

**Researchers**

William Blackmon  
Senior Research Manager, Financial Inclusion

Brian Mwesigwa  
Research Manager

**Timeline**

2021-2022

**Sample Size**

895 transactions across 29 financial service providers

**Research Implemented by IPA**

Yes



**Final Report**

**Inclusion for all**


**Measuring Fees and Transparency in Nigeria's Digital Financial Services**

*Using an Audit Study to Determine Reliability, Compliance, and Transparency of Provider Costs*


While digital financial services have evolved rapidly in Nigeria over the last decade, this growth is largely driven by the already-banked population. A joint study by Innovations for Poverty Action (IPA) and Inclusion for All investigated three key barriers preventing many from joining the formal financial system: the reliability of financial services, the cost of using these services, and the limited transparency of cost information. The study found that financial transactions conducted by phone fail often, service providers make it difficult and costly to find accurate pricing information (less than 1 in 5 providers offer a toll-free customer care line), and the prices consumers pay can exceed caps set by the Central Bank of Nigeria (CBN).

**The findings suggest providers can build trust and usage of these services by strengthening their infrastructure, improving access to accurate pricing information, and increasing compliance with existing price caps.**


**Study Components**



Open accounts and audit true fees paid for real transactions



Compile stated fees from DSPs' customer care representatives



Review of pricing regulations

IPA and Africa Practice conducted a standardized audit of common mobile financial transactions and other activities with 19 deposit money banks and 10 mobile money operators, with a **sample of 895 transactions**. The audit measured fees for account opening, balance checks, and transfers. It also measured pricing transparency, collecting providers' stated fees by checking websites, calling customer care, and reaching out over social media. Finally, to assess compliance with regulated pricing caps, the audit reviewed pricing regulations set forth by the CBN and the Nigerian Communications Commission.

**Key Areas for Improvement**

<p><b>Reliability</b> 58% of USSD transactions could not be completed successfully.</p>	<p><b>Transparency</b> 2 of 29 audited providers listed transaction prices publicly on their website.</p>	<p><b>Transparency</b> 27% of stated prices to in customer care matched real prices to in audit.</p>	<p><b>Compliance</b> 62% of providers required gutt use of an ATM card to begin using an account, despite mandated free account opening.</p>
---	---	--	--

**Product Reliability**

Transaction failures are common, particularly when conducted using USSD menus and with mobile money operators.

**Transaction Success Rates**—Percent of audited transaction attempts that were completed successfully

By Channel		By Provider Type	
Mobile application	<b>82%</b>	Deposit money bank	<b>64%</b>
USSD	<b>42%</b>	Mobile money operator	<b>43%</b>

Audit Report

# Measuring Fees and Transparency in Nigeria's Digital Financial Services

## Abstract

High fees and lack of pricing transparency may be a barrier to accessing financial services, especially for low-income and rural populations. In Nigeria, where access to financial services is lower than in neighboring countries, the Central Bank issued regulations to limit customer fees. However, anecdotal evidence suggests these regulations are not always followed. Researchers conducted a transaction audit to determine whether digital financial service (DFS) providers comply with pricing regulations. The results demonstrate that phone-based financial transactions often fail, it is difficult and costly to find accurate pricing information, and consumers sometimes pay fees that exceed caps set by the Central Bank. These results have wider implications for consumer welfare, inclusion, and trust in financial services.

## Policy Issue

The use of formal financial services has direct advantages for consumers. Compared to informal options, formal financial services usually have better security and more reliable costs. While low prices encourage more people to use financial services, a lack of transparency in product pricing reduces trust between customers and service providers, which hampers adoption. There is limited evidence of what fees are actually charged to consumers for DFS transactions. Some possible explanations for the lack of clarity are limited compliance with regulations, various types of fees deducted from mobile wallets and airtime, and inconsistent provider policies between banks and mobile money operators.

Across the world, governments and central banks are taking measures to limit customer fees. However, the effectiveness of these regulations often depends on whether financial service providers comply. More research is therefore needed to understand both pricing and compliance, and ensure that these are not obstacles to the introduction of financial services.

## Context of the Evaluation

Nigeria has a relatively underdeveloped landscape of DFS. Thirty-six percent of Nigerian adults are financially excluded (they do not have a bank or non-bank financial account). This exclusion rate is higher than in South Africa (seven percent), Kenya (11 percent), and Uganda (22 percent), for example.<sup>[1]</sup>

The DFS sector has evolved rapidly over the last decade as mobile connectivity and the digitization of payments has expanded. Moreover, the onset of COVID-19 accelerated this transition, with year-on-year growth in electronic transaction volumes of 108 percent and transaction value of 106 percent between January and May 2021.<sup>[2]</sup> However, this growth has been driven by the already banked population, as financial exclusion only decreased slightly from 37 percent in 2018 to 36 percent in 2020.<sup>[3]</sup> Concerned about slow progress in financial inclusion, the Central Bank of Nigeria reviewed price guidelines in 2019 and issued revised guidelines that came into effect in January 2020. These guidelines significantly reduced the costs of a range of transaction fees.

## Details of the Intervention

*Note: This study is not a randomized controlled trial*

Researchers from IPA and Africa Practice's Inclusion for All Initiative audited mobile financial transactions to determine whether different providers are complying with the new pricing regulations in Nigeria. An example of a conducted audit is transferring money digitally between accounts and comparing the balance to the amount sent. The difference between the amount sent and the change in the balance represents the true fee paid. By comparing this true fee with providers' stated fees and regulators' fee caps, researchers were able to measure levels of pricing transparency and regulatory compliance. Researchers identified regulated fee limits through a review of current regulatory guidelines and official costs by

visiting providers' websites and reaching out to customer care via phone calls, websites' chat features, Facebook and WhatsApp. The research team conducted 895 transactions across 19 deposit money banks and ten mobile money operators.

## Results and Policy Lessons

Overall, the results suggest that in the Nigerian mobile money market there is a high rate of product failure, difficulty in finding accurate pricing information, and consumer fees exceeding caps set by the Central Bank.

**Product reliability was low with significant variation across providers and channels used.** Financial transactions conducted via mobile applications succeeded 82 percent of the time, while USSD-based transactions only had a 42 percent chance of success. Mobile money operators and deposit money banks had a 43 percent and 64 percent chance of success, respectively. On aggregate, two-fifths of all transactions failed.

**Limited pricing transparency restricts consumers' ability to make informed choices about the products and providers they use.** Researchers found that providers are often unable to share fee information for some types of transactions, and when they do it is likely to be inconsistent. When comparing across all channels, the most likely outcome (39 percent of cases) was to receive inconsistent pricing information. When consistent information was received from customer care it was likely to be inconsistent with observed prices, and gathering the information could be costly in terms of money and time.

**Lack of compliance with Central Bank of Nigeria pricing policies limit the effectiveness of regulations that promote financial inclusion goals.** Account openings were particularly prone to non-compliance: though regulations state that opening an account should be free, 62 percent of providers charged a mandatory "ATM card fee" when opening an account.

## Sources

<sup>[1]</sup> EFINA. Access to Financial Services in Nigeria 2020 Survey. Enhancing Financial Innovation and Access, June 3, 2021.  
<https://a2f.ng/wp-content/uploads/2021/06/A2F-2020-Final-Report.pdf>.

<sup>[2]</sup> Nigerian Inter Bank Settlement System (NIBSS) data. See <https://www.proshareng.com/news/Mobile%20Money%20and%20Telcos/May-2021-E-Payment-s-Data:-Young-and-Getting-It--Records-Impressive-Growth/57909>

<sup>[3]</sup> EFINA. Access to Financial Services in Nigeria 2020 Survey. Enhancing Financial Innovation and Access, June 3, 2021.  
<https://a2f.ng/wp-content/uploads/2021/06/A2F-2020-Final-Report.pdf>.

December 14, 2021