INTEGRATING THE UNBANKED AND UNDER-BANKED NIGERIA POPULATION INTO FORMAL FINANCIAL SERVICES THROUGH MOBILE MONEY SOLUTIONS

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Abstract

The drive for financial inclusion all over the world is very high, Nigeria too, in her move towards a cashless economy have put all hands on deck to reduce the high level of the unbanked and under banked population. Banks and non-bank financial institutions efforts in the past was unencouraging Banks and Non-Bank financial intermediaries strive to retain existing customers rather than exploring new areas to create and serve new customers. The research was conducted through data gathered from primary source. The instrument employed is personal interview. One hundred people (20 people from each of the 5 locations) replicated into zones A, B, C, D and E were interviewed and their responses to the questions asked were reproduced in tables 1-10 in the research. The data were analysed using percentages and descriptive method of analysis. Findings from the research revealed that financial inclusion is timely in Nigeria in order to minimize the level of unbanked and under-banked population. In order to achieve this laudable objective, the following recommendations were proffered. Regular public awareness, Enactment of legislations to protect investors in the banks, Protection of customers privacy, Regular review of the cashless policy, improvement in capacity utilization, Development of new payment systems such as debit cards, credit card etc. Installation of electronic funds transfer as well as the curbing of the menace of cybercriminals

Pristine

Development of any country depends not only on resources endowment but on the ability of the nation to be able to administer her social and economic resources in such a way as to foster true growth and development. One avenue to achieve and facilitate economic development is through the employment of financial vehicles which can reach both rich and poor, and indeed, institutions, small and medium scale businesses, as well as every unit within the nooks and cranny of the nation.

Considering the role of financial institutions as the hub of economic progress, suggests to us that, there is need to quickly reach out to reducing the level of the unbanked and under-banked in Nigeria. Although, developing nations, equally have certain percentage of unbanked and under-banked. According to Ibrahim (2009), it was revealed that Nigeria and other African countries have more of unexplored business opportunities which could have taken the financial service industry to the next enviable level.

According to Efina (2012), enhancing financial Innovations and Access reports, financial institutions in Nigeria, compete with one another by trying to attract and retain existing customers year after year, forgetting the enormous business opportunities at the grassroots which non-bank financial institutions were now taking steps to cultivate. The unbanked have no checking, savings credit, or insurance accounts with conventional depository institutions while the under-banked people conducts financial transactions using alternative service solutions that guaranteed efficient service delivery to customers. Research evidences the fact that out of about 170 million Nigerians adults, few have bank accounts, especially, people living in the rural areas. The Efina, reported that 28.6 million people representing 32.5% of adult population have bank accounts. Funny enough, 72.2% of the rural population had no bank accounts at all, but out of these lots, 25.3 million adults have mobile telephones, and were unbanked, thus, a promising channel for the banks to attract and integrate into the system through affordable, secured and convenient mobile money solutions. The unbanked population are those people who are deny access to the use of banks because they live in remote areas where banks does not want to site a branch. The under-banked population on the other hands represents the percentage of the population who have access to banks, but prefer to use alternative service providers who still use physical cash for all transactions instead of mobile money solutions.

It goes without saying that mobile money and other emerging payment systems are beginning to find a fertile ground for growth in Nigeria. Following the gradual implementation of the cashless system by the Central Bank of Nigeria, many Nigerians have embraced these payment systems and financial services transactions via a contactless platform and cashless card services as well as internet banking which portends great value for the future. Understandably, many people already have access to a mobile phone or device than own bank accounts. It has been noted also that these

system has the capacity and reach to be a game changer for financial inclusion, with the emerging payments systems, soonest, nearly 75% of Nigeria's unbanked population can be offered financial services. However, the integrity of mobile money is essential to the development of its full potentials. This is because the volume of funds transferred through mobile money services increases day in day out. The benefits from mobile money is huge, not only is it cheaper than the conventional services models and other alternatives to cash, it ensures the inclusion of persons who hither-to had been excluded from formal financial services; provides branchless banking and enables women in rural areas to receive money and make savings, away from the prying eye of domineering men. Kelvin (2012).

The objective of this study therefore is to examine the possibility of reducing the unbanked and integrate the under banked population into the use of cashless payment system so as to minimise the use of cash thus making the country cashless. In order to achieve this, the hypothesis to be tested are:

Hi:- cashless payment system will promote banking habits of the people and reduce the unbanked and under-banked population.

Ho:- cashless payment system will not promote level of banking habits of the people and will not significantly affect the level of unbanked and under-banked in Nigeria.

Literature Review

Payment for transactions using cards started in United states of America, Merchants, card companies, and card holders cannot function in the absence of switch providers. It is seen though card based system has been in vogue for several years and its use and popularity was very limited. The use of this card based system is otherwise known as mobile money. It serves as alternative to the use of cash. Credit cards provides free credit, assume risks and very expensive as a means of payment.

Before the advent of modern Banking, banking services was provided manually, the manual system involves posting transactions from one book of accounts to another. The recording of these transactions are done by human beings and therefore are not free from errors. Before the recent development in the Nigeria banking landscape, electronic banking system is not known to us, until early 2000. This was not the case with developed countries like USA, UK, Germany, France and so on and so forth.

The introduction of the cashless system is made possible with the use of financial institutions instruments, procedures and computer networks. Notable institutions such as the Central Bank of Nigeria, Commercial Banks, Switches telecommunication companies, other financial companies like the Nigeria interbank settlement system (NIBSS) Interswitch card technology, Nigerian security, printing and Minting Corporation, Airtel, Glo, MTN as so on. Payment instruments includes cash, cheques, drafts, warrants, managers cheques, bankers payments as so on. Electronically, payments are effected through cards, e-message, e-files and so on and so forth.

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According to Ibrahim (2009) a safe and sound financial system is hedged on effective payment infrastructure which are core to the financial stability of a country. The Nigeria economy is a heavily cash driven system. Cash related transactions represents about 99% of customers activities in banks. Lack of understanding and confidence in other payment instruments, limited alternative mobile money that satisfy users needs and appetite to achieve efficiency; timeliness, cost effectiveness, reliability, poor as well as unstable infrastructural facilities such as Electricity, telecommunications and so on and so forth are limiting factors to the success of mobile money system.

The year 2009 and 2010 unfolded a marked and tremendous improvement in automation of clearing and settlements as well as in the growth of electronic banking system. The need for alternative mobile money solutions as alternative to cash became obvious from the perspective of the risks involved in keeping or moving large amount of cash. Nwude (2012). This may obviously precipitate high incidence of armed robberies and burglaries. The switch to cashless payment will promote globalization and gradual interconnectivity in international business relationship as well as the cost of currency management. Lemo (2001) According to Uwah (2011), there are too much money within Lagos, such that a successful robbery operation in residential apartment known as face me, I face you was said to have fetched more than a million naira to hoodlums. This was so because of the high preferences for cash holding by business people, artisans and especially the market women. The period of shopping for commodities in different parts of the country with millions of Naira notes packed in Ghana must go sack had gone for good. Therefore, the risks of loosing money which can lead to business failure with attendant losses of jobs, hence unemployment is now a foregone issue as opined by Attch, 2012.

In view of the relevance of the use of mobile money solutions, as well as the huge cost borne by the Central Bank of Nigeria on currency management, it then suggest that the process needed to be upgraded to world class. Now that the fear of acceptability of the cashless policy had become a thing of the past, the Central Bank of Nigeria's efforts at reducing the country's unbanked to 20% level is commendable, however, the current level of unbanked population (46.3%) in Nigeria is still very high. According to Ibrahim (2009) the use of electronic payment system is problematic when effecting funds transfer from one account to another, John, (2010) opined that transferring funds by banks have enormous challenges as a bank claims they have sent money, the other replies they have not received signal. This is however not in line with the idea of Olakah, (2009) who observed and acknowledge that the challenges being emphasized with the cashless policy are normal and a 'teething problem" which should not be allowed to frustrate the laudable objective of the mobile money solutions.

According to Javelin (2012) mobile underbanked don't have checking accounts, they made use of prepaid cards, savings accounts or other financial accounts, none of

which would typically qualify as a primary financial relationship. The unbanked, however, consist of those without any banking products whatsoever. In the US, the underbanked estimates was around 35 million adults, about 15% of the population. Included in the number are 10 million who are completely unbanked, 4.3% of all adult consumers. Though, the poverty level in Nigeria is high, but that is not to say that people within this bracket does not need banking services simply because it is assumed that "they have no money". The underbanked Nigerians may not be able to own computers or pay for broadband services, but more likely to own a mobile phone. It was discovered that in the US the underbanked are much more willing to use mobile banking services than the rest of the population. It was suggested by Javelin (2012) that a foundation should be built for the underbanked on two primary services: mobile money transfer and prepaid accounts. These services, could provide a conduit to a deeper banking relationship as these services provides the basic building blocks for essential financial services that meet the central needs of the underbanked. Many underbanked consumers find it difficult to access branches during traditional banking hours, but this population could be reached by alternative settings and hours in places where they shop, work, and go about their daily lives.

Methodology

The research was conducted using primary data. The instrument employed is the personal interview. One hundred (100) people were interviewed by random sampling of 20 people at five (5) different locations in Osun State. The locations are: Osogbo, Ikirun, Ilesa, Iwo and Ijebu-Jesa which was placed under zones A, B, C, D, E respectively. The population interviewed were categorised into three (3) banked, underbanked and unbanked. The responses of the people were recorded and analysed based on the ten(10) factors identified by the researcher on the topic of the research. The data were presented and analysed using percentages and descriptive method of data analysis.

Data Presentation and Analysis

Table 1: What is the level of untapped Business Opportunities in Nigeria?

Zones	Categories of Respondents			
	Banked	Under Banked	Unbanked	Total
A	05	04	11	20
B	02	60	12	20
C	06	06	08	20
D	04	07	09	20
E	04	08	08	20
Total	**21**	**31**	**48**	**100**

Source: Field Survey, 2012

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The research revealed that from the difference zones, the total respondents that have bank account was 21% of the population. The under-banked category was 31% while the unbanked was 48%. It is therefore obvious that there are lots of untapped opportunities in the economy which the banks have not explored. The total of under-banked and that of unbanked was 79% indicating that in the nearest future if the banking sector can sustain the height to remain cashless, the banking sector will experience a lot of progress.

Table 2: How Many of the Respondents have Mobile Telephones?

Zones	Categories of Respondents				
	Banked	**Under Banked**	**Unbanked**	**Undecided**	**Total**
A	05	04	08	03	20
B	02	05	10	03	20
C	04	07	08	01	20
D	04	07	08	01	20
E	04	06	08	02	20
Total	**19**	**29**	**42**	**10**	**100**

Source: Field Survey, 2012

In order to revolutionise the banking sector and bring in the unbanked and under-banked population into the system, it was discovered that it is going to be very easy to achieve the objective of the research because 71% of the unbanked and under-banked population have mobile phones. Through this medium, these category of people will be able to conveniently access banking services electronically.

Table 3: What is the length of existing relationship of respondents with Banks?

Zones	Categories of Respondents			
	Banked	**Under Banked**	**Unbanked**	**Undecided**
A	<5	<3	-	
B	<15	<10	-	
C	<12	<4	-	
D	<10	<4	-	
E	<20	<11	-	
Total				

Source: Field Survey, 2012

Considering the length of business relationship of both the banked and under-banked population, it was discovered that the fully banked people minimum relationship

was 5 years and maximum of 20 years while that of the under-banked was a minimum of 3 years and maximum of 11 years. From the research it was discovered that our banks have only been competing with one another on few customers in order to retain them. They have not been making enough efforts to reach out to completely green customers who does not have any business relationship with any bank before. Even, few customers in the under-banked category have not been enjoying their relationship with the banks thus, they have been patronizing alternative financial institutions and abandoning their accounts only to use them when the occasion demand.

Table 4: How Many of the Mobile Respondents are Literate?

Key
H means High
L means Low

Zones	Categories of Respondents						
	H	**L**	**H**	**L**	**H**	**L**	**Total**
A	4	1	4	0	3	8	20
B	1	1	3	3	4	8	20
C	5	1	5	1	3	5	20
D	4	-	2	5	3	6	20
E	3	1	3	5	2	6	20
Total	**17**	**4**	**17**	**14**	**15**	**29**	**100**

Source: Field Survey, 2012

One avenue for quick transformation of the unbanked and under-banked population into the banking system is through their educational background, which is a factor for easy accessibility to electronic payments system (32%) from the research. However, it was discovered that 43% of the unbanked and underbanked category were not educated, but these unbanked and underbanked illiterates operates mobile phones easily, therefore, to access banking services will not pose any difficulty to these category of people when they buy into the cashless system.

Table 5: Which of the Bank Products Are Highly Preferred by Respondents?

Zones	Categories of Respondents					
	ATM	Credit	Debit	Cheques	Cash	Total
A	8	1	-	5	6	20
B	7	-	-	6	7	20
C	5	1	-	7	7	20
D	7	-	-	5	8	20
E	8	-	-	5	7	20
Total	**35**	**2**	**-**	**29**	**35**	**100**

Source: Field Survey, 2012

The research revealed that presently, large population of customers still prefer the use of cash (35%) for payments. However, (35 + 2 + 29) 66% of the banking public are now use to different modern payment modes. The totality of other payments system are more than that of cash. This is an indication of the acceptability of cashless payment system which will soon take over the use of cash in the nearest future.

Table 6: How will you describe the convenience of e-payments by Respondents?

Zones	Categories of Respondents			
	C	NC	UND	Total
A	11	6	3	20
B	8	9	3	20
C	12	6	2	20
D	9	8	3	20
E	9	9	2	20
Total	**49**	**38**	**13**	**100**

Key
C means convenient
NC means Not convenient
UND means undecided

Source: Field Survey, 2012

The convenience test revealed that the different category of customers asserts that mobile money solutions are convenient (49%) while 38% observed that the use of mobile money solutions are not convenient (38%). The other category of (13%) were undecided. However, we can conveniently believed that 62% of the total population have in one way or the other believe and accepted the use of mobile money solutions as payment instruments in Nigeria.

Table 7: Were There Any Marked Increase in the Purchasing Power of Respondents As a Result of the Simplicity of Mobile Money Solutions?

Zones		Categories of Respondents						
	H	L	H	L	H	L	UND	Total
A	05	-	4	-	6	2	3	20
B	2	-	5	1	8	2	2	20
C	5	1	5	1	6	1	1	20
D	4	-	6	1	2	6	1	20
E	3	1	4	4	6	2	-	20
Total	**19**	**2**	**24**	**7**	**28**	**13**	**07**	**100**

Source: Field Survey, 2012

It was discovered from the research that 71% of the respondents from various zones had their purchasing power increased as a result of the simplicity in the use of mobile money solutions. Only 22% respondents attested to the fact that the use of electronic payments have not increased their purchasing power while 7% were undecided. This result evidences the fact that mobile money solutions have the tendency to revolutionise the banking sector when fully adopted.

Table 8: Are the E-Payment Systems Cost Effective and Efficient?

Zones	Categories of Respondents			
	Costly	Cheap	UND	Total
A	4	13	3	20
B	3	12	5	20
C	2	14	4	20
D	2	15	3	20
E	1	16	3	20
Total	**12**	**70**	**18**	**100**

Key
UND – undecided

Source: Field Survey, 2012

The costliness and efficiency of the e-payments is one of the reasons for its patronage. 70% of the respondents asserted to the fact that the mobile money solutions are very cheap compared to the cost borne on services provided by conventional banks. Only 12% asserted to the contrary while 18% were undecided.

Table 9: What are the Effect of Cyber Criminal on the Use of Mobile Money?

Zones	Categories of Respondents			
	High	Low	Undecided	Total
A	2	16	2	20
B	3	13	4	20
C	2	14	4	20
D	3	17	-	20
E	3	15	2	20
Total	**13**	**75**	**12**	**100**

Source: Field Survey, 2012

There is no gain saying the fact that cybercrimes and other vices have one negative effect or the other on the banking system. The effect cannot be compared to its relevance and the phobia of armed robbery attacks in banks. With the various devices and strategy put in place by the Central Bank of Nigeria and other regulatory bodies, cybercrimes have been reduced drastically as revealed by the research, 75% of respondents evidences the fact that cybercrime effects is low while 13% asserted that the effect is still high. Although 12% were undecided, yet it can be concluded that there were serious improvement in the use of electronic payments in Nigeria.

Table 10: How Will You Estimate the Impact of E-payments on Economic Development of the Country?

Zones	Categories of Respondents			
	High	Low	UD	Total
A	16	3	1	20
B	15	4	1	20
C	17	1	2	20
D	18	2	-	20
E	16	3	1	20
Total	**82**	**13**	**5**	**100**

Source: Field Survey, 2012

Measuring the impact of mobile money solutions on the economic well being of respondents, it was discovered that 82% reported that the use of electronic purse have increased their respective economic well being. Thirteen percent (13%) reported to the contrary while only 5% were undecided. Bye and large, electronic payment have come to stay as a method of payments in Nigeria.

Results of Findings

The study revealed that there are potential customers outside the banking industry. Obviously, this people when attracted will increase the level of development in the Banking sector.

It was discovered from the research that literacy level of respondents would not affect customers ability to buy into and use electronic payment, since most of these people can use mobile phones.

The under-banked customers have not been enjoying the services of our banks because of the banks concentration only on well established customers.

It appeared that people still prefer using cash for payments. However, this trend will soon be reduced with time.

The use of credit and debit cards is too low in Nigeria. The banking sector should do something to create awareness for the products.

Purchasing power of respondents according to the research revealed that people buy more product than usual. However, the ability of people to demand for one thing or the other is a function of one's income.

More men and women now uses the ATM cards to transact business.

Conclusion

The integration of the unbanked and under-banked population in Nigeria is timely and a task that must be achieved. Attraction of these people into the banking sector will revolutionised the financial service industry and put the nation on the part of progress.

Recommendation

In order to sustain the height achieved on cashless economy, the following are recommended:

These are:

Regular public awareness is necessary for the development of mobile money, especially among the market men and women in Nigeria.

The government should put in place a legislation that will protect the investment of the banking public.

The banks and other card based institutions should provide the industry with the desired freedom of having their privacy protected.

The Central Bank of Nigeria should ensure regular review of the cashless policy to meeting up with current development in the industry.

There should be improvement on the country's existing capacity utilisation toward ensuring the best services ever by financial institutions to their customers.

The regulators should promote the development and use of debit cards. Credit cards, instant electronic funds transfers, internet banking, point of sales system, as well as multi functional automated teller machine.

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The Central Bank of Nigeria and other Electronic Service providers should take urgent steps to further prevent and curb the activities of cyber criminals in Nigeria.

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