

# EFInA Access to Financial Services in Nigeria 2012 Survey Qualitative Phase

**Key Findings** 



# **Research Objectives**

Broad objectives of the Survey

 Generate relevant and reliable data on the demand for and usage of range of financial products (both formal and informal) by the adult population in Nigeria

Specific objectives of the FGDs

- Provide insights into how the financial services landscape (in terms of obstacles, challenges, products, usage, channels) has changed since the last survey was conducted in 2010
- Provide input into the pilot questionnaire for the 2012 survey
- To assess awareness and the impact of financial sector policy reforms from 2010 to date



# **EFINA** Research Methodology

How	Qualitative via Focus Group Discussions
Who	<ul> <li>The Banked (6 FGDs):</li> <li>Who operate a bank account/use a formal financial service provider</li> <li>The Unbanked (4 FGDs):</li> <li>Who do not use any formal financial service provider, but use informal sources</li> </ul>
Gender	Male & Female (in separate groups)
Age	<ul> <li>18 - 45 years split:</li> <li>18 - 29 years</li> <li>30 - 45 years</li> </ul>
Socio – economic Class	<ul> <li>AB (high income)</li> <li>C1C2 (mid income)</li> <li>DE (low income)</li> </ul>
Location	<ul> <li>Urban</li> <li>Lagos, Kano, Enugu, Port-Harcourt</li> <li>Rural</li> <li>Badagry, Rigachiku, Udi, Okoloma</li> </ul>
When	February - March 2012



# **Sources of Income/Spending Patterns**

- ☐ Respondents are involved in more than one economic activity from both formal and informal sources:
  - For self sustenance
  - To fulfil financial obligations in difficult economic conditions

"Actually you have a lot of needs and if you are depending on only your salary, you will not make it. And even before I started working, I loved doing business because it brings me money before the salary comes to solve little expenses before pay day."

Female, 18 – 29 years, C1C2, Banked, Port Harcourt

## Spending pattern is same irrespective of age, socio – economic class and banking status

#### All respondents generally spend on:

- Bills (food, rent, utility, health)
- Personal grooming
- Savings
- Tithes
- Plough back into business

In addition, **young and single** respondents spend on:

- Blackberry subscription/ buy electronic gadgets
- Leisure/entertainment



## **Interest in General Financial Issues**



Creates awareness for possible investment opportunities Positive
among most
respondents
(irrespective of
SEC & age group,
gender and
banking status)

Plan ahead & safeguard financial lives

"You see this cashless Lagos of a thing, am planning to see if I will go for the training to see how I can keep abreast, maybe it is an opportunity that I can exploit ..."

Male, 30 - 45 years, AB, Banked, Kano

Aid financial planning in business

"It will help you to know what to invest in and what not" Female, 18 – 29 years, C1C2, Banked, Kano



# **Sources of Financial Advice**

## **Primarily through Informal Sources**

#### **Informal Sources**

Trusted & Experienced

**Formal Sources** 

### **Banked only**

#### **Banked & Unbanked**

- Male spouse/Fiancé
- Relatives
- Friends
- Business partners/colleagues
- Religious leaders/mentors
- Media
- Self

"Am a man, I don't seek for any financial advice, I think am old enough to take any decision on my own

Male, 30 – 45 years, DE, Unbanked, Kaduna

- Banks
- Financial Experts

"I seek advice from brokers when it comes to issues like shares. They will tell you when the shares is appreciating or falling"

"At times I meet the financial experts for advice.. experience they say is the best master; I normally collaborate with those that are every good in that particular financial issue to show me how it works."

Male, 30 -45 years, AB, Banked, Kano



# **Awareness of Financial Regulations/Policies**

- ☐ Respondents were aware of the following regulations/policies:
  - Not more than N150,000 cash withdrawal for individuals
  - Verification of accounts done across the nation
  - Reduction of account number to 10 digits (NUBAN numbers)
    - "...Bank account numbers have been changed from 14 digits to 10 digits" Male, 30 45 years, DE, Unbanked, Port Harcourt
  - Merger/acquisition of some banks to strengthen them

"...They closed some banks and merged others...heard on the network news at 9pm..."

Male, 30 – 45 years, DE, Unbanked, Port Harcourt

"I heard that CBN is trying to restructure microfinance banks" Male, 30 – 45 years, AB, Banked, Kano

- Introduction/approval of Islamic banking
- Increased minimum balance for bank accounts e.g. N25,000 for UBA
- Withdrawals of less that N100,000 to be done at the ATM and no longer over the counter
- Cashless policy/cashless Lagos



# **EFInA** Savings: Benefits/Disadvantages



Saving is a common and important practice amongst all respondents irrespective of banking status, SEC and age group. Banked respondents save more than the unbanked

A support to fall back on

**Future** investment/ retirement plan

**Fulfill basic** parental responsibilities/ secure future of next generation

**Boost self** confidence/ sense of security

> **Fund new** investments/sustain existing ones

Prevent/ control unnecessary spending

**Personal** sacrifice/self denial

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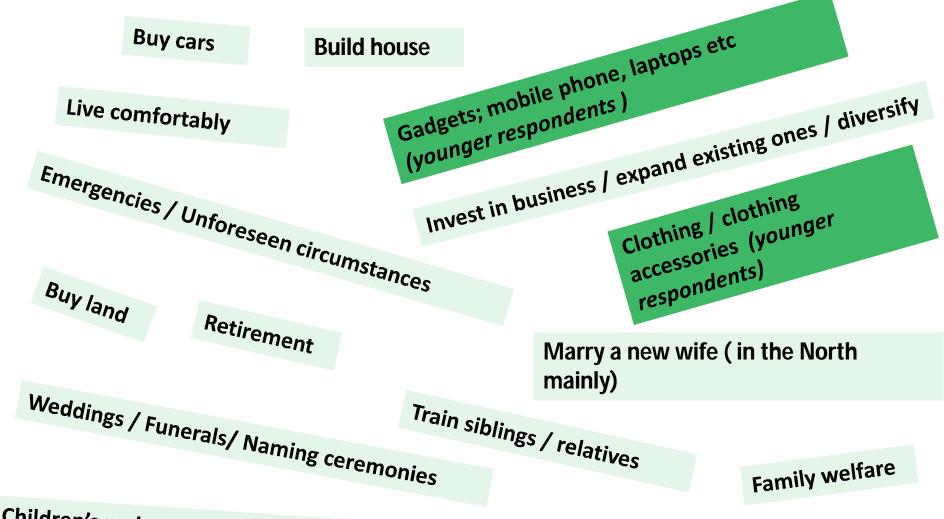
# **Methods of Savings**

☐ The unbanked, irrespective of age group, use informal methods more, such as saving at home

Banking status /	Formal Methods	Informal Methods			
Location	Bank	Self /At home	Contribution	Alternative methods	
Banked /Urban	<ul><li>Deposit money banks</li><li>Micro finance banks</li><li>Shares</li></ul>	Wooden/tin safe	<ul> <li>Daily thrift collector (Adashi, Akawo, Alajo)</li> <li>Monthly/yearly contribution</li> </ul>	<ul> <li>Invest in existing business</li> <li>Lend to trusted friends</li> <li>Buy assets e.g. land</li> </ul>	
Unbanked/Rural		<ul> <li>Under the carpet/ matteress/ pillow/ TV/stack of firewood</li> <li>Inside suitcases</li> <li>Clothes pockets</li> <li>Tin wooden/clay safes</li> <li>Inside ceiling</li> <li>Hole in the ground</li> <li>Tip of wrapper</li> </ul>	<ul> <li>Daily thrift collector</li> <li>Weekly/social meetings</li> </ul>	<ul> <li>Invest in agricultural products:</li> <li>Livestock</li> <li>Grains</li> <li>Palm oil</li> </ul>	



# **Why Respondents Save**



Children's maintenance & education



	Sources of lo	oan are	dependent	on the n	eed and	banking	status of	the responde	ent
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- Banked respondents patronize both formal and informal sources. The unbanked patronize informal sources
- Overall, informal sources are used more often because providers are closer and interest rates are lower
- ☐ The sources, attractions and barriers for formal loans are:

Sources	Attractions	Barriers
<ul> <li>FORMAL</li> <li>Deposit         <ul> <li>Money</li> <li>Banks</li> </ul> </li> <li>Microfinance         <ul> <li>Banks</li> </ul> </li> </ul>	<ul> <li>Give large loans - DMBs</li> <li>Easy access</li> <li>Less onerous</li> <li>Absence of collateral</li> </ul>	<ul> <li>Religion (some Muslims in the North)</li> <li>Cumbersome /long procedures</li> <li>Fear of harassment in case of default</li> <li>High interest rates</li> <li>Goods confiscated in case of default</li> <li>Lack of professionalism</li> </ul> MFBs

<sup>&</sup>quot;If you have little money in microfinance, there will be no collateral ..."

Female, 30- 45 years, C1C2, Banked, Lagos

Male, 30 - 45 years, AB, Banked, Kano

<sup>&</sup>quot;The requirement of the loan is cumbersome, they request for guarantors, collateral and so on before you are given the money"



# **Insurance**

- Banked respondents have high level of awareness and understanding of insurance. A few banked respondents use it
- ☐ Few among the unbanked are aware of/understand the concept. The unbanked do not use insurance

## Banked Respondents – minimal /non usage

Lack of interest

"it is not something I think I need"
"It is God that insures..."

Female, 30 – 45 years, C1C2, Banked, Lagos

- Unpleasant experiences of others
  Insurance company did not pay compensation
- Religious belief (mainly amongst Muslims)

"Islamically it is prohibited. Apart from that, that money you collect from them is Haram (Forbidden)"

Female, 18 – 29 years, C1C2, Banked, Kano

Lack of disposable income

## **Unbanked Respondents – non usage**

Illiteracy

"You know anything you want to do this day, you have to get western education knowledge and because I have limited education, I don't know to how to start " Male, 30 – 45 years, DE, Unbanked, Kaduna

Lack of disposable income

"With the level of my income, at times you even find it difficult to eat, talk more of taking money to insurance, insurance is for people that are well to do"

Male, 30 – 45 years, DE, Unbanked, Kaduna



# **Remittances**

☐ Formal and informal	means are used by respondents
to receive/send mone	ey locally and internationally

lacksquare The unbanked	receive	higher	amounts,	but
remit less				

Unbanked	International transfers	Domestic transfers
Receiving	Formal:	Formal:
	Western Union (via third party bank account)	Bank (via third party bank account)
	Informal:	<u>Informal:</u>
	Through friends/relatives	Through friends/relatives
		Phone recharge cards
		Bus service/drivers
Sending	Don't send	Formal:
		Bank (recipient's bank account)
		<u>Informal:</u>
		<ul> <li>Same methods as above for receiving domestic transfers</li> </ul>

<sup>&</sup>quot; I got it from abroad through the help of my neighbour who owns a bank account...my mummy's sister sent it ... she informed our elder sister that she wants to send us some things including money ....I don't know how it is done but it was our neighbor who knows... he called her to send it to his account and he called us that the money had been sent "

Females, 18 – 29 years, DE, Unbanked, Lagos



# FInA Remittances

Only the banked respondents send money abroad

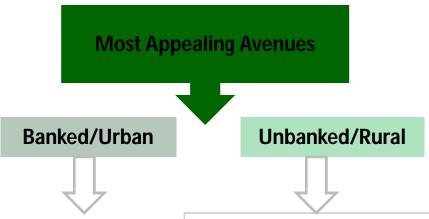
Banked	International transfers	Domestic transfers
Receiving	<ul><li>Formal:</li><li>Western Union/Moneygram</li></ul>	<ul><li>Formal:</li><li>Bank (local fund transfer)</li></ul>
	<ul><li>Informal:</li><li>Through friends/relatives</li></ul>	<ul> <li>Informal:</li> <li>Through friends/relatives</li> <li>Phone recharge cards (PIN is sent via SMS)</li> <li>Bus service/drivers</li> </ul>
Sending	<ul> <li>Formal:</li> <li>Bank (via domiciliary accounts)</li> <li>Bureau de change</li> </ul>	<ul> <li>Formal:         <ul> <li>Bank (local fund transfer)</li> </ul> </li> <li>Informal:         <ul> <li>Same methods as above for receiving domestic transfers</li> </ul> </li> </ul>

<sup>&</sup>quot; If I want to buy car in Cotonou, and I know that I will be busy in the office that week, so what I do is, I will go WAPA where they change money (MONEY EXCHANGE) I will give them the phone number of the company I want to buy the car from. Already the company must have sent the car model and the price to me, then I will pay the money to that office in WAPA, the WAPA office will instruct the Cotonou office to pay so so person or so so company certain amount in CFA ..."

Male, 30 - 45 years, AB, Banked, Kano



## **Remittances - Preferred Method of Transfer**



#### **Bank:**

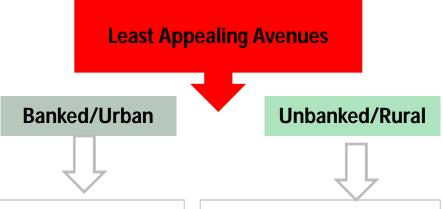
- Safety of funds
- Easy, fast and convenient
- Private/ discrete

## **Hand delivery:**

Trust in third party

#### **Bus service/drivers:**

 Existence of an informal contract/element of transparency



## **Hand delivery:**

 Low guarantee of safety/high risk of fund diverted

### Phone recharge card:

- Amount received is less than the amount sent
- Loss of money if the PIN is misplaced/ error in the PIN sent after discarding card

"You can go and challenge the union at the park once you confirm that the driver did not deliver your message because you pay them. And immediately they will call the driver to confirm what happened...."

Male, 30 – 45 years, DE, Unbanked, Kaduna

"You can give it to somebody else and he might go away with the money, he can even deny it. And there is no proof"

Male, 18 – 29 years, AB, Banked, Lagos



## **Pensions**

- Awareness and understanding of pension is high among respondents irrespective of banking status, age group, socio economic class and urbanization
- None of the respondents were of retirement age so did not receive pensions, but they have close relatives who do
- Respondents have various personal pension plans

#### **Perceived Benefits**

- A source of support during old age Gives one the ability to cater for self
- Self-reliance in old age
- Secures the future of offspring/next generation
- Gives a prestigious image
- "Like when you are old and no strength to work, from this pension, you can use the money to pay your children school fees"

Male, 18 – 29 years, C1C2, Banked, Enugu

#### **Personal Pension Plans**

- Investing in/owning a business
- Investing in education/training of children/ younger siblings

"Train your children, they can now give you money when you are old"

Female, 30 - 45 years, DE, Unbanked, Enugu

- Investing in real estate
- Investing in the capital market
- Investing in agriculture
   "I plan on planting Banga (palm fruit) on my father's land"
   Male, 30 45 years, DE, Unbanked, Port Harcourt



# **Mobile Payments**



- Awareness of mobile payment is low among the banked respondents and absent among the unbanked
- ☐ Upon enlightenment, the concept is applauded for its perceived benefits

" No issue of network failure with your phone, you will do transaction without anybody knowing"

Female, 18 – 29 years, C1C2, Banked, Kano

"You can be inside bush and send money to someone in the city..."

Male, 30 – 45 years, DE, Unbanked, Port Harcourt

☐ Also perceived to have its **drawbacks**:

"Dialing a wrong number in a hurry and directing the money there..."

Male, 18 - 29 years, AB, Banked, Lagos

"If your phone gets stolen or lost, somebody may steal your phone and your business partner sends money to your phone"

Male, 30- 45 years, DE, Unbanked, Kaduna



# **Awareness of DMBs and MFBs**

- Awareness of Deposit Money Banks is common among respondents irrespective of their banking status
- There is little or no awareness of Microfinance Banks amongst most unbanked respondent; those who are aware do not fully understand what Microfinance Banks do

"I have heard about them but I don't know anything about them" Male, 30 – 45 years, DE, Unbanked, Port Harcourt

There is higher spontaneous awareness of Deposit Money Banks than Microfinance Banks amongst banked respondents, with Lagos respondents being the most aware. Banks mentioned include:

Deposit Money Banks	Microfi	nance Banks
FirstBank Sterling Bank	Lagos:	Providence, Olive, Royal Trust, Adkolm- Emerald, FBN Microfinance Bank, Touchgold
Sterling Bunk  Sterling Bunk  ECOBANK  UBA	Kano:	Grassroot, Freedom, Northbridge
Fidely Real Pk  Mainstreet Bank	Enugu:	Umuchinemere, Ohha, Coalcamp
Skye Bank  Expending year starts  Lincoln Bank  Lincoln Ba		



# **Awareness and Usage of Bank Products & Services**

#### **Banked respondents**

#### **Awareness:**

- Savings accounts
- Current accounts
- Fixed deposit accounts
- Domiciliary accounts
- Bank drafts
- Electronic transfer (e.g. Flash me cash by Fin Bank)

- Bill payments
- Keep valuables
- Money transfer
- Foreign exchange service
- ATMs
- Loans
- Overdraft

#### **Unbanked respondents**

#### Awareness:

 Mainly limited to savings accounts



#### **Usage**

#### If encouraged to use banks:

- Products: savings, current and fixed deposit accounts
- **Services**: money transfer

## **Usage**

 As highlighted above including: Credit cards: Visa, MasterCard

- " I would like to save my money"
- " I would like to use their transfer account"

Male 30 – 45 years, DE, Unbanked, Port Harcourt "I may need money at any time so I will choose savings"

"I will likely choose a current account because I may not have the chance to go to the bank always so I can send someone"

Male, 30 – 45 years, DE, Unbanked, Kaduna



# **Benefits/Challenges of Using DMBs**

# **Benefits**

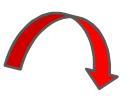


- Strong capital base/safety of funds
- Accessibility of branches
- Possess new innovation/technology, hence, more reliable/quicker processes
- Interest given on deposits
- Availability of ATMs
- Educate customers on the banking system to avoid fraud
- Alert customers on new policies
- Promotions for their customers from time to time

"You make profit from them. Like if you save your money regularly, they will give you interest ....sometimes they do promotion based on your savings"

Female, 18 – 29 years, C1C2, Banked, Port Harcourt

# **Challenges**



- Long account opening and loan processes
- Charges on transactions are sometimes high
- Poor customer relations; rude staff
- Long queues
- Delay in receipt of transaction alerts
- Incessant network failures
- Restricting customers from making/receiving calls in the banking hall
- Do not educate the rural populace about their products. Hence, they (rural populace )are limited to knowledge of savings account only

" .. The ATM - you get to the ATM it will hang up ..."

Male, 18 – 29 years, AB, Banked, Lagos

<sup>&</sup>quot;There are some times that even when you get to the bank the queue will be too much...."

<sup>&</sup>quot;..The alert is another issue if you like send money to someone or someone send money to you ought to receive alert on your mobile phone. Most times it will be late ...'



# FINA Factors that would Encourage the Unbanked to Use Banks

#### **Internal Factors**

- **Proximity:** availability of bank branches within their locality
- Educate them on the benefits of using banks via the local media
- Create awareness on product offerings
   e.g. through text messages
- Employ staff from the local community in areas where branches are situated to help bridge social, cultural and communication gaps
- Effective customer relations: absence of queues, and employment of friendly and polite staff
- Equal treatment of customers: no discrimination between the 'rich' and 'poor' customers

#### **External Factors**

- Regular income
- Growth/expansion of business

"If I am sure of making N5,000 daily in my business, would be able to bank" "If my business prospers and I can get it regularly, I would bank"

Male, 30 – 45 years, DE, Unbanked, Port Harcourt

"If I have more money"
"When I have a job "

Female, 30 – 45 years, DE, Unbanked, Enugu



# **Awareness of Mobile Payments Providers**



- Awareness of Mobile Money Payments Providers is generally low
- The following providers are known among few banked respondents:

#### • MTN Mobile Money:

" Yes mobile money by MTN ... I do not really know how it works ... I even saw their promo.."

Male, 18 – 29 years, AB, Banked, Lagos

• Paga:



- Seen on billboards in several locations in Kano but do not understand the service
- Communication seen for this brand on billboards (Kano) and state owned buses (BRT, Lagos), but it is not effective

"I think I have seen the bill board somewhere here in Kano..." "Yes Along IBB way " "Along Magwam road too" "Well, we've not seen any of their office here in Kano so we don't know what is all about..." Female, 18 – 29 years, C1C2, Banked, Kano • U - MO:



 Awareness and usage exist among very few. A positive user experience was expressed

"Is it U-Mobile? ...I know it, I have used it before. You can receive and transfer money through your phone ...You will go to UBA and they will register you and you will deposit in U-mobile account..."

Male, 30 – 45 years, AB, Banked, Kano

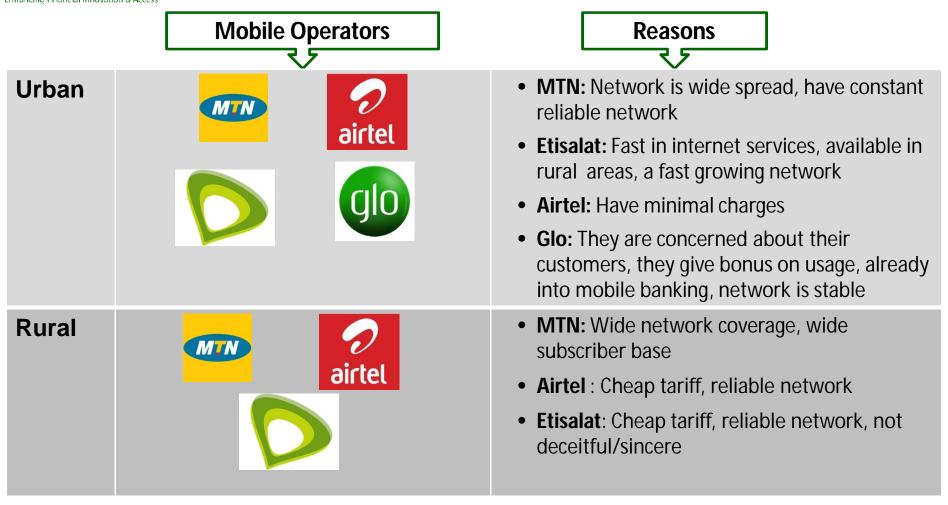


# **Preferred Deposit Money Banks for Mobile Payments**

## **Deposit Money Banks** Reasons • Strong capital base **Urban** Efficient services Strong and efficient service network GTBank Large customer base Availability of cash Long standing heritage (UBA & First Bank) FirstBank mainly) Availability Rural Proximity ...Big, Strong, Reliable Long standing heritage (First Bank and Union Bank mainly) Strong capital base GTBank Strong and efficient service network **First**Bank Guaranty Trest Bank plo Large customer base



# **Preferred Mobile Operators for Mobile Payments**



<sup>&</sup>quot; MTN is everywhere .." Male, 18 – 29 years, AB, Banked, Lagos

"Etisalat started not up to 7 years and the number of people using Etisalat is more than Glo. Everybody knows MTN and Glo, but Etisalat is growing very fast"

Female, 18 – 29 years, C1C2, Banked, Port Harcourt