



Nigeria Consumer Protection in Digital Finance Survey

March 2021

Innovations for Poverty Action (IPA)

Associated survey dataset available here: <https://doi.org/10.7910/DVN/USMYWW>

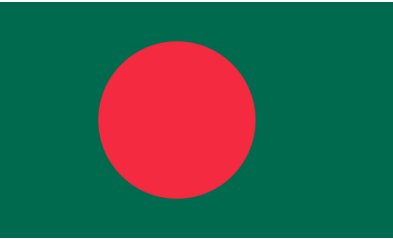
William Blackmon (Innovations for Poverty Action)
Rafe Mazer (Innovations for Poverty Action)
Shana Warren (Innovations for Poverty Action)



IPA Consumer Protection Research Initiative

Four-year program to support policymakers, financial service providers, and civil society to develop and test consumer protection solutions in four emerging markets.

Bangladesh



Kenya



Nigeria



Uganda



Understanding the challenges Nigerian consumers face with digital finance

- Digital finance in Nigeria includes a mix of bank and mobile-money based products, as well as a growing FinTech market focused primarily on payments and credit products.
- New products—e.g. payments and digital credit, and channels—e.g. agents or apps, raise new risks for consumers which must be understood and addressed.
- IPA conducted a survey of users of digital financial services (DFS) to understand their experiences, challenges faced, and opportunities for improvements in consumer protection in Nigeria.
- Reports from similar surveys conducted in [Kenya](#) and [Uganda](#) allow for comparison across countries.



Contents

05: Methodology

06–12: Respondent Profile

11–18: Access and Usage

19–30: Challenges

31–36: Competition and Choice

37–41: Financial Stress

42–47: Redress Process

48–50: Policy Takeaways



Photo by: Will Boase



Methodology

Survey used an in-person intercept methodology to identify respondents

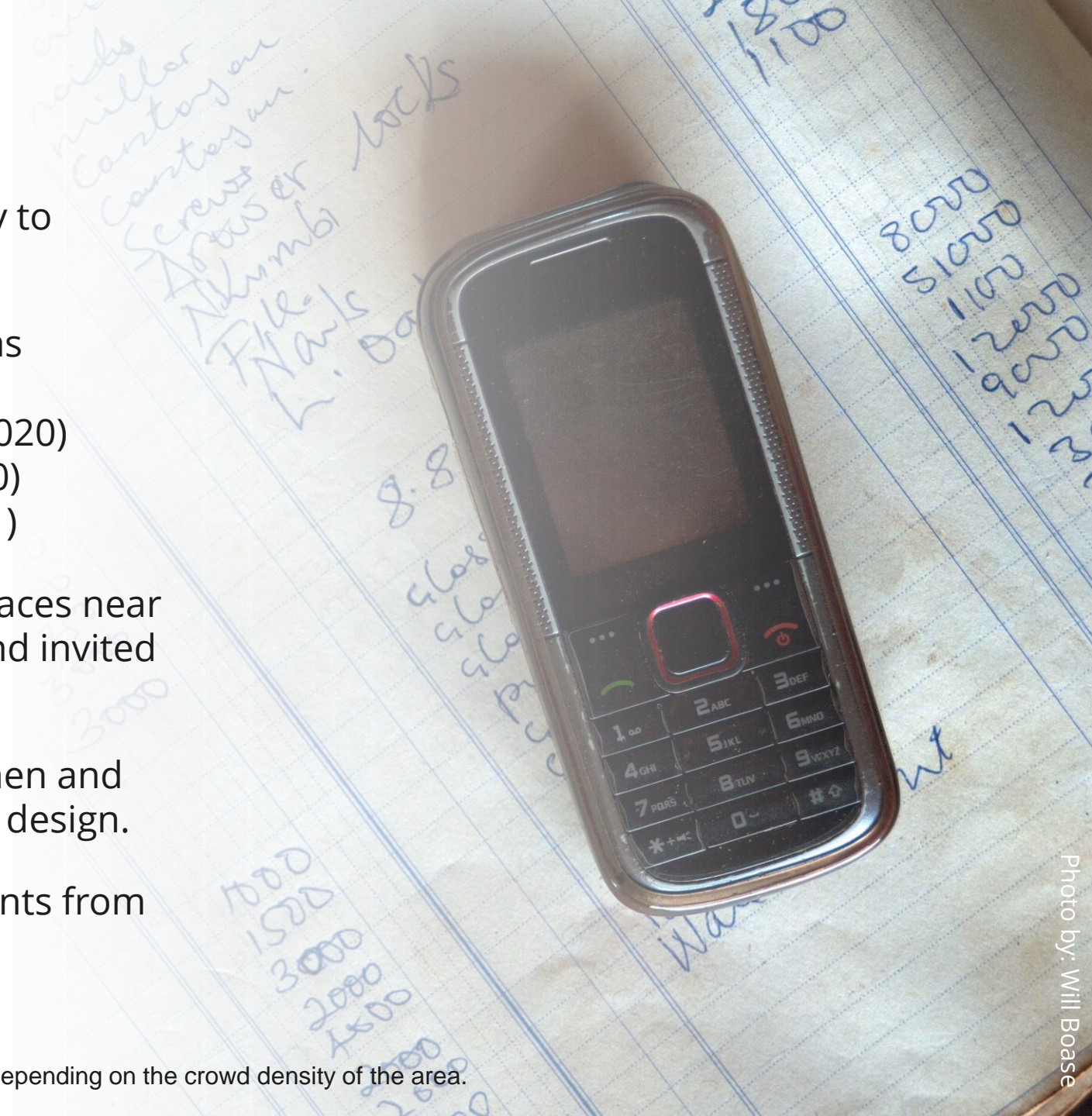
Conducted surveys in urban and peri-urban areas around the cities of:

- Kaduna (205 surveys from Aug. 21– Sept. 10, 2020)
- Enugu (278 surveys from Dec. 1 – Dec. 15, 2020)
- Lagos (269 surveys from Jan. 25 – Feb. 12, 2021)

Enumerators positioned themselves in public spaces near DFS agent locations (typically in market areas) and invited random* passersby

Enumerators alternated between interviewing men and women, so the sample is balanced on gender by design.

Selected interview locations to include respondents from a variety of socio-economic backgrounds.

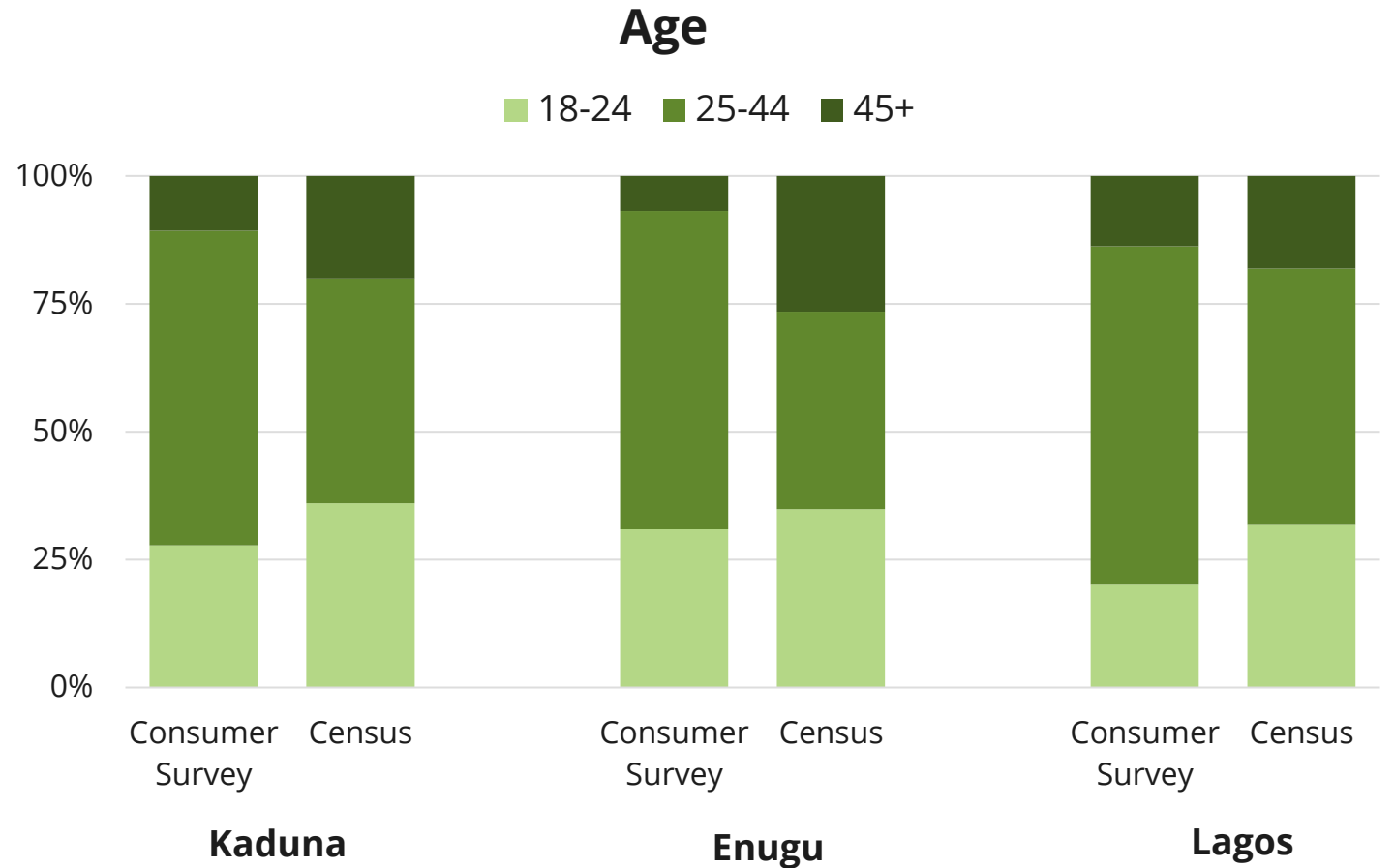
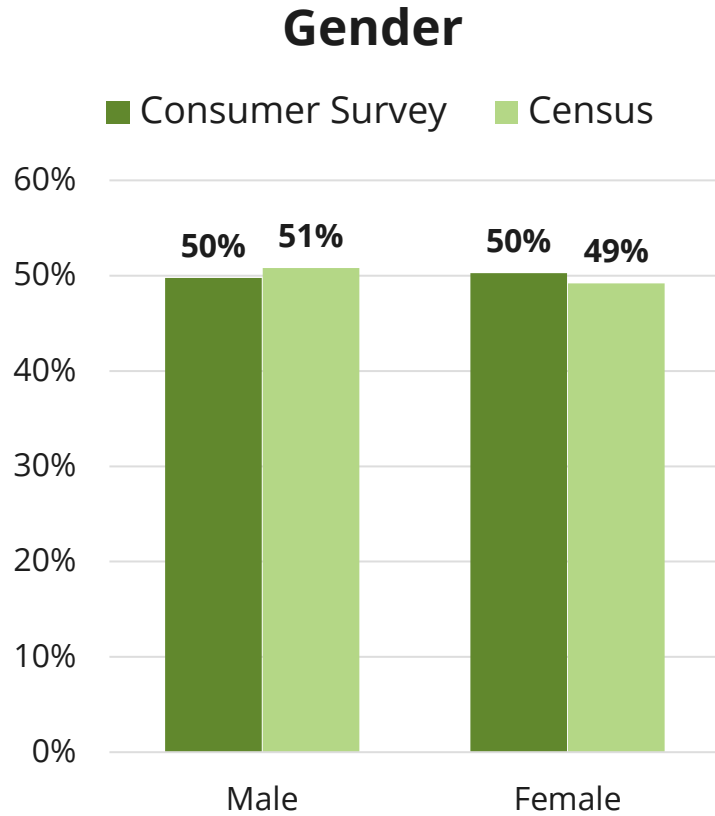


Respondent profile

- Respondents have higher education and income levels than general Nigerian population
- This makes sense given focus on urban and peri-urban users of digital financial services
- Survey results should be taken as indicative of common challenges faced by DFS users, and not nationally representative



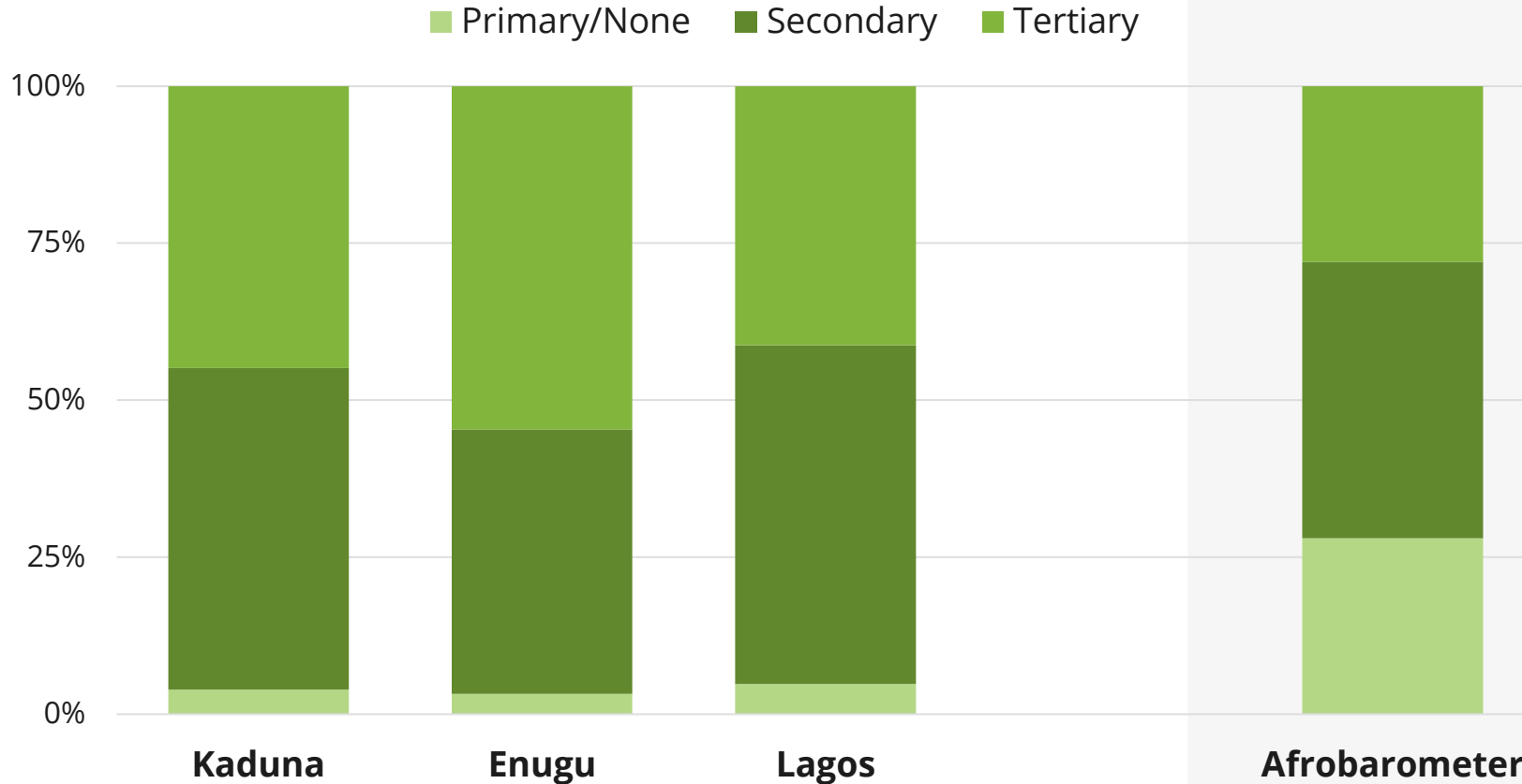
Gender and age



Notes: n=752, survey data comes from the cities of Kaduna (mean age=33), Enugu (mean age=30), and Lagos (mean age=33) only, Census data is from 2006 and includes entire states with mean age=; Source: <https://nigeria.opendataforafrica.org/xspplpb/nigeria-census>.



Education



Our respondents are significantly better educated than the typical Nigerian.

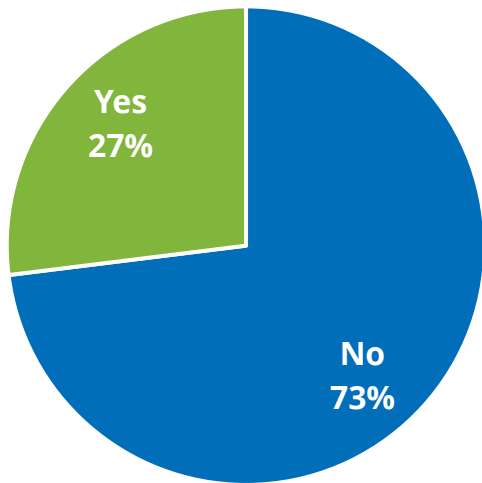
Our sample is restricted to DFS users in urban centers. Both these population segments tend to be highly educated.

n = 205

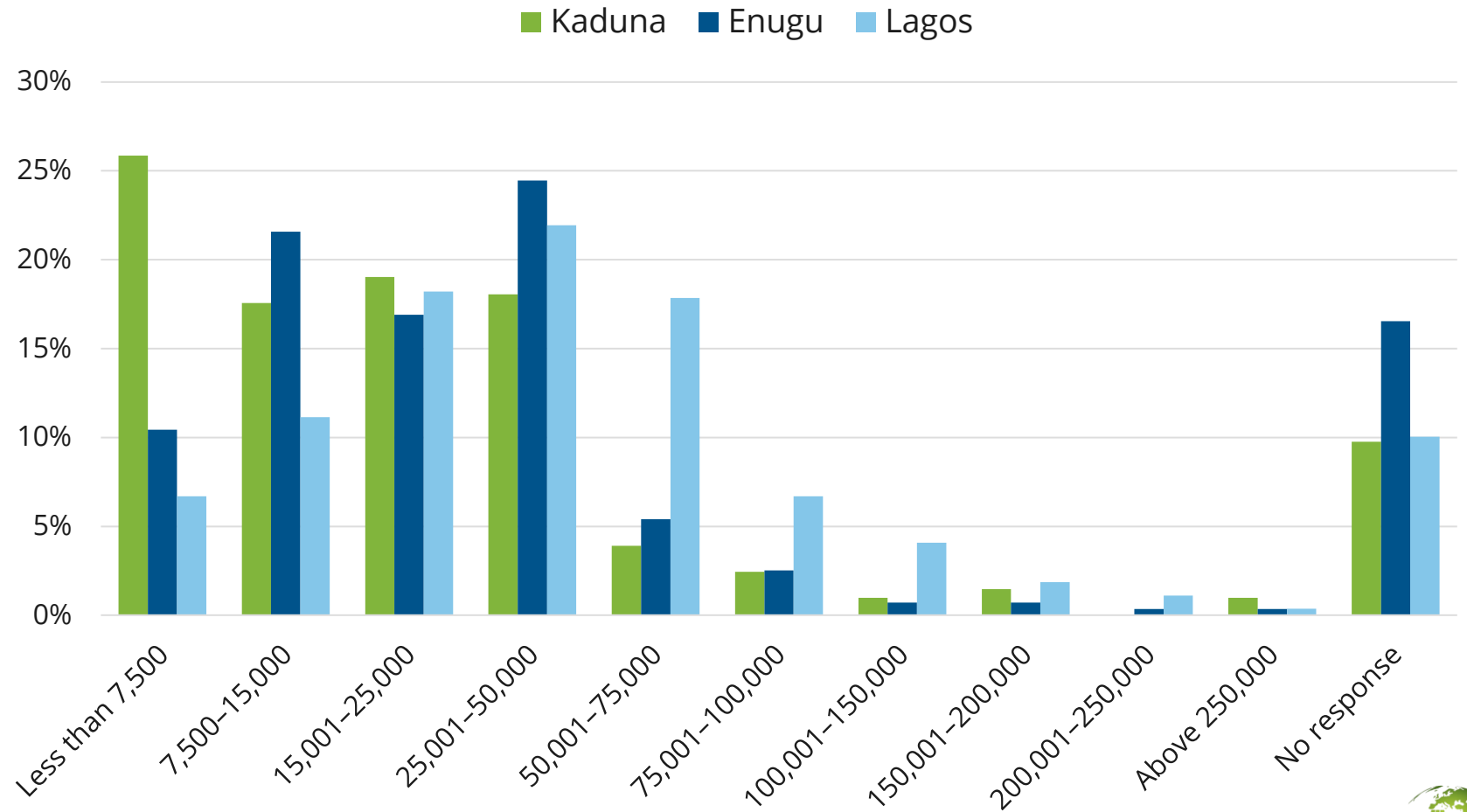


Economic background

Household member with formal employment (n=701)

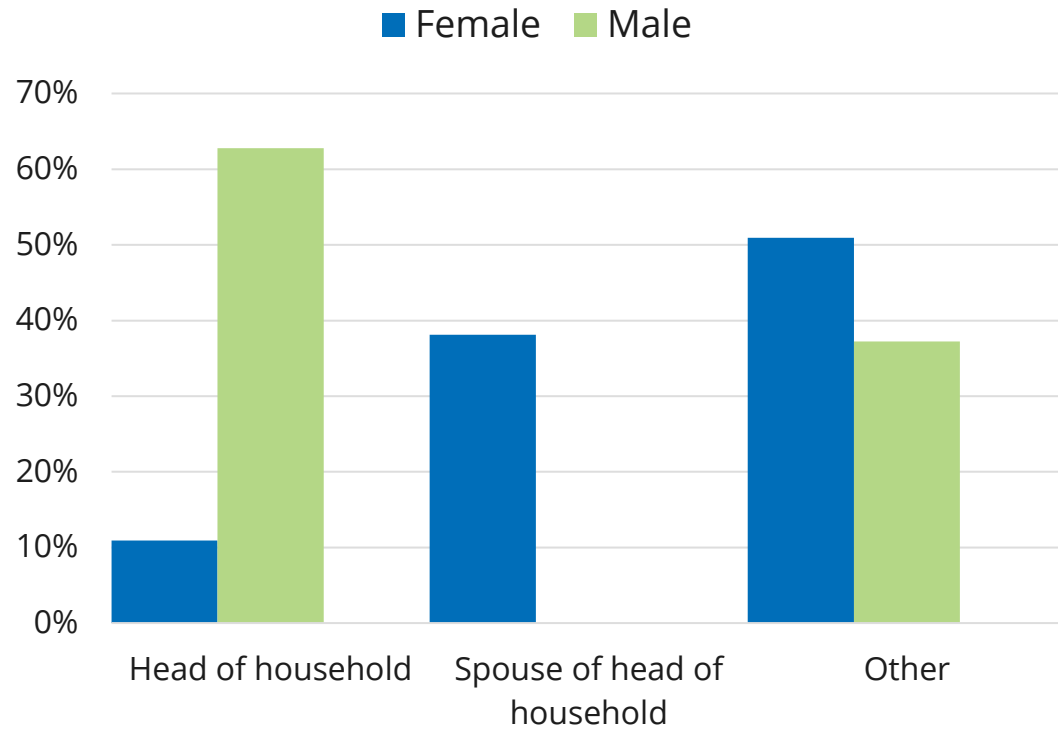


Monthly income (NGN) (n=752)

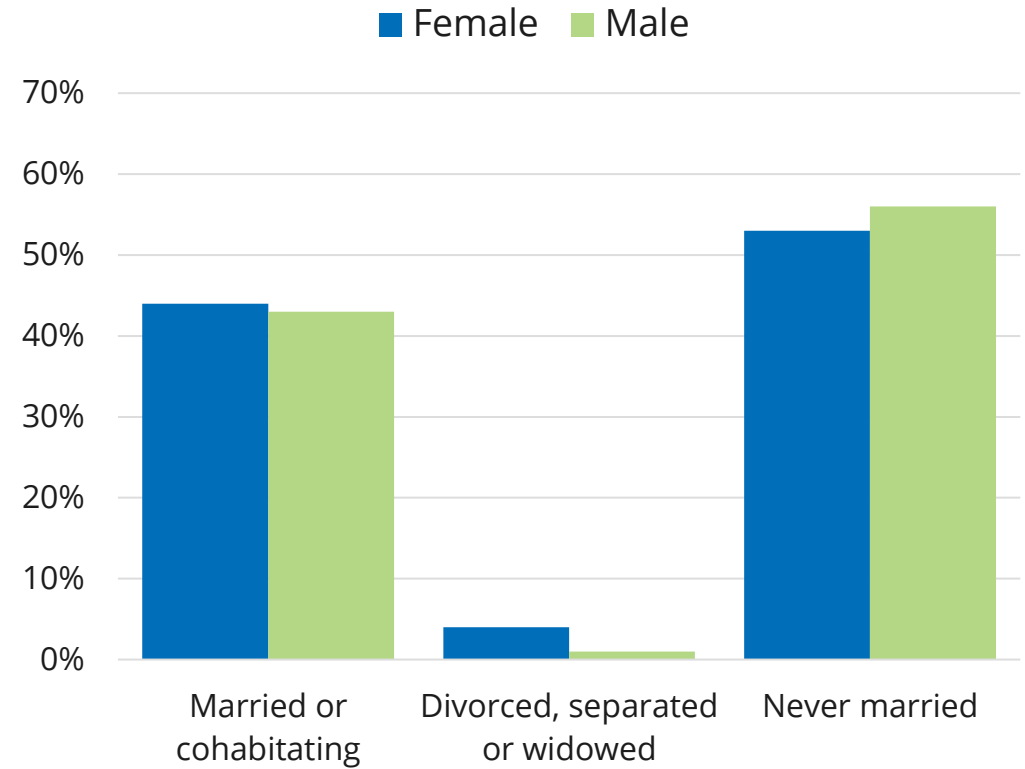


Household composition

Relationship to head of household (n=751)



Marital status (n=749)

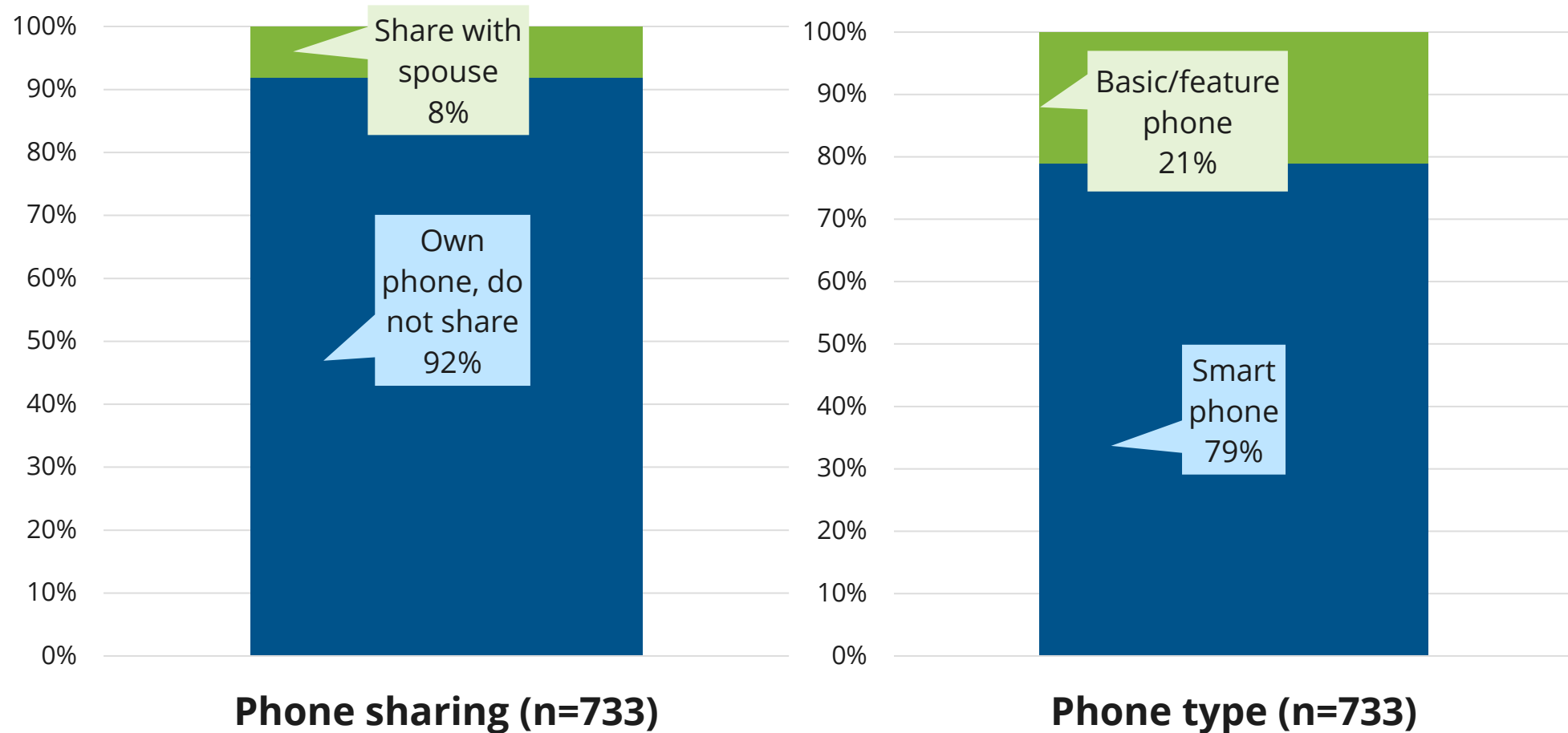


Access and usage of digital financial services

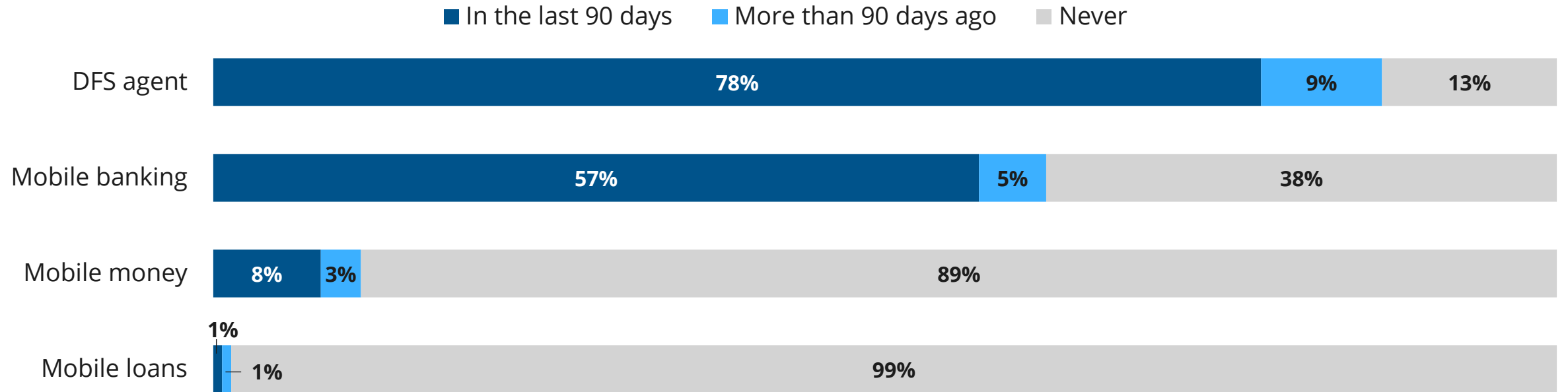
- DFS in Nigeria is predominantly bank-based, contrasting with mobile-money led African markets like Kenya and Uganda (see IPA's [Kenya](#) and [Uganda](#) consumer protection surveys)
- Agent networks are an essential element of DFS in Nigeria, and over-the-counter transactions (transactions by customers without accounts) are common. 32% of DFS users in our sample only conducted over-the-counter transactions
- DFS usage skews towards higher educated and higher income consumers in all three survey locations
- Unlike other leading DFS markets in Africa, mobile loans have only limited uptake so far



Phone ownership



Digital financial service usage, by service type



87%

of respondents have ever used a **DFS agent**

62%

of respondents have ever used a **mobile banking**

11%

of respondents have ever used **mobile money**

1%

of respondents have ever used **mobile loans**

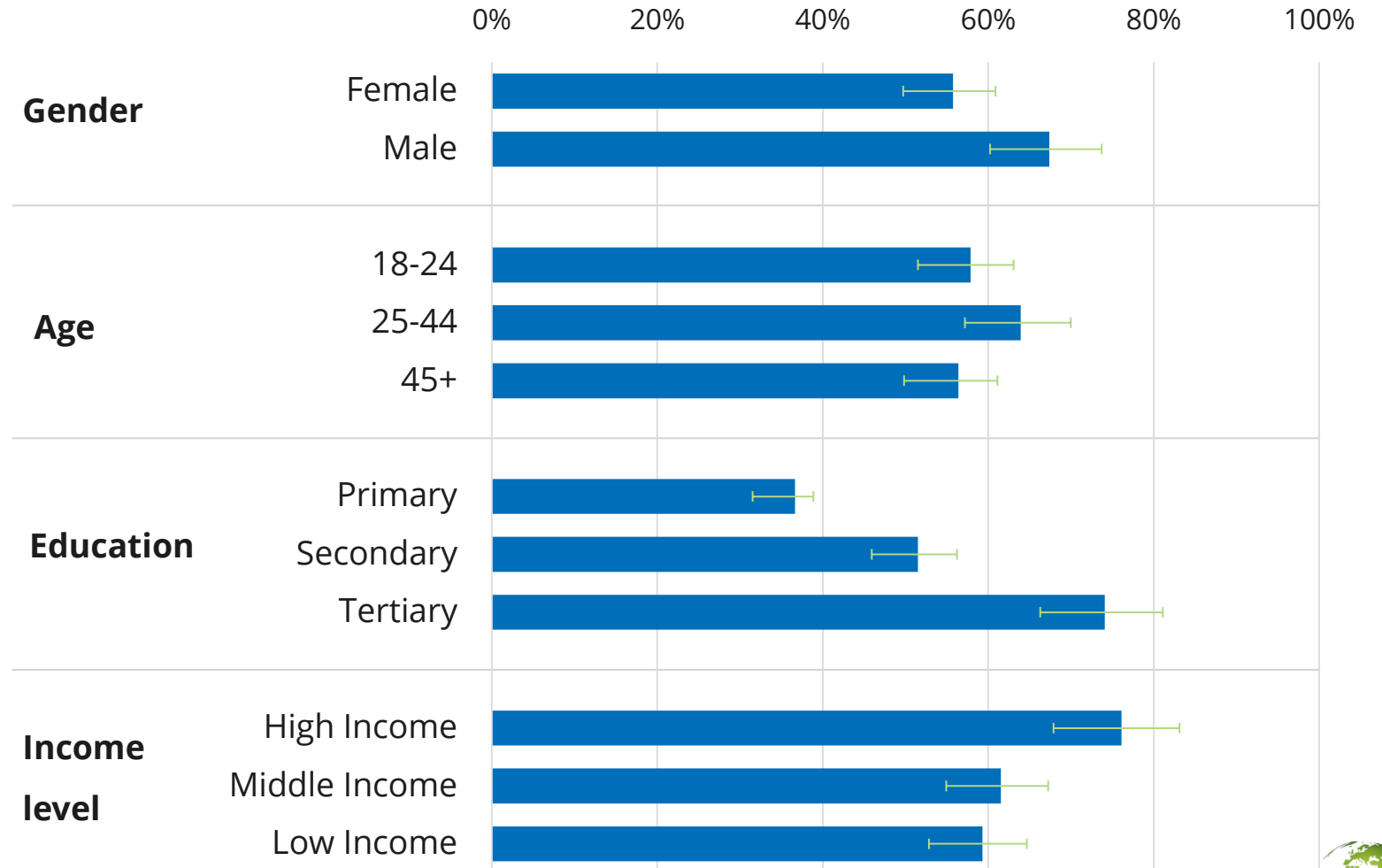


Mobile banking use by consumer segment

Mobile banking users are significantly higher educated and have higher income on average than the Nigerian population. This can be seen in the number of mobile banking users who find it “not” difficult to come up with funds for an emergency or unanticipated expense.

Mobile banking users also are more likely to be male and are older on average.

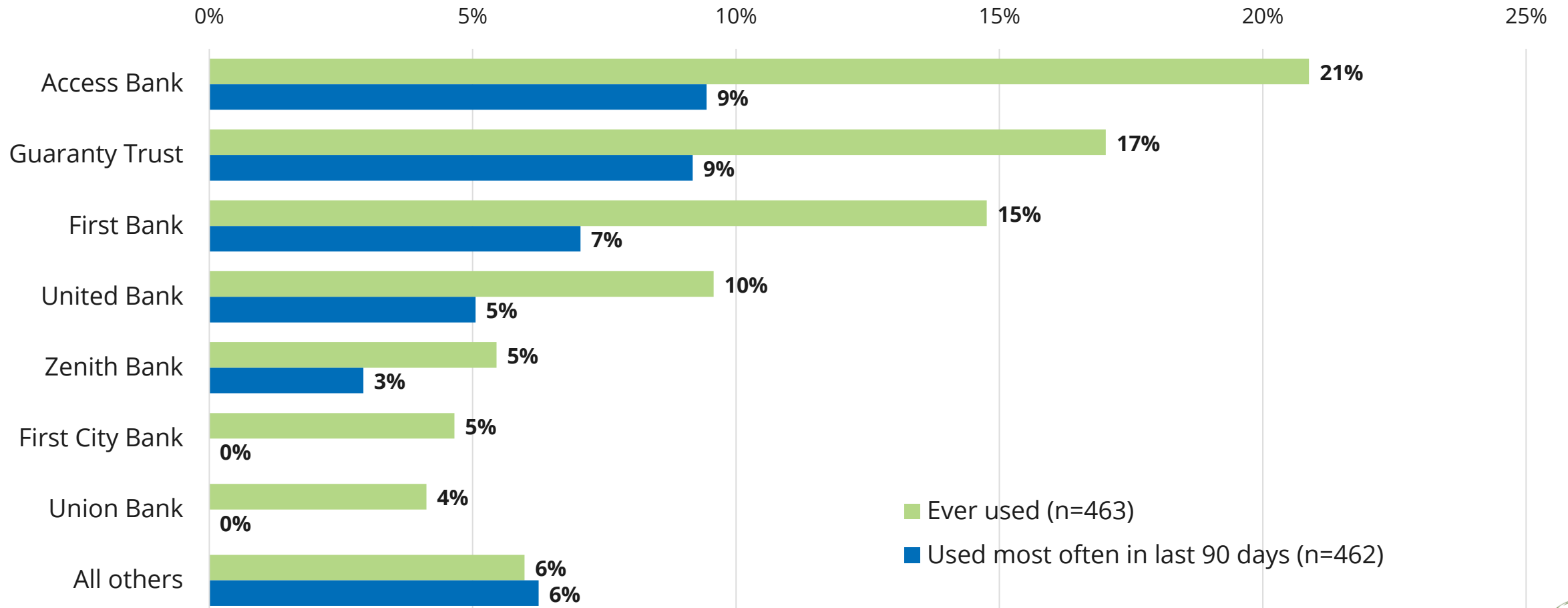
Percent of each respondent type



90% confidence intervals; n=752, Income n=659



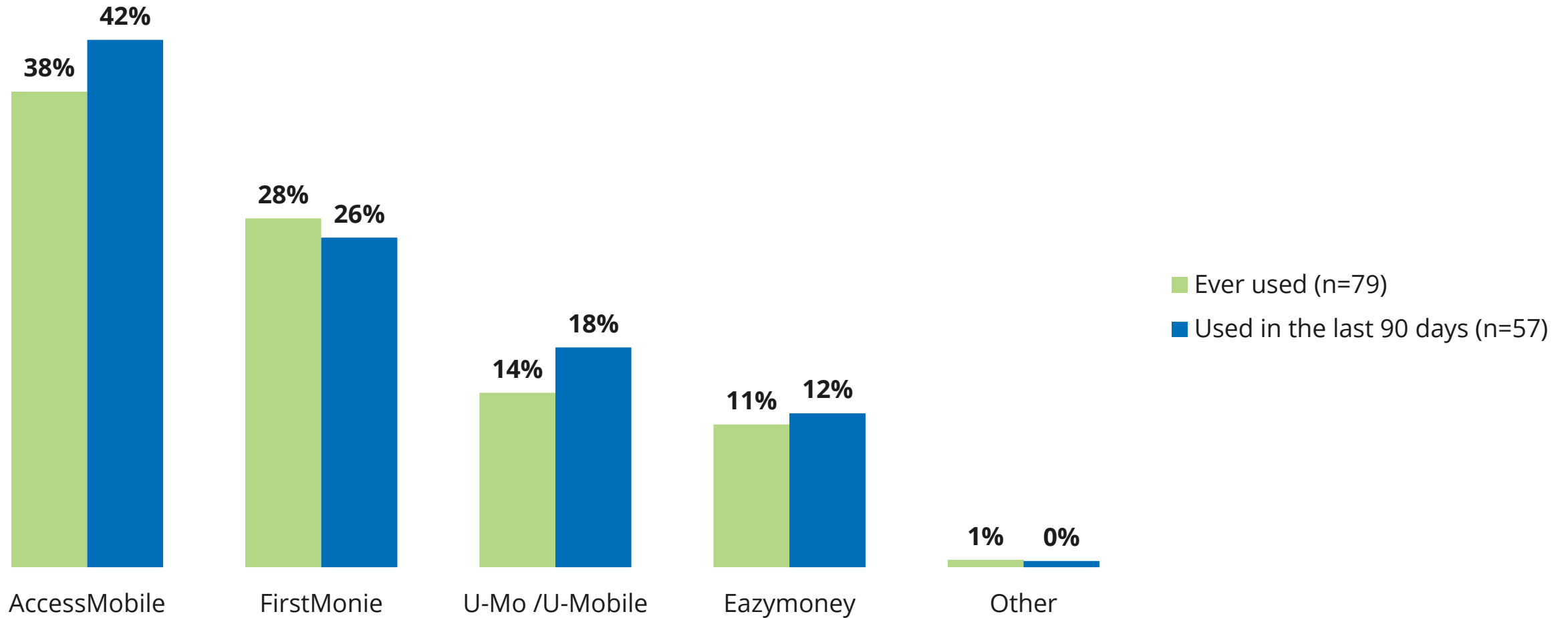
Mobile banking providers



Note: Of mobile banking users



Mobile money providers

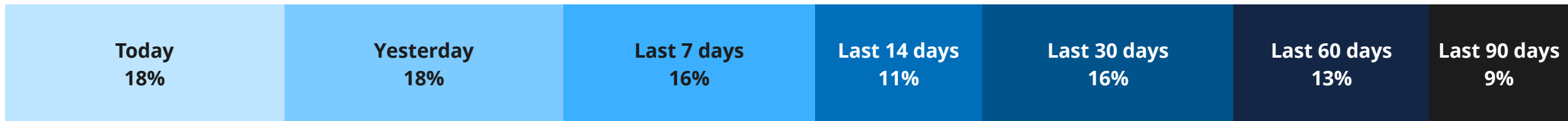


Note: Of mobile money users



Mobile money

Date of last mobile money transaction (n=56)



Mobile money is still nascent in Nigeria:
48% of “active” users
use mobile money less than once per week

Change in mobile money vs cash since pandemic started (n=54)

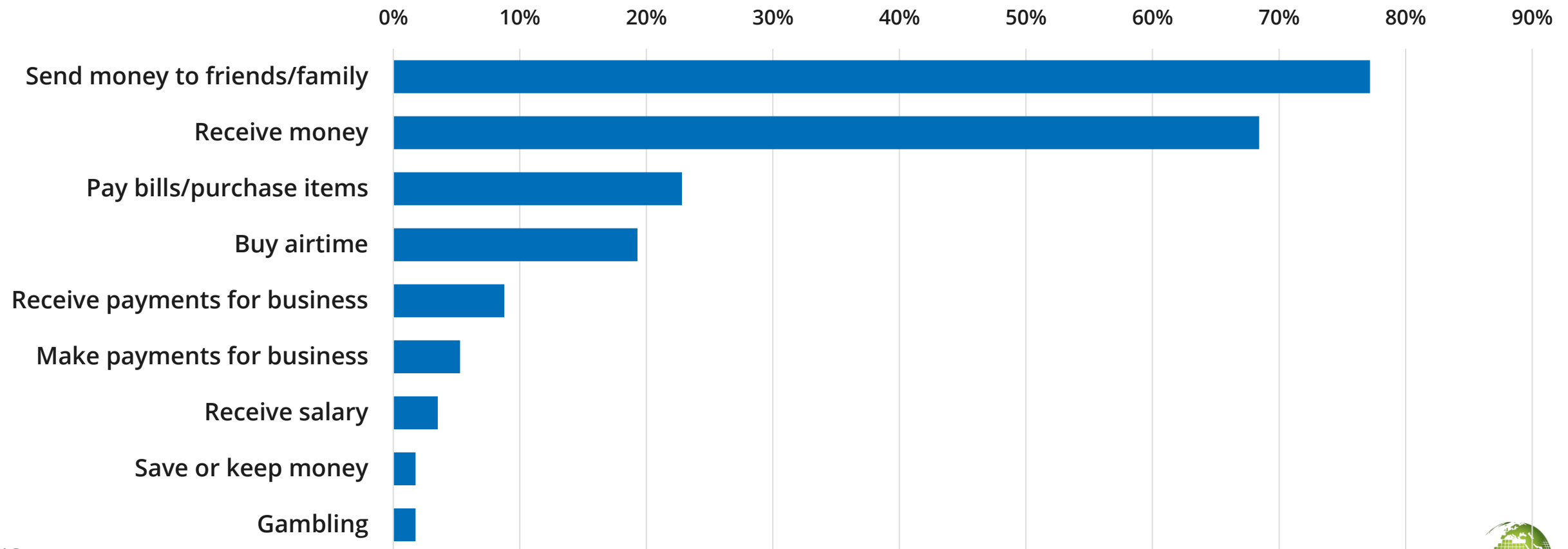
35%
More mobile money use now

33%
More cash use now

31%
No change

Mobile money primarily used for person-to-person transfers

Uses for mobile money account (n=57)



Challenges experienced using DFS

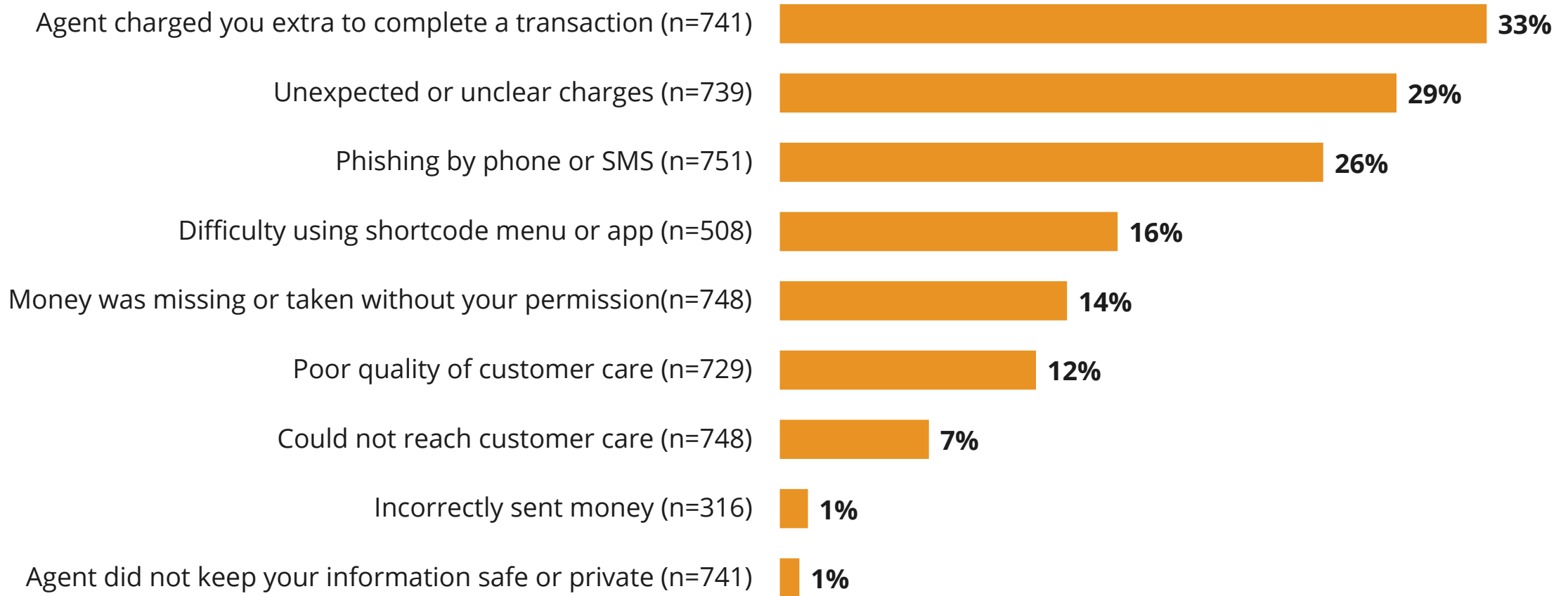
The survey asked consumers about a set of common DFS challenges, to understand how many consumers may experience these issues across two periods:

- Any challenges experienced since January 2020
- The most significant challenge ever experienced—to not miss any issues which may have caused substantial difficulty or harm in the past.

Extra or unexpected charges, and phishing or scam attempts appear to be the most frequent challenges DFS consumers face



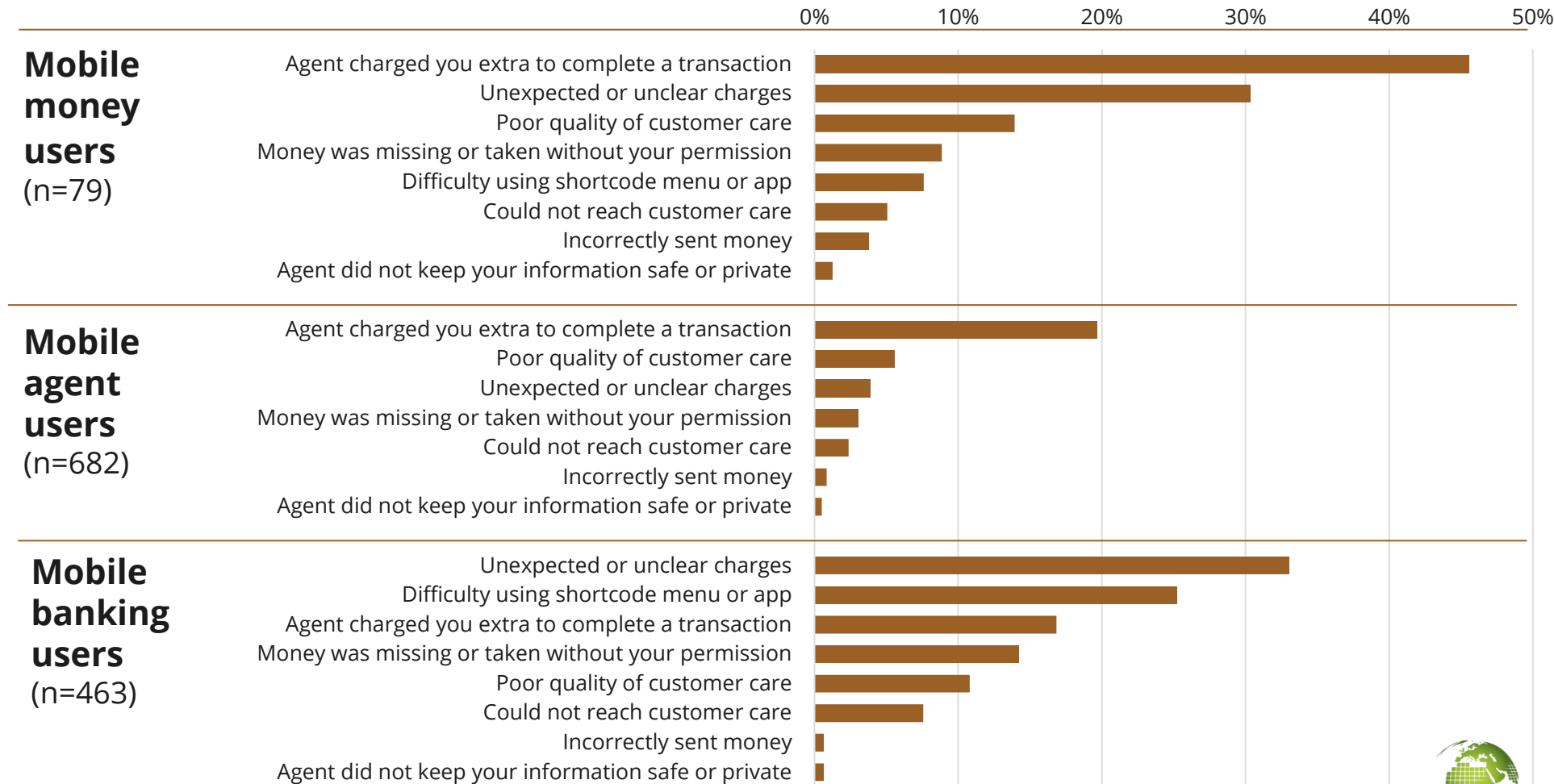
Which challenges are most common for consumers



Challenges by service type

Percent of mobile money, mobile loan, and mobile banking users reporting each challenge

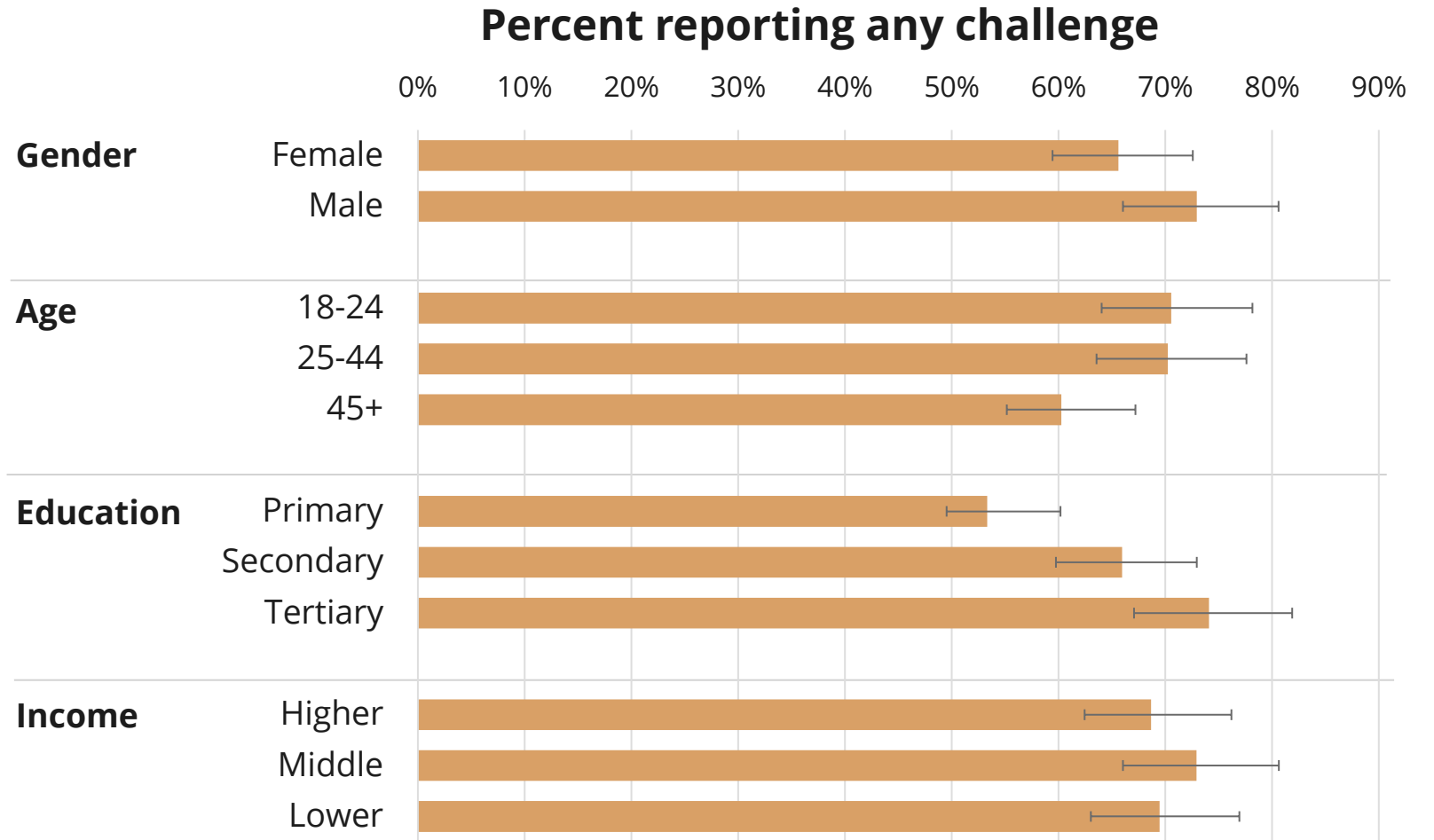
Respondents are most likely to experience challenges with mobile money and mobile banking. All users report agent overcharging as a major concern, while many mobile money and mobile banking users experience unclear charges and missing money.



Challenges by consumer segment

Education and age appear to be the most significant demographic factors in whether consumers report experiencing challenges with their DFS products. This is similar—if not identical—to findings from IPA's Kenya and Uganda DFS consumer protection surveys.

Understanding why those with more education may report more challenges, e.g., due to higher awareness of these issues than other consumers, is an open question for further research to explore.



90% confidence intervals; n=752, income n=659

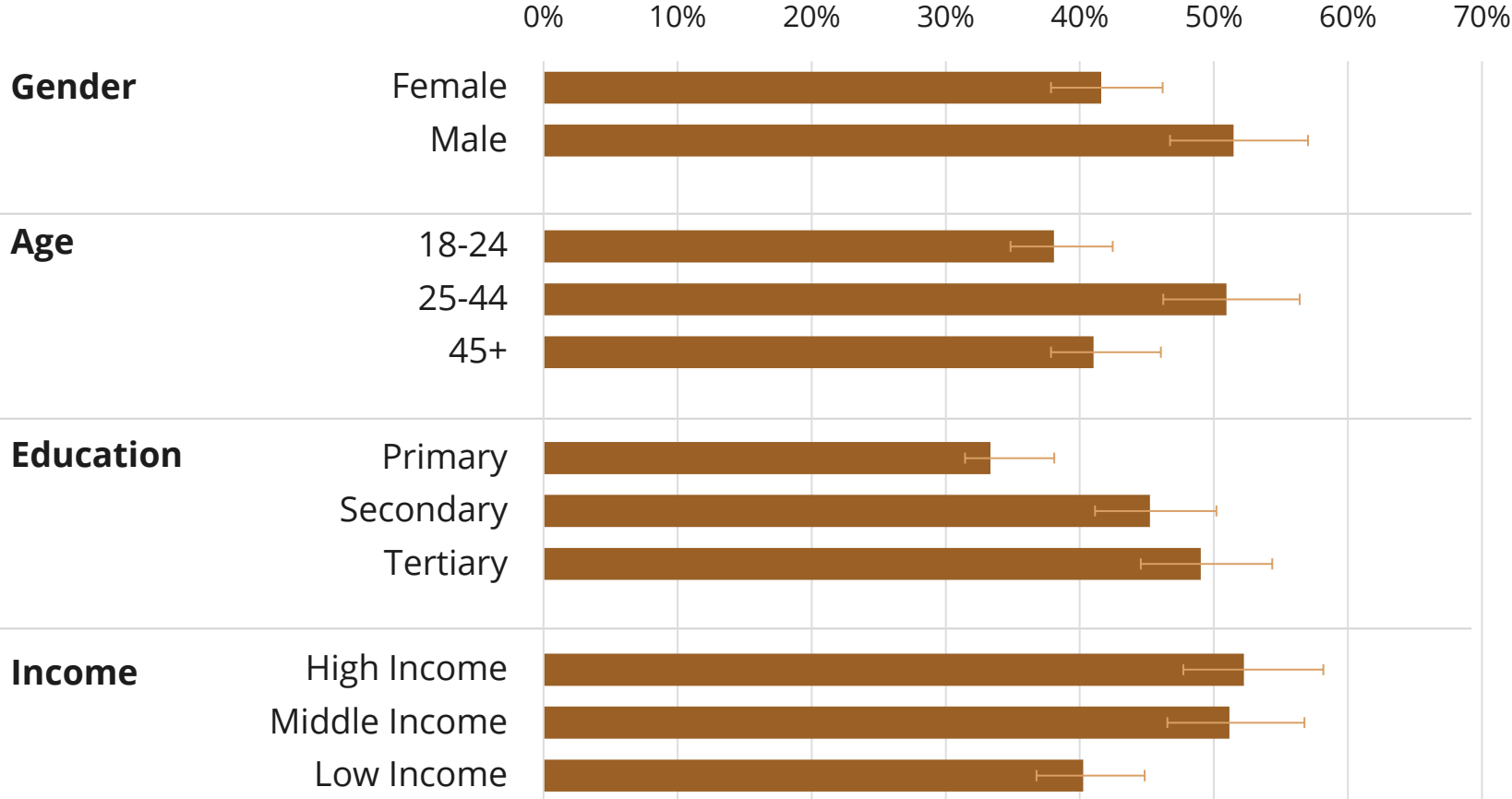


Phishing scams by consumer segment

Experience being targeted by scammers is higher across several different respondent characteristics: male, 25-44 years old, higher education levels, and higher income levels.

Similar to experiences with challenges, further research is needed to determine if this is due to wider use of product types, increased ability to detect scams, or other reasons.

Percent of each respondent type (n=752)



90% confidence intervals



What do scammers seek when they contact DFS users?

Types of scam requests

41%

Ask for PIN,
Bank Verification
Number, or one-
time password

31%

Account
details

24%

Send them
money

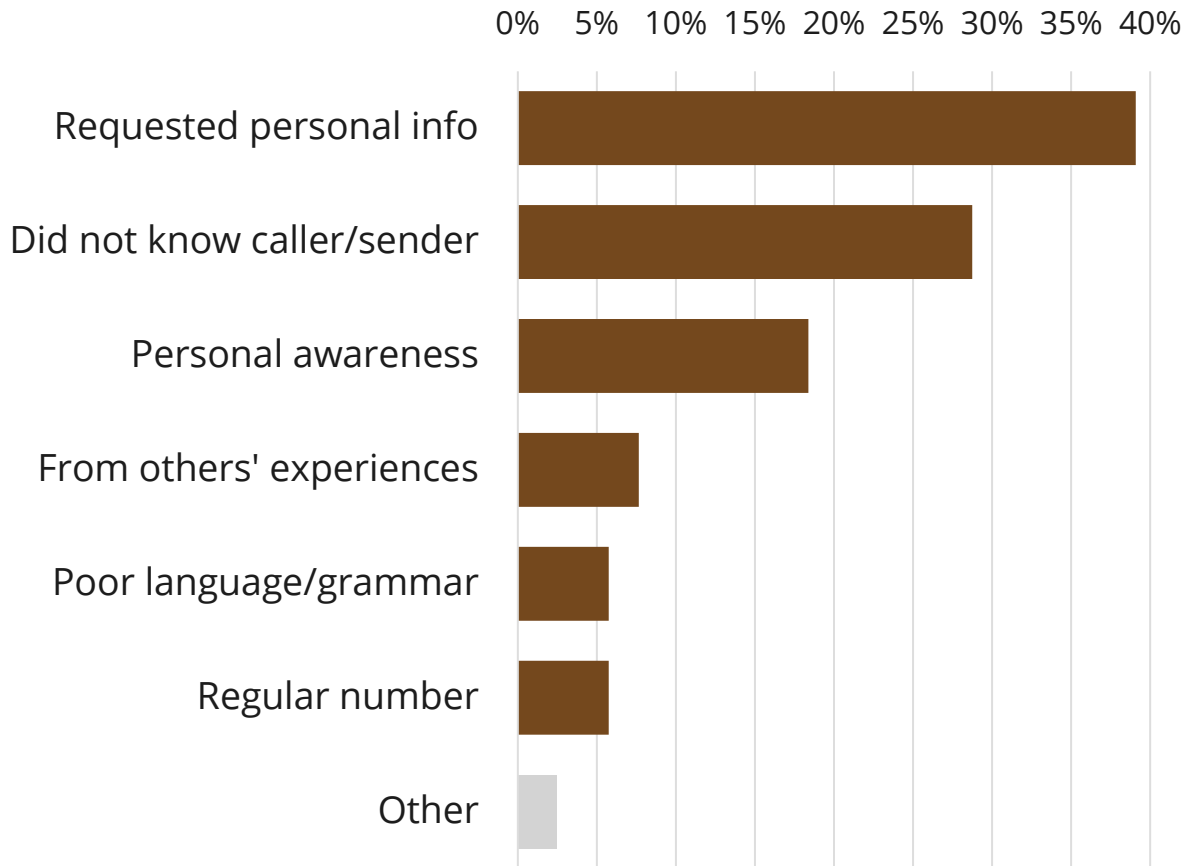
4%

Other

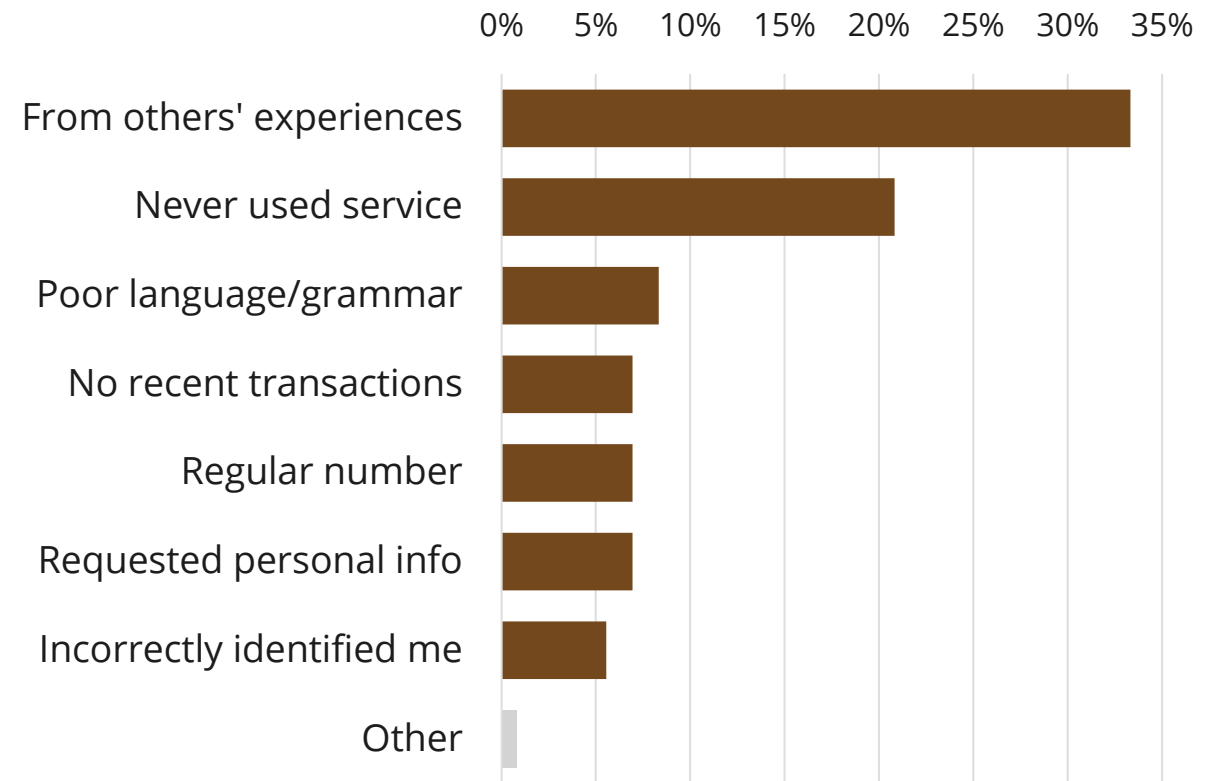


Scam attempts: How consumers identify scams

Scams requesting money (n=261)

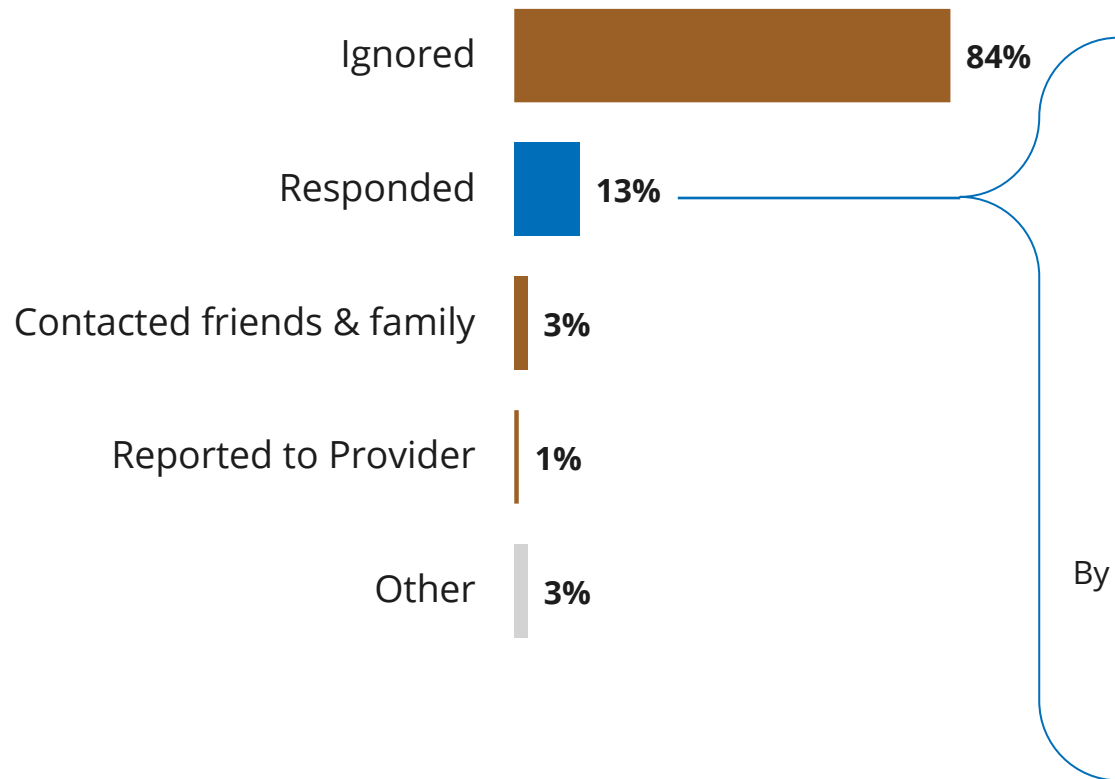


Scams offering a product or service (n=72)

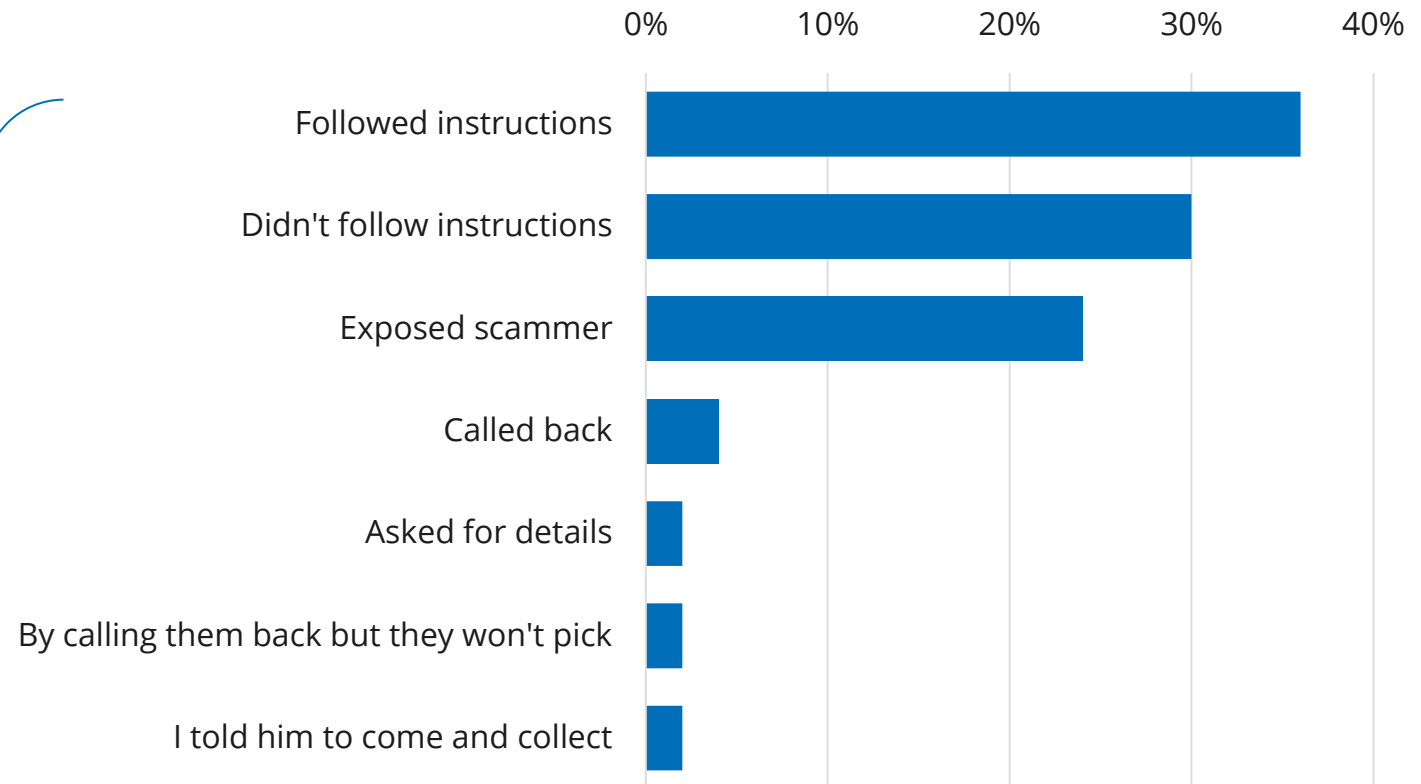


Scam attempts: How consumers respond

**Consumers' action after scam
(n=350)**

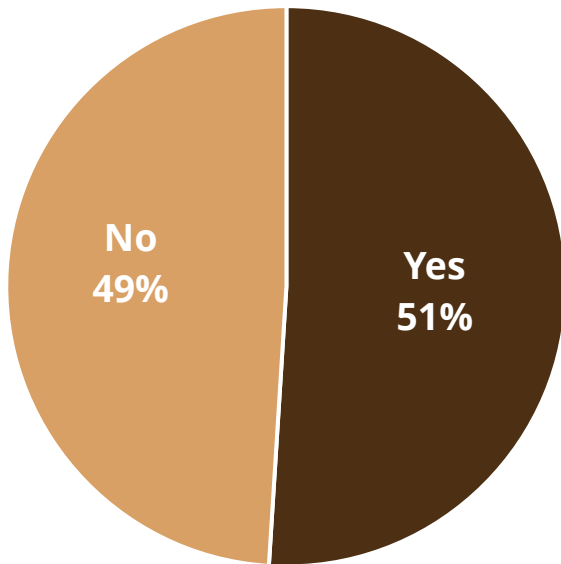


Consumers' action if they responded to the scam (n=50)

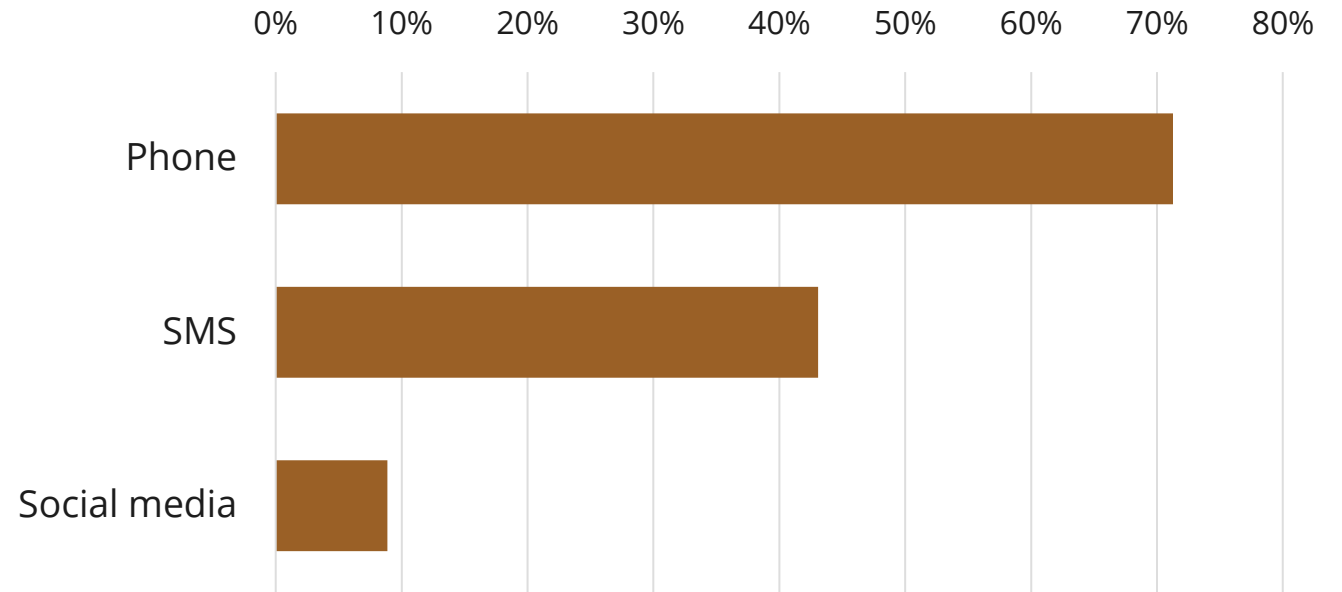


Scams are quite common during the pandemic

Percentage of respondents who experienced attempted scams or fraud since COVID-19 began (n=751)

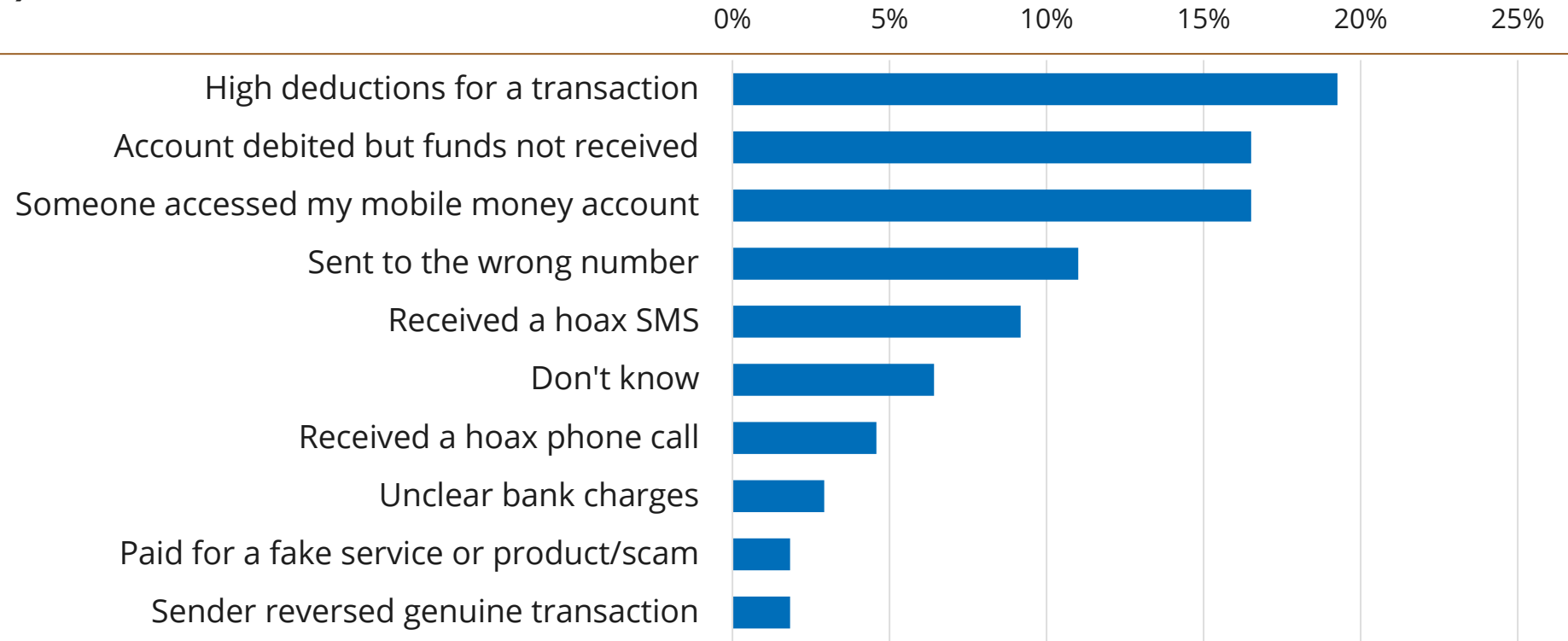


Mode of scams (n=383)



Financial loss: Where and how it occurs

How money was lost (n=109)



Where money was lost (n=94)

70% Mobile banking

23% OTC

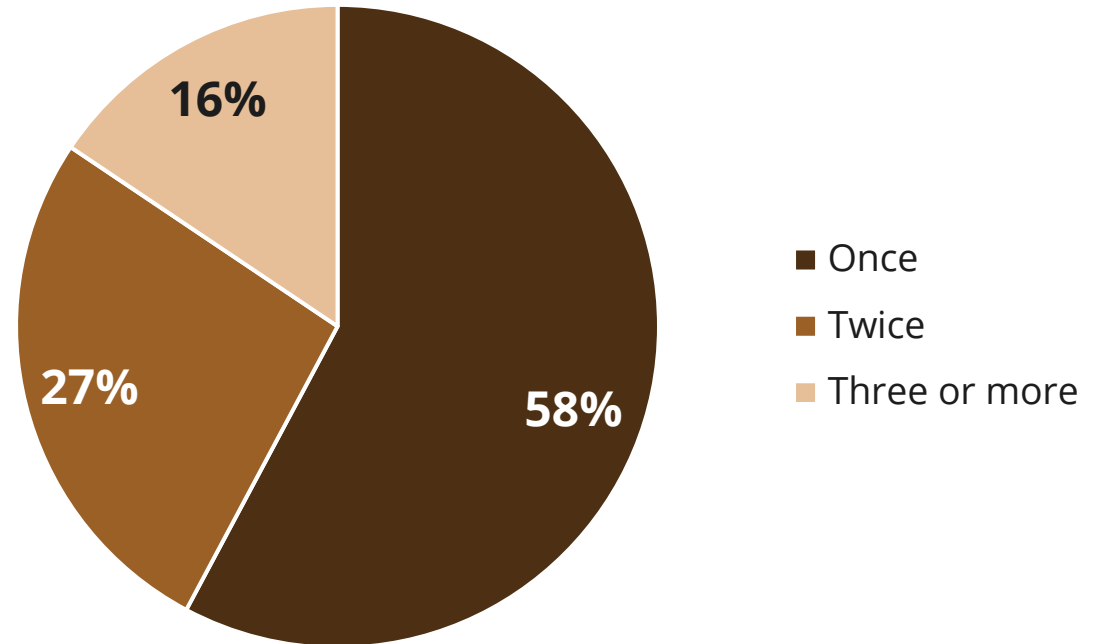
6% Mobile money

Financial loss: What it costs consumers

109 respondents report losing money on their phone.

In their worst incident, consumers lost an average of **12,000 Naira** (median: **5,000 Naira**).

Frequency with which money was lost via phone (n=109)



42% lost money on more than one occasion



Lost money issues most likely largest challenges consumers cite

The survey asked participants to recall their largest challenge ever experienced with DFS, regardless of whether it occurred in 2020 or not.

Responses focused on issues that involved financial loss for the consumer. Surprisingly, a majority of these consumers took no action to resolve this challenge—signaling an area for improvement in consumer redress channel access and usage.

Largest challenge ever experienced (n=463)

- 25%** Unexpected or unclear fees
- 19%** Agent overcharging
- 16%** Missing money

Person or entity consumer blamed for challenges experienced, top 3 (n=365)

- 60%** Bank/loan provider
- 24%** Mobile money agent
- 8%** Mobile money provider

45 percent of respondents took some action to try to resolve their largest challenge.



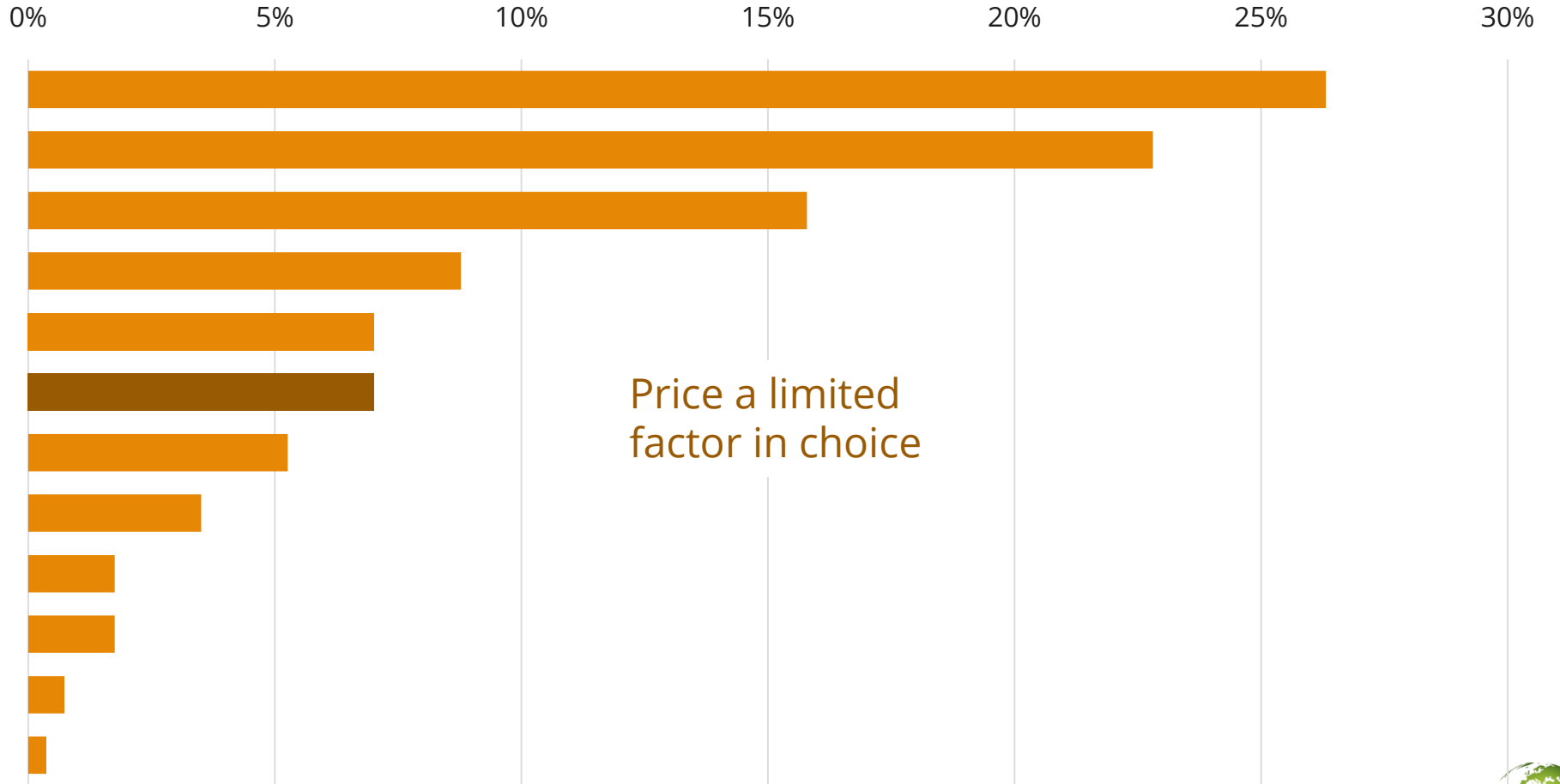
Consumer choice and decision-making

- Financial choices are often made for a variety of financial and non-financial reasons.
- Understanding these factors is important to encourage more informed decision-making, consumer choice and product comparison.
- DFS consumers were asked to share the factors that go into their choice in mobile money, mobile banking, and agents; as well as their uses for these products.
- Brand reputation and familiarity are the primary factors in choice of mobile money and mobile banking providers—price is a surprisingly low-rated factor in choosing providers.
- Agent selection is primarily based on proximity to the consumer.



Reputation and familiarity dominate mobile money choice

Reason for choosing mobile money provider (n=57)



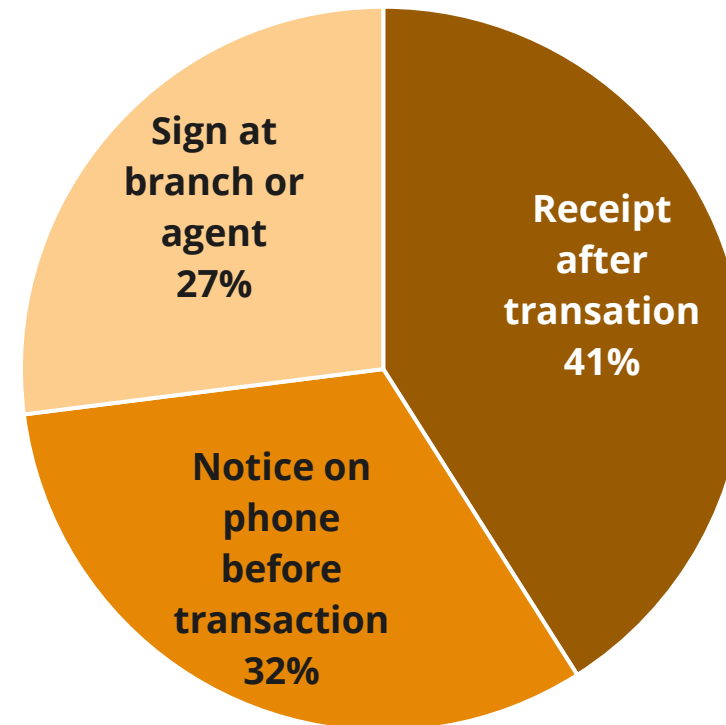
Mobile money consumers learn about fees primarily via handsets

Mobile money users were asked how they learned about the fees in their last mobile money transaction.

Most respondents obtain this information via their phones, either before or after the transaction.

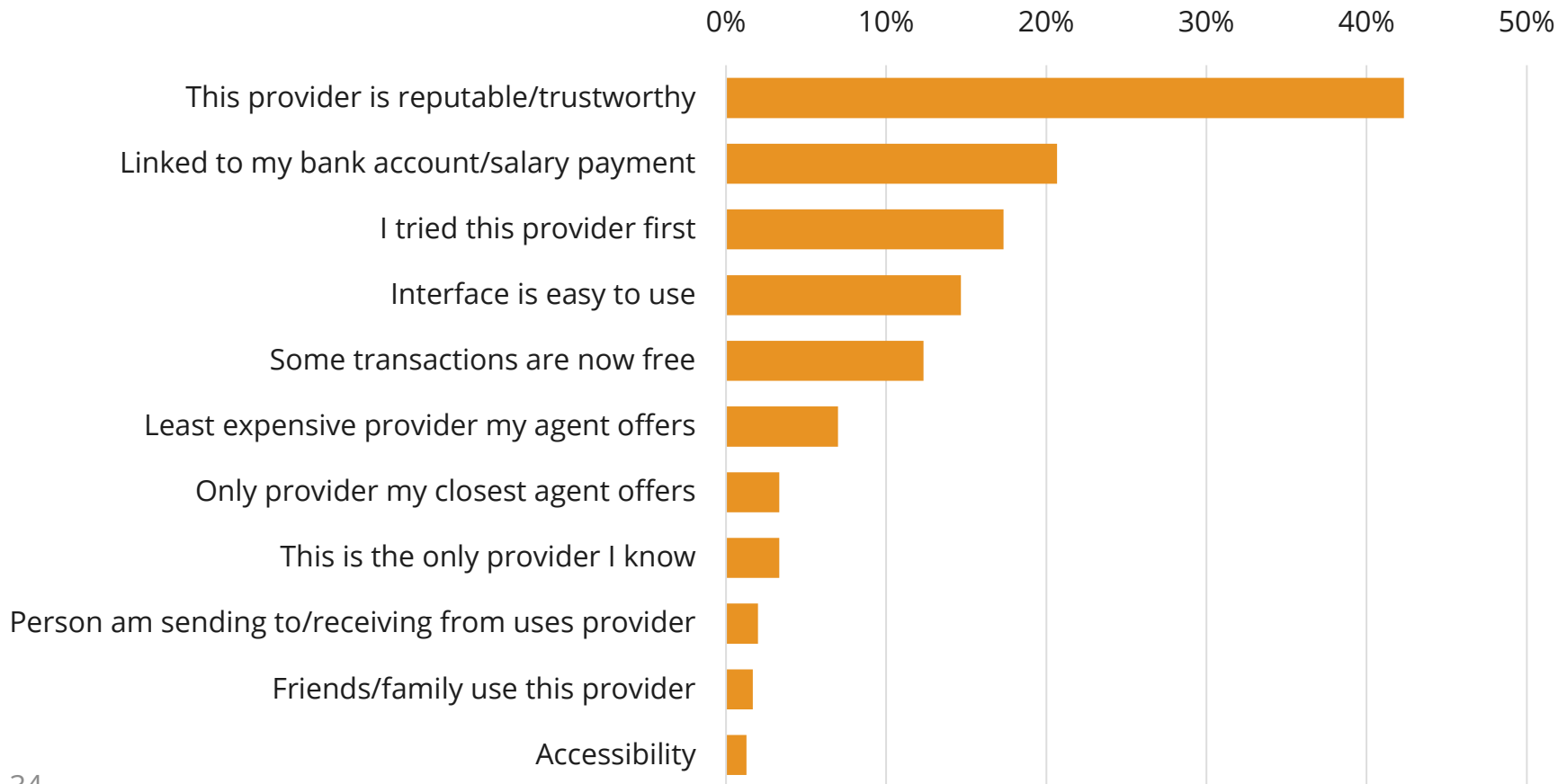
Could comparison information be integrated into transaction communications or menus to increase price-based choices in providers and services?

Mobile money fees (n=44)



Reputation and familiarity influence mobile banking choice of provider

Reasons for using mobile banking provider (n=300)



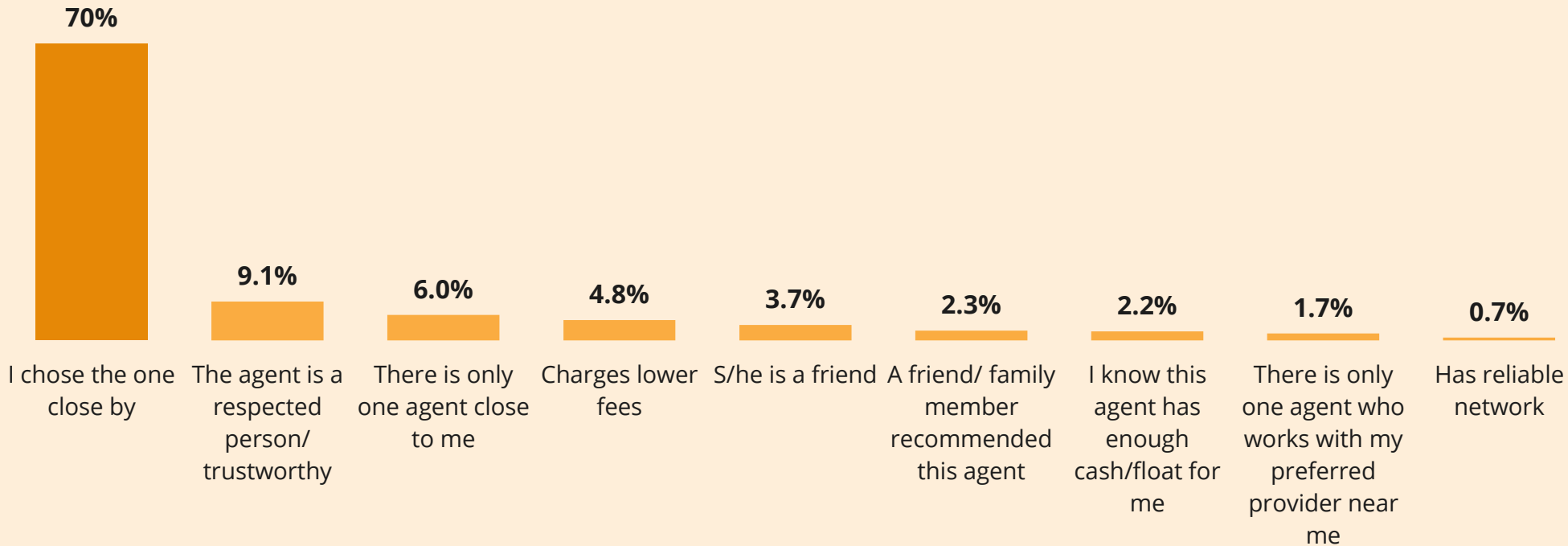
Mobile banking security (n=277)



Consumer choice and decision-making

Proximity by far the leading factor in agent selection

How agents are chosen (n=602)



Top 5 ways agents are used (n=606)

52%
Receive money

48%
Send money

44%
Cash out

12%
Deposit money

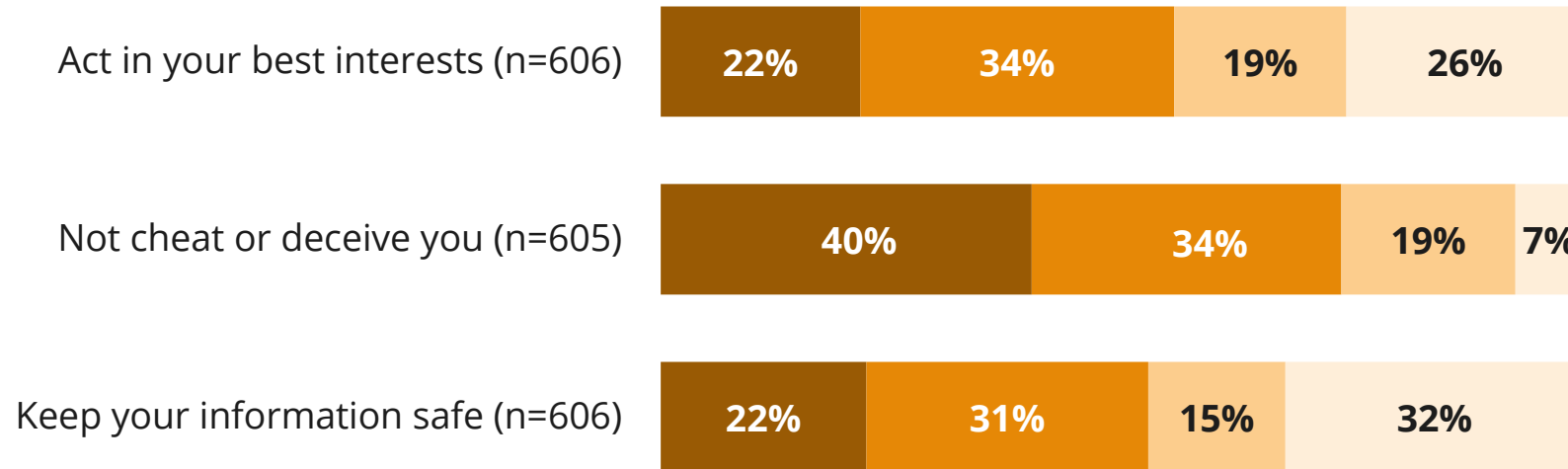
5%
Pay bills

Consumer concerns regarding agent conduct

Consumers show a healthy amount of caution regarding how agents handle their information and whether they will cheat or deceive them

Respondents' perception of agents or the likelihood an agent will:

■ Completely ■ Somewhat ■ A little ■ Not at all



Percentage of DFS users that report sharing a PIN number or other account details with an agent (n=606)



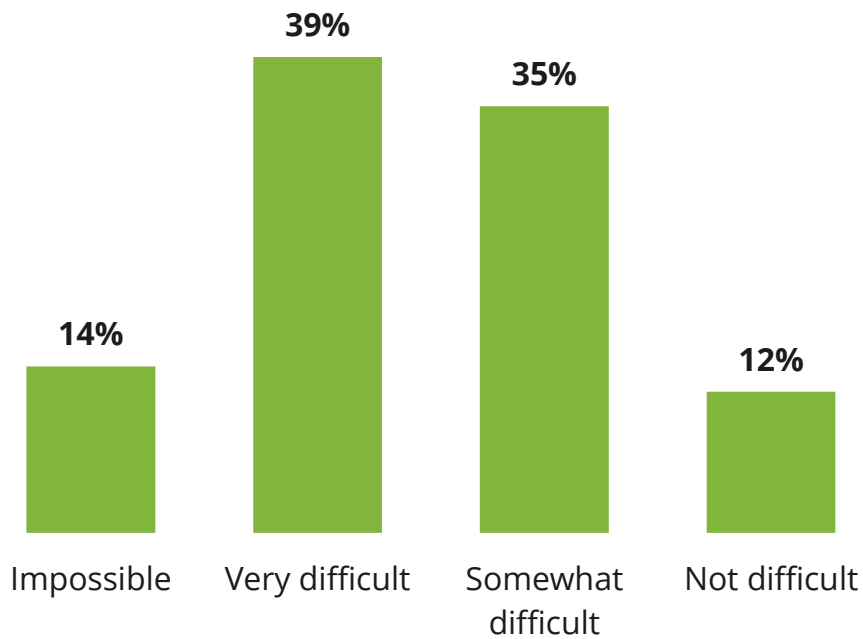
Financial stress

- Participants were asked a series of questions about their financial situation and security during the COVID-19 pandemic
- Most respondents report increased financial difficulties during the pandemic
- Signs of loan repayment difficulties as a result of the pandemic



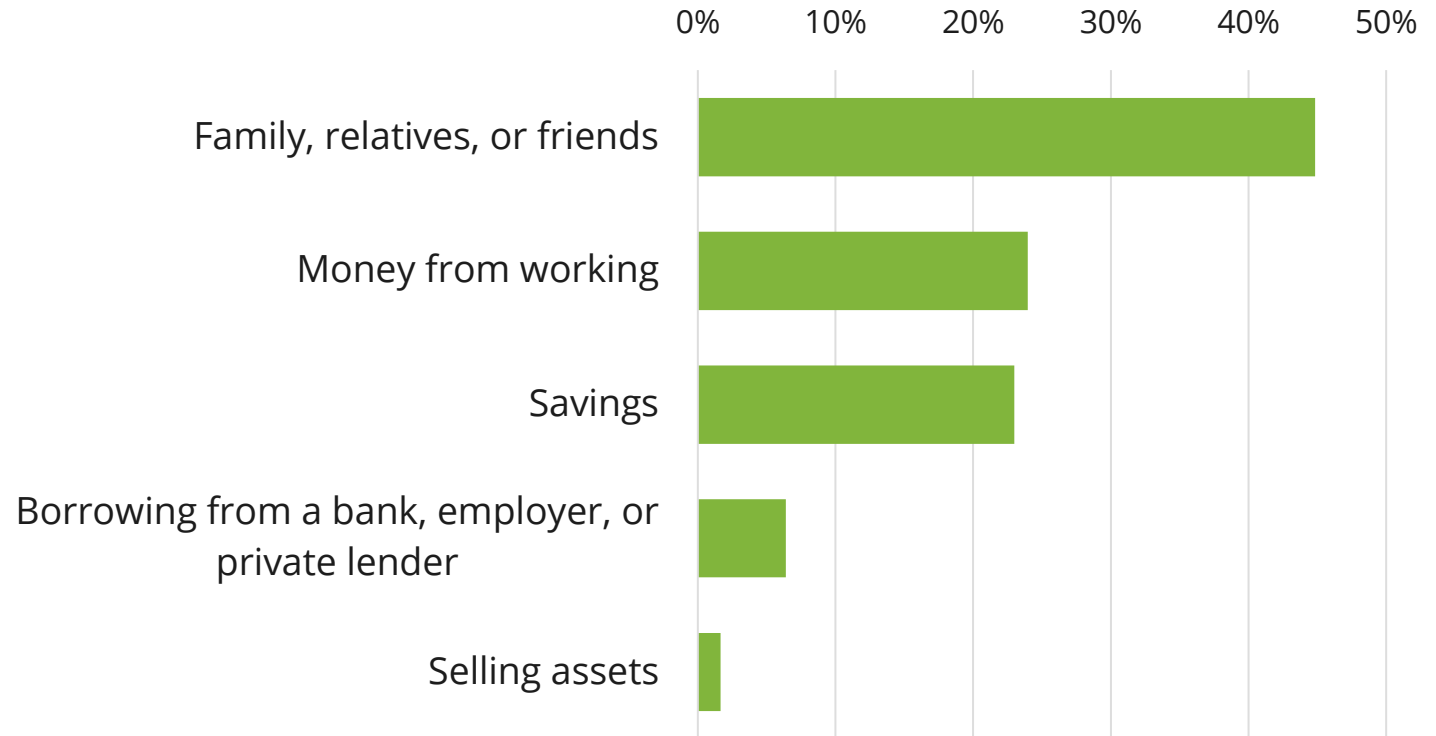
Financial stress during COVID-19

Respondents rate difficulty of coming up with emergency money (n=712)



35,000 Naira (~1/20th GNI) in 30 days

Source of emergency funding (n=609)



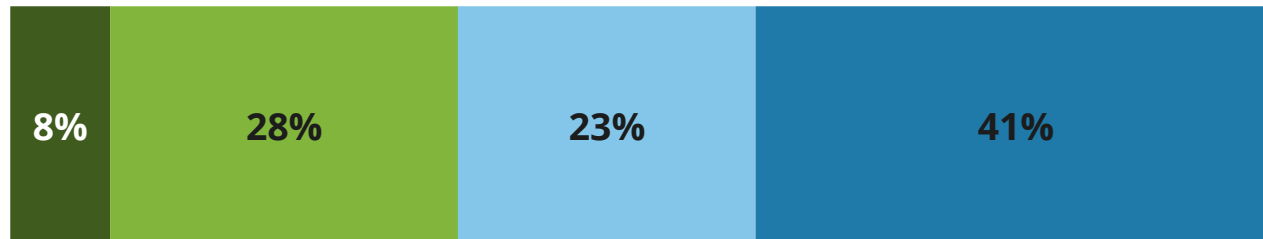
Perceived capacity to deal with a crisis

■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree

Sufficient emergency funds (n=747)

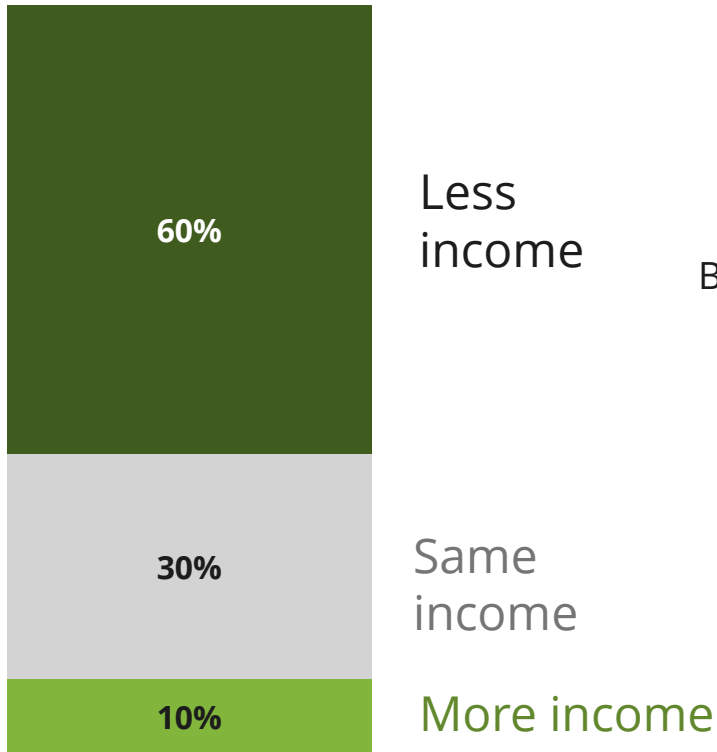


Enough money for living expenses (n=749)

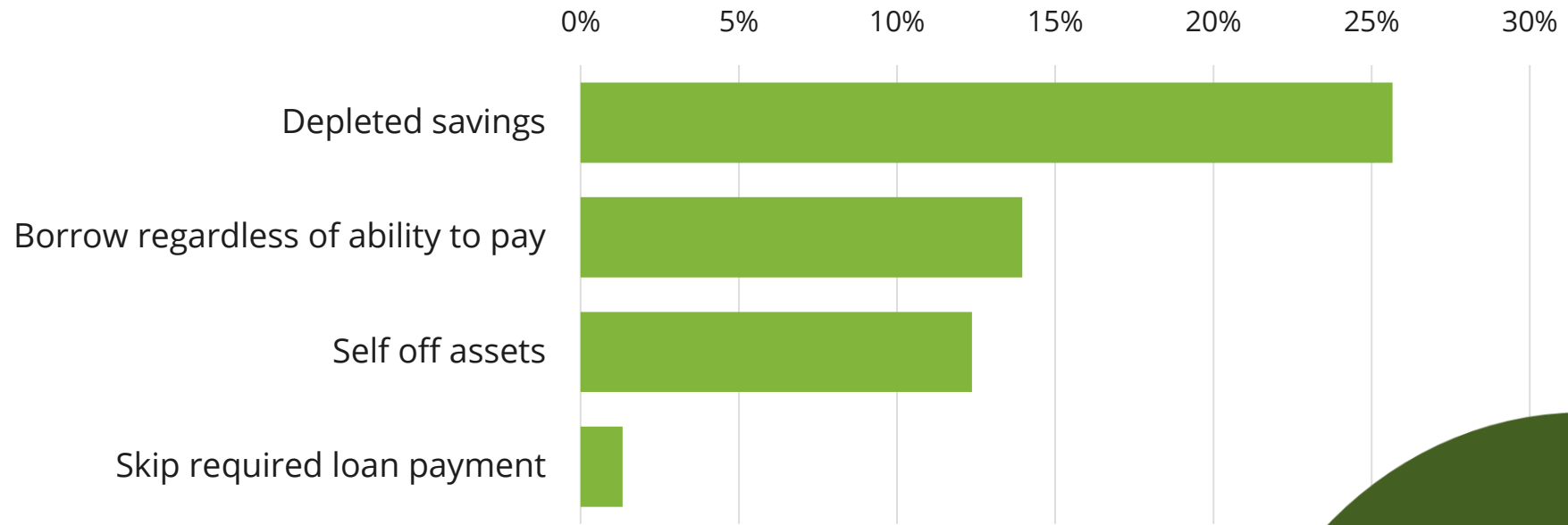


COVID-19 pandemic has reduced income and assets

Change in income since start of pandemic (n=719)



Actions taken to pay for food, healthcare, or other expenses (n=752)



6 percent relocated due to the pandemic

Loan repayment has suffered during the pandemic

Loan repayment since start of pandemic (n=751)

Anticipate not being able to make debt payments on time due to pandemic? (n=203)

73%

No loan

27%

Took out a loan

10%

No difficulty repaying

10%

Plan to repay later

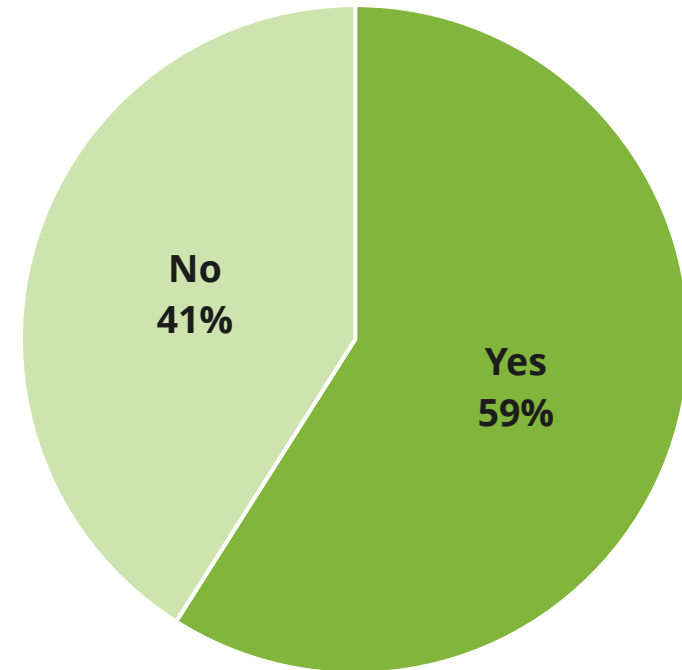
4%

Plan to pay part only

3%

Don't plan to repay

Of the 27% who took out a loan



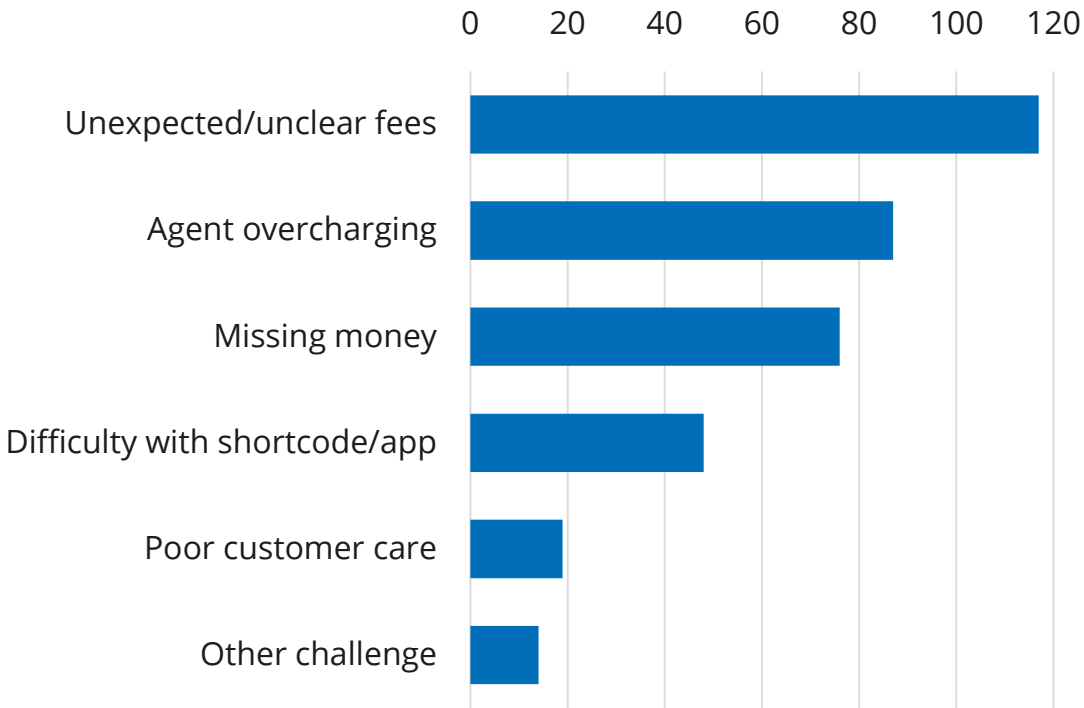
Complaints handling and redress

- Consumers who experienced challenges with DFS were asked whether they had taken any actions to resolve these challenges, and what the outcomes were.
- Most consumers did not take action to try to resolve their challenges, but this varies widely by type of challenge experienced and the education and income level of the consumer.
- Surprisingly, consumers tend to try and resolve DFS issues via in-person channels.
- Consumers whose challenges were not resolved were more likely to change or reduce DFS usage.

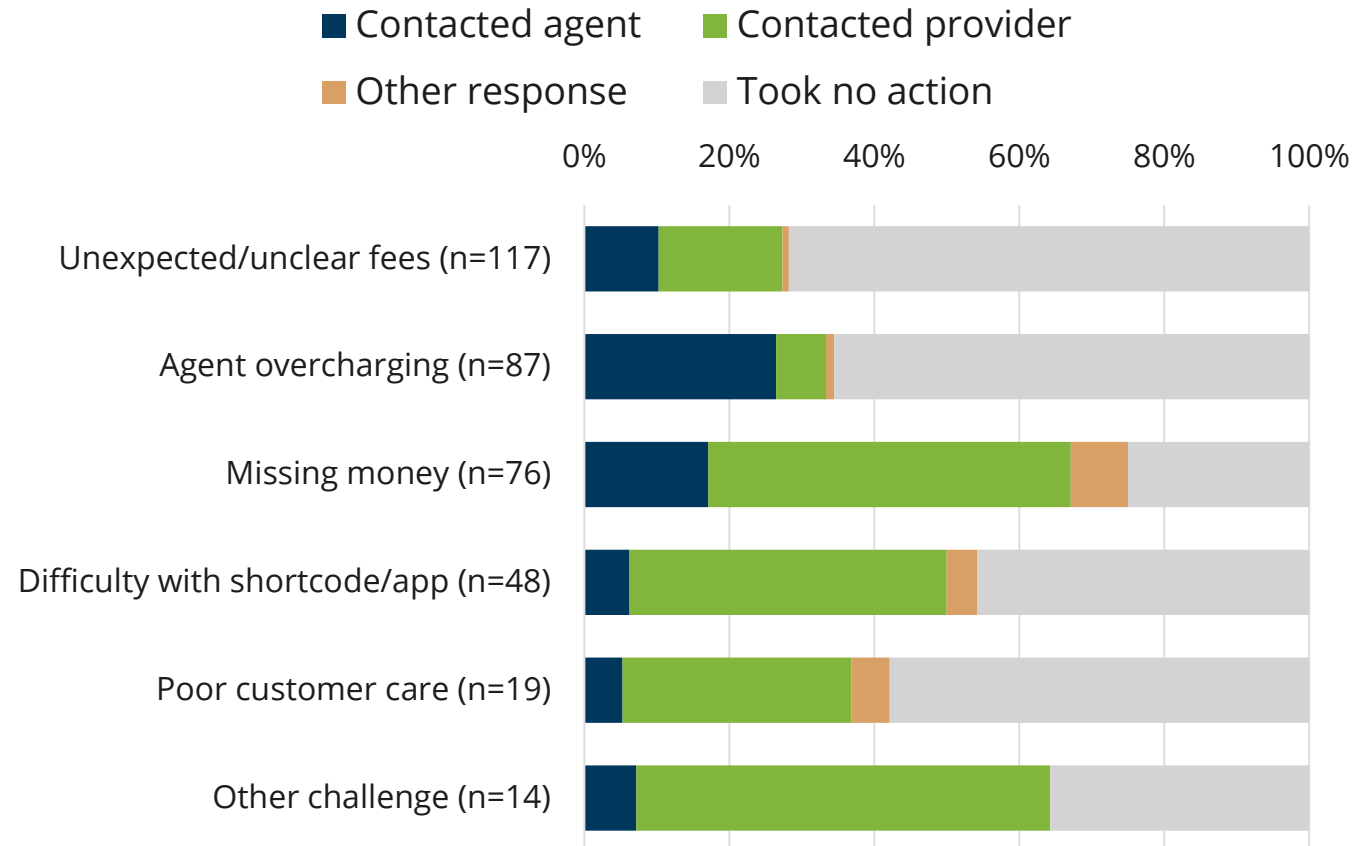


Most consumers do not take action to resolve challenges they experience, but this varies by challenge type

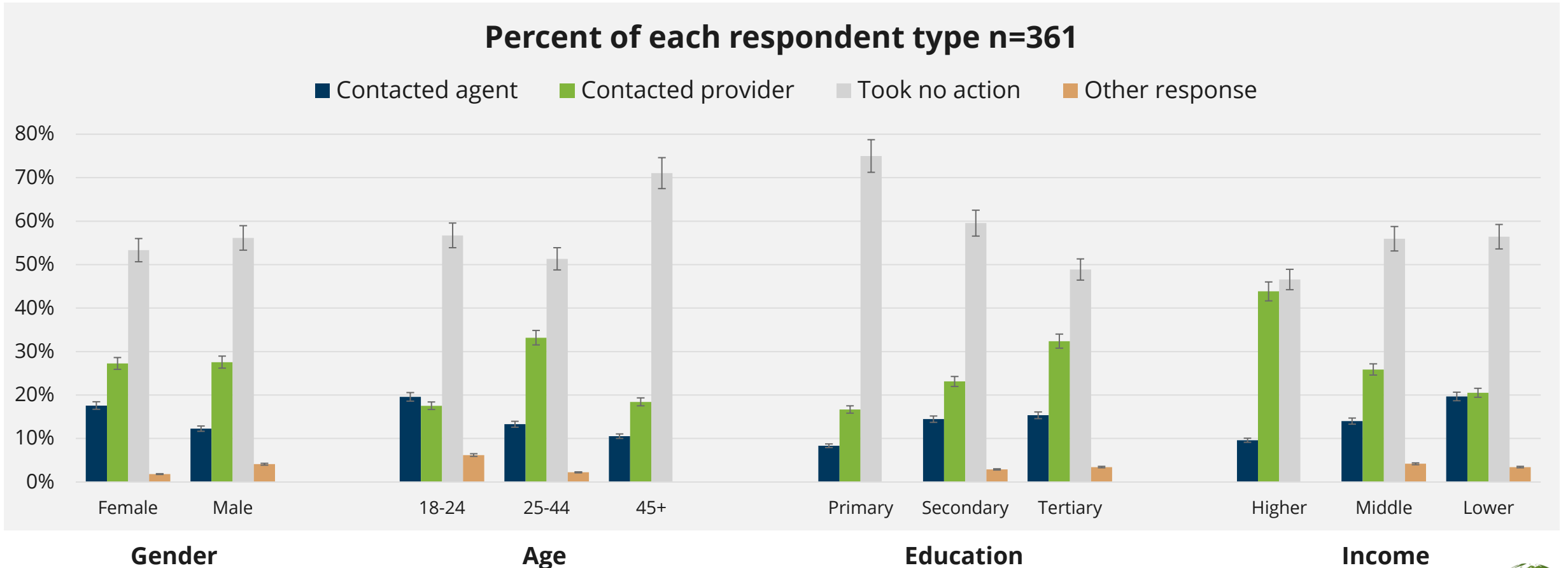
Number of consumers experiencing each challenge



Type of action in response to the challenge reported as most formidable



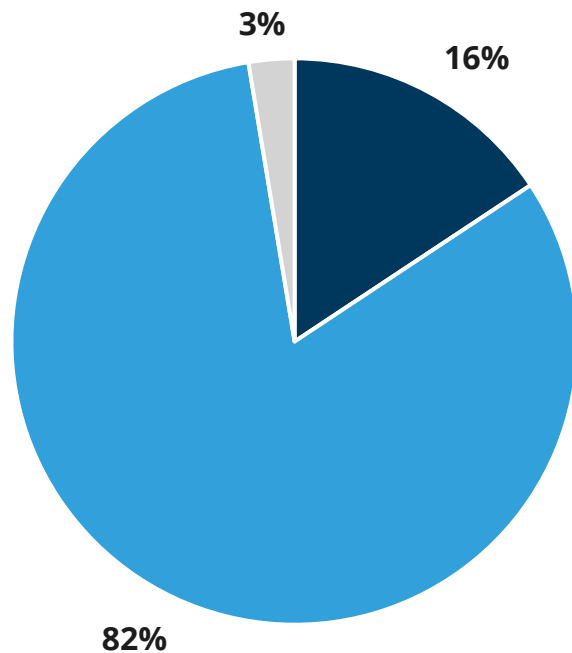
Lower education and income consumers are less likely to take action to resolve challenges experienced



Even with digital products, most consumers try to resolve challenges in-person

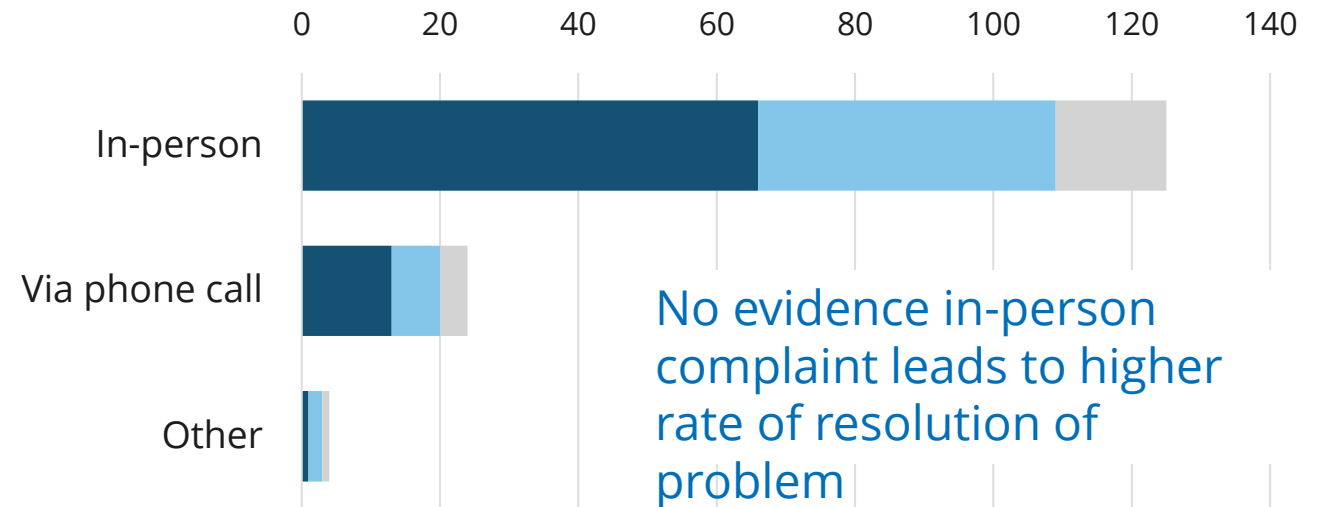
Type of channel used by those who took action (n=153)

■ Phone (Voice, SMS, USSD) ■ In person ■ Other channel



Consumers reporting whether or not the issue was resolved, by channel

■ Resolved problem ■ Failed to resolve problem ■ Other outcome

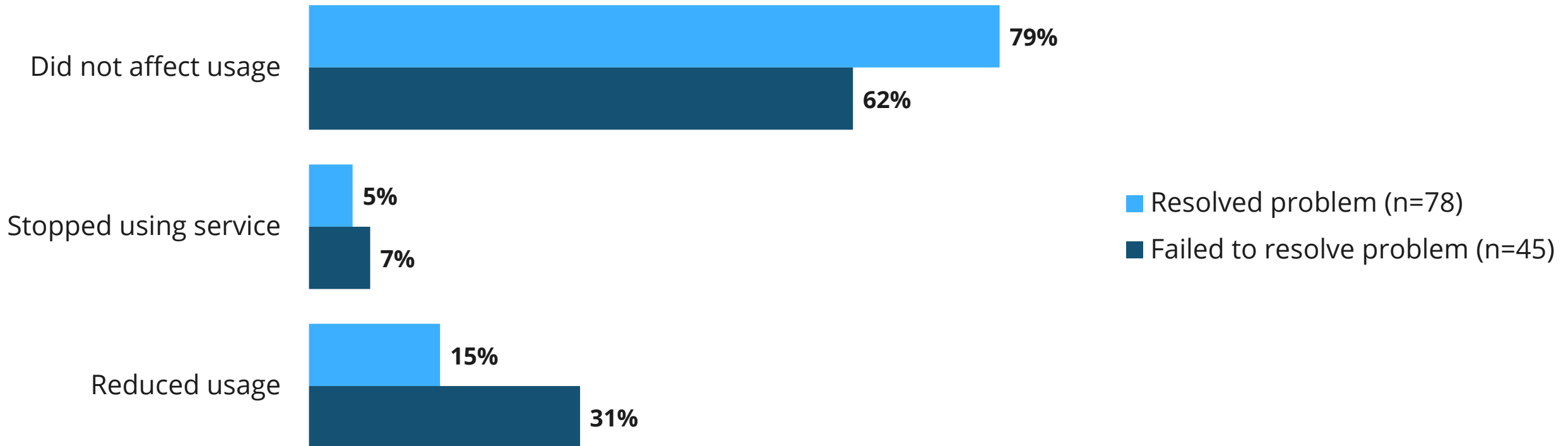


No evidence in-person complaint leads to higher rate of resolution of problem



More than 1/3 of consumers with unresolved problems changed their usage as a result

Consumers' behavior change as a result of problem resolution



In cases of financial loss most consumers do not receive resolution of their issue

Of respondents who experienced a problem involving a financial loss (n=109)

45%
reported taking some
action to try to resolve
the issue

47%
of those who
tried to resolve
their issue
were successful

32%
reported resolution
took
a day or less

28%
reported having to spend
additional money as part
of the resolution process



Policy takeaways from consumer survey

Transparency and hidden charges

- Extra or unclear fees and charges were experienced by consumers across the different DFS products and channels. This signals there may be common challenges of extra or hidden fees, and/or consumers not understanding fully the terms of the products they use in DFS.
- Review of digital interfaces and improved standards on digital disclosure of product terms and charges could help address hidden fees.
- Particular attention should be paid to experiences with agents, as there are indications of extra fees being applied. Addressing these charges could likely take three approaches:
 - Improved monitoring and enforcement of fee structures.
 - Revised incentive and commission structures where they may lead to extra charges and fees.
 - Greater consumer awareness of official fees and encouragement to resist paying extra charges or switching of agents used—agent proximity appears a strong driver in choice of agents.



Policy takeaways from consumer survey

Redress and complaints handling

- There is less likelihood for lower-income and lower-education consumers to use formal redress channels when problems arise. This raises concerns about consumers' sense of agency, and equal use of rights to redress across Nigeria's DFS population.
 - More research is needed to understand the causes of these discrepancies.
 - Once causes are identified, possible solutions could be tested to increase use of formal redress channels by under-represented populations.
- Even when issues relate to digital products, consumers default to in-person resolution channels. However, these channels do not appear to be substantially more effective than remote channels like call centers. Is this an inefficiency that could be improved upon to reduce in-person complaints traffic?
- Poor redress impacts usage. One-third of those with unresolved challenges reduced or shifted their DFS usage as a result. Poor redress is a risk to inclusion and DFS growth and so improving resolution rates should be a priority for the entire DFS sector.



Policy takeaways from consumer survey

Scams and fraud

- Fraud and phishing attempts primarily focus on obtaining account or personal information.
- 13% of those targeted responded to a scam, and one-third of those followed the scammers instructions. This raises concerns about consumer susceptibility to scams. Industry and regulators could test targeted interventions to the most susceptible populations to see if this can reduce success rates of fraudsters.

Consumer choice

- For both mobile money and mobile banking, cost was not a leading factor for choice of provider.
- Provider reputation and linkage to existing mobile or bank accounts are leading factors in mobile money and mobile banking, while proximity is key factor for agents.
- Lack of importance of price and the linkages of DFS choice to existing services raise concerns for consumer switching and price-based competition.



Thank you



ipa
INNOVATIONS FOR
POVERTY ACTION