FINANCIAL INCLUSION insights

APPLIED RESEARCH FOR digital financial inclusion

Digital Pathways to Financial Inclusion

Findings from the FII Tracker Survey in Nigeria and Consumer Focus Groups

September 2014

InterMedia

Acknowledgments

Authors

Aibek Iliasov, Senior Research Manager, InterMedia
Anastasia Mirzoyants, Director of Research and Operations (Nairobi office)

A number of colleagues provided valuable contributions to this report:
Peter Goldstein, Co-Director, FII Program
Tim Cooper, Research Director; Co-Director, FII Program
Naheed Islam, Insights Consultant
Ran Wei, Quantitative Analyst
Mary Ann Fitzgerald, Editor
Caldwell Bishop, Project Assistant

External reviewers also provided valuable insight:
Joyce Murithi, Senior Analyst, MicroSave
Ashley Immanuel, Programme Manager - Women & Financial Capability, Enhancing Financial Innovation & Access (EFInA)
Megan O'Donnell, Advisor, Mobile Payments

InterMedia

InterMedia is an independent, global consultancy specializing in strategic research and evaluation. Since 1995, our quantitative and qualitative research alone has engaged 1.4 million respondents in more than 100 countries, including many of the world's most challenging places.

Our clients include international development agencies and philanthropic foundations, media, government agencies engaged in strategic communications and conflict resolution, and commercial firms.

We help our clients understand and enhance the impact of policy, programs and investment in the 21st century's rapidly evolving economic, social and technological environments.

InterMedia's offices are based in Washington, D.C., London and Nairobi.

Contents

About the Financial Inclusion Insights Program

Putting the User Front and Center

Mobile money services in various forms are now available in more than 80 countries, according to GSMA, primarily in the developing world, while card-based and other digital cash products also have proliferated. It is now plausible that in the not-too-distant future, many millions, if not billions, more people will be able to access a range of convenient, affordable and reliable financial tools for the first time, regardless of their proximity to brick-and-mortar financial institutions.

Even so, stakeholders of financial inclusion identify a lack of critical information about trends and dynamics in these relatively new markets for digital financial services. Knowledge gaps that need to be addressed include how to foster scale and sustainability, and how best to ensure these markets reach financially underserved and excluded individuals – particularly the poor, rural residents and women. There is a clear need for rigorous benchmarks for measuring progress in these areas.

The **Financial Inclusion Insights** (FII) research program responds to these needs by supplying in-depth data and analysis on the demand side of the digital financial services equation, to inform technology development, product development, commercial deployment and regulatory policy. The mission is to put the users and the potential users of these services front and center when key decisions are made in all of these areas.

The FII program's core focus is on eight countries – Bangladesh, India, Indonesia, Kenya, Nigeria, Pakistan, Tanzania and Uganda – which together have a combined population of more than 2 billion and are currently at various stages of digital financial services development. FII country research comprises two principal elements: nationally representative **FII Tracker Surveys** and a range of **Consumer Experience Monitoring** projects that use qualitative methods to dive more deeply into specific aspects of access and use of mobile money, other digital platforms and financial services, generally. In particular, FII research and analysis focuses on monitoring developments in digital financial services, and identifying triggers and barriers to use, and user market segments.

This report summarizes key findings and insights from the nationally representative FII Tracker Survey of 6,002 adults, aged 15 and older, conducted in Nigeria during fall 2013.

The FII team and in-country partners broadly disseminate all the data and analytical materials produced under the program, notably through the FII Resource Center (www.finclusion.org) and through stakeholder-focused events in the study countries and at key conferences. We also value ongoing dialogue with financial inclusion stakeholders to ensure that the research program remains relevant and useful to them. For more information, contact the FII team at finclusion@intermedia.org.

Glossary

Active mobile money/bank account holder – An individual who has a registered mobile money account or a bank account and has used it in the last 90 days.

Active mobile money/bank user – An individual who has used mobile money/a bank in the past 90 days, either through a personal, registered account or through someone else's account.

Basic use of banking services – Conducting transactions such as depositing and withdrawing money, person-to-person transfers.

Digital financial services (DFS) – Financial services provided through an electronic platform (e.g., mobile phones, electronic cards, the internet, etc.). For this study, digital financial services include bank services and mobile money services.

Formal financial services – Services offered by financial institutions that are regulated by state. These institutions include commercial, development banks as well as specialized non-bank financial institutions (NBFI) such as post banks, savings and loan companies, deposit-taking microfinance banks.

Grameen Progress out of Poverty Index (PPI) – The Grameen Foundation's poverty measurement tool based on a set of country-specific questions used to compute the likelihood that a household is living below the poverty line.

Informal financial services – Services offered by groups and associations that are not regulated or supervised by the state (e.g., Esusu associations, savings collectors, village savings groups).

Interoperability – The ability of users of different digital financial services (e.g., Safaricom M-PESA, Airtel Money and bank accounts) to transact directly with each other through interoperable platforms.

Lapsed bank user – An individual who has used a bank at some point in the past, but has not done so in the last 90 days.

Mobile money – A service in which a mobile phone is used to access financial services.

Mobile money agent – A person or business contracted by a mobile money provider to offer services to mobile money customers.

Microfinance Institution (MFI) – A financial institution specializing in banking services for low-income groups or individuals. A microfinance institution provides account services to small-balance accounts that, normally, would not be accepted by conventional banks, and offers transaction services for amounts that may be smaller than the average transaction fees charged by mainstream financial institutions.

Mobile network operator (MNO) – A wireless communications services provider that owns or controls all the elements necessary to sell and deliver services to an end user, including radio spectrum allocation, wireless network infrastructure, billing, customer care, etc.

Mobile virtual network operator (MVNO) – A wireless communications services provider that, unlike an MNO, does not own the wireless network infrastructure it uses to provide services to its customers.

Over-the-counter use – Using DFS through an agent's account. This is a type of unregistered use.

Poverty line – Income of $2.50 per day or less, as classified by the Grameen Progress Out of Poverty Index.[1]

Unregistered user – An individual who uses DFS only through someone else's account (e.g., friend, family member or agent).

Value-added services – DFS transactions that go beyond simple deposits, withdrawals, money transfers and airtime top-ups.

---

[1] http://www.progressoutofpoverty.org

Summary of Findings and Insights

This report presents the findings of InterMedia's first Financial Inclusion Insights (FII) Tracker Survey of 6,002 Nigerians aged 15 and older, conducted September-November 2013. It also incorporates findings from 24 focus groups conducted January-February 2014 (see Methodology). The insights summarized in this section are intended to help inform stakeholders' decision making as they develop operational strategies to advance digital financial services.

Nigerian landscape

Nigeria is characterized by high poverty and unemployment levels. Poverty is pervasive even among employed Nigerians and employment does not guarantee a stable income in most cases. At the same time, the majority of Nigerians have some form of ID, which provides favorable conditions for mobile money development.

- The FII Tracker Survey shows the vast majority of Nigerian adults (90 percent) live on less than $2.50 a day. Nigerian adults are equally likely to be poor regardless of their place of residence or gender.
- A significant number of Nigerian adults (32 percent) do not have a job that produces income. Unemployed Nigerians rely mostly on remittances from their relatives and friends as their source of money for daily expenses.
- Employment does not guarantee a stable income as the most common jobs are either seasonal or require a steady flow of customers to be beneficial. For example, the top three occupations are farmer (15 percent of employed), shop owner (12 percent) or business owner (9 percent).
- The majority of Nigerian adults (80 percent) have some form of ID. A voter card, national ID or a school ID are among the most common.

Banking services

Banking institutions are the main providers of formal financial services in Nigeria. Banks are by far the most popular way of transacting digitally, especially for making large transactions. Bank users tend to transact through their accounts on a regular basis, and bank use is skewed towards urban areas.

- Forty-four percent of Nigerian adults have access to a bank account, either through their own or someone else's account.
- Thirty-eight percent have their own account and 35 percent use their accounts actively. (Those who used the account in the 90 days prior to the survey are defined as active bank account holders).
- Conventional banking services are skewed towards the urban population, leaving out large segments of the rural population. For example, active bank account holders are

more likely to be male (40 percent of males are active bank account holders vs. 30 percent of females), urban (44 percent of urban residents are active bank account holders vs. 28 percent of rural residents) and better educated (74 percent of adults with higher education vs. eight percent without any formal education).

- Reliance on cash is high: two-thirds of Nigerian adults (67 percent) prefer making small to medium transactions in cash. Out of all formal and informal financial instruments, banks are by far the most widespread and popular way of transacting. For large transactions, banks become the preferred choice (45 percent of Nigerian adults prefer banks vs. 33 percent of those who prefer cash for making large transactions). However disadvantaged groups (rural dwellers and less educated adults) still rely on cash as much as on banks.

- The use of banking services is dominated by basic use, such as depositing and withdrawing money, and person-to-person transfers. For example, 87 percent of Nigerian adults report withdrawing money and 85 percent report depositing money to their bank accounts.

- Other than business-related payments, school fee payments are the only type of advanced transactions that are commonly done through a bank.

- The distance to a banking point of access (POA) does not seem to be a problem in Nigeria, as most bank users report at least one type of banking point-of-access (POA) within a 1 km radius from where they live.

- An ATM is a preferred way of accessing funds by most bank users due to speed and convenience.

Informal financial services

Informal financial services are an important part of the Nigerian financial landscape: 14 percent or 12.3 million Nigerians report using informal financial instruments, such as Esusu (rotating savings and credit groups), village savings groups and collectors. Nigerians use informal financial instruments for ease of use, speed and safety of the service.

- Equally popular in urban and rural areas, Esusu is the most commonly used informal financial instrument in Nigeria, used by 9 percent of Nigerian adults. Esusu is more popular among females than males (11 percent of females report using Esusu vs. 8 percent of males).

- Village saving groups cater to rural inhabitants, while savings collectors mainly serve urban residents.

- Informal financial instruments are used for different reasons: ease of use is important for Esusu users, while safety is the primary reason Nigerians use savings collectors.

Mobile money use and perceptions

Despite an abundance of mobile money offerings, mobile money use remains minimal and limited to active bank users.

- The use of mobile money among Nigerian adults is extremely low at 0.3 percent (2.6 million adults) and is limited to bank users.
- Focus group findings indicate mobile money uptake is often due to an urgent need for money transfer services.
- Mobile money agents and bank branches are the primary sources of awareness about mobile money services. For most mobile money operators, TV and radio advertising account for a small proportion of brand awareness.
- Mobile money users note the following advantages of the service: convenience (no waiting lines at the bank), speed, ease of use (transacting any day of the week, transacting in areas not covered by banks), safety compared to handling cash, and the particular value of mobile money for business users.

Barriers to mobile money adoption

Key barriers to mobile money adoption	Potential activities to overcome barriers
Few people know about mobile money: Awareness of mobile money services is low (12 percent of Nigerian adults) and is mainly restricted to bank users. The majority of mobile money operators rely on their agents to increase awareness; TV and radio advertising is not reaching potential consumers.	There is a need to boost brand awareness by optimizing and utilizing TV and radio advertising in order to reach as many potential consumers as possible, and not just rely on agents to spread awareness.
Limited knowledge about mobile money services: Even among the Nigerians who are aware of specific mobile money brands, there is a lack of understanding of how mobile money works, thus further inhibiting adoption. Specifically, in addition to not understanding how the service works, mobile money nonusers were unclear about what the charges are and what type of phone is needed.	There is a compelling need to both raise brand awareness through advertising and conduct educational campaigns to inform consumers about the transaction process, product availability, key features and service reliability. Consumer education campaigns can be targeted to the specific population segments most likely to take up mobile money services, such as business users and young urban males who tend to send remittances to support relatives.
Low level of trust in mobile money: • Only one-in-five said they trust mobile money services (21 percent) compared with one-in-two who said they trust state-owned banks or private banks (57 percent and 53 percent, respectively). Trust in mobile money is low even among bank users. Rural residents are most distrustful of mobile money. • The low level of trust in mobile money is linked to people's concerns over the poor quality of mobile networks, and people's fear of falling victim to mobile network fraud.	Consumer education campaigns should focus on information about the safety features of mobile money and mechanisms in place to provide users with a safe transaction process and restricted access to their accounts. To allay consumer concerns about the impact of a poor mobile network, mobile money providers have to work with MNOs to improve services and publicize measures in place to minimize delayed/failed transactions due to network issues.

Opportunities for mobile money adoption

With relatively high levels of mobile phone ownership and a large unbanked population, the potential for mobile money is high in Nigeria. Potential market entry points for mobile money include mobile money for business use, G2P payments and remittances.

- **Mobile money for business use**: Two of the top three forms of employment in Nigeria are entrepreneurial. According to the FII survey, 12 percent of Nigerians were shop owners (10.6 million) and 9 percent were business owners (7.9 million). Our focus group findings indicate that mobile money services are particularly suited to business owners. The ability to make transactions on the go, any time and any day of the week, avoiding waiting lines at banks, is particularly valued by business users.
- **G2P payments:** Our survey found that a sizable portion of Nigerian adults (6 percent or 5.3 million) receive G2P payments. Disbursing some of these payments through mobile money can be an effective way of kick-starting mobile money usage, as it would allow recipients to experience the benefits of mobile money.
- **Domestic remittances:** There is a large remittance flow from within Nigeria. The survey shows that the majority of unemployed Nigerians rely on remittances from other people as their main source of money for daily expenses (67 percent of unemployed Nigerians or 20 million). Further research will assess a potential for remittances to be transacted via mobile money.
- **International remittances**: Nigeria is one of the top global remittance destinations in the world, with foreign remittances reaching $21 billion in 2012.[2] There is potential to tap into this vast stream by linking mobile money accounts with international remittance systems. For example, Vcash (one of the mobile money operators in Nigeria) started offering a service that links a Western Union online account with a mobile wallet.
- **Mobile money as an alternative to informal financial instruments**: Mobile money, with instant account registration, and its convenience and speed, can be marketed specifically to users of informal financial instruments, who tend to live in rural areas, as a more convenient and safer alternative.
- **Value-added mobile money services:** Our survey identified a significant proportion of bank users (10 percent) who make school fee payments through their accounts, which is at least twice as high as any other payment, excluding person-to-person transfers. Specifically, male users living above the poverty line appear to turn to their bank accounts only for making specific types of transactions at the time they are due (such as school fee payments). Therefore, there is evidence of demand for a financial product designed for a specific type of transaction, such as school fee payments.

---

[2] http://www.vanguardngr.com/2013/04/foreign-remittances-to-nigeria-hit-21bn

Chapter 1: Introduction

Country context: State of the Financial Services Market in Nigeria

Financial inclusion in Nigeria has thus far been primarily driven by conventional brick-and-mortar banks and bank accounts. The 2012 Enhancing Financial Innovation & Access (EFInA) survey on financial services in Nigeria found that the access to financial services has been steadily increasing since their research began in 2008.[3] However, the majority of rural Nigerians still do not use financial institutions, and a significant number of rural Nigerians rely on informal financial services.[4]

Policy and regulatory environment

The Central Bank of Nigeria (CBN) released its National Financial Inclusion Strategy (NFIS) in 2012, with two of the major goals being to halve the number of financially excluded Nigerians and increase the number of those included in the formal sector to 70 percent by 2020.[5] The NFIS prioritized creating a tiered framework for Know Your Customer (KYC) regulations, developing agent bank regulations, and writing and implementing a National Financial Literacy Framework. Between 2012 and 2013, the CBN released regulations on all three of these items and in late 2013 circulated new guidelines to facilitate the implementation of the NFIS. While the tiered KYC regulations may help reach the ambitious goals outlined by the CBN, other measures such as agent acquisition are not as positive.

The CBN created separate customer identification requirements based on account values. For the purpose of mobile banking, low-value accounts can be opened with customers providing their own details, without an official ID, and are limited to 3,000 Nigerian Naira (NGN) – approximately $18 for a single transaction, with a daily cap at 30,000 NGN. The next tiers' customers can transact at higher amounts but their background information must be cross-checked against official databases. This practical approach to KYC can remove barriers to mobile money access by lower income and rural populations.

Agent banking regulations, however, place some restrictions on the expansion of agent networks, particularly into rural areas with no agent service. While some rules such as disallowing people with a poor credit history (i.e. having a non-performing loan on record) are standard and positive, others, such as requiring an agent to have an established commercial activity, operational for at least 12 months prior to application for agency, may be more restrictive and thus limit the expansion of agent networks, particularly in rural areas where informal businesses dominate.

---

[3] EFInA Access to Financial Services in Nigeria 2012 survey, Key findings (Updated May 2013)
[4] ibid
[5] National Financial Inclusion Strategy, Central Bank of Nigeria, Abuja, 2012

Mobile money market

Nigeria has a number of mobile money services provided by both banks and third-party vendors. Most of these mobile money products offer basic services such as money transfers, airtime purchases and bill payments. Paga, by third-party vendor Paga Tech, was the first to enter the market in early 2011, but its customer base has not exceeded that of more recent entrants to the market.

Complicating the sector is the number of entrants providing mobile money services, which can lead to an inability to distinguish between different providers among potential consumers. The GSMA's mobile money tracker lists 19 active services in Nigeria as of May 2014. However, with relatively few Nigerians using mobile money, only two mobile money providers have gained traction with consumers – Paga and Firstmonie are the only providers who reported achieving 1 million mobile money customers so far.[6] Virtually all major banks offer mobile money services, including Ecobank, GTBank, First Bank of Nigeria, Stanbic IBTC Bank, United Bank for Africa (UBA), and Zenith Bank.

---

[6] https://www.mypaga.com/paga-web/pc/press.paga?selectedPage=_article_1_19, accessed 28th of May 2014; http://businessdayonline.com/2014/05/firstbanks-firstmonie-hits-milestone accessed 28th of May 2014

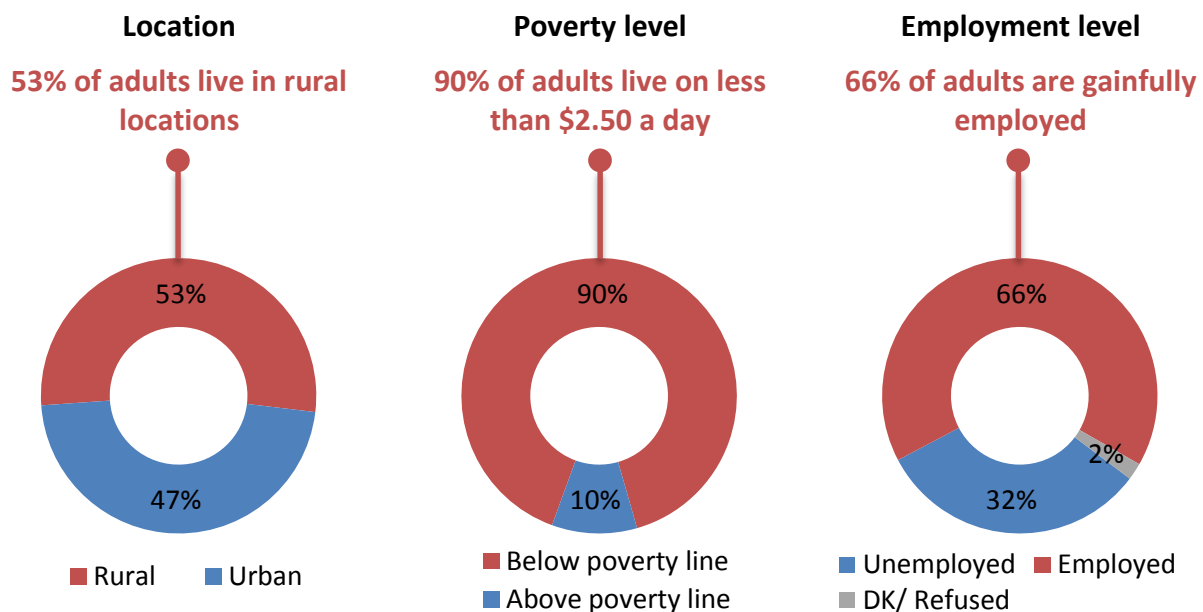# Socio-economic landscape in Nigeria

Key finding: The majority of Nigerian adults live below the poverty line, and employment does not guarantee regular income

The majority of Nigerians live below the poverty line, which is extreme even by African standards, and even employment does not guarantee regular income. Those that are unemployed, particularly the young, depend on remittances, which may be a gateway product for mobile money services. Overall, the financial services needs of Nigerians may be constrained by their cash flow patterns, which may require innovative mobile money products.

Ninety percent of the Nigerian adult population is living on less than $2.50 a day. With the population almost equally split between urban and rural residents (47 percent and 53 percent, respectively), as well as between males and females (50 percent each), Nigerian adults are equally likely to be poor regardless of their place of residence or gender.

Only two-thirds of the Nigerian adult population is gainfully employed (66 percent), with females reporting employment at a much lower rate than males (59 percent vs. 74 percent, respectively). Young rural females (15-24 years old) appear the most vulnerable as only a third of them have a job that brings any income (34 percent of the group).

Figure 1. Key socio-economic characteristics of Nigerian adults

Location	Poverty level	Employment level
53% of adults live in rural locations	**90% of adults live on less than $2.50 a day**	**66% of adults are gainfully employed**

Location: 53% Rural, 47% Urban

Poverty level: 90% Below poverty line, 10% Above poverty line

Employment level: 66% Employed, 32% Unemployed, 2% DK/ Refused

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

The top three occupations among those who are employed are farmer (15 percent of employed), shop owner (12 percent) or business owner (9 percent). All three of those occupations can be associated with significant income fluctuation depending on the season and/or economic stability of the region.

The majority of the remaining two-thirds of those employed also report occupations that assume possible self-employment/freelancing and somewhat unstable incomes, for example, working as a tailor (7 percent), manual labor worker (4 percent), driver (4 percent) or street vendor (2 percent). Only 5 percent of those employed report a type of professional occupation that allows for a somewhat stable income, such as a doctor or a teacher.

Figure 2. Percent of Nigerian adults by occupation
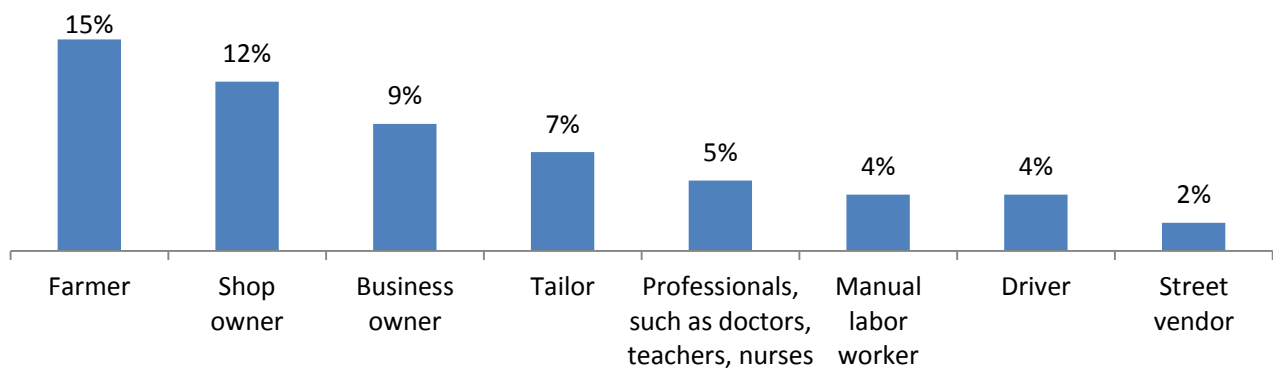
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

A large domestic remittance market presents an opportunity for financial inclusion

Sixty-seven percent of unemployed Nigerians (approximately 20 million) rely on remittances from other people (family members, relatives or friends) as their main source of money for daily expenses. Teenagers (15-19 years old) constitute the largest group of remittance-recipients (44 percent of those who receive remittances); teenage remittance-recipients are almost equally likely to be rural or urban as well as males or females.

Overall, it appears that the majority of remittance-recipients are secondary school students living away from their households, possibly in boarding schools, and receiving upkeep money from their families. Further research into this segment of the population will assess the need for a mobile money product specifically aimed at teenagers and their parents.

Interestingly, rural-to-rural remittances are the most frequent type of remittances, followed by rural-to-urban. In terms of regions, most remittances either go from the North Central region to the North West region or circulate within the North Central region.

Digitizing G2P payments

Six percent of adults (approximately 5.3 million) reported receiving some form of government support: 5 percent had a job and 1 percent were unemployed. G2P payments can potentially stimulate the uptake and use of mobile money services; but the effect of G2P services as a mobile money uptake catalyst will depend on how the G2P payments are received and if there are any pain-points in delivering and/or receiving the money.

Disbursing some of these payments through mobile money can be an effective way of kick-starting mobile money usage, as it would allow recipients to experience the benefits of mobile money.

Foundations for financial inclusion

Key finding: Most Nigerian adults have an ID, except for the youngest and oldest age groups

The prevalence of existing citizen identification documents and tiered know-your-customer (KYC) requirements set favorable foundations for financial inclusion in Nigeria. Most Nigerians have some form of ID (80 percent), which may be facilitating the registration of SIMs. In addition, a tiered KYC rule by the Central Bank of Nigeria in 2012 addresses the potential barrier to fulfilling KYC requirements for registering for mobile money services.[7]

FII survey findings indicate the majority of Nigerian adults (80 percent) have some type of an ID. A voter card is the most common (59 percent of Nigerian adults) followed by the national ID (37 percent of adults) and a school ID (25 percent). Those without an ID are the youngest and the oldest age groups: 15-24 years old, and 55 and older. As mentioned above, 15-24 year olds are the most likely to depend on remittances from other people as their main source of income; the lack of an ID can potentially create an access barrier for either banking or mobile money services.

While those living in rural areas and females are slightly less likely to have an ID than their urban and male counterparts, the difference is close to negligible. Therefore, most have the requisite identification to meet the new KYC requirements. Though, more research needs to be done to see if changes in regulations are being followed by agents, since a lag in implementing changes may also impact mobile money uptake.

Figure 3. Percent of Nigerian adults who have each type of citizen identification documents
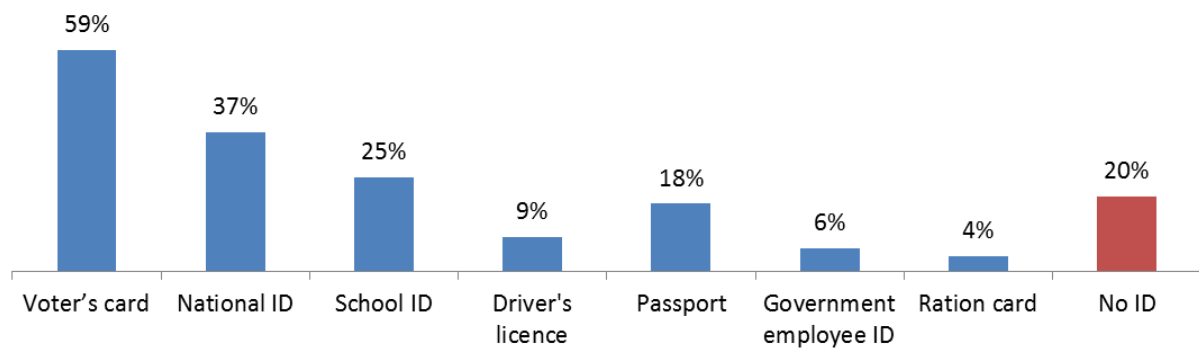
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

---

[7] National Financial Inclusion Strategy, Central Bank of Nigeria, Abuja, 2012

Chapter 2: Banking Services in Nigeria

General overview

Key insight: Banks are currently the main providers of formal financial services in Nigeria; active bank account holders transact through their accounts on a regular basis

Despite the rapid spread of banking service in recent years, the Financial Inclusion Insights (FII) Tracker Survey findings indicate that there is still a sizable unbanked population. According to the survey, less than half of the Nigerian adult population (44 percent) reported ever using banking services. Active bank users tend to use their accounts on a regular basis.

It is important to note that among those who ever used formal financial services, 86 percent have their own account, while the remaining group uses over-the-counter services or accesses those services through somebody else's account (e.g., family members, friends or neighbors). Over-the-counter services available to bank users, who do not have bank accounts, include bill pay; purchase of securities, stock or insurance; and direct deposits to somebody else's bank accounts.

Figure 4. Percent of bank users in Nigeria, by type of use
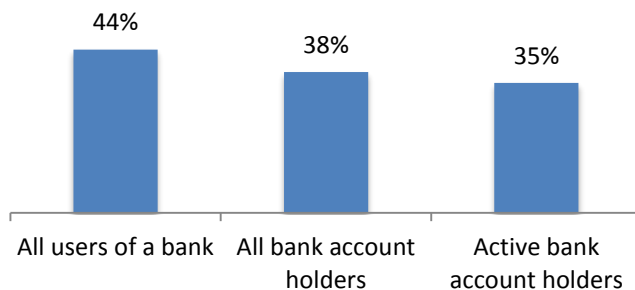
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

It is important to clarify that "active use of one's own account" is defined as a minimum of one banking transaction via an account that is registered in the respondent's name in the 90 days prior to the survey. However, in reality, active account holders report conducting transactions more frequently than that, with almost half (48 percent) making transactions at least on a weekly basis (Figure 5).

Figure 5. Percent of active bank account holders in Nigeria, by frequency of their bank use
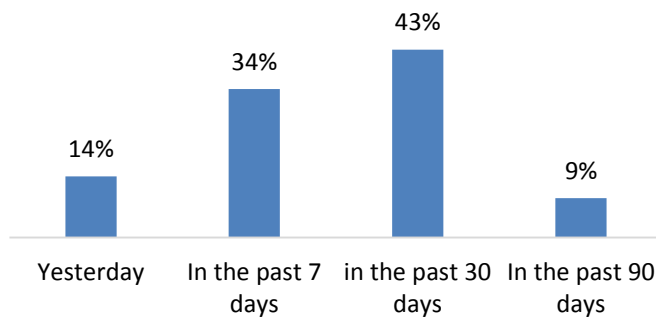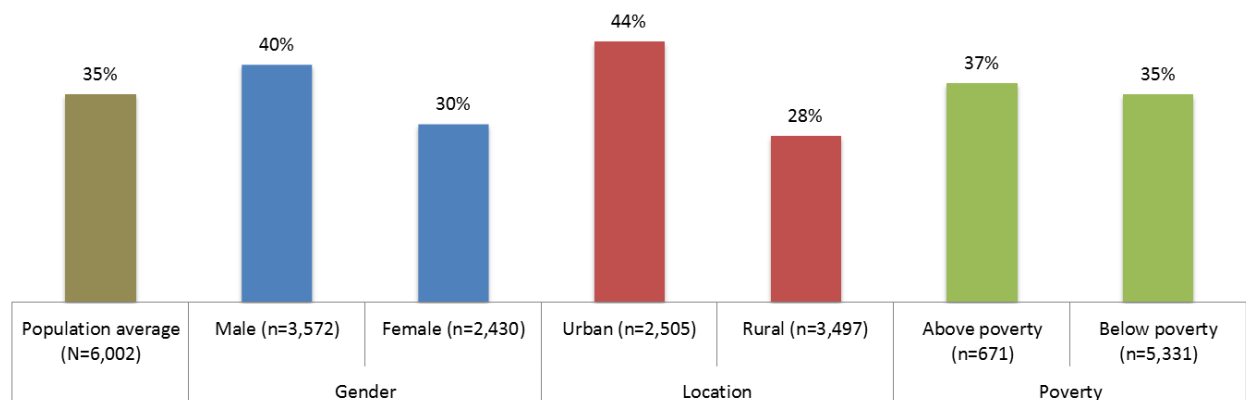

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=2,286.

Also important to note, while the majority of bank users have access to or use only one current account, at least a fifth have access to or use more than one savings account. This is interesting since savings accounts are the most commonly used type of account, yet purposeful saving and setting money aside is limited across different types of bank user groups.

Bank user and nonuser profiles

Active bank account holders are more likely to come from more advantaged demographic segments, such as male, urban and better educated (Figure 6). For example, males and urban dwellers are more likely to be active bank account holders than are females and rural residents. Furthermore, those at a peak working age, 25-44 years old, are more likely to have an active registered account than their younger and older counterparts. Next, there are more active bank account holders among adults with secondary education or higher than among those with primary education or no formal education.

Figure 6. Percent of active bank account holders by gender, location and poverty level

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=2,286.

Figure 7. Percent of active bank account holders by age and educational attainment
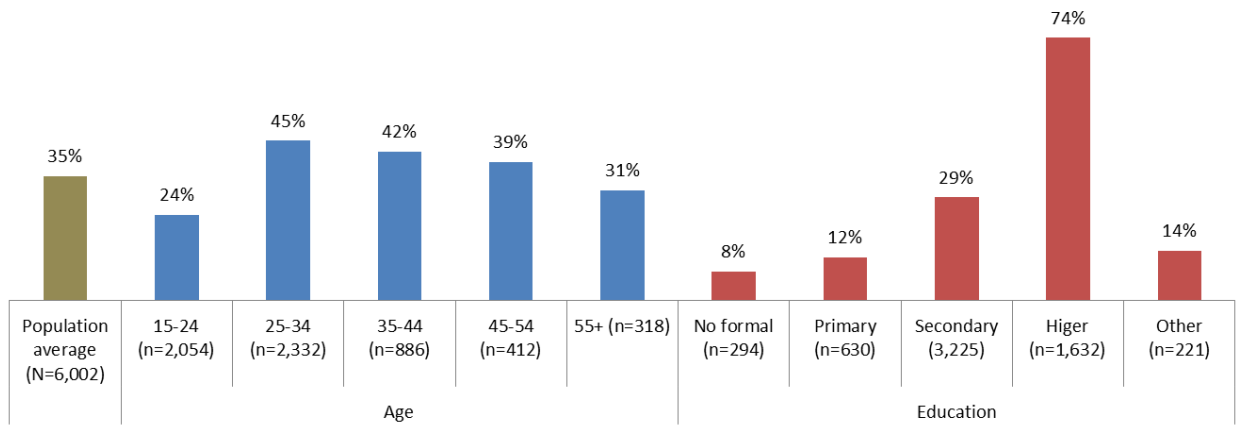
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=2,286.

Table 1. Profiles of various types of bank users

Type of bank user	Percent of population	Demographic description	Usage patterns and engagement opportunities
Active bank account holders	35%	These bank account holders have a bank account in their name and had used it in the 90 days prior to the survey. Active bank account holders are most likely to be found among urban males living below the poverty line (52 percent of the group). Within the group of urban males below the poverty line who are active bank account holders: • 60 percent are younger than 35 years old • 95 percent have higher or secondary education • 32 percent reside in the South West region.	The active bank user segment can serve as a vehicle for the spread of digital financial services, as banks already have relationship with these users, and can capitalize on it by offering other services such as mobile money and pre-paid cards. A fifth of active bank account holders (21 percent) use it for business related transactions – highest proportion among all bank users. These users value speed and convenience, for example by avoiding waiting lines at bank branches to make a transaction. Products that offer ability to transact easily and save time (such as mobile money) are likely to resonate with this segment of users. Additionally, a sizable proportion of active bank account holders use it for services that can potentially be offered via mobile money, such as buying airtime top-ups (10 percent) and paying school fees (12 percent).
Users of banking services who do not have an account	5%	The members of this group use banks either by sharing other people's accounts or by using tellers to make transactions. Users with no accounts are most likely to be found among urban males and females who live below the poverty line (14 percent of each group). The bulk of this group has access to one current/checking account or one savings account. Urban poor males in this group tend to be single. Urban poor females are almost equally split between those single and those monogamously married.	This group has the lowest level of basic use among all bank users: 78 percent use banks to deposit/withdraw money compared to 98 percent of active bank users. Not having a personal account is hampering this group from using other banking services, such as saving (only 0.6 percent of these users report saving money via banks). Banking institutions should encourage these users to register their own accounts. Additionally, a fifth of these users makes P2P transfers (22 percent) and can potentially be targeted to take up mobile money as a more convenient channel.

Type of bank user	Percent of population	Demographic description	Usage patterns and engagement opportunities
Lapsed/ infrequent users of banks	4%	This is a group of bank users with or without an account, who have not made any banking transactions in the 90 days prior to the survey. Lapsed users are most likely to be found among urban females living above the poverty line (6 percent of the group). • 90% basic use • 21% send or receive remittances • 10% business use • 5% buy airtime	Infrequent use of banks by this group is likely to be explained by several factors. One of the factors is physical proximity to a banking point of access (POA): fewer lapsed users live within a 1km radius of an ATM compared to active bank users (52 percent of lapsed bank users versus 61 percent of active bank users). Another possible factor is a potential lack of financial products that are relevant to this segment. Lapsed users tend to assign a lower rating to the choice of financial products/services available to them, via a bank, than do active bank users. On a scale from 0 (extremely bad) to 10 (extremely good), 40 percent of lapsed users rate the choice of financial products as 6 or lower, compared to 30 percent of active bank users. Therefore, banking institutions can encourage more frequent use by offering financial services that meet the needs of this group. A mobile money service can be a suitable product for this segment, as 21 percent of lapsed users made P2P payments and 10 percent used their accounts for business-related transactions.
Nonusers of banking services	56%	Rural females are most likely to be nonusers of banking services, regardless of whether they live above or below the poverty line. Within the group of rural females who are nonusers of banks: • 44 percent are younger than 24 years old • 55 percent have a secondary education • 31 percent reside in the North West region and 20 percent in the South South region.	Adoption of mobile money and other digital financial services among bank users can also help trigger adoption among the unbanked population. As mentioned above, a sizable proportion of both active and lapsed bank users make P2P transfers and remittances, which may motivate unbanked P2P recipients to eventually adopt digital financial services themselves.

Comparative analysis of the types of bank uses within different demographic groups shows that poverty is not necessarily a barrier to the use of formal financial services. Most differences in the rate of active use of banking services are by gender, for example, between males and females with the same poverty status and residence (urban or rural) characteristics (Figure 8).

Figure 8. Percent of bank users and nonusers, by demographic characteristics
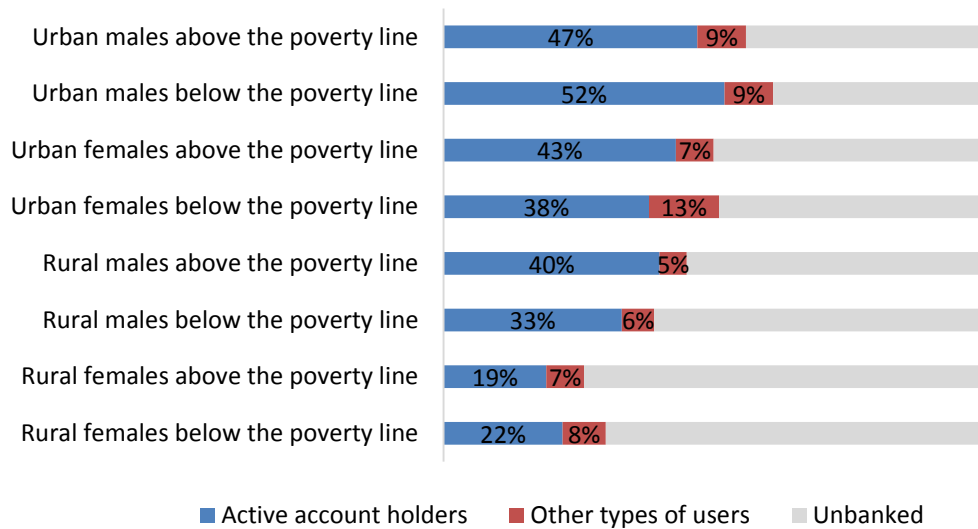
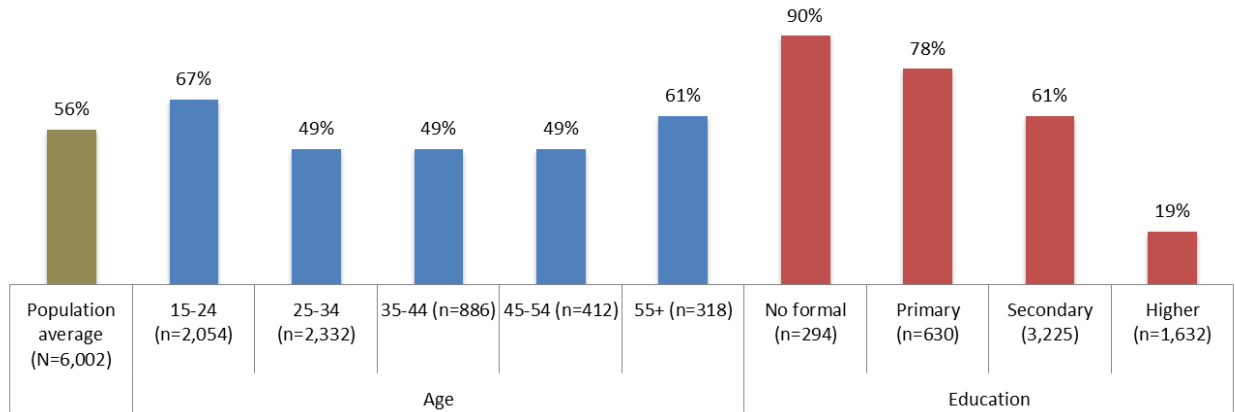Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

When looking at the unbanked population overall, females and rural residents are most likely to be unbanked (Figure 9). By age groups, the youngest and the oldest groups (those aged 15-24 and those 55 and over) have the highest proportions of unbanked people (Figure 10). As might be expected, adults with no formal education are the least likely to use banks.

Figure 9. Percent of unbanked adults, by gender, location and poverty level
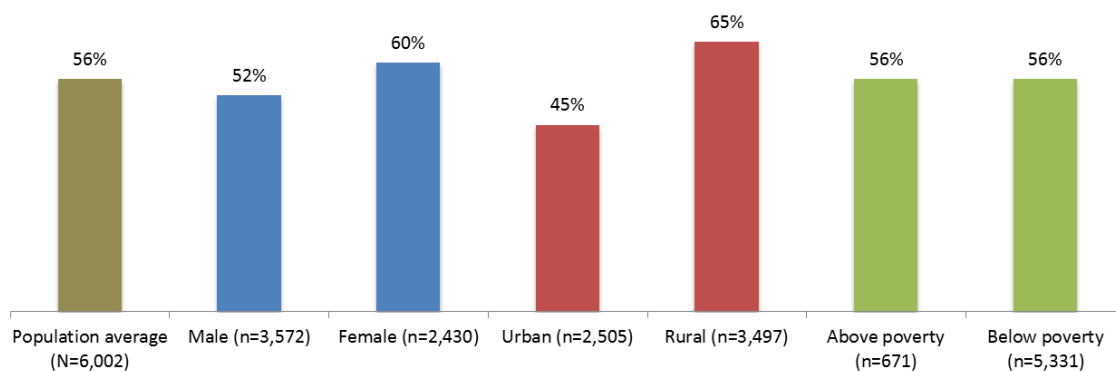
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

Figure 10. Percent of unbanked adults, by age and educational attainment

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

Looking beyond traditional educational levels, nonusers of banking services are significantly less likely to have basic literacy[8] and numeracy compared with the general population, as well as with active bank account holders (Figure 11).

Figure 11. Percent of active account holders and nonusers of bank and mobile money services, by basic literacy and numeracy skills
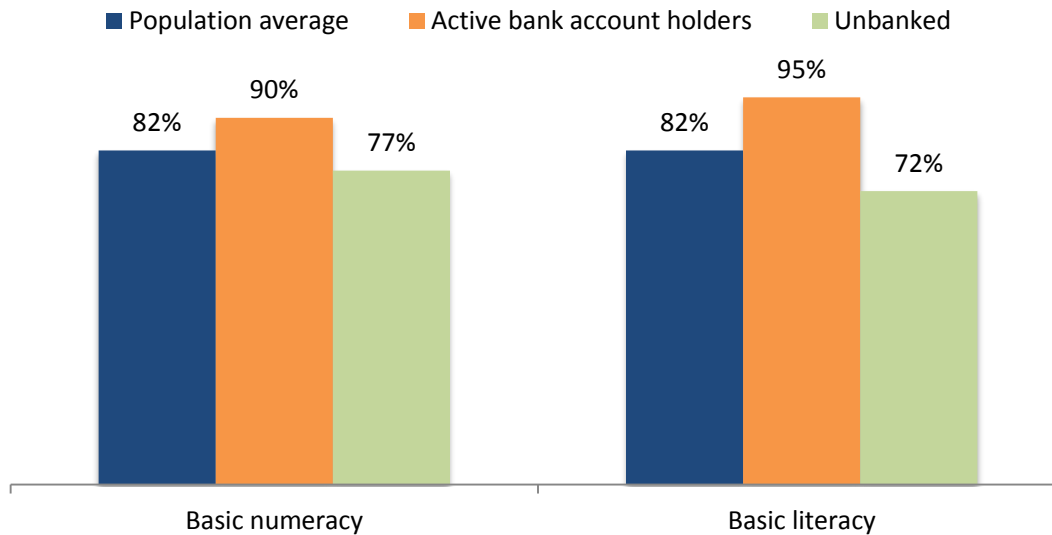
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

---

[8] Basic literacy was assessed in English, Yoruba, Hausa, Igbo

By geographic location, the North Central region shows the largest proportion of active bank account holders, followed by the South East and South West regions (Figure 12). The largest proportion of the unbanked population is in the North West region, followed by the North East and South South regions.

Figure 12. Percent of active bank account holders, by regions[9]

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

There appears to be a relationship between the use of banking services and respondents' marital status. The highest percentage of active bank account holders is found among those monogamously married (41 percent of the group). The highest rate of lapsed use is reported among those separated or widowed (6 percent in each group). The highest percentage of unbanked adults is found among those who are divorced, widowed or co-habiting (69 percent, 71 percent and 73 percent of the respective groups).

---

[9] Please note that the study excluded three North-Eastern states due to security situation (Borno, Yobe, Adamawa)

Banking services: Use cases

Basic use of banks

Key finding: The use of banking services appears to be dominated by basic use

A general overview of the bank uses shows that banks are most commonly used for basic applications, such as depositing and withdrawing money and person-to-person transfers (Figure 13). Among those who use just basic services, most use a combination of both depositing and withdrawing, thus reflecting active use of banks by account holders.

Figure 13. Percent of all bank users who use basic banking services
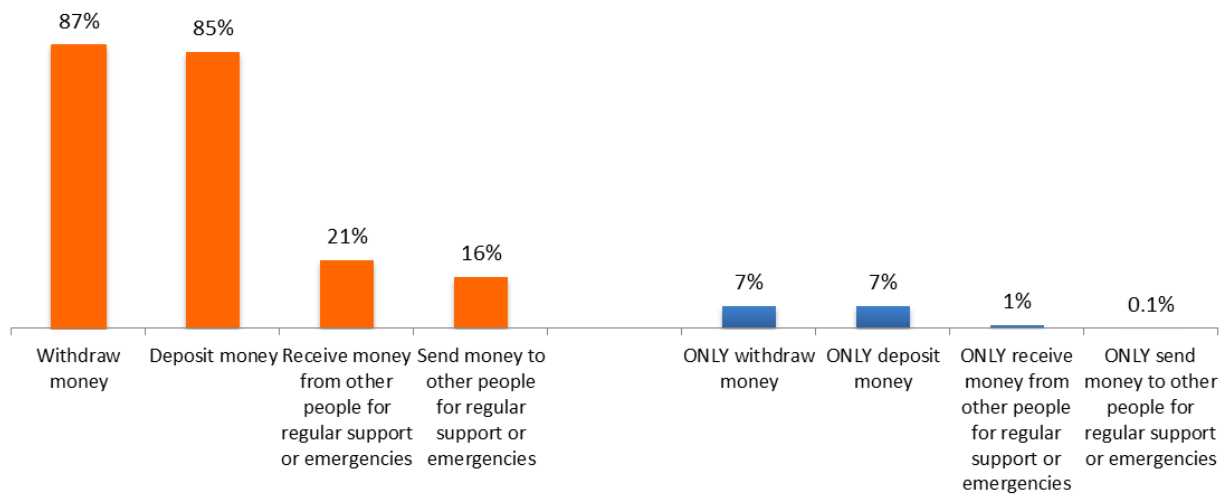
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

Preferences for using cash vs. banks

Key finding: Using cash for small-to-medium-sized transactions is dominant both among bank users and nonusers. For large transactions, banks are a preferred choice, however, disadvantaged groups (rural dwellers and less educated adults) still rely on cash as much as they do on banks.

Reliance on cash is significant in Nigeria, especially when it comes to making small-to-medium-sized transactions (i.e., daily payments at grocery stores, small utility payments and so on). For example, two-thirds of Nigerian adults (65 percent) prefer making small-to-medium transactions in cash (Figure 14). Preference for cash for these transactions is dominant across all demographic groups, and is equally prevalent among users and nonusers of banks. Focus group discussions showed that many participants preferred transacting in cash despite their concerns about safety, including their fear of being mugged while making ATM transactions.

However, when it comes to making large monetary transactions, bank accounts become the preferred way to transact (see Figure 14). Payment preferences are largely influenced by whether or not adults are active bank users. Unsurprisingly, active bank users overwhelmingly

prefer operating through banks for large transactions. Even among those who do not have a bank account there is an equal level of preference for using banks and using cash for large transactions (Figure 14). Therefore, there may be a latent demand among the unbanked for services that allow large-value transactions via formal financial institutions.

The socio-demographic profile of those who tend to prefer cash for large transactions corresponds to the profile of the unbanked population. For example, rural dwellers and less educated (primary level or lower) are more likely to rely on cash compared with urban dwellers and better educated adults (secondary level or higher). More granular analysis suggests that rural females and rural poor are more likely to choose cash (and less likely to prefer banks) for making large transactions.

The preference for cash is not, however, a reflection of the lack of alternative choices. As seen from the analysis in the chapter on access to banking service points of access (POA), the majority of bank users in rural and urban areas report at least one POA within 1 km radius from where they live. Instead, cash reliance may reflect low awareness of appropriate alternative financial products that can mitigate the risks related to using cash.

Figure 14. Percentage of Nigerian adults who prefer each method of payment for transactions
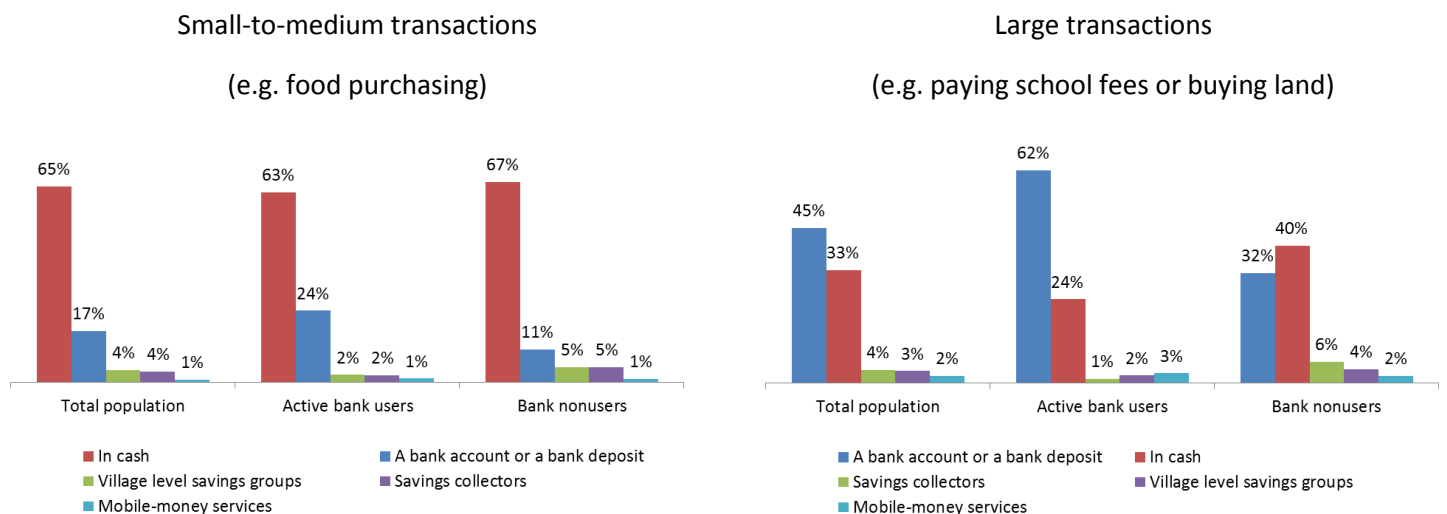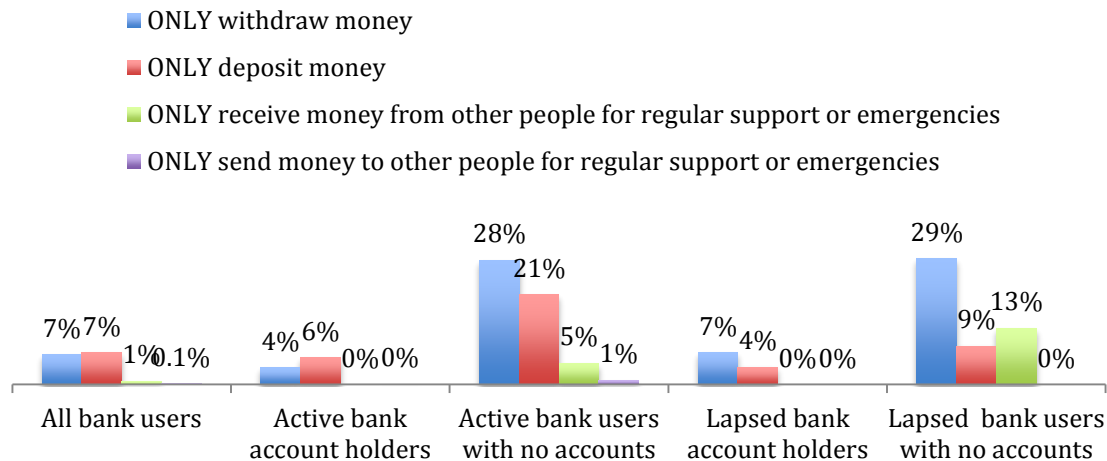

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

A small group of users only turn to banks to withdraw or receive money delivered to the bank by other people or organizations; most of those are active users who do not have an account at a bank. Users in this group can be described as **"passive" recipients of banking services:** 7 percent of all users only withdraw money and another 1 percent only receive money using a bank account. The bulk of passive banking service recipients are urban females below the poverty line (31 percent of passive users) followed by rural males below the poverty line (22 percent). Seventy-nine percent of passive recipients are frequent users, meaning they have conducted at least one transaction in the past 90 days: 41 percent are active users, who have a bank account and 38 percent are active users, who do not have a bank account. Sixty-nine percent of such passive recipients say remittances from other people are their primary or secondary source of money for daily expenses; 10 percent live on the money they receive from the government.

While basic use of banking services is prevalent across demographic groups, a wider range of banking services, generally, are only available to those with bank accounts. Therefore, active bank users who do not have an account in their name are limited to basic financial transactions even if they perform such transactions frequently (Figure 15).

Figure 15. Percent of bank users, by type, who use basic banking services

- ONLY withdraw money
- ONLY deposit money
- ONLY receive money from other people for regular support or emergencies
- ONLY send money to other people for regular support or emergencies

	All bank users	Active bank account holders	Active bank users with no accounts	Lapsed bank account holders	Lapsed bank users with no accounts
ONLY withdraw money	7%	4%	28%	7%	29%
ONLY deposit money	7%	6%	21%	4%	9%
ONLY receive money	1%	0%	5%	0%	13%
ONLY send money	0.1%	0%	1%	0%	0%

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=2,768.
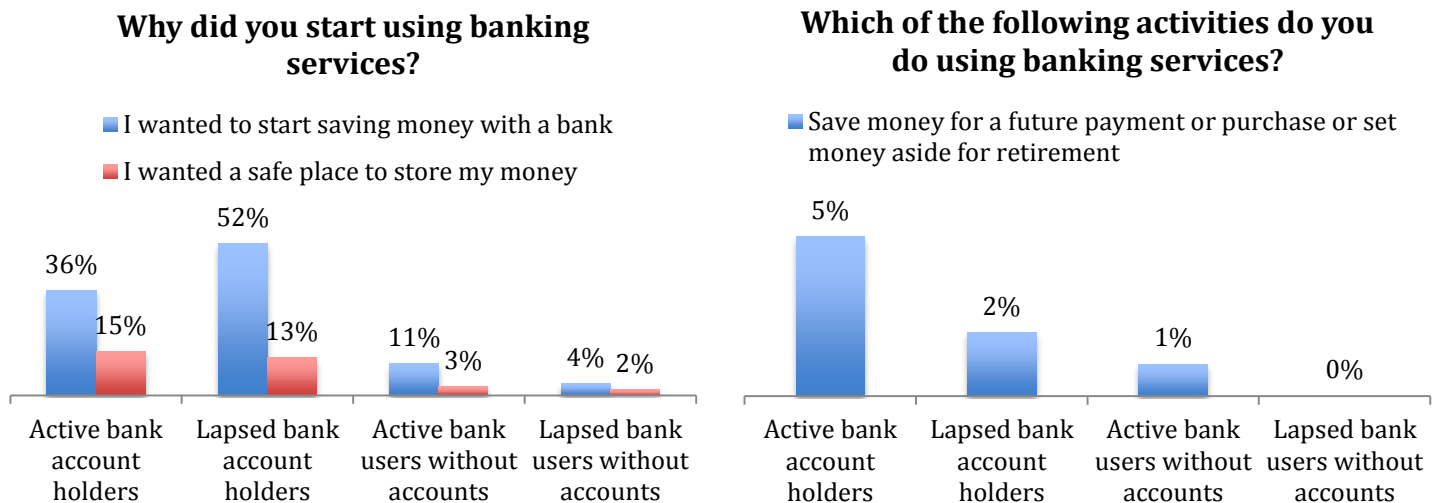
Saving with a bank

Key finding: While the intent to save money is the leading trigger for using a bank account, very few use a bank account to purposefully save money (i.e. save for specific future goals).

Across different types of users, the desire to start saving money with a bank, or to have a safe place to store funds, are the two leading triggers for starting to use banking services, with the desire to save money appearing as a much stronger trigger than interest in safekeeping money at a bank (Figure 16).

Lapsed bank account holders expressed the strongest intent to save, followed closely by active account holders. However, when asked directly if they set aside money or save money for a future goal using banking services, the majority said "no." Therefore, the desire to save with a bank does not necessarily translate into actual use of a bank account to save money.

Figure 16. Percent of bank users, by type, who started using banking services to save money and those who actually save money at a bank

Why did you start using banking services?

■ I wanted to start saving money with a bank
■ I wanted a safe place to store my money

Which of the following activities do you do using banking services?

■ Save money for a future payment or purchase or set money aside for retirement

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=2,768.

Looking at the average maximum and minimum amounts that bank users deposit and withdraw, it is clear that some money is always left "sitting" at a bank, as the average number of deposits and withdrawals per month are the same (Table 2). This means that while bank users do not consciously save money, they do use banks to store the funds they do not plan to use immediately. Therefore, there is both a demand for safe storage of money and a possible lack of demand-driven savings products even amongst current bank users.

Table 2. Average transaction amounts reported by all bank users

| Transaction	Average number of transactions per person per month	Average maximum amount[10]	Average minimum amount
Deposit	2	125,485 NGN (760 USD)	17,044 NGN (103 USD)
Withdrawal	2	67,310 NGN (408 USD)	10,394 NGN (63 USD)

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=2,768.

---

[10] US dollar amounts calculated using the following rate 1$=165 NGN

Person-to-person (P2P) transfers

Just over a quarter of bank users (26 percent) engage in P2P transactions using a bank: 16 percent sent money for regular support or to help with an emergency and 21 percent received money, also for regular or emergency support (a more detailed breakdown is displayed in Figure 17).

Figure 17. Percent of bank users (n=2,768) and active bank users (n=2,286), who make different types of P2P transactions
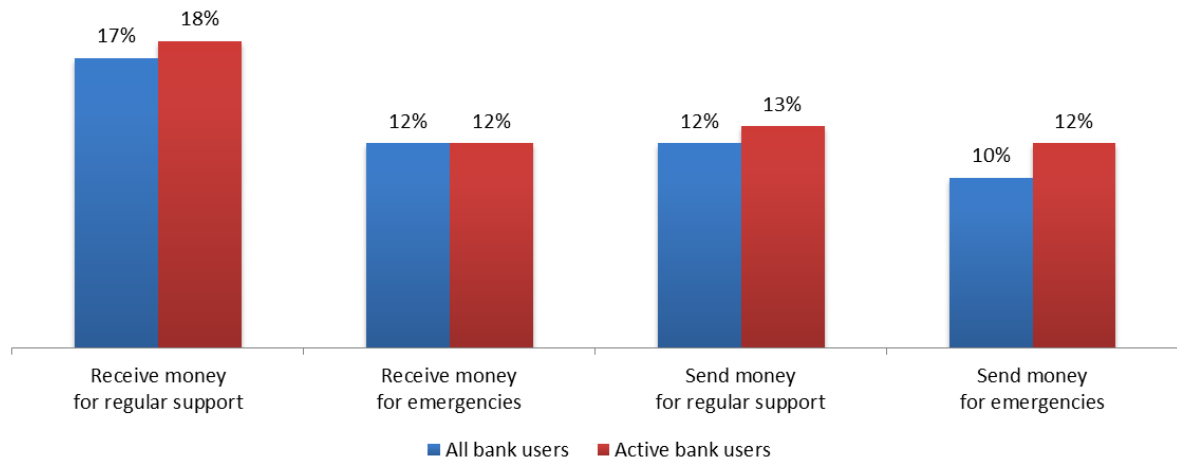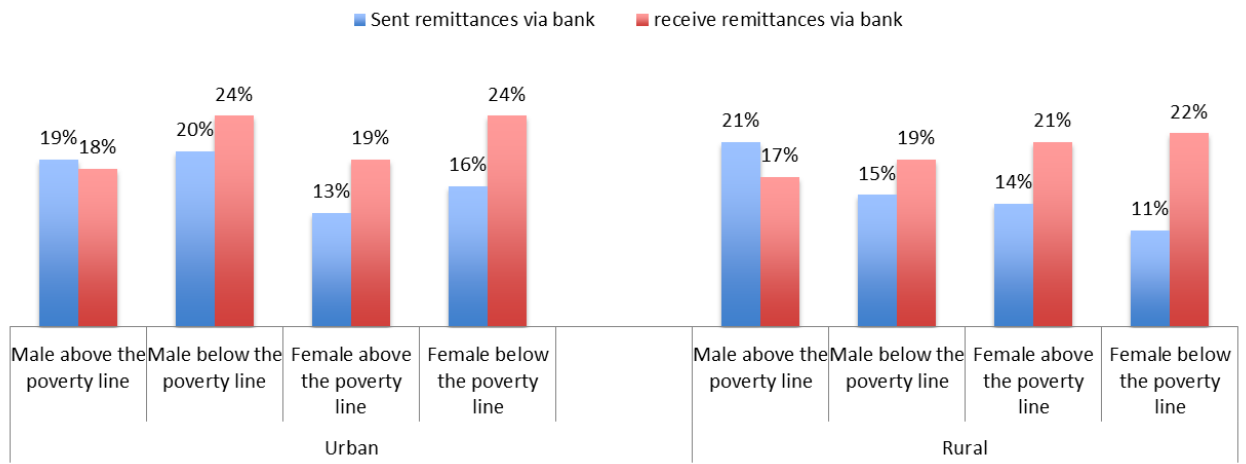

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

By demographic groups, poor males and females are responsible for most remittances sent and received through a bank in urban areas (Figure 18). Taking into consideration that remittances sent and received as regular support are more common than those sent and received for emergencies, it is possible that those living below the poverty line share "wealth" and support other people in their social networks by sending allowances. Those living above the poverty line are less dependent financially on their social networks, thus, they are less active in P2P activities.

The dynamics in rural areas are slightly different with males and females above the poverty line sending more remittances than their below-the-poverty counterparts, while males and females below the poverty line are more likely to receive remittances than their wealthier counterparts. This is an interesting finding, which might indicate that there is a rural-to-rural remittance channel that requires further research.

Figure 18. Percent of bank users (n=2,768), who make different types of P2P transactions, by demographics


■ Sent remittances via bank   ■ receive remittances via bank

Urban: Male above the poverty line 19%/18%; Male below the poverty line 20%/24%; Female above the poverty line 13%/19%; Female below the poverty line 16%/24%

Rural: Male above the poverty line 21%/17%; Male below the poverty line 15%/19%; Female above the poverty line 14%/21%; Female below the poverty line 11%/22%

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

Using banks for school fee payments

School fee payments are the only beyond-basic transactions that are commonly made through a bank: 10 percent of all bank users say they make school fee payments through a bank. This is at least twice as high as any other payment, excluding person-to-person transfers.

Active bank users of both genders and poverty levels use banking services for school fee payments to a similar degree (Figure 19). When it comes to lapsed bank users, males living above the poverty line are the only group that used banks to send school fees. This suggests that in this situation, males living above the poverty line may not be lapsed users of banking services, but rather they could be purposeful users who turn to banking services only for specific types of transactions when those transactions are due. Therefore, service providers could target this group of banking services users (male above the poverty line in both rural and urban areas) for additional services. Further research could also determine how school fees are currently paid by most Nigerians, and the associated pain points, and identify the potential for fee payment delivery through alternative channels.

Figure 19. Percent of all bank users, by demographic subgroups, who use banks to make school fee payments
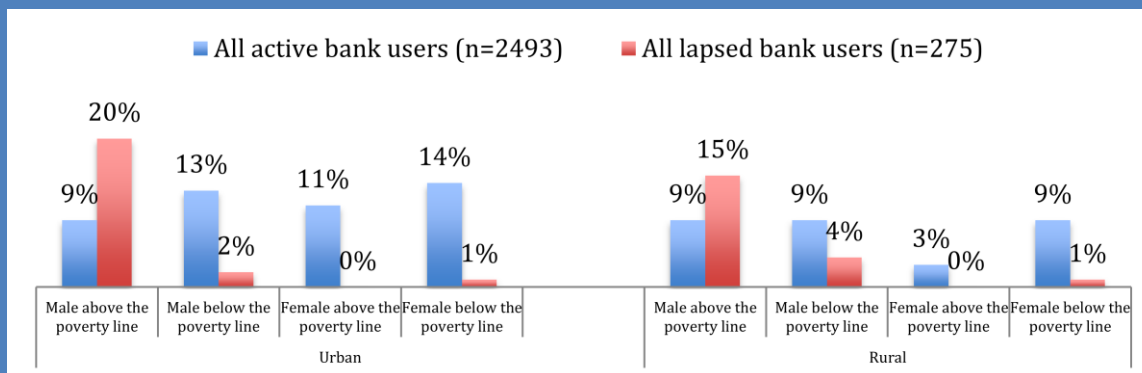
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=2,768

Business use

Key finding: Males are more likely to use banks to send or receive payments associated with their businesses

Business and shop owners most commonly use banks to receive payments from customers or to pay suppliers. Eighteen percent of banking service users report using the services for various types of business-related transaction. Of those, three-quarters can be classified as business/shop-owners or self-employed (76 percent), while the rest are working for someone else. Of those who use banking services for their business-related transfers, the top three groups were shop owners (13 percent of the group), other business owners (17 percent), and far -owners (8 percent).

Figure 20. Percent of bank users making specific business-related transactions via banks

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=489.

Gender is the key demographic factor in the use of banking services for business-related financial activities; regardless of their place of residence, males are more likely to turn to banks when they need to make or receive payments associated with their business (Figure 21). This might be a reflection of a business-ownership structure in which gender typically plays a role.

Business and shop owners are the most likely to use banks for business purposes in both urban and rural areas, though the rates of business-associated payments are somewhat higher in urban than in rural areas. Therefore, there appears to be a current and possibly latent need for business-related financial services.

Figure 21. Percent of bank users reporting business-related transactions, by demographic groups
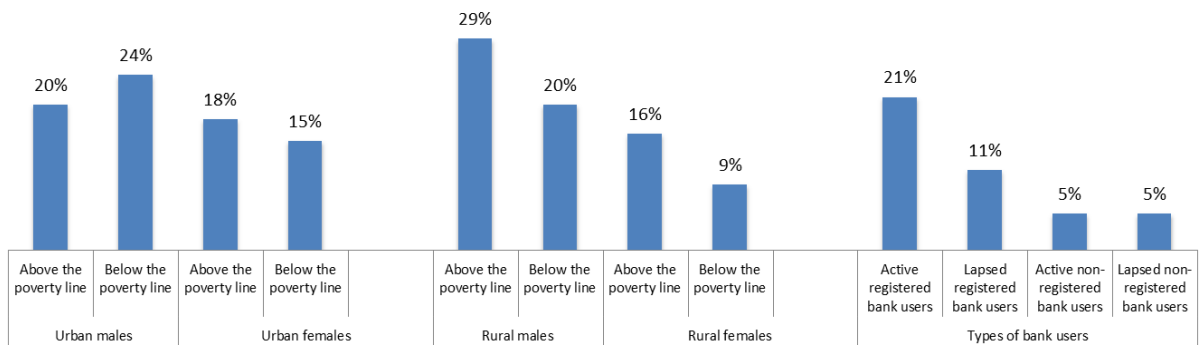
Source: InterMedia FII tracker survey in Nigeria; September-November 2013; n=2,768.

Figure 22. Top-three business bank transactions among all bank users, by place of residence
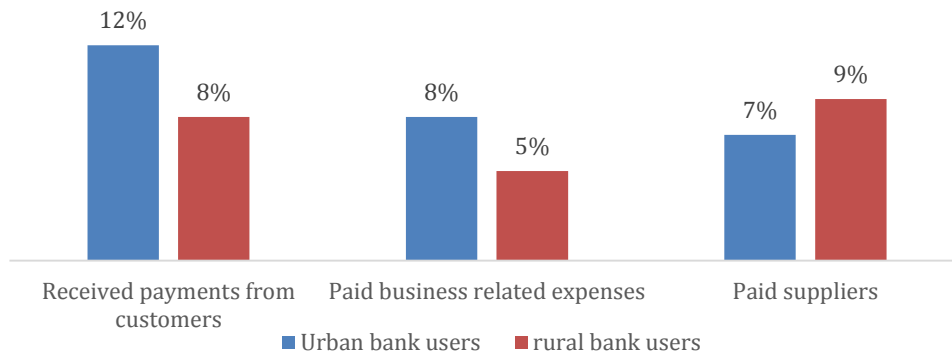
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=2,768.

Methods of access to banking activities

Key insight: An ATM is a preferred way of accessing funds by most bank users due to speed and convenience.

The distance to a banking point of access (POA) does not seem to be a problem for bank users in Nigeria, as most bank users (62 percent) report at least one type of banking point-of-access (POA) within a 1 km radius from where they live.

However, proximity to a specific type of POA does not translate into preference for that POA type. In fact, door-to-door agents appear most accessible among all POAs, however, less than 1 percent of bank users use these agents. In contrast, about two-thirds of users have an ATM within 1 km radius from their home, however, an ATM is the most preferred type of POA and the most commonly used one regardless of how far users are from an ATM.

The current POA preference is undeniably the ATM, chosen by 65 percent of all bank users and 68 percent of active account holders. In contrast, only 28 percent of active account holders prefer going to a bank branch. Bank users prefer ATMs for their speed and convenience: a third of the users said they prefer ATMs because it's fast and another third said it's because ATMs are convenient. The preference for ATMs is strong across all demographic groups including by urban/rural residents and gender.

Figure 23. Percent of active bank account holders and other types of bank users who prefer specific points of service
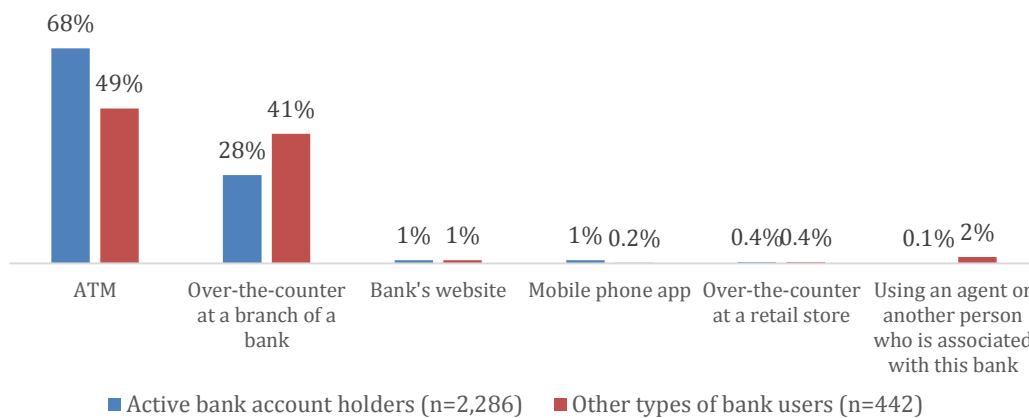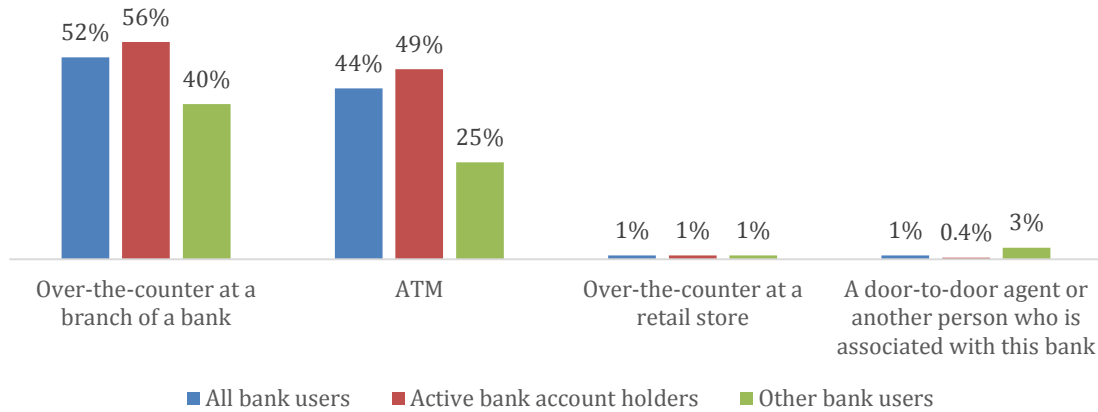

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

The majority of bank users report having a bank branch within a 1-km radius from where they live: 52 percent of all bank users and 56 percent of active bank account holders reside just 1km or less from a bank branch. ATMs are almost as prolific as bank branches: 44 percent of all bank users and 49 percent of active bank account holders say they have an ATM 1km or less from where they live.

Proximity appears to be one of the triggers for bank use as Nigerians who have access to banks, but are not active bank account holders, report lower access to bank branches or ATMs than

active bank users do: 40 percent report a bank branch and 25 percent have an ATM within a 1-km radius from where they live (Figure 24).

Figure 24. Percent of bank users by type (n=2,288) who have a banking access point within a 1-km radius from where they live

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

There are expected differences in proximity to access points between urban and rural bank users. Those residing in urban areas are more likely to be within a 1km radius from the closest bank branch, ATM and a retail store providing over-the-counter services. Neither urban nor rural bank users have good access to either OTC at a retail store or a door-to door agent (Figure 25).

Figure 25. Percent of rural and urban bank users who live within a 1-km radius from access points for their banked funds
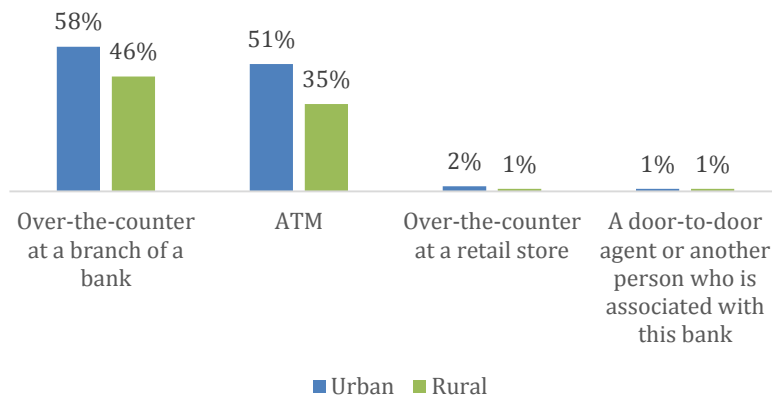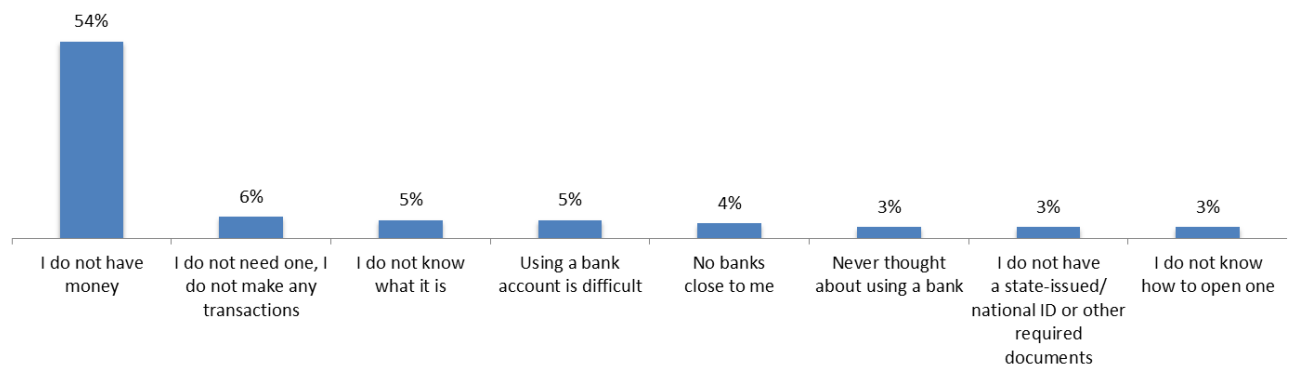

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

Barriers to using banking services

The top three reasons for not using bank accounts reflect the perceived lack of need for banking services (see Figure 26). Overall, 54 percent of unbanked adults say they do not need a bank account because they do not have money. While this may partly be a reflection of the high level of poverty in Nigeria, it may also relate to the lack of awareness about financial services that do not require large sums of money and can suit their needs.

Reasons that have practical implications for service providers are cited by a small number of Nigerians. For example, only 5 percent of unbanked adults say they do not know what a bank is; 5 percent think using a bank is difficult; 4 percent state there are no banks close to where they live. In addition, the need for identification is not stated as a barrier to access: only 3 percent said they lacked ID or other documents required for registration.

Figure 26. Reasons for not using banking services

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=3,526.
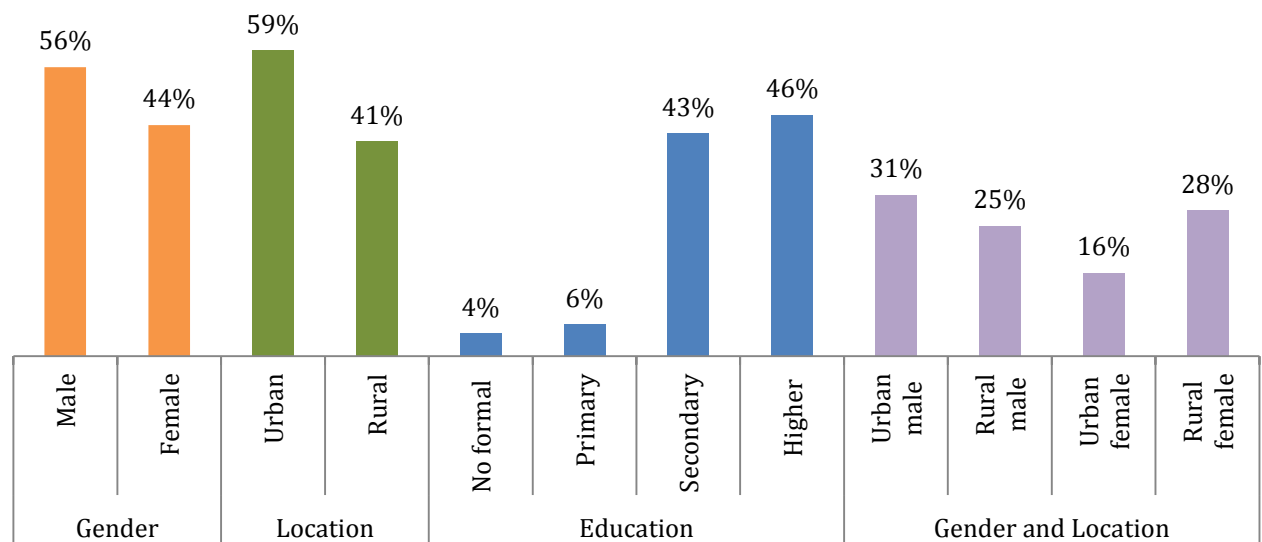
Prepaid digital card usage

Key insight: Prepaid digital card usage exceeds mobile money usage, but customer profile overlaps with that of active bank users

Prepaid cards are offered by all major banks in Nigeria, including First Bank, GT Bank, Stanbic IBTC, UBA, Ecobank, Zenith Bank, Skye Bank and others. Prepaid digital cards can be used for making purchases (online, in person, by phone), withdrawing cash from ATM machines or bank branches, receiving wages or funds, and paying bills.

The percentage of prepaid digital card ownership is much higher than that of mobile money account ownership, with 5 percent of Nigerian adults reporting owning a card. Similar to the profile of mobile money account owners, the profile of digital card owners overlaps with that of active bank users: they are more likely to be male, better educated and living in urban areas (see Figure 27).

As shown in Figure 28, the majority of digital card owners use ATMs to process their transactions (65 percent), followed by over-the-counter transactions (31 percent). There are differences by location, however, with over-the-counter payments significantly more popular in urban than in rural areas (irrespective of income levels).

Figure 27. Percentage of pre-paid digital card owners in each demographic group

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=312 (prepaid digital card owners)

Figure 28. Percentage of pre-paid digital card owners using each transaction method
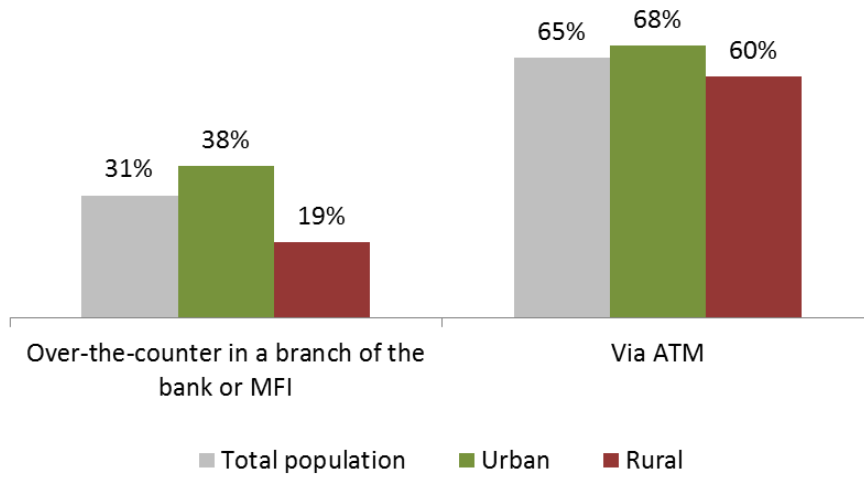
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=266.
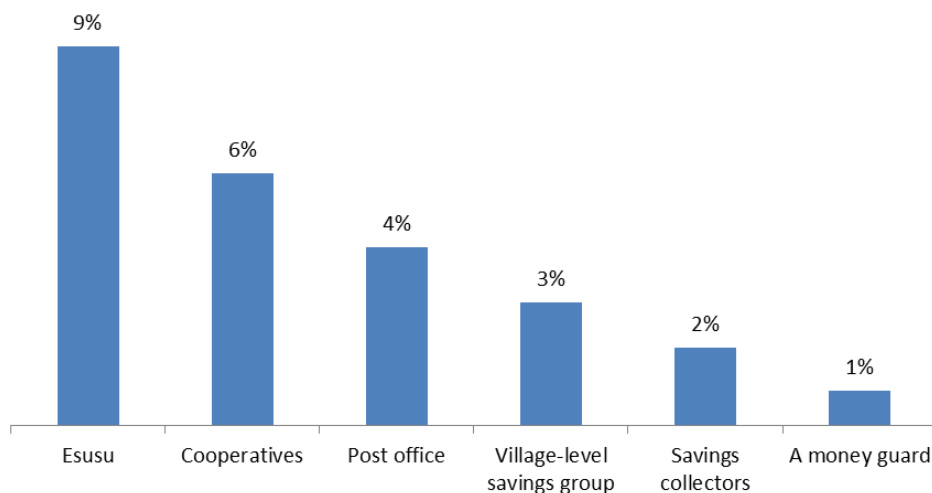
Chapter 3: Informal Financial Services

Popularity of informal financial services

Key finding: An Esusu is the most popular informal financial instrument in Nigeria, used by 9 percent of Nigerian adults (7.9 million), and is equally popular in urban and rural areas

Informal instruments such as Esusu associations (rotating savings and credit groups), savings groups and collectors play an important part in the Nigerian financial landscape, serving around 15 million Nigerians who do not have access to/use conventional banking services, according to Efina's Access to Financial Services Survey in 2012.[11] Many Nigerians face stringent and unaffordable requirements to access credit (for example asset requirements as collateral) through current formal banking institutions. A financial tool such as an Esusu provides an informal way of taking out interest free loans.[12]

Other forms of informal financial services are much less commonly used, with both the village-level savings groups and savings collectors each used by less than 4 percent of the population (Figure 29).

Figure 29. Percent of Nigerian adults who used each type of financial service

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

---

[11] EFInA Access to Financial Services in Nigeria 2012 survey, Key findings (Updated May 2013)
[12] http://www.punchng.com/business/am-business/esusu-and-savings

Informal financial instruments tend to be more popular among Nigerians who are most likely to be excluded from formal financial landscape, namely females, the poor and rural residents:

- As the most popular informal financial instrument, Esusu is equally popular in urban and rural areas, but is more likely to be used by females than by males, irrespective of location or income level.
- Village-level savings groups tend to cater to rural residents regardless of gender or poverty level (4 percent of rural residents and 2 percent of urban residents reported ever using this service).
- In contrast, savings collectors tend to serve urban segments, which are most likely to be excluded from conventional banking services, namely urban females and urban poor.

Figure 30. Percent of adults who have ever used Esusu in each demographic group
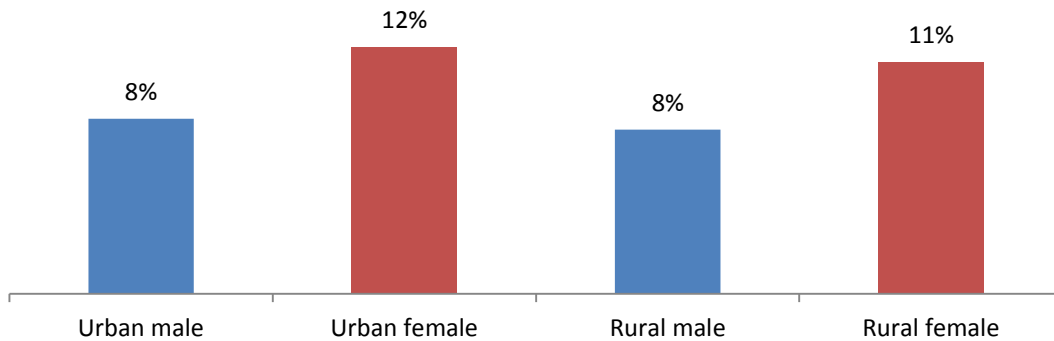
Source: InterMedia FII tracker survey in Nigeria; September-November 2013; n=6,002.

Figure 31. Percent of adults who have ever used savings collectors in each demographic group
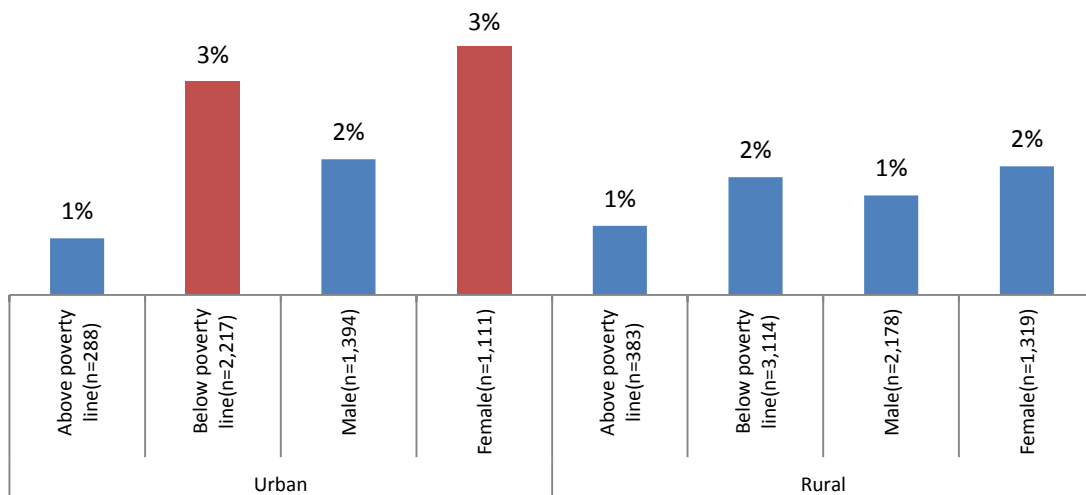
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

Reasons for using and methods of accessing informal services

Key finding: Informal financial instruments are used for different reasons: ease of use is important for Esusu users, while safety is the primary reason Nigerians use savings collectors

Previous studies suggest that women often prefer the flexibility and convenience of informal financial mechanisms.[13] Survey findings indicate that an Esusu is primarily preferred due to the ease of use (32 percent of adults who used Esusu) and savings collectors due to safety (25 percent of adults who used savings collectors). Village-level savings groups are used for a number of reasons such as safety, ease of use and proximity to home (19 percent, 18 percent and 15 percent of adults who used village savings groups, respectively). Further research in this area will help understand the reasons for using informal instruments versus formal financial services.

Interestingly, males and females tend to use village-level savings group for different reasons. Males cite ease of use as the number one reason (26 percent of male adults who used village savings groups); females cite safety as a main reason (28 percent of female adults who used village savings groups).

Figure 32. Percent of users who cite each reason for using informal financial services
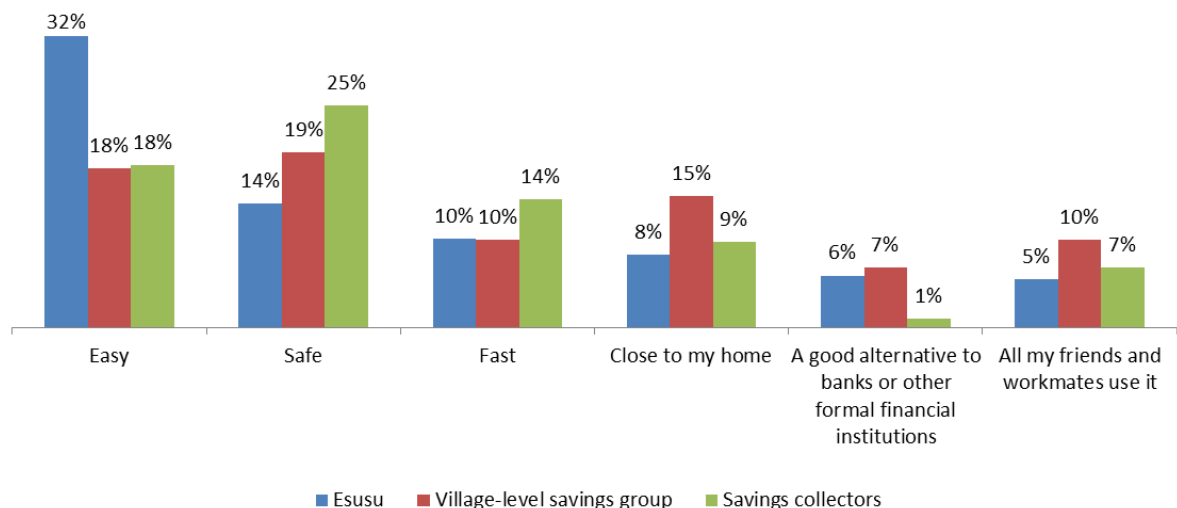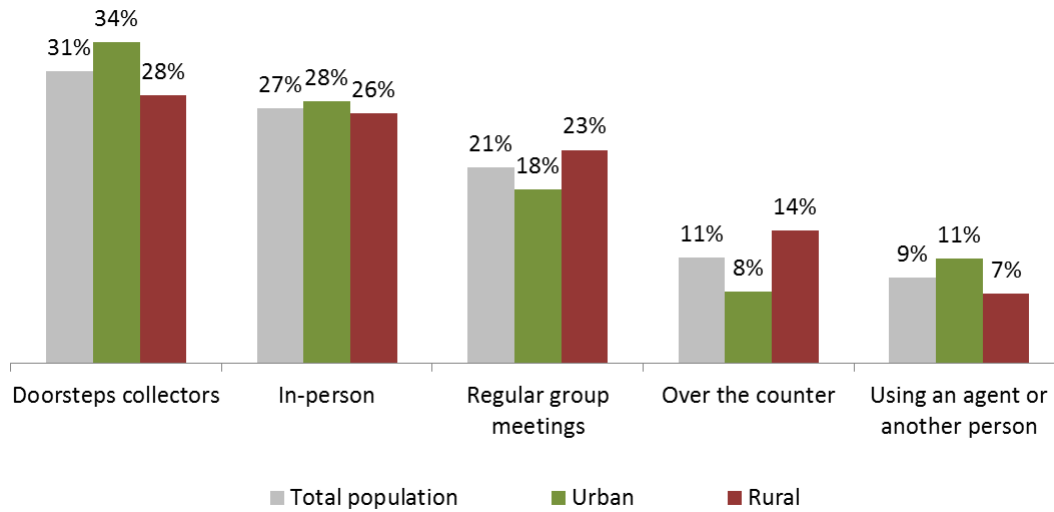

Source: InterMedia FII tracker survey in Nigeria; September-November 2013; n=1,111.

Accessing money from informal accounts is most often done via doorstep collectors and in-person visits to an office, group leader or a shopkeeper (see Figure 33). The method of accessing obviously depends on a specific informal financial service. For example, Esusu groups and

---

[13] http://www.cgap.org/blog/banking-including-women-nigeria

savings collectors are mostly accessed via doorstep collectors, while cooperatives and village-level savings groups are accessed via in-person visits to an office and group meetings.

Figure 33. Percent of users of informal financial services who use each method for accessing money from their informal accounts

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=1,111.

Chapter 4: Mobile Money Services in Nigeria

There are over a dozen mobile money brands actively competing for Nigerian customers, with banks, MNOs and independent third-party vendors offering mobile money services. In such a competitive market, only two mobile money brands have gained traction with consumers – Paga and Firstmonie are the only providers who reported achieving the 1 million customer milestone so far.[14]

This underperformance is particularly surprising given the abundance of mobile money offerings in Nigeria. Mobile money uptake has primarily been among active bank users, with no signs of uptake among people who tend to be financially excluded, such as rural populations living below poverty line.

Mobile money user profile

Key finding: The mobile money user profile overlaps with that of bank users

Despite a wide range of offerings in the Nigerian mobile money market, the use of mobile money among adults (15+) is negligible at 0.3 percent (2.6 million); 0.1 percent (0.9 million) of the population has a registered mobile money account and has used it at least once in the 90 days leading up to the survey. In contrast, 44 percent of adults use banks; 35 percent through their own account.

There is no evidence that mobile money services are being adopted by the unbanked population (such as rural residents and females). As with many nascent markets, the Nigerian users of mobile money[15] exhibit many of the features of early adopters elsewhere.[16] They are most likely to be urban, male, 15-34 years old and living below the poverty line. Significantly, all of the users of mobile money services have a bank account and use their bank accounts actively.

In the light of the banking services' leadership in the market, this might mean that mobile money is perceived as a service supplementary to conventional banking services as opposed to a separate, independent financial service channel that offers various products.

---

[14] https://www.mypaga.com/paga-web/pc/press.paga?selectedPage=_article_1_19, accessed 28th of May 2014; http://businessdayonline.com/2014/05/firstbanks-firstmonie-hits-milestone accessed 28th of May 2014
[15] n=18
[16] In this report, the profile of mobile money service users in Nigeria is suggestive because the group of mobile money users is too small for a detailed analysis (n=18)

Triggers for use

Key finding: Mobile money uptake is often due to an urgent need for money transfer services

Due to a small number of mobile money users in our survey, it is not possible to conduct a detailed analysis on patterns of uptake and use. In addition to the survey, we conducted 24 consumer focus groups with both users and nonusers of mobile money and a balanced mix of participants in terms of gender, poverty level and area (both urban and rural locations in Lagos, Abuja, Kaduna and Enugu). These focus group discussions enabled some contextual analysis about the triggers and barriers to uptake.

Most mobile money users who participated in our focus groups started using the service due to a need to send/receive money either in an emergency or for regular support. In many cases, people initially relied on their family members and friends to make a mobile money transaction on their behalf.

> *"No bank is open on Saturdays, so you can't transfer money. I was once stranded in Lagos, so I asked someone to send me money urgently. They said they had sent me money straight away through mobile money. I thought they were joking, but I did receive it." (Rural male user, above poverty line, Enugu)*

Mobile money users often learned about the service through bank branches and promotional SMS messages from mobile network operators and banks. The users were clear about the advantages of mobile money, which can be summarized as follows:

- **Convenience, speed and ease**: Using mobile money means no waiting lines at the bank; transacting on any day of the week, any hour of the day; and transacting in regions where there are no banks.
- **Safety and security**: A few people cited the dangers of carrying cash, especially large amounts. Mobile money helps solve this issue.
- **Business**: Being able to transact via mobile phone was cited as an advantage for people conducting business.

> *"…if you go to ATM to withdraw money, you see a lot of people queuing up, like more than 30 people. You sometimes wait three hours to withdraw money, but it's much easier with mobile money." (Urban male non-user, below poverty line, Abuja)*

Barriers to mobile money adoption

Barrier 1: Low awareness about mobile money operators

Key finding: Awareness about mobile money is mainly restricted to bank users. The majority of mobile money operators rely on their agents to increase awareness, while TV and radio advertising is not reaching potential consumers

FII survey results show that low awareness about mobile money is one of the main barriers to adoption, with just over one in 10 Nigerian adults saying they heard about at least one mobile money operator prior to the survey (12 percent). Rural mobile money nonusers are significantly less likely to be aware of mobile money services compared with urban nonusers. Further analysis among rural nonusers shows that the awareness is especially low among poor, middle aged adults (35-54 years old), as well as those 55 or over. Crucially, the majority (64 percent) of those who heard about mobile money are active bank users, indicating mobile money awareness is mainly restricted to bank users.
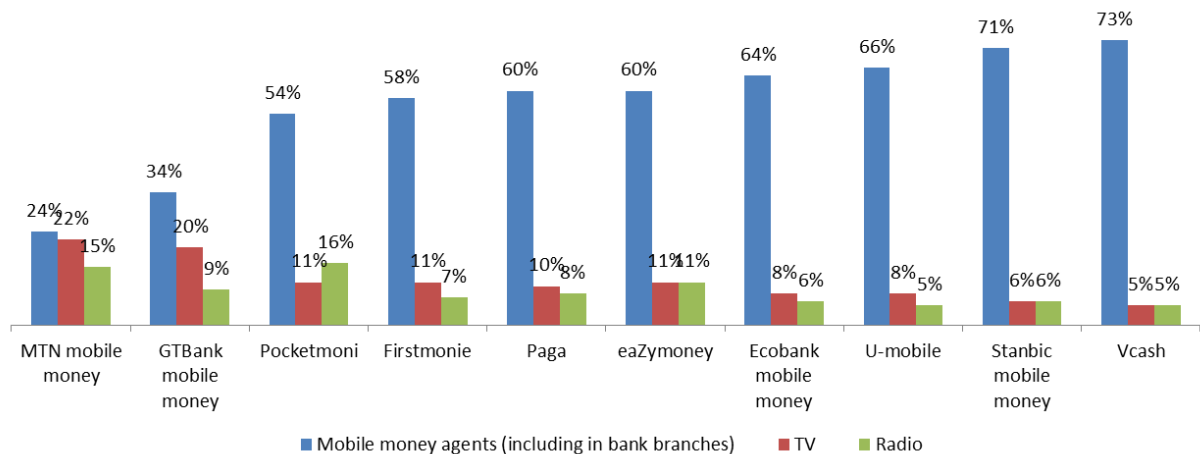
Figure 34: Percent of Nigerian adults who heard about at least one mobile money operator
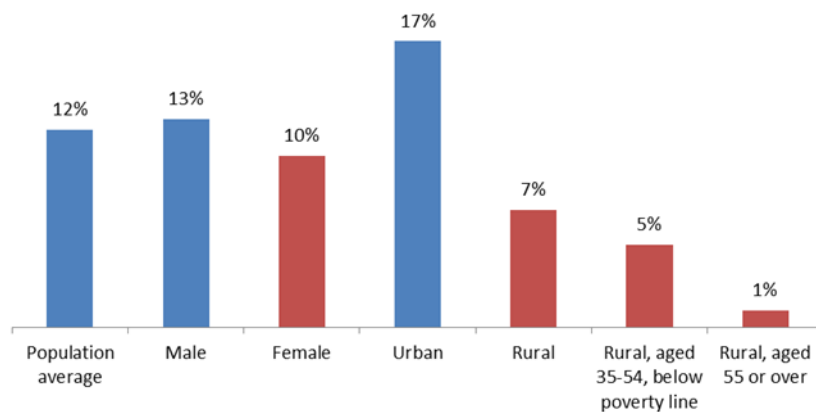
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

The problem of low awareness may partly be attributed to the fact that radio and TV advertising is not reaching potential customers. The survey indicates, with the exception of MTN mobile money, for which TV and radio advertising are significant sources of brand awareness, mobile money providers' brand awareness primarily comes from their agents rather than TV and radio advertising (see Figure 35). This suggests that advertising does not seem to be reaching the intended audience. For example, in the case of U-mobile (one of the mobile money providers in Nigeria), only 3 percent of adults were aware of U-mobile and 66 percent of these found out about U-mobile from their agents. This is similar across other providers (Figure 35).

Figure 35: Sources of awareness about mobile money operators

Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=739.

Low overall awareness about mobile money is further fragmented across a multitude of brands operating in Nigeria. Only 9 percent of Nigerian adults ever heard about MTN mobile money, 5 percent about Airtel money, and 4 percent each about Paga, Pocketmoni, Eazymoney, Firstmonie. With so many players competing for a limited market, consumers may be struggling to differentiate between various mobile money brands.

Barrier 2: Lack of knowledge about mobile money services

Key finding: Even among the Nigerians who are aware of specific mobile money brands, there is a lack of understanding of how mobile money works, thus further inhibiting adoption

Mobile money brand awareness does not necessarily mean that people understand what mobile money actually involves. In contrast to conventional banks, which are well established and known in Nigeria, consumers lack a clear understanding of mobile money services.

For example, based on spontaneous responses, the survey data shows that less than half of adults who have heard about mobile money knew they can send (48 percent) or receive money (39 percent) from other people, and only a third knew they can buy airtime top-ups (33 percent).

Figure 36. Types of mobile money activities people are aware of
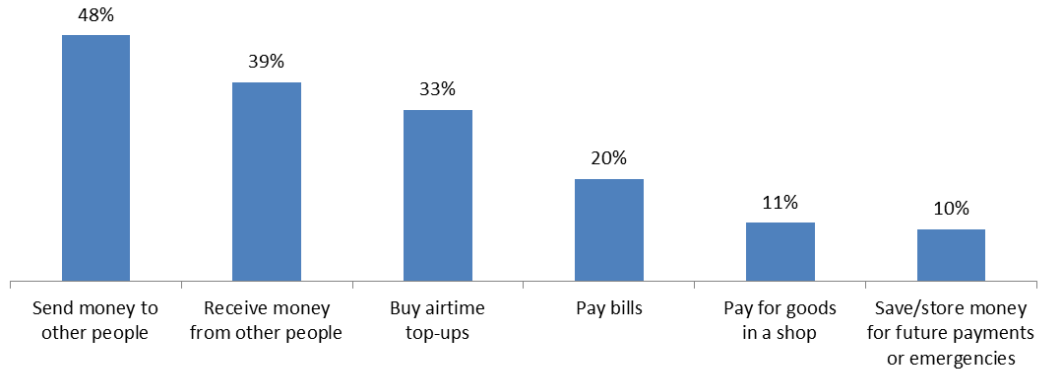
Source: InterMedia FII tracker survey in Nigeria; September-November 2013; n=739.

In addition, three of the top four reasons why Nigerians who are aware of mobile money do not actually use it can be attributed to a lack of knowledge: I do not know how to open one (an account), I do not know what it is and I do not have a smartphone, which is not necessary to have to use mobile money (see Figure 37).

Figure 37: The top four reasons for not using mobile money services among adults who were aware of mobile money
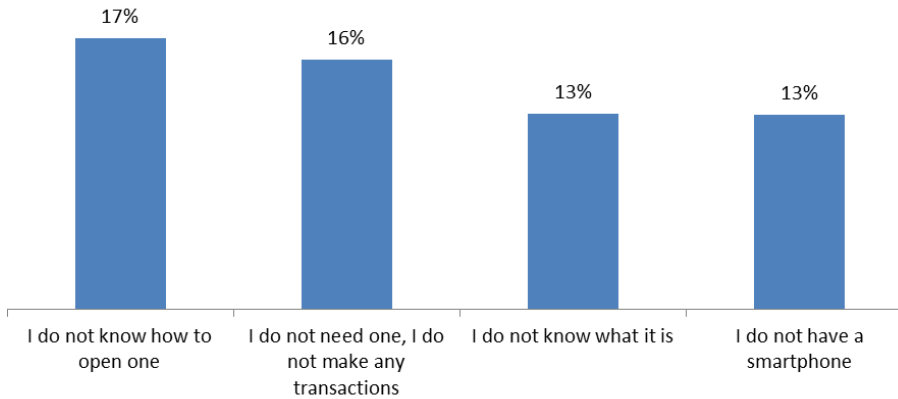
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=721.

Our focus group results indicated that people lack reliable knowledge about how mobile money works, making them unwilling to use the service. Mobile money nonusers were unclear about what specific mobile money services are offered in Nigeria, the cost of mobile money transactions, or whether they need a specific type of phone to use the service. There were also concerns about costs, safety and network reliability.

> *"I prefer going to the bank because I am not okay with charges and the mobile money services. I don't know much about it and I don't want to lose my money."* (Urban male nonuser, above poverty line, Lagos)

Barrier 3: Low levels of trust in mobile money services

Key insight: A low level of trust in mobile money is linked to people's concerns over the service being negatively affected by the poor quality of mobile networks, and people's fear of falling victim to mobile network fraud

A low level of trust in mobile money services presents another serious barrier to adoption of mobile money. When asked to rate financial institutions by the level of their trustworthiness, only one in five respondents said they trust mobile money services (21 percent). In contrast, the majority of Nigerian adults said they trust state-owned banks or private banks the most (57 percent and 53 percent, respectively). Trust in mobile money is low even among existing bank users – only a quarter of active bank account holders said they trust mobile money (25 percent). Rural residents (irrespective of gender and poverty level), who tend to be financially excluded, are more likely to distrust mobile money compared with their urban counterparts.

Focus group results show that trust in conventional banking services is underpinned by people's perceptions of banks as institutions that have proven financial track records, established brands and a physical presence that provides reassurance. Mobile money services, on the other hand, are deemed vulnerable to mobile network fraud and poor mobile network quality.

> *"I trust the bank because it is their line of service and they know more about it"* (Female non-user, non-poor, Enugu)
>
> *"There are many people that use phone lines and anyone can send you a text message. When you try to trace the number you won't be able to because it tells you the number is switched off, but if a bank uses it, all you have to do is to walk straight into the bank and tell them the problem and they will figure it out."* (Rural female nonuser, above poverty line, Enugu)

Distrust in mobile money among rural people is further evidenced by the fact that rural Nigerians living below the poverty line are less likely than poor urban residents to consider using mobile money if cash was unavailable, (3 percent among poor rural residents vs. 7 percent among poor urban residents). Instead, poor Nigerians living in rural areas tend to prefer informal financial instruments such as village savings group as a viable alternative to cash (12 percent of these Nigerians would consider using this service compared with only 4 percent of poor urban adults).

Figure 38. Percentage of each demographic group who would use mobile money services if cash was unavailable
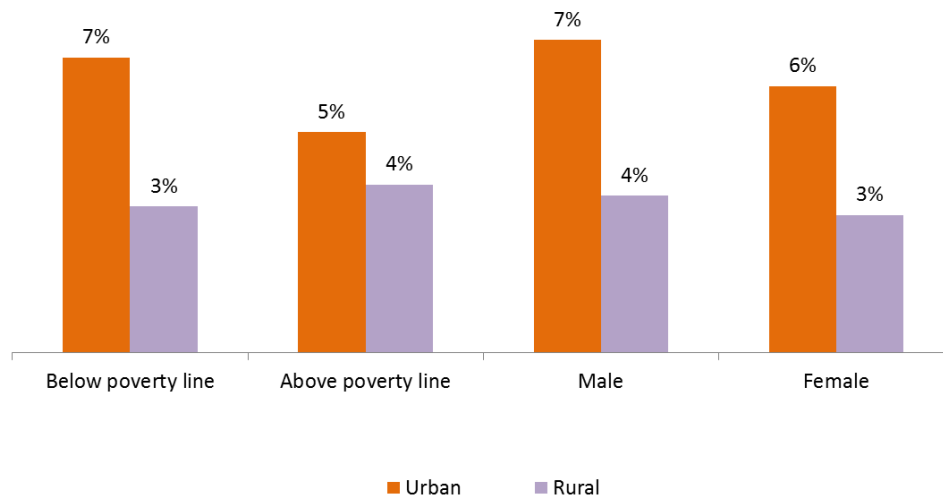
Source: InterMedia FII Tracker Survey in Nigeria; September-November 2013; n=6,002.

Low levels of trust in mobile money can be partly explained by people's concerns over the service being negatively affected by poor mobile network quality, and people's fears of falling victim to mobile network fraud. Although most of the country's mobile money services are operated through financial institutions, they still have to rely on mobile network operators (MNOs) to provide the network access and infrastructure. MNOs have failed to provide quality services, resulting in government fines.[17]

---

[17] GSMA Country overview: Nigeria, June 2014

Many focus group participants reported being victims of mobile network fraud, such as being overcharged for calls, airtime credit "disappearing" from their total balances, being charged for undelivered SMS and unwanted ringtones. All of these create suspicion about services related to mobile phones and mobile money.

"Sometimes if you put 100 naira credit and you just make one call, they will cut 50 naira from your balance instead of the normal 20 naira." (Rural female nonuser, above poverty line, Enugu)

"There are some people that, even when you want to transact by sending money to them, they tell you to go and bring physical cash because they feel it is not secure." (Urban female user, above poverty line, Lagos)

Despite the low overall level of trust in mobile money, what is clear from our focus group discussions is that the level of trust in a particular brand varies depending on whether it is affiliated with banks, mobile network operators or third-party vendors (such as Pagatech). Focus group participants felt that bank-led mobile money providers are more reliable and trustworthy as they are owned by parent banks. Further quantitative research would help in establishing whether this holds true across the Nigerian population.

Methodology

The survey

The FII tracker survey in Nigeria is an annual, nationally representative survey of 6,002 Nigerian individuals aged 15 and older. The survey included face-to-face, pen and paper interviewing (PAPI) lasting 45 to 60 minutes. The survey was conducted from Sept. 22 to Nov. 20, 2013.

The survey used a multistage randomized sampling approach and included the following steps:

Proportional allocation of interviews across states

At the first step of the sampling procedure, the total sample of 6,002 interviews was distributed across 34 states proportionally to target population size (15+). Such allocation was reflective of the urban/rural split of each state. Three states in North-Eastern Nigeria had to be excluded due to unstable situation and security hazards: Borno, Yobe, Adamawa.

Selection of LGAs within each state

Each state is divided into smaller administrative units called Local Government Areas (LGAs). In each of the states, a number of LGAs were selected using PPS method, whereby the probability of selection of a certain LGA was proportionate to the size of the population living in that particular LGA. Thus, larger-sized LGAs had a higher chance of being selected compared to smaller-sized LGAs.

Selection of enumeration areas within the selected LGAs

Each LGA contains a number of urban and rural settlements, which formed enumeration areas (EAs). A list of all EAs was obtained from local authorities and a ballot system was used to randomly select the required number of EAs for the survey. In subsequent survey waves, a project manager will use the same overall list of EAs. However, EAs which were already selected in a completed survey wave will not be used again.

Selection of starting points, households and respondents in each EA

One start-point within each EA was randomly selected from a list of local landmarks identified by interviewers in consultation with local authorities and village elders. Households were selected using a random route walk and standardized skip pattern and process for substitution.

One respondent per household was selected using the Kish grid method and relevant consent for eligible respondents under 18 years of age was obtained. Ten interviews were conducted per EA.

Consumer focus groups

In addition to the survey, 24 consumer focus groups were conducted with both users and nonusers of mobile money and a balanced mix of participants in terms of gender, poverty level and area (see Table 3 for details). The focus groups were held between Jan. 21 and Feb. 7, 2014. There were six participants in each group. All participants were between 25 and 35 years old.

Both urban and rural locations were chosen within the Southern and Northern regions. Lagos and Abuja were pre-selected as two major urban population and financial centers. Kaduna and Enugu were selected based on their relatively high numbers of mobile money agents (based on the fspmap.com data), and, therefore, potentially higher access to mobile money services and higher mobile money usage. Specific areas for recruiting participants were randomly selected from FII national survey locations.

Table 3. Composition of consumer focus groups

	Southern Region (16 groups)		Northern Region (8 groups)	
	Lagos, urban location	Enugu, rural location	Abuja, urban location	Kaduna, rural location
Users, incomes below poverty line	1 male group, 1 female group	1 male group, 1 female group		
Users, incomes above poverty line	1 male group, 1 female group	1 male group, 1 female group	1 male group, 1 female group	1 male group, 1 female group
Nonusers, incomes below poverty line	1 male group, 1 female group	1 male group, 1 female group		
Nonusers, incomes above poverty line	1 male group, 1 female group	1 male group, 1 female group	1 male group, 1 female group	1 male group, 1 female group

InterMedia