



**RFF**

powered by  
Center for Financial Inclusion

AUGUST 2022

# **The Responsible Finance Forum (RFF) Begins a New Chapter**



# What is RFF?

RFF is a convening platform on responsible inclusive finance.

The forum brings together a coalition of global stakeholders working to assess and manage rapidly evolving consumer risks faced by financial systems and low-income people. RFF provides a forward-thinking space for knowledge sharing, ongoing research, and global dialogue to improve risk identification and mitigation.

RFF is convened by the Center for Financial Inclusion (CFI).



# Why RFF:

## Arising Problems Amid a Rapidly Changing Financial Landscape

- Digitalization and technology-led business models are rapidly changing the inclusive finance landscape, challenging regulatory capacity, and testing policymakers.
- The COVID-19 pandemic exacerbated existing risks in accessing financial services and created new risks due to the acceleration of digital financial services.
- Supply shocks as a result of the pandemic and the war in Ukraine are creating a challenging financial environment for low-income households across the globe, with rising food insecurity, energy prices, and inflation testing their resilience.

Click below to hear what experts are saying about the state of inclusive finance today:



Opportunities & Challenges



Trends & Risks



**In the lead-up to the RFF relaunch, we asked a large set of past RFF participants to identify priorities. They said that they would like to see how inclusive finance can:**

1. Support resilience and livelihood adaptation to climate change.
2. Address inequities caused as a result of COVID-19 which threaten to set marginalized groups even further behind.
3. Address vulnerabilities created by rapid digital adoption by low-income people during the pandemic without sufficient safeguards.
4. Prioritize recovery of households and small businesses both in the immediate short-term and long-term.
5. Consider shifting demographics, including aging populations and large youth populations entering the work force.

# Why RFF:

## Collaborative Approach to Solving Risks and Concerns



- With the ever-increasing complexity of the inclusive finance landscape, a collaborative approach is needed that can facilitate analysis and action.
- RFF was created to foster dialogue and action among the private sector, governments, practitioners, policymakers, academics, and consumer organizations. The global forum provides an agile and forward-thinking space for global stakeholders to share ideas, research, and solutions on emerging consumer risks in inclusive finance.
- RFF aims to tackle critical questions and address consumer protection gaps to improve outcomes for low-income and vulnerable people.
- Events provide an opportunity to share research on consumer risks, emerging best practices and solutions to address these risks, and initiatives to responsibly scale inclusive financial services.

“ Sharmila Hardi, IFC

**“The power of RFF is in bringing stakeholder groups together to define the priority challenges, understand the evidence gaps, and work to develop recommendations and tools to advance our collective thinking.”**

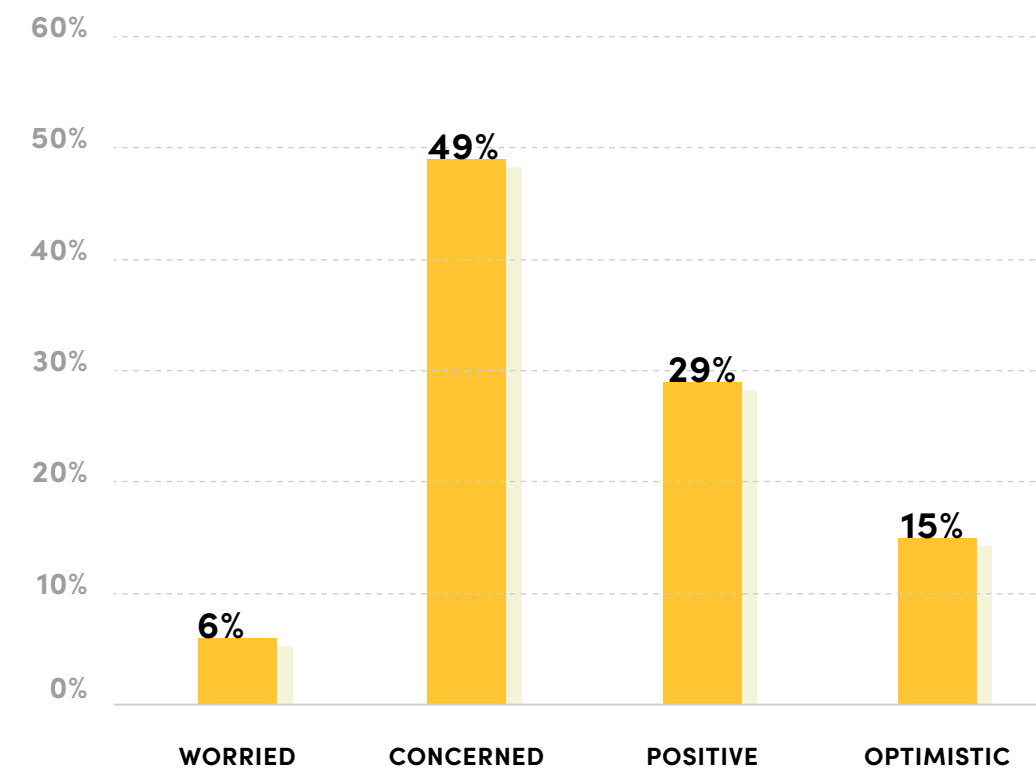


# RFF Virtual Event:

## June 2022

- RFF held a virtual convening on June 30, the first event since 2019 and since CFI became the convenor.
- The event focused on answering the question: **Is innovation in financial services on a responsible path?**
- 175 participants representing 30 countries joined live to discuss the progress, ongoing challenges, and opportunities facing today's inclusive finance community.
- Stakeholders joined RFF from the following groups: regulator and supervisor agencies, financial service providers, fintechs, investors, academic institutions, think tanks, nonprofit and private sectors, industry networks, and international organizations.

### RFF EVENT ATTENDEES' OUTLOOK FOR INCLUSIVE FINANCE INDUSTRY TO MEET ITS GOAL OF RESPONSIBLE INCLUSION



540

Registrants

175

Live Attendees  
(32% participation rate)

30

Countries Represented

50

Comments Posted in  
Live Chat

385

Members in RFF  
LinkedIn Group

## RFF Virtual Event: June 2022

### RFF OPENING REMARKS



**Mayada El-Zoghbi**  
Center for Financial Inclusion (CFI)



**Sharmila Hardi**  
IFC



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### MODERATED BY:



**Stella Dawson**

### RFF PANEL DISCUSSION

The Widening Gap: Growing Financial Access, Declining Financial Health



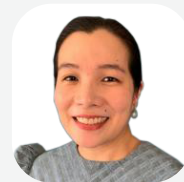
**Kate McKee**



**Leora Kapler**  
World Bank Group



**Amrik Heyer**  
Financial Sector Deepening Kenya



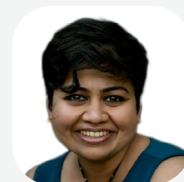
**Pia Tayag**  
Office of UNSGSA



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### RFF PANEL DISCUSSION

Emerging Paths to Responsible Innovation



**Jayshree Venkatesen**  
Center for Financial Inclusion (CFI)



**Ivo Jenik**  
World Bank Group



**Shelley Cross**  
Alliance for Innovative Regulation



**Sheila Senfuma**  
Consumers International



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### RFF CLOSING REMARKS



**Mayada El-Zoghbi**  
Center for Financial Inclusion (CFI)



**Eric Duflos**  
IFC



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# Key Takeaways From RFF June Event:

## Innovation of Financial Services

1

Despite increasing financial access, participants expressed growing concerns around financial health.

2

Financial consumer protection systems are not keeping up with rapidly evolving risks.

3

Digital financial innovation is improving outcomes for some users.

4

More effort and collaboration among stakeholders is needed to reap benefits of inclusive finance.





## 1. Despite increasing financial access, participants expressed growing concerns around financial health.

- The [2021 Global Findex Report](#) shows that access to financial services has increased from 51 percent in 2011 to 76 percent in 2021. The gender gap has narrowed from 9 percent to 6 percent among developing countries, although there is wide variation among countries.
- However, events over the last few years — from COVID-19 to the rapid increase in climate instability to rising food insecurity — have led to a growing erosion of livelihoods, particularly at the lowest income levels across the global economy and especially for women.
- We have lessons to learn from Kenya where increasing access to accounts, enabled by technology, hasn't necessarily translated into higher ability to deal with financial shocks. [FinAccess](#) results in Kenya over the past three years show:
  - Financial health is down across all demographics and people are turning more to casual or gig work instead of formal work to survive.
  - Many people continue to rely on informal financial services (even as they gain access to formal services), especially for emergency needs.



- The rapid digitalization of financial services during the pandemic was critical to delivering much-needed aid, but created huge complexities around security, safety, and trust. The rate and sophistication of fraud schemes has grown exponentially.
- Responsible financial services must move beyond access and provide solutions that support resilience, adaptation, and overall financial health.

“ Stella Dawson

**“Global instability is eroding livelihoods and the poorest are the hardest hit.”**



## 2. Financial Consumer Protection Systems Are Not Keeping Up With Rapidly Evolving Risks

- **New risks are emerging while old risks remain:** The growing modularization of financial services, including platform-based and embedded financial services, has brought many benefits, including lower costs and more focused delivery and customization. But it has also introduced new risks — in the form of outsourcing or unclear accountability, concentration risks, etc. In addition, old risks continue to exist (e.g., over-indebtedness) and in some cases accelerate (e.g., fraud).
- **Digital infrastructure still not robust:** Along with digital innovation, it is critical for infrastructure, policy, and public debate to be in place and aligned to wider development goals that are both “responsible” for protecting consumers while also being “responsive” to stimulating finance for growth.

“ Pablo García Arabéhéty, Payments and Infrastructure Expert

“New technologies are always a double-edged sword — they can work really well, or they can also work very poorly. There’s always a need when doing something new or innovative to be thinking about what could go wrong.”



- **Lack of alignment and integration:** There is a need for increased visibility of, and integration between, formal and informal financial services, as well as the macro- and micro-layers of the financial system to fully support people. Stronger alignment between these layers is also critical to protecting the financial system as a whole.
- **Emerging regulatory and policy challenges:** Regulators and supervisors face challenges in managing rapid innovation while protecting the integrity and stability of the financial system, as well as meeting inclusion goals.

### 3. Digital Financial Innovation is Improving Outcomes for Some Users

#### SANDBOXES



##### Definition

A regulatory sandbox is a framework set up by a regulator that allows fintech startups and other innovators to conduct live experiments in a controlled environment under a regulator's supervision.

##### Benefits

- They can promote innovation and inform regulatory responses to innovation.
- They help test hypotheses by allowing visibility on how a technical solution leads to specific customer outcomes.
- If focused on a specific theme, they tend to generate better outcomes (for example, more affordable credit).
- They can create additional funding opportunities for participating fintechs due to the promise of higher regulatory compliance.

#### ACCELERATORS FOR CONSUMER ADVOCACY



The Fair Digital Finance Accelerator provides a platform for collaborative action, learning, and collective influence by a community of consumer associations.

##### Benefits

- They allow consumer advocacy organizations to work on bridging communications between regulators and consumers.
- They can help with addressing issues of ineffective recourse and compensation mechanisms, fraud thefts and scams, and inadequate mechanisms for safeguarding consumers' rights — all of which are challenges in providing consumer-centric products and services.

#### TECH SPRINTS



Tech sprints are events that bring together multiple stakeholders to share different perspectives on solving consumer challenges. Tech sprints draw inspiration from a "hackathon" model, with the goal of convening a whole ecosystem to design a product or service innovation that addresses a "wicked" problem, which, when solved, can benefit industry, consumers, and society at large.

##### Benefits

- They create a ripple effect of spreading knowledge across diverse stakeholders, surfacing the real issues that emerge, and enabling faster solutions to be discovered.
- They can result in creating an ecosystem around the problem where it did not exist before.

“ Shelley Cross, Alliance for Innovative Regulation

**“We know the technology solutions are out there — there’s nascent technology that is just coming through and existing solutions. If you apply that thoughtfully, intentionally, and with a human-centric lens, you could solve some of the most difficult but prominent problems across the globe.”**

These are examples of tools that can be used to improve consumer outcomes; however, this list is not exhaustive of options available in a market monitoring toolkit.



## 4. More Effort and Collaboration Among Stakeholders is Needed to Reap Benefits of Inclusive Finance

- Regulators have multiple tools available today; sandboxes and tech sprints are two of these. It is essential to understand from the very beginning why these tools are important and how to apply them to the right problem.
- Sandboxes have a positive impact for financial service providers by reducing the time to market a product and increasing access to funding, but we still need to understand how sandboxes positively impact consumers.
- There is an opportunity and need when the regulatory sandbox approach is taken to systematically measure how sandboxes are advancing the stated objectives: financial inclusion goals, promoting competition, and improving consumer outcomes. This requires applying market monitoring tools to sandboxes.
- Sandboxes can be expensive. Regulators must know what they want out of a sandbox before they commit the resources.
- Sandboxes are not a panacea. For example, their use is limited in assessing the risks and rapid growth of embedded and platform-based financial services.
- Tech sprints can help in shining a light on problems that impact society in various ways and are most impactful when they bring together multiple stakeholders, rather than having closed-room discussions.

### BRIGHT IDEA!



Consumer organizations are increasingly playing a critical role in supporting the needs of low-income, underserved users.

Consumers International has instituted the **Fair Digital Finance Accelerator**, a platform to build bridges between consumers and regulators (and all other stakeholders).

It's critical to involve the consumer voice in the product design and policy setting environments, which can help surface unanticipated problems.

However, the capacity of most national consumer groups is limited in their understanding of digital financial services, channels available, and policy issues, and their participation is critical in helping to push for more consumer-centric design for users.

“ Ida Rademacher, Aspen Institute

**“What needs to go hand in glove in any part of the world when increasing access is a parallel focus on consumer protection, so that we’re not solving one problem and creating a new one. We really want to make sure that at the end of the day people have access to utilize and reap the benefits of a full suite of financial products and services.”**

## Top Priorities for the Inclusive Finance Community

At the June 2022 event, we asked attendees what priorities they think should be addressed by the global inclusive finance community. The following were identified as the top priorities:

1. Dialogue
2. Consumer Protection
3. Collaboration
4. Embedded Finance
5. Consumer Outcomes





# Recommendations for RFF Stakeholders



- I. **Stronger collaboration and real-time dialogue is needed.** All stakeholders in the financial system — including government and regulators, financial service providers, and nonprofit and civil society groups — need to actively engage in thoughtful conversation about the future of responsible finance.
- II. **More attention needs to be placed on understanding ecosystem dynamics.** Regulators must take a comprehensive view of the entire financial services ecosystem, both formal and informal, to understand how it's serving the needs of all users. Are incentives and info sharing aligned across the ecosystem? Is the relationship between social media and social commerce clear to policymakers and those influencing the system?
- III. **Infrastructure must be strengthened.** Government has a key role to play in making sure a solid financial/communications infrastructure is in place.
- IV. **Product design as well as financial education and literacy must put the customer first.** Financial service providers need to employ product design choices that meet the needs of all users. Nonprofits and civil society organizations (CSOs) are critical for supporting and deploying financial education and literacy and need to ensure that content is customized for different groups and organizations.



## Join RFF and Help Shape the Future of Responsible Finance

RFF aims to tackle critical questions and address consumer protection gaps to improve outcomes for low-income and vulnerable people. It does this through three core functions:

1

### AGGREGATE RESEARCH

Aggregate research to identify critical and emerging issues that impact low-income customers.

2

### BUILD PARTNERSHIPS

Build a network of partnerships to build sectoral knowledge.

3

### COLLABORATE

Collaborate through regular convenings and knowledge sharing.



### WAYS TO GET INVOLVED:

- Co-lead a working group with diverse stakeholders to collaborate on solutions around a specific risk or topic.
- Join a working group and participate in shaping solutions and the RFF agenda.
- Share information and research in the [RFF LinkedIn Group](#).



Reach out to [center@accion.org](mailto:center@accion.org) for more information.



**Special thank you to the interim RFF Advisory Group members**

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