

Savings Mobilization in Nigeria: Scoping Study on Informal Savings in Lagos

March 2010

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Background

- Banks are statutorily vested with the primary responsibility of financial intermediation in order to make funds available to all economic agents. However, the extent to which this could be achieved effectively depends on the level of development of the financial sector as well as the savings habit of the general public using banking services
- Most importantly, well-designed deposit services can enable poor people to take charge of their financial lives. Savings can provide a cushion against economic shocks, enabling poor households to reduce financial vulnerability
- Based on Research International's 30 months learning from their quarterly financial tracker FINABUS (Financial Research Service by Market trends) and several other financial studies, it's clearly evident that there is a huge proportion of the unbanked population who use a wide array of informal saving options
- Understanding the degree to which different obstacles limit the development of quality pro-poor deposit facilities in Nigeria is crucial to designing appropriate policy and programmatic interventions
- It's against this background that EFInA decided to undertake a comprehensive scoping study of the market for informal savings services in Nigeria using Lagos as a pilot, to identify the obstacles and opportunities for creating better linkages between the formal and informal sector and thereby improving access to savings mobilization in the formal financial sector
- The Research was conducted by Research International MT-Nigeria

Objectives

Overall Objective

- To conduct a detailed assessment of the informal savings market in Nigeria with a view to identifying challenges and opportunities for increasing access to formal sector deposit services for the lower income segment

Specific Objectives

- Scope the demand and supply of informal savings services accessible to low-income consumers in Nigeria
- Explore the factors shaping the demand and supply.
- Make recommendations on what formal financial institutions can learn from the informal saving sector and how those lessons could be applied to product and market development





Methodology

Approach

Qualitative using Focus Groups and In depth interviews

Focus groups

1

- Focus Group Discussions - covered a total of 347 people
- Covering both urban and rural areas in Lagos

- A total of 24 In depth interviews conducted and split as follows:
 - 16 for providers of Informal savings services (8 urban and 8 rural)
 - 8 for users of both formal and informal savings services
- The 24 interviews were split equally between male and female

In depth interviews

2

Sample considerations

❑ Respondents for the FGDs and In depth interviews were recruited based on the following criteria:

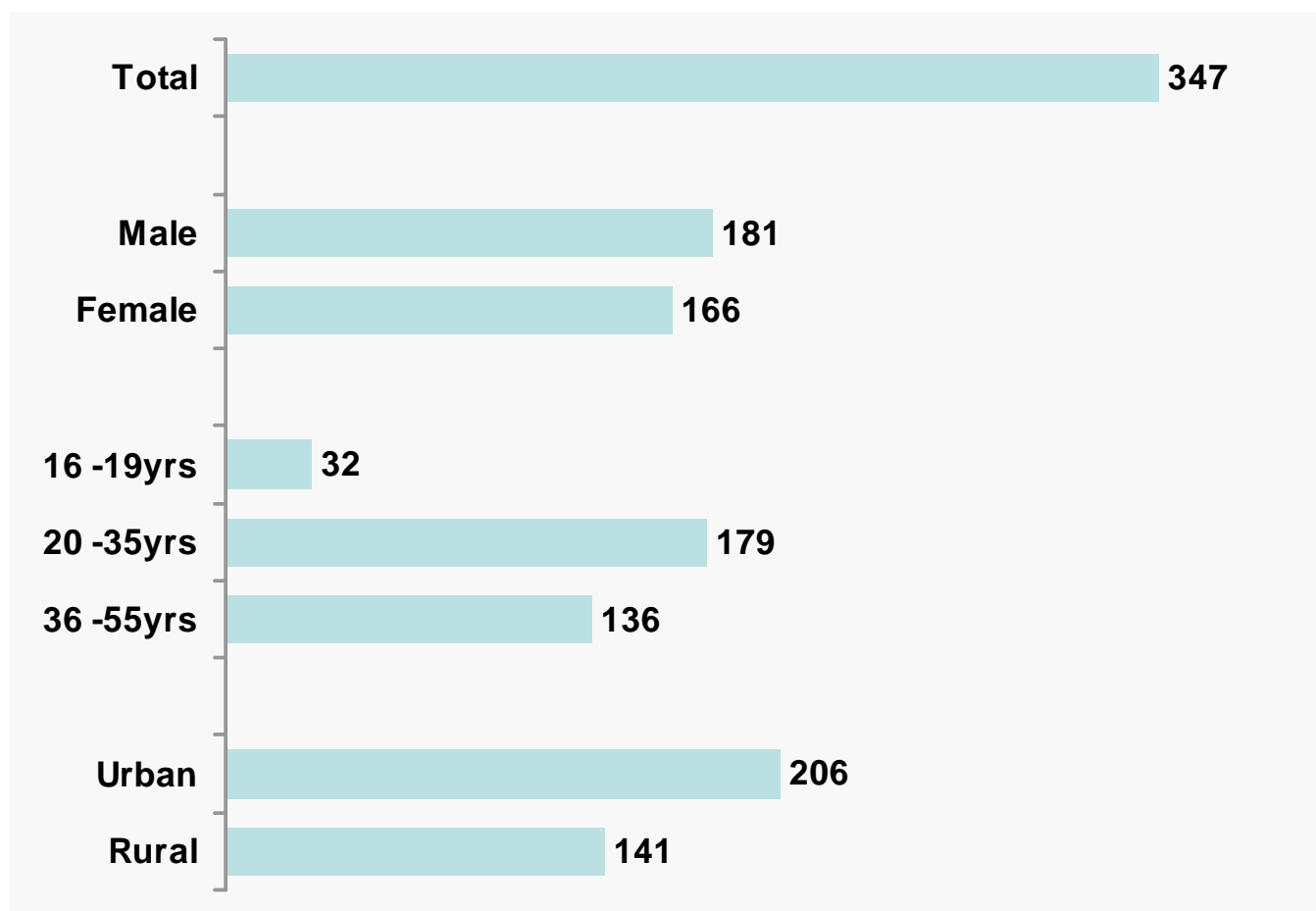
- Low income earners
- A Living Standard Measure (LSM) questionnaire was adopted to determine respondents fit into the lower income segment
- Sampled target aged between 16 – 19yrs and 20 – 55years, and split as follows:
 - 20 – 35yrs
 - 36 – 55yrs
- They are economically productive i.e. all respondents had a source of income
- The study was conducted in Lagos between November and December 2009



Research Findings

A profile of people we spoke to

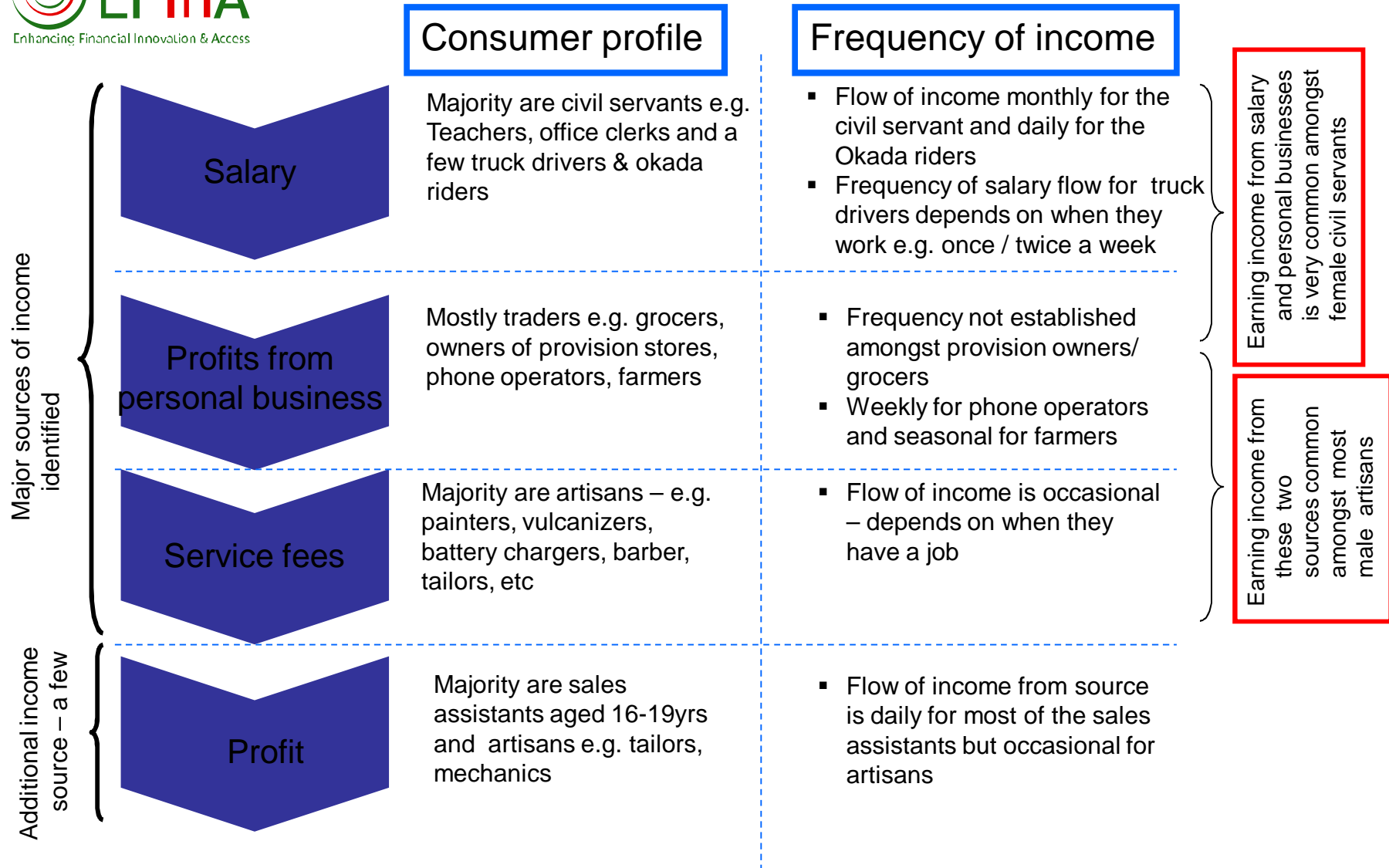
FGD - Sample breakdown



	Total
Total	347
Skilled Artisan	151
Hawker/Trader	98
Business Man/Woman	23
Self Employed/ Business owner	19
Labourer	9
Civil Servant	5
Farming/Agriculture	4
Student	4
Teacher/Lecturer /Principal	3
Clerk/Cashier/Admin	2
Sales Rep/Agent	1
Security/Police/Soldier	1
Others (okada riders/ truck drivers/gatemen/traditi onal doctors)	27

Consumers financial behaviour: Income flows

Sources of income



Single source of income not sufficient for most of the respondents – hence majority of the artisans and female civil servants live on two sources of income

Income – how much they make

	Consumer profile	Income
“Least earners”	<ul style="list-style-type: none"> Vulcanizers, rewire, battery charger, phone operators, electrician 	<ul style="list-style-type: none"> Income is pegged between N300 & N1,000 daily Though the flow is rarely everyday
“Mid earners”	<ul style="list-style-type: none"> Mainly tailors, barbers and hairdresser / stylists 	<ul style="list-style-type: none"> Income is pegged between N1,500 & N3,000 weekly
“Highest earners”	<ul style="list-style-type: none"> Truck drivers, self employed printers and few artisans that augment with trading Salaried respondents & owners of provision stores / grocers 	<ul style="list-style-type: none"> Income from a single trip by truck drivers is pegged between N25,000 to N30,000 Amount of income not established

Income flow is very irregular and not consistent for majority of the artisans



Section 1: Informal Savings Products

Types of informal savings

Save at home

- *Certain amount of money is usually kept away in a box within the consumers home or the money is given to someone to keep until it's needed*

Ajo Ojumo

- *An individual saving collector comes to the customer on a daily basis to collect a fixed amount of money as savings*
- *The saving last for 31 days with the first day saving going to the collector as his / her service fee*
- *The money is usually paid out at the end of each month*

Ajo Adako

- *Contribution amongst a group of people (friends, colleagues, neighbours, members in the same mosque / church)*
- *Stipulated amount of money is contributed at a fixed interval and money contributed is handed over to members in turn – members turn is usually decided through a secret balloting from the start of every circle*

Alajesekeu (cooperative)

- *A business association of people aimed with the common goal of enhancing members' corporate and individual welfare through:*
 - *Periodic savings by members*
 - *Loan offering to members*
- *They also invest in profit making ventures and share profit at end of the year*

Ajo Egbe

- *Saving amongst people with similar interest e.g. association of tailors, Ondo Women Association, old girls associations etc.*
- *From members savings, loan with interest is offered to members on request*

Ajo Mosalasi

- *Money is contributed by individual Muslims and non Muslims after each Jumat service on Friday to the financial officer of the scheme*
- *The scheme runs for 40 weeks, after which the money is paid out to each saver to enable them buy whatever is needed for the Salah/Xmas*

Saving at home - Options

Saving with parents / guardian

- Mainly young respondents aged between 16-19, and a few 20-25yrs
- Majority are non bank users
 - *“the money I save with her is small, I can’t take it to the bank” – 16-19yrs*

Saving with learned / trusted friend

- Common practise amongst the Hausa male consumers aged between 25-35yrs
- Low level of education a common characteristics – most are illiterate
 - Hence, feel disadvantaged to use a bank
- Looking for a convenient way to save:
 - Does not need to leave his business – the friend is very close

Saving in a safe / money box

- Mainly amongst few ‘**saving strugglers**’, few female traders / artisans and few 16-19yrs male artisans
- **Saving strugglers;**
 - Want the convenience of saving at own will – not under pressure
 - Usually save what is left from spend on basic needs
- Female traders / artisans
 - Extreme prudence – “any change I have left, like N10, N20, I throw it there”
- 16-19yrs male artisans
 - Saving conveniently for a target – “I broke the last one and bought my Salah clothes with it”

Saving at home – Motivation & Usage

Saving with parents / guardian

- Exact period of usage cannot be established – claims of long time usage

Saving with learned / trusted friend

- Saving with a friend also tends to have a long period of usage amongst users
 - *“this is how my father taught me to save and I have always saved like this”*
- Key motivation;
 - Communication not a problem
 - Feeling secured – ‘wont be cheated’
- The friend is usually someone they also respect – ‘speaks English and has good business’
- Current saving ranges between N15,000 – N18,000 monthly

Saving in a safe / money box

- Saving in a safe / money box claimed by the majority as being their first saving practise from childhood
- As such, it is associated with children by the majority of the non users
- Level of usage currently low relative to other informal saving options used by the sampled target
- As such, only a few currently practice the saving form

Ajo Ojumo

Ajo Ojumo – Key characteristics

Key characteristics of Ajo Ojumo

- An individual collector known as **alajo/agbajo** receives fixed amount as saving on daily basis from customers
- Savings runs for 31days with the first day savings going to the provider i.e. **alajo/agbajo** as his/her service charge
- Pay out time usually month end but could change depending on the customer
- N100 as the least saving amount in urban but N50 in rural areas

Consumer characteristics

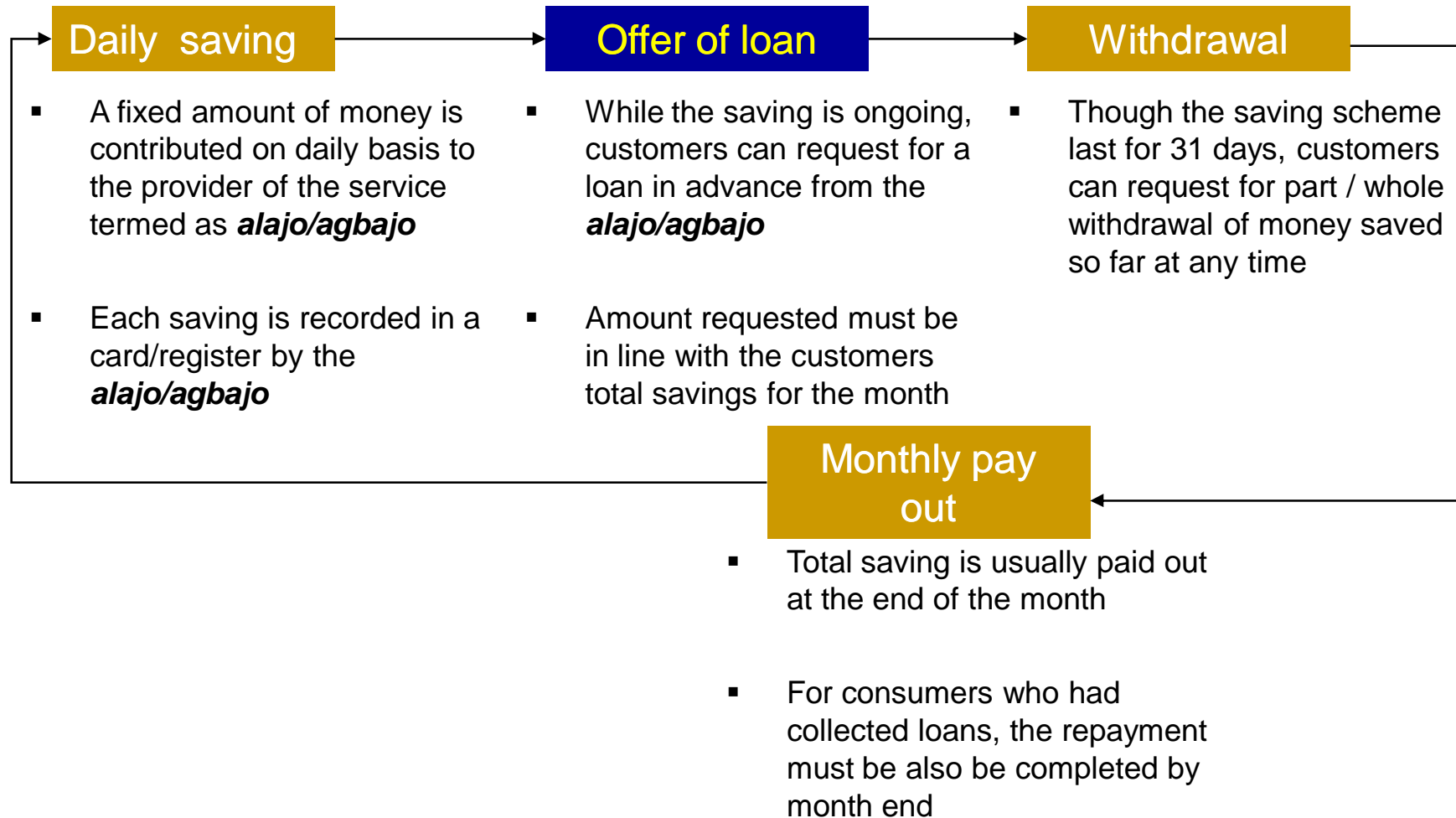
- Mainly male & female traders / artisans aged between 25-55yrs
- Few females 16-19 also involved
- Looking for a convenient way to save and also seek quick access to saving
- Want to be appreciated and encouraged despite personal financial status

Usage / Amount Contributed

- Period of usage varies between 5 – 20 years amongst consumers aged 36-55yrs, 2-7 amongst the 25-36yrs and an average of 1year amongst the 16-19yrs consumers
- N100 as the daily amount contributed by the majority, N200 by a few e.g. barbers / traders and N50 per day is the most saved in the rural areas

Consumers are driven by the quick access to savings, i.e., they can access their money anytime with ease

Ajo Ojumo - Typical flow of activities



Flexibility is a major characteristic of the Ajo Ojumo

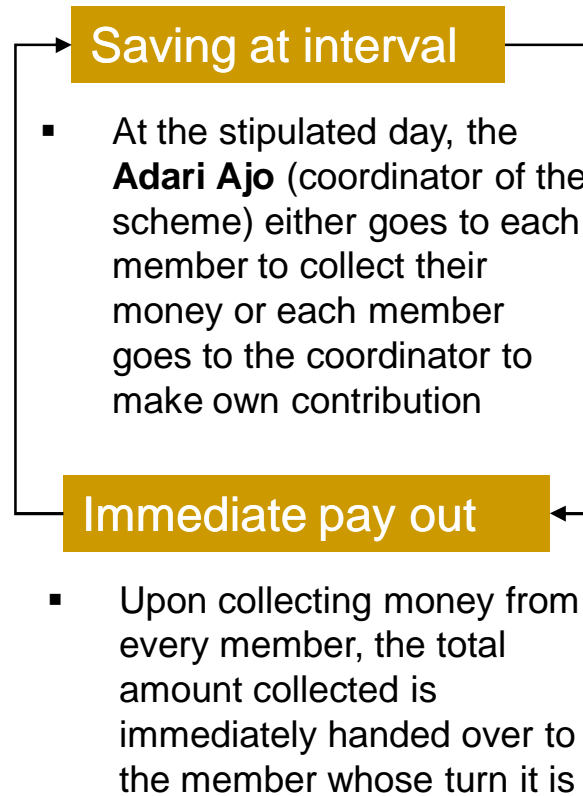
Ajo Adako

Ajo Adako – Key characteristics

Characteristics of Ajo Adako	Consumer characteristics	Usage
<ul style="list-style-type: none"> Stipulated amount of money is contributed at a fixed interval and total money contributed is handed over to members in turn Members turn is usually decided through a secret ballot i.e. numbers are picked from the onset Though credit facility / loan is not available, members can swap their turn in order to access the money in the event of urgent need Though some knowledge of each other is common, not all the members are known to each other No fixed size of group, however a balance is maintained between a size that offers “short lifespan” & significant amount of money 	<ul style="list-style-type: none"> Common amongst saving enthusiasts, mostly females Looking for a convenient way to access ‘huge sum of money’ within a short period and without any bottlenecks Seeking a method that makes saving compulsory, therefore requires a commitment from them Saving strugglers not positively disposed to Ajo Adako: <ul style="list-style-type: none"> Perceived as capable of creating pressure / tension 	<ul style="list-style-type: none"> Period of usage varies between 5 to 15 years amongst the majority and average of 1 year amongst few 16-19yrs females in urban areas Majority of the female consumers relate more with Ajo Adako than the males – high default rate amongst males High growth potential – most groups claimed to have grown from initial size of about 10 members to 25 members currently Key source of recruitment is by recommendation by members to friends

A relatively stronger connection between female consumers and the Ajo Adako saving method as opposed to the male consumers due to low trust & weak coordination amongst the men

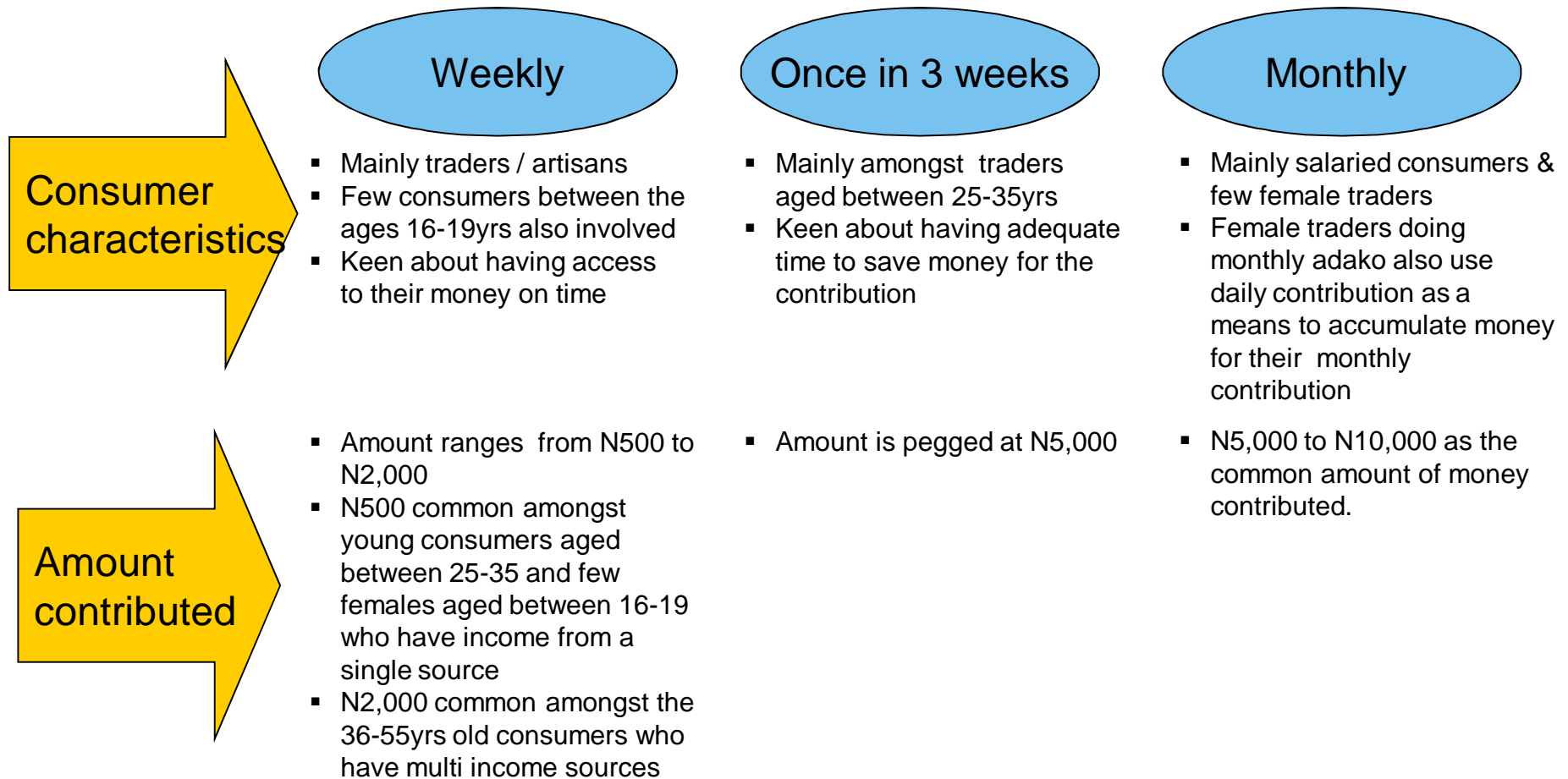
Ajo Adako - Typical flow of activities



Having access to a huge sum of money within a short period is a key driver towards using Ajo Adako

Ajo Adako - Models

There 3 types of Ajo Adako based on the frequency of saving



Weekly Adako is the most common amongst the majority – the strong preference is driven by the short period it takes for the money to make a complete cycle. Appeal for the monthly is driven by the substantial amount, however not appealing to most artisans and traders due to the perceived lengthy period

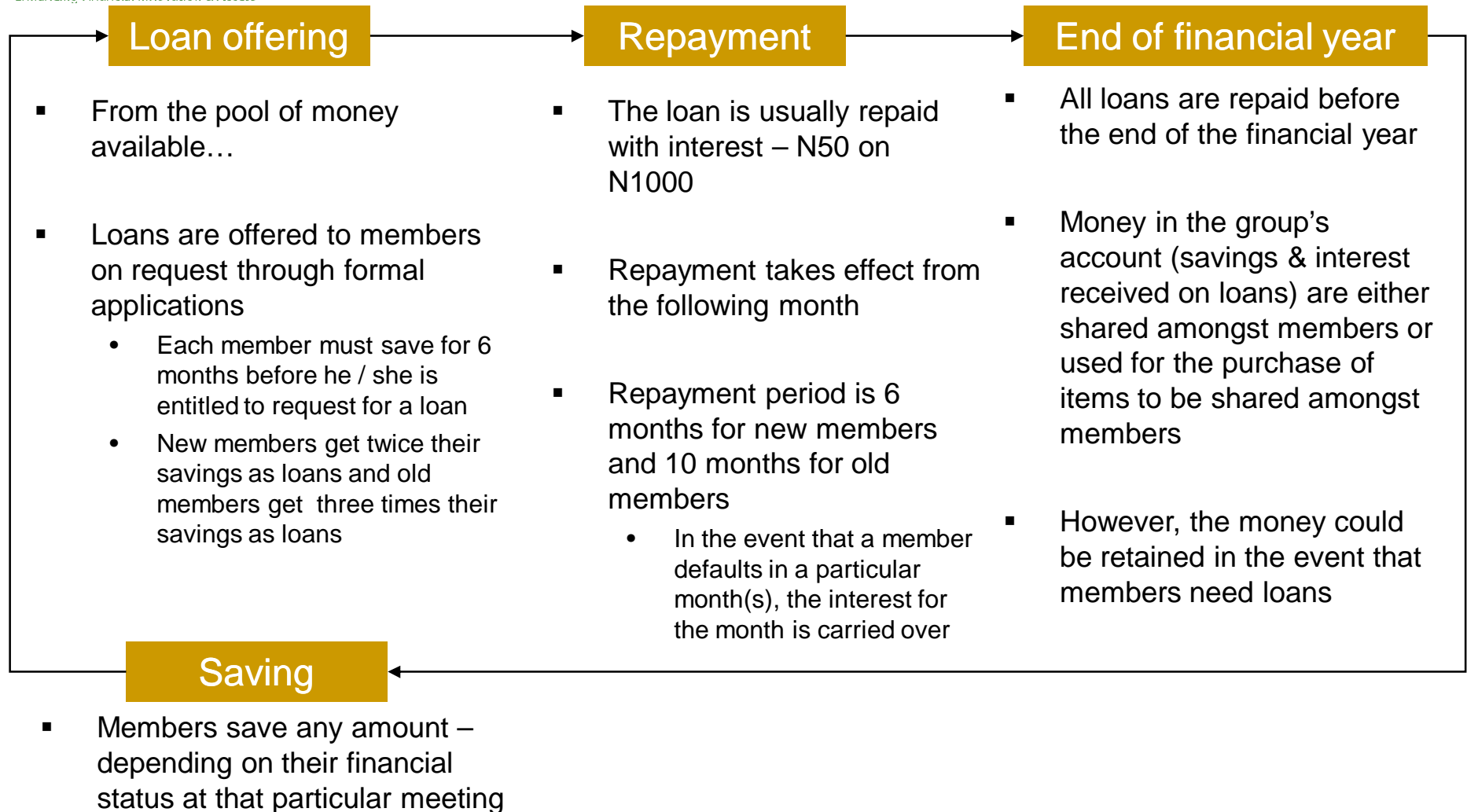
Alajeseku (cooperative & thrift society)

Alajeseku/Cooperatives – Key characteristics

Characteristics of Alajeseku	Consumer characteristics	Usage /Amount Contributed
<ul style="list-style-type: none"> ▪ A business association of people with a common goal of enhancing members' corporate and individual welfare through: <ul style="list-style-type: none"> • Members periodic saving • Loan offering to members • Sharing of profit from owned business ventures ▪ Offering of loans to members is claimed as the major thrust of the group by the sampled executives ▪ The groups are usually structured, having ordinary members and executives <ul style="list-style-type: none"> • President/Manager/treasurer/ • Secretary ▪ The groups usually meet at a regular interval – weekly / monthly etc 	<ul style="list-style-type: none"> ▪ Amongst the general public – no common tie amongst members ▪ Muslim women / church cooperatives: <ul style="list-style-type: none"> • Mainly female traders aged between 36-55yrs ▪ Cooperatives at workplace: <ul style="list-style-type: none"> • Mainly salaried males aged between 36-55yrs ▪ Relationship with Alajeseku not common amongst the saving strugglers: <ul style="list-style-type: none"> • Income too small to make any saving • Scheme not trusted 	<ul style="list-style-type: none"> ▪ Muslim women / church cooperatives: <ul style="list-style-type: none"> • Period of usage varies between 1-2 years for current users ▪ Cooperatives at workplace <ul style="list-style-type: none"> • Period of usage pegged between 1 and 5 years for current users ▪ Majority of the current users contribute between N5,000 to N10,000 weekly/monthly ▪ No fixed amount of savings by members

Alajeseku / cooperatives amongst members in the same mosque / church workplace is currently driving the usage of this saving method

Alajeseke / Cooperatives - Typical flow of activities



Investments and access to loans are the two major benefits – however the need for a loan is the primary reason for adoption amongst the users sampled

Ajo Egbe

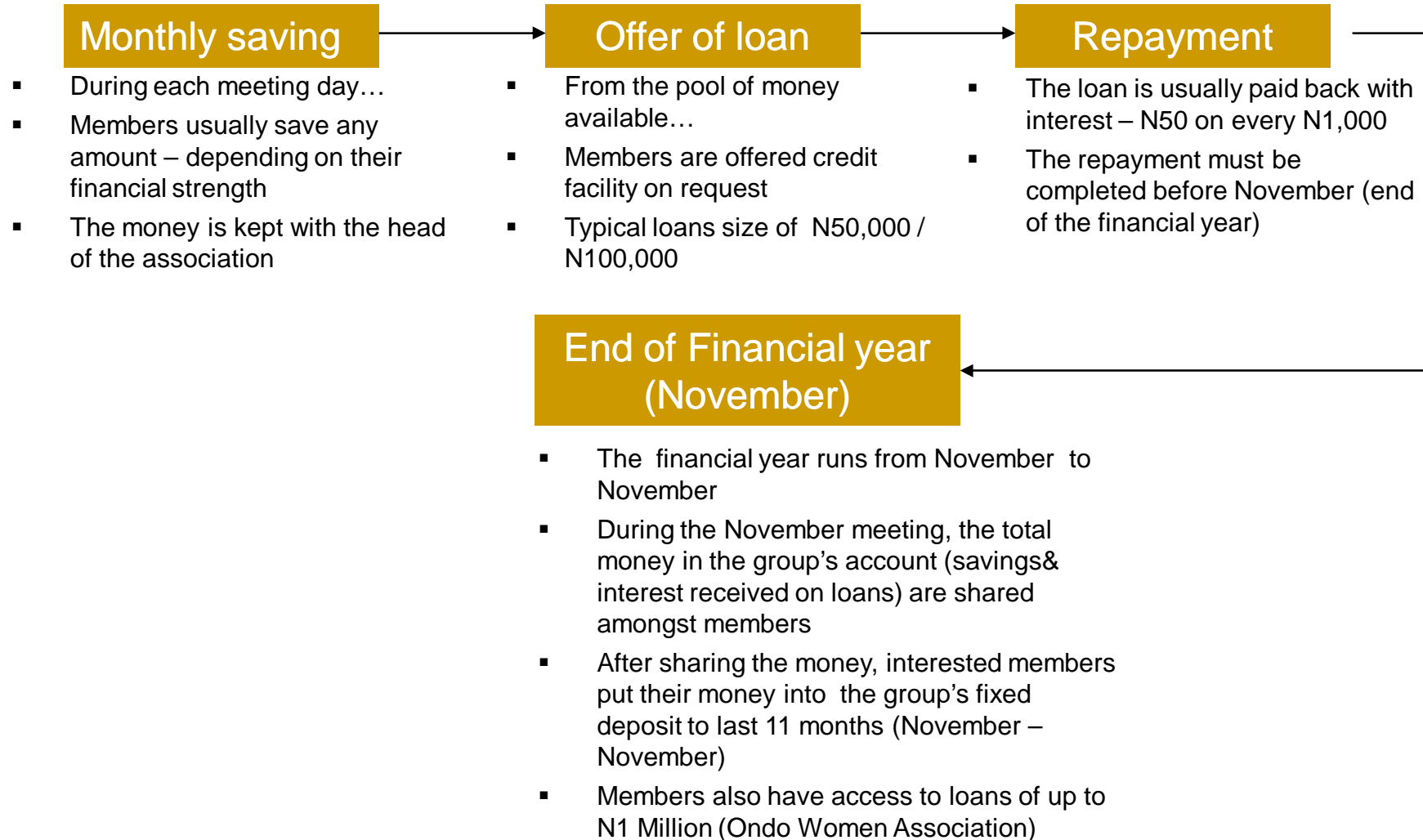


Ajo Egbe – Key characteristics

Characteristics of Ajo Egbe	Consumer characteristics	Usage / Barriers
<ul style="list-style-type: none">▪ Saving among people with similar interest – e.g. association of tailors, Ondo women progressive club, old girls association, etc▪ The groups are mostly structured - having ordinary members and executive members▪ Meet on a regular basis e.g. every last Sunday of the month▪ Offering assistance to each other is claimed as the main focus of the groups:<ul style="list-style-type: none">• Celebrate events with one another e.g. wedding ceremonies, child birth, etc• Use of a money box made from different materials – wooden / iron and usually padlocked▪ Tribe, profession and old school mates are common ties identified	<ul style="list-style-type: none">▪ Mainly amongst few female traders with a high 'saving power'	<ul style="list-style-type: none">▪ Long period of usage:<ul style="list-style-type: none">• “I have been in it for 30 years now” – coordinator of Ajo Egbe▪ Though some growth in size of group indicating increasing consumer interest in Ajo Egbe, the adoption level is low compared to Ajo Adako:<ul style="list-style-type: none">• Time requirement – must attend meetings• Membership requirements – e.g. must be of the same tribe / must belong to same circle of particular artisans, etc.▪ Perceived financial requirement of the group appears another major barrier for the majority

Positive disposition to Ajo Egbe amongst users – but low adoption due to the time and financial requirements

Ajo Egbe - Typical flow of activities



The Ajo Egbe provides 3 key benefits for its members – investments, savings and easy access to loan without bottlenecks

Ajo Mosalasi

Ajo Mosalasi – Key characteristics

Characteristics of Ajo Mosalasi	Consumer characteristics	Usage
<ul style="list-style-type: none"> Money is contributed by individuals after Jumat service (Moslem prayer) on Friday to the “financial officers” of the saving scheme No fixed amount for the contribution Saving is recorded on a card and records of saving is also kept by the financial officer The saving runs for 40 weeks, begins in the second week of January and the money is shared two weeks before Salah 	<ul style="list-style-type: none"> Older males and females aged between 25-55yrs in the mosque, though no age restrictions Mainly Christian and Moslem male salaried / non salaried aged between 25-55yrs Looking for a secure and convenient way to save money for Salah and other festivals held towards the end of the year 	<ul style="list-style-type: none"> Type of saving not associated with all Mosques Saving in the mosque is common amongst Yoruba's However, motivation for adoption is to enable members save conveniently towards Salah Increasing size of membership with the mosque saving (ileya saving) claimed by the sampled respondents; <ul style="list-style-type: none"> <i>“We started with 8 people 6 years ago and now we are more than 40 people” – Head of Ileya Fund</i>

Members religion not a requisite as membership comprises of both Christians and Moslems

Ajo Mosalasi – Saving options

Ileya Saving (Mainly males)

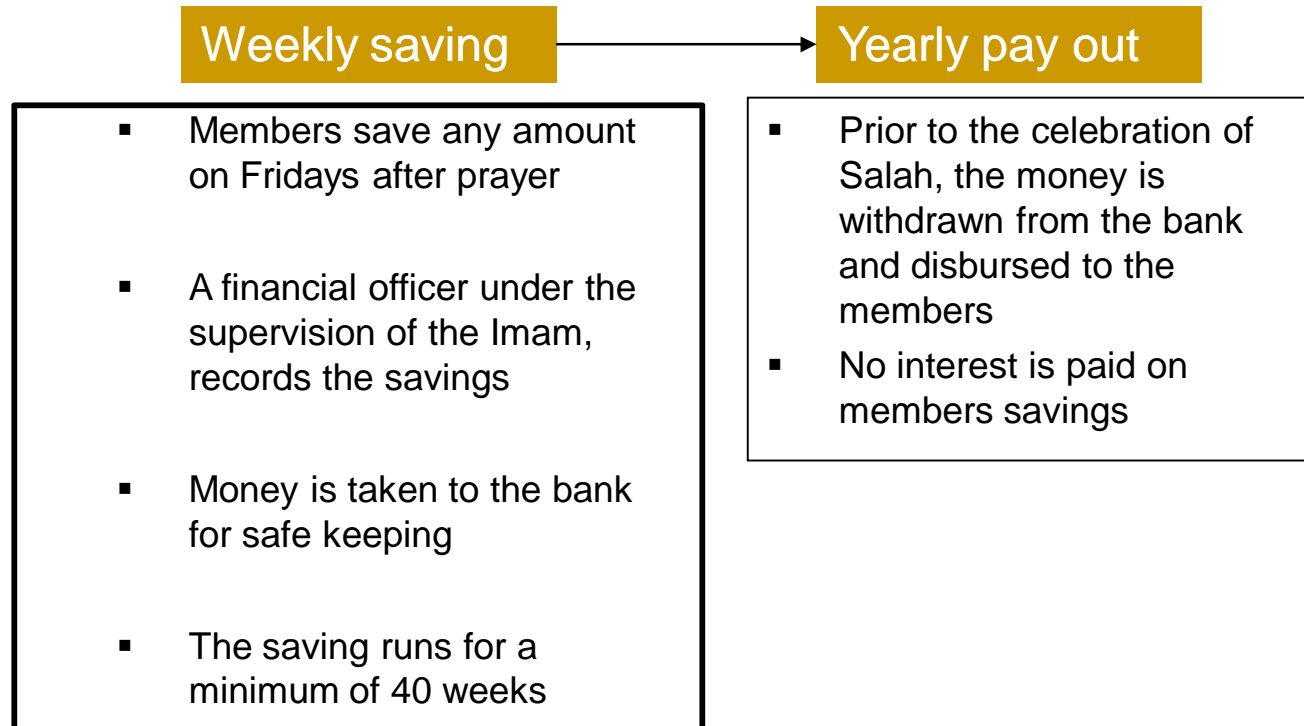
- Offers target saving scheme for “males” towards Ileya festival
 - No fixed amount for savings in order to encourage members
- Offer members access to their money before the Salah festival
 - Members are usually given advance notification of the day of disbursement (usually 2 weeks before the Salah festival)
- The money is usually kept in the bank for safe keeping
- There is a financial officer who is responsible for collecting and keeping records of money paid by members
 - The Imam acts as the overall coordinator, though not involved in the saving
- However no part of this money can be given as loan or withdrawn before due date
- The contribution is made weekly and it lasts for a minimum period of 40 weeks
 - At completion, the amount contributed by each member is cumulated and given to each member

Ajo Mosalasi (Mainly females)

- A fixed sum of N2,000 is contributed monthly by each person in a group of 20 members – though amount might vary across Mosques
- Flexible payment over a period of 4 weeks is encouraged
 - Members can spread payment and contribute weekly for convenience
- Total money saved each month is shared between two members
 - At the onset, members ballot to determine their turn
- It usually takes a period of 10 months for the money to make a complete cycle since two members are paid each month

Consumers in the rural areas are adopting ‘long term saving’ on the platform of religion which gives them more confidence about the security of their money as opposed to other informal saving methods

Ajo Mosalasi - Typical flow of activities



Major motivation towards the Ajo Mosalasi is based on long term savings in preparation for a specific event

Summary of Savings

Summary of informal saving options

Products	Consumers characteristics	Average amount contributed	Frequency of savings
Saving at home	<ul style="list-style-type: none"> Hausa respondents <ul style="list-style-type: none"> Most are illiterate aged between 18-55yrs Speak mainly local language Saving strugglers: <ul style="list-style-type: none"> Flow of income very irregular Want to save at own will without being under any pressure <ul style="list-style-type: none"> Want to save any little amount Respondents aged between 16-19yrs <ul style="list-style-type: none"> Save little amounts of money 	<ul style="list-style-type: none"> No fixed amount For the Hausas, amount of money varies between N15,000 & N18,000 monthly 	<ul style="list-style-type: none"> No established frequency for majority However, it's daily for the Hausa respondents that save with someone else
Ajo Ojumo	<ul style="list-style-type: none"> Mainly amongst non salaried who make daily sales Cuts across age 16-55yrs Want a convenient way of putting certain amount of money aside daily 	<ul style="list-style-type: none"> Respondents save between N50 – N100 in rural areas and N100-N200 in the urban areas Money handled by operators varies between N220,000 – N250,000 monthly 	<ul style="list-style-type: none"> Saving is daily
Ajo Adako (group contribution)	<ul style="list-style-type: none"> Cuts across all consumer segments Want to have access to significant amounts to meet certain needs 	<ul style="list-style-type: none"> Average weekly contribution is N15,000 N100,000 as average monthly contribution 	<ul style="list-style-type: none"> Saving is weekly for the majority Monthly & once in 3 weeks is common amongst a few
Ajo Mosalasi (saving in a Mosque)	<ul style="list-style-type: none"> Mainly amongst respondents aged 20-55yrs Mainly in the rural areas & keen about having access to money during festive periods Cuts across salaried & non salaried consumers 	<ul style="list-style-type: none"> No fixed amount – accumulated saving per member varies between N50,000 – N100,000 	<ul style="list-style-type: none"> No established frequency
Ajo Egbe (associations – yearly savings)	<ul style="list-style-type: none"> Mainly amongst female respondents aged 36-55yrs and few 20-35yrs Cuts across salaried & non salaried Common in the urban and rural locations 	<ul style="list-style-type: none"> Amount of money handled by the association varies between N350,000 & N500,000 at year end For the Ondo women association, amount of money is as high as N1 million during November fixed deposit 	<ul style="list-style-type: none"> Saving is monthly – i.e. every last Sunday of the month
Alajeseku (Cooperatives)	<ul style="list-style-type: none"> Cuts across male and females aged 20-55yrs Need for loan a key characteristics of members 	<ul style="list-style-type: none"> Average amount handled year end pegged between N500,000 & N1 million 	<ul style="list-style-type: none"> Frequency varies – weekly for some & once in two weeks for others.

Summary of informal saving options

Products	Usage	Key Likes	Key Dislikes	Drivers of trust
Saving at home	<ul style="list-style-type: none"> For the 16-19yrs, saving is used for clothing , Xmas or Salah needs Mostly for paying bills, rent or other immediate needs by older respondents For Hausas, saving is shared between business and for family needs at month end 	<ul style="list-style-type: none"> Can access the money when needed Can save any amount however small No language barrier for the Hausa respondents – they speak Hausa with the person 	<ul style="list-style-type: none"> No major dislike 	<ul style="list-style-type: none"> Familiarity between the depositor and the custodian is a key driver of confidence – ‘my mother can’t run away with my money -16-19yrs Confidence is driven by tribe & religion amongst Hausas – ‘we are from the same state”
Ajo Ojumo	<ul style="list-style-type: none"> The saving is shared between business needs and family needs at month end A few transfer the money into a bank at month end while a few use it for monthly Ajo Adako 	<ul style="list-style-type: none"> Ability to access their money when needed Personal relationship with operator Access to loans for a few traders Convenience – operator comes to respondent Ability to save as little money as N100 	<ul style="list-style-type: none"> Perceived as not secure – risk of operator absconding with funds is high. 	<ul style="list-style-type: none"> Proximity – ‘operator lives in my neighbourhood’. Asset worth of operator – ‘he owns a house’. Track record of operator – ‘my mother has been saving with him since I was a child’
Ajo Adako (group contribution)	<ul style="list-style-type: none"> Saving mostly for acquiring household items in rural areas Weekly contribution is used mostly for immediate needs – school fees, shop / house rent, clothing The monthly one mostly for building a house by older male s 36-55yrs 	<ul style="list-style-type: none"> Access to short term significant amounts of money for immediate use Ability to swap position in order to access fund when needed – female respondents 	<ul style="list-style-type: none"> ‘Puts me under pressure’ – saving strugglers Perceived inability to access fund before one’s turn – male respondents. Inability to access fund due to other default by other members 	<ul style="list-style-type: none"> Confidence not really an issue since money is immediately handed over to the appropriate person However, proximity amongst members is ensured to certain extent
Ajo Mosalasi (saving in a Mosque)	<ul style="list-style-type: none"> Mainly for Salah / Xmas needs - buying of ram, food items, clothing for the children and transportation during the period 	<ul style="list-style-type: none"> Convenience – can save any little amount of money Perceived as secured due to Imam’s involvement. No charges on money saved 	<ul style="list-style-type: none"> No provision of loans 	<ul style="list-style-type: none"> Involvement of the Imam is a key confidence driver
Ajo Egbe (associations – yearly savings)	<ul style="list-style-type: none"> Mainly invest in business – buy more goods / pay rent A few invest into building a house 	<ul style="list-style-type: none"> Access to flexible loans with low interest rate – N50 on N1,000 	<ul style="list-style-type: none"> Occasional controversy over saving records between members & coordinators Time consuming – ‘must attend meetings’ 	<ul style="list-style-type: none"> Asset worth of head of the association Position that the head of the association occupies in the church – ‘her husband is the pastor’
Alajeseku (Cooperatives)	<ul style="list-style-type: none"> Mainly invest in business – to acquire work tools , goods , paying rent , / school fees A few invest into building a house 	<ul style="list-style-type: none"> Access to loans with low interest rate – N50 on N1,000 Access to loans without interest – cooperatives amongst Muslim / Christian members 	<ul style="list-style-type: none"> Delay in loan repayment by members resulting in other members inability to access loans Risk of collapse – most respondents claimed to have lost money to collapse of cooperative 	<ul style="list-style-type: none"> Association with church / mosque forms the major source of assurance – ‘we are all in the same church For the one open to members of the public, confidence is based on familiarity – ‘I know the secretary

Section 2:

Providers of Informal Savings Services

Providers of Informal savings services

Alajo / Agbajo

Provider of Ajo Ojumo

- The Agbajo / Alajo refers to the individual who provides the **Ajo Ojumo**
- He / she is usually peripatetic – uses a bicycle / motorcycle or does by foot

Adari Ajo

(Coordinator of Ajo Adako)

- Adari Ajo refers to the individual responsible for the running of **Ajo Adako**
- He / she is usually responsible for the group formation or appointed by members to function in that capacity

Committee members

(Providers of Alajeseku)

- Committee members refer to group of people that coordinate activities of **Alajeseku**
- The group comprise of a Chairman / President and is assisted by:
 - Vice president
 - Secretary
 - Treasurer
 - Manager
- Overall, some similarities in structure and operation of cooperative & Ajo Egbe – major difference is the presence of a Manager who manages the group's funds

Adari Egbe

(Provider of Ajo Egbe)

- Adari Egbe refers to a group of people responsible for the running of the Ajo Egbe
- The group is headed by a President and assisted by: Secretary/Treasurer/Provost
- However the structure is not consistent across all groups

Adari Ajo Mosalasi

(Provider of Ajo Mosalasi)

- Refers to the individual responsible for running the **Ajo Mosalasi** who is the Imam, assisted by head of the group, a Financial secretary, a Secretary and a Treasurer
- No financial incentive is given to the coordinators since there is no service charge

Alajo / Agbajo

Alajo / Agbajo – Profile

- Majority of the sampled providers of Ajo Ojumo claimed to have been in operation for a period of 5-6 years
- Two sources of income a common characteristics of the respondents interviewed – running of Ajo Ojumo is an add-on business for the majority
-
- Examples of respondents dual occupations:
 - Personal business (sales of phone accessories) + Agbajo
 - Personal business (operates bread depot) + Agbajo
 - Salary earner (works with a MFB as a marketer) + Agbajo
- Apart from the service charges earned on customer savings, having access to a pool of funds to finance their personal business is a major driver for the providers of Ajo Ojumo

// I don't depend so much on the money from this business because it's small, but the good thing which I am enjoying is that I normally use the money for my own business, before month end I would make sales then I pay them their money then" – (immobile Agbajo, male, Ijede)

//

Types of Alajo / Agbajo

Mobile Alajo/Agbajo

- Current customer base pegged at 100
- Total monthly saving handled varies between N220,000 to N250,000
- The money is usually kept in the bank due to the huge amount involved – however a little amount is usually reserved at home for urgent need by customers

// You must give me a day notice because I don't keep the money at home, except for small money –

(Mobile female Agbajo, Bariga)



Immobile Alajo/Agbajo

- Current customer base varies between 15 – 20. Total monthly savings handled by providers in urban areas is pegged at N50,000
- ** Between N200,000 or N250,000 as total monthly saving handled by providers in rural areas for 45 – 50 customers
- For urban providers, the money is usually kept at home because of the small amount and the need to make it accessible to customers anytime
- But for the rural respondent, the money is usually invested in personal business – sales of phone accessories

Tendency to use banks is currently higher amongst the mobile Alajo / Agbajo in urban areas

***Because there are few banks in rural areas, users of the Ajo Ojumo often save more than the N50 / N100 standard daily saving amount – this accounts for the high monthly saving handled by the provider*

Alajo / Agbajo - Product offering

Slight differences in product offerings between the two types of Alajo / Agbajo

Mobile Alajo/Agbajo

- Offers credit facility
 - Only to long time customers that save regularly
 - The credit is usually offered after the customer has saved for 10 days
- Door to door collection of savings
 - Customers doesn't have to leave place of business
- Offers customers access to their money anytime except at night and at weekends
 - A day's notice is required – *“as I need time to go to the bank”*

Immobile Alajo/Agbajo

- Offers credit facility
 - Condition for the credit is consistent with the mobile Agbajo
- No door to door collection of savings
 - Customers in the neighbourhood make savings when they return home in the evening
 - Others have to leave their place of business sometimes
- Offers customers access to their money anytime
 - Prior notice not necessary – *“I have the money is my room...the money is small, at most N50,000...again customers can ask for the money anytime”*

Adari Ajo

Adari Ajo - Profile

- There is no standard profile of Adari Ajo, as the individual could be anybody – a trader, artisan, civil servant, etc.
- Monthly salary is the major source of income for the sampled providers
- A major role of the provider involves the collection of funds from individual members and disbursement of the “pooled” fund to recipients
- In addition, part of the provider’s responsibility is to run a secret ballot at the onset of each cycle to decide the order by which the money will be dispersed to each member
- For services rendered, providers debit between N200 to N500, depending on the size of the group, from the money to be collected by each member . However, this is not a universal practice – it is currently not practiced by the sampled provider in the rural area
- Overall, service charge is very uncommon amongst groups with commons tie such as friendship, neighbour, church membership, etc.
- Having access to a pool of fund is the major motivation for being an Adari Ajo, as they are also members of the groups

Adari Ajo - Fund Management

- No major account management process is required by the Adari Ajo as the money is immediately handed out by the provider to the recipient
- The only record kept by the provider is the list of members and the order that they will access the pooled funds
- Wednesday / Thursday is fund collection day by most of the sampled providers of weekly Ajo Adako to give members sufficient time to gather the required funds



Committee Members

Committee Members - Profile

- Major role of the committee members involves the running of the Alajeseke / Cooperative & thrifts
- The committee members are usually headed by a President / Chairman and assisted by Vice President / Secretary / Treasurer / Financial Manager
- Specific roles of the committee members of Alajeseke are as follows:
 - Preside over group meeting
 - Responsible for safe keeping of members funds
 - Undertake appropriate decisions on the provision of loans in terms of eligibility of the borrower, value of loan, penalty if borrowers' default, etc.
- Though no fee is charged by the committee members for running the Alajeseke, some financial rewards based on interest from loans to members & profit from the group businesses is usually received as incentives at the end of the financial year - November/December
- Asides from the yearly financial reward received by committee members, having easy access to loan forms a key attraction of running the Alajeseke

Committee Members – Fund Management

Record Keeping

- Members savings are usually recorded in the association's register which is kept in custody of the finance manager / treasurer

Fund Management

- In the rural areas, record of members savings is handled by a finance manager and the funds are handed over to the treasurer to deposit in the association's bank account
 - The president and treasurer / financial manager are the two signatories to the account
- In the urban areas, the funds are usually kept with the treasurer but the finance manager also keeps a copy of the financial records
 - *"There is hardly any money left to save, so there is no need to open a bank account"*



There is currently no universal usage of banks by providers of Alajeseku – non bank usage is particularly high with providers that have high loan requests from members

Adari Egbe

Adari Egbe - Profile

- The Adari Egbe refers to the group of people responsible for the running of the Ajo Egbe
- Specific role of the Adari Egbe includes:
 - Presiding over group meeting
 - Record and safe keeping of members savings
 - Scrutinize members loan requests
- The Adari Egbe comprises of a President / Head of the association supported by:
 - Vice President
 - Secretary
 - Treasurer
- No amount is charged by the Adari Egbe for the running of the Ajo Egbe, however financial reward based on interest paid on loans by members is received by the providers at the end of the financial year – November
- However, for the Ajo Egbe done in a church, the provider does not earn any financial reward since members pay no interest on loans



Adari Egbe - Fund Management

Record Keeping

- Members savings is usually recorded in the group register, which is kept in custody of the treasurer
- In the case of a few providers e.g. the Ondo Women Association, apart from the financial record kept by the treasurer, the secretary also keeps a record of members savings to prevent any discrepancies

Fund Management

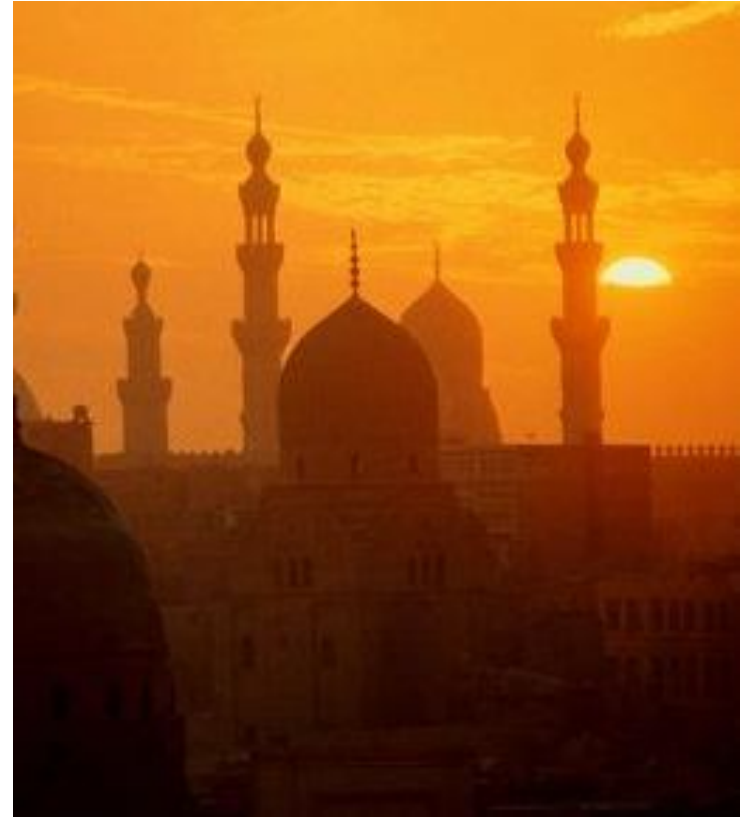
- For providers of Ajo Egbe in the church, members savings is usually deposited in the group's bank account by the treasurer and withdrawal must be approved by the president and treasurer
- For the other providers sampled, members savings is usually kept with the president / treasurer
- Inaccessibility of banks in rural areas is a major reason for non bank usage by providers of Ajo Egbe in rural locations



Adari Ajo Mosalasi

Adari Ajo Mosalasi - Profile

- The Adari Ajo Mosalasi refers to the Imam who is responsible for both the formation and running of the saving method
- However, the Imam shares the role of Adari Ajo Mosalasi with a group of people such as 'head of ileya fund' / secretary and treasurer (who are also members of the group)
- The role of the Adari Ajo Mosalasi includes collections of savings from members in the group and safe keeping of the funds until the 40th week in the year
- No amount is charged by the Adari Ajo Mosalasi for operating the saving product since they are also members of the group
- However, for the Imam who initiated the saving type, the need to help members of the Mosque save with ease for Salah festival is cited as the major motivation



Record keeping

- Every member is given a card where every saving they make on Fridays is recorded. Apart from this, the secretary also keeps a record in the group register

Fund management

- The fund is usually deposited in the group bank account by the treasurer
- However, since the saving is usually on Fridays, the money is not deposited until the following week
- The head of the 'Ileya fund, the secretary and treasurer are usually the three signatories to the group bank account
- The Imam is not involved in money handling but oversees the running of the group activities



Summary of providers of informal savings

Providers	Typical charges	Average of monthly saving	Product offering	Where do they keep the savings (Account management)
<ul style="list-style-type: none"> Alajo / Agbajo 	<ul style="list-style-type: none"> Between N100 & N200 per customer in the urban and between N100 & N50 in the rural <i>Note - charges depend on the amount of daily saving by customers...</i> 	<ul style="list-style-type: none"> Between N200,000 & N250,000 for majority. N50,000 for a few with very small customer base 	<ul style="list-style-type: none"> Daily savings / deposit with monthly pay out. Loan (but to trusted customers) 	<ul style="list-style-type: none"> Most keep the savings in the bank. Others keep half the savings in the bank and the remaining at home whereas a few with very small customer base keep the total savings at home.
<ul style="list-style-type: none"> Adari Ajo 	<ul style="list-style-type: none"> Between N200 & N500. Amount charged depends on the amount of saving per member & size of the group. <i>Note – not all Adari Ojo charge for services rendered.</i> 	<ul style="list-style-type: none"> 96,000 for consumers who save an average of N2000 weekly and N20,000 for young consumers who save an average of N500 weekly. N100,000 for those that contribute an average of N10,000 monthly 	<ul style="list-style-type: none"> Loan (money is contributed by every member and handed over to a member in turn until it makes a complete circle) 	<ul style="list-style-type: none"> Savings is handed over to members immediately.
<ul style="list-style-type: none"> Committee Members 	<ul style="list-style-type: none"> No charges. However, they are rewarded financially from interest paid on loan & profit from the group business. Amount received by each committee member depends on amount of money available at the time. 	<ul style="list-style-type: none"> Average of monthly saving not established. Members are more focused on loan and repayment. 	<ul style="list-style-type: none"> Periodic Savings Loan (savings is a prerequisite to access loan) 	<ul style="list-style-type: none"> Since money is usually in the hands of members as loan, there is hardly any savings left to be kept anywhere – hence most don't have bank account. However, there were claims of a few in the urban that keep savings in the bank.
<ul style="list-style-type: none"> Adari Egbe 	<ul style="list-style-type: none"> Same as the committee members above. 	<ul style="list-style-type: none"> No consistent monthly saving Between N50,000 & N100,000 	<ul style="list-style-type: none"> Savings / deposit (pay out is end of the year) Loan with interest Fixed deposit (common to a few) 	<ul style="list-style-type: none"> Savings is kept in the bank. For a few, savings is usually in custody of the head of the group.
<ul style="list-style-type: none"> Adari Ajo Mosalasi 	<ul style="list-style-type: none"> No charges. 	<ul style="list-style-type: none"> No consistent savings Ranges from N60,000 to N80,000. 	<ul style="list-style-type: none"> Weekly savings / deposit (pay out is after 40 months) 	<ul style="list-style-type: none"> Savings is kept in the bank

Consumers awareness/disposition to formal financial institutions

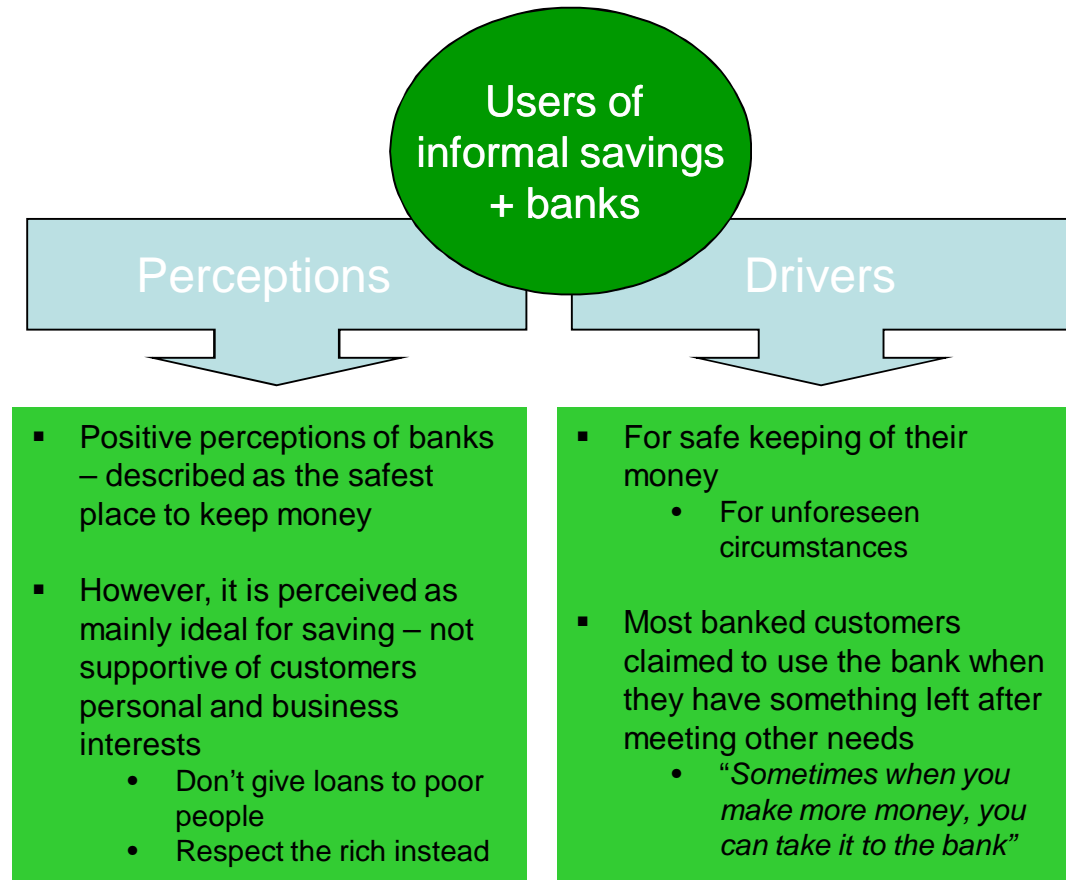
Consumer relationship with formal financial services

- There is relatively high awareness of banking and insurance services as opposed to other formal financial institutions
 - However no knowledge of insurance in rural areas
- Low knowledge of financial services and products amongst the banked consumers
 - Saving and current accounts - most known products
- Relationship with banks relatively stronger amongst salaried consumers
 - Most salaries are paid through a bank
- Relationship with banks amongst majority of the banked artisans / traders not very strong
 - Claims of saving occasionally when they have something left
 - Bulk of their money is used for informal savings, especially amongst those that use multiple informal saving options



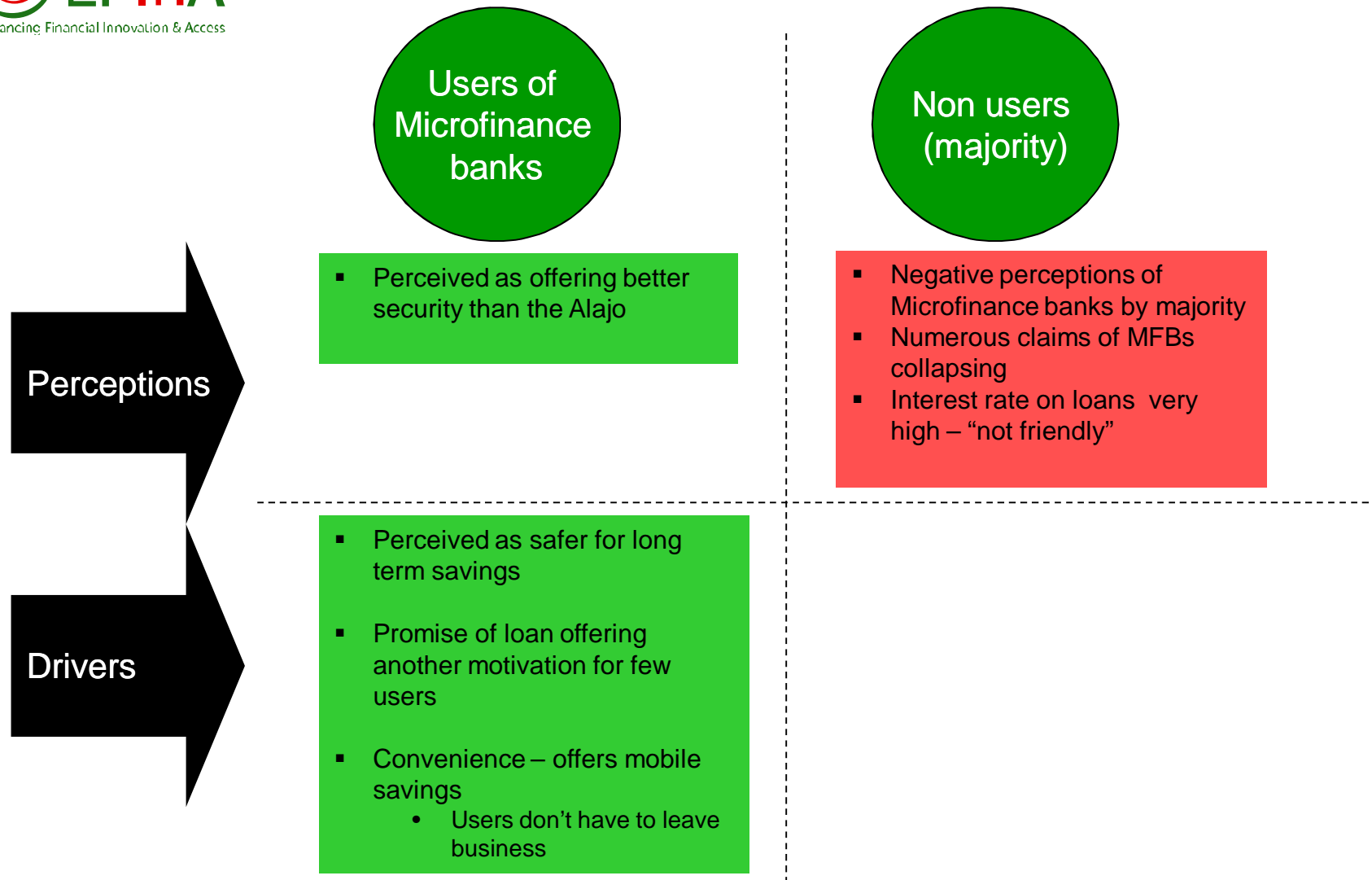
Banking services enjoy high consumer awareness as opposed to other financial services providers

Perceptions of commercial banks



Currently banks are perceived to have "self interest" which is driving the perception of unwillingness to offers to low income earners – hence the reason for the higher usage of informal savings which meet consumers financial needs better than banks

Perceptions of microfinance banks



Inconsistent perceptions of MFBs between users and non users. However, the institution generally commands negative perceptions with the majority

Product & service offerings - Formal vs. informal

	Loans	Savings products	Current accounts	Fixed deposit
Formal financial sector	Loans from bank <ul style="list-style-type: none"> Perceived as not accessible to the poor – “It’s for the rich people”. Collateral requirements and perceived high interest rates also major barriers – “I don’t have land for collateral” Most consumers tend to dread loans from bank – “no peace of mind” 	Savings accounts <ul style="list-style-type: none"> Seen as ideal for saving, but motivation for usage not strong due to no perceived benefit <ul style="list-style-type: none"> “The money does not grow, it’s the same amount that remains there through out the year”. Cannot request for loan with ordinary saving account Student account (Oceanic bank) <ul style="list-style-type: none"> Product enjoys high appeal amongst the younger respondents aged 16-19 & 25-35yrs due to benefit of zero kobo opening deposit 	<ul style="list-style-type: none"> Seen as meant for big people / business people who have the money to operate the account Usage of current accounts only amongst salaried and few business people sampled Major benefits – provision of loans and the use of cheques 	<ul style="list-style-type: none"> Some awareness but no usage
Informal financial sector	Loans from Alajo / Agbajo <ul style="list-style-type: none"> No collateral requirement Little/No interest Small amount of money involved, repayment is done easily within a month Ajo Adako <ul style="list-style-type: none"> Access to large sums of money within a short period of time without bottlenecks No collateral / interest Loan from Ajo Egbe/ Alajeseke <ul style="list-style-type: none"> Minimal interest charge on loans No collateral requirement Flexible repayment – last for a year (can pay back in November and borrow again in December) 	Ajo Ojumo <ul style="list-style-type: none"> More convenient to save No shame saving small amounts of money, unlike in the bank Can borrow money on the basis of the daily saving with Alajo Ajo Egbe / Alajeseke <ul style="list-style-type: none"> Can borrow money on the basis of savings (saving as a prerequisite for loan offer) Size of loan not influenced by amount of saving – “I can save N50,000 and borrow N200,000 which is not possible in the bank Ajo Mosalasi <ul style="list-style-type: none"> Convenience of saving Can save any amount Can’t access saving until the appointed time (enforces strict discipline) 		Ajo Egbe <ul style="list-style-type: none"> Keeps money in fixed deposit within the group from November to November Members can borrow huge loans from the pool Interest is paid on fixed deposit of members

Dual usage of formal (banks) & informal savings

Motivations for using both formal & informal savings

	Salary earners (civil servants / teachers)	Male traders / tailors / welder / vulcanizer cum car dealer	Few female traders / hair dresser/ fashion designers aged between 25-55yrs
Banks (formal)	<ul style="list-style-type: none"> Major reason for usage of banks by the salaried is based on their salaries being paid through banks 	<ul style="list-style-type: none"> Claims of getting paid for major jobs through banks – hence reason for bank usage For most, banks are perceived as the most secure – hence appropriate place for saving huge sums of money 	<ul style="list-style-type: none"> Relationship with banks merely influenced by a 'wannabe attitude' <p>...I just opened the bank account because everybody is opening account...I hardly use it</p>
Informal	<ul style="list-style-type: none"> Most also participate in monthly Ajo Adako to enable them have access to a large sum of money 	<ul style="list-style-type: none"> Also use Ajo Ojumo on daily basis – due to 'small amounts of money involved and convenient' 	<ul style="list-style-type: none"> Put bulk of their money into Ajo Adako and save small amounts with Ajo Ojumo on daily basis

Confidence in banks is relatively high compared to the informal sector – hence, there is a limit to the amount of money that consumers are willing to commit to informal savings especially for Ajo Ojumo

Motivations for using both formal & informal savings

	Banks (formal)	MFB (formal)	Informal
<ul style="list-style-type: none"> Small proportion across all consumer segments 	<ul style="list-style-type: none"> After collecting the money from the Alajo/Agbajo, transfers fund to the bank at month end Most believe that the bank offers more safety – ‘Alajo/Agbajo can run away’ 		<ul style="list-style-type: none"> Use Ajo Ojumo on daily basis due to convenience – ‘can’t be going to bank everyday to save N100’
<ul style="list-style-type: none"> Truck drivers / fashion dealer / traders of phone accessories 		<ul style="list-style-type: none"> Usage of MFB is influenced by promise of loan offer – ‘I am saving there for loan’ 	<ul style="list-style-type: none"> Use Ajo Adako in order to have access to large sums of money

Varied motivations for bank usage – however perceived guarantee of security of funds held in a bank over informal saving types is a major driver for majority of users

Conclusions

Conclusions

- Key motivations towards informal saving methods driven by:
 - Easy accessibility to money without bureaucracy involved
 - Quick access to customer's savings
 - Meets consumers financial needs more effectively
 - Stiffer financial discipline – ***there is a commitment that binds one to save***
- 6 informal saving types were identified:
 - Saving at home
 - Ajo Ojumo
 - Ajo Adako
 - Alajeseku (cooperatives)
 - Ajo Egbe
 - Ajo Mosalasi – low popularity, currently awareness and usage is common only in rural areas
- Flow of income is a key influencer of choice of informal saving type adopted by consumers
- Short term savings is common amongst majority of the sampled target due to need for cash to cater for immediate needs and reinvest in personal businesses at month end, hence the high usage of Ajo Ojumo and weekly Ajo Adako
- Long terms saving for investment into landed properties e.g. housing is common amongst older males, hence their preference for monthly Ajo Adako
- There is a relatively high involvement in informal saving by female consumers as opposed to their male counterparts who are more inclined to use formal methods due to trust issues

Conclusions

- Entry barriers to formal financial institutions hinged principally on following:
 - Low cash flow – “shameful feeling of going to the bank with small sums of money e.g. N200”
 - Illiteracy – a barrier for few “saving strugglers” and male Hausa consumers
 - Non accessibility of banks in rural areas
 - Negative perceptions that most banks products do not meet the needs of the poor – banks are currently seen to be favourable to the rich especially for loans
- Inability to access loans from banks through savings account cited as another bottleneck impairing consumers relationship with formal financial institutions as opposed to informal savings products where loans are easily available
- For majority of unbanked females “saving enthusiasts” bank usage is hindered by their involvement in multiple informal savings types
- Past losses from liquidated banks and current microfinance banks reputation is impacting negatively on consumers trust for formal financial institutions – especially banks
- In addition, current negatives association of ATM further hindering consumers disposition to technology based financial product / services
- Low awareness of formal financial product and services – savings account is currently the most known financial product by the consumers

Recommendations

Potential opportunities for linking informal savings with formal financial institutions

Ajo Ojumo

- There is potential opportunity to organize a routine programme for bank staff to visit the different consumer segments thereby fostering personal relationships. Bank staff will collect deposits, pay out money on request and offer financial advisory services - the positive perception of banks as being 'more secure' relative to the Alajo / Agbajo can be leveraged to attract informal savings customers
- Loyalty rewards forms a key part of the relationship between providers of Ajo Ojumo and customers – to attract users of Ajo Ojumo to formal financial institutions, promotional offers designed around their psychographics / business needs may be a good option
 - Save a particular amount and win a gift item relevant to their business
- Consider direct marketing to providers of Ajo Ojumo, especially those with a small customer base who keep the money at home due to the perception that the amount is too small to be saved in a bank

Ajo Adako

- Tailor made loans that are short term and flexible and which address immediate needs of the low income earners can be offered to attract current users of Ajo Adako to formal financial institutions
 - The low income earners currently see banks as not offering any benefit other than savings and that loans from banks are mostly for 'big people'

Saving at home

- There is an opportunity for formal financial institutions to consider a special counter where the main local dialects are spoken. This would address the saving with a friend which is influenced by illiteracy, language barrier and complex banking processes

Ajo Egbe / Ajo Mosalasi / Alajeseke

- Consider a flexible yearly target savings account with stepped –up interest rates as savings grow to attract users of the Ajo Egbe, Alajeseke & Ajo Mosalasi
- Also provide customers with access to loans based on a percentage of their savings, repayments should be spread out, but the loan should be fully paid up before the end of the year. However these customers must still be encouraged to maintain their usual savings patterns

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