



RFF | 2023
powered by Center for Financial Inclusion

SHAPING A RESPONSIBLE DIGITAL FINANCE ECOSYSTEM

RFF CONVENING – JULY 2023

BENGALURU, INDIA



ABOUT RFF

WHY

- Digitalization and technology-led business models are rapidly changing the inclusive finance landscape, challenging regulatory capacity, and testing policymakers' and regulators' capabilities.
- With the ever-increasing complexity of the inclusive finance landscape, RFF provides a collaborative approach to facilitate analytics and action.

WHAT

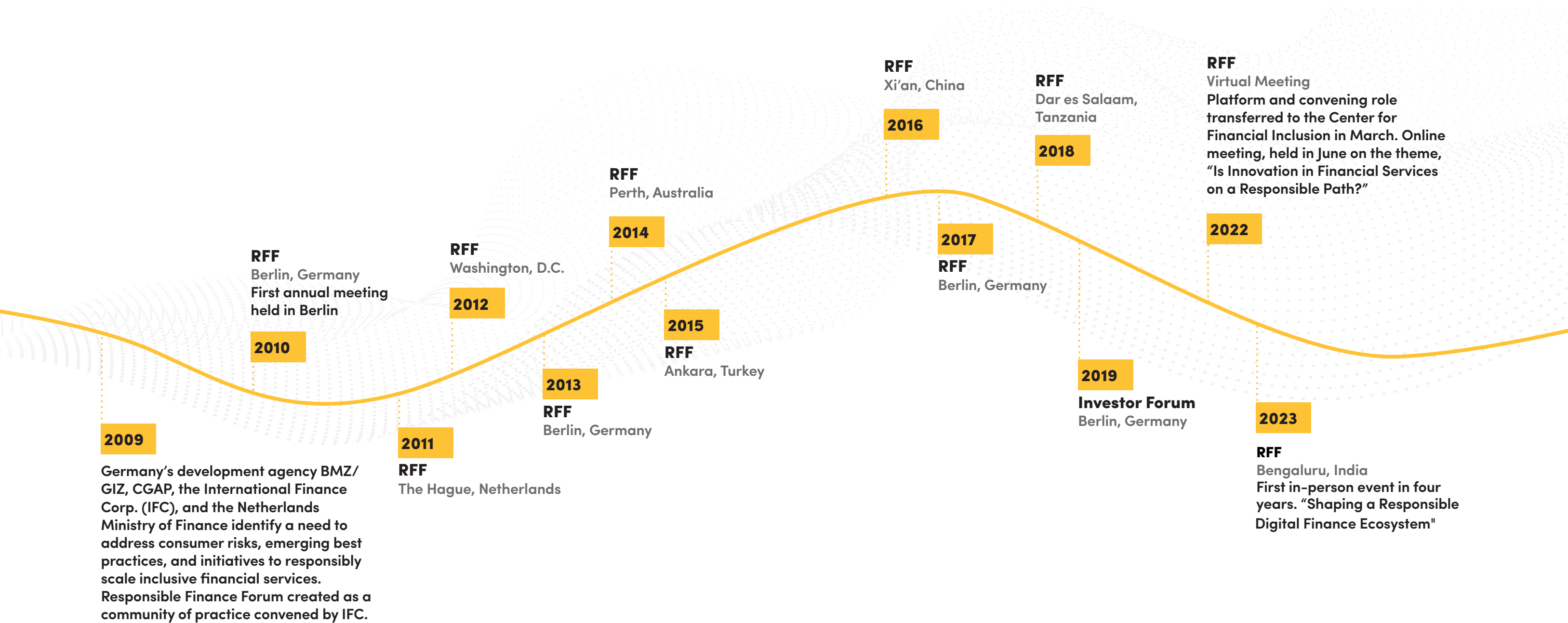
- RFF is a global forum offering an agile and forward-thinking space for global stakeholders to share ideas, research, and solutions to tackle emerging consumer risks in inclusive finance.

HOW

- RFF convenings 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.
- RFF's working groups bring together leaders across the sector to focus on specific thematic areas of concern. The working groups convene, brainstorm, and develop outputs to inform the sector on the most pressing issues and potential solutions.

HISTORY OF RFF

RFF was created 14 years ago to foster dialogue and action among the private sector, governments, practitioners, policymakers, academics, and consumer organizations, aiming to tackle critical questions in addressing consumer protection gaps and to improve outcomes for low-income and vulnerable people. Today, RFF's vision remains the same, with core functions being to aggregate research, build a network of partnerships to share sectoral knowledge, and collaborate through regular convenings.



RFF WORKING GROUPS

The RFF working groups convene, brainstorm, and develop outputs to inform the sector on the most pressing issues and potential solutions. There are currently three RFF working groups focused on redress mechanisms, digital credit, and artificial intelligence.

1 Responsible Redress

Chairs: Better Than Cash Alliance (BTCA) & Bangko Sentral ng Pilipinas

GOAL

To collate best practices and innovative approaches around responsible redress mechanisms.

- The exponential growth in the adoption of digital payment services has brought an increase in disputes and grievances, underscoring the necessity for effective and responsible redress mechanisms.
- Many first-time users, especially low-income users, find it difficult to comprehend and navigate the resolution processes and many lack alternative financial resources while awaiting resolution. Women may face additional barriers due to limited awareness, concerns about sharing personal information, and other constraints.
- Establishing user-friendly and robust recourse mechanisms is critical to provide low-income and women users critical safety nets.

2 Responsible Digital Credit

Chairs: Consultative Group to Assist the Poor (CGAP)

GOAL

To help responsible digital credit stakeholders better understand the range of solutions available to address digital credit consumer risks.

- Following an ecosystem approach, CGAP aims to understand digital credit solutions implemented by key stakeholders (e.g., regulators, supervisors, industry associations, consumer associations).
- The group also works to build knowledge of how solutions have been implemented to address consumer risks and what benefits and challenges they have faced.
- The working group encourages and promotes the exchange of knowledge, insights, and feedback on ongoing and planned responsible digital credit initiatives.

3 Responsible AI

Chairs: Center for Financial Inclusion (CFI) & Office of the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA)

GOAL

To map out the issues around responsible AI practices in the inclusive finance sector.

- Rapid digitalization of business models and delivery of financial services to low-income households are possible due to the use of algorithms, AI models, and machine learning. However, in a world that is inequitable, data-led models can mirror and exacerbate inequities and unfair practices.
- While several frameworks and policies have emerged, there remains a lack of consensus on best practices and, in particular, on considerations for the implications for inclusive finance.



SHAPING A RESPONSIBLE DIGITAL FINANCE ECOSYSTEM: JULY 2023 CONVENING



- CFI hosted the first in-person RFF gathering in four years in Bengaluru, India on July 5-7, 2023.
- The convening provided stakeholders in the public, nonprofit, and private sectors an opportunity to strengthen dialogue on consumer risks – both current and emerging, best practices, and solutions to responsibly scale inclusive financial services.
- 160 people gathered in person for RFF 2023, with representation from 20 countries.
- Sessions centered around the overall theme of **Shaping a Responsible Digital Finance Ecosystem.**

IMMERSIVE FIELD VISITS:

UNDERSTANDING CHALLENGES AND OPPORTUNITIES FACED BY INDIA'S INNOVATORS IN TECHNOLOGY, REGULATIONS, AND BUSINESS

RFF attendees had the opportunity to join one of four immersive field visits to learn directly from India's innovators in technology, the regulatory arena, and business – the people who have helped deliver the country's rapid strides in financial inclusion.



MOSIP EXPERIENCE CENTER

Infrastructure



MOSIP developed an open-source, modular platform to enable governments and organizations to safely and cost-effectively deploy digital foundational IDs. Attendees explored the MOSIP lab and learned how its off-the-shelf platform can be implemented by other countries.

KINARA CAPITAL

Financial Service Provider



Kinara Capital addresses the financing gap for micro and small businesses worldwide by offering collateral-free loans to small business owners in Bengaluru. Attendees met with small business owners to understand Kinara's lending model.

RESERVE BANK INNOVATION HUB (RBIH)

Innovation



RBIH is a platform that brings together members of financial, technological, and academic institutions to promote and accelerate innovation across the financial sector. A wholly-owned subsidiary of the Reserve Bank of India, the hub aims to strengthen the Indian financial system, while keeping India at the forefront of global financial innovation. Attendees learned about the unique structure of the innovation hub.

INDIA POST PAYMENTS BANK

Agent Models



The India Post Payments Bank has established a network of over 160,000 village assistants who offer doorstep banking services to vulnerable consumers. Attendees visited postal branches to view their operations and interact with village post assistants to learn about their work.

KEY TAKEAWAYS:

RISKS & OPPORTUNITIES IN INCLUSIVE FINANCE

Today, as more and more consumers use digital financial services, both the scope and impact of existing risks are expanding rapidly. And if we do not urgently address these existing risks, the gains we have already made with increasing consumer access for un- and underserved populations could be reversed.

However, not only are current risks quickly evolving, but the development of new technologies, channels, and services means that new risks are being introduced faster than ever before. Stakeholders tend to view newer risks through a narrow lens of money, disruption, or data security. But we must consider the human impact when designing solutions – because, although the mechanisms for threats from cyber, climate, and other developing risks may seem abstract, they have concrete impacts on people’s health, livelihoods, shelters, and well-being.

The July RFF convening discussed the urgent need to address existing risks in the inclusive finance sector while also planning for emerging ones.

CURRENT RISKS

- 1 Consumers’ trust in digital financial services is eroding.
- 2 Providers distrust consumers because of information asymmetry.
- 3 When bad designs are baked into systems, they result in poor outcomes for consumers.
- 4 Business model incentives are not aligned with the consumer protection prerogatives of regulators and policymakers.

FUTURE RISKS

- 1 Consumers do not have the resources to combat cyberthreats.
- 2 The inclusive finance sector is not prepared to handle macro risks.
- 3 Inclusion and impact efforts may be derailed if funding gaps that support research on the impact of newer risks persist.

KEY TAKEAWAYS: CURRENT RISKS & OPPORTUNITIES

	RISKS	LEARNING OPPORTUNITY
1	<p>Consumers’ trust in digital financial services is eroding.</p> <ul style="list-style-type: none"> ➤ Women and other vulnerable groups tend to mistrust digital financial services more than others. ➤ Among other factors, navigating complaint and redressal systems is harder for these groups. 	<p>Stakeholders must be user-centric, focus on principles of responsible design, and keep the consumer at the center when developing, delivering, and investing in financial services.</p>
2	<p>Providers distrust consumers because of information asymmetry.</p> <ul style="list-style-type: none"> ➤ Existing information asymmetries between providers and consumers create a vicious cycle of distrust. ➤ Power dynamics tend to favor providers, and providers often impose conditions which further exacerbate the asymmetry and disadvantage consumers. ➤ Regulatory remits, already challenged, are worse because of the asymmetric information that regulators possess today. 	<p>When developing solutions, we must consider all stakeholders and their respective needs and goals while keeping consumer protection top of mind. Protecting consumers is in the best interest of financial systems, and we must make the business case to elevate consumer protection issues rather than have them be seen simply as compliance issues.</p>
3	<p>When bad designs are baked into systems, they result in poor outcomes for consumers.</p> <ul style="list-style-type: none"> ➤ There are no universal definitions for ‘responsible design principles’ or ‘consumer protection by design.’ As a result, there is little oversight for systems and product design. ➤ Note: The consumer protection team at the Center for Financial Inclusion at Accion (CFI) is currently working on a conceptual white paper to define ‘consumer protection by design.’ 	<p>Stakeholders must collaborate to define responsible design principles and develop and disseminate ‘consumer protection by design’ practices. Responsible design also requires capacity building efforts that involve both employee and agent empowerment efforts. We must adopt gender intentionality and user-centricity practices when designing inclusive financial products and services.</p>
4	<p>Business model incentives are not aligned with the consumer protection prerogatives of regulators and policymakers.</p> <ul style="list-style-type: none"> ➤ Financial service providers feel pressure to rapidly grow and increase profits, and as a result, often give minimal consideration of consumer risks. 	<p>Regulators, policymakers, and FSPs must collaborate to create and enforce strong consumer protection mechanisms while maintaining an enabling environment for financial growth.</p>

KEY TAKEAWAYS:

FUTURE RISKS & OPPORTUNITIES

RISKS

LEARNING OPPORTUNITY

1

Consumers do not have the resources to combat cyberthreats.

- While cyberthreats affect consumers, businesses, and governments alike, consumers have far fewer resources and are less equipped to mitigate these threats.

We need to develop metrics and methodologies to understand the impact that cyberthreats have on people. These will help to develop new protections and responses, which can strengthen the resilience of businesses and governments.

2

The inclusive finance sector is not prepared to handle macro risks.

- Macro risks, such as climate change, test the resilience of consumers, financial service providers, and financial systems at large.
- Migration is rapidly becoming the norm and often involves ongoing and continuous displacement, as is regularly seen with climate migrants.

We must avoid a cascade of vulnerability, in which the organizations and services that support vulnerable individuals ultimately become vulnerable themselves and are unable to serve others. We need to develop responses that disperse risk among multiple stakeholder groups and can be adapted to different contexts.

3

Inclusion and impact efforts risk being derailed if funding gaps that support research on the impact of newer risks persist.

- Far too much funding is focused on the growth of new businesses without factoring in funding for research on innovative consumer protection solutions.
- Often, policies and solutions fail to account for the needs and particular conditions of the most vulnerable. Yet, the people who are least responsible for these risks often bear the brunt of the cost and impact of such risks.

We need to develop policies that take into consideration the differential impacts on different segments of society. When writing policies, we also must consider the unequal distribution of access to the tools and resources necessary to address and recover from those impacts.

LOOKING AHEAD



NEXT CONVENING

- RFF 2024 will be in Brazil to sync with the G20 meetings (dates TBD).

THEMATIC WORKING GROUPS

- The Responsible AI Working Group and the Responsible Digital Credit Working Group will continue their work into 2024.
- The Responsible Recourse Working Group will present their findings at [Financial Inclusion Week 2023](#).
- RFF will launch three new thematic areas by the end of the year:
 1. Inclusive green finance and policy/regulatory imperatives
 2. Cybersecurity and what needs to be done to ensure responsible outcomes
 3. Digital public infrastructure and principles for building DPI that ensure fairness, maintain consumer agency and sovereignty, models of public-private engagement and challenges around scalability, replicability and transferability of insights across country contexts

LAUNCH OF BUSINESS COUNCIL

- The RFF Business Council, which will elevate the voice of private sector actors – an important stakeholder group, will launch before the RFF 2024 convening.

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](#).

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