Mobile money and consumer financial health

Showcasing the industry's commitment to consumer financial health

Mobile Money

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About this report

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Executive summary

Mobile money services are vital to achieving financial inclusion – there is now widespread consensus on this amongst international organisations, and end-users with an interest in digital financial services (DFS). Relevant international organisations have, however, recently begun turning their attention to the impact of DFS on the financial health of consumers, where previously the focus has been predominantly on access. While financial health is not itself a new concept, it is increasingly relevant to the objectives of mobile money providers (MMPs). This paper examines MMPs' perspectives on financial health, and how it is increasingly embedded as a core objective in the planning of products, services and operations. As a newer topic of research in DFS, this report aims to demonstrate for the first time the commitment of MMPs to supporting consumer financial health. These efforts are considered in the context of three perceived risks in DFS to consumer financial health:
1) over-indebtedness; 2) lack of transparency over fees and terms; and 3) fraud that directly impacts consumers. The paper makes recommendations on best practices for various stakeholders in the broader ecosystem to work more closely together and contribute collectively to consumer financial health. In particular, we propose that greater public-private cooperation is necessary to enhance further the benefits of mobile money services in spearheading financial inclusion.

Introduction

Overview and objective

Access to financial services is vital to ensuring that individuals, regardless of income, can mitigate inequality and improve their quality of life. The adoption of mobile money services has transformed access to financial services in many low- and middle-income countries (LMICs) throughout the past decade. This has enabled many of the world's poorest populations, which traditional banking mechanisms could not reach, to become part of the formal financial system. The benefits of mobile money can be seen through many global case examples, particularly in hard-to-reach and low-income areas. In Kenya for instance, Safaricom's M-PESA has significantly lowered opportunity costs to users by reducing the distance to their nearest mobile money agent. This increased access to finance through mobile money, raising consumption and contributing to economic growth, lifting 2% of Kenyan households out of extreme poverty.[1] This had a particularly significant effect on poor female-headed households.[2] More recently, during the Covid-19 pandemic, mobile money providers (MMPs) have been regarded by governments as a safer option than traditional mechanisms to distribute urgent cash relief, at a time of various state lockdowns as well as limits on the handling of cash. During this period, despite a severe global economic downturn, more than $2 billion was transacted every day through mobile

1 Bill & Melinda Gates Foundation, (2021), The Impact of Mobile Money on Poverty
2 Bill & Melinda Gates Foundation, (2021), The Impact of Mobile Money on Poverty

money in 2020.[3] This was the result of significant numbers of people adopting mobile money services in LMICs to avoid handling cash during the pandemic.[4] According to the World Bank nearly 1.7 billion people remain unbanked and without access to essential financial services,[5] and mobile money has proved vital in helping to tackle this divide. This has proven the case for low-income populations in particular, where mobile money services are enhancing financial resilience to economic shocks, especially during the pandemic.[6]

Where mobile money services have been safe and reliable – determined by the type and level of regulation on these services – they can have the effect of lifting populations out of poverty, while promoting income and gender equality, especially in times of crisis. In this way, enhanced economic empowerment as a result of these services underlies the ability for individuals to be 'financially healthy'. Whilst the term 'financial health' has not been defined explicitly in relation to the mobile money industry, as it is a relatively nascent field of research, this paper refers to 'financial health' as a consumer's capacity to: **manage day-to-day finances; meet future financial obligations; be financially resilient (e.g. to shocks); pursue financial goals; and feel confident in their financial future**.[7] In this paper, we refer to financial health as concerning the state of a digital financial services (DFS) customer's financial circumstances and the extent to which mobile money, in particular, can help to strengthen it. As research on the links between mobile money and financial health in LMICs is still new, this paper aims to initiate further conversation within the industry, adding to contributions to this field by organisations such as UNSGSA, UNCDF, the World Bank and CGAP. It will explore how mobile money industry stakeholders are contributing to the financial health of consumers, and how they need to be further supported in doing so. In this context, consumers are considered financially healthy when they can:

- Balance their income and expenses;
- Build and maintain financial reserves;
- Manage existing debts and have access to potential resources;
- Plan and prioritise their expenditure;
- Manage and recover from financial shocks; and
- Use an effective range of financial tools.

Why does financial health matter to the industry?

To understand the importance of financial health to the mobile money industry, this paper explores views from interviews with providers of DFS, particularly mobile money, conducted for this research. Notably, all providers interviewed, including Airtel Africa, Jazz Cash, Mobilink Microfinance Bank Ltd., and Pakistan Fintech Network, emphasised that enabling the financial health of their consumers is integral to their products and services. This is because it is a key determinant of consumer trust and loyalty, and therefore demand for their services.[8] According to MMPs, the context of the pandemic has further emphasised the expansion of the role of mobile money services beyond access, and onto consumer financial health. This is because this period saw even greater user recognition of the unique benefits of mobile money, and mobile money-enabled adjacent services such as savings and credit, in fostering financial resilience

3 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021, p.11
4 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021, p.11
5 The World Bank, (2017) latest Global Findex Database
6 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021
7 UNSGSA Working Group on Financial Health, (2021), Financial Service Providers and Financial Health, p.4
8 Interviews conducted for the purpose of this research paper with Airtel Africa, Jazz Cash, Mobilink Microfinance Bank and Pakistan Fintech Network. The purpose of these interviews was to receive insights on the industry's perspective to the emerging concept of 'financial health' as related to MMPs' objectives. Research aimed to span across markets in Africa and Asia.

(a key determinant of financial health).[9] For example, MMPs saw up to 15% of payments made during the pandemic by first-time users,[10] and international remittances processed through mobile money increased by 65%.[11] Additionally, findings from the 2020 GSMA Intelligence Consumer Survey show that 15% of mobile money users in Mozambique, Kenya and Bangladesh also began saving due to COVID-19, leading to strong growth in both the value of savings and the number of new savings accounts.[12] This is significant as it shows growing awareness of the importance and benefits of mobile money-enabled savings, and its ability to foster a sustainable and transformative savings culture among low-income customers. This represents growing financial resilience and planning of these consumers; key elements of consumer financial health.

Mobile money providers (MMPs) are aware of an increasing need, however, to ensure that consumers continue to see the full extent of the benefits of mobile money services, beyond the context of the pandemic. Trends in the uptake of mobile money have also seen new risks to consumer financial health emerge, or traditional risks exacerbated.[13] Against this background, this paper explores three of these risks relating particularly to LMICs where mobile money is most prevalent (Sub-Saharan Africa and South Asia).[14] Our preliminary research, interviewing representatives from the industry,[15] as well as consumer surveys conducted by relevant international organisations,[16] has determined the key demand-side and supply-side risks to consumer financial health to be:

1) Over-indebtedness
2) Lack of transparency (over fees and other terms)
3) Fraud (that directly impacts consumer financial health)

Additionally, all providers interviewed emphasised that a lack of consumer financial literacy, particularly amongst women, can underlie risks to consumer financial health.[17] In this paper, we have referred to predominantly operational risks to consumer financial health. However, it is essential to highlight that the contextual and related issues of the gender gap and lack of financial literacy are strongly related to the risks we examine in this paper.

9 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021, p.43-48
10 Awanis, A. and Gamble, E. (2021), Assessing mobile money consumer trends in the wake of the COVID-19 pandemic
11 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021, p.5
12 Awanis, A. and Gamble, E. (2021), Assessing mobile money consumer trends in the wake of the COVID-19 pandemic. This paper showcased results from the GSMA Intelligence Consumer Survey 2020, which spanned 7 low-middle income mobile money markets.
13 Interviews conducted for the purpose of this research paper with Airtel Africa, Jazz Cash, Mobilink Microfinance Bank & Pakistan Fintech Network.
14 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021, p.8-15 - Sub-Saharan Africa remains at the forefront of the mobile money industry since over a decade, and accounts for the majority of growth in new accounts, accounting for 43% of all new accounts globally in 2020. Additionally, one in four registered mobile money accounts globally are now in South Asia.
15 Interviews conducted for the purpose of this research paper with Airtel Africa, Jazz Cash, Mobilink Microfinance Bank & Pakistan Fintech Network. The purpose of these interviews was to receive insights on the industry's perspective to the emerging concept of 'financial health' as related to MMPs objectives. Questions asked included determining risks to consumer financial health and how MMPs are working to address these and what they need from the wider ecosystem. Research aimed to span across markets in Africa and Asia.
16 Insights and consumer surveys referenced on the emerging topic of financial health with regards to digital financial services, particularly from the World Bank, UNCDF, UNSGSA, CGAP and IMF.
17 Interviews conducted for the purpose of this research paper with Airtel Africa, Jazz Cash, Mobilink Microfinance Bank & Pakistan Fintech Network.

The relevance of the gender gap to consumer financial health within DFS

Despite overall progress in financial inclusion, particularly through mobile money, women are still 10% less likely than men to own a mobile money account globally (Global Findex 2017). Across Sub-Saharan Africa, the global leader in mobile money adoption, 58% of women remain financially excluded (Global Findex 2017).

GSMA research in Côte d'Ivoire and Mali (2017) exemplified barriers preventing women from accessing and using mobile money accounts. The findings show that even when women do have a mobile money account, this still does not necessarily translate into use. Poor understanding of the service, low levels of digital skills and financial literacy and lack of trust were found to be the main barriers that need to be addressed to move women along the mobile money customer journey and see the full benefits of these services.

The interviews conducted for this paper showcased that the industry is already mainstreaming a gender lens across their workstreams and services. However, a prevailing issue is the difficulty in generating gender-disaggregated data that is accurate, especially in many LMICs, where men can be seen to open accounts on behalf of their female family members. There is a pressing need for a collective effort by the variety of stakeholders involved in DFS and financial inclusion, including donors and researchers, to generate more, and more accurate, gender-disaggregated data. This is important so that MMPs can further understand their audiences and the different risks that face their consumers' financial health.

The impact of mobile money on financial health

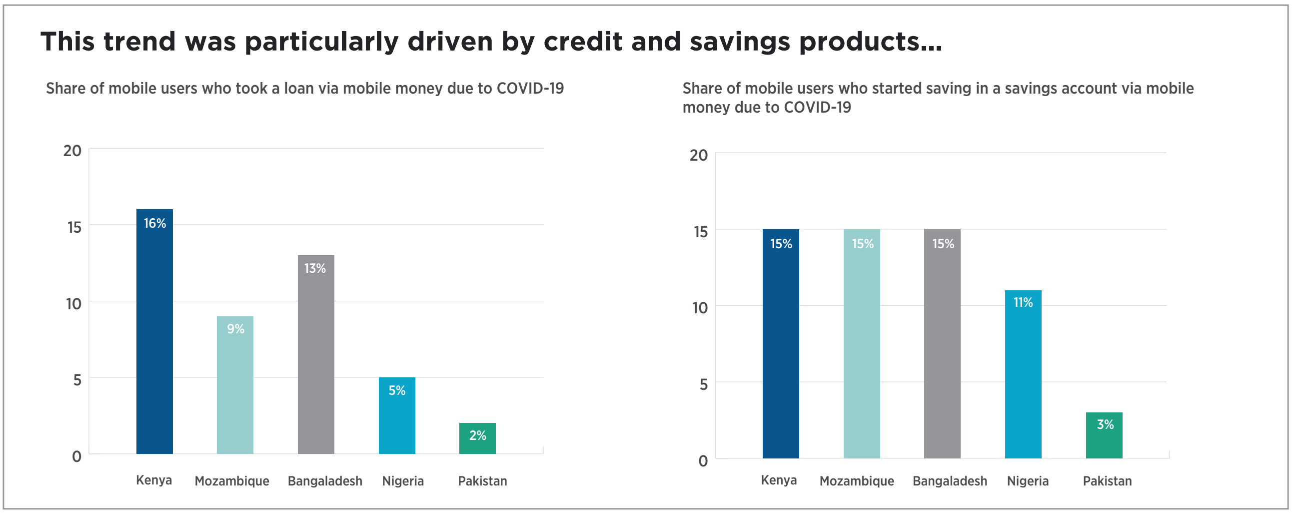
Risks to consumer financial health and the role of the industry

1. Over-indebtedness

Widespread adoption of mobile money in recent years, and the consequent creation of transactional data, has enabled access to short-term loans for individuals who were previously excluded from formal credit markets due to lack of credit history.[18] By partnering up, banks in many LMICs are expanding financial access through agent outlets and bank agents by adopting technology based on connectivity often provided by mobile network operators (MNOs). As of 2015, 85% of global digital credit services were partnerships between an MNO and a financial institution.[19] These partnership models have enabled the likes of Orange Bank Africa, for example, to use customer data on mobile money use and transactions to assess creditworthiness. This credit scoring data, in turn, is helping to strengthen KYC compliance for Orange Money users, mutually reinforcing customers' financial integrity.[20] Enabling access to formal credit in this way allows mobile money consumers, particularly low-income and rural users, to access borrowing funds in times of economic shock or crises, and increase their resilience in a more effective and targeted way than previously possible. This is made possible by the adaptability of digital interfaces with associated apps, enabling providers to develop highly customised product

18 Lopez, M. (2019), Digital credit for Mobile Money Providers, p.4
19 GSMA (2015)
20 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021

offerings at relatively low cost. The Covid-19 pandemic further fuelled uptake of digital credit in LMICs (a key finding of the 2020 GSMA Consumer Survey for mobile money users), enabling more users to access more sophisticated financial facilities at times of crisis.



Graph source: GSMA 2021, Assessing mobile money consumer trends in the wake of the COVID-19 pandemic[22]

However, despite these benefits, new issues arise as the landscape of financial services increasingly changes to involve mobile money. These services use the unique benefits of mobile money platforms to financially include underserved populations, but can also present more complex models of delivery. This can result in lack of transparency over terms and fees, which can facilitate over-indebtedness. Increasing levels of over-indebtedness associated with these forms of credit delivery can consequently undermine their value by compromising consumers' financial health.

At present, over 50% of mobile money-enabled credit products have been launched in the past two years,[23] implying that while mobile money markets are maturing, mobile money-enabled credit products are still in their nascent stages. In 2020, the value of loans disbursed via mobile money providers reached $423 million.[24] Whilst this indicates opportunities for the industry to address gaps in the market to enable greater financial inclusion, the intersection of lending and mobile money industries can add complexities that need to be mitigated for these growth opportunities to be fully recognised. These added complexities manifest as the ease of access to digital loans via consumers' mobile phones and the proliferation of lenders, combined with the lack of adequate financial literacy amongst many consumers in LMICs, leads to consumers borrowing across multiple platforms and becoming over-indebted. Whilst over-indebtedness is an issue associated with credit provided even by traditional providers, it can be seen in new forms within these more recent structures, such as cyclical borrowing. This entails borrowing from the same lender cyclically or borrowing from one lender to pay off another in a never-ending cycle, without recognition of the high cost of credit. The scalability and speed of digital credit, in combination with the limited financial literacy of many borrowers, can lead to surges in high-risk credit – over-indebtedness has therefore been identified as an increasing risk, as these newer structures of credit products and services grow and expand, and demand for them grows as well.[25][26]

21 AFI, (2020), Policy Framework for Responsible Digital Credit
22 GSMA, (2021), Assessing mobile money consumer trends in the wake of the COVID-19 pandemic, p.20-21
23 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021
24 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021
25 Lopez, M. (2019), Digital credit for Mobile Money Providers, p.9
26 Blumenstock, J. (2017), CEGA, Digital Credit: A Snapshot of the Current Landscape and Open Research Questions, p.10\

High levels of over-indebtedness and defaults on loan repayments experienced in LMICs can significantly impact the reputation of MMPs in facilitating these services, despite their potential. For example, a study in Kenya found that whilst mobile money significantly contributed to financial inclusion, with 86% of loans taken out between 2016-2018 being digital, multiple borrowing and defaults were high.[27] It found that 35% of digital borrowers in Kenya had borrowed from more than one digital lender, and about half of the borrowers (2.2 million individuals) reported having repaid a digital loan late, with a significant proportion defaulting.[28] This indicates a strong need to enhance consumer financial health, through consumer awareness of credit borrowings in general and the consequences of a default. It is important to note that the responsibility of consumer awareness and financial literacy on credit should be shared by government policymakers and regulators, providers of credit, and MMPs – to the extent that their channels are used for the disbursement and repayment of digital credit. MMPs do play an important role, however, in generating the data that paints a picture of consumer financial health, and which informs appropriate policy action and market conduct behaviour.

Mitigating the risk

There is a need both to raise awareness amongst consumers of these new intersections between institutions, and simultaneously to promote the integration of financial health objectives within digital credit services. This should include a clear framework of distinct responsibilities for MMPs, lenders, policymakers and regulators, so that consumers can continue to realise the benefits of digital credit via mobile money. This becomes increasingly important as remote operations become more prevalent, and collaboration between lenders and mobile money providers is expected to increase. It is important to note that whilst MMPs could play a role in mitigating these risks, they cannot be solely responsible. Their role in preventing over-indebtedness depends on the business model through which digital credit is offered, as MMPs must partner with lenders that provide these services rather than offer them directly.[30] Mobile money providers are taking steps to mitigate the risks that do fall within their remit however, as over-indebtedness is a major problem for consumers and MMPs alike, as it can lead to:

- Loss of consumer trust, which can lead consumers to turn away from that provider;
- Damage to industry reputation, if MMPs as a whole are perceived as being associated with over-indebtedness;
- Excessive regulation aimed at curbing over-indebtedness, which limits the potential for future product innovation and growth.[31]

MMPs that facilitate access to digital credit services in partnerships with lenders have a role in ensuring consumer financial health by enhancing customers' awareness and clarity on loan terms and risks of credit. The extent of their responsibility when compared to lenders and regulators depends on the delivery model of digital credit. MMPs should implement recommendations according to each stage of the process they themselves are involved in, which includes:
1) product design and processes; 2) marketing and communications; 3) customer support.
The GSMA's 2019 paper on digital credit highlights detailed actions MMPs should take to mitigate these risks, where they fall under their remit.[33] A snapshot of these key measures include:

27 Microsave study, in partnership with SPTF and the Smart Campaign, (2019), Making Digital Credit Truly Responsible; Insights from analysis of digital credit in Kenya
28 Microsave study, in partnership with SPTF and the Smart Campaign, (2019), Making Digital Credit Truly Responsible; Insights from analysis of digital credit in Kenya
29 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021 - 85% of global digital credit services being partnerships between a mobile operator and a financial institution in 2015.
30 Lopez, M. (2019), Digital credit for Mobile Money Providers, p.7
31 Lopez, M. (2019), Digital credit for Mobile Money Providers, p.9
32 Lopez, M. (2019), Digital credit for Mobile Money Providers, p.6-7 - figure 2 shows the respective responsibilities of MMPs, lenders and regulators in mitigating risks associated with digital credit.
33 Lopez, M. (2019), Digital credit for Mobile Money Providers, p.10-12

- Changing menu designs, such as 'opt-out' framing and screens that summarise key information in a simple and clear way, as well as providing breakdowns of interest and costs that are easily understandable for users with low levels of financial literacy;[34]
- Ensuring transparent terms and conditions (explored further below), pilot test-and-adopt measures to help consumers understand terms and conditions and their specific obligations (especially those users with lower levels of digital and financial literacy), and ensure that these are accessible on USSD and SMS channels[35];
- Providing customer financial education, which depends on joint investment in financial education campaigns with the lender and the regulator to build consumer awareness of their responsibilities as borrowers, and the long-term value of timely repayment;
- Providing clear recourse and complaints mechanisms and procedures – this requires closer collaboration and coordination amongst MMPs, regulators, lenders, consumer protection agencies, and other relevant entities to ensure responsibilities with regard to recourse and complaints procedures are clear, and redirect consumers effectively to the appropriate channel.

Box 1. On transparency over fees: Safaricom

MMPs can already be seen addressing their part in managing this risk in a variety of innovative ways. For example, M-Shwari, the lending product created in 2012 as a result of Safaricom working with the Commercial Bank of Africa (CBA) has put in place simple price structures, where there is one fee for the loan, payable at 30 days, and then the same fee is charged again on the outstanding balance if the borrower does not repay on time.
This contrasts with the sometimes opaque compilation of fees and 'other charges' that can occur with traditional consumer credit products. This has helped consumers to understand the general cost of these loans and better plan and prepare for their expenditure. According to a 2018 CGAP consumer survey, when asked to rank products based on how easy it was to understand the terms and conditions, M-PESA, MShwari and M-Pawa all ranked highly compared to services from banks or other institutions by carrying out pilot tests that improved consumer understanding, such as through delivering learning content through SMS for example, changing marketing strategies so as not to encourage over-indebtedness, and generally increasing transparency, for instance through integrating fee disclosure in USSD menus.

Box 2. On appropriate and clear recourse mechanisms: Safaricom / M-Shwari

For M-Shwari, a clearly defined and dedicated complaints team has been created within Safaricom's call centre to handle all inquiries regarding the product, coordinating with Commercial Bank of Africa (CBA) staff on the back-end so that consumers only need to contact Safaricom to resolve issues. This team also manages reaching out to borrowers that are approaching their repayment dates, and has succeeded in reducing non-performing loans through providing active support and consultation to delinquent borrowers. As noted above in the 2018 CGAP consumer survey, some borrowers did not understand the late payment consequences of M-Shwari when borrowing, so this defined outreach process offers a second chance to inform consumers clearly of the consequences of late payment and help them avoid further negative financial consequences.

34 Lopez, M. (2019), Digital credit for Mobile Money Providers, p.10-12
35 Lopez, M. (2019), Digital credit for Mobile Money Providers, p.10-12

2. Transparency over fees and terms and conditions

As noted above, the terms and conditions (Ts&Cs) associated with mobile money services could be quite complex, particularly for first-time customers with limited literacy levels. This can be further complicated when new payment products and services are added, such as digital credit.[36] Lack of transparency with regards to Ts&Cs associated with fees involved in transactions, loans etc. means consumers cannot plan their expenditure accurately, and could be caught off-guard with fees they were unaware of. This in turn affects consumer trust in the service provider, and ultimately demand for the service. Lack of transparency regarding fees and terms in using DFS could also be seen as underlying the risk of over-indebtedness.[37] Therefore, it is vital to ensure higher levels of transparency so that consumers can understand the available products and make informed choices to plan and prioritise their expenditure as determinants of robust financial health, which in turn increases trust in the provider and customer retention.[38]

Transparency is key: Underlying the risk of over-indebtedness is the issue of transparency – ensuring that fees and terms include (1) duration/term, and (2) exit clause and any early exit penalty, are communicated clearly to the customers at each stage – from the initial collection of information to assess repayment capacity, to disclosing clearly when beginning any additional fees, and how these will affect the consumer's repayments.

Mitigating the risk

Ensuring transparent and clear Ts&Cs is key to ensuring sustainable usage of DFS. Amongst the different guidelines available, the GSMA Mobile Money Certification requires mobile money providers to ensure effective disclosure and transparency.

GSMA Mobile Money Certification guidelines on transparency

- Provide customers with clear, prominent, and timely information regarding fees and terms and conditions.[1] Transparency in DFS can be enhanced by provider improvements of messaging and formats, as well as by improved standards of price disclosure for DFS;
- Educate customers about how to use mobile money services safely and securely. These efforts should be amplified by and invested in by governments and regulators, or donors, to enhance customer financial education as key to understanding terms and conditions and how to navigate interfaces for such provided information. As financial inclusion is in the interest of all stakeholders including governments and regulators, they have a significant role in enabling customers to make well-informed decisions and enhance their ability to plan so that they can reap the full benefits of mobile money, contributing to their financial health.

36 CGAP, (2018), Digital Consumer Credit: Four Ways Providers Can Improve the Customer Experience. Consumer survey ranking consumer trust in providers based on transparency over fees and terms and conditions
37 CGAP, (2017), Consumer Protection in Digital Credit
38 CGAP, (2018), Digital Consumer Credit: Four Ways Providers Can Improve the Customer Experience. This consumer survey was based on pilot programs and case studies showcasing best practice by MMPs on transparency over fees and terms and conditions, as well as providing consumer financial education and awareness.

Furthermore, this should include clear communication for customers, including adapting to local language, using simple terminology,[39] and facilitating availability to answer users' questions and explain terms and fees.[40] MMPs have shown examples of best practice with regards to transparency when SMS alerts and financial literacy provisions have been made by providers, which has led to the enjoyment of higher rankings on customer demand by those providers in consumer surveys.[41]

Box 3. Cross-sector partnerships for financial literacy: example of best practice

Airtel Africa emphasises financial literacy as having a significant effect on driving financial access as it helps educate and empower people to evaluate various financial products and services. This includes understanding terms and conditions and comparing fees to financially plan and prepare accurately. Recognising the importance of financial literacy in empowering their customers and all future consumers with the knowledge, tools and confidence they need to use financial products in a responsible way, Airtel Africa is working on improving financial literacy particularly to women under 35, predominantly through increased partnerships. They are continuously building partnerships with corporate partners, to co-invest in these programmes foundations and multilateral organisations for co-investment in these projects and to test pioneering education innovations, as well as non-governmental organisations (NGOs) to support them in on-the-ground implementation of financial education programmes and work jointly to measure impact effectively. Recently, in November 2021, Airtel Africa invested in the digital and financial education of children across Africa in partnership with UNICEF. These programs can work to empower current and future consumers of mobile money to make the most out of these services, by being financially literate to mitigate risks to their financial health.

3. Fraud – the need to focus on consumer protection from fraud and rogue practices

The potential risk of fraud has led to a lack of consumer trust in mobile money services even where actual cases of fraud have been low.[42] This highlights that fraud mitigation and enhancing consumer trust are key to consumer financial health, and consequently the uptake and retainment of mobile money services.

It is vital to the provision of safe and reliable services, and ensuring trust in building financial health, to understand the common forms of fraud which can profoundly impact consumers, and the best practices that can help to mitigate these.[43] A more complete and detailed span of risks is explored in the 2019 GSMA paper on mitigating fraud risks,[44] but for now we will look at two predominant forms that directly impact consumer financial health.

39 ITU, (2017), Review of DFS User Agreements in Africa: A Consumer Protection Perspective. Highlighting jargon and best practice standards for terms and conditions within mobile money services to be clear and contextually relevant.
40 See 'Recommendations' in Lopez, M. (2019), Digital credit for Mobile Money Providers on transparency best practice for fees and terms and conditions, p.10-11
41 CGAP, (2018), Digital Consumer Credit: Four Ways Providers Can Improve the Customer Experience. Consumer survey ranking consumer trust in providers based on transparency over fees and terms and conditions
42 CGAP, 2017, Fraud in Mobile Financial Services: Protecting Consumers, Providers, and the System
43 Farooq, S. (2019), Mitigating common fraud risks; Best practices for the mobile money industry
44 Farooq, S. (2019), Mitigating common fraud risks; Best practices for the mobile money industry

Fraud that can directly impact consumer financial health

- **Identity theft/SMS scams:** in LMICs, where feature phones are the prevalent mobile device, smishing/SMS fraud is the most common method of stealing personal information such as PINs, account information and other identification details, by directly targeting them for the purpose of theft of funds. This causes the consumer to suffer financial loss and vulnerability, as well as reputational damage for the service provider. Despite large-scale investments in information security systems by providers, identity theft remains a major problem worldwide, and customers may try to hold the MMP liable for the loss of funds in these cases. However, the extent of the provider's responsibility depends on several aspects, such as whether there was negligence on the part of the victim in transferring money or revealing their personal details. In either case, this creates reputational losses for providers, even if financial responsibility does not lie with them, which can lead to an erosion both of user trust and demand for the service. Managing these frauds therefore remains in the best interest of providers, regardless of liability.[45]
- **SIM swap fraud:** SIM swap fraud enables the fraudster to receive authentication messages, calls and one-time passwords from the victim's financial service provider. This allows a fraudster to send money from the banking and mobile money accounts of the victim. This type of fraud is most frequently observed in LMICs, and MMPs in these markets have already made significant capital investments to ensure their fraud controls are proportionate with the perceived threats in their markets, as well as investing in employee and agent training to reduce the risk of fraud. The impact of SIM swap fraud has the potential to become more significant, however, as the industry evolves and the nature of partnerships with other institutions becomes more complex.[46]

Mitigating the risk

Whilst there is more specific guidance on how these different types of fraud should be addressed in the 2019 GSMA paper on fraud,[47] more broadly the GSMA encourages providers to continue making investments in technology, resources and training to respond to fraud threats, and regularly review whether existing controls are effectively aligned with emerging fraud threats. MMPs have actively sought to put in place the right people and tools, and continue to do so, including solid risk management policies and practices, to support their commitment to protecting customers and wider society from financial crime. These actions include

- Implementing risk-based measures for fraud detection and prevention, with the objective to manage the risk before it can impact consumer financial health;
- Implementing policies and processes on transaction reversals, with the objective to make their policy on transaction reversal transparent whilst proactively communicating this to the customer. This would mitigate the impact on consumer financial health by making the genuine reversals as efficient and timely as possible.
- Establishing well-defined internal and external recourse mechanisms, to reduce the impact of a complaint that may impact consumer financial health. MMPs are doing this by putting in place clear and efficient recourse mechanisms with clearly defined response times for resolving complaints;

45 Farooq, S. (2019), Mitigating common fraud risks; Best practices for the mobile money industry, p.6
46 Farooq, S. (2019), Mitigating common fraud risks; Best practices for the mobile money industry, p.7
47 Farooq, S. (2019), Mitigating common fraud risks; Best practices for the mobile money industry

- Clearly defining, and in as simple language as possible the liability clauses, to clearly communicate to customers the provider's policy on liability, to set correct expectations from the start. For example, alerting the customers that if they share security credentials with anyone else they may reasonably be expected to bear the financial burden;
- Educating customers about how to use mobile money services safely and securely.

The GSMA also encourages providers to adopt the GSMA Mobile Money Certification,[48] which offers guidance on international best practices to mitigate risks to consumers. The Certification enhances consumer trust by demonstrating certified providers' commitment to delivering safe and fair services to customers. It also showcases MMPs' strong commitment to robust consumer protection, which can have a positive impact on improving financial health of consumers.

However, as explored, responsibility does not fall on MMPs alone, and regulators can especially support increasing financial education amongst populations to enlighten consumers on related fraud and preventive measures. They should for instance work to invest in financial literacy programmes that support MMPs already-embedded user programmes. This includes raising awareness on protecting personal information (including name, date of birth, address, PIN, etc.) and informing customers on what to do in situations where personal information is compromised, e.g. immediately calling the financial service provider or MNO (as appropriate) and reporting the matter to the authorities. Customer awareness of how to avoid becoming a victim of fraudulent activity will help to prevent loss of consumer funds and trust in mobile money services. Simultaneously, making systems of recourse and complaints procedures clear and accessible, will work to strengthen consumer financial health with regards to these services.

Box 4. Industry innovations in fraud prevention: Bharti Airtel's security feature 'Safe Pay'

Fraud is a key risk on all MMPs' radars, MMPs are continuing to invest in fraud prevention mechanisms. An India-First innovation, 'Airtel Safe Pay' that was launched in January 2020, leverages Airtel's 'telco exclusive' strength of network intelligence to provide an additional layer of payment validation to two-factor authentication. This offers a high level of protection from potential frauds such as phishing, stolen credentials or passwords, and even phone cloning that catches customers unaware.

Box 5. Supportive regulatory environment: Pakistan Telecommunication Authority educates and informs mobile money users on how to deal with fraud

Importantly, collaboration across relevant stakeholders is important to successfully combat fraud that targets consumers. Pakistan's regulator, the Pakistan Telecommunication Authority (PTA), supports customer education on complaint procedures by laying out step-by-step instructions for consumers that have been victims of fraud. In 2017, the PTA started sending SMS alerts to consumers to inform them of how to stop unwarranted messages and calls in smishing attempts. They alert and inform users to simply type the spammers' number and 'received text' and send this message to an established and easy to remember short code.

48 GSMA Mobile Money Certification

The way forward

The need for enhanced public-private cooperation

In order to match the high uptake of mobile money we have seen over the past decade with sustained, active use of diverse mobile money-enabled services, we will need to see greater collaboration between private and public efforts to enhance consumer financial health. This cooperation is essential as sustainable financial inclusion is a shared objective of the mobile money industry, regulators and policymakers, and the development community alike. In addition to the role MMPs are already playing in enhancing consumer financial health, MMPs interviewed strongly highlighted a need for increased support from regulators and policymakers, researchers, and donors to invest in and develop more:

- **Robust financial education and literacy campaigns**, particularly aimed at women, as figures show the unequal effects of these risks on women.
- **Monitoring and measurement tools of determinants to financial health**, to help MMPs in their ongoing efforts to strengthen their users' financial health by enhancing their understanding of the risks to it, as this concept continues to be defined within the industry. Emphasis should be placed on accumulating gender-disaggregated data

49 Interviews conducted for the purpose of this research paper with Airtel Africa, Jazz Cash, Mobilink Microfinance Bank & Pakistan Fintech Network highlighted the need for shared responsibility with other stakeholders on ensuring robust consumer financial health.

regarding consumer financial health to understand the different barriers affecting women's financial health with regards to mobile money uptake and usage. Addressing the gender gap in this way should continue to be a greater focus of all relevant stakeholders in the broader DFS ecosystem as fundamental to achieving financial inclusion.[50]

Whilst we can see that MMPs are already embedding financial education into their services for example, particularly aimed at women to bridge the literacy gender gap amongst their users,[51] more must be done by the wider ecosystem of governments and donors, who can invest in national financial education and literacy programmes.[52] These programmes can enhance consumer awareness of the vast benefits of mobile money services, and how to maximise its advantages, by increasing users' financial resilience and planning capabilities.

Policymakers and regulators need to strike an appropriate balance between protecting consumers and creating an enabling environment for mobile money services as a driver of robust consumer financial health. AFI (Alliance for Financial Inclusion) lays out a clear framework for these stakeholders that incorporates a financial health perspective into their oversight.[53]
AFI emphasises the role of national financial inclusion strategies to develop and provide analyses from detailed consumer surveys, measurement and monitoring tools that measure consumer financial health, and develop further financial literacy programmes as part of their provisions.

50 The Gender Analysis & Identification Toolkit, (2018) - A lack of reliable gender-disaggregated data is a fundamental barrier for many operators trying to reach more female customers. The GSMA Connected Women team partnered with Dalberg Data Insights to create GAIT – the Gender Analysis and Identification Toolkit, which providers are already adopting to generate such data. However, it is not a substitute for nationally representative demand-side surveys on mobile access, use, attitudes and behaviours, which can both measure the national gender gap and provide a greater depth of understanding as to why it exists. It is crucial that governments and regulators continue to improve the availability of such gender-disaggregated consumer data in order to understand and work towards closing the mobile gender gap on a country level.

51 Mobilink Microfinance Bank, "WIM" initiative to provide financial literacy to women, (2020), p.36

52 Farooq, S., Raithatha, R. and Sharma, A., (2021), Using Mobile Technology to Improve Remittances to the Pacific, p.52 on the role of regulators and donors in creating greater awareness amongst communities of digital services and in the development of digital and financial literacy programmes. These stakeholders can use these detailed examples as a template.

53 AFI, (2020), Measuring Financial Health: What Policymakers need to know

1. Financial literacy and education campaigns

Box 6. AFI: integration of digital financial literacy in national strategies

AFI, a policy leadership alliance owned and led by member central banks and financial regulatory institutions, advocates for regulators and policymakers to develop national strategies with clear goals and targets to support coordination among public and private sector stakeholders, and provide frameworks for financial inclusion, financial education policies, and regulations to be implemented. In this regard, the development and implementation of a National Financial Education Strategy (NFES), or National Financial Literacy Strategy (NFLS) are now common practices among AFI member countries. AFI has created the 'National Financial Education Strategies Toolkit' (AFI, 2021) intended primarily for public sector policymakers and financial system regulators who are taking a leading, hands-on role in the development of financial inclusion and/or financial education initiatives/policies, or those planning to develop one, to help them implement this.

Example: Bank of Uganda (BOU), Strategy for Financial Literacy in Uganda (SFLU) (2019-2024)

In countries like Uganda, which follow a national strategy of financial literacy, properly designing financial education can help address several problems simultaneously – particularly enabling financial inclusion for previously marginalised communities such as forcibly displaced persons (FDPs). The current national strategy covers seven modules including personal financial management, savings, loans management, investment, insurance, planning for retirement and financial service providers (e.g. making payments, consumer protection and updates on economic reforms). According to AFI, as part of the SFLU, BOU trained 1,800 financial literacy trainers in 2019, empowering them to offer tailored and appropriate training to different target groups, including FDPs. In turn, these financial literacy trainers are able to provide properly contextualised curricula to meet the unique needs of FDPs. As part of the strategy, the importance of DFS for financial inclusion is highly emphasised. In this way, national strategies for financial education can complement and enhance financial literacy programmes embedded in DFS, and in particular mobile money.

Box 7. MMP and public sector cooperation in jointly accelerating financial literacy levels amongst the wider population

In 2021 Jazz Cash partnered with the State Bank of Pakistan to jointly promote financial literacy amongst youth and children through an engaging and interactive game called 'PomPak – Learn to Earn' developed under the State Bank of Pakistan's project, National Financial Literacy Program for Youth (NFLP-Y). PomPak uses a story-based narrative by following the journey of two families setting up a small entrepreneurial venture. This helps to keep the players engaged while nurturing responsible behavior and financial skills such as budgeting, saving, and banking.

Regulators and policymakers should play a further role to support MMPs in their markets to encourage financial health, by increasing investment in awareness, education and promotion of the following:

- **Savings services** underlie at least two elements of financial health, including financial resilience and meeting future financial goals. Encouraging savings is key to a financial health-focused policy agenda, with investments in pensions for example being critical to individuals meeting long-term goals and having confidence in their financial future.[54] Savings are also a vital component of financial inclusion, as building strong financial reserves enables individuals to cope with irregular income and unprecedented emergencies.[55] Savings provide a way for individuals to accumulate assets, which can be used to meet business, household or educational needs while simultaneously earning interest on deposits, working as a cornerstone for robust consumer financial health. MMPs have already been using their unique capabilities to encourage savings for previously underserved populations.[56] With one in four MMPs already offering dedicated savings facilities, either through partnerships with deposit-taking institutions or directly, promoting these mobile-enabled services is a vital role of policymakers and regulators in encouraging robust financial health amongst their populations. This is particularly the case in LMICs where populations rely predominantly on mobile money as a means of accessing the formal financial system, and encouraging financial resilience in this way can foster sustainable financial inclusion that benefits the wider economy.
- **Payments via mobile money services:** cheap, effective payment products offered by mobile money services are essential for day-to-day financial health, especially for government safety net programmes that help smooth and bolster incomes for lower-income people.[57] Digital payments (via mobile money) have been shown to increase the ability of people to manage shocks.[58]
- **Responsible credit:** access to credit can support resilience and long-term goals – but over-indebtedness, as explored above, is one cause of poor financial health. Regulation must therefore be balanced with the needs of industry, to enable stronger consumer financial health through access to mobile money.[59] Investing in financial education so that consumers understand the risks of reliance on credit can help consumers to improve their financial health.

2. Monitoring and measurement tools

Improved market monitoring tools are needed to analyse the nature of consumer risks that could affect consumers' financial health, specifically related to mobile money services. As a relatively new field of study with regards to DFS, and mobile money particularly, financial health measurement is important to understand the financial situation of consumers, and in alerting consumers to potential risks.[60] Some studies have been conducted to measure financial health more generally – such as a recent survey by FSD (Financial Sector Deepening),[61] Kenya, a financial sector development programme based in Nairobi and funded by the UK Government. There are however few if any surveys measuring and monitoring the financial health of mobile money consumers more specifically. The wider ecosystem of donors, researchers, regulators, MMPs and financial institutions should therefore increase opportunities for forums to share best practice and questions and results from consumer surveys that aim to measure mobile money consumers' financial health. The AFI Public-Private Dialogue (PPD) platform[62] is an example of a global

54 UNSGSA Financial Health Working Group, (2021), Financial Health: An Introduction for Financial Sector Policymakers
55 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021
56 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021, p.44-45, relating to case study on digitised savings groups in Tanzania, facilitated by M-Koba.
57 UNSGSA Financial Health Working Group, (2021), Financial Health: An Introduction for Financial Sector Policymakers
58 Andersson-Manjang, S. and Naghavi, N. (2021), GSMA State of the Industry Report 2021
59 UNSGSA Financial Health Working Group, (2021), Financial Health: An Introduction for Financial Sector Policymakers
60 UNSGSA Financial Health Working Group, (2021), Financial Health: An Introduction for Financial Sector Policymakers
61 FSD, Kenya, (2021), 2021 FinAccess Survey, p.62
62 AFI, (2019), AFI Public-Private Dialogue (PPD) Platform on Financial Inclusion

collaboration of public and private sector decision-makers working together to advance financial inclusion. The broader ecosystem involved in financial inclusion including policymakers, regulators, private sector (MMPs and other DFS providers), development sector (including donors) and other important stakeholders, should find and engage in opportunities to come together for direct and focused dialogue on consumer financial health. These conversations should include sharing technical expertise and mobile money industry best practices on consumer financial health that can lead to the development of more informed policy – based on industry needs, encouraging collaborative investment and innovation around financial health. This is a necessary step in furthering accurate research and understanding on financial health with regards to the mobile money industry (as so far research has centred around DFS more broadly) and financial health.

The following case study from Canada demonstrates an example of potential cooperation between stakeholders on monitoring and measurement of consumer financial health. Intersecting with financial education as a driver of financial inclusion, it provides an example of how government, MMPs and donors can come together to enhance consumer financial health. Whilst this example refers to air miles as rewards for customers who successfully completed financial literacy-related tasks, if applied to the mobile money space, this could be translated to airtime that is funded jointly by MMPs, governments and/or donors, for example.

Box 8. Intersections between national financial education strategies, monitoring and measurement; the coordinated roles of providers, donors, governments and regulators

In this example, referenced by a recent 2021 OECD report, the Financial Consumer Agency of Canada conducted a quantitative evaluation to understand the impact of a national financial education intervention to encourage budgeting through a mobile app (FCAC, 2017). The overall objective of the pilot project was to examine the impact of FCAC's financial education materials on knowledge, confidence and behaviours related to budgeting. FCAC used an existing app available to Canadians called Carrot Rewards, to pilot its financial education material. The app offered consumers loyalty reward points (e.g. air miles) in exchange for carrying out tasks related to increasing their financial literacy, such as reading short texts, taking quizzes and watching short videos. The app was developed by a private company with a grant from the Canadian Government. The pilot evaluation showed how budgeting helps people to prioritise expenses and how it is particularly effective when someone is under financial stress. It further found that consumer messages received through mobile devices, and behavioural economic approaches, work to change behaviour. To assess the impact of FCAC's education materials related to budgeting, changes in knowledge, confidence and behaviour of those who used the app's financial education material were measured, and showed that the intervention was successful in improving knowledge of budgeting among non-budgeters by 10 percentage points, the confidence in budgeting among non-budgeter by 15 percentage points and that it increased the use of budgeting among non-budgeters by 14 percentage points. (OECD, 2021)

Conclusion

There is broad recognition across the industry that whilst mobile money enables previously unbanked populations to become part of the formal financial system, more needs to be done for consumers to truly benefit from all that DFS, and mobile money in particular, have to offer. As this paper explores, many MMPs, including those that enable access to additional services such as savings, digital credit, financial education and more via mobile money, are already demonstrating a more holistic approach to financial inclusion, with financial health of consumers evidently gaining importance to MMPs alike. At its core, this paper stresses the need for the responsibility of consumer financial health related to mobile money to be shared and enabled by not only providers, but policymakers, regulators, donors, and researchers, to step up efforts in increasing financial literacy, measuring and monitoring data relating to financial health, and developing collaborative best practices with regards to consumer financial health. This requires more cooperation between these stakeholders through forums and roundtables, as the concept of consumer financial health becomes increasingly defined within the industry, to understand the needs of consumers and MMPs alike that are working to enhance their customers' financial health.

The pivotal impact mobile money has had on economies – in lifting households out of poverty in LMICs, contributing to bridging the gender gap, and proving critical in crises such as the recent pandemic – mean that these services can be seen as a cornerstone to widespread financial inclusion. Access to finance, enabled by increasing adoption of mobile money, is vital to enhanced consumer financial health – an increasingly recognised determinant of financial inclusion. It is ever more necessary, then, for the wider ecosystem to strengthen these services, and the environment in which they operate: to continue achieving financial health goals, by meeting the high uptake of mobile money services with informed, active and sustained use of these services.

For more information on GSMA COVID-19 updates, visit www.gsma.com

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