A photograph of a man and a woman in a rustic, possibly rural, setting. The man, on the right, is wearing a blue button-down shirt and is holding a smartphone, pointing at the screen with his right hand. The woman, on the left, is wearing a yellow dress with white polka dots and is looking at the phone. They are both focused on the device. The background shows wooden structures and some greenery.

Empowering low- and moderate-income (LMI) consumers in the digital era: Building trust and capacity for sustained use of digital financial services (DFS)

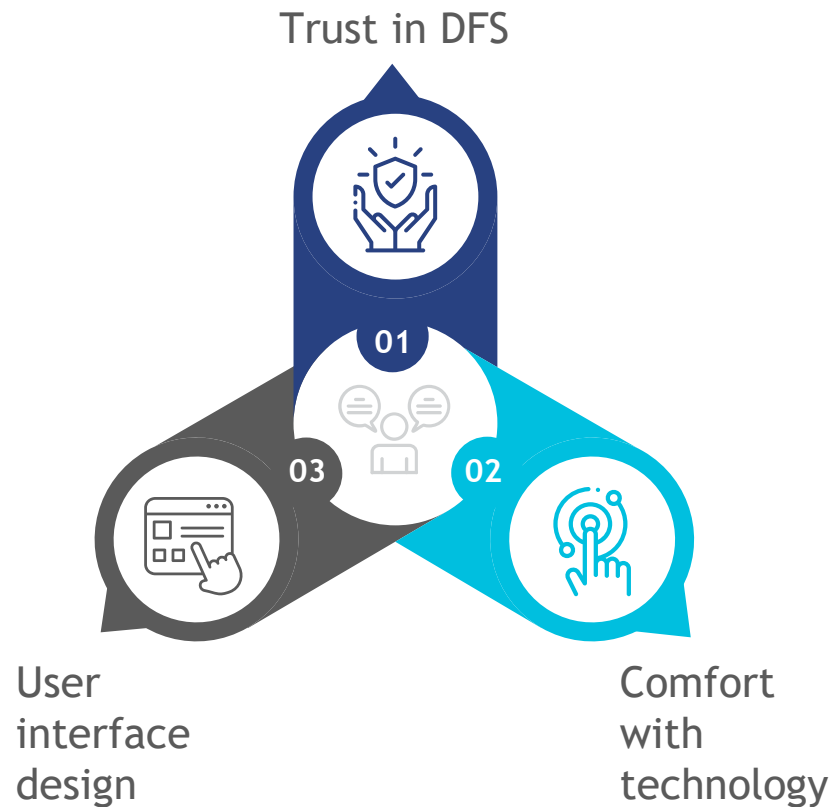
November 2024

NETHOPE
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MSC
MicroSave Consulting

Low- and moderate-income (LMI) consumers face a trio of challenges with the expansion and adoption of digital services

Customers' perception of risk can be broken down into three broad issues:



Key insights

- The use of digital services has expanded in recent years. However, LMI customers face different types of challenges based on the complexity of processes.
- DFS fails to address the specific needs of the LMI segment. This has led to distrust among those who are less digitally capable.
- Weak consumer protection measures exacerbate the trio of significant challenges that discourage millions from signing up for DFS. Even fewer actively use them as a result of this.
- Many people are simply uncomfortable with technology and are scared to make mistakes that may result in loss of money. This is particularly the case for those who are "oral" and struggle to read the text and understand number strings.
- User interfaces are often confusing for millions worldwide. This leads them to rely on agent assistance or avoid digital financial services altogether. This deepens the widespread lack of trust in DFS in many countries. Deceptive designs, such as bundled products, hidden costs, and fine print embedded in financial products, further erode their trust and hinder informed financial choices.

Source: Connecting the Dots: Putting Risk, Customer Protection, and Financial Capability in Perspective, [MSC, 2015](#)

Experience the DFS journey through the eyes of a person from the LMI segment

Scan the QR Code or visit the link and undertake the mentioned actions:



Link: bit.ly/app_run

Download the app



Create an account



Make a payment
of USD 77



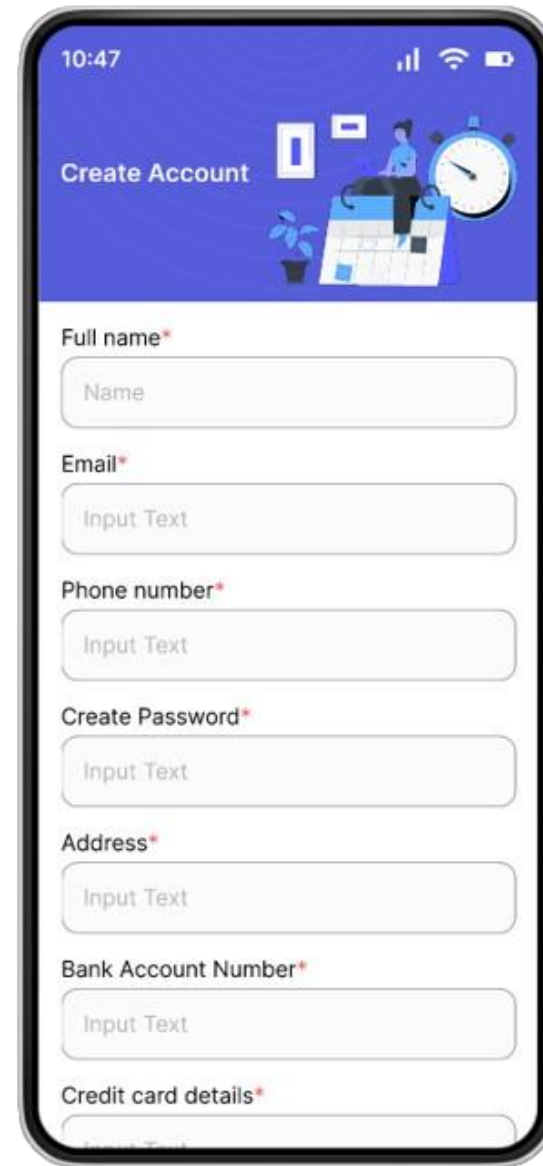
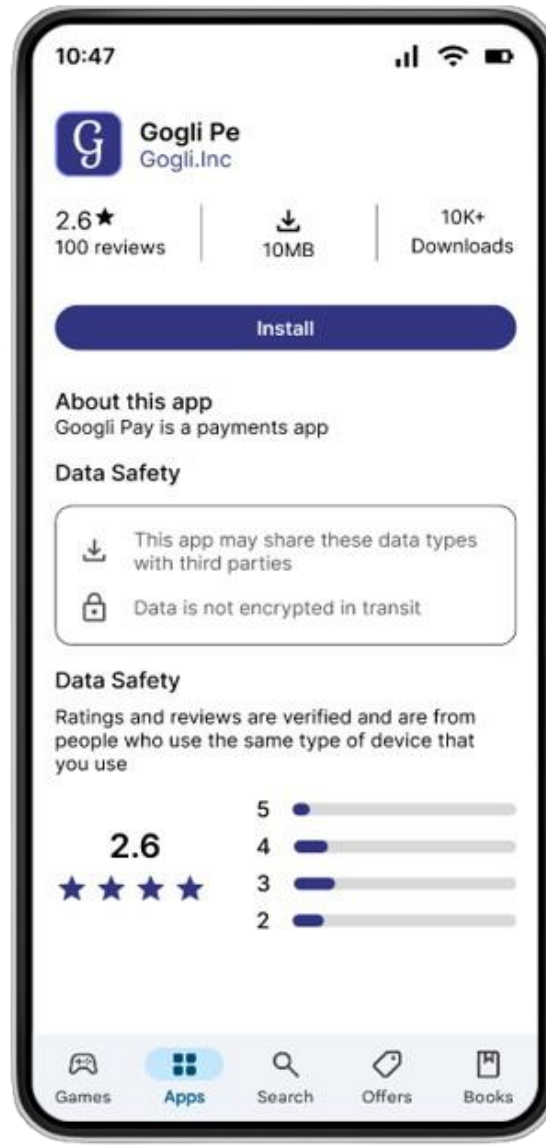
Raise a complaint





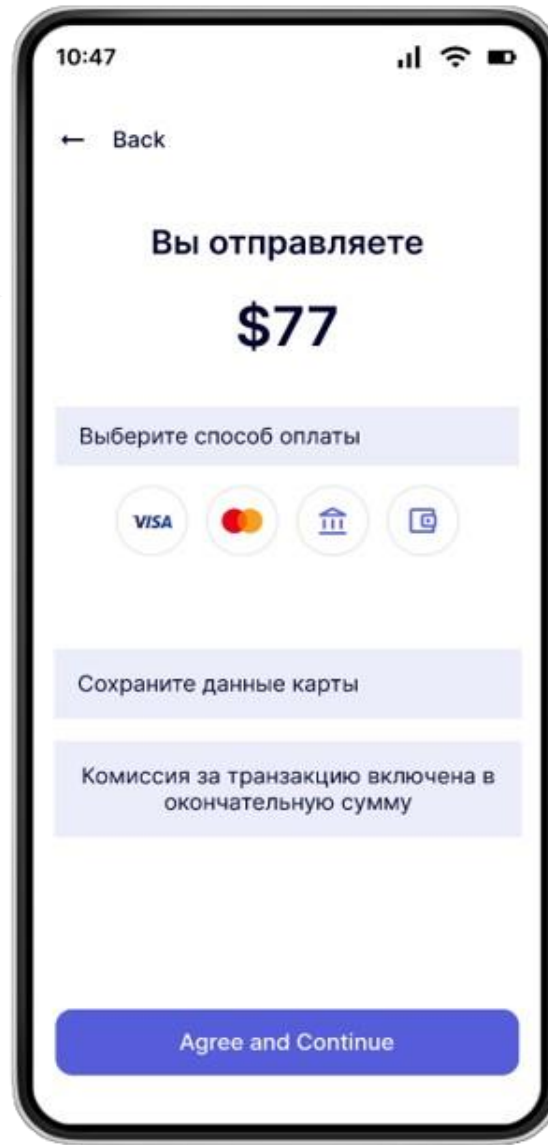
Let us reflect
on this

36% of users download mobile applications without thoroughly reviewing the app details provided in the app store. This lack of scrutiny often leads to the unintentional installation of fake or unauthorized apps, which exposes users to potential security risks and malicious activities.



Apps frequently use deceptive designs during sign-up and ask for unnecessary personal details, often known as “privacy zuckering.” This creates significant privacy risks, exposes users to potential data misuse, and undermines trust and digital safety.

Digital financial services often rely on complex and text-heavy language, which makes them inaccessible to LMI users, especially “oral customers.” It also excludes this segment from the full adoption of these services.



Grievance resolution mechanisms (GRMs) in many digital platforms are often buried under layers of navigation, which makes them difficult to access. Additionally, these systems are frequently non-functional or unresponsive, which undermines user trust and accountability.

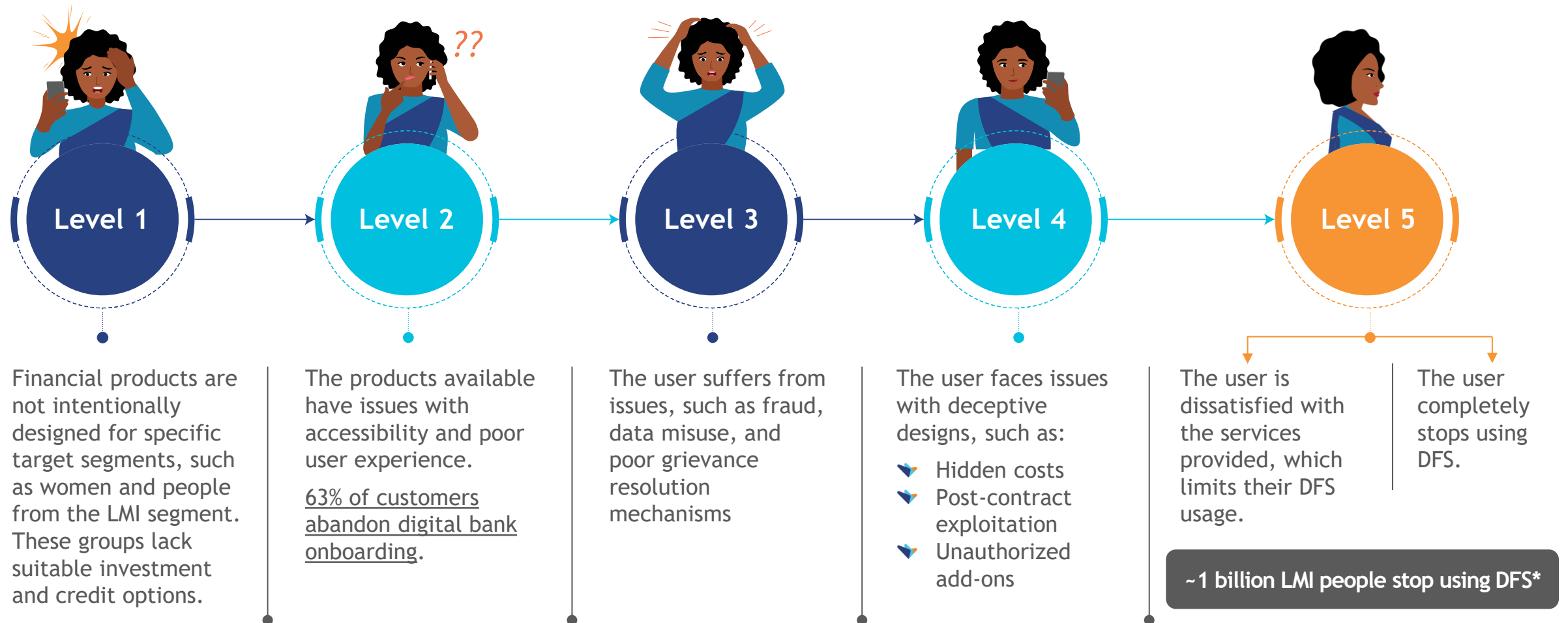
The background of the slide features a repeating pattern of stylized human figures. Each figure is composed of a colored head and torso (either blue or light blue) and a grey rectangular base representing legs. From the bottom of each figure, a long, thin, grey shadow extends diagonally downwards and to the left. The figures are scattered across the slide, with some appearing in the upper half and others in the lower half, creating a sense of depth and movement.

These deceptive practices create a fracture in trust,
which ultimately causes LMI users to stop using DFS.

Globally, ~50% of people* who register on a DFS platform
stop using it.

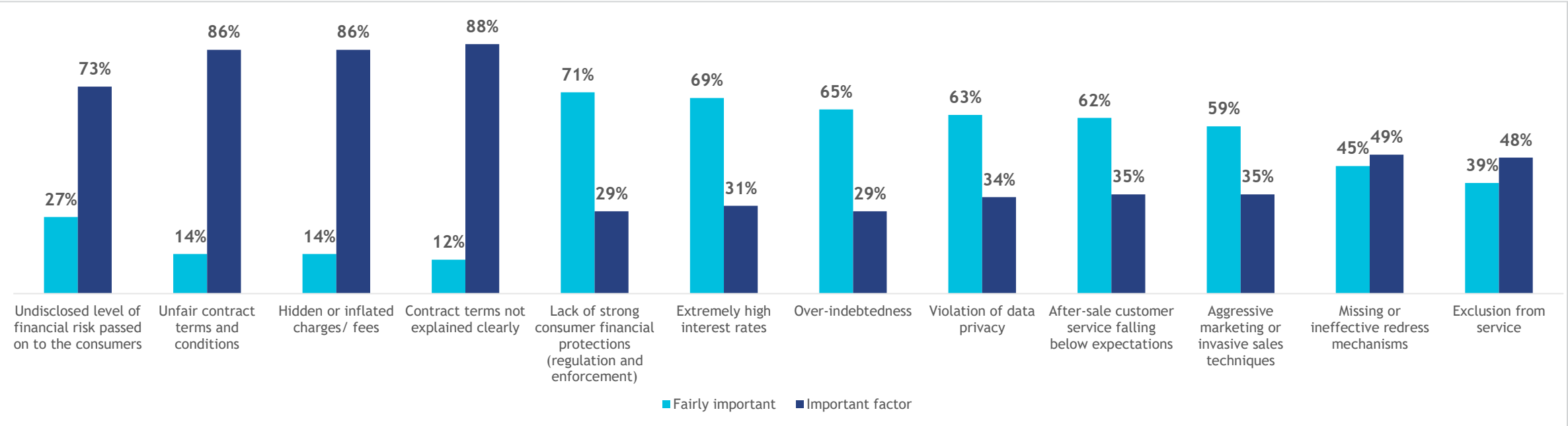
*Source: MSC research

LMI users go through multiple levels of anguish and fear before they stop using DFS altogether



*MSC guestimates; multiple studies and publications capture a financial account activity. The above figure is based on MSC's analysis and on-the-ground presence in developing countries.

Though numerous factors can affect the uptake and usage of DFS by LMI customers, lack of transparency is the most critical issue



Source: The role of consumer organizations to support consumers of financial services in low- and moderate-income countries, [Consumers International](#), 2021

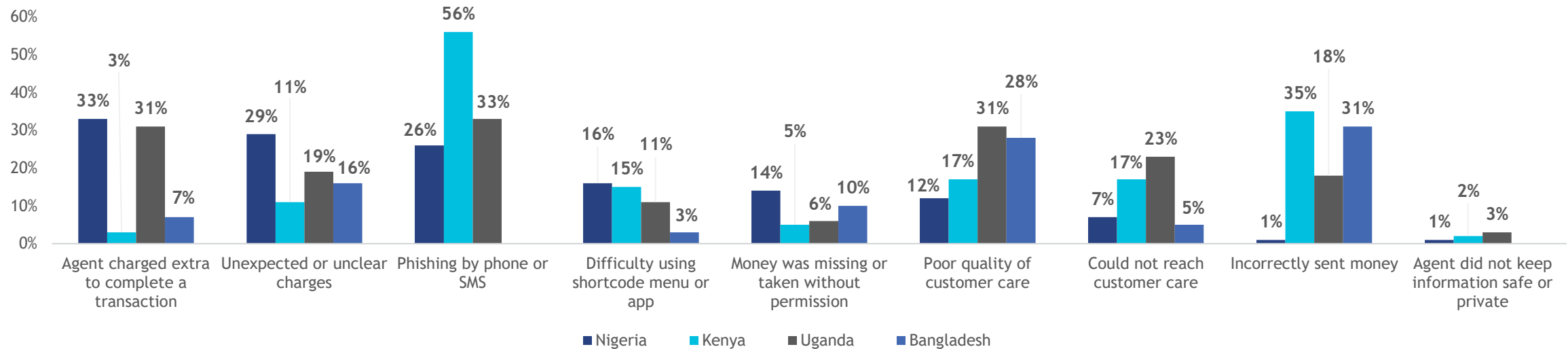
Insights

- Consumers in LMICs (low- and moderate-income countries) face significant challenges when they access financial services. This is mainly due to a lack of transparency, where contract terms are not explained, and hidden or inflated fees are prevalent, especially in digital services, such as payments and credit. Lack of effective resolution mechanisms, data privacy concerns, and over-indebtedness also remain critical issues, with limited tools for debt counseling.
- Additionally, practices such as insurance mis-selling compound these challenges, as agents often employ aggressive sales tactics and push complex, low-return policies without a clear explanation of terms or surrender costs. This lack of transparency and accountability causes consumers to bear undisclosed financial risks and erodes trust.

Increasing instances of fraud further erodes LMI people's trust and confidence

People from the LMI segment lack a financial buffer, which makes recovery difficult in case of fraud.

Most common challenges experienced by consumers during DFS usage



Source: Consumer Protection in Digital Finance Survey: [Kenya](#), [Nigeria](#), [Uganda](#) and [Bangladesh](#), Innovations for Poverty Action; 2021, 2022*

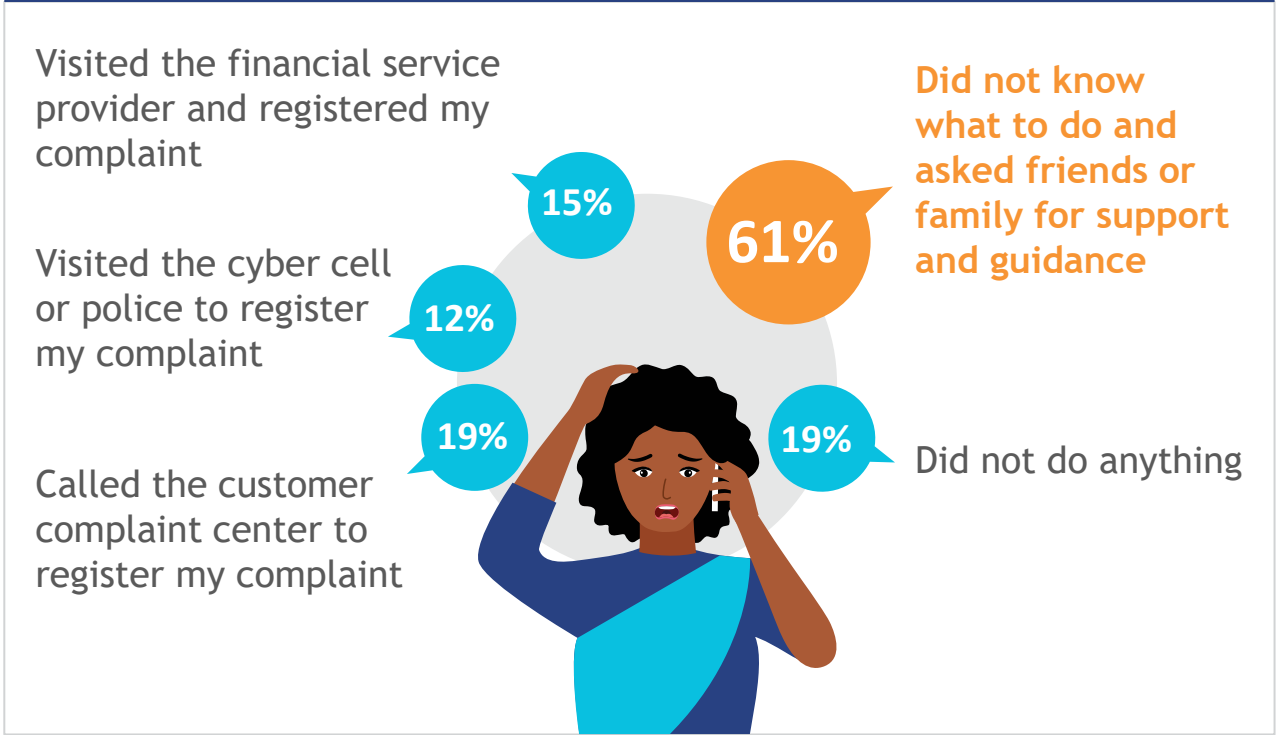
*The reports for Kenya, Nigeria, and Uganda were published in 2021, while the report for Bangladesh was published in 2022.

Insights

- A survey of DFS users in LMICs, such as Nigeria, Uganda, Kenya, and Bangladesh, revealed phishing and scam attempts are the most common challenge DFS users face. Even though most respondents did not fall victim to these, most who responded to phishing or scam attempts complied with the scammer's instructions. This raised concerns about the adequacy of security measures and fraud detection mechanisms.
- Overcharging for services and poor-quality customer care were also some critical challenges that added to DFS users' frustrations and impacted their overall experience with these platforms.
- These issues further erode the LMI segment's trust in DFS, as they already operate on narrow cash flows without a defined frequency.

Unsurprisingly, more than 60% of LMI customers are unsure of what steps to take after they experience fraud

Customers’ interaction with grievance resolution after they encountered fraud across Bangladesh, India, and Kenya revealed that more than 60% of the consumers are unaware of the next steps to be undertaken after they experience fraud.



The following pain points identified by MSC elaborate on some key challenges people in the LMI segment face in their GRM journey.

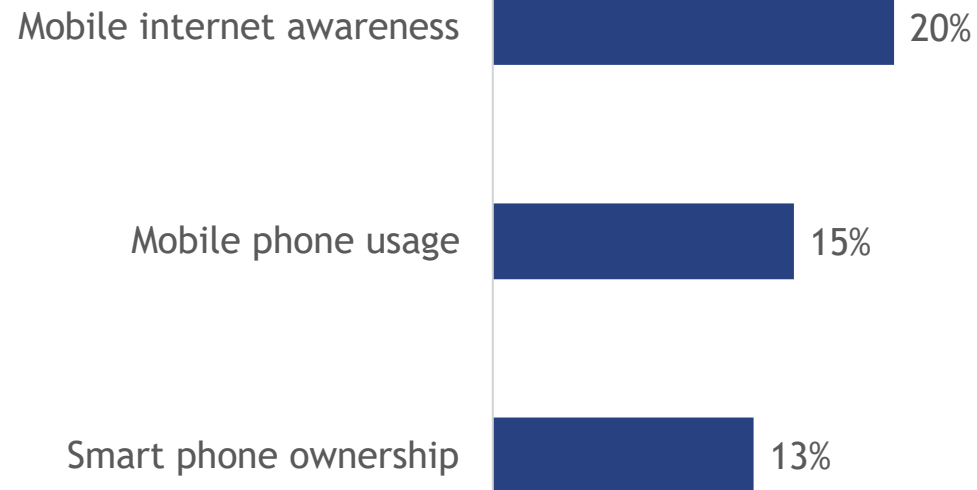


Source: MSC research

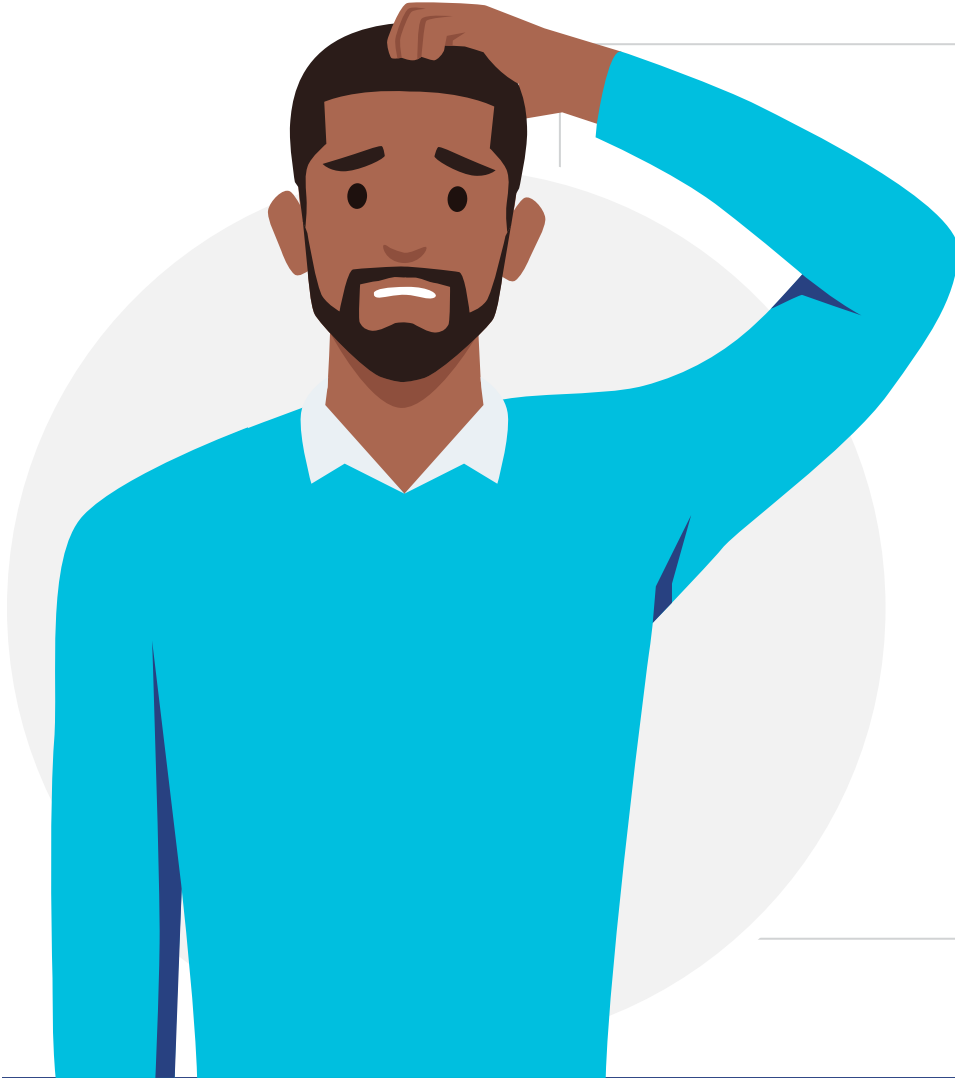
These challenges are significantly more pronounced for female users

Women are 10% less likely to reach out to providers for issues and 5% less likely to know how to contact them, while agents are 9% less likely to address their complaints.

Gender gaps in LMICs



- MSC's research on women who took digital loans has highlighted that they undergo
 - Verbal violence;
 - Psychological violence;
 - Sexual and economic violence;
 - Violations of ethics and privacy.
- Only 31.4% of women reported instances of violence, while 68.6% remained silent. (MSC-FACE)
- Gender gaps in phone ownership, digital literacy, and access to information limit women's access to online grievance resolution mechanisms.



Should the service providers be **worried?**

In 2023, digital transactions reached USD 1.4 trillion, and 40% of registered customers were active within a 90-day period.

The high dropout rate among DFS users represents a missed opportunity for providers. Approximately 50% of DFS users have stopped using DFS globally. Service providers could unlock an additional **USD 300-400 billion*** in transaction volume if they improve trust and retention.

*Source: MSC research

How can we foster trust in DFS among low- and moderate-income (LMI) users?



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Providers can build the LMI segment's trust in DFS (1/3)

//

I keep forgetting the steps to make a transaction. The numbers in English scare me. I heard about ATM fraud in the news, and the person at the bank told me never to reveal the PIN to anyone. I am always fearful of that.

- An LMI individual



Elements of transparency



Transparency



Disclosure of information: Product features, grievance channels, terms, and conditions should be disclosed in an easily understandable and visually appealing way.



Multiple communication channels: Physical and digital modes should be used for scalable, cost-efficient, and effective content delivery.



Effective communication: Principles of behavioral science and tools, such as nudges, disclaimers, and prompts should be used to simplify communication.



Assessment: Pilots and experiments should be conducted to evaluate the effectiveness of transparency efforts.

Providers can build the LMI segment's “trust” in DFS (2/3)

Elements of relevance



Relevance



Suitability assessment: Use advanced analytics to ensure products are suitable for the target consumer group



Customer-centric agent incentives: Design agent incentives focused on educating customers about products, grievance channels, and fraud prevention rather than just on sales



Market-focused compliance: Enforce regular compliance to ensure products are sold to relevant consumers in a real and transparent manner



Identify teachable moments: Identify opportunities to educate LMI groups on choosing DFS products that best meet their needs

Elements of user-friendliness



User-friendliness



Easy navigation: Design intuitive, user-friendly, and multilingual interfaces for websites, apps, IVRS, and chatbots, which are accessible across devices



Agent training: Train agents to ensure a customer-centric approach and responsible financial behavior



Guided tutorials: Implement step-by-step walkthroughs and tutorials within DFS portals to assist users across different use cases

Providers can build the LMI segment's “trust” in DFS (3/3)

Elements of security



Security



Data protection: Implement advanced encryption, fraud detection, and multi-factor authentication to protect personal information.



Security compliance: Ensure compliance with privacy assessments by aligning financial products with industry standards and conducting regular security audits.



Staff capacity building: Train staff to handle emerging risks and threats in financial services.

Elements of timely service



Timely service



Quick customer support: Ensure fast, efficient customer service to build trust and loyalty, as well as specific statement of purpose (SoP) on fraud management



Proactive issue resolution: Use AI to streamline complaint resolution and direct issues to the right personnel



Strong grievance systems: Specifically define GRM for LMIs; monitor and analyze complaints to identify risks and provide timely solutions



Demonstration effect: Positive experiences with timely customer service can lead to favorable word-of-mouth recommendations

Agents who safeguard user data and foster trust in DFS: a case study from Uganda

//

I follow all the banking guidelines to safeguard customers' data. I only conduct live transactions and confirm the transaction status with customers.

//

Jenie, a bank and mobile money agent in Jinja, an urban area in Uganda

Serves one customer at a time to ensure they do not see other customers' PINs



Although market and individual practices have been course-correcting to develop a safer DFS environment, providers need policymakers' support



Incentivize innovation: Encourage DFS providers to create solutions that address LMI-specific challenges, such as low digital literacy or lack of formal ID



Regulate platform designs: Impose regulations to prevent deceptive designs, such as hidden fees or default opt-ins. This will ensure transparency and simplicity in interfaces



Establish multi-stakeholder task forces: Collaborate among policymakers, DFS providers, advocates, and experts to co-create policies that protect LMI users from digital risks



Support innovation via regulatory sandboxes: Let providers test DFS solutions in controlled environments to ensure consumer protection standards before scaling



Ensure uniformity and universal application of data protection laws: Develop a secure, regulated financial ecosystem focused on consent, data security, and privacy



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Government and regulators



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Youth



Gender equality and social inclusion (GESI)



Education and skills



Digital and FinTech



Agriculture and food systems



Climate change and sustainability



Health and nutrition

Multi-faceted expertise

Advisory that helps you succeed in a rapidly evolving market



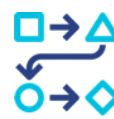
Policy and strategy



Products and channels



Research, evaluation, and analytics



Organizational transformation



Digital technology and channels



Catalytic finance



Design thinking and innovation



Marketing and communication



Training



Government regulations and policy



Data Insight



Customer protection and engagement for responsible finance

MSC is recognized as the world's local expert in economic, social and financial inclusion



International financial, social and economic inclusion consulting firm with **25+** years of experience



>300 staff in **10** offices around the world



Projects in **~68** developing countries

Our impact so far

>550
clients

>1,400
publications

Assisted development of digital G2P services used by
>875 million people

Implemented
>950 DFS projects

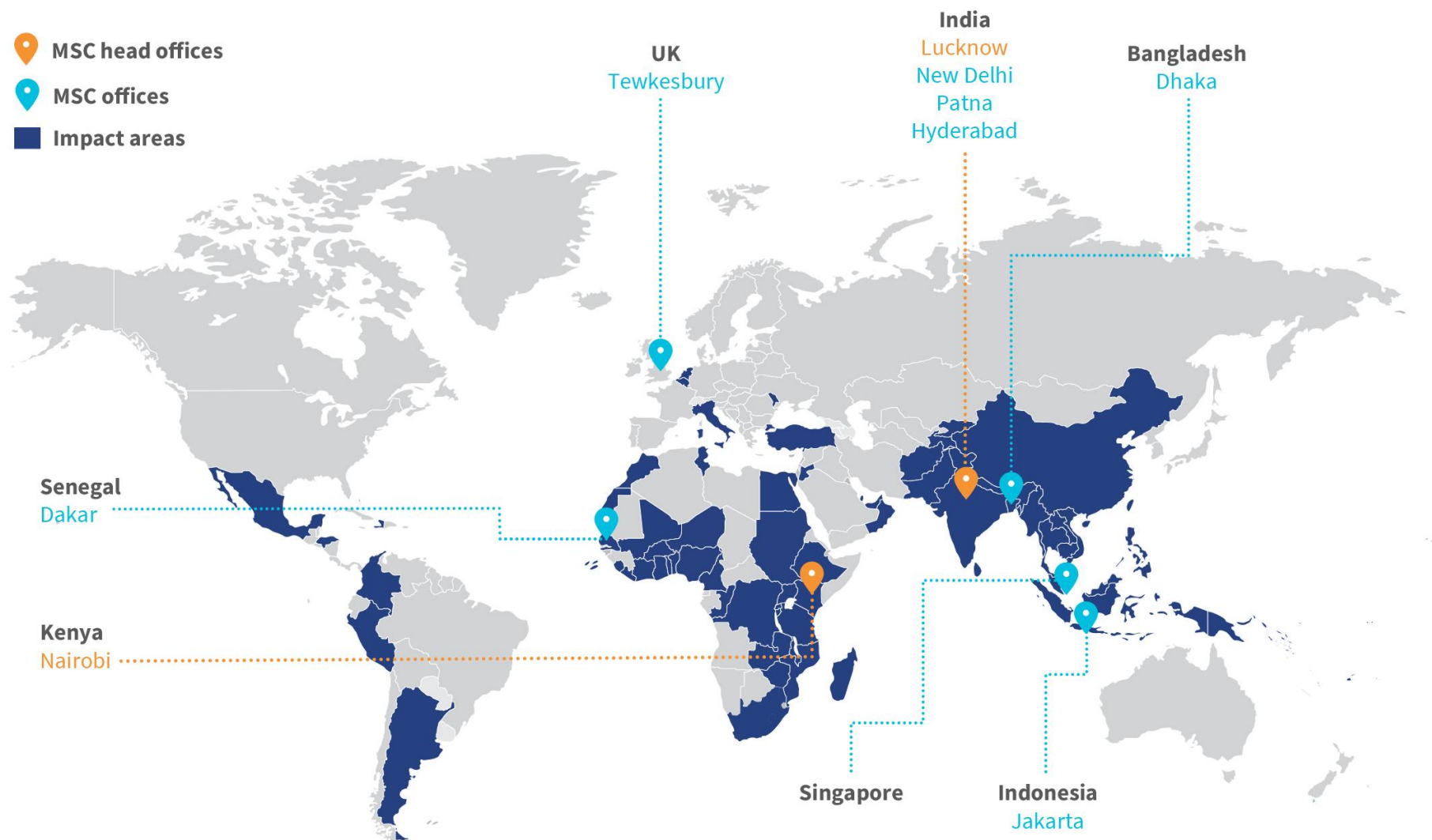
Developed
>300 FI products and channels now used by
>1.7 billion people

Trained >11,100
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