

**Timeline**

May-June 2020

**Study Type**

Descriptive / Surveillance

**Research Implemented by IPA**

Yes

# Consumer Protection in Digital Finance Users Survey in Nigeria

## Researchers

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## Abstract

We will conduct a survey of digital finance users—active and dormant— across Nigeria. The survey will cover active and dormant users of electronic payments products, mobile banking products, agent banking, and digital credit. Users of these products will be queried on key consumer protection topics including: Pricing transparency; Fraud; Experiences at agent locations; Complaints handling and redress. We will also leverage this existing survey to provide governments and organizations responding to the COVID crisis information about the financial impacts of the pandemic by measuring recent changes in financial resiliency, use of mobile money and phone-based loans, and instances of digital fraud.

## Project Outcomes of Interest

Having sufficient emergency funds to cover unplanned expenses; having enough money to pay for regular living expenses each month; mobile money and mobile loan usage; experiences with digital fraud; fraud during COVID-19.

## Key Findings

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.

#### 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.

#### 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.
- 51% of respondents have experienced attempted scams or fraud since COVID-19 began.

#### 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.

## **Link to Results**

[Nigeria Consumer Protection in Digital Finance Survey](#)

## **Impact Goals**

Build resilience and protect the financial health of families and individuals

## **Project Data Collection Mode**

CATI (Computer-assisted telephone interviewing)

## **Link to Public Data**

<https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/USMYWW>

## **Results Status**

Results