WORKING PAPER

Responsible Digital Finance Ecosystem (RDFE)

A Conceptual Framework

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Contents

Acronyms

AML/CFT	Anti-money laundering/combating the financing of terrorism
BTCA	Better Than Cash Alliance
BSP	Bangko Sentral ng Pilipinas
CCAF	Cambridge Centre for Alternative Finance
DFS	Digital financial services
EMDEs	Emerging markets and developing economies
E-money	Electronic money
FACE	Fintech Association for Consumer Empowerment
FCP	Financial consumer protection
FinCoNet	International Financial Consumer Protection Organisation
Fintech	Financial technology
FSD	Financial Sector Deepening
FSP	Financial services provider
GOGLA	Global Off-Grid Lighting Association
GSMA	Global System for Mobile Communications Association
IPA	Innovations for Poverty Action
OECD	Organisation for Economic Co-operation and Development
RDFE	Responsible Digital Finance Ecosystem
RegTech	Regulatory technology
SBS	Superintendency of Banking, Insurance, and Private Pension Fund Administrators [Superintendencia de Banca, Seguros y AFP], Peru
SPTF	Social Performance Task Force
SupTech	Supervisory technology
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNSGSA	United Nations Secretary-General's Special Advocate for Inclusive Finance for Development
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union

Executive Summary

THE RAPID DIGITIZATION RESHAPING THE financial services landscape presents both opportunities and challenges. While rapid digitization has broadened access to and reduced the costs of financial services, it has also led to fragmentation in the provision of financial services, complicating financial consumer protection (FCP) efforts. Technologies such as automation and extensive data sharing have heightened consumer risks, including fraud, data misuse, and inadequate recourse mechanisms. Additionally, a lack of consumer trust in financial services and limited digital literacy among some users are becoming significant barriers to safe access and usage (Duflos and Izaguirre 2022). Regulators and supervisors are also facing challenges in adapting their consumer protection frameworks to fast-evolving technologies, such as artificial intelligence and crypto assets.

Despite advancements in global frameworks like the G20/OECD High-Level Principles on Financial Consumer Protection and their implementation in emerging markets and developing economies (EMDEs), there are increasing types of risks, and the rate at which digital finance risks grow often surpasses the rate at which digital financial services (DFS) are adopted. FCP efforts tend to be siloed and primarily carried out by a financial sector authority. Therefore, these efforts do not sufficiently keep up with the dynamic DFS landscape, which involves many new and non-traditional market actors that may not fall entirely under the purview of the financial sector authority. Moreover, FCP measures in DFS tend to be reactive, often arising only after consumer harm has occurred, rather than being proactive and pre-emptive.

It is time to enhance FCP in the digital age to ensure consumers continue to derive value and positive results from DFS and the sector can realize its immense financial inclusion potential. The basic legal and regulatory building blocks that many jurisdictions have been fine-tuning over the years continue to form the foundation of any FCP framework. At the same time, the growing number of market actors interacting in the provision of DFS, coupled with the fast-growing and evolving nature of DFS consumer risks are clear signs that we need to further strengthen the existing FCP framework by making it more holistic and proactive.

To achieve this, CGAP envisions a “Responsible Digital Finance Ecosystem” (RDFE), where key stakeholders collaborate to proactively identify, prevent, and mitigate DFS consumer risks, not only to safeguard consumers from potential harm, but to also ensure that DFS offerings enrich consumers’ lives.

Solutions to address consumer risks require the involvement and buy-in from many stakeholders. Actors with key roles in an RDFE include financial and non-financial sector authorities such as data protection, competition, or telecom regulators, along with a broad range of digital finance providers, consumer advocates, and market facilitators. Through deliberate individual and collective action from these actors, the digital finance ecosystem can become more responsible, rebuild consumer trust, and deliver on its promised benefits for both consumers and financial service providers.

Achieving the vision for an RDFE requires building on and strengthening—not replacing—current FCP

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country frameworks, including their regulation and supervision. In many cases, this will help improve the effectiveness of existing authorities and market actors. It may also involve incorporating new tools. In most cases, these improvements are already in progress, thanks to various stakeholders taking different actions to move toward more responsible DFS. The aspiration for an RDFE is to cohesively weave these individual efforts into a concerted movement, ensuring that all key actors are intentionally and methodically advancing toward a predefined vision.

This paper offers a conceptual framework for achieving the vision of an RDFE and draws on real-life examples and case studies. It outlines the four key components of an RDFE—Customer centricity, Collaboration, Capability, and Commitment, referred to as "the four Cs"—that help build on and strengthen current FCP frameworks, and which should be developed by all ecosystem actors to enable customers to use digital finance safely and in a manner that leads to positive outcomes.

- **Customer centricity:** Effectively placing customers at the center of actors' actions.
- **Collaboration:** Working together effectively to create, plan, fund, implement, and monitor solutions.
- **Capability:** Effectively addressing consumer risks via enhanced competencies, tools, and resources.
- **Commitment:** Individually and collectively dedicating internal resources to champion an RDFE.

While the RDFE was envisioned primarily for DFS, it can inspire the strengthening of the FCP framework of traditional non-digital finance services.

CGAP recognizes that the implementation of this conceptual framework must be tailored to each country's local context to complement existing FCP policy, regulatory, supervisory, and industry initiatives. Implementation calls for strong commitment from the relevant financial sector authority and a collaborative effort involving other national stakeholders and global actors who can provide support. It is important for leaders championing reforms to understand and act on the incentives needed to encourage this additional effort.

Despite the challenges, it will be crucial to set up a measurement framework that includes a baseline assessment with gender-disaggregated data, as well as follow-up surveys and progress monitoring tools. Through this measurement framework, DFS ecosystem actors will see how implementing an RDFE vision is leading to better consumer risk management and positive customer outcomes.

SECTION 1

Introduction: The Double-Edged Sword of Digital Financial Services

THE PROLIFIC DIGITIZATION OF financial services continues to create both opportunities and risks for low-income, underserved, and excluded consumers. Recent technological advances have enabled new business models and have rapidly expanded the access and usage of financial services in ways that can help users capture economic opportunities and foster resilience. Data suggests that digital financial inclusion enables 13 of the Sustainable Development Goals (UNSGSA et al. 2023). For example, over 100 million people access electricity through off-grid solar energy devices financed through pay-as-you-go digital loans (GOGLA 2023).

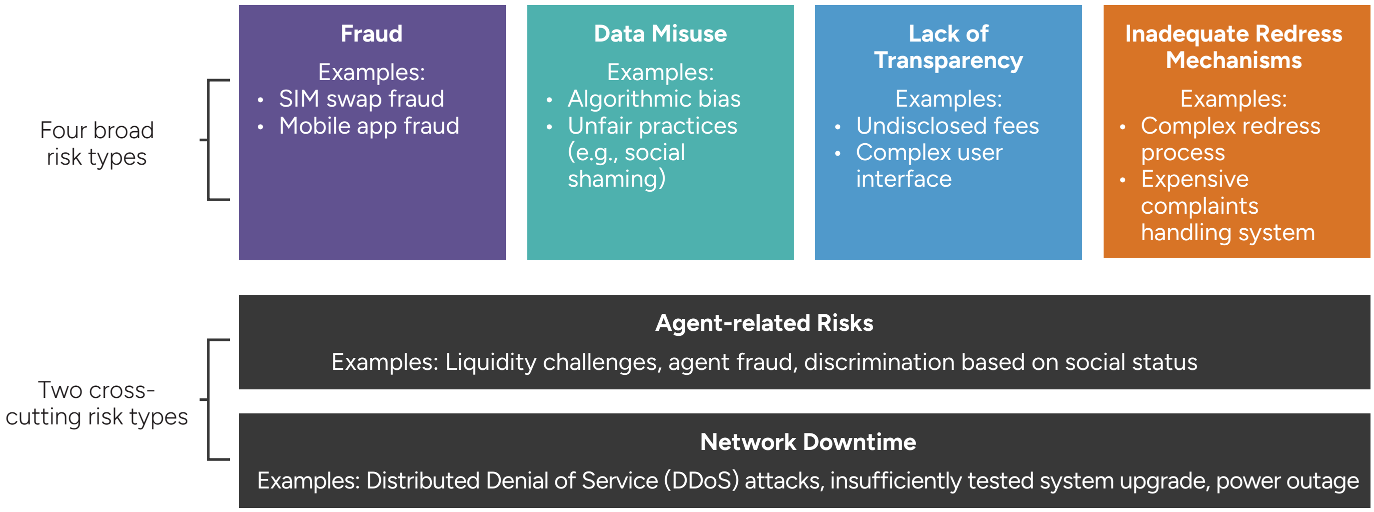
Technology has lowered transaction costs for providers and customers, improved customer experience and convenience when accessing and using financial services, and expanded the range of services that customers can choose from. It has also allowed different parts of the banking value chain to be disassembled and reassembled in novel ways by highly specialized providers, enabling greater flexibility and choice for customers (Zetterli 2021). The advance of digital assets and generative artificial intelligence is also creating new opportunities for digital financial inclusion.

However, despite its financial inclusion potential, the prolific digitization and modularization of financial services also create new risks and challenges for consumers. The design and delivery of financial services are more complex and fragmented, processes are increasingly automated, there is unprecedented access to and processing of customer data across providers and market facilitators, and information and power asymmetries are rapidly increasing. These trends expose consumers to risks arising from fraud, data misuse, lack of transparency, inadequate redress mechanisms, network downtime, and agent-assisted transactions. See Figures 1 and 2 below, for a detailed typology and evolution of DFS consumer risks based on CGAP's global research (Chalwe-Mulenga, Duflos, and Coetzee 2022).

Despite its financial inclusion potential, the prolific digitization and modularization of financial services also create new risks and challenges for consumers.

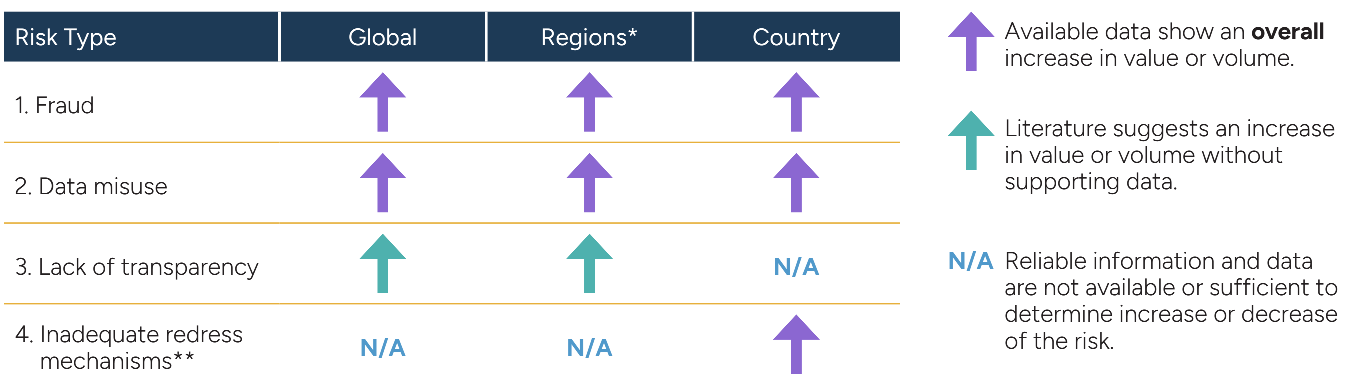
As opportunities and risks in DFS proliferate, we need to strengthen financial consumer protection (FCP)—and this must involve all relevant actors—to ensure consumers are not only unharmed but also derive value from their use of DFS. CGAP calls for a collaborative effort to strengthen FCP frameworks to be more holistic and proactive. Doing so will deliver a "Responsible Digital Finance Ecosystem" (RDFE).

FIGURE 1. **Typology of DFS consumer risks**



Source: Chalwe-Mulenga et al. (2022).

FIGURE 2. **Evolution of DFS consumer risks by scale**



* Regions: Africa, East Asia & Pacific, Europe & Central Asia, Latin America & the Caribbean, Middle East & North Africa, South Asia.
** In some countries, there is evidence of improvements after government intervention (e.g., China and India).

Source: Chalwe-Mulenga et al. (2022).

Building on decades of global and country-level knowledge and experience, this working paper seeks to assist financial sector authorities in better understanding both an RDFE and its key elements, as well as how it builds on what already exists to minimize risks and improve the value of digital finance for consumers in their countries. It can also be a useful reference for other key actors in the ecosystem.

To do so, this paper outlines the need for an ecosystem framework for FCP, defines and describes the actors that must be involved in the RDFE, identifies four key components of an RDFE, and addresses implementation considerations.

SECTION 2

The Need to Boost Consumer Protection in the Digital Age

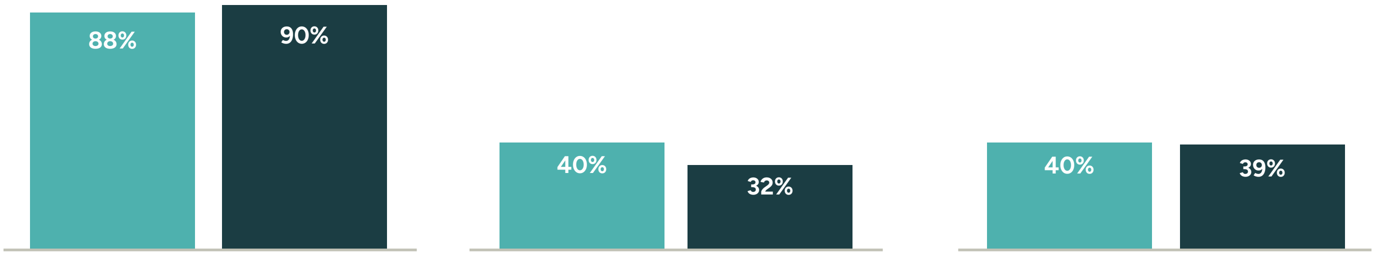
CGAP'S RESEARCH ON THE EVOLUTION of consumer risks related to digital finance, the Organisation for Economic Co-operation and Development (OECD) Consumer Finance Risk Monitor, the 2024 Consumers International's Fair Digital Finance Index, and Innovations for Poverty Action's (IPA) extensive research on consumer protection across several countries consistently highlight the rapid growth and significant scale of consumer risks in digital finance (Chalwe-Mulenga et al. 2022; Consumers International 2024; IPA n.d.; OECD 2024). Moreover, in the World Bank and Cambridge Centre for Alternative Finance's (CCAF) Third Global Fintech Regulator Survey covering 108 jurisdictions, 71 percent of financial sector authorities, including those in emerging markets and developing economies (EMDEs), indicated that COVID-19 has increased existing inancial technology (fintech)-related consumer risks (World Bank and CCAF 2022). Further, CGAP's DFS Consumer Protection Lab in the West African Economic and Monetary Union (WAEMU) region found that in Senegal and Côte d'Ivoire, close to 90 percent of DFS users have been exposed to some form of risk, and 32 to 40 percent of users have lost money because of such risks (Riquet, Duflos, and Izaguirre 2022).

Financial sector authorities struggle to keep up with growing DFS risks

Financial sector authorities have stepped up their focus on consumer protection in response to both global and local financial crises, and in many instances, have started to build a foundation for responsible finance. For example, an analysis of data covering 118 jurisdictions finds that over 97 percent have some form of legal framework for FCP (World Bank 2023). Twenty-three members of the Alliance for Financial Inclusion also made policy changes to enhance their consumer protection frameworks in 2022 (AFI 2023). This legal and regulatory foundation is essential for a responsible finance ecosystem, along with effective supervision and enforcement.

International organizations have been active in developing sound principles for authorities to strengthen consumer protection, such as the G20/OECD High-Level Principles on Financial Consumer Protection, the World Bank's Good Practices for Financial Consumer Protection, and the United Nations (UN) Principles for Responsible Digital Payments (BTCA 2021; OECD 2022; World Bank 2017). These principles and practices assist authorities in implementing their FCP frameworks based on international experience.

FIGURE 3. **Results of national surveys on DFS consumer risks in Côte d'Ivoire and Senegal**



Exposure to risks associated with the use of DFS

- Received a scam or fradulent message
- Not informed of the cost of the service
- Poor network
- Did not get a receipt
- Difficulty in understanding the offer

Financial losses as a result of a risk

- Lost money as a result of a subscription or response to a fradulent message
- Paid more than expected
- Lost money due to a transaction that did not go as planned
- Payment debited but not receved by the supplier

Challenges related to clients' capacity

- Difficulty navigating the menu
- Sent money by mistaking the recipient's number

Côte d'Ivoire | Senegal

Source: Riquet-Bamba et al. (2023).

However, while every country is unique, the current FCP regulation and supervision framework needs to adapt to the challenge of growing DFS risks due to several reasons:

- **Limited emphasis on customer outcomes in regulations.** Financial sector authorities just beginning with FCP tend to focus mainly on compliance with basic rules, such as disclosure forms and complaints handling procedures. Such efforts are important but do not adequately consider outcomes for consumers that result from DFS provider actions, culture, and product features, or the growing number and types of actors involved in the provision of DFS, such as unregulated fintech providers, market facilitators, and technology service providers.
- **Reactive versus proactive, risk-based measures to address emerging consumer risks.** In many cases, such as in the case of digital credit, authorities have taken reactive measures only after widespread incidences of consumer harm were reported instead of taking a more proactive approach that preempts and consequently minimizes consumer risks. The pace of regulatory reform related to new types of products, providers, and technologies can take years, whereas digital credit, crypto assets, and artificial intelligence are rapidly increasing new risks for consumers and regulators (Newbury and Kerse 2023).
- **Limited focus on consumer experience with DFS.** While authorities have started to design and implement customer-centric regulations that focus on customers' experience and immediate outcomes from their use of financial services (Izaguirre 2020), less than half of respondents to the latest Global Financial Inclusion and Consumer Protection survey (World Bank 2023) have used demand-side market monitoring tools to understand how consumers experience financial services and how providers treat them. In both cases, the application to DFS has been even more limited.
- **Limited collaboration and coordination.** Many new business models, such as platform-based lending, peer-to-peer lending, embedded finance, and cash flow-based digital credit offer new

types of products and services, often delivered through new channels, and embedded with other nonfinancial products and services that fall outside the purview of financial sector regulators. At the same time, collaboration among different sectoral authorities is still underdeveloped in most EMDEs, which has created a disparity of standards, rules, degree of supervision, and enforcement practices across different activities and types of institutions, such as microfinance, banking, payments, and fintech. This has led to regulatory arbitrage, inconsistent requirements for different providers, and varying consumer experiences (for more information, see section 5.2 on Collaboration). Although limited collaboration is understandable when some regulators have emerged only recently, it is nonetheless concerning, especially for data protection, because consumer and data protection are increasingly intertwined with the growing use of alternative data for the provision of digital credit, and the rapid adoption of open finance regimes (Duflos and Medine 2023).

- **Limited capacity to keep up.** Financial sector authorities in EMDEs often express their limited capacity to keep up with innovation and risks. For example, 77 percent of respondents in the World Bank and CCAF's global survey of regulators indicated that regulatory or supervisory challenges due to new technologies and business models, and financial sector authorities' limited understanding of consumer risks were leading factors that intensified DFS consumer risks (World Bank and CCAF 2022). The expansion of cross-border businesses involving several jurisdictions in digital credit and crypto assets, for example, will likely deepen this capacity gap.

DFS providers have demonstrated uneven commitment to making their services more responsible

While DFS providers are increasingly acknowledging the business case for responsible digital finance and adopting industry-level codes of conduct in several jurisdictions, not all providers do so. This approach demands dedicated resources, expertise, and leadership to develop a more holistic view of responsibility and embed it into organizational strategy, culture, and practices. Some providers lack the incentives and commitment to make their services more responsible. They may explore it as part of their corporate social responsibility or philanthropic efforts, but fall short on the willingness or ability to mainstream throughout their organizations and act on their commitment.

Providers can commit to making financial services more responsible through different initiatives. To illustrate, 54 off-grid solar energy companies have endorsed the Global Off-Grid Lighting Association (GOGLA) Consumer Protection Principles for their digital lending activities, 29 digital finance providers are testing the new Cerise+Social Performance Task Force (SPTF) Digital Financial Standards for Consumer Protection, and 12 mobile network operators have received Global System for Mobile Communications Association (GSMA) Mobile Money Certification (Cerise+SPTF n.d.a; GOGLA n.d.; GSMA n.d.). Fintech associations and other industry associations that develop codes of conduct for digital finance have also been on the rise (Tomilova, Izaguirre, and Duflos 2023).

Consequences may be significant for consumers, especially those who are experiencing vulnerability

With DFS uptake on the rise, consumers are increasingly distrustful of the financial sector, which could jeopardize progress in financial inclusion. Global Findex data shows that this distrust is becoming a greater barrier worldwide for consumers to open a financial account: 23 percent of adults in 2021 reported a lack of trust in financial institutions as a barrier, compared to 16 percent in 2017, and in India, close to half of the 35 percent of people who have inactive accounts don't use them because of a lack of trust (Demirgüç-Kunt et al. 2022). A recent GSMA report also shows that Senegalese women have a higher distrust in the security of mobile money than men, leading them to refrain from adopting the service, limit its use, or develop personal risk mitigation strategies (GSMA 2024).

In addition, segments of the population may have greater difficulties accessing and using DFS. For example, women may face gender bias in algorithmic decision-making, while rural and elderly consumers may have difficulty with user interfaces due to low levels of digital literacy (Chalwe-Mulenga, Bin-Humam, and Duflos 2022).

Lastly, experiences with over-indebtedness or fraud may lead consumers to opt out of DFS entirely. Areas affected by climate risks may also negatively impact low-income and financially excluded segments (Zetterli 2023). While harmful digital finance experiences have not yet had an impact on financial stability, it can in the future, given DFS' ability to scale and spread rapidly, both within and across countries. The subprime mortgage crisis, for example, was caused in part by the technical complexity of financial products and because the systemic repercussions of their risks were underestimated by regulators and other actors.

A call to action: Adopting a more holistic and proactive framework

This situation calls for a more concerted effort from the entire digital finance ecosystem, led by financial sector authorities, to make digital finance more responsible. It is doubtful that financial sector authorities can do this alone, and failing to address the abovementioned limitations to existing frameworks soon may further increase consumer harms to mainly low-income and other vulnerable users of digital finance (BBC 2023).

Against this context, key ecosystem stakeholders must actively and purposely work to strengthen FCP more holistically. This entails a commitment to strengthening their capacities to improve risk identification, prevention, and mitigation; prioritizing positive outcomes for consumers; and collaborating with other ecosystem actors. CGAP refers to this as a Responsible Digital Finance Ecosystem.

> "As CGAP pointed out, consumer protection in digital finance requires a holistic approach, in which all of the key actors in the digital finance ecosystem—consumers, providers, policymakers […]—interact in a way that protects and ensures positive outcomes for customers using financial services, especially women and vulnerable consumers."
>
> —Maria Lúcia Leitao, Banco de Portugal, FinCoNet Annual Meeting, 2022.

SECTION 3

Defining the Vision and Goals of a Responsible Digital Finance Ecosystem

A Responsible Digital Finance Ecosystem (RDFE) envisions a wide range of actors—financial sector and other authorities, DFS providers, consumer representatives, and market facilitators—coming together to more proactively identify, prevent, and mitigate DFS risks not only to safeguard consumers from potential harm, but to ensure that DFS offerings enrich consumers' lives.

The two main goals of an RDFE are to:

1. **Enable digital finance ecosystem actors, especially financial sector authorities, to better address digital finance consumer risks through enhanced identification, prevention, and mitigation.**
2. **Foster an environment where providers offer more responsible digital finance, particularly to women and consumers experiencing vulnerability, in ways that lead to positive outcomes.**

The notion of an ecosystem is central to the vision. Given the many types of actors involved in the provision of DFS, the solutions for managing consumer risks require the involvement and buy-in from most, individually or collaboratively. While every country has a different ecosystem with its key actors depending on its unique context, typically, as described in section 4 below, the digital finance ecosystem includes consumers and organizations that CGAP classifies into five broad categories: financial sector authorities; other government authorities (such as those involved in data protection, competition, and telecommunications); DFS providers and associations; consumer representatives; and market facilitators (see Figure 4). All these stakeholders play a role in minimizing consumer risks, creating customer value, and promoting positive customer outcomes.

The journey toward an RDFE is designed to enhance, not replace, current FCP frameworks. Financial authorities' existing FCP laws and regulations, market monitoring, supervision and enforcement, and dispute resolution mechanisms constitute the key building blocks for achieving an RDFE vision. Therefore, working toward an RDFE involves building on each jurisdiction's progress in these different areas from an ecosystem perspective by implementing elements of what CGAP has identified as the four key components of an RDFE: Customer centricity, Collaboration, Capability, and Commitment, referred to as the four Cs.

- **Customer centricity.** All key actors in the DFS ecosystem prioritize customers' needs to minimize consumer risks and maximize benefits to customer value and positive outcomes from DFS use.

- **Collaboration**. All key actors work together effectively to create, plan, fund, implement, and monitor solutions that significantly benefit consumers more than individual efforts would.
- **Capability**. All key actors, particularly financial sector authorities, effectively address consumer risks via enhanced competencies, tools, and resources.
- **Commitment**. All key actors dedicate internal resources and collaborate to enhance the value of DFS for consumers and better address consumer risks.

In most cases, various actors are already taking different actions to move toward more responsible DFS. The aspiration for an RDFE is to cohesively weave these individual efforts into a concerted movement, ensuring that all key actors are intentionally and methodically advancing toward a predefined vision.

This conceptual framework builds on decades of theory and practice advanced by many global, regional, and national actors. For example, it incorporates the notion of customer centricity in regulatory frameworks and business models, market monitoring as a key component of risk-based FCP supervision that enables customer centricity, stronger industry standards on responsible digital finance, and a growing body of sound global principles and good practices for FCP that put greater emphasis on customer outcomes. Whenever possible, the framework draws on lessons learned from related or similar initiatives, such as

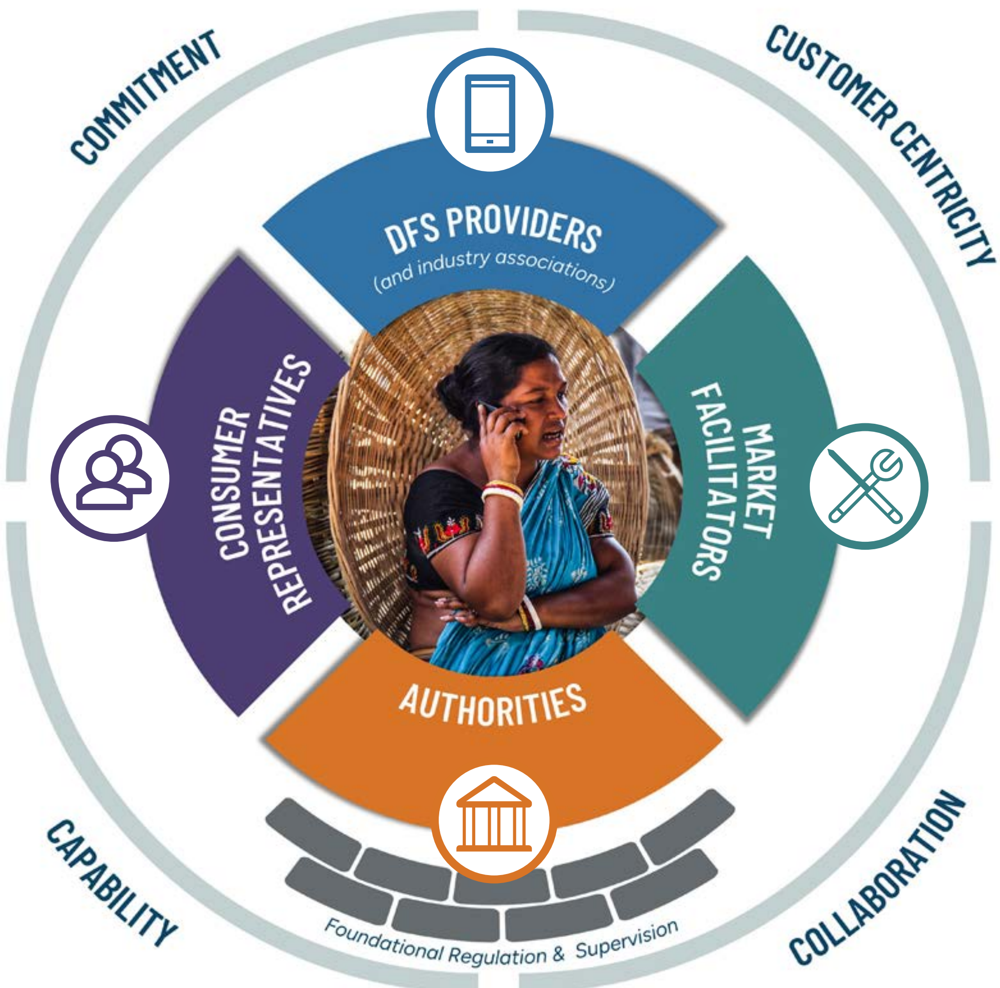
FIGURE 4. **Illustrative list of actors within an RDFE**

Source: Authors.

National Financial Inclusion Strategies, country diagnostics, roadmaps, and implementation programs on FCP, to make existing resources more effective while bringing in new tools to address new and emerging risks.

The RDFE was envisioned primarily for DFS, given the rapidly evolving nature and scale of DFS consumer risks, but it can inspire the strengthening of the FCP framework for traditional, non-digital financial services. It is equally important that the provision of financial services through non-digital means is responsible and leads to positive customer outcomes. While this is not the primary focus of this paper, CGAP endeavors to leverage complementarities in the provision, regulation, and supervision of both digital and non-digital financial services and adapt the framework to incorporate financial services provided non-digitally.

FIGURE 5. **RDFE overview**



Source: Authors.

SECTION 4

Actors Involved in an RDFE at the Country Level

WHILE STANDARD SETTERS AND global bodies guide responsible finance measures, country-level actors are the drivers of an RDFE. Therefore, a range of relevant local actors need to be identified and involved in making digital finance ecosystems more responsible in each country depending on contextual factors, the level of development of DFS markets, and existing institutions. It is important to include those who are already involved in FCP and responsible finance efforts, while also casting a wide net to think comprehensively about who else has a role to play (see Figure 4). Because no single actor can guarantee that consumers are less exposed to risks, more protected from harm, and capable of deriving value from using DFS, a combination of individual and collective efforts is necessary.

At the same time, for the RDFE vision to be realized, it must be championed by a single authority with a clear mandate or responsibility for FCP regulation and supervision. Different countries have different institutional arrangements, and such an authority might be:

- An FCP or conduct authority when a country has a twin peak model that separates regulatory functions across policy objectives. For example, the Financial Sector Conduct Authority operates separately from the prudential authority in South Africa.
- An FCP department within the financial sector authority, when a country has an integrated model that consolidates regulatory functions in a single body. For example, the Consumer Rights Protection and Market Conduct Division within the Central Bank of Armenia, the Deputy Superintendency of Market Conduct and Financial Inclusion within the SBS in Peru.
- An FCP department within an authority, responsible for all regulatory and supervisory aspects of one part of the financial sector, such as banking or insurance, when a country has a sectoral model. For example, the Bangko Sentral ng Pilipinas (BSP) in the Philippines or the Reserve Bank of India.

In addition to the lead FCP authority, other financial authorities also play an important role in promoting an RDFE, including a range of supervisors, regulators, and policy makers. In some cases, their consumer protection role may be explicit, such as in the case of an insurance or microfinance authority. In others,

> Because no single actor can guarantee that consumers are less exposed to risks, more protected from harm, and capable of deriving value from using DFS, a combination of individual and collective efforts is necessary.

their role may be more indirect as they may look at consumer risks in pursuit of other policy objectives. For example, financial intelligence units and central banks might monitor fraud for financial integrity and stability purposes.

Digital finance's complex products and services, multiple channels, and reliance on third-party arrangements, including outsourcing and modularization, make it imperative that a range of stakeholders be actively engaged and in dialogue to prevent, identify, and mitigate consumer risks in DFS. This includes a range of providers involved in the development, delivery, and offering of DFS products and services, such as banks, insurance providers, fintech companies, electronic money (e-money) issuers, and agent network managers, as well as industry associations that represent these providers.

Working toward an RDFE should also include stakeholders outside the financial sector, considering the greater integration of financial services into the digital and real economy. Such stakeholders might include non-financial regulators, such as general consumer protection, telecommunications, data protection, and competition authorities, as well as third-party service providers, such as mobile app stores, technology providers, distribution partners, e-commerce platforms, mobile network operators, cyber security companies, and regulatory technology (RegTech) firms.

Market facilitators include a broad range of actors, such as technology providers, credit reporting agencies, and researchers, who can make valuable contributions. For example, credit reporting agencies are repositories of customer data. They have a responsibility to ensure its safety and can take steps to make the underlying data more inclusive and bias-free in ways that capture information about underserved and excluded customer segments and help extend credit to them. Similarly, training institutes can support capacity building of different market actors, and researchers can contribute to understanding the nature and scale of DFS risks. Given the broad diversity of these stakeholders, the nature and intensity of their engagement within the RDFE framework is context-dependent, but they remain important stakeholders in the ecosystem and need to be involved in delivering an RDFE.

Consumer representatives, such as consumer association leaders, also need to be at the table. CGAP research on collective consumer voice and consumer advisory panels provides several examples of how elevating consumer voices in financial regulation can improve its quality and effectiveness (Newbury and Duflos 2022).

However, not all these stakeholders need to be involved consistently. Their roles are dynamic and evolve in line with the evolution of DFS markets and local context. A stakeholder landscaping tool can help the FCP authority identify key priority stakeholders, as well as their strengths and opportunities in an RDFE.

It is important to keep sight of entities that may be specialized in just one or two of the risk dimensions, as they can also play a key role in delivering a more responsible digital finance ecosystem. For example, alternative dispute resolution schemes and debt counseling services play an important role in risk mitigation. Although the vision for an RDFE needs to be established at the country level with attention to the specific local context, global bodies and standard setters also have a crucial role to embed the concept of an RDFE into their key policy documents and to help influence the actors they work with (for more information, see section 6).

SECTION 5

Key Components of an RDFE

BASED ON MORE THAN TWENTY YEARS of research and advocacy in financial consumer protection globally, as well as consultations with leading experts and practitioners, CGAP has distilled four interconnected and mutually reinforcing key components that make a digital finance ecosystem responsible and inclusive: customer centricity, collaboration, capability, and commitment. Depending on the country's stage of developing a comprehensive FCP framework, each of the four Cs can feed into existing regulatory, supervisory, and organizational efforts while helping stakeholders identify, prevent, and mitigate consumer risks and ensure that financial services add value to users. The four Cs, explained in detail in forthcoming sections, can be applied either simultaneously or in a phased approach, tackling one component at a time.

But first, certain foundational FCP aspects must be in place to begin the journey toward an RDFE. These include:

- A sound institutional setup for FCP, including an authority with core regulatory and supervisory functions for FCP and an alternative dispute resolution mechanism.
- Basic FCP rules and guidance governing transparency, suitability, recourse, and data protection.

CGAP recognizes that other essential FCP aspects may exist, but regulation and supervision remain fundamental.

CGAP has distilled four interconnected and mutually reinforcing key components that make a digital finance ecosystem responsible and inclusive: customer centricity, collaboration, capability, and commitment.

Achieving the RDFE vision, which aims to reduce risks and improve outcomes for consumers, requires building on these foundational features to strengthen the FCP institutional, regulatory, supervisory, and collaborative framework by applying all of the four Cs. For example, by increasing collaboration with data protection and telecommunication authorities, financial sector authorities may expand their capability to gather deeper insights into data misuse risks facing consumers and carry out more customer-centric market monitoring, which may in turn lead to the development of outcomes-oriented regulations that protect consumers' financial data more effectively.

The sequence of presenting the components does not represent a ranking of importance. Different stakeholders may prioritize differently based on their circumstances.

FIGURE 6. **Intermediate customer outcomes**

Customer outcomes	Suitability	Choice	Fairness and respect	Voice	Safety and Security
Customer outcomes statements	"I have access to quality services that are affordable and appropriate to my preferences and situation, and receive advice and guidance appropriate to my financial situation."	"I can make an informed choice among a range of products, services, and FSPs based on appropriate and sufficient information and advice that is provided in a transparent, non-costly, and easy-to-understand way."	"I am treated with respect throughout my interactions with the FSP, even if my situation changes, and I can count on the FSP to pay due regard to my interests."	"I can communicate with the FSP through a channel that I can easily access and have my problems quickly resolved with minimal cost to me."	"My money and information are kept safe. The FSP respects my privacy and gives me control over my data."
	Meeting the customer's purpose: "The right choice of services helps me minimize risks and feel more in control of my financial situation. It helps me balance flexibility and discipline in managing my finances even when my circumstances change, and I am in a better position to meet my short-term financial needs and support my longer-term financial goals."				

Source: Koning, Izaguirre, and Singh (2022).

5.1 Customer centricity

In a responsible digital finance ecosystem, customer centricity focuses on placing the needs and interests of customers at the center of all stakeholder activities. This aims to mitigate consumer risks arising from DFS use and generate positive customer outcomes, such as the suitability, choice, fairness, and safety of financial solutions. Once these outcomes are attained, the customer may be better positioned to increase control over their financial situation and better manage financial shocks, which may also improve their financial health (acknowledging that several other factors also influence financial health, such as income levels and external shocks). Customer-centric frameworks for consumer protection regulation and supervision require providers to design their business models, strategies, culture, and operations around the needs and preferences of customers, including those experiencing vulnerability. When these efforts are successful, providers should see not only positive customer outcomes but stronger growth and profitability, as well. In an RDFE, consumer representatives are empowered to defend consumer rights and help offset information and power asymmetries in digital finance markets effectively and credibly.

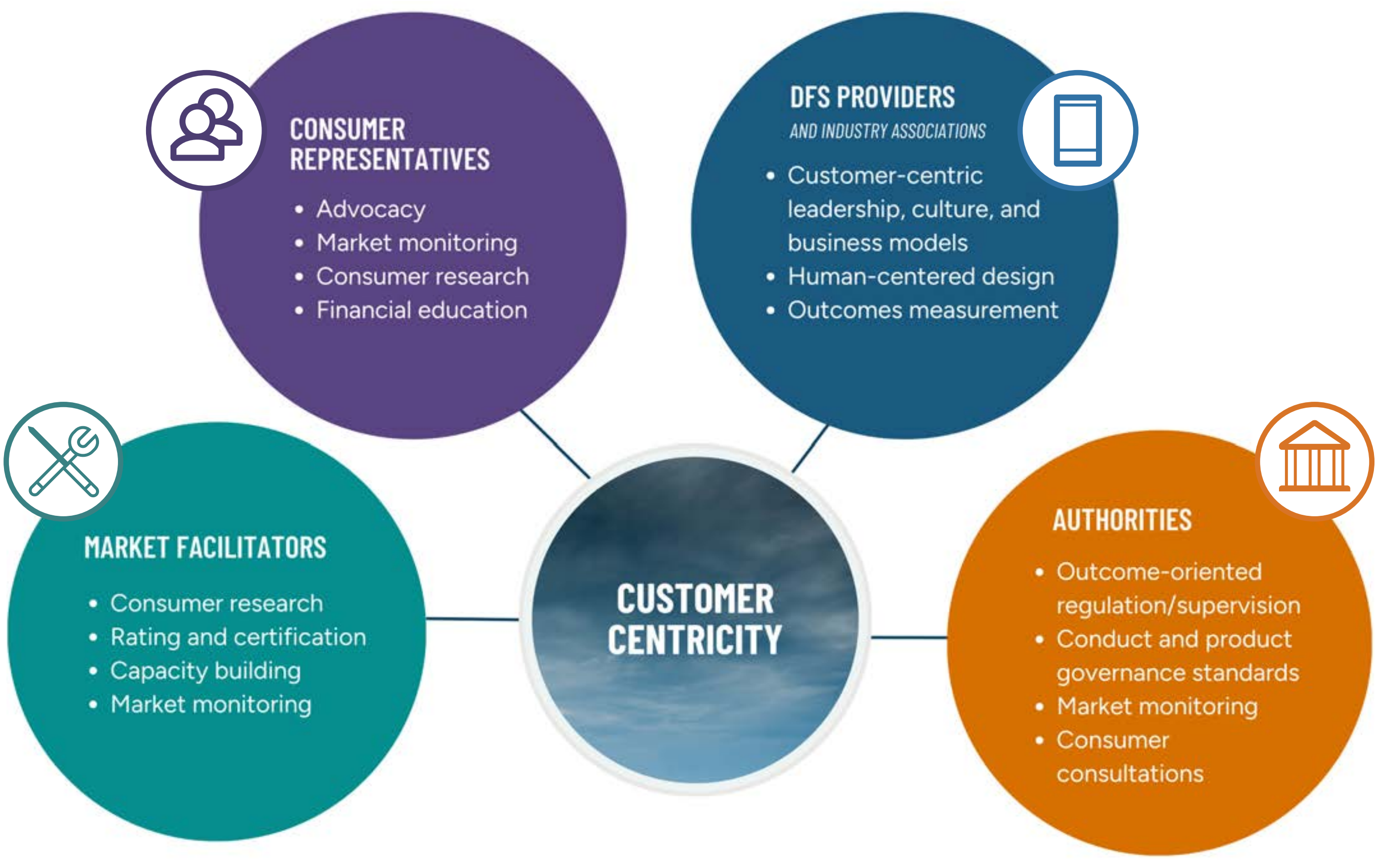
WHY IS CUSTOMER CENTRICITY IMPORTANT FOR ALL ACTORS IN AN RDFE?

Some EMDEs have minimal general consumer protection legal provisions that indirectly apply to the financial sector, with no clear enforcement mechanisms. Others have rudimentary FCP frameworks that often overemphasize compliance with procedural rules and outputs related to contract clauses, point-of-sale disclosures, complaints handling procedures, and even font sizes, while neglecting the importance of transparency and fair engagement with providers. As a result, providers are incentivized to focus more on complying with rules than good market conduct. This, in turn, places greater responsibility on consumers to protect themselves from negative outcomes. In a digital finance landscape with several new types of financial services, channels, and providers and differing levels of regulation (and sometimes no regulation), consumer challenges are exacerbated.

In an increasingly digitized and complex financial ecosystem, customer centricity places greater responsibility for positive customer outcomes on providers. Customers still need to do their best to make good decisions by comparing and analyzing information, avoiding irresponsible providers, and lodging complaints when they have been treated unfairly, but these are not sufficient to fully mitigate consumer risks or achieve positive outcomes. In an RDFE, providers, industry associations, consumer representatives, and financial sector authorities assume greater ownership in promoting responsibility in financial markets and ensuring providers move beyond a compliance-based mindset to creating a culture that minimizes consumer risks and improves customer value and outcomes.

Customer centricity should be viewed as a conduit for profitable and efficient business operations—customer-centric providers can increase customer uptake and use of their products, improve market position in a competitive environment, use technology to tailor products to specific segments, drive down operating costs, and more effectively engage with financial sector authorities and respond to regulation (Stahl, Magnoni, and Coetzee 2017). Organizations that focused on customer solutions over products were found to consistently beat the revenue growth of the S&P 500 Index (Gulati 2009). Likewise, research finds that customer satisfaction and return on investment are correlated, but the size of the correlation is twice as much when satisfaction levels fall. Return on investment increases by 2 percent when customer satisfaction increases by 1 percent but falls by 5 percent when customer satisfaction falls by 1 percent, suggesting that a lack of customer centricity can adversely affect financial performance (Gupta and Zeithaml 2006).

FIGURE 7. **Examples of customer-centric activities by type of digital finance ecosystem actors**



Source: Authors.

WHAT DOES CUSTOMER CENTRICITY LOOK LIKE FOR DIFFERENT ACTORS IN AN RDFE?

Financial sector authorities

To become more customer-centric, financial sector authorities can adopt FCP frameworks and practices that hold providers accountable for putting customers at the center of their operations and ensuring positive outcomes. However, these authorities face several challenges in developing a customer-centric approach, including a limited understanding of customer centricity or customer outcomes. Their organizational culture and mindset may need to evolve to integrate customer centricity alongside the compliance-focused culture prevalent in many authorities.

Financial sector authorities can incorporate customer centricity into their regulatory frameworks by introducing new regulatory elements that focus on internal provider culture, processes, and external customer interactions (Izaguirre 2020). Some of these regulatory elements could include:

- **Culture and conduct governance** by requiring boards and senior management to set customer-centric strategies and policies, oversee conduct risks, and assess customer outcomes. For example, in the UK, the Financial Conduct Authority seeks to reduce harm to consumers and strengthen market integrity by creating a system that enables regulators to hold people in senior positions to account for their conduct and competence (Financial Conduct Authority 2023b).
- **Instituting stringent financial product governance**, focusing on the internal mechanisms for designing, marketing, selling, and periodically reviewing financial products to ensure they serve customers' best interests (e.g., Bank Negara Malaysia 2014).
- **Requiring providers to systematically gather and analyze customer insights** across the product lifecycle and customer journey, ensuring compliance with data protection and privacy standards. For example, the Central Bank of Ireland's Consumer Protection Code requires providers to gather and record sufficient consumer information before offering or recommending products or services (Central Bank of Ireland 2023).

A key element of customer-centric FCP is strong market conduct supervision that incorporates a range of market monitoring tools—such as phone surveys, mystery shopping, and social media analysis—to better understand consumer risks, experiences, and outcomes. Market monitoring in an FCP context examines market-level consumer risks, behavior, and outcomes, enabling supervisors to gather aggregate consumer insights (Izaguirre et al. 2022). These insights can enhance a risk-based approach to consumer protection supervision and are a key step in supporting financial sector authorities to prioritize the allocation of their resources based on consumer risk assessments. To illustrate, requiring granular regulatory reporting data and investment in machine learning tools as part of its market monitoring efforts helped Mexico's National Commission of the Retirement Savings System identify patterns and spot provider and agent misconduct, leading to punitive action and decreased fraud (CGAP 2022a).

As noted earlier, there is an increasing relationship between consumer protection and data protection. Responsible use of consumer data and mitigating data protection risks assume outsized importance in data-rich DFS ecosystems. Existing data protection regimes rely heavily on individual consumer consent and may burden low-income customers unreasonably. CGAP has identified ways in which data privacy and protection can be more customer-centric and responsible (Medine and Murthy 2020), which is particularly important in the context of the growing adoption of open finance regimes (Medine and Plaitakis 2023), including:

- Shifting the responsibility for data protection from consumers to providers through legitimate purpose tests that ensure data use is in consumers' interests, prohibiting reliance on individual consent to bypass

> In an RDFE, providers, industry associations, consumer representatives, and financial sector authorities assume greater ownership in promoting responsibility...creating a culture that minimizes consumer risks and improves customer value and outcomes.

BOX 1. **Customer centricity enables responsible financial inclusion of women**

Financial sector authorities that effectively integrate market monitoring into their supervisory activities can use various tools to identify, understand, and track consumer risks and outcomes disaggregated by gender. Such tools include demand-side phone surveys, mystery shopping, analysis of complaints data, thematic reviews, and analysis of regulatory reports submitted by providers. Using data gathered through such tools, the Central Bank of Egypt allowed providers to offer digital wallets with minimal open requirements to attract more women customers, while Mexico's National Banking and Securities Commission reduced provisioning requirements for certain types of loans to women after identifying that women had lower rates of non-performing loans. CGAP research shows that, despite their tremendous potential, the collection and use of regulatory reporting data disaggregated by gender remain suboptimal, and a more systematic, collaborative, and outcomes-oriented approach is needed (Alonso and Deszo 2024). Customer-centric business models start by learning about their customers to generate the insights needed to design products and services with customers in mind. This learning phase entails collecting and analyzing key customer data, including demographic data collected at enrollment (e.g., gender and age) and behavioral data collected through customer transactions. These data help providers identify groups or segments of customers with common behaviors, needs, and wants that merit differentiated strategy for product design.

these rules, and enforcing a fiduciary duty on firms that collect and process consumers' data.

- Empowering consumers to control their data by allowing them to easily access, correct, and port data free of charge and object to and be protected from automated data processing.
- Enhancing consumer data security by requiring providers to adopt multi-factor or biometric identification.
- Ensuring fairness in data processing through privacy representatives set up by nonprofits or government authorities. These representatives can check algorithmic models for fairness, bias, and exclusion with regard to different customer profiles and warn consumers about concerning data practices.

DFS providers

Customer centricity refers to a business approach where customers' needs and preferences are the primary focus, shaping the company's strategy, decision-making, structure, and daily operations. This approach is part of a broader environment involving customers, employees, suppliers, shareholders, and the communities affected by the organization, positioning customers at the heart of all corporate activities (Leather 2013).

However, while there are a growing number of customer-centric providers, others remain entrenched in organizational designs and cultures based on product lines rather than customer experience or needs. Some of these providers may not fully appreciate the business case for customer centricity, and even when they do, they might lack the incentives, leadership, or knowledge to embrace and manage such organizational change. Industry associations can play a key role in addressing such challenges through industry-wide knowledge and resource-strengthening initiatives. Financial sector authorities may also proactively engage with providers and industry associations to better explain the need for and expectations with regard to customer centricity.

CGAP research (Coetzee 2018) finds that providers can foster customer-centric business models through:

- **Fostering customer-focused leadership**, governance, and organizational culture with committed leaders who drive change campaigns.
- **Establishing customer-focused operations**, comprising cross-functional teams, including compliance, risk, marketing, legal, information technology, and human resources, each prioritizing customer experience and designing their roles around it.
- **Empowering employees to provide positive customer experience** through tools, insights, and processes that help them communicate customer value propositions and resolve issues.
- **Using human-centered design** to design, test, build, deliver, and scale products and services aligned with needs and expectations to increase the likelihood of adoption and success.
- **Creating and measuring value for all stakeholders**, including customers, employees, shareholders, and society.

Several successful examples of providers embracing customer centricity can be found as case studies in CGAP's Customer-Centric Guide (CGAP 2017). One such provider, the mobile network operator Digicel in Haiti, undertook a series of customer-centric initiatives: after studying the reasons for a lack of uptake and use of their mobile money offering, they focused on empowering customers by shifting customer training from a one-on-one model to a community-driven training model, simplifying the menu to one product, reducing prices, and enhanced their agent model by integrating top-up agents with mobile money agents. These changes led to a twenty-fold increase in active customers between 2015 and 2017 (Stahl and Coetzee 2018).

Consumer representatives

In an RDFE, consumer representatives are well-resourced and sufficiently knowledgeable to understand the digital finance landscape and its associated risks to consumers. They

FIGURE 8. **Five pillars of customer-centric business models**

Source: Coetzee (2018).

are also empowered to credibly represent consumers when engaging with various authorities and providers. Organizations and advocates that represent and champion consumer voices are, by design, inherently customer-centric, but their effectiveness is often constrained by insufficient resources or capabilities.

Consumer representatives support customer centricity in various ways, including advocacy with regulators. For example, in Brazil, the Instituto Brasileiro de Defesa do Consumidor (the Brazilian Institute of Consumers Defense) advocated for a bill to provide fair debt restructuring for over-indebted customers, which passed in 2021 (Fair Finance International 2021).

Consumer groups also effectively collaborate with key actors to help address consumer risks. For example, in Pakistan, the consumer association The Network for Consumer Protection has engaged with multiple regulators (the State Bank of Pakistan, Securities and Exchange Commission, and the Federal Investigation Agency) to address growing concerns over digital lending, large-scale fraud, and over-indebtedness. Each actor has taken steps to prevent and mitigate consumer risks, with the State Bank of Pakistan banning certain digital lending apps, the Securities and Exchange Commission warning consumers of borrowing risks, and the Federal Investigation Agency raiding fraudulent companies (Consumers International 2024).

5.2 Collaboration

The vision for an RDFE involves all key actors—including regulators, supervisors, financial service providers, consumers, and market facilitators—working together seamlessly. They create, plan, fund, monitor, and implement solutions that have a greater positive impact on consumers than if these stakeholders acted independently, reducing gaps and redundancies in their efforts. There is also greater systematic and formal collaboration among both existing stakeholders and emerging actors. Collaboration in this context is meaningful rather than symbolic or perfunctory, such as signing a memorandum of understanding without committing resources to its implementation. Financial sector authorities have clarity on their regulatory purview, interact frequently with peer authorities, and identify and monitor providers that may fall outside the current perimeter. Providers partner with consumer representatives and relevant authorities to monitor market risks. Effective collaboration among key stakeholders fosters heightened responsibility in a digital finance ecosystem.

WHY IS COLLABORATION IMPORTANT FOR ALL ACTORS IN CONTRIBUTING TO A MORE RESPONSIBLE DIGITAL FINANCE ECOSYSTEM?

As the accelerated digitization of the global economy and financial services ushers in new types of products, business models, providers, and consumers, the need for collaboration among ecosystem actors is increasingly urgent. Many DFS products and services have cross-border or cross-sector features, including business models that operate in both financial and non-financial sectors and products and services offered in multiple jurisdictions. To effectively oversee this increasingly complex landscape, different authorities, such as those responsible for FCP, data protection, competition, information and communication technology, payments, and financial integrity, need effective mechanisms to both coordinate their individual efforts and collaborate on shared initiatives. For example, the use of e-money as a gateway product to offer other DFS, such as digital credit or mobile insurance, as well as the modular and embedded nature of DFS, increases the number of authorities involved in regulating and supervising the same product line or activity (see Figure 4). The adoption of an open finance regime underscores the crucial need for collaboration between data and financial consumer protection authorities. Additionally, as DFS providers expand their markets across geographic borders, enhanced coordination between relevant home and host authorities becomes necessary.

However, regulatory authorities do not always collaborate with each other due to boundaries defined by their respective mandates or for political reasons, leading to ineffective collaboration to the detriment of the consumer. For example, in 2020, the Peruvian government issued COVID-19 emergency policies such as loan moratoria, which led to confusion among borrowers and increased consumer complaints (Rhyne and Duflos 2020). The FCP regulator (SBS) and the general consumer protection authority (Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual or Indecopi) have a legal mandate to work together to address financial consumer complaints, but the agencies could not coordinate an effective response. CGAP's

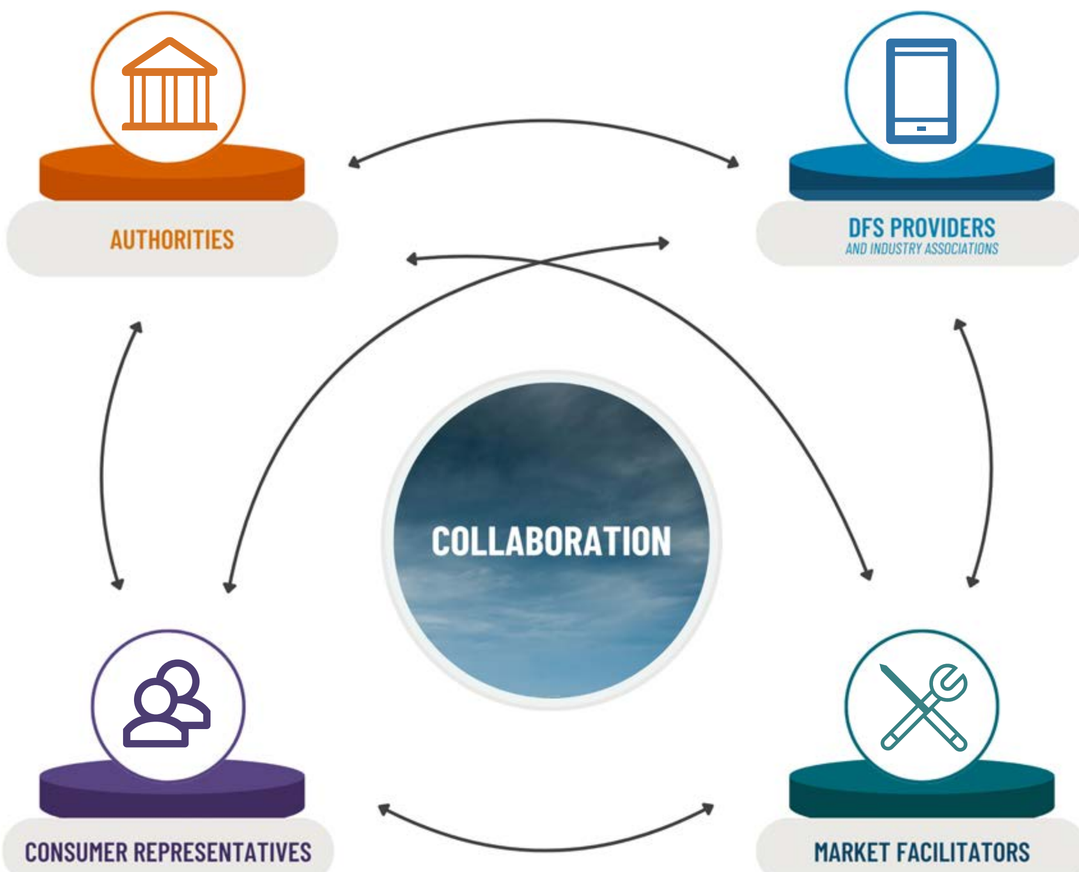
> Different authorities, such as those responsible for FCP, data protection, competition, information and communication technology, payments, and financial integrity, need effective mechanisms to both coordinate their individual efforts and collaborate on shared initiatives.

pilot with Peruvian authorities to improve consumer feedback revealed that gaps in the communications strategy, internal processes, interoperability, and data management between the two agencies led to negative experiences for consumers, who had little visibility into their queries, claims, and complaints and had to invest significant time and resources to make their voices heard (Izaguirre and Moreno-Sanchez 2022). Both authorities have begun addressing the recommendations of the pilot and work collaboratively to interoperate systems, processes, and tools. This level of collaboration is even more imperative for complex DFS provision, which may involve issues related to data protection or telecommunications issues, for example.

Strong collaborations can be instrumental in amplifying the voice of consumers, especially those experiencing vulnerability. Collaborative efforts within the ecosystem can help reduce consumer risks by improving access to data and enhancing market monitoring activities that inform risk management practices by financial service providers and guide oversight by regulators and supervisors. For example, a survey of regulatory practices across 185 countries shows that greater citizen engagement in rulemaking is associated with higher-quality regulation, stronger democratic regimes, and less corrupt institutions (Johns and Saltane 2016).

However, despite its evident benefits, there are several common impediments to effective collaboration among and between key stakeholders, including poor communication, low levels of trust, misaligned goals, and a lack of collaborative structures. The role of the

FIGURE 9. **Collaborations needed among different actors in the ecosystem**



Source: Authors.

lead FCP authority as a strong champion, along with commitment across all key stakeholders to achieving an RDFE vision, could help to overcome these challenges.

WHAT SHOULD COLLABORATION LOOK LIKE FOR DIFFERENT ACTORS?

Collaboration in an RDFE can either be bilateral (involving two key stakeholders) or multilateral (involving several stakeholders).

Bilateral collaboration can take the form of:

- **Authority–Authority collaborations, involving two public authorities, either within the same sector (e.g., financial sector regulators and supervisors) or across sectors (e.g., financial and data protection authorities).** These collaborations could include sharing information on emerging issues and new types of frauds and scams, or support the safe expansion of fintech, open finance, or other innovations by coordinating policies across regulatory domains like prudential or anti-money laundering/combating the financing of terrorism (AML/CFT). To illustrate, the French banking and insurance supervisor Autorité de Contrôle Prudentiel et de Résolution, embedded within Banque de France, is collaborating with the French capital markets authority Autorité des Marchés Financiers within a joint unit created in 2010 to share information and knowledge on emerging trends and new types of digital finance frauds and scams, and to coordinate inspections accordingly (OECD 2020).
- **Authority–Industry collaborations, including formal and informal initiatives to elevate the voice of industry participants in drafting or implementing new rules, addressing emerging issues in the financial sector, or raising awareness of relevant issues amongst consumers.** For example, the Central Bank of Armenia created a Code of Conduct that all DFS providers are encouraged to follow, including guidance on how to communicate with clients and disclose information, through collaboration involving the entire financial sector, including banks, insurance companies, and mobile network operators (AFI 2020). Innovation offices and regulatory sandboxes such as India's Reserve Bank Innovation Hub, Bank of Ghana's Fintech and Innovation Hub, and the WAEMU Central Bank (Banque Centrale des États de l'Afrique de l'Ouest or BCEAO) FinTech Knowledge and Monitoring Office are other examples. The Senegalese market conduct authority, Observatoire de la Qualité des Services Financiers, partners with mobile money providers to conduct public awareness campaigns about the risks of fraud and scams to which consumers may be exposed, and better informs them about the recourse mechanisms. Industry associations play an important role as an intermediary incentivizing and facilitating dialogue in an environment where individual providers are otherwise unable to or do not prioritize direct engagement with relevant authorities. For example, the Philippines' fintech association actively engages with authorities on policy issues ranging from pricing and interest rate caps, digital assets, rural financial inclusion, and deposit insurance, providing inputs to the regulatory framework (Fintech Alliance Ph n.d.).
- **Authority–Consumer collaborations, such as consumer advisory panels common in many countries (mostly advanced economies), bring together authorities and consumer representatives to share information on emerging consumer risks (Newbury and Duflos 2022).** For example, in 2020, the UK's Financial Services Consumer Panel warned the Financial Conduct Authority about an increase in irresponsible guarantor loans issued without a demonstrated ability to repay by the guarantor, based on anecdotes heard by members. The Financial Conduct Authority promptly launched an investigation and credited the advisory panel for its early warning.
- **Industry–Industry collaborations, which may include providers and provider associations convening to share information and best practices relevant to emerging risks, like cybersecurity and fraud, or explore opportunities such as those in**

fintech and blockchain technologies. For example, in the UK, a group of banks, tech companies, and telecom providers have come together in an initiative to gather and share scam intelligence across providers and develop technical solutions that will help prevent harm and losses caused by scams (Stop Scams UK n.d.).

Multilateral collaboration between multiple key stakeholders can take the form of:

- **Authorities across domains that collaborate to address specific risk areas.** For example, the Philippines's Financial Sector Forum is a voluntary inter-agency body established through a Memorandum of Agreement by BSP, the Philippines Deposit Insurance Corporation, the Insurance Commission, and the Securities and Exchange Commission. The Financial Sector Forum's Fintech Committee issued consumer protection guidelines for fintechs and its Consumer Protection and Empowerment Committee works with industry associations on its customer centricity campaign (BSP 2021).
- **Multiple authorities collaborate across borders within the same domain.** For example, a working group was established by regulators from the Arab Republic of Egypt, Kenya, Mauritius, Morocco, Nigeria, South Africa, The Gambia, and Zambia over concerns related to competition and consumer welfare in digital platforms in Africa (Njanja 2023). The Common Markets of Eastern and Southern Africa Competition Commission, representing 21 countries, is also part of the new working group. This group will raise mutual concerns affecting African digital markets and foster collaborative action against obstacles that limit the emergence and expansion of African digital platforms.
- **National strategies that involve multiple stakeholder groups.** National Financial Inclusion Strategy steering committees and working groups convene senior management of various government agencies and partner organizations and help ensure high-level buy-in, decision-making, and accountability for implementation (World Bank 2022).
- **Public–Private sector collaborations that work to share information on emerging issues.** For example, in the UK, the Bank of England and the Financial Conduct Authority launched the Artificial Intelligence Public-Private Forum to facilitate dialogue between the public and private sectors to better understand the use and impact of artificial intelligence in financial services and help further the Bank's objective of promoting the safe adoption of this technology (Financial Conduct Authority 2022a). The forum sought to share information and understand the practical challenges of using artificial intelligence in financial services; barriers to deployment and potential risks; potential areas where principles, guidance, or good practice examples could be useful to support the safe adoption of these technologies; and whether ongoing industry input could be useful and what form this could take.
- **Public-private sector collaborations that work to protect customers from bad actors.** In 2019, the Philippines National Privacy Commission received nearly 700 complaints of alleged harassment and shaming by various mobile online lending apps, with customers complaining that the online lenders misused their information, calling or texting the borrower's contact list about unpaid balances, which caused customers shame and anxiety. The commission conducted fact-finding investigations through surprise compliance raids of the online lenders and worked with the Google Play Store to shut down 26 online lending companies. They also recommended to the Department of Justice five lenders for prosecution (National Privacy Commission of the Philippines 2022).
- **Regulatory outreach that results in input from key stakeholder groups on changes that affect them.** For example, regulators, industry, and consumer groups meet to discuss proposed changes or implementation challenges to laws and regulations in roundtables or roadshows. In India, for example,

a guided website and in-person stakeholder events were used to gather input for its public consultation on a data privacy bill. To encourage consumers and various groups to comment, the policy research institution Dvara developed a digital markup tool that made reviewing and commenting on the bill much easier (Duflos, Griffin, and Valenzuela 2021).

The World Bank's latest survey on the Global Financial Inclusion and Consumer Protection landscape finds a growing trend in consultations between financial sector authorities and other actors (World Bank 2023). Ninety-one percent of authorities who responded recognized consultations as a best practice and had established formal processes for consulting with the industry when developing regulatory frameworks that govern providers and their activities. Additionally, 75 percent had consulted directly with the public. Eighty-nine percent of these were ad hoc consultations rather than an institutionalized process. Fewer than 60 percent of respondents reported having a formal consultation process with consumers; even when there is one, it remains ad hoc (World Bank 2023). It is important to distinguish consultation from collaboration. For example, authorities might publish a request for public comments but not necessarily engage with any actors directly, missing an opportunity for effective collaboration. While insufficient for an RDFE, this is still a good first step (see section 6 for more on implementation considerations).

5.3 Capability

In an RDFE, capability emphasizes the individual and collective strengths of all stakeholders. These strengths include resources, knowledge, skills, and attitudes to effectively understand and respond to the opportunities and risks that the rapidly growing DFS sector presents, particularly for consumers in vulnerable situations. Financial sector authorities will proactively address DFS consumer risks and help consumers attain good value from DFS while effectively engaging with other stakeholders and leveraging technology. Providers demonstrate a deep understanding of their customers' needs, risks, and results of using DFS while embedding responsibility into their strategy, culture and operations to ensure positive outcomes for consumers. Consumer representatives are knowledgeable, resourceful, visible, and credible to effectively hear, advocate for, and support consumers, helping decrease information and power asymmetries in DFS markets, while consumers are empowered to use DFS more safely and effectively to improve their well-being.

WHY IS THE CAPABILITY OF DIFFERENT STAKEHOLDERS IMPORTANT?

In a digital finance ecosystem, the gap in knowledge, skills, and resources needed to keep pace with innovation and associated risks is magnified. Limited human, financial, technical, and institutional resources are a common challenge for financial sector authorities and consumer representatives. The specialized expertise of some providers (such as fintechs) and authorities (such as telecom regulators or cybersecurity

FIGURE 10. **Important elements needed to build capability in an RDFE**

Source: Authors

authorities) may make interactions challenging for other types of stakeholders. Additionally, emerging technologies like artificial intelligence, machine learning, RegTech and supervisory technology (SupTech) present opportunities for authorities to streamline and enhance their regulatory and supervisory efforts but require greater capabilities for effective deployment. Further, stakeholders may not yet have the means or culture to engage with each other collaboratively. Therefore, all actors investing in their capabilities is crucial to the success of an RDFE.

WHAT DOES CAPABILITY LOOK LIKE FOR EACH STAKEHOLDER?

Authorities

Capability entails having powers and resources to effectively regulate and supervise DFS from a consumer protection perspective, including a range of market monitoring and enforcement tools, staff with both technical and non-technical skills to understand DFS, systems for collecting and analyzing segmented data, particularly from the perspective of women and people in vulnerable situations, and technologies that enhance staff performance. Additionally, it requires authorities to regularly engage with multiple stakeholders, incorporate their voices into decision-making processes, and foster ongoing internal capacity-building efforts.

Authorities often face several challenges in developing these capabilities, including an organizational culture and mindset that is sometimes skeptical of or reluctant to embrace innovation. They may also have a limited understanding of digital finance providers, their business models, and DFS consumer risks. Authorities in EMDEs tend to have insufficient human resources to addres FCP issues comprehensively alongside other supervisory responsibilities and limited training or staff development programs to improve the capabilities of their staff. These authorities might also hesitate to impose penalties against providers beyond warnings and reprimands, which can undermine their effectiveness and credibility.

Authorities can enhance their capabilities through both broad and specialized capacity-building programs and by investing in technologies and tools that support the adoption of risk-based supervision, which helps prioritize the allocation of limited resources. For example, SBS has a staff recruitment and capacity-building initiative called Programa de Extensión (SBS 2023). This program has continuously expanded its scope to ensure it equips staff with the skills needed to manage new SBS responsibilities, including consumer protection, market conduct, and affiliate-centric supervision of pension funds. Similarly, the UK's Financial Conduct Authority, as part of its data strategy, invested in new information technology systems and created a new dedicated data unit that has helped them monitor different types of fraud against consumers through web scraping (Financial Conduct Authority 2022b).

DFS providers

For providers, capability involves their willingness and ability to embrace a customer-centric culture that allows them to better understand customers, while effectively collaborating internally and with authorities, peer providers, and consumer representatives to address consumer risks and foster positive customer-centric outcomes.

> "In Peru, 15 years ago, a supervisor only cared about a system that was sound, but now they also have to aim for a system with good business conduct, where there is no discrimination against any population segment."
>
> —Mariela Zaldívar, Deputy Superintendent of Market Conduct and Financial Inclusion, SBS, in PEXT – Programa de Extensión SBS 25 Años, May 2023

Capability includes principles, processes, internal controls, management information systems, and staff training that support customer centricity throughout the organization. To build this capability, providers need a clear strategy and culture that prioritizes customer centricity and incentivizes responsible practices and conduct. Providers also need an organizational structure that fosters greater internal collaboration between different business units like product, sales, marketing, and customer relationship management, as well as external collaboration with authorities, consumer representatives, and other industry actors (Burritt, Ismail-Saville, and Coetzee 2018).

However, providers may struggle to develop many of these capabilities. Many tend to lack an appreciation for the business case for pursuing responsible finance, relegating it to the realm of corporate social responsibility instead of core business operations. This reluctance may stem from a failure to recognize the value of responsible finance, or lack of knowledge, resources, and bandwidth to pursue it. Without senior leadership and board commitment, providers also struggle with cultural and structural changes, as they are typically organized by product lines rather than customer outcomes and experience. Additionally, some capabilities might be too resource-intensive for each provider to develop and require peer coordination and organization that an industry may not be accustomed to.

Successful efforts to strengthen provider capability include embracing customer centricity and responsibility as part of corporate goals and strategy, as well as effective industry-level initiatives. For example, Zambia-based fintech Zoona transformed its business model by creating a customer-centric culture that prioritizes listening to its customers and supporting and empowering agents, which led to an increase of 11 percentage points in customer satisfaction with improved teller conduct and agent liquidity within six months (Burritt 2018). At an industry level, the association of banks and financial institutions of Colombia, Asobancaria, has developed programs and certifications on data protection, and a cybersecurity intelligence-sharing platform, to strengthen member capacity to manage DFS consumer risks (Asobancaria 2022; CSIRT Asobancaria n.d.). Similarly, market facilitator CERISE+SPTF Responsible Inclusive Finance Facility for Sub-Saharan Africa aims to enhance providers' capacity in social and environmental protection, including client protection, responsible finance, digital readiness assessments, and social audits (CERISE+SPTF n.d.b.).

Consumer representatives

Capable consumer representatives effectively advocate for consumer rights and protections related to DFS with financial sector authorities and providers. They demonstrate competencies such as knowledge of DFS business models and risks, along with their ability to listen to, communicate with, and serve a wide range of consumers, especially those living in poverty and at risk of exclusion. They also maintain credibility with authorities and providers to represent consumers, have the capacity and willingness to collaborate with other stakeholders in the digital finance ecosystem, and uphold organizational independence and financial sustainability.

However, consumer representatives' capability is often constrained by challenges, including limited financial knowledge, particularly regarding DFS. More generally, they typically have limited financial, human, organizational, and technological resources, which impacts their ability to conduct large-scale awareness-raising campaigns; collect data; monitor and document consumer issues; help consumers get information, advice, or redress; and effectively collaborate with and influence other stakeholders. In some countries, they may face legal or institutional barriers to accessing information from providers and representing consumers in courts. They may also face threats to their institutional independence, financial sustainability, and physical safety, depending on their political and economic contexts, and countervailing efforts of providers to influence authorities against them. Finally, they often struggle to mobilize the financial resources necessary to fulfill their mandate (UNCTAD 2020; World Bank 2015).

Capacity-building activities and resources enhance consumer representatives' knowledge and skills to support consumers in the digital finance ecosystem. For example, Consumers International's Fair Digital Finance Accelerator provides 65 consumer associations in low- and middle-income countries with access to targeted DFS training and consumer advocacy strategies, annual sectoral reports, case studies, a global network of experts and peer financial consumer advocates, and opportunities to apply for research funding (Consumers International n.d.). In 2023, these 65 members launched 48 new initiatives to promote responsible finance in their countries, including Pro Consumidor in the Dominican Republic implementing an online complaint resolution platform and Consumer Voice India conducting financial literacy workshops that benefited over 5,000 people. Similarly, the German development agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) partnered with the Association of Southeast Asian Nations to organize peer learning on organizational development and financing for their Consumer Associations Network (GIZ 2018).

Government funding can also bolster the sustainability of consumer representatives who otherwise rely on various volatile income sources such as grants, subscriptions, and membership contributions, revenues from product testing, and technical assistance. For example, due to the advocacy efforts of Consumer Unity and Trust Society International, the Reserve Bank of India uses unclaimed retail bank deposit funds to support consumer associations' financial education activities (Duflos et al. 2021).

Consumers

The increasing complexity of the DFS landscape requires individual consumers to be both financially and digitally capable. Financially capable consumers have the knowledge, attitudes, skills, and behaviors to act in their best financial interests, given socioeconomic and environmental conditions (World Bank 2021). While digitally capable consumers have the knowledge, attitudes, skills, and behaviors needed to effectively use digital technologies, communication tools, and networks to acquire and evaluate information, communicate with others, and perform practical tasks (OECD 2018).

Consumers should be able to navigate the complex DFS landscape in an informed manner, engage safely and responsibly with providers and other stakeholders, and effectively utilize DFS according to their needs. This includes being aware of the characteristics, benefits, and risks of digital financial products, services, and channels; being able to access, choose, and appropriately and securely use the most suitable DFS; having the agency to communicate with relevant actors to address their questions, concerns, and complaints; and understanding their rights and obligations.

However, nearly everywhere, consumers face several challenges in developing their capabilities. These challenges include limited access to useful and affordable educational resources, complex DFS that are difficult to understand, behavioral and cultural biases that affect decision-making, and socioeconomic factors such as gender norms and a long history of exclusion from digital and financial services.

Successful initiatives to strengthen DFS consumer capability are tailored to the needs, literacy levels, learning styles, and sociodemographics of the target audience and focus on behaviors, attitudes, and awareness in addition to basic product knowledge. Further, consumers need clear, simple, and timely information, especially when making financial decisions. A recent meta-analysis of 76 randomized control trials involving over 160,000 individuals in 33 countries found that, on average, financial education and consumer awareness initiatives had positive results on financial knowledge and behaviors like budgeting, saving, investing, and borrowing (Kaiser et al. 2022).

Financial sector authorities can collaborate with civil society and local officials to conduct consumer awareness campaigns and roadshows. These initiatives help consumers understand the characteristics, benefits, and risks of DFS, their rights and responsibilities, key technical concepts such as annual percentage rate and total cost of credit, and the potential harm of certain behaviors like sharing passwords or responding to phishing scams. For example, the Bank Negara Malaysia runs an annual roadshow on digital financial capability (Bank Negara Malaysia 2022).

Financial sector authorities can also adopt various strategies for financial education programs based on their assessment of gaps and opportunities, as well as the prioritization of goals and areas of consumer risk, considering needs, capacities, and resources. Such initiatives may complement—but should not substitute for, or divert resources from—core consumer protection activities (World Bank 2021). Financial sector authorities may explore partnerships with key institutions to embed financial education into existing programs, provide relevant guidance to regulated entities, or directly offer tools to consumers and other stakeholders. Some partner with the education ministry to embed financial education messages into the school curriculum.

For example, in Peru, the SBS is deeply involved in curriculum development and training teachers (Frisancho 2018), whereas, in Brazil, financial authorities' activities are limited to providing inputs to education experts (Bruhn et al. 2016). Other authorities have a more hands-on approach, developing resources, and engaging deeply with consumers. Four financial regulators in Hong Kong—Hong Kong Monetary Authority, Insurance Authority, Mandatory Provident Fund Schemes Authority and Securities and Futures Commission, and the Education Bureau—support Chin Family, a free self-learning platform that helps people develop financial planning skills and deepen their knowledge of financial products (World Bank 2021).

Private actors can also engage in consumer capability-building efforts. For example, the USAID-funded campaign "Hey, Sister! Show me the Mobile Money!" enabled DFS actors to reach 238,000 people across Ghana, Malawi, and Uganda on ways to increase personal identification number protection and improve their understanding and use of DFS (USAID 2022). In South Africa, financial messages delivered through a popular soap opera positively influenced financial behaviors, such as borrowing from formal financial institutions rather than from higher-cost options such as retailers (Berg and Zia 2017).

5.4 Commitment

In an RDFE, all key actors commit to stepping up actions to manage consumer risks and ensure positive customer outcomes. Commitment has both an individual and collective dimension. A few champions from different stakeholder groups emerge and lead the process of change across the ecosystem by influencing other actors. They understand the benefits of taking an extra step in FCP and demonstrate their individual and collective commitments not only through public

FIGURE 11. **Examples of commitments from key actors to an RDFE**

Source: Authors

statements but also through their strategies and business plans. Such plans include specific actions to improve customer centricity, enhance collaboration with other actors, and increase capability. The mobilization of financial or human resources and the implementation of such plans reflects full dedication to achieving an RDFE vision. Cultivating commitment requires champions to influence different market actors to build a coalition and momentum. At a minimum, the financial sector authority needs to be committed to an RDFE.

WHY IS THE COMMITMENT OF DIFFERENT STAKEHOLDERS IMPORTANT?

Commitment is necessary to advance each of the other Cs described above. Commitment is not a one-time event, but rather an ongoing effort that is built and strengthened over time. While the need for commitment may seem obvious, when there are competing priorities, multiple mandates, and limited capacity—which is true for most countries, especially EMDEs—it can be easier to commit to new initiatives than to see them through to completion. This is particularly relevant if there are inadequate financial or human resources to sustain the effort or if a key champion is lost. Ongoing commitment is also important for the ecosystem to remain responsive to evolving consumer risks as new products, providers, and technologies emerge.

Despite many national, regional, and global initiatives on responsible digital finance and consumer protection, CGAP's global research and DFS Consumer Protection Lab in the WAEMU region finds that commitment among country-level actors is often uneven, and rarely collective. Understandably, collective commitment remains low because few countries have initiated a process of collaboration around responsible digital finance that would create such joint accountability. Even at the individual level, commitment from different actors remains limited, due to at least three possible reasons: market actors are not aware of the existing gaps in the DFS market, they have other urgent priorities, or they lack the incentives to promote responsibility.

WHAT DOES COMMITMENT LOOK LIKE FOR DIFFERENT ACTORS?

Moving toward a more responsible digital finance ecosystem should be viewed by stakeholders as a means to enhance, rather than replace, existing FCP activities. In some cases, this means that activities are woven into an existing process, such as a National Financial Inclusion Strategy or a regulation in the works. Commitment can also be reflected in how responsive stakeholders are to adapting their current work to a more ambitious FCP goal despite the challenges they may face. In many countries, some form of commitment building may be necessary to support this process, which could be incorporated into a stakeholder engagement strategy led by the financial sector authority. While each stakeholder has a unique commitment to make, the activities should complement each other and form the basis for a cohesive strategy for FCP.

Financial sector authorities

Commitment by financial sector authorities should be reflected in their priorities and processes for rulemaking, supervision, market monitoring, and enforcement, as well as their willingness to collaborate and engage with peer authorities, providers, and consumers. Commitment could also take the form of a statement combined with a strategic plan developed by authorities and sufficient resources invested for executing such commitment. It should also be reflected in their ability to proactively find more customer-centric and collaborative ways to advance their mandate and ensure they have adequate capacity rather than relying on the status quo.

However, authorities' commitment is sometimes constrained by a lack of interest from senior leadership, a lower priority for FCP mandate, an overly bureaucratic setup and processes, or a lack of resources.

Financial sector authorities can nurture and strengthen commitment in several ways:

- Setting a positive tone from the top through public statements and speeches from policy champions, as in the case of Bank Indonesia's Deputy Governor, Doni P. Joewono, during the International Seminar on Digital Finance Inclusion (Antara News 2022).
- Including a focus on FCP and action plans in their National Financial Inclusion Strategies. CGAP's internal review of 46 National Financial Inclusion Strategies showed that over 93 percent mention consumer protection or have a FCP component. This covers a wide range of elements related to consumer protection, such as establishing a legal and regulatory framework, strengthening supervision and enforcement of consumer protection, disclosure and transparency, fair treatment, business conduct, redress and grievance, financial well-being, vulnerable populations, data protection, and financial and digital literacy. In Côte d'Ivoire, based on the results of national surveys on DFS consumer risks conducted with CGAP's support, local authorities developed a roadmap to address the key challenges faced by consumers, including both short-term and longer-term priority actions. This roadmap has been incorporated into the National Financial Inclusion Strategy's digital finance action plan and will be monitored by the multi-stakeholder working group in charge of this theme.
- Committing resources to capture emerging DFS risks. For example, the Philippines' 2021 financial consumer protection law gave all financial regulators the authority to require information for market monitoring for digital and traditional financial services, and regulators are incorporating market monitoring in subsequent regulations (Republic of the Philippines 2021).
- Incorporating customer-centric language and public comments into new laws and regulations. For example, South Africa's Financial Sector Conduct Authority incorporated customer outcomes into its regulatory framework, and the UK's Financial Conduct Authority developed expectations for providers to treat customers fairly (Financial Conduct Authority 2023a; Koning et al. 2022).

DFS providers

Commitment from DFS providers can take many forms and often requires compelling and persuasive incentives (section 6 below). These providers, unlike microfinance institutions with a social mission embedded in their operations, may prioritize profitability and scale over responsible digital finance. This focus can divert attention and resources away from responsible practices. However, embracing more responsible services can yield both social and economic returns.

Providers can demonstrate and nurture commitment in several ways:

- Individual providers, led by strong internal champions, including from either senior management or the Board, can commit to becoming customer centric. With the assistance of CGAP, India-based microfinance institution Janalakshmi, now a leading digitized bank, Jana Small Finance Bank, used customer-centric methods to understand the aspirations and financial lives of its customers to develop products that meet their needs (Murthy and Venkatesan 2018). Evidence shows that customer-centric business models can contribute positively to DFS providers' bottom line (see section 5.1).
- Individual providers can also join global initiatives on responsible finance. For example, 54 off-grid solar energy companies have endorsed the GOGLA consumer protection principles related to digital lending (GOGLA n.d.). Providers can also become members of organizations such as the SPTF to help embed a customer-centric mission and vision within their organization and set a strategic direction

toward a customer-centric business model. For example, as of 2023, twelve fintechs have signed up to the Client Protection Pathway and are committed to implementing client protection in their operations. Joining such initiatives can enhance a provider's reputation. (Cerise+SPTF n.d.c).

- Industry associations can help develop initiatives and codes of conduct, championing transparency, public accountability for implementation, and enforcement actions in case of noncompliance. For example, the Indian Fintech Association for Consumer Empowerment (FACE), an industry self-regulatory body, issued a code of conduct in 2020 for digital credit lenders in response to growing consumer abuse. Associations like FACE are instrumental in championing responsible lending practices.
- Associations can also create tools to better protect consumers. Fintech Indonesia, an association with 370 members, has advanced FCP by creating online tools to combat digital fraud. This includes a portal to report suspicious accounts and register and verify personal accounts (CekRekening n.d.). Improving fraud prevention can contribute to providers' bottom lines. In another example, the Australian Banking Association, with 22 member banks, most of them DFS providers, has launched a Financial Assistance Hub for people who may be struggling financially, including links to helplines and counseling services (Australian Banking Association n.d.).

Consumer representatives

Commitment from consumer representatives should be evident in how consumer associations and other advocates proactively and productively engage with FCP authorities and financial service providers, and prioritize developing their capacity on digital finance consumer risks and regulations.

This could include how consumer representatives:

- Combine their efforts to advocate for improved consumer protections that meet the needs of women who use DFS. For example, the Advisory Panel on Women and Digital Financial Services in the Central African Economic and Monetary Community convened over 35 civil society representatives from Cameroon, the Central African Republic, Chad, Equatorial Guinea, Gabon, and the Republic of Congo to develop recommendations for regulators and policy makers (UNCDF 2022).
- Take steps to build their capacity related to identifying, preventing, and mitigating DFS risks by participating in efforts such as Consumers International Fair Digital Finance Accelerator, in which 65 consumer associations worldwide have already participated.

SECTION 6

Implementation considerations

ACHIEVING THE RDFE VISION NEEDS TO fit into the context of each country, where financial sector authorities have multiple, often competing policy objectives, including financial stability, integrity, consumer protection, inclusion, competition, data privacy and protection, green finance, and many others. Countries worldwide are at varying stages stages of financial sector development, including in DFS and in their FCP frameworks. Putting in place foundational FCP regulations and supervision remains a key priority for countries that do not have them. Working towards the RDFE vision can feed into existing regulatory or policy reforms. For example, it can significantly inform the ongoing design of new regulations or become part of a broader digital finance national strategy.

Stepping up consumer protection with an ecosystem approach demands resources, effort, and time. This is especially true when an FCP authority makes substantive changes to its existing operations and aims to expand its scope of work and look at new ways to address risks. Change must be adequately understood and embraced, especially by senior leadership, to foster a shift in mindset and culture, which should then be progressively adopted throughout the authority. Consumer protection-related reforms are even more challenging in EMDEs because they are typically led by newer units with limited financial, technical, and operational resources. Similarly, digital finance providers need resources to make their business models more customer-centric and responsible to consumers. They may need to invest in new tools and staff at a time when they are already struggling to make profits in a competitive environment. Consumer associations also require new skills to interact with DFS providers and relevant authorities, often within the constraints of limited funding. It is therefore imperative to have a good understanding of the overall incentives behind realizing the RDFE vision, how the lead authority can chart the path to achieving it, and how other stakeholders in the ecosystem can support its implementation.

6.1 Incentives for Implementation

At their core, all responsible actors in a DFS ecosystem aspire for a healthy financial system where loyal and trusting financial consumers deepen and broaden their engagement with the financial sector. Deliberately moving together toward a more responsible digital finance ecosystem can help all relevant stakeholders share a common vision for the sector and commit to taking the needed steps toward its attainment.

- **Gaining effectiveness**: Through a shared vision and commitment to customer centricity, stakeholders can constructively listen to and better understand each other's perspectives and take actions in a collaborative, informed, and capable manner. This improved understanding and dialogue can help stakeholders utilize their limited resources more effectively, including developing, providing feedback, complying with, enforcing, and improving regulations, as well as sharing information, resources, or initiatives. For example, Indonesia's Task Force for the Eradication of Illegal Financial

Activities (Satgas PASTI), led by the financial services authority (Otoritas Jasa Keuangan or OJK), was set up in 2017 and includes a broad range of authorities (e.g., Bank Indonesia, National Police, State Intelligence Agency, and Ministry of Trade). During 2023, the Task Force facilitated actions to close 2,248 illegal online lenders and 40 illegal investment entities (OJK International Information Hub 2024).

- **Avoiding crises:** Stakeholders can also lay the foundations for taking pre-emptive and proactive actions to address growing DFS consumer risks that are creating reputational risks for authorities and providers. Equally, this approach can also help stakeholders, providers in particular, more effectively avert or respond to crises, scandals, and abuses that may cause consumer harm or lead to social unrest, paying special attention to the needs of people in situations of vulnerability. In response to a series of digital lending scandals in India (NewsLaundry 2022), the central bank established a Working Group to guide new regulations, culminating in the Reserve Bank of India's Guidelines on Digital Lending (Reserve Bank of India 2022). Concurrently, providers formed FACE, creating a code of conduct for licensed providers, while Dvara Research, a prominent policy research institution, also facilitated stakeholder consultations to assess the risks involved. Additionally, the Ministry of Finance collaborated with Google to remove around 2,200 illegal and unauthorized apps from its Play Store (India Today 2024).
- **Elevating reputation:** Stakeholders may also be incentivized to invest in a more responsible digital finance ecosystem to elevate their national and global profile and reputation for championing responsible digital finance and advancing sustainable development goals. This incentive can be further strengthened when making peer comparisons with other countries that are more advanced. For example, in 2022, the Singapore FinTech Association issued a Buy Now, Pay Later Code of Conduct covering key responsible lending principles, with an accreditation process that allows members to be listed in a registry and display a trustmark valid for three years showing customers their compliance with the Code. They have also set up an oversight and enforcement mechanism with the power to remove an accredited provider from the registry upon violations of the code. (Singapore Fintech Association N.d.)

> Countries worldwide will also be at different stages of financial sector development, including in DFS and in their FCP frameworks. Putting in place foundational FCP regulations and supervision remains a key priority for countries that do not have them.

- **Improving bottom lines:** As discussed in section 5.1, there is growing evidence that customer centricity is good for business. Prioritizing the needs, preferences, outcomes, and experiences of customers can deliver financial returns to providers. Pioneer Microinsurance Inc., a leading Filipino insurance provider, implemented a customer-centric pilot in 2014 to enhance client retention through partnerships with microfinance institutions, rural banks, and pawn shops. Over three years, their chief executive officer led initiatives to gather extensive data on customer and agent experiences and introduced new performance metrics and dashboards. This focus improved client engagement and satisfaction as well as financial returns. Customer enrollment through microfinance partner CARD surged from 600,000 in 2015 to 1.6 million by 2017, and gross premiums increased fourfold to nearly 1.2 billion pesos ($24 million) (Koning et al. 2018).
- **Enforcing rules:** Stakeholders may also be incentivized to take steps toward a more responsible digital ecosystem as a way to preempt strong, costly enforcement actions. Following a market study on transparency in DFS, in 2016 the Competition Authority of Kenya required providers to disclose all

fees and charges of person-to-person payments, bill payments, and digital credit before a customer completed a transaction via their mobile handset (Mazer 2016). Most providers complied with this rule within a year, and consumers significantly increased their awareness of the cost of DFS (Mazer 2018).

Recognizing, communicating, and acting on these incentives requires committed champions. These champions need to come from within financial sector authorities, but also from other key stakeholders, such as ministries of finance, general consumer protection authorities, banking associations, and consumer organizations. RDFE champions can subsequently influence others within and outside their organizations, promote the importance of an RDFE, and support the testing of guidance and tools that will be needed to implement an RDFE. Global and regional bodies and funders active in a jurisdiction also play key roles in supporting local champions.

6.2 Prioritizing and monitoring implementation

Maintaining a holistic, ecosystem mindset is critical to having more responsible digital finance ecosystems, but every country will have its journey. Strengthening customer centricity, collaboration, capability, and commitment for all key stakeholders will require hard work and effective change management over time. Changes do not need to happen all at once. Achieving an RDFE vision can be conceived as a journey where gradual progress is made in each of the four Cs altogether in a way that is interlinked and mutually reinforcing.

A baseline assessment of the status quo with regard to the conceptual framework will enable each country to understand the gaps and prioritize action toward a more responsible digital finance ecosystem. This baseline assessment should cover several dimensions:

- Measurement of DFS consumers' risks, for example, through national phone surveys that provide granular and gender-disaggregated information about customer experience accessing and using DFS.
- Stakeholder landscaping to identify and better understand the different actors in the digital finance ecosystem and get a broad sense of their capacity and willingness to play an active role in making digital finance more responsible.
- Self-assessments for the leading digital finance stakeholders to measure readiness to embrace an RDFE vision and position them around the four Cs.

Based on this baseline assessment, financial sector authorities together with other stakeholders can prioritize and develop an action plan. The plan needs to consider actions that different stakeholders can take to identify, prevent, and mitigate consumer risks in DFS, and generate good customer outcomes, with special consideration to actions that are most urgent to benefit those experiencing vulnerability.

6.3 Role of other stakeholders in country-level implementation

Global bodies, funders, and technical assistance providers can provide crucial support to the lead financial sector authority and other stakeholders in their journey toward a more responsible digital finance ecosystem.

GLOBAL AND REGIONAL BODIES

Country-level stakeholders look to standard setters and global bodies for inspiration and guidance to advocate for and take on responsible finance measures. Some of these global actors, such as the OECD, SPTF, GOGLA, BTCA, and GSMA, have already issued principles, standards, good practices, or recommendations that emphasize aspects of the RDFE. For example, elements of customer-centric regulation, supervision, and business practices; principles for effective collaboration; and recommendations to strengthen capacity building. It will be important for global bodies

> **Global bodies, funders, and technical assistance providers can provide crucial support to the lead financial sector authority and other stakeholders in their journey toward a more responsible digital finance ecosystem.**

to continue or start incorporating key messages on consumer and data protection in their guidance so they can serve as a reference to country-level actors during implementation. For example, the global standard-setting body for insurance supervisors, the International Association of Insurance Supervisors, states that intermediaries and providers should act with due care and diligence in the best interest of clients and that ensuring fair outcomes requires providers and intermediaries to adopt fair treatment of customers as a part of business culture (IAIS 2019).

Several global bodies also organize peer exchanges, reviews or assessments, capacity building, and training efforts, which can be very useful avenues to share knowledge, experiences, and lessons on building responsible ecosystems. Examples include the Alliance for Financial Inclusion's Joint Learning Programs and OECD's peer review of the implementation of High-Level Principles on FCP.

Similarly, regional bodies also play an important role in promoting knowledge exchange, disseminating best practices in implementation, supporting countries to achieve more responsible ecosystems, monitoring efforts, and advocating for change. Examples include Financial Sector Deepening (FSD) Africa's initiatives to measure consumer risks and capacity-building initiatives of the Association of Supervisors of Banks of the Americas.

FUNDERS

Funders can provide valuable monetary and technical resources to support some of the key elements described in this framework, especially in the short term, to complement limited resources and capacity from local stakeholders. They can also incentivize stakeholders to take concrete actions in responsible finance that lead to positive customer outcomes. For example, funders can help strengthen the technical capacity of consumer associations to better identify financial sector issues affecting customers and translate them into actionable policy messages, which in turn can help strengthen their collaboration with financial sector authorities. The Fair Digital Finance Accelerator of Consumers International, funded by the Bill & Melinda Gates Foundation, has supported the capacity building of numerous consumer associations on DFS regulation and advocacy. Funders can also strengthen the technical capacity of regulators and supervisors to better prevent, identify, and mitigate emerging DFS consumer risks, and better communicate with DFS providers, as seen from the World Bank's country-level projects on RegTech and SupTech and the United Nations Capital Development Fund's Policy Accelerator initiatives. Investors can also play a significant role in instilling a culture of responsible digital finance at the board level, encouraging providers to embrace greater responsibility in their conduct and operations.

FINANCIAL SECTOR TECHNICAL ASSISTANCE PROVIDERS

Specialized institutes can play an important role in several of the areas described in this paper. For example, they can offer training and capacity-building programs on DFS risks, consumer protection, and responsible finance which could incorporate some of the elements described in this framework, as well as the forthcoming guidance and tools into their courses. For example, the Digital Financial Inclusion Supervision virtual training program developed by Digital Frontiers Institute, CGAP, and Toronto Centre, included sessions on customer-centric regulatory and supervisory measures for consumer protection in DFS.

6.4 Measuring success in achieving an RDFE vision

The most important measures of increased responsibility in a digital finance ecosystem are whether DFS consumer risks are better managed and minimized, and whether consumers have positive intermediate outcomes while using DFS. Measuring the success of any approach is not without its challenges, especially when it involves several stakeholders taking concerted individual action. It also depends on the stage of development of an RDFE in a given country, as not all countries are at the same stage. More specifically, mapping the success of the journey toward responsibility in a DFS ecosystem involves regularly measuring consumer exposure to DFS risks, measuring the readiness of different stakeholders to step up their efforts in promoting responsibility, and collecting qualitative feedback from all stakeholders to learn how they have improved their work and engage more responsibly in their roles within the DFS ecosystem.

> Measuring the success of achieving the RDFE vision in any given country will require the collection of baseline data. This data can include the results of a gender-disaggregated, national demand-side survey that measures the DFS risks that consumers face .

Measuring the success of achieving the RDFE vision in any given country will require the collection of baseline data. This data can include the results of a gender-disaggregated, national demand-side survey that measures the DFS risks that consumers face and a map of the relevant actors in the country's ecosystem through a stakeholder landscaping analysis. It can also include an assessment of the readiness and gaps of key actors in the ecosystem on customer centricity, collaboration, capability, and commitment through a self-assessment tool. Gender-disaggregated supply-side data, if available, is also an important input to understanding the baseline situation of an RDFE pilot. Based on the action plan arising from the initial assessments, progress made toward achieving an RDFE vision should be measured, for example, by conducting a follow-up demand-side survey to assess whether DFS consumer risks have improved.

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Udenrigsministeriet — Ministry of Foreign Affairs of Denmark

European Investment Bank

Federal Ministry for Economic Cooperation and Development

FMO Entrepreneurial Development Bank

giz

Global Affairs Canada

IDB | LAB

IFC International Finance Corporation

Investment Fund for Developing Countries

IFAD Investing in rural people

International Labour Organization

JOA Jersey Overseas Aid

KFW

KOICA Korea International Cooperation Agency

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