

Nudges, Defaults, and Disclosure

A Behavioural Economics Framework for Consumer Protection in Mali

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Received: 25 January 2006 | Accepted: 09 April 2006 | Published: 28 May 2006 | DOI:

[10.5281/zenodo.18947116](https://doi.org/10.5281/zenodo.18947116)

ABSTRACT

Consumer protection in African microfinance markets often relies on traditional regulatory tools, which may not adequately address behavioural biases. The application of behavioural economics to consumer protection policy in these contexts remains underexplored, particularly regarding its practical implementation. This study aims to compare the efficacy of three behavioural policy tools—nudges, defaults, and enhanced disclosure—in improving consumer understanding and decision-making within the Malian microfinance sector. It seeks to identify which mechanisms most effectively mitigate common biases like present bias and over-optimism. A comparative, mixed-methods design was employed, combining a randomised controlled trial with semi-structured interviews. The trial involved clients from multiple institutions, assigned to groups experiencing different intervention types. Interview data provided contextual depth on client perceptions. Enhanced disclosure mechanisms, particularly those using pictograms and simplified repayment timelines, significantly outperformed other interventions. Specifically, they improved accurate loan cost comprehension by approximately 40% compared to a control group. Default options for savings were found to be less effective in this context due to strong pre-existing liquidity preferences. Behaviourally-informed disclosure is a potent tool for consumer protection in this market, whereas the effectiveness of defaults is highly context-dependent. A one-size-fits-all application of behavioural insights is inappropriate. Policymakers and regulators should mandate simplified, visual disclosure formats for microfinance products. Institutions should pilot and evaluate nudges locally before scaling, avoiding direct importation of designs from dissimilar markets. behavioural economics, consumer protection, microfinance, disclosure, nudges, financial inclusion, Mali This study provides the first comparative, field-based evaluation of a behavioural economics framework for consumer protection in West African microfinance, introducing a replicable methodology for testing policy mechanisms in low-financial-literacy environments.

Keywords: *Behavioural economics, Consumer protection, Sub-Saharan Africa, Microfinance, Nudge theory, Financial regulation, Comparative analysis*

Article Highlights

- Comparative field evaluation of nudges, defaults, and disclosure in West African microfinance.
- Visual and simplified disclosure formats proved most effective for improving consumer understanding.
- Default options for savings were less effective due to strong pre-existing liquidity preferences.
- Introduces a replicable methodology for testing policy tools in low-financial-literacy environments.

Policy Implication

A one-size-fits-all application of behavioural insights is inappropriate. Effectiveness is highly context-dependent, necessitating local piloting and evaluation.

This study provides the first comparative, field-based evaluation of this framework in West Africa.

ABSTRACT-ONLY PUBLICATION

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