



Photo by Mwangi Kirubi for 2015 CGAP Photo Contest

Mitigating Digital Finance Risks for Consumers in Sub-Saharan Africa

May 3, 2022



Agenda

9:00	Welcome and introductions
9:05	Opening Remarks by CGAP CEO Sophie Sirtaine
9:12	Presentation - DFS consumer risks
9:27	Presentation – CGAP’s market monitoring toolkit
9:34	Q & A
9:40	Panel discussion
10:10	Q & A
10:25	Reactions from panelists and conclusion

Logistics

1. Participants' microphones will remain muted in the first hour of the webinar.
2. Participants will be unmuted during the breakout session.
3. To ask questions during the webinar, please use the **chat box**. Please submit your question at any time during the webinar presentation.
4. To ensure your question is seen by the moderator, select "**All Participants**" from the drop-down menu when sending your question.
5. The webinar recording will be emailed to all participants and registrants.

Speakers



Sophie Sirtaine
CEO, CGAP



Eric Duflos
Consumer Protection
Lead, CGAP



Mme Akuwa Azoma
Director of Payment
Systems, BCEAO



Awelani Rahulani
Head of FinTech Department,
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Kennedy Kipkemboi
Senior Mobile Money
Regulatory Specialist, GSMA



Majorie Chalwe-Mulenga
Financial Sector Analyst,
CGAP



Francis Gwer
Senior Policy Specialist,
FSD Kenya



Juan Carlos Izaguirre
Senior Financial Sector
Specialist, CGAP

The evolution of the nature and scale of DFS consumer risks in SSA region

What does the evidence show?

Benefits of digital financial services

DFS help reduce negative coping mechanisms and increase access to essential services

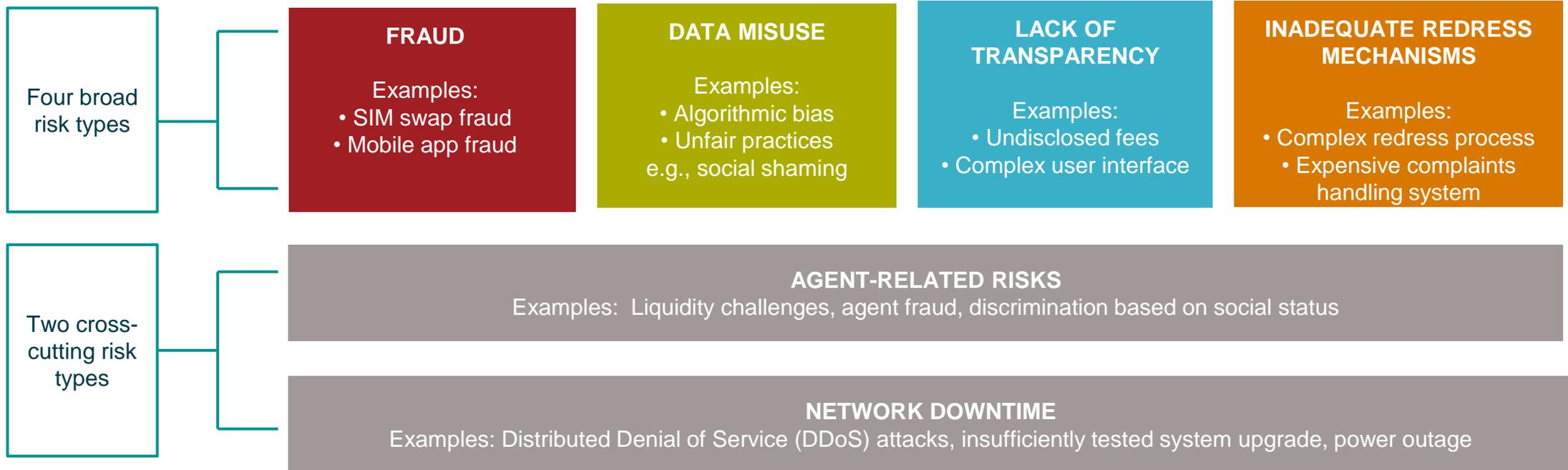
- **Uganda** – mobile money improved saving, borrowing & remittances by **25%**, **22%**, and **82%**, respectively.
- **Kenya** – households that used Mshwari were **6.3% less likely** to forego expenses due to negative shocks.
- **Côte d'Ivoire** – a short-term digital education loan product helped to increase children's school enrolment rate from **49%** to **73 %**



Photo by Evariste Bagambiki for 2016 CGAP Photo Contest

DFS consumer risk typology

CGAP identified 66 consumer risks and categorized them into four broad risk types and two cross-cutting risks



Fraud and data misuse are directly linked to cybersecurity.
The two cross-cutting risks share some elements with all four broad risk types.

Further info is available in *The Evolution of the Nature and Scale of DFS Consumer Risks*, CGAP 2022

The scale of DFS consumer risks has increased in most cases

Available evidence and data since 2015 show an increase in scale for most risk types identified by CGAP

Risk type	Global	Regions*	Country
1. Fraud*			
2. Data misuse			
3. Lack of transparency			N/A
4. Inadequate redress mechanisms**	N/A	N/A	

Red arrow: Available data show an **overall** increase in value or volume.

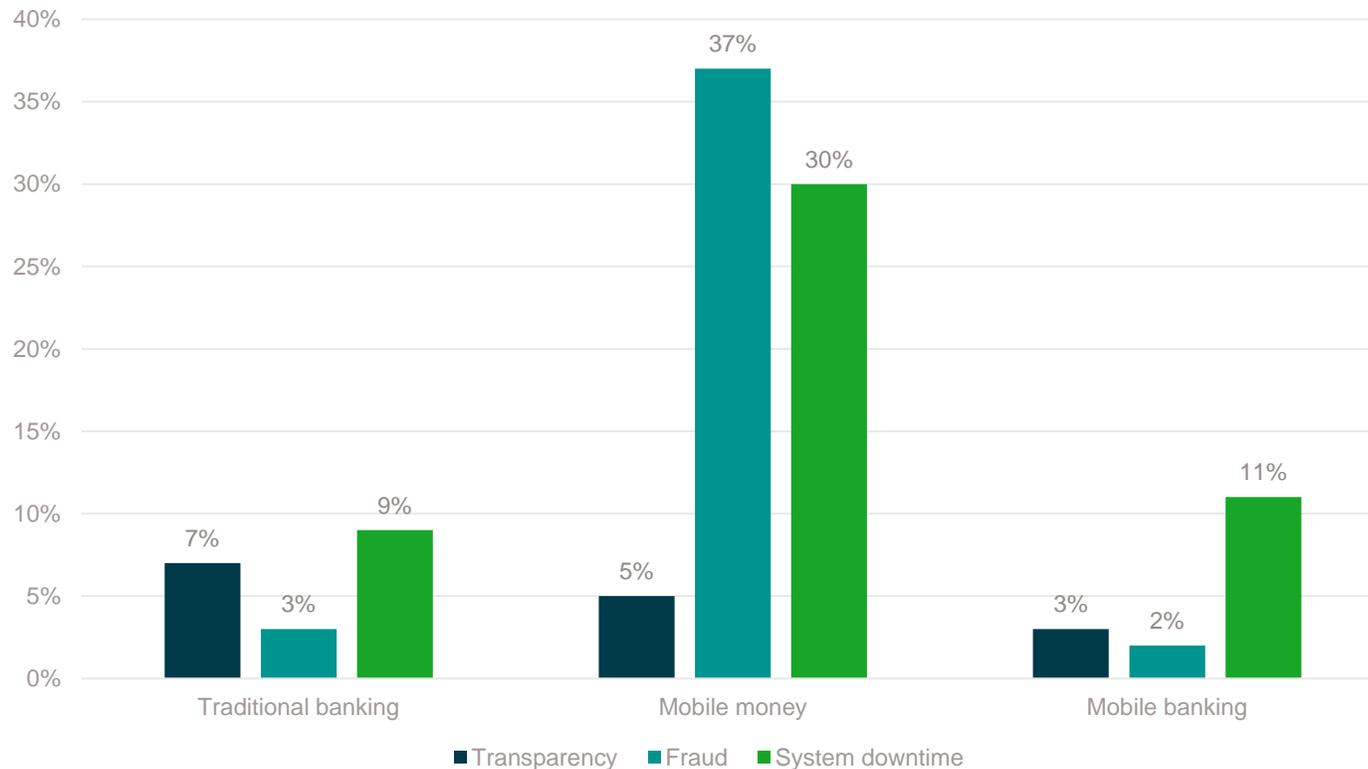
Orange arrow: Literature suggests an increase in value or volume without supporting data.

N/A: Reliable information and data are not available or sufficient to determine increase or decrease of the risk.

Further info is available in *The Evolution of the Nature and Scale of DFS Consumer Risks*, CGAP 2022

Mobile money users in Kenya face more challenges than other formal finance users

Percentage of users experiencing consumer protection challenges



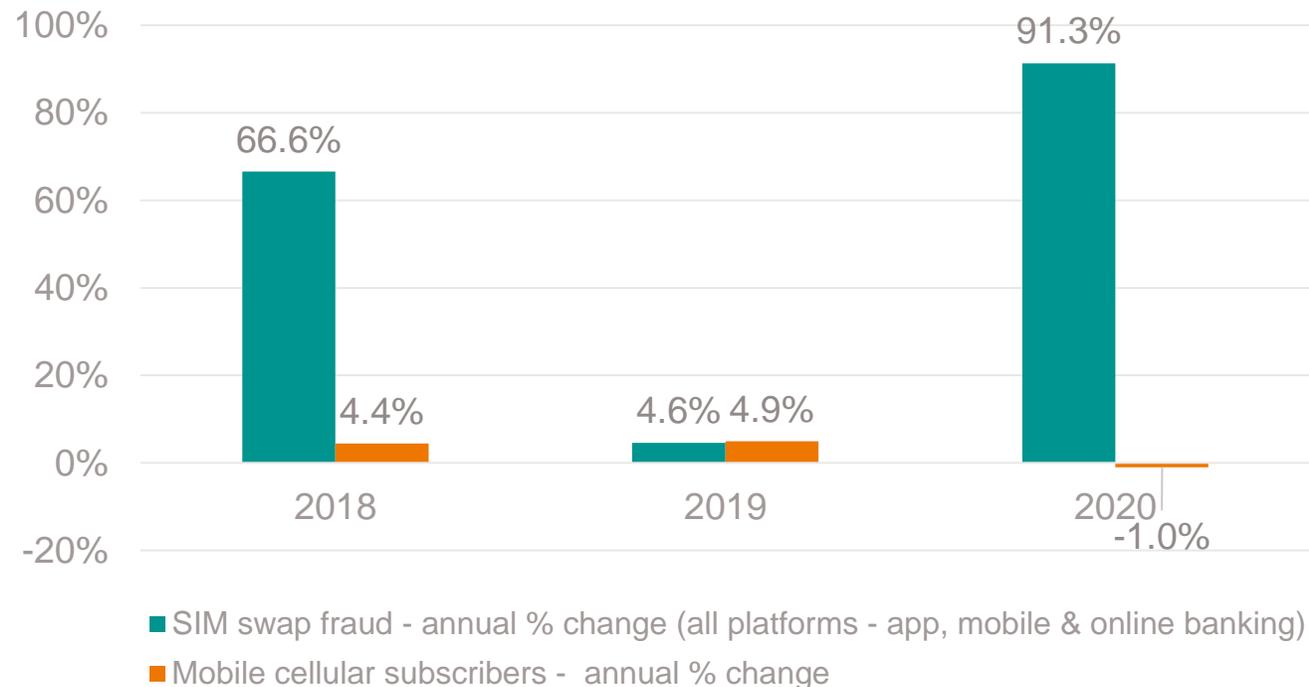
- 2016-2021: Formal inclusion up from 75% to 83.7% but financial health down **from 39% to 17%**.
- Mobile money account users who reported loss of money **up from 8.4% in 2019 to 47.4% in 2021**
- Multiple borrowing **increased from 33% before to 44% after the COVID shut down**. (IPA, 2021).

Source: Kenya National Bureau of Statistics, FSD Kenya and Central Bank of Kenya: Headline findings from Kenya's FinAccess 2019

Further info is available in *The Evolution of the Nature and Scale of DFS Consumer Risks*, CGAP 2022

SIM swap fraud is rising faster than mobile cellular subscriber growth

Percentage change in SIM swap fraud incidents in South Africa (SA)'s banking sector and mobile cellular subscribers in SA: 2018–2020



Source: South African Banking and Risk Information Centre (SABRIC) 2018, 2019, and 2020 annual stats (SIM swap fraud); World Bank DataBank (mobile cellular subscribers).

- 2017/2020 – SIM swap fraud incidents in SA's banking sector **up by 233%** vs # mobile cellular subscribers **up by 8.4%**.
- The mobile channel accounted for **more than 90%** of SIM swap fraud incidents.
- One of Mozambique's largest banks had a monthly **average of 17** SIM swap fraud cases before providers acted.

Further info is available in *The Evolution of the Nature and Scale of DFS Consumer Risks*, CGAP 2022

COVID-19 exacerbated DFS consumer risks

40% of SSA's regulators perceived an increase in fintech-related consumer protection risk during COVID-19 compared with the global average (13%).

Nigeria

Abusive digital credit-related debt collection practices were reported during the COVID-19 pandemic.

Zambia

In 2020 CCPC reported an increase in the number of complaints related to digital finance scams (Toronto Center, 2021).

Further info is available in *The Evolution of the Nature and Scale of DFS Consumer Risks*, CGAP 2022

Some voices of DFS users in SSA

“MNO X regularly deducts airtime credit from my phone, so **I am afraid** that if I open a mobile money account the company will do the same with my money. I **don't trust** this MNO.”

— **Street vendor, Bamenda, Cameroon**

“It is **difficult to trust** that your money is **safe** with FSP Y or Z. With **network problems** you are not sure if it is true that they have network problems or if it is just your money that they do not have to give you.”

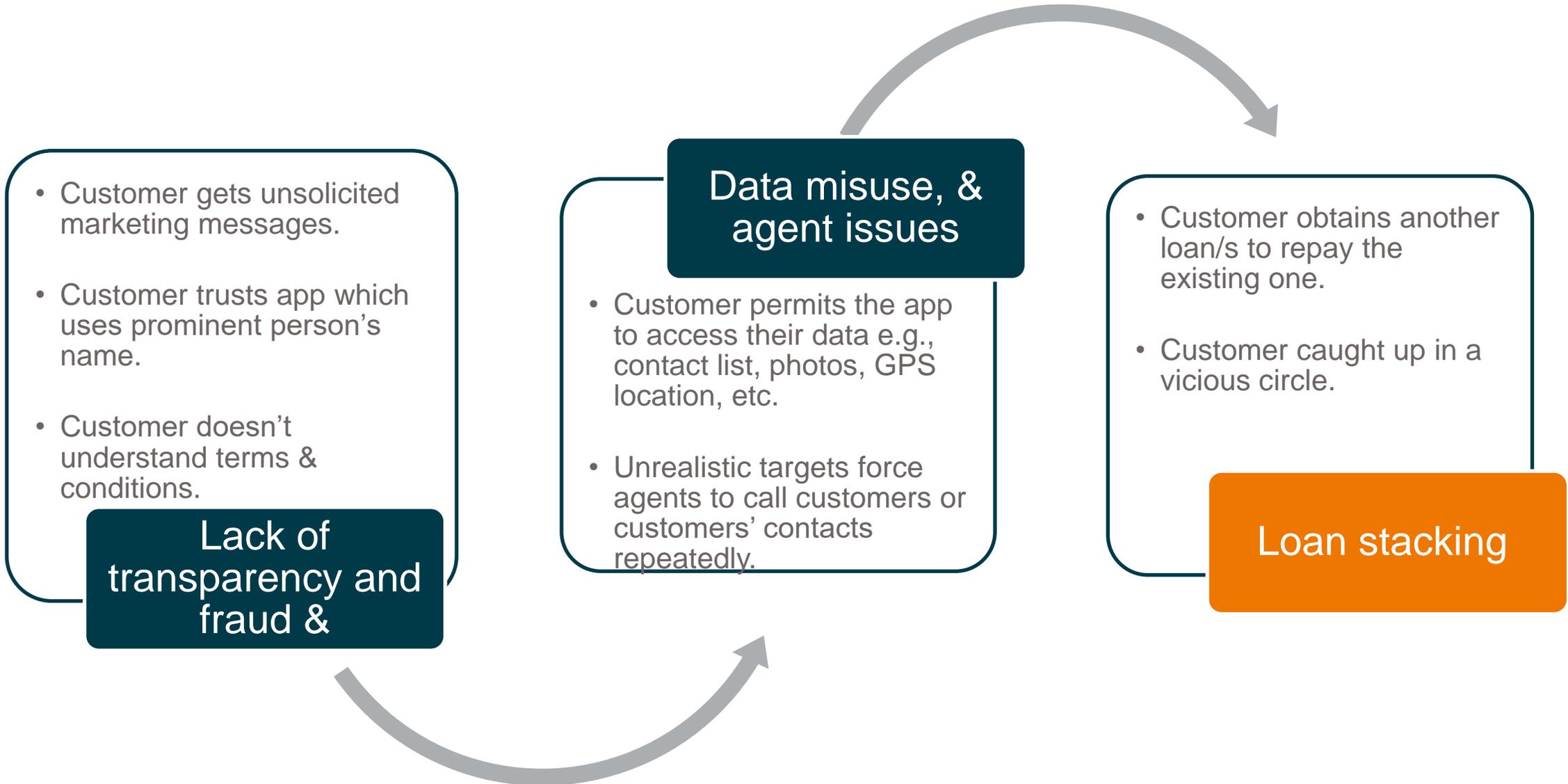
— **Anonymous user, Zambia**

“I **stopped using** Mobile Money because there was no security. Once someone **stole** 90,000 francs but **there was no way of finding out** who had withdrawn it.”

— **Shop assistant, Dakar, Senegal.**

**Over-indebtedness is more complex
in the digital era**

Journey of a customer using a fraudulent digital credit app



"Making Digital Credit Truly Responsible Insights from analysis of digital credit in Kenya." –the study was commissioned by SPTF MSC, and the Smart Campaign, a project of the Center for Financial Inclusion.

The Market Monitoring Toolkit

Why is market monitoring important for consumer protection?

- Helps identify, understand, and track **industry developments and consumer risks, behaviors and consequences.**
- **Shifts the focus of supervision** from individual providers to markets and consumers
- Supports consumer protection approaches focused on **customer outcomes and financial health**
- Enables **risk-based conduct supervision**



Market Monitoring Toolkit

Analysis of regulatory reporting

Analysis of complaints data

Phone surveys

Social media monitoring

Analysis of consumer contracts

Mystery shopping

Industry engagement

Thematic reviews

- Introduction
- Market Monitoring Tools

- Characteristics
- How to use this tool?
- Benefits and opportunities
- Limitations



Market Monitoring Toolkit

Mexico

Tanzania

Kenya

Ireland

Portugal

Russian Federation

- Introduction
- Market Monitoring Tools
- Country Cases

- Background
- Purpose & incentives
- Technical methodology & data ecosystem
- Staff, expertise & other requirements
- Vendor selection & cost
- Benefits & impact
- Limitations & implementation challenges
- Future plans for the tool
- Learnings



Market Monitoring Toolkit

Supervisors

- Where are you in your monitoring journey?
- How does market monitoring fit your supervisory activities?
- Establish a strong foundation for market monitoring
- Select a mix of tools

Other stakeholders

Further Resources

- Market monitoring FAQ
- Suptech FAQ
- What standard setters say
- Other resources

- Introduction
- Market Monitoring Tools
- Country Cases
- Taking Action
- Further Resources

Thank you

To learn more, please visit
www.cgap.org/ConsumerRisk



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