

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

NIGERIA

QUICKSIGHTS REPORT FII TRACKER SURVEY WAVE 1

April 2014

THE FINANCIAL INCLUSION INSIGHTS (FII) PROGRAM

The FII research program responds to the need for timely, demand-side data and practical insights on the use of mobile money and other digital financial services (DFS), and the potential for their expanded use among the poor.

The program covers eight countries in Africa and Asia at different stages of DFS development. Research was launched in fall 2013.

FII is operated by global research group InterMedia and sponsored by the Financial Services for the Poor initiative of the Bill & Melinda Gates Foundation. All FII data and research is publicly available through the FII portal: www.finclusion.org.

QuickSights reports provide initial findings from each FII research project. These reports feed into subsequent Wave Reports which synthesize the results from all projects conducted during a wave of research in a given FII country.

All data and materials resulting from the FII program are the property of the Bill & Melinda Gates Foundation, but the findings and conclusions within are those of the authors and do not necessarily reflect positions or policies of the Foundation.

QuickSights Report

- This report is a first look at the key characteristics of the digital financial services (DFS) market in Nigeria. In-depth analysis is presented in wave reports, which combine qualitative and quantitative insights.

Key Definitions Used in this Report

- **DFS** – Financial services provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). *For this particular study, digital financial services include bank services and mobile money services.*
- **Active account holder** – An individual who has a registered DFS account and has used it in the last 90 days.

These definitions are aligned with the metrics used by the Financial Services for the Poor program at the Bill & Melinda Gates Foundation to track global developments in financial inclusion and measure the impact of interventions on poor people's lives.

Reported Data

- All percentages in this report are weighted to reflect national-level proportions.
- All bases (n=numbers) in this report are unweighted and represent the actual number of people interviewed in the survey.

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THE NIGERIA FII TRACKER SURVEY

Survey summary

- A biannual national survey (N=6,002) representative of Nigerian individuals aged 15+ living in 33 of the 36 states in Nigeria (excluding Borno, Yobe and Adamawa), and the federal capital territory of Abuja. See slide 23 for sampling details.
- Face-to-face interviews lasting 45 to 120 minutes
- First survey (Wave 1) conducted from 9/24/2013 to 11/27/2013
- Provides baseline measurements. Subsequent biannual surveys will measure trends and track market developments in DFS.

Data collected

- Basic demographics
- Poverty measurement (Grameen Progress out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money (MM)
- Access/use of formal financial services (e.g., bank accounts)
- Level of satisfaction with financial service providers and products
- Financial behaviors, including payments, savings, borrowing, insurance
- Trust in financial institutions

Focus of Analysis

- **Analysis in this report focuses on active mobile money account holders and active bank account holders.**
- **Active account holders** were selected as they best represent what is commonly understood as financially included individuals who hold their own personal account (as opposed to using someone else's account) and use the account regularly (defined as used in the last 90 days)

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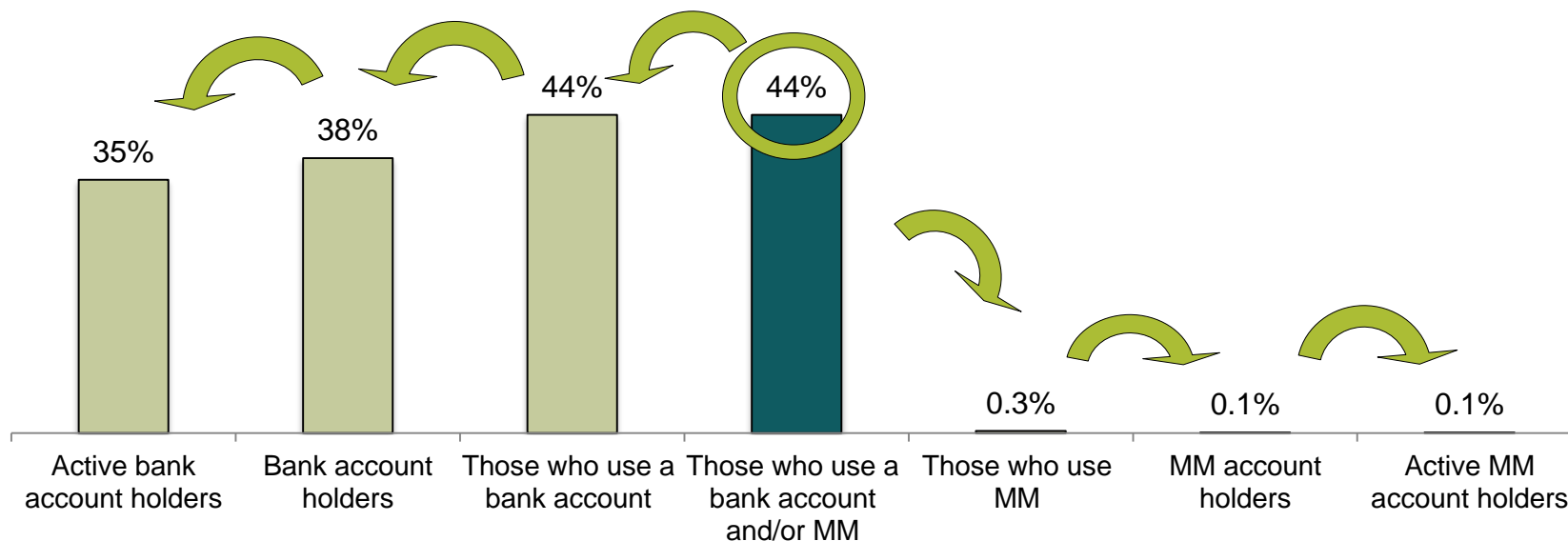
NIGERIA FII TRACKER SURVEY – HIGHLIGHTS

- **Mobile money (MM) service providers face a payments market with a strong cash focus.** The preference for cash, in payments as well as savings, currently far outstrips interest in alternatives.
- **Awareness of mobile money (MM) services is not widespread.** Twelve percent of Nigerian adults surveyed showed recognition (either spontaneously or prompted) of mobile money brands.
- **Fewer than 1% of adult Nigerians are using MM services**, either through their own or others' accounts. **By comparison, 44% of adult Nigerians use a bank account** (either their own or others').
- **A scant 0.1% of Nigerians have their own MM account**, versus 38% with their own bank account.
- **Beyond lack of awareness, lack of trust in MM is emerging as a potential barrier to uptake and use.** One in five of adults expressed trust in MM services.
- **Banks, unlike MM services, get high marks on trust**, regardless of whether the respondent reports having a bank account.
- **Use of non-bank financial institutions appears limited.** Ten percent of Nigerians have used an Esusu (a revolving saving and lending group), 6% have used a cooperative, and 5% have used a post office account.

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Banks and Mobile Money: Who uses what?

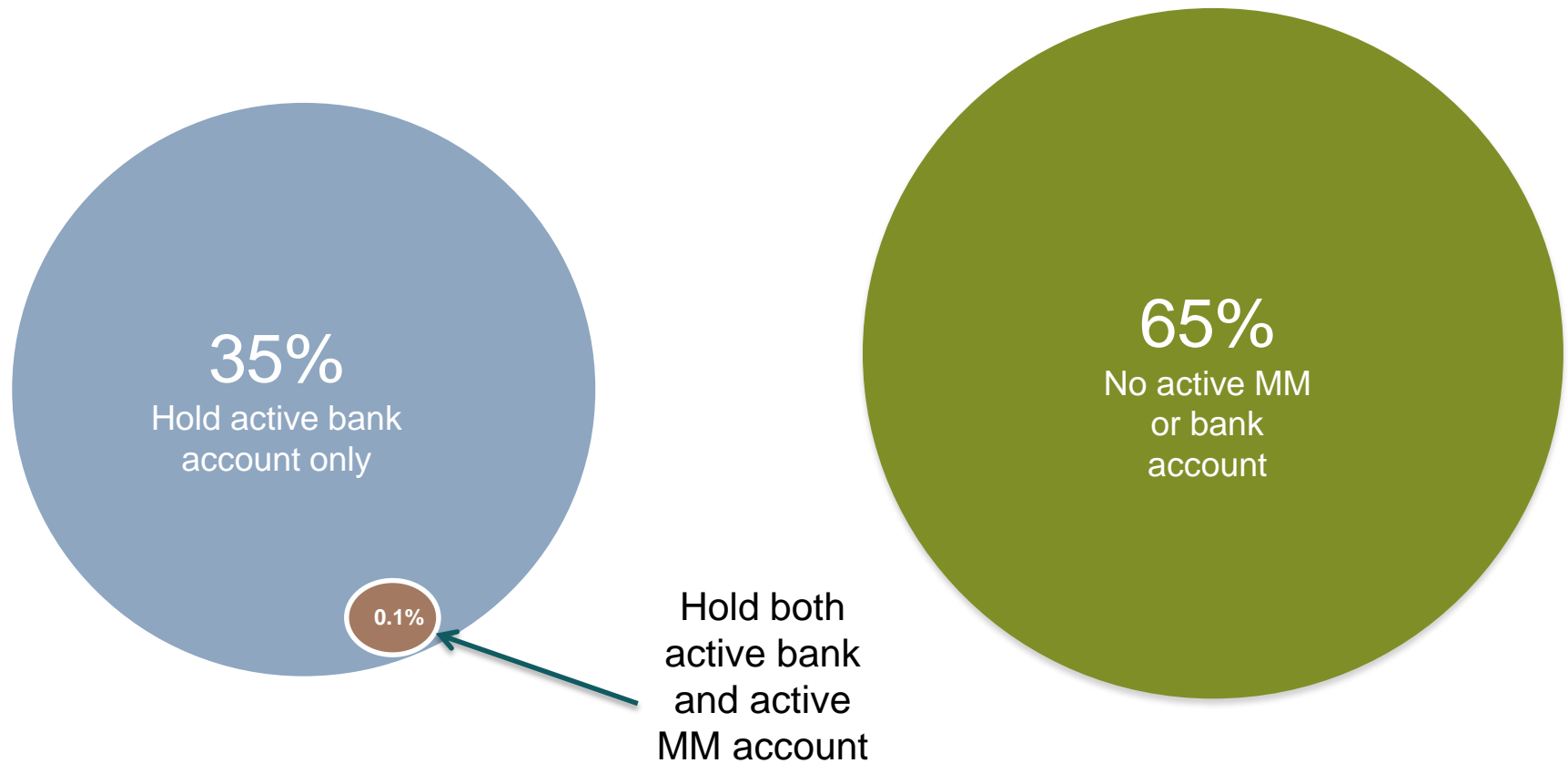
(Percentage of Nigerian adults who fall into each category)



Key takeaways:

- Less than half of Nigerian adults use either a bank or mobile money account, or both.
- Of those Nigerians, the vast majority only use bank accounts.
- Twelve percent of Nigerian adults are aware of any mobile money provider and less than 1 percent have ever used mobile money services.
- All those with a mobile money account also have a bank account.

Active Mobile Money and Bank Account Ownership



Source: InterMedia Nigeria FII Tracker survey (N=6,002, 15+) September-November 2013.

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Demographic Trends: Active bank account use shows gender divide

Financial Inclusion Measures by Key Demographic (percentage of each sample)				
Demographic	Active Bank Account Holder	Active MM Account Holder	Both	Neither
Total Population N= 6,002	35	0	0	65
Male n=3,572	40	0	0	60
Female n=2,430	30	0	0	70
Urban n=2,505	44	0	0	56
Rural n=2,510	28	0	0	72
Above Poverty Line n=671	37	0	0	63
Below Poverty Line n=5,331	35	0	0	65

Above/below poverty line is defined by those respondents living on more/less than \$2.50 a day, as classified by the Grameen Progress Out of Poverty Index (PPI).

Source: InterMedia Nigeria FII Tracker survey (N=6,002 15+) September-November 2013.

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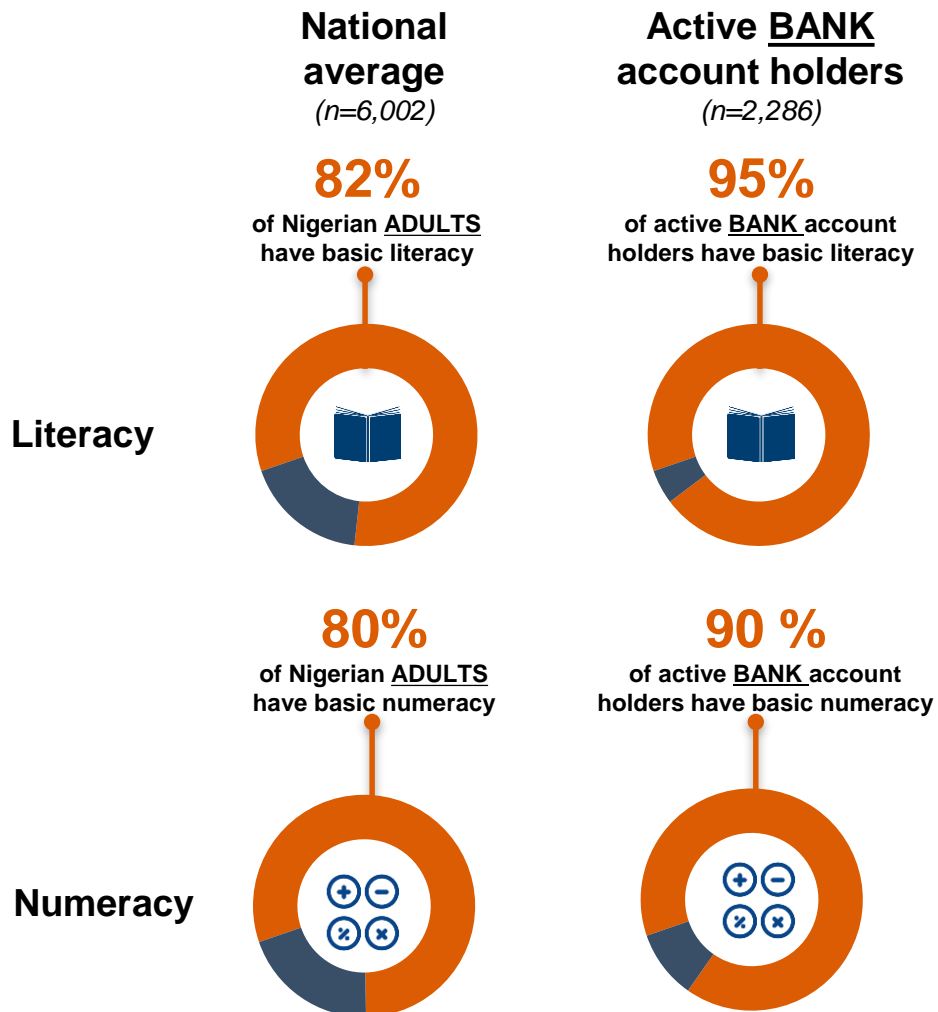
Demographic Trends: Youth Under 25 Lag in Active Bank Account Use

Financial Inclusion Measures by Key Demographic (percentage of each sample)				
Demographic	Active Bank Account Holder	Active MM Account Holder	Both	Neither
Total Population N= 6,002	35	0	0	65
Ages 15-24 n=2,054	24	0	0	76
Ages 25-34 n=2,332	45	0	0	55
Ages 35-44 n=886	42	0	0	58
Ages 45-54 n=412	39	0	0	61
Ages 55+ n=318	31	0	0	69

Source: InterMedia Nigeria FII Tracker survey (N=6,002 15+) September-November 2013. Categories are not mutually exclusive.

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Literacy, Numeracy Rates are High for Active Bank Account Holders



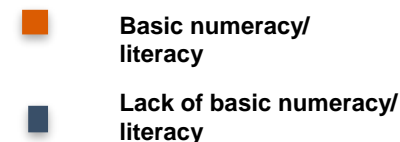
Key takeaway:

Active bank account holders are more likely to be literate or numerate than the national average. This suggests a lack of literacy and/or numeracy may be a barrier to the uptake of financial services via a bank or mobile money.

Definitions of basic literacy and numeracy:

Basic literacy – the ability of an individual to read and understand a short, simple statement with little or no help from another person during the survey.

Basic numeracy – the ability to apply simple mathematical concepts by correctly answering at least two out of three simple arithmetic questions in the survey.



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Bank Accounts: Triggers for Use vs. Most Common Uses

Although saving money with a bank is the most frequently mentioned reason to open a bank account, only 5 percent of active bank account holders actually use their accounts to save.

	Top five reasons for starting to use a BANK account (n=2,286)	%	Top five uses for BANK accounts (n=2,286)	%
1	I wanted to start saving money with a bank	36	Withdraw money	92
2	I wanted a safe place to store my money	15	Deposit money	92
3	I had to send money to another person	13	Receive money from other people for regular support, receive allowances	18
4	I had to receive money from another person	11	Send money to other people for regular support, send allowances	13
5	I had to receive money from an organization/government agency (e.g., a pension or unemployment payment)	7	Send/receive money to/from other people for emergencies, pay school fees	12

Source: InterMedia Nigeria FII Tracker survey (N=6,002, 15+) September-November 2013. Both questions allowed multiple responses.

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Trust in Banks and Mobile Money

Banks (state-owned, private and foreign/regional) are the top-three most trusted financial institutions.

Banks are also the preferred alternative to cash for conducting a financial activity.

When asked about mobile money, one in five adults said they trust these services.

If for any reason you were not able to use cash, what financial instrument would you use for a financial activity?

	Top 5 most trusted financial institutions	% of adults
1	State-owned bank	57
2	Private bank	53
3	Foreign bank/regional rural banks	42
4	Public sector banks/Cooperative banks	37
5	Post office account	36

	Top 5 preferred alternatives to cash (any activity)	% of adults
1	Bank	58
2	Savings collectors	11
3	Village-level savings groups	9
4	Mobile money	5
5	Physical assets	4

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Cash is King

Sixty-five percent of Nigerian adults say cash is the best tool for small and medium monetary transactions, and 33 percent say it is also best for large purchases such as land acquisitions.

	Top 5 advantages of using cash (n=4,117)*	% of adults
1	I can access it whenever I want	29
2	I have control of my money	18
3	I can't make daily purchases other than in cash	15
4	It's easier to keep money/transact in cash	14
5	Things are more expensive if not paid in cash	5

	Top 5 disadvantages of using cash (N=6,002)	% of adults
1	I am tempted to overspend	31
2	I can get mugged or robbed	28
3	I can lose cash by accident	14
4	I cannot accumulate savings	5
5	Other people keep asking me to give them money	4

**This question was asked only of the people who said that cash is the best tool for small to medium monetary transactions, large monetary transactions, or all types of transactions (n=4,117)*

All questions on this slide were single-response questions.

Source: InterMedia Nigeria FII Tracker survey (N=6,002, 15+) September-November 2013

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Alternatives to a Bank Account: Other Financial Tools

Percent of Nigerian adults who ever used the mentioned services

	Have you ever used any of the following? (n=6,002)	%
	A bank account (for comparison purposes)	44
1	Esusu (a fund to which a group of people make monetary contributions at fixed intervals; the total amount collected by the group is then assigned to individual members in rotation)	10
2	Cooperatives (businesses owned and run by and for their members to meet specific economic goals)	6
3	An account at a post office	5
4	Village-level savings groups	3
5	Savings collectors (individuals making daily or weekly visits to their clients to collect excess cash; the contributions are not fixed and depend on the saver. After an agreed period, collectors return the saved amount, less an agreed fee, to the saver)	2

Key takeaways:

A limited number of Nigerian adults use financial tools other than a bank account or cash.

There was no significant variation in how these alternative financial tools are used among respondents by age, gender, location (urban/rural), and poverty level.

Five percent of adults own a digital card, a payment card that is not associated with a formal bank account.

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Mobile Money: A Wide Awareness-Usage Gap

Awareness of mobile money providers is at 12% of Nigerian adults (app. N=10,277,577).

Of all Nigerians, only 0.3%, however, use the services via their own or somebody else’s account (app. N=256,939).

Rank	Top 5 ways people first learn about mobile money (n=739, those aware of mobile money services)	%
1	Television	28
2	Radio	24
3	Mobile money agents who perform transactions	22
4	Friends, relatives, neighbors (non-family)	15
5	Newspapers and magazines	13

Key takeaways:

Urban residents were more likely to learn about mobile money providers from media (mostly radio and TV) while their rural counterparts were more likely to hear about the services from their family members. Rural residents are also twice as likely as their urban counterparts to learn about the services from mobile money transactional agents.

Those living above the poverty line are more likely than their below-the-poverty-line counterparts to learn about mobile money from billboards and other people (friends, relatives, neighbors).

The data didn’t show any gender-based differences in where people first heard about mobile money. (e.g., TV and radio).

Source: InterMedia Nigeria FII Tracker survey (N=6,002, 15+) September-November 2013

Question for top 5 sources: “From which source of information did you first learn about this mobile money service?” [asked for all services heard about]

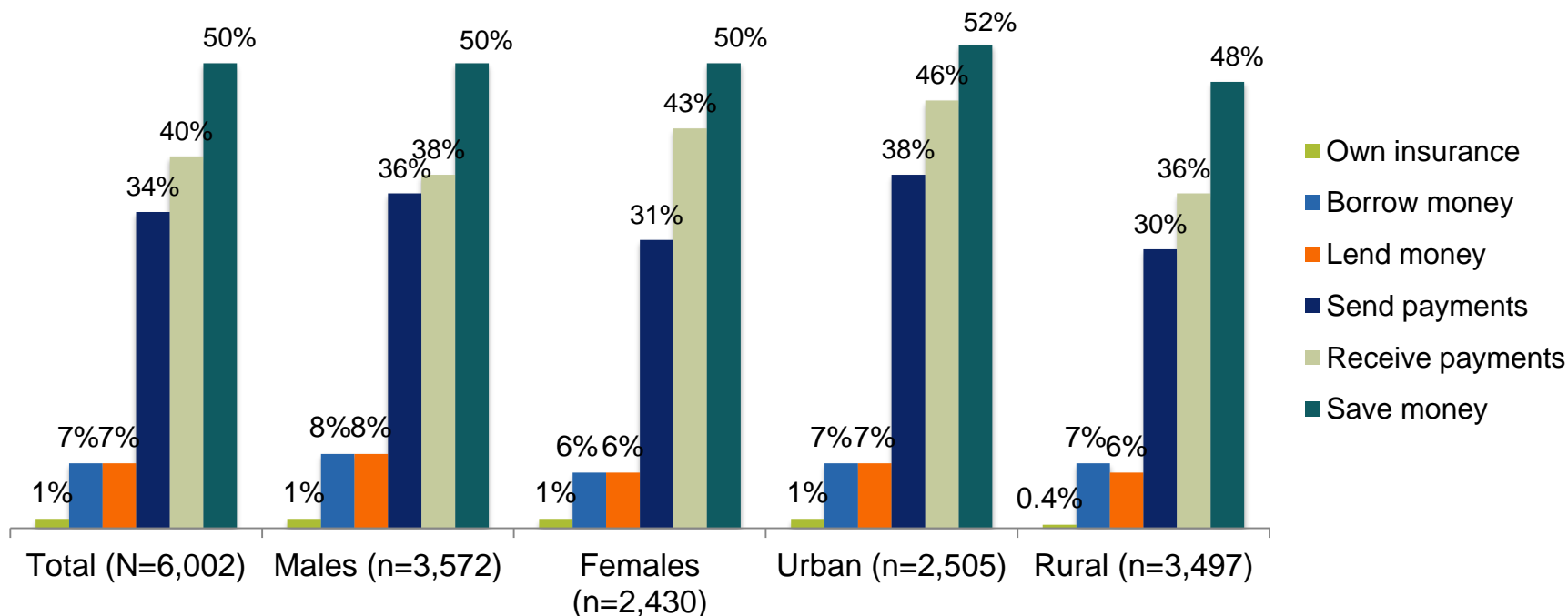
The question allowed multiple responses.

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General Financial Activities

People engage in similar financial activities across the different demographic groups, although rural adults are slightly less likely than their urban counterparts to perform any financial operation.

Percentage of Nigerian adults reporting a financial activity in the past 12 months



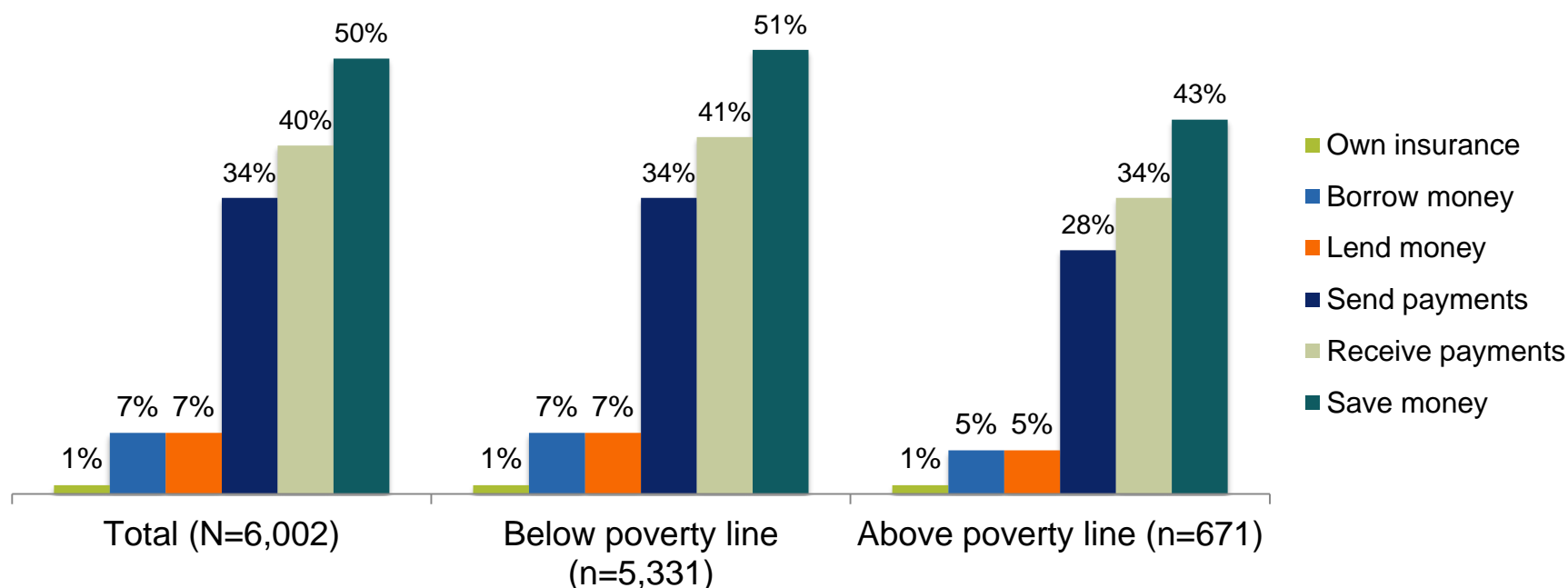
Source: InterMedia Nigeria FII Tracker survey (N=6,002, 15+) September-November 2013

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General Financial Activities

Interestingly, those above the poverty line were less active in performing financial operations than their below-the-poverty-line counterparts.

Percentage of Nigerian adults reporting a financial activity in the past 12 months



Source: InterMedia Nigeria FII Tracker survey (N=6,002, 15+) September-November 2013

General Financial Activities

Cash and bank instruments (e.g., direct deposit) are among the top-three preferred methods of money delivery for those lending and borrowing money.

Top three transaction methods used for borrowing and lending money

Borrow money (n=424, those who borrowed money in the past 12 months)	%	Lend money (n=411, those who lent money in the past 12 months)	%
In cash, personal delivery	81	In cash, personal delivery	83
Direct deposit to a bank	14	Direct deposit to a bank	11
Door-to-door agents	3	Door-to-door agents	3

Source: InterMedia Nigeria FII Tracker survey (N=6,002, 15+) September-November 2013

All questions allowed multiple responses.

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General Financial Activities

Cash is also a preferred choice for those who send and receive payments and save money.

Top three transaction methods used to receive/send payments and save

Receive payments (n=2,438)	%	Send payments (n=2,099)	%	Save money (n=3,052)	%
Cash	90	Cash	92	In cash (hiding place)	41
Gold	3	Gold	5	Fixed-interest-rate savings account at a bank	29
Airtime	3	Airtime	4	SACCO	22

Source: InterMedia Nigeria FII Tracker survey (N=6,002, 15+) September-November 2013

All questions allowed multiple responses.

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Survey Sample Demographics

Demographic	% of Sample (N=6,002)
Male	50%
Female	50%
Urban	43%
Rural	57%
Above the poverty line	10%
Below the poverty line	90%
Ages 15-24	35%
Ages 25-34	26%
Ages 35-44	17%
Ages 45-54	13%
Ages 55+	9%

Source: InterMedia Nigeria FII Tracker survey (N=6,002, 15+) September-November 2013

SAMPLING APPROACH

Sample size

The sample size for this study is 6,002 respondents.

Target population and sampling frame

According to the 2012 government projections based on the 2006 Population Census, the total population of Nigeria stands at 164,294,516. The target population covered by the InterMedia survey includes all individuals aged 15 and above living in 33 Nigerian states, and the federal capital territory (FCT) of Abuja. The three states excluded from the survey for security reasons were Adamawa (3,667,419), Borno (4,930,077) and Yobe (2,757,022).

According to government projections, the adult population (15+) represents 56 percent of the total Nigerian population. Therefore, the target population for this study is estimated at 85,646,398.

Sampling local government areas (LGAs)

Nigeria is divided into six geographical regions/zones and comprises 36 states and Abuja, the FCT. The first step of the sampling procedure was to distribute the total sample of 6,002 interviews in the 34 states (including the FCT) proportionally to the target population size (15+).

In each state, LGAs were stratified by urban and rural, and randomly selected using a proportionate-to-population size (PPS) method. All wards, small administrative units comprising LGAs, were listed within each LGA, from which primary sampling units (PSUs) were randomly selected using a ballot system.

Sampling start-points, households and respondents

One start -point within each PSU was chosen by randomly selecting from a list of local landmarks.

Households (see definition in glossary) were selected using a random route walk, standardized skip pattern and process for substitution.

One respondent per household was selected using the Kish grid method and relevant consent for eligible respondents under 18 years of age was obtained.

GLOSSARY OF TERMS

- **Active account holder** – An individual who has a registered digital financial service account (DFS, see definition below) account and has used it in the last 90 days.
- **Active user** – An individual who has used any DFS for any type of transaction in the past 90 days via his/her own account or somebody else's account.
- **Adults with DFS Access** – Adults who either own a DFS account or have access to someone else's account.
- **Agent** – A person or business contracted by a DFS provider to provide services to DFS customers using their own bank or mobile money account.
- **Banked** – An individual with a registered account at a formal financial institution. For this particular study, banked are all individuals with their own bank accounts.
- **Basic literacy** – The ability of an individual to read and understand a short, simple statement with no or minimal help from another person.
- **Basic numeracy** – The ability to apply simple mathematical concepts. In the survey, basic numeracy refers to the ability of an individual to correctly answer at least two out of three simple arithmetic questions.
- **Below the Poverty Line** - In this particular study, adults living on less than \$2.50 per day, as classified by the Grameen PPI.
- **Digital financial services (DFS)** – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). **For this particular study, digital financial services include bank services and mobile money services.**
- **Digital stored-value account** – An account in which funds or monetary value are represented in a digital electronic format and can be retrieved/transferred by the owner of the account remotely, without him/her physically present at a branch of a financial institution providing the account. For this particular study, DSVAs include a bank card (debit or credit) and a mobile money account.

GLOSSARY OF TERMS (CONT.)

- **Financial inclusion** – A state in which all people who are able to use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. (CFI)
- **Financially included** – An adult who owns or has access to digital financial services.
- **Grameen Progress out of Poverty Index (PPI)** – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below the poverty line.
- **Households** – All those who satisfy at least two of the following three conditions: (1) share the same food pot, (2) share the same roof or (3) have a common decision maker.
- **Interoperability** – The ability of users of different digital financial services (e.g., Safaricom M-PESA and Airtel Money) to transact directly with each other without the use of intermediary organizations.
- **Lapsed registered/non-registered user** – An individual who has used a DFS on own or somebody else's account, but has not done so in the last 90 days.
- **Mobile money** – A service in which a mobile phone is used to access financial services.
- **Registered active user** – A person with a registered DFS account that has used it in the last 90 days.
- **SACCO** – a savings cooperative that offers savings accounts to their members only; accounts do not have an expiration date.
- **Services beyond basic wallet** – DFS transactions that go beyond simple deposits, withdrawals, or money transfers.
- **SIM card** – A removable micro-card that contains a subscriber identity module that securely stores the electronic codes used to verify subscribers' identities on mobile phones and computers.
- **Unbanked** – Individuals without a registered bank account.
- **Urban/rural** – Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

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