

# Reading *Mobile Instant Credit: Impacts, Challenges, and Lessons for Consumer Protection*



**Mobile Instant Credit: Impacts, Challenges, and Lessons for Consumer Protection**, a report produced by the Center for Effective Global Action (CEGA) and Innovations for Poverty Action (IPA), synthesizes evidence on the effects of the digitization of financial services on the provision of credit in low- and middle-income countries (LMICs). While proponents point to the potential to drive financial inclusion, reduce poverty, and spur economic growth, detractors cite reports of misconduct, consumer abuses, and over-indebtedness. The report emphasizes the narrower topic of Mobile Instant Credit (MIC)—small digital loans that are primarily marketed and used for consumption—as there is now a sufficient body of research to begin drawing conclusions for digital credit-related policy more broadly.

This guide is intended to help familiarize readers with the structure and content of the deck to maximize use.

## What Is and Isn't in the Report

This report draws primarily on studies funded by CEGA's Digital Credit Observatory and IPA's Consumer Protection Research Initiative, or those conducted by CEGA and IPA affiliated researchers.

The report focuses on airtime loans and Mobile Instant Credit (MIC), which are small, rapidly and digitally disbursed consumer loans such as M-Shwari that began the digital credit movement. These products constitute the first wave of digital credit. The report includes studies investigating the impacts of airtime and MIC loans, as well as the effectiveness of new regulatory approaches and consumer protection interventions.

The sector is rapidly evolving and digital credit is being offered in new forms. Current and future waves of digital credit are highly related to MIC, but the products differ in important ways. There is not yet a sufficient body of research to understand their impacts and they are outside the scope of this report.

While the entire financial services industry is being impacted by rapid digitization, this report does not focus on a number of products and services broadly related to digital credit, such as mobile money or microinsurance, except where there is insufficient evidence focused specifically on digital credit; this occurs primarily in sections 3 (Misconduct Associated with Digital Credit) and 4 (Effects of Consumer Protection Tools).

## Report structure

The report has six main sections as follows:

- 1. Introduction:** This section defines key terms, provides an overview of the market landscape and trends, and summarizes the report's key takeaways.
- 2. Welfare Effects of Digital Credit:** Drawing primarily from eight key studies, this section summarizes evidence of digital credit's effects on key outcomes related to welfare.
- 3. Misconduct Associated with Digital Credit:** This section defines key forms of misconduct associated with digital credit and provides examples and evidence related to each.
- 4. Effects of Consumer Protection Tools:** This outlines existing evidence on the efficacy of interventions aimed at curbing misconduct and improving consumer outcomes.
- 5. Ongoing Research and Open Questions:** Following a survey of existing research, the report shares a high level overview of the most pressing areas for further investigation.
- 6. Summaries of Key Studies:** Interested readers can find a more in depth summary of the studies that formed the evidence base in Section 2: Welfare Effects of Digital Credit.