

Understanding Consumer Protection Risks Faced by Bangladeshi Digital Finance Users



A large and growing segment of the Bangladesh population are digital financial service users, yet little has been done to investigate the range and prevalence of consumer protection issues that occur with these services such as fraud, hidden fees, and ineffective complaints mechanisms. In other markets, evidence suggests some customer segments, for example women and lower income customers, may experience these issues at higher rates than the population at large. This survey will explore both how common these types of consumer protection issues are in Bangladesh and whether particular customer segments are more likely to encounter these issues. Results from this study will inform future experimental evaluations of interventions and policies to address consumer protections issues.

Policy Issue

Poor user experience in digital finance can reduce consumer welfare and impact use of these services. While anecdotal evidence suggests consumer protection issues such as fraud, hidden fees, and ineffective complaints mechanisms exist for digital financial services in Bangladesh, little work has been done to identify the range and prevalence of these issues. At the same time, which consumers suffer from fraud and why is only known anecdotally. Similarly, consumers' understanding of product terms, as well as awareness and perceptions of formal complaint channels are not well known. Insights into both these issues are necessary to develop policies around fraud reduction, complaints handling standards, and product transparency. This survey work will provide an evidence base for such policy formulation.

Evaluation Context

Bangladesh has a large and growing digital finance market – 35 percent of adults used a digital financial service in 2019, up from 22 percent in 2013, according to Financial Inclusion Insights data. However, the 2018 Financial Inclusion Insights Survey points to potential consumer protection concerns in the market such as agent overcharging. Eight percent of mobile money users mentioned that they have been overcharged for a transaction by an agent, while 7 percent mentioned that the agent did not deliver the entire amount. Overall, 12 percent of mobile money users have experienced at least one of these issues.



RESEARCHERS

Rafe Mazer, William Blackmon

COUNTRY

Bangladesh

PARTNER

PROGRAM AREA

Financial Inclusion

TOPIC

Consumer Protection

TIMELINE

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Details of the Intervention

This study involves a phone survey of digital financial service customers across Bangladesh. This survey aimed to answer key questions on consumer protection in digital finance:

- Which consumers suffer from fraud, and what traits or actions expose them to these risks?
- Which consumers utilize formal complaints channels when they suffer an issue, and what keeps them from obtaining an effective resolution?
- What do consumers understand about the terms of the digital financial services they use?

To answer these questions, researchers are conducting a survey of approximately 900 digital finance consumers. Consumers are selected from a subset of respondents from a separate larger study. Selection is restricted to respondents who had recently used a digital financial service and was stratified by geography. Approximately 75 percent of the sample are individual consumers; the remaining 25 percent are shop owners selected randomly in-person.

Researchers filter respondents based on their recent use of digital finance products such as mobile money, mobile banking, and digital loans. The survey lasts approximately 30 minutes and covers a range of consumer protection topics including pricing and transparency, competition and choice, fraud, and agent misconduct. Furthermore, researchers disaggregate data by demographic characteristics such as gender and age.

Results and Policy Lessons