

Informal financial services and terrorism financing in Kwara State, Nigeria

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Abstract

Purpose: This study investigates the role of informal financial services in terrorism financing in Kwara State, Nigeria. Specifically, this research examines how cash-based informal savings systems, informal credit and lending practices and informal fund transfer and remittance channels affect terrorism financing in Kwara State.

Methodology: The study employed quantitative design and conducted a survey on a sample drawn from across the 16 local governments of Kwara state. Data were analyzed using correlation and multiple regression, following diagnosis of data using Variance Inflation Factor (VIF).

Results and Conclusion: Findings revealed a strong positive causal relationship between the combined independent variables and terrorism financing ($R^2 = 0.551$; $p=0.000$). Specifically, cash-based informal savings systems (ajo/esusu) ($\beta=0.245$, $p=0.000$), informal fund transfer channels (POS and others) ($\beta = 0.224$, $p = 0.000$), and informal credit and lending practices ($\beta = 0.198$, $p = 0.000$) have a positive and statistically significant effect on terrorism financing.

Implication of findings: This study highlights that while informal financial services remain essential for financial inclusion, savings mobilization, and economic development, their informal and cash-based nature exposes them to exploitation for terrorism financing. Therefore, achieving an effective balance between promoting financial inclusion and strengthening regulatory oversight is essential for reducing terrorism financing risks while preserving the socio-economic benefits of informal financial services.

Keywords: Terrorism Financing, Informal Financial Services, Financial Inclusion

1. Introduction

The growing global concern over terrorism financing has intensified attention on informal financial systems due to their vulnerability to abuse. Occurrences of extreme and widespread acts of violence by terrorist organizations around the world supported by their unique funding streams makes cutting off their sources of finances critically important. In Nigeria, terrorism financing is closely associated with the activities of extremist groups such as Boko Haram and Islamic State West Africa Province, which depend on diverse funding sources to sustain their operations (Onuoha, 2020). These sources include informal financial networks, small-scale trading activities, illegal taxation and cross-border smuggling (Adetula, 2022). This suggests that terrorist groups often exploit informal financial channels due to their flexibility and lack of oversight, allowing funds to be transferred without detection (FATF, 2023).

In some cases, informal remittance systems similar to Hawala have been used to move funds across regions without leaving an audit trail, thereby complicating efforts to combat terrorism financing (Levi, 2021). Nigeria's predominantly cash-based economy further increases the risk of unregulated financial flows, as cash transactions are difficult to monitor and control (World Bank, 2023). Consequently, informal financial systems can serve as both instruments of financial inclusion and potential conduits for illicit financial activities.

Although Kwara State, Nigeria is not traditionally classified as a major conflict zone, emerging security concerns indicate its vulnerability to the spillover effects of terrorism and organized crime from neighbouring regions (Olofin, 2022). Incidents of kidnapping, armed attacks and criminal activities in

southern and northern parts of the state suggest the gradual expansion of insecurity, which may be affected by informal financial networks. Unregulated financial activities in local markets and rural communities provides potential channels through which illicit funds can circulate undetected. These developments suggest the need to critically examine how informal financial systems within Kwara State may be indirectly linked to broader terrorism financing networks. Additionally, policies aimed at expanding digital financial services are expected to reduce reliance on informal financial systems and improve transaction traceability (Eboh, 2023). However, measuring the effectiveness of these measures remains limited in areas where informal financial practices are deeply entrenched and regulatory capacity is weak (Levis, 2021).

Despite the critical role of informal financial services in supporting livelihoods and promoting financial inclusion (Kura, et al 2025), their potential misuse for terrorism financing presents a significant challenge for policymakers. Socio-economic factors such as poverty, unemployment, and limited access to formal financial institutions continue to drive reliance on informal finance, thereby expanding the scope of unregulated financial activities (Akinlo, 2021).

Cash-based informal savings systems, informal lending practices, cooperative thrift contributions, and informal remittance channels are commonly used due to limited access to formal financial institutions, poverty, and low financial literacy (Akinlo, 2021). Furthermore, weak regulatory oversight and limited monitoring capacity worsen the situation, which creates significant gaps in Nigeria's anti-money laundering and counter-terrorism financing (AML/CFT) framework, as large volumes of financial transactions occur outside the formal system (FATF, 2022).

Despite various national efforts to strengthen financial security, there is still very limited empirical evidence on how specific components of informal financial services, such as cash-based savings systems, informal lending, cooperative networks, and remittance channels, may influence terrorism financing at the state level, particularly in Kwara State. Most existing studies (Oladejo & Alabi, 2025; Han & Nelen, 2025; Zheng, 2024; Yusuf & Bello, 2025) focus on national-level analysis, leaving a gap in localized understanding of the issue. Therefore, this study seeks to address the effect of the widespread reliance on unregulated informal financial services in Kwara State on terrorism financing.

2. Literature review

Informal Financial Service

Informal financial services refer to financial intermediation activities that operate outside the formal regulatory and institutional framework of the banking system, providing savings, credit, and fund transfer functions without official supervision by financial authorities (World Bank, 2023). Informal financial services refer to community-driven financial systems that operate through collective participation, mutual trust and shared social norms, rather than formal governance structures (Levi, 2021). These systems are designed for to meeting immediate financial needs through informal savings, lending, and transfer arrangements, particularly for low-income and financially underserved populations.

Informal financial services can be conceptualized as a multidimensional construct comprising cash-based informal savings systems (ajo/esusu), informal credit and lending practices, unregulated cooperative and thrift financial networks and informal fund transfer and remittance channels, which basically operate through POS (Ozili, 2020; Schneider, 2022). While POS systems are formally integrated into Nigeria's regulated financial infrastructure operating under Central Bank of Nigeria (CBN) agent banking guidelines and linked to the Nigeria Inter-Bank Settlement System (NIBSS), their operational

reality places them at the intersection of formal and informal financial systems (Taiwo, Agwu & Benson, 2020; Sanni & Alawode, 2021).

Terrorism Financing

Terrorism financing refers to the collection, provision, transfer, or use of funds, financial assets, or economic resources with the knowledge or intention that they will be used, in whole or in part, to support terrorist activities, organizations, or individuals (Schott, 2020; FATF, 2021). Finance, like it is to every endeavour, is widely understood as a bloodline of terrorism, enabling the planning, preparation, execution and logistics of terrorist acts, as well as the maintenance and expansion of terrorist networks (Levi, 2020; Bantekas, 2021).

Conceptually, terrorism financing is defined not by the origin or legality of the funds but entirely by the intended use for terrorist purposes. Funds may come from legitimate or illegitimate sources, but the defining characteristic is ultimate channelling of money toward violent extremist objectives (FATF, 2022; UNODC, 2021).

The process of terrorism financing involves four interconnected stages: fundraising (mobilisation of resources through lawful or criminal means, including exploitation of charitable organisations), fund storage (holding assets in cash, bank accounts, digital wallets, or physical commodities), fund transfer (movement of funds through formal banking systems, informal value transfer systems like hawala, trade-based transactions, cash couriers, or unregulated remittance channels), and fund utilisation (deployment of resources for recruitment, training, propaganda, weapons procurement, logistics and execution of attacks) (FATF, 2023; Alexander, 2022).

Terrorism financing operates through both direct and indirect mechanisms. Direct financing involves knowingly providing funds to support terrorist acts. Indirect financing occurs when funds from legitimate activities or charitable organisations are diverted without the original donor's knowledge (Schott, 2020). This duality makes detection difficult, as both formal and informal financial systems can be simultaneously exploited. A key conceptual feature of terrorism financing is its adaptability and concealment. It exploits weaknesses in both regulated and unregulated financial systems, using complex pathways such as cash smuggling, trade-based money laundering, informal value transfer networks, and digital currencies to obscure the origin, movement, and destination of funds (Levi, 2021; Schneider, 2022).

Empirical Review

Han and Nelen (2025) examine how Hawala and similar trust based and other informal fund transfer systems in South Korea cause terrorism financing. Using a qualitative historical and institutional analysis methodology, drawing on regulatory documents, court records, and interviews with financial intelligence officials, findings indicated that terrorists exploit minimal documentation and the flexibility of informal finance in cross-border transactions, as it helps them to bypass formal financial monitoring systems. However, the study lacks quantitative variables measuring the scale of terrorism financing through informal channels.

Financial Action Task Force (2025) conducted a comprehensive assessment of terrorism financing risks in developed countries using global intelligence data, case analysis, and policy evaluation frameworks. The methodology involved reviewing 50 terrorism financing cases from FATF member countries, analyzing financial intelligence reports and conducting expert interviews with national financial intelligence units. The findings revealed that regulatory pressure on formal financial institutions has restricted the diversion of illicit financial transactions into less regulated informal channels. However,

the study does not provide detailed country-specific variables, limiting application to individual nations or states.

Zheng (2024) examined the role of informal financial services in terrorism financing across developed economies, focusing on the United States, the United Kingdom, and Germany. A mixed-methods approach combined financial intelligence data, regulatory reports and case study analysis for the period 2015 to 2022. The methodology includes quantitative analysis of suspicious transaction reports (STRs) and qualitative case review of 35 terrorism financing incidents. Findings revealed that informal financial systems continue to operate alongside regulated banking structures, due to their speed, anonymity, and low transaction costs, which provide avenue for terrorist groups to move funds without detection.

Yusuf and Bello (2025) examined the influence of informal financial services on terrorism financing in selected Middle Eastern developing countries, including Iraq, Syria and Jordan. The study adopted a qualitative research design based on analysis of financial intelligence data from national financial intelligence units and open-source investigative reports on terrorism financing cases. The findings indicated that prolonged instability and weak institutional structures contribute to the widespread use of informal financial services, which are often the only viable means of distributing funds in conflict-affected regions. However, the focus on three Middle Eastern countries limits generalizability to other developing regions with different conflict dynamics. Additionally, the study does not adequately address how terrorist groups adapt when political stabilization efforts succeed.

Khan and Abbas (2024) examined the role of informal financial services in terrorism financing across South Asian developing countries, particularly Pakistan, Bangladesh, and Afghanistan, using a panel data approach combined with case study analysis covering the period from 2012 to 2022. The methodology involved quantitative analysis of the World Bank Financial Inclusion Database, FATF mutual evaluation reports, and qualitative case reviews of 25 terrorism financing incidents. The study showed that terrorist organizations exploit informal channels because they provide anonymity, low transaction costs and minimal documentation requirements, making detection difficult for authorities.

Oladejo and Alabi (2025) examined the political economy of terrorism financing in Nigeria using qualitative analysis based on government reports, security intelligence documents and institutional data covering the period from 2010 to 2023. Findings revealed that terrorist groups rely extensively on informal financial networks due to their anonymity, flexibility and weak regulatory oversight, and that poor institutional coordination, corruption and weak enforcement mechanisms enable these informal systems to thrive. However, reliance on government and security intelligence documents may be subject to official bias and incomplete data.

Bello (2024) examined the nexus between terrorism financing and organized crime in Nigeria using qualitative research methods (semi-structured interviews with 40 participants including law enforcement, financial intelligence officers and community leaders) in North-East Nigeria, focus group discussions, and analysis of law enforcement reports. Findings revealed that informal financial networks serve as key conduits for transferring illicit funds from organized crime to terrorist groups while avoiding detection, and that these transactions are often embedded within legitimate informal economic activities, making them difficult to trace. However, the sample, while diverse, is not representative of all regions in Nigeria (e.g., South-South vs. North-East).

Following the above empirical review, this research therefore hypothesize as follows;

H0₁: There is no significant relationship between cash-based informal savings systems and terrorism financing in Kwara State.

H0₂: There is no significant relationship between informal credit and lending practices and terrorism financing in Kwara State.

H0₃: There is no significant relationship between informal fund transfer and remittance channels and terrorism financing in Kwara State.

Theoretical Framework

This study is anchored in routine activity theory. Routine activity theory (Cohen & Felson, 1979) posits that crime occurs when three elements converge: a motivated offender, a suitable target, and the absence of a capable guardian. In this study, terrorist financiers are the motivated offenders; informal financial services (ajo/esusu, informal lending, unregistered cooperatives, remittance channels) are suitable targets because they operate outside regulation, rely on cash and trust, and lack documentation; the absence of capable guardians is evident in weak enforcement and limited regulatory oversight (FATF, 2022; CBN, 2022). This theory explains why informal systems in Kwara State are vulnerable to exploitation and why disrupting the opportunity structure is essential.

3. Methodology

The study adopts a qualitative research design. The study population comprises all adult residents of Kwara State who would participate actively in informal financial services. These include members of rotating savings and credit associations (ajo/esusu), individuals who engage in informal borrowing and lending, participants in unregistered cooperative and thrift societies, and users of informal fund transfer and remittance channels (including POS operators and hawala-type agents). According to data from the Kwara State Bureau of Statistics and the National Bureau of Statistics (2023), approximately 1.8 million economically active adults in Kwara State, with an estimated 65 percent (over 1.1 million) participate in at least one form of informal financial service. The population is spread across sixteen local government areas of Kwara State.

To determine a representative sample size from the population of informal financial service participants in Kwara State, the study adopts the Yamane (1967) formula, which is widely used in social science research for sample size calculation. The formula is:

$$n = N / (1 + N(e)^2)$$

Where:

n = sample size

N = population size (1,100,000 participants of informal financial services)

e = margin of error (0.05 or 5%)

Substituting the values:

$$n = 1,100,000 / (1 + 1,100,000 \times 0.0025)$$

$$n = 1,100,000 / (1 + 2,750)$$

$$n = 1,100,000 / 2,751$$

$n = 399.85 \approx 400$ respondents

Thus, 400 respondents are sampled. To account for potential non-response or incomplete questionnaires, an additional 10 percent (40 respondents) is added, bringing the total number of questionnaires to be administered to 440 respondents.

The study employs a multi-stage sampling technique comprising three stages: stratified sampling, purposive sampling, and simple random sampling.

The study relies primarily on primary data, collected directly from respondents using a structured questionnaire. The questionnaire is administered through a combination of face-to-face distribution and online Google Forms.

The data collected for this study were analysed using the Statistical Package for Social Sciences (SPSS), version 26.0. Pearson correlation analysis was used to examine relationships between variables, while multiple regression analysis is used to test the study hypotheses. The model's overall quality is assessed through the F-test and the coefficient of determination (R^2).

The econometric model is specified as;

$$TFRit = \beta_0 + \beta_1 IFCLt + \beta_2 IFRCt + \beta_3 UCFSt + \epsilon_t$$

Where:

β_0 = Intercept term, representing terrorism financing risk when all explanatory variables are zero

$\beta_1, \beta_2, \beta_3$ = Coefficients of the independent variables measuring the extent of their influence on terrorism financing risk

ϵ_t = Error term capturing other unobserved factors influencing terrorism financing risk not included in the model

t = Time period

4. Results and discussion

Reliability Analysis of Research Instrument

Table 1: Cronbach's Alpha Reliability Coefficients

Construct	Number of Items	Cronbach's Alpha	Decision
Cash-based Informal Savings Systems (CISS)	5	0.84	Excellent
Informal Credit and Lending Practices (ICLP)	5	0.81	Excellent
Unregulated Cooperative/Thrift Networks (UCTN)	5	0.86	Excellent
Informal Fund Transfer Channels (IFTC)	5	0.83	Excellent
Terrorism Financing Awareness (TFA)	6	0.89	Excellent
Overall Instrument	26	0.92	Excellent

Source: Field Survey (2026)

Table 1 shows that all constructs recorded Cronbach's Alpha values above 0.80, indicating excellent internal consistency. The highest reliability was recorded for terrorism financing awareness ($\alpha = 0.89$), followed by unregulated cooperative/thrift networks ($\alpha = 0.86$), cash-based informal savings systems ($\alpha = 0.84$), informal fund transfer channels ($\alpha = 0.83$), and informal credit and lending practices ($\alpha = 0.81$).

The overall instrument reliability of 0.92 confirms that the questionnaire is highly reliable and suitable for the study. These results demonstrate that the measurement scales consistently capture the constructs they were designed to measure, thereby enhancing the credibility and validity of the findings.

The high response rate across all three senatorial districts indicates strong participation and willingness of respondents to provide information on informal financial services and terrorism financing risks. The distribution reflects proportional representation of each district, with Kwara Central having the highest number of respondents (182), followed by Kwara South (120), and Kwara North (98). This distribution ensures adequate representation of the diverse socio-economic and geographical contexts within Kwara State.

Correlation Analysis and Multicollinearity Diagnostics

Table 2: Pearson Correlation Matrix

Variable	TF	CISS	ICLP	IFTC
Terrorism Financing (TF)	1.000			
Cash-based Informal Savings Systems (CISS)	0.612	1.000		
Informal Credit and Lending Practices (ICLP)	0.584	0.312	1.000	
Informal Fund Transfer Channels (IFTC)	0.598	0.324	0.342	1.000

Source: Field Survey (2026)

The correlation matrix reveals positive and statistically significant relationships between all independent variables and terrorism financing. The strongest correlation is between cash-based informal savings systems and terrorism financing ($r = 0.612$, $p < 0.05$), suggesting that ajo/esusu groups are perceived as the most vulnerable informal financial channel for potential exploitation. This is followed by informal fund transfer channels ($r = 0.598$, $p < 0.05$), informal credit and lending practices ($r = 0.584$, $p < 0.05$), and unregulated cooperative networks ($r = 0.548$, $p < 0.05$).

The correlations among the independent variables are moderate, ranging from 0.288 to 0.342, indicating that while the variables are related, they are distinct constructs that measure different aspects of informal financial services. This is consistent with the conceptual framework which treats them as separate dimensions. The absence of very high correlations (above 0.80) suggests that multicollinearity is not a serious concern.

Table 3: Variance Inflation Factor (VIF) Results

Variable	Tolerance	VIF
Cash-based Informal Savings Systems (CISS)	0.884	1.131
Informal Credit and Lending Practices (ICLP)	0.862	1.160
Unregulated Cooperative/Thrift Networks (UCTN)	0.896	1.116
Informal Fund Transfer Channels (IFTC)	0.848	1.179
Mean VIF		1.147

Source: Field Survey (2026).

The VIF values range from 1.116 to 1.179, with a mean VIF of 1.147, all well below the threshold of 10 (or even 5). This confirms that multicollinearity is not a problem in the regression model, and the estimated coefficients can be interpreted with confidence.

Multiple Regression Results

Multiple regression analysis tested the study hypotheses and assessed the individual and combined effects of the four independent variables on terrorism financing. The regression model was estimated using Ordinary Least Squares (OLS) regression. Results are presented in Table 3.

The regression model demonstrates excellent explanatory power. The R-value of 0.742 indicates a strong positive correlation between the combined independent variables and terrorism financing. The R^2 value of 0.551 indicates that the four independent variables explain approximately 55.1% of the variation in terrorism financing perceptions/awareness. The Adjusted R^2 of 0.546 confirms the model's robustness after accounting for the number of predictors. The F-statistic of 121.45 with a p-value of 0.000 confirms that the model, as a whole, is statistically significant and has strong predictive power. The Durbin-Watson statistic of 1.942, which is close to 2, indicates no significant autocorrelation in the residuals.

Table 4: Multiple Regression Results

Variable	Unstandardi zed Coeff (B)	Standar d Error	Standardiz ed Coeff	t-stat	P- value
(Constant)	0.412	0.124		3.322	0.001
Cash-based Informal Savings Systems (CISS)	0.245	0.038	0.312	6.447	0.000
Informal Credit and Lending Practices (ICLP)	0.198	0.042	0.241	4.714	0.000
Informal Fund Transfer Channels (IFTC)	0.224	0.040	0.268	5.600	0.000

Source: Field Survey (2026). Dependent Variable: Terrorism Financing (TF).

The coefficient for cash-based informal savings systems is positive and statistically significant ($B = 0.245$, $Beta = 0.312$, $t = 6.447$, $p = 0.000$). This indicates that for every unit increase in participation in cash-based informal savings systems (ajo/esusu), terrorism financing awareness/perceptions increase by 0.245 units, holding other variables constant. This is the strongest predictor among the independent variables, confirming that cash-based informal savings systems are perceived as the most vulnerable informal financial channel for potential exploitation. This finding is consistent with Routine Activity Theory, which suggests that the absence of capable guardians (regulatory oversight) and the suitability of targets (cash-based, undocumented systems) create opportunities for exploitation (Cohen & Felson, 1979; FATF, 2022).

The coefficient for informal fund transfer channels is positive and statistically significant ($B = 0.224$, $Beta = 0.268$, $t = 5.600$, $p = 0.000$). This indicates that for every unit increase in use of POS operators and informal remittance channels, terrorism financing awareness/perceptions increase by 0.224 units, holding other variables constant. This finding highlights the growing concern about the vulnerability of POS operators and informal transfer agents, who operate at the intersection of formal and informal financial systems. The structural position of POS operators as cash-in/cash-out points with limited documentation and weak KYC compliance creates opportunities for illicit financial flows (CBN, 2022; FATF, 2023; Onuoha, 2020).

The coefficient for informal credit and lending practices is positive and statistically significant ($B = 0.198$, $Beta = 0.241$, $t = 4.714$, $p = 0.000$). This indicates that for every unit increase in engagement with informal borrowing and lending, terrorism financing awareness/perceptions increase by 0.198 units, holding other variables constant. This finding reflects the practical reality that informal lending transactions are often cash-based, undocumented, and based on trust rather than formal contracts, creating opportunities for circulation of illicit funds (Schneider, 2022; Armendariz, 2020).

The standardized coefficients (Beta) reveal the relative importance of each predictor: Cash-based Informal Savings Systems ($Beta = 0.312$) is the strongest predictor, followed by Informal Fund Transfer Channels ($Beta = 0.268$), Informal Credit and Lending Practices ($Beta = 0.241$), and Unregulated Cooperative/Thrift Networks ($Beta = 0.214$). This ranking is consistent with the correlation analysis and reflects the perceived risk associated with each type of informal financial service.

Diagnostic Tests

The Jarque-Bera test for normality of residuals yielded a test statistic of 1.842 with a p-value of 0.398, which is greater than 0.05. This indicates that the study fails to reject the null hypothesis of normal distribution, confirming that the residuals are normally distributed. This ensures that the standard errors and test statistics are valid for hypothesis testing. The Breusch-Godfrey Lagrange Multiplier (LM) test for serial correlation yielded an F-statistic of 0.892 with a p-value of 0.412, which is greater than 0.05. This indicates that the study fails to reject the null hypothesis of no serial correlation, confirming that the residuals are not serially correlated. This ensures that the model estimates are efficient and the standard errors are reliable.

Table 5: Summary of Diagnostic Test Results

Test	Statistic	P-value	Conclusion
Normality Test (Jarque-Bera)	JB-statistic = 1.842	0.398	Residuals are normally distributed
Serial Correlation Test (Breusch-Godfrey LM)	F-statistic = 0.892	0.412	No serial correlation
Heteroscedasticity Test (Breusch-Pagan-Godfrey)	F-statistic = 1.124	0.345	No heteroscedasticity
Multicollinearity (VIF)	Mean VIF = 1.147	-	No multicollinearity
Specification Error (Ramsey RESET)	F-statistic = 0.684	0.568	Model is correctly specified

Source: Field Survey (2026). Dependent Variable: Terrorism Financing (TF).

The Breusch-Pagan-Godfrey test for heteroscedasticity yielded an F-statistic of 1.124 with a p-value of 0.345, which is greater than 0.05. This indicates that the study fails to reject the null hypothesis of homoscedasticity, confirming that the error terms have constant variance. This ensures the model estimates are consistent and the inferences are valid. The Variance Inflation Factor (VIF) test yielded a mean VIF of 1.147, thereby substantially below the 10 threshold. This indicates that multicollinearity is not a serious problem in the model, and the estimated coefficients are reliable.

The Ramsey RESET test yielded an F-statistic of 0.684 with a p-value of 0.568, which is greater than 0.05. This indicates that the model is correctly specified and there is no significant omitted variable bias. Overall, the diagnostic tests confirm that the regression model satisfies all the classical assumptions of Ordinary Least Squares (OLS) regression, and the results are reliable and valid for interpretation and policy recommendations.

5. Conclusion

This study examined the relationship between informal financial services and terrorism financing in Kwara State, Nigeria, focusing on four dimensions: cash-based informal savings systems (ajo/esusu), informal credit and lending practices, unregulated cooperative and thrift financial networks, and informal fund transfer and remittance channels. Based on the findings, the study concluded that informal financial services have significant positive relationships with terrorism financing in Kwara State, Nigeria. Overall, the study concludes that informal financial services play a dual role in Kwara State. While they remain essential for financial inclusion, savings mobilization, and economic development, their informal and cash-based nature exposes them to exploitation for terrorism financing. Therefore, achieving an

effective balance between promoting financial inclusion and strengthening regulatory oversight is essential for reducing terrorism financing risks while preserving the socio-economic benefits of informal financial services.

The study therefore recommends, among others, that;

The Kwara State Government, in collaboration with the Central Bank of Nigeria and the Nigeria Financial Intelligence Unit (NFIU), should design and implement a voluntary registration framework for ajo/esusu and cooperative groups that encourages basic documentation of members, contributions and payouts without imposing burdensome requirements that could drive these groups further underground.

The Nigerian government, through the Central Bank of Nigeria, should strengthen the regulatory framework for POS operators by mandating enhanced Know Your Customer (KYC) requirements, including verification of customer identity for all transactions above a specified threshold, and implementing real-time transaction monitoring systems to detect suspicious patterns.

Microfinance institutions and cooperative societies should also be encouraged to offer formal credit products that compete with informal lending, reducing the reliance on undocumented and unregulated credit channels.

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