2021 FinAccess Household Survey

FinAccess deep-dives

Christine Hougaard | 10 November 2022

“Is financial consumer protection achieving its purpose?”
Proof of concept for a FinAccess Kenya financial consumer protection outcomes index
Taking the consumer pulse on a tricky balancing act

Promoting financial inclusion

Adequate consumer protection

What value do consumers derive?

How protected and empowered are they in practice?

A FinAccess **Financial Consumer Protection Outcomes Index (FCPOI)** to track the overall effectiveness of financial consumer protection across the financial sector from the consumer point of view

“...you know how these banks rate us in CRB either negatively or positively? There should be a way the public can also rate the different financial products on their performance to help those seeking the same services in future make informed decisions.”

-Male Youth, Focus group discussions 2022
A broad-ranging framework
But what do consumers themselves think?
Principles used for the FCPOI

The FCPOI is the average score across 9 key principles which manifest at the consumer level: 6 fair consumer outcomes and three additional directly customer-facing market conduct principles.

Source: CGAP (2020) for FCO elements
FCPOI methodology overview
Developed over three levels

1. **Sub-indicators**
   Relevant sub-indicators are defined and scored for each principle, based on the FinAccess structure, expressed as positive score percentages.

2. **Principles**
   Out of the sub-indicators, a single weighted average score is allocated for each of the 9 core principles.

3. **FCPOI**
   The FCPOI is calculated as a single index to measure the overall state of financial consumer protection across the nine principles. Differences between groups are standardised as gap relative total population score.
FCPOI methodology overview
Developed over three levels

Example of sub-indicators: Suitability
- Percentage of individuals without a bank account which is due to price or functionality
- Percentage of individuals without insurance which is due to price or functionality (do not see the benefit)
- Percentage of individuals without a SACCO account which is due to price or functionality
- Percentage of individuals without a MM account which is due to price or functionality
- Percentage of individuals who do not use mobile banking which is due to price or functionality
- Percentage of individuals who do not save due to the existence of too many fees/charges/too expensive, the requirement of a minimum balance or the requirement of a regular income

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Example of sub-indicators: Fairness and respect
- Percentage of bank account holders who claimed to receive poor service
- Percentage of MFI or SACCO account holders who claimed to receive poor service
- Percentage of mobile money account holders who claimed to receive poor service
- Percentage of mobile banking customers who claimed to receive poor service
- Percentage of digital lending app users who note experiencing harassment/listing on social sites (pushy messages/threats from provider)
FCPOI methodology overview
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Example of sub-indicators: Suitability
- Percentage of individuals without a bank account due to price or functionality
- Percentage of individuals without insurance due to price or functionality (not seeing the benefit)
- Percentage of individuals without a SACCO account due to price or functionality
- Percentage of individuals without a MM account due to price or functionality
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Example of sub-indicators: Disclosure
- Percentage of financially included individuals who depend most on a financial institution for advice/information
- Percentage of loan holders who know about the credit reference bureau report
- Percentage of bank customers who experienced hidden or unexpected charges
- Percentage of mobile money customers who experienced hidden or unexpected charges
- Percentage of MFI or SACCO users who experienced hidden or unexpected charges
- Percentage of mobile bank customers who experienced hidden or unexpected charges or fees

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Example of sub-indicators: Safety & security
- Percentage of bank customers who lost money as a result of fraud or cybercrime
- Percentage of mobile money customers who lost money as a result of fraud or cybercrime
- Percentage of mobile banking users who lost money as a result of fraud or cybercrime
- Percentage of SACCO or MFI customers who lost money
- Percentage of individuals who experienced fraud on a digital lending app
- Percentage of individuals who experienced unauthorised data sharing on digital lending apps (data shared without consent)
- Percentage mobile money users who lost money due to sending it to the wrong number
FCPOI methodology overview
Developed over three levels

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   Out of the sub-indicators, a single weighted average score is allocated for each of the 9 core principles.

3. **FCPOI**
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   Differences between groups are standardised as gap relative to total population score.
Findings
Baseline score of 67%

Good “verdict” overall, but red flags on some indicators

Source: FinAccess 2021
Progress over time
Positive trend in all indicators bar meet purpose

Source: FinAccess 2019; FinAccess 2021
A closer look
FCPOI comparisons across sub-groups
Gender
Women at a relative disadvantage

Source: FinAccess 2021
Livelihood types
Formal employment matters for FCP outcomes

- Suitability
- Choice
- Recourse
- Financial education
- Safety and security
- Fairness and respect
- Meets purpose
- Voice

Farming  Formal employment  Casual work  Self-employed  Dependents

Source: FinAccess 2021
Income level

Lower-income households worse off – especially in financial education, disclosure and meets purpose

Source: FInAccess 2021
Age differences

Young adults score highest; oldest cohort lags particularly on financial education and ability to voice concerns with service provision.

Source: FinAccess 2021
Location
Substantial urban-rural gap shows up weaknesses in effectively serving rural target market

Source: FinAccess 2021
Variation across groups
Largest variation in meets purpose, disclosure

Source: FinAccess 2021
Implications
Positive achievement overall, but underlying nuances present a call to action

• **Delivering on FCP promise**: The baseline FCPOI index score of 67% confirms the significant financial inclusion progress in Kenya

• **Remaining pain points**: suitability, voice, meet purpose; particular concerns for more vulnerable customer segments

• **Concerted effort needed** to further increase the FCPOI score across all sub-components and for all sub-groups of the adult population

• **Role of the index**:
  • Add to the dialogue by offering a stylised way of tracking consumer outcomes over time
  • Proof of concept for future refinement