

Access to Finance in Nigeria 2010 Survey Qualitative Phase

Focus Group Discussions: Key Findings

Background

Background: FGD Objectives



Broad Objective

- Measure, benchmark and profile levels of access to financial services by all (adult) Nigerians, rich and poor, located in rural and urban areas – for use by key stakeholders incorporating policy-makers, regulators and financial service providers



Specific Objectives

- Provide a comparison of access to financial services in Nigeria from 2008 to 2010
- Assess the potential impact of new financial sector policies on enhancing access to finance
- Provide insights into usage of formal financial services
- Improve understanding of the use of and demand for financial services in Nigeria
- Explore financial behaviour, attitudes, interests, quality of life and household financial management, as well as attitudes to use of technology
- Understand attitudes to the use of technology (such as mobile phones) to access financial services and make payments
- Highlight potential opportunities for innovation in product development and the need for policy reform and/or intervention
- Document usage of financial products across both formal and informal sectors



Focus Group Discussion (FGDs) – 10 in total



Target:	<ul style="list-style-type: none"> Gainfully employed/students who have a regular source of income targeted viz: <ul style="list-style-type: none"> Unbanked – those who do not use any form of formal financial service provider, use mainly informal sources Banked – those who operate a bank account/use a formal financial service provider <p>5 Banked & 5 Unbanked</p>
Age:	<ul style="list-style-type: none"> 18 – 55 years split as: <ul style="list-style-type: none"> 18 – 34 years 35 – 55 years
Gender:	<ul style="list-style-type: none"> Male and Female users (5 Male & 5 Female groups) <ul style="list-style-type: none"> Separate groups were conducted to allow for clarity of findings in terms of perception and avoid group domination by one gender (males particularly)
Social Class:	<ul style="list-style-type: none"> Social Class 'ABC1C2DE' split as Social Class 'ABC1' & Social Class 'C2DE'. The split was to prevent feelings of inferiority and superiority
Where:	<ul style="list-style-type: none"> Pan Nigeria in both urban and rural locations (5 Urban and 5 Rural) <ul style="list-style-type: none"> Lagos (Lagos & Agbowa) Enugu (Enugu & Nkporogwu-Emene) Makurdi (Makurdi & Wanune) Kano (Kano & Tambarawa-Gan)

Savings

Savings: Importance of savings

- The importance of savings which has made it a regular habit/pattern among both banked and unbanked respondents (irrespective of gender and urbanization) are best captured in the following verbatim quotes:

“Savings is important for emergency periods for example my child can be sick at anytime”

C2DE Male, 35 – 55 Years, Unbanked, Kano

“It is important because of emergency incase there is problem”

“You save so that you can have something to hold on to the next day”

“Save to meet your target, meet your focus and plans”

ABC1 Females, 35 – 55 Years, Banked, Makurdi

“We save because of emergency, anything can happen when you don’t expect”

Savings is for unforeseen expenses, things you did not plan for can just happen”

C2DE Females, 35 – 55 Years, Banked, Enugu

“I save in case of emergency”.

“To solve my problems with it”.

“To have some money to assist my people if there is no money to eat with again in the house I will then bring it out”

C2DE Males, 18 – 34 Years, Unbanked, Enugu

“Saving is important because it helps you to take care of unexpected and unplanned situations whenever they just arise”.

“It guarantees that you are covered when events that you did not plan for occurs”

ABC1 Males, 35 – 55 Years, Banked, Lagos

- Overall respondents are aware of the importance of saving irrespective of gender, banking status and urbanization. However, the banked and urban based seem inclined to save more than their rural counterparts

Savings: Barriers to savings

- Though none of the study's participants is 'anti saving' (as they all claimed to regularly save), the perceived major barriers to savings in their various communities are listed below:

Banked /Urban Populace

- The unstable financial environment which has resulted in a lack of trust in the system
- Frequent collapse of banks
- Inflation/high cost of living
- Low interest rates provided by financial institutions
- Difficulty/delays in accessing money kept in banks by relatives and friends currently using financial institutions

Unbanked/Rural Populace

- Lack of trust in financial institutions
 - Recent collapse of banks
 - Failure to release money when required
- Low financial power. Available income merely sufficient for daily sustenance
- Illiteracy. Poor knowledge of the benefits of saving
- Non existence of banks to encourage habit among the people (some)

Quotes

"Banks are not trustworthy and so people are scared to save their money there"

"Banks do not release money when you need it" C2DE Males, 18 – 34 Years, Unbanked, Makurdi

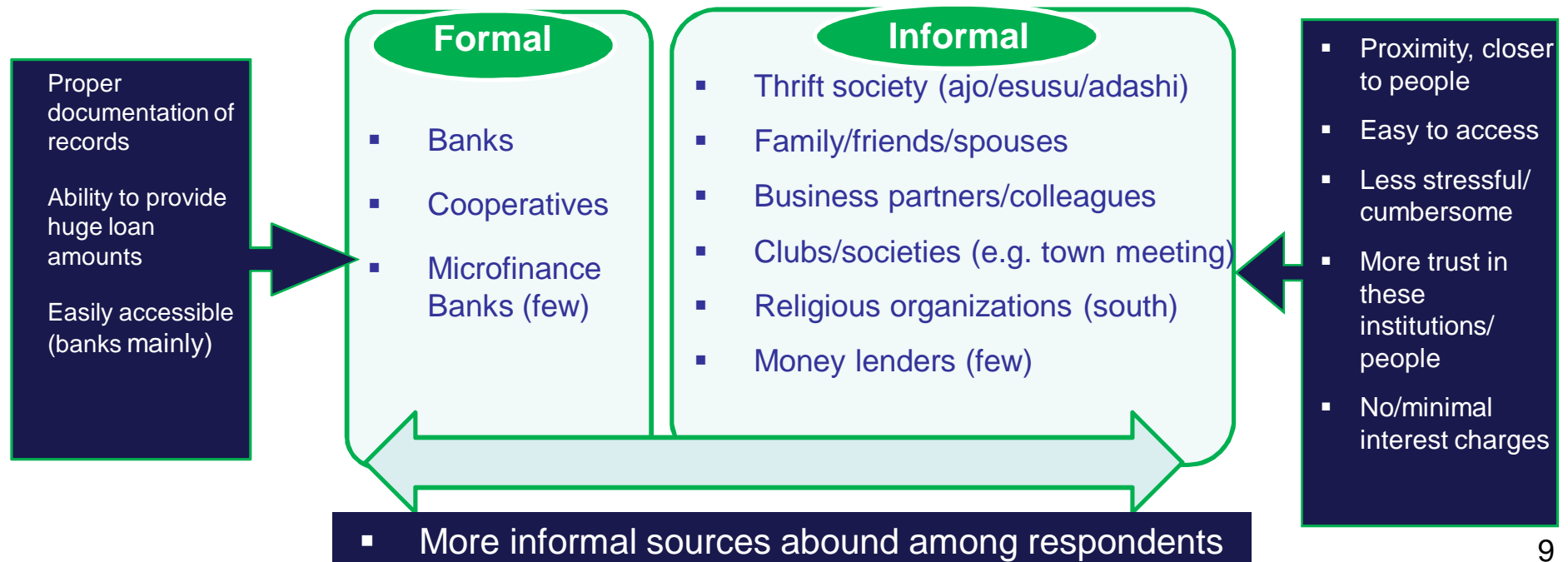
"We are scared of banking problem like fear of bank liquidation"

"It is also because of the high deductions and charges that banks usually ask for" C2DE Females, 35 – 55 Years, Banked, Enugu

Loans

Loans: Sources of loans

- ❑ Varied sources (formal and informal) are utilised. The source of the loan often depends on the need
- ❑ Among the banked/urban respondents, formal/informal sources are used while their unbanked/rural counterparts patronize mainly informal sources
- ❑ Informal loan sources are used because the suppliers are deemed to be closer to people. In addition, interest rates are minimal when applicable, hence are perceived as more humane
- ❑ Sources of loans as well as reasons for choosing these sources are captured below:



□ The notable barriers to getting loans are listed below:

**Banked &
Unbanked**



- Demand for collateral by the banks
- Interest rates charged by banks usually high
- Have sufficient money to meet needs hence no need to borrow
- Unpleasant experiences of relatives and friends who have borrowed money but later did not pay up and ended up losing property or being arrested
- Repayment terms considered unfavourable

Quotes

“I always have the cash to use”.

“I never lack money so no need to borrow”.

“The time for repayment that they always ask for is not ok for me”

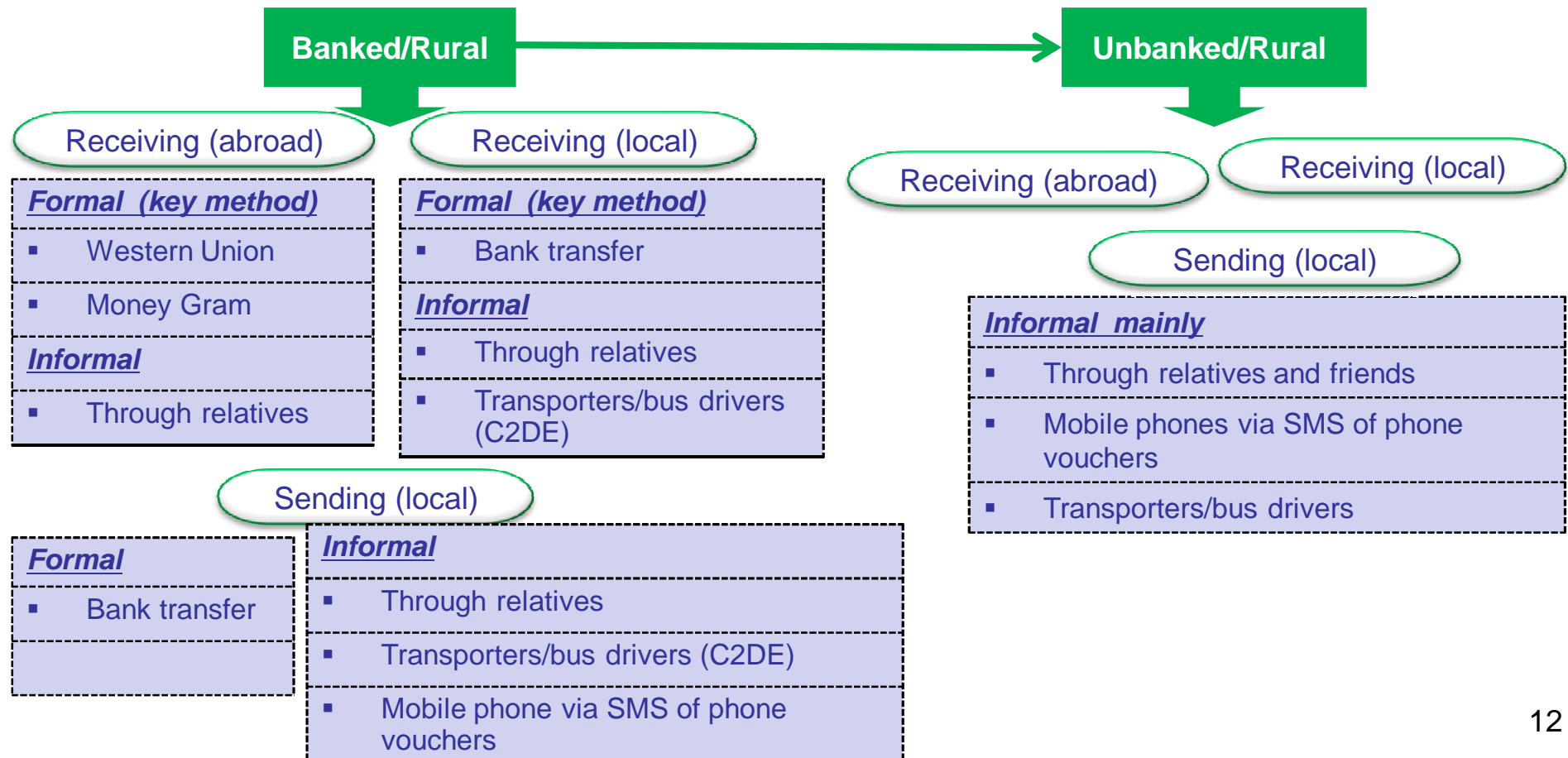
“I am contented with the money I have”.

“My friends have told me about their unpleasant experiences and so I have decided I will not take loan”.

Remittances

Remittances: How Respondents Receive/Send Money

- Both formal and informal methods are regularly employed by respondents who send/receive money. While receiving money from abroad is mainly executed through formal methods, sending money is performed through formal (banked respondents) and informal methods
- The different methods employed for money transfer by respondents are captured below:

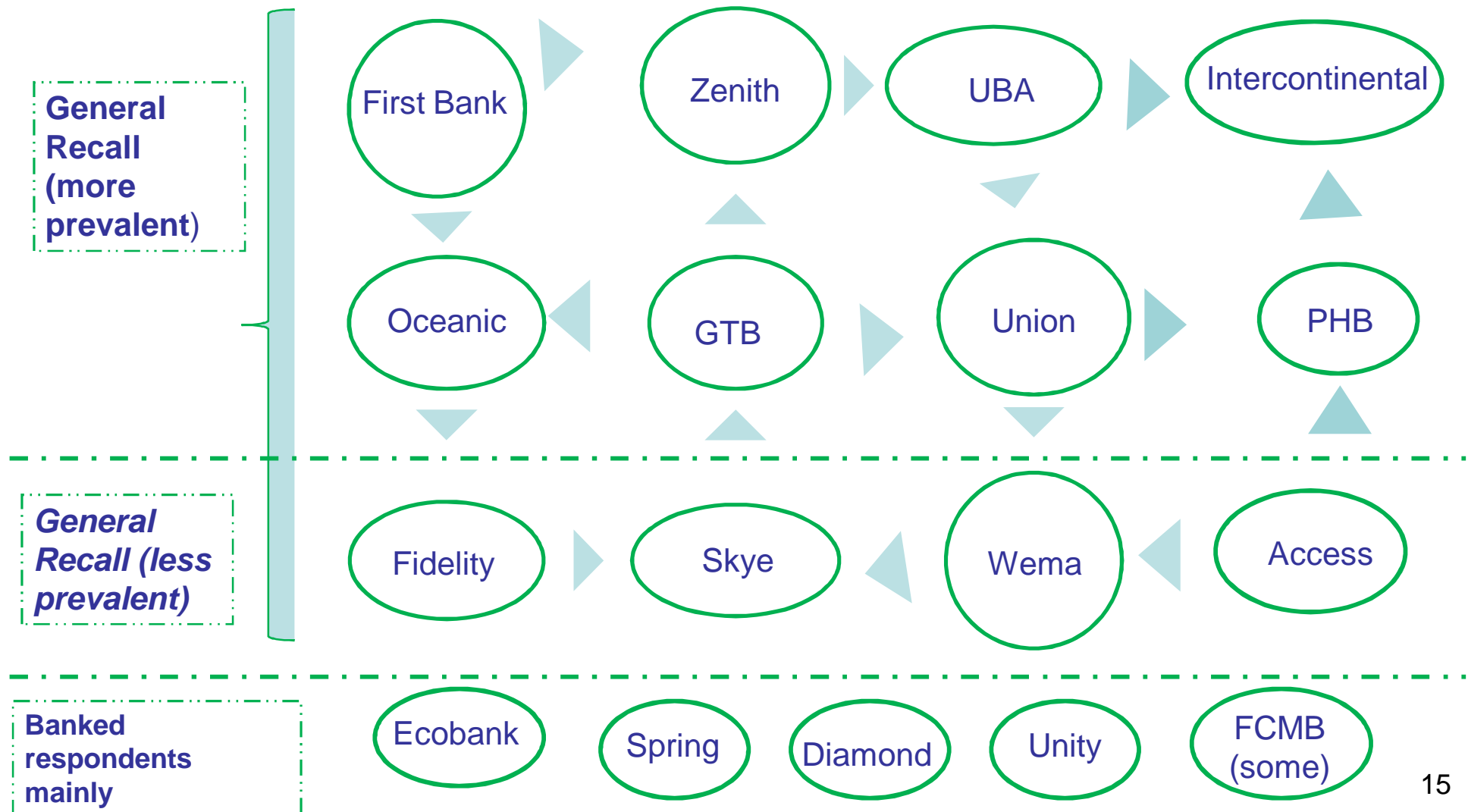


- ❑ Generally, respondents expressed mixed reactions with the different processes employed for money transfer
- ❑ Among the formal methods, Western Union and Money Gram are applauded for the following reasons:
 - Fast speed of money transfer
 - Encourages safety of money
 - Less stress involved in process
 - High level documentation promotes transparency hence, less likelihood of fraud
- ❑ Though money transfer is appreciated for safety/security of fund and convenience of usage, the incessant network failures in banks is worrisome as it often hinders the fast speed that this method is expected to promote
- ❑ For the informal money transfer methods, though popular and well patronized, they are faulted on several grounds such as:
 - ❑ Through relatives: Occasional delay or non delivery of money, ***“At times the person can run away with your money or they will not bring it on time when you need it”***
 - ❑ On mobile phones: Incessant network fluctuations
 - ❑ Transporters/bus drivers: Failure to deliver due to claims of armed robbery attack, ***“Sometimes, when you give somebody money to give to my mother, they will tell me that armed robbers attacked them on the way and the money stolen”***

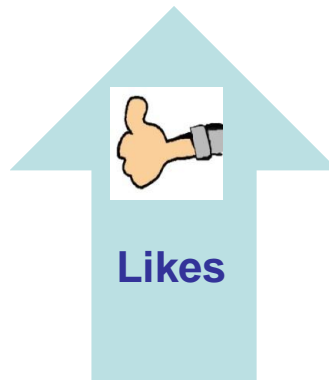
Banking Sector

Banking: Recall of Banks

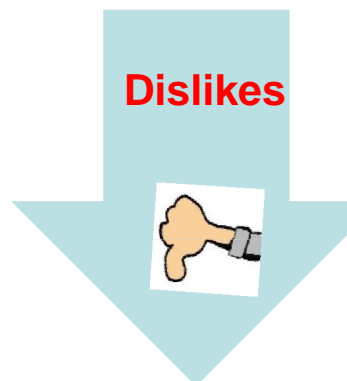
- Recall of commercial banks by both banked and unbanked respondents is impressive and notably for the following banks (in no order):



- The perceived key strengths and weaknesses of this industry are:



- Safety/security of money and other valuables
- Wide coverage with the availability of different branches which has also promoted close proximity to customers
- Easy accessibility of money especially with the introduction of the ATM system
- Offers a wide range of financial services/availability of different products
- Provision of financial assistance e.g. loans for business growth
- Neat environment (some)
- Friendly/efficient customer services (few)



- Instability in the industry (e.g. frequent collapse of banks) has given rise to lack of trust
- Poor interest rates especially for savings accounts
- High bank charges
- Frequent network failures/problems causing delays during transactions
- Lack of support for young entrepreneurs
- Long queues still a common feature in some banks
- ATM fraud is rampant
- Poor customer relationship (some especially previous bank users)
- Absence of banks in rural areas (unbanked respondents mainly)

- Provision of the following will prompt a regular adoption of banks:

- Establishment of banks in rural communities
- Create confidence that banks would not collapse
- Provision of 'softer' loan terms especially for the low income segment who are financially handicapped
- Education/enlightenment of rural dwellers and illiterates on how to operate/maintain a bank account
- The possibility of the usage of local languages in bank operations

Quote

"They should be teach people here on the operation of bank"

"They should give easy terms in collection of loans"

- Stakeholders in this sector should consider the aforementioned in their policy implementations to encourage patronage of this sector

- The perceived attributes of an ideal bank for both banked and unbanked respondents are highlighted below:

Quality of Service

- Fast service (withdrawing and depositing)
- Functional equipment (no network failure/ system breakdown)
- Low bank charges/increased interest rates
- Security of money and other valuables
- Less documentation process in opening an account (unbanked mainly)

Customer Service

- Friendly
- Welcoming

Ideal Bank



Environment/Appearance

- Attractive structures
- Neat

Staff

- Courteous
- Knowledgeable

Accessibility

- Easy access to money
- Proximity of branches

Target

- Both the educated and uneducated enjoying same privileges (C2DE mainly)

Banking: Role of CBN in the Industry

- The perceived role of the Central Bank of Nigeria in this industry as understood by respondents is more of supervisory/regulatory as highlighted in the following verbatim quotes below:

“They check mate the commercial bank to be sure they are doing the right things”

C2DE Male, 18 – 34 Years, Unbanked, Makurdi

“Their role is to provide more security for the commercial banks”

ABC1 Female 35 – 55 Years, Banked, Kano

“They are supposed to sustain and manage the commercial banks, that is their role”

ABC1 Female 35 – 55 Years, Banked, Makurdi

“They act as a watch dog to other banks”

C2DE Female, 35 – 55 Years, Banked, Enugu.

“They are trying to make us trust them by flushing out bad eggs in the systems”

“Also, they want to integrate all the banks”.

C2DE Females, 18 – 34 Years, Banked, Lagos

- There is evidently the need for more campaigns by the Apex Bank to enlighten the public of their role in the industry as this would help to increase their trust in this sector

Microfinance

Microfinance Banks: Understanding of their functions

- Irrespective of demographics, respondents generally understand the key function of Microfinance banks as providing support/assistance for the low income segments of the society (especially rural dwellers) as vividly captured in the following quotes:

“They are supposed to give people in the rural areas loans for their business

C2DE Male, 35 – 55 Years, Unbanked, Lagos

“A bank that their processes of giving out money as loans does not take much time”

“They are required to visit customers and not customers visiting them”

ABC1 Females, 35 – 55 Years, Banked, Makurdi

“They are meant to give out loans to people without much capital for their business”

“Acceptance of low amount for opening and operating an account”

C2DE Males 18 – 34 Years, Unbanked, Enugu

“They are basically banks meant to assist small scale business, to help them grow big”

ABC1 Female, 35 – 55 Years, Banked, Kano

“Bringing banking to the people in the rural areas, people who don’t have enough money to operate a bank account”

:A bank for small scale loans.

C2DE Females, 18 – 34 Years, Banked, Lagos

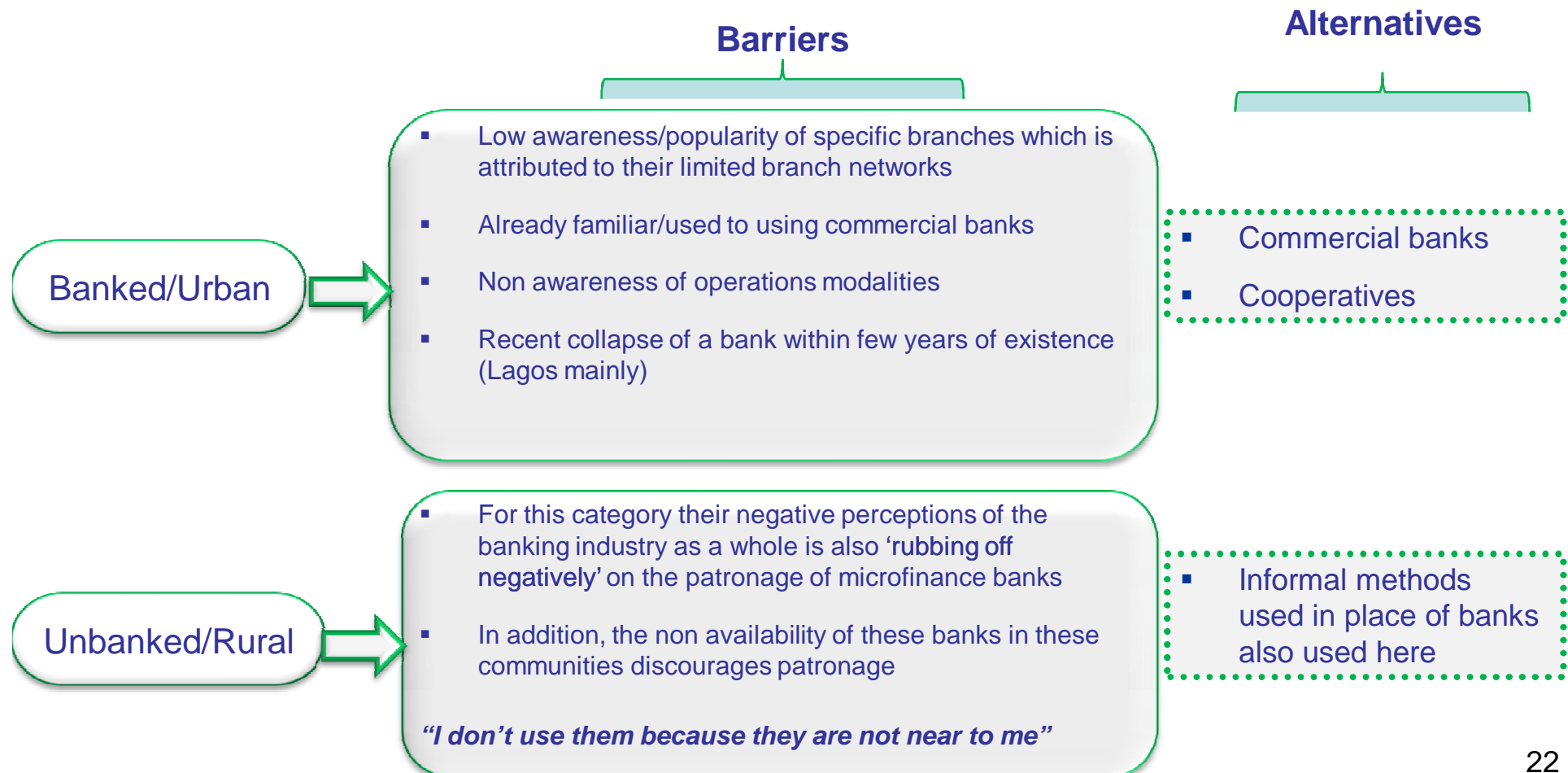
“It’s a bank that helps people especially those with little or no capital to start up their own business”

C2DE Female, 35 – 55 Years, Banked, Enugu

- Given the clear understanding of the functions of these banks displayed by respondents, the ‘task at hand’ is to convert awareness to regular patronage

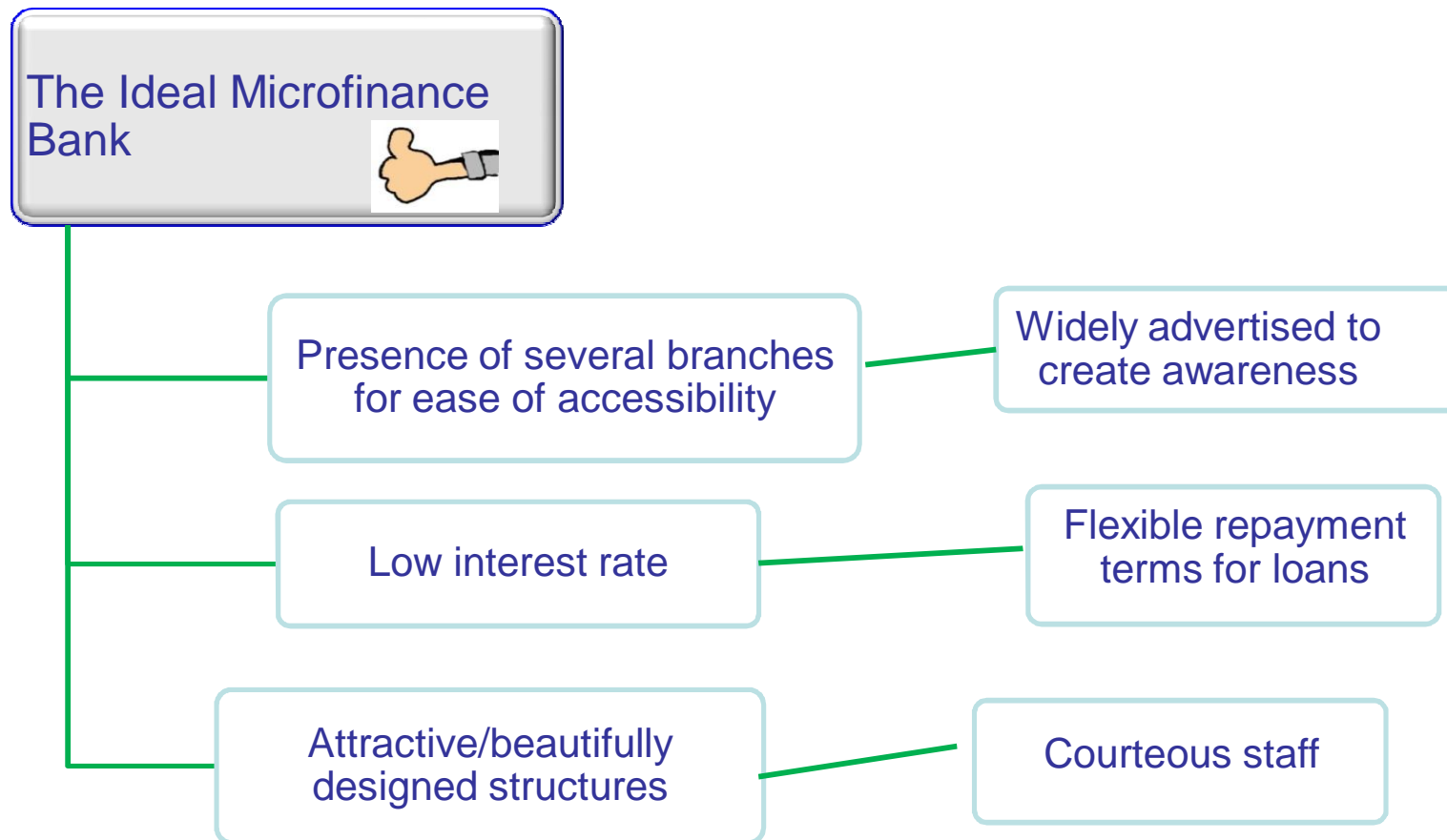
Microfinance Bank: Barriers to usage

- ❑ Though respondents generally displayed a positive disposition towards microfinance banks and clearly understand what this type of bank stands for, patronage is rather unimpressive across the board as only a couple of banked respondents claimed to make use of these banks
- ❑ This low patronage is attributed to the following:



Microfinance Banks: The Ideal Microfinance Bank

- Expected qualities of the ideal microfinance bank as proffered by both categories of respondents is akin to the commercial banks and include the following:



Insurance

Insurance: Strengths & Weaknesses

- ❑ The strengths/benefits associated with insurance also serve as the functions they expect insurance to perform
- ❑ The perceived strengths and weaknesses of this sector are presented below:

Strengths

- Provides peace of mind in case of future disaster
- Assurance of adequate coverage during disasters and or unforeseen/unexpected events
- Bears one's risk/risk bearer
- A plan for the future/guarantees the future
- Family members left behind are assured of a means of survival
- Helps to cushion the effects of tragedy

Though awareness of its benefits is impressive, negative perception of insurance is high

Barriers due to:

- Stress associated with insurance transactions especially for claims
- Poor response
- Delays/unreliability associated with investigations of claims and settlements

Weaknesses

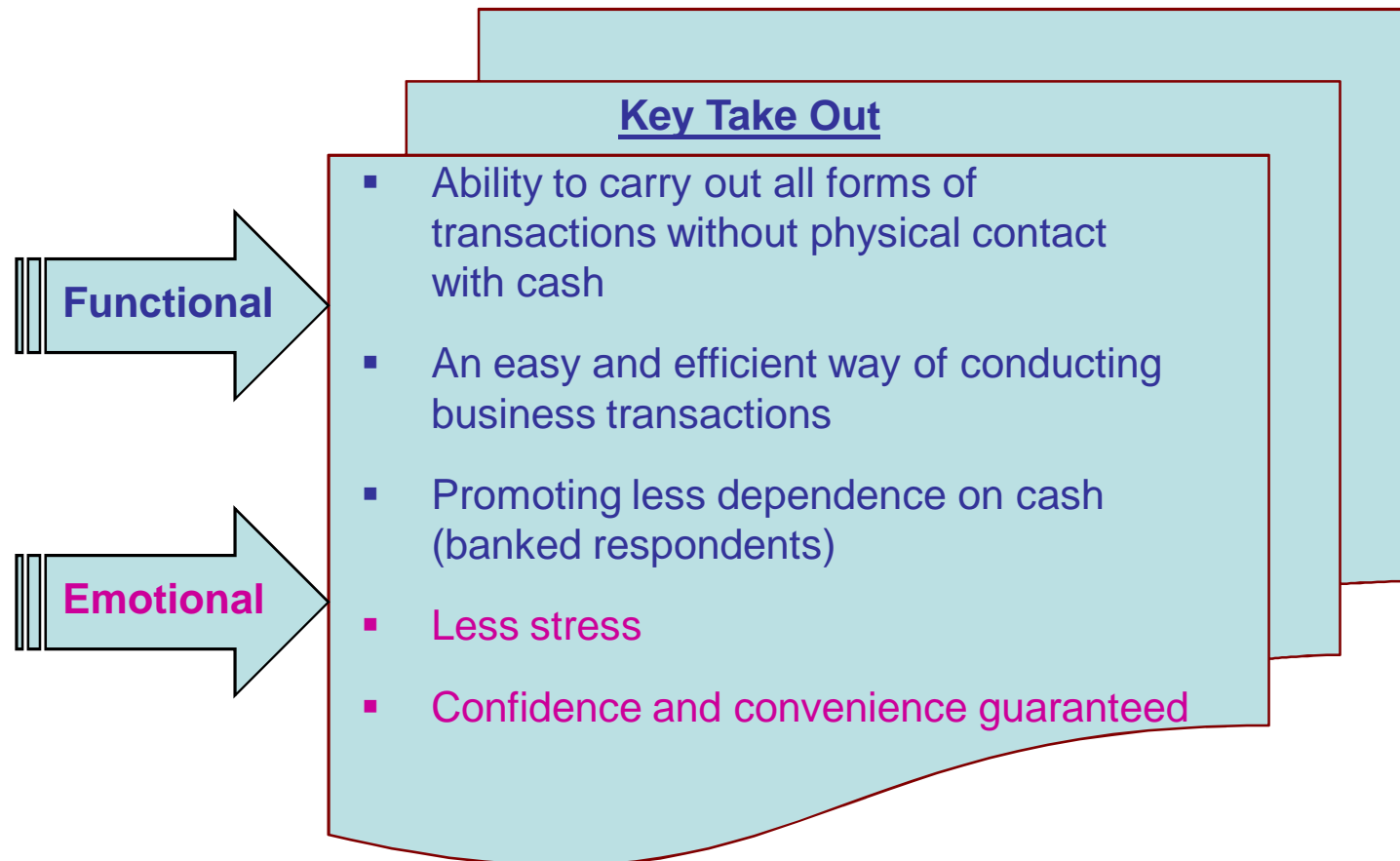
- Poor response to claims/long periods spent in processing claims stressful
- Unreliable, often fails to settle claims promptly
- Absence of adequate information
- The unnecessary delays in investigating claims
- Contract usually unclear and contains 'hidden clauses'
- Unaffordable to low income earners

- The negative perception of insurance is fuelled by the disappointing experiences of friends and relatives who have used/currently subscribed to insurance policies

Mobile Payments Concept (based on M-PESA model)

Mobile Payments: Understanding of the Concept

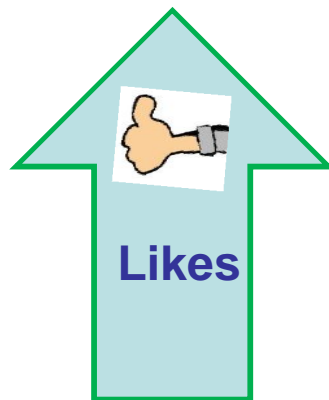
- ❑ Irrespective of demographics, respondents generally warmed up to this new concept described as 'a welcome development' and which they would gladly adopt and regularly use if introduced.
- ❑ Their key take out from the idea are **functional** and **emotional** as shown below:



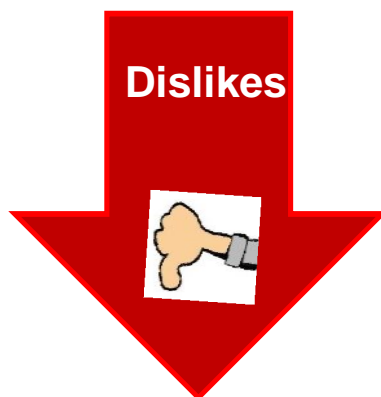
- Respondents' likelihood of accepting the concept when introduced is not in doubt given their positive perception of the concept

Mobile Payments Concept: Likes & Dislikes

- ❑ The perceived strengths/benefits and grey areas/weaknesses associated with this payment mode is a clear indication that respondents welcome the idea
- ❑ Though the benefits far outweigh the grey areas, these should be considered in the final product prior to its introduction into the market



- Ease of usage
- Convenience/less stress (ability to operate concept anywhere, even at home)
- No need for cash movement
- Guarantees faster speed of transaction
- Reduces transportation cost
- Provides employment opportunities for agents



Imperative to mention that these dislikes were mentioned by only a few respondents

- Persistent network fluctuations may hinder operations
- Loss of mobile phone/pin number
- Fear of risk
- Discourages privacy (banked females mainly)

- ❑ To further enhance the patronage of this concept, respondents proffered the following suggestions prior to the concept being introduced into the Nigerian market

Improvements Required

- Make concept less cumbersome
- SMS alerts should not incur any cost
- Partnership with existing telecommunications providers
- Ensure security of information especially in terms of SIM/PIN loss
- Participating agents should be adequately trained and regularly monitored
- Provide enough awareness campaigns to sensitize consumers on usage patterns and benefits
- Ability to use different phone models for operating concept
- Inclusion of an emergency/police number in case of emergency