

A man wearing a light-colored straw hat, a plaid shirt, and green arm sleeves is kneeling in a field, smiling as he works with a young girl. The girl, with her hair in braids, is also kneeling and looking at the man. They are both focused on planting a small green sapling into the soil. The background shows a vast, hilly landscape under a cloudy sky.

Alliance for Financial Inclusion

# DFS Consumer Competencies

Positioning regulation for impact

# Consumer Protection & Digital Financial Services



## DEMAND SIDE

- > Asymmetry of information
- > Inadequate digital financial literacy and capability
- > Over-indebtedness (for digital lending)
- > Poor trust in DFS providers
- > Poor trust in agent networks
- > Illiteracy (literacy and numeracy).



## SUPPLY SIDE

- > Products not tailored to clients' needs and/suitability
- > Misleading communication
- > Lack of transparency
- > Unfair/excessive pricing
- > Aggressive commercial practices
- > Fraud/theft and scams
- > Data breach
- > Lack of or ineffective recourse mechanism
- > Inadequate safeguarding of consumer rights
- > Inadequate mechanisms for clients' feedback.



## REGULATORY SIDE

- > Regulatory framework not tailored to the DFS sector
- > Weak consumer protection laws
- > Poor redress system
- > Inadequate capacity to identify existing and new CP4DFS risks
- > Inadequate supervisory capacity
- > Regulatory overlaps - uneven regulation, arbitrage, overregulation.





# POSITIONING REGULATORS TO FACILITATE DFS COMPETENCIES

Diagnostic studies & projected development of the DFS market within a local jurisdiction should inform the identification of core competencies for the effective use of DFS.

Regulators should identify DFL skills critical in their jurisdictions, considering local realities, maturity of the local DFS market and key DFS related consumer protection risks, among others.

Important to identify core competencies relevant to specific vulnerable groups such as women.

The competencies should be outcome-based and include aspects of awareness/knowledge, capability confidence and behaviours with relation to DFS that are most prevalent in the national context.

# A POLICY MODEL FOR CONSUMER PROTECTION FOR DFS

1.

## Guidance on policy environment

I. Clear DFS relevant legal and regulatory provisions in CP frameworks

II. Clear and harmonized governance framework

III. Clear legal / regulatory framework for regulating market competitiveness

2.

## Guidance on product development and service delivery

IV Safeguarding privacy and protection of consumer data

V. Promotion of cybersecurity

VI. Fair treatment and responsible business conduct

VII. Product suitability: customer centricity, inclusiveness, relevance and usability

VIII. Adoption of risk management framework

3.

## Guidance on consumer awareness, complaint and redress

IX. Responsible marketing / advertisement and sales (disclosure and transparency)

X. Promotion of Digital Financial Literacy

XI. Mechanism for effective complaints and redress resolution

4.

## Guidance on supervision and enforcement

XII. Supervisory techniques and tools specific for DFS

XIII. Clear and harmonized supervisory governance framework

XIV. Effective enforcement mandate

5.

## Guidance on cross cutting issues

XV. Consumer protection for vulnerable segments (women, youth, migrants, refugees/IDPs) in the use of DFS

XVI. CP4DFS in disaster /emergency response

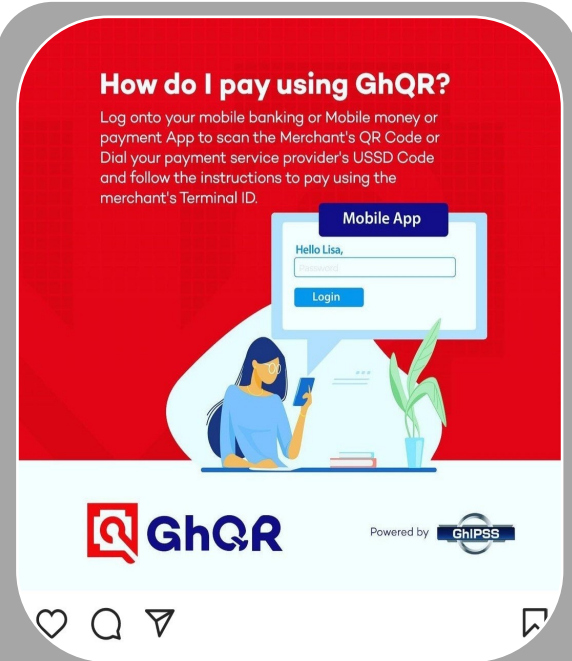


POLICY MODEL ON CONSUMER PROTECTION FOR DIGITAL FINANCIAL SERVICES



POLICY MODEL

# DFL INTERVENTIONS SHOULD AIM AT THESE COMPETENCIES



Knowledge of DFS



Awareness of DFS Risks



Capability to prevent or control DFS related risks



Knowledge of Redress mechanisms for DFS grievances

# DESIGNING FOR INCLUSION - Bridging the gender divide through DFS competencies



Evidence Based	Demand Driven	Multi stakeholder approach	Women led
Require DFS providers to report gender disaggregated data, to inform evidence-based gender responsive interventions for DFS competencies	Ensure interventions for DFS competencies reflect the gaps in DFS competencies for women.	Create partnerships with relevant stakeholders, engaged with women to facilitate outreach & develop relevant gender responsive content.	Encourage the use of female role models/animations in the promotion of DFS competencies especially in communities with stringent gender-based norms and values.



THANK YOU

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