

Role of Financial Literacy in Improving Transparency of DFS



Definition of Transparency

Transparency is the quality of being easily seen through, while transparency in a business or governance context refers to being open and honest. As part of corporate governance best practices, this requires disclosure of all relevant information so that others can make informed decisions.

As an ethic that spans science, engineering, business, and the humanities, **transparency** is operating in such a way that it is easy for others to see what actions are performed. Transparency implies openness, communication, and accountability.

**Definition derived from Tech Target and Wikipedia*

Transparency in Digital Financial Services

Transparency plays a critical role in the growth, uptake and development of digital financial services.

Transparency helps inform:

- 1. Trust**
- 2. Awareness**
- 3. Uptake**
- 4. Safety and confidence**

Impact of Lack of Transparency

1

Lack of transparency regarding fees involved in transactions, such as loans means that consumers:

- cannot plan their expenditure accurately
- could be caught off-guard with fees they were unaware of.

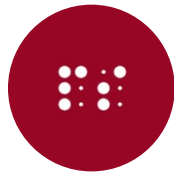
2

This affects consumer trust in the service provider and, ultimately, the demand for the service.

3

This could also be seen as underlying the risk of over-indebtedness.

How does Low Financial Literacy Impact Transparency



Hinder consumers' ability to calculate and interpret terms and conditions.



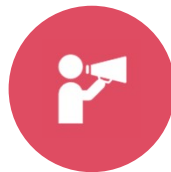
Increases consumer costs and risk potential.



Impacts diverse use of products and services



Hinders consumers from deriving the full benefit of available products and services. Customers can appreciate new products despite the efforts made to market the products.



Increases consumer complaints.



Difficult to break preconceived misconceptions and beliefs.



Impedes opportunity to encourage behaviour change.

How can Financial Literacy Help Operators Address the Lack of Transparency

- Financial literacy training can aid operators in addressing the lack of transparency by:
 - Enhancing consumers' understanding of how their service works.
 - Enhance consumers' comprehension of mobile money services and numeracy skills.
 - Making it easy to navigate the mobile money platform and channels,
 - Making it easy for them to access relevant data and information.
 - Creating awareness on how to check and calculate transaction fees and access terms and conditions.
 - Enhance customer knowledge and skills.
 - Make product information easily accessible to all.
 - Make operators more aware of consumer challenges and how to improve product offerings and services.

Recommendations

- The financial literacy challenge is a multifaceted issue requiring a multistakeholder approach.
- To address these challenges and ensure we are enhancing consumer protection measures,
- We recommend:
 - i. Developing and implementing financial literacy programmes and initiatives to address the financial literacy gaps in the market.
 - ii. Conducting a thorough market assessment by providers to inform the training focus areas.
 - iii. Collaborating with other industry stakeholders to address common literacy issues such as calculating interest rates on credit.
 - iv. Government and regulatory support in educating consumers on taxation costs.
 - v. Adopting common and simple language in the terms and conditions.
 - vi. Adoption of infographics use at key consumer touch points.
 - vii. Coordinated effort by all players including the government in offering digital skills and financial literacy training.
 - viii. Monitoring of market efforts.

Thank you

You can find the paper on mobile money and consumer financial health here: <https://www.gsma.com/mobilefordevelopment/resources/>

For more information, please reach out to us at: mobilemoney@gsma.com

Alternatively, visit us at: [gsma.com/mobile-for-development/](https://www.gsma.com/mobile-for-development/)