

# Kenya's Rules on Mobile Money Price Transparency are Paying Off

"For years, Kenya's digital financial services providers did a poor job disclosing the costs of person-to-person transfers, bill payments and loans." (CGAP, 2018). "This has resulted in poor consumer understanding of costs in many cases. For example, 40% of CGAP survey respondents who used paybill services on M-Pesa reported thinking this service was free when in fact most paybill transactions carry hidden fees." (CGAP, 2016). "To address this lack of transparency, the Competition Authority of Kenya (CAK) in 2016 required mobile financial services providers to disclose their costs via customers' mobile handsets... To understand what impact (if any) this was having on consumers, CGAP surveyed 825 Kenyan DFS users in November 2016 just before providers began complying with the new policy, and again in November 2017, after most providers had complied." (CGAP, 2018).

## Quick facts

### Barriers addressed



*Cost*

[Non-transparent fee structures / hidden costs >](#)



*Information Availability & Capability*

[Financial literacy >](#)

[Digital literacy >](#)

### Segment focus

1 2 3 4

### Customer Journey Relevance



### Geography

[Kenya >](#)

### Key stakeholders involved

DFS providers  
Competition Authority of Kenya (CAK)

### Sources

[CGAP, 2018](#); [CGAP, 2016](#).

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## Key activities

"The Competition Authority of Kenya (CAK) on October 29, 2016 announced an important new standard for pricing in digital financial services. All financial services providers that offer services via digital channels must now present consumers full information on the costs before they use the service on the same screen on which the consumer is transacting.

This action by CAK is noteworthy for several reasons:

1. The insistence on disclosing costs on the transaction channel reflects the way many consumers process pricing information – in a "just-in-time" manner when they are at the point of making a transaction versus traditional approaches such as posting of tariff fees at agent locations.
2. The enforcement applies to all types of providers.
3. The ruling applies to a wide range of product types. This should set a standard for better transparency as new products leverage digital channels. The more complex the products offered through these digital channels, the more crucial it is to have simple, standardized

product information easily available and understandable to consumers." (CGAP, 2016).

## Outcomes/results

"For M-Pesa and Airtel Money, consumers' pricing awareness improved from baseline to endline across several transfer amounts." (CGAP, 2018). The percentage of respondents who correctly guessed how much they would have to pay to send someone Ksh 500 increased from 14% to 71% among M-Pesa customers, and 37% to 83% among Airtel Money customers.

"Survey findings for M-Shwari show that people who had taken an M-Shwari loan of Ksh 200, Ksh 500 and Ksh 1,000 were more aware of the costs after the CAK policy." (CGAP, 2018). From baseline to endline, the percentages were as follows:

- Ksh 200 loan: 52% to 80%
- Ksh 500 loan: 0% to 38%
- Ksh 1,000: 0% to 56%

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## Outcomes/results (cont.)

"Withdrawal fees from mobile money and banking agents were not impacted by the CAK policy. Not surprisingly, there was not much change—and sometimes change in the wrong direction—regarding price awareness for these transactions." (CGAP, 2018). For example, the percentage of customers who correctly estimated cash-out fees for a Ksh 200 transaction at an M-pesa agent decreased from 77% at baseline to 60% at endline.

## Key enabling environmental factors for the intervention

Kenya's rules on mobile money price transparency stemmed from an enabling policy environment created by the Competition Authority of Kenya.

## Key design elements that led to successful outcomes

The CAK insisted on disclosing costs on the transactions on the same screen as the customer's transaction. This "reflects the way many consumers process pricing information in a "just-in-time" manner when they are at the point of making a transaction versus traditional approaches, such as posting of tariff fees at agent locations." (CGAP, 2016). The ruling also applied to a range of product types, which helped ensure standardization and transparency as digital channels and products were taking off.

## Potential for scale/replicability

The CAK has the authority to make this mandate cover even more transaction types, such as withdrawing from a mobile money or banking agent. Policy-makers in other markets can follow Kenya's example and issue similar basic rules on mobile money price transparency.

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### Challenges encountered during the program

"Withdrawal fees from mobile money and banking agents were not impacted by the CAK policy." (CGAP, 2018). The percentage of people who correctly estimated cash out fees at an agent did not change much from baseline to endline, and, in some cases, even decreased. For example, the percentage of people who correctly guessed the fees to cash out Ksh 500 only increased by 1% from baseline to endline.

### Recommendations from the research

CGAP suggests that "if policy-makers are serious about ensuring consumer protection keeps pace with product innovation, they would do well to follow Kenya's lead by issuing basic rules and monitoring providers' disclosure of key terms and prices on digital channels." (CGAP, 2018).

CGAP did not do an RCT due to ethical reasons; however, doing an RCT can help better determine full causality.

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