

Understanding the Low Income Population in Nigeria:

- Savings habits
- Challenges faced when using banks
- Potential for using mobile phones to manage their finances

**Based on findings from nationwide
Focus Group Discussions**

March 2011

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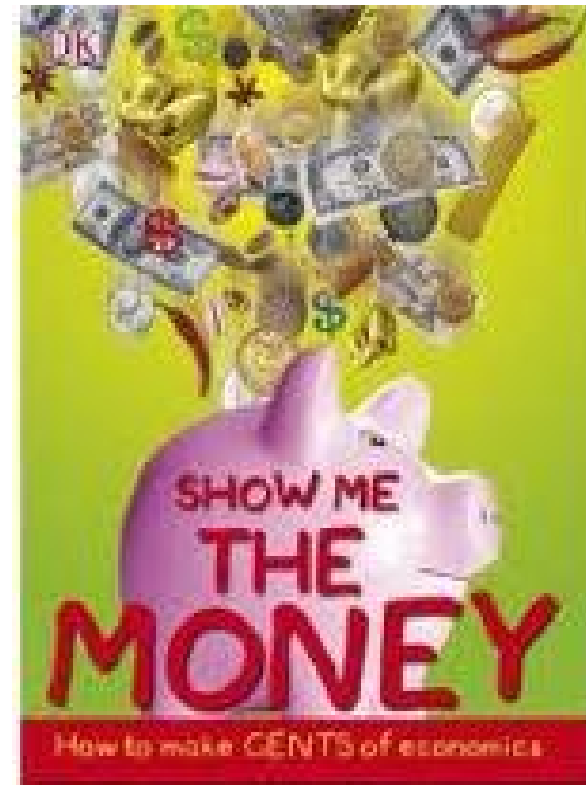
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Background

Background

- Access to a range of affordable, safe and reliable financial services i.e. credit, savings, investments, insurance, and pensions provide the necessary lubricant for economic growth and will contribute to reducing poverty in Nigeria
- Readily accessible savings services will help smoothen out consumption, and offer a buffer in family events/emergencies that typically plunge poor people into chronic poverty or tip those on the edge into poverty
- The EFInA Access to Financial Services in Nigeria 2010 Survey highlighted that **23.8 million adults** are currently saving at home, which has a negative impact on the country's economic growth and development. If we can get 50% of these people to save N1,000 per month, then potentially N143bn could be mobilised per annum



Research Objectives

Research Objectives



To better understand the characteristics of the low income population in Nigeria:

- What is the role of savings in their lives
- The types of savings products they currently use
- Advantages/disadvantages of using formal/informal savings methods
- Challenges faced when using banks - do men and women face the same challenges
- What financial institutions can do to attract their patronage
- The potential for using mobile phones to manage their finances
- Which organisations they would trust for providing mobile financial services

Research Methodology

Qualitative via focus group discussions



- Focus Group Discussions (FGDs) were conducted which enabled us to gain deep insights into respondents saving culture, role of saving in their lives, challenges faced, etc
- This approach allowed respondents to freely express themselves
- The FGDs were conducted by Real Edge Research Options (RERO) in February 2011
- Total Number of FGDs conducted – 28

Focus Group Participants

Focus Groups Participants

Gender

Male/Female (25:75)
Total number of respondents = 271

Age

18 – 25 years (41%)
26 – 40 yrs (59%)

Locations

Urban and rural areas in Lagos (40),
Benin (36), Enugu (37), Kaduna (40),
Kano (39), Nasarawa(40), Yola (39)

SEC

C2D (49%)
DE (51%)

**Banking
Status**

Banked (51%)
Unbanked (49%)



Top Line Findings



Understanding their sources of income

Respondents Occupation

WOMEN

Urban

- Artisans - hair dressers, tailors
- Petty traders: second hand clothes, earrings, pepper, provisions, ice
- Sales girls
- Civil servants - clerks, teachers
- Pay phone operator/recharge card seller
- Caterers
- Sell cooked food, sachet water

Rural

- Farmers
- Hair dressers
- Petty traders - awara (soya bean cake – north), sweets, provisions, pepper, kunu, food stuff
- Burukutu brewer

MEN

Urban

- Artisans – mechanics, painters, electricians, barbers
- Drivers
- Truck pushers (those who help others carry their wares in the market usually with a wooden/iron cart on two wheels)
- Traders – sachet water, foodstuff, burukutu, second hand clothes
- Okada rider (commercial bike riders)
- Sell computer accessories, recharge cards, sachet water

Rural

- Farmers
- Teachers
- Traders – honey, food stuff, fruits
- Artisans – bricklayer, electrician, etc

Sources of Income

- Respondents are engaged in both formal and informal sectors of the economy
- Their average monthly salary/take home pay ranges from N5,000 to N40,000
- Those in gainful employment still engage in one or two businesses to make ends meet
 - *"I sell provisions, but I also sell sand and gravel. Sometimes when I help someone sell a plot of land, they give me 10% of the money"* (26 – 40 yrs female, Lagos)
 - *"...I work as an agent for those who want to rent houses and I also work as a tailor"* (26 – 40 yrs male artisan, Benin)
 - *"I am a brick layer but I also cut timber in the bush"* (26-40 yrs male artisan, Benin)
- Some claim to get some irregular sums of money as gifts from relatives, friends and boyfriends, especially when in urgent need
- They also engage in some menial jobs and enjoy from the national cake doled out by politicians nowadays
 - *"As elections are around the corner, politicians send their agents to different wards to give out money so that we can vote for them".* (26 – 40 yrs male, Yola)

Spending Patterns

WOMEN	MEN
<ul style="list-style-type: none">▪ Travel/transportation▪ Pay bills: house rent, school fees, utility bills▪ Plough back into business▪ Pay tithes▪ Family support▪ Buy clothing for self▪ Save for a rainy day <ul style="list-style-type: none">▪ Purchase of toiletries▪ Buy clothing for children▪ Personal grooming: hair, make up, etc	<ul style="list-style-type: none">▪ Personal entertainment

Men and women generally have similar spending patterns



Understanding the role of savings in their lives

Benefits of Savings



Ready cash
during emergency

Source of joy
because of peace of
mind

Source of control
over one's life

Save guards the
future

Boosts self
confidence: gives
peace of mind

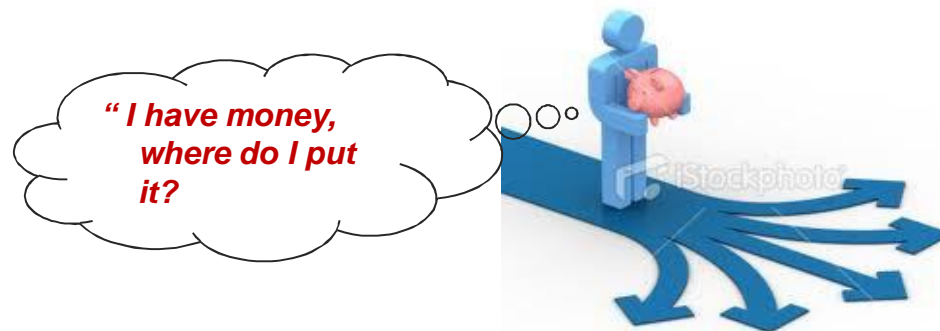
Source of large sums
that can be invested/
ploughed into
business

Role of Savings

- All respondents spontaneously associated savings with “banks” as it is the universally acceptable and secure place to keep money, even though some are averse to the idea of banking
- Benefits of saving...
 - **Emergencies**
 - *“We can fall sick at anytime and to go to the hospital you need money to pay for treatment” (Consensus)*
 - *“Most hospitals will not treat you if you don’t have money, so we need to prepare for the rainy day” (Consensus)*
 - *“When you have savings, it prevents you from embarrassments during emergencies” (26 – 40 yrs female, Nasarawa)*
 - **Control mechanism for unnecessary spending**
 - *“If the money is with you, you will spend it any how” (Consensus)*
 - *“..If I have N500, I split it to two and give Akawo N300” (26-40 yrs female, Benin)*
 - **Help plan for the future**
 - *“Nobody knows tomorrow, so if we spend all our money now, what will happen if we lose our jobs or die tomorrow ... so we need to plan now” (26 – 40 yrs male, Yola)*
 - **Boosts self confidence: availability of money brings about a sense of security**
 - **Accrued money can be used for other investments**
 - *“All the small money I save, by the time it is plenty, I can invest it in something that will fetch me more money like land” (26 – 40 yrs male, Yola)*
 - *“It was the monthly contribution that I used to start my project in the village” (26-40 yrs female, Benin)*

Savings Habits

- Respondents use both informal and formal saving mechanisms
- Most savers do not use or depend on just one method for safety reasons
 - *"I cannot put all my eggs in one basket" (Consensus)*
 - *"This is money we are talking about and you know how difficult it is to make N10 nowadays" (26 – 40 yrs male, Yola)*
 - *"I am ready to follow anybody up that plays with my money but sometimes there's nothing you can do (26 – 40 yrs male, Lagos)*
- A major factor in determining which formal or informal method to use (especially contributions and group savings) is "word of mouth" and other people's experiences
 - *"I ask around before deciding where I want to put my money, because somebody can take the money and run away with it".*



Summary of Savings Methods Utilized

Location	Formal savings	Informal savings		
		Contribution	Home saving	Other Forms of Savings
Lagos	<ul style="list-style-type: none"> • Banks • MFBs • Cooperatives 	<ul style="list-style-type: none"> • Daily (Ajo) • Group (Adako) 	<ul style="list-style-type: none"> • Inside chairs • Wooden safe • Pockets • Within books 	<ul style="list-style-type: none"> • Kolanut • Melon seed (Egusi) • Palm oil • Shares
Kaduna	<ul style="list-style-type: none"> • Banks • MFBs • Multipurpose 	<ul style="list-style-type: none"> • Daily (Adashe) • Group (Adashe) • Multipurpose 	<ul style="list-style-type: none"> • Cupboard • Wooden safe (Asusu) • Clay safe (Asusu) • Tin safe (Asusu) 	<ul style="list-style-type: none"> • Grains (Hatsi) • Land • Livestock
Kano	<ul style="list-style-type: none"> • Banks • MFBs 	<ul style="list-style-type: none"> • Daily (Adashe) • Group (Adashe) • Welfare 	<ul style="list-style-type: none"> • Cupboard • Wooden safe (Asusu) • Clay safe (Asusu) • Tin safe (Asusu) 	<ul style="list-style-type: none"> • Grains (Hatsi) • Land • Livestock • Poultry • Gold
Yola	<ul style="list-style-type: none"> • Banks • MFBs • DEC (Development Exchange Centre) 	<ul style="list-style-type: none"> • Daily (Adashe) • Group (Adashe) 	<ul style="list-style-type: none"> • Siblings/relatives • Clay safe (Asusu) • Tin safe (Asusu) 	<ul style="list-style-type: none"> • Shares • Jewellery (Gold & Silver) • Livestock

Summary of Savings Methods Utilized

Location	Formal Savings	Informal savings		
		Contribution	Home saving	Other Forms of Savings
Nasarawa	<ul style="list-style-type: none"> Banks MFBs 	<ul style="list-style-type: none"> Daily (Adashe) Group - amongst peers (Adashe) 	<ul style="list-style-type: none"> Ceiling Holes in the ground Inside shoes Clothes pocket 	<ul style="list-style-type: none"> Land Foodstuff – rice, beans
Enugu	<ul style="list-style-type: none"> Banks MFBs 	<ul style="list-style-type: none"> Daily (Esusu) Group 	<ul style="list-style-type: none"> Wooden box Purse Beneath pillows, mattresses, rugs 	<ul style="list-style-type: none"> Palm oil Egusi
Benin	<ul style="list-style-type: none"> Banks MFBs Cooperatives 	<ul style="list-style-type: none"> Daily (Olidara) Group Meeting 	<ul style="list-style-type: none"> Wooden box Purse Beneath pillows, mattresses, carpets 	<ul style="list-style-type: none"> Kolanut

***A mix of both formal and informal savings methods utilized across regions
Higher incidence of home savings in rural areas***

How Much do Respondents Save?

Saving methods	Average amount saved	Frequency
Informal		
Daily contribution	N50, N100, N200	Daily
Weekly contribution	N500, N1,000, N2,000	At the end of every week
Monthly contribution	N5,000, N7,000, N10,000, N20,000	End of every month
Formal		
Bank	<p>Depends on the level of expenditure for the month and whether the amount is sufficient to warrant a trip to the bank</p> <p><u>Business people</u> N2,000 – N15,000 per month</p> <p><u>Salaried workers</u> N2,000 – N5,000 per month</p>	<p><u>Business people</u> Irregular</p> <p><u>Salaried workers</u> Month end/beginning of the month</p>

Irregular amounts saved when using formal mechanisms

Formal vs. Informal Savings



■ Formal

- Peace of mind – money kept in the banks is relatively safe

■ Informal

- No processes
- No documentation/paperwork is required
- Convenient – most savings is done at home or at the place of work
- No deductions – don't remove any charges except for the first payment you give to the collector



■ Formal

- Too onerous – account opening process is intimidating
- Proximity – banks are too far away, getting there costs an average of N50 to N300
- Unexplained deductions
- Low interest on savings
- Increased fraud, especially ATM fraud

■ Informal

- No guarantee – collector can run away with the money
- Theft especially for home savings

Exploring respondents attitude to banks

Reasons for not Using Banks

INTERNAL FACTORS

*"what I earn is just enough to see me through everyday .. there's nothing remaining to save"
(Majority)*

VERY LOW/MINIMAL WAGES



EXTERNAL FACTORS

"the way some of those bankers talk to people is so bad that I can't dream of putting my money there" (Majority)

UNFRIENDLY PEOPLE

INTIMIDATING ENVIRONMENT

LACK OF TRUST IN ANY SYSTEM

"the bank is only for rich people that have plenty money & me I don't have that kind of money"

*"my money is very dear to me & I don't think any body can keep my money better for me"
(female 18 – 25 yrs, Kaduna)*

Access to Banks

- Consumers in the urban areas have easier access to banks/microfinance banks i.e. within a walking distance, though some of them still have to pay about N30 to N100 for a round trip
- In the rural areas, the banks are far away from their places of residence/work and they spend about N100 to N300 to get to the closest bank

Rural locations – cost of a round trip to the closest bank

Lagos rural (Adamo)	Enugu rural (Umorji)	Benin rural (Ekiadolor)	Nasarawa rural (Eggon)
N150 to N170	N60 to N120	N40 to N60	N100 to N120
Kaduna rural (Kasua Magani)	Kano rural (Ladi Makoli)	Yola rural (Demsa)	
N200 to N250	N100 to N120	N200 to N300	

The cost of transportation to the bank is a major barrier to access

Banks Patronized and Why?

	Urban		Rural	
Locations	Banks	Reasons	Banks	Reasons
Lagos	GT Bank	Friendly, fast, reliable, strong capital base, can withdraw all your money	First Bank	Strong heritage, popular, recommendation
	First Bank	Strong heritage, strong capital base, recommendation	UBA	High presence, recommendation
	UBA	High presence, recommendation, corper/student account		
	Skye Bank	Friendly services, recommendation		
Kaduna	GT Bank	Friendly, fast , good network, good customer service, efficient, proximity	Union Bank	Proximity
	Oceanic Bank	Reliable, recommendation, proximity	UBA	Proximity, recommendation, popular
	FCMB	Prompt, efficient, good network		
	Bank PHB	Proximity		
	Intercontinental	Recommendation		
	UBA	Very popular		

Banks Patronized and Why?

	Urban		Rural	
Locations	Banks	Reasons	Banks	Reasons
Yola	GT Bank	Proximity, salary account, fast	Union Bank	Proximity
	Zenith	Proximity		
	First Bank	Reliable, proximity		
	UBA	Proximity		
	Oceanic Bank	Proximity		
Benin	UBA	Corper account, recommendation	Skye Bank	Proximity
	First Bank	Reliable, stable		
	GT Bank	Friendly services		
Kano	GT Bank	Good customer service, friendliness of staff	UBA	Proximity, recommendation
	First Bank	Reliable, strong capital base	Union Bank	Proximity
	Unity Bank	Salary account		
	Oceanic Bank	Recommendation		

Banks Patronized and Why?

	Urban		Rural	
Locations	Banks	Reasons	Banks	Reasons
Nasarawa	Diamond Bank	Very popular	UBA	Proximity
	First Bank	Very popular	Diamond Bank	Proximity
	UBA	Recommendation	Union Bank	Proximity
	GT Bank	Reliable, friendly nature of staff	Eggon Microfinance Bank	Proximity
	Union Bank	Salary account		
	Bank PHB	Proximity		
Enugu	First Bank	Reliable	First Bank	Proximity
	UBA	Recommendation		
	Intercontinental	Proximity		
	GT Bank	Proximity, recommendation		
	Oceanic Bank	Recommendation		
	Skye Bank	Proximity		

Proximity is a major reason in the selection of banks

Challenges Faced When Using Banks

Slow paced services and long queues

- Time is of the essence, hence customers consider spending anything above 15 minutes as a waste of time
- *"Sometimes you go to the bank and find a long queue, especially on Fridays and the end of the month when people are receiving their salaries" (Consensus)*

Unreasonable bank charges

- Majority claimed not to be well informed about bank charges at the time they opened their accounts thus any deduction makes them feel cheated
- They also claimed that their banks charge them for services they didn't ask for which they find ridiculous and annoying
- *"They send you text messages on your birthday and festive periods and then they take it from your money". (26 – 40 yrs male, Kaduna)*

Unfriendly staff

- Respondents complained bitterly about the lack of help and unfriendly attitude of some bank staff, who are impatient, rude and offer little assistance at most times
- *"Manner of approach is very important when dealing with people, no matter how much the person has in the bank" (Consensus)*
- *"The way they answer you when you ask them questions is so annoying" (Consensus)*

ATM Fraud

- The high incidence of ATM fraud negates the main benefit of saving in the bank (secure)
- *"It is not wise to use ATMs because all these 'yahoo boys' (fraudsters) have found a way of stealing people's money through the ATM" (Consensus)*

Required opening and minimum balance

- This deters people who do not have the initial lump sum
- Most respondents opined that their accounts should be active, even if there is no money in the account
- *"Their minimum balance is N1,000 and it's not fair because there are times you would need that money and you can't withdraw it" (18 – 25 yrs female, Kaduna)*
- *"They ask us to pay money before we open account, which I don't have" (26-40 yrs male, Enugu)*

**No distinct differences in challenges faced by gender
Rural dwellers complained of limited bank presence**

What can Banks do to Attract Low Income People?

- Most respondents are not satisfied with the services rendered by most banks with the exception of a few banks such as GT Bank & First Bank
- Consumers would like:
 - No unreasonable deductions
 - Reduced bank charges
 - Prompt and reliable services
 - Home to home/street by street collection: like the daily contributions
 - Increased interest on their savings
 - More friendly bank staff
 - *“they don’t help in opening accounts for people who cannot read or write, none of them understands my language”. (26 – 40 yrs male, Kano)*
 - Limited processes
 - Increased branch presence
 - Availability of loans with flexible payment terms
 - Advisory services
 - Introduction of Islamic banking
 - *“I have a lot of friends that said if there is an Islamic bank they will keep 100% of their money there, but due to its absence, none of them patronize any of the current banks”. (26 – 40 yrs male, Kano)*

Understanding respondents appetite for mobile payments

Mobile Phone Usage

- Majority of the respondents have phones
- Usage is mainly for making and receiving calls, sending and receiving texts, as well as listening to the radio and playing games
- However, there are a few respondents (3 in Kaduna rural, 4 in Kano rural) mostly women who do not own mobile phones, due to lack of funds
- A few respondents (2 in Benin rural, 2 in Kaduna rural) had misplaced their phones and have not been able to replace them, due to lack of funds



Potential for Using Mobile Phones to Manage their Finances

- There was a general lack of awareness by respondents of the concept of using mobile phones to make payments
- However, once the concept of mobile payments was described, most respondents showed high excitement and expressed interest in the service

Spontaneous reactions

“... ha this is just like a bank”

“this will save us from the stress of going to the bank all the time”

“it would be very useful in places like our village where there are no banks”

“... we don't have to spend money going to the bank”



“ there is no need to go to the bank again if we have this”.

“ transactions can be done on the go without having to go to the bank”

Mobile Payments

Most frequently asked questions were:

- Will my money be safe if I lose my phone?
- Will the agents be available 24 hrs a day and 7 days a week?
- Won't this mean insecurity for our neighborhood?
- What about those of us that cannot read English – will it be in our local language?
- Will it be done by just one network or all of them?
- Will it be nationwide, even in this our village?
- How will we know the agents?



Benefits

- Convenient: since it is believed that there will be agents everywhere
- Security of funds: just like a bank
- Fast
- Easy/direct access to money
- Little/no processes
- No embarrassment as little amounts of money can be saved

Concerns

- Fraud
- Might require some added technology (rural)
- Possible network issues
- Work hours/availability of agents
- Security issues: around the agents

Banks They Would Trust to Provide Mobile Payments

	Urban		Rural	
Locations	Bank	Reasons	Banks	Reasons
Lagos	GT Bank	Reliable, prompt, good track record, friendly services	First Bank	Strong heritage, good track record
	First Bank	Strong heritage, financially stable	UBA	Wide presence
	Zenith	Reliable, good track record	Intercontinental	Stable, reliable
Kano	First Bank	Popular, strong heritage, financially stable	First Bank	Popular, strong heritage
	Intercontinental	Reliable	GT Bank	Reliable and friendly services
Kaduna	First Bank	Trust worthy, popular, strong heritage	First Bank	Trustworthy, popular
	GT Bank	Efficient, stable, reliable, friendly staff	GT Bank	Good track record
	Zenith	Reliable, good track record, financially stable		
	Intercontinental	Trustworthy, stable, quite popular		
Enugu	First Bank	Large presence, popular	First Bank	Strong heritage
	GT Bank	Reliable, friendly staff		

Banks They Would Trust to Provide Mobile Payments

	Urban		Rural	
Locations	Bank	Reasons	Banks	Reasons
Benin	First Bank	Good track record, friendly staff	First Bank	Good track record, strong heritage, popular
	Zenith	Good track record		
Nasarawa	GT Bank	Trustworthy	Diamond Bank	Heritage, proximity
	Diamond Bank	Heritage and Proximity	UBA	Large presence
	Intercontinental	Trustworthy	Union Bank	The bank in our community
Yola	GT Bank	Trust worthy, good track record	GT Bank	Trusted bank
	First Bank	Strong heritage	First Bank	Strong heritage

GSM Providers They Would Trust to Provide Mobile Payments

	Urban		Rural	
Locations	GSM provider	Reasons	GSM provider	Reasons
Lagos	MTN	Reliable, stable	MTN	Popular, efficient
	Etisalat	Trustworthy, reliable services	Glo	Philanthropic nature, indigenous, affordable and reasonable offerings
			Etisalat	Regular promos
Kano	MTN	Innovative, trust worthy, wide coverage, stable, huge financial muscle	MTN	Very popular, wide coverage
	Glo	Stable		
Kaduna	MTN	Reliable, status symbol	Glo	Very popular, trustworthy
	Etisalat	Young, innovative		
	Glo	Has been stable over the years		
Enugu	MTN	Very popular, large patronage, wide coverage	MTN	Very popular

GSM Providers They Would Trust to Provide Mobile Payments

	Urban		Rural	
Locations	GSM provider	Reasons	GSM provider	Reasons
Benin	Glo	Philanthropic nature, regular promos,	Glo	Fast, reliable services, regular promos, affordable tariff and offerings.
	MTN	Wide coverage, has been stable over the years	MTN	Wide coverage, fast and reliable services, easily connects while browsing
Nasarawa	MTN	Wide coverage , reliable network	MTN	Wide coverage
	Etisalat	Promising network	Etisalat	Reliable network
Yola	MTN	Wide coverage, reliable network	MTN	Wide coverage, reliable network
	Glo	Wide coverage, reliable network	Glo	Wide coverage

Prospects for a New Service Provider for Mobile Payments?

Lack of trust

"I will wait for other people to try them first before I can use them because this is a money matter"
(Majority)



"If they work hand in hand with a company like MTN that we all know, then I can give them a try"
(26 – 40 yrs male, Lagos)

Fear of disappointment

A feeling of "wait and see" attitude to a new service provider for mobile payments

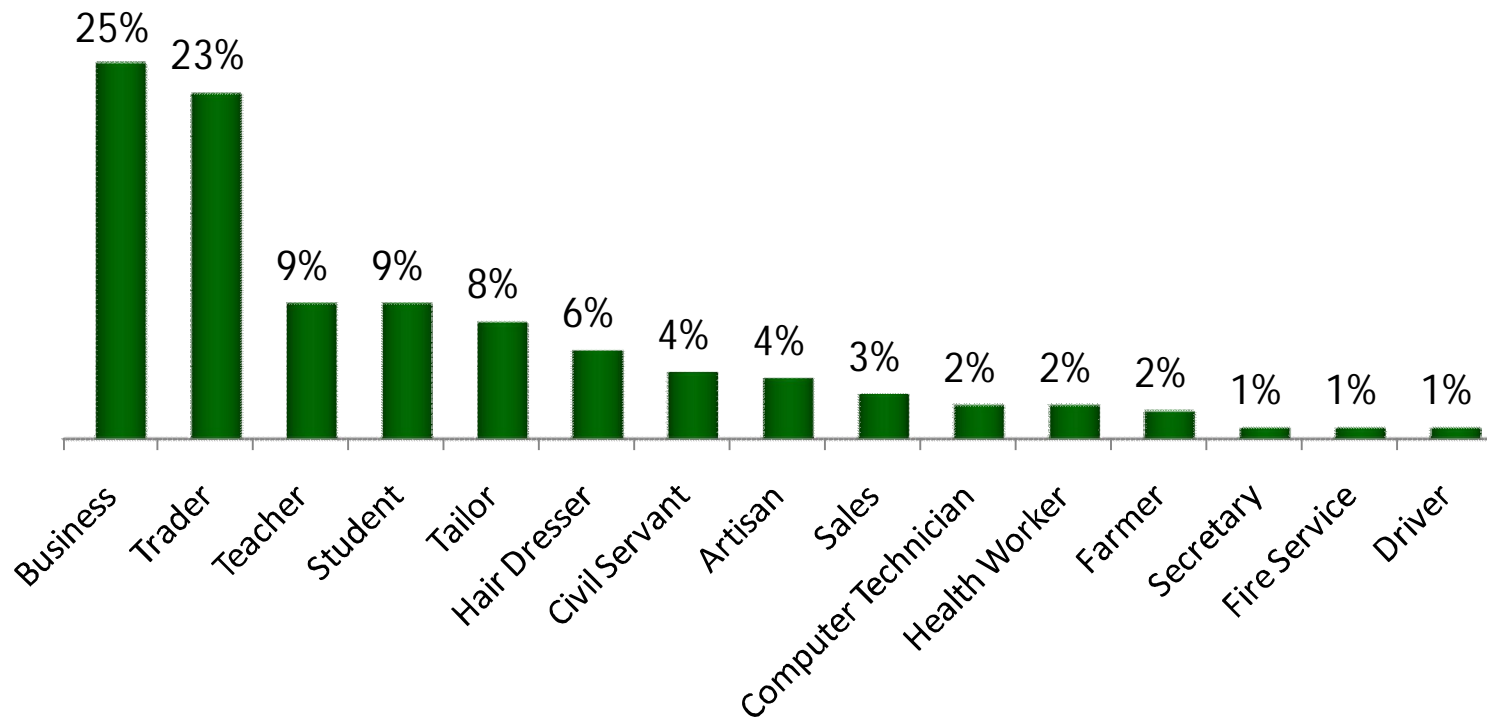
Annex: Respondents Profile

Detailed Sample Split

	Urban			Rural				
Locations	C2D			DE			Total no. of focus groups	Total no. of participants
	Male	Female		Male	Female			
	26 – 40 yrs	18 – 25 yrs	26 – 40 yrs	26 – 40 yrs	18 – 25 yrs	26 – 40 yrs		
Lagos		1	1	1		1	4	40
Benin	1		1		1	1	4	36
Enugu	1	1			1	1	4	37
Kano		1	1	1	1		4	39
Kaduna	1	1			1	1	4	40
Yola		1	1	1		1	4	39
Nasarawa	1		1		1	1	4	40
Total	4	5	5	3	5	6	28	271

Respondents Occupation

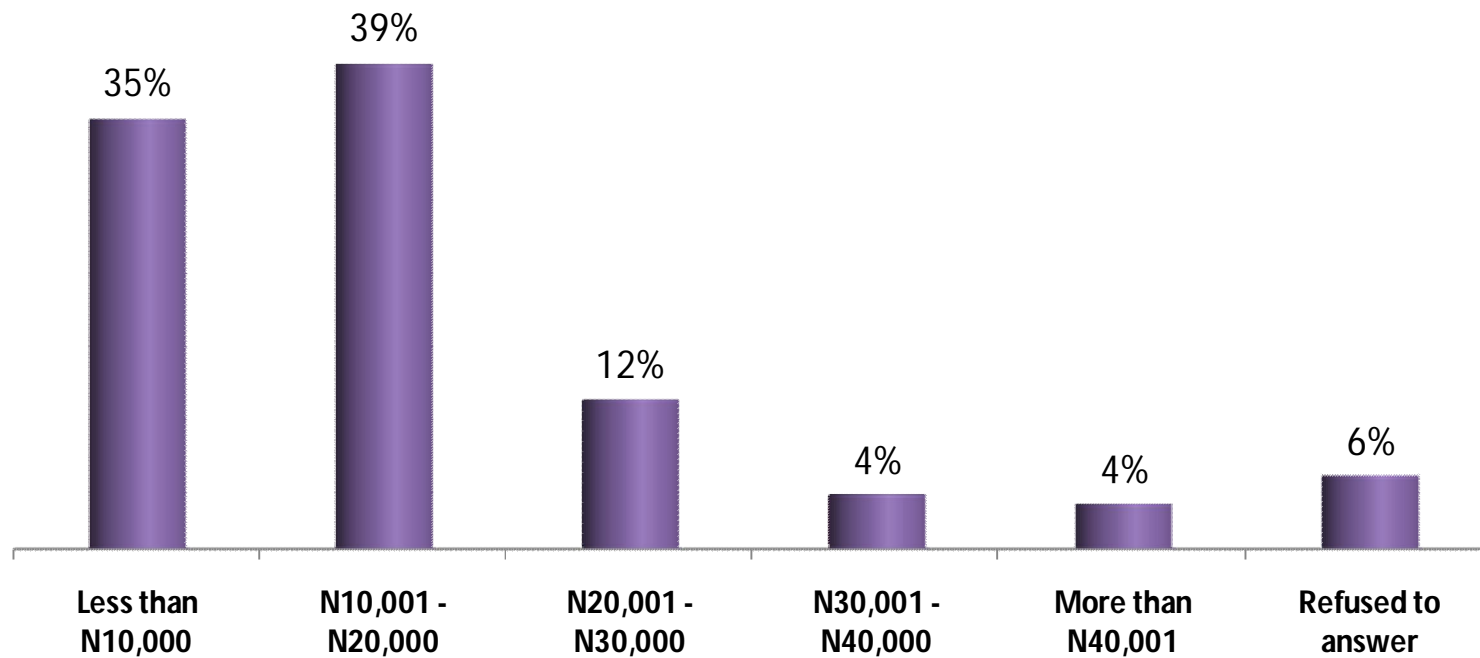
Base: All Respondents; N=271



Almost half of the respondents are into business and trading.

Respondents Monthly Income

Base: All Respondents; N=271

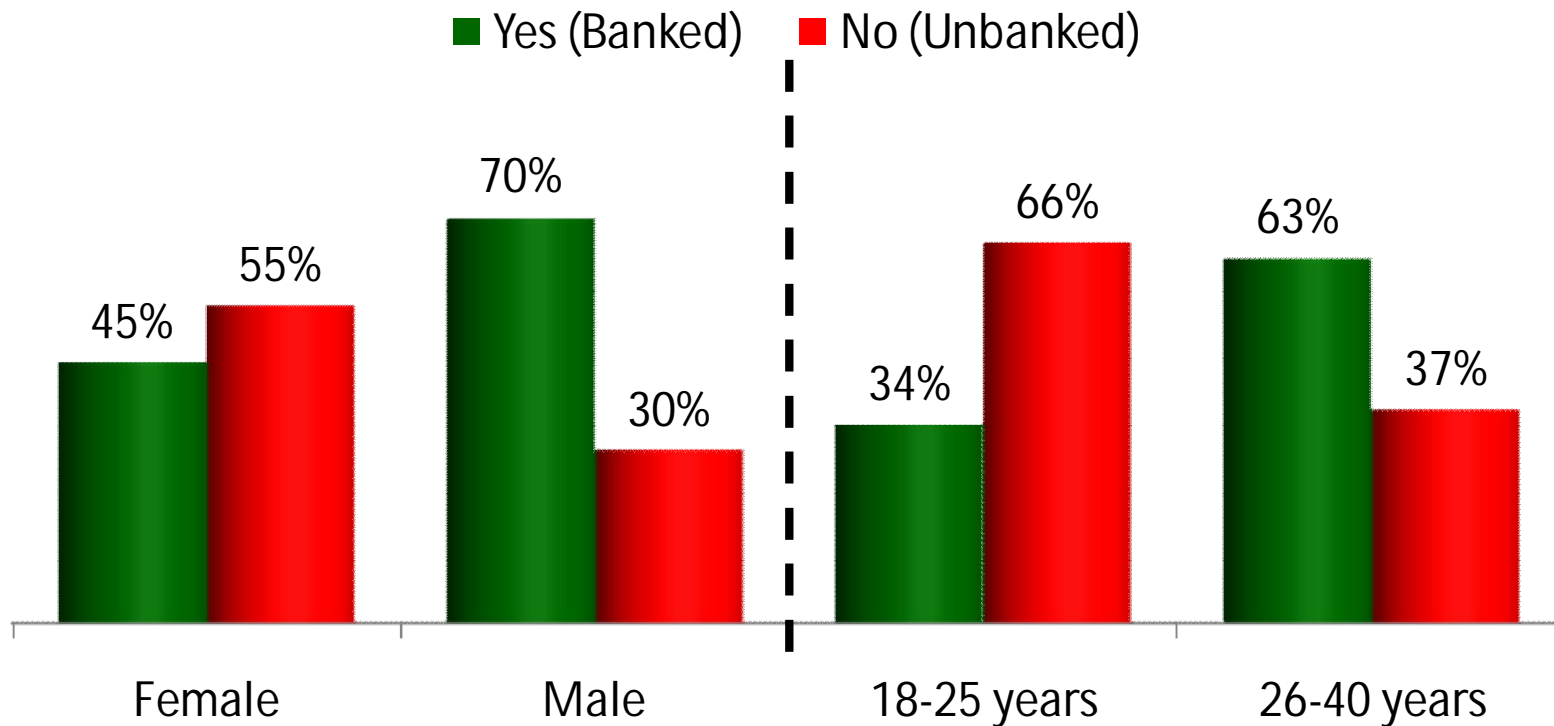


74% of respondents earn N20,000 or less monthly

Banking Status by Gender & Age

Total sample = 51% banked; 49% unbanked

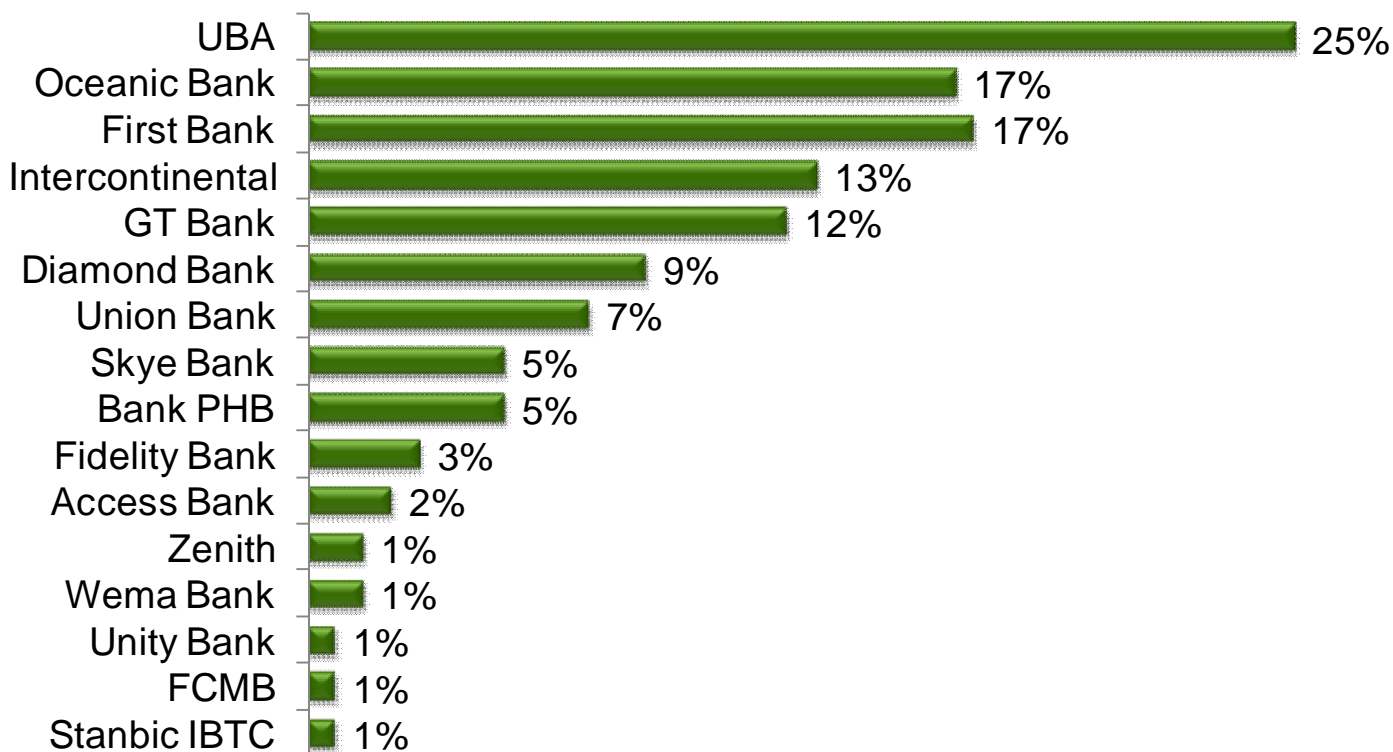
Base: All Respondents; N=271



Higher incidence of the banked population amongst males & the older age group

Banks Patronized

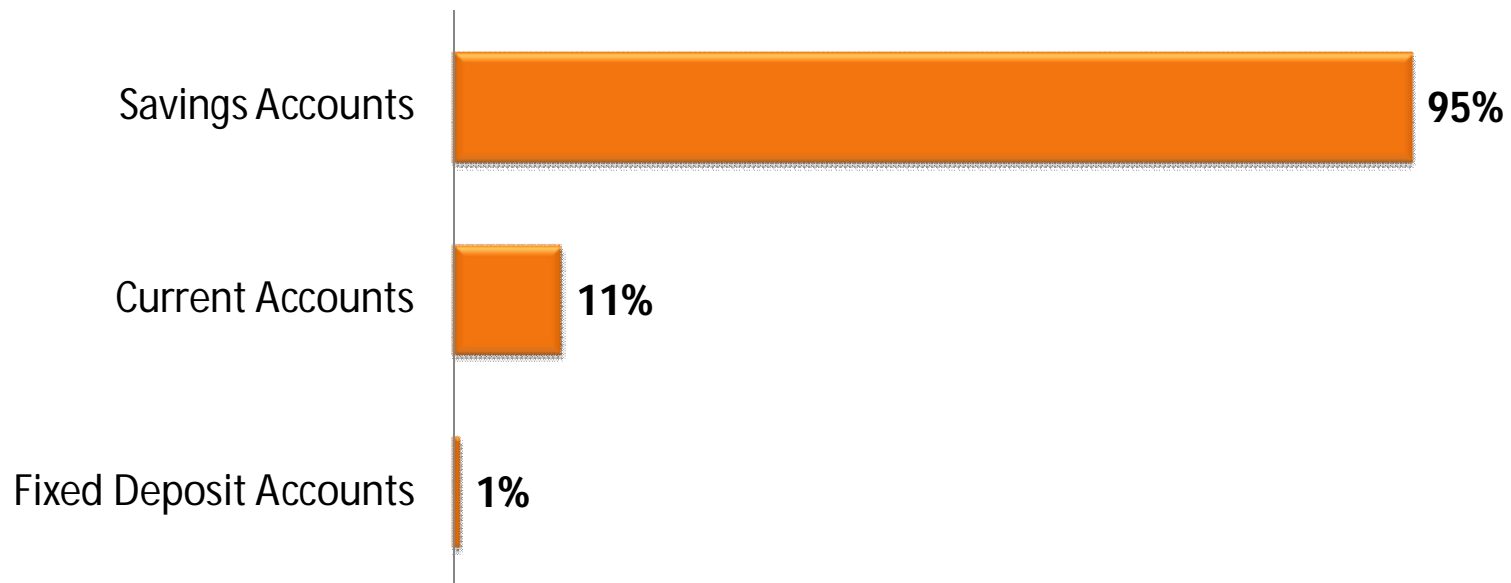
Base: Banked Respondents; N=139



The top 3 patronized banks are UBA, Oceanic and First Bank
About 20% of respondents (especially salaried workers) use more than one bank

Bank Products Utilised

Base: Banked Respondents; N=139



*Savings accounts are the most popular bank products
A few respondents have both savings & current accounts*

Usage of Microfinance Banks

Base: All Respondents; N=271



97% of respondents do not have a microfinance bank account