

Researchers

Michael King
Trinity College Dublin

Chaning Jang
Busara Center for Behavioral Economics

Daniel Putman
Former Postdoctoral Fellow, Consumer Protection Initiative

Staff

Emeka Eluemunor
Country Director, Nigeria

Brian Mwesigwa
Associate Research Manager

Timeline

2021-2022

Sample Size

3600 micro, small and medium enterprises

Research Implemented by IPA

Yes

The Impact of Unique Communications Codes and Anti-Fraud Campaigns on Non-Institutional Fraud and Trust in Digital Financial Services in Nigeria

Abstract

The high prevalence of digital financial fraud makes it difficult for businesses to distinguish between real communications from digital service providers and fraudulent communication. This can lead to a lack of trust in digital financial services. In Nigeria, IPA worked with researchers to evaluate the impact of educational interventions and Unique Communication Codes (UCC) for business and service providers and an anti-fraud campaign on susceptibility to fraud and trust in digital financial services.

Policy Issue

Non-institutional fraud (fraud carried out by individuals or groups) targeted at micro, small, and medium enterprises (MSMEs) is pervasive across low- and middle-income countries (LMIC) and has risen in the wake of the COVID-19 pandemic.^[1] Fraud can cause monetary and psychological damage for users, and the threat of victimization can lead to systemic mistrust and underuse of digital financial services (DFS).^[2] Types of fraud can include phishing scams to access passwords and log-ins, impersonation of formal institutions, offers of fake products

or services and absconding with payments, and psychological manipulation to persuade victims to part with money.^[3]

There is limited knowledge of what can reduce fraud. While there are some studies that explore how information can improve trust in DFS, almost all of the evidence on the effectiveness of anti-fraud campaigns and other anti-fraud interventions for MSMEs comes from high-income countries. Moreover, the evidence focuses primarily on employees of large corporations that are victims.^[4] This research aims to contribute to the literature by focusing on anti-fraud interventions targeted at MSMEs in Nigeria.

Context of the Evaluation

Non-institutional fraud is pervasive in Nigeria. IPA's recent consumer protection surveys found that 51 percent of Nigerian respondents experienced phishing scams and these types of fraud were the third most commonly cited barrier to using DFS in Nigeria.^[5] Alongside consumers, MSMEs are common targets of non-institutional fraud in developing countries.^[6]

This research will take place in collaboration with research partner Busara Center for Behavioral Economics and implementing partner CoAmana. CoAmana is a Nigeria-based company that runs a digital platform called Amana Market. They provide market access (links to buyers and input suppliers) and information through a combination of web, SMS, and other communications. Current Amana Market customers include MSMEs mainly in North-Central Nigeria (Kaduna and Kano regions), typically working in farming, tailoring and textiles, woodwork and carpentry, masonry, metal fabrication, or local crafts. These MSMEs are small and low-income as CoAmana prioritizes MSMEs who earn an average of 150 dollars a month or less. As on any digital platform, MSMEs on Amana Market face the threat of illegitimate communications masquerading as CoAmana.

Details of the Intervention

In Nigeria, researchers will measure the impact of two interventions on MSMEs' ability to distinguish fraud and scams from legitimate communications as well as MSMEs' trust in and usage of DFS. This research would be done in a two-fold process: by way of a lab and field study and interventions include a Unique Communications Code (UCC), which is an individualized code programmed and attached to each user on a digital platform, and an anti-fraud campaign, which provides information to consumers about the signs of potential fraud.

First, researchers will conduct a lab-based pilot evaluation to test the anti-fraud campaign and the UCC codes. Participants will include 500 MSME customers of the CoAmana platform and 250 students from Ahmadu Bello University. Participants will be randomly selected to one of four intervention groups and a comparison group. Participants of the intervention groups will receive different information and warnings about fraud, while participants in the comparison group will only receive warnings. Then, participants will be asked to perform a fraud identification activity where they are presented with examples of potential fraud. At the end, participants will choose a phrase or word to serve as a UCC. After the experiment, the

participants will be contacted to determine their recall of the UCC they have chosen.

Second, researchers will test both the UCC and an anti-fraud campaign in a randomized evaluation. This study will recruit and onboard a combination of new and existing Amana Market customers. In total 3600 MSMEs will be enrolled and then will be randomly assigned to one of the following groups:

1. **Unique Communications Code (UCC):** Participants will create a UCC that will be contained in every text-based communication (e.g. SMS and email) from the Amana Market platform.
2. **Anti Fraud Campaign:** The research team will prepare materials with information on how to identify legitimate versus fraudulent digital channels and communication. These materials will be delivered to MSMEs in a campaign over CoAmana's market platform.
3. **Comparison group:** MSMEs in this group will not receive any of the interventions until after endline.

Results and Policy Lessons

Research ongoing; results forthcoming.

Sources

[1] Tade, Oludayo. "COVID-'419': Social Context of Cybercrime in the Age of COVID-19 in Nigeria." *African Security* 00, no. 00 (2021): 1-24.
<https://doi.org/10.1080/19392206.2021.2004642>.

[2] Vohs, Kathleen D., Roy F. Baumeister, and Jason Chin. "Feeling Duped: Emotional, Motivational, and Cognitive Aspects of Being Exploited by Others." *Review of General Psychology* 11, no. 2 (2007): 127-41. <https://doi.org/10.1037/1089-2680.11.2.127>.

[3,4] Garz, Seth, Xavier Giné, Dean Karlan, Rafe Mazer, Caitlin Sanford, and Jonathan Zinman. "Consumer Protection for Financial Inclusion in Low and Middle Income Countries: Bridging Regulator and Academic Perspectives." Vol. 2507, 2020.
<https://doi.org/10.1146/annurev-financial-071020-012008>.

[5] Blackmon, William, Rafe Mazer, and Shana Warren. "Nigeria Consumer Protection in Digital Finance Survey," 2021.

[6] Kabanda, Salah, Maureen Tanner, and Cameron Kent. "Exploring SME Cybersecurity Practices in Developing Countries." *Journal of Organizational Computing and Electronic Commerce* 28, no. 3 (2018): 269-82. <https://doi.org/10.1080/10919392.2018.1484598>.

March 22, 2022