



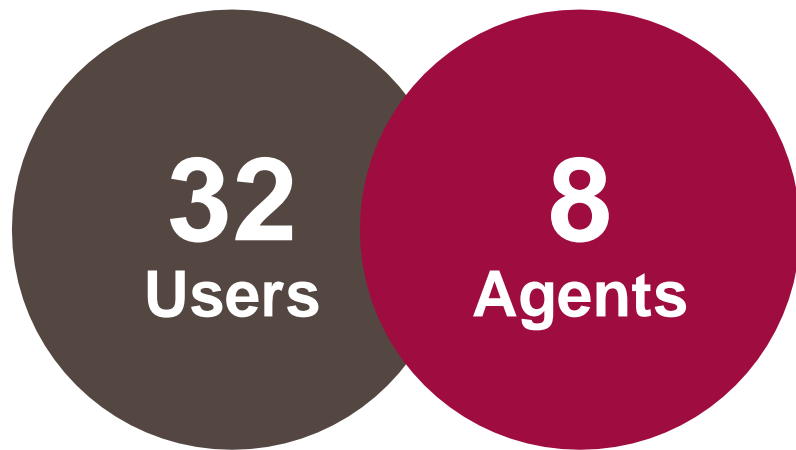
POOR USERS' EXPERIENCE OF MOBILE MONEY IN NIGERIA



MasterCard Center
for Inclusive Growth

OUR STUDY

Grameen Foundation, in partnership with MasterCard Center for Inclusive Growth, conducted user experience research in Nigeria to better understand the factors that are impeding customers' active engagement with mobile money. This deep dive with 32 users and eight agents regarding the usability of two mobile money services was conducted in Lagos and Ibadan.



BACKGROUND

Mobile financial services in Nigeria have enormous potential to expand access to financial services for the unbanked poor.

Nigerians are most likely to use traditional banks for their financial needs, but many are excluded from financial services altogether.

50 million

adults in Nigeria, or 60% of the population

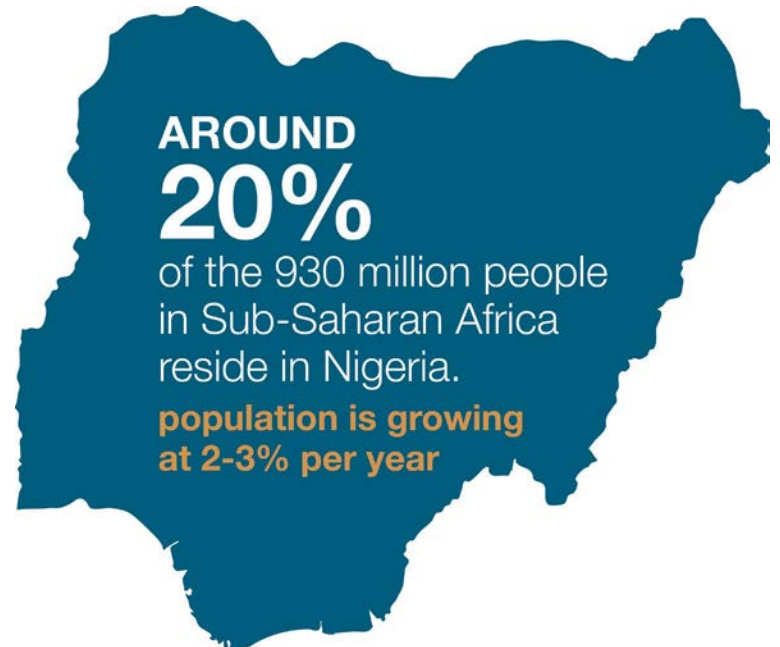
AND

OVER **76%**

of the country's rural residents

do not engage in formal banking of any kind

Grameen Foundation, "Opportunities for Increasing Access to Digital Finance in Nigeria," October 28, 2014.



Half of Nigeria's population lives in urban areas
National Census, 2011

OVER **Half** of urban dwellers live in absolute poverty
NBS, 2012

BACKGROUND

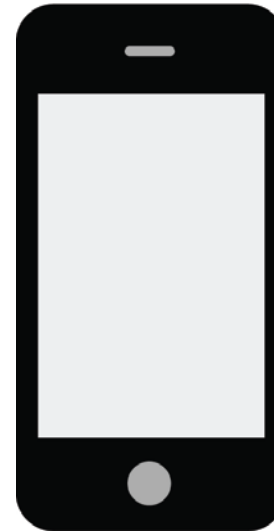
Mobile financial services have such strong potential in Nigeria.

ALMOST

57%



of Nigerian adults do not have access to formal regulated financial services.



90%

of the adult population owns a mobile phone

FII Tracker Survey by InterMedia

The low rates of banking participation are not the result of a lack of interest. Some 84 percent of those who have never had a bank account report that they would like to get one.¹ The factors that hinder uptake of banking are strong enough to override potential customers' desire to participate.

Grameen Foundation, "Opportunities for Increasing Access to Digital Finance in Nigeria," October 28, 2014.

USER EXPERIENCE IS KEY

The experience of Ms. Badmus, a young woman from Lagos, is instructive as an example of the way negative user experience prevents the sector from securing and retaining a critical mass of customers.

Ms. Badmus, Customer of Paga Tech

“If I have 100 or 200 Naira, I can save on mobile money,” she says. “I am not sure the banks accept so little. They ask for 500 and more to transact.”

Transacted weekly through an agent, an experience she found positive.



Agent was competent, trustworthy, and provided fast service.



Hit with various fees, when an unexpected expense forced her to make a withdrawal.



Her experience was so negative that she plans to stop using the service.



“They said 250 Naira for monthly charges and 50 for early withdrawal,” she says. “I almost cried that day because it pained me a lot. I had 500 Naira, they deducted 300, and I had only 200 left. I want to leave Paga because the ... charges are too much.”

ADVANTAGES AND OBSTACLES

Like Ms. Badmus, current and potential customers perceive many advantages to mobile money over traditional banks.

Advantage

S

Speed of Transactions

A survey of non-MM-users by Enhancing Financial Innovation & Access (EFInA) reveals a strong perception that transacting using a phone is faster than doing so by other means.

EFInA, "Maximising the Uptake of Digital Financial Services through Understanding Consumer Perspectives," March 4, 2014.

Convenience and Accessibility

MM transactions can be completed from home or with a nearby agent, obviating the need to travel to and wait in lines at the bank.

Small Transaction Amounts

Many non-users appreciate that transaction amounts can be smaller than is typical at traditional banks, a factor that looms large for low-income savers who tend not to amass much money at once.

Trust in Local Agents

The Grameen Foundation study found that users' experiences of MM are often tied up with the personal service provided by the MM agents in their communities. These familiar intermediaries, who work in the local language and are immersed in local customs just like their customers, provide users a reassuring sense of trust.

ADVANTAGES AND OBSTACLES

Obstacle

S

Inappropriate Services + Products

MM companies usually charge high fees and offer products that may not fit customers' needs. Savings instruments with extreme restrictions or punishing fee structures lead to negative experiences for many poor customers.

Unreliability of Networks

Service interruptions are common and lead to long transaction times. The Grameen Foundation research found that even when things are working correctly, MM transaction systems often require many steps and much time to complete even the most basic actions over the phone.



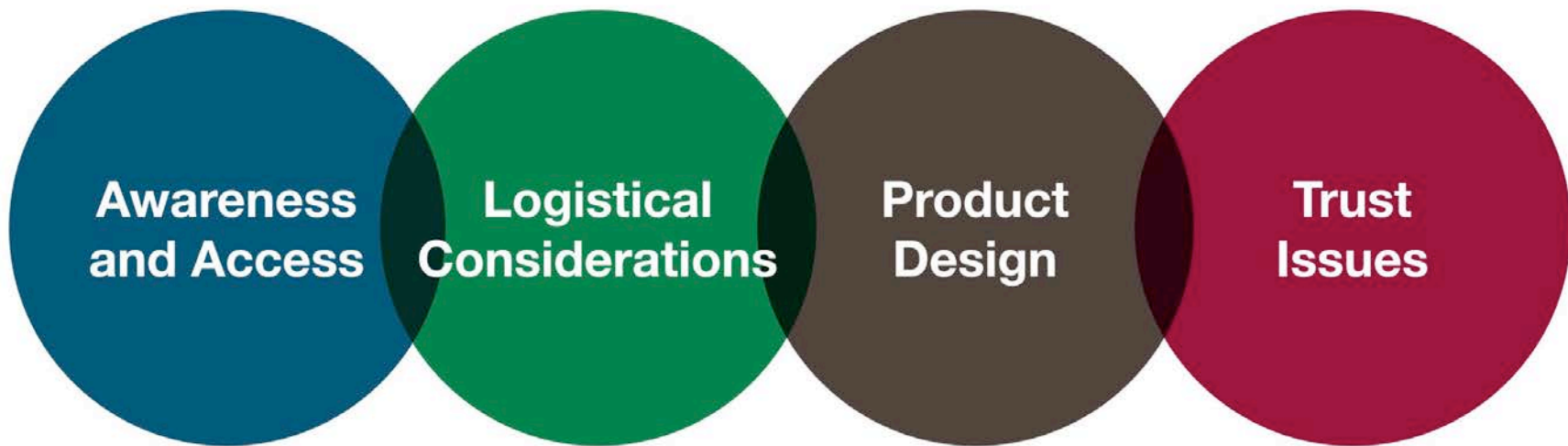
Awareness

These negative factors are enough to dissuade some potential customers who understand the risks. But the user experience research found that even more unbanked Nigerians are either unaware of these services or unsure how they work.

CUSTOMER EXPERIENCE

Providers who wish to seriously boost the mobile money market among poor users need to assertively address several factors of the user experience that impact people's uptake and continued use of these services.

The Grameen Foundation user experience study found that these factors fall into four broad categories:



AWARENESS AND ACCESS

Many poor people are de facto excluded from use of mobile money because providers do not aim to reach them in contextually sensitive ways.

**Awareness
and Access**

80%

**of Nigerians use family and friends
as their main source of financial
information and advice.**

Grameen Foundation, "Opportunities for Increasing Access
to
Digital Finance in Nigeria," October 28, 2014.

**Those whose personal
networks are not
experienced or informed
tend to be excluded.**

AWARENESS AND ACCESS

**Awareness
and Access**

Along with word-of-mouth networks, television advertising helps raise awareness of mobile banking.

25%

of respondents reported seeing advertisements for mobile money.



However, poor users often miss out on this messaging. Advertisements are most often in English, are not posted in low-income areas, and/ or portray the services in ways that will appeal more to middle-class audiences.

AWARENESS AND ACCESS

**Awareness
and Access**

Many poor potential customers are also excluded by a need to transact in local languages, which is usually not an option for MM services.



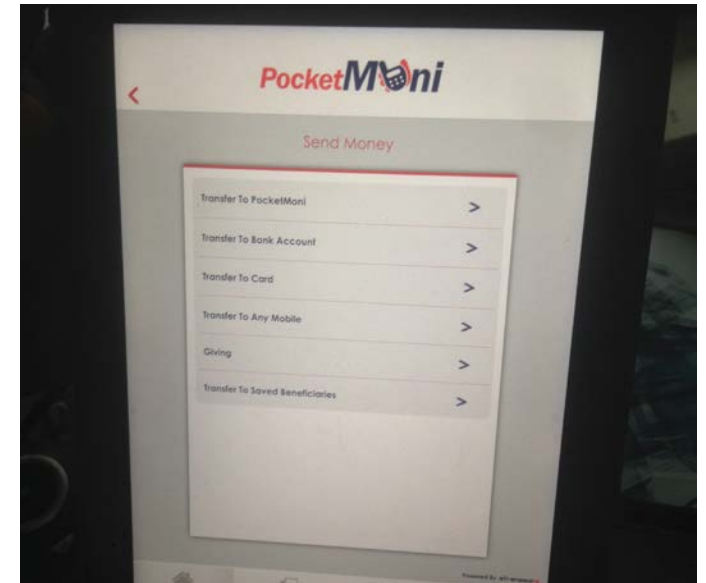
English is most widely spoken in urban areas, with phenomenal linguistic diversity found in the countryside, especially among the rural poor. Hausa, Igbo, and Yoruba dominate, but most MM companies do not advertise in or offer the ability to transact in these languages.

BBC, "Nigeria: Local languages fight for survival," March 4, 2014. Available at: <http://www.bbc.com/news/blogs-news-from-elsewhere-26432933>. Last accessed Oct 30, 2014.

AWARENESS AND ACCESS

Awareness
and Access

Lack of literacy and numeracy is also a barrier for many poor people.



The challenge of language diversity and illiteracy reinforces the importance of the agent as intermediary, as local agents are able to narrate transactions to accommodate those who can't read the phone prompts.

AWARENESS AND ACCESS

Awareness
and Access

**Some exclusion
occurs because
potential customers
are not aware of
access points.**



According to the Grameen Foundation research, agents fail to advertise their services, transact from places that are not readily visible, or do business in informal ways like meeting potential customers in coffee shops or at agents' homes.

LOGISTICAL CONSIDERATIONS

Logistical Considerations

Poor customers rely heavily on agents to help them transact.

Agents register

75%
of MM users

Agents conduct

66%
of transactions

According to the agents Grameen Foundation surveyed



Paga Tech, the MM company that has had the most success reaching poor customers, recruits agents from among shopkeepers who are already embedded in communities, ensuring that potential customers in the vicinity will have a trusted transaction point nearby.

LOGISTICAL CONSIDERATIONS

Logistical Considerations

Long treks to access agents can discourage customers from using MM.

Nigeria has fewer than

16,000

access points to any kind of financial services, including MM agents

22%

of the rural poor lives within three miles of such an access point

GSMA, "State of the Industry 2013: Mobile Financial Services For the Unbanked." Available at: <http://www.gsma.com> Last accessed Oct 31, 2014.



However, in rural areas the agent network is diffuse in many places, leading customers to walk miles—in one case uncovered by the research, traveling by foot for an hour and a half—to get to an agent location.

LOGISTICAL CONSIDERATIONS

Logistical Considerations

The user experience research found that **burdensome transaction processes are another logistical problem for all users, but especially for poor users who lack experience with technical interfaces.**

Simply purchasing airtime from Paga Tech can require as many as

12 steps

and can take anywhere from **15 to 35 minutes**



Customers become discouraged when simple transactions are overly complicated, need an exorbitant number of steps, and/or take a large amount of time. Customers must go through a lengthy registration process before they can access services, and then each transaction requires its own process that can be equally long and complex.

LOGISTICAL CONSIDERATIONS

Logistical Considerations

Users are frustrated by low quality of service, including glitches in transactions, network interruptions, and power outages.

51%

of mobile users experience dropped calls

11%

say it happens to them often

Helix Institute of Digital Finance, "Agent Network Accelerator Survey: Nigeria Country Report 2014," July 2014.

Quality of mobile phone service is notoriously low in Nigeria, with frequent network problems and dropped calls. Further, 65 percent of users report having to dial twice to get through, and 25 percent often have to dial three times. Helix Institute of Digital Finance identifies unstable networks as one of the major stumbling blocks for MM service in Nigeria.

LOGISTICAL CONSIDERATIONS

Logistical Considerations

Network problems are compounded by the erratic power supply in Nigeria, where outages occur frequently.

The World Bank's "Doing Business 2015" survey ranks Nigeria

187th out of 189
countries for ease of getting electricity

World Bank, "Ease of Doing Business in Nigeria." Available at: <http://www.doingbusiness.org/data/exploreeconomies/nigeria/>. Last accessed Oct 30, 2014.

GF's research found that **customers cite frustration with the fact that there is no clear responsibility or recourse for unreliable service.**

Mr. Smart, an Ibadan-based user interviewed for the usability study, told Grameen Foundation how this problem affects customers, saying

"...when you are doing mobile money, the network of the server is usually down, so we have poor network coverage and failed financial transactions and one has to go to the bank to complain about the issues."

PRODUCT DESIGN

Product Design

Typical fees associated with savings accounts are
250 Naira for monthly maintenance and 50 Naira for early withdrawal.

82%

of the population

Making these fees disproportionately high

Lives on little over

300 Naira/day

The Grameen Foundation study found that low-income customers primarily use savings for immediate and short-term needs like addressing emergencies, financing healthcare, and paying school fees. This suggests that the most suitable savings instruments should have low maintenance requirements and no withdrawal penalties.

World Bank, "Poverty headcount ratio at \$2 a day (PPP)."
Available at: <http://data.worldbank.org/indicator/SI.POV.2DAY>.
Last accessed Oct 30, 2014.

**Product
Design**

**The challenges of
life often require
dipping into
savings at
unexpected
moments, triggering
high charges.**

Some customers, like Ms. Badmus, appreciate the idea of structured savings products that force them to save. Except in a small minority of cases, inflexible savings products with steep charges built in provide a distinctly negative user experience, preventing people from enrolling and causing established customers to drop mobile money altogether.

TRUST ISSUES

Trust Issues

**Mobile money
users lack trust in
the companies and
systems involved.**

EFinA identifies the lack of trust in
the services as the

#1 reason

non-users cite for not using MM.

EFinA,
2014.

The Grameen Foundation study found
**feelings of comfort with
local agents are able to
make up in large part for
this lack of trust.**

Users trust agents who are
members of their communities and
speak their languages.

Mrs. Maduako, an older female MM customer in Lagos told Grameen Foundation that she found this sense of trust to be life-saving when she needed money in an emergency. The customer uses MM to manage money for her business, along with an account at a traditional bank. She turned to her MM agent when her brother was in danger.

“It saved my brother’s life, someone that was at the point of death and no one to help us,” she says. “I just went to the agent and she didn’t even waste time in giving me my money. Since then I have been using it and love it. It is good for my business too.”

TRUST ISSUES



**Trust
Issues**

When network problems or power outages interrupt transactions, users are often willing to leave their money with agents to deposit later.

The level of trust customers come to feel for their agents can be strong enough to override the suspicion they hold for the larger system.

Customers usually come to trust an agent in their communities and then limit themselves to transacting with that agent.

The Grameen Foundation research found that

100%

of users surveyed had never transacted with anyone but their own agent.

Users trust agents who are members of their communities and speak their languages, so much so that they tend to use mobile money solely when assisted by these intermediaries.

AGENT EXPERIENCE

Considering the important role agents play for MM customers—especially poor, rural customers—their relationship to MM companies and experiences as agents are important elements in the success or failure of the entire industry.

Obstacles

- pAgents expected to use own capital
- pAgent network growth is not in proportion to customer demand due to the recruitment method
- pAgent vetting not owned by the the company, but allowed through other agents.
- pLow liquidity management support
- pLack of quality training reduces agent understanding of products and services
- pCBN enforces non-exclusivity of agents for MMO's deterring investment

Agents want:

- pMMO's to provide better training and refresher training
- pMarketing & customer service support
- pAccess to capital to support the business
- pAccess to liquidity to manage the daily cashflow

Grameen Foundation, "Opportunities for Increasing Access to Digital Finance in Nigeria," October 28, 2014.

RECOMMENDATIONS

Providers who wish to seriously boost the MM market among poor users need to assertively address the factors of the user experience that impact people's uptake and continued use of these services.

Target the audience

Post messages in places the potential customer will see.

Use local languages

Avoid technical terminology

Develop products and services that the customer can understand

Tap into word-of-mouth networks to help reduce exclusion.

Find contextually sensitive ways to explain the services based on the needs of the customer.

RECOMMENDATIONS

Help agents boost participation

Empower agents to recruit and ensure the participation of potential customers.

Give incentives to perform more fully in the role of trusted advisor by encouraging users to actively use and deepen their engagement with MM services.

Give agents a stronger connection to the larger business entity instead of treating them as independent contractors.

Ensure that agents are well trained on all the products and services available.

Help agents advertise more prominently and professionally.

RECOMMENDATIONS

Prioritize quality of service

Focus on improving the quality of the customer experience where Mobile Money Operators and the Mobile Network Operators working together to ensure transactions are accurate and service is reliable.

Streamline processes so that transactions of all types take the minimum number of steps and the least amount of time.

Set up simple fee structures and ensure that agents and customers are aware of charges they may incur.

RECOMMENDATIONS

Design appropriate products

Design with the poor in mind, providing the lowest possible barriers to entry and flexibility, including allowing multiple withdrawals per month.

Seek to draw revenue from avenues other than service fees that squeeze customers who can't afford it.

Offer services that are designed to meet the customer's needs such as reducing fees or eliminating restrictions.

CONCLUSION

Improving the user experience is key to increasing the penetration from mobile financial services in Nigeria. Uptake will increase when a wider range of users begin to perceive the services to be targeted at them, easy to access and use, helpful, effectively managed, and trustworthy.

Changing their perception requires finding ways to reach them with appropriate messages and explanations about the services and products, strengthening and broadening agent networks, refining the technical requirements for registering and transacting, designing products that fit their needs, providing transparent redress for problems, and assertively addressing the potential for fraud.

The industry in Nigeria is fairly nascent, leaving lots of room to create new products and services that meet customers' needs. Those companies that take customers' user experience seriously will be able to capture an increasing segment of the market, especially among poor users with limited or no formal banking experience.