Providing financial services to consumers at the base of the pyramid in Nigeria

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Abstract

This study assesses challenges of financial service providers, specifically banks, microfinance institutions, long term insurers and short term insurers, at the base of the pyramid with respect to affordability, acceptability, availability and awareness in Nigeria. This was done through a questionnaire posed to base of the pyramid consumers in Nigeria.

Loyalty to financial service providers was examined to determine what the drivers of loyalty are in the base of the pyramid market. These drivers differ per financial service and need to be viewed separately by each of the industries within the financial services sector.

It was found that most base of the pyramid consumers do not participate in financial services due to acceptability, showing that the products and services provided by these institutions are not meeting the needs of the base of the pyramid consumers. Affordability also plays a role in base of the pyramid consumers not taking out financial services products. This indicates that financial services providers need to come up with new products and services with appropriate pricing models in order to service this market.

Other factors, such as trust, also play a role in the financial services sector in base of the pyramid consumers in Nigeria.

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Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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1 INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Introduction

Nigeria has a vast population, which in 2008 was stated at 148 million people (World Bank, 2008). Nigeria rates as a low human development country and is ranked at 154 out of 179 countries (UNDP, 2008). The country has a high growth rate, but is faced with many challenges, including high levels of poverty, poor infrastructure, high levels of corruption, as well as poor access to finance and financial services.

Nigeria is a fast developing country, with the potential to become a regional financial services centre (Becker, Chammard, Hussein, Kotsuji and Quagraine, 2008). The country's growth has largely been due to activity in the oil sector, although other sectors have had strong growth over the past few years. The Compound Annual Growth Rate of the non-oil sector in Nigeria was 7% over the last 10 years (Becker *et al*, 2008), indicating that the growth is not only oil related and can be seen as sustainable.

High levels of poverty can be seen, with 64% of Nigerians were living below $1 per day, i.e. at the base of the economic pyramid in 2005 (UNdata, 2005). There is also a large gap between the rich and poor in Nigeria, with the Gini index at 43.7 (UNDP, 2003), although this is lower than that of South Africa, which is 57.8 (UNDP, 2000).

Although there are several projects underway for improvement (World Bank, 2008), infrastructure in the country remains inadequate and access to goods and services is difficult for the poor living in both the urban and rural areas. Table 1 below shows comparative infrastructure indicators for Nigeria, Sub-Saharan Africa, other low income countries and the OECD average.

Table 1: Comparative Infrastructure Indicators

Indicators	Nigeria	Sub-Saharan Africa Average	Low income Countries	OECD Average
GNI per capita, Atlas method (current US$)	640	1,454	487	33,470
Access to electricity (% of population)	40	27	28	..
Electric power consumption (kwh per capita)	68	719	631	8,769
Improved water source (% of population with access	48	65	64	99
Improved sanitation facilities (% of population with access)	44	37	38	..
Total telephone subscribers per 100 inhabitants	15	19	9	..

Source: World Bank 2008

The Transparency International Corruption Perception Index (2008) rates Nigeria at 2.7, in 121st position, along with Nepal, Toga and Vietnam. While this is an improvement from 2.2 and a ranking of 147 in 2007 (Transparency International, 2007), there is clearly still room for improvement before Nigeria becomes a country with low levels of corruption. Transparency International warns that "persistent corruption in low income countries amounts to an ongoing humanitarian disaster" (2008).

The EFInA 2008 National Survey on Financial Services in Nigeria found that the penetration of financial services in Nigeria in the low income brackets is low. This was found to be largely due to financial products not being designed with the needs of this market in mind.

1.2 Nigerian Financial Services Environment

1.2.1 *An historical perspective*

The Nigerian financial services sector was fairly weak until the reforms of 2002, which included forced recapitalisation of banks (Becker *et al*, 2008). This meant that many of the weaker banks did not survive, reducing the total number of banks to less than a third of the original number. The Central Bank of Nigeria has since begun monitoring banks with rule-based regulations, in an effort to exert more control over the industry.

The insurance industry began in the 1920's with mainly British insurance companies providing cover (Becker *et al*, 2008). In the 1970's and 1980's, many foreign companies withdrew from Nigeria, leaving opportunities for local entrepreneurs to bridge the gaps. Barriers to entry were low for these entrepreneurs, with poor regulation and low capital requirements in the industry (Becker *et al*, 2008).

In 2005, the insurance industry underwent a process of recapitalisation similar to that of the banks. This was led by the National Insurance Commission (NAICOM) and with many of the smaller insurers and re-insurers unable to meet the requirements (Aduloju, Awoponle and Oke, 2008), consolidation and reduction of the number of players in the marketplace resulted.

1.2.2 *Current environment*

Nigeria has one of the largest financial services sector in Sub-Saharan Africa, second only to South Africa (Becker *et al*, 2008).

The Nigerian financial services environment is fraught with challenges, but there is positive sentiment from companies entering the market, such as South Africa's Novare (Maritz, 2008), who feel that there is massive opportunity in the fast developing industry.

The International Monetary Fund's Global Financial Stability Report from July 2009 confirms that financial conditions improved from the previous report in April 2009, where it was stated that the global financial system was under severe stress. Policies that have been put in place are thought to be able to restore confidence in the sector, but the report warned against complacency as vulnerabilities still exist (International Monetary Fund, 2009).

The Global Financial Stability Report of July 2009 also highlights the vulnerability of emerging markets due to foreign capital outflows, with banks reducing foreign lending far quicker than they are domestic lending (International Monetary Fund, 2009).

Regulation in the financial services sector in Nigeria is governed by the Central Bank of Nigeria, the Federal Ministry of Finance, the Federal Mortgage Bank of Nigeria and the Nigerian Deposit Insurance Corporation, Securities and Exchange Commission. This regulation attempts to provide protection for banks and financial institutions against undue risks and give support to priority areas of the economy through lending (Orisewezie, 2009).

Changes in the regulatory environment include the increase of capital base requirements for banks, microfinance institutions and insurers from 2005 (Central Bank of Nigeria, 2005), the reduction of the minimum liquidity ratio of banks to 25% in April 2009 and a maximum lending limit on banks of 10% in June 2009 (FinReg21, 2009).

The World Bank has also recently launched the Financial Sector and Public Financial Management Development Policy Credit Programme for Nigeria (World Bank, 2009) which aims to

- maintain confidence and stability in the financial system
- strengthen the banking system
- support the objectives of the 2009 budget in raising Government spending to increase non-oil sector growth

A presentation given by Professor Soludo, the Governor of the Central Bank of Nigeria in January 2009, concluded that Nigeria was not very vulnerable to the global economic crisis. This was established using Merrill Lynch's ranking of Nigeria as being one of the 10 least vulnerable economies in the world and was based on 7 indicators (Central Bank of Nigeria, 2009). Despite this, in the past 18 months, the global financial crisis has led to a severe liquidity crisis in the Nigerian banking sector (Shanna, 2009). The loss of confidence in the financial sector and activities of financial institutions has further worsened the crisis (Uche, 2009).

In mid-August 2009 the Central Bank of Nigeria fired the Chief Executive Officers of five banks, stating that they were distressed due to non-performing loans (Oluba, 2009). This has led to a further loss of confidence in the banking sector in Nigeria, although reforms by the Central Bank of Nigeria are anticipated to have positive outcomes for the industry, restoring its integrity (Afripol, 2009).

1.2.3 *Areas of financial services*

There are four main areas associated with financial services to individuals that will be the focus of this study. These are banking, microfinance, life insurance and short term insurance.

74% of the adult population in Nigeria has never been banked (EFInA, 2008). This roughly equates to 64 million people, a significant number for the current 24 Nigerian banks to target. Reasons stated in this report by respondents for not having a bank account include not having enough money, poor access to bank branches and no regular income (EFInA, 2008).

Microfinance banks are used as a main bank by approximately 3% of the population (EFInA, 2008), while only 7% of the Nigerian population currently have loans (EFInA, 2008).

As few as 2% of Nigerians have access to insurance (EFInA, 2008), and there is a low general awareness of insurance. 48% of Nigerians have never heard the word “insurance”, with 17% admitting to having heard the word, but not understanding what it means (EFInA, 2008). This shows that the obstacles that insurance has to overcome in the Nigerian market are significant in terms of awareness. Vehicle insurance has the highest penetration at 0.9% with life insurance in fourth place at 0.7% (EFInA, 2008).

Coping mechanisms for risk mitigation in Nigeria rarely include insurance, with majority of individuals using savings to pay for incidents such as theft, death and divorce (EFInA, 2008).

Financial literacy in Nigeria is also low, with key terms such as pension and ATM never having been heard by 23% and 63% of the population respectively (EFInA, 2008).

1.3 Motivation for the research

One of the key aspects of the Nigerian Financial System Strategy 2020, a plan by the Central Bank of Nigeria, is to strengthen the domestic market, with banking practices gradually replacing the cash transactions. In order to achieve this, Nigeria needs to ensure that its financial services sector can innovate or adopt new products that are appropriate for the lower income market, as well as improve skills and knowledge of financial services employees and managers to enable them to effectively serve their market without corruption and poor ethics (Becker *et al*, 2008).

A second aspect of this strategy is for Nigeria to enhance integration with external financial markets. This regional integration will require common regulations with neighbouring countries as well as opening up to foreign firms to build skills and gain access to capital (Becker *et al*, 2008). These two, as well as the third aspect, to build an international financial centre for Africa, feed into the vision for Nigeria to be the safest and fastest growing financial system amongst emerging markets (Becker *et al*, 2008).

Penetration in the financial services sector is low (Becker *et al*, 2008), particularly among the lower income brackets, including consumers at the base of the pyramid in Nigeria. In order for the Financial Systems Strategy 2020's goals to be met in Nigeria, the sector needs to examine the factors that play a role in reaching the base of the pyramid.

Consumers at the base of the pyramid are said to have a per capita income of less than $1500 (Anderson and Billou 2007). If an average exchange rate of roughly N154 (Nigerian Naira) to the US$ is taken (1USD = 154.092NGN, 12.09.09 www.oanda.com), this can be estimated at N231 000 per annum or roughly N19 250 per month.

The base of the pyramid is large in Nigeria, with 64% of Nigerians living below $1 per day (UNdata, 2005), and an estimated 90.8% of Nigerians live on less than $2 per day (Earthtrends, 2003). The urban poverty rate, the percentage of the population that earns below the national poverty line, is 30.4% while the National poverty rate is 34.1% (Earthtrends, 2003).

The Nigerian Living Standards Survey shows contradicting data, with poverty rates decreasing from 65.5% in 1996 to 54.4% in 2004 (National Bureau of Statistics, 2004). Although this is a decline in percentage, with the increase in population, it still indicates that 68.7 million people were living in poverty in 2004 (National Bureau of Statistics, 2004)

Inequality in terms of income is also large in Nigeria, with the richest 20% of people earning 55.7% of the total income, while the poorest 20% earn just 4.4% (Earthtrends, 2003).

With financial services remittances at the base of the pyramid estimated at close to $350 billion per year, stakeholders involved have to learn how to leverage these flows (Hammond, Kramer, Katz, Tran and Walker, 2007).

Anderson (2006) states in the 4 A's Framework that enhancing affordability, acceptability, availability and awareness is the main challenge associated with marketing to consumers at the base of the pyramid.

This research explores the 4 A's Framework (Anderson, 2006) for financial services in the Nigerian base of the pyramid market and investigates if affordability, acceptability, availability and awareness are in fact challenges associated with this market. In addition to assessing this, drivers of loyalty for financial services in this market are investigated, as well as reasons for non-participation in financial services at the base of the pyramid in Nigeria.

The study will provide guidance to financial service providers who wish to access the base of the pyramid market in Nigeria.

2 LITERATURE REVIEW

2.1 Introduction

Subsequent to Prahalad's book, The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits (2004), there has been a large amount of attention given to the strategies employed to service the lower income markets (Pitta, Guesalaga and Marshall, 2008).

The literature reviewed in this section describes the base of the pyramid market, the marketing strategies utilised at the base of the pyramid as well as the challenges associated with them. Anderson (2006) suggests leveraging the 4 A's Framework to address these challenges. The 4 A's Framework consists of affordability, acceptability, availability and awareness.

2.2 The base of the pyramid

The bottom of the economic pyramid, brought into the spotlight by Prahalad (2004) has subsequently been termed the base of the pyramid. The definitions of the base of the pyramid differ in terms of size, income levels and the potential customer market, but all agree that the base of the pyramid is made up of individuals who have extremely low levels of income (Riviera-Santos and Rufin, 2009).

Estimates of the size of the base of the pyramid differ, with Vachani and Smith (2008) estimating that there are roughly 2.7 billion people at the base of the pyramid. The more commonly quoted number is four billion people at the base of the pyramid (Prahalad, 2004; Guesalaga and Marshall, 2008), while some experts estimate the number at only 600 million (Guesalaga and Marshall, 2008).

These differences are largely due to the income level estimates of the base of the pyramid. Vachani and Smith (2008) state that the 2.7 billion people at the base of the pyramid live on less than $2 per day. Anderson and Billou (2007) state that the four billion people at the base of the pyramid have a per capita income of less than $1500 per annum, while more than one billion have a per capita income of less than $1 per day. Lastly, Hammond *et al* (2007) define individuals at the base of the pyramid as having incomes of less than $3000 per annum.

Estimates in the potential consumer market range from five trillion dollars (Hammond *et al*, 2007) to 1.3 trillion dollars (Guesalaga and Marshall, 2008). Despite the differences, this indicates that there is in fact significant purchasing power in the base of the pyramid market.

The number of consumers at the base of the pyramid is much larger than those at the top of the pyramid and this market segment is growing at a much quicker rate (Riviera-Santos and Rufin, 2009). This indicates that not only is the base of the pyramid a sizeable market, but with the growth in the market, companies have good reasons to focus on its potential.

Currently 12.3% of the base of the pyramid market live in Africa, with majority of these individuals living in rural areas, and an estimated $120 billion purchasing power (Guesalaga and Marshall, 2008).

2.3 Base of the pyramid marketing

Buyers and sellers transact when each party gives up something they value for something they value more (Hill, 2009). This exchange for subsistence consumers, those at the base of the pyramid, is incorrectly seen as irrelevant, as these consumers are thought to be unlikely to afford or need advanced products or technologies (Weidner, Rosa and Viswanathan, 2009).

According to Viswanathan, Sridharan and Ritchie (2009), the poor are charged more for products and services even though they have limited incomes. A study conducted by Ireland (2008) shows the differences in prices charged to consumers at the base of the pyramid. In Table 2 below, it can be seen that packaged food can be up to 35% more expensive for base of the pyramid consumers, while financial services are expensive and unavailable.

Table 2: Price differentials between shantytowns and formal areas

	BOP Price differential
Packaged food (includes staples such as rice and corn meal)	+35%
Unprocessed Food	-50%
FMCG average	+7%
Public utilities *	-50% to -100%
Rent *	-70% to -100%
Transport	The same price per kilometre
Financial services	More expensive and largely unavailable

Note: * Much lower quality

Source: Ireland, 2008

2.3.1 *Marketing at the Base of the Pyramid*

Traditional marketing strategies include the four P components of the marketing mix (Kotler and Keller, 2001) consisting of:

- product (or service)
- promotion
- price
- place (or distribution channel)

Marketing at the base of the pyramid can provide a set of challenges in this traditional marketing mix that need to be addressed:

a) Products or services

There are a variety of categories of products that are consumed at the base of the pyramid, from food and water, to financial services (Subrahmanyan and Gomez-Arias, 2008). While consumers at the base of the pyramid spend roughly 56 to 78 percent of their income on food (Banerjee and Duflo, 2007), products should not be limited to the basics because it is assumed that these consumers cannot afford higher priced items. In general, lower priced items need to be provided in order to reach high volumes needed to provide profitable opportunities (Subrahmanyan and Gomez-Arias, 2008). Products for this market should ideally be functional, built to last and basic (Dawar and Chattopadhyay, 2000).

b) Promotion

Anderson and Markides (2007) confirm that companies in emerging markets often have difficulty in getting the right exposure for their products, and using traditional methods such as television are not as effective as other specifically tailored promotional methods. Consumers need to be encouraged to consume more and non-consumers need to be encouraged to adopt the product (Dawar and Chattopadhyay, 2000) through promotional strategies.

c) Pricing

Prahalad (2004) speaks about the difficulties in replicating business models from the top of the pyramid and cutting costs for the base of the pyramid consumers. Companies that attempt to cut costs and therefore prices in this market cannot necessarily maintain their profits. While consumers at the base of the pyramid will usually base their decision to purchase on a price comparison with a local basket of goods (Dawar and Chattopadhyay, 2000), price cannot be assumed to be the only decision factor.

d) Place (Distribution channel)

In traditional models it is assumed that the infrastructure and communications are highly developed (Vachani and Smith, 2008). In developing markets, however, this is not always the case and access to products and services is limited. Distribution at the base of the pyramid is highly fragmented (Dawar and Chattopadhyay, 2000), presenting challenges to companies distributing goods and services. Companies may find it difficult to develop distribution channels alone, and therefore partnerships for the distribution process are fairly common (Sánchez, Ricart and Rodríguez, 2005).

Wood, Pitta and Franzak (2008) feel that it should be recognised that the base of the pyramid requires a different business model to that of traditional markets. This should include an adaptation to the marketing mix that focuses on function and identity (Wood *et al*, 2008). This means that the specific function of the product should be relevant to the poor and that the product or service should tie into the individual's identity and sense of self.

Strategies employed by companies targeting this market (Guesalaga and Marshall, 2008) include:

a) Reducing product size
b) Producing a simple product with few features that the poor can afford
c) Reducing cost of production
d) Flexible payment terms
e) Closeness in distribution channels

These strategies, while partially successful, do not work in isolation when serving the base of the pyramid market.

Vachani and Smith (2008) also state that there are three possible areas of focus for companies wishing to market their products to the bottom of the pyramid consumers. These are

1. Reducing costs;

2. Reinventing the distribution channel;

3. Taking the long term view and investing in the future.

While many companies are enticed by the prospect of a large market at the base of the pyramid, many do not adapt their strategies to suit the market, leading to low penetration and poor profitability (Dawar and Chattopadhyay, 2000).

2.3.2 *Challenges with Base of the Pyramid Marketing Strategies*

Prahalad (2004) highlights the challenges in replicating business models from the top of the pyramid and cutting costs for the bottom of the pyramid consumers. This method is not necessarily sustainable and may not give the significant reductions required for this market.

Prahalad and Hammond (2002) state that the critical barrier to providing the base of the pyramid with products and services in rural areas is distribution access. The access disadvantages in rural areas are mainly due to a lack of infrastructure and information (Vachani and Smith, 2008).

Distribution methods used for financial services in established markets include internet-led channels, company-led channels, bank-led channels, and agent-led channels (Dumm and Hoyt, 2002). These channels are not necessarily appropriate in developing markets and other alternatives may be found to be more effective.

Multi-level channels and inclusive pricing has also led to the success of companies marketing to the bottom of the pyramid (Ireland, 2008), while low prices and product innovation have not been shown to create market leaders. Pitta *et al* (2008) state that in order to service the bottom of the pyramid markets, companies will have to rethink their product development, sales, pricing, distribution policies and management.

2.3.3 *Loyalty at the Base of the Pyramid*

According to Hill (2009), marketers look for markets with distinct boundaries, to exchange goods and services with participants in specific times and places, with the result in the short term being customer satisfaction and brand loyalty in the long term.

According to Copestake (2007) satisfied customers are likely to be good customers and Hallowell (1996) confirms in his study that customer satisfaction is related to customer loyalty.

By using networks for marketing and distribution at the base of the pyramid, sales can be increased as well as loyalty enhanced (Prahalad and Hammond, 2002). Consumers in subsistence marketplaces face material and psychological limitations and they use coping mechanisms successfully in their consumption (Sridharan and Viswanathan, 2008). One such example is to process pictures containing brand information to gain trust and brand loyalty.

2.4 The 4 A's Framework

Anderson (2006) suggests the use of the 4 A's Framework to identify the hurdles in reaching markets at the base of the pyramid. Challenges with the base of the pyramid are not about finding customers, they have to do with affordability, acceptability, availability and awareness (Anderson, 2006). This highlights the need to ensure that products and services are appropriate to the market they are being sold in and are made available to consumers through appropriate pricing, effective distribution and relevant promotional strategies.

Anderson (2006) states that companies that have found ways to address these challenges provide the success stories found at the base of the pyramid.

The four factors of the 4 A's Framework for (Anderson, 2006) can be loosely linked to the four P components of the marketing mix (Kotler and Keller, 2001).

2.4.1 *Affordability*

Affordability relates to the price people are willing to pay for a product or service (Anderson and Markides, 2007). Base of the pyramid consumers have low incomes and therefore low disposable incomes (Anderson, 2006). Consumers may not receive weekly or monthly wages, but are rather paid on a daily basis (Anderson, 2006) and therefore the pricing of a product needs to take this into account.

Olufokunbi (1982) noted that price would not be a competitive strategy for banks, specifically in Nigeria, due to the oligopolistic nature of the market, but rather that financial service providers should focus on service, convenience, availability and access to financial services. This approach cannot viably work at the base of the pyramid where consumers are highly price sensitive.

2.4.2 *Acceptability*

Acceptability relates to the willingness of a person to consume, sell or distribute a product or service (Anderson and Markides, 2007) . This can be related to the product in that a product is only acceptable to the market if people are willing to consume, sell or distribute it. When considering the base of the pyramid consumers, it is important to understand their use for the product or service and how that will affect the consumption (Anderson, 2006). In addition to this, it is important to understand the business model that will be utilised to provide the product or service, and if this is suitable for the consumer, the product acceptability will be higher (Anderson, 2006). Lastly, it is important to consider the cultural acceptability (Anderson and Markides, 2007) and adjustments to the product or service may be necessary to achieve this.

2.4.3 *Availability*

Availability is the ability of a person to acquire and use a product or service (Anderson and Markides, 2007). This relates directly to the distribution channel used to get products and services to clients. Distribution at the base of the pyramid can be fragmented or non-existent (Anderson, 2006) and innovative methods of reaching clients need to be found to overcome this challenge.

2.4.4 *Awareness*

Awareness is what the client knows about the product or service and what channels are used to create this awareness (Anderson and Markides, 2007). This element can be seen as the promotion of the product. Many base of the pyramid consumers do not have access to traditional advertising such as television (Anderson, 2006) and therefore creating awareness around a product or service becomes a challenge.

By leveraging these four aspects, namely acceptability, affordability, availability and awareness, companies can achieve profit and growth in the base of the pyramid markets (Anderson, 2006).

2.5 Higher order needs

Consumers at the bottom of the pyramid are motivated by survival and physiological needs (Subrahmanyan and Gomez-Arias 2008), as well as by higher order needs. The motivation for these higher order needs is not clear from the study, but it does show that when companies offer products that fulfil these needs, they have a greater chance of success, particularly where there are links to education and job creation.

2.5.1 *Financial Services*

Financial Services includes facilities such as savings accounts, credit facilities and insurance from banks, microfinance companies and long and short term insurance providers (www.businessdictionary.com).

2.5.2 *The need for financial services at the base of the pyramid*

Challenges face base of the pyramid consumers on a daily basis, and include gaining access to food and water, access to basic health care and limited or no access to financial services (Weidner *et al*, 2009). Access to formal financial services gives individuals the identity that they lacked previously, leading to social and political inclusion (Hammond *et al*, 2007).

Martinez and Carbonell (2007) state that one of the three basic questions that need to be resolved when doing business at the base of the pyramid is how to bring the finance system to the segment. This includes savings and credit services. The other two questions look at how to utilise technology to gain process efficiencies and how to adapt products and services to the base of the pyramid consumer (Martinez and Carbonell, 2007).

Sporadic and informal work severely limits the access of consumers at the base of the pyramid to financial services, specifically saving and borrowing (Subrahmanyan and Gomez-Arias, 2008). Cash payments are common and the loans are only available through store credit, loan sharks and pawning jewellery (Subrahmanyan and Gomez-Arias, 2008). Small business owners usually provide credit to individuals they know well in this market, providing one of the only ways for them to purchase important products (Weidner *et al*, 2009).

Savings at the base of the pyramid are limited by the lack of a safe place to put money (Banerjee and Duflo, 2009). Like all people, the poor then struggle to resist the urge to spend this money when they have it, resulting in saving being low (Banerjee and Duflo, 2009). Carrying cash also creates a risk for the consumer and therefore mobile phone based solutions for transacting are becoming popular in several African countries (Subrahmanyan and Gomez-Arias, 2008).

Microfinance is growing at the base of the pyramid (Hammond *et al*, 2007), but still only reaches a fraction of the households in the market. According to Pitta *et al* (2008) there is evidence that microloans have been successful at the base of the pyramid, although these consumers have failed to utilise this to create viable businesses.

There is little access to insurance at the base of the pyramid, with consumers resorting to social networks for their insurance requirements (Banerjee and Duflo, 2009). This largely relies on the more fortunate few taking care of the less fortunate and because this is usually in a community with similar incomes, it is not a particularly effective method of insurance (Banerjee and Duflo, 2009). Insurance often means eating less or taking children out of school in very poor communities when economic conditions are poor (Banerjee and Duflo, 2009).

There is a need for financial services such as banking, insurance and microfinance at the base of the pyramid (Subrahmanyan and Gomez-Arias, 2008) and the increase in spending in the financial services sector displays this need.

In view of these challenges, non-traditional players are entering the financial services market, aided by technology to bridge the physical distance and provide convenience, safety and availability (Hammond *et al*, 2007).

2.5.3 *Financial Services constraints at the base of the pyramid*

Due to the lack of savings at the base of the pyramid, as well as limited access to credit, investment capital for base of the pyramid consumers is limited (London, Anupindi and Sheth, 2009). Banks seldom provide credit and where they do, extremely high interest rates are charged, while informal credit providers usually control the credit market and charge even higher interest rates (London *et al*, 2009).

High interest rates appear to not be due to high defaults on loans in this market, but rather due to the inability of providers to enforce contracts (Banerjee and Duflo, 2009). Payment may occur late, but defaults are rare in this market (Banerjee and Duflo, 2009), and because of the ineffective courts not punishing non-compliant individuals, credit providers have to try to ensure that they get their money back (Banerjee and Duflo, 2009).

Lack of insurance also adversely affects those at the base of the pyramid, as they have no protection against unforeseen circumstances such as drought that affect their livelihood (London *et al*, 2009).

With consumers willing to pay premiums for products and services that suit them, financial services providers have to figure out how to deliver those services to them (Jose, 2008)

2.6 Conclusion of Literature Review

From the literature it can be seen that in providing services to the base of the pyramid there are a few challenges that companies need to overcome.

The base of the pyramid is made up of the lowest income earners of an economy, and in Nigeria this is a very significant portion of the large population. Marketing to this large number of people is made significantly more difficult with infrastructure challenges, limited resources and lack of awareness of products and services on offer.

There is a clear need for financial services at the base of the pyramid and this means that there is a market for banks and insurers to service them.

Anderson (2006) suggests that four factors need to be considered before successfully providing products and services to lower income markets. These make up the 4 A's Framework of affordability, availability, acceptability and awareness.

It is worth considering this in the Nigerian context of financial services, as more and more financial services institutions feel the effects of the loss of confidence in the sector. Establishing the perceptions of consumers at the base of the pyramid of financial services institutions, as well as the factors that best determine loyalty to a particular brand will assist in informing institutions where to focus their resources. In addition to this, an investigation into reasons for non-participation in financial services will assist companies in addressing these issues and allow them to better penetrate this market.

3 RESEARCH QUESTIONS

From the literature it can be seen that in providing services to the base of the pyramid there are a few challenges that companies need to overcome. These can be loosely coupled with the traditional marketing mix of product, price, place and promotion. There is a market for financial services at the base of the pyramid, but appropriate methods of reaching these clients need to be identified to best service this market. In addition, there may be other factors in the success of providing financial services to the base of the pyramid in Nigeria.

3.1 Research Question 1

What are the perceptions of consumers at the base of the pyramid towards financial services concerning affordability, acceptability and availability and are they aware of financial services institutions, for

a. banking?
b. micro-finance?
c. long term insurance?
d. short term insurance?

3.2 Research Question 2

Which of the 4 A’s are the drivers of loyalty in the financial services sector, for

a. banking?
b. micro-finance?
c. long term insurance?
d. short term insurance?

3.3 Research Question 3

Why are consumers at the base of the pyramid not participating in financial services with reference to affordability, acceptability, availability and awareness for

a. banking?
b. micro-finance?
c. long term insurance?
d. short term insurance?

3.4 Research Question 4

What other factors play a role in financial services at the base of the pyramid and to what extent do these prevent individuals from participating in

a. banking?
b. micro-finance?
c. long term insurance?
d. short term insurance?

4 RESEARCH METHODOLOGY

4.1 Research methodology

This study aimed at establishing if the 4 A's Framework of availability, affordability, acceptability and awareness (Anderson, 2006) is relevant at the base of the pyramid in Nigeria. The study also assessed what the drivers of loyalty for consumers at the base of the pyramid for financial services are, and what other factors play a role in the successful provision of financial services to the base of the pyramid in Nigeria.

In order to establish this, a quantitative study was done. This took the form of descriptive research, to describe the characteristics of the population (Zikmund, 2003) at the base of the pyramid in Nigeria. This method has been chosen to further elaborate on the 4 A's Framework and its relevance in Nigerian base of the pyramid markets.

4.2 Research Design

This research took the form of questionnaires, administered by trained interviewers to access Nigerians at the base of the pyramid. The interviewers recorded answers on a hard copy of the questionnaire and returned them to the author. These answers were then captured by the researcher to form the data set used in the statistical analysis.

This approach was appropriate as local interviewers were able to access more members at the base of the pyramid than the author was able to. They were trained by the author and remunerated per questionnaire they administered. Questionnaires were collated and captured by the author.

This method proved to be the most reliable in an environment where respondents are not particularly accessible, and access to computers is not good. Challenges associated with this were the training of the interviewers, ensuring that they asked the questions in the correct manner and recorded all the answers correctly. The manual capture of responses by the author was double checked to avoid errors where possible.

4.3 Population and sample

4.3.1 *Population*

A population is a complete group of entities sharing some set of characteristics (Zikmund, 2003). The population for this study is all individuals who earn less than $1500 per annum in Nigeria. This amount equates to N19 250 and was rounded up to N20 000.

4.3.2 *Unit of analysis*

The members or elements of the population are the units of analysis (Welman and Kruger, 2001). The unit of analysis will be an individual Nigerian person who is currently earning less than $1500 per annum.

4.3.3 *Sample and sampling method*

A sample is a subset of the larger population (Zikmund, 2003). A sample with a target of 300 individuals at the base of the pyramid was obtained for this research. A group of 10 researchers were encouraged to interview at least 30 respondents each, for which they were remunerated. These interviewers were selected based on their exposure to the base of the pyramid in Nigeria and were relied on to administer the interviews appropriately. They were selected from a pool of employees the author has contact with, who are known to have university degrees.

Respondents were asked to respond to a series of questions, which were recorded by the interviewers. Respondents were found via a non-probability method (convenience sample) from the interviewer’s interaction with people at the base of the pyramid. Non-probability sampling does not allow the determination of the probability that any member of the population will be included in the sample (Welman and Kruger, 2001). Non-probability samples are usually used for convenience and economy (Welman and Kruger, 2001). The non-probability sample method was used due to the difficulty in conducting a probability sample on members of the Nigerian populations who earn less than $1500 per annum.

4.4 The research instrument

A questionnaire was designed to establish a respondent's participation in financial services, their attitude towards financial services and the institutions that provide them, as well as reasons for non-participation.

The questionnaire (Appendix A) was not translated into local languages, but interviewers volunteered to translate questions into two local languages (namely Yoruba and Igbo) where a respondent was unsure of the meaning to ensure that individuals understood the questions fully.

Part A established the demographic profile of the respondent, while Part B addressed the current usage of financial services by the respondent, the types of financial services used, their awareness of financial services institutions as well as their attitudes towards the availability, availability and affordability of financial services. Loyalty in terms of recommendation of their financial service provider was also established through Likert Scale questions. Where a respondent did not utilise a financial service, they were asked to comment why not.

Demographic information was requested from respondents in the form of a checklist, where they could select from a list of answers (Zikmund, 2003) the band most relevant to them.

Simple-dichotomy questions were used to establish the use of the financial service in question, where the respondent chose between two alternatives

(Zikmund, 2003). Where the respondent answered in the positive to this question, they were further asked to select the type from a checklist.

A list of financial institutions was requested from the respondent to establish awareness of financial services, with the respondent giving the names of any such institutions they were aware of. This not only allowed the researcher to establish those institutions that are most known, but how aware the respondents are of different institutions.

A Likert Scale was used to measure attitudinal ratings for the questions related to availability of financial services products, as well as the affordability and availability of financial services products. The satisfaction with the financial services institution was also measured, as well as the propensity of the individual to recommend their financial institution. This can be seen as the loyalty of the individual to their financial institution. The Likert Scale attitudinal measure allows respondents to indicate how strongly they agree or disagree with statements given (Zikmund, 2003).

4.5 Procedure for data collection

Respondents were asked a series of questions by a trained interviewer. The data was then recorded on hard copy and this was collected, collated and captured by the author. An electronic questionnaire was not used, as access to the internet and computers is limited.

4.6 Data analysis and interpretation

Descriptive analysis is the transformation of raw data into meaningful information that can be interpreted (Zikmund, 2003). For Part A and B descriptive analysis was conducted and the results were interpreted.

Descriptive analysis for this study included frequency tables for each response, relative, as well as total percentages to summarise the data.

The analysis of awareness of financial services was done using significance testing to establish if there is a difference between loyalty in respondents who mentioned three or less service providers and those who mentioned four or more.

Four factors (affordability, availability, acceptability and loyalty) were calculated per section of financial services (Banking, Microfinance, Short term insurance and Long term insurance), based on an average of the scores for the questions related to each concept.

An ANOVA was done to determine if there are statistically significant differences in the means of the four sections.

Regression is a method of measuring the linear association between a dependent and an independent variable (Zikmund, 2003). A regression was done to determine the drivers of Loyalty per section. Loyalty as the dependent variable was explained using the independent variables of affordability, availability and acceptability.

Comments given by respondents as to why they did not have financial services products were collated and arranged into categories. These categories were affordability, acceptability, availability and awareness. Any comments that did not fit into these categories were assigned to an "other" category. This was then further broken down to quantify and qualify what factors, in addition to the 4 A's played a role in consumers not having financial services products.

4.7 Limitations of the study

This study was done only on base of the pyramid consumers in the Lagos area of Nigeria, as the author's access to respondents in other areas was limited. This is an urban area and therefore does not show the views and perceptions of base of the pyramid consumers in rural Nigeria.

A convenience sample was used for this study and this may have impacted the results obtained.

These factors are a possible explanation for the high number of respondents who were found to participate in the banking sector. According to the EFInA study (2008), 74% of Nigerians have never been banked. This may indicate that the rural/urban split of banked clients in Nigeria is significantly different, or that the EFInA study was perhaps not a true indication of Nigerian financial services.

From the responses on the questionnaires, it is evident that interviewers did not appropriately probe respondents in their responses to questions regarding non-participation in financial services. This may indicate that other factors which were found during this study were simply one of the four A's masked by the language or phrase that the respondent was using at the time.

There may also be several other factors that influence the base of the pyramid in accessing financial services, and without qualitative research in this area, these will not be known.

4.8 Validity and reliability

4.8.1 *External validity*

External validity is the ability to generalise the results of research to other situations and subjects in the population that is being studied (Zikmund, 2003). Because this research was conducted on a subset of Nigerian nationals in Lagos, the external validity of the study may have been compromised. The author is not aware of significantly different behaviour in different areas in Nigeria, but this may well be the case.

4.8.2 *Internal validity*

Internal validity is the ability of the researcher to ascertain if the experimental treatment was the only cause of changes in the dependent variable (Zikmund, 2003). In this case there may be many factors that influence the individual to utilise financial services that the author has not mentioned or requested from respondents.

4.8.3 *Reliability*

Reliability can be seen as consistent results from measures which are free from errors (Zikmund, 2003). The questionnaire was pre-tested to reduce errors and produce more consistent results.

Reliability was measured using Cronbach's Alpha. A reliability test is usually done after a factor analysis, but due to the small number of questions in this study, the factor analysis was omitted.

All similar questions measuring the same dimension were grouped together and a correlation was done to ensure that all questions were in the same direction. Two questions were asked negatively, and therefore these had to be reversed to ensure that they were all in the same direction.

Considering the size of the sample, as well as the number of the questions that were asked of respondents, a lenient Cronbach's alpha of 0.6 or greater is acceptable (Garson, 2009). Where the Cronbach's alpha score is higher, the scale is more reliable (Reynaldo and Santos, 1999). It was found that Cronbach's alpha was greater in all four sections if the reversed question was excluded.

5 RESULTS

5.1 Introduction

For the purposes of this study, 301 completed questionnaires were collected. The first section of this chapter shows the basic demographics of the group. This will be used to understand the group that is being tested and ensure that they fall into the market defined as the base of the pyramid, but not to further analyse responses.

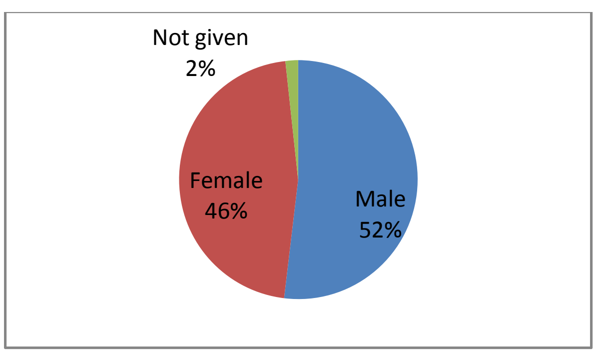
The second section looks at each of the research questions and the data pertaining to them.

5.2 Demographics

5.2.1 *Gender*

Respondents in this study were quite evenly distributed, though slightly more males were interviewed (52%) than females (46%). Two percent of respondents did not state their gender.

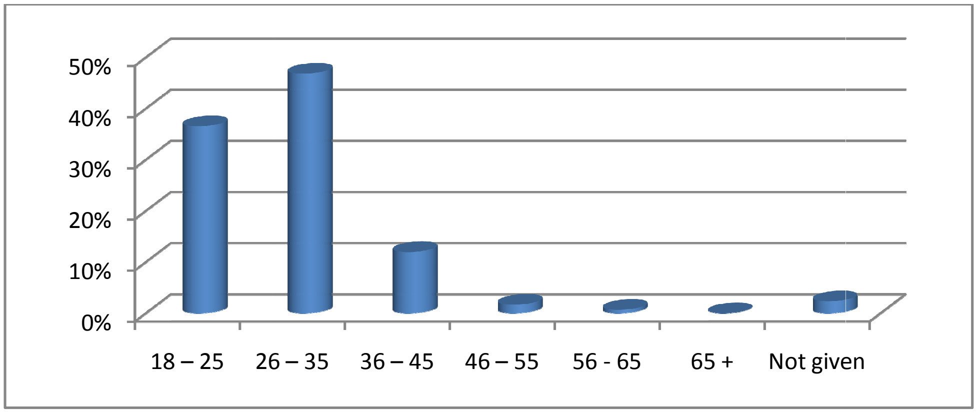
Figure 1: Gender of respondents



5.2.2 *Age Group*

Majority of the respondents were aged between 18 and 35 (83.4%).

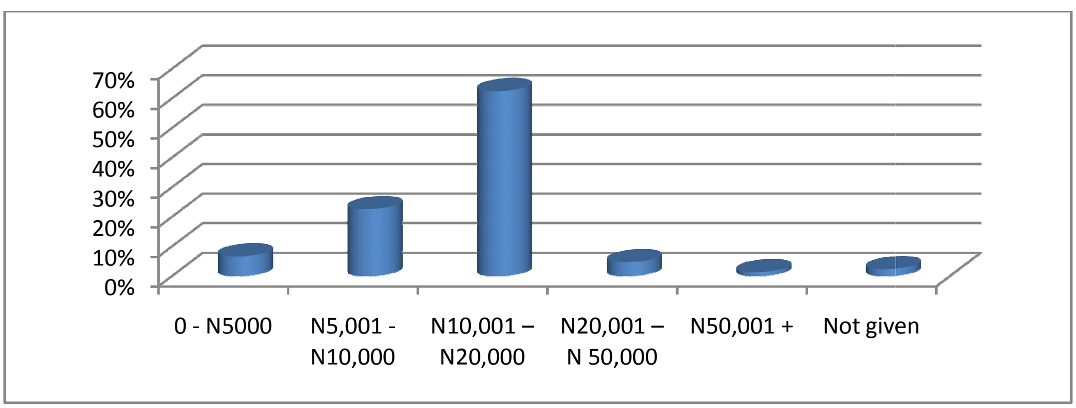
Figure 2: Age distribution of respondents



5.2.3 *Income Levels*

91.7% of respondents earn less than N20 000 per month and therefore fall into the base of the pyramid market. This subset of 276 individuals is used for further analysis.

Figure 3: Income distribution of respondents

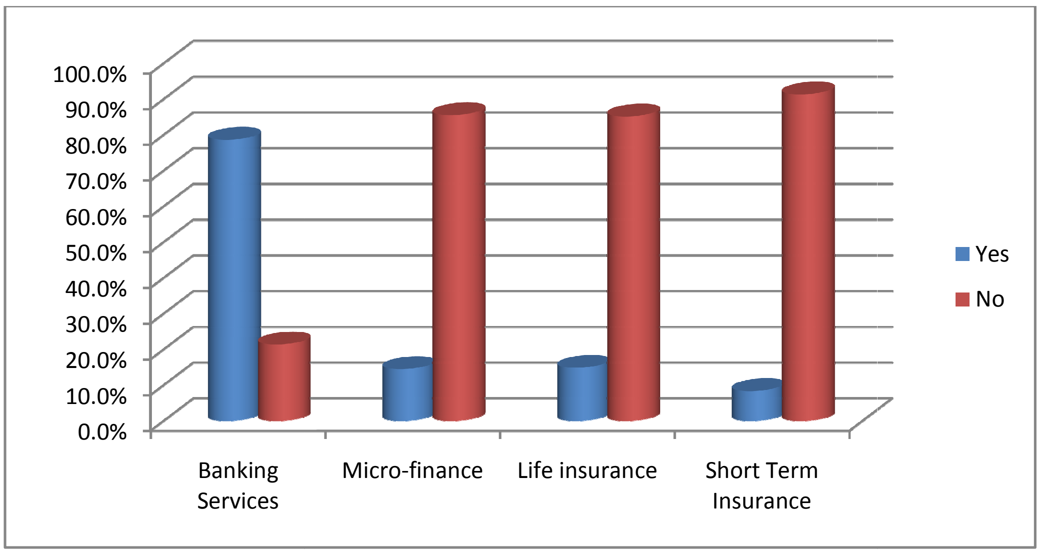


5.3 Financial Services

5.3.1 *Financial services uptake*

Just below 80% of the respondents in the study had bank accounts and significantly less had microfinance loans, long term insurance or short term insurance. This can be seen in Figure 4 below.

Figure 4: Financial services products uptake



5.3.2 *Relationship between products*

Combinations between products and services taken up by respondents can be seen in Table 3 below. Over 55% of respondents only have a bank account, with 19.6% having no financial services products. The most common product combination is a bank account and long term insurance, followed by a bank account and a loan from a microfinance bank.

Table 3: Combinations of financial services products

Combinations	%
Only Bank Account	55.1%
None	19.6%
Bank Account and Long term Insurance	6.9%
Bank Account and Microfinance	6.5%
Bank Account, Microfinance and Long term Insurance	2.9%
Bank Account, Microfinance, Long term and Short term Insurance	2.5%
Bank Account, Microfinance and Short term Insurance	1.8%
Bank Account and Short term Insurance	1.4%
Bank Account, Long term and Short term Insurance	1.4%
Microfinance, Long term and Short term Insurance	0.4%
Microfinance	0.4%
Short term Insurance	0.4%
Long term and Short term Insurance	0.4%
Long term Insurance	0.4%

The combined number of financial services institutions that a respondent has a product with can be seen in Table 4 below. Just over 24% of respondents have two or more financial services products.

Table 4: Number of institutions where respondents have a product

Combined Number	*Number Yes*	*%*
0	54	19.6%
1	155	56.2%
2	42	15.2%
3	18	6.5%
4	7	2.5%

These were then plotted against the means of affordability, availability, acceptability and loyalty for each of the financial services industries. The results are shown in Figures 5 to 8 below.

Figure 5: Banking: Number of products held by customers vs means of the four factors

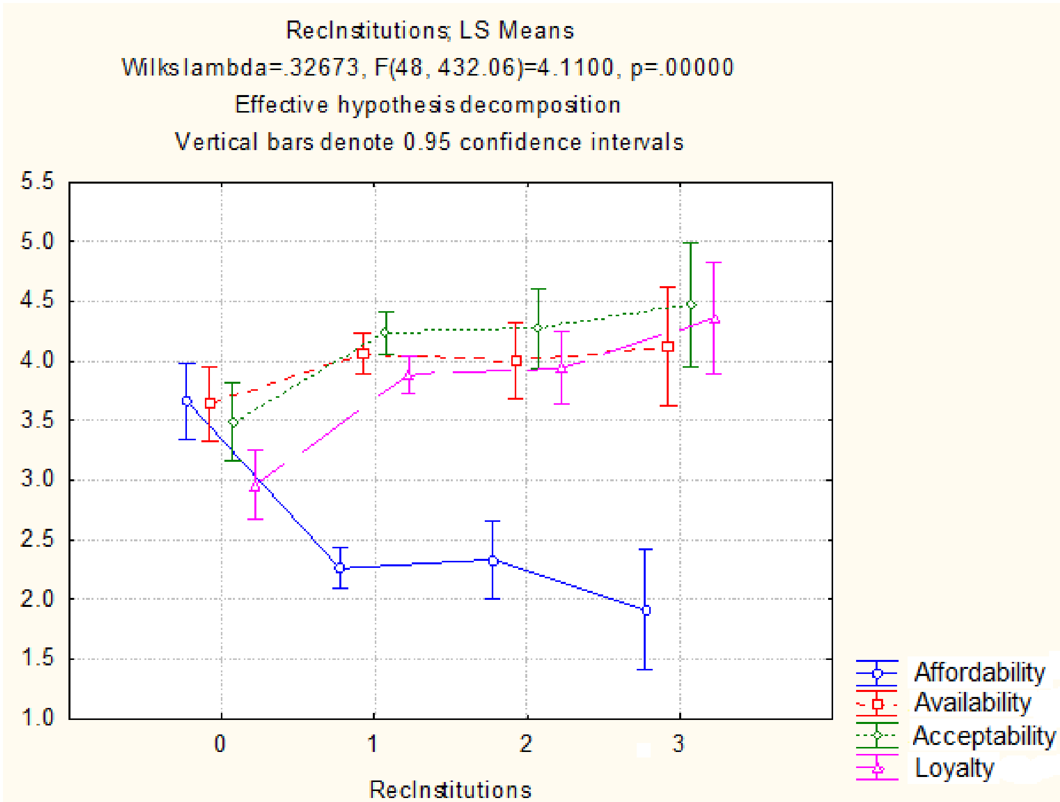


Figure 6: Microfinance: Number of products held by customers vs means of the four factors

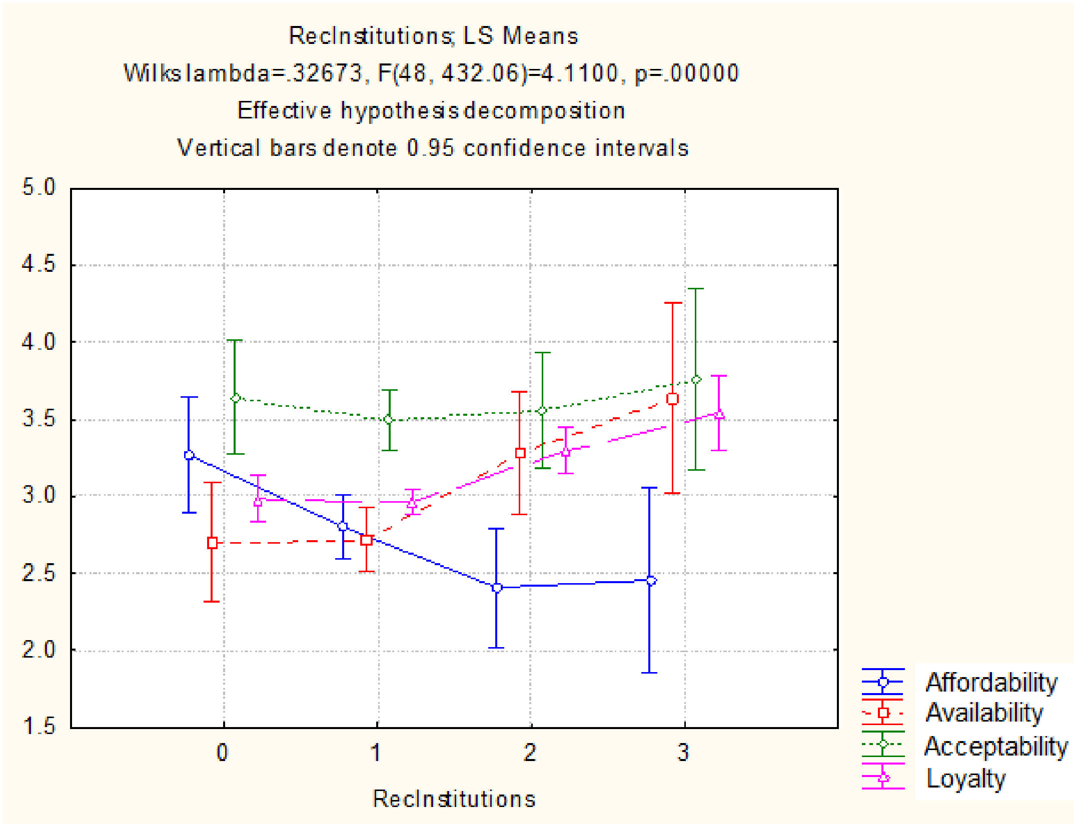


Figure 7: Long term insurance: Number of products held by customers vs means of the four factors

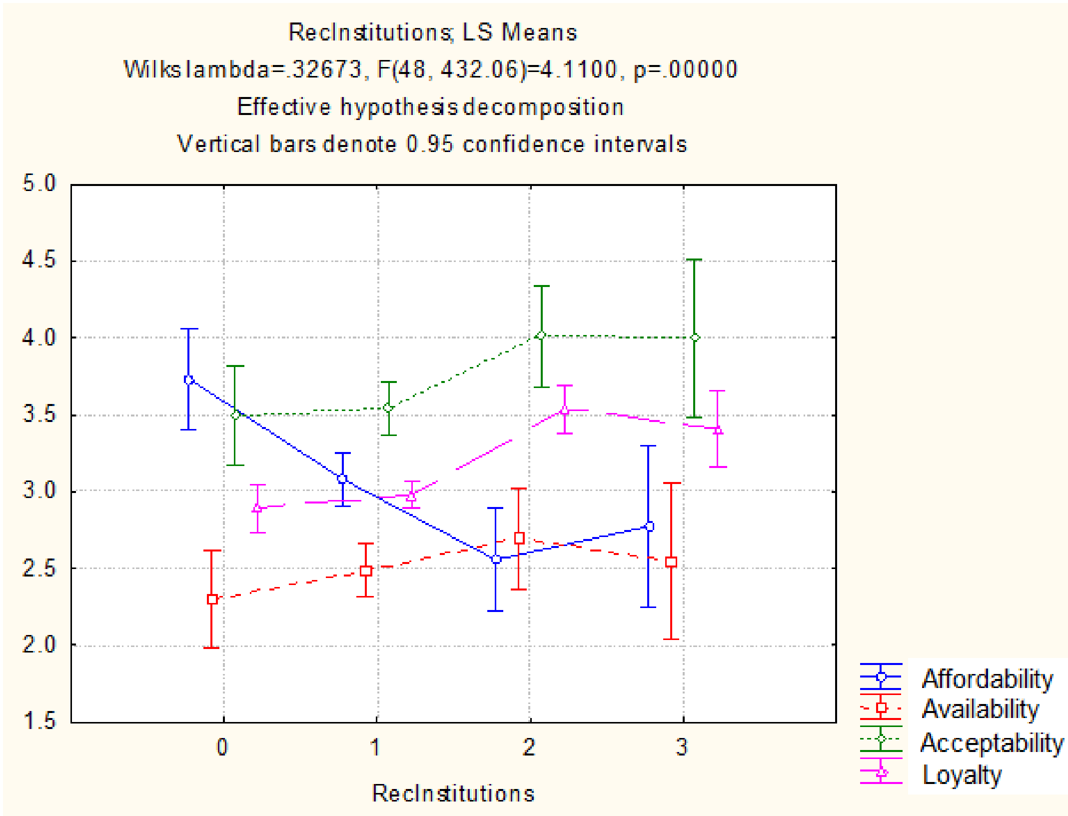
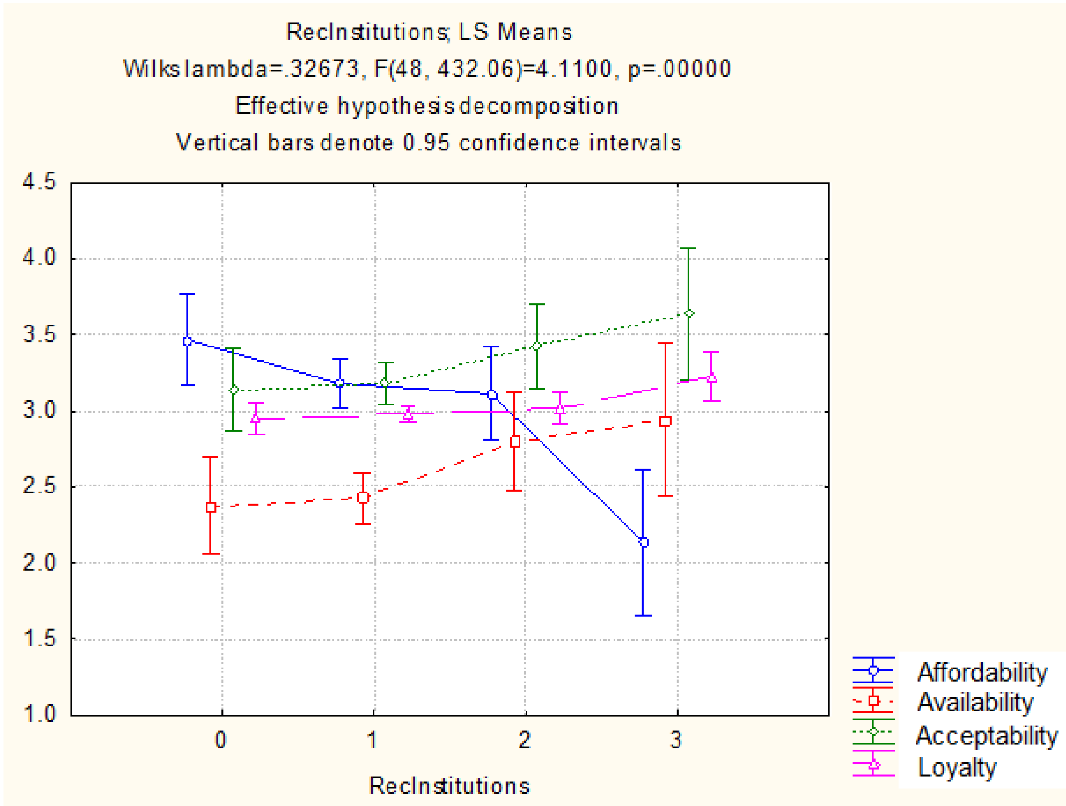


Figure 8: Short term insurance: Number of products held by customers vs means of the four factors



It can be seen that the higher the number of financial services products an individual has, the more positive they are regarding financial services in terms of affordability (opposite direction), availability and acceptability. It also shows that these respondents are more loyal to their financial service provider.

5.4 Perceptions of financial services users

5.4.1 *Reliability*

A reliability analysis (Appendix B) was done on all groups of questions for the four sections to establish if the questions produced consistent results. Firstly correlations were done to assess the linear relationship between the questions, and thereafter a reliability analysis was done using Cronbach's alpha to confirm reliability. Considering the size of the sample, as well as the number of the questions that were asked of respondents, a lenient Cronbach's alpha of 0.6 or greater is acceptable (Garson, 2009). Where the Cronbach's alpha score is higher, the scale is more reliable (Reynaldo and Santos, 1999).

For all industries, Cronbach's alpha was higher when the first question regarding affordability was excluded. Only two results fall just below 0.6, affordability for microfinance and short term insurance.

Table 5: Reliability Analysis

Industry	Factor	Cronbach's Alpha
Banking	Affordability	0.689749
	Availability	0.829658
	Acceptability	0.872887
	Loyalty	0.884567
Microfinance	Affordability	0.589487
	Availability	0.877295
	Acceptability	0.833263
	Loyalty	0.883573
Long Term Insurance	Affordability	0.666347
	Availability	0.827206
	Acceptability	0.88464
	Loyalty	0.757875
Short Term Insurance	Affordability	0.598775
	Availability	0.891918
	Acceptability	0.791378
	Loyalty	0.753784

In addition to this, a factor for each variable was determined by taking the average of the results of the two or three questions related to that theme. Descriptive statistics for the factors can be seen in Table 6 below.

Table 6: Descriptive statistics for factors

Sector	Factor	Valid N	Mean	Minimum	Maximum	Std.Dev.
Banking	Affordability	273	2.311355	1	5	0.911598
	Availability	274	3.988443	1	5	0.858869
	Acceptability	274	4.105839	1	5	0.8905
	Loyalty	274	3.786496	1	5	0.957446
Microfinance	Affordability	199	2.746231	1	5	1.018601
	Availability	199	2.912898	1	5	1.067559
	Acceptability	199	3.495812	1	5	0.935705
	Loyalty	198	3.065657	1	5	0.509536
Long Term Insurance	Affordability	205	2.985366	1	5	0.990039
	Availability	206	2.585761	1	5	0.875553
	Acceptability	206	3.648058	1	5	0.875319
	Loyalty	205	3.134146	1	5	0.524222
Short term insurance	Affordability	195	3.058974	1	5	0.912603
	Availability	195	2.600855	1	5	0.898372
	Acceptability	195	3.289744	1	5	0.740698
	Loyalty	194	3.064433	1	5	0.390593

An ANOVA was done to find any significant difference in the means of the factors for the different sectors. Those with significant differences are seen below in Table 7, highlighted in blue.

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Table 7: Differences in means for financial services

	Sector	Banking	Microfinance	Long term insurance	Short term insurance
Affordability	Banking		0.000	0.000	0.000
	Microfinance	0.000		0.046	0.001
	Long term insurance	0.000	0.046		0.635
	Short term insurance	0.000	0.001	0.635	
Availability	Banking		0.000	0.000	0.000
	Microfinance	0.000		0.002	0.006
	Long term insurance	0.000	0.002		0.996
	Short term insurance	0.000	0.006	0.996	
Acceptability	Banking		0.000	0.000	0.000
	Microfinance	0.000		0.531	0.034
	Long term insurance	0.000	0.531		0.000
	Short term insurance	0.000	0.034	0.000	
Loyalty	Banking		0.000	0.000	0.000
	Microfinance	0.000		0.939	0.936
	Long term insurance	0.000	0.939		0.650
	Short term insurance	0.000	0.936	0.650	

It appears that there are significant differences in the means of banking and microfinance, long term insurance and short term insurance for all four of the factors.

For affordability, there are significant differences in the means between microfinance and short term insurance as well as long term insurance, while for availability there are significant differences between microfinance and long term insurance. There are significant differences in the means between short and long term insurance for acceptability, as well as for short term insurance and microfinance, while there are no other significant differences in the means for loyalty.

5.4.2 *Awareness in financial services*

A deterministic approach was used to rank the financial services institutions based on the number of times an institution was mentioned, as well as the order. Scores were assigned and this was standardised. Shown below are the top five per industry and full lists of the rankings can be seen in Appendix C.

In addition to this, respondents that mentioned three or less institutions were measured against those than mentioned four or more institutions to establish if awareness could be seen as a driver of loyalty in financial services.

a. *Banking*

It can clearly be seen from Table 8 below that four of the banks are ahead in terms of awareness in Nigerian base of the pyramid consumers. Diamond Bank, in fifth place, scores just over half that of UBA in fourth place. Respondents in the study mentioned many more banks than any other financial service providers and this is reflected in the scores in Table 8 below.

Table 8: Top five banks in terms of awareness

Bank	Score	Awareness Rank
GT Bank	25.53	1
First Bank	21.40	2
Oceanic Bank	20.47	3
UBA	18.73	4
Diamond Bank	10.67	5

The significance test, shown in Table 9 below, produced a p-value greater than 0.05 and therefore no significant differences exist between the two groups.

Table 9: Significance test for banking awareness and loyalty

	Count	Mean	Std.dev
Loyalty if Count is 1 - 3	102	3.73039	1.18295
Loyalty if Count is 4 +	113	3.92035	0.81165
P-value	0.122657		

b. *Microfinance*

Olive Microfinance is the best known Microfinance institution, with others following quite a way behind, as can be seen in Table 10 below.

Table 10: Top five microfinance companies in terms of awareness

Institution	Score	Awareness Rank
Olive Microfinance Bank	6.20	1
AB Microfinance Bank Limited	2.60	2
Ominic Microfinance Bank	1.93	3
UBA Microfinance Bank	1.73	4
Seedfield Microfinance Bank	1.27	5

The significance test, shown in Table 11 below, produced a p-value greater than 0.05 and therefore no significant differences exist between the two groups.

Table 11: Significance test for microfinance awareness and loyalty

	Count	Mean	Std.dev
Loyalty if Count is 1 - 3	27	3.27778	0.60975
Loyalty if Count is 4 +	18	3.41667	1.12786
P-value	0.639178		

c. *Long Term Insurance*

Leadway and AIICO are ranked first and second in terms of awareness and are closely followed by Mutual Benefit, as seen in Table 12 below.

Table 12: Top five long term insurance companies in terms of awareness

Institution	Score	Awareness Rank
Leadway	3.13	1
AIICO	2.60	2
Mutual Benefit	2.00	3
Niger	1.80	4
ADIC	1.80	4

The significance test, shown in Table 13 below, produced a p-value greater than 0.05 and therefore no significant differences exist between the two groups.

Table 13: Significance test for long term insurance awareness and loyalty

	Count	Mean	Std.dev
Loyalty if Count is 1 - 3	14	3.42857	0.75593
Loyalty if Count is 4 +	20	4.1	0.73628
P-value	0.14762		

d. ***Short term insurance***

Leadway is the best known short term insurer, with AIICO and NICON following closely, as seen in Table 14 below.

Table 14: Top five short term insurers in terms of awareness

Institution	Score	Awareness Rank
Leadway	1.53	1
AIICO	1.33	2
NICON	1.27	3
Linkage	0.87	4
Niger	0.80	5

The significance test, shown in Table 15 below, produced a p-value greater than 0.05 and therefore no significant differences exist between the two groups.

Table 15: Significance test for short term insurance awareness and loyalty

	Count	Mean	Std.dev
Loyalty if Count is 1 - 3	10	3.35	0.57975
Loyalty if Count is 4 +	9	3.61111	1.13957
P-value	0.55136		

5.4.3 *Predictors of Loyalty*

A regression analysis was done to determine the drivers of loyalty in each sector i.e. which of affordability, availability or acceptability is the most significant driver of loyalty in individuals who have financial services products (Appendix D).

The model is significant if the p value is less than 0.05. A summary of the results for all of the industries is shown below in Table 16.

Table 16: Regression Analysis Results

		Affordability		Availability		Acceptability	
	P	**Beta**	**P-level**	**Beta**	**P-level**	**Beta**	**P-level**
Banking	0.00000	-0.12908	0.0191	0.161336	0.00991	0.425425	0.00000
Microfinance	0.03587	-0.01466	0.84729	0.183319	0.0141	0.08402	0.26629
Long term insurance	0.00000	-0.32941	0.00000	0.014178	0.82873	0.333738	0.00000
Short term insurance	0.00000	-0.07453	0.29799	0.071808	0.33604	0.348205	0.00000

a. ***Banking***

The regression analysis shown in Table 16 above is significant for banking as the p value is less than 0.05. It shows that affordability is a significant driver of loyalty, but in the opposite direction i.e. the lower the affordability score, the higher the loyalty score. Availability is also a significant driver and is slightly higher than affordability. The biggest driver of loyalty in banking is acceptability, and it is more than twice as large as affordability and availability.

b. ***Microfinance***

The regression for microfinance is only significant for availability, with a p value less than 0.05. This means that availability can be seen as a driver for loyalty in microfinance.

c. ***Long Term Insurance***

The regression for long term insurance is significant for affordability and acceptability, but not for availability. The drivers are similar in level, but with affordability in the opposite direction i.e. the lower the affordability score, the higher the loyalty score, as can be seen in Table 16 above.

d. ***Short Term Insurance***

The regression analysis for short term insurance is significant for acceptability, but not for affordability and availability.

5.5 Non-participation in financial services

Respondents who did not have financial services products were questioned why and responses were recorded by interviewers. Some respondents gave more than one reason for not taking out a financial services product and therefore in some cases there are more reasons than respondents.

5.5.1 *Banking*

Of the 21.4% of respondents that said they do not have a bank account, 47.5% stated reasons relating to affordability for their lack of participation. This is followed by 31.1% of respondents giving reasons related to acceptability. Only 9.8% gave reasons related to awareness, while 11.5% gave other reasons. No respondents listed availability as a reason for not participating in the banking sector.

Table 17: Respondents without Bank Accounts

Do you have a bank account?	Frequency	Relative Percentage	Total Percentage
No	59	21.40%	21.40%
Yes	217	78.60%	78.60%
Total	276	100.00%	100.00%
Negative Response - comments	**Frequency**	**Relative Percentage**	**Total Percentage**
Affordability	29	47.50%	49.15%
Availability	0	0.00%	0.00%
Acceptability	19	31.10%	32.20%
Awareness	6	9.80%	10.17%
Other	7	11.50%	11.86%
Total	**61**	100.00%	103.39%

5.5.2 *Microfinance*

Of the 85.5% of respondents that have not taken a loan from a microfinance company, 40.9% gave reasons related to acceptability for not participating. Affordability made up 22.4% of the reasons, while awareness accounted for 16.2%. Only 9.3% of respondents claimed that availability was the reason for not participating, while 11.2% gave other reasons.

Table 18: Respondents without Microfinance Loans

Have you ever taken a loan from a micro-finance company?	Frequency	Relative Percentage	Total Percentage
No	236	85.50%	85.50%
Yes	40	14.50%	14.50%
Total	276	100.00%	100.00%
Negative Response - comments	**Frequency**	**Relative Percentage**	**Total Percentage**
Affordability	58	22.40%	24.58%
Availability	24	9.30%	10.17%
Acceptability	106	40.90%	44.92%
Awareness	42	16.20%	17.80%
Other	29	11.20%	12.29%
Total	**259**	100.00%	109.75%

5.5.3 *Long term insurance*

Of the 85.1% of respondents that did not have life insurance, 33.2% stated reasons related to affordability for not participating. An additional 28.6% stated reasons related to awareness, while 17% claim that acceptability is the reason for not participating. Only 1.2% claimed that availability was a reason for not participating and an additional 19.9% stated other reasons.

Table 19: Respondents without Long term insurance

Do you have life insurance?	**Frequency**	**Relative Percentage**	**Total Percentage**
No	235	85.10%	85.10%
Yes	41	14.90%	14.90%
Total	276	100.00%	100.00%
Negative Response - comments	**Frequency**	**Relative Percentage**	**Total Percentage**
Affordability	80	33.20%	34.04%
Availability	3	1.20%	1.28%
Acceptability	41	17.00%	17.45%
Awareness	69	28.60%	29.36%
Other	48	19.90%	20.43%
Total	**241**	100.00%	102.55%

5.5.4 *Short term insurance*

Of the 91.3% of respondents that do not have short term insurance 38.6% stated that acceptability was the reason for not taking out short term insurance. A further 28% stated reasons related to awareness for not participating, while 19.7% claimed that affordability was the reason for not taking out short term insurance. Only 1.9% of respondents claimed that availability was the reason for not participating, while 11.7% of respondents gave other reasons.

Table 20: Respondents without Short term insurance

Do you have short term insurance?	Frequency	Relative Percentage	Total Percentage
No	252	91.30%	91.30%
Yes	23	8.30%	8.30%
No Response	1	0.40%	0.40%
Total	276	100.00%	100.00%
Negative Response - comments	**Frequency**	**Relative Percentage**	**Total Percentage**
Affordability	52	19.70%	20.63%
Availability	5	1.90%	1.98%
Acceptability	102	38.60%	40.48%
Awareness	74	28.00%	29.37%
Other	31	11.70%	12.30%
Total	**264**	100.00%	104.76%

5.6 Other factors playing a role in non-participation

Factors that could not be coded as one of the 4 A's are shown below per sector. It is likely that, on further questioning by the interviewer in each case, these responses could have been categorised into affordability, acceptability, availability or awareness. Without this further probing, the responses have been left separate.

5.6.1 *Banking*

Of the 11.5% of respondents with no bank account that gave other reasons for not participating, 28.6% gave the reason that they had no time to open a bank account. An example of a comment was:

"I do not have time at all"

An additional 28.6% of respondents indicated an intention to open a bank account in the future, with an example of a response reading:

"I don't have banking habit in the past but now I am thinking of having a bank account"

Only one respondent (14.3%) used a reason of being dependant on his parents as a reason for not opening a bank account. An example of this comment is

"I don't have a bank account because I am still depending on my parents"

Table 21: Banking – other comments

Do you have a bank account?	Frequency	Relative Percentage	Total Percentage
No	59	21.4%	21.4%
Yes	217	78.6%	78.6%
Total	276	100.0%	100.0%
Other Responses	**Frequency**	**Relative Percentage**	**Total Percentage**
No time	2	28.6%	0.7%
Intention to get in future	2	28.6%	0.7%
No reason	2	28.6%	0.7%
Dependant on parents	1	14.3%	0.4%
Total	**7**	100.0%	2.5%

5.6.2 *Microfinance*

Of the 11.2% that gave reasons other than those related to the 4 A's 65.5% were due to the reputation of microfinance companies not being acceptable to the respondent. An example of a comment made by a respondent is:

"I don't like microfinance companies because one can never trust any of them. Some of them will start business, collect deposits from their customers and stop business"

In addition to this, 20.7% showed an interest in participating in microfinance at a later stage, with an example of a comment reading:

"I will get loan when I meet it later"

Table 22: Microfinance – other comments

Have you ever taken a loan from a micro-finance company?	Frequency	Relative Percentage	Total Percentage
No	236	85.5%	85.5%
Yes	40	14.5%	14.5%
Total	276	100.0%	100.0%
Other Responses	**Frequency**	**Relative Percentage**	**Total Percentage**
Intention to get in future	6	20.7%	2.2%
Companies not reliable/reputable/419	19	65.5%	6.9%
Seen as a set back	1	3.4%	0.4%
No reason	3	10.3%	1.1%
Total	**29**	100.0%	10.5%

5.6.3 *Long term insurance*

Of the 19.9% of respondents that gave other reasons 20.8% gave reasons relating to the integrity of insurance companies and displayed a distinct mistrust in these organisations. An example of a comment was:

"I do not want anything to do with insurance because of the negative stories I have heard about insurance companies"

A further 18.8% of respondents who gave responses outside of the 4As Framework cited reasons related to God and their belief that this was enough to negate the need for life insurance. An example of a comment was:

"I don't have life insurance because God had insured our lives already"

A further 16.7% of these respondents indicated the intention to obtain life insurance in the future, with an example of a comment being:

"I was ignorant at the first time but now I would like to have it"

Table 23: Long term insurance – other comments

Do you have life insurance?	Frequency	Relative Percentage	Total Percentage
No	235	85.1%	85.1%
Yes	41	14.9%	14.9%
Total	276	100.0%	100.0%
Other Responses	**Frequency**	**Relative Percentage**	**Total Percentage**
Intention to get in future	8	16.7%	2.9%
Poor service	1	2.1%	0.4%
Companies not reliable/reputable/419	10	20.8%	3.6%
No reason	3	6.3%	1.1%
God is insurance	9	18.8%	3.3%
People of my status do not have insurance	4	8.3%	1.4%
Do not believe in it	5	10.4%	1.8%
Undecided	1	2.1%	0.4%
I am too young for insurance	2	4.2%	0.7%
Insurance is fraudulent	5	10.4%	1.8%
Total	**48**	100.0%	17.4%

5.6.4 *Short term insurance*

Of the 11.7% of respondents that gave other reasons 22.6% claimed that they did not believe in short term insurance. A further 19.4% indicated the intention to participate in short term insurance in the future, with an example of a comment being:

“One will take later in life”

An additional 12.9% of these respondents felt that insurance was fraudulent, with an example of a comment as follows:

“I believe short term insurance is a fraud”

A further 9.7% indicated that they did not want anything to do with insurance companies, with an example of a comment as follows:

"I do not want to have anything to do with insurance"

Table 24: Short term insurance - other comments

Do you have short term insurance?	**Frequency**	**Relative Percentage**	**Total Percentage**
No	252	91.3%	91.3%
Yes	23	8.3%	8.3%
No Response	1	0.4%	0.4%
Total	276	100.0%	100.0%
Other Responses	**Frequency**	**Relative Percentage**	**Total Percentage**
Future intention	6	19.4%	2.2%
Companies not reputable	5	16.1%	1.8%
No reason	4	12.9%	1.4%
Undecided	1	3.2%	0.4%
Do not believe in it	7	22.6%	2.5%
Fraud	4	12.9%	1.4%
Want nothing to do with insurance	3	9.7%	1.1%
People of my status do not have insurance	1	3.2%	0.4%
Total	**31**	100.0%	11.2%

6 DISCUSSION OF RESULTS

6.1 Perceptions of financial services for consumers at the base of the pyramid

6.1.1 *Participation in financial services*

Consumers at the base of the pyramid appear to have a greater involvement in banking than in any of the other industries studied. Just below 80% of respondents have participated in the banking industry, while only 14.5% participate in the microfinance industry. 14.9% of respondents have long term insurance and 8.3% have short term insurance. This confirms the findings in the EFInA study (2008) that shows that more Nigerians participate in the banking industry than any of the other financial services.

Majority of base of the pyramid consumers only have a bank account and just over 24% of respondents have 2 or more products. It can also be seen that the more financial services products an individual has, the more positive they are towards the services offered by financial service providers.

6.1.2 *4 A's Framework*

Banking should probably be viewed separately from microfinance, long term insurance and short term insurance for affordability, availability, acceptability and loyalty. This may be due to the differences in the number of respondents that have bank accounts compared to those with the other three financial services. Awareness for banks is also greater, with higher scores on banks noted.

a. ***Affordability***

When looking at affordability, there are significant differences in the means between banking and microfinance, long term and short term insurance, between microfinance and long term insurance, as well as between microfinance and short term insurance.

This indicates that banking is perceived as more affordable than that of microfinance, long term and short term insurance. In addition to this, microfinance is perceived as more affordable than long term insurance and short term insurance.

Prahalad (2004) refers to the difficulties in replicating business models from the top of the pyramid and cutting costs for the base of the pyramid consumers. Financial services institutions that attempt to cut costs and therefore prices in this market cannot necessarily maintain their profits. New pricing standards need to be formed in this market, as consumers will base their decision on a price comparison with a local basket of goods (Dawar and Chattopadhyay, 2000). Where financial services are seen to be disproportionately priced, consumers at the base of the pyramid will continue to not participate in these markets. Microfinance, long term and short term insurance need to address the perception of not being affordable to the lower income markets in order to penetrate them more effectively.

b. ***Availability***

The availability factor shows that there are significant differences between banking, microfinance, long term and short term insurance and between microfinance and long term insurance. This indicates that banking, microfinance and long term insurance cannot be viewed similarly when assessing availability.

Banks are seen to be more available to consumers at the base of the pyramid than microfinance institutions, long term and short term insurers. Microfinance institutions are seen to be more available than long term insurers, but not short term insurers, and there is no significant difference in the availability of long and short term insurers.

This confirms that the banking infrastructure reaches more areas than that of microfinance institutions, long term and short term insurers, and that microfinance institutions have better reach than long and short term insurers in the eyes of the base of the pyramid consumers.

According to Prahalad and Hammond (2002) the critical barrier to providing the base of the pyramid with products and services in rural areas, is distribution access. Microfinance institutions, long term and short term insurers all need to focus on becoming more available to base of the pyramid consumers in order to better service this market.

c. ***Acceptability***

When looking at acceptability, there are significant differences in the means between banking and microfinance, long term and short term insurance, between long term and short term insurance and between short term insurance and microfinance.

Banking is seen as having the most products and services that service the base of the pyramid market effectively in Nigeria. Long term insurance and microfinance can be seen to service the market in a similar manner when it comes to acceptability, but short term insurance products are less acceptable to the base of the pyramid market than both microfinance and long term insurance.

According to Anderson (2006), when considering the base of the pyramid consumers, it is important to understand their use for the product or service and how that will affect the consumption. It is also important to consider the cultural acceptability (Anderson and Markides, 2007) and adjustments to the product or service may be necessary to achieve this. Acceptability for microfinance, long and short term insurance products and services should be addressed in order for companies to service this market better.

d. ***Awareness***

Awareness of financial services institutions in Nigeria appears poor from the number of institutions mentioned for microfinance, long term and short term insurance. In contrast to this, the number of banks named was relatively high. This familiarity with banks may be due to the wide distribution of bank branches around the country due to legislation from the Central Bank of Nigeria. In 1997, the Rural Banking Scheme was introduced to ensure that there was a bank branch in each of the 774 Local Government Areas (Woodstock Institute, 2009) and this goal was achieved in 1991.

Anderson and Markides (2007) state that companies in emerging markets often struggle to get the right exposure for their products, and using traditional methods such as television are not as effective as other specifically tailored promotional methods. According to Dawar and Chattopadhyay (2000), consumers need to be encouraged to consume more and non-consumers need to be encouraged to adopt the product. Nigerian financial services providers need to be aware that they may need to vary their promotional tactics and educate consumers at the base of the pyramid through methods that will reach them effectively. Cross promotions with other financial services providers, for example banks and insurers working together, may be an effective way of raising awareness in this market.

6.1.3 *Loyalty*

Loyalty between microfinance, long and short term insurance is not significantly different, although it does differ for banking.

This shows that banking customers are more loyal than those of microfinance institutions, long term and short term insurers.

This may be due to the number of respondents participating in the banking industry when compared with the other industries.

6.1.4 *Summary of findings*

The 4 A's Framework appears to have different relevance per industry in the financial services sector. Financial services cannot be seen as one entity when looking at affordability, availability, acceptability and awareness in Nigeria, but rather needs to be broken up and examined per industry.

Although Anderson (2006) states that the 4 A's Framework can be used to identify hurdles in base of the pyramid marketing, these hurdles are unique for each industry, even within a sector such as financial services. Each hurdle needs to be examined for each financial service to ascertain what is appropriate in that particular market.

6.2 Predictors of loyalty

Respondents who participate in the financial services sector, as well as those who do not can inform the drivers of loyalty in financial services at the base of the pyramid in Nigeria.

Respondents who do not participate in the financial services sector were required to give reasons for their lack of participation. While these respondents were not probed further than their initial answers, their responses were coded to see how they related to the 4 A's Framework. If they did not fit into one of the categories, namely affordability, acceptability, availability or awareness, they were classified as "other". These reasons differ per sector, as discussed below, but do have themes that come through consistently.

Results for all financial services industries showed no significant differences in loyalty between consumers who mentioned a greater number of institutions and those who mentioned fewer institutions, indicating that awareness cannot be identified as a driver of loyalty for any of the four industries.

6.2.1 *Banking*

Loyalty in the banking industry, for respondents that have bank accounts, can best be predicted by acceptability, with this having a score double affordability and availability. Affordability is in the opposite direction, with the lower the affordability score, the higher the loyalty. This means that where a consumer deems a banking product or service worth the fee charged or where a product is available for consumption, they will be loyal to the service provider, but the most important factor for consumers in determining loyalty is whether or not they need the product or service provided by the bank.

Although just under one fifth of the sample do not participate in the banking industry, there was a strong indication that affordability was the main reason for this, with just under half of the respondents stating this as a reason for non-participation. Just under a third of those who do not have a bank account stated reasons of acceptability, showing that products and services provided by the banks are not meeting the needs of the consumer. Less than ten percent of respondents stated reasons related to awareness, while no respondents claimed that products and services were not available.

Very few respondents did not have a bank account and did not cite reasons related to Anderson's 4 A's Framework. Those that did give other reasons, attributed their non-participation to time and being dependent on their parents. Other respondents gave no reason or showed an interest in participating in the future.

This indicates that although bank branches are widespread throughout the region, and consumers do not have problems with getting to a bank, in order to reach out to consumers at the base of the pyramid and make loyal customers out of them, banks need to focus their resources on creating products that service the base of the pyramid. In addition to this, banks should reduce costs of products and services and educate the consumers at the base of the pyramid in order to entice them to participate in the sector.

6.2.2 *Microfinance*

The best predictor of loyalty for respondents in this study that participate in the microfinance sector is availability. Where products are made available to consumers in the base of the pyramid market, the consumers will remain loyal to the service provider.

Nearly 85% of respondents have not participated in the microfinance sector. Over 40% of these respondents gave reasons related to acceptability as the main grounds for not having participated, while only 22% stated reasons related to affordability. Awareness, availability and other reasons made up the remainder of the reasons.

Over 10% of the respondents gave other reasons for not participating in the microfinance sector. Of these, over 65% claimed that microfinance companies are not reputable and cannot be trusted. Some respondents (20%) showed an interest in taking out a loan in the future, and the remainder either gave no reason or said that they saw taking a loan as a set-back.

This indicates that, while pricing of microfinance products is important to consumers, the main reason for consumers at the base of the pyramid not taking up products is due to them not being acceptable to these consumers. Microfinance companies need to focus on ensuring that their products and services meet the needs of the consumer at the base of the pyramid in order to penetrate this market.

In order to keep these individuals as loyal customers, microfinance institutions need to make their products available to base of the pyramid consumers, allowing them easy access.

This also clearly illustrates the need for microfinance companies to improve their reputation. This could be through education, but would need to be predominantly through their actions and ethical practices that can be seen by the consumers at the base of the pyramid. Without trust in the market, microfinance companies will struggle to penetrate the low income markets.

6.2.3 *Long term insurance*

Loyalty for participants in the long term insurance sector can best be predicted by both affordability and acceptability (though affordability is in the opposite direction). This means that where a consumer feels that a long term insurance product is affordable or they need a product or service provided by a long term insurer, they will remain loyal to the long term insurance provider.

Over 80% of respondents did not have life insurance, and just under one third of these respondents stated that affordability was the reason for not participating. This was followed closely by reasons related to awareness at 28.63%, with respondents claiming not to know much about life insurance. Acceptability was the main reason for 17% of respondents for not taking out life insurance. A large number of other reasons were stated as grounds for not taking out life insurance, while only 1.24% of respondents stated reasons relating to availability.

Just below 20% of the respondents gave other reasons for not participating in long term insurance. Of these, one fifth displayed a distinct mistrust for long term insurers and cited reasons related to integrity for not taking out long term insurance. A further 18.75% gave reasons related to a higher being's responsibility for their lives and therefore felt they had no need for long term insurance. Over 16% of these respondents showed an interest in getting long term insurance in the future, while just over 10% claimed to not believe in insurance and a further 10% claimed that insurance was fraudulent.

This indicates a strong need for long term insurers to improve their pricing structures to ensure that they include the base of the pyramid consumers in their target market. Education of base of the pyramid consumers is critical to ensure that they understand the need for long term insurance and products should be adjusted to suit the needs of these consumers. Interestingly long term insurance appears to be sufficiently available and is not a major concern for base of the pyramid consumers not participating in the industry.

The insurance industry also suffers from a poor reputation and needs to educate its customers as well as improve its integrity and ethics to ensure that this perception is not a threat to its ability to service the low income market. In order to penetrate the base of the pyramid market, insurance companies will need to address this issue urgently.

6.2.4 *Short term insurance*

Loyalty for participants in the short term insurance sector is best predicted by acceptability. This means that short term insurance providers will have loyal customers if they have products or services that meet the base of the pyramid consumers' needs.

Short term insurance is the sector where base of the pyramid consumers are least represented with just below 90% of the respondents not participating in this sector. Over a third of these respondents claim that acceptability is the main reason for them not participating. This is followed by awareness at 28%, and just under 20% stating that affordability is the reason for not having short term insurance. Other reasons made up 11.74%, while only 1.24% stated availability as the main reason.

Reasons other than those relating to the 4 A's made up 11.74% of reasons given by non-participants in the short term insurance market.

Of these, 22.58% claimed that they did not believe in short term insurance, while just below 20% showed an interest in taking out short term insurance in the future. Just over 12% of respondents felt that insurance is fraudulent, while 9.68% indicated that they want nothing to do with insurance companies.

This indicates that products and services in this sector do not suit consumers at the base of the pyramid. Short term insurers have to work to find alternative products and services that will best service the lower income markets if they wish to penetrate this market. Awareness is also a large problem for short term insurers and it is their responsibility to educate consumers at the base of the pyramid in terms of the benefits that they can offer. Affordability is also an issue, indicating that pricing should be acceptable to the consumers at the base of the pyramid before penetration in this market will be successful.

Short term insurance also suffers from a poor reputation in the base of the pyramid market, with many not believing in insurance and others feeling that it is fraudulent and that they want nothing to do with these companies. In order to penetrate these markets, it would be necessary for short term insurance companies to educate their clients on the benefits of short term insurance and show through their actions that they are reputable and not fraudulent. Trust once again comes into play if short term insurers want to successfully offer services to lower income markets.

6.2.5 *Summary of findings*

Acceptability, which is the willingness of the person to consume the product or service, is clearly the most important driver of loyalty in the financial services industry as a whole. Loyalty is determined by two measures, whether or not a consumer is satisfied with their financial service provider and whether they would recommend their financial service provider to friends and family.

This shows that although affordability and availability are important factors of loyalty, the most significant driver is whether or not a consumer needs a product or service. Results for awareness of financial services institutions as a driver of loyalty were inconclusive and this is possibly an area of focus for future research.

This indicates a real need for financial service providers to understand what their customers need and want in financial service products and services and to provide this as a priority.

Wood *et al* (2008) indicate that the specific function of the product should be relevant to the poor and that the product or service should tie into the individual's identity and sense of self. This is a possible area of focus for firms targeting the base of the pyramid market to ensure acceptability of their product or service.

Although this formed a small sample, respondents in the banking section felt that affordability was the main reason for non-participation. Non-participation in microfinance had respondents indicating that acceptability was most relevant, while affordability played a significant role. Long term insurance respondents felt that affordability was the main reason for their non-participation, with awareness being a close second. Short term insurance is not taken up predominantly due to reasons of acceptability, though awareness also plays a role.

In general, affordability, acceptability and awareness are all factors in the reasons for base of the pyramid consumers not taking out financial services. Availability appears to be the least problematic as very few respondents cite this as an issue.

Other than the interest in participating in financial services in the future, the most common theme that comes through in the other reasons is one related to trust. Base of the pyramid consumers appear to have a deep mistrust of financial institutions and feel that not only are they fraudulent and may be related to the notorious Nigerian 419 scams, but they want no dealings with such institutions.

This reputation that financial services providers have needs to be addressed should they wish to participate in this market, and this can be done through education as well as through ethical practices that are visible to the market.

7 CONCLUSION

Nigeria has a vast population, with a large portion of these individuals falling into the base of the pyramid. Access to financial services is limited and is further disabled by a lack of infrastructure, particularly in the rural areas. Financial literacy in Nigeria is also low, and with remittances increasing in this sector, it is critical for market players to better understand these challenges and address them.

The Central Bank of Nigeria has outlined the Nigerian Financial System Strategy 2020 to strengthen the domestic financial services market, to enhance integration with external financial markets and to build an international financial centre for Africa. In order to achieve this, the financial services sector needs to address the current shortcomings in the sector.

Anderson (2006) suggested the 4 A's Framework for identifying challenges at the base of the pyramid. This study looked at the 4 A's, namely affordability, acceptability, availability and awareness in the Nigerian base of the pyramid market.

Each industry assessed in this study within the financial services sector should be examined independently for the base of the pyramid consumers. Banking, microfinance, short and long term insurance all differ in terms of the 4 A's Framework and the factors that are most important in each of these are not consistent.

Banks play the most dominant role in the base of the pyramid market in Nigeria, with most consumers who do participate in financial services having a bank account. The remainder of the financial services feature significantly less in the same market and the reasons for this can largely be attributed to challenges faced by companies related to Anderson's 4 A's Framework of affordability, acceptability, availability and awareness.

7.1 Financial services in Nigeria

7.1.1 *Loyalty in Financial Services*

Loyalty in the financial services sector for base of the pyramid consumers in Nigeria can largely be determined by acceptability. If a product or service meets a client's needs, then they are more likely to be loyal towards the company providing the product or service.

Affordability is also important in loyalty for base of the pyramid consumers in Nigeria, but in the opposite direction. The more affordable a product or service is, the more loyal a base of the pyramid customer is.

From this study, it can be seen that the more financial services products a consumer has, the more positive they are about the sector in general. This can be seen as a possible strategy for penetration into this market for insurers and microfinance institutions, as by targeting consumers that already participate in another financial service, they can increase the likelihood that they will become a customer.

7.1.2 *4 A's Framework*

Affordability, acceptability, availability and awareness are all relevant in the base of the pyramid market, though in varying degrees for different financial services.

Non-participation in this sector is predominantly due to affordability in banking and long term insurance and acceptability in microfinance and short term insurance.

There are other factors that influence the participation in financial services of low income consumers. The main reason for non-participation outside of the 4 A's Framework is trust in financial service providers.

7.2 Recommendations to financial services stakeholders

7.2.1 *Banking*

Banking executives should focus their efforts to reach the base of the pyramid market on affordability. By ensuring that products and services are within an acceptable price range for these consumers, they will be able to capture more of this market. Specific products and services with simpler benefits would be appropriate to entice new customers. Once they are participating in the banking industry, they could be offered additional products and services to meet their growing needs.

7.2.2 *Microfinance*

Microfinance executives need to focus their resources on creating products and services that are needed by the base of the pyramid consumers. With products that are acceptable to this market, they will be more successful in penetrating it. In addition to this, these products need to be more affordable for the base of the pyramid consumer and perhaps innovative approaches to the design of these products would prove beneficial to the consumer and company alike.

Microfinance companies also need to look into their distribution channels and extend their reach into other regions. They will benefit from making branches more accessible to base of the pyramid consumers.

Microfinance companies would be at an advantage marketing to consumers at the base of the pyramid who already have a bank account, as these are the individuals who are more likely to be positive about the sector in general and more receptive to additional products.

7.2.3 *Long term Insurance*

Long term insurance executives should also target base of the pyramid consumers who have other financial services products. Long term insurers need to focus on creating products and services that meet the needs of their customers. Many base of the pyramid consumers do not see the value of life insurance and this needs to be overcome with a specific focus on product design to create benefits that are meaningful in this market. In addition to this, education of base of the pyramid consumers regarding life insurance is essential to create an awareness of the benefits of long term insurance.

The most common channel currently used in Nigeria for long term insurance is the broker channel and in order to extend the distribution of products and services to reach base of the pyramid customers, companies will need to move beyond this method.

7.2.4 *Short Term Insurance*

Short term insurance executives should tailor their products and services to suit base of the pyramid consumers. Products that meet the needs of low income consumers will be more acceptable to them and encourage them to participate in this industry.

In addition to this, short term insurers need to educate consumers about the benefits of short term insurance and make it relevant to them before they will embrace the need for short term insurance. Due to a poor reputation of short term insurers in Nigeria, companies will have to focus on behaving in a reputable manner, particularly when it comes to claims payments, as well as making this visible to potential clients in this market.

Lastly, short term insurers should first target customers who have other financial services products, as these individuals will be more likely to be positive about the industry than those without any experience in the industry.

7.2.5 *Financial Services Industry Bodies*

The financial services industry bodies need to find ways to boost the image of the sector with base of the pyramid consumers with specific reference to reputation. Finding ways to effectively enforce the current legislation so as to protect consumers as well as industry players will assist the financial services sector's reputation.

Authorities could also create an environment within financial services that is more conducive to companies profiting from providing low cost services to low income groups. This could be done through reducing some of the legislative burdens, thereby lowering costs of the companies.

Industry bodies should also focus on nationwide campaigns to support the awareness drives within the industries.

7.3 Future Research

Additional research in this area could focus on a larger and more widespread sample of consumers at the base of the pyramid in Nigeria. This may give an indication of behaviour and perceptions outside metropolitan areas, which may differ significantly from the behaviour and perceptions in this study.

Additional questions on each of the 4 A factors would be useful to ensure more reliable results, particularly for affordability and awareness. Additional questions would also allow the researcher to gain a more comprehensive understanding of the views and perceptions of base of the pyramid consumers.

In addition to this, further probing on questions regarding non-participation in financial services would be beneficial in a study on the 4 A's Framework to identify if majority of the other reasons given for not participating could in fact fit into this framework. Interviewers could be further trained to probe respondents for more comprehensive responses.

This study could also be contrasted with studies from other countries that have large populations at the base of the pyramid, to identify if a trend per financial services industry could be established. This could further assist specific companies target base of the pyramid markets for their industry by focusing on the critical elements of the 4 A's Framework to ensure that penetration into these markets is maximised.

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APPENDIX A: QUESTIONNAIRE

Informed Consent

Title of Research: Providing Financial Services to the Base of the Pyramid in Nigeria

Investigator: Nicole Robertson

Before agreeing to take part in this study, it is important that you read the explanation of this study. This describes the purpose, procedures, and confidentiality of the study. No guarantees can be made as to the results of the study.

Explanation of Procedures

You are being asked to participate in a research project to investigate the attitudes and perceptions of Nigerians towards Financial Services.

You will be asked to answer a series of questions, facilitated by an interviewer, who will then record these and return them to the researcher.

Confidentiality

Your identity will remain confidential and all information will be reported anonymously in aggregate form.

Questions

Any questions concerning the research project can be directed to Nicole Robertson at 18 Oba Akran Road, Ikeja, Lagos.

Agreement

This agreement states that you have received a copy of this informed consent. Your signature below indicates that you agree to participate in this study.

______________________	________________
Signature of Subject	Date
____________________________	________________
Subject name (printed)	ID Type and Number
______________________	________________
Signature of Researcher	Date

Section A: All respondents: Please circle the most appropriate response

1. Gender
   a. Male b. Female
2. Age group
   a. 18 – 25
   b. 26 – 35
   c. 36 – 45
   d. 46 – 55
   e. 56 - 65
   f. 65 +
3. Income per month
   a. 0 - N5000
   b. N5,001 - N10,000
   c. N10,001 – N20,000
   d. N20,001 – N 50,000
   e. N50,001 +

Financial Services Experiences:

A. Banking Services:

1. Do you have a bank account?

   ○ Yes ○ No

2. If yes, what type of bank account do you have?
   a. Savings account
   b. Current/Cheque account
   c. Salary account
   d. Other (Please specify ______________________________)

3. If yes
   a. Which banks are you aware of? Please list below

____

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b. Please rate the following:

		1. Totally Disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
i.	Banking fees are reasonably priced					
ii.	Bank accounts are only for rich people					
iii.	Banks steal your money					
iv.	There is a bank branch close to where I work/live					
v.	Bank branches are easy to get to					
vi.	Bank branches are located in convenient places					
vii.	A bank account is something I want					
viii.	Everyone should have a bank account					
ix.	Bank accounts are useful to have					
x.	I am satisfied with my bank					
xi.	I would recommend my bank to my friends and family					

4. If No, why do you not have a bank account?

____

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B. Micro-finance

1. Have you ever taken a loan from a micro-finance company?

   ○ Yes ○ No

2. If yes, what was the payback period of loan taken out?
   a. 0-3 months
   b. 4-6 months
   c. 6+ months

3. If yes
   a. Which micro-finance companies are you aware of? Please list below

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b. Please rate the following:

		1. Totally Disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
i.	Micro-finance fees are reasonably priced					
ii.	Loans are only for rich people					
iii.	Micro-finance companies steal your money					
iv.	There is a micro-finance branch close to where I work/live					
v.	Micro-finance branches are easy to get to					
vi.	Micro-finance branches are located in convenient places					
vii.	A loan is something I want					
viii.	Everyone should have a loan					
ix.	Loans are useful to have					
x.	I am satisfied with my micro-finance company					
xi.	I would recommend my micro-finance company to my friends and family					

4. If No, why do you not have micro-finance/ a loan?

____

C. Life insurance

1. Do you have life insurance?

   ○ Yes ○ No

2. If yes, what type of life insurance do you have?
   a. Life cover
   b. Funeral cover
   c. Investment plan
   d. Education cover
   e. Retirement Annuity

3. If yes
   a. Which life insurance companies are you aware of? Please list below

____

b. Please rate the following:

		1. Totally Disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
i.	Life insurance is reasonably priced					
ii.	Life insurance is only for rich people					
iii.	Life insurance companies steal your money					
iv.	There is a life insurance branch close to where I work/live					
v.	Life insurance branches are easy to get to					
vi.	Life insurance branches are located in convenient places					
vii.	Life insurance is something I want					
viii.	Everyone should have life insurance					
ix.	Life insurance is useful to have					
x.	I am satisfied with my Life insurance company					
xi.	I would recommend my Life insurance company to my friends and family					

4. If No, why do you not have life insurance?

____

D. Short Term Insurance

1. Do you have any short term insurance (car/household insurance)?

   ○ Yes ○ No

2. If yes, what type of short term insurance do you have?
   a. Car insurance
   b. Household insurance
   c. Medical cover
   d. Personal accident cover
3. If yes
   a. Which short term insurance companies are you aware of? Please list below

b. Please rate the following:

		1. Totally Disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
i.	Short term insurance is reasonably priced					
ii.	Short term insurance is only for rich people					
iii.	Short term insurance companies steal your money					
iv.	There is a short term insurance branch close to where I work/live					
v.	Short term insurance branches are easy to get to					
vi.	Short term insurance branches are located in convenient places					
vii.	Short term insurance is something I want					
viii.	Everyone should have short term insurance					
ix.	Short term insurance is useful to have					
x.	I am satisfied with my short term insurance company					
xi.	I would recommend my short term insurance company to my friends and family					

4. If No, why do you not have short term insurance?

Glossary of terms for interviewers to explain:

1. Microfinance companies – institutions that lend out small sums of money to individuals
2. Loan – a small sum of money that is repaid monthly
3. Long term/Life Insurance – insurance that pays out once you pass away to support your family when you no longer can
4. Short term insurance – insurance on cars/household goods that will replace goods to the same value in the event of damage, theft or fire.

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APPENDIX B: RELIABILITY ANALYSIS

Table 1: Banking Affordability Reliability including question one

	A3b_1: Banking fees are reasonably priced	A3b_2: Bank accounts are only for rich people	A3b_3: Banks steal your money
A3b_1: Banking fees are reasonably priced	1.000	-0.153	-0.190
A3b_2: Bank accounts are only for rich people	-0.153	1.000	0.533
A3b_3: Banks steal your money	-0.190	0.533	1.000

Summary for scale: Mean=6.90909 Std.Dv.=2.61308 Valid N:264 (Data - input (B2:KP302))
Cronbach alpha: .558994 Standardized alpha: .553358
Average inter-item corr.: .304020

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
rA3b_1	4.276515	4.548539	2.132730	0.195949	0.695513
A3b_2: Bank accounts are only for rich people	4.931818	3.275655	1.809877	0.451654	0.319282
A3b_3: Banks steal your money	4.609848	3.245509	1.801530	0.484752	0.265147

Table 2: Banking Affordability Reliability excluding question one

rA3b_1	1.000	0.153	0.190
A3b_2: Bank accounts are only for rich people	0.153	1.000	0.533
A3b_3: Banks steal your money	0.190	0.533	1.000

Summary for scale: Mean=4.27444 Std.Dv.=2.13061 Valid N:266 (Data - input2 (B2:KP302))
Cronbach alpha: .689749 Standardized alpha: .689835
Average inter-item corr.: .526526

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
A3b_2: Bank accounts are only for rich people	2.304511	1.452386	1.205150	0.526526	
A3b_3: Banks steal your money	1.969925	1.510374	1.228973	0.526526	

Affordability factor = average(A3b_2, A3b_3)

Table 3: Banking Availability Reliability

A3b_4: There is a bank branch close to where I work/live	1.000	0.614	0.552
A3b_5: Bank branches are easy to get to	0.614	1.000	0.702
A3b_6: Bank branches are located in convenient places	0.552	0.702	1.000

Summary for scale: Mean=11.9480 Std.Dv.=2.59540 Valid N:269 (Data - input (B2:KP302))
Cronbach alpha: .829658 Standardized alpha: .831972
Average inter-item corr.: .626727

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
A3b_4: There is a bank branch close to where I work/live	7.940520	3.193488	1.787033	0.632433	0.824791
A3b_5: Bank branches are easy to get to	7.940520	3.148879	1.774508	0.743952	0.708974
A3b_6: Bank branches are located in convenient places	8.014870	3.367809	1.835159	0.694947	0.759366

Availability factor = average(A3b_4, A3b_5, A3b_6)

Table 4: Banking Acceptability Reliability

A3b_7: A bank account is something I want	1.000	0.683	0.716
A3b_8: Everyone should have a bank account	0.683	1.000	0.700
A3b_9: Bank accounts are useful to have	0.716	0.700	1.000

Summary for scale: Mean=12.2809 Std.Dv.=2.69219 Valid N:267 (Data - input (B2:KP302))
Cronbach alpha: .872997 Standardized alpha: .874801
Average inter-item corr.: .699862

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
A3b_7: A bank account is something I want	8.138577	3.385291	1.839916	0.756956	0.81999 2
A3b_8: Everyone should have a bank account	8.288389	3.246420	1.801782	0.746336	0.83272 1
A3b_9: Bank accounts are useful to have	8.134831	3.607289	1.899286	0.771557	0.81102 8

Acceptability factor = average(A3b_7, A3b_8, A3b_9)

Table 5: Banking Loyalty Reliability

A3b_10: I am satisfied with my bank	1.000	0.794
A3b_11: I would recommend my bank to my friends and family	0.794	1.000

Summary for scale: Mean=7.57664 Std.Dv.=1.91666 Valid N:274 (Data - input (B2:KP302))
Cronbach alpha: .884567 Standardized alpha: .884864
Average inter-item corr.: .793503

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
A3b_10: I am satisfied with my bank	3.773723	0.985295	0.992620	0.793503	
A3b_11: I would recommend my bank to my friends and family	3.802920	1.056050	1.027643	0.793503	

Loyalty factor = average(A3b_10, A3b_11)

Table 6: Microfinance Affordability Reliability

rB3b_1	1.000	-0.151	0.190
B3b_2: Loans are only for rich people	-0.151	1.000	0.431
B3b_3: Micro-finance companies steal your money	0.190	0.431	1.000

Summary for scale: Mean=5.45313 Std.Dv.=2.03578 Valid N:192 (Data - input (B2:KP302))
Cronbach alpha: .589487 Standardized alpha: .604033
Average inter-item corr.: .432699

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
B3b_2: Loans are only for rich people	2.718750	1.077149	1.037858	0.432699	
B3b_3: Micro-finance companies steal your money	2.734375	1.830485	1.352954	0.432699	

Affordability factor = average(B3b_2, B3b_3)

Table 7: Microfinance Availability Reliability

B3b_4: There is a micro-finance branch close to where I work/live	1.000	0.718	0.643
B3b_5: Micro-finance branches are easy to get to	0.718	1.000	0.753
B3b_6: Micro-finance branches are located in convenient places	0.643	0.753	1.000

Summary for scale: Mean=8.72917 Std.Dv.=3.21312 Valid N:192 (Data - input (B2:KP302))
Cronbach alpha: .877295 Standardized alpha: .877430
Average inter-item corr.: .707550

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
B3b_4: There is a micro-finance branch close to where I work/live	5.723958	4.908175	2.215440	0.727331	0.859005
B3b_5: Micro-finance branches are easy to get to	5.880208	4.636692	2.153298	0.811143	0.782369
B3b_6: Micro-finance branches are located in convenient places	5.854167	4.989150	2.233640	0.752976	0.835777

Availability factor = average(B3b_4, B3b_5, B3b_6)

Table 8: Microfinance Acceptability Reliability

B3b_7: A loan is something I want	1.000	0.651	0.635
B3b_8: Everyone should have a loan	0.651	1.000	0.615
B3b_9: Loans are useful to have	0.635	0.615	1.000

Summary for scale: Mean=10.5183 Std.Dv.=2.82813 Valid N:191 (Data - input (B2:KP302))
Cronbach alpha: .833263 Standardized alpha: .838504
Average inter-item corr.: .634034

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
B3b_7: A loan is something I want	6.979058	3.360818	1.833253	0.716190	0.753634
B3b_8: Everyone should have a loan	7.324607	3.716619	1.927854	0.701413	0.761318
B3b_9: Loans are useful to have	6.732984	4.415614	2.101336	0.688068	0.787530

Acceptability factor = average(B3b_7, B3b_8, B3b_9)

Table 9: Microfinance Loyalty Reliability

B3b_10: I am satisfied with my micro-finance company	1.000	0.792
B3b_11: I would recommend my micro-finance company to my friends and family	0.792	1.000

Summary for scale: Mean=6.13198 Std.Dv.=1.02162 Valid N:197 (Data - input (B2:KP302))
Cronbach alpha: .883573 Standardized alpha: .883768
Average inter-item corr.: .791742

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
B3b_10: I am satisfied with my micro-finance company	3.081218	0.297972	0.545868	0.791742	
B3b_11: I would recommend my micro-finance company to my friends and family	3.050761	0.281687	0.530742	0.791742	

Loyalty factor = average(B3b_10, B3b_11)

Table 10: Long term insurance Affordability Reliability

rC3b_1	1.000	0.021	0.031
C3b_2: Life insurance is only for rich people	0.021	1.000	0.522
C3b_3: Life insurance companies steal your money	0.031	0.522	1.000

Summary for scale: Mean=5.96985 Std.Dv.=1.97946 Valid N:199 (Data - input (B2:KP302))
Cronbach alpha: .666347 Standardized alpha: .686265
Average inter-item corr.: .522377

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
C3b_2: Life insurance is only for rich people	2.904523	0.920532	0.959444	0.522377	
C3b_3: Life insurance companies steal your money	3.065327	1.679150	1.295820	0.522377	

Affordability factor = average(C3b_2, C3b_3)

Table 11: Long term insurance Availability Reliability

C3b_4: There is a life insurance branch close to where I work/live	1.000	0.572	0.543
C3b_5: Life insurance branches are easy to get to	0.572	1.000	0.753
C3b_6: Life insurance branches are located in convenient places	0.543	0.753	1.000

Summary for scale: Mean=7.76238 Std.Dv.=2.63972 Valid N:202 (Data - input (B2:KP302))
Cronbach alpha: .827206 Standardized alpha: .831927
Average inter-item corr.: .632908

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
C3b_4: There is a life insurance branch close to where I work/live	5.128713	3.359671	1.832940	0.594875	0.858573
C3b_5: Life insurance branches are easy to get to	5.202971	3.389496	1.841058	0.750043	0.701811
C3b_6: Life insurance branches are located in convenient places	5.193069	3.294407	1.815050	0.722224	0.723675

Availability factor = average(C3b_4, C3b_5, C3b_6)

Table 12: Long term insurance Acceptability Reliability

C3b_7: Life insurance is something I want	1.000	0.747	0.692
C3b_8: Everyone should have life insurance	0.747	1.000	0.718
C3b_9: Life insurance is useful to have	0.692	0.718	1.000

Summary for scale: Mean=11.0558 Std.Dv.=2.55190 Valid N:197 (Data - input (B2:KP302))
Cronbach alpha: .884640 Standardized alpha: .884691
Average inter-item corr.: .719664

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
C3b_7: Life insurance is something I want	7.446701	3.039037	1.743284	0.776887	0.835055
C3b_8: Everyone should have life insurance	7.350254	2.907779	1.705221	0.796741	0.817454
C3b_9: Life insurance is useful to have	7.314721	3.190291	1.786139	0.754406	0.854941

Acceptability factor = average(C3b_7, C3b_8, C3b_9)

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Table 13: Long term insurance Loyalty Reliability

C3b_10: I am satisfied with my Life insurance company	1.000	0.612
C3b_11: I would recommend my Life insurance company to my friends and family	0.612	1.000

Summary for scale: Mean=6.25248 Std.Dv.=1.02244 Valid N:202 (Data - input (B2:KP302))
Cronbach alpha: .757875 Standardized alpha: .759335
Average inter-item corr.: .612039

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
C3b_10: I am satisfied with my Life insurance company	3.138614	0.297618	0.545544	0.612039	
C3b_11: I would recommend my Life insurance company to my friends and family	3.113861	0.348422	0.590273	0.612039	

Loyalty factor = average(C3b_10, C3b_11)

Table 14: Short term insurance Affordability Reliability

rD3b_1	1.000	0.071	0.050
D3b_2: Short term insurance is only for rich people	0.071	1.000	0.448
D3b_3: Short term insurance companies steal your money	0.050	0.448	1.000

Summary for scale: Mean=6.07853 Std.Dv.=1.81198 Valid N:191 (Data - input (B2:KP302))
Cronbach alpha: .598775 Standardized alpha: .618652
Average inter-item corr.: .447861

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
D3b_2: Short term insurance is only for rich people	2.900524	0.801623	0.895334	0.447861	
D3b_3: Short term insurance companies steal your money	3.178010	1.486637	1.219277	0.447861	

Affordability factor = average(D3b_2, D3b_3)

Table 15: Short term insurance Availability Reliability

D3b_4: There is a short term insurance branch close to where I work/live	1.000	0.785	0.649
D3b_5: Short term insurance branches are easy to get to	0.785	1.000	0.778
D3b_6: Short term insurance branches are located in convenient places	0.649	0.778	1.000

Summary for scale: Mean=7.79167 Std.Dv.=2.67396 Valid N:192 (Data - input (B2:KP302))
Cronbach alpha: .891918 Standardized alpha: .893944
Average inter-item corr.: .743343

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
D3b_4: There is a short term insurance branch close to where I work/live	5.177083	3.187392	1.785327	0.759970	0.875302
D3b_5: Short term insurance branches are easy to get to	5.250000	3.291667	1.814295	0.861177	0.784942
D3b_6: Short term insurance branches are located in convenient places	5.156250	3.517252	1.875434	0.751433	0.877125

Availability factor = average(D3b_4, D3b_5, D3b_6)

Table 16: Short term insurance Acceptability Reliability

D3b_7: Short term insurance is something I want	1.000	0.621	0.539
D3b_8: Everyone should have short term insurance	0.621	1.000	0.527
D3b_9: Short term insurance is useful to have	0.539	0.527	1.000

Summary for scale: Mean=9.94652 Std.Dv.=2.17694 Valid N:187 (Data - input (B2:KP302))
Cronbach alpha: .791378 Standardized alpha: .794134
Average inter-item corr.: .564018

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
D3b_7: Short term insurance is something I want	6.631016	1.976150	1.405756	0.664829	0.690090
D3b_8: Everyone should have short term insurance	6.716578	2.363522	1.537375	0.658948	0.690865
D3b_9: Short term insurance is useful to have	6.545455	2.600875	1.612723	0.592560	0.760198

Acceptability factor = average(D3b_7, D3b_8, D3b_9)

Table 17: Short term insurance Loyalty Reliability

D3b_10: I am satisfied with my short term insurance company	1.000	0.615
D3b_11: I would recommend my short term insurance company to my friends and family	0.615	1.000

Summary for scale: Mean=6.12953 Std.Dv.=.783162 Valid N:193 (Data - input (B2:KP302))
Cronbach alpha: .753784 Standardized alpha: .761441
Average inter-item corr.: .614779

	Mean if	Var. if	StDv. if	Itm-Totl	Alpha if
D3b_10: I am satisfied with my short term insurance company	3.067358	0.156085	0.395076	0.614780	
D3b_11: I would recommend my short term insurance company to my friends and family	3.062176	0.224113	0.473406	0.614780	

Loyalty factor = average(D3b_10, D3b_11)

APPENDIX C: RANKING OF FINANCIAL SERVICES INSTITUTIONS

Table 18: Ranking of Bank Brands

Bank	***Score***	***Rank***
GT Bank	29.5	***1***
First Bank	23.9	***2***
Oceanic Bank	21.4	***3***
UBA	20.7	***4***
Diamond Bank	11.6	***5***
Zenith Bank	11.5	***6***
Union Bank	9.7	***7***
Wema Bank	8.9	***8***
Bank PHB	8.6	***9***
Skye Bank	7.5	***10***
Echobank	5.3	***11***
FinBank	4.0	***12***
FCMB	3.5	***13***
Unity Bank	3.2	***14***
Fidelity Bank	2.9	***15***
Stanbic IBTC	2.7	***16***
Afribank	1.9	***17***
Spring Bank	1.7	***18***
Access Bank	1.3	***19***
Sterling Bank	0.9	***20***
ETB	0.0	***21***
First Inland Bank	0.0	***21***
Intercontinental Bank	0.0	***21***
Nigeria International Bank (Citibank)	0.0	***21***
Standard Chartered Bank	0.0	***21***

Table 19: Ranking of Microfinance Institution Brands

Institution	***Score***	***Rank***
Olive Microfinance	6.8	***1***
AB Microfinance Bank Limited	2.9	***2***
UBA Microfinance bank	2.4	***3***
Ominic	2.3	***4***
Seedfield Microfinance bank	1.3	***5***
King	1.1	***6***
MIC	1.1	***7***
IMFB (Integrated)	1.0	***8***
Hazonwao MF	0.9	***9***

Trust	0.8	***10***
Firstcall	0.7	***11***
Seed capital	0.7	***11***
Field bold Microfinance	0.7	***13***
Cityserve	0.6	***14***
Forty	0.6	***14***
Petra	0.5	***16***
Accion	0.4	***17***
Ohha	0.4	***17***
Regency	0.4	***17***
Alimosho Community Bank	0.3	***20***
Anara microfinance company	0.3	***20***
Apple	0.3	***20***
Coral	0.3	***20***
Newlife	0.3	***20***
Platinum	0.3	***20***
Reliance	0.3	***20***
Traders	0.3	***20***
Unic	0.3	***20***
Unity	0.3	***20***
Obit	0.3	***20***
Chanelle	0.3	***31***
Excel microfinance bank	0.3	***31***
Gapbridge	0.3	***31***
Highstreet	0.3	***31***
Hommies MF bank	0.3	***31***
Integrity	0.3	***31***
Jubilee	0.3	***31***
Obosi microfinance company	0.3	***31***
Pearly	0.3	***31***
Susa	0.3	***31***
Redeemed	0.3	***31***
Blue intercontinental	0.2	***42***
Good neighbours	0.2	***42***
Haggai	0.2	***42***
Onitsha microfinance company	0.2	***42***
Onmies MF bank	0.2	***42***
Success	0.2	***42***
Uromi community bank	0.2	***42***
City sencer	0.1	***49***
Suburban	0.1	***49***
Metropolitan	0.1	***49***
Strong Assert	0.1	***52***
Sunshine	0.1	***52***

Table 20: Ranking of Long Term Insurance Brands

Institution	***Score***	***Rank***
Leadway	3.8	***1***
AIICO	3.6	***2***
Cornerstone	2.7	***3***
Mutual Benefit	2.5	***4***
Niger Insurance	1.9	***5***
NICON	1.8	***6***
ADIC	1.8	***6***
IGI	1.5	***8***
GT Assurance	1.2	***9***
UBA	1.2	***9***
Standard Alliance	1.1	***11***
Spring life	0.9	***12***
Unic	0.7	***13***
Linkage	0.7	***13***
Lasaco	0.7	***15***
IBTC Pension Fund	0.7	***15***
Crusader	0.6	***17***
AIG	0.6	***17***
Royal Exchange	0.6	***17***
GoldLink	0.5	***20***
Seedweed	0.3	***21***
IPSA Insurance company	0.3	***21***
WAPIC	0.3	***21***
Hycon	0.3	***21***
Capital Express	0.3	***21***
Diamond	0.3	***26***
Equity	0.3	***26***
Metropolitan	0.3	***26***
Fidelity	0.2	***29***
Guinea	0.2	***29***
PHB	0.2	***29***
Universal	0.1	***32***
Great Nigerian	0.1	***32***
Pensure	0.1	***32***
Zenith	0.0	***35***

Table 21: Ranking of Short term insurance Brands

Institution	***Score***	***Rank***
Leadway	1.9	***1***
AIICO	1.3	***2***
NICON	1.3	***3***
IGI	1.2	***4***
Niger	1.0	***5***
Unic	1.0	***5***
Cornerstone	0.9	***7***
Linkage	0.9	***8***
Multishield	0.7	***9***
Crusader	0.3	***10***
Lasaco	0.3	***10***
HMO	0.3	***10***
Continental	0.3	***10***
Steel insurance	0.3	***10***
Royal Exchange	0.3	***10***
Mutual Benefit	0.3	***16***
Lend	0.3	***16***
Miami Nigeria limited	0.3	***16***
Mino	0.3	***16***
Habib	0.3	***16***
PHB	0.3	***16***
Guinea	0.2	***22***
AIG	0.1	***23***
Custodian and Allied	0.1	***23***

APPENDIX D: REGRESSION ANALYSIS

Table 22: Banking Regression

Summary Statistics; DV: A3_Loyalty (Data - input2 (B2:KP302))

	Value
Multiple R	0.57877
Multiple R^2	***0.33497***
Adjusted R^2	0.32680
F(3,269)	40.96753
p	0.00000
Std.Err. of Estimate	0.78654

Regression Summary for Dependent Variable: A3_Loyalty (Data)
R= .57876881 R^2= .33497334 Adjusted R^2= .32679678
F(3,244)=40.968 p<0.0000 Std.Error of estimate: .78654
Include condition: [Income per month] = 1 or [Income per month] = 2 or[Income per month] = 3

	Beta	Std.Err.	B	Std.Err.	t(244)	p-level
Intercept			1.512766	0.329466	4.59157	0.000007
A3_Affordability	-0.129078	0.054712	-0.133446	0.056564	-2.35921	0.01910
A3_Proximity	0.161336	0.062065	0.183568	0.070617	2.59949	0.00991
A3_Desire	0.425425	0.064507	0.445015	0.067477	6.59506	0.00000

Table 23: Microfinance Regression

Summary Statistics; DV: B3_Loyalty (Data - input2 (B2:KP302))

	Value
Multiple R	0.21455
Multiple R^2	***0.04603***
Adjusted R^2	0.03022
F(3,194)	2.91118
p	0.03587
Std.Err. of Estimate	0.48105

Regression Summary for Dependent Variable: B3_Loyalty (Data)
R= .21454716 R^2= .04603049 Adjusted R^2= .03021884
F(3,181)=2.9112 p<.03587 Std.Error of estimate: .48105
Include condition: [Income per month] = 1 or [Income per month] = 2 or[Income per month] = 3

	Beta	Std.Err.	B	Std.Err.	t(181)	p-level
Intercept			2.695384	0.216561	12.44628	0.000000
B3_Affordability	-0.014662	0.076029	-0.007075	0.036688	-0.19285	0.84729
B3_Proximity	0.183319	0.073954	0.084323	0.034017	2.47882	0.01410
B3_Desire	0.084020	0.075347	0.042970	0.038535	1.11510	0.26629

Table 24: Long Term Insurance Regression

Summary Statistics; DV: C3_Loyalty (Data - input2 (B2:KP302))

	Value
Multiple R	0.49599
Multiple R^2	***0.24600***
Adjusted R^2	0.23371
F(3,200)	20.01104
p	0.00000
Std.Err. of Estimate	0.44059

Regression Summary for Dependent Variable: C3_Loyalty (Data)
R= .49598785 R^2= .24600395 Adjusted R^2= .23371053
F(3,184)=20.011 p<.00000 Std.Error of estimate: .44059
Include condition: [Income per month] = 1 or [Income per month] = 2 or[Income per month] = 3

	Beta	Std.Err.	B	Std.Err.	t(200)	p-level
Intercept			2.900125	0.209324	13.85473	0.000000
C3_Affordability	-0.329406	0.065447	-0.172266	0.034226	-5.03317	0.00000
C3_Proximity	0.014178	0.065444	0.008472	0.039105	0.21664	0.82873
C3_Desire	0.333738	0.064617	0.194092	0.037579	5.16488	0.00000

Table 25: Short Term Insurance Regression

Summary Statistics; DV: D3_Loyalty (Data - input2 (B2:KP302))

	Value
Multiple R	0.38942
Multiple R^2	***0.15165***
Adjusted R^2	0.13727
F(3,190)	10.54676
p	0.00000
Std.Err. of Estimate	0.30463

Regression Summary for Dependent Variable: D3_Loyalty (Data)
R= .38942249 R^2= .15164988 Adjusted R^2= .13727106
F(3,177)=10.547 p<.00000 Std.Error of estimate: .30463
Include condition: [Income per month] = 1 or [Income per month] = 2 or[Income per month] = 3

	Beta	Std.Err.	B	Std.Err.	t(190)	p-level
Intercept			2.537308	0.148803	17.05151	0.000000
D3_Affordability	-0.074525	0.071396	-0.028151	0.026969	-1.04383	0.29799
D3_Proximity	0.071808	0.074440	0.026855	0.027840	0.96465	0.33604
D3_Desire	0.348205	0.072295	0.156582	0.032510	4.81647	0.00000