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About Eastern Africa Journal of Contemporary Research (EAJCR)

Privacy Policy Analysis of Licensed Mobile Loan Applications in Kenya

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Abstract

Mobile loan applications users should be informed of the privacy practices of the application before they consent to use the mobile loan application. The study assessed availability and scope of privacy policies in licensed mobile loan applications operating in Kenya using a descriptive study design. All the 32 licensed mobile loan applications were selected for the study. The study findings revealed that only 13 (40.6%) of the mobile applications had privacy policies. Further analysis of the 13 discovered privacy policies reviewed revealed that only 5 (38.4%) of the policies stated the type of personal information collected; 3 (23%) gave the rationale for collecting the stated personal information; 10 (77%) gave information concerning sharing of the collected personal information with third parties and 7 (53.8%) communicated the measures taken to protect the privacy of the collected personal information. The study recommended that mobile loan applications should to improve their privacy policies to comply with the regulatory framework, and also to thus build trust with the users.
Key words: Mobile Loan Applications, Privacy Policy, personal information, Kenya

1. Introduction

Mobile loan applications involve the use of mobile devises, mobile based applications and the internet to provide short term credit. Mobile based loan services have been on the rise globally due to the many benefits associated with digitization of credit services such as ease of access (Kamau, 2021). It is estimated that government restrictions brought about by COVID 19 pandemic pushed the growth of mobile based loan services by 24% to 32% (Fu & Mishra, 2020). The growth in mobile applications loan services has greatly impacted the credit market, especially in developing countries where since it has opened doors for borrowing, especially to people without formal credit history (Agur, 2020).

In the developed countries like United States, characterized by widespread banking system, growing evidence demonstrate that more borrowers are turning away from traditional credit providers such as banks to mobile based credit providers for short term credit services, (Bazarbash & Beaton, 2020). The Kenyan digital lending market has experienced exponential growth in the past decade as a result of enhanced mobile phone adoption. Over 80% of adult Kenyans own a mobile phone, the highest penetration in Sub-Sahara Africa, (Kamau, 2021). Mobile based loan services have received widespread acceptance in Kenya with an estimated 124 mobile application loan providers operating in Kenya as of 2022 (Munyendo et al. 2022).

Kenyans appear willing and interested to use in the use of mobile based credit services. A study by Geopall (2019) on digital loans popularity in Kenya reported that 71% of adult population had taken a mobile loan in the past six months. Despite the high demand for the mobile loan services, there may be negative impact on borrowers. Despite the opportunities in mobile loan services, critics argue that they have quite a negative reputation of abuse of personal data, lack of transparency about the terms of borrowing, hidden charges, high interest rates and unethical debt collection practices (Munyendo et al. 2022; Kamau, 2021; Suri et al. 2021).

1.1 Privacy Policy

According to the applicable privacy laws and regulations in Kenya, a privacy policy is a detailed document or statement that explains how a user's personal data is collected, stored, and used by an organization; and how it is shared with third parties. Any organization that collects personal data in Kenya is obligated by law to explicitly disclose to end-users how personal data collected will be used. Privacy policy is mostly communicated via a link in the footer section of the website or in the case of mobile applications via a link on the landing page (Zimmeck et al. 2021).

Mobile applications built for credit services often collect a lot of personal information about the users; including location, phone contacts, device information and credit history among others. To protect the user, information ethics, policies and laws demand of mobile applications' developers to explicitly communicate their privacy practices through a privacy policy in a readable manner to users (Bazarbash & Beaton, 2020).

1.2 Mobile Loan Applications Lending Services

Mobile loan application services or mobile credit services is one of the fastest growing industry globally since its inception two decades ago. The industry is comprised of small and medium companies providing financial services through mobile devices. The mobile credit services are usually supported by technology composed of the internet, SMS and/or mobile integrated application (Lee, 2017). The credit services are usually much smaller compared to bank credit services and can be accessed immediately; they are free from the long bureaucracy of formal credit services.

Mobile credit services represent an innovative solution to the financial industry that has drastically changed the financial landscape (Björkegren & Grissen, 2018; Suri et al. 2021; Munyendo et al. 2022). The solution holds promise to the unbanked population; especially in the rural setup and also for those without formal credit history.

1.3 Statement of the Problem

As a result of the concerns raised on mobile based loan services, in 2021, the Kenya Government enacted the Central Bank of Kenya (Amendment) Act 2021, which aimed at regulating and providing oversight of the digital credit market which has hitherto largely remained unregulated. previously. The legislation provides for the licensing of digital credit providers including mobile based credit providers. Further, the legislation provides for protection of customers' privacy and transparency on pricing models, among other requirements.

If Kenyans are to continue using and trusting the mobile based loan services for credit services, it is important that we evaluate the privacy compliance of licensed mobile loan applications providers is evaluated. The present study reviewed data privacy policies of licensed mobile applications used for loan services in Kenyan Market.

1.4 Objectives of the Study

The study was guided by the following objectives:

1. To assess presence of privacy policy in licensed mobile loan applications in Kenya;

2. To analyze the scope of the privacy policies found on licensed mobile loan applications in Kenya.

2. Literature Review

This study is builds on previous studies on mobile applications privacy practices. Privacy policy remains the primary tool for communicating to users of mobile applications how their personal data is collected, stored, used and protected from unauthorized access. Such policies remain central to protecting the users and building trust among the users (Slavin, et al., 2016).

Several studies have explored availability, readability and compliance of mobile applications to privacy policy issues. In a longitudinal study involving 512 mobile applications Ren et al (2018) found out that mobile application users were forced to accept privacy policy without sufficient information being availed about how their personal information is going to would be used. Zho et al (2019), while looking at the barriers to adoption and use of mobile health applications, identified privacy as a major concern expressed by 70% of the respondents. The respondents were concerned that the mobile applications collected a lot of their personal information and they lacked transparency on how this information was being used.

In a large-scale survey targeting 35,000 mobile applications conducted by Sunyaev et al. (2015) found out that only 31% of the sampled 600 mobile applications had provided their users with privacy policies. The study further discovered that 66% of the provided privacy policies were general privacy policies and did not specifically address the privacy practices of the mobile application, they were irrelevant policies provided in the interest of compliance with laws. Llorens-Vernet and Miró (2020), while researching on standards for mobile applications development, noted that the exponential growth of mobile applications solutions occurred in the absence of a privacy regulatory framework of any kind and there are no specific privacy standards currently in the industry; leaving developers who may not have expertise in this area to figure out their own privacy practices.

Previous studies in privacy issues of mobile applications have adopted different approaches. Minen et. al. (2018) in their study on privacy issues in smartphone applications, adopted systematic search which focused on data collection, storage, use and access by third parties when analyzing privacy policies of 29 mobile applications selected for the study. Papageorgiou et al (2018) in their analysis of security and privacy compliance of mobile based applications to European Union data protection law, adopted a broader approach which involved initial screening of surveyed mobile applications for presence of privacy policy, those applications with privacy policies were selected for the second stage which involved analysis of privacy policy compliance with the European Union data protection law which mainly focused on the right to withdraw consent, use of personal data and transfer of personal data to third parties.

It is evident from the literature that the scientific community has raised the alarm on privacy compliance by the mobile applications which have become part of our daily lives. It is evident that the knowledge base in this area is still at inception and more studies are needed to build the knowledge base. It is also evident that there is no standard criterion for evaluating privacy policies; each study has adopted its own scale. It is therefore necessary to develop a tool that can be used in evaluating privacy policies.

3. Methodology

The study adopted a descriptive survey design. All the 32 licensed mobile loan applications in

Kenya as of March 29 2023 were selected for the study studied. The study adopted two-step manual procedure for analyzing privacy policies of the selected mobile loan applications. The initial step involved scanning for a privacy policy on the mobile application's web site or on the web page advertising or introducing the application. In the absence of privacy policy on the web page, the researcher scanned for a link to privacy policy on the mobile loan application's landing page.

The second step involved analysis of the scope of the privacy policy after discovery of the policy in the first step. The following criterion was used to evaluate the scope of the privacy policy was whether the privacy policy communicated to the potential users:

a. The type of personal information collected by the mobile application;

b. Rationale for collecting the stated personal information;

c. Sharing of the collected personal information with third party;

d. Measures taken to safeguard the privacy of personal information collected.

4. Results and Discussions

The analysis of collected data established availability and scope of privacy policy in licensed mobile loan applications in Kenya.

4.1 Availability of privacy policies

Analysis of the 32 licensed mobile loan applications reviewed revealed that only 13 (40.6%) of the mobile applications had privacy policies.

4.2 Scope of the Privacy policies

Analysis of the 13 discovered privacy policies reviewed showed that only 5 (38.4%) of the policies stated the type of personal information collected by the mobile application. Only 3 (23%) gave the rationale for collecting the stated personal information. 10 (77%) gave information concerning sharing of the collected personal information with third parties and 7 (53.8%) communicated the measures taken to protect the privacy of the collected personal information as shown in Table 1.

Table 1: Scope of the Privacy policies

Privacy Policy Evaluation Criterion	Privacy Policies, N (%)
The type of personal information collected	5 (38.4%)
Rationale for collecting the stated personal information	3 (23%)
Sharing of the collected personal information with third party	10 (77%)
Measures taken to safeguard the privacy of personal information	7 (53.8%)

Source: Research data (2023)

4.3 Discussion

The findings on privacy policy availability are consistent with those of Sunyaev et al. (2015), who found out that only 30.5% of the surveyed mobile applications had a privacy policy. Despite privacy policy being a legal requirement under the Kenya Data Protection Act (2019) the findings reviewed revealed very low compliance by the mobile applications. In principle the privacy policy is supposed to inform potential users of the application about which type of personal information will be collected, the rationale for collecting it, how it will be stored and if it will be shared with third parties. Armed with this information, the user can make an informed choice whether to use the application or not.

Analysis of the scope of the discovered operational privacy policies reviewed indicated that all the discovered privacy policies were not comprehensive. as many Many were general and provided information that did not focus on the mobile application at all. The information provided in the general privacy policies was not in any way relevant to the potential users of the mobile application.

5. Conclusion and Recommendations

Mobile loan applications usually collect large amounts of personal information on the basis that users have granted them informed consent. However, the relative absence and apparent lack of comprehensiveness raises concerns whether the users are blissfully simply ignorant of their privacy, or it is a case of the service providers deliberately withholding this information from the users. forced consent because they have not been provided with information on what to consent to. The findings of this study also raise concerns on the role of the regulator, considering that the mobile applications have already been licensed by the regulator, yet they contravene the data protection act; one of the major regulatory frameworks in this field.

In as far as the mobile loan applications are concerned it is evident from the study that they should improve their privacy policies to comply with the regulatory framework and also to build trust with the users. There is no available data linking absence of privacy policies and abuse of personal information by mobile applications, therefore this study recommends further research on the correlation between absence of privacy policies and abuse of personal information. The study also recommends for further research on users' awareness, values, and attitudes regarding privacy of mobile loan applications.

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