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**Mind the Gap: An in-depth
analysis of Digital Financial
Services and their
appropriation in Kano, Nigeria**

FLPFI RESEARCH BRIEF



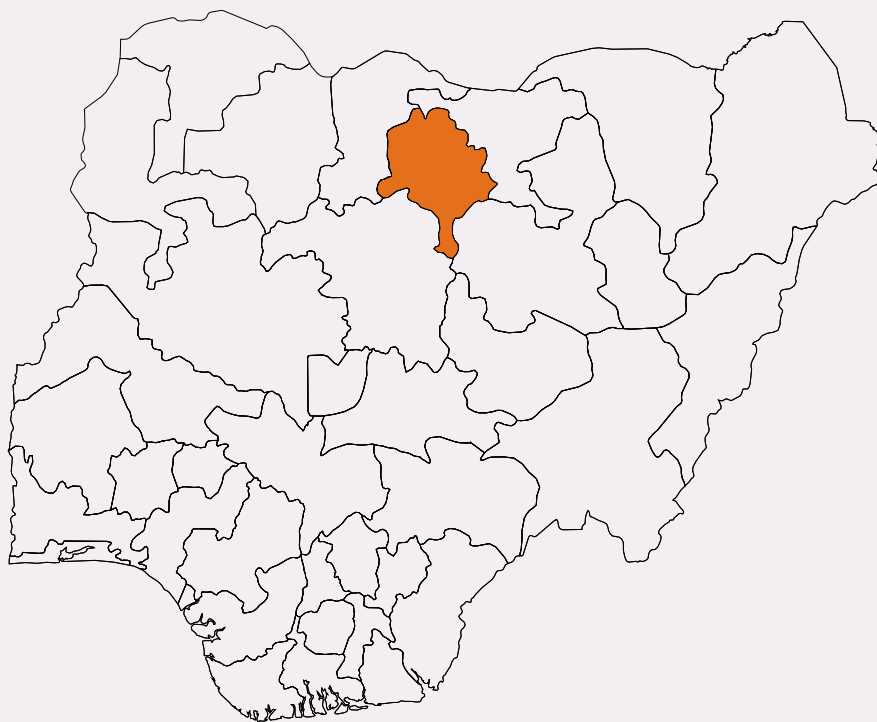
The Fletcher Leadership Program for Financial Inclusion (FLPFI) works with policymakers and regulators to design innovative and inclusive policies. The Research Brief Series is an integral part of the Eight Question Method for Policy Development (8QM), the core of the FLPFI curriculum.



EXECUTIVE SUMMARY

This brief presents the findings of an exploratory study conducted with the financial support and technical guidance of FLPFI. **The research project designed and directed by Fatima Jika, of the Central Bank of Nigeria, in the northern state of Kano in Nigeria.** The research project surveyed a total of 1028 households in the 44 local government areas of Kano state. **A key trend identified is that even though there is growing awareness of the availability of mobile money and digital financial services (DFS), ownership and usage of digital products remains low. More needs to be done to tailor public policy to subnational characteristics and to reach prioritized populations.** The study also generated relevant new data at the subnational level that will inform future policymaking and research endeavors.

Kano State, Nigeria



BACKGROUND

Since the adoption of the National Financial Inclusion Strategy in 2012, Nigeria has committed to reduce financial exclusion. Topping the list of priorities, the Central Bank of Nigeria (CBN) considers that creating an enabling environment

for the expansion of digital financial services (DFS) is crucial to achieve this goal. However, **data collected by Enhancing Financial Inclusion Access (EFInA) in 2020 shows that 35.9% of Nigerians remain financially excluded, with high disparities between regions.**

According to EFInA, Kano state has more financially excluded adults than any other state in the country. This data is counterintuitive given that this is the second-largest industrial area in the country, constituting the financial hub of the north.

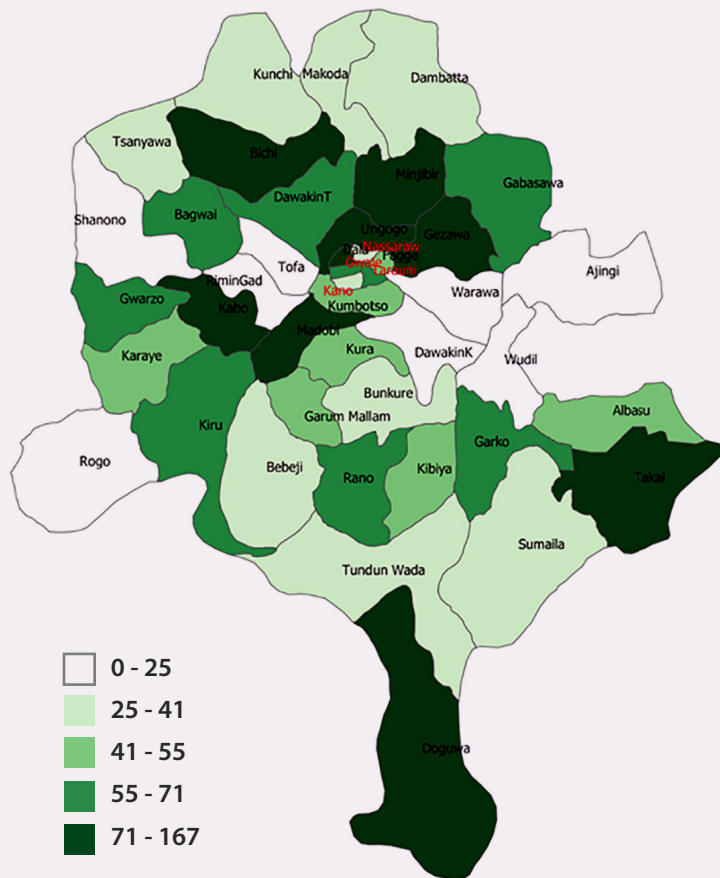
With the financial and technical support of FLPFI, this exploratory study proposed to **understand**

why Kano trails behind other areas of Nigeria in promoting financial inclusion. In particular, the survey focuses on DFS given the role it plays in the National Financial Inclusion Strategy and the potential DFS has in providing formal financial services to the large unbanked population.

RESEARCH QUESTION, SAMPLE SELECTION, AND METHODOLOGY

This exploratory study collected data on perceptions and adoption of mobile money services in Kano state. The survey, based on previously validated instruments, randomly selected twenty-five (25) households in each of the 44 local government areas (LGAs). The sampling method assured that data were representative of urban and rural dwellers. **A novelty of this data is that it provides information on mobile phones availability, awareness and interest in DFS, and perceptions of households on topics related to financial inclusion at the ward or village level.** The survey also included questions on household characteristics and basic demographic information.

Percentage of Mobile Money Users per LGA



Households in the sample had an average of 10 members. Most respondents were the heads of their households (79%), men (81%), and were 46 years old on average. Of the sampled respondents, 61% had completed higher education, 57% worked in the informal sector, and 31% were employed by the government. In comparison to national level data, the sample of the study has larger sized households, and slightly older and more educated household heads.

This exploratory study only briefly analyzes some variables on DFS, focusing mainly on the adoption and perception respondents have on mobile money. However, most of the data generated will be utilized in future research studies as it provides unique and detailed insights on household characteristics and financial inclusion in Kano.

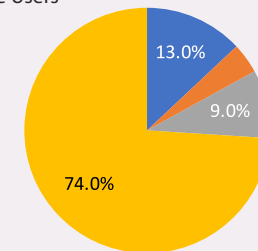
KEY FINDINGS

A key trend identified by this study is that even though there is growing awareness of the availability of mobile money and DFS, ownership and usage of digital products remains low. This represents a missed opportunity as 80% of the sample owns a phone and 52% have heard of mobile money.

Among those respondents who are aware of mobile money services, 13% have never registered or used mobile money services, 4% registered for these services but have never used them, 9% registered and used these services previously but are not currently using them, and 74% report they are active users (although most have not registered to a mobile money service).

Mobile money registration and usage (of respondents aware of mm services)

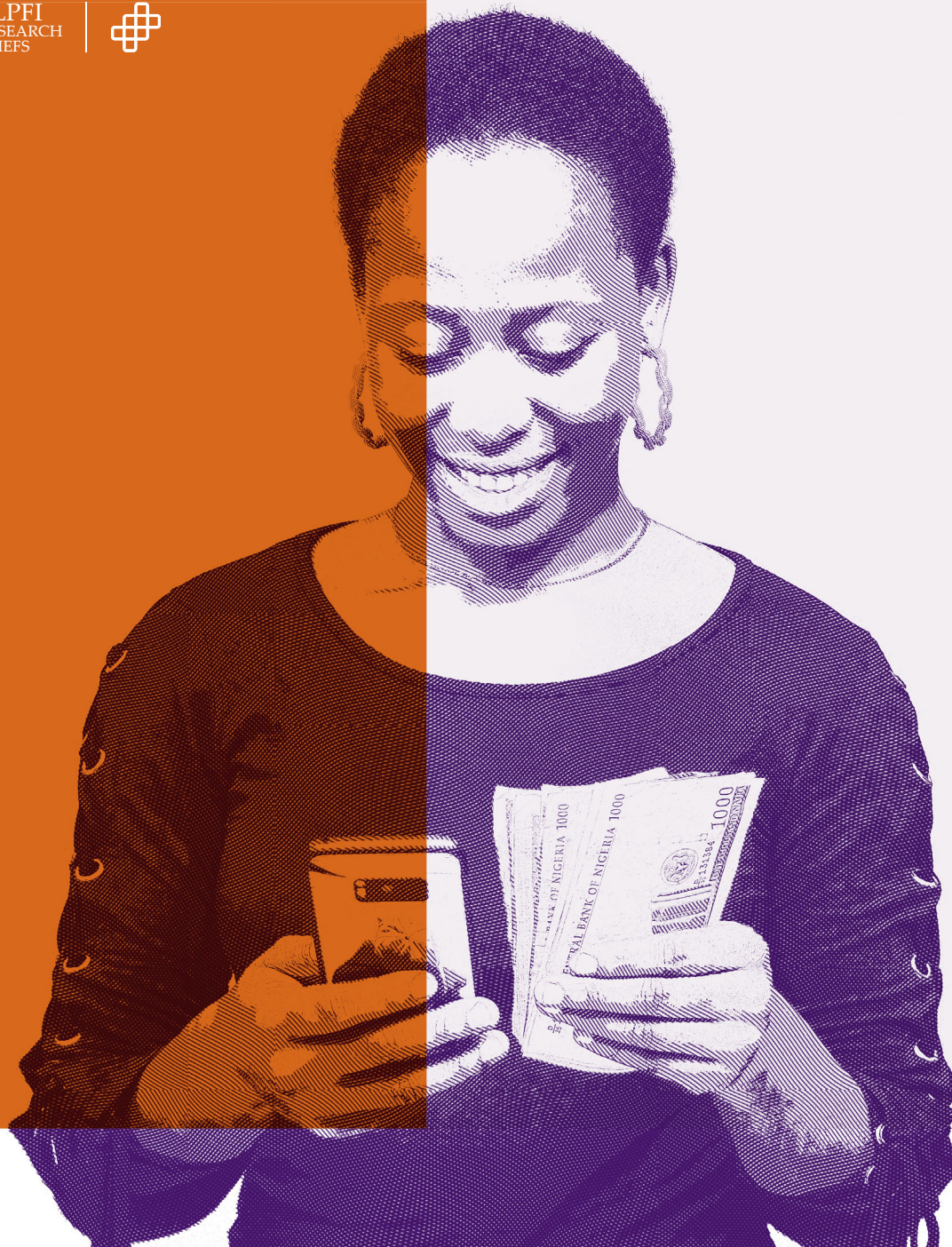
- Have never registered or used MM services
- Registered to MM but never use them
- Registered and used MM in the past but are no longer users
- Active Users



Of those who have heard of mobile money services, 59% describe themselves as occasional users and only 35% use these services more than once a month. Furthermore, data shows that most users of mobile money are concentrated in only 8 of the 44 LGAs.



- Among respondents who are not using mobile money services, but know what these products are, they do not use these services because “they do not know exactly what they do” (42%), “they do not trust these services” (20%), or they “use other ways to do the same transactions” (20%). **These results demonstrate that while there is the possibility to take advantage of mobile money to serve financial needs of households in Kano, a more intentional approach is needed to ensure that individuals understand what these services entail and trust them.** Despite the reluctance around mobile money usage, after receiving an explanation of mobile money, 81% of respondents are interested in creating a mobile money account and using it.
- Efforts to boost awareness and dissemination of information on mobile money through mass media seem to be effective: 60% of people who are aware of mobile money learned about it from either television or radio. This finding should encourage providers and financial regulators to use media to improve awareness and literacy around mobile money and DFS in the community.
- Data collected through this exploratory study call for a better understanding of what encourages adoption and usage of mobile money. **Among other factors beyond the scope of the study, the results hint that low uptake of mobile money services may be correlated to limited awareness of the existence of Mobile Money Operators (MMOs), low financial literacy, and limited infrastructure availability -particularly of agents’ networks.** The data shows a strong statistical correlation between financial inclusion and availability of agents’ networks. Further studies will be needed to isolate causation and corroborate the hypothesis that each of these variables plays a key role in explaining limited financial inclusion in Kano.
- This study **provides evidence on how some conditions related to financial inclusion and correlated variables vary widely in magnitude and severity across LGAs in Kano.** Thus, policy implementation should be location specific and recognize endogenous characteristics of these LGAs and the populations that inhabit them.



TAKEAWAYS AND NEXT STEPS

The revised guideline for Mobile Money Services issued by the CBN in July 2021, introduces a new policy perspective. While this is a commendable development, data in the study evidences the need to tailor policy to recognize regional disparities in Nigeria. Furthermore, it is relevant to understand the target populations to prioritize and reach out to audiences in ways that assure they understand and are able to take advantage of financial inclusion. Projects and policies should pilot and test alternatives to disseminate the benefits of accessing DFS.

The analyses presented here are only a first attempt at learning from valuable data generated at the subnational level through this project. It is expected that the data will inform future applied research and policy making in Nigeria, both at the national and subnational levels.