



AfricaNenda
ACCELERATING INCLUSIVE PAYMENT SYSTEMS

INSTANT AND INCLUSIVE PAYMENTS

Consumer research insights

Focus on Nigeria

SIIPS 2022



INTRODUCTION

The State of Instant and Inclusive Payment Systems (SIIPS) in Africa report is an [AfricaNenda](#) initiative, together with the World Bank and the United Nations Economic Commission for Africa. It is an annual think piece that is developed from a detailed assessment of instant payment systems in Africa, through mixed research methods that involve conducting an in-depth industry analysis to establish key trends, best practices, and benchmarks, to inform the development and scaling of instant and inclusive payment systems to accelerate financial inclusion in Africa.

The State of Instant and Inclusive Payment Systems in Africa report, SIIPS – Africa 2022, is the second edition. The report aims to inform public-sector and private-sector players in Africa and beyond about the developments in the instant retail payment system (IPS) ecosystem in Africa, including an assessment of the inclusivity of such systems, both in functionality (the extent to which they are accessible to all end-users) and governance (the extent to which all licensed payment providers have fair access and design input opportunities). For this report, only systems with live transactions and functionality as of June 2022 were included. The data in this report was gathered from publicly available resources from March to July 2022, and it was supported by extensive stakeholder interviews during the same period.

The consumer research was conducted between May and June 2022. It involved extensive in-country qualitative and quantitative research covering low-income adult individuals and micro, small, and medium-sized enterprises (MSMEs) across seven countries: The Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Tanzania, and Zambia. This consumer research exercise will be replicated in different countries each year, and insights will contribute to the annual SIIPS report content.

This is the **Nigeria focus report**. The sample is not nationally representative, as this exercise was intended to draw out insights to inform how IPS can be designed to better meet the needs of end-users.

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Glossary

For the purpose of fieldwork, the data collection tools use consumer-friendly terms to collect feedback. The payment term and corresponding consumer term are shown in the table below.

Consumer research term	Instrument [channel]
Mobile money wallet	MM [USSD/app]
Mobile money agent	MM [agent]
Payment application	PSP [USSD/app/browser]
Banking application	Bank [USSD/app/browser]
Banking agent	Bank [agent]
Credit/debit card	Card [POS/browser]
Cash	Cash



MM: Commercial E-Money scheme; Bank: Interbank EFT debit/credit;
Card: Debit Card; PSP: Payment service provider.

SECTION 1



RESEARCH METHODOLOGY OVERVIEW



Research objectives & process



OBJECTIVES

Provide a consumer perspective that will add to IIPS knowledge base

Understand which payment methods are used and for which purposes.

Identify motivators and barriers consumers face when using digital payments.

Define challenges experienced in accessing digital payments and opportunities for adoption.

Explore use cases, desired features, and unmet needs and expectations of digital payments.



FIELDWORK

Fieldwork locations: Lagos, Abuja, & Port Harcour

Quantitative data collection: May 13–18, 2022

Qualitative data collection (in-depth interviews, focus group discussions, & immersions): May 19–June 1, 2022



RESEARCH EXECUTION PROCESS



Quantitative tool design

- Respondent recruitment screening tool
- Survey questionnaire tool



Quantitative fieldwork

- Survey scripting and programming for mobile data collection
- Enumerator training
- Data collection
- Quality checks



Qualitative tool design

- Data review from quant. process



Qualitative data collection

Focus group discussions

In-depth interviews

Immersion

Approach

QUANTITATIVE RESEARCH: Identify trends in customer behavior

Quantitative survey n=150 individuals, 100 MSMEs

- Take stock of digital payment patterns and determinants in general, and of instant payments in particular
- Allow comparison across countries and set a baseline on which time series data can be built up

QUALITATIVE RESEARCH: Understand key drivers of shifting consumer behavior toward IIPS

Focus group discussions n=10

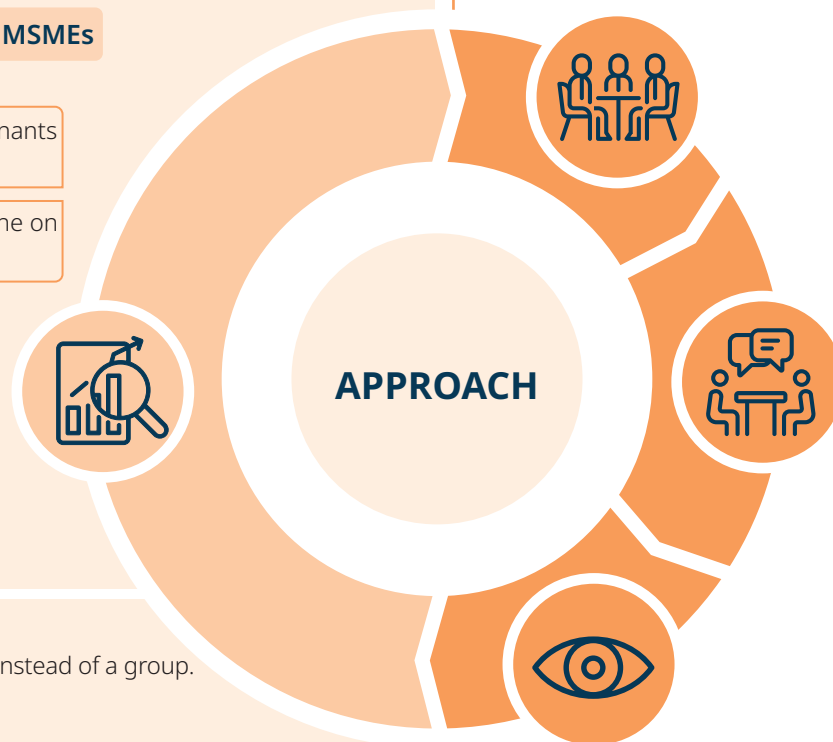
- Identify key decision-making patterns
- Identify key trends in customer behavior
- Spontaneously explore generalized perceptions

In-depth interviews n=27*

- Gain in-depth understanding of the person's/business's socioeconomic and household reality
- Understand individual reasons for customer behavior

Immersion**

- In-depth understanding of customer journey and user experience



* In-depth interviews are interviews with individuals instead of a group.

** Immersions are interviews with individuals around specific trends and scenarios discovered through the focus group discussions and in-depth interviews.

Sampling Approach

DEFINITION

Lower-income and infrequent income earners



Include urban poor who live “hand to mouth” and lack regular employment and stable earning opportunities; intermittent piecework/gig workers; and people who are dependent on others in the family/community and/or on social grants.

Lower-income but frequent income earners



Are the slightly more affluent part of the lower-income mass market, earning a steady income (wages) or a salary, in the formal or informal sector.

Micro entrepreneurs*



Individual traders/merchants like hawkers, fruit and vegetable sellers, cobblers, and other crafts traders.

Small businesses*



Traders/service providers who have small, fixed premises or (mostly informal) shops, as well as smallholder farmers and small agribusinesses.*

75% of the total sample for the quantitative survey are digital payment users (individuals and businesses) and 90% of the total sample for the qualitative research components are digital payment users (individuals and businesses) .

QUANTITATIVE RESEARCH [250 respondents]

Quantitative	Respondent type	Total	Male	Female	18-29 years	30-45 years	45-55 years	Infrequent income/ micro businesses	Frequent income/ small businesses
Nigeria	Individuals	150	75	75	60	53	37	48	112
	MSMEs	100	50	50	40	36	25	25	101

QUALITATIVE RESEARCH [87 respondents]

Qualitative	Focus group discussion	In-depth interview	Immersion/ Observation
Nigeria	10	27	10

* Monthly turnover number cutoff applied was USD 1,000 and formality of premises.

SECTION 2 ●

ASSESSMENT OF PAYMENT INSTRUMENTS: ADDRESSING NEEDS AND USAGE



2

MSMEs demonstrate strong uptake of digital payments for most of the leading payment needs

		Individuals	MSMEs
Ranking of payment needs [proportion of individual respondents that had the payment need at least once a week]*	1	Purchase airtime (74%)	Receive customer payments [53%]
	2	Pay for daily transport (70%)	Supplier payments [28%]
	3	Buy household goods [61%]	Send staff money for transport [14%]
	4	Receive salary [13%]	Send staff money for airtime [11%]
	5	Receive money [3%]	Pay for utilities [3%]
	6	Pay for utilities [3%]	To settle recurrent bills [3]
	7	Make benevolent contribution [2%]	Pay for business government services [2%]
	8	Send money [2%]	Loan repayments [2%]
	9	Settle recurrent bills [1%]	Pay salaries [2%]
Most digitalized use case		Send money	Send staff money for airtime, send staff money for transport, loan repayments

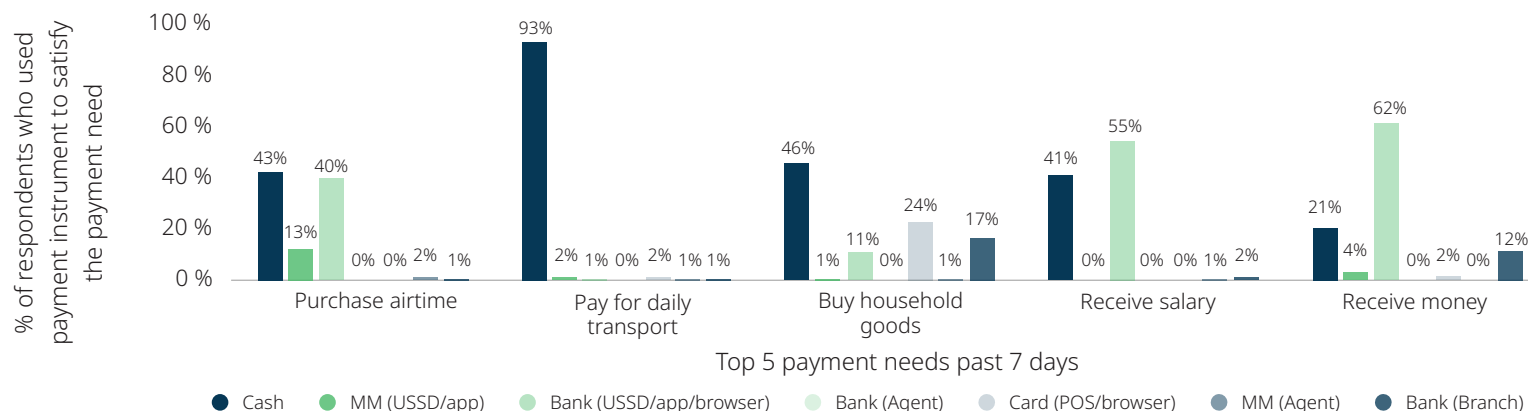
*Payment needs that were not experienced by respondents over the past 7 days are not included in the ranking above – individuals: repaying loans, payment of hospital bills, receiving govt. payments.

- Payment frequency varies depending on the payment need an MSME may have.
- Payments for utilities and transport have the lowest usage of digital payments among individuals.

Proportion of respondents using primarily digital payments to satisfy the respective payment need	No usage	Very low	Low	Medium	High	Very high
	0%	1–20%	21–40%	41–60%	61–80%	81–100%

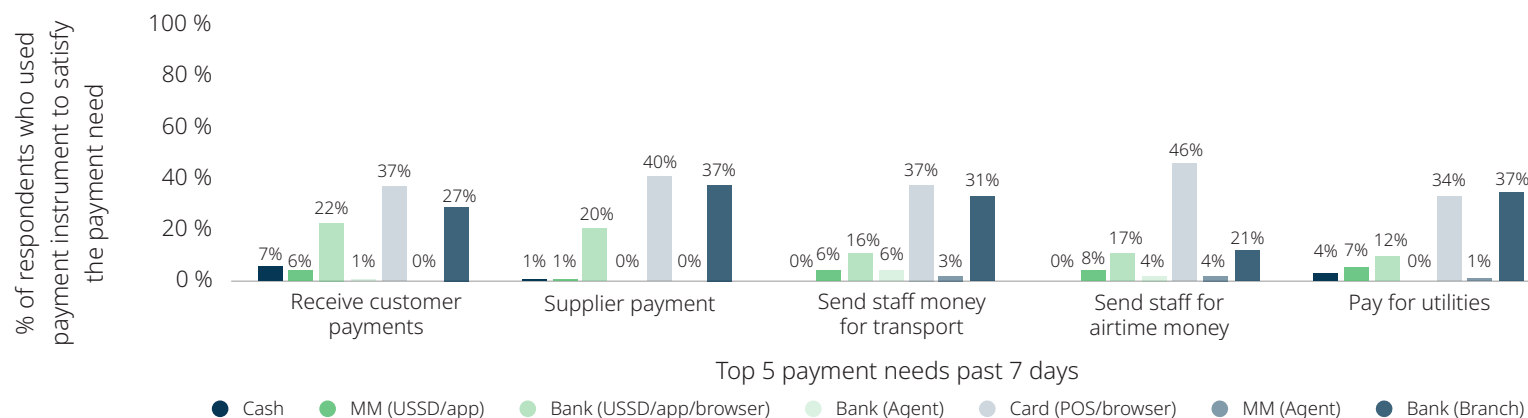
Cash usage is prevalent in addressing individuals' leading payment needs; opportunities to drive digital payments include merchant payments and daily transport, among others

Top individual payment needs: overview of primarily used payment instruments and channels



- Cash use is widespread across payment needs among individuals.
- While bank-based instruments through apps dominate, card-based payments are often used specifically for grocery purchases.
- Payment for transport has significant room to be digitalized further.

Top MSME payment needs: overview of primarily used payment instruments and channels

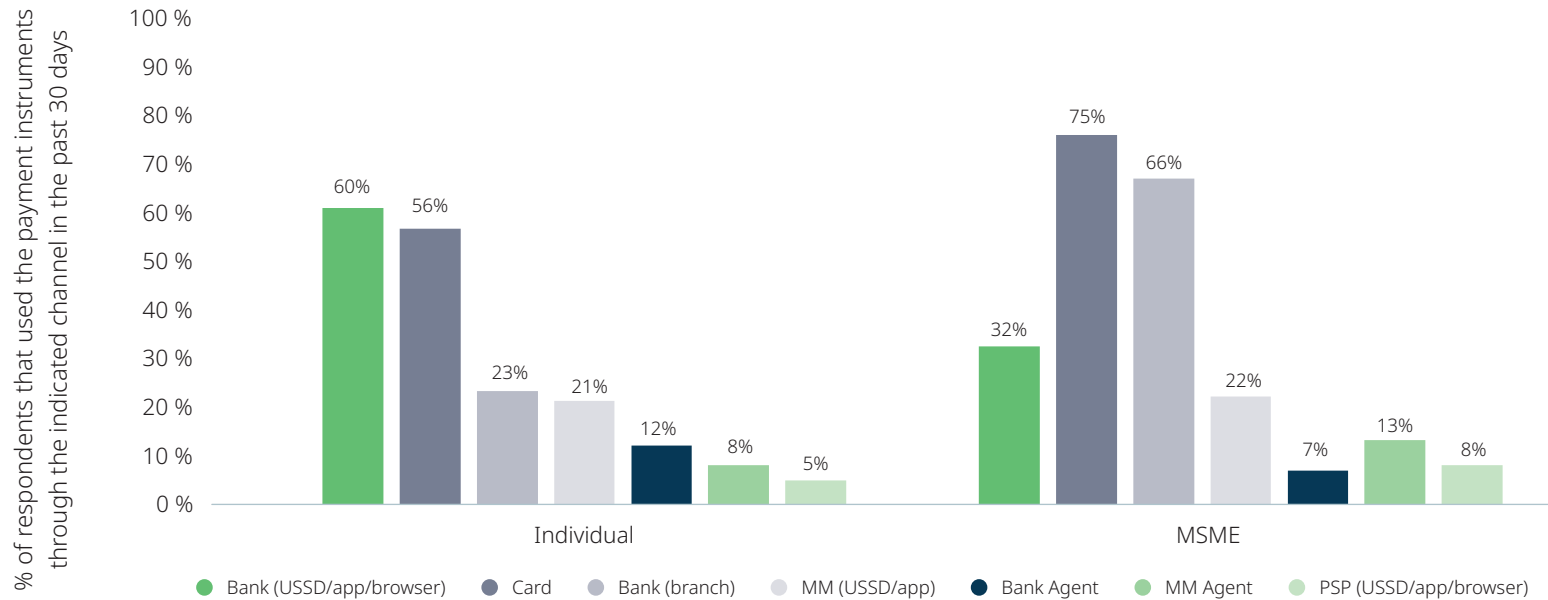


- The top payment needs among MSMEs have been largely digitalized.
- Cards and bank-based instruments are the digital instruments driving payment digitalization, followed by bank branch transfers.

Total No. respondents sampled (n=250): Individuals = 150 MSMEs = 100

The most prevalent digital payment channels are bank apps and cards

Use of digital payment instruments over the past 30 days



- Bank-based payment channels are leading in use by both individuals and MSMEs.
- MSMEs have higher usage of card-based payments than individuals.
- MSMEs have a higher preference for using bank branches as a channel over USSD or apps.
- Mobile money is a relatively new addition to the payments landscape – but mobile money payments have grown and are conducted by one-fifth of individuals and MSMEs.

Total No. respondents sampled (n=250): Individual n=150 MSMEs n=100

SECTION 3 ●

**UNDERSTANDING CONSUMER
BEHAVIOR: PERCEPTIONS,
DRIVERS, AND BARRIERS TO
MAKING DIGITAL PAYMENTS**

3

Personal preference, the nature of transactions, and merchants' acceptance of digital payments are among the key determinants of how payments are made



USER CHARACTERISTICS

Personal preference

Consumers will often rely on personal preferences or methods that are familiar when making payments.

“ Whenever I go to the market, I don't like to go with cash, I just go with my phone because I know I can access my bank apps and make transfers.”

- Female respondent



USE CASE CHARACTERISTICS

Nature and type of transaction

Individuals are more likely to use cash to purchase daily food items from street food sellers because of the small amounts used and traders' fear of fake alerts/fraud.

How frequently one does a transaction dictates which payment method one is likely to use.

Vendor terms

Some traders have not adopted digital payment methods, forcing consumers to withdraw money and use cash.

“ I think cash is preferable depending on the amount; for small amounts, cash is preferable, but for huge amounts digital payment is preferable.”

- Male small business owner

“ if it is a transaction I will be making repeatedly, I will save the person's account details as beneficiary so I can easily have access to it.”

- Male small business owner

“ There are some situations where you can't transfer money, like in the case of open-air markets.”

- Female respondent



Key considerations for cash or mobile money usage include perceived speed and convenience, incentives, and better planning and management of finances



SIMPLICITY OF USE

Easy to use, with banks being trusted

"I prefer to use my bank mobile app because it is very easy to use.... Instead of going to the bank to make a transaction you can easily do it on your phone."

- Female respondent



VALUE BENEFITS SAVINGS, ONLINE BUSINESS

Ease of doing business online

"Once I receive the confirmation of payment, I add the money to my payment service provider wallet and use it to sort bills and make other payments." - Male small business owner



MANAGING PERSONAL FINANCES

Helps one plan and manage finances better

"It also makes you spend cautiously and save more."

- Female respondent



CONVENIENCE IN MAKING REMOTE PAYMENTS

Ability to make multiple payments to different beneficiaries using banks' wide coverage, thus saving on time and money

"If it is a transaction I will be making repeatedly I will save the person's account details as beneficiary so I can easily have access to it; but if it is for paying bills I save the number so I just refer to that and I make payment." - Male respondent

Speed and convenience of transactions over long distances

"It makes payment easier and faster, especially when you are dealing with long distance."

- Female small business owner



USAGE-BASED REWARDS

Rewards for usage

"With some mobile money providers, you get a lot of freebies."

- Young respondent



TRANSACTION TRACEABILITY

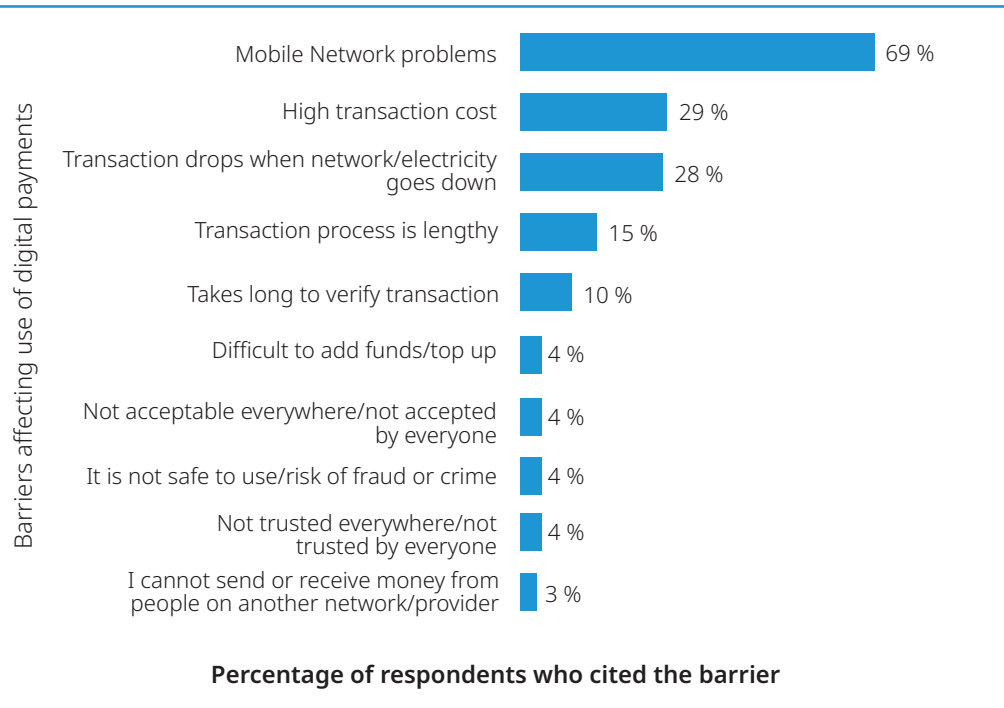
Transaction traceability and proof or evidence of payment

"It is reliable because you get your receipt; you can be assured that the payment has gone through, and the receiver is also assured of your transfer as well." - Male small business owner

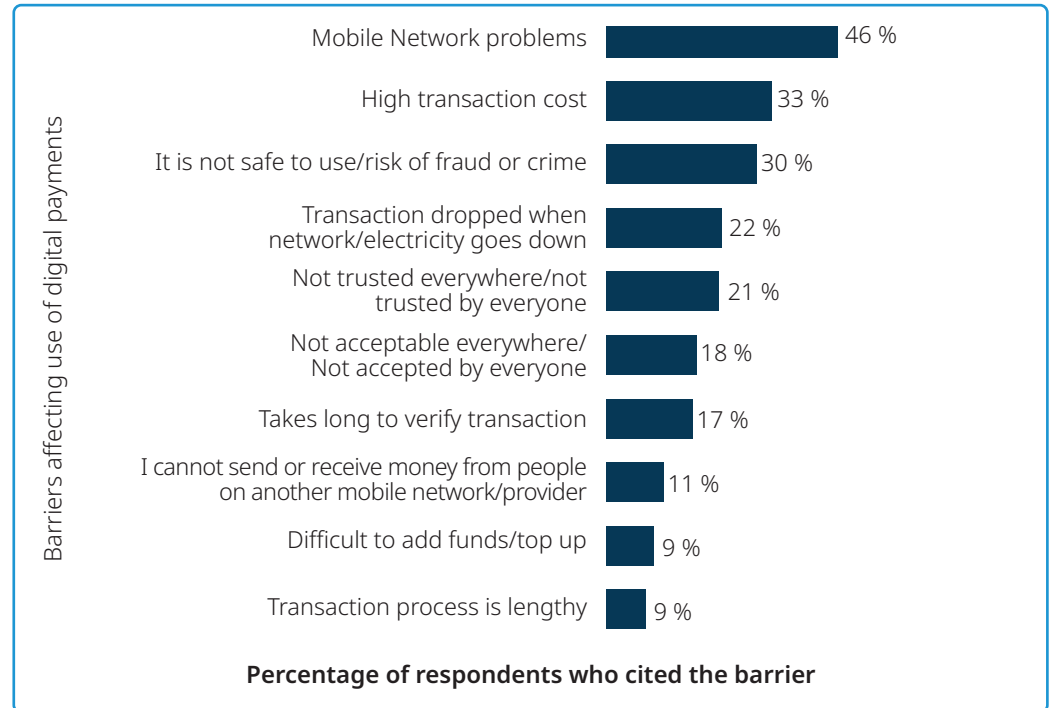
Cashless Transactions

Poor network connectivity and high transaction costs are the leading barriers to usage of digital payments among individuals and MSMEs

INDIVIDUALS



MSMEs



“There are challenges in using my bank app because of their bad network issues.” – Male respondent

“If you have not signed up on mobile money, you can’t make mobile money transfers.”

– Focus group discussion respondent

Additional barriers consumers face when using digital payments include transaction delays and prevalence of fraud



TRANSACTION CHARGES

“They wouldn’t want to use them (digital payments) because of charges.”

– Female respondent

“Sometimes when you use the POS you pay a little amount of money. For someone earning 10,000 Naira, you don’t want anything to take away 200 Naira or 300 Naira.”

– Male small business owner



TRANSACTION DELAYS

“It takes 5 to 7 working days to sort an issue on the app and if you have card issues, it takes 3 days maximum.”

– Male respondent

“Sometimes when I use the bank USSD code, I get debited but the person I am paying to will tell me they did not receive any (money), they have not been credited. ”

– Female small business owner



FEAR OF FRAUD & SCAMS

“Anything that means electronics means fraud, so they believe you must pay in cash for them to believe you.”

– Focus group discussion respondent

“Immediately you slot in your card to the (POS) machine, they (agents) have all your data.... Some people don’t have God’s fear.... It happened to my friend; they deducted all his money.”

– Male respondent

User experience: how do drivers and barriers play out along a user journey?



ABISOLAI GBOLARUMI,
FEMALE BUSINESS OWNER, NIGERIA

- Uses mobile banking apps to conduct digital payments with customers
- Prefers digital payments directly into bank account



"I prefer receiving money from my customers through my bank app. For me, the advantage is that it is not easy to spend the money, and I don't want quarrels with my customers because if my customers give me cash, I might spend the money and that will lead to quarrels, so I prefer the money be paid into my bank account.

When paying suppliers, I log in to my bank app using my password. It shows me the dashboard. I then click on Send money, input the bank name and account number of my supplier, and it displays the correct name. This step is important because it confirms that I am paying the right beneficiary. I enter the transaction amount and my Password PIN, then proceed to send the money. I like this method because I can keep track of my payments and income through statements. Another advantage is that I can pay to any bank and the amount is instantly received."



Drivers in the user journey experience

Sending money through the mobile app displays the correct name of the beneficiary

Traceability

Enhanced security due to password/PIN requirements

Speed due to instant payments

"Another advantage is that I can pay to any bank and the amount is instantly received."



Barriers in the user journey experience

Mobile network outages

"It won't be able to transact if there is network failure."



SECTION 4 ●

CONCLUSION AND RECOMMENDATIONS



4

Summary

State of digital payment use in Nigeria



Cash is still widely used among individuals, though its use is declining among MSMEs. Small enterprise owners, especially, opt for using bank customer apps.



Comparatively, Nigeria has a high level of trust and acceptance of digital payment through banking apps.



The banking sector in Nigeria has been instrumental in growing the breadth and depth of digital payments through the different innovative solutions available in the market.



Bank cards are a key digital payment channel used in Nigeria.



Mobile money is not prevalent, though it is growing in use and acceptance.

Key drivers and barriers of digital payment use



DRIVERS

- Ability to seamlessly manage personal finances by transacting from your bank account to phone.
- Well-developed payment products offer speed, safety, relatively low cost, and convenience benefits.
- Current banking sector has cross-country penetration and has built a high degree of trust.



BARRIERS

- Mobile network challenges and electricity shortages, when most digital instruments depend on these services, are the key barriers to digital use and inclusivity.
- Mobile wallets are still in their infancy, with many Nigerians unaware of their existence.

CONSUMER VOICES: RECOMMENDATIONS ON EXPANDING DIGITAL PAYMENT OPTIONS



IMPROVE CUSTOMER SERVICE QUALITY

Customer service experience should align with service offering. Difficulties in accessing customer care representatives should be resolved digitally to allow for fast resolution of transaction issues.

// There should be room for customer service whereby you can complain about any issue regarding the transactions.”

– Male respondent

In your opinion, what should be done to make digital payments more instant and inclusive?



HARMONIZE AND REDUCE TRANSACTION CHARGES

Customers feel that they pay double transaction charges for the same services from the same providers. For example, bank maintenance fees, bank transfer charges, bank mobile charges per transaction are all surcharged to the same account holder.

// The main thing they should improve on is the charges; now you pay for receiving and sending money and they will still charge you extra, which I don't know what that is for. They should work on the charges and their response to queries.”

– Male respondent



AfricaNenda is an African-led team of experts committed to unlocking the potential of digital financial services for the financially excluded across the continent by accelerating the scale-up of instant and inclusive payment systems. AfricaNenda's approach is to provide public and private sector stakeholders with technical expertise and the capacity to reduce barriers to digital payments. AfricaNenda wants to enable everybody in Africa to make digital transactions seamlessly and at a low cost wherever they are on the continent by 2030.



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