

**Innovation Forum
Promoting Financial Inclusion through
Effective Savings Mobilization
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Research Objectives



To better understand the savings habits of the low income population:

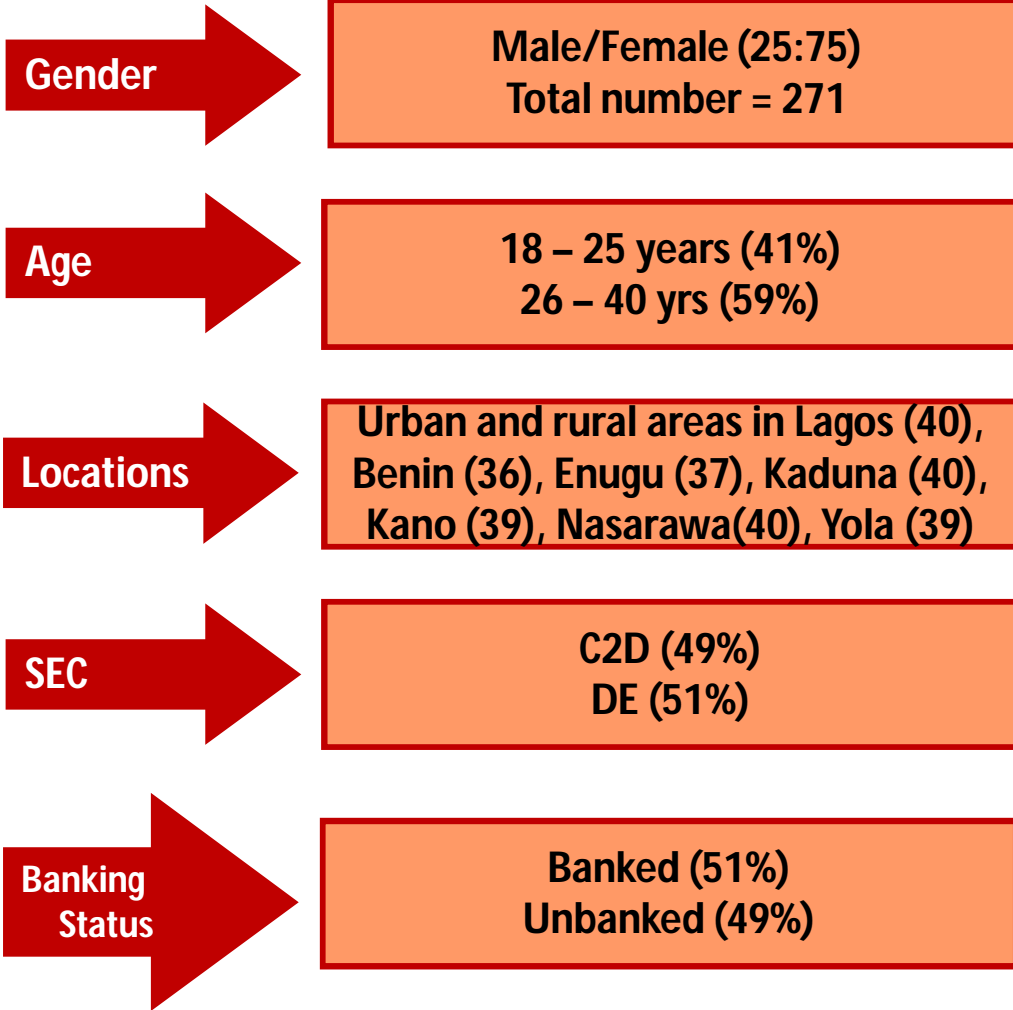
- ❖ What is the role of savings in their lives
- ❖ The types of savings products they currently use
- ❖ Challenges faced when using formal/informal savings mechanisms
- ❖ Do men and women face the same challenges
- ❖ What formal institutions can do to attract their patronage
- ❖ What products would make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

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 - 28

Respondents Profile



Top Line Findings



Respondents Profession

Those in gainful employment still engage in one or two businesses to make ends meet

- *"...I work as an agent for those who want to rent house and I also do my tailor work" (26-40 yrs male, Benin)*
- *"...During the trade fair, I go to the venue to do some part time job" (26-40 yrs male, Enugu)*
- *"I am a brick layer but I also cut timber in the bush" (26-40 yrs male, Benin)*

Urban women

- Artisans ... hair dressers, tailors
- Petty traders ... second hand clothes earrings, pepper, provisions, ice block
- Sales girls
- Civil servants ... clerks , teachers
- Pay phone operator/recharge card seller
- Caterers

Rural women

- Farmers
- Hair dressers
- Petty traders ... awara (soya bean cake – north), sweets, provisions, pepper

Urban men

- Artisans... mechanics, house painters electrician, barber
- Driver
- Traders... pure water, foodstuff, burukutu

Rural men

- Farmers
- Teachers
- Traders... honey
- Artisan ... bricklayer, electrician, etc

Sources of Income

- Their average monthly salary/take home pay ranges between N5,000 – N30,000
- Some of them claim to get some irregular “free monies” from relatives, friends, boyfriends, especially when in 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)*
- Usage of their salary/income:
 - Pay tithes
 - Savings
 - Pay bills - rent, school fees, phone bills, water bill
 - Transportation
 - Food
 - Ploughed back into business
 - Settling family issues
 - Clothing
 - Assist family members
 - Gifts

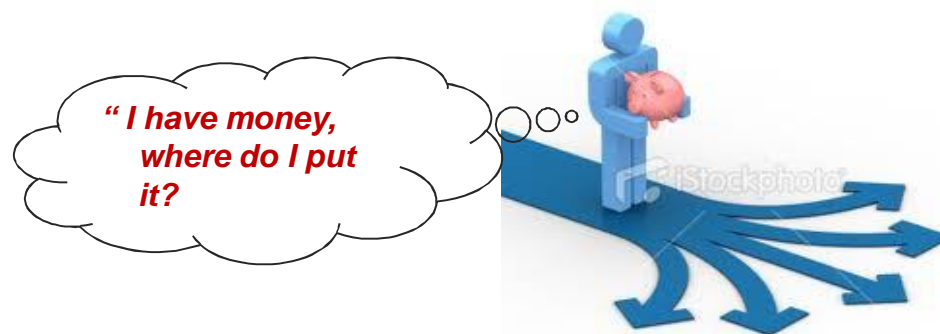
Understanding the role of savings in their lives

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 loose 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 asked around before deciding where I want to put my money, because somebody can just carry the money and run away with it".*



Summary of Savings Mechanisms Utilised

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"> • Kola nut • Melon seed (Egusi) • Palm oil • Shares
Kaduna	<ul style="list-style-type: none"> • Banks • MFBS 	<ul style="list-style-type: none"> • Daily (Adashe) • Group (Adashe) 	<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 • Welfare 	<ul style="list-style-type: none"> • Daily (Adashe) • Group (Adashe) 	<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"> • Bank • 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 • Jewelry (Gold & Silver) • Livestock

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

Summary of Savings Mechanisms Utilised

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 on 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 pillow, mattresses, rug 	
Benin	<ul style="list-style-type: none"> • Bank • MFBS • Cooperatives 	<ul style="list-style-type: none"> • Daily (Olidara) • Group • Meeting 	<ul style="list-style-type: none"> • Wooden box • Purse • Beneath pillow, mattresses, carpet 	

Average amount saved for daily contributions – N50/N100/N200
Average amount saved for weekly contributions – N500/N1,000/N2,000
Average amount saved for monthly contributions – N5,000/N7,000/N10,000/N20,000

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 the collector

▪ Formal

- Too onerous – Account opening process is intimidating
- Proximity – banks are too far away, getting there costs an average of N50-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

Reasons for Not Using Banks

INTERNAL FACTORS

EXTERNAL FACTORS

“what I earn is just enough to see me through everyday .. there’s nothing remaining to save” (Majority)

VERY LOW/MINIMAL WAGES



“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)

Banks Patronized and Why?

Regions	Banks	Reasons
Lagos	GT Bank	Friendly, reliable, strong capital base, complete withdrawal
	First Bank	Strong heritage, strong capital base, recommendation
	UBA	High presence, recommendation, corper/student account
Kaduna	GT Bank	Friendly
	Oceanic	Reliable
	UBA	Very popular
Yola	GT Bank	Proximity, salary account
	Zenith	Proximity
	First Bank	Reliable, proximity
	UBA	Proximity
	Oceanic	Proximity
Enugu	First Bank	Reliable
	UBA	Recommendation
	Intercontinental	Proximity
	GT Bank	Proximity, recommendation
	Oceanic	Recommendation
	Skye	Proximity

Banks Patronized and Why?

Regions	Banks	Reasons
Benin	UBA	Corper account, recommendation
	First Bank	Reliable, stable
	GT Bank	Friendly services
Nasarawa	Diamond	Very popular
	First Bank	Very popular
	UBA	Recommendation
	GTB	Reliable, friendly nature of staff
	Union Bank	Salary account
	Bank PHB	Proximity
Kano	GT Bank	Good customer service, friendliness of staff
	First Bank	Reliable, strong capital base
	Oceanic	Recommendation

Challenges Faced When Using Banks

- **Slow paced services/Long queues:** time is of the essence, hence consumers consider spending anything above 15 minutes a waste of time
 - *“sometimes you’ll 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 and hidden charges:**
 - *“...they charge for passbooks, ATM, SMS and other things....but my contribution charges nothing” (26 – 40 yrs female, Enugu)*
 - *“they send you text messages on your birthday and festive periods and then they take it from your money” (26 – 40 yrs male, Kaduna)*
 - *there is no interest on the money saved in the bank but they charge us for saving with them” (26 - 40 yrs female, Benin)*

- **Unfriendly staff:** respondents complained bitterly about the lack of help and unfriendliness of some bank staff, who are usually impatient to offer any form of assistance
 - *“the way they answer you when you ask them sincere questions is so annoying”*
 - *“manner of approach is very important when dealing with people no matter how much the person has” (Consensus)*

Challenges Faced When Using Banks

- **ATM fraud:** this is a major challenge as nobody wants to lose even the smallest amount of money
 - *“it is not wise to use ATM because all these “yahoo boys” have found a way of stealing people’s money through the ATM” (Consensus)*
- **Unreliable network:** this slows down the entire process of paying in and receiving money, which is frustrating
- **Required opening balance and minimum balance:** this scares off people who do not have the initial lump sum
 - *“they ask us to pay money before we can open account, which I don’t have” (26 – 40 yrs male, Enugu)*
 - *“they charge like N5,000 to open account and they ask you to leave a minimum balance of N2,000” (26 – 40 yrs female, Enugu)*

***No distinct differences in challenges faced by gender or age
Rural dwellers complained of limited presence of banks, which leads to high
transportation costs***

What Can Banks do to Attract Their Patronage

- 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
 - Limited processes
 - Increased presence
 - Availability of loans with flexible payment terms
 - Advisory services

Understanding consumers 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, we came across few respondents (3 in Kaduna rural, 4 in Kano rural) mostly women who do not have mobile phones and their reason is due to the lack of funds



Potential for Using Mobile Phones to Manage Their Finances

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"

High excitement with no spontaneous negative associations

Usage of Mobile Payments



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 amount 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



- Reliable
- Prompt, efficient and friendly services
- Good track record



- Strong heritage
- Very popular
- High presence
- Reliable



- Stable
- Quite popular
- Reliable



- Reliable
- Good track record

GSM Providers They Would Trust to Provide Mobile Payments



- Strong heritage
- Innovative services
- Wide coverage



- Philanthropic nature
- Indigenous

Prospects for a New 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

