Humanitarian cash and financial inclusion

Nigeria case study

Kokoévi Sossouvi

February 2018

Research by

Humanitarian Outcomes

British Red Cross

COMITE INTERNATIONAL GENEVE

ICRC

Contents

Abbreviations

Asusu	Private safe at home
ATM	Automated teller machine
BVN	Bank verification number
CTP	Cash transfer programme
FGD	Focus group discussion
FSP	Financial service provider
KYC	Know-your-customer
ICRC	International Committee of the Red Cross
IDPs	Internally displaced people
PIN	Personal identification number
OTC	Over-the-counter (cash collection)
NIBSS	Nigeria Inter-Bank Settlement System
NRCS	Nigerian Red Cross Society
Red Cross	ICRC and NRCS
UBA	United Bank of Africa
USD	United States dollar
VSLA	Village Savings and Loans Associations

Executive summary

Background

Building on the ELAN case studies published in September 2017, the International Committee of the Red Cross (ICRC) and British Red Cross (BRC) commissioned this research to further the evidence base on whether and how humanitarian cash transfers can foster the financial inclusion of crisis affected people.

This case study reviews a "cash for livelihood" programme implemented by ICRC between March 2016 and December 2017 in the context of the ongoing crisis in the north-eastern states of Nigeria which has made the displacement of communities commonplace due to sporadic attacks by armed opposition groups or the operations conducted by the Nigerian army. The cash for livelihood programme was targeted at vulnerable female head of households to strengthen income generating activities and improve food consumption with six monthly multipurpose cash grants. An initial business grant of 139 USD[1] was supplemented by a food consumption grant of 55.5 USD in the first three month, which was increased to 97 USD in the remaining three months to make up for increases in the cost of living in the target area over the period. ICRC facilitated the opening of bank accounts which recipients could access with a debit card, with the hope to encourage cash deposits and savings of future business income. Beyond that, **the programme was not designed with specific financial inclusion objectives or activities.**

Research methodology

Field research was carried out in Maiduguri and Abuja on 11-17 January 2017 and consisted of a household survey of 349 recipients out of the 1,423 who benefited from the programme. This was complemented by 8 focus group discussions (FDGs) with 80 participants and key informant interviews with representatives from United Bank of Africa (UBA) as well as Red Cross (ICRC and Nigerian Red Cross Society (NRCS)) staff members and volunteers.

The research was designed to answer the following questions:

- When can and should humanitarian projects have explicit objectives around financial inclusion?
- What has worked and what are the drivers and opportunities to help promote financial inclusion in the design and implementation of humanitarian cash transfer programmes?
- What lessons can be learnt around the respective roles and responsibilities of aid agencies, financial service providers, government authorities and other actors in supporting financial inclusion if and when it is feasible?
- What evidence is there of use of financial services beyond the duration of projects and that such use can generate positive benefits for the well-being of disaster affected populations?

Key findings and recommendations

Through this programme, ICRC supported the opening of personal bank accounts for all recipients who were also provided with a Visa- or Mastercard-branded debit card to make withdrawals at ATMs and payments in shops.

Prior to the programme, 9% of the participants had a bank account and most of the other women had never entered a bank before. Given the limited presence of financial service providers (FSPs) in their place of origin, the programme was the first experience with a regulated financial service for the overwhelming majority of recipients. Instead, they used to rely on informal savings and borrowing methods. However, since the programme did not provide them training per se on how to use their debit card nor product orientation on the suite of financial services available to them as United Bank of Africa (UBA) clients, very few women were able to withdraw their monthly grant independently. Instead, they relied on support from a child or relative (often male), and even at times from the bank security guard manning the ATMs. Similarly, limited use was made of services other than withdrawal and virtually all recipients cashed out their entire grant. Following the programme, to routinely save, recipients continue to rely on their asusu, a traditional mode of saving resembling a piggy bank or a private safe at home.

As such, the programme only afforded the recipients financial access in a limited form and not financial inclusion in the full sense of the concept. A key achievement, however, is that 99% of the recipients interviewed said they changed their financial management practices as a result of their participation in it. Specifically, the overwhelming majority (98%) said that they are now able to "better plan to meet their financial needs".

The ICRC cash and livelihood programme in Maiduguri exhibits a number of barriers and enabling factors influencing the potential for financial inclusion, as shown in the table on the next page.

[1] Originially 50,000 NGN. An exchange rate of 1 USD = 360 NGN is used throughout this case study.

Table 1: Summary findings

Financial behaviour before the programme	- *Asusu* - Savings group - VSLA[2] - Transporter[3]
Financial behaviour during and after the programme	- *Asusu* - ATM withdrawal - (Some) bank transfer
Barriers	- Limited training provided on how to use debit cards - Immediate consumption needs/limited saving ability - ATM over-crowdedness and associated long waiting time - Distance to the bank and associated travel costs - Persistence of informal financial behaviour - Limited financial inclusion of relatives/personal network (e.g. for bank transfers)
Enablers	- Tiered KYC regime - Trust in service provider - Perceived utility of the bank account - Availability of "helper" to support ATM withdrawal - Availability of other FSPs in the area to diversify providers

There is a need for caution in assuming that financial inclusion should be a priority objective in future responses. The primary focus of the ICRC should continue to be on getting cash to people as quickly and effectively as possible as part of alleviating suffering during humanitarian responses. The time and effort that must be dedicated to fostering financial inclusion outcomes should not be underestimated. Recommendations for future programmes emphasise the need to:

1. **Define financial inclusion objectives in context.** Humanitarian cash transfer programmes (CTPs) with financial inclusion ambitions should be designed with stated objectives. The design of these objectives must be informed by recipients' existing financial habits and the local context to maximise the opportunity for behaviour change.
2. **Invest in capacity building.** Meeting financial inclusion objectives requires building the financial literacy of programme beneficiaries over a sustained period of time. In emergency CTPs, efforts must be made to make the most productive use of contact times such as organising simulation, training of trainers, etc. during the long waiting times that can accompany the account opening process.
3. **Diversify financial service providers.** 9% of the recipients interviewed had bank accounts before the programme. Priority should be given to using these existing accounts for humanitarian cash transfer instead of signing beneficiaries up with a new FSP, especially since in the case of the cash and livelihood programme, account opening took over a year to be completed because of a lengthy beneficiary verification process and collaboration challenges between the branch of UBA in Maiduguri and the head office in Abuja . By now, an important reason why recipients want to maintain their bank account is the opportunity to use it to receive other humanitarian cash assistance in the future.
4. **Design CTPs with multiple use cases.** CTPs should be designed with multiple use-cases in mind to encourage a more diversify use of financial services and continue building capacity, experience and confidence. For example, in addition to withdrawals, awareness must be raised on the benefits of payments (in shops or remotely to suppliers, for example) as well as other options in the suite of financial services with the FSP.
5. **Address pain points and providing a feedback mechanism.** CTPs must ensure to address financial service usage challenges such a limited liquidity at and ubiquity of payment points. This can be done by co-designing the programme with the FSP to allow enough time to plan disbursements , by supporting the rollout of pro-poor services (such as accounts with reduced KYC requirements, use of biometric technology, etc.) and most importantly, by putting in place a robust two-way feedback mechanism in local languages for fast troubleshooting. For example, 14% of beneficiaries experienced issues withdrawing their cash, yet 80% of

[2] Women stopped using VSLAs after their displacement having lost their related social network. Only one person mentioned using VSLA before and after the programme during household interviews.

[3] The use of transporters to transfer money was not mentioned again after participating in the programme but this is likely because of the level of hardship recipients now find themselves in following their displacement, which reduces their ability to send money to others and their participation on the programme may be a disincentive for relatives to them any.

1. Background

1.1 Purpose and research questions

them to learn more about these difficulties.

Humanitarian assistance is increasingly provided in the form of electronic cash transfers (e-transfers) through debit cards, mobile money, or other channels. The use of such mechanisms naturally exposes recipients of humanitarian assistance who are often “unbanked” to formal financial services and thereby offers some potential to facilitate their financial inclusion.

However, contrary to expectations, recent research conducted by ELAN highlights that i) delivering humanitarian cash transfers through mobile money does not automatically lead to widespread or sustained uptake of financial services. People may prefer to continue using informal financial systems that are more familiar, accessible and profitable; ii) exposure to mobile money through humanitarian cash transfers might not be sufficient to enable recipients previously unfamiliar with mobile money to conduct transactions independently .

International Committee of the Red Cross (ICRC) and British Red Cross (BRC) have commissioned Humanitarian Outcomes to carry out this study to build on the ELAN case studies and further the evidence base on whether and how humanitarian cash can lead to financial inclusion for people affected by crises. This study aims to contribute valuable learning to the humanitarian sector around the barriers and the enabling factors that influence the uptake and use of financial services when humanitarian aid has been delivered through e-transfers.

We propose using the definition of financial inclusion elaborated by the Center for Financial Inclusion which also appears in the CaLP glossary:

“Financial inclusion means that a full suite of financial services is provided, with quality, to all who can use them, by a range of providers, to financially capable clients.”

This definition has been further developed in the form of vision by the CFI:

1. Access to a full suite of financial services: Including credit, savings, insurance, and payments
2. Provided with quality: Convenient, affordable, suitable, provided with dignity and client protection
3. To everyone who can use financial services: Excluded and under-served people. Special attention to rural, people with disabilities, women, and other often-excluded groups
4. With financial capability: Clients are informed and able to make good money management decisions
5. Through a diverse and competitive marketplace: A range of providers, robust financial infrastructure and clear regulatory framework

Building on the indicative questions in the terms of reference, the study focuses on the following key research questions:

- When can and should humanitarian projects have explicit objectives around financial inclusion?
- What has worked and what are the drivers and opportunities to help promote financial inclusion in the design and implementation of humanitarian cash projects?
- What lessons can be learnt around the respective roles and responsibilities of aid agencies, financial service providers, government authorities and other actors in supporting financial inclusion if and when it is feasible?
- What evidence is there of use of financial services beyond the duration of projects and that such use can generate positive benefits for the well-being of disaster affected populations?

The research aims to explore not just whether or not the particular projects led to greater financial inclusion but why financial inclusion might be desirable in a humanitarian sense. For instance:

- Is there any evidence that greater use of or access to financial services can make populations more resilient to the impact of natural hazards or better able to cope in the face of conflict?
- Can greater use of financial services help in processes of recovery from shocks?

[4] A digital transfer of money or vouchers from the implementing agency to a program participant. E-transfers provide access to cash, goods and/or services through mobile devices, electronic vouchers, or cards (e.g., prepaid, ATM, credit or debit cards). E-transfer is an umbrella term for e-cash and e-vouchers.

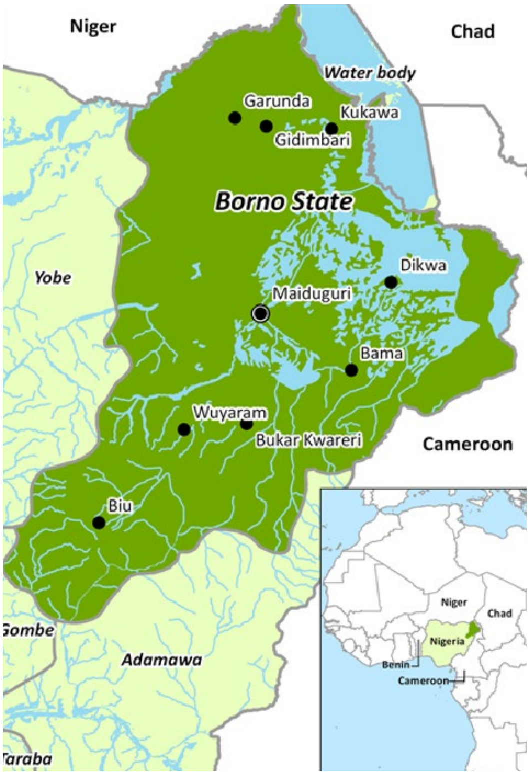
[5] HPG - *Electronic transfers in humanitarian assistance and uptake of financial services. A synthesis of ELAN case studies*

1.2 Humanitarian context

The ongoing crisis in North Eastern (NE) States of Nigeria has created alarming humanitarian needs in the affected areas. Displacement of communities due to sporadic attacks by armed opposition groups or the operations conducted by the Nigerian army is still common.

The conflict has had a severe impact with thousands of reported lives lost. In addition, many families have been disintegrated – children have been left without parents, wives without husbands as men have either been killed, recruited into armed groups or gone missing. This situation has forced a change on the cultural tradition on men being the primary breadwinner in the NE region. Unsurprisingly, ICRC needs assessments revealed that lack of a reliable source of income is the biggest challenge faced by most internally displaced people (IDPs), who are mainly widows and children head of households. Meeting basic needs like food, health related costs, fees and paying rent are some of the burden with which these vulnerable groups are confronted. This is further compounded by the loss of their assets in their areas of origin. Farming, which was their main source of livelihood, is almost impossible in the urban or peri-urban areas where IDPs have relocated to. For former petty traders, rebuilding starting capital remains a challenge. Meanwhile, the daily labour market is very competitive due to readily available and cheap labour from the influx of IDPs. Other forms of employment require skills which most of them do not own, thus limiting their likelihood of generating income.

Figure 1: Map of Borno State



[6] ICRC NIGERIA– ECOSEC, Project proposal MIU 16/00025 dated 07.03.2015.

[7] Global Findex: http://datatopics.worldbank.org/financialinclusion/country/nigeria

1.3 Overview of financial services in northern Nigeria

According to the World Bank Global Findex data , Nigeria has a bank account ownership rate higher than that of most sub-Saharan countries at 44.4% versus 34.2%, including a 34% ownership amongst adults belonging to the poorest 40% of the population. What is more, as the majority of the population live in urban and peri-urban centres, ATMs are the primary form of withdrawal for 70.5% of adults.

Table 2: Evolution of the banking infrastructure in Nigeria (2006-2016)

Year	ATMs	ATMs per 1,000 km²	ATMs per 100,000 adults	Branches of commercial banks	Branches of commercial banks per 1,000 km²	Branches of commercial banks per 100,000 adults
2006	1426	1.57	1.78	3,004	3.33	3.78
2007	3676	4.04	4.47	4,254	4.70	5.21
2008	7278	7.99	8.64	5,255	5.80	6.26
2009	9907	10.88	11.46	5,578	6.15	6.48
2010	9958	10.93	11.22	5,799	6.39	6.56
2011	10865	11.93	11.94	5,810	6.40	6.41
2012	10727	11.78	11.49	5,408	5.96	5.81
2013	12755	14.00	13.30	5,636	6.21	5.90
2014	15935	17.50	16.18	5,440	6.00	5.55
2015	16406	18.01	16.20	5,462	6.02	5.42
2016	17398	19.10	16.73	5,552	6.12	5.36

Source: IMF Financial Access Survey[8]

Compared to the included population, Nigeria's financially excluded are more likely to be[9]:

- Rural (60%)
- Female (64%)
- Poor (66% are in the lowest wealth quintile)
- Informally employed or dependent (61%)

One specificity of the financial sector in Nigeria is the use of the bank verification number (BVN)[10]. Introduced by the Central Bank of Nigeria in 2014, the BVN scheme is designed to support client due diligence as it pertains to the Know-Your-Customer (KYC) principle. The BVN gives a unique identity across the banking Industry to each client of a Nigerian bank. The enrolment process involves collecting the biometric and demographic data of an individual on a central database system managed by the Nigeria Inter-Bank Settlement System (NIBSS) to generate a unique BVN for the customer for life.

Valid means of identification for BVN enrolment include international passport, driver's licence, voter's registration card and national ID card.

At the same time, the rate of adoption of mobile money services in Nigeria is much lower than in the region. In 2013, there were less than 1 million mobile money subscribers in the country, representing less than 1% of the population, compared to 59% of Kenyans[11]. Despite the presence of a plethora of mobile money providers, a key challenge is the urban-bias of the infrastructure.

Table 3: Mobile money statistics for Nigeria

Mobile Money Operations	NGN	USD
Total Number of Customers (as at Dec. 2017)	3.84 Million	10 6666
Total Number of Agents enrolled (as at Dec. 2017)	10,491	-
Total Transaction volume (Jan-Dec. 2017)	47.80 Million	132 777
Total Transaction value (N) (Jan-Dec. 2017)	1.10 Trillion	3.055 Million
Total Number of Licensed MMOs	21	-
Total Number of MMOs Intergrated to NIBSS for Interoperability	21	-

Source: NIBSS E-Payments Fact Sheet for Jan-Dec 2017[12]

[11] GSMA (2015) Digital inclusion and the role of mobile in Nigeria https://www.gsma.com/publicpolicy/wp-content/uploads/2016/09/GSMA2015_Report_DigitalInclusionAndTheRoleOfMobileInNigeria.pdf

[12] https://nibss-plc.com.ng/wp-content/uploads/2018/01/eFactSheet_-Jan-Dec.-2017-.pdf

2. Research methodology

This study builds on the methodology developed by ELAN and used to conduct case studies in Ethiopia and Zimbabwe in 2016. However, here, greater emphasis is placed on understanding the financial habits of the target population prior to the intervention, especially with regards to what services beneficiaries value and why. This approach permits to uncover what their financial "pain points" are and how humanitarian transfers address them, if at all; or, what is worse, if the use e-transfers in fact go against beneficiary pre-crisis financial behaviours or feel counterintuitive.

An initial desk-based review of the relevant existing literature was conducted, and further deepened in drafting the case studies.

Based on discussions with the ELAN team on possible methodological improvement from the ELAN case studies, the survey tool was radically simplified to shed light on the follow areas:

1. **Pre-crisis financial behaviour**
   a. Financial services portfolio
   b. Saving habits and financial contingency planning
   c. Perception of formal financial services
2. **Beneficiary experience with the transfer modality**
   a. What issues were encountered (with a locally appropriate list of possible problems already developed)
   b. Levels of trust and confidence in the transfer modality
   c. Perceived advantages and disadvantages of e-transfers compared to pre-crisis financial services.
3. **Account usage**
   a. Whether or not people can explain the steps needed to receive the transfer?
   b. Did people use the facility/account for anything else? (e.g. Top-ups, Calls (for mobile money), Savings, Receiving money, Sending money, Payments and ATM withdrawals (for prepaid card), etc.)
4. **Post-project financial behaviour**
   a. Did the people continue to use the facility/account once the RC projected ended? If not, why not?
   b. Has participation in the project changed people's financial management practices?

Sampling

A mixed methods approach was adopted to assess these questions with a quantitative survey complemented by qualitative Focus Group Discussions (FGDs) and Key Informant Interviews (KIIs) to provide depth and understanding to findings.

Quantitative research

The survey drew upon the ELAN methodology as closely as possible, making only minor modifications to the questionnaire to simplify it. The questionnaires were administered using digital data gathering tablets and the Device Magic tool.

The survey was carried out with direct cash transfer beneficiaries to provide a 95% confidence level and a 5% margin of error. To achieve this, 307 completed questionnaires were required; however, a target of 338 was therefore set allowing for wasted forms.

Training took place on 12th January in Maiduguri with ICRC staff and Nigeria Red Cross volunteer teams. The questionnaire was in English and the volunteers discussed the most appropriate translations in both Hausa and Kanuri languages. The volunteers tested the tool before feeding back into the plenary – this feedback led to further revisions of the tool.

The data was uploaded to Device Magic on a daily basis and reviewed to ensure the forms were well administered and completed. Observations were fed back to the daily debrief that guaranteed survey targets were met and quality data collected.

On completion of data collection, the data was exported to excel for analysis that focused upon frequencies and averages.

Qualitative research

FGDs were facilitated with programme beneficiaries to better understand research findings and provide stakeholders an opportunity to share their perspectives. FGDs explored attitudes and behaviours around savings, borrowing and sending/receiving money, with a focus on understanding current barriers preventing financial inclusion. In total 8 FGDs were facilitated that included 80 people, all women, as per the programme targeting criteria.

Key Informant Interviews were also carried out with stakeholders to gain as greater understanding as possible. Meetings were held with Red Cross staff (ICRC and Nigeria Red Cross) and UBA bank representatives in both Maiduguri and Abuja.

Limitations

Due to issues of confidentiality, access was not given to beneficiary bank accounts to conduct more detailed trend analysis. . Identifying a control group, equally vulnerable and in similar locations would have been challenging but possible. However, the survey was only carried out with the cash transfer recipients without a 'control' group to compare findings. It is therefore possible that the changes observed in the research were a result of aspects outside of project impact.

3. ICRC cash projects

3.1 Project descriptions

ICRC started small scale economic security programmes in Nigeria in 2014 primarily focused in-kind distribution to the crisis affected population. Cash transfers were introduced in the operation in 2016 and their use scaled up in 2017 as the local market increased supply and importing food involved increasingly complex procedures. Meanwhile, need assessments revealed changing needs of beneficiaries towards more non-food items.

ICRC implements three main types of cash transfer programmes (CTP):

- Multipurpose cash grants transferred over-the-counter (OTC) cash collection on a monthly basis as well as through Near-field contact (NFC) cards. This constitutes the largest cash assistance programme for ICRC in Nigeria.
- Cash for livelihood
- Micro-economic initiatives (MEI)

The ICRC cash for livelihood and support in Maiduguri, in Borno state, was a six month programme targeting vulnerable female headed households with the objective of supporting income generating activities while improving food consumption.

Table 4: Programme summary

Name	Cash for livelihood and support programme
Location	Maiduguri (MMC and Jere local government authorities)
Objective	Supporting income generating activities while improving food consumption
Time frame	March 2016-December 2017
Number of recipients	1,423 households
Cash Transfer Frequency	6 transfers
Amounts transferred	- 1 business grant: 139 USD - 2 multipurpose cash grants: 55.5 USD - 3 multipurpose cash grants: 97USD
Financial service provider	United Bank of Africa (UBA)

In the first month, the programme provided a cash transfer of 194 USD consisting of a 139 USD business grant and a multipurpose cash grant of 55.5 USD. For the next two months, beneficiaries receive the multipurpose cash grant of 55.5 USD which was adjusted to 97 USD for the remaining 3 months. Each participant thus received of total of 595 USD by the end of the project cycle.

The one-off business grant was meant to enable the start-up of businesses or the strengthening of existing ones. The six monthly multipurpose cash grant would enable the same household to address multipurpose household needs over the period of six month, allowing it to fully concentrate on strengthening livelihood activities.

3.2 Service provider selection and partnership arrangement

ICRC conducted a financial landscape assessment in October 2015 to identify the major financial service providers (FSPs) which could support their future CTP. There was an initial interest in mobile money given its ease of user registration but phone network coverage is poor in rural Northern Nigeria and the services are poorly developed in Borno state.

The bank UBA was selected through an open tender process for which terms of reference were issued to present the objectives of the programmes and the services to be rendered by the financial institution. The collaboration between UBA and ICRC is covered by a year-long framework agreement with an indicative number of beneficiaries to be served using various modalities. To date, ICRC CTPs have used OTC cash collection, prepaid card and bank account for their beneficiaries.

It was implicitly agreed that the ICRC would be responsible for trouble shooting with beneficiaries and training on cash withdrawal while UBA would issue BVNs, open accounts and provide orientation on the services available to the account holders. UBA often accommodated these new clients outside of regular business hours to avoid overcrowding the branches. NRCS also played a strong role in the programme by supporting community mobilisation activities, the first ATM withdrawal sessions in particular and monitoring efforts.

Participating in humanitarian CTP supports the financial inclusion objective of UBA with respect to the requirements set by the Central Bank of Nigeria in this regard, to ensure that by 2020, 80% of Nigerian holds a bank account. Having said this, UBA representatives in Maiduguri commented that less than 1% of their account holders benefit from accounts with a lowered KYC regime like the ICRC beneficiaries. From a commercial point of view, it appeared that achieving a 20% retention rate of clients from the programme is another objective, for deposit holding as well as cross-selling of services to offset operating costs associated with account opening for these thousands of new clients. These costs centred around extending the opening hours to cater them and included additional staff time, use of energy, provision of security etc. On top of the fee of 2.8 USD collected on each card every four years and the 0.28 USD per transfer (now renegotiated to 0.55 USD) paid by ICRC, programme recipients willing to keep their debit cards will be required to pay the card fee of 2.8 USD in four years' time.

Additional benefits of this collaboration is that UBA is currently in the process of rolling out ATMs and POS devices equipped with finger print readers which can greatly facilitate payments and cash withdrawal for non-financially literate users. The use of this technology is particularly relevant in Nigeria as fingerprints of all account holders are already collected as part of the BVN issuance process. During the height of the insurgency in Borno state, UBA was the only bank that did not cease operation, operating alone in the area for a period of two years.

3.3 Programme participant profile

The cash for livelihood programme targeted vulnerable households including families with malnourished children, pregnant and lactating mothers, and families with female breadwinners or minors. Culturally, women do not work outside the home in rural household as men tend to provide for the family. Some women may engage in petty trading on a very low scale. As such the loss of a husband had a significant impact in terms of pushing households into poverty.

Beneficiaries were selected from 28 associations and community groups established in the MMC and Jere local government authorities (districts) of Maiduguri city where they rent accommodation individually or with relatives/hosts. Their names were initially submitted by association leaders based on the following ICRC criteria:

Table 5: Programme targeting criteria

Female headed HHs: - Female who lost the husband through the conflict - Is currently the main breadwinner in the HH with no stable source of income - At least four dependent children – school going - Food Consumption Score (FCS) of less than 35	**Malnourished Cases:** - Families with children from 6 to 59 months with MUAC less than 12.5 cm - Pregnant and lactating women with MUAC less than 230 mm - Must attend an Infant and Young Child Feeding (IYCF) session
Child headed Families or families caring for orphans: - Children who lost parents due to conflicts and currently heading families - Families taking care of orphans as a direct result of the crisis - HH with no stable source of income - FCS of less than 35	**Other category:** - Families taking care of child reunited (RFL) with family members - Females or children moved out of areas formerly controlled by armed opposition - Due to stigmatization, women who are identified by community as former wives of alleged armed group members, will be included with priority even though they might not attain other criteria.

Source: ICRC NIGERIA– ECOSEC, Project proposal MIU 16/00025 dated 07.03.2015.

3.4 Recipient registration, orientation and disbursement

ICRC facilitated the opening of bank accounts for the beneficiaries with UBA for the disbursement of funds and safekeeping of business income. The ICRC existing cash programming guidelines were followed to ensure compliance with institutional processes between administration, logistics and economic security (EcoSec) department.

The account opening process which started in November 2016 took a year to be completed and is still ongoing for a few rare beneficiaries (see Figure 4: Programme timeline). These accounts benefited from lower KYC regime as the maximum amount transferred at a single time did not exceed 139 USD. The process was put in place as follows:

1. Upon selection into the programme, ICRC issued target beneficiaries with a registration token
2. ICRC provided UBA with a consolidated list of beneficiaries requiring an account as well as their mobile phone numbers
3. UBA verified BVN information based on names and phone numbers and created bank accounts in their system
4. Registered beneficiaries went a designated UBA branch to provide photograph, finger print and update their BVN or have one issued to them
5. ICRC issued beneficiaries with a programme ID card with their photograph, name, phone number, account number and location
6. Beneficiaries went to the bank to collect and activate their UBA debit cards under the supervision of Red Cross teams.

The account was an existing product of UBA called "Freedom Account" which is 2% a year interest earning savings account that UBA in Abuja allowed to open with a zero balance and no minimum balance requirements but in reality the Maiduguri branch of UBA insisted on beneficiaries keeping 1.39 UDS or 2.78 USD in their account. A number of such miscommunication examples between UBA in Abuja and in Maiduguri were noted throughout the implementation which negatively impacted the programme.

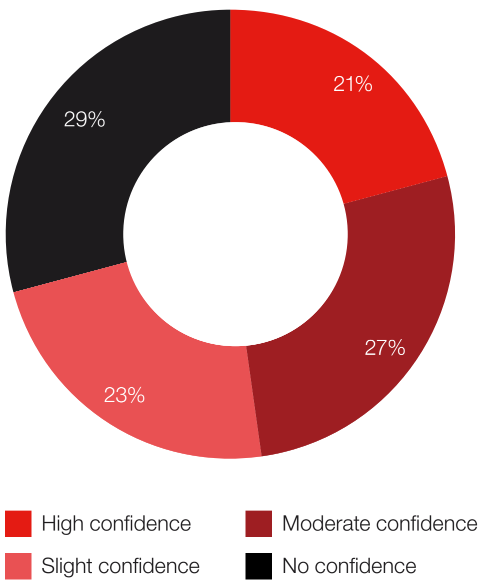
Red Cross staff was responsible for ensuring beneficiaries had the right documentation and troubleshooting. The main challenge experienced by beneficiaries was with the issuance of a BVN where mismatches were found when personal details were not up-to-date or beneficiaries lacked official documentation to begin the issuance process. Limited bank staff availability at UBA to efficiently manage this large influx of new clients on top of their daily business also slowed things down, especially when beneficiary documents were not in order (missing, incomplete, etc.).

With regards to orientation, during interviews, Red Cross staff explained that they assumed that many beneficiaries were not educated enough to use ATMs themselves. Consequently, beneficiaries were told and expected to ask other people to help them.

To foster financial inclusion, the ICRC needs to think about (and learn from good practice elsewhere) how to encourage and support vulnerable and poorly educated people to use financial services and how to encourage financial service providers to adapt their services and products for poor and vulnerable people. Indeed, orientation on the services associated with the UBA account was not given either. For example, none of the recipients were made aware of the fact the account is interest earning. Product documentation including flyers is only available in English. The ability of UBA staff to express themselves in some of the local languages was deemed poor by both beneficiaries and UBA representatives, given the many regional variations that may exist within the same dialect.

On the day of the first disbursement, Red Cross staff assisted beneficiaries with withdrawals of their cash with a rapid demonstration at the ATM, which UBA had dedicated to the programme for two days. Beneficiaries were strongly sensitised on the importance of protecting their 4 digit PIN. Based on this one-off support and the sheer presence of Red Cross staff at ATMs, 80% of the beneficiaries interviewed during the household surveys considered that they had received training on how to withdraw their cash. Half of the respondents were able to mention all or nearly all steps of the withdrawal process and 48% said they have high or moderate confidence in using the ATM.

Figure 2: Reported levels of confidence using the ATM



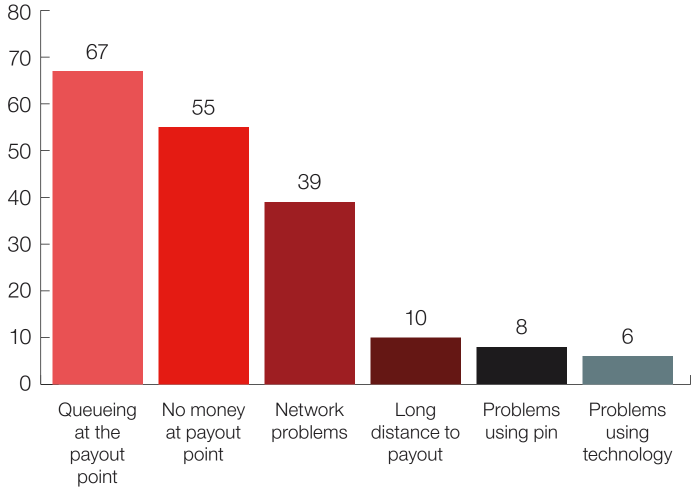
Source: Household survey

However, during FGDs, very few women said that were able to withdraw their monthly grant independently. Instead, they confessed relying on the support of a child or relative, often male, and even at times of the bank security guard manning the ATMs. Most of them relied on helpers to cash out as they remained fearful of making a mistake and have their card swallowed by the machine while being scolded by other users waiting in line after them, as ATMs are often overcrowded. Under these circumstances, the six month transfer duration was probably too short to give recipients a chance to overcome their fears at the ATM. Beneficiaries with a higher education level and those who had a bank account before the programme were those able to use the ATM independently and supported other members of their association.

"I don't know anything about the [ATM] machine, my nephew helps me to get the money." Falmata, 30 years old, sews traditional caps.

14% of beneficiaries had issues withdrawing their cash but out of them 80% did nothing to address these issues, pointing to the limited awareness and use of the feedback mechanism the programme had put in place. What is more, for fear of fraud and other exploitation, Red Cross staff were forbidden from supporting beneficiaries with cash withdrawal after the first disbursement.

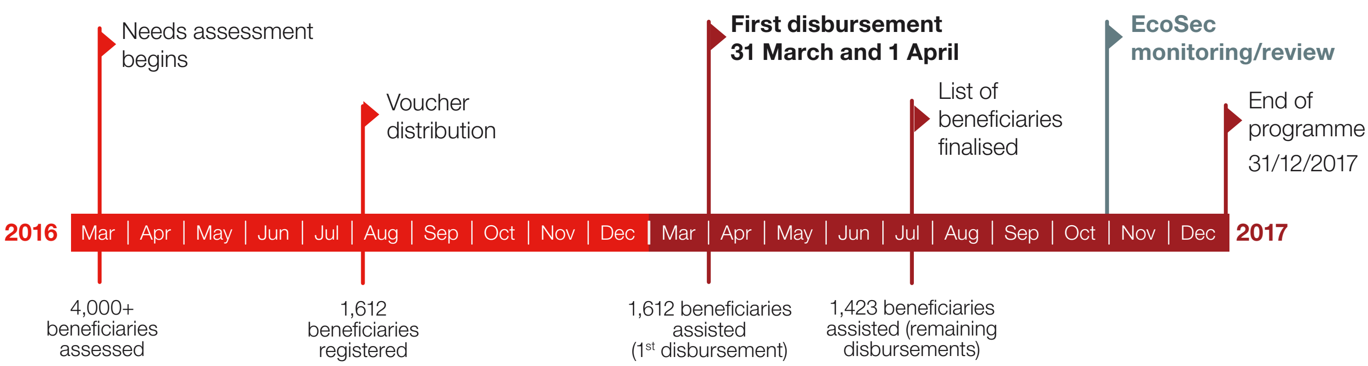
Figure 3: Problems encountered withdrawing cash



Source: Household survey

The first batch of 1,298HHs accounts was credited on 31st March 2017 and on 1st April 2017. Altogether, the first round of 194 USD[13] was transferred to 1,612 households; however, after conducting a verification of eligibility criteria, 1,423 households continued receiving the remaining five instalments. The remaining households were either excluded from the programme as they did not in fact meet the targeting criteria or were included in the in-kind assistance programme for the remaining months.

Figure 4: Programme timeline



Source: Key informant interviews

13 70,000 NGN (50,000 business grant and 20,000 unconditional transfer)

4. Findings

4.1 Financial behaviour – survey findings

During FDGs, it transpired that recipients of the cash for livelihoods programme in Maiduguri have a savings-oriented view of finance as opposed to communities impacted by microfinance who began their financial lives from a borrowing perspective. Programme participants do not prioritise credit products as they are accustomed to delaying some consumption in order to accumulate resources, as exemplified in their savings behaviour, as shown in Figure 5 below. This is consistent with the national average as women (and men alike) tend to favour saving products (48.5%) as opposed to credit (10%) and insurance (0.9%), for instance[14]. Indeed, one financial behaviour that remained unchanged before, during and after the programme was the saving habit through asusu. In this regards, the emphasis the programme placed on using the bank account primarily as a savings product was in line with recipients' personal financial habits and values. 71% of respondents said they were very satisfied with the programme.

Table 6: Summary of financial behaviours

Financial behaviour before the programme	Financial behaviour during and after the programme
- Asusu	- Asusu
- Savings group	- ATM withdrawal
- VSLA[15]	- (Some) bank transfer
- Transporter[16]	

4.2 Financial behaviour prior to the project

Because of cultural norms that make husbands the primary bread winner in the household, many of the recipients had very limited financial dealings before the programme. Some saving could be accumulated through keeping some income left over from household expense or from petty trading. The impact of the crisis was a significant loss of assets and livelihoods.

Although 9% of the cash for livelihood programme recipients surveyed had a bank account before the programme, which they used to send and receive money, most of the other women confessed knowing little about the workings of a bank. Many had never heard of microfinance institutions nor mobile money before the programme. In fact, most had never entered a bank before. In this context, the programme was the first experience with a regulated financial service for the overwhelming majority of the recipients.

A recent livelihood assessment conducted in Northern Nigeria by a consortium of NGOs[17] revealed that the main form of savings for farmers is adashe, an informal savings groups. While adashe was also mentioned during FGDs, a preference for asusu (private safe at home), a traditional mode of saving resembling a piggy bank, was voiced by women who benefited from the ICRC cash and livelihood programme. Using asusu is said to make meeting daily saving goals easy. Many women would bury their asusu in the ground in their home when it reached what they perceived as an important amount and dig it out in times of need.

"I used to put money under my pillow and when it became big I'd put it in a tin and when the tin was full, I would dig a hole in the ground and bury the tin in it until I needed the money again." Hadiza, 45, sells fish.

---

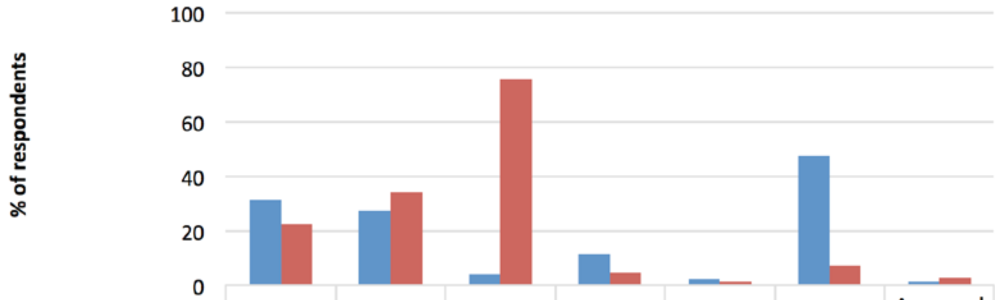
[14] www.efina.org.ng/assets/ResearchDocuments/2013-Documents/EFInA-Access-to-Financial-Services-in-Nigeria-2012-surveyKey-Findings2.pdf

[15] Women stopped using VSLAs after their displacement having lost their related social network. Only one person mentioned using VSLA before and after the programme during household interviews.

[16] The use of transporters to transfer money was not mentioned again after participating in the programme but this is likely because of the level of hardship recipients now find themselves in following their displacement, which reduces their ability to send money to others and their participation on the programme may be a disincentive for relatives to them any.

[17] Northeast Nigeria Joint Livelihood and Market Recovery Assessment (2017)

Figure 5: Savings practices[18]



	Private safe at home	At home	Bank	Savings Club	Keep with relatives	None did not save	Accumulating jewellery /metal
Before the project	31	27	4	11	2	47	1
After the project how will you save	22	34	75	4	0	7	3

Source: Household survey.

The most used option for transferring money was through local transporter, at a cost of around 0.55 USD maximum, which often amounted to 7-10% of the amount transferred. This reliance on informal financial services is a result of the limited presence of formal financial service providers in Northern Nigeria including banks and the perception that banks are for rich people. The one recipient who mentioned having transferred money via the Post Office later explained that this was informally, through remitting money to the Post Office driver.

Borrowing was usually from close relative while credit could be obtained from supplier in the form of advances of goods to be sold. As IDPs, most participants were unable to access credit from formal FSPs in Maiduguri as they had no asset to use as collateral.

Figure 6: Borrowing practices[19]

	Local trader	Farmer association	None did not borrow	Relative/ neighbour/ friend
Before the project	19	1	28	72
After the project	9	1	68	35

Source: Household survey.

[18] In addition to findings demonstrated here, 1 person responded with accumulating property before and 2 after the project, 1 mentioned a VSLA prior to the project; 1 selected 'other' before and 2 selected 'other' after the project. These percentages are too small to feature.

[19] In addition to responses presented in Figure 6, 1 person mentioned VSLA before and after the project. After the project 1 person mentioned MFI, 1 person mentioned local money lender and 2 selected 'other.' The other after included friends and a local shop.

4.3 Financial behaviour after the project

Participation in the ICRC cash and livelihood programme raised recipient awareness of financial services. All recipients interviewed knew where to find their account number on their programme ID card. They were also able to make sense of the money transfer notifications they received on their phone every month as part of the programme. Some even knew the current balance on their account. Overall, recipients value having a bank account. For example, in one FGD, women clapped when they were told that they could use the account for personal transactions. In another FGD, women said they would not close their account in order to cash out the minimum balance of 2.8 USD[20] (1,000 NGN) even though they need the money.

"Nobody can steal my money at the bank. Even fire cannot burn it!" Fanna, 36, sells charcoal and traditional perfume.

As shown in the figure below, only 17% of respondents used another service provided by UBA other than withdrawing cash. Among them, some women (37%) made use of the other services the account offers such as account-to-account transfer. Deposits and banks transfers were the most common usages recorded (55%). 58% of women surveyed said that they would "definitely" use their UBA account in the future to send and receive money.

"I make traditional perfume (incense), I send it to my sister in Lagos by transporter. She sells it and sends me the money on my bank account." Yamangu, 30, sells second-hand clothing and traditional perfume.

"I can save 200, 500 or sometimes 1,000 NGN[21]. I go to the bank with my 18 year old son. He fills in the form and we give it to the cashier who gives us back a receipt. It's safer to save at the bank." Habiba, 46, operates a grinding machine.

Meanwhile, old financial habits remain. Only 13% of the respondents had used banking services in the last 30 days while most continue to use their asusu, on a weekly basis, for instance.

"I used to buy cows when money. I had 10 cows, which I had to leave behind. I inherited this saving habit along with my first the cows." Fanne, 40, sells drinking water.

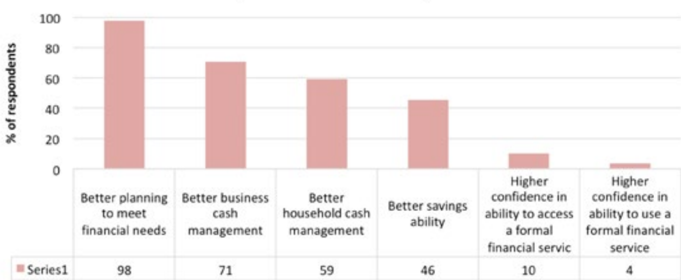
But, overall recipients felt that participating in the programme improved their financial management skills, as shown in Figure 8 below. This is also attributable to the fact that many of them had never had access to such large lump sums over such a long period of time, as discussed in the FGDs.

Interest in formal financial access may be spreading in the Maiduguri as a result of the increase in humanitarian CTPs in the area. Representatives of UBA in Maiduguri commented that a number of IDPs living in camps in Maiduguri had approached them to open a bank account making initial deposits of as low as 1.39 or 2.78 USD. With such documentation as a voting card and a phone number, they qualified for the same lowered KYC account that was available to the cash for livelihood programme participants.

Figure 7: UBA services used other than cash withdrawal[22]

Source: Household survey

Figure 8: Changes in financial management



Source: Household survey

[20] For population typically living on 2USD/day this can be a valuable amount.

[21] Respectively, 0.55, 1.39, 2.78 USD

[22] These services were used by by 17% of the recipients who did carried out transactions other than cash withdrawal.

5. Barriers and enabling factors to financial inclusion

A recent study conducted in Kenya over a six-year period by researchers of Georgetown University and the Massachusetts Institute of Technology showed that financial inclusion through mobile money led to a reduction of poverty in Kenya. Access to M-Pesa lifted an estimated 2% of Kenyan households out of extreme poverty by increasing consumption levels at critical times. A key driver in this was the fact that M-Pesa users received more remittances from a larger network of people than the control group because as is the case with international remittances, the more geographically spread the network the least likely it is to be affected by the same crisis than those in need.[23]

While enabling factors exist to the financial inclusion of participants of the cash for livelihood programme, a number of barriers remain, as shown below.

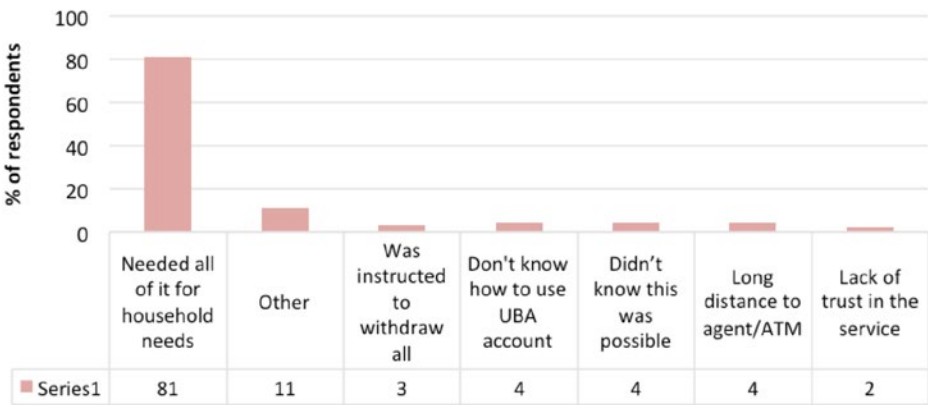
Table 7: Barriers and enabling factors to financial inclusion of programme participants

Barriers	Enabling factors
- No training provided on how to use debit cards - Immediate consumption needs/limited saving ability - ATM over-crowdedness and associated long waiting time - Distance to the bank and associated travel costs - Persistence of informal financial behaviour - Limited financial inclusion of relatives/personal network (e.g. for bank transfers)	- Tiered KYC regime - Trust in service provider - Perceived utility of the bank account - Availability of "helper" to support ATM withdrawal - Availability of other FSPs in the area to diversify providers

Barriers

As mentioned, the programme did provided very limited training to beneficiaries on how to use their debit card. Similarly, orientation on the services associated with the UBA account was not given. Under these circumstances, beneficiaries cannot be expected to make the fullest use of their account. During FGDs, recipients expressed their need for training through picture-based material and ample time dedicated to simulations as well as leaflets for future reference and refresher training sessions.

Figure 9: Reasons provided for withdrawing the money in one transaction[24]



Source: Household survey

53% of respondents left some money in their accounts whilst the remaining 47% withdrew it all in one transaction. As shown in Figure 9 above, the main reason for withdrawing the entire grant in one go is the fact that beneficiaries had very immediate consumption needs. This was all the more a challenge as the programme experienced significant delays. It took over a year to open accounts for beneficiaries who had been assessed as the most vulnerable in their community. Thus, by the time they receive their cash transfer their ability to save even part of it was significantly eroded.

Unsurprisingly, the recipients with the highest education level were able to make a more efficient use of their account including diversified transaction. Others doubted their own ability to learn how to operate the ATM independently, which was compounded by the limited support provided by the ICRC and UBA to dispel their fears.

[23] FSuri, T. and Jack, W. (2017) The Long-Run Poverty and Gender Impacts of Mobile Money. http://www.microfinancegateway.org/library/long-run-poverty-and-gender-impacts-mobile-money

What is more, demand for ATMs service among the general population in Maiduguri is much higher than the supply. ATMs are thus very crowded with long waiting time in line to access them.

Distance to the bank is generally another barrier that acts as a disincentive for sustained use of the account. During programme implementation, one beneficiary commented having spent over 5.5 USD on her repeated trips to the bank during the account opening process. In the cash for livelihood programme, this was not an important issue as 63% of the respondents to the household survey said they travelled less than 30 minutes to reach the bank, paying an average transport cost of 0.47 USD (169 NG). Without financial support from the programme, transport cost may become an issue. Also, as they all hope to return home in the future, to locations where UBA has currently no presence, physical access to the bank may become an increasingly strong barrier to overcome.

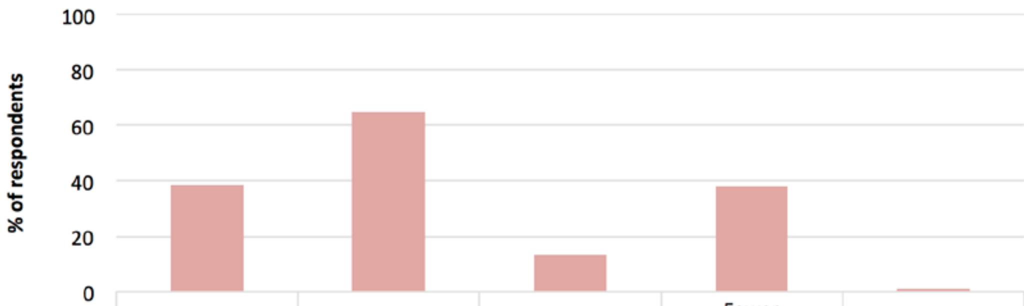
Old habits die hard, as mentioned. Although recipients understand the value of having access to banking services, many still favour their traditional practices and do not see themselves as "typical" bank clients. A phenomenon of "self-exclusion" from financial services has been documented[25], whereby people feel "no incentive or need to operate through accounts". Instead they rely on cash for their financial transactions mainly because they "operate under conditions of economic informality." Therefore, the fact that most of the people programme beneficiaries transact with are also financially excluded may hinder their own use of their UBA account in the future.

Enabling factors

The tiered KYC regime in place in Nigeria makes it possible for clients to access banking services with basic official identification such as the voter's card which is held by a very large proportion of the population, contrary to the national ID for instance. For those who did not have a voter's card in the programme, UBA accepted birth certificates and identity verification through testimonies.

Programme participants trust the banking system. Many of them commented that it is safer to save at the bank than anywhere else. In fact, 53% left money in their account for a range of reasons as shown in the figure below. None of the recipients doubt the value of having access to banking services. In fact they all wish they were in a position to make greater use of the service, had they more income. They commented that they were planning to save at the bank should their new business thrive.

Figure 10: Reasons given for leaving money in the account



	Wanted to proactively save	For security	It was convenient	Fewer consumption needs at that time	Other
Series1	39	65	13	38	1

Source: Household survey. Other = to keep my account active.

Eventually, all recipients were able to access their cash transfer thanks to help from a trusted party. 71% of respondents said they were very satisfied with the programme.

[24] This concerns 47% of the respondents.

[25] Committee on Payments and Market (2016) Payment Aspects of Financial Inclusion. Infrastructures. Washington: Bank for International Settlements and World Bank. April. https://www.bis.org/cpmi/publ/d133.pdf

6. Conclusions

A month after the end of the cash for livelihood programme, only 13% of the beneficiaries interviewed had used their account in the last 30 days. Indeed, as their awareness was raised on the benefits of being banked, a number of obstacles to their financial inclusion remain. In remedy and to answer the research questions, five key recommendations for future CTPs with financial inclusion ambitions can be made:

1. Define financial inclusion objectives in context

Humanitarian CTP with financial inclusion ambitions should be designed with stated objectives and activities towards this end, as financial inclusion cannot be seen as a mere organic outcome of providing financial access to beneficiaries. The design of these objectives must be informed by recipients' existing financial habits as well as the local context, to maximise the opportunity for behaviour change. For example, in the Kanuri language, the term asusu (informal saving method) is the same as bank (formal financial institutions).

2. Invest in capacity building

Meeting financial inclusion objectives requires building the financial literacy of programme beneficiaries. Such capacity building can only be achieved over a sustained period of time. Programmes such as microeconomic initiatives which de facto build in regular business coaching session are well suited for this. In emergency CTPs, all efforts must be made to make the most productive use of contact times with programme recipients so that they may at a minimum be able to make independent use of the services available to them. For the cash for livelihood programme, this could include conducting ATM withdrawal simulations during waiting times at the bank, which were generally very long and training of trainers of the leaders of the associations of which programme beneficiaries are members. During FDGs, recipients insisted on the need for more such simulations. In addition, some financial products with features such as NFC or biometrics which have a much faster learning curve may be prioritised.

3. Diversify FSPs

9% of the recipients interviewed had a bank account before the programme. Priority should be given to using these existing accounts for humanitarian cash transfer instead of signing beneficiaries up with a new FSP. This is particularly relevant in the case of the cash and livelihood programme, as account opening took over a year to be completed. By now, an important reason why recipients want to maintain their bank account is the opportunity to use it to receive other humanitarian cash assistance in the future. Diversification of FSPs can support programme performance as beneficiaries are spread across a number of FSPs thus reducing the burden on a single entity (UBA) to provide financial access to an influx of more than 1,000 new clients. On one hand, this may require some exception management from ICRC as it breaks down somewhat bulk payment transfers in several orders. On the other hand, this may reduce the account opening process, especially if future beneficiaries are sensitised on the value of opening their own bank account.

4. Design CTPs with multiple use cases

Linking programme recipients with store-value account such as the savings account offered by UBA is definitely a step in the right direction but to capitalise on this, support must be provided to beneficiaries so that they may diversify the use of their account. Therefore, CTPs should be designed with multiple use-cases in mind. For example, in addition to withdrawals, awareness must be raised on the benefits of payments (in shops or remotely to suppliers, for example) as well as other options in the suite of financial services of the FSP.

5. Address pain points and providing a feedback mechanism

Sustained use of financial service is first and foremost motivated by perception of value-added. While most recipients value having a bank account, lack of proximity from ATMs and general over-crowdedness were deterrent for them. This is compounded by the fact beneficiaries still see the bank as being for rich people while they underestimate their own need for a safe saving place and for additional services such as payments, account-to-account transfers, etc. CTPs with a financial inclusion objective must ensure to address these challenges by co-designing the programme with the FSP to allow enough time to plan disbursements and by supporting the rollout of pro-poor services (such as reduced KYC accounts, use of biometric technology, etc.) and most importantly, by putting in place a robust two-way feedback mechanism in local languages for fast troubleshooting. For example, 14% of beneficiaries experienced issues withdrawing their cash, yet 80% of them told no one about these difficulties.

Where we are:
44 Moorfields
London
EC2Y 9AL

redcross.org.uk

Published 2018

The British Red Cross Society, incorporated by Royal Charter 1908, is a charity registered in England and Wales (220949), Scotland (SC037738) and Isle of Man (0752).
BRC18-008. Cover photo © Corrie Butler/IFRC.