No matter who tells it, the story of Kenya’s financial sector innovation over the past decade seems to always hinge around one key phrase: “test and learn.”

This phrase generally refers to the way in which financial service providers and regulators collaborated to allow for new products such as mobile money to grow from an experiment to an essential part of our financial lives.

There is no doubt that flexibility and openness to innovation has been a key driver of Kenya’s financial inclusion success. At the same time, there comes a time when a market is mature enough that a less active policymaker role will not suffice.

We are entering an age where test and learn will not be sufficient for Kenyan policymaking to continue supporting innovation and protecting consumers in an increasingly crowded and diverse financial sector. What we need is a sufficient shift towards more active market supervision and policy action on consumer protection and competition to support a greater diversity of providers and product types, and maximise consumer welfare.

Fortunately, we have reasons to be excited about increased consumer protection and competition in Kenya. The recent establishment of a steering committee to establish the new Financial Services Authority is just one sign that financial consumer protection is being taken more seriously in Kenya.

I have spent the past seven years at the Consultative Group to Assist the Poor (CGAP) working with policymakers and providers to use behavioral research to address consumer protection challenges, help make markets more competitive and maximize consumer welfare. This journey has taken me to markets ranging from Mexico to Ghana to the Philippines and, of course, to my family’s adopted home, Kenya. No matter the market or the product, I have realized that at the center of financial inclusion are the behaviors and experiences of consumers.

What I want to share with you at the 2nd FSD Kenya annual lecture is a summary of how we can develop our own “test and learn” for consumer protection.

First, we must “test” best approaches to key consumer protection challenges such as transparency of product terms, access to and control of our digital identities, and the ability to drive market competition through shopping around and switching products with ease.

Second, we must always “learn” from consumers themselves by meeting them where they live to understand what is working and what challenges they face with financial products. This is why I spend so much of my time working with policymakers and providers to utilize behavioral research to inform consumer protection policies.

Finally, all of this is occurring in the context of increasing digitisation of financial services, where major Kenyan banks are putting an end to bank branch expansion and shifting to mobile financial services. These channels will create a range of new opportunities for access, innovation and better consumer experiences. But they will also mean new challenges such as, “How do you summarize loan terms in a 160 character SMS?” or “What would a credit bureau for mobile money look like?”

These are the questions I am increasingly turning to in my consumer protection research. I look forward to working together to expand the quality and coverage of consumer protection for all Kenyan financial consumers.

Rafe Mazer, Financial Sector Specialist, Policy
CGAP

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Biography

Rafe Mazer leads CGAP’s work on applying behavioral research to consumer protection and financial inclusion. Research issues Rafe has explored include: Does digital delivery credit change how we borrow and save? Why do financial sales staff sometimes give the right advice, and others times mislead consumers? Do consumers really care about their data privacy in financial inclusion? Why do some consumers choose to complain about a problem, while others remain silent? Rafe’s research has been used to develop a range of financial inclusion solutions, including interactive SMS for mobile savings and credit, key facts statements and disclosure regulations, complaints handling regulations, data disclosure messaging, and regulations for consumer protection in digital financial services. He has led research in markets including Ghana, Kenya, Malaysia, Mexico, Nicaragua, the Philippines, and Tanzania.

About FSD Kenya:

The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme’s goal is to expand access to financial services among lower income households and smaller enterprises to create value through financial inclusion. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). Current funders include the UK’s Department for International Development (DFID), the Swedish International Development Agency (SIDA), and the Bill & Melinda Gates foundation.

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