Cost

Non-transparent fee structures / hidden costs

This barrier points to fee structures that are not clearly defined for customers at points of service such as agents or online. This may also include overly complicated fee structures (e.g., percentage or tiered pricing).

Why is this barrier important?
This barrier is linked to other barriers that precede it and, if overcome, would help alleviate the challenges surrounding non-transparent fee structures. Improving aspects related to barriers such as Reliability and quality of in-person services, *Digital literacy*, and *Financial literacy* can help reduce the frequency in which non-transparent fee structures occur. This barrier might be higher priority in countries that don't have policies or regulation that promote transparent pricing. For example, Nigeria has poor fee transparency while other markets, like Kenya, have more transparent pricing and tariffs.

Connected Barriers

Information Availability & Capability
Financial literacy
Digital literacy

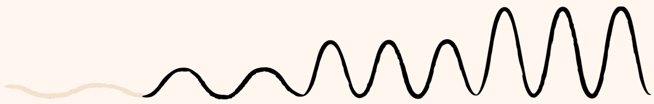
Product & Service Quality
Reliability and quality of in-person services

Consumer Protection
Over-charging
Frauds and scams
Predatory lending

Most Relevant Segments

1	2	3	4
Excluded, marginalized	Excluded, high potential	Included, underserved	Included, Not underserved

Customer Journey Relevance



Phase 1: Account Ownership

Phase 2: Basic Account Usage

Phase 3: Active Account Usage

Phase 4: Economic Empowerment

Key evidence relevant to this barrier

- A study in Bangladesh suggests that mobile money users with less digital literacy who ask for help from mobile money agents are **44%** more likely to be charged an informal fee than more digitally literate users. Engagement with the account has large impacts on avoiding illicit transaction fees indicating substantial consumer protection gains from learning through active use of accounts (Klapper et al., 2020).

- Non-transparent fee structures are highly market-specific:
  - According to the *Nigeria Consumer Protection in Digital Finance Survey* (2021) by IPA, the top concern for DFS customers surveyed was "unclear or unexpected fees" at **25%**. However, IPA states that reviewing the digital interface could help reduce the instances of hidden fees in the market, pointing to how addressing digital literacy can help overcome this barrier.
  - In contrast, non-transparent fees are less of a concern in Kenya. In 2016, the Competition Authority of Kenya "required mobile financial services providers to disclose their costs via customers' mobile handsets. Since then, disclosure has improved substantially in person-to-person payments, bill payments and digital credit" (CGAP, 2018). CGAP also found that pricing awareness improved from baseline to endline for M-Pesa and Airtel Money customers once the pricing guidelines were in place with customers being more likely to identify the correct fees for transactions.

- A mystery shopper audit of 1,000 microfinance firms in Uganda by IPA found that "inexperienced shoppers consistently received less information about products and pricing suggesting particular challenges for protecting consumers with limited formal financial sector experience, or less education. **68% of experienced shoppers** were given information on total cost of credit, compared to **12% of inexperienced shoppers.**" (2020).

The following Exemplar represents one evidence-based interventions that has shown success in addressing this particular barrier. There may be other Exemplars for this barrier in the larger Barriers & Exemplars Analysis compendium deck.

Exemplar

Regulations Drive Success of Digital Finance in Côte d'Ivoire

"In 2006, a year before the rise of M-Pesa in Kenya, the Central Bank of West African States (BCEAO) released its *Guidelines for Electronic Money Issuers*, which allowed both banks and non-banks to issue e-money and establish agent networks. Within just two years, Orange Money would become the first player in Cote d'Ivoire to introduce a mobile money service followed two months later by MTN and by Moov in 2013. Following a political crisis in 2010 and 2011, during which many Ivorians turned to the security of mobile money to send money to friends and family cut off by violence and instability; hopes were high that Côte d'Ivoire would rapidly emerge as a leading market for DFS in Sub-Saharan Africa." (CGAP, 2019).

"However, the inadequacies of the 2006 regulations quickly became apparent. Despite permitting MNOs and other non-banks to become e-money issuers, the regulations lacked clarity on several important aspects, such as the compliance obligations for non-banks and the respective roles and responsibilities of e-money issuers and distributors." These regulations "left MNOs at the mercy of bank partners, which served as intermediaries between the MNOs and BCEAO and whose approval was required to recruit new agents or introduce new products and services." (CGAP, 2019).

"After engaging with industry players and observing regulators' approaches in markets like Kenya and the Philippines, BCEAO recognized the need to provide greater regulatory certainty and decided to take action. In 2015, the central bank issued new regulations that clarified the position of non-banks and encouraged them to abandon partnerships with banks and begin issuing e-money themselves through subsidiaries under BCEAO supervision." (CGAP, 2019).

Key Activities

The 2015 regulations introduced "the ability of non-banks to recruit and manage their own agent networks and launch their own products, measures to ensure price transparency, customer recourse mechanisms, and personal data protection... The new regulations also clarified rules around the non-exclusivity of agents, promoting competition and allowing providers to take advantage of the existing agents network built by others to establish their own presence in previously underserved areas." (CGAP, 2019).

Outcomes/results

The independent management of agent networks, price transparency, and customer recourse mechanisms allowed the private sector to expand their agent network from fewer than 20,000 agents in 2014 to nearly 100,000 by 2018.

"Orange quickly launched an e-money subsidiary——and received a license from BCEAO in February 2016 followed shortly thereafter by MTN. The autonomy, flexibility and agility that full ownership of mobile money services bestowed on the MNOs—particularly the ability to directly manage their agent networks and obtain new revenue from interest earned on customer float held at banks—had an almost immediate impact on investment. For instance, annual growth in Orange Money's agent network, which stood at just 37% in 2014, skyrocketed to 70% in 2015 and continued to accelerate through 2018." (CGAP, 2019).

"By 2018, with more and more Ivorians adopting and using mobile money, the volume and value of mobile money transactions had grown dramatically," as well as the number of registered and active mobile money users (CGAP, 2019).

Cost | Non-transparent fee structures / hidden costs

Key enabling environment factors for intervention

BCEAO adopted an enabling regulatory approach with basic regulatory enablers, including agent networks/use of agents, price transparency, and customer recourse mechanisms.

Key design elements and principles that led to successful outcomes

Aside from implementing basic regulatory enablers previously discussed, BCEAO engaged with industry players and studied other regulatory approaches in markets including Kenya and the Philippines. These activities helped inform Cote d'Ivoire's own regulations.

Potential for scale/replicability

BCEAO's experience with adopting regulations indicates that these regulations can be replicated across markets; BCEAO took learnings and best practices from other markets and key industry players in forming its own regulations. CGAP notes that BCEAO can also do more to introduce more regulations, such as allowing mobile money providers to pass along the interest earned on float to customers.

Challenges encountered during the program

According to CGAP, "other issues, such as the lack of a simple and affordable e-signature process and biometric national ID, have impeded the introduction of second-generation products like savings, credit and insurance. And limits on non-MNOs' access to USSD has made it harder for fintechs to offer innovative products and services to customers." Additionally, "BCEAO prevents mobile money providers from passing along the interest earned on float to customers." (CGAP, 2019).

Additional Exemplars

Kenya's Rules on Mobile Money Price Transparency Are Paying Off

Reducing Bank Overdraft Usage through Price Discounts and SMS Reminders

GRID Impact and SIA's analysis revealed that this barrier along with 11 others require further research and examination as to how they affect the customer experience, other barriers and overall WEE-FI. More in-depth analysis can be found in the larger Barriers & Exemplars Analysis compendium deck.