Developing a financial Consumer Protection Outcome Index for Kenya
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Authors
Andrew Partridge
Christine Hougaard
Kgotso Mofulatsi
Christopher Ujma

Qualitative research inputs by Carol Matiko and team, GMaurich Insights

Centri
Tel. +27 21 913 9510
Email: info@cenfri.org
The Vineyards Office Estate
Farm 1, Block A
99 Jip de Jager Drive
Bellville, 7530
South Africa

PO Box 5966
Tygervalley, 7535
South Africa

www.cenfri.org
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<tr>
<td>CAK</td>
<td>Competition Authority of Kenya</td>
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<td>Central Bank of Kenya</td>
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<td>CMA</td>
<td>Capital Markets Authority</td>
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<td>CRB</td>
<td>Credit Reference Bureau</td>
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<td>DFS</td>
<td>Digital Financial Services</td>
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<td>FCP</td>
<td>Financial Consumer Protection</td>
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<td>FCPOI</td>
<td>Financial Consumer Protection Outcome Index</td>
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<td>FSDK</td>
<td>Financial Sector Deepening Kenya</td>
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<td>Financial Service Providers</td>
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<td>IRA</td>
<td>Insurance Regulatory Authority</td>
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<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
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<td>MFI</td>
<td>Micro-finance Institution</td>
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<td>MM</td>
<td>Mobile Money</td>
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<td>MNO</td>
<td>Mobile Network Operator</td>
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<td>MSMEs</td>
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<td>RBA</td>
<td>Retirement Benefits Authority</td>
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<td>SACCOs</td>
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Executive summary

From reach to value and positive outcomes. Having made great progress in reach and usage, the strategic emphasis in financial inclusion in Kenya is shifting to the need for the financial sector to deliver value to consumers, meet their underlying financial needs and promote financial health. Financial consumer protection plays a core part in ensuring that financial services deliver value. Traditionally, financial consumer protection frameworks are anchored on stipulations for market conduct by regulated financial service providers. However, there is an increasing move, globally, to orient financial consumer protection on principles for treating customers fairly (TCF) that remain constant as market trends and risks evolve, and, importantly, that translate into positive consumer outcomes measured from the perspective of customers themselves.

FinAccess can play a key role in informing the evolving agenda towards outcomes-orientated consumer protection. The Kenya FinAccess survey provides granular insight into the consumer perspective on financial inclusion. As such, it can be used to derive insights on consumer outcomes that can inform the financial consumer protection agenda in Kenya, as well as the evolving financial inclusion measurement agenda.

An aggregate consumer outcomes index. This document develops a financial consumer outcomes index for Kenya, based on available indicators from the FinAccess survey. The financial consumer protection outcomes index – FCPOI in short – is calculated as the weighted average score across a range of sub-indicators in the FinAccess survey speaking to nine core elements. Six of these elements relate directly to the core positive consumer outcomes as defined by CGAP (2020):

- **Suitability**: The customer has access to good quality, affordable and needs-appropriate services
- **Choice**: The customer can make an informed choice among a range of products, services, and providers.
- **Safety and Security**: Money and information are kept safe, privacy respected, and control is given over my data.
- **Fairness and Respect**: Customers are treated with respect throughout interactions with financial service providers, even when the situation changes, and due regard is given to customer interests.
- **Voice**: Customers can communicate with the provider through a channel of their choice and get problems resolved quickly at minimal cost.
- **Meets purpose**: Using financial services means that the customer is in a better position to increase control over their financial life, manage a shock, or attain other goals.

1 These six outcomes relate closely to treating customers fairly (TCF) principles framework.
To this, the authors added three additional components of financial institution conduct and customer behaviour that drive customer outcomes and for which the FinAccess survey renders granular insights, namely:

- **Disclosure** – Consumers should have all information material to their financial decisions presented by financial institutions in a manner that can be easily accessed and understood\(^2\).

- **Financial education** – Customers should be equipped with the set of skills and knowledge that allows them to make informed and effective decisions concerning their financial resources.

- **Accessible dispute resolution and redress** – Consumers should have access to channels whereby they can communicate any troubles or grievances that they are having with financial products and where disputes can be addressed\(^3\).

The index aggregates the findings across these components, weighted according to the extent of take-up of different types of financial services among the adult population, to arrive at a single index value of the state of financial consumer protection outcomes in Kenya that can be tracked over time. It also shows the breakdown of the index components and compares aggregate and component outcomes of the index across key population segments, namely gender, age, income categories, livelihood types and urban versus rural location. The findings are contextualised and amplified through desktop research and key informant interviews on the financial consumer protection landscape in Kenya, as well as a set of qualitative consumer focus group discussions, to better understand the underlying perceptions and nuances, and to give consumers themselves a voice in articulating the financial consumer protection gains as well as remaining concerns.

*Significant achievements, but specific vulnerabilities persist.* The overall FCPOI score for Kenya is 67%. This suggests a 67% success rate of the regulated financial sector as a whole in generating positive consumer outcomes in aggregate. This high score acknowledges the dedication of the market to the fair treatment of customers and the existence of a broad-based consumer protection regulatory and institutional landscape. It does not, however, mean that all work is done. The high aggregate number masks relative differences across sub-components, with *meeting purpose* and *voice* showing up as particular pain points. The customer experience is also not uniform across types of providers, as the qualitative consumer research confirms, with banks, mobile money providers, insurers, SACCOs and MFIs each having unique strengths and areas for improvement. Furthermore, the comparison of the index components across population groups highlights important remaining vulnerabilities:

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\(^2\) While there is some element of disclosure in choice as well as suitability, it was separated out for the purpose of the index due to the direct role that disclosure plays in financial consumer protection.

\(^3\) This is separated out from “voice” for the purpose of the index, as voice is positioned in the index to pick up on the ability for ongoing communication with the financial service provider.
- Low-income households, rural dwellers, individuals over 55 years old and the non-formally employed scored poorly relative to their peers on some components of the FCPOI, highlighting the need for more efforts at identifying the specific consumer protection risks these groups face when interacting with financial products and services, and ensuring they receive stronger financial consumer protection going forward.

- Rural consumers, in particular, exhibited low levels of financial education, are less likely than urban consumers to feel that they have adequate access to information (disclosure) and that the financial services that they have meet their financial needs (meeting purpose). The available products and services are also less suitable to their needs than for urban dwellers.

- Low-income households, farmers, casual workers and dependents, women and rural dwellers are all largely unable to use financial services to cope with shocks, address liquidity shortfalls and contribute toward specific goals which require lots of money. More is needed for the financial sector to meet its purpose for all strata of society.

- A significant gender gap is observed in favour of men, driven largely by the voice, meets purpose, disclosure and financial education indicators. This suggests that women receive less effective financial consumer protection than men and should be prioritised in efforts to further strengthen financial consumer protection practices. Specifically, more attention is needed on finding channels and means for women to effectively communicate with financial service providers and have their queries resolved without feeling intimidated, receive disclosure, and become empowered financial service users.

*Informing the financial consumer protection monitoring agenda.* Further increasing the FCPOI score across all sub-components and for all sub-groups of the adult population will require a concerted effort among market players and regulators. The index seeks to add to the dialogue on consumer protection in Kenya by offering a stylised way of tracking consumer outcomes over time, which can be used to hold the market accountable and to feed into the further development of a conducive and coherent enabling environment. The first generation of the index as included in this report is intended as a proof of concept, for further refinement in future survey years and as more evidence emerges on the key proxy indicators for customer-centric financial consumer protection in the Kenyan context.
1. Introduction

From inclusion to value. Having made great strides in promoting access to financial services, the focus of many countries’ financial inclusion agenda is increasingly on delivering value. This also holds true in Kenya. Kenya is one of the key examples of financial inclusion success globally – financial inclusion has more than tripled from only 27% in 2006 to 84% in 2021 (Central Bank of Kenya, KNBS, FSD Kenya, 2021). Building on this progress, the strategic emphasis of Kenya’s financial inclusion agenda has shifted to the usage of financial products and services, as well as the quality and impact that these deliver (Central Bank of Kenya, KNBS, FSD Kenya, 2021). This strategic shift acknowledges that the link between access to financial products and the ongoing use of and value provided by those products is neither automatic nor certain and that more attention needs to be paid to meeting Kenyans’ real needs (FSD Kenya, 2015).

Delivering value requires effective financial consumer protection. Globally, the increased adoption of financial services and digital financial services (DFS) has allowed consumers to realise a number of benefits. These benefits include greater ease of accessing financial services, an improvement in affordability, as well as an increase in individuals’ ability to build livelihoods and cope with financial shocks (Andrianaivo & Kpodar, 2011; Ozili, 2017). Such benefits, however, are accompanied by additional risks for consumers – including the risk of fraud, cybercrime, data breaches, opaque pricing, unfair selling practices, inadequate redress mechanisms, unscrupulous agent conduct and unfair exclusion (CGAP, 2022). To illustrate: a recent publication based on research in India, Kenya and Peru finds that Micro and Small Enterprises (MSEs) have significant distrust in DFS providers due to a limited number of recourse mechanisms and a lack of transparency on the use of customer data (CGAP, 2022b). Moreover, engagement with financial services can lead to customer frustrations – notably when network downtime or service interruptions undermine the completion of transactions. Ultimately, these risks and frustrations mean that consumers may not derive optimal value from their financial service usage, or even that their financial service usage may be to their detriment. Thus, protecting consumers against poor usage outcomes is core to the quest for better customer value and impact.

Financial consumer protection (FCP) is a term encompassing the laws, regulations, and institutional arrangements that safeguard consumers in the financial marketplace (The World Bank, 2022). By building and maintaining consumer confidence and trust, FCP contributes to the uptake and sustained usage of financial services and, consequently, economic livelihoods (The World Bank, 2022).

Need for a principles-based, customer outcomes-orientated approach. The fact that financial inclusion and DFS trends and risks are dynamic and continually evolving, means that traditional rules-based FCP frameworks quickly become out of touch with the realities faced by consumers. In
contrast, principle-based frameworks are “future-proof” and adaptive, allowing them to accommodate new trends and technologies and remain relevant over time and across different contextual settings. Basing frameworks on consumer outcomes, as opposed to financial institution conduct, ensures that financial consumer protection efforts work towards the ultimate objectives they are intended for.

**Exploring the full extent of FinAccess insights on FCP.** While much analysis has been done to track trends in access, usage, financial needs and financial health across the various FinAccess survey editions, the shift in strategic emphasis asks for a deeper understanding of how financial service usage delivers value. Thus, the primary objective of this study is to explore the full breadth of insights from FinAccess to inform the question: what is needed to enable the financial sector ecosystem in Kenya to create long-lasting value in Kenyans’ lives? It does so by compiling a financial consumer protection outcomes index (FCPOI) for Kenya which can be used to track progress over time as well as to compare outcomes across different population segments. The findings are supplemented by limited-scope qualitative consumer research⁴, desktop research and key informant interviews to position the insights in the context of the broader financial consumer protection landscape.

**Implications.** The first-generation index as presented in this report is intended as a proof of concept, put forth to test the power and potential of such an index, contribute to the financial inclusion measurement agenda and invite further discussion on the methodology in future survey rounds. Ultimately, the objective is for the index to highlight key issues or constraints in financial services consumer outcomes for different population segments to help inform the evolution of the financial consumer protection policy landscape and market practices.

**Structure.** The next section provides an overview of the financial consumer protection landscape in Kenya, including a description of the main regulators and the laws, regulations and guidelines governing their actions. Section 3 then introduces the financial consumer protection framework and principles from the global literature that form the basis for the development of the financial consumer outcomes index and outlines the methodology used for the calculation of the index. Section 0 uses the index to assess the state of financial consumer protection in Kenya and highlight any significant gaps between different population segments. Section 0 concludes.

⁴ To complement the index, the study carried out five qualitative focus group discussions (FGDs), each with eight to ten participants. See Appendix A for an overview.
2. Kenya’s FCP Landscape

2.1. Institutional and policy framework

Figure 1 outlines the FCP regulatory landscape in Kenya. It shows that the FCP framework emanates from the Constitution, from where consumer protection is enshrined in both sector-specific and cross-cutting legislation, as discussed below:

Kenya’s constitution enshrines consumer protection rights. The Kenyan constitution contains several clauses to protect consumers’ rights. For example, Article 35 outlines consumers’ right to information, Article 46 provides general consumer rights, and Article 47 contains individuals’ rights to a fair administrative procedure (Constitution of Kenya, 2010).

Dedicated overarching consumer protection legislation. The Consumer Protection Act of 2012 stipulates the rights and obligations of consumers, issues rules on unfair practices and credit agreements, prohibits advance fees in specific sectors (e.g., loan brokering, credit repair), and outlines procedures for consumer remedies (Republic of Kenya, 2012). The Act also creates the Kenya Consumer Protection Advisory Committee to advise on consumer protection policy, create or facilitate the establishment of conflict resolution...
mechanisms, and educate consumers on their rights and responsibilities (Republic of Kenya, 2012).

Central consumer protection mandate. The Competition Authority of Kenya (CAK) has the mandate to enforce the Competition Act, No. 12 of 2010 to enhance consumer welfare and protection through the promotion and protection of effective market competition and the prevention of misleading market conduct across all industries (Competition Authority of Kenya, n.d.; Republic of Kenya, 2010). Part 6 of the Act covers consumer welfare and includes clauses on unconscionable conduct, false or misleading representations, and offences and penalties among other areas (Republic of Kenya, 2010). Thus, it has a direct consumer protection mandate that also applies to the financial sector.

Sector-specific market conduct mandates. Financial consumer protection is also entrenched in the financial sector regulatory framework itself. Kenya’s financial sector regulatory system adheres to a sectoral-based approach. Each of the country’s five financial sector industries has a dedicated regulator with an industry-specific market conduct mandate. The mandate, jurisdictions, and key legislation that form part of each regulator’s FCP framework are discussed below:

- **The Central Bank of Kenya (CBK)** oversees banks and sets the regulatory framework and prudential guidelines that govern their operations as part of its bank supervision mandate (Central Bank of Kenya, n.d.). It also oversees the national payment system, including non-bank providers such as mobile network operators. Relevant CBK laws and regulations include the Banking Act of 2013 (Republic of Kenya, 2013), the Prudential Guideline on Consumer Protection (PG22), the Guideline on Agent Banking (PG 15) (CBK, 2013; CBK, 2010), the E-money regulation issued to govern Kenya’s mobile money industry (CBK, 2013), the National Payments System Act of 2011 and associated regulations (Republic of Kenya, 2011; CBK, 2014), the guidance note on Cybersecurity of 2017 (CBK, 2017), and the Kenya Banking Sector Charter, 2019, which includes key consumer protection principles such as fairness and transparency (CBK, 2019). Most recently, CBK published the Digital Credit Providers Regulations of 2022 which provides for the licensing and oversight of previously unregulated Digital Credit Providers, and that includes consumer protection guidelines (CBK, 2022).

- **The Retirement Benefits Authority (RBA)** has the mandate to regulate and supervise the establishment and management of Kenya’s retirement benefits schemes as detailed under the Retirement Benefits Act No.3 of 1997, which also serves as the cornerstone legislation for Kenya’s retirement benefits schemes (Retirement Benefits Authority, n.d.) (Retirement Benefits Authority, n.d.) (RBA, 1997). Among the several powers delegated to the Authority, the Act enables the Authority to protect the interests of retirement scheme members as well as investigate any offences that may violate the Act (RBA, 1997). The RBA
issued TCF guidelines in 2021 and required schemes to implement them in their rules (Stakeholder Interviews, 2022).

- **The Capital Markets Authority (CMA)** regulates, supervises and monitors Kenya’s capital markets which include the stock exchange, the central depository and settlement system, and other licensed persons under the Capital Markets Act. Under Part 2 of the Capital Markets Act of 1989, the authority has the power to ensure proper market conduct, protect the interests of investors, as well as promote investor education and public awareness (Capital Markets Authority, n.d.); (Capital Markets Authority, n.d.); (CMA, 2018).

- **The Insurance Regulatory Authority (IRA)** regulates, supervises, and develops the Kenyan insurance industry. The IRA seeks to promote consumer education and protection, create an inclusive, competitive, and stable insurance industry, and offer quality customer service (Insurance Regulatory Authority, n.d.). Key elements of FCP regulation include the Insurance Act of 2013, which stipulates the authority’s mandate and rules on contracts, claims, premiums, and cooling-off periods among other areas, and the Guideline to the Insurance Industry on Market Conduct for Insurers (IRA/PG/18) (IRA, 2013a; IRA, 2013b). These guidelines take a principles-based stance, framed according to the fair treatment of customers (IRA, 2013).

- **The SACCO Societies Regulatory Authority (SASRA)** has the mandate to supervise and regulate Kenya’s Saving and Credit Cooperative Societies (SACCOs). It supervises and regulates deposit taking and specified non-deposit taking SACCO societies (SACCO Societies Regulatory Authority, n.d.) (SACCO Societies Regulatory Authority, n.d.) (Republic of Kenya, 2008). Key pieces of regulation include the SACCO Societies Act of 2008 and the SACCO Societies regulations of 2010. The SACCO Societies Act grants the Authority the power to investigate any instances of fraud or malpractice in any SACCO society and to issue prudential standards for market conduct of SACCO Societies (Republic of Kenya, 2008). The SACCO Societies regulations of 2010 include provisions on disclosure requirements under Part 6 of the regulations (Republic of Kenya, 2010).

Functional areas impacting across the landscape. Kenya has two further regulators with consumer-protection-relevant mandates that cut across all industries:

- **The Office of the Data Protection Commissioner** is a recently established authority with the responsibility of enforcing the new Data Protection Act of 2019. Its mandate, which is derived from the Data Protection Act, includes regulation of the processing of personal data, the protection of individuals’ privacy, and the dissemination of the rights and remedies.

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5 In addition, the Credit Reference Bureau (CRB) and Credit Information Sharing Association also play an important role in promoting information sharing across different types of credit providers to further consumer protection outcomes.
available to individuals to protect their data from unlawful processing (Office of the Data Protection Commissioner, n.d.; Republic of Kenya, 2019).

- The Communications Authority of Kenya regulates the Kenyan communications sector and enforces cybersecurity regulations that cut across all economic sectors. Its core legislation is the Information and Communications Act of 1998, which includes consumer rights protection (Republic of Kenya, 1998). The Authority has also issued dedicated consumer protection regulations under the Kenya Information and Communications (Consumer Protection) Regulations of 2010 (Communications Authority of Kenya, 2010). Moreover, the Authority is the enforcer of the Computer Misuse and Cybercrimes Act of 2018 which stipulates penalties for offences such as unauthorised disclosure of passwords, identity theft, and the fraudulent use of electronic data (Republic of Kenya, 2018).

2.2. Financial consumer protection status and concerns

This sub-section outlines insights on the status of financial consumer protection as it arose from stakeholder interviews and qualitative consumer research, as a backdrop to the findings of the FCPOI.

Mindset of fair customer treatment. As noted above, there is a move within different spheres of FCP regulation towards a principles-based approach. Some financial institutions have also started to adapt treating-customers-fairly (TCF) principles as part of their core values, independent of the regulation (Stakeholder Interviews, 2022). From the qualitative consumer research, customers acknowledge the emphasis on fair treatment of consumers among regulated financial institutions.

“…banks are also so fair especially when it comes to serving their customers in the banking halls. They give numbers to their customers, and everyone is served following the numbers, not jumping the queue.”

- Female Urban

Source: Consumer Research, 2022

Financial education and health are actively promoted. Regulators and market players are actively promoting financial education and health. As part of their mandates for FCP, regulators have set up seminars to educate consumers on their rights and responsibilities and have focused on promoting financial health by targeting over-indebtedness (Stakeholder Interviews, 2022). Some market players have leveraged their branch and agent networks as well as digital platforms like social media to promote financial education (Stakeholder Interviews, 2022).
“Microfinance always educates you before getting the loan. It takes like six weeks of learning.”

- Male youth, Urban

Source: Consumer Research, 2022

Responding to key areas of concern. The Kenya Consumer Protection in Digital Finance Survey, conducted in 2020, highlighted poor customer care and unexpected charges as areas that FSPs could improve on (Blackmon, et al., 2021). Under its consumer protection mandate, the Competition Authority has been investigating the main areas of complaints, including non-disclosure of fees and allegations of unscrupulous conduct by digital lenders and non-deposit taking Micro-finance Institutions (MFIs) (Stakeholder Interviews, 2022). Amongst others, the CAK has enforced penalties on FSPs that failed to disclose all fees and charges by mandating FSPs to refund affected consumers the undisclosed amounts (Stakeholder Interviews, 2022). The CBK has acted on concerns in the digital lending market that rose to prominence on the back of the substantial rise in digital loans due to higher costs of living, liquidity constraints and over-indebtedness arising as a result of the COVID-19 pandemic (Muia, 2022; Putman, et al., 2021). In 2022, the CBK published the Digital Credit Providers Regulations, which include guidelines on consumer protection, to establish oversight of previously unregulated digital credit providers (CBK, 2022).

Forum for collaboration. The Financial Sector Regulators Forum (FSRF) was formed to enable regulators to collaborate on shared issues and the assurance of financial stability (Stakeholder Interviews, 2022). The forum has a Memorandum of Understanding (MoU) on information sharing and other areas of collaboration across forum members (Stakeholder Interviews, 2022). Thus, the forum provides an existing platform from which to coordinate on matters of financial consumer protection.

Remaining concerns. Despite these positive developments, the literature, stakeholder consultations and qualitative consumer research point to a number of remaining concerns:

- **Front of mind concerns on cybersecurity and fraud.** With more consumers engaging with financial services digitally, regulators and market players have raised concerns about cybercrime and fraud risks (Stakeholder Interviews, 2022). For example, suspected fraud through identity theft in the financial services sector grew by approximately 150% in the first four months of 2021 (Anyanzwa, 2021). Moreover, the Communications Authority reported that incidences of cybercrime rose by more than 50% in Q4 2021 and Kenya’s SACCOs lost Ksh106 million (US$ 885 9176) to cybercrime in the 17 months to March 2021 (Soko Directory, 2022). A survey by Innovations for Poverty Action (IPA) for the Competition Authority of

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6 Ksh1 = 0.0084 USD as of 22 August 2022
Kenya noted that phishing via phone or SMS was the most common challenge faced by consumers of DFS (Blackmon, et al., 2021). The focus groups conducted for the present study confirmed that the risk of cybercrime is front of mind for consumers even if, as the index findings in Section 0 will show, not many consumers report losing money due to cybercrime or fraud.

“... messages on Mpesa information about fraud tips. That's a good thing. That real helps so many people beware of those fraudsters. ... through social media, radio and TV, sometimes even in native languages so that even the old people who do not understand English or Swahili can understand”

- Female, Rural

Source: Consumer Research, 2022

- **Remaining instances of non-compliance.** Apart from cybersecurity and fraud concerns, stakeholder consultations suggest that conduct by unregulated non-deposit taking MFIs remains a concern. These entities, though registered under the Companies Act, are not regulated as financial service providers and take advantage of the Movable Assets Act to seize and auction assets upon loan default. They also charge exorbitant fees as compared to regulated financial institutions. Further concerns noted are instances of investment fraud and illegal pyramid schemes disguised as SACCOs (Stakeholder consultations, 2022). For example, in 2021 the CMA noted that Kenyans had lost Sh1 billion (USD 8.4 million) to unregulated investment schemes (Guguyu, 2021).

- **More can be done.** The qualitative consumer insights confirm the track record of the financial sector in meeting consumer expectations on all major aspects of financial consumer protection, but also show up remaining challenges. Major concerns are raised about digital lending offers that lock people into a cycle of debt and lenders that engage in what consumers perceive as invasive debt collection and communication practices, as well as regarding agent behaviour that undermines data privacy and security.
“...it’s even harder for me to quit Fuliza. Fuliza only helps you the very first day you borrow from them. From there it’s like being a slave to it....”
- Male youth, Urban

“I use Fuliza several times a week, it is expensive, but I am trapped now and I can’t seem to stop using it.”
- Male, Urban

“They say that thing is not a loan [Fuliza] they call it an overdraft but the interest charges are very high.”
- Male, Urban

Source: Consumer Research, 2022

• Consumers also perceive some formal financial institutions as daunting and confusing, and struggle to effectively exercise their voice. Though FSPs are providing information to consumers, consumers contend they are not provided all the information they need to make informed decisions, or that the information is not always in a format that is easy for them to digest. Moreover, they note issues in follow-ups by FSPs on their disputes.

“The institution will only give you positive information about a product; so I believe other users are the best people to give you information.”
- Female Urban

“Banks have a website where you can make suggestions or comments but most of the time servers are down and it’s not possible to leave comments.”
- Female Urban

“...mostly it’s in so many paragraphs and in very small writings. They use legal language like it is done in the courts, they write ‘section’, ‘cap’, ‘clause’ and we can’t understand such language.”
- Male urban

“That form they give you has all the information you need but they will not show you all the important information, they will tell you things that will make you take the loan because they too are in business.”
- Male urban

“There was a time I wanted to buy electricity tokens and there was a delay. They did send me a message telling me they will inform me when
the services resume. So, the services resumed but I wasn’t informed I was still waiting for them to inform me.”

- Female urban

Source: Consumer Research, 2022

The next section establishes the financial consumer protection outcomes index (FCPOI) for Kenya as a basis for tracking overall progress in FCP in Kenya.
3. Developing a Financial Consumer Protection Outcomes Index for Kenya

3.1. Introduction to the financial consumer protection and outcomes framework

A holistic framework for assessing financial consumer protection. The FCPOI is based on the core elements of FCP contained in the global body of FCP literature. Figure 2 overleaf establishes a framework for showing how the different core components of financial consumer financial protection as synthesised across the international literature related to one another. The framework splits consumer protection into a “supply-side” component (different elements of responsible conduct by financial services providers) and a “demand-side” component (how such actions translate into empowered consumers):

- At the core of the supply-side is the assurance that financial service providers (FSPs) act responsibly and in their customers' best interests (“responsible conduct”). More broadly, consumers need to have confidence and trust in the financial system. This requires consumer assets to be adequately protected from theft, fraud and mismanagement (“prudential regulation”), personal and financial data to be adequately protected from unauthorised use (“privacy and data protection”), consumers be adequately protected from cybercrime (“cybersecurity”).

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7 This framework draws on a number of authoritative sources, notably:
- AFI guideline resources. The Alliance for Financial Inclusion (AFI) have published a number of guideline notes including key policy considerations for consumer protection (AFI, 2010), a survey report together with a policy model laying out consumer protection principles for digital financial services in a theoretical framework (AFI, 2021a), a guideline note on data privacy for digital financial services (AFI, 2021b) and a guideline note on digital financial literacy (AFI, 2021c).
- The CFI’s Handbook on Consumer Protection in Inclusive Finance. The Centre for Financial Inclusion (CFI) at Accion have laid out current shifts towards strong legal frameworks for consumer protection in Digital Financial Services (CFI, 2019).
- CGAP’s Consumer Protection Regulation in Low-Access Environments. The Consultative Group to Assist the Poor (CGAP) have put forward a targeted, incremental approach to addressing consumer protection in underserved markets, as well as further measures for more advanced economies (CGAP, 2010).
- The G20 principles of financial consumer protection. At the request of the G20 Finance Ministers and Central Bank Governors, the Organisation for Economic Co-operation and Development (OECD) developed a set of guiding principles for consumer protection in financial services (OECD, 2011).
- The UN’s Guidelines for Consumer Protection. The United Nations Conference on Trade and Development (UNCTAD) have developed principles which outline what is needed for consumer protection in legislation, enforcement institutions and redress systems (UNCTAD, 2016)
- The World Bank’s Good Practices for Financial Consumer Protection. Builds on the 2012 framework developed by the World Bank to provide a comprehensive assessment of the key characteristics of financial consumer protection. The updated framework contains thirty-nine general principles grouped into eight thematic areas, as well as a further set of more detailed sectoral sub-recommendations (World Bank, 2017)
and the promotion of competition in the financial sector to drive innovation and provide user choice ("a competitive financial sector").

- On the demand side, consumers are empowered when they are provided with sufficient and appropriate information from providers so that they can understand the product or services and make informed choices ("access to information"). FSPs should also ensure customers can access adequate knowledge and skills to understand risks and provide advice and assistance ("financial education"). Both of these elements entail flows from suppliers to customers; in the opposite direction, consumers should also be empowered to exercise recourse against FSPs ("access to dispute and redress").

Furthermore, to create an enabling environment from a governance perspective, consumer protection should be included in all relevant forms of law and regulation ("legal recognition") and functioning, well-capacitated oversight bodies are needed to monitor consumer protection ("effective oversight and monitoring"). In the figure, these are presented as foundational, cross-cutting components of financial consumer protection.

Figure 2: Financial consumer protection framework


Fair consumer outcomes as an overarching principle and an outcome of financial consumer protection. Finally, a key feature of this framework is the inclusion of fair consumer outcomes as both an overarching principle in which all the other elements culminate and the ultimate outcome against which the
success of consumer financial protection can be measured. CGAP (2020) defines six core consumer outcomes, as outlined in the box below. This list aligns closely with the Treating Customers Fairly (TCF) framework that is gaining traction in financial sector regulations and guidelines, globally.

Box 1: Treating Customers Fairly and Fair Consumer Outcomes

Treating Customers Fairly (TCF) is an outcomes-based regulatory framework which has gained popularity in recent years and is designed to ensure that financial institutions deliver specific, clearly established fairness outcomes for consumers (CMS Law, 2022). It defines six core TCF outcomes:

- **Outcome 1**: Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.
- **Outcome 2**: Products and services are designed to meet the needs of identified consumer groups and are targeted accordingly.
- **Outcome 3**: Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
- **Outcome 4**: Advice received is suitable and takes account of their circumstances.
- **Outcome 5**: Consumers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and as they have been led to expect.
- **Outcome 6**: Consumers do not face unreasonable post-sale barriers imposed by firms to change products, switch providers, submit a claim or make a complaint.

Following a growing trend to focus less on the effectiveness of consumer protection inputs and activities, and rather on how such activities manifest in consumer outcomes, CGAP (2020) developed a consumer outcomes framework that likewise defines six outcomes, whereby:

- **Suitability**: The customer has access to good quality, affordable and needs-appropriate services.
- **Choice**: The customer can make an informed choice among a range of products, services, and providers.
- **Safety and Security**: The customer’s money and information are kept safe, their privacy respected, and they are given control over their data.
- **Fairness and Respect**: Customers are treated with respect throughout interactions with financial service providers, even when the situation changes, and due regard is given to customer interests.
- **Voice**: Customers can communicate with the provider through a channel of the customer’s choice and get problems resolved quickly at a minimal cost.
- **Meets purpose**: Using financial services means that the customer is in a better position to increase control over their financial life, manage a shock, or attain other goals.

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8 The TCF framework was pioneered in 2006 in the UK by the Financial Services Authority and later adopted by the Financial Conduct Authority under the move to a twin peaks regulatory architecture. The TCF framework has already been adopted by several countries including Australia, Canada, India, Malaysia, New Zealand, Singapore and South Africa (World Bank, 2017; Faafoi, 2019; Izaguirre, 2020).
3.2. Deriving the Financial Consumer Protection Outcomes Index

*Founded on nine core aspects of financial consumer protection which manifest at the consumer level.* The Financial Consumer Protection Outcomes Index (FCPOI) defined for Kenya comprises the six core elements of the CGAP Consumer Outcomes Framework, plus three further elements of financial service provider conduct that manifest at the consumer level for which the FinAccess survey renders pertinent insights, namely financial education, disclosure and recourse. The FCPOI has been designed as a holistic index measured across these nine core components:

![Diagram of FCPOI elements](image)

**Figure 3: Elements of the FCPOI**

*Source: Authors’ own, drawing on CGAP (2020)*

*Why are these elements important?* Below, the definition of each element as adopted by the FCPOI and the rationale for including that element are outlined in turn:

- **Suitability** – Consumers should have access to good quality financial services that are affordable and appropriate to their preferences and particular situation. Particularly, the risk tolerance, needs, and situation of the individual should be well assessed, and financial services tailored to these in terms of features, design, and delivery.
- **Why it matters**: Having access to a suitable suite of products is important to ensure that consumers’ use of financial services aligns with their needs and realities.

**Choice** – Consumers should be able to select between multiple options and be provided with adequate information to make an informed decision between products/providers.

- **Why it matters**: Choice is important to ensure that all market segments are adequately served and that providers continue to offer competitive products. The provision of adequate and understandable information is important to allow consumers to make informed choices between a range of products, services, and providers. Moreover, consumers need to be given the opportunity to reverse their choice and switch easily at a low cost.

**Safety and security** – Customers’ data, money and personal information should be stored securely. Moreover, financial service providers should respect consumer privacy and give them control over their data.

- **Why it matters**: Safety and security of customers’ assets is important to ensure that usage of financial services is not undermined by a lack of trust in the financial system. Data protection and privacy are important to ensure that customers’ personal data cannot be used by others for malicious purposes, and to ensure that customers are willing to continue to share personal information which will enable financial service providers to provide more effective financial products and services.

**Fairness and respect** - Financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers. Special attention should also be given to ensuring that these principles are adhered to when dealing with consumers from vulnerable groups.

- **Why it matters**: This outcome is important to ensure that vulnerable groups are not unfairly discriminated against, customers retain a sense of dignity when using financial services, that service delivery is predictable and consistent, and that individuals’ time and resources are respected.

**Voice** - Customers should be able to communicate with financial service providers through accessible channels, have their questions and feedback heard, and get their problems resolved with minimal cost.

- **Why it matters**: This outcome is important to ensure that consumers feel empowered in their interaction with financial services, that their opinions are valued and that any problems that they may be experiencing can be addressed timeously.

**Meets purpose** – Customers should have access to financial products that are tailored to meet the needs of customers and address the specific objective which they were designed to, ensuring that financial services bring the required value to customers. Specifically, financial services allow consumers to meet their daily spending needs, manage financial shocks and attain longer-term financial goals.

- **Why it matters**: Meeting the underlying financial need is the ultimate purpose of financial services.
• **Disclosure** – Consumers should have all information material to their financial decisions presented by financial institutions in a manner that can be easily accessed and understood.9
  - **Why it matters:** Effective disclosure is important so that customers can choose financial services that are suited to their needs and that they do not suffer any negative consequences associated with choosing a financial product that they were not fully informed about.

Financial education – Customers should be equipped with the set of skills and knowledge that allows them to make informed and effective decisions concerning their financial resources.

  - **Why it matters:** A lack of financial education can lead to misinformed financial decisions, resulting in unsustainable debt burdens, poor credit, money loss, higher risks of being a victim of fraud, and damage to long-term financial success.

• **Accessible dispute resolution and redress (recourse)** – Consumers should have access to channels whereby they can communicate any troubles or grievances that they are having with financial products and where disputes can be addressed.10
  - **Why it matters:** For both customers and financial service providers, disputes are damaging, expensive and time consuming. Moreover, it is important that consumers feel that their grievances are important to providers to ensure that they feel valued and that they have trust in the financial services sector.

The rest of this section provides an overview of the data, index components, weightings and calculations applied in the compilation of the index.

### 3.2.1. Data: The FinAccess Survey


Since the primary focus of this report is to evaluate the current state of consumer protection outcomes in Kenya, the quantitative analysis focuses specifically on the 2021 iteration of the survey.11 The survey utilised a cross-

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9 While there is some element of disclosure in choice as well as suitability, it was separated out for the purpose of the index due to the direct role that disclosure plays in financial consumer protection. The index components were defined to remove any duplication.

10 This is separated out from “voice” for the purpose of the index, as voice is positioned in the index to pick up on the ability for ongoing communication with the financial service provider. The index components were defined to avoid any duplication between elements.

11 This report also focuses on the 2021 survey as the potential to compare outcomes across cross-sections is very limited due to the questionnaire structure being inconsistent across time.
sectional survey design at the household-level and was administered to individuals aged 16 and above living in conventional households in Kenya. For the analysis in this report, which focuses on the consumer protection outcomes of the financial sector, the sample was restricted to individuals aged 18 and above, as only these individuals can hold a national identity card – a prerequisite for accessing formal financial services\(^\text{12}\) in Kenya (Central Bank of Kenya, KNBS, FSD Kenya, 2021). Findings and percentages quoted in this report should therefore not be compared like for like to topline FinAccess 2021 findings.

The final working sample comprises 20,909 respondents weighted at the national and county level and weighted for non-response (Central Bank of Kenya, KNBS, FSD Kenya, 2021). As such, the sample is nationally representative. The data includes individuals’ responses to questions concerning the perceived quality of financial institutions and products, the attitude toward financial services such as savings and loans, and the factors influencing an individual’s choice of financial institution/product. This data permits the construction of the various index components as outlined in the next section.

### 3.2.2. Index components

To evaluate the state of financial consumer protection outcomes in Kenya, relevant FinAccess questions were used to define several sub-indicators relating to each of the nine components included in the index. The table below outlines the sub-indicators used to compile each element of the index, based on the available indicators within the FinAccess survey. It is important to note that the index was only developed after the FinAccess survey had been administered and, as such, the analysis had to work with questions which had already been developed. This limited the index from being able to cover all potentially relevant aspects of each component. Thus, the FCPOI should be considered indicative and not exhaustive. The structural framework of the index can act as a guide when developing future rounds of the survey, to enable the survey to track the consumer outcomes in a more standardised manner.

<table>
<thead>
<tr>
<th>FCPOI element</th>
<th>Sub-indicators</th>
</tr>
</thead>
</table>
| **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 |

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\(^{12}\) As the purpose of the index is to measure progress in financial consumer protection, it is focused on formal financial service usage, as financial consumer protection measures apply only to regulated financial institutions. This choice of focus is not to downplay the substantial consumer protection risks or negative outcomes that can arise in the informal or illegal space, but to use a metric that applies to those for whom the findings will hold up a mirror and be a call to action.
<table>
<thead>
<tr>
<th>FCPOI element</th>
<th>Sub-indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Percentage of individuals who do not use mobile banking which is due to price or functionality</td>
</tr>
<tr>
<td></td>
<td>• 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</td>
</tr>
<tr>
<td>Choice</td>
<td>• Percentage of loan holders who chose their option because they had no other choice</td>
</tr>
<tr>
<td></td>
<td>• Percentage of savings account holders who chose their option because they had no other choice</td>
</tr>
<tr>
<td></td>
<td>• Percentage of business owners who use their main source of financing as they had no other option</td>
</tr>
<tr>
<td></td>
<td>• Percentage of household farmers who use their main source of financing as they had no other option</td>
</tr>
<tr>
<td></td>
<td>• Percentage of people without insurance who don’t have insurance because they do not know where to get it from</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who do not have a pension due to not knowing how to become a member</td>
</tr>
<tr>
<td></td>
<td>• Percentage of people who do not save because there is nowhere to save</td>
</tr>
<tr>
<td>Safety and</td>
<td>• Percentage of bank customers who lost money as a result of fraud or cybercrime</td>
</tr>
<tr>
<td>security</td>
<td>• Percentage of mobile money customers who lost money as a result of fraud or cybercrime</td>
</tr>
<tr>
<td></td>
<td>• Percentage of mobile banking users who lost money as a result of fraud or cybercrime</td>
</tr>
<tr>
<td></td>
<td>• Percentage of SACCO or MFI customers who lost money</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who experienced fraud on a digital lending app</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who experienced unauthorised data sharing on digital lending apps (data shared without consent)</td>
</tr>
<tr>
<td></td>
<td>• Percentage mobile money users who lost money due to sending it to the wrong number</td>
</tr>
<tr>
<td>Fairness and</td>
<td>• Percentage of bank account holders who claimed to receive poor service</td>
</tr>
<tr>
<td>respect</td>
<td>• Percentage of MFI or SACCO account holders who claimed to receive poor service</td>
</tr>
<tr>
<td></td>
<td>• Percentage of mobile money account holders who claimed to receive poor service</td>
</tr>
<tr>
<td></td>
<td>• Percentage of mobile banking customers who claimed to receive poor service</td>
</tr>
</tbody>
</table>

Note that those who lost money due to their own error have been included, even if it is not an outcome that derive from financial institutions’ conduct, given that consumers still experience it as a financial consumer protection concern.
<table>
<thead>
<tr>
<th>FCPOI element</th>
<th>Sub-indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice</td>
<td>• Percentage of digital lending app users who note experiencing harassment/listing on social sites (pushy messages/threats from provider)</td>
</tr>
<tr>
<td></td>
<td>• Percentage of bank account holders who experienced an issue and communicated it to the bank</td>
</tr>
<tr>
<td></td>
<td>• Percentage of MFI or SACCO account holders who experienced an issue and communicated it to the MFI or SACCO</td>
</tr>
<tr>
<td></td>
<td>• Percentage of MM account holders who experienced an issue and communicated it to the MMO</td>
</tr>
<tr>
<td></td>
<td>• Percentage of mobile banking users who experienced an issue and communicated it to the MMO</td>
</tr>
<tr>
<td></td>
<td>• Percentage non-bank digital lending app users who experienced poor customer service or unreachable customer care</td>
</tr>
<tr>
<td>Meets purpose</td>
<td>• Percentage of individuals receiving a pension and are able to use it to meet daily needs (if retired) or think they will be able to use it to meet daily needs (if not retired)</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who do not have a pension because ‘they refused to pay my pension’</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who experienced liquidity constraints and were able to use savings from a formal financial institution to meet their needs</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who experienced liquidity constraints and were able to borrow from a formal financial institution to meet their needs</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who experienced a financial shock in the last 12 months and borrowed from a financial institution to manage the financial shock</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who experienced a financial shock in the last 12 months and used savings with a financial institution to manage the shock</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who experienced a financial shock in the last 12 months and claimed insurance to manage the shock</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals who do not have insurance because their previous insurer refused to payout after they submitted a claim</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals looking to meet a specific goal that borrowed from a formal financial institution to achieve this goal</td>
</tr>
<tr>
<td></td>
<td>• Percentage of individuals looking to meet a specific goal that used savings from a formal financial institution to achieve a goal</td>
</tr>
<tr>
<td></td>
<td>• Percentage of loan holders who either missed a payment, paid late or paid short, or engaged in welfare-reducing strategies to pay</td>
</tr>
<tr>
<td>FCPOI element</td>
<td>Sub-indicators</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------</td>
</tr>
<tr>
<td></td>
<td>Percentage of bank account holders that use it only every three months or less</td>
</tr>
<tr>
<td></td>
<td>Percentage of Mobile Banking account holders that use it less than once a month</td>
</tr>
<tr>
<td></td>
<td>Percentage of MFI account holders that use it only every three months or less</td>
</tr>
<tr>
<td></td>
<td>Percentage of Mobile Money account holders that use it less than once a month</td>
</tr>
<tr>
<td></td>
<td>Percentage of SACCO account holders that use it only every three months or less</td>
</tr>
</tbody>
</table>

**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 loan holders who accessed 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

**Financial education**

- Percentage of individuals who understand interest rates
- Percentage of individuals who understand transaction costs
- Percentage of business owners (including self-employed) who keep financial records
- Percentage of individuals who budget for their month-to-month expenses
- Percentage of individuals who do not have insurance because they do not know about insurance
- Percentage of individuals who do not have a pension because they do not know about pensions
- Percentage of individuals who do not save because they do not understand how to

**Dispute resolution and redress**

- Percentage of individuals who registered a complaint with a bank, who had it resolved
- Percentage of individuals who registered a complaint with an MFI or SACCO who had it resolved
- Percentage of individuals who registered a complaint with an MMO who had it resolved

Table 1: List of sub-indicators included in the index
3.2.3. Weightings and calculations

Components scored based on the weighted average across sub-indicators, with weights based on relative usage of different financial services in the population. The score for each component is calculated as the weighted average across all sub-indicators. As all the sub-indicators are expressed as percentages, index components are naturally also expressed as a percentage value. Weights are then based on the relative use of the specific financial service to which the sub-indicator applies. This allows more importance to be placed on sub-indicators relating to services with greater reach and therefore which relate to the highest number of consumers needing protecting. Figure 4 provides an illustrative example of how the weights are calculated, using the recourse component as an example. There are three sub-indicators to measure for recourse, looking at the percentage of (i) bank, (ii) MFI or SACCO, and (iii) mobile money customers who registered a complaint with their financial service provider and had it resolved. The unweighted results for these sub-indicators are 76% for bank customers, 78% for MFI or SACCO customers and 77% for mobile money customers. These percentages are neither mutually exclusive nor collectively exhaustive and therefore the percentages do not add up to 100%, however, the relative size of each of the percentages can be calculated to obtain weights which account for how widespread each product is used in the Kenyan adult population. The FinAccess survey shows that 7% of bank account holders, 23% of mobile money account holders and 9% of MFI or SACCO account holders registered a complaint with their financial institution. Thus, the weights are calculated as follows:

\[ \omega = \frac{\text{% of bank customers who registered a complaint with a bank, who had it resolved}}{(\text{% of bank customers who registered a complaint with a bank, who had it resolved}) + (\text{% of MFI or SACCO customers who registered a complaint with an MFI or SACCO who had it resolved}) + (\text{% of mobile money customers who registered a complaint with an MMO who had it resolved})} \]

\[ \omega = \frac{7%}{(7% + 9% + 23%)} = 17% \]

\[ \omega = \frac{9%}{(7% + 9% + 23%)} = 23% \]

\[ \omega = \frac{23%}{(7% + 9% + 23%)} = 60% \]

Figure 4: Illustrative example of weight calculations

Before scores are aggregated, they are converted to positive values. Where a sub-indicator measured a negative event, such as in the case of fraud and cybersecurity, they are inverted to instead measure the absence of the negative event. Where a positive event is measured, as in the case of the recourse sub-indicators, then percentages are left as they are. Doing so
ensures that across all measures, higher scores are better. As shown in Figure 5, again at the hand of the recourse example, positive scores are then aggregated as a weighted average across the sub-indicators.

![Illustrative example: Recourse (3 sub-indicators)](image)

**Figure 5: Illustrative example of component aggregation - recourse**

Differences between groups are standardised through the indexing of scores. The sub-indicators differ in the nature of what they are measuring and therefore the component scores are not directly comparable and it is difficult to assess relative differences in changes across different groups over time. To standardise the score, percentages are indexed against the population values:

- \( \text{Score}_x^a \) denotes the **score** for a group \( a \), on a sub-indicator \( x \)
  - Expressed as a percentage value

- **Index\( _x^a \)** denotes the **index** for \( \text{Score}_x^a \)
  - Expressed as a number where 100 is equal to the population score for that element.
  - \( \text{Index}_x^a = \frac{\text{Score}_x^a}{\text{Score}_{base}^x} \times 100 \)
    - Where \( \text{Score}_{base}^x \) is the score for the total population sub-indicator
  - Table 2 outlines how the index is calculated for different income levels for the sub-indicator measuring the percentage of individuals who had a specific goal which required a large sum of money who were able to save through a financial institution to contribute towards that goal (under meets purpose).
  - Because this is measuring a positive outcome, no conversion is needed to ensure the scores are positive.

- \( \text{Rel}_x^a \) provides the **relative score** for a group \( a \) on a sub-indicator \( x \)
It is the difference between what group \( a \) scores on a particular sub-indicator and a base amount – with the base defined as with the index above (the total population score on sub-indicator \( x \)).

\[ \text{Rel}_a^x = \frac{\text{Score}_a^x - \text{Score}_\text{base}^x}{\text{Score}_\text{base}^x} \left(= \frac{\text{Index}_a^x - 100}{100} \right) \]

In the example, 11% of low-income individuals were able to save towards their goal, compared to 20% of the Kenyan population. Therefore, if \( a \) is low-income individuals:

\[ \text{Rel}_a^x = \frac{\text{Score}_a^x - \text{Score}_\text{base}^x}{\text{Score}_\text{base}^x} = \frac{11\% - 20\%}{20\%} = -45\% \]

(Alternatively, it could be calculated as \( \text{Rel}_a^x = \frac{\text{Index}_a^x - 100}{100} = \frac{55 - 100}{100} = -45\% \))

i.e. low-income households score 45% lower than the population average in terms of being able to save towards a specific goal.

- **Gap**\(_{ab}^x\) measures the gap between 2 groups, \( a \) and \( b \) on a sub-indicator \( x \)
  - Essentially the gap provides a normalized measure of the relative distance between the scoring of the two groups.

\[ \text{Gap}_{ab}^x = \frac{\text{Index}_a^x - \text{Index}_b^x}{100} \]

- In the indicative example in Table 2, low-income individuals (\( a \)) had an index of 55 and middle-income individuals (\( b \)) had an index of 98. Therefore, the gap between low-income individuals and middle-income individuals can be calculated as:

\[ \text{Gap}_{ab}^x = \frac{\text{Index}_a^x - \text{Index}_b^x}{100} = \frac{55 - 98}{100} = -43\% \]

i.e. Low-income households are 43% worse off than middle-income households relative to the population average in terms of saving towards specific goals.

<table>
<thead>
<tr>
<th>Group</th>
<th>Score</th>
<th>+ve score</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>20%</td>
<td>20%</td>
<td>( \left(\frac{20%}{20%}\right) \times 100 = 100 )</td>
</tr>
<tr>
<td>Low income</td>
<td>11%</td>
<td>11%</td>
<td>( \left(\frac{11%}{20%}\right) \times 100 = 55 )</td>
</tr>
<tr>
<td>Middle income</td>
<td>19.5%</td>
<td>19.5%</td>
<td>( \left(\frac{19.5%}{20%}\right) \times 100 = 98 )</td>
</tr>
<tr>
<td>High income</td>
<td>40%</td>
<td>40%</td>
<td>( \left(\frac{40%}{20%}\right) \times 100 = 200 )</td>
</tr>
</tbody>
</table>

Table 2: Illustrative example for calculating index values

Table 3 summarises the main metrics used in the analysis as defined above. These four metrics are used for the analysis for the findings section in the report. All metrics are calculated at the sub-indicator level, at the component level (aggregated from the sub-indicator
level through weighted averages) and at the main FCPOI level (aggregated through a simple average across the nine components).

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score(_a^x)</td>
<td>The % value of a group (a) on a sub-indicator (x).</td>
</tr>
<tr>
<td>Index(_a^x)</td>
<td>An index which measures the % value of a group (a) on a sub-indicator (x) relative to the average for the population.</td>
</tr>
<tr>
<td>Rel(_a^x)</td>
<td>The percentage difference between the score for a group (a) on a sub-indicator (x) and the score on sub-indicator (x) for the population.</td>
</tr>
<tr>
<td>Gap(_{ab}^x)</td>
<td>The percentage difference between the score for group (a) on a sub-indicator (x) and for group (b) on a sub-indicator (x), relative to the total population score.</td>
</tr>
</tbody>
</table>

**Table 3: FCPOI metrics**
4. Findings and discussion

4.1. The current state of financial consumer protection

*Overall index score of 67%.* Figure 6 shows the Kenyan total population score for the FCPOI as well as the individual score for each underlying FCPOI component. The overall score of 67% should be read as the combined performance of the regulated financial sector in reaching positive consumer outcomes across the nine components included in the FCPOI. This overall score is accounted for by high scores achieved on choice, safety and security and fairness and respect, balanced by lower scores achieved for measures of meeting purpose, suitability and voice. The nature of the sub-indicators and the different incidences of the different issues being looked at will determine the magnitude of the different component scores. Therefore, comparisons across the different net scores are less telling than the change in the scores over time and across different groups would be. However, lower scores do indicate areas of financial consumer protection with the most room for improvement based on the sub-indicators used. As such, it is meaningful that voice, suitability and meets purpose score substantially lower than the other elements.

![Figure 6: Scores for the total population on each component](source: (Central Bank of Kenya, KNBS, FSD Kenya, 2021))

*The most variation across groups is observed for meeting purpose and financial education.* The range of relative scores for the different components shows how much specific group scores deviate from the total population. As can be observed in Figure 7, the largest range of scores is for meets purpose where relative scores were observed as low as -29% below the total population average and as high as 63% above it, depending on the specific sub-group. Disclosure, financial education and suitability also have a relatively
large range, but the comparatively low range in the rest of the components mean that the overall FCPOI does not exhibit a large range. Where the range of scores is higher it indicates stronger effects across the groups analysed, suggesting unequal protection being offered in that area depending on the profile of the target market.

![Figure 7: Range in scores for the total population on each component](image)

Source: (Central Bank of Kenya, KNBS, FSD Kenya, 2021)

Before delving deeper into the nature of these changes across groups, it is useful to look at changes which have occurred over time to see where progress has been made and where new issues are surfacing.

### 4.2. Progress since 2019

A marginal increase in FCPOI masks substantial changes at the per-component level. Progress is only observable between the 2019 and 2021 FinAccess survey years. Before 2019, very few questions were asked on financial consumer protection, making it impossible to compare progress\(^{14}\). The overall FCPOI was 64.75% in 2019, increasing by 3.8% to reach 67.22% in 2021. However, Figure 8 shows that the small magnitude of the overall

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\(^{14}\) Even between 2019 and 2021, not all sub-indicators could be compared like for like, and some were dropped from the 2019 analysis due to low incidence. Nevertheless, there is enough compatibility between the survey years to warrant an indicative comparison.
index change masks large changes at the per-component level, where changes of as high as 21% are observed\textsuperscript{15}.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure8.png}
\caption{Changes to FCPOI component scores since 2019}
\end{figure}

Source: (Central Bank of Kenya, KNBS, FSD Kenya, 2021)

\textit{Increase in financial education driven by improvements in theoretical knowledge rather than practical application.} The largest increase is observed for financial education, which increased by 20\% between 2019 and 2021. Over the two survey years the percentage of households budgeting their expenses and the percentage of businesses keeping records remained relatively consistent, at around 62\%. The increase was thus mainly driven by scoring on the sub-indicators relating to theoretical questions, with the share of the population who can understand interest rates increasing from 43\% to 49\% and the share of the population who understand transaction costs increasing from 58\% to 66\%.

\textit{Suitability manifests differently across different provider types} The second largest increase is observed for suitability, which increased by 13\% between 2019 and 2021. The dynamic is very different across different provider types. Whilst 58\% of individuals without mobile money accounts, 75\% of individuals without mobile banking accounts and 78\% of individuals without bank accounts claim that they do not have an account due to pricing or functionality, this percentage is only 9\% for those without a SACCO account. This marks a significant improvement since 2019 when the percentage was 67\% for mobile money non-users, 82\% for mobile banking non-users and 16\%

\textsuperscript{15} Note that the effect of COVID-19 and the associated lock-downs may explain some of the change over the two survey years, notably in the meets purpose indicator.
for SACCO non-users. For bank non-users, however, the percentage was slightly lower, at 68%.

- “Yes, I got a good agent. He listened, asked what kind of business you do or if employed. He gave me a range of products and took me through, but the final choice was mine; after he let me know the special characteristics of what I picked.”
  - Male, Urban

Source: Consumer research, 2022

An improvement in the availability of communication channels and recourse mechanisms for consumers. Across both mobile money and bank account users, the percentage of users who experienced an issue that had it resolved by the financial institution increased from 73% to 76% and 72% to 77%, respectively. The voice indicator likewise showed a 7% improvement across the two survey years. Whilst these gains are notable, the qualitative consumer research does suggest that there remains room for improvement by illuminating several practical challenges that consumers face in exercising voice and accessing recourse.

“I think Safaricom listens and acts on suggestions/complaints of their customers because we have seen them upgrade their App so many times to favour their customers and to make the app easier to use.”

  - Female, Urban

“Banks have a website where you can make suggestions or comments but most of the time servers are down and it’s not possible to leave comments.”

  - Female, Urban

“It is expensive calling them, by the time you try to explain yourself the call is disconnected maybe due to less airtime…”

  - Male youth

“I had an issue with my account. When I contacted them, they told me I had to go to my mother branch which is in Othaya, so I stopped using that account since I can’t go there due to work.”

  - Female youth

Source: Consumer research, 2022

Noteworthy increase in safety and security, despite a reported rise in consumers losing money. The proportion of consumers who reported losing
money with a financial institution has been noted to have been increasing significantly in Kenya in recent years (Central Bank of Kenya, FSD Kenya & Kenya National Bureau of Statistics, 2021). However, the index indicates an improvement across the sub-indicators tracked. This increase is primarily driven by a decline in the share of individuals experiencing fraud or cybercrime across the two survey years. For example: in 2019, more than 22% of mobile money users reported experiencing fraud or cybercrime; in 2021 this declined to only 11%. This progress highlights the work done in combating this costly issue. The increase in the index value for safety and security is somewhat moderated by an increase in the proportion of mobile money users who lost money as a result of sending it to the wrong number, which rose from 8% to 16%. The quotes in the box below show the differing experiences of the focus group respondents in this regard:

“They have introduced a code that you can dial in case you send your money to a wrong number to reverse it; you can now see the name of the person or till name you are sending to before completing a transaction.”

- Female, Urban

“I sent a friend 33k from my bank to their M-Pesa; as soon as the money got to their account, she received a prompt telling her to press 1 to receive money; she pressed 1 thinking she was cancelling the prompt… next text showed that she had sent the money to an unregistered number. She called Safaricom immediately… they told her they had cancelled the transaction and that she should wait for a few hours before the money was reflected back to her account. A few minutes later Safaricom called her and told her that although they blocked the money something happened, and the recipient had already withdrawn 25k and they could only refund 7k. She was so sure that the agents helping her had recovered the money but only gave her a small portion…”

- Female, Urban

Source: Consumer Research, 2022

Meeting purpose sees a substantial drop, suggesting a worrying trend in consumer vulnerability. The FCPOI score for meeting purpose dropped 21% between 2019 and 2021, the largest absolute change observed across all the components and the only indicator to see a decrease. There is some heterogeneity in the change between survey iterations at the per-sub-indicator level. In general, there were improvements in the sub-indicators representing the ability of loan products to meet the needs of consumers. More specifically, the percentage of individuals who experienced liquidity constraints that were able to borrow from a formal financial institution to meet their needs increased from 4% to 11%; whilst the percentage of individuals who experienced a
financial shock that were able to borrow to manage this shock increased from 2% to 6%. However, most of the sub-indicators decreased. Of particular note are declines in the sub-indicators representing the ability of savings products to meet consumers’ purpose between 2019 and 2021. Specifically, the share of individuals who used savings to meet a financial goal, to meet their needs when facing liquidity constraints or manage a financial shock declined by between 5% and 12%. It is likely that the severity of the drop across the two survey years may be at least partly due to the effect of COVID-19 on livelihoods during this period.\textsuperscript{16}

The box below illustrates some of the consumer frustrations expressed in the focus group discussions on the ability of their financial services to meet their immediate needs:

\begin{quote}
"…recently I used someone’s money and he needed it back sooner than I thought, so I decided to take a quick loan from the Coop bank App. The App showed that I qualified for 10k but after I had filled in all the required information, they sent 7 thousand shillings and a few hundred, way less than what I expected from them. When I went to the bank to make inquiries, I was told the repayment period is 3 months and the interest rate is 10% on the principal amount deducted for each month. The money was deducted up front, I was so disappointed, and I regretted taking the money."
- Female, Urban

"The SACCO I am in is not very strong currently; you find that anytime you want some money you are told that all the funds are tied up in other loans; that guys are not making the monthly repayments. Members are supposed to get a loan 3 times their savings, but you can imagine that even getting an emergency loan from my SACCO is not possible at the moment."
- Male, Urban

Source: Consumer Research, 2022
\end{quote}

Moving the analysis back to a static cross-sectional analysis, the rest of this section compares the scoring for specific population segments with each other to identify potential inequality in financial consumer outcomes.

\textsuperscript{16} Amongst others, meets purpose considers whether people who experienced a financial shock could draw on their financial services to help them cope, whether they could use financial services to help them manage their money and reach goals, as well as some sub-indicators related to debt stress. When a substantial income shock is experienced, as was the case for many in the case of the COVID-induced lockdowns, this would affect the responses. In 2021, moreover “shock” was for the first time defined to also include a sharp increase of cost of living expenses.
4.3. Gender comparison

Men score higher than women on the FCPOI, with an overall gender gap of 6%. Despite considerable efforts at reducing gender inequalities in the use of financial services, men score higher than women on the FCPOI, with a 6% gender gap existing in favour of men. Women did score higher on four of the nine sub-indicators (recourse, safety and security, fairness and respect, and choice), however, the differences on these sub-indicators were very small (maximum = 3.7%). The largest gaps are identified with regards to meeting purpose (15%), voice (15%) and disclosure (16%), all in favour of men.

Figure 9: FCPOI component comparison across gender

Source: (Central Bank of Kenya, KNBS, FSD Kenya, 2021)

Women need greater empowerment to derive optimal value from financial services. Meeting purpose refers to the ability to make use of financial services to achieve a specific goal, manage a shock and make ends meet when faced with liquidity constraints. The fact that women score so much lower than men shows that they are disproportionately less able to harness financial services to meet these critical needs. For example, whilst 22% of financially included men said they were able to save through a financial institution to contribute towards a specific goal, only 16% of financially included women were. The 7% financial education gap further disadvantages women vis-à-vis men to make the right financial decisions. Only 61% and 45% of females showed the correct understanding of transaction costs and interest rates respectively; compared to 70% and 51% for men.

17 Note: the numbers indicated on all spider diagrams show the axis range across sub-groups for the particular analysis.
4.4. Age effects

Young adults score highest on the FCPOI, the elderly have the worst consumer outcomes. The highest relative score on the FCPOI in Figure 10 is observed for 26-35-year-olds, at 1.77% higher than the population average. The age group one bracket lower and higher also achieved scores above the total population average, while the two older age brackets exhibit worse outcomes than the rest of the population. The older age group (over 55 years old) scores particularly poorly, with a total FCPOI of more than 9% lower than the population average.

![Figure 10: FCPOI component comparison across age cohorts](image)

Source: (Central Bank of Kenya, KNBS, FSD Kenya, 2021)

The low score for the elderly is driven mainly by low levels of financial education and the inability to voice concerns with service provision. The large deviation of the oldest age bracket (individuals over 55 years old) from the rest of the population is largely driven by low scores on two components: voice and financial education. For financial education, for example, the percentage of this bracket who were able to understand interest rates and transaction charges were 47% and 50% lower than the population average respectively. Older age groups also have a lower index score for suitability compared to the youngest age bracket. Interestingly, the eldest age bracket scores slightly above the population average for safety and security and fairness and respect.

The youth struggle to use financial services to meet their core financial needs. The youth (18-25 years old) achieved an overall relative score of 1.26% higher than the population average despite a relative score for meets purpose.
which is 15% lower. The gap on meets purpose is particularly pronounced for the percentage of the youth who experienced a shock and were able to use insurance, at 82% lower than the population average, and the percentage of the youth who were able to borrow from a financial institution to contribute towards a goal which requires a large sum of money, which was 65% lower than the population average. The reason that an overall positive relative score is still achieved is that the youth are the top performing age group in terms of suitability, choice, voice, financial education and recourse. The younger generation thus appears capable of accessing and using financial services responsibly, however, such usage does not yet meet their core financial needs.

4.5. Income effects

*Lower-income households worse off in terms of financial consumer protection outcomes.* The FCPOI generally increases with income: the wealthier experience better outcomes to the extent that there is a 26% gap between individuals in the lowest of the three income bands analysed (KSH 0 – 3,000) and those in the highest of the three income bands (above KSH 15,000). Unless addressed, these types of inequalities may undermine development efforts focused on financial inclusion.

*Figure 11: FCPOI component comparison across pre-defined income levels*
*Source: (Central Bank of Kenya, KNBS, FSD Kenya, 2021)*

*Low-income individuals struggle to use financial services to meet their core financial needs.* As with the other demographic comparisons, the greatest income effect is in meeting purpose, where low-income individuals score 29%
lower than the population average. This highlights the struggle for low-income consumers to effectively utilise financial services towards their core financial needs. Only 11% of low-income individuals were able to save through a financial institution towards a goal which requires a large sum of money and only 2% were able to borrow from a financial institution to contribute towards it. In contrast, 40% of high-income individuals were able to save in this way and 13% were able to borrow from a financial institution. Other notable differences are in disclosure and financial education.

4.6. Livelihood types

*Individuals reliant on formal employment for their livelihoods have significantly better financial consumer protection outcomes.* For the purpose of the analysis, the reported main source of income is classified as the livelihood of a person. Individuals for whom the main source of income is not remunerative, such as grants, gifts and remittances, are classified as “dependents”. When segmenting the FCPOI along these lines, the highest scores are observed for the formally employed who score overall 20% higher than the population average, and self-employed individuals, who score 2% higher than the average. Dependents, casual workers and farmers all score between 4% and 6% lower than the population average. This suggests that regularity and level of income matter for consumer protection outcomes, as it makes for more empowered consumers.

![Figure 12: FCPOI component comparison by the main source of income](image)

Source: (Central Bank of Kenya, KNBS, FSD Kenya, 2021)

*Scores for farmers, casual workers and dependents show up particular FCP needs.* The relatively lower scores for farmers, casual workers and dependents suggests that these groups warrant special attention from a financial consumer protection point of view. Farmers score particularly low on suitability...
and financial education, suggesting that more efforts are needed to provide financial services which are easy to understand and use, and are tailored to the needs of farmers. Casual workers and dependents, on the other hand, scored particularly low for being able to meet purpose.

4.7. Rural vs urban

*Rural dwellers score worse overall than urban dwellers.* A large gap of 12% is observed between rural and urban dwellers. As can be seen in Figure 13, urban dwellers scored better on almost all the components, the only exception being fairness and respect, where the gap is skewed in favour of rural areas. However, this gap is less than 1%. The largest gap is in disclosure (39%), financial education (22%) and meets purpose (21%). This suggests that rural inhabitants are less able to use financial services to meet their fundamental financial needs and less equipped than their urban counterparts to engage effectively with the financial services which are on offer. They also score lower on suitability, suggesting that they are less able to access financial services which are tailored to their needs.

![Figure 13: FCPOI component comparison by the geographic location](image)

*Source: (Central Bank of Kenya, KNBS, FSD Kenya, 2021)*

4.8. Other consumer concerns: network reliability

*Network issues prevent consumers from being able to access their financial accounts.* Though not formally included in the index because the outcomes do not stem from financial service providers’ conduct and are therefore not within the ambit of financial consumer protection regulation, poor network
coverage or drops in connection that interrupt services nevertheless impact consumers’ perceptions of financial services and their ultimate well-being. Such experiences undermine the provision of financial services and can lead to a reluctance to use and deterioration of trust among consumers. Network issues manifest in different ways for different products. For bank users, network issues accounted for in the FinAccess survey are ATM or card swipe machines not working or an inability to access the bank account through mobile or internet banking. For mobile money users, network issues which can be assessed are network downtime, agent unavailability and agent liquidity constraints. For mobile banking users, the only network issue measured in the survey is system downtime. For MFI and SACCO users network issues which can be included are the inability to access the account through mobile or internet banking (mobile banking customers only) and delays in disbursements of money or services (SACCO users only). Figure 14 The figure below highlights the overall incidence and net change in percentages in the incidence of these issues across the different provider types between the 2019 and 2021 survey years:

![Figure 14: Change in proportion of users experiencing network difficulties](image)

Source: (Central Bank of Kenya, KNBS, FSD Kenya, 2021)

There were declines across the board in the incidence of all the network issues. This signifies positive progress in ensuring reliable services. Yet the focus group discussions still show up evidence of user frustrations in this regard – even more progress will be required to ensure that trust in financial services is not undermined.

“Even the SACCO apps have the same issues; the system is down most of the time and even looking at your balance can be frustrating.”

- Female, Urban

“Another thing is you can pay using the till, but it doesn’t reflect, so you find that you pay many times thinking the transaction didn’t go...”
5. Conclusion

“…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

Consumer research, 2022

This study aims to contribute to the measurement agenda for financial inclusion in Kenya, by putting forth a proof of concept for a metric that can be tracked over time to provide a summary view of the state of financial consumer protection as measured from the customer outcome point of view. The intention is to hold up a mirror on the success of the market and policy framework in achieving positive consumer outcomes, as the ultimate measure of financial inclusion success.

**Significant achievements.** The baseline FCPOI index score of 67% confirms the significant financial inclusion progress in Kenya. It shows a regulated financial services landscape that offers choice, safety and security, with the majority of consumers who feel fairly treated, able to access recourse, and have skills to engage with financial services. Overall, the financial sector and regulatory framework deliver on the promise of fair customer treatment.

**The underlying nuances pinpoint remaining pain points.** However, the analysis shows up challenges around the suitability of the product offering to users’ specific realities and needs, the ability of consumers to effectively exercise their voice vis-à-vis financial service providers that they often still feel intimidated by and to meet their underlying financial needs through their use of formal financial services. These challenges are particularly pronounced for women, those outside formal employment, low-income individuals and rural dwellers, showing that consumer protection concerns are the most hard-hitting for the vulnerable groups in society – the very groups that need protection most.

**Consumer research points out further sector-specific nuances.** The qualitative consumer research shows that not all financial service provider types are equal in the eyes of consumers when it comes to fair consumer outcomes:
Mobile money providers are rated highly in most aspects; banks on safety & security, fairness and respect and dispute resolution. Insurers and SACCOs are perceived as offering meaningful choice. SACCOs are also valued for meeting needs, but at the same time some SACCO members feel locked in, which undermines their choice to switch.

**A call to action.** Further increasing the FCPOI score across all sub-components and for all sub-groups of the adult population will require a concerted effort among market players and regulators. The index seeks to add to the dialogue on consumer protection in Kenya by offering a stylised way of tracking consumer outcomes over time, which can be used to hold the market accountable and feed into the further development of a conducive and coherent enabling environment.

### Recommendations for future refinement of the index

Section 4 shows the depth and breadth of insights on financial consumer protection enabled by the FinAccess survey. As the first round of the index is put forth as a proof of concept, it is important to also consider how (i) the survey questionnaire and (ii) the index itself can be refined in future years to create an even more accurate depiction of the state of financial consumer protection outcomes for Kenyan consumers.

#### 5.1. FinAccess survey refinement

The current structure of the FinAccess survey has one module dedicated to consumer protection, repeated across defined sections of the survey (for banking, mobile money, mobile banking, SACCOs and MFIs). Taking the banking section as an example, the questions read:

- **H10: In the past 12 months, have you experienced any of the following in relation to your bank accounts?**
  1. Unexpected charges
  2. Lost money / Money missing from my account eg Cards/PIN fraud
  3. Inability to access bank account through mobile /internet banking
  4. ATM or Card Swipe machine not working

- If the answer to option 2 was yes, then a follow-up question is asked to explore how the money was lost:
  1. Phone fraud (third party took money from my account via mobile banking/mobile banking pin got into the wrong hands)
  2. Card fraud (third party took money from my account through my card (pin got into the wrong hands; skimming, phishing)
  3. Internal fraud (someone internal to the institution (bank) took money from my account)

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*Note that there are some variations in the question options provided across product markets.*
4. Identity theft (someone stole my identification details and took a loan under my name/withdrew money from my account)
5. Cybercrime (my account was hacked)
6. Other (specify)

This module focuses largely on service quality/interruptions (which was analysed separately as “reliability” in this report) and money lost due to cybercrime or fraud (element 3 Safety & Security); the responses on unexpected charges were covered in element 7 Disclosure. Thus, while it is significant that this question has been included in the survey, it does not explicitly cover the full spectrum of financial consumer protection as defined in the global literature – and understandably so, as the survey was not designed specifically around the different components of FCP.

For the rest of the FCPO elements, relevant questions and answer options were lifted across various parts of the survey to arrive at a “best possible” proxy for that element, based on the scope of the survey. These proxies were sufficient to allow for the construction of a meaningful FCPOI. Nevertheless, there are a few components that would benefit from more nuanced questions in future rounds of the survey. In particular:

- The questions on the treatment of customers by service providers and their designated agents (fairness and respect) could be expanded to identify more incidences of customer mistreatment.
- Questions on voice and information disclosure could be expanded to uncover more about the communication channels available and the provision of relevant information by service providers, along the entire life cycle of the product or service, to gauge the time taken to receive service from different financial service providers and to probe the extent to which disclosure is in plain language/easy to understand.
- For safety and security, more attention can be paid to data privacy, as the current sub-indicators mostly consider instances of fraud or cybercrime resulting in loss of money. To what extent does the agent-client relationship make customers vulnerable to loss of data privacy, for instance where a customer uses the agent’s phone?
- For choice, more detail could be sought on the specific reasons for consumer choice, including switching costs between providers.
- For fairness and respect, it would be useful to gauge the extent to which people feel intimidated by service staff.

At a broader level, the measurement across the different framework components is different in nature and there are limitations on asking certain questions for certain provider types. In future, the survey developers may consider asking a more standardised set of questions across providers/types of financial services which could be grounded in the FCPOI framework laid out in this report.

The following table provides an overview of potential indicators to consider adding per element of the framework, based on the existing FCPOI literature.
and examples from elsewhere. Actual potential questions are placed in quotation marks, suggested topics to be phrased into appropriate survey questions are indicated without quotation marks:

<table>
<thead>
<tr>
<th>FCPOI element</th>
<th>Recommended proxy indicators/survey questions to consider</th>
</tr>
</thead>
</table>
| **Suitability** | - Do customers find the products relevant to their situation and needs?  
- Did it happen that the product stopped meeting their need and why?  
- Does the FSP cater for/serve all consumers in the market and adapt to how income patterns change over time? |
| **Choice** | - “If you want to compare financial products, how easy is it for you to make clear and detailed comparisons to help you make an informed decision?” Scale: a = Extremely easy to e = Extremely difficult  
- “Did you have enough time to make a final decision on your chosen financial product?”  
- “Were you given the option to change your mind after taking up the product without any penalties”? |
| **Safety & security** | - “Does your FSP inform you of your data rights and how they handle your data?”  
- “Are you provided with an opportunity to grant or deny consent to your FSP if they want to share your personal data with third parties?” |
| **Fairness & respect** | - “When you engage with your financial service provider, such as staff at a branch or an agent, do you feel that they treat you with respect?”  
- “When you had a query on your financial product, did you have confidence that your FSP would treat you with fairness and respect in resolving the query or issue?”  
- “Please rate how your experience of the FSP’s customer service has changed since you started using their |

Questions were largely drawn from CGAP’s 2022 Customer Outcomes-based approach to consumer protection pilot indicators (CGAP, 2022c) and the forthcoming South African Financial Sector Conduct Authority survey on consumer behaviour and sentiment (FSCA, n.d.), which in turn draws on consumer protection survey questions in reputable sources such as the UK Financial Conduct Authority’s Financial Lives Survey. It must noted that, as the FinAccess FCPOI index is the first of its kind to the authors’ knowledge, ready survey questions or proxy indicators are not available in all instances. In such cases, a priori suggestions are made, for further consideration by the survey developers.
<table>
<thead>
<tr>
<th>FCPOI element</th>
<th>Recommended proxy indicators/survey questions to consider</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>financial product?&quot; Options: 1 = Significantly improved to 5 = Significantly worsened</td>
</tr>
<tr>
<td>Voice</td>
<td>- When you had a query in the past, how easy was it for you to contact your financial service provider to talk to them? Scale: a = extremely easy to e= extremely difficult</td>
</tr>
<tr>
<td></td>
<td>- Are you satisfied with how long it takes you to reach our service provider to raise a query and/or to have the query resolved?</td>
</tr>
<tr>
<td></td>
<td>- How would you prefer to talk to your financial service provider once you have the financial product? Options ranging from: &quot;I want to speak to somebody in-person&quot;, to speaking with a person on the phone, to email, chatbot, app and via through WhatsApp</td>
</tr>
<tr>
<td></td>
<td>o Does your financial service provider accommodate you effectively through your channel of choice?</td>
</tr>
<tr>
<td></td>
<td>- Does your FSP enable you to easily provide feedback on their service?</td>
</tr>
<tr>
<td>Meets purpose</td>
<td>- The list of questions included in the current index sufficiently covers the meets purpose element, but consideration can be given to asking direct overarching questions on whether the service meets the underlying need and why, and whether this status has changed and why</td>
</tr>
<tr>
<td>Disclosure</td>
<td>- Do you ever read the fine print of your financial product? If so, how well do you understand it? Response scale: a = Extremely well to e = Extremely badly</td>
</tr>
<tr>
<td></td>
<td>- If you have a question about your financial product/s, how easy is it for you to find an answer?: a = Extremely easy to e = Extremely difficult</td>
</tr>
<tr>
<td>Financial education</td>
<td>- Already sufficiently covered in the FinAccess survey (section B2) as captured in the current index</td>
</tr>
<tr>
<td>Recourse</td>
<td>Effectiveness of recourse questions already sufficiently covered in FinAccess. Additional suggestions:</td>
</tr>
<tr>
<td>FCPOI element</td>
<td>Recommended proxy indicators/survey questions to consider</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>- “How easy is it issue a complaint and seek recourse at your FSP?” Scale: 1 = Extremely easy to e = Extremely difficult</td>
</tr>
<tr>
<td></td>
<td>- “Have you had to seek recourse on the same issue more than once with your FSP?”</td>
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<tr>
<td></td>
<td>- “When you do seek recourse, how often is your issue resolved?” Scale: 1= All the time to 4 = Never</td>
</tr>
<tr>
<td></td>
<td>- How long did it take to have your complaint resolved? Options ranging from “almost immediately” to never (this question could also be asked in terms of satisfaction with time taken)</td>
</tr>
</tbody>
</table>

**Table 4. Suggested survey questions/proxy indicators per FCPOI element**

Source: Authors’ own drawing on (CGAP, 2022c; HSRC, 2021; FCA, 2020; Old Mutual, 2022; FSCA, n.d.)

### 5.2. Evolving and socialising the index

Apart from revising the underlying questionnaire used to derive the index, one can in future also consider how to streamline the index itself, and how to better position it in the Kenyan policy dialogue once proof of concept has been established.

*Streamlining the index by pinpointing the strongest proxies.* For the first round of the index, all relevant indicators and sub-indicators with sufficient incidence were incorporated in the index. In future years more work can be done to test correlations between sub-indicators and determine the core indicators that, between them, provide the best proxy for financial consumer protection outcomes. Building a simpler, yet equally robust index will help to ensure that it becomes entrenched in the Kenyan financial inclusion measurement agenda and policy dialogue.

*Socialising the findings and incorporating expressed stakeholder needs in future rounds.* Finally, it is recommended that the index is workshopped with the various financial sector regulatory authorities, the Competition Authority of Kenya as holding the cross-cutting consumer protection mandate, as well as the Office of the Data Protection Commissioner and the Communications Authority of Kenya (regarding cybersecurity). Such a dedicated workshop will serve two purposes: to discuss the upshot of the findings and thereby to feed into the financial consumer protection policy dialogue in Kenya; as well as to hear from the regulators on key aspects to track relevant to their mandates that can inform the future refinement of the index and underlying questionnaire.
Appendix A: Consumer research methodology

The consumer research was carried out by Kenyan market research firm GMaurich. It spanned five focus groups with 8-10 participants each. The research was conducted in one urban and one rural location at the end of July 2022. The table below provides a brief overview of the demographics for each group:

<table>
<thead>
<tr>
<th>Group</th>
<th>Gender</th>
<th>Location</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Female</td>
<td>Urban</td>
<td>Adult (18-64)</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Rural</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Male</td>
<td>Urban</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Rural</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Urban</td>
<td>Youth (18-35)</td>
</tr>
</tbody>
</table>

Table 5: General demographics of focus groups

Participants were categorised as low/lower-middle income status. Furthermore, each participant had experience in using one or more financial services such as mobile money, bank services, SACCOs and digital lending platforms. The focus group discussions were centred on questions that were aligned with the components of the FCPOI as outlined in this document. A separate PowerPoint overview of the focus group research findings is available upon request.
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