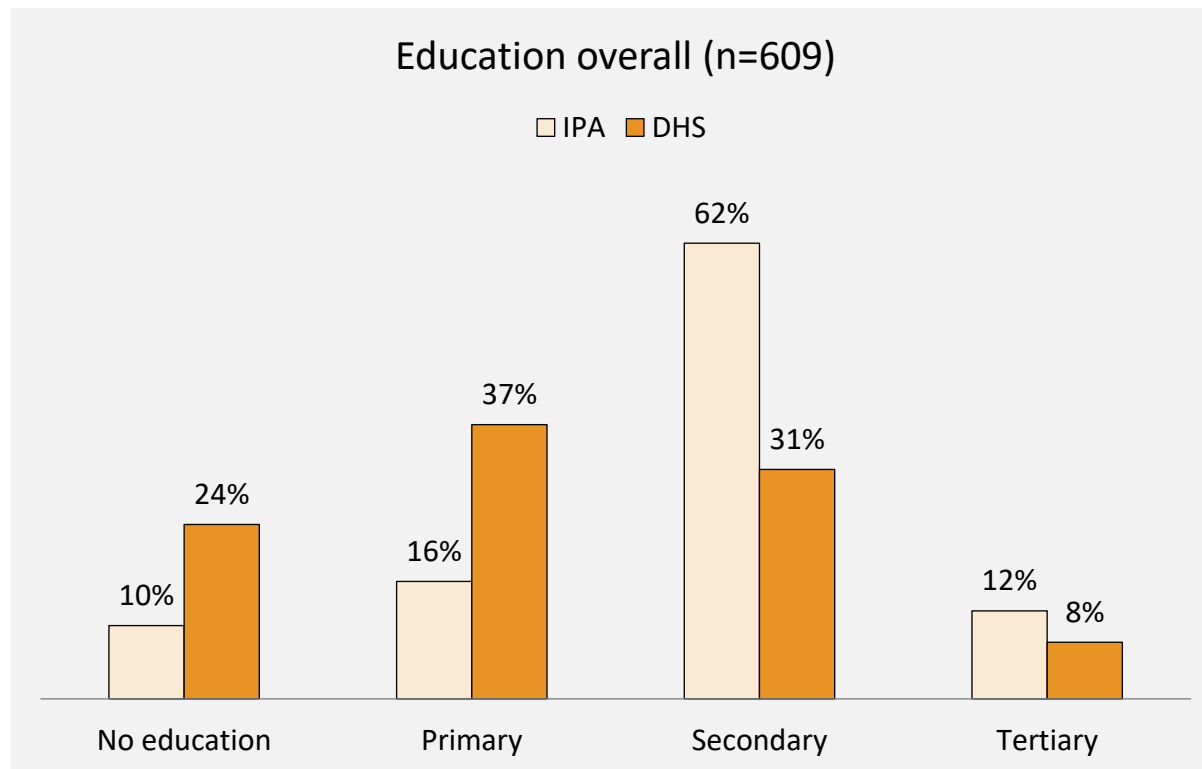
Respondents were mostly male, aged between 25–44 years.





# Education and formal employment

Respondents in our survey had significantly more education than DHS respondents.

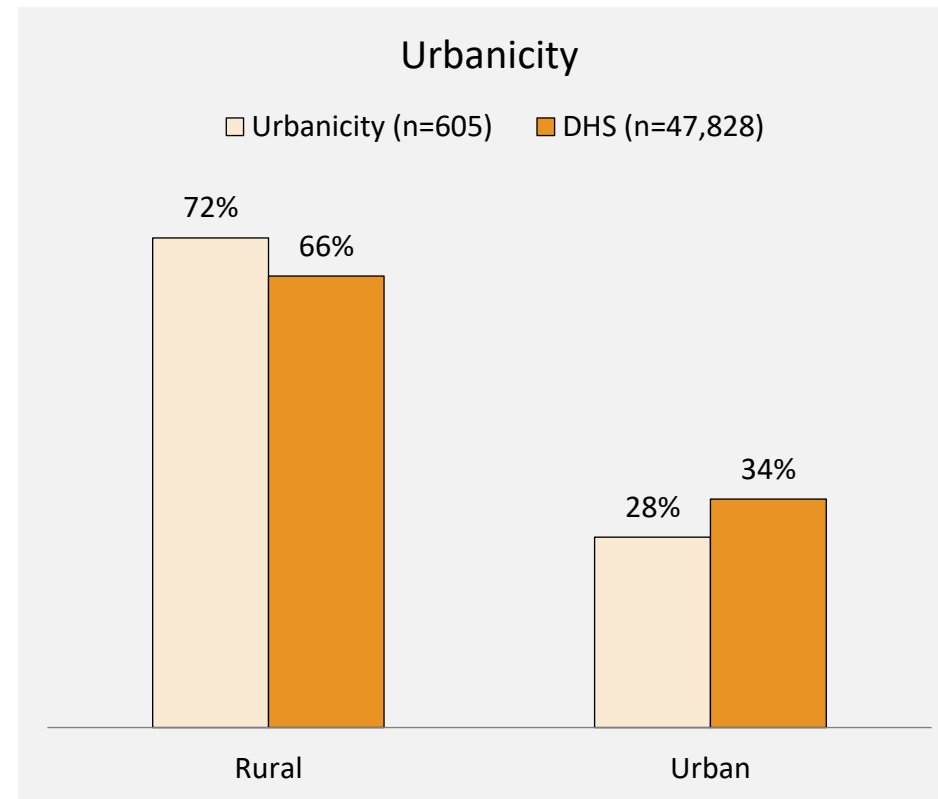
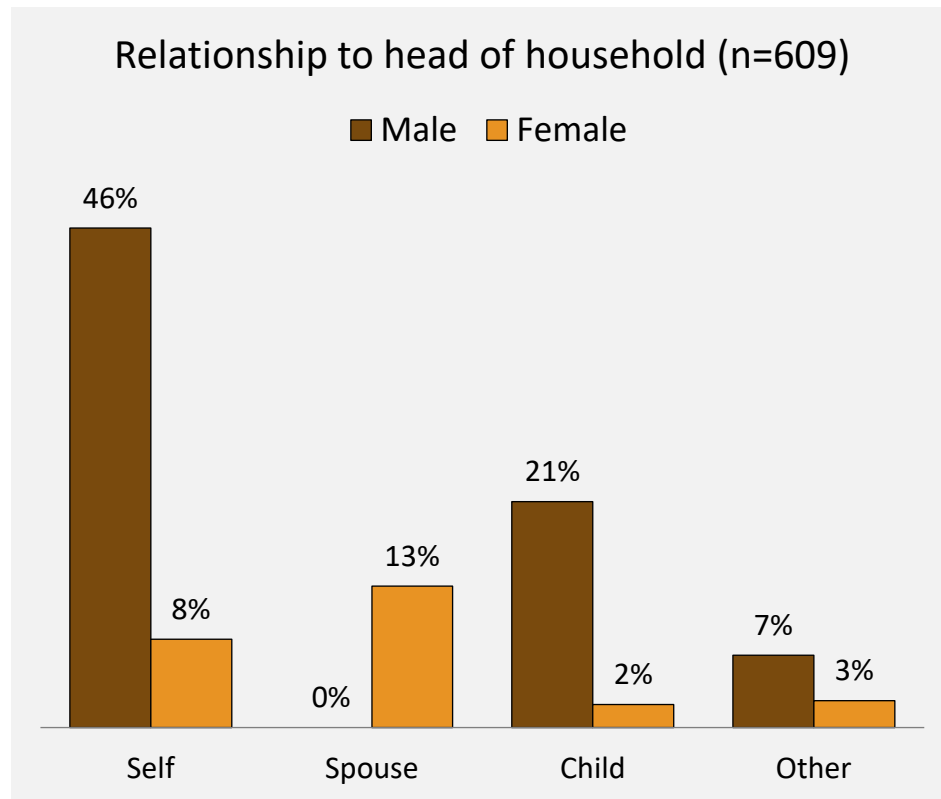


11%

Percentage of respondents who are formally employed

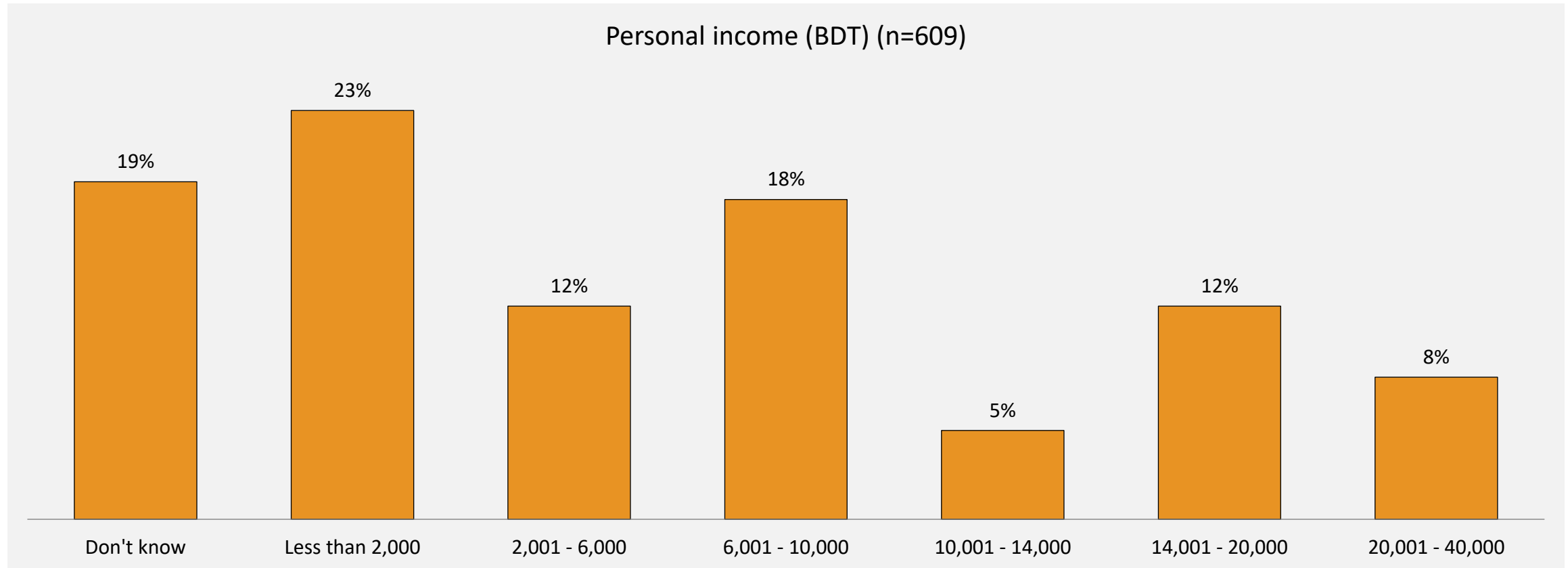
# Household composition and urbanity

Majority of the respondents are rural-based with men likely to be the head of household.



# Income distribution

Respondents to the survey were mostly low-income earners.



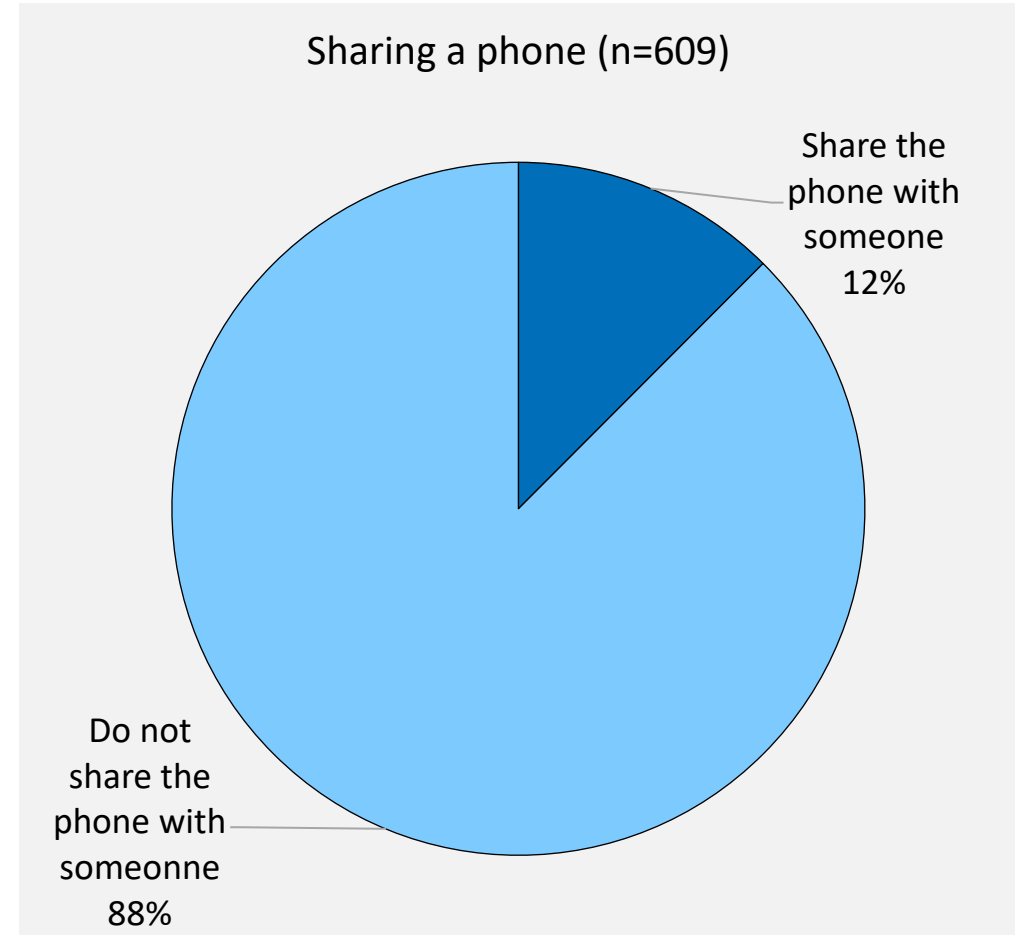
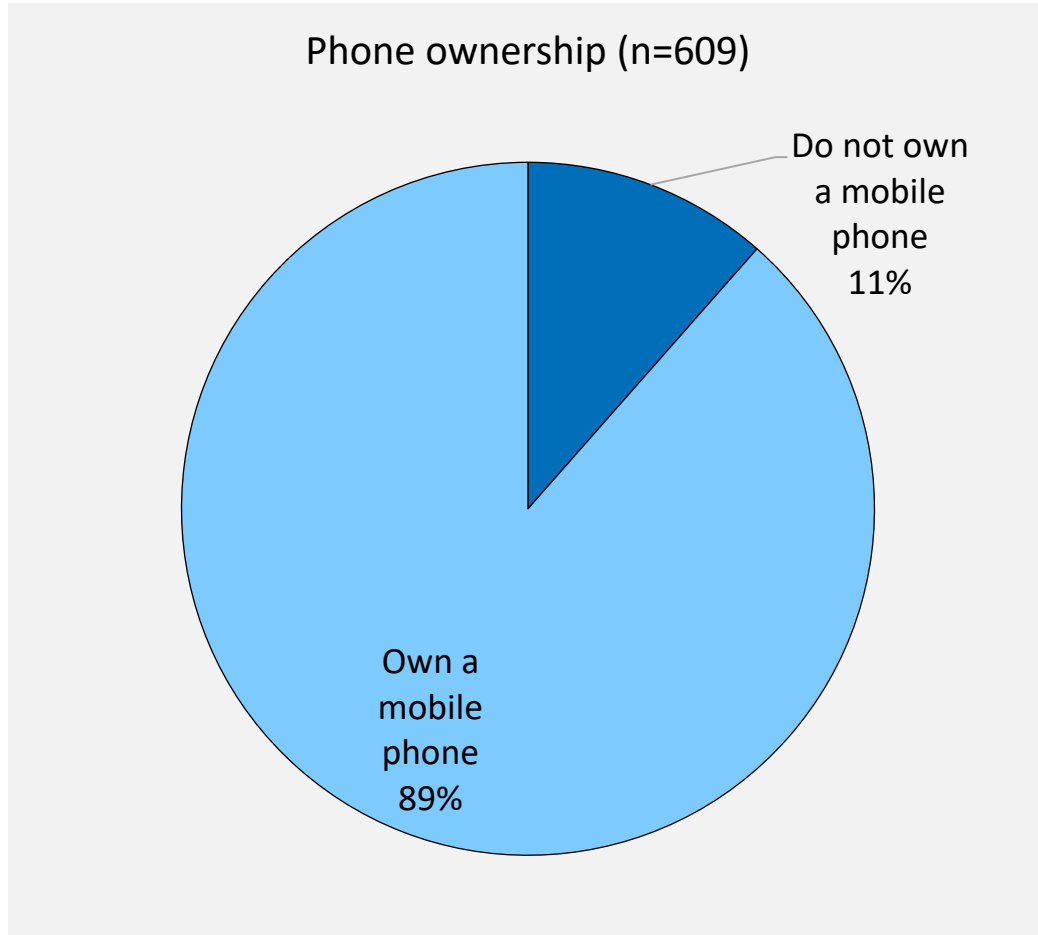
# 2

## Usage

# Key takeaways on DFS usage

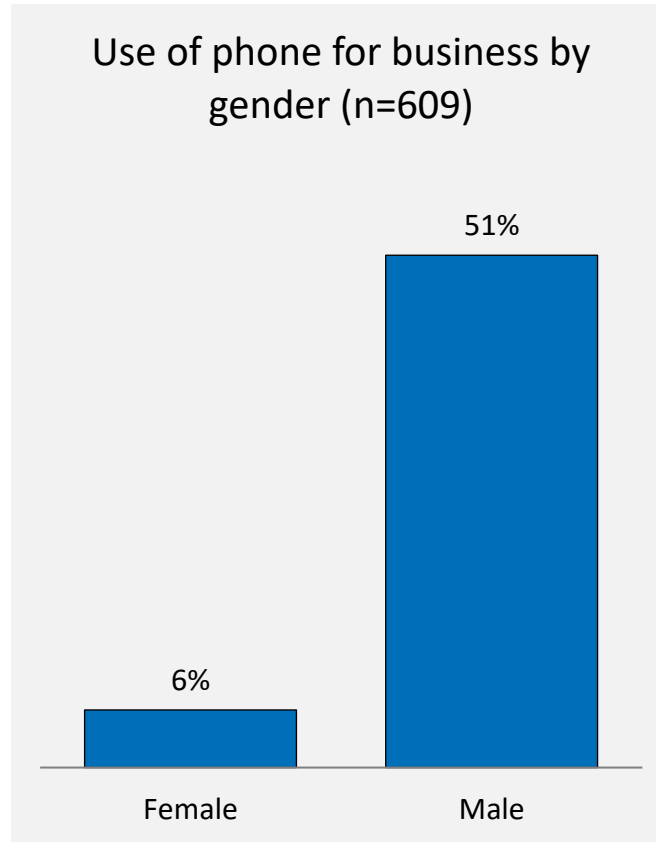
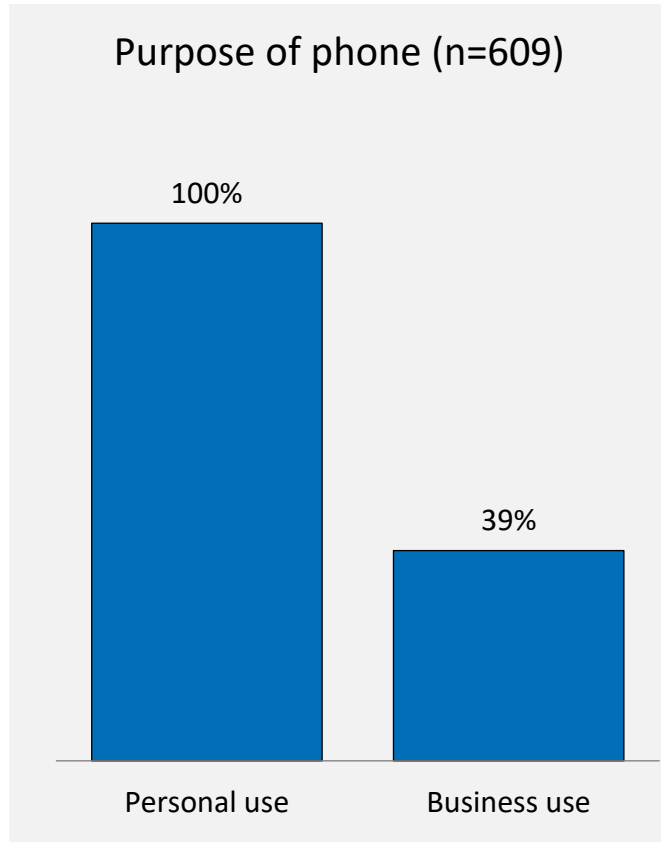
- Similar to Uganda and Kenya, DFS in Bangladesh is predominantly mobile money led, with high use of agent locations for transactions.
- In the last 90 days, only 5% of respondents have used mobile banking compared to 76% and 85% who have used mobile money and mobile agents, respectively.
- Agent networks are a critical part of DFS in Bangladesh. They are primarily used as cash-out (61%) and cash-transfer points (49%).
- Only 15% of respondents own a credit or debit card, and these are young, urban, better educated, and typically higher income consumers (though differences are not statistically significant).

# Phone ownership



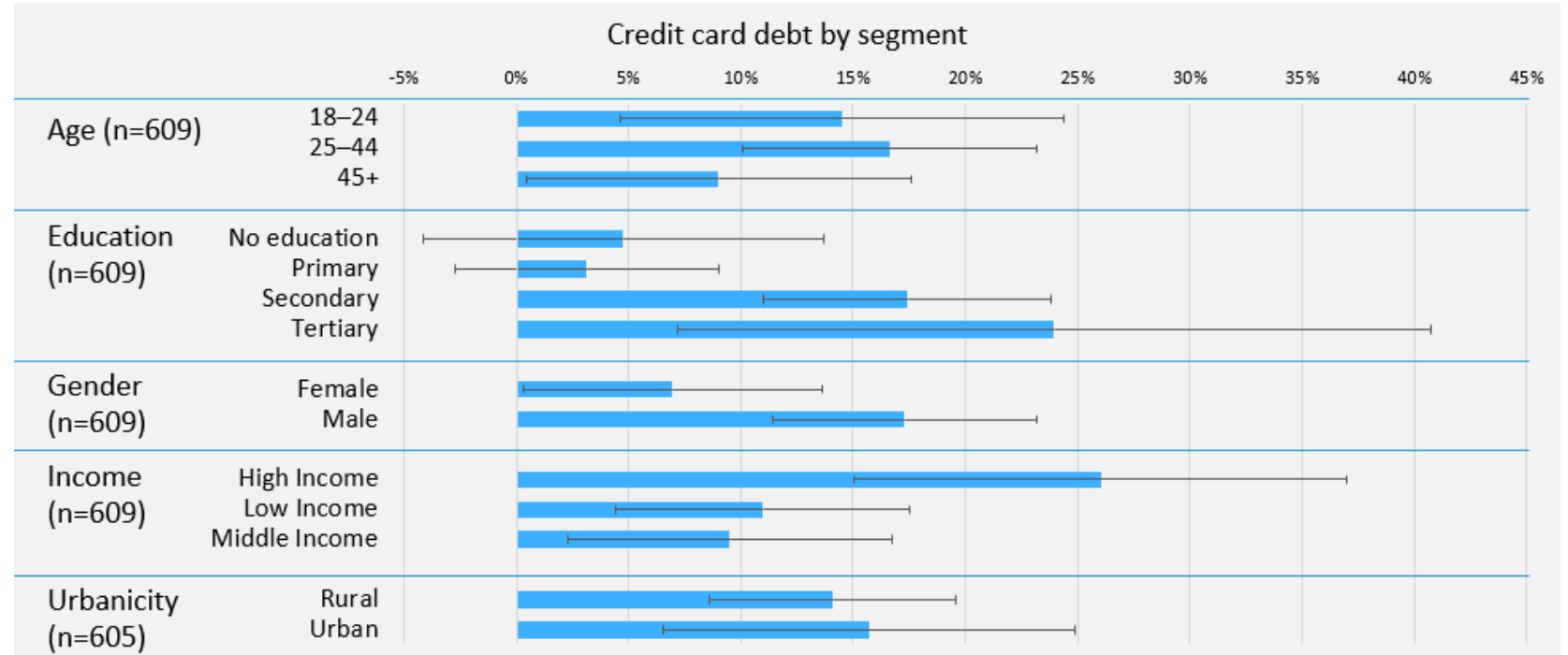
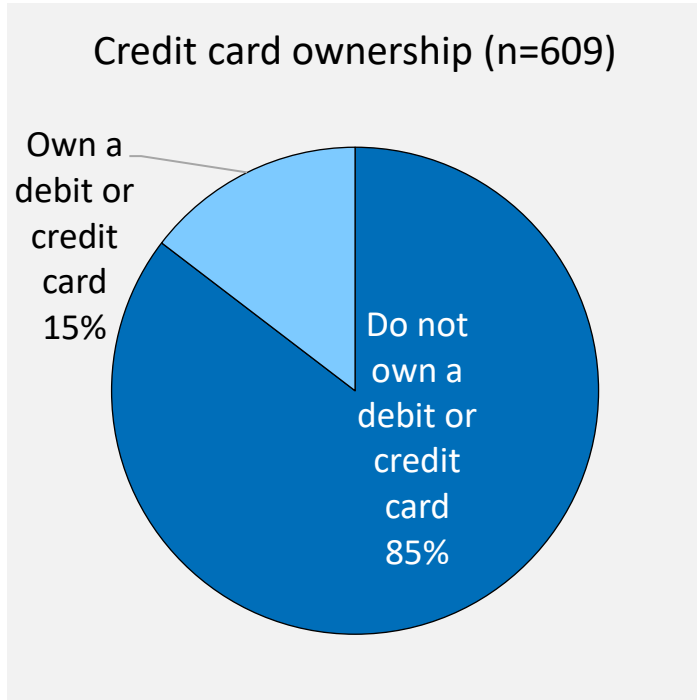
# Phone usage

Men use their phones for business at a much higher rate than women.



# Debit and credit cards are not popular in Bangladesh.

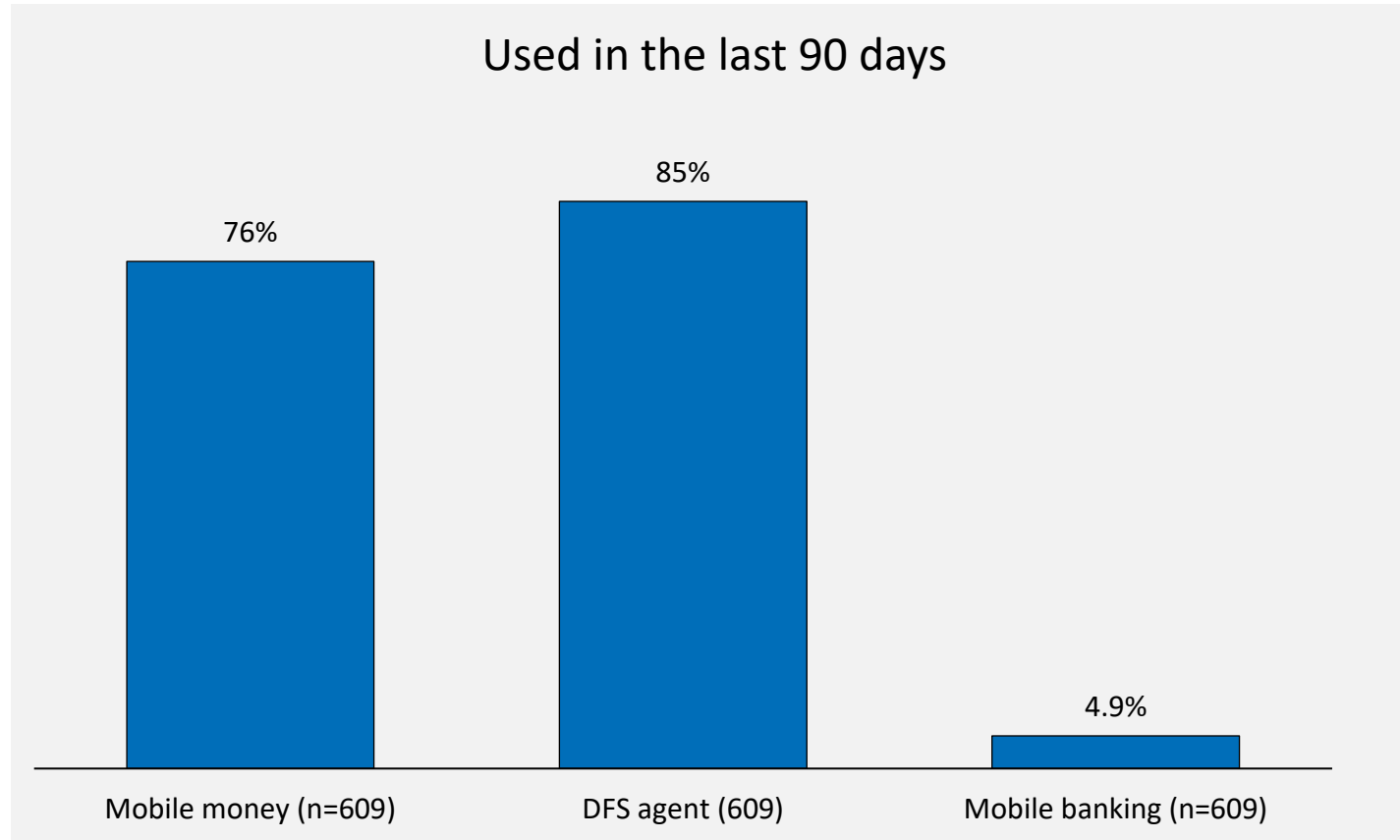
Younger, urban, males, with higher education levels appear to use credit cards more.



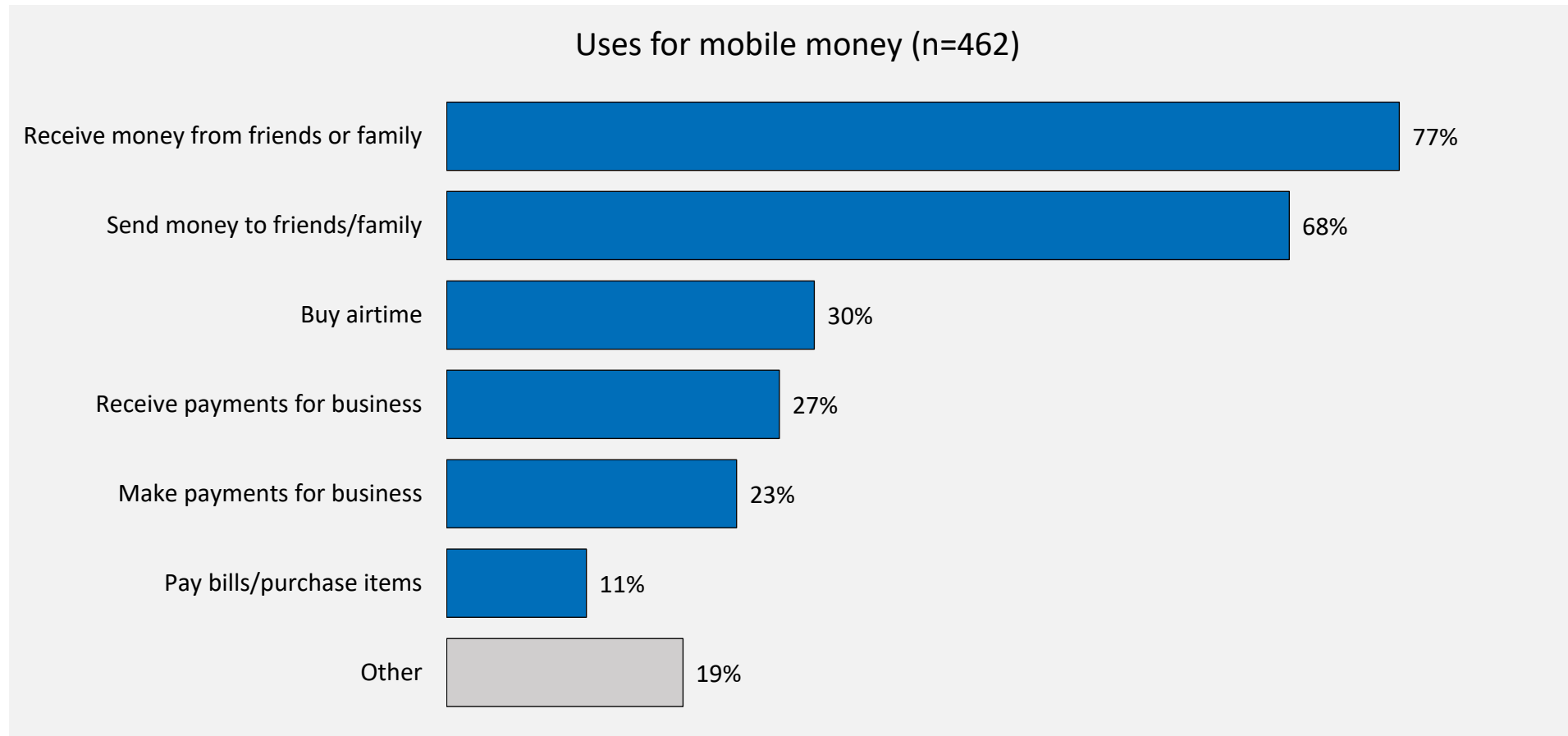


# Digital financial service usage, by service type

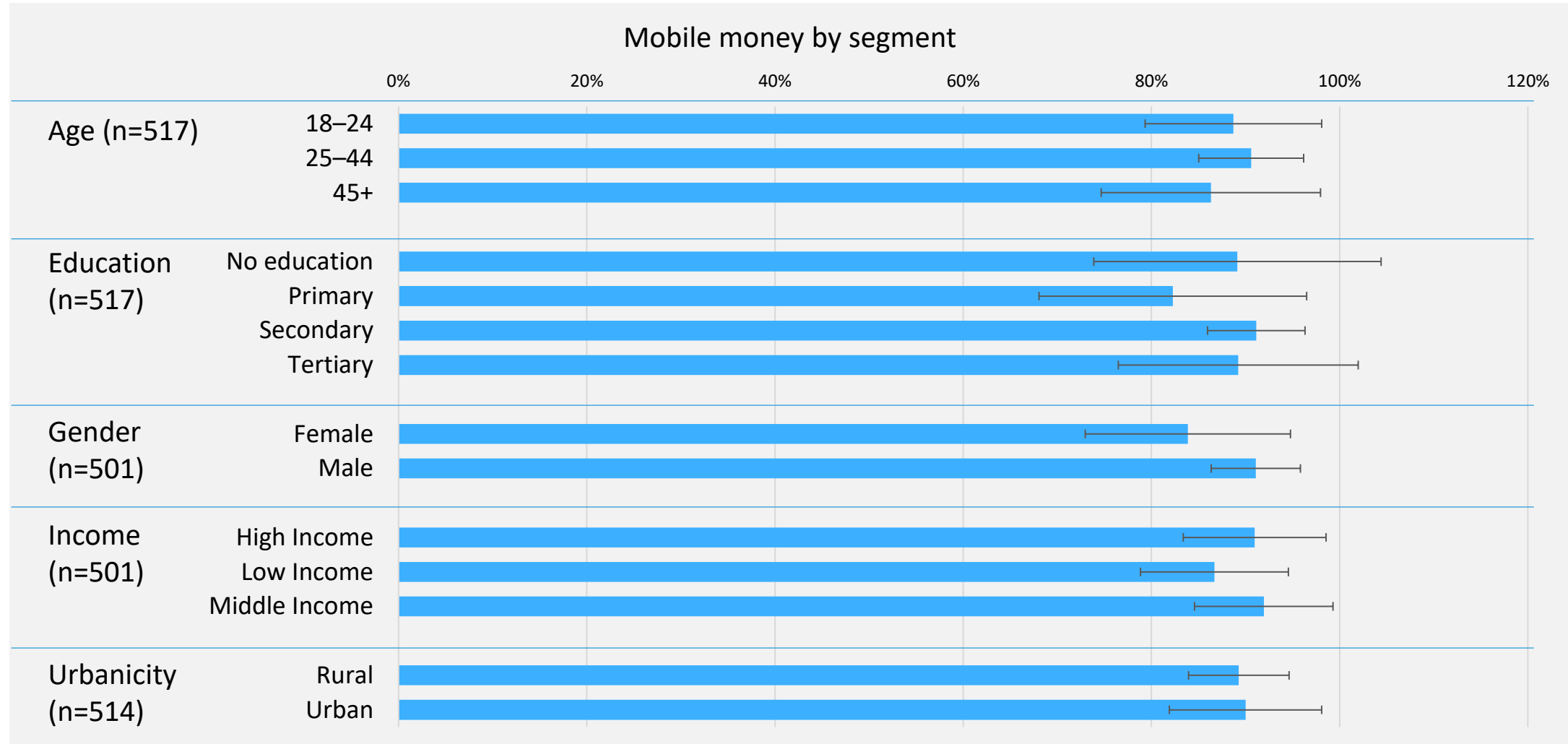
Most respondents use agent services and mobile money.



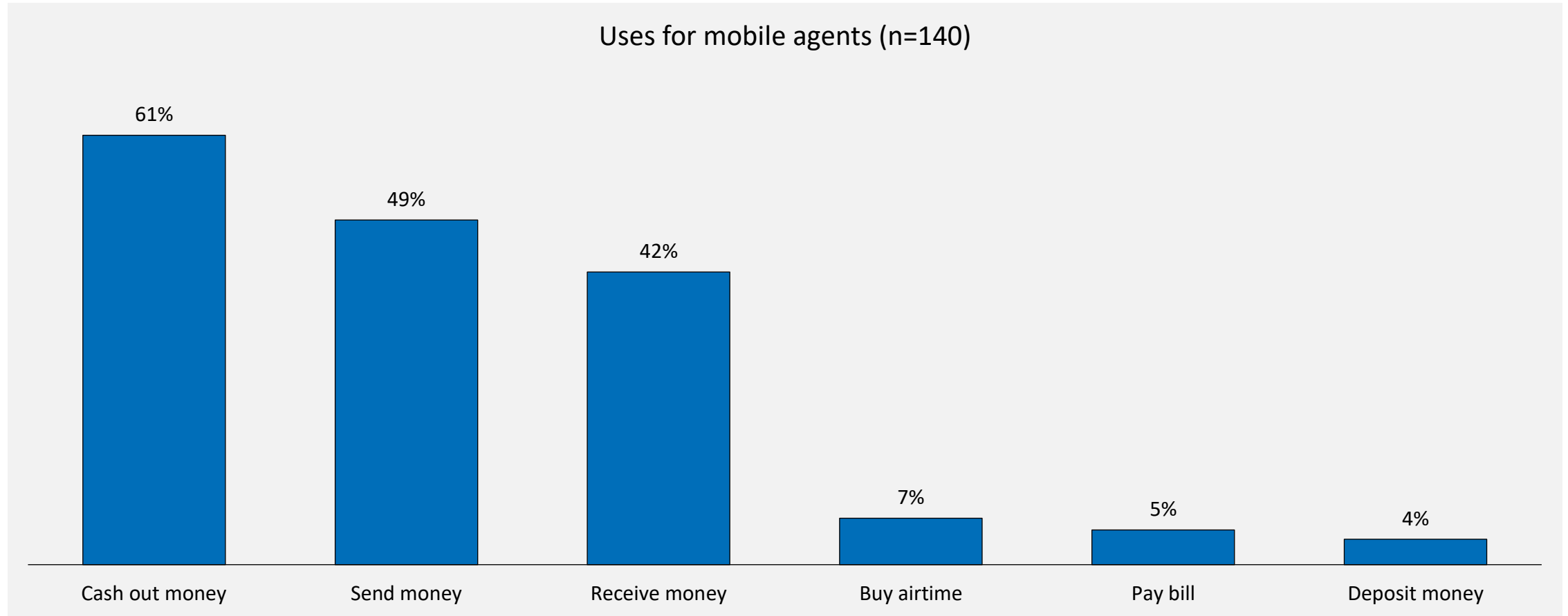
# Mobile money is primarily used for receiving and sending money to individuals



# Mobile money usage by consumer segment

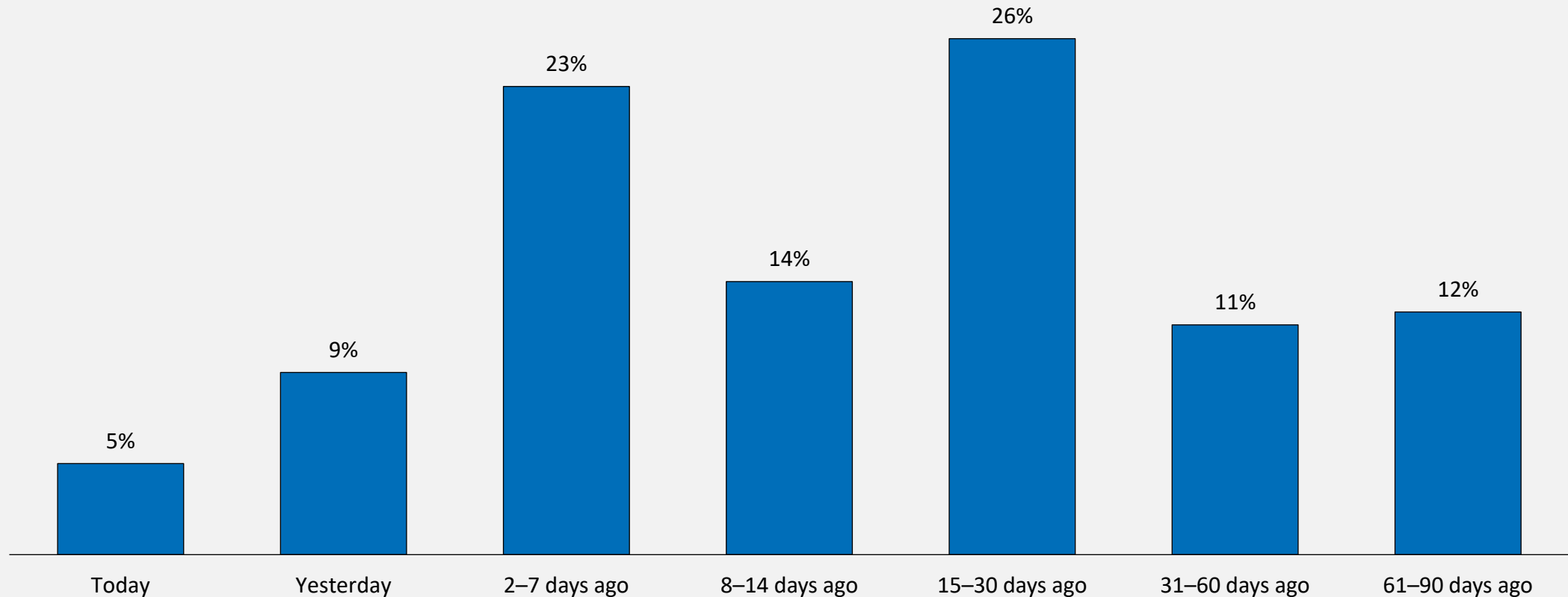


# Agents are used most as cash-out points



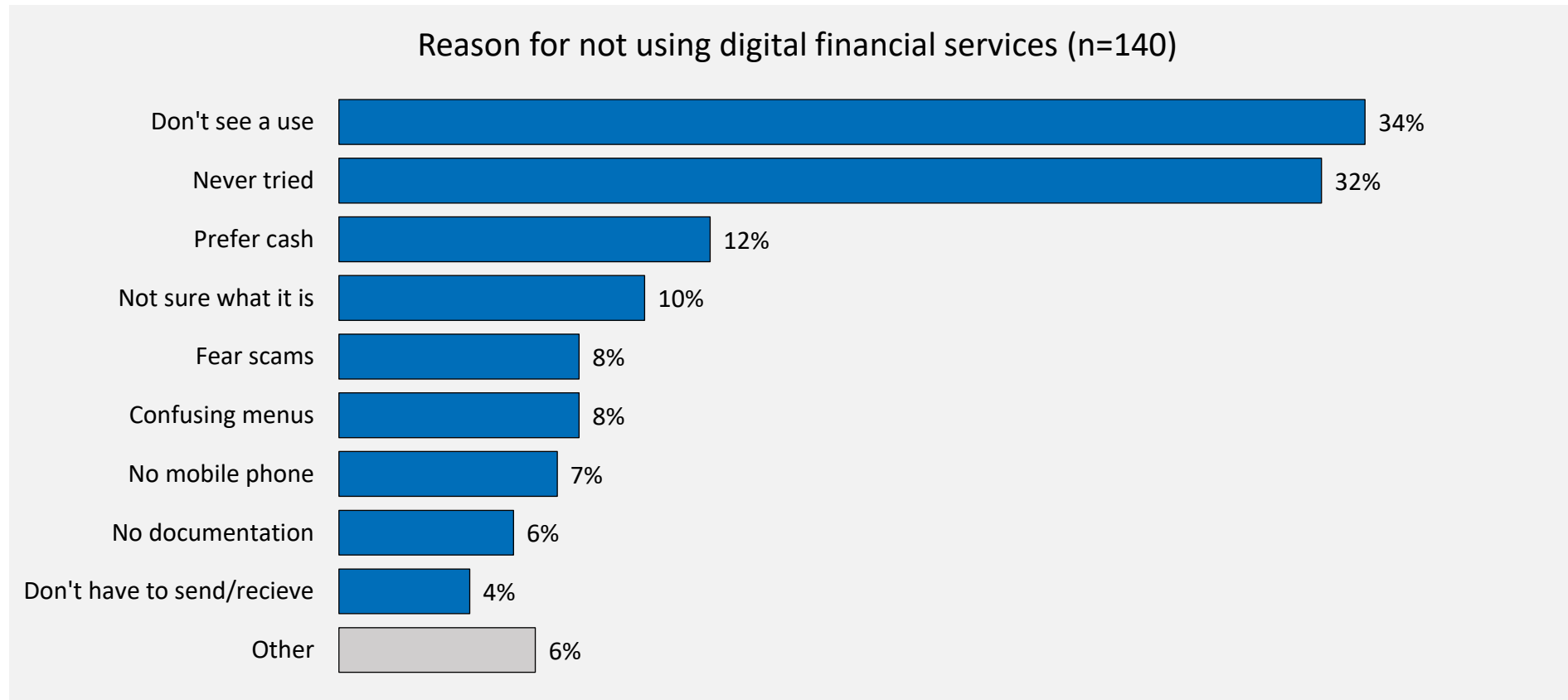
# Majority of mobile money users have transacted in the past month

Timing of last mobile money transaction (n=462)



# Reasons for not using DFS

A significant number of those who do not use DFS have never tried or don't see a use for these services.



# 3 Challenges

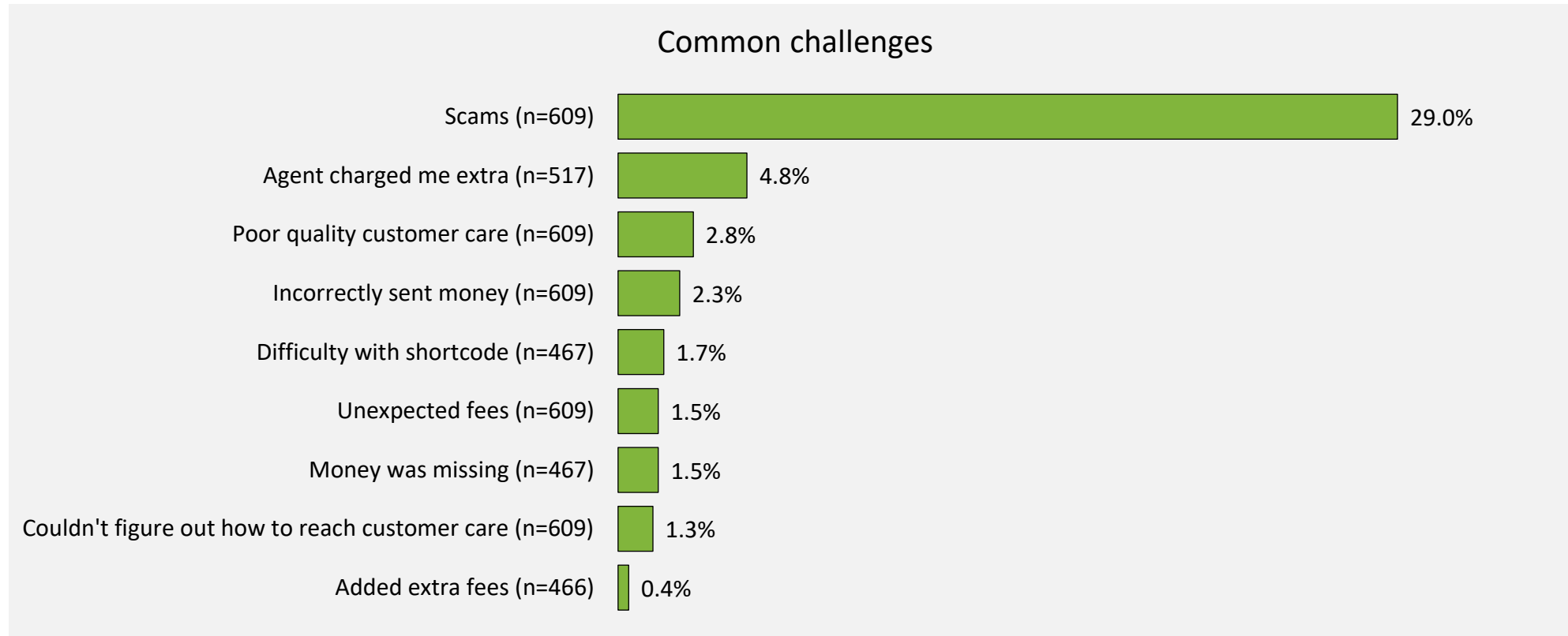
# Key takeaways on challenges faced by DFS consumers

- Scams, overcharging and poor customer care are the most common challenges experienced by respondents
- 29% of respondents report receiving a scam attempt. Though most do not respond to the scammers, more than half of those that did respond complied with the scammer's instructions.
- While responses to the survey cannot be generalized beyond this sample, they do highlight key challenges faced by DFS users that are quite similar to what has been reported in other markets. However overall rates of challenges experienced in Bangladesh were lower than similar surveys by IPA in Kenya, Nigeria, and Uganda.



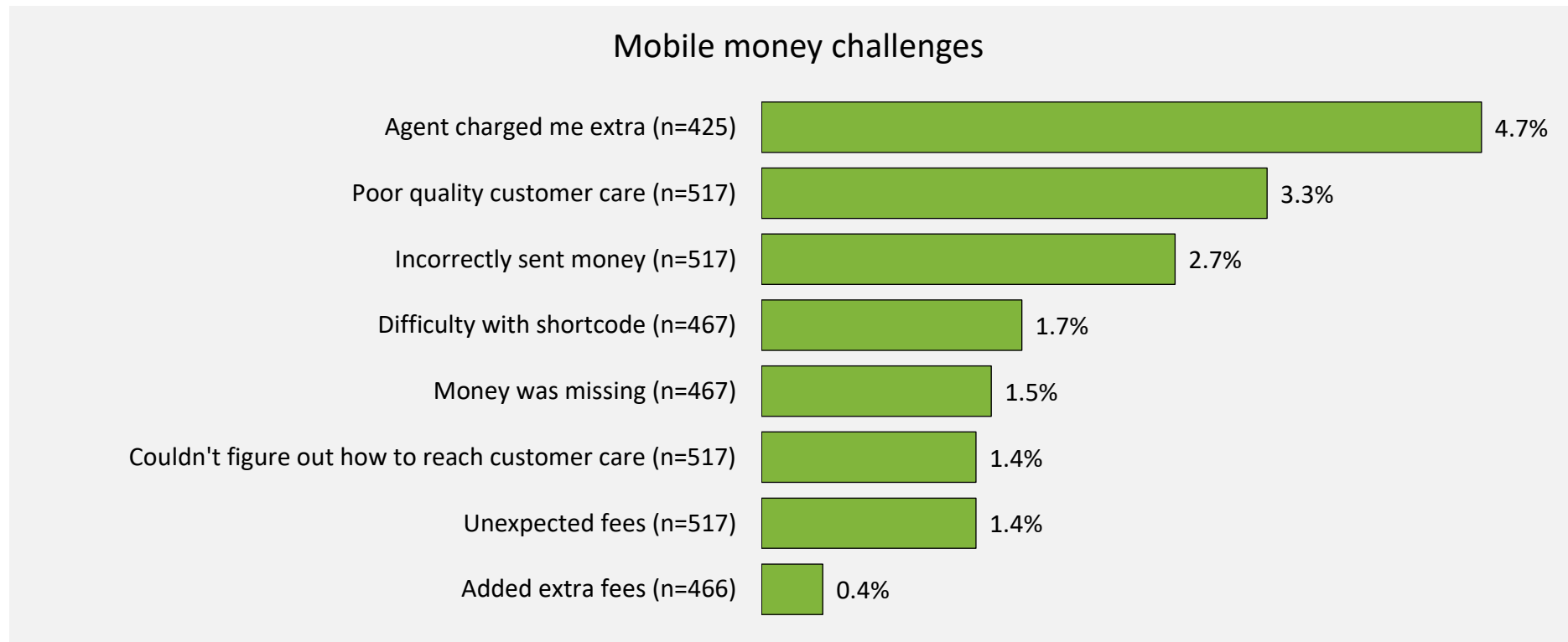
# Types of consumer challenges

More than one in four consumers report having experienced a scam attempt, but few report having experienced any other types of challenges.



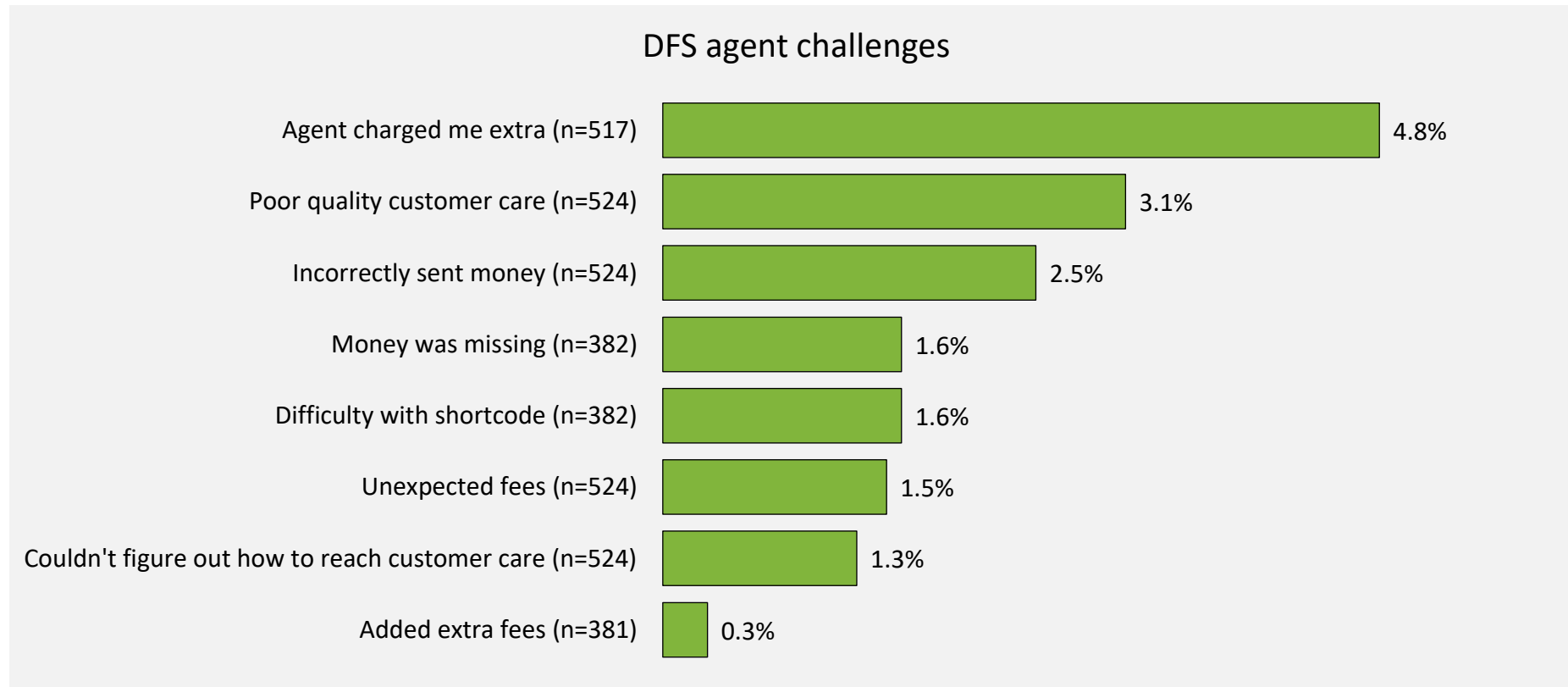
# Mobile money challenges

Consumers cite overcharging and poor customer care as leading challenges in mobile money.



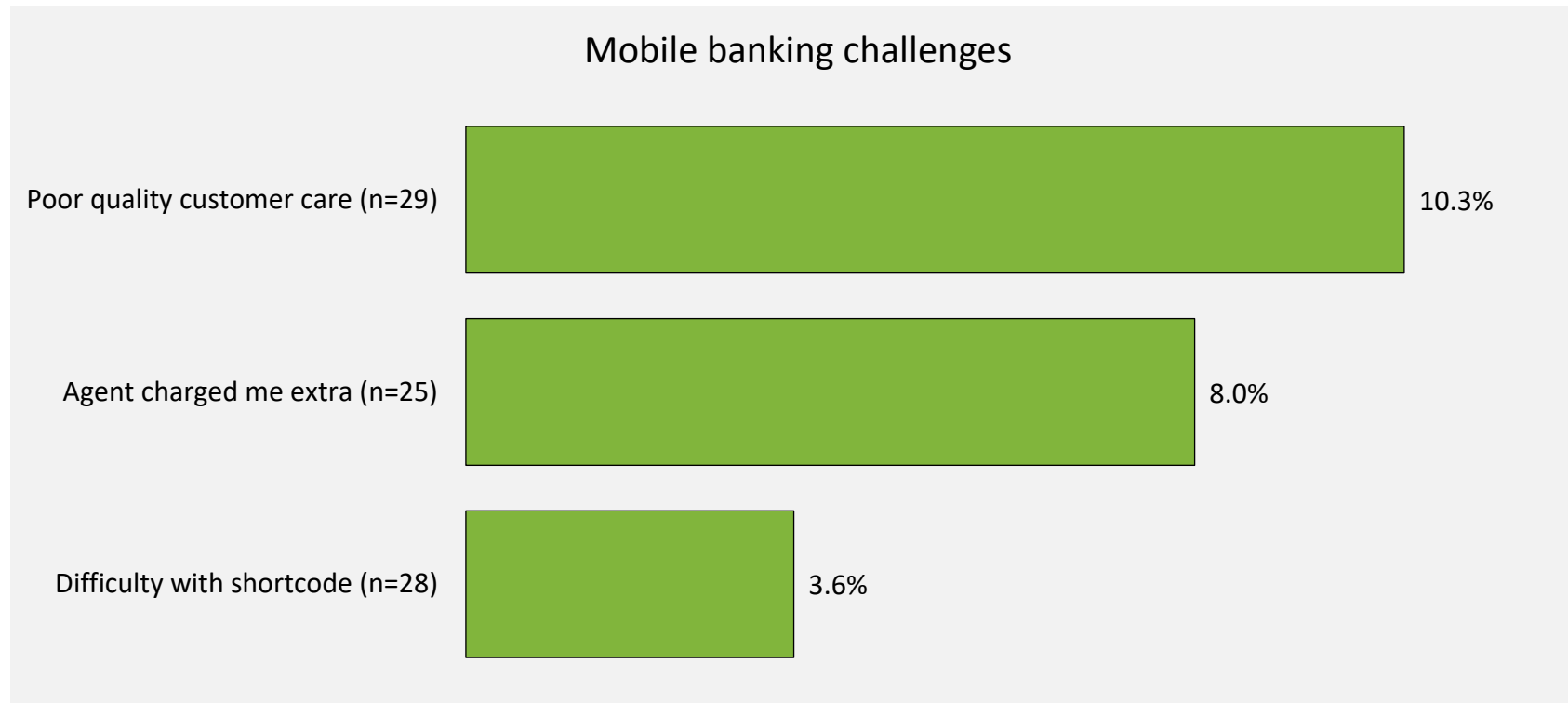
# DFS agent challenges

Agent overcharging and poor customer care dominate consumer's challenges with DFS agents.



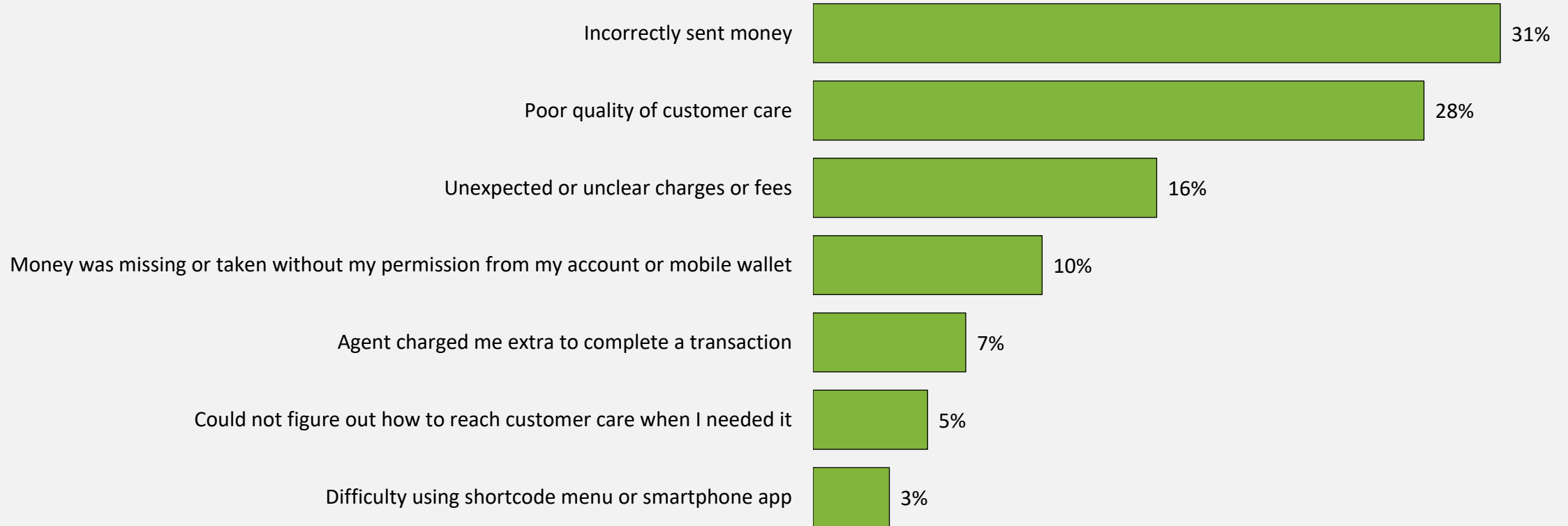
# Mobile banking challenges

Overcharging and poor customer care persist as leading challenges in mobile banking.

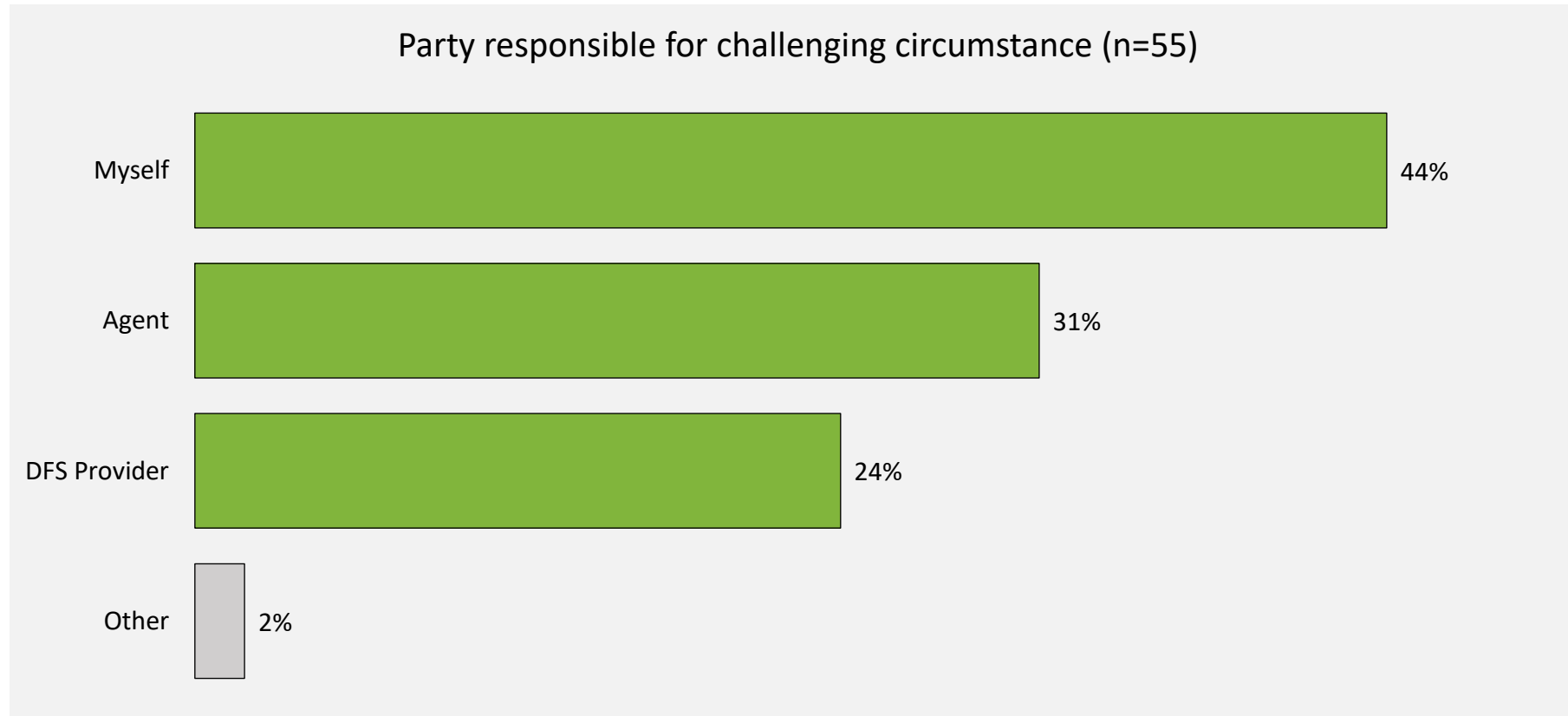


Incorrectly sending money and poor customer care are viewed as the biggest challenges most consumers report experiencing.

Biggest challenge (n=58)



# Consumers often blame themselves for their biggest challenge



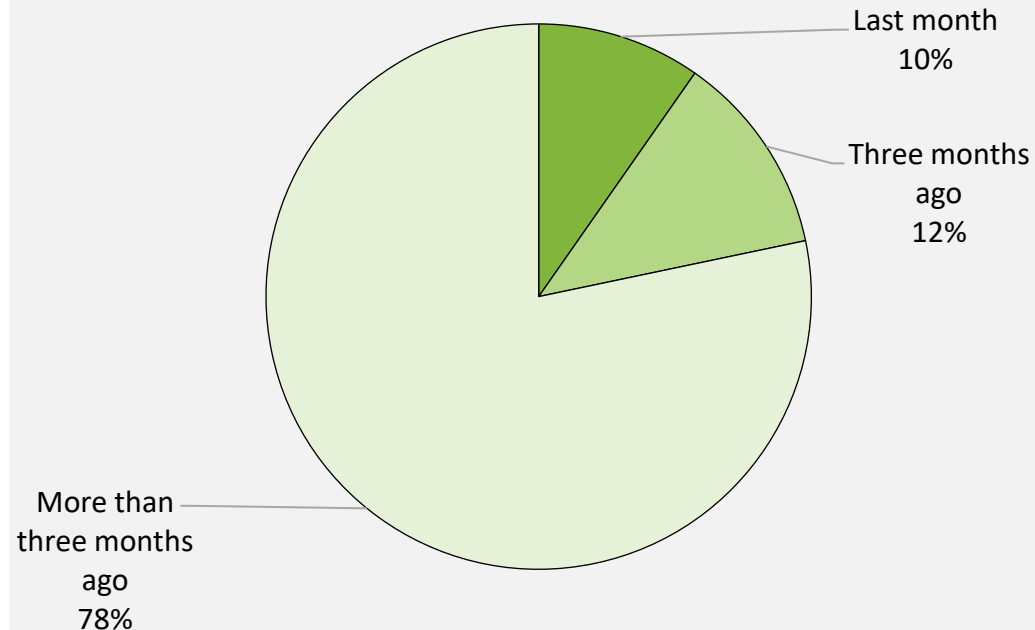
# Scam attempts experienced by consumers

More than a quarter of scam attempts happened within 3 months prior to the survey.

29%

Percentage of respondents that have been the victim of a scam

Last scam attempt (n=175)

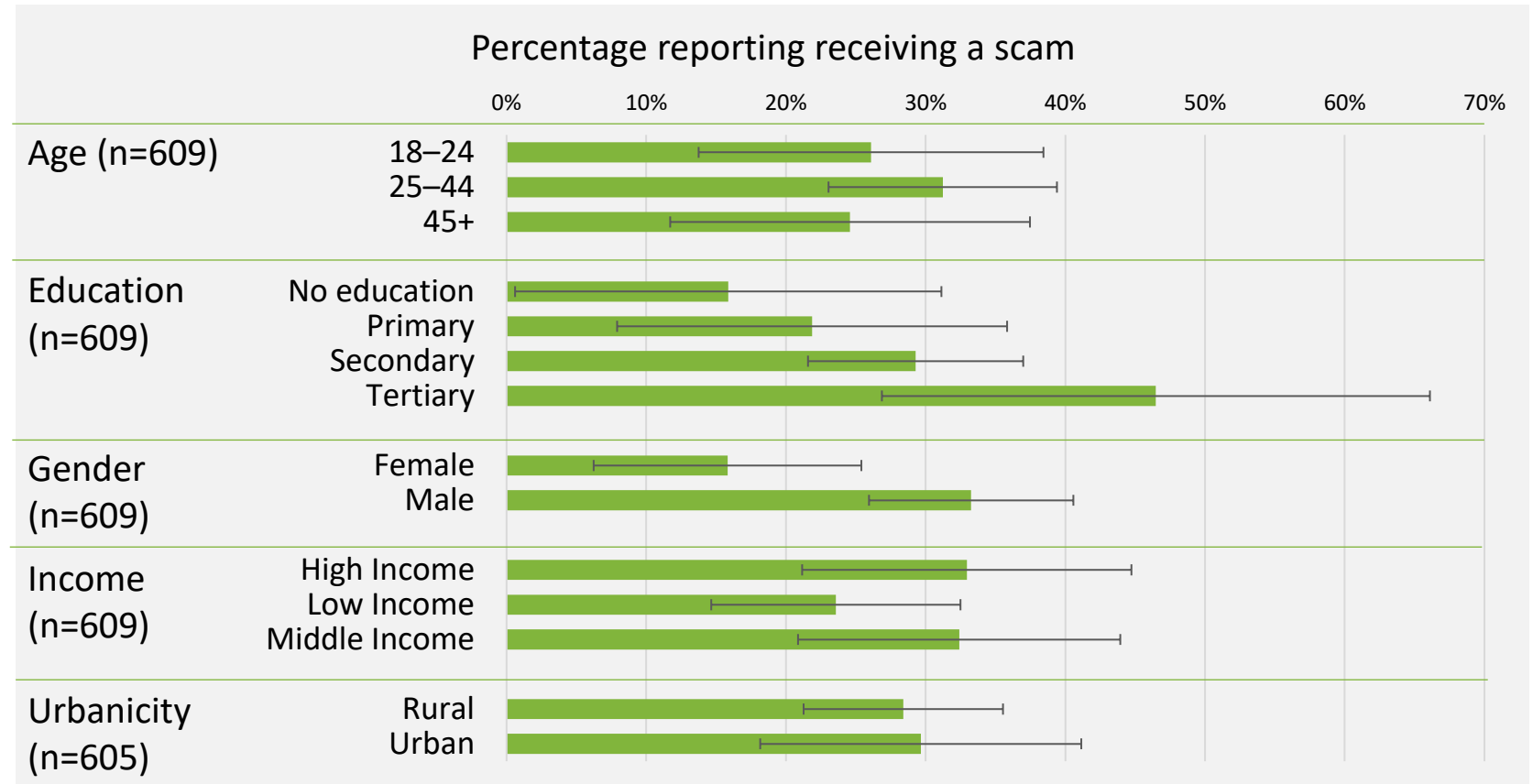


# Reports of having experienced scam targeting varied across consumer demographics

Younger, male, better educated, better off, and more urban respondents report receiving more scams.

This could be because these consumer segments have greater awareness of scams or are more likely to report these issues to surveyors.

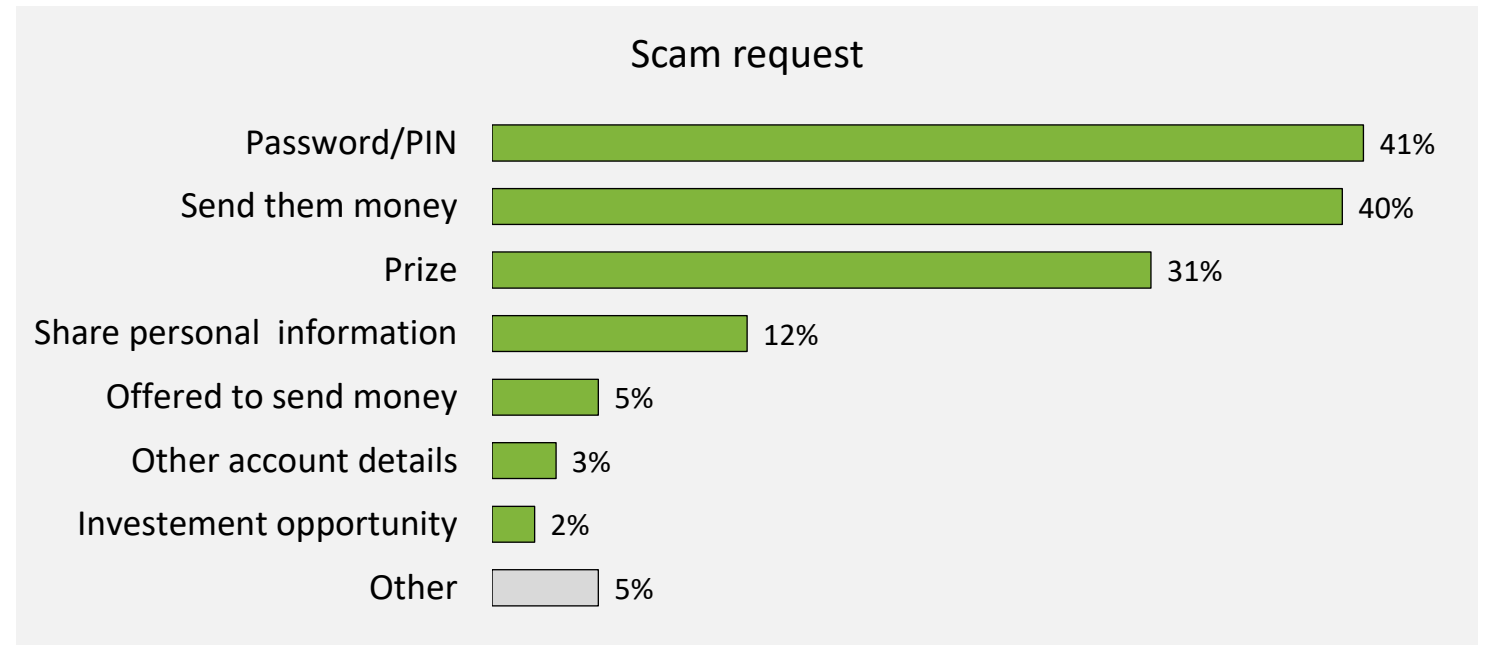
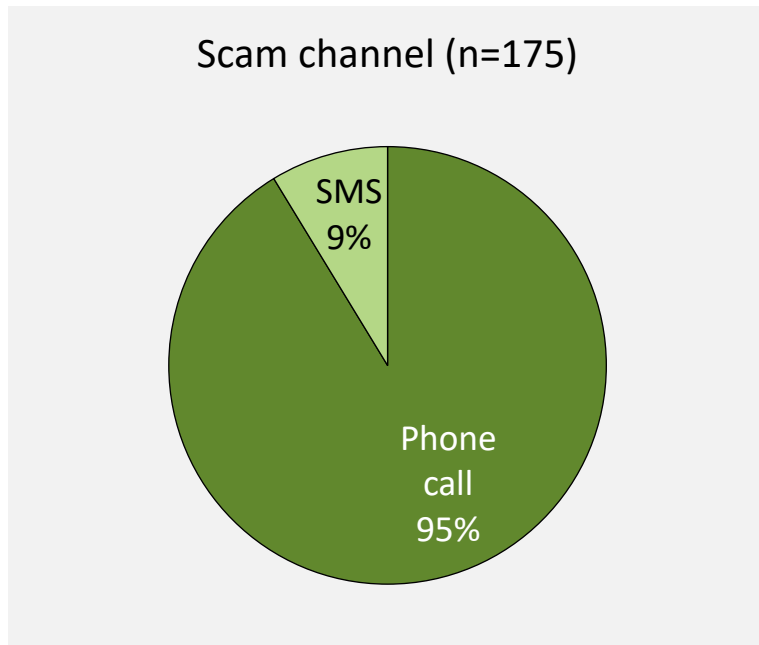
Unpacking the causes for these differences across demographics could be an area for further future research.





# Channels scammers use and what they ask for

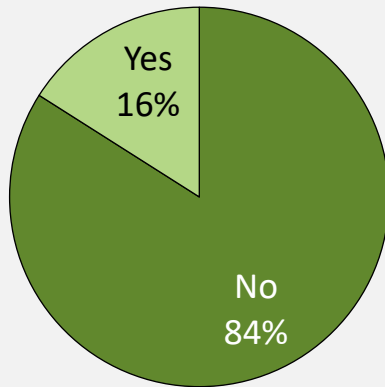
**Scammers typically ask respondents for their PINs or to send them money.**



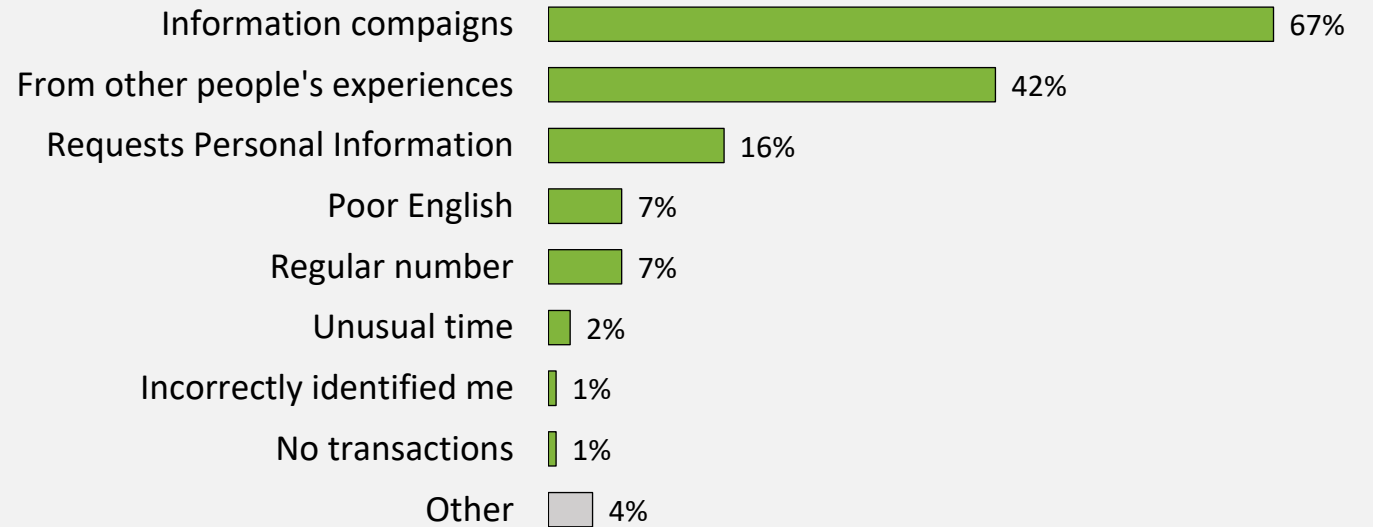
# Response to scams and how they are identified

Most respondents learn about scams through information campaigns.

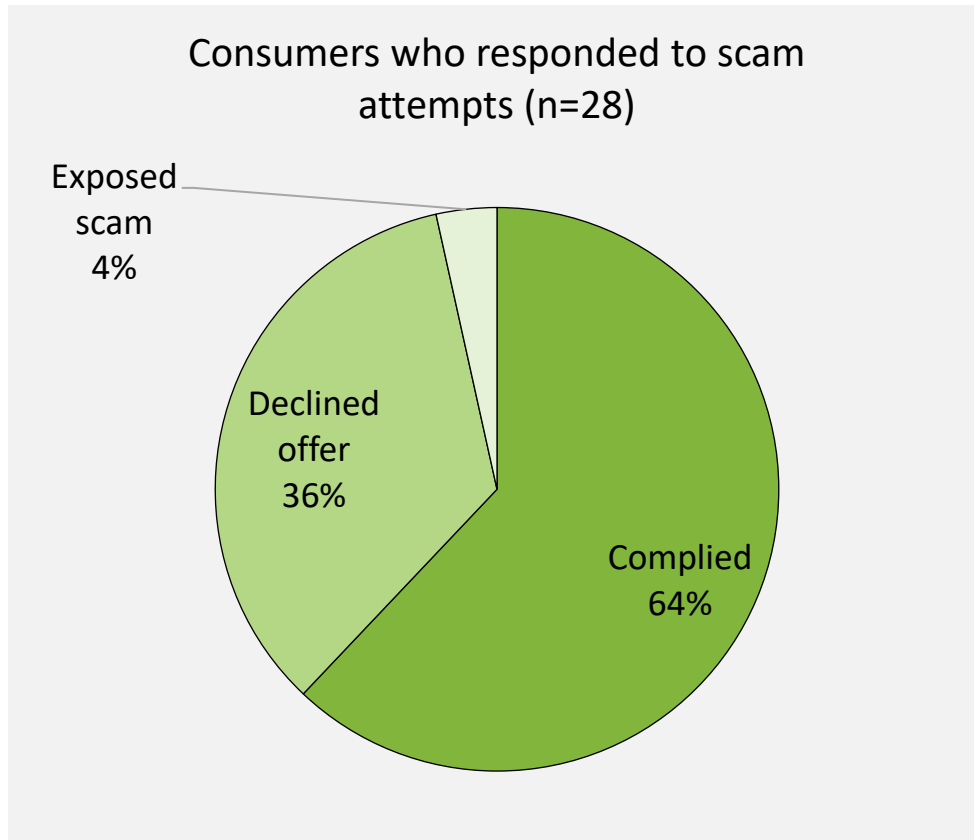
Percentage of those who responded to the scammer's message (n=175)



How did you know it was a scam (n=147)?



# Compliance with scammer instructions raises concerns about fraud vulnerability for some consumers



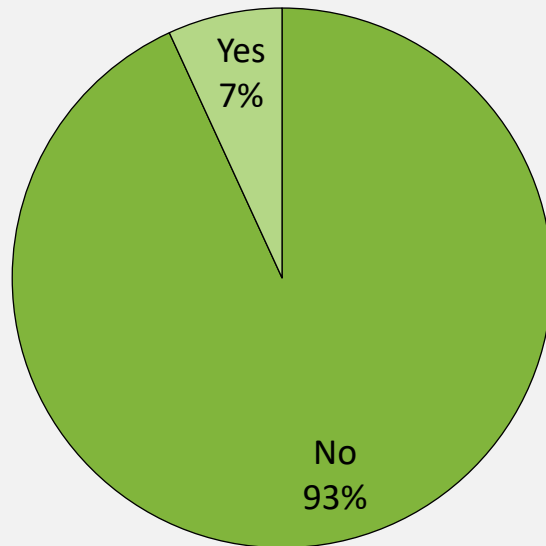
61%

Percentage of respondents who complied with the scammers request and lost money (n=28)

# What do scams cost consumers?

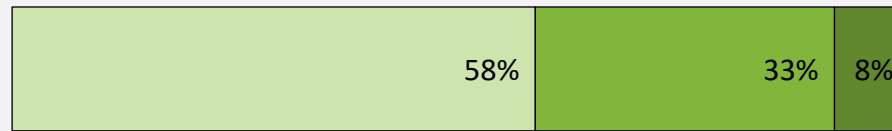
Scams result in significant amounts of money lost for those users who fall victim.

Money was lost because of a scam (n=175)



Amount of money lost (BDT) (n=12)

- Less than or equal to 5000
- More than 5000 less than or equal to 10000
- More than 10000

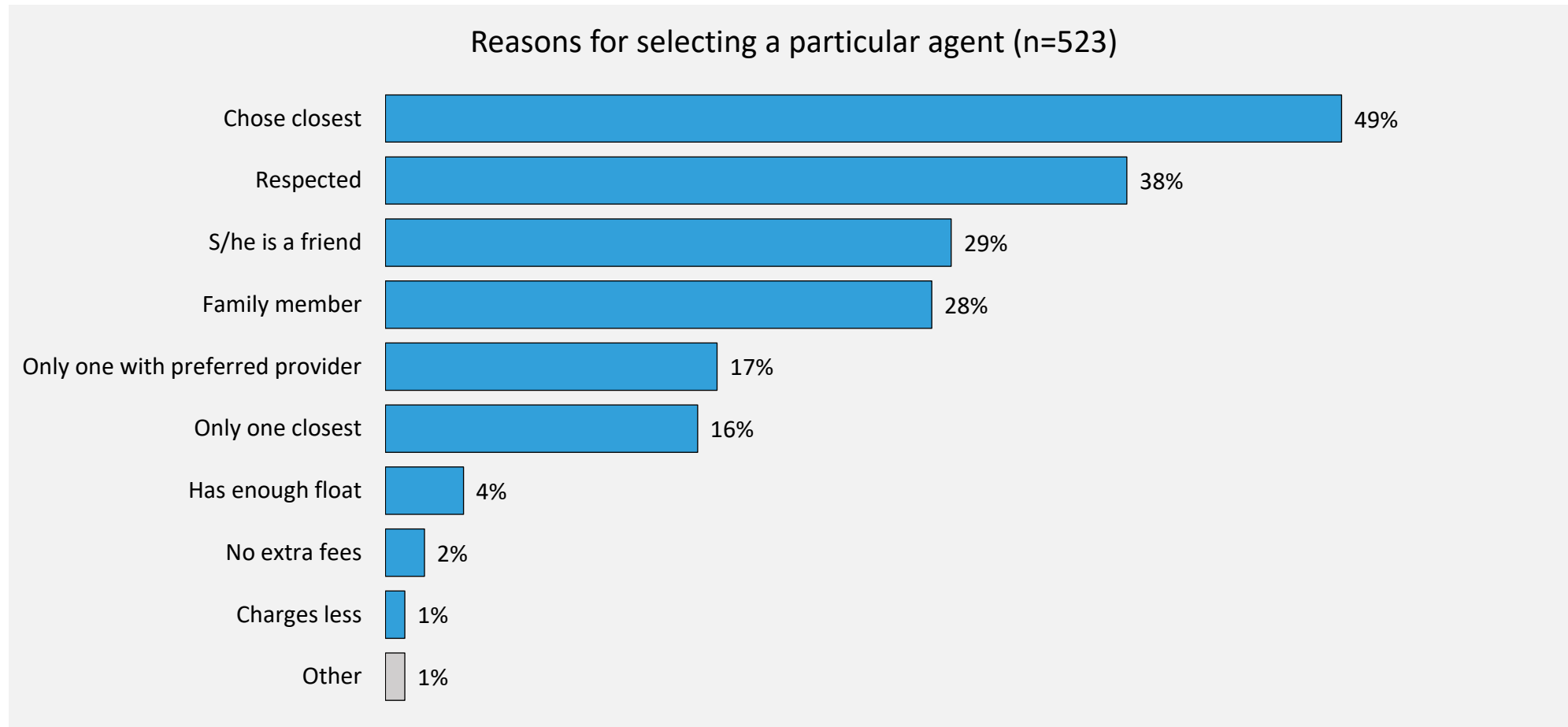


# 4 Competition and Choice

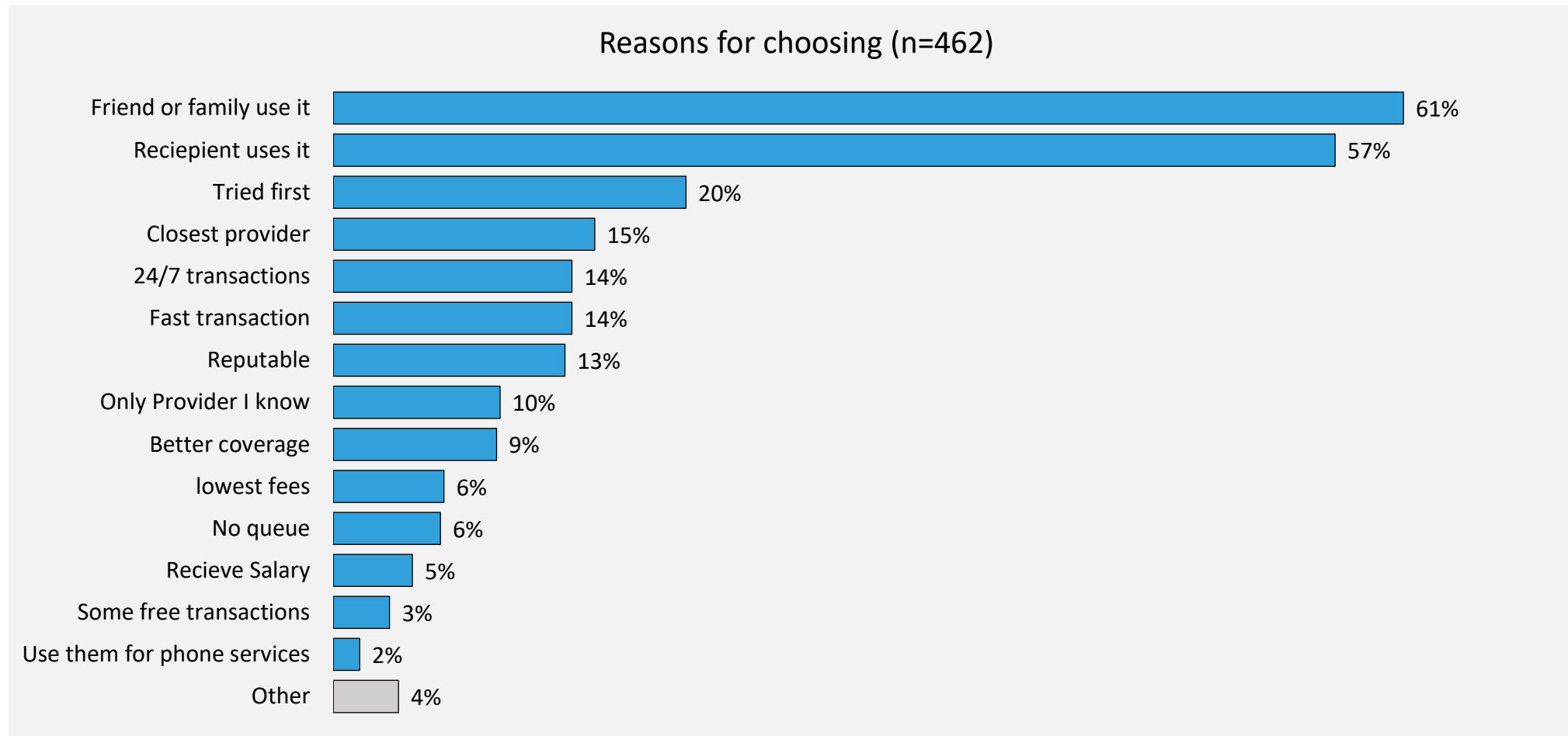
# Key takeaways on competition and choice

- Price isn't such a key factor in product choice, rather, proximity and reputation dominate consumer product choices.
- Younger, more educated, higher income, urban consumers are more likely to shop around for financial services (results not statistically significant).
- Most consumers learn about transaction fees after the transaction not before
- The mobile money market is dominated by one provider, limiting consumers' options.

# Proximity and reputation dominate agent choice



# Social networks drive choice in DFS accounts

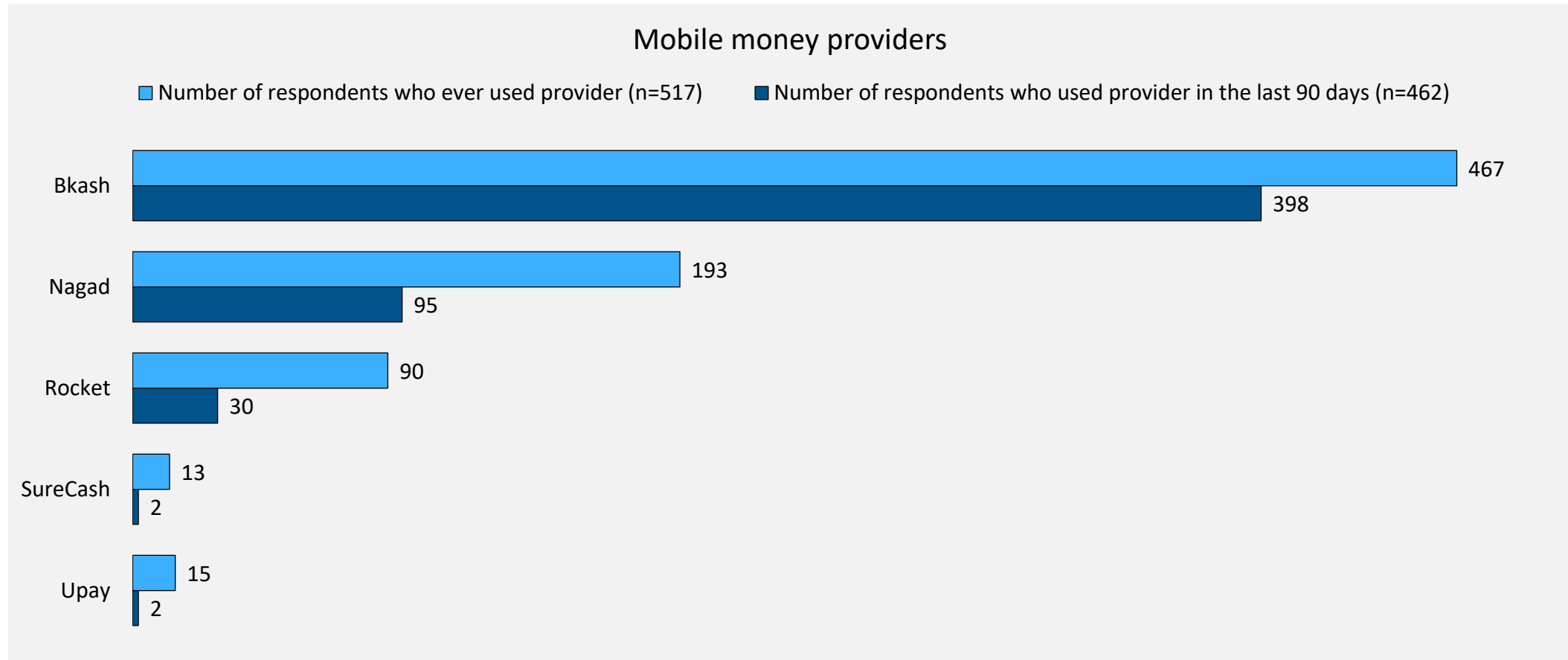




# Most consumers do not shop around when opening a DFS account

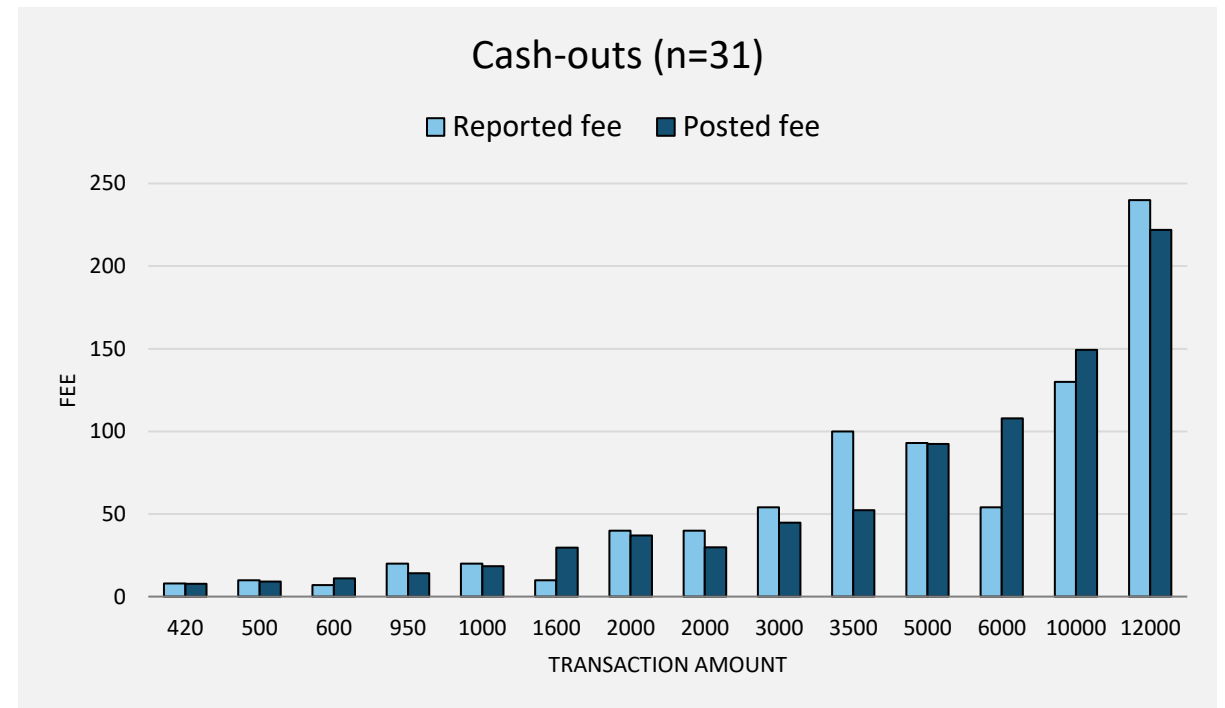
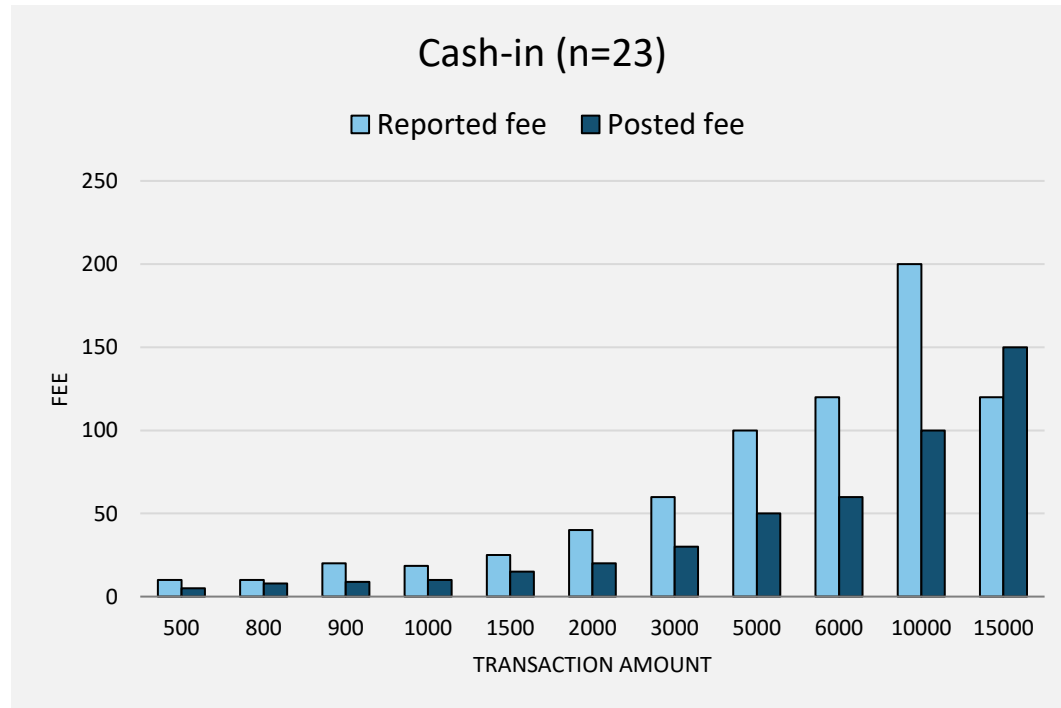


# One provider dominates the mobile money market—perhaps impacting shopping around?



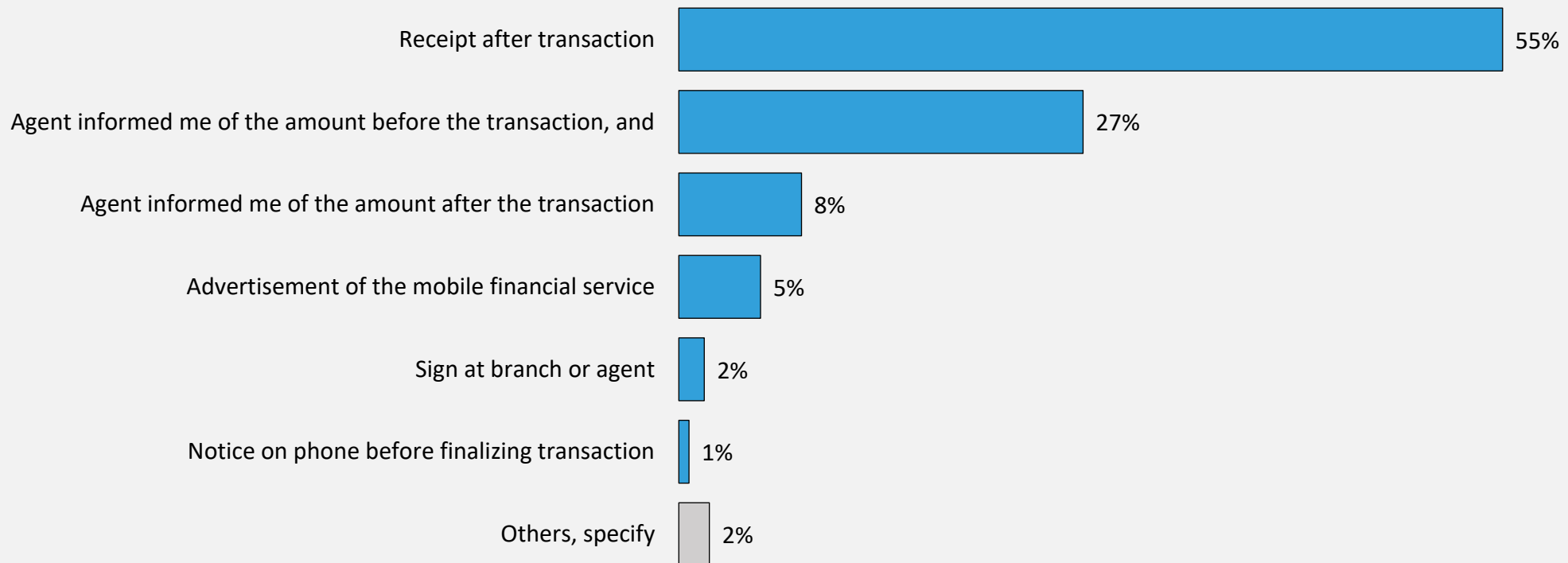
# Self-reported versus posted fees

Consumers report paying higher fees on their last cash-in or cash-out than those posted by providers.



# Most consumers become aware of fees after they complete the transaction

How consumers became aware of fees on their last DFS transaction (n=462)

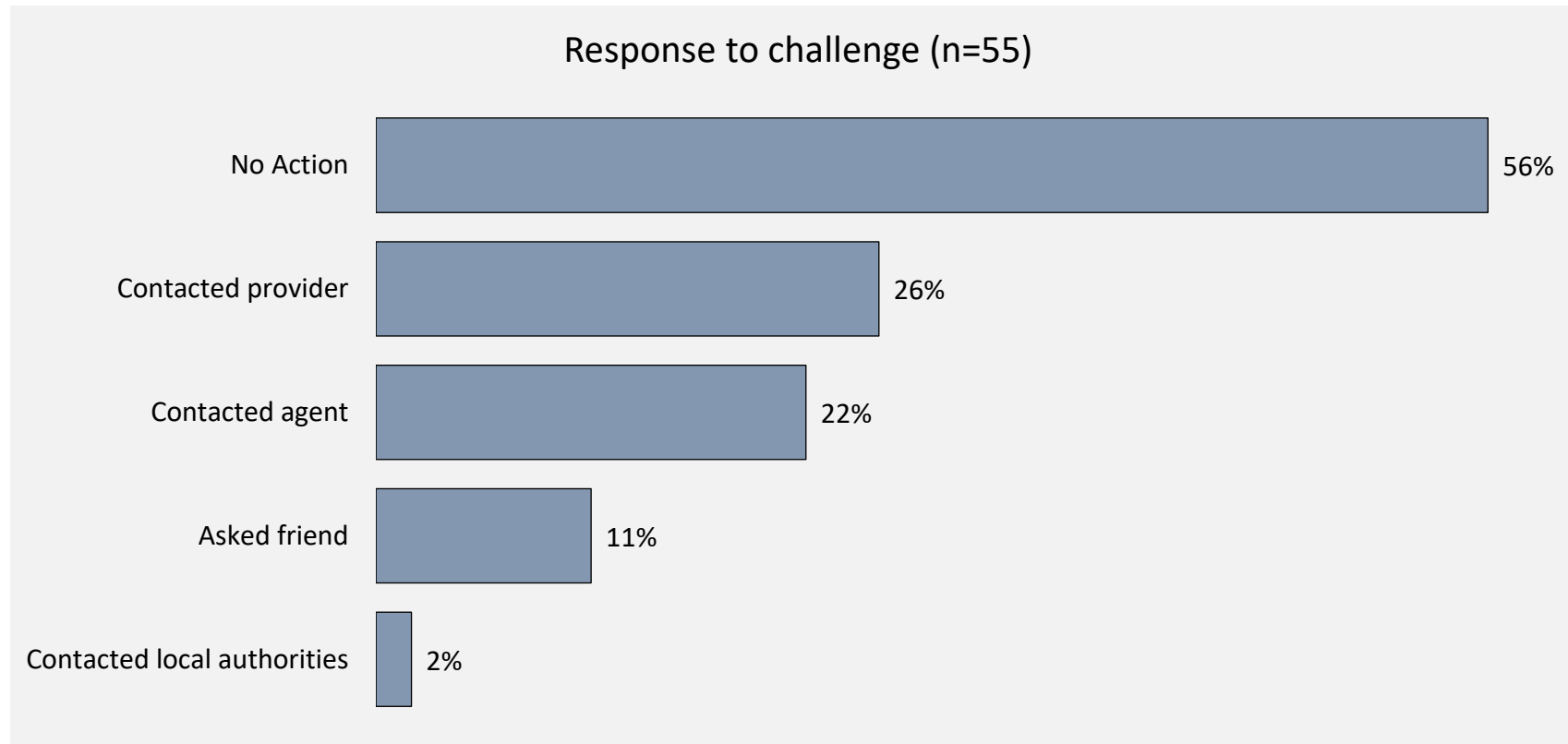


# 5 Redress

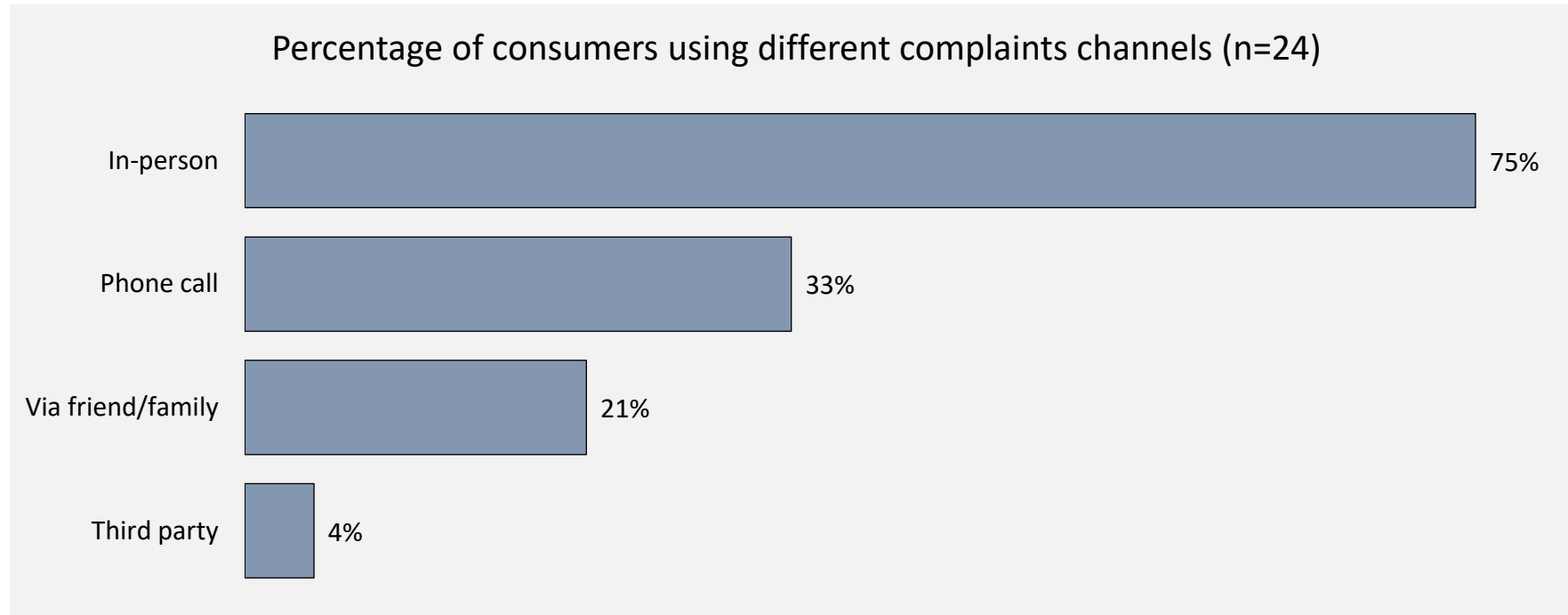
# Key takeaways

- When asked who they blame for their biggest challenge, consumers often blame themselves
- Consumer often didn't take actions to address their biggest challenge, and when they did, they tended to present the complaint in person
- Most complaints consumers made were not resolved
- Most consumers do not change their behavior as a result of the outcomes of their formal complaint

# How consumers tried to resolve their biggest challenge



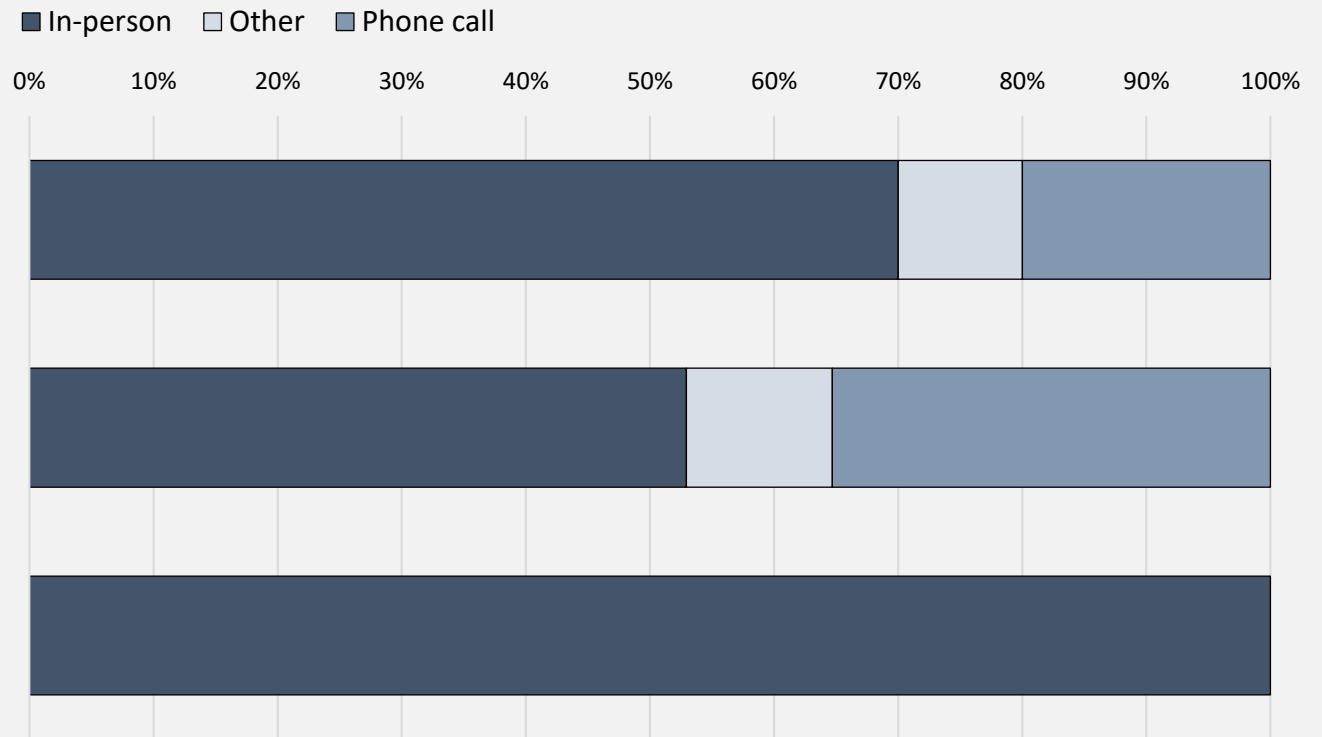
# Consumers who do seek resolution mostly do so in-person



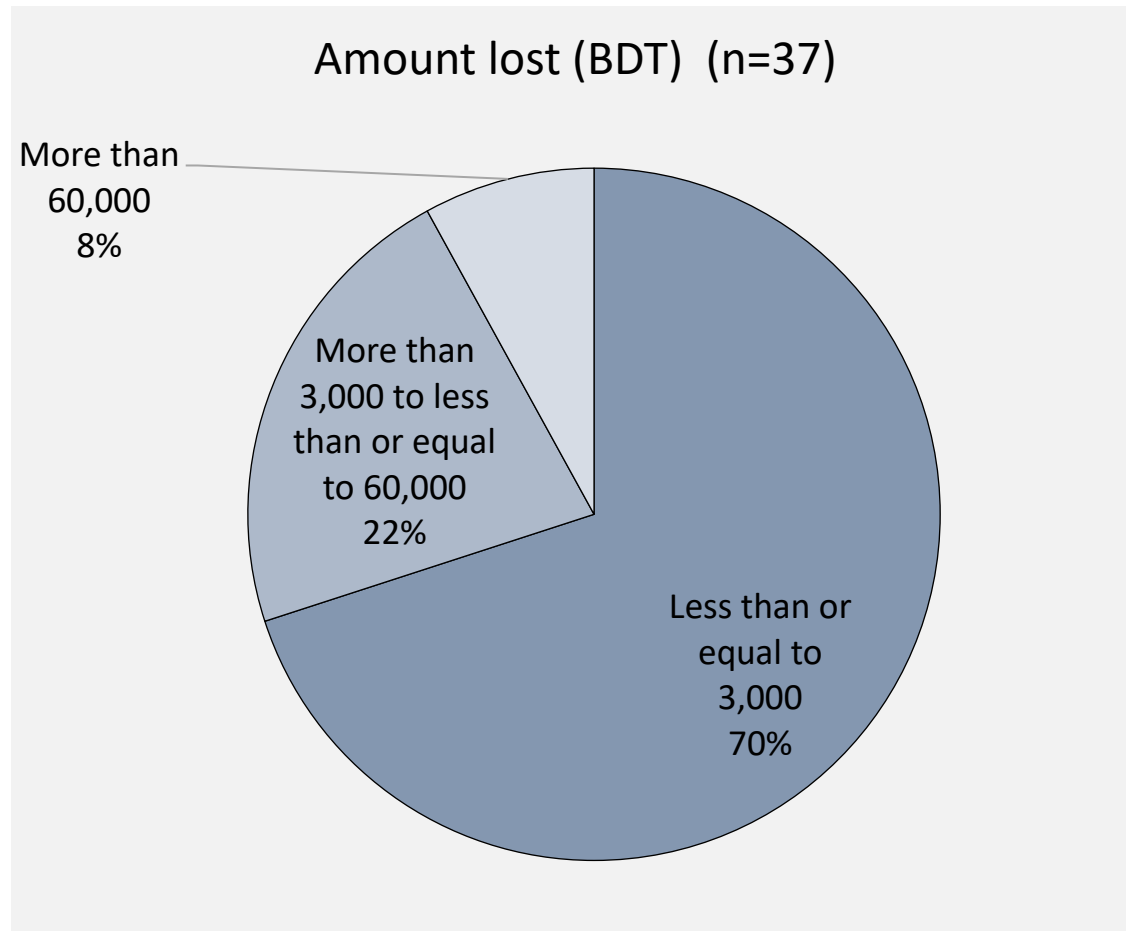


# Most formal complaints do not lead to resolution for the consumer

Consumers reporting outcome of their formal complaint, by channel

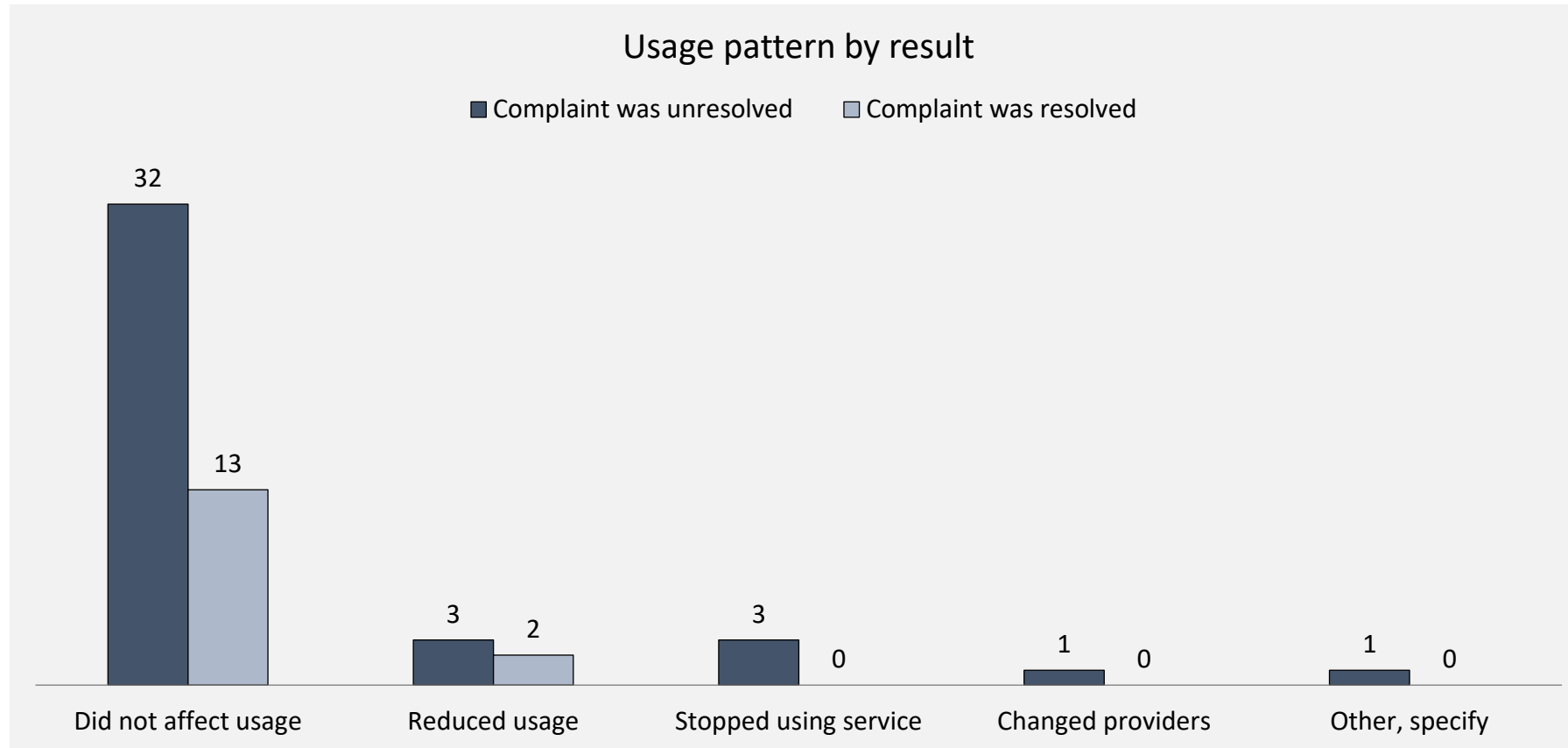


# Amount of money lost in biggest challenge



Nearly **10%** of respondents who have lost money have lost over **60,000** BDT.

# Most consumers did not change their usage even if their complaint was not resolved



# Policy takeaways from consumer survey

## Digital Financial Services Usage

- Policy issue: The most common reasons given by those who do not use DFS are they don't see the use for them or have never tried using them.
  - Possible policy response: Expansion of use cases for DFS may help to increase usage of DFS with some consumer segments—although further research into use cases for non-users would be needed to determine. if non-usage is due to lack of relevance or lack of awareness of all DFS use cases.

## Redress and complaints handling

- Policy issue: Scams, overcharging, and poor customer care were the most common consumer protection challenges.
  - Possible policy response: New monitoring tools such as complaints data analysis and agent mystery shopping should be used to monitor and reduce incidences of these challenges.
- Policy issue: Most consumers do not report challenges through formal complaints channels, and when they do most consumers report the issue was not resolved to their satisfaction.
  - Possible policy response: Design and test interventions that may encourage use of formal redress channels—and measure their effects via impact evaluation studies.
  - Possible policy response: Further consumer segmentation research to understand the dynamics of who reports and why they report in order to throw more light on any apparent discrepancies.
  - Possible policy response: Conduct random surveys of complainants to better understand why most consumers do not feel satisfied with outcomes of formal complaints

# Policy takeaways from consumer survey

## Fraud and Scams

- Policy issue: Scams are the biggest challenge reported by consumers (29%). Those reporting experiencing scams are more likely to be educated, urban, and higher income.
  - Possible policy response: Conduct deeper segmentation analysis to determine if demographic concentration in reporting is due to higher targeting by scammers or greater scam awareness.
- Policy issue: While majority of consumers ignore the scams, those who respond often lose money in the process.
  - Possible policy response: Design and test new scam identification education which focuses on more susceptible consumer segments.

## Transparency and consumer choice.

- Policy issue: Consumers don't do product comparisons across providers and are influenced more by social networks than product features or terms.
  - Possible policy response: Design and test interventions to encourage comparison shopping and switching.
- Policy issue: Consumers primarily identify the cost of transactions after completing the transaction.
  - Possible policy response: Test SMS and other types of messages which increase salience of transaction costs prior to transactions and measure impacts on price

Thank you



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POVERTY ACTION