Measuring Fees and Transparency in Nigeria’s Digital Financial Services

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 are conducting a transaction audit to determine whether digital services providers are complying with the regulations. The results will help policymakers, including the Central Bank of Nigeria, better understand and respond to issues related to both compliance with pricing rules and transparency of prices.

Policy Issue
The use of formal financial services has direct advantages for consumers, for example by improving security and reducing costs compared to informal options. 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 digital financing transactions. Some possible explanations for the lack of clarity are limited compliance with regulations, the 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.

Evaluation Context
Nigeria has a relatively underdeveloped landscape of digital financial services. Thirty-six percent of Nigerian adults are financially excluded without a bank or non-bank financial account, which is a higher exclusion rate than in South Africa (7 percent), Kenya (11 percent), and Uganda (22 percent), for example.

The digital financial services sector has evolved rapidly over the last decade as mobile connectivity and the digitization of payments has expanded. Moreover, the onset of COVID-19 further 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. 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. 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 are conducting audits of financial transactions that can be conducted via a mobile phone (for example, transferring money between accounts and performing a balance check) to determine whether different providers are complying with the new pricing regulations in Nigeria. The research team will conduct approximately 1,000 transactions across different providers. They will compare real-world costs with regulated fee limits and official costs advertised through the various channels of providers: phone, websites, Facebook and WhatsApp. Comparisons between real-world costs and regulated fee limits will help quantify compliance with these regulations while comparing real-world fees with official prices will provide insight into financial service providers’ pricing transparency (or lack thereof).

The results will help policymakers, including the Central Bank of Nigeria, better understand and respond to issues related to both compliance with pricing rules and transparency of prices.

**Results and Policy Lessons**

Research ongoing; results forthcoming.

**Sources**


- **Nigerian Inter Bank Settlement System (NIBSS) data.** See https://www.proshareng.com/news/Mobile%20Money%20and%20Telcos/May-2021-E-Payments-Data:-Young-and-Getting-It—Records-Impressive-Growth/57909