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CASHLESS BUT NOT TRUSTLESS: AGENT INTERMEDIARIES AND THE SOCIAL FOUNDATIONS OF CONSUMER TRUST IN NIGERIA'S MOBILE FINANCIAL SERVICES

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ABSTRACT

This study examines how agent intermediaries foster consumer trust within Nigeria's expanding mobile financial services (MFS) ecosystem. Despite rapid progress toward a cashless economy, adoption remains constrained by pervasive distrust stemming from low financial literacy, fraud concerns, and weak consumer protection frameworks. Grounded in Service-Dominant Logic and Institutional Voids Theory, the research employs a mixed-methods design combining survey data from 1,624 MFS users across Kaduna, Kano, and Plateau States with 36 in-depth interviews. Structural equation modeling reveals that agent attributes—particularly local embeddedness and reliability—strongly predict consumer trust, which in turn significantly enhances usage intensity and perceived service quality. Qualitative findings further show that social capital and community accountability operate as informal substitutes for weak institutional safeguards. The study advances theory by demonstrating that in institutionally fragile environments, digital financial inclusion depends not only on technological infrastructure but also on relational infrastructures of trust mediated through human agents. It concludes that Nigeria's cashless transition is sustained by social trust embedded within community-based intermediation, rather than by technology alone.

Keywords: Mobile financial services; agent banking; consumer trust; service-dominant logic; institutional voids; relational infrastructure; digital financial inclusion.

1. INTRODUCTION

The global transition toward digital finance has positioned mobile financial services (MFS) as a cornerstone of financial inclusion and economic empowerment, particularly across developing economies. In Nigeria, this transformation has accelerated through deliberate government policies promoting a cashless economy, rapid fintech innovation, and deepening mobile phone penetration (Central Bank of Nigeria [CBN], 2024). Mobile money platforms, agent banking, and digital wallets now serve over 60 million Nigerians, bridging substantial gaps in formal banking infrastructure and providing essential financial access to rural and peri-urban populations (Nigerian Communications Commission [NCC], 2024). These technological developments promise enhanced convenience, lower transaction costs, and greater participation in the formal financial system.

However, widespread access to digital finance has not translated into universal trust or consistent adoption. Persistent skepticism—driven by low financial literacy, experiences of fraud, system unreliability, and weak

consumer protection frameworks—continues to inhibit user confidence (World Bank, 2023). In contexts where institutional safeguards are fragile, many potential users hesitate to fully engage with digital financial systems, perceiving them as risky and impersonal. Thus, while Nigeria's cashless policy has expanded financial reach, it has also exposed a structural trust deficit that threatens the inclusivity and sustainability of this transformation.

Amid this challenge, human intermediaries—specifically MFS agents—play a crucial yet underexamined role. Far from being replaced by technology, human touchpoints remain vital in mediating between abstract digital systems and the social realities of local users. Agents—often small business owners, shopkeepers, or telecommunications vendors—serve as accessible points for deposits, withdrawals, registration, and problem resolution. Beyond their transactional functions, they act as trust brokers who translate institutional credibility into interpersonal assurance. In high-risk environments such as Northern Nigeria, where security challenges and institutional voids persist, these agents become tangible embodiments of reliability and social accountability (Porteous & Reynolds, 2023).

This study argues that Nigeria's digital financial inclusion depends not only on technological innovation but also on relational infrastructures—webs of interpersonal trust that sustain confidence in otherwise impersonal systems. The research is anchored in Service-Dominant Logic (SDL) (Vargo & Lusch, 2017), which views value as co-created through interactions among multiple actors within a service ecosystem, and Institutional Voids Theory (Khanna & Palepu, 2022), which explains how informal social mechanisms substitute for weak formal institutions. Together, these perspectives illuminate how agent intermediaries co-create trust and legitimacy within fragile institutional settings.

Against this backdrop, the study seeks to answer three interrelated questions:

i. To what extent, and through what mechanisms, do agent intermediaries influence the formation of consumer trust in mobile financial services?
ii. Which specific agent attributes—such as familiarity, reliability, and local embeddedness—most strongly predict user trust?
iii. Does agent trust translate into greater usage intensity and improved perceptions of service quality?

By empirically addressing these questions across three Nigerian states—Kaduna, Kano, and Plateau—this research contributes to both the service marketing and financial inclusion literatures. It demonstrates that the success of Nigeria's cashless policy rests not solely on digital infrastructure, but equally on the human and social infrastructures that make technology trustworthy. In doing so, it reframes financial inclusion in the Global South as cashless but not trustless—a process sustained by community-based agents who bridge the gap between technology and trust.

2. LITERATURE REVIEW

2.1. Mobile Financial Services and the Trust Deficit

Mobile financial services (MFS) have emerged as a transformative instrument for promoting financial inclusion across developing economies. By enabling low-cost transactions and reducing dependence on physical bank branches, MFS offer opportunities to integrate millions of unbanked individuals into formal financial systems (Demirgüç-Kunt et al., 2022). According to the Global Findex Database (World Bank, 2022), over 20% of adults in Sub-Saharan Africa now own a mobile money account, highlighting rapid adoption yet persistent disparities across gender, income, and geographic lines.

Despite this expansion, adoption remains constrained by a pervasive trust deficit**.** Users often doubt the reliability, security, and fairness of digital financial platforms, particularly in contexts where fraud, system failures, and poor redress mechanisms are common (Suri & Jack, 2023). Unlike traditional banking—anchored in physical presence and personal relationships—MFS rely on digital interfaces that lack the tangible cues necessary for building interpersonal confidence (Muthukannan, Tan, & Gozman, 2023). Empirical studies show that perceived risk, data insecurity, and limited consumer protection significantly reduce both initial adoption and sustained usage of digital finance (Johnson, Williams, & Nino-Zarazua, 2023). This indicates that financial inclusion efforts must extend beyond technological diffusion to address the social and psychological foundations of user trust.

2.2. Human Intermediaries in Digital Finance Ecosystems

Contrary to the assumption that digitization eliminates human contact, a growing body of evidence shows that **human intermediaries** remain indispensable in digital service ecosystems. In Kenya, the success of M-Pesa was deeply rooted in its extensive network of local airtime vendors who became trusted mobile money agents, offering users both technical assistance and interpersonal reassurance (Jack & Suri, 2023). Similarly, in India, the introduction of banking correspondents (BCs) under the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme enhanced financial access by delivering culturally

familiar and contextually adapted support (Pan & Chen, 2023).

These findings align with Service-Dominant Logic (SDL)**,** which posits that value creation in service systems emerges through the dynamic interaction of multiple actors who co-produce and co-validate service outcomes (Vargo & Lusch, 2017). Within this framework, agents are not passive transactional conduits but active value co-creators who translate complex digital systems into socially meaningful experiences. Dupas, Karlan, and Robinson (2023) further demonstrate that agent-assisted digital transactions have higher completion rates and user satisfaction compared to fully automated alternatives in low-literacy environments. Hence, the agent's role extends beyond operational facilitation—it constitutes the relational foundation upon which trust and legitimacy in digital finance are constructed.

2.3. Agent Trust and Institutional Voids

The importance of human intermediation becomes even more pronounced in contexts marked by institutional voids, where weak regulatory frameworks, corruption, and security risks undermine formal mechanisms of trust (Khanna & Palepu, 2022). In such environments, informal social institutions often emerge as functional substitutes for absent or ineffective formal structures. Local agents, embedded within tight-knit community networks, frequently act as de facto guarantors of credibility**,** leveraging social proximity, religious affiliation, and kinship ties to foster user confidence (Meagher, 2023).

In Northern Nigeria—an area characterized by conflict exposure and institutional fragility—recent research highlights the pivotal role of social embeddedness in digital financial adoption. Okechukwu and Eze (2024) found that MFS users in Zamfara State preferred agents endorsed by local market unions, while Adeyemi and Ogunleye (2024) observed that female users were more likely to adopt mobile money services when interacting with female agents located near trusted community institutions such as mosques. These studies underscore that in the absence of robust formal oversight, social capital and community reputation function as informal governance mechanisms ensuring accountability and trust.

2.4. Synthesis and Research Gap

Existing scholarship affirms that interpersonal trust, social capital, and institutional context significantly shape MFS adoption. However, several gaps persist. First, much of the current evidence remains qualitative**,** offering descriptive insights without quantifying the strength or structure of the relationships between agent attributes and user trust. Second, there is limited integration of Service-Dominant **Logic** and Institutional Voids Theory to explain how agents mediate trust formation within fragile institutional contexts. Third, few empirical studies explicitly test whether trust in agents translates into behavioral outcomes such as usage intensity and perceived service quality.

This study addresses these gaps by developing and empirically validating a conceptual model linking agent attributes, consumer trust, and usage behavior. By combining survey-based structural equation modeling with qualitative validation across three Northern Nigerian states, the research contributes to both theory and practice. It reconceptualizes agent networks not merely as distribution infrastructure but as relational infrastructures that co-create trust in the digital financial ecosystem.

3. METHODOLOGY

This study employed a convergent mixed-methods design that integrated quantitative and qualitative approaches to comprehensively examine the relationship between agent characteristics, consumer trust, and mobile financial service (MFS) usage in Northern Nigeria. The quantitative component tested hypothesized relationships using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4.0, while the qualitative component explored contextual nuances through in-depth interviews, following Creswell and Plano Clark's (2023) triangulation framework for methodological integration and validation. The research was conducted across Kaduna, Kano, and Plateau States—regions representing the diversity of Northern Nigeria's MFS landscape in terms of financial inclusion, agent density, and socio-cultural dynamics. Kaduna and Kano provided urban and commercial contexts, while Plateau offered a mixed rural–urban setting, collectively reflecting how digital finance operates within institutionally fragile environments.

The target population comprised registered users of mobile money and agent banking services across these states. Using Cochran's (1977) formula, a minimum sample size of 1,500 was determined, and a multi-stage sampling technique was employed to select local government areas, agents, and customers. In total, 1,624 valid questionnaires were collected (90% response rate) using a 5-point Likert-scale instrument adapted from validated constructs measuring agent reliability, social embeddedness, perceived service quality, trust, and usage intensity (Gefen et al., 2023; Parasuraman et al., 2022).

Data collection, conducted between February and May 2024, was supported by trained local enumerators to ensure cultural sensitivity. Additionally, 36 semi-

structured interviews with MFS users, agents, and local leaders were conducted to explore trust-building processes in the absence of strong institutional oversight. Interviews were transcribed verbatim and thematically analyzed using NVivo 14 (Braun & Clarke, 2022). Quantitative data reliability and validity were confirmed through Cronbach's alpha, composite reliability, average variance extracted (AVE), and discriminant validity tests (Hair et al., 2022). Ethical clearance was secured prior to data collection, and participants were informed of their rights, confidentiality, and voluntary participation. Fieldwork in insecure areas was conducted in safe, neutral spaces to protect participants. By integrating statistical rigor with contextual insight, this methodological approach provides a robust foundation for analyzing how agent attributes foster or constrain consumer trust in Nigeria's evolving cashless economy.

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics and Measurement Model

The sample consisted of 1,624 respondents representing active users of mobile financial services (MFS) across Kaduna, Kano, and Plateau States. The demographic distribution showed a relatively balanced yet inclusive population: 58% female**,** 64% rural dwellers, and 71% with secondary education or less, indicating that the study captured users often excluded from formal financial systems (Johnson et al., 2023).

A notable 89% of respondents used agent services weekly, while 76% reported personal familiarity with their primary agent, underscoring the relational embeddedness of agent-customer interactions. The most common reasons for selecting an agent were physical proximity (82%)**,** long-term relationship (74%)**,** and community recommendation (68%)**,** reinforcing prior evidence that trust in agent banking is socially rather than technologically constructed (Meagher, 2023).

The measurement model demonstrated satisfactory psychometric validity. Cronbach's alpha values ranged from 0.85 to 0.92, composite reliability (CR) scores from 0.87 to 0.93, and average variance extracted (AVE) values exceeded 0.60 for all constructs, confirming reliability and convergent validity (Hair et al., 2022). Discriminant validity was verified through the Fornell-Larcker criterion, where the square roots of AVE exceeded inter-construct correlations, indicating conceptual distinction among variables such as *agent trust*, *service quality*, and *usage intensity*.

4.2. Hypothesis Testing and Structural Model

Structural Equation Modeling (SEM) revealed a **well-**fitting **model** ($\chi^2/df = 2.31$, CFI = 0.96, TLI = 0.95, RMSEA = 0.041), meeting recommended thresholds for good model fit (Kline, 2023).

All hypothesized paths were significant ($p < 0.001$), confirming strong relationships among the core constructs:

Hypothesis	Path	β	t-value	p-value	95% CI	Decision
H1	Agent Attributes → Agent Trust	0.67	11.20	<0.001	[0.59, 0.74]	Supported
H2	Agent Trust → Usage Intensity	0.52	9.38	<0.001	[0.44, 0.60]	Supported
H3	Agent Trust → Service Quality	0.70	13.41	<0.001	[0.63, 0.78]	Supported
H4	Agent Attributes → Trust → Service Quality (Indirect)	0.47	8.86	<0.001	[0.40, 0.54]	Supported

Post-hoc analysis of specific *agent attributes* revealed that local embeddedness (β = 0.41) and reliability (β = 0.38**)** were significantly stronger predictors of trust than technical competence (β = 0.19)**.** This finding highlights that social capital outweighs technical proficiency in determining user confidence within institutionally fragile environments (Porteous & Reynolds, 2023).

4.3. Qualitative Insights

The qualitative data provided deep contextual reinforcement for these quantitative relationships. Respondents repeatedly framed trust as a moral and social contract rather than a purely transactional assurance.

One female respondent in Jos explained:

"If my agent cheats me, everyone in the market will know—he cannot survive here."

Similarly, a long-serving agent in Kano emphasized:

"My reputation is my license. If the community loses trust in me, no one will come to my stand."

These narratives underscore the concept of "social collateral"—the notion that an agent's embeddedness in community networks serves as informal insurance against misconduct (Khanna & Palepu, 2022). Such community-based enforcement substitutes for weak formal regulation, consistent with Meagher's (2023) observation that informal institutions sustain digital finance ecosystems where legal recourse is limited.

Participants also described reciprocal accountability, where agents invest in maintaining their credibility through transparency, goodwill gestures, and community service. As one respondent from Kaduna stated:
"He sometimes helps us with small loans or airtime; that is how we know he is genuine."
This highlights that trust is co-produced through continuous social interaction, aligning with Service-Dominant Logic (Vargo & Lusch, 2023), where value emerges from relationships rather than one-time exchanges.

4.4. Integrated Discussion

The findings jointly affirm that trust is the linchpin of digital financial engagement in Northern Nigeria. Quantitative results validate that trust mediates the relationship between agent characteristics and both perceived service quality and usage intensity, while qualitative evidence situates this trust within social structures of accountability and embeddedness.
These outcomes expand understanding in three key ways:

i. Relational Trust as Core Mechanism
Trust in MFS agents emerges not from formal certification but from *relational credibility*—grounded in familiarity, moral conduct, and community sanction. This demonstrates that trust in digital ecosystems can be socially produced, aligning with institutional voids theory (Meagher, 2023).

ii. Social Capital as Informal Governance
The strong predictive role of local embeddedness underscores how informal institutions function as governance mechanisms, bridging structural gaps where regulation or consumer protection is weak. Agents effectively become "community guarantors" of the digital system, translating abstract technologies into culturally resonant services.

iii. Reframing Financial Inclusion
The findings challenge the technological determinism that dominates financial inclusion narratives. Rather than viewing adoption as a function of access or literacy alone, the results demonstrate that *trust infrastructure*—anchored in social capital and reputation—is equally critical for sustainable inclusion (Suri & Jack, 2023).

4.5. Theoretical and Practical Implications

From a theoretical standpoint, the study advances Service-Dominant Logic **by** illustrating that in contexts of institutional fragility, value co-creation depends on social legitimacy rather than efficiency alone. It also extends **i**nstitutional voids theory, specifying how trust-based relationships substitute for absent regulatory oversight.

Practically, the results call for policy interventions that strengthen agent credibility through certification programs, community monitoring, and grievance mechanisms. Financial service providers should recognize and leverage the relational competencies of agents—not merely their transaction capacity—as strategic assets for scaling inclusion in low-trust environments.

This study provides empirical and contextual evidence that trust serves as the critical bridge linking agent attributes **to** service quality **and** user engagemen**t** in digital finance. The convergence of quantitative and qualitative insights confirms that technology alone does not build inclusion—trust, rooted in human and community relationships, does.

5. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

This study examined how agent characteristics shape consumer trust and influence mobile financial service (MFS) adoption, usage intensity, and perceived service quality in Northern Nigeria. Integrating quantitative modeling and qualitative insights, the research established that trust is the pivotal mechanism linking human agency to technological adoption in contexts of institutional fragility.

Empirical findings revealed that *local embeddedness* and *reliability* are stronger predictors of trust than *technical competence*, underscoring that financial inclusion in emerging economies is primarily sustained by relational and social infrastructures**,** not just digital innovation. The qualitative narratives further illustrated how social collateral and community accountability substitute for weak formal regulation, validating institutional voids theory.

The study therefore concludes that Nigeria's cashless transition is not "trustless"—it is profoundly mediated by human trust networks that enable the functioning of digital finance within low-trust, high-risk environments. Agent intermediaries act as both financial facilitators and institutional bridges, translating abstract digital systems into socially credible, community-anchored practices.
Theoretically, the study advances Service-Dominant Logic by demonstrating that value co-creation in digital ecosystems depends on *social legitimacy* and *moral embeddedness* as much as on technical efficiency. It also extends institutional voids theory, showing that informal institutions—such as reputation and communal enforcement—function as effective governance mechanisms in the absence of robust formal regulation.

5.2. Recommendations

Based on the study's findings, several policy and practical recommendations are proposed:

i. Strengthen Agent Certification and Consumer Protection:
Regulators such as the Central Bank of Nigeria (CBN) should introduce a unified agent registry with transparent certification standards and consumer grievance mechanisms. This will institutionalize credibility while maintaining the community-based trust model that currently underpins service delivery.

ii. Leverage Community-Based Monitoring Systems:
Policymakers should integrate traditional and local governance structures (e.g., market associations and community leaders) into agent oversight processes. This partnership would reinforce informal accountability systems already trusted by users.

iii. Enhance Capacity Building for Agents:
Financial service providers should invest in continuous training programs that combine technical skills with *ethical and relational competencies*. Agents should be equipped to manage disputes, communicate transparently, and maintain community goodwill.

iv. Design Gender-Responsive Trust Strategies:
Given women's strong participation in MFS usage, targeted programs that build financial confidence and security for female users and agents are essential. This includes safety guarantees, flexible hours, and women-only agent networks where appropriate.

v. Embed Trust Metrics in Digital Finance Policy:
National financial inclusion strategies should explicitly incorporate trust as a measurable dimension of performance—tracking perceptions of reliability, fairness, and accessibility alongside quantitative inclusion indicators.

vi. Promote Research on Trust Dynamics in Digital Ecosystems:
Future studies should explore longitudinal patterns of trust erosion or reinforcement, particularly in conflict-prone and low-connectivity regions. Comparative research across sub-Saharan Africa could reveal how cultural variations influence digital trust formation.

Ultimately, this study underscores that digital transformation without social trust is incomplete**.** Sustainable financial inclusion in Nigeria—and similar emerging markets—depends not merely on technological diffusion but on cultivating enduring, community-based trust relationships that humanize digital finance.

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